



DONGFANG ELECTRIC CORPORATION LIMITED

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

2018 INTERIM REPORT

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I. DEFINITIONS

In this report, unless the context otherwise requires, the following expressions shall have meanings as follows:

Definitions of Frequently Used Terms

Controlling Shareholder, DEC	Dongfang Electric Corporation
DEC Automatic Control	四川東方電氣自動控制工程有限公司(Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd.)
DEC Bulk Logistic	東方電氣集團大件物流有限公司(DEC Bulk Logistic Co., Ltd.)
DEC Clean Energy	東方電氣成都清能科技有限公司(Chengdu Dongfang Electric Clean Energy Co., Ltd.)
DEC Finance	東方電氣集團財務有限公司 (DEC Finance Co., Ltd.)
DEC Hitachi	東方日立(成都)電控設備有限公司(Dongfang Hitachi (CD) Electrical Control Equipments Co., Ltd.)
DEC International Cooperation	東方電氣集團國際合作有限公司(DEC International Cooperation Limited)

I. DEFINITIONS (CONTINUED)

DEC Materials	東方電氣(四川)物資有限公司(Dongfang Electric (Sichuan) Materials Co., Ltd.)
DEC Smart Energy	東方電氣成都智慧科技有限公司 (Chengdu Dongfang Electric Smart Energy Co., Ltd.)
Dongfang Electric, Company, The Company	Dongfang Electric Corporation Limited
Hong Kong Stock Exchange, Stock Exchange	The Stock Exchange of Hong Kong Limited
Reporting Period, Period	From 1 January 2018 to 30 June 2018
RMB, RMB'0000, RMB100 million	Renminbi Yuan, Renminbi'0000, Renminbi 100 million
SSE	Shanghai Stock Exchange

I. DEFINITIONS (CONTINUED)

Target Assets	95% equity interest in DEC Finance, 100% equity interest in DEC International Cooperation, 100% equity interest in DEC Automatic Control, 41.24% equity interest in DEC Hitachi, 100% equity interest in DEC Materials, 100% equity interest in DEC Bulk Logistic, 100% equity interest in DEC Clean Energy, 100% equity interest in DEC Smart Energy, equipment assets and intangible assets such as intellectual property rights of DEC
Target Companies	DEC Finance, DEC International Cooperation, DEC Automatic Control, DEC Hitachi, DEC Materials, DEC Bulk Logistic, DEC Clean Energy, and DEC Smart Energy
The Transactions, the Restructuring and the Issuance of Shares for Purchase of Assets	Dongfang Electric acquired the Target Assets from DEC by issuance of A shares
Transaction amount of the Target Assets	The consideration amount payable by Dongfang Electric to DEC for acquisition of the Target Assets under the Transactions

II. COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

I. Company Information

Chinese name of the Company:	東方電氣股份有限公司
Abbreviation of the Chinese name of the Company:	東方電氣
English name of the Company:	Dongfang Electric Corporation Limited
Abbreviation of the English name of the Company:	DEC
Legal representative of the Company:	Zou Lei

II. Contact Persons and Methods

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

II. COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

III. Change of Basic Information

Registered address:	18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province
Postal code for the registered address:	611731
Company business address:	18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province
Postal code for business address:	611731
Company website:	http://www.dec-ltd.cn/
E-mail:	dsb@dongfang.com
Registered capital:	RMB3,090,803,431
Reference index for changes during the Reporting Period:	For particulars, please refer to the announcement dated 22 August 2018 published on the websites of SSE and the Stock Exchange

IV. Change of Information Disclosure and Places for Inspection for Relevant Documents

Newspapers designated for disclosure of the Company's information:	China Securities Journal and Shanghai Securities News
Website designated by the CSRC for publication of the Company's interim report:	www.sse.com.cn
Website designated by the Stock Exchange for publication of the Company's interim report:	www.hkexnews.hk
Place where the Company's interim report is available for inspection:	Office of the Board of the Company
Reference index for changes during the Reporting Period:	Not applicable

II. COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

V. Share Information

Class of share	Listing place	Stock abbreviation	Stock code	Stock name before the change
A Shares	SSE	東方電氣	600875	東方電機
H Shares	Stock Exchange	Dongfang Elec	1072	Dongfang Electrical

VI. Major Accounting Data and Financial Indicators

(I) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	Reporting Period	Corresponding period last year (restated)	Change in the Reporting Period as compared with the corresponding period last year (%)
Operating income	16,541,974,640.71	15,378,356,331.50	7.57
Net profit attributable to shareholders of the Company	514,298,835.52	486,037,837.74	5.81
Net profit after non-recurring profit and loss attributable to shareholders of the Company	465,268,804.22	328,316,124.81	41.71
Net cash flow from operating activities	740,356,448.15	-949,017,670.67	N/A

II. COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

VI. Major Accounting Data and Financial Indicators (Continued)

(I) Major accounting data (continued)

Unit: Yuan Currency: RMB

	As at the end of the Reporting Period	As at the end of the previous year (restated)	Increase/decrease for the end of the Reporting Period compared to the end of the previous year (%)
Net assets attributable to shareholders of the Company	27,320,955,388.86	26,443,729,182.87	3.32
Total assets	87,197,720,791.10	90,858,120,211.51	-4.03

(II) Major financial indicators

Major financial indicators	Reporting Period	Corresponding period last year (restated)	Change in the Reporting Period as compared with the corresponding period last year (%)
Basic earnings per share (RMB/share)	0.17	0.16	6.25
Diluted earnings per share (RMB/share)	0.17	0.16	6.25
Basic earnings per share after non-recurring profit and loss (RMB/share)	0.15	0.11	36.36
Weighted average return on net assets (%)	1.93	1.87	Increased by 0.06 percentage point
Weighted average return on net assets after non- recurring profit and loss (%)	1.74	1.26	Increased by 0.48 percentage point

II. COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

VI. Major Accounting Data and Financial Indicators (Continued)

(II) Major financial indicators (continued)

Operating revenue by industry and by segment

Operating revenue by industry			
By industry	Operating revenue	Operating cost	Gross profit margin (%)
			Increase/ decrease in gross profit margin compared to the end of the previous year (%)
Power generation	16,541,974,640.71	13,545,343,300.32	18.12
equipment manufacturing			-0.99 percentage point

Operating revenue by segment			
By segment	Operating revenue	Operating cost	Gross profit margin (%)
High-efficiency clean energy equipment	9,618,155,077.54	8,137,024,491.74	15.40
Renewable energy equipment	2,159,800,691.78	1,877,838,962.14	13.05
Modern service business	3,388,409,928.86	2,533,238,633.72	25.24
Power electronics and intelligent control	650,034,929.64	477,929,403.08	26.48
Ecological environmental protection and others	725,574,012.89	519,311,809.64	28.43

II. COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS (CONTINUED)

VII. Items and Amount of Non-Recurring Profit or Loss

Unit: Yuan Currency: RMB

Items of Non-recurring Profit or Loss	Amount	Note (if any)
Gain or loss on disposal of non-current assets	795,202.21	
Ultra vires approval/no official approval/episodic tax return or relief		
Government subsidies recognized in current period's profit and loss, except continuous government subsidies closely related to the Company's general business, in accordance with state policy, and with fixed amounts	41,338,352.82	
Gain or loss on restructuring liabilities	-39,583.00	
Net profit or loss of subsidiaries acquired through business combination under common control from the beginning of the period to the date of consolidation	41,689,660.15	
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	512,711.46	
Reversal of provision on receivable impairment individually conducted impairment test	35,450,000.00	
Other non-operating incomes and expenses other than the above	-68,027,935.02	
Impact of interests of minor shareholders	-263,812.13	
Impact of income tax	-2,424,565.19	
Total	49,030,031.30	

III. BUSINESS OVERVIEW

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

The Company is engaged in power equipment manufacturing industry. The Company is committed to providing its customers with large-scale power generation equipment of clean and efficient power such as hydropower, thermal power, nuclear power, wind power, steam power and solar power, and engineering contracting and services. 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, wind power equipment, solar photovoltaic, solar-thermal and large environmental equipment, etc.

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, steam power and solar power. The Group is also engaged in such related business as providing global electricity operators with construction contracting and services. As one of the largest R&D and manufacturing bases of power generation equipment and one of the mega enterprises for power-plant project contracting in China, the Company possesses advanced technology, a renowned brand and world-class manufacturing capability. All these serve as the key performance drivers for the Company to realize its sustainable development.

III. BUSINESS OVERVIEW (CONTINUED)

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

Upon completion of the issuance of shares for purchase of assets and the connected transactions in the first half of 2018, the business scope of the Company will be expanded to include power electronics and control, finance, logistics, trade, new energy, intelligent industrial equipment, etc., and the industrial chain of the Company as a power generation equipment manufacturer will be further improved and the core business capacity of power generation equipment will see enhancement. So far, the Company's existing industries are divided into: high-efficiency cleaning energy equipment (including thermal power, nuclear power, gas turbines), renewable energy equipment (including hydropower, wind power, solar power), modern services business (including engineering, trade, finance, power station services, logistics), power electronics and intelligent control, ecological environmental protection and others (including hydrogen energy, water affairs, environmental production, industrial turbines, AC and DC motors, petrochemical containers and others).

In the first half of 2018, domestic power demands continued to grow and the power consumption in China increased by 9.4% year-on-year at a growth rate 3.1 percentage points higher than that of the same period of the previous year. However, power generation investment slowed down and China's investment in power generation projects decreased by 7.3% year-on-year, of which, investments in coal-fired power generation projects and wind power generation projects decreased by 5.5% and 7.8%, respectively. According to the Chinese "13th Five-Year Plan for the Electricity Sector" (《電力發展“十三五”規劃》), during the "13th Five-Year Plan" period, the electricity sector faces a fresh series of situations and challenges, including excess supply as a normal occurrence, a structure of clean energy supplies, intelligent electricity systems, international electricity development, and market-oriented systems and mechanisms. Based on such situations and challenges, the plan specifies the basic principles of "staying clean and

III. BUSINESS OVERVIEW (CONTINUED)

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

low-carbon, seeking green development, optimizing layout, seeking safe development and being intelligent and efficient" in electricity development. According to the requirement that approximately 15% of energy consumption should come from non-fossil fuels, hydropower will be actively developed, new energies will be vigorously developed, nuclear power will be safely developed, power generation through natural gas will be developed in an orderly manner, the construction of distributed steam power will be greatly promoted, and coal power will be developed in a clean and orderly manner. The plan highlights the requirements on the transformation and upgrade of the electricity supply structure. As "de-capacity" in the industries such as the coal power industry is still one of the main concerns in the Chinese macro-economic policies, new installed capacity and orders of coal-fired power has declined dramatically since 2018.

II. Material Changes in Major Assets of The Company during the Reporting Period

The Company acquired the 95% equity interest in DEC Finance, 100% equity interest in DEC International Cooperation, 100% equity interest in DEC Automatic Control, 41.24% equity interest in DEC Hitachi, 100% equity interest in DEC Materials, 100% equity interest in DEC Bulk Logistic, 100% equity interest in DEC Clean Energy and 100% equity interest in DEC Smart Energy held by DEC as well as the 833 equipment assets and 472 intangible assets of DEC from DEC by issuance of A shares at a total consideration of RMB6,793 million. With 31 March 2018 as the audit base date for the completion of the transaction, the Company has completed the industrial and commercial registration of changes therefor. On 12 June 2018, the registration and listing of the 753,903,063 new shares were completed at China Securities Depository and Clearing Corporation Limited Shanghai Branch.

III. BUSINESS OVERVIEW (CONTINUED)

II. Material Changes in Major Assets of The Company during the Reporting Period (Continued)

In particular, overseas assets amounted to RMB Nil accounting for 0% of the total assets.

III. Analysis of Core Competitiveness during the Reporting Period

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

During the reporting period the Company completed the matters in relation to the issuance of shares for purchase of assets from DEC, which further cemented and improved the core competitiveness of the Company. After the transaction, the business scope of the Company will be expanded to include power electronics and control, finance, logistics, trade, new energy, intelligent industrial equipment, etc., and the industrial chain of the Company as a power generation equipment manufacturer will be further improved and the core business of power generation equipment will see quality and efficiency enhancement. Furthermore, through the transaction, the Company will be greatly promoted in terms of integration of industry and finance and international operation and is expected to foster new drivers for growth of results by virtue of the new businesses and gain better profitability and anti-risk capability as well as enhanced overall competitiveness.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS

I. Discussion and Analysis of Operations

During the Reporting Period, in response to the complicated and changing environment, the Company centered on growing bigger, stronger and better, and strove to secure victories in the “three critical missions” of revitalizing wind power business, expanding modern services business and bolstering international business and fulfill the “five major tasks” in a bid to enhance its development quality and efficiency, thereby maintaining steady growth of operating results.

Completion of Operation Indicators

During the Reporting Period, under the China Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB16,542 million, representing an increase of 7.57% over the same period of the previous year; net profit attributable to shareholders of the Company of RMB514 million, representing an increase of 5.81% over the same period of the previous year; and earnings per share of RMB0.17. Consolidated gross profit margin was 18.12%, representing a decrease of 0.99 percentage points over the same period of the previous year.

Capacity of Power Generation Equipment

During the Reporting Period, the Company produced power generation equipment with total capacity of 11,780.1MW, representing a decrease of 29.3% as compared with the same period of the previous year. The equipment included 9 hydro-electric turbine generator units (373.6MW), down by 60.0% as compared with the same period of the previous year; 47 steam turbine generators (11,185MW), down by 27.3% as compared with the same period of the previous year; 94 wind turbine generator sets (221.5MW), down by 38.0% as compared with the same period of the previous year; 25 power station boilers (10,470MW), down by 7.6% as compared with the same period of the previous year; and 53 power station steam turbines (12,423MW), up by 20.9% as compared with the same period of the previous year.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

Market Expansion

During the Reporting Period, in response to the falling market prices amid a general decline in market demand, the staff of the Company worked in concert to expand market and made new progress and breakthroughs in certain areas. In terms of hydropower, the Company won the bid for the pumped storage projects in Yongtai, Fujian and Panlong, Chongqing, thus taking up 100% market share and continuing the leading position in the industry. In terms of coal-fired power, it won the bid for the master equipment of Yanchang Petroleum, HECIC Changtan Power Station and Nangang Thermal of Tianjin Huadian, with over 40% of the market share in the grasp. In terms of nuclear power, the Company secured supply contracts from Hinkley Point C Nuclear Power Plant to provide steam turbine low pressure tank for regular nuclear island and heavy-duty support equipment for nuclear island, marking breakthrough in respect of the “going global” of the Company’s nuclear power equipment. In terms of gas-fueled power, it won the bid for Huadian Qingdao and Qingyuan projects, maintaining the 50% market share. During the Reporting Period, the Company’s new orders amounted to RMB16,962 million, of which export orders amounted to US\$510 million, accounting for 19.1% of the new orders. Among the new orders, 35.5% was attributable to high-efficiency clean energy, 25.4% to renewable energy, 21.8% to modern services business, 6% to power electronics and intelligent control and 11.2% to ecological and environmental protection equipment and others. As at 30 June 2018, the Company had orders in hand of RMB84,800 million, of which high-efficiency clean energy accounted for 65.4%, renewable energy accounted for 18.6%, modern services business accounted for 12.4%, power electronics and intelligent control accounted for 1.1%, and ecological and environmental protection equipment and others accounted for 2.5%.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

Securing new victories in the “three critical missions”

Initial success was achieved in the revitalization of the wind power business. The Company won the bid for the 60,000 KW offshore wind power project of China Three Gorges Corporation in Xinghua Bay in Fujian, securing its first order for offshore wind power farms. The number of orders on overseas wind power projects continued to increase. In particular, the orders for the Aysha project in Ethiopia and Herradura project (Phase II) in Cuba came into effect, and the owner of the Ulyanovsk project in Russia issued the equipment transfer certificate. Further, a substantial progress was made in the research and development of new wind power products. The 5MW offshore wind power turbines obtained model accreditation and first batch of orders, the research and development of the 8MW offshore wind power turbines progressed on schedule, and the construction design of the 3.XMW onshore grand wind power turbines was completed with phase design getting certificated.

Modern services business gathered momentum for further development.

The customer service manager system was implemented throughout the Group and customer service managers were appointed and designated for domestic and overseas power plants. Drawing upon Internet Plus and Industrial Internet, the Group strove to provide whole-process lifetime service solutions for customers. The main functions of the online intelligent power station service platform have been basically completed, creating conditions for further enhancing service quality and competitiveness. The online spare parts mall has been fundamentally completed.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

Securing new victories in the “three critical missions” (continued)

The consolidation of international business resources created synergies. DEC International Cooperation achieved integration of its international operations through the consolidation of its international business resources, and the synergies gradually revealed. In the first half of the year, DEC International Cooperation saw a rebound in its international operations, with contracts awarded for overseas projects reaching RMB17.8 billion. DEC International Cooperation received the notification of award for overseas projects including the Hamrawien project in Egypt, setting new records of the maximum unit capacity and total capacity of power equipment for export in China. In addition, breakthrough was made in regional development of market. The Company set its presence in the new markets in Papua New Guinea, Uzbekistan, Mali in Africa and other countries, and made further achievements in diversified operations by entering into a batch of new contracts and letters of intent in the fields of power transmission and transformation, rail traffic and diesel power generation.

Delivering phased results in respect of the “five major tasks”:

First, reform was deepened in a fast and steady way. 36 key reform tasks were put forward, and the focus was placed on optimizing management and control systems, streamlining structures, three-system reforms, project organization, equity diversification and mixed ownership reform. Milestone progress was made in key areas and critical aspects. The industrialized operation system and the “one horizontal and one vertical” management and control systems were further improved, making resources allocation more scientific and efficient.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

Delivering phased results in respect of the “five major tasks”: (continued)

Second, fruitful results were achieved in scientific and technological innovation. With the establishment of mechanisms for facilitating scientific and technological innovation, six major scientific and technological projects were steadily advanced. The 630°C ultra-supercritical reheat demonstration project entered into the stage of performance design and construction design in full swing; the technical specifications for prototype fast reactor steam generator passed the expert review; Dongfang Electric Machinery made breakthroughs in the development and manufacturing of 1,000MW large hydraulic generating units for Baihetan Power Station, enabling the successful development and operation of the first sophisticated bottom ring, which was praised as the “best sophisticated bottom ring” by the owner; buses powered by hydrogen fuel cells of which by the Company owns proprietary intellectual property rights were put into service in Pidu District, Chengdu, and Dongfang Electric was awarded a demonstration project of 50 hydrogen fuel cell-powered buses of Sichuan Province, which signaled that commercialization of hydrogen fuel cells was under full progress.

Third, quality-focused development was constantly deepened. Taking a problem-solving approach, the Company incessantly carried out the quality promotion campaigns, devoted intensified efforts on product quality and service quality, and recorded nil material quality issue as a result. It published the quality culture construction outline, thus kicking off new tasks for quality culture construction in the new era.

Fourth, cost competitiveness took shape. While continuously advancing “Three Reductions and Two Improvements”, the Company proceeded with the three key tasks of financial management, adopted special measures for loss-making enterprises and carried out special control over asset-liability ratios, resulting in significant improvement in the quality of operations.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

Delivering phased results in respect of the “five major tasks”: (continued)

Fifth, management improvement progressed steadily. Targeting at the overall goal of “implementing lean production, improving lean management and building lean companies”, the Company launched lean management in an all-round way and released the action plan for promoting lean management. In addition, the Company proactively promoted the centralized procurement of general bulk, materials and further optimized the procurement management system.

(I) Analysis of Principal Business

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

Unit: Yuan Currency: RMB

Item	Amount for the Period	Amount for the same period of the previous year (restated)	Change (%)
Operating revenue	16,098,917,937.35	15,063,913,342.05	6.87
Operating cost	13,505,501,267.05	12,385,092,437.95	9.05
Selling expenses	451,729,348.43	563,294,938.12	-19.81
Administrative expenses	1,148,593,077.32	1,188,592,554.99	-3.37
R&D expenses	431,544,259.78	355,339,465.96	21.45
Finance costs	-155,029,790.74	-45,019,443.15	N/A
Net cash flows from operating activities	740,356,448.15	-949,017,670.67	N/A
Net cash flows from investing activities	679,271,047.99	44,439,564.95	1,428.53
Net cash flows from financing activities	-365,682,891.00	-388,321,232.02	N/A

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(I) Analysis of Principal Business (continued)

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

Explanation for changes in operating revenue: Operating revenue for the Period increased by 6.87% as compared with the same period of the previous year, mainly due to the stable performance or growth in major segments.

Explanation for changes in operating cost: Operating cost for the Period increased by 9.05% as compared with the same period of the previous year, mainly due to the year-on-year increase in operating revenue and the increase in the proportion of wind power products which have lower gross profit margin during the Period.

Explanation for changes in selling expenses: Selling expenses for the Period decreased by 19.81% as compared with the same period of the previous year, mainly due to the decrease in product quality service fees during the Period.

Explanation for changes in R&D expenses: R&D expenses for the Period increased by 21.45% as compared with the same period of the previous year, mainly due to the year-on-year increase in R&D expenses input during the Period.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(I) Analysis of Principal Business (continued)

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

Explanation for changes in finance costs: Finance costs for the Period decreased by 244.36% as compared with the same period of the previous year, mainly due to the exchange gains incurred during the Period resulting from RMB exchange rate fluctuation.

Explanation for changes in net cash flows from operating activities: Net cash flows from operating activities for the Period increased by 27.43% as compared with the same period of the previous year, mainly due to a remarkable year-on-year increase in the amount received from the disposal of financial assets purchased under resale agreements by DEC Finance under the Company during the Period.

Explanation for changes in net cash flows from investing activities: Net cash flows from operating activities for the Period increased significantly as compared with the same period of the previous year, mainly due to the year-on-year increase in cash received from investments as well as the year-on-year decrease in the cash paid for new investment businesses.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(I) Analysis of Principal Business (continued)

2. *Top five customers and suppliers*

(1) Major customers

During the Reporting Period, the Group's operating revenue from its top five customers amounted to RMB2,855 million, accounting for 17.73% of its total operating revenue.

(2) Major suppliers

During the Reporting Period, the Group's procurement from its top five suppliers amounted to RMB761 million, accounting for 7.36% of its total procurement.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(I) Analysis of Principal Business (continued)

3. Cash flows

Unit: RMB

Item	Amount for the Period	Amount for the same period of the previous year (Restated)	Change (%)
Other cash received from operating activities	1,617,500,517.71	764,393,219.30	111.61
Cash received from disposal of investments	1,541,257,569.04	1,045,582,203.18	47.41
Cash received from return on investments	58,847,793.56	150,957,701.16	-61.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	57,722,172.50	2,847,639.02	1,927.02

- (1) Other cash received from operating activities increased by 111.61% year-on-year, mainly due to the substantial year-on-year increase in the proceeds received by DEC Finance. From disposal of financial assets purchased under resale agreements during the Period.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(I) Analysis of Principal Business (continued)

3. Cash flows (continued)

- (2) Cash received from disposal of investments increased by 47.41% year-on-year, mainly due to disposal of investment in equity and debt instruments.
- (3) Cash received from return on investments decreased by 61.02% year-on-year, mainly due to the decreases in dividends from joint ventures and return on investments from DEC Finance in the Period.
- (4) Net cash received from disposal of fixed assets, intangible assets and other long-term assets increased substantially year-on-year, mainly due to the increase in disposal of assets in the Period.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

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

1. Principal operations by industry and product

Unit: Yuan

Product	Operating revenue	Operating cost	Gross profit margin (%)	Year-on-year increase/decrease in operating revenue (%)	Year-on-year increase/decrease in operating cost (%)	Year-on-year increase/decrease in gross profit margin (percentage point)
Principal operations by industry						
Power generation equipment manufacturing industry	16,541,974,640.71	13,545,343,300.32	18.12	7.57	8.89	-0.99
Principal operations by product						
High-efficiency clean energy equipment	9,618,155,077.54	8,137,024,491.74	15.40	-4.70	-2.58	-1.84
Renewable energy equipment	2,159,800,691.78	1,877,838,962.14	13.05	81.03	65.65	8.06
Modern services business	3,388,409,928.86	2,533,238,633.72	25.24	22.70	30.94	-4.71
Power electronics and intelligent equipment	650,034,929.64	477,929,403.08	26.48	-1.21	-0.94	-0.20
Ecological and environmental protection equipment and others	725,574,012.89	519,311,809.64	28.43	7.85	-3.03	8.03

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

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

1. *Principal operations by industry and product (continued)*

- (1) The Company sought for restructuring and upgrading proactively during the Period. While focused on its main businesses, it optimized the allocation of resources and improved its quality control continuously, realizing varying degrees of income growth in thermal power, wind power and engineering segments. Total operating revenue increased year-on-year by 7.57% during the Period.
- (2) The operating revenue from high-efficiency clean energy equipment decreased year-on-year by 4.70%, mainly due to a decrease in the scale of sales of gas turbine products during the Period. The gross profit margin of high-efficiency clean energy equipment decreased year-on-year by 1.84 percentage points, mainly due to the decreased proportion of higher profitability gas turbine products in the high-efficiency clean energy equipment during the Period.
- (3) The revenue from renewable energy equipment increased year-on-year by 81.03%, mainly due to the year-on-year increase of 126.39% in revenue of the wind power products during the Period. The gross profit margin of the renewable energy equipment increased year-on-year by 8.06 percentage points, which was primarily resulted from the turnaround from loss for hydro power products.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

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

1. *Principal operations by industry and product (continued)*

- (4) Revenue from modern services business increased year-on-year by 22.70% during the Period, mainly due to the year-on-year increase in the revenue from engineering products. The gross profit margin of modern services business decreased year-on-year by 4.71 percentage points due to the declined gross profit margin of engineering products.
- (5) The revenue from power electronics and intelligent control decreased year-on-year by 1.21%, mainly due to the slight year-on-year decrease in the revenue from automatic control products. The gross profit margin of this segment remained almost flat year-on-year.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

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

2. Total operating revenue by region

Unit: RMB

Region	Operating revenue	Year-on-year increase/decrease in operating revenue (%)
PRC	14,999,462,158.63	10.67
Overseas	1,542,512,482.08	-15.50
Total	16,541,974,640.71	7.57

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(III) Analysis on Assets and Liabilities

1. Analysis on assets and liabilities

Unit: Yuan

Item	Balance at the end of the current period	Balance at the end of the current period over total assets (%)	Balance at the beginning of the current period	Balance at the beginning of the current period over total assets (%)	Change in proportion of current amount compared with the beginning of the current period (%)	Note
Held-for-trading financial assets	219,828,387.48	0.25	354,810,227.98	0.39	-38.04	
Notes and accounts receivable	17,092,092,134.33	19.60	18,555,262,886.51	20.42	-7.89	
Inventories	13,115,953,069.95	15.04	14,629,649,582.45	16.10	-10.35	
Short-term loans	27,999,000.00	0.03	65,627,570.50	0.07	-57.34	
Notes and accounts payable	16,436,703,646.33	18.85	17,498,210,334.70	19.26	-6.07	
Contract liabilities	29,259,069,016.45	33.55	32,215,266,411.83	35.46	-9.18	
Taxes payable	226,529,425.78	0.26	354,600,911.20	0.39	-36.12	
Long-term accrued payroll	770,864,843.76	0.88	700,024,168.29	0.77	10.12	
Provisions	2,966,847,401.48	3.40	2,775,450,524.36	3.05	6.90	

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(III) Analysis on Assets and Liabilities (Continued)

1. Analysis on assets and liabilities (continued)

Other Explanations

- (1) Held-for-trading financial assets of the Company decreased by 38.04% at the end of the Period as compared with the beginning of the year, mainly due to disposal of part of equity and debt instruments by the Company during the Period.
- (2) Inventories of the Company decreased by 10.35% at the end of the Period as compared with the beginning of the year, mainly due to the decrease in inventories and the improvement of the turnover ratio of inventories during the Period.
- (3) Short-term loans of the Company decreased by 57.34% at the end of the Period as compared with the beginning of the year, mainly due to the repayment of borrowings by the Company during the Period.
- (4) Taxes payable of the Company decreased by 36.12% at the end of the Period as compared with the beginning of the year, mainly due to the payment of VAT and corporate income tax for the Period.
- (5) Long-term accrued payroll of the Company increased by 10.12% at the end of the Period as compared with the beginning of the year, mainly due to the increase in provision for retirement benefits for the Period.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(III) Analysis on Assets and Liabilities (continued)

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

For the Company's currency capital at the end of the Period, the total restricted capital was equivalent to RMB2,201,661,349.24, which are mainly the statutory deposit reserve at the central bank made by DEC Finance under the Company.

(IV) Analysis of Investment

1. Overall analysis on external equity investment

(1) Financial assets at fair value

No.	Type	Stock code	Stock short name	Initial investment cost (RMB)	Book value at the end of the Period (RMB)	Profit or loss in the Reporting Period (RMB)
1	bond	117009	15 Jiuzhou Bond	50,000,000.00	50,000,000.00	1,624,578.00
2	bond	11800575	18 Kelun SCP004	50,000,000.00	50,634,900.00	634,900.00
3	bond	113008	DEC Convertible Bond	3,405,000.00	3,449,265.00	105,555.00
4	bond	101800230	18 Huijin MTN002	30,000,000.00	30,826,380.00	995,670.00
5	bond	101800229	18 Guodian Group MTN001	50,000,000.00	51,592,400.00	2,005,700.00
6	bond	110034	Jointown Convertible Bond	607,000.00	643,359.30	123,949.40
7	stock	600011	Huaneng Power	30,732,595.64	17,821,356.00	532,399.00
8	stock	601179	China XD	10,107,744.90	4,948,740.00	-1,374,650.00
9	stock	000883	Hubei Energy	1,897,910.00	1,172,994.00	-148,408.00

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(IV) Analysis of Investment (continued)

1. Overall analysis on external equity investment (continued)

(1) Financial assets at fair value (continued)

No.	Type	Stock code	Stock short name	Initial investment cost (RMB)	Book value at the end of the Period (RMB)	Profit or loss in the Reporting Period (RMB)
10	stock	600030	CITIC Securities	6,309,814.00	6,212,093.00	-573,597.00
11	stock	601555	Soochow Securities	1,205,342.59	815,502.00	-291,798.88
12	stock	601330	Dynagreen	3,543.33	17,598.18	14,054.85
13	fund	512090	E Fund MSCIA International Connect ETF	<u>1,800,000.00</u>	<u>1,693,800.00</u>	<u>-106,200.00</u>
Total				<u>236,068,950.46</u>	<u>219,828,387.48</u>	<u>3,542,152.37</u>

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(V) Analysis of major controlling subsidiaries and investees

Company name	Equity interest held by the Company	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 turbines, gas turbines, compressors, fans, pumps and renewable energy; industrial control and automation; the research, design, installation, commissioning, alteration and maintenance services of the power stations and the corresponding equipment; mechanical equipment and its accessories as well as the related import and export business	41.56	247.11	40.64	50.17	0.70	0.60
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipment, turbonators, AC and DC motors; the design, manufacturing and sales of control equipment; the transformation of power stations and the installation of power station equipment	20.67	141.57	40.28	25.23	0.86	0.83

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(V) Analysis of major controlling subsidiaries and investees (continued)

Company name	Equity interest held by the Company		Paid-up capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
		Main products or services						
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station auxiliary equipment, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste treatment etc.)	16.06	213.40	55.03	52.35	1.49	1.29
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	65.1813%	Any business prohibited by national laws and regulations shall not be operated; any business which is subject to special approval shall be operated upon approval; and other businesses can be independently organized and operated	11.51	36.94	17.25	5.76	0.38	0.35

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (continued)

(V) Analysis of major controlling subsidiaries and investees (continued)

Company name	Equity interest held by the Company		Paid-up capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
		Main products or services						
Dongfang Electric Wind Power Co., Ltd.	100%	Design, production, sales and service of wind turbine generator units and introduction, development and application of associated technology; construction and operation of wind farms, manufacturing and sales of wind-mill generators and their components and parts; technical services and technical consultation related to manufacturing of fans as well as construction and operation of wind farms; and import and export of wind turbine generator units, their components and parts and associated technologies	12.33	55.36	3.06	18.79	0.65	0.01

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(V) Analysis of major controlling subsidiaries and investees (continued)

Company name	Equity interest held by		Paid-up capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
	the Company	Main products or services						
DEC International Cooperation Limited	100%	Contracting overseas engineering projects, dispatch of workers required for the implementation of the aforesaid oversea engineering projects (The scope and term of the aforesaid items are subject to the licenses). General business (the following items exclude pre-licensing projects and the operation of post-licensing projects shall be subject to licenses or approval documents): research and development and sales of general equipment, electric machinery and equipment; provision of professional technical services; technology promotion and application services; and import and export business. The company is principally engaged in contracting overseas power station projects and exporting complete sets of large-scale power station equipment. In addition, the company is also engaged in the export of domestic manufactured automotive vehicles and trucks in large quantities in recent years	7.64	54.60	16.52	7.96	2.00	2.02

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(V) Analysis of major controlling subsidiaries and investees (continued)

Company name	Equity interest held by the Company		Main products or services	Paid-up capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Finance Co., Ltd.	95%		Provision of financial services, financial consultancy, credit verification and related advisory, and agency services to group entities; assisting group entities to settle payments; provision of guarantees to group entities; provision of entrusted loans and entrusted investment among group entities; provision of bill acceptance and discounting among group entities; provision of internal account settlement and clearing among group entities; accept of deposits from group entities; provision of loans and finance leasing; provision of intercompany borrowings; provision of short-term life and health insurance, provision of motor vehicles insurance and corporate property insurance agency services; provision of underwriting services of corporate bonds for group entities; provision of equity investments in financial institutions; provision of buyer's credit and finance lease for group entities' products; investments in securities (including securities); forward settlement and sale of foreign exchange (basic). (The scope and term of the aforesaid items are subject to permitted or approved licenses)	20.95	295.31	31.19	4.73	2.04	1.63

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

(V) Analysis of major controlling subsidiaries and investees (continued)

Company name	Equity interest held by the Company	Main products or services	Paid-up capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd.	100%	R&D, manufacturing, integration and sales of regulating, protection, monitoring, hydraulic pressure, instrument, and electric control system for power generation equipment and turbines; R&D of wind power control system, sea water desalination control system, water treatment equipment control system and PV generating equipment, research, system integration and sales of distributed energy stations and smart grid technology, and power station project general contracting; R&D, system integration, installation, and sales of power plants and substation distributed control system, industrial control equipment, power plant simulation system, electric system and charging system of electric vehicles, electric system of locomotive, small and medium-sized wind power generation equipment, energy storage, power generation and thermal energy utilization system, wave control device, magnetic control device, industrial wireless communication and other automatic control equipment; development, production, commissioning, sales and maintenance services of computer software and hardware; technical consultation services; relevant import and export business; sales of electric machinery and equipment, electronic components, household appliances, building electric equipment, air conditioning equipment, valves, pumps, semiconductor materials, mineral products (except for items restricted by the state), construction materials, general contracting for power construction project (the operation of the aforesaid items shall be conducted with valid licenses)	2.27	8.12	3.49	2.61	0.16	0.13

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

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

1. Analysis of operating results

Unit: RMB

Item	Amount for the Period	Amount for the same period of the previous year (restated)	Year-on-year increase/ decrease (%)
Operating revenue	16,098,917,937.35	15,063,913,342.05	6.87
Selling expenses	451,729,348.43	563,294,938.12	-19.81
Administrative expenses	1,148,593,077.32	1,188,592,554.99	-3.37
R&D expenses	431,544,259.78	355,339,465.96	21.45
Finance costs	-155,029,790.74	-45,019,443.15	N/A
Impairment loss of assets	448,068,287.47	250,230,371.49	79.06
Operating profit	658,954,650.74	583,743,514.32	12.88
Total profit	612,157,172.62	595,019,692.48	2.88
Income tax expenses	78,252,390.90	58,451,909.30	33.87
Net profit	533,904,781.72	536,567,783.18	-0.50
Net profit attributable to owners of the Company	514,298,835.52	486,037,837.74	5.81

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

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

1. Analysis of operating results (continued)

- (1) The Company sought for restructuring and upgrading proactively in the Period. While focused on its main businesses, it optimized the allocation of resources and improved its quality control continuously, leading to a 6.87% year-on-year increase in operating revenue during the Period.
- (2) The selling expenses of the Company decreased year-on-year by 19.81% during the Period, which was mainly due to a year-on-year decrease of the product quality service fees incurred in the Period.
- (3) The R&D expenses of the Company increased by 21.45% year-on-year during the Period, which was mainly due to the year-on-year increase in R&D input.
- (4) The finance costs of the Company decreased during the Period, which was mainly due to the recognition of exchange gain resulting from fluctuations in RMB exchange rates during the Period.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

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

1. Analysis of operating results (continued)

- (5) The impairment loss on assets of the Company increased 79.06% year-on-year during the Period, which was mainly due to the increase in provision for bad loans made in the Period as a result of the aging of accounts receivable.
- (6) The operating profit of the Company increased year-on-year by 12.88%, total profit increased year-on-year by 2.88%, and net profit basically remained flat year-on-year, which was mainly due to the year-on-year increase in operating revenue and the year-on-year decrease in both selling expenses and finance costs.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

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

2. Financial position and analysis of assets, liabilities and shareholders' equity

As at the end of the Period, the Company's total assets amounted to RMB87,198 million, decreasing by 4.03% as compared with the beginning of the year, among which sharp decreases were recorded in notes and accounts receivable, prepayments and inventories, with decreases of 7.89%, 39.63% and 10.35% respectively. Total liabilities amounted to RMB58,668 million, down by 7.19% as compared with the beginning of the year, mainly attributable to the decrease of 6.07% in notes and accounts payable and the decrease of 9.18% in contract liabilities. Total shareholders' equity amounted to RMB28,530 million, up by 3.21% as compared with the beginning of the year, mainly attributable to the operating profit for the Period.

3. Gearing ratio

Gearing ratio = total liabilities/total assets × 100%

Item	At the end of the Period	At the beginning of the year (Restated)	Year-on-year increase/ decrease (percentage point)
Gearing ratio	67.28%	69.58%	-2.30

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

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

3. *Gearing ratio (continued)*

The gearing ratio of the Company was 67.28% at the end of the Period, representing a decrease of 2.30 percentage points as compared with the beginning of the year. The risk relating to the asset structure of the Company is in a controllable state.

4. *Bank borrowings*

As at 30 June 2018, the Company had financial institution (bank) borrowings of RMB81 million due within one year and bank borrowings of RMB637 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly denominated 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.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

I. Discussion and Analysis of Operations (Continued)

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

5. *Exchange risk management*

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

6. *Pledge of assets*

The Company did not have any pledged borrowings as at the end of the Period.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

II. Other Disclosure

(I) 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 during the “13th Five-Year Plan” period. 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.

2. *Project execution risk*

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

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

II. Other Disclosure (Continued)

(I) Possible risks (continued)

2. *Project execution risk (continued)*

The Company will reinforce the management and control of project risk. 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 identify and prevent potential project risks. The Company is committed to preventing the risk of overseas projects and strengthens the management and control on overseas engineering projects. The Company has established a risk alert mechanism for overseas engineering projects to better identify and deal with the risks arising from the politics, economy, society, laws and taxation in the country where such overseas engineering projects are located. The Company will carefully engage in overseas operating activities with higher legal and contractual awareness.

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.

IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

II. Other Disclosure (Continued)

(I) Possible risks (continued)

3. *Risk relating to recovery of receivables (continued)*

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.

(II) Other disclosure

1. *Prospect for the Second Half of 2018*

The Company will proactively cope with the unfavorable environment and secure victories in the “three critical missions” of rejuvenating wind power business, expanding modern services business and bolstering international presence, thereby ensuring year-on-year increases in operating revenue and total profit. The Company plans to produce power generation equipment with a total capacity of 27,000MW for the whole year of 2018, and push forward quality-focused development.

V. SIGNIFICANT EVENTS

I. Overview of General Meetings

Session of Meeting	Date	Designated website for publication of resolutions	Publication date of resolutions
2017 annual general meeting	29 June 2018	http://www.sse.com.cn/ http://www.hkexnews.hk/	29 June 2018

II. Plan for Profit Distribution or Capitalization of Capital Reserve

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

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

V. SIGNIFICANT EVENTS (CONTINUED)

III. Performance of Undertakings

(I) Undertakings of the De Facto Controller, Shareholders, Related Parties, Acquirer of the Company and the Company Made or Subsisting During the Reporting Period

Background of undertakings	Type of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in a timely manner or not	Description of specific reasons if not performed timely	Description of plans for next steps if not performed timely
Undertakings made in acquisition reports or equity change reports	Lock-up of shares	Dongfang Electric Corporation	<p>DEC shares subscribed with the Target Assets held by the Company shall not be transferred in any form within 36 months after the listing of such shares.</p> <p>If the closing price of DEC shares is below the issue price in the transaction for 20 consecutive trading days from the listing of new shares from the transaction, or the closing price at the end of the six-month period after the completion of the transaction, the lock-up period of DEC shares obtained by the Company from the transaction will be extended by six months automatically on the basis of the original lock-up period.</p> <p>Shares of the listed company directly and indirectly held by the Company prior to the transaction shall not be transferred with 12 months after the listing of new shares from the transaction.</p>	Lock-up period	Yes	Yes		

V. SIGNIFICANT EVENTS (CONTINUED)

III. Performance of Undertakings (Continued)

(I) Undertakings of the De Facto Controller, Shareholders, Related Parties, Acquirer of the Company and the Company Made or Subsisting During the Reporting Period (continued)

Background of undertakings	Type of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in a timely manner or not	Description of specific reasons if not performed timely	Description of plans for next steps if not performed timely
Profit forecast and compensation		Dongfang Electric Corporation	DEC International Cooperation made a three-year (2018-2020) performance commitment due to the adoption of the income approach as the reference basis for pricing. DEC Finance will conduct impairment test during the performance undertaking period (three years) due to the adoption of the market approach as the reference basis for pricing.	2018 to 2020	Yes	Yes		

V. SIGNIFICANT EVENTS (CONTINUED)

III. Performance of Undertakings (Continued)

(I) Undertakings of the De Facto Controller, Shareholders, Related Parties, Acquirer of the Company and the Company Made or Subsisting During the Reporting Period (continued)

Background of undertakings	Type of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in a timely manner or not	Description of specific reasons if not performed timely	Description of plans for next steps if not performed timely
	Others	Dongfang Electric Corporation	For the outstanding entrusted loans of DEC Finance to DEC Eban Company (東方峨半公司) and DEC Majji (東方邁吉), the Group undertook that the risks on the issuing of loans by DEC Finance upon the appointment of Dongfang Electric Corporation and Dongqi Investment Development will be assumed by the Group and Dongqi Investment Development, respectively. If DEC Eban Company and DEC Majji fail to make the repayment, all of the relevant losses will be assumed by the Group and Dongqi Investment Development, respectively. DEC Finance will not assume any risks or losses.	Performance period for entrusted loans	Yes	Yes		

V. SIGNIFICANT EVENTS (CONTINUED)

IV. Appointment or Dismissal of the Auditor

Explanation on appointment or dismissal of the auditor

At the 2017 Annual General Meeting of the Company held on 29 June 2018, the reappointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the auditor of the Company was considered and approved for the year 2018.

V. 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.

VI. Significant Litigation or Arbitration Events

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

VII. Material Events

There are no material events that have significant impacts on the Group since the end of the Period.

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Material Connected Transactions

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

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

On 27 October 2017, the Company entered into the 2018 Purchase and Production Services Framework Agreement, 2018 Sales and Production Services Framework Agreement, 2018 Combined Ancillary Services Framework Agreement, 2018 Properties and Equipment Framework Lessee Agreement and 2018 Properties and Equipment Framework Lessor Agreement with Dongfang Electric Corporation, and entered into the 2018 Financial Services Framework Agreement with DEC Finance in Chengdu, Sichuan Province. Such continuing connected transactions agreements are effective from 1 January 2018 to 31 December 2018.

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

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Material Connected Transactions (Continued)

(I) Connected transactions relating to day-to-day operation (continued)

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

The basic contents of such agreements are as follows:

- (1) 2018 Purchase and Production Services Framework Agreement

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

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Material Connected Transactions (Continued)

(I) Connected transactions relating to day-to-day operation (continued)

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

(2) 2018 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 DEC and its affiliated enterprises.

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Material Connected Transactions (Continued)

(I) Connected transactions relating to day-to-day operation (continued)

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

(3) 2018 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 DEC and its affiliated enterprises; DEC and its affiliated enterprises would provide the combined ancillary services (including but not limited to medical services, cleaning services, employee management services, nursery services, management services for retired employees, militia services, educational services, training services, and other ancillary services) to the Company and its subsidiaries.

(4) 2018 Properties and Equipment Framework Lessee Agreement

DEC and its affiliated enterprises would lease relevant properties to the Company and its subsidiaries.

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Material Connected Transactions (Continued)

(I) Connected transactions relating to day-to-day operation (continued)

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

(5) 2018 Properties and Equipment Framework Lessor Agreement

The Company and its subsidiaries would lease relevant properties to DEC or its affiliated enterprises.

(6) 2018 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 28 October 2017 and 6 December 2017, respectively.

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Material Connected Transactions (Continued)

(I) Connected transactions relating to day-to-day operation (continued)

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

(6) 2018 Financial Services Framework Agreement (continued)

The aforesaid day-to-day continuing connected transactions between the Company and DEC 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 30 June 2018, the specific amounts of those material continuing connected transactions did not exceed the annual caps approved by the Board or shareholders at the general meetings.

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Material Connected Transactions (Continued)

(I) Connected transactions relating to day-to-day operation (continued)

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

(6) 2018 Financial Services Framework Agreement (continued)

The actual amounts of the connected transactions as at 30 June 2018 and the annual caps for 2018

Unit: RMB'000 Currency: RMB

<u>Name of agreement</u>	<u>Total actual amount as at 30 June 2018</u>	<u>Proposed annual cap for 2018</u>
Purchase and Production Services Framework Agreement	21,409.8	2,500,000
Sales and Production Services Framework Agreement	36,834	750,000
Combined Ancillary Services Framework Agreement (receipt of services)	0	100,000
Combined Ancillary Services Framework Agreement (provision of services)	0	10,000
Properties and Equipment Framework Lessee Agreement	39,502	200,000
Properties and Equipment Framework Lessor Agreement	0	5,000

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Material Connected Transactions (Continued)

(I) Connected transactions relating to day-to-day operation (continued)

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

(6) 2018 Financial Services Framework Agreement (continued)

During the Reporting Period, the Company purchased 95% equity interests in DEC Finance, 100% equity interests in DEC International Cooperation, 100% equity interests in DEC Automatic Control, 41.24% equity interests in DEC Hitachi, 100% equity interests in DEC Materials, 100% equity interests in DEC Bulk Logistic, 100% equity interests in DEC Clean Energy, 100% equity interests in DEC Smart Energy held by DEC as well as 833 equipment assets and 472 intangible assets owned by DEC. With 31 March 2018 as the date for the conformation of the assets transfer in such transactions, the Company has completed the procedures for the changes of industrial and commercial registrations. As a result, the amount of transaction between the Company and eight target companies, namely DEC Finance, DEC International Cooperation, DEC Automatic Control, DEC Hitachi, DEC Materials, DEC Bulk Logistic, DEC Clean Energy and DEC Smart Energy, will not be included in the statistical coverage of connected transactions after 31 March 2018. As at 31 March 2018, the specific amount of such material connected transactions has not exceeded the annual caps approved by the Board or at the general meeting.

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Material Connected Transactions (Continued)

(I) Connected transactions relating to day-to-day operation (continued)

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

(6) 2018 Financial Services Framework Agreement (continued)

The actual amounts of the connected transactions as at 31 March 2018 and the annual caps for 2018

Unit: RMB'000 Currency: RMB

<u>Name of agreement</u>	<u>Total actual amount as at 31 March 2018</u>	<u>Proposed annual cap for 2018</u>
Purchase and Production Services Framework Agreement	299,037	2,500,000
Sales and Production Services Framework Agreement	71,316	750,000
Combined Ancillary Services Framework Agreement (receipt of services)	0	100,000
Combined Ancillary Services Framework Agreement (provision of services)	0	10,000
Properties and Equipment Framework Lessee Agreement	8,431	200,000
Properties and Equipment Framework Lessor Agreement	7.3	5,000
Financial Services Framework Agreement	Deposit of 19,456,253	20,000,000
	Loan of 3,049,282	20,000,000

V. SIGNIFICANT EVENTS (CONTINUED)

VIII. Material Connected Transactions (Continued)

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

On 23 November 2017, the Proposal on Issuance of Shares for Purchase of Assets by Dongfang Electric Corporation Limited and Related Party Transactions was considered and approved at the 2017 First Extraordinary General Meeting and Class Meetings of the Company, details of which are available on the website of Shanghai Stock Exchange (www.sse.com.cn).

On 8 February 2018, CSRC Merger and Reorganisation Vetting Committee unconditionally approved the Company's Issuance of Shares for Purchase of Assets and related party transactions, details of which are available on the website of Shanghai Stock Exchange (www.sse.com.cn).

On 1 March 2018, the CSRC issued the approval in relation to the Company's Issuance of Shares for Purchase of Assets and related party transactions, details of which are available on the website of Shanghai Stock Exchange (www.sse.com.cn).

On 28 April 2018, the Company published the Announcement on the Transfer of Assets in relation to the Issuance of Shares for Purchase of Assets and Related Party Transactions, details of which are available on the website of Shanghai Stock Exchange (www.sse.com.cn).

On 12 June 2018, the registration with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited for the listing of the new shares issued under the Issuance of Shares for Purchase of Assets has been completed, details of which are available on the website of Shanghai Stock Exchange (www.sse.com.cn).

V. SIGNIFICANT EVENTS (CONTINUED)

IX. Material Contracts and Performance thereof

(I) Guarantee

Unit: Yuan Currency: RMB

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

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

V. SIGNIFICANT EVENTS (CONTINUED)

IX. Material Contracts and Performance thereof (Continued)

(I) Guarantee (continued)

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

Guarantee provided by the Company to its subsidiaries

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

Aggregate guarantee of the Company (including those to subsidiaries)

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

Statement on the contingent joint and several liability in connection with unexpired guarantee

The Company provided financing guarantees for Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd., Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd. and Inner Mongolia Mengneng Wulan New Energy Co., Ltd. with its 20% equity interests and derivative interests in the above three companies. The guarantees shall be valid from the effective date of the equity pledge agreement until all debts under the financial leasing contract are being repaid.

The guarantee provided by DEC Dongfang Steam Turbine Co., Ltd. for Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd. constitutes a continuous security of payment and performance of obligations. The Guarantor's obligations under the guarantee should not exceed and should be limited to the scope of obligations and liabilities to be assumed by the vendor pursuant to the contract.

Statement on guarantee

For details on the above guarantees, please refer to the announcements on financial leasing guarantee issued by the Company on the website of the Shanghai Stock Exchange on 9 January 2016, 28 June 2016 and 26 August 2016, respectively.

V. SIGNIFICANT EVENTS (CONTINUED)

X. Explanation on other important matters

(I) Changes in accounting policies, accounting estimates and accounting methods compared with the previous period, reasons therefor and effects thereof

In 2017, the Ministry of Finance has revised and promulgated the “Accounting Standard for Business Enterprises No. 14 – Revenue”, the “Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments”, the “Accounting Standard for Business Enterprises No. 23 – Transfer of Financial Assets”, the “Accounting Standard for Business Enterprises No. 24 – Hedge Accounting” and the “Accounting Standard for Business Enterprises No. 37 – Presentation and Reporting of Financial Instruments”, for implementation from 1 January 2018 among enterprises listed domestically and overseas simultaneously and enterprises listed overseas which prepare financial reports under the International Financial Reporting Standards or the Accounting Standards for Business Enterprises. Based on the abovementioned requirements, the Company has applied the abovementioned five accounting standards from 1 January 2018. For details, please refer to the announcement on Changes in Accounting Policies disclosed by the Company on 28 April 2018.

V. SIGNIFICANT EVENTS (CONTINUED)

X. Explanation on other important matters (Continued)

(II) Others

1. *Employees*

As of 30 June 2018, the Company had 19,631 employees. The Company carried out remuneration management in accordance with management rules for total remuneration, employee salary as well as management measures for dispatched workers and other relevant systems.

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.

V. SIGNIFICANT EVENTS (CONTINUED)

X. Explanation on other important matters (Continued)

(II) Others (continued)

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

During the Reporting Period, the Company acquired the 95% equity interest in DEC Finance, 100% equity interest in DEC International Cooperation, 100% equity interest in DEC Automatic Control, 41.24% equity interest in DEC Hitachi, 100% equity interest in DEC Materials, 100% equity interest in DEC Bulk Logistic, 100% equity interest in DEC Clean Energy and 100% equity interest in DEC Smart Energy held by DEC as well as the 833 equipment assets and 472 intangible assets of DEC from DEC by issuance of A shares. For details, please refer to the Report on Issuance of Shares for Purchase of Assets and Connected Transactions of Dongfang Electric as disclosed on the Shanghai Stock Exchange and Hong Kong Stock Exchange on 2 March 2018.

4. *Corporate Governance Code*

The Company has fully complied with all code provisions of the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the Reporting Period.

V. SIGNIFICANT EVENTS (CONTINUED)

X. Explanation on other important matters (Continued)

(II) Others (continued)

5. *Model Code for Securities Transactions*

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company on the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the “Model Code”) contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry to all directors and supervisors of the Company, the Company confirms that during the Reporting Period, the directors and supervisors of the Company had complied with the provisions regarding the securities transactions by directors and supervisors as set out in the Model Code.

6. *Audit Committee*

The Board has set up an audit committee comprising three independent non-executive directors, Mr. Xu Haihe, Mr. Gu Dake and Mr. Liu Dengqing. Mr. Xu Haihe, the independent non-executive director, holds the position of the Chairman. The audit committee has reviewed the 2018 interim report of the Company for the Reporting Period, and agreed with the accounting treatment method adopted by the Company.

VI. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. Changes in Share Capital

(I) Table of changes in shares

1. Changes in shares

Unit: share

	Prior to the change			Changes (+, -)				After the change	
	Number of shares	Percentage (%)	Issue of new shares	Bonus issue	Capitalization of surplus reserve	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to trading moratorium	0	0	753,903,063	0	0	0	753,903,063	753,903,063	14.23
1. State shareholding	0	0	0	0	0	0	0	0	0
2. Shareholding by state-owned legal person	0	0	753,903,063	0	0	0	753,903,063	753,903,063	14.23
3. Other domestic shareholding	0	0	0	0	0	0	0	0	0
Including: Shareholding by domestic non-state-owned legal person									
Shareholding by domestic natural person									
4. Foreign shareholding	0	0	0	0	0	0	0	0	0
Including: Shareholding by overseas legal person									
Shareholding by overseas natural person									
II. Tradable shares not subject to trading moratorium	2,336,900,368	100	0	0	0	0	0	2,336,900,368	85.77
1. RMB-denominated ordinary shares	1,996,900,368	85.45	0	0	0	0	0	1,996,900,368	74.77
2. Domestic listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	340,000,000	14.55	0	0	0	0	0	340,000,000	11
4. Others	0		0	0	0	0	0	0	0
III. Shares in total	2,336,900,368	100	753,903,063	0	0	0	753,903,063	3,090,803,431	100

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

I. Changes in Share Capital (Continued)

(I) Table of changes in shares (continued)

2. Explanation on changes in shares

The Company issued 753,903,063 shares to DEC for purchase of the Target Assets at a total consideration of RMB6,792,666,600. The total share capital increased from 2,336,900,368 shares to 3,090,803,431 shares.

(II) Changes in shares subject to trading moratorium

Unit: share

Name of shareholder	Number of shares subject to trading moratorium at the beginning of the Reporting Period	Number of Shares released from trading moratorium during the Reporting Period	Increase in the number of shares subject to trading moratorium during the Reporting Period	Number of shares with trading moratorium at the end of the Reporting Period	Reasons for trading moratorium	Date of release from trading moratorium
DEC	0	0	753,903,063	753,903,063	The shares increased are tradable shares subject to trading moratorium for a term of 36 months.	12 June 2021
Total	0	0	753,903,063	753,903,063	/	/

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

II. Particulars of Shareholders

(I) Total number of shareholders:

Total number of shareholders of ordinary shares as of 122,089
the end of the Reporting Period (*shareholder*)

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

Unit: share

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Shareholdings of top 10 shareholders			Pledged or frozen Status of shares	Number of shares	Type of shareholder
		Number of shares held at the end of the Period	Percentage (%)	Number of shares held subject to trading moratorium			
Dongfang Electric Corporation	753,903,063	1,727,919,826	55.91	753,903,063	Nil		State-owned legal person
HKSCC Nominees Limited	32,000	338,288,497	10.95	0	Unknown		Overseas legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	0	49,648,500	1.61	0	Unknown		State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	22,645,600	0.73	0	Unknown		State-owned legal person
Bai Jiangcai		11,886,149	0.38	0	Unknown		Domestic natural person
Nanhua Futures Co., Ltd. – Nanhua Futures Silver Leaf No.2 Asset Management Plan (南華期貨股份有 限公司 – 南華期貨銀葉2號資產管理計劃)		9,607,099	0.31	0	Unknown		Other
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Asset Management Plan (博時基金 – 農業銀行 – 博時中證 金融資產管理計劃)	0	8,480,400	0.27	0	Unknown		Other

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

II. Particulars of Shareholders (Continued)

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

Unit: share

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Shareholdings of top 10 shareholders			Pledged or frozen Status of shares	Number of shares	Type of shareholder
		Number of shares held at the end of the Period	Percentage (%)	Number of shares held subject to trading moratorium			
Yifangda Fund – Agricultural Bank of China – Yifangda CSI Financial Asset Management Plan (易方達基金－農業銀行 －易方達中證金融資產管理計劃)	0	8,480,400	0.27	0	Unknown		Other
Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan (大成基金－農業銀行 －大成中證金融資產管理計劃)	0	8,480,400	0.27	0	Unknown		Other
Guangfa Fund – Agricultural Bank of China – Guangfa CSI Financial Asset Management Plan (廣發基金－農業銀行 －廣發中證金融資產管理計劃)	0	8,480,400	0.27	0	Unknown		Other
Central Europe Fund – Agricultural Bank of China – Central European CSI Financial Asset Management Plan (中歐基金－農業銀行－ 中歐中證金融資產管理計劃)	0	8,480,400	0.27	0	Unknown		Other
Southern Fund – Agricultural Bank of China – Southern CSI Financial Asset Management Plan (南方基金－農業銀行 －南方中證金融資產管理計劃)	0	8,480,400	0.27	0	Unknown		Other

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

II. Particulars of Shareholders (Continued)

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

Unit: share

Shareholdings of top 10 shareholders			
Name of shareholder (full name)	Tradable shares which are not subject to trading moratorium		Type and number of shares
		Type of shares	Number of shares
Dongfang Electric Corporation	974,016,763	RMB ordinary shares	974,016,763
HKSCC Nominees Limited	338,288,497	Overseas-listed foreign shares	338,288,497
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	49,648,500	RMB ordinary shares	49,648,500
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	22,645,600	RMB ordinary shares	22,645,600
Bai Jiangcai	11,886,149	RMB ordinary shares	11,886,149
Nanhua Futures Co., Ltd. – Nanhua Futures Silver Leaf No. 2 Asset Management Plan (南華期貨股份有限公司—南華期貨銀葉2號資產管理計劃)	9,607,099	RMB ordinary shares	9,607,099

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

II. Particulars of Shareholders (Continued)

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

Unit: share

Shareholdings of top 10 shareholders			
Name of shareholder (full name)	Tradable shares which are not subject to trading moratorium		Type and number of shares
		Type of shares	Number of shares
Bosera Funds – Agricultural Bank of China – Bosera China Securities and Financial Asset Management Plan (博時基金－農業銀行－博時中證金融資產管理計劃)	8,480,400	RMB ordinary shares	8,480,400
Yifangda Fund – Agricultural Bank of China – Yifangda CSI Financial Asset Management Plan (易方達基金－農業銀行－易方達中證金融資產管理計劃)	8,480,400	RMB ordinary shares	8,480,400
Dacheng Fund – Agricultural Bank of China – Dacheng CSI Financial Asset Management Plan (大成基金－農業銀行－大成中證金融資產管理計劃)	8,480,400	RMB ordinary shares	8,480,400

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

II. Particulars of Shareholders (Continued)

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

Unit: share

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

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

II. Particulars of Shareholders (Continued)

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

The number of shares held by top 10 holders of shares subject to trading moratorium and the conditions of trading moratorium

Unit: share

No.	Name of holders of shares subject to trading moratorium	Number of shares held subject to trading moratorium	Listing status of shares which are subject to trading moratorium		Conditions of trading moratorium
			Eligible listing time	Number of new listed shares	
1	Dongfang Electric Corporation	753,903,063	12 June 2021	753,903,063	36 months

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

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

Interests of substantial shareholders

As at 30 June 2018, to the best of the directors' knowledge, having made all reasonable enquiries, the following person(s) (other than directors, supervisors and senior management), had or deemed to have interests (including derivative instruments) or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance:

Name	Share class	Capacity	Number of shares held	Percentage of total share capital (%)	Percentage in the respective class of share capital (%)
DEC	A share	Beneficial owner	1,727,919,826 (L)	55.91 (L)	62.82% (L)
	H share	Interest held by	858,800 (L)	0.028 (L)	0.25 (L)
		controlled corporation			

(L) – Long position

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

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

Interests of substantial shareholders (continued)

Notes:

1. Dongfang Electric Corporation held 100% of interests in Dongfang Electric International Investment Co., Limited, and, therefore, Dongfang Electric Corporation was deemed to own the interests in such H shares held by Dongfang Electric International Investment Co., Limited pursuant to the Hong Kong Securities and Futures Ordinance.
2. The above interests held by Dongfang Electric Corporation reflected its latest disclosure of interests of substantial shareholder under the Securities and Futures Ordinance of Hong Kong.
3. The above percentage of total share capital and the percentage in the respective class of share capital were calculated on the basis of total share capital and respective class of share capital of the Company as at 30 June 2018.

Save as disclosed above, as at 30 June 2018, the Company did not aware of any other persons who had interests (including derivative instruments) or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong.

VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. Changes in Shareholdings

(I) Changes in the shareholdings of existing directors, supervisors and senior management and those retired during the Reporting Period

As at 30 June 2018, the interests and short positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance); or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company, were as follows:

VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

I. Changes in Shareholdings (Continued)

(I) Changes in the shareholdings of existing directors, supervisors and senior management and those retired during the Reporting Period (continued)

Unit: share

Name	Position	Number of shares held at the beginning of the Period	Number of shares held at the end of the Period	Increase/ decrease in the number of shares during the Reporting Period	Reason for increase/ decrease
Zou Lei	Director	0	0	0	No change
Zhang Xiaolun	Director	0	0	0	No change
Huang Wei	Director	0	0	0	No change
Xu Peng	Director	0	0	0	No change
Zhang Jilie	Director	0	0	0	No change
Chen Zhangwu	Independent director	0	0	0	No change
Gu Dake	Independent director	0	0	0	No change
Xu Haihe	Independent director	0	0	0	No change
Liu Dengqing	Independent director	0	0	0	No change

VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

I. Changes in Shareholdings (Continued)

(I) Changes in the shareholdings of existing directors, supervisors and senior management and those retired during the Reporting Period (continued)

Name	Position	Number of shares held at the beginning of the Period	Number of shares held at the end of the Period	Increase/ decrease in the number of shares during the Reporting Period		Reason for increase/ decrease
Wen Limin	Supervisor	0	0	0		No change
Bai Yong	Supervisor	0	0	0		No change
Fu Haibo	Supervisor	0	0	0		No change
Zeng Yi	Supervisor	0	0	0		No change
Gong Dan	Senior Management	2,540	2,540	0		No change
Zhang Zhiying	Senior Management	0	0	0		No change
Han Zhiqiao	Senior Management	2,540	2,540	0		No change
Chen Huan	Senior Management	0	0	0		No change
Gao Feng	Senior Management	0	0	0		No change

VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

I. Changes in Shareholdings (Continued)

(I) Changes in the shareholdings of existing directors, supervisors and senior management of and those retired during the Reporting Period (continued)

Other Explanations

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

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

None of the directors, supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company nor had they exercised any such right before 30 June 2018.

Save as disclosed above, as at 30 June 2018, none of the Directors, Supervisors or chief executive of the Company had any interest or short positions in the shares, underlying shares and debentures of the Company or its associate corporations (within the meaning under Part XV of the Securities and Futures Ordinance), which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance); or which were required to be recorded in the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

II. Change of Directors, Supervisors and Senior Management of the Company

Name	Capacity held	Change
Xu Peng	Senior vice president	Appointment
Zhang Jilie	Senior vice president	Appointment
Chen Zhangwu	Former independent director	Resignation
Liu Dengqing	Independent director	Election
Wen Limin	Former Chairman of Supervisory Committee	Resignation
Bai Yong	Chairman of Supervisory Committee	Election

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

Mr. Xu Peng and Mr. Zhang Jilie were appointed as the senior vice presidents of the Company at the twenty-sixth meeting of the eighth session of the Board.

VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT (CONTINUED)

II. Change of Directors, Supervisors and Senior Management of the Company (Continued)

Explanation on change of Directors, Supervisors and Senior Management of the Company (continued)

At the 2017 annual general meeting of the Company held on 29 June 2018, Mr. Zou Lei, Mr. Zhang Xiaolun, Mr. Huang Wei, Mr. Xu Peng and Mr. Zhang Jilie were elected as directors of the ninth session of the Board of the Company, Mr. Xu Haihe, Mr. Gu Dake and Mr. Liu Dengqing were elected as independent directors of the ninth session of the Board, and Mr. Bai Yong and Mr. Fu Haibo were elected as supervisors of the ninth session of the Supervisory Committee of the Company. At the employee representative meeting of the Company, Mr. Zeng Yi was elected as an employee representative supervisor of the ninth session of the Supervisory Committee of the Company. Due to expiry of tenure, Mr. Chen Zhangwu no longer serves as an independent director of the Company.

On 6 March 2018, Mr. Wen Limin resigned as a supervisor and chairman of the Supervisory Committee of the Company due to job reallocation.

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

IX. DOCUMENTS AVAILABLE FOR INSPECTION

Copy of the 2018 Interim Report signed by the Chairman of the Company.

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

Articles of Association of the Company.

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

Dongfang Electric Corporation Limited

Zou Lei

Chairman

30 August 2018

Dongfang Electric Corporation Limited

Financial Statements

(From January 1, 2018 to June 30, 2018)

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Dongfang Electric Corporation Limited

Consolidated Balance Sheet

As at June 30, 2018

(Monetary units are expressed in RMB unless otherwise stated)

Assets	Note 5	Balance as at June 30, 2018	Balance as at January 1, 2018
Current Assets:			
Cash and cash equivalents	5.1	32,163,988,640.93	30,606,779,529.80
Clearing provision			
Funds for lending			
Held-for-trading financial assets	5.2	219,828,387.48	354,810,227.98
Derivative financial assets	5.3		2,084,032.54
Notes and accounts receivable	5.4	17,092,092,134.33	18,555,262,886.51
Prepayments	5.5	1,466,505,722.69	2,429,212,457.56
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Other receivables	5.6	547,949,166.04	479,128,079.20
Financial assets purchased under resale agreements	5.7	2,371,767,100.00	2,999,617,000.00
Inventories	5.8	13,115,953,069.95	14,629,649,582.45
Contract assets	5.9	4,435,922,195.56	3,813,124,661.16
Assets held for sale			
Non-current assets due within one year			
Other current assets	5.10	1,939,007,641.93	2,571,486,529.46
Total Current Assets		73,353,014,058.91	76,441,154,986.66
Non-current Assets:			
Loans and advances	5.11	175,675,000.00	690,200,000.00
Debt investments	5.12	426,457,735.75	604,843,393.75
Other investments in debt instruments	5.13	584,798,875.00	586,464,800.00
Long-term receivables	5.14	25,144,414.18	38,459,549.69
Long-term equity investments	5.15	1,580,985,875.99	1,405,332,262.56
Other investments in equity instruments	5.16	104,893,165.36	112,931,647.74
Other non-current financial assets			
Investment properties	5.17	156,652,419.80	164,237,508.09
Fixed assets	5.18	6,286,893,804.48	6,576,305,922.94
Constructions in process	5.19	215,838,622.95	206,421,148.09
Productive biological assets			
Oil and gas assets			
Intangible assets	5.20	1,654,199,989.34	1,470,333,738.04
Development expenditure		1,884,624.21	
Goodwill			
Long-term deferred expenses	5.21	555,304.66	590,304.64
Deferred tax assets	5.22	2,628,427,198.89	2,560,844,949.31
Other non-current assets	5.23	2,299,701.58	
Total non-current assets		13,844,706,732.19	14,416,965,224.85
Total assets		87,197,720,791.10	90,858,120,211.51

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

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited

Consolidated Balance Sheet (Continued)

As at June 30, 2018

(Monetary units are expressed in RMB unless otherwise stated)

Liabilities and owners' equity	Note 5	Balance as at June 30, 2018	Balance as at January 1, 2018
Current liabilities:			
Short-term loans	5.24	27,999,000.00	65,627,570.50
Loans from the central bank		1,150,000.00	
Customer deposits and deposits from banks and other financial institutions	5.25	4,353,362,132.54	4,766,493,832.34
Taking from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes and accounts payable	5.26	16,436,703,646.33	17,498,210,334.70
Receipts in advance			
Contract liabilities	5.27	29,259,069,016.45	32,215,266,411.83
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Employee benefits payable	5.28	610,708,423.62	599,952,791.45
Taxes payable	5.29	226,529,425.78	354,600,911.20
Other payables	5.30	2,745,817,088.25	2,650,624,931.30
Amounts payable under reinsurance contracts			
Insurance contract reserves			
Funds from securities trading agency			
Funds from underwriting securities agency			
Liabilities held for sale			
Non-current liabilities due within one year	5.31	53,260,000.00	528,320,000.00
Other current liabilities	5.32	55,360,862.60	66,449,505.32
Total current liabilities		53,769,959,595.57	58,745,546,288.64
Non-current liabilities:			
Long-term borrowing	5.33	636,568,170.00	456,634,990.00
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			
Long-term payables	5.34	58,062,614.63	58,062,614.63
Long-term accrued payroll	5.35	770,864,843.76	700,024,168.29
Provisions	5.36	2,966,847,401.48	2,775,450,524.36
Deferred income	5.37	426,914,130.21	436,940,043.82
Deferred tax liabilities	5.22	38,783,193.67	42,262,367.54
Other non-current liabilities			
Total non-current liabilities		4,898,040,353.75	4,469,374,708.64
Total liabilities		58,667,999,949.32	63,214,920,997.28
Owner's equity:			
Share capital	5.38	3,090,803,431.00	2,336,900,368.00
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital reserve	5.39	11,175,215,118.80	11,643,808,679.91
Less: Treasury shares			
Other comprehensive income	5.40	34,513,325.85	41,972,904.52
Special reserve	5.41	86,480,881.54	72,836,252.85
Surplus reserve	5.42	774,913,922.16	774,913,922.16
General risk reserve		195,263,000.00	195,263,000.00
Retained profits	5.43	11,963,765,709.51	11,378,034,055.43
Total owner's equity attributable to owners of parent Company		27,320,955,388.86	26,443,729,182.87
Minority shareholders' equity	5.44	1,208,765,452.92	1,199,470,031.36
Total owner's equity		28,529,720,841.78	27,643,199,214.23
Total liabilities and owners' equity		87,197,720,791.10	90,858,120,211.51

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

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited

Balance Sheet

As at June 30, 2018

(Monetary units are expressed in RMB unless otherwise stated)

Assets	Note 16	Balance as at June 30, 2018	Balance as at January 1, 2018
Current Assets:			
Cash and cash equivalents		8,329,599,052.11	11,520,821,747.40
Held-for-trading financial assets		30,155,183.00	31,719,439.00
Derivative financial assets			
Notes and accounts receivable	16.1	4,262,576,932.56	4,551,884,380.95
Prepayments		8,828,209,175.78	8,318,788,343.40
Other receivables	16.2	3,695,629,765.18	6,286,921,080.45
Inventories		283,220,541.52	170,880,896.17
Contract assets		1,595,874,631.85	1,346,152,183.18
Assets held for sale			
Non-current assets due within one year			
Other current assets		287,668,901.48	141,054,991.66
Total Current Assets		27,312,934,183.48	32,368,223,062.21
Non-current Assets:			
Debt investments			
Other investments in debt instruments			
Long-term receivables			
Long-term equity investments	16.3	18,356,366,117.50	10,766,562,094.08
Other investments in equity instruments			
Other non-current financial assets			
Investment properties		12,875,497.39	13,432,177.52
Fixed assets		53,791,110.46	3,767,519.78
Constructions in process		1,764,694.97	1,560,384.62
Project materials			
Productive biological assets			
Oil and gas assets			
Intangible assets		209,987,729.87	8,598,690.02
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets		223,597,980.34	212,545,345.20
Other non-current assets			
Total non-current assets		18,858,383,130.53	11,006,466,211.22
Total assets		46,171,317,314.01	43,374,689,273.43

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

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited

Balance Sheet (Continued)

As at June 30, 2018

(Monetary units are expressed in RMB unless otherwise stated)

Liabilities and owners' equity	Note 16	Balance as at June 30, 2018	Balance as at January 1, 2018
Current liabilities:			
Short-term loans			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes and accounts payable		6,109,371,714.19	7,150,623,630.66
Receipts in advance			
Contract liabilities		14,216,701,091.19	15,842,609,301.83
Employee benefits payable		18,455,414.29	21,146,205.50
Taxes payable		485,234.19	11,533,648.57
Other payables		1,855,336,712.75	1,456,486,089.30
Liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		22,200,350,166.61	24,482,398,875.86
Non-current liabilities:			
Long-term borrowing			
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			
Long-term payables			
Long-term accrued payroll		19,153,729.02	17,518,632.96
Provisions		269,747,377.95	265,847,376.75
Deferred income		605,262.99	617,023.67
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		289,506,369.96	283,983,033.38
Total liabilities		22,489,856,536.57	24,766,381,909.24
Owner's equity:			
Share capital		3,090,803,431.00	2,336,900,368.00
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital reserve		13,021,217,305.33	8,891,700,256.53
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		1,063,277,038.59	1,063,277,038.59
Retained profits		6,506,163,002.52	6,316,429,701.07
Total owner's equity		23,681,460,777.44	18,608,307,364.19
Total liabilities and owners' equity		46,171,317,314.01	43,374,689,273.43

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

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited

Consolidated Income Statement

January- June 2018

(Monetary units are expressed in RMB unless otherwise stated)

Item	Note 5	Amount for the Period	Amount for the same period of the previous year
I. Total operating revenue		16,541,974,640.71	15,378,356,331.50
Including: Operating income	5.48	16,098,917,937.35	15,063,913,342.05
Interest income	5.49	435,851,468.51	301,829,563.43
Premium earned			
Fee and commission income		7,205,234.85	12,613,426.02
II. Total operating costs		16,044,745,057.80	14,925,574,886.33
Including: Operating costs	5.48	13,505,501,267.05	12,385,092,437.95
Interest expenses	5.49	39,242,419.76	53,549,791.01
Fee and commission expenses		599,613.51	443,612.28
Surrenders			
Claims and policy holder benefits (net of amounts recoverable from reinsurers)			
Changes in insurance contract reserves (net of reinsurers' share)			
Insurance policyholder dividends			
Expenses for reinsurance accepted			
Business tax and levies	5.50	174,496,575.22	174,051,157.68
Sales expenses	5.51	451,729,348.43	563,294,938.12
Administrative expenses	5.52	1,148,593,077.32	1,188,592,554.99
R&D expenses		431,544,259.78	355,339,465.96
Financial expenses	5.53	-155,029,790.74	-45,019,443.15
Including: Interest expenses		18,107,992.68	23,444,956.38
Interest income		80,338,028.75	149,129,312.26
Impairment loss of assets	5.54	448,068,287.47	250,230,371.49
Credit impairment loss			
Add: Other gains	5.55	25,489,408.15	39,548,092.14
Investment income (Loss is indicated by "-")	5.56	143,263,356.29	91,665,809.57
Including: Income from investments in associates and joint ventures		76,237,199.14	28,124,322.76
Gains from net exposure hedges (Loss is indicated by "-")			
Gains from changes in fair values (Loss is indicated by "-")	5.57	-8,276,082.08	-16,922,662.85
Gains from disposal of assets (Loss is indicated by "-")	5.58	779,505.43	16,132,068.20
Foreign exchange gains (Loss is indicated by "-")		468,880.04	538,762.09
III. Operating profit (Loss is indicated by "-")		658,954,650.74	583,743,514.32
Add: Non-operating income	5.59	29,620,461.43	155,834,789.46
Less: Non-operating expenses	5.60	76,417,939.55	144,558,611.30
IV. Total profit (Total loss is indicated by "-")		612,157,172.62	595,019,692.48
Less: Income tax expenses	5.61	78,252,390.90	58,451,909.30
V. Net profit (Net loss is indicated by "-")		533,904,781.72	536,567,783.18
Net profit attributable to shareholders of parent Company		514,298,835.52	486,037,837.74
Profit or loss attributable to minority interests		19,605,946.20	50,529,945.44
Net profit from continuing operations (Net loss is indicated by "-")		533,904,781.72	536,567,783.18
Net profit of discontinued operations (Net loss is indicated by "-")			
VI. Other comprehensive income (OCI), (net of tax)		-7,637,161.58	-10,345,336.94
OCI attributable to owners of the Company, net of tax	5.40	-7,459,578.67	-8,787,111.94
(I) OCI that will not be reclassified to profit or loss		-5,727,418.69	
1. Change in fair value of other investments in equity instruments		-5,727,418.69	
(II) OCI that will be reclassified to profit or loss		-1,732,159.98	-8,787,111.94
1. Gain or loss from change in fair value of available-for-sale financial assets			-4,164,817.29
2. Exchange difference from translation of financial statements of foreign operations		-1,732,159.98	-4,622,294.65
OCI attribute to minority shareholders, net of tax		-177,582.91	-1,558,225.00
VII. Consolidated income		526,267,620.14	526,222,446.24

Item	Note 5	Amount for the Period	Amount for the same period of the previous year
Consolidated income attributable to owners of parent Company		506,839,256.85	477,250,725.80
Consolidated income attributable to minority interests		19,428,363.29	48,971,720.44
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)		0.17	0.16
(II) Diluted earnings per share (RMB/share)		0.17	0.16

In case of business combination under common control, net profit realized by the combinee before the combination in the period was RMB45,457,752.97; net profit realized by the combinee in the previous period was RMB106,464,306.42. The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited

Income Statement

January- June 2018

(Monetary units are expressed in RMB unless otherwise stated)

Item	Note 16	Amount for the Period	Amount for the same period of the previous year
I. Operating income	16.4	6,088,546,248.41	7,499,076,177.47
Less: Operating costs	16.4	5,897,720,037.89	7,320,759,119.02
Business tax and levies		521,085.91	872,678.67
Sales expenses		10,905,858.75	14,514,544.82
Administrative expenses		88,828,408.81	59,740,153.61
R&D expenses		24,200,638.43	
Financial expenses		-107,843,261.49	-39,314,448.53
Including: Interest expenses			
Interest income		84,203,676.10	97,200,446.33
Impairment loss of assets		63,881,406.65	-62,297,599.48
Credit impairment loss			
Add: Other gains		11,760.68	131,929.34
Investment income (Loss is indicated by "-")	16.5	66,436,112.77	82,148,492.22
Including: Income from investments in associates and joint ventures		56,363,041.22	34,974,707.11
Gains from net exposure hedges (Loss is indicated by "-")			
Gains from changes in fair values (Loss is indicated by "-")		-1,564,256.00	-5,587,991.25
Gains from disposal of assets (Loss is indicated by "-")		134,358.08	
II. Operating profits (Loss is indicated by "-")		175,350,048.99	281,494,159.67
Add: Non-operating income		3,612,916.11	5,689,414.62
Less: Non-operating expenses		282,298.79	135,333,116.51
III. Total profits (Total loss is indicated by "-")		178,680,666.31	151,850,457.78
Less: Income tax expenses		-11,052,635.14	-13,687,787.75
IV. Net profits (Net loss is indicated by "-")		189,733,301.45	165,538,245.53
Net profit from continuing operations (Net loss is indicated by "-")		189,733,301.45	165,538,245.53
Net profit of discontinued operations (Net loss is indicated by "-")			
VI. Other comprehensive income (OCI), (net of tax)			
OCI attributable to owners of the Company, net of tax			
(I) OCI that will not be reclassified to profit or loss			
1. Change in fair value of other investments in equity instruments			
(II) OCI that will be reclassified to profit or loss			
1. Gain or loss from change in fair value of available-for-sale financial assets			
2. Exchange difference from translation of financial statements of foreign operations			

Item	Note 16	Amount for the Period	Amount for the same period of the previous year
OCI attribute to minority shareholders, net of tax			
VII. Consolidated income		189,733,301.45	165,538,245.53
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)			
(II) Diluted earnings per share (RMB/share)			

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

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited
Consolidated Statement of Cash Flows
January- June 2018

(Monetary units are expressed in RMB unless otherwise stated)

Item	Note 5	Amount for the Period	Amount for the same period of the previous year
I. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		13,120,503,389.60	14,968,396,601.89
Net increase in deposits from customers and due from banks and other financial institutions		1,336,042,418.25	1,736,916,275.68
Net increase in borrowings from central bank		1,143,746.87	
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		255,958,128.58	179,245,458.18
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Refunds of taxes and surcharges		63,475,203.14	75,479,344.91
Cash received from other operating activities	5.62	1,617,500,517.71	764,393,219.30
Sub-total of cash inflows from operating activities		16,394,623,404.15	17,724,430,899.96
Cash paid for goods purchased and services received		10,334,796,647.25	12,044,199,803.81
Net increase in loans and advances to customers		823,161,973.78	1,943,075,780.03
Net increase in deposits with central bank and with banks and other financial institutions		442,821,190.32	-29,214,064.89
Cash paid for original insurance contract claims			
Cash paid for interests, handling charges and commissions		599,724.83	451,901.81
Cash paid for policy dividends			
Cash paid to and on behalf of employees		1,521,432,794.27	1,505,520,957.88
Cash paid for taxes and surcharges		1,395,483,648.66	1,819,626,922.88
Cash paid for other operating activities	5.62	1,135,970,976.89	1,389,787,269.11
Sub-total of cash outflows from operating activities		15,654,266,956.00	18,673,448,570.63
Net cash flows from operating activities		740,356,448.15	-949,017,670.67
II. Cash flows from investing activities			
Cash received from disposal of investments		1,541,257,569.04	1,045,582,203.18
Cash received from returns on investments		58,847,793.56	150,957,701.16
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		57,722,172.50	2,847,639.02
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		1,657,827,535.10	1,199,387,543.36
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		73,531,637.31	80,038,935.82
Cash paid for investments		905,024,849.80	1,074,391,693.55
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities	5.62		517,349.04
Sub-total of cash outflows from investing activities		978,556,487.11	1,154,947,978.41
Net cash flows from investing activities		679,271,047.99	44,439,564.95
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		199,644,900.00	196,913,835.00
Cash received from bonds issue			
Cash received from other financing activities			
Subtotal of cash inflow from financing activities		199,644,900.00	196,913,835.00
Cash paid for debt repayments		536,030,555.56	550,100,000.00
Cash paid for distribution of dividends and profit or payment of interest		29,297,235.44	31,015,397.82

Item	Note 5	Amount for the Period	Amount for the same period of the previous year
Including: Dividends and profits paid to minority shareholders by subsidiaries		6,301,001.61	5,960,077.10
Cash paid for other financing activities	5.62		4,119,669.20
Sub-total of cash outflows from financing activities		565,327,791.00	585,235,067.02
Net cash flows from financing activities		-365,682,891.00	-388,321,232.02
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		60,312,068.43	-92,932,550.03
V. Net increase in cash and cash equivalents		1,114,256,673.57	-1,385,831,887.77
Add: Opening balance of cash and cash equivalents		28,848,070,618.12	29,088,520,247.87
VI. Closing balance of cash and cash equivalents		29,962,327,291.69	27,702,688,360.10

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

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited

Statement of Cash Flows

January- June 2018

(Monetary units are expressed in RMB unless otherwise stated)

Item	Note 16	Amount for the Period	Amount for the same period of the previous year
I. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		4,710,841,508.38	4,668,946,310.08
Refunds of taxes and surcharges		32,627,717.30	45,037,869.38
Cash received from other operating activities		484,570,569.73	18,518,235.71
Sub-total of cash inflows from operating activities		5,228,039,795.41	4,732,502,415.17
Cash paid for goods purchased and services received		7,876,506,908.81	6,626,832,794.33
Cash paid to and on behalf of employees		78,005,474.37	71,220,017.15
Cash paid for taxes and surcharges		34,966,068.75	71,329,271.96
Cash paid for other operating activities		393,083,567.36	23,987,381.20
Sub-total of cash outflows from operating activities		8,382,562,019.29	6,793,369,464.64
Net cash flows from operating activities		-3,154,522,223.88	-2,060,867,049.47
II. Cash flows from investing activities			
Cash received from disposal of investments			320,617,271.64
Cash received from returns on investments		47,479,754.73	109,547,353.47
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		68,094.76	2,972.00
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investment activities		47,547,849.49	430,167,597.11
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		792,767.40	756,188.80
Cash paid for investments		102,000,000.00	40,000,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		102,792,767.40	40,756,188.80
Net cash flows from investing activities		-55,244,917.91	389,411,408.31
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			
Subtotal of cash inflow from financing activities			
Cash paid for debt repayments			

Item	Note 16	Amount for the Period	Amount for the same period of the previous year
Cash paid for distribution of dividends and profit or payment of interest			
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities			
Net cash flows from financing activities			
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		18,544,776.49	-22,579,840.15
V. Net increase in cash and cash equivalents		-3,191,222,365.30	-1,694,035,481.31
Add: Opening balance of cash and cash equivalents		11,513,755,417.41	11,375,052,661.31
VI. Closing balance of cash and cash equivalents		8,322,533,052.11	9,681,017,180.00

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

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited
Consolidated Statement of Changes in Shareholders' Equity
For January - June 2018
(Monetary units are expressed in RMB unless otherwise stated)

Item	The period												
	Equity attributable to owners of the parent company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profits		
Preferred stock		Perpetual capital securities	Others										
I. Balance as at December 31, 2017	2,336,900,368.00				11,643,808,679.91		41,972,904.52	72,836,252.85	774,913,922.16	195,263,000.00	11,378,034,055.43	1,199,470,031.36	27,643,199,214.23
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, 2018	2,336,900,368.00				11,643,808,679.91		41,972,904.52	72,836,252.85	774,913,922.16	195,263,000.00	11,378,034,055.43	1,199,470,031.36	27,643,199,214.23
III. Increases/decreases in the period ("+" for increases, "-" for decreases)	753,903,063.00				-468,593,561.11		-7,459,578.67	13,644,628.69			585,731,654.08	9,295,421.56	886,521,627.55
(I) Total comprehensive income							-7,459,578.67				514,298,835.52	19,428,363.29	526,267,620.14
(II) Capital contributed or reduced by owners	753,903,063.00				-468,593,561.11								285,309,501.89
1. Common shares contributed by shareholders	753,903,063.00				-468,593,561.11								285,309,501.89
2. Capital contributed by the holder of other equity instruments													
3. Amounts of share-based payment													

Item	The period												
	Equity attributable to owners of the parent company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profits		
		Preferred stock	Perpetual capital securities	Others									
recognized in owners' equity													
4. Others													
(III) Profit distribution												-7,733,888.89	-7,733,888.89
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk reserves													
3. Profit distributed to owners (or shareholders)												-7,733,888.89	-7,733,888.89
4. Others													
(IV) Internal carry-forward of owners' equity													
1. Conversion of capital reserves into in capital (or share capital)													
2. Conversion of surplus reserves into in capital (or share capital)													
3. Surplus reserves offsetting losses													
4. Others													
(V) Special reserves								13,644,628.69				840,697.40	14,485,326.09
1. Amount withdrawn in the period								29,119,220.41				1,556,862.83	30,676,083.24
2. Amount used in the period								-15,474,591.72				-716,165.43	-16,190,757.15
(VI) Others											71,432,818.56	-3,239,750.24	68,193,068.32
IV. Balance as at June 30, 2018	3,090,803,431.00				11,175,215,118.80		34,513,325.85	86,480,881.54	774,913,922.16	195,263,000.00	11,963,765,709.51	1,208,765,452.92	28,529,720,841.78

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

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited
Consolidated Statement of Changes in Shareholders' Equity (Continued)
For January - June 2018
(Monetary units are expressed in RMB unless otherwise stated)

Item	The previous period												
	Equity attributable to owners of the parent company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profits		
		Preferr ed stock	Perpetu al capital securiti es	Others									
I. Balance as at December 31, 2017	2,336,900,368.00				11,643,731,044.63		57,084,657.94	56,531,658.67	769,092,997.56	100,263,000.00	10,761,193,840.54	1,182,209,194.34	26,907,006,761.68
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, 2018	2,336,900,368.00				11,643,731,044.63		57,084,657.94	56,531,658.67	769,092,997.56	100,263,000.00	10,761,193,840.54	1,182,209,194.34	26,907,006,761.68
III. Increases/decreases in the period ("-" for decreases)							-8,787,111.94	23,638,089.74			486,037,837.74	44,259,709.61	545,148,525.15
(I) Total comprehensive income							-8,787,111.94				486,037,837.74	48,971,720.44	526,222,446.24
(II) Capital contributed or reduced by owners													
1. Common shares contributed by shareholders													
2. Capital contributed by the holder of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Others													
(III) Profit distribution												-5,440,876.12	-5,440,876.12
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk reserves													
3. Profit distributed to owners (or shareholders)												-5,440,876.12	-5,440,876.12
4. Others													
(IV) Internal carry-forward of owners' equity													

Item	The previous period												
	Equity attributable to owners of the parent company											Minority equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserve	Undistributed profits		
Preferr ed stock		Perpetu al capital securiti es	Others										
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								23,638,089.74				728,865.29	24,366,955.03
1. Amount withdrawn in the period								33,266,318.35				1,623,131.41	34,889,449.76
2. Amount used in the period								-9,628,228.61				-894,266.12	-10,522,494.73
(VI) Others													
IV. Balance as at June 30, 2018	2,336,900,368.00				11,643,731,044.63		48,297,546.00	80,169,748.41	769,092,997.56	100,263,000.00	11,247,231,678.28	1,226,468,903.95	27,452,155,286.83

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

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited
Statement of Changes in Shareholders' Equity

January – June 2018

(Monetary units are expressed in RMB unless otherwise stated)

Item	The period										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual capital securities	Others							
I. Balance as at December 31, 2017	2,336,900,368.00				8,891,700,256.53				1,063,277,038.59	6,316,429,701.07	18,608,307,364.19
Plus: Adjustments for changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at January 1, 2018	2,336,900,368.00				8,891,700,256.53				1,063,277,038.59	6,316,429,701.07	18,608,307,364.19
III. Increases/decreases in the period ("–" for decreases)	753,903,063.00				4,129,517,048.80					189,733,301.45	5,073,153,413.25
(I) Total comprehensive income										189,733,301.45	189,733,301.45
(II) Capital contributed or reduced by owners	753,903,063.00				4,129,517,048.80						4,883,420,111.80
1. Common shares contributed by shareholders	753,903,063.00				4,129,517,048.80						4,883,420,111.80
2. Capital contributed by the holder of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Profit distributed to owners (or shareholders)											
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)											
3. Surplus reserves offsetting losses											

Item	The period										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual capital securities	Others							
4. Others											
(V) Special reserves											
1. Amount withdrawn in the period											
2. Amount used in the period											
(VI) Others											
IV. Balance as at June 30, 2018	3,090,803,431.00				13,021,217,305.33				1,063,277,038.59	6,506,163,002.52	23,681,460,777.44

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

Legal Representative: Zou Lei
Yong

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng

Dongfang Electric Corporation Limited

Statement of Changes in Shareholders' Equity (Continued)

January – June 2018

(Monetary units are expressed in RMB unless otherwise stated)

Item	The previous period										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual capital securities	Others							
I. Balance as at December 31, 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
Plus: Adjustments for changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at January 1, 2018	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 the period ("–" for decreases)										165,538,245.53	165,538,245.53
(I) Total comprehensive income										165,538,245.53	165,538,245.53
(II) Capital contributed or reduced by owners											
1. Common shares contributed by shareholders											
2. Capital contributed by the holder of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Profit distributed to owners (or shareholders)											
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)											
3. Surplus reserves offsetting losses											
4. Others											

Item	The previous period										
	Share capital	Other equity instruments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual capital securities	Others							
(V) Special reserves											
1. Amount withdrawn in the period											
2. Amount used in the period											
(VI) Others											
IV. Balance as at June 30, 2018	2,336,900,368.00				8,891,700,256.53				1,057,456,113.99	6,429,579,625.18	18,715,636,363.70

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

Legal Representative: Zou Lei

Accounting Principal: Gong Dan

Person in charge of the Accounting Department: Feng Yong

Dongfang Electric Corporation Limited

Notes to the Financial Statements for the First Half of 2018

(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 on 31 May 1994 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 in November 2007, 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 publicly 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.

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 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 to 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.

Upon the approval with the Official Reply to the Assets Purchase of Dongfang Electric Corporation Limited by Issue of Shares to Dongfang Electric Corporation (ZJXK [2018] No. 354) issued by the China Securities Regulatory Commission on March 1, 2018, the Company purchased relevant assets from Dongfang Electric Corporation by issuing 753,903,063 shares on March 31, 2018. After the issue of shares, the Company's share capital changed to 3,090,803,431 shares.

As at June 30, 2018, the share capital of the Company amounted to 3,090,803,431 shares, including listed domestic shares (A-share) with sale-restricted conditions of 753,903,063 shares, accounting for 24.39% of the share capital; listed domestic shares (A-share) without sale-restricted conditions of 1,996,900,368 shares, accounting for 64.61% of the share capital, and listed foreign shares (H-share) without sale-restricted conditions of 340 million shares, accounting for 11.00% 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 over 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 resolutions passed at the general meeting of shareholders and by the board of directors, and presiding over the production and operation management of the Company. The Company sets up 14 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, information center and planning and development department, four

business divisions, which were the gas turbine division, nuclear power division, power station services division and renewable energy division and Academia Sinica and international engineering branch companies.

The Company is engaged in the industry of power generation equipment manufacturing with a business scope covering general equipment manufacturing, electrical machinery and equipment manufacturing, nuclear 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 instrument and apparatus, standard machinery and other equipment; manufacturing and sale of industrial gas; 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 workers needed by the same; import and export trade; commercial service; professional technique service; science and technology exchange and promotion (projects 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, nuclear power generation equipment and gas power generation equipment.

1.2 The scope of consolidated financial statements

As at June 30, 2018, 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, Ltd. of Dongfang Electric Corporation
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation (hereinafter referred to as the "DFEM")
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. (hereinafter referred to as the "DFHM")
Dongfang Electric Wind Power Co., Ltd. (hereinafter referred to as the "DEWP")
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd. (hereinafter referred to as the "DENE")
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")

Subsidiary
DEC International Cooperation Limited (hereinafter referred to as the "DEC International Cooperation")
Dongfang Electric Finance Co., Ltd. (hereinafter referred to as the "Dongfang Electric Finance")
Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd. (hereinafter referred to as the "Automatic Control Engineering")
Dongfang Hitachi Electronic Control Equipment Co., Ltd. (hereinafter referred to as the "Dongfang Hitachi")
Dongfang Electric (Sichuan) Materials Co., Ltd. (hereinafter referred to as the "DEC Materials")
DEC Bulk Logistic Co., Ltd. (hereinafter referred to as the "DEC Bulk Logistic")
DEC Chengdu Clean Energy Co., Ltd. (東方電氣集團成都清能科技有限公司) (hereinafter referred to as the "DEC Clean Energy")
DEC Chengdu Smart Energy Co., Ltd. (東方電氣集團成都智能科技有限公司) (hereinafter referred to as the "DEC Smart Energy")

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 the period and 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") published by the Ministry of Finance, 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 Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong 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 acquired from the 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 flows. 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. 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 flows. Where the Company can control the investee not under common control from additional investments or other reasons, 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 statement of cash flows; cash flows of the subsidiary or the business from the beginning period to the disposal date shall be included in the consolidated statement of cash flows.

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 as a whole 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 monetary 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 assets are classified into: Financial assets measured at amortized cost, financial assets (debt instruments) at fair value through other comprehensive income and financial assets at fair value through profit or loss. For non-trading investments in equity instruments, the Company

determines whether they shall be designated as financial assets (equity instruments) at fair value through other comprehensive income on initial recognition.

Upon initial recognition, financial liabilities are classified into: Financial liabilities at fair value through profit or loss and financial liabilities measured at amortized cost.

3.10.2 Recognition basis and measurement method of financial instruments

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes and accounts receivable, other receivables, long-term receivables, debt investments, which are measured initially at fair value and related transaction expenses are recorded as initial recognition amount; accounts receivables that do not contain significant financing component and that contain financing component not exceeding one year but are not considered by the Company are measured initially at the contract transaction prices.

During the holding period, interest calculated using the effective interest rate method is included in the current profit or loss.

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

(2) Financial assets (debt instruments) at fair value through other comprehensive income

Financial assets (debt instruments) at fair value through other comprehensive income include other investments in debt instruments, which are measured initially at fair value and related transaction expenses are recorded as initial recognition amount. The subsequent measurement of such financial assets is made based on fair value, and the change in fair value are included in other comprehensive income, except for interest calculated using the effective interest rate method, impairment losses or gains and exchange gains or losses.

On derecognition, accumulated gains or losses which were originally included in other comprehensive income are transferred out and included in the current profit or loss.

(3) Financial assets (equity instruments) at fair value through other comprehensive income

Financial assets (equity instruments) at fair value through other comprehensive income include other investments in equity instruments, which are measured initially at fair value and related transaction expenses are recorded as initial recognition amount. The subsequent measurement of such financial assets is made based on fair value, and the changes in fair value are included in other comprehensive income. Dividends obtained are included in the current profit or loss.

On derecognition, accumulated gains or losses which were originally included in other comprehensive income are transferred out and included in the current profit or loss.

(4) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include held-for-trading financial assets, derivative financial assets and other non-current financial assets, which are measured initially at fair value and related transaction expenses are included in the current profit or loss. The subsequent measurement of such financial assets is made based on fair value, and the change in fair value is included in the current profit or loss.

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

(5) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities and derivative financial liabilities, which are measured initially at fair value and related transaction expenses are included in the current profit or loss. The subsequent measurement of such financial liabilities is made based on fair value, and the change in fair value is included in the current profit or loss.

On derecognition, the difference between the fair value and initial book-entry value is recognized as investment income; meanwhile, the profit or loss from the change

in fair value is adjusted.

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost include short-term borrowings, notes and accounts payable, other payables, long-term borrowings, bonds payable, long-term payables, which are measured initially at fair value and related transaction expenses are recorded as initial recognition amount.

During the holding period, interest calculated using the effective interest rate method is included in the current profit or loss.

On derecognition, the difference between the consideration to be paid and the book value of such financial liabilities is included in the current profit or loss.

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 an existing financial liability in whole or in part, the existing financial liability 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)

The Company estimates expected credit losses (“ECLs”) of financial assets at amortized costs and financial assets (debt instruments) at fair value through other comprehensive income on an individual or collective basis after taking into account all reasonable and relevant information (including forward-looking information). The measurement of ECLs of a financial asset depends on whether there is a significant increase in the credit risk of such financial asset since initial recognition.

The Company measures the loss allowance for a financial instrument at an amount equal to lifetime ECLs if there is a significant increase in the credit risk of such financial instrument since initial recognition. The Company measures the loss allowance for a financial instrument at an amount equal to 12-month ECLs if there is not a significant increase in the credit risk of such financial instrument since initial recognition. Any change in the ECL amount is recognized as an impairment gain or loss through profit or loss.

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. The Company measures the loss allowance of a receivable (irrespective of containing significant financing component) at an amount equal to lifetime ECLs. Any change in the ECL amount is recognized as an impairment gain or loss through profit or loss. 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 amount standards for individually significant amount:

Judgment basis or amount standards for individually significant amount	Accounts receivable of which individual amount exceeds RMB30 million and other receivables of which individual amount exceeds RMB10 million are taken as 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.

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

Determination basis of portfolio	
Aging portfolio	The portfolio is classified by taking the aging of receivables as the credit risk characteristics.
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 debts	Receivables of which individual amount is insignificant and the provision for bad debts therefor made by portfolio cannot reflect the risk characteristics
Method of 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.

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, storage 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 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. 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 and shall be adjusted as if such remaining equities have been accounted for under the equity method since they are obtained; 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	-	2%
Houses and buildings			
Including: Houses and buildings used for production	20	5%	4.75%
Houses and buildings used for non-production	25	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;

(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 and 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%
II. Machinery equipment	10 years	5%	9.50% or Double declining balance 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 individual asset, the Company estimates 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 abovementioned impairment loss will not be reversed in the subsequent accounting periods once being recognized.

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.

Where long-term deferred expenses are not beneficiary to the subsequent accounting periods, the amortized value of the projects that are not amortized yet shall all be 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;
- (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.

3.26Revenue

The Group has fulfilled its performance obligations of the contract that the revenue is recognized when the customers take control of the relevant assets (goods or services). The determination of whether the performance obligations shall be fulfilled over a period of time or at a point of time relies in the terms of the contract and requirements of relevant laws. The Company is deemed to fulfill the performance obligation over a period of time when any of the following conditions is met:

1. The customer simultaneously receives and consumes the benefits provided by the Company's performance, as the Company performs;
2. The customer can take control over the assets under construction created by the Company in performance;
3. The Company's performance does not create an asset with an alternative use and the Company has an enforceable right to payment for performance completed to date.

The Revenue is recognized by the Company according to the performance progress if the performance obligations is satisfied over a period of time. Otherwise the Company will recognize the revenue at a point of time when the customer takes control over the assets. The performance progress shall be measured at the expenses or investment from the performance, which is determined based on the proportion of the costs accrued as at the balance sheet date to the total expected costs in respect of each contract.

Where there is variable consideration, the Company will, when in the determination of the transaction consideration of the contracts, determine the best estimated amounts of the variable consideration based on the expected value or the amounts with the highest possibility, and included in the transaction consideration an amount not exceeding that in the recognized revenue which is likely not to be significantly reversed when relevant uncertainty is eliminated. Where there are significant financing components in the contract, the Company adjusted the transaction consideration in the light of the financing components in the contract. For contracts with the interval between control rights transfer and consideration payments by customers within one year, the Company will not take the financing components involved into account.

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 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.

3.29Lease

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 lessee, 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

At the commencement of the hedge, the Company formally designates the hedge relationship (namely the relationship between the hedging instruments and the hedged items) and prepares a formal written document about the hedge relationship, risk

management objectives and the strategies of hedging; This document shall specify the nature and number of hedging instruments and the hedged items, the type of hedge, the nature of the hedged risk, the assessment of the effectiveness of the hedge. Hedge shall be associated with specific, recognizable and designated risks and will ultimately affect profit or loss of the enterprise. Such hedges are expected to be effective in achieving offsetting changes in fair value or cash flows of the hedged item resulted from by the changes in fair value or cash flows of the hedging instruments.

The Company assesses the effectiveness of the hedge on a continuous basis to judge whether the hedge meets the requirements for effectiveness of hedge accounting during the accounting period with designated hedge relationship. The application of hedge relationship will be terminated if it fails to meet the effectiveness requirements.

The following effectiveness requirements of hedge shall be meet when applying hedge accounting:

- (1) There is an economic relationship between the hedged items and the hedging instruments.
- (2) The effect of credit risk does not dominate the value changes that are resulted from that economic relationship.
- (3) Adopt a proper hedging ratio that will not create imbalance between the hedged item and the hedging instruments, which will generate inconsistent accounting results with the objectives of the hedge accounting. If the hedging ratio is not proper any longer while the objectives of the hedge risks management remain unchanged, adjustments shall be made to the number of the hedged items or hedging instruments so as to enable the hedging ratio to satisfy the effectiveness requirements again.

3.34 Changes in significant accounting policies and accounting estimates

3.34.1 Changes in significant accounting policies

(1) Adopting ASBE No. 22–Financial Instruments: Recognition and Measurement, ASBE No. 23–Transfer of Financial Assets, ASBE No. 24–Hedge Accounting and ASBE No. 37–Financial Instruments: Presentation and Reporting

In 2017, Ministry of Finance revised the ASBE No. 22–Financial Instruments: Recognition and Measurement, ASBE No. 23–Transfer of Financial Assets, ASBE No. 24–Hedge Accounting and ASBE No. 37–Financial Instruments: Presentation and Reporting. Such revised standards shall be implemented from 1 January 2018. According to the standards, for financial instruments which have not been derecognized on the

implementation date, retroactive adjustments shall be made to those applied recognition and measurement requirements different from the requirements under the revised standards. Adjustments have been made to the comparative figures in financial statements of prior period prepared in accordance with requirements different from those under the revised standards. On 1 January 2018, the Company adjusted the opening balance of retained earnings and other comprehensive income based on the cumulative effects of retroactive adjustment. Major effects of adopting the above standards are as follows:

Changes in accounting policies and reasons	Items affected	Amounts affected
(1) "Financial asset at fair value through profit or loss" is reclassified as "held-for-trading financial assets" due to change in the name of item	financial asset at fair value through profit or loss, held-for-trading financial assets	Consolidated statement: at the end of the Period, financial assets at fair value through profit or loss decreased by RMB219,828,387.48, held-for-trading financial assets increased by RMB219,828,387.48; at the beginning of the Period, financial asset at fair value through profit or loss decreased by RMB356,894,260.52, held-for-trading financial assets increased by RMB354,810,227.98, derivative financial assets increased by RMB2,084,032.54.
(2) "Held-to-maturity investments" is reclassified as "Debt investments" due to change in the name of item	held-to-maturity investments, debt investments	Consolidated statement: at the end of the Period, held-to-maturity investments decreased by RMB426,457,735.75, debt investments increased by RMB426,457,735.75; at the beginning of the Period, held-to-maturity investments decreased by RMB604,843,393.75, debt investments increased by RMB604,843,393.75;
(3) Non-trading investments in available-for-sale equity instruments is designated as "financial asset at fair value through other comprehensive income"; investments in available-for-sale debt instrument is designated as "financial assets at fair value through other comprehensive income".	financial assets available-for-sale, other investments in equity instruments, other investments in debt instruments	Consolidated statement: at the end of the Period, financial assets available-for-sale decreased by RMB689,692,040.36, other investments in equity instruments increased by RMB104,893,165.36, other investments in debt instruments increased by RMB584,798,875.00; at the beginning of the Period, financial assets available-for-sale decreased by RMB699,396,447.74, other investments in equity instruments increased by RMB112,931,647.74, other investments in debt instruments increased by RMB586,464,800.00.

(2) Adopting ASBE No. 14–Revenue

In 2017, Ministry of Finance revised ASBE No. 14–Revenue (2017 revision). Pursuant to the requirements of the standard, enterprises that implement this standard for the first time shall adjust the retained earnings and the amount of other related items in the financial statements at the beginning of the year based on the cumulative effects, whereby the information related to the corresponding period shall not be adjusted. Pursuant to the requirements of the standard, the Company may adjust only the cumulative effects of the contracts that were not yet completed as at the date of initial adoption. Major effects of adopting the above standard are as follows:

Changes in accounting policies and reasons	Items affected	Amounts affected
“Contract assets” and “Contract liabilities” are included in statement of financial position.	inventories, contract assets, receipts in advance, contract liabilities	Consolidated statement: at the end of the Period, inventories decreased by RMB4,435,922,195.56, contract assets increased by RMB4,435,922,195.56, receipts in advance decreased by RMB29,259,069,016.45, contract liabilities increased by RMB29,259,069,016.45. At the beginning of the Period, inventories decreased by RMB3,813,124,661.16, contract assets increased by RMB3,813,124,661.16, receipts in advance decreased by RMB32,215,266,411.83, contract liabilities increased by RMB32,215,266,411.83.

(3) On 15 June 2018, Ministry of Finance issued the “Notice of Ministry of Finance Concerning the Revision of the Financial Statements Format for General Business Enterprises in 2018” (Cai Kuai [2018] No. 15) (《財政部關於修訂印發 2018 年度一般企業財務報表格式的通知》(財會(2018)15 號)) which revised the financial statements format for general business enterprises. Major effects of adopting the above standard are as follows:

Changes in accounting policies and reasons	Items affected	Amounts affected
(1) “Notes receivable” and “Accounts receivable” in the statement of financial position are consolidated as “Notes and accounts receivable”;	notes receivable, accounts receivable, notes and accounts receivable, notes payable, accounts payable, notes and	(1) “Notes receivable” and “Accounts receivable” were consolidated as “Notes and accounts receivable”, the amount of which was RMB17,092,092,134.33 at the end of the Period and

<p>(2) "Notes payable" and "Accounts payable" are consolidated as "Notes and accounts payable";</p> <p>(3) "Interest receivable" and "Dividends receivable" are consolidated into "Other receivables";</p> <p>(4) "Interest payable" and "Dividends payable" are consolidated into "Other payables";</p> <p>(5) "Disposal of fixed assets" is consolidated into "Fixed assets";</p> <p>(6) "Construction materials" is consolidated into "Constructions in process";</p> <p>(7) "Special payables" is consolidated into "Long-term payables". Comparative figures are adjusted accordingly;</p> <p>(8) "R&D expenses" is included in the income statement; R&D expenses in "Administrative expenses" was reclassified into "R&D expenses" and presented separately.</p>	<p>accounts payable, interest receivable, dividends receivable, other receivables, interest payable, dividends payable, other payables, fixed assets on disposal, fixed assets, construction materials, constructions in process, special payables, long-term payables, administrative expenses, R&D expenses</p>	<p>RMB18,148,745,136.91 at the beginning of the Period;</p> <p>(2) "Notes payable" and "Accounts payable" were consolidated as "Notes and accounts payable", the amount of which was RMB16,436,703,646.33 at the end of the Period and RMB17,498,210,334.70 at the beginning of the Period;</p> <p>(3) "Other receivables" increased by RMB251,233,573.25 at the end of the Period and RMB228,823,949.29 at the beginning of the Period;</p> <p>(4) "Other payables" increased by RMB73,928,496.69 at the end of the Period and RMB87,690,288.34 at the beginning of the Period;</p> <p>(5) "Fixed assets" increased by RMB151,325.59 at the end of the Period and RMB145,517.40 at the beginning of the Period;</p> <p>(6) "Constructions in process" increased by RMB161,328.21 at the end of the Period and RMB113,464.96 at the beginning of the Period;</p> <p>(7) "Long-term payables" increased by RMB58,062,614.63 at the end of the Period and RMB58,062,614.63 at the beginning of the Period;</p> <p>(8) "R&D expenses" increased by RMB431,544,259.78 during the Period and RMB355,339,465.96 during the last period; "Administrative expenses" decreased by RMB431,544,259.78 during the Period and RMB355,339,465.96 during the last corresponding period.</p>
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3.34.2 Changes in major accounting estimates

There were no change in the Company's major accounting estimates during the Reporting Period.

4. Taxation

4.1 Main tax types and tax rates

Tax type	Tax basis	Tax rate
Value-added tax (Remarks 1 and 2)	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 input taxes allowed to be deducted for the current period	2%, 6%, 10%, 11%, 14.5%, 16%, 17%
Urban maintenance and construction tax	Paid based on the actual business tax, VAT and consumption tax paid	5%, 7%
Educational surtax	Paid based on the actual business tax, VAT and consumption tax paid	3%
Local educational surcharges	Paid based on the actual business tax, VAT and consumption tax paid	2%
Enterprise income tax (Remark 3)	Levied based on the taxable income	15%, 25%, 33.063%, 20%, 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: According to Cai Shui [2018] No. 32 issued by the Ministry of Finance and the State Administration of Taxation, since May 1, 2018, the previous VAT rates of 17% and 11% applicable to any taxpayer's VAT taxable sale of goods, respectively, shall be adjusted to 16% and 10%, respectively.

Remark 3: 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 4)	25%, 20%
Dongfang Electric Venezuela Co., Ltd. (hereinafter referred to as the "DEV")	15%, 22%, 34%
Laos Nam Mang Power Company Limited (Remark 5)	0%
DEA	15%
Dongfang Hitachi	15%

Taxpayer name	Income tax rate
Other enterprise within the scope of the Company's consolidation	25%

Remark 4: DEC Indonesia Company collects the enterprise income tax respectively according to 25% and 20% of taxable income and income from deposit interest.

Remark 5: hereinafter referred to as "Nam Mang Power Company". According to the Franchise Agreement entered into between Nam Mang Power Company and the Laotian government, the income tax rate for Nam Mang Power Company is 0%.

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; On October 9, 2015, Dongfang Hitachi obtained the Hi-tech Enterprise Certificate (Certificate Number: GR201551000172) 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. The Company believes that such enterprises are very likely to file with and obtain from their respective competent tax authority the confirmation on the continuation of entitlements to preferential tax rate for hi-tech enterprises in 2018. Therefore, their enterprise income tax for 2018 will be calculated and paid temporarily at the preferential tax rate of 15% for hi-tech enterprises.

2. According to the Circular of the Ministry of Finance, the General Administration of 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, DTR and DEA 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. The Company is of the view that the foresaid enterprises still fall within the encouraged industries defined in the Catalogue of Encouraged Industries in the Western Region in 2018. Therefore, their enterprise income tax for 2018 will be calculated and paid temporarily at the preferential tax rate of 15% for development of the west regions.

5. Notes to items of consolidated financial statements

5.1 Monetary funds

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Cash on hand	2,283,291.74	2,103,727.26
Bank deposits	32,088,329,924.26	30,548,557,998.90
Other monetary funds	73,375,424.93	56,117,803.64

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Total	32,163,988,640.93	30,606,779,529.80
Including: total amount deposited abroad	325,130,955.16	315,620,104.35

Other monetary funds are listed as follows:

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Bank acceptance bills margin	350,000.00	
Performance bond	3,319,484.00	3,490,284.00
Deposit for letter of guarantee	26,164,447.52	9,086,026.23
Refundable deposits	43,541,493.41	43,541,493.41
Total	73,375,424.93	56,117,803.64

Remarks: as at June 30, 2018, among the Company's monetary funds, the funds restricted are converted into RMB2,201,661,349.24 in total, which is mainly the statutory deposit reserve placed at central bank by financial enterprises. As at January 1, 2018, the funds restricted were converted into RMB1,730,030,982.45.

5.2 Financial assets held for trading

5.2.1 Financial assets measured at fair value through current profit or loss

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Financial assets held for trading	187,146,304.30	322,217,498.90
Investment in equity instrument	32,682,083.18	32,592,729.08
Total	219,828,387.48	354,810,227.98

Other notes:

- (1) As at June 30, 2018, 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) MSCI International ETF funds held by the Company in E Fund;
- (6) The remaining small lots of investment in equity instrument are unrestricted shares held by the Company in Soochow Securities and other companies;
- (7) The fair value of those equity instruments as of the end of the Period are measured using their closing stock price at the securities exchange market as of the end of the period;
- (8) Investments in debt instrument are the debentures held by the Company, which adopt the sale-oriented business mode and are classified into financial assets at fair value through profit or loss and whose fair value at the end of the period are measured using their closing stock price at the securities exchange market;
- (9) The Company's financial assets at fair value through profit or loss as at end of the period decreased by RMB134,981,840.50 or 38.04%, which was mainly due to the expiry or sale of investments in debt.

5.2.2 Financial assets held for trading are analyzed as follows:

Item	Fair value as at June 30, 2018	Fair value as at January 1, 2018
Listing		
China (except Hong Kong)	219,828,387.48	354,810,227.98
Total	219,828,387.48	354,810,227.98

5.3 Derivative financial assets

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Contract on forward foreign exchange sales		2,084,032.54
Total		2,084,032.54

5.4 Notes receivable and accounts receivable

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Notes receivable	3,820,528,246.63	4,877,181,249.21
Accounts receivable	13,271,563,887.70	13,678,081,637.30
Total	17,092,092,134.33	18,555,262,886.51

5.4.1 Presentation of notes receivable by category

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Bank acceptance bill	3,639,281,785.60	4,753,466,445.11
Commercial acceptance bill	181,246,461.03	123,714,804.10

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Total	3,820,528,246.63	4,877,181,249.21

5.4.2 Notes receivable endorsed or discounted by the Company as at June 30, 2018**but not expired on the balance sheet date**

Item	Amount derecognized as at June 30, 2018	Amount not derecognized as at June 30, 2018
Bank acceptance bill	627,633,460.38	
Commercial acceptance bill	39,453,500.00	
Total	667,086,960.38	

5.4.3 Accounts receivable

Item name	Amount as at June 30, 2018	Amount as at January 1, 2018
Accounts receivable	19,089,899,935.95	19,307,533,539.50
Less: provision for bad debts	5,818,336,048.25	5,629,451,902.20
Net amount	13,271,563,887.70	13,678,081,637.30

5.4.4 Ageing analysis of accounts receivable

Ageing	Amount as at June 30, 2018	Amount as at January 1, 2018
Within 1 year	6,244,915,442.96	6,814,523,367.26
1 – 2 years	3,524,821,634.43	3,222,775,246.54
2 – 3 years	2,203,620,674.00	2,157,679,661.90
3 – 4 years	728,642,151.73	983,903,099.47
4 – 5 years	569,563,984.58	499,200,262.13
Net amount	13,271,563,887.70	13,678,081,637.30

Remark: Ageing analysis about accounts receivable was carried out by the Company based on the time shown on relevant invoices, documents of settlement, etc.

5.4.5 Disclosure of accounts receivable by classification

Category	Balance as at June 30, 2018					Balance as at January 1, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	proportion (%)	Amount	proportion of provision (%)		Amount	proportion (%)	Amount	proportion of provision (%)	
Accounts receivable with significant single amount and subject to individual provision for bad debts	518,294,109.62	2.72	518,294,109.62	100.00		435,852,885.26	2.26	435,852,885.26	100.00	
Accounts receivable subject to provision for bad debts by portfolios with credit risk characteristics	18,443,717,351.58	96.61	5,172,153,463.88	28.04	13,271,563,887.70	18,780,089,121.96	97.27	5,102,007,484.66	27.17	13,678,081,637.30
Accounts receivable with insignificant single amount and subject to individual provision for bad debts	127,888,474.75	0.67	127,888,474.75	100.00		91,591,532.28	0.47	91,591,532.28	100.00	
Total	19,089,899,935.95	100.00	5,818,336,048.25		13,271,563,887.70	19,307,533,539.50	100.00	5,629,451,902.20		13,678,081,637.30

Accounts receivable with amount individually significant and separate provision
for bad debt at June 30, 2018

Accounts receivable (by unit)	Balance as at June 30, 2018			
	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	80,137,500.00	80,137,500.00	100.00	Financial strain of the client
Rank 4	73,349,499.51	73,349,499.51	100.00	Financial strain of the client
Rank 5	61,500,000.00	61,500,000.00	100.00	Financial strain of the client
Rank 6	53,434,257.22	53,434,257.22	100.00	Financial strain of the client
Rank 7	38,758,107.28	38,758,107.28	100.00	Financial strain of the client
Total	518,294,109.62	518,294,109.62		

In the portfolio, accounts receivable with the provision for bad debts made under
the ageing analysis method:

Ageing	Balance as at June 30, 2018		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	6,573,595,203.12	328,679,760.16	5.00
1 – 2 years	3,916,468,482.70	391,646,848.27	10.00
2 – 3 years	2,754,525,842.50	550,905,168.50	20.00
3 – 4 years	1,214,403,586.21	485,761,434.48	40.00
4 – 5 years	1,139,127,969.15	569,563,984.57	50.00
Over 5 years	2,845,596,267.90	2,845,596,267.90	100.00
Total	18,443,717,351.58	5,172,153,463.88	

Accounts receivable with amount individually insignificant and separate provision for bad
debts as at June 30, 2018

Entity name	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Rank 1	24,095,000.00	24,095,000.00	100.00	Unable to recover on time due to the financial strain of the client
Rank 2	22,014,288.40	22,014,288.40	100.00	Unable to recover on time due to the financial strain of

Entity name	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
				the client
Rank 3	19,711,000.00	19,711,000.00	100.00	Unable to recover on time due to the financial strain of the client
Rank 4	18,708,497.55	18,708,497.55	100.00	Unable to recover on time due to the financial strain of the client
Rank 5	10,461,050.00	10,461,050.00	100.00	Unable to recover on time due to the financial strain of the client
Rank 6	10,138,597.49	10,138,597.49	100.00	Unable to recover on time due to the financial strain of the client
Others	22,760,041.31	22,760,041.31	100.00	Unable to recover on time due to the financial strain of the client
Total	127,888,474.75	127,888,474.75		

5.4.6 Provision, reversal or recovery of provision for bad debts during the reporting period

During the period, the Company provided the bad debts reserves of RMB239,834,985.30; and amount recovered or reversed of accounts receivable subject to separate provision for bad debts was RMB35,450,000.00.

Reversal or recovery of significant amount of provision for bad debts during the period:

Debtor	Balance of accounts receivable	Proportion of provision (%)	Provision for bad debts	Amount recovered or reversed in the period	Basis for determining the original bad debts reserve	Reason for reversal or recovery in the period
Rank 1	24,450,000.00	100.00	24,450,000.00	24,450,000.00	Unable to recover on time due to the financial strain of the client	Financial turnaround of the client
Rank 2	25,711,000.00	100.00	25,711,000.00	6,000,000.00	Unable to recover on time due to the financial strain of the client	Financial turnaround of the client
Rank 3	7,200,000.00	100.00	7,200,000.00	3,000,000.00	Unlikely to recover on time due to the financial strain of the client	Financial turnaround of the client
Rank 4	4,400,000.00	100.00	4,400,000.00	2,000,000.00	Unable to recover on time due to the financial strain of the client	Financial turnaround of the client
Total	61,761,000.00		61,761,000.00	35,450,000.00		

5.4.7 Accounts receivable actually written off during the period

Item	Amount for write-off
Actual write-off of accounts receivable	1,122,093.09

Remark: The total amount of accounts receivable of 27 units written off during the period is RMB1,122,093.09.

5.4.8 Top five closing balances of accounts receivable classified by the debtor

Entity name	Balance as at June 30, 2018		
	Accounts receivable	Proportion in the total accounts receivable (%)	Provision for bad debts
Rank 1	492,652,186.21	2.58	492,652,186.21
Rank 2	417,116,025.72	2.18	21,218,865.62
Rank 3	289,460,964.00	1.52	26,019,542.80
Rank 4	277,231,020.90	1.45	52,415,446.80
Rank 5	260,772,218.00	1.37	56,985,521.40
Total	1,737,232,414.83	9.10	649,291,562.83

5.4.9 The revenue subject to recognition by the Company based on time period 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 subject to recognition by the Company based on time point 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 ageing

Ageing	Balance as at June 30, 2018		Balance as at January 1, 2018	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	896,427,803.28	61.12	2,044,783,808.57	84.18
1 -- 2 years	224,806,698.61	15.33	80,369,159.22	3.31
2 -- 3 years	59,624,396.24	4.07	91,214,901.16	3.75
Over 3 years	285,646,824.56	19.48	212,844,588.61	8.76
Total	1,466,505,722.69	100.00	2,429,212,457.56	100.00

Note: The Company's advances to suppliers with ageing of over 1 year at the end of the period are RMB570,077,919.41, mainly comprising the advances for purchase of the large forging materials 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 closing balances of advances to suppliers classified by the recipient of advances

Recipient of advances	Balance as at June 30, 2018	Proportion in the total ending balance of advances to suppliers
Rank 1	66,526,076.97	4.54
Rank 2	52,837,525.30	3.60
Rank 3	47,550,003.93	3.24
Rank 4	44,260,190.31	3.02
Rank 5	42,197,155.67	2.88
Total	253,370,952.18	17.28

5.6 Other receivables

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Interest receivable	251,233,573.25	191,497,391.89
Dividends receivable		37,326,557.40
Others	296,715,592.79	250,304,129.91
Total	547,949,166.04	479,128,079.20

5.6.1 Interest receivable

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Fixed deposit	116,730,068.55	142,555,349.72
Held-to-maturity investments	32,532,667.76	24,135,686.30
Financial assets purchased under resale agreements		8,269,774.57
Deposits with inter-banks of Finance Company	101,952,316.39	16,536,581.30
Others	18,520.55	
Total	251,233,573.25	191,497,391.89

Note: The Company has no overdue interest among the interest receivable as at June 30, 2018.

5.6.2 Dividends receivable

Item (or Investee)	Balance as at June 30, 2018	Balance as at January 1, 2018
AREVA DONGFANG Reactor Coolant Pumps Co., Ltd.		37,326,557.40
Total		37,326,557.40

5.6.3 Others

Item name	Amount as at June 30, 2018	Amount as at January 1, 2018
Book balance	669,347,336.83	607,362,387.45
Less: provision for bad debts	372,631,744.04	357,058,257.54
Net amount	296,715,592.79	250,304,129.91

5.6.4 Aging analysis of others

Age	Balance as at June 30, 2018	Balance as at January 1, 2018
Within 1 year	157,671,752.29	101,306,731.61
1–2 years	43,464,125.94	56,455,379.84
2–3 years	66,030,986.23	60,544,271.58
3–4 years	11,242,158.58	12,213,262.88
4–5 years	17,565,769.75	18,072,232.00
Over 5 years	740,800.00	1,712,252.00
Net amount	296,715,592.79	250,304,129.91

5.6.5 Disclosure of others by classification

Category	Balance as at June 30, 2018					Balance as at January 1, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Others with significant single amount and subject to individual provision for bad debts	169,824,603.12	25.37	146,064,314.06	86.01	23,760,289.06	146,064,314.06	24.05	146,064,314.06	100.00	0.00
Others subject to provision for bad debts by portfolios with credit risk characteristics	442,488,989.91	66.11	170,274,486.18	38.48	272,214,503.73	410,816,022.96	67.64	168,909,268.85	41.12	241,906,754.11
Others with insignificant single amount and subject to individual provision for bad debts	57,033,743.80	8.52	56,292,943.80	98.70	740,800.00	50,482,050.43	8.31	42,084,674.63	83.37	8,397,375.80
Total	669,347,336.83	100	372,631,744.04	55.67	296,715,592.79	607,362,387.45	100.00	357,058,257.54	58.79	250,304,129.91

Accounts receivable with significant single amount and subject to individual provision for bad debts at the end of the period

Accounts receivable	Balance as at June 30, 2018			
	Accounts receivable	Provision for bad debts	Provision for bad debts (%)	Reason for provision
Rank 1	146,064,314.06	146,064,314.06	100	Irrecoverable as expected
Rank 2	23,760,289.06	0.00	0	Advances made for on-the-spot charges with no recoverability risk
Total	169,824,603.12	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:

Age	Balance as at June 30, 2018		
	Accounts receivable	Provision for bad debts	Provision for bad debts (%)
Within 1 year	140,959,434.98	7,047,971.75	5.00
1-2 years	48,293,473.27	4,829,347.33	10.00
2-3 years	82,538,732.79	16,507,746.56	20.00
3-4 years	18,736,930.96	7,494,772.38	40.00
4-5 years	35,131,539.51	17,565,769.76	50.00
Over 5 years	116,828,878.40	116,828,878.40	100.00
Total	442,488,989.91	170,274,486.18	

Other receivables with insignificant single amount and subject to individual provision for bad debts as at the end of the period

Other receivables (by unit)	Balance as at June 30, 2018			
	Other receivables	Provision for bad debts	Provision for bad debts (%)	Reason for provision
Rank 1	6,656,688.19	6,656,688.19	100	It is expected to be difficult to recover.
Rank 2	4,560,250.50	4,560,250.50	100	It is expected to be difficult to recover.
Rank 3	3,149,934.00	3,149,934.00	100	It is expected to be difficult to recover.
Rank 4	2,750,000.00	2,750,000.00	100	It is expected to be difficult to recover.
Rank 5	2,165,359.70	2,165,359.70	100	It is expected to be difficult to recover.
Rank 6	1,895,463.57	1,895,463.57	100	It is expected to be difficult to recover.
Rank 7	1,872,243.46	1,872,243.46	100	It is expected to be difficult to recover.
Rank 8	1,832,667.28	1,832,667.28	100	It is expected to be difficult to recover.
Rank 9	1,791,806.80	1,791,806.80	100	It is expected to be difficult to recover.
Rank 10	1,790,748.11	1,790,748.11	100	It is expected to be difficult to recover.
Rank 11	1,753,688.17	1,753,688.17	100	It is expected to be difficult to recover.
Rank 12	1,729,976.60	1,729,976.60	100	It is expected to be difficult to recover.
Rank 13	1,674,153.52	1,674,153.52	100	It is expected to be difficult to recover.
Rank 14	1,580,162.74	1,580,162.74	100	It is expected to be difficult to recover.
Rank 15	1,575,005.00	1,575,005.00	100	It is expected to be difficult to recover.
Rank 16	1,232,716.91	1,232,716.91	100	It is expected to be difficult to recover.
Rank 17	1,176,754.00	1,176,754.00	100	It is expected to be difficult to recover.
Rank 18	1,163,025.00	1,163,025.00	100	It is expected to be difficult to recover.
Rank 19	1,118,391.13	1,118,391.13	100	It is expected to be difficult to recover.
Rank 20	740,800.00			There is no recovery risk
Others	14,823,909.12	14,823,909.12	100	It is expected to be difficult to recover.
Total	57,033,743.80	56,292,943.80		

Note: Other receivables of RMB 740,800.00 ranking 20 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.

5.6.6 Provision for bad debts withdrawn, reversed or recovered in the period

In the period, the Company provided the bad debts reserves of RMB 15,600,516.42; and amount recovered or reversed of other receivables subject to separate provision for bad debts was nil.

5.6.7 Other receivables actually written off in the period

Item	Amount for write-off
Other receivables actually written off	31,840.00

Note: The total amount of accounts receivable of 1 unit written off in the period is RMB 31,840.00.

5.6.8 Classification of others in terms of nature of payment

Nature of payment		Book balance as at June 30, 2018	Book balance as at January 1, 2018
Advances		229,097,962.80	217,329,072.62
Investment fund		154,164,314.06	154,164,314.06
Margin and deposit		41,165,443.50	46,301,114.13
Petty cash		117,917,248.33	70,753,584.95
Receivables from other business		108,484,751.82	73,331,242.97
Others		18,517,616.32	45,483,058.72
Total		669,347,336.83	607,362,387.45

5.6.9 Top five others in terms of the ending balance collected by the debtors

Entity name	Nature of payment	Balance as at June 30, 2018	Aging	Proportion in the total balance of others as at June 30, 2018 (%)	Balance of provision for bad debts as at June 30, 2018
Rank 1	Investment fund of national debt	146,064,314.06	Over 5 years	21.82	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	9.10	39,565,889.33
Rank 3	Receivables from other business	51,395,218.04	Within 1 year, 1 - 5 years	7.68	33,133,847.59
Rank 4	Advances	13,612,842.74	2-5 years	2.04	13,370,105.25
Rank 5	Advances	10,197,339.13	2-3 years	1.52	2,039,467.83
Total		282,187,500.59		42.16	234,173,624.06

5.7 Financial assets held under resale agreements

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Bonds	2,371,767,100.00	2,999,617,000.00
Total book value	2,371,767,100.00	2,999,617,000.00

5.8 Inventories

5.8.1 Classification of inventories

Item	Balance as at June 30, 2018			Balance as at January 1, 2018		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
Raw materials	2,880,330,657.64	453,895,832.42	2,426,434,825.22	3,110,368,524.85	512,557,908.26	2,597,810,616.59
Circulating materials	42,070,894.69	2,835,121.12	39,235,773.57	52,164,198.17	2,835,121.12	49,329,077.05
Goods in process	12,408,133,146.92	2,044,498,965.65	10,363,634,181.27	13,764,457,257.52	2,171,819,019.62	11,592,638,237.90
commodity stocks	267,570,419.36	5,640,246.53	261,930,172.83	373,774,390.80	11,543,944.34	362,230,446.46
Others	24,718,117.06		24,718,117.06	27,641,204.45		27,641,204.45
Total	15,622,823,235.67	2,506,870,165.72	13,115,953,069.95	17,328,405,575.79	2,698,755,993.34	14,629,649,582.45

5.8.2 Inventory depreciation reserve

Item	Balance as at January 1, 2018	Increase in the period		Decrease in in the period		Balance as at June 30, 2018
		Provision	Others	Reversal or resale	Others	
Raw materials	512,557,908.26	4,006,768.41		62,668,844.25		453,895,832.42
Circulating materials	2,835,121.12					2,835,121.12
Goods in process	2,171,819,019.62	75,453,557.06	126,884,781.92	329,658,392.95		2,044,498,965.65
commodity stocks	11,543,944.34			3,462,573.46	2,441,124.35	5,640,246.53
Total	2,698,755,993.34	79,460,325.47	126,884,781.92	395,789,810.66	2,441,124.35	2,506,870,165.72

The inventory depreciation reserve provided for raw materials for the current period is mainly attributable to the decrease in the market fair value as a result of long-term stockpile of materials procured in the previous period due to change in product process. Accordingly, the Company made the inventory depreciation reserve based on the net realizable value which is lower than the cost.

The inventory depreciation reserves for self-manufactured semi-finished products, goods in progress and stock commodities provided by the Company are mainly a result of the intensely competitive market. Accordingly, the Company provided for the depreciation reserve based on the net realizable value which is lower than the cost for the products of certain projects undertaken the price of which was less than the production costs.

5.9 Contract assets

5.9.1 Contract assets

Item	Balance as at June 30, 2018			Balance as at January 1, 2018		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
Contract assets	5,136,821,188.15	700,898,992.59	4,435,922,195.56	4,470,694,531.99	657,569,870.83	3,813,124,661.16

5.9.2 Provision for depreciation in contract assets

Item	Balance as at January 1, 2018	Increase in the period		Decrease in in the period		Balance as at June 30, 2018
		Provision	Others	Reversal or resale	Others	
Provision for depreciation in contract assets	657,569,870.83	84,402,025.68		41,072,903.92		700,898,992.59

5.10 Other current assets

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Loans and advances to customers (due within one year)	478,254,624.04	680,000,000.00
Bonds (due within one year)	1,037,560,566.64	1,438,943,400.00
Entrusted Loan	126,912,737.19	126,912,737.19
Deductible VAT	226,916,122.27	145,393,151.61
Prepayment of enterprise income tax	63,762,999.28	75,765,154.37
Assets discounted	1,073,018.80	98,003,212.91
Prepayment of other taxes	3,581,097.00	3,480,864.61
Others	946,476.71	2,988,008.77
Total	1,939,007,641.93	2,571,486,529.46

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 Loans and advances to customers

5.11.1 Distribution details by individual and corporate of loans and advances

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Corporate loans and advances	188,500,000.00	702,500,000.00
- Loans	188,500,000.00	702,500,000.00

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Total loans and advances	188,500,000.00	702,500,000.00
Less: Impairment provision of loans	12,825,000.00	12,300,000.00
Including: Provision made on individual basis	12,825,000.00	12,300,000.00
Total carrying value of loans and advances	175,675,000.00	690,200,000.00

5.11.2 Distribution details by type of credit guarantee modes

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Guaranteed loans	188,500,000.00	702,500,000.00
Total loans and advances	188,500,000.00	702,500,000.00
Less: Impairment provision of loans	12,825,000.00	12,300,000.00
Including: Provision made on individual basis	12,825,000.00	12,300,000.00
Total carrying value of loans and advances	175,675,000.00	690,200,000.00

5.12 Debt investment

5.12.1 Details of debt investment

Dongfang Electric Corporation Limited
The First Half of 2018
Notes to the Financial Statements

Item	Balance as at June 30, 2018			Balance as at January 1, 2018		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
1. Medium term notes	241,035,390.00	18,077,654.25	222,957,735.75	241,035,390.00	18,077,654.25	222,957,735.75
2. Financial bonds	232,949,360.00	17,471,202.00	215,478,158.00	232,949,360.00	17,471,202.00	215,478,158.00
3. Beneficiary certificates	110,000,000.00	8,250,000.00	101,750,000.00	125,000,000.00	9,375,000.00	115,625,000.00
4. corporate bonds	140,000,000.00	10,500,000.00	129,500,000.00	140,000,000.00	10,500,000.00	129,500,000.00
5.Trust products	30,000,000.00	2,250,000.00	27,750,000.00	69,900,000.00	5,242,500.00	64,657,500.00
6. short-term financing bonds	50,000,000.00	3,750,000.00	46,250,000.00	50,000,000.00	3,750,000.00	46,250,000.00
7. Wealth-management products	550,000,000.00	12,500,000.00	537,500,000.00	1,200,000,000.00	10,000,000.00	1,190,000,000.00
8.Asset management plan	197,082,408.64	14,250,000.00	182,832,408.64	63,068,400.00	3,750,000.00	59,318,400.00
Sub-total	1,551,067,158.64	87,048,856.25	1,464,018,302.39	2,121,953,150.00	78,166,356.25	2,043,786,793.75
Less : Portion due within one year	1,090,031,768.64	52,471,202.00	1,037,560,566.64	1,468,068,400.00	29,125,000.00	1,438,943,400.00
Total	461,035,390.00	34,577,654.25	426,457,735.75	653,884,750.00	49,041,356.25	604,843,393.75

5.12.2 Material debt investments at the end of the period

Bond Name	Face value	Nominal rate	Effective rate	Maturity date
14Jinchengjian MTN001	31,035,390.00	6.7	5.52	20210423
17Chengtong Holding MTN004	30,000,000.00	5.4	5.4	20201214
15Keqiao 02	50,000,000.00	5.38	5.38	20201022
17Yubaoshuigang PPN001	40,000,000.00	5.28	5.28	20200322
15 ZTE MTN001	30,000,000.00	5.81	5.81	20200127
17Suguoxin MTN002	100,000,000.00	5.35	5.35	20191220
15Bangxin 01	50,000,000.00	4.9	4.9	20191116
16Tsinghua Unigroup PPN004	50,000,000.00	5.35	5.35	20190816
15Jixichengtou PPN001	50,000,000.00	5.8	5.8	20190716
Zhong Gang Jin Yuan LeasePhase II ABS Senior B class	30,000,000.00	5.5	5.5	20190723
Jianxin Trust No. 7 Collective Fund Trust Plan	30,000,000.00	6	6	20190520
14Gangongtou PPN002	42,949,360.00	7.6	5.38	20190510
14 Fang Zheng subordinated bonds	50,000,000.00	7	7	20190428
18Luchenming SCP006	30,000,000.00	7	7	20190203
CIC Securities Anxiang No. 86 Beneficiary Certificate	30,000,000.00	5.05	5.05	20190115
13Guodian mtn001	50,000,000.00	6.6	6.6	20181220
Hua Tai Zi Jin Zunxiang No. 1 wealth management product-175	32,000,000.00	5.6	5.6	20181205

Bond Name	Face value	Nominal rate	Effective rate	Maturity date
days				
ICBC wealth management product Phase 60	50,000,000.00	5.1	5.1	20181124
Hua Tai Zi Jin Zunxiang No. 1 wealth management product-175 days	38,000,000.00	5.6	5.6	20181122
ICBC wealth management product Phase 26	100,000,000.00	4	4	20181120
01Hua tai wealth management – Zhongfeizu Phase I asset-backed securities	7,082,408.64	2.9	2.9	20181112
15Xingcheng 01	40,000,000.00	5.07	5.07	20181106
18Kelun SCP002	20,000,000.00	5.65	5.65	20181106
CICC wealth funds series Phase 91 Beneficiary Certificate	50,000,000.00	5.1	5.1	20181026
ICBC Licaisuixin E Principal Guaranteed Phase 3 in 2017	100,000,000.00	4.1	4.1	20181015
Bank of Communications Tongye Jinyueliang wealth management product-189 days	50,000,000.00	5.3	5.3	20180928
Hua Tai Zi Jin Zunxiang No. 1 wealth management product-182 days	60,000,000.00	5.6	5.6	20180917
ICBC Licaisuixin E(targeted) Principal Guaranteed Phase 3 in 2017	100,000,000.00	4.1	4.1	20180903
Bank of Communications Tongye	50,000,000.00	4.8	4.8	20180830

Bond Name	Face value	Nominal rate	Effective rate	Maturity date
Jinyueliang wealth management product-91 days				
Bank of Communications Tongye Jinyueliang wealth management product-140 days	50,000,000.00	5.35	5.35	20180814
Total	1,551,067,158.64			

5.13 Other equity investments

5.13.1 Details of equity investments

Item	Balance as at June 30, 2018			Balance as at January 1, 2018		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
17 Shandong Hi-speed EB	632,215,000.00	47,416,125.00	584,798,875.00	634,016,000.00	47,551,200.00	586,464,800.00
Total	632,215,000.00	47,416,125.00	584,798,875.00	634,016,000.00	47,551,200.00	586,464,800.00

Other equity investments refer to 17 Shandong Hi-speed EB held by the Company. It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and its fair value as at the end of the period is determined on the basis of the latest trading prices in the bond market.

5.14 LONG-TERM RECEIVABLES

Item	Balance as at June 30, 2018			Balance as at January 1, 2018			discount rate range as at June 30, 2018
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	
Goods sold by installments	31,677,665.31	2,793,823.80	28,883,841.51	46,425,691.27	4,273,283.30	42,152,407.97	3%-4%
Including: Unrealized financing income	3,739,427.33		3,739,427.33	3,692,858.28		3,692,858.28	
Total	27,938,237.98	2,793,823.80	25,144,414.18	42,732,832.99	4,273,283.30	38,459,549.69	

Note: Long-term receivables as at the end of the period mainly consist of long-term receivable for locomotives and trucks sold to Pakistan by installments, which is settled by a cashier's order issued by the State Bank of Pakistan payable for 20 times in ten years (semi-annually). Given the long debt recovery cycle for the locomotives and trucks sold to Pakistan, the internal social instability in Pakistan, impairment provision was made as to 10% for the outstanding balance of the cashier's order at the end of the period.

5.15 Long-term equity investments

5.15.1 Classification of long-term equity investments

Investee	Balance as at January 1, 2018	Increase/decrease in the period							Balance as at June 30, 2018	Provision for impairment in the period	Balance of provision for impairment as at June 30, 2018
		Additional investment	Decrease in investment	Profit and loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equity	Cash dividends or profit declared to be distributed	Others			
1. Joint ventures											
MHPS Dongfang Boiler Co. Ltd. (Remark 1)	191,665,265.04			7,006,552.73					198,671,817.77		
AREVA DONGFANG Reactor Coolant Pumps Co., Ltd. (Remark 2)	209,622,279.90			15,252,926.53					224,875,206.43		
Sub-total	401,287,544.94			22,259,479.26					423,547,024.20		
2. Associates											
Mitsubishi Heavy Industries Dongfang Gas Turbine Co., Ltd. (Remark 3)	582,849,570.13			12,691,417.33				-2,583,585.71	592,957,401.75		
Leshan Dongle Heavy Lifting Co., Ltd. (Remark 4)	27,803,700.96			176,187.86					27,979,888.82		
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd.	1,996,884.48								1,996,884.48		
Sichuan Energy Wind Power Development Co., Ltd. (Remark 5)	255,556,481.06			30,946,894.69					286,503,375.75		
Huadian Longkou Wind Power Co., Ltd.	50,459,812.07			7,582,843.76					58,042,655.83		

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Investee	Balance as at January 1, 2018	Increase/decrease in the period							Balance as at June 30, 2018	Provision for impairment in the period	Balance of provision for impairment as at June 30, 2018
		Additional investment	Decrease in investment	Profit and loss on investments recognized under the equity method	Adjustments to other comprehensive income	Changes in other equity	Cash dividends or profit declared to be distributed	Others			
Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd. (Remark 6)	19,846,957.02			1,398,137.86					21,245,094.88		
Zhongdian United Heavy-duty Gas Turbine Technology Co., Ltd. (Remark 7)	11,672,017.69	102,000,000.00		-155,689.18					113,516,328.51		
Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd (Remark 8)	18,537,039.00			1,337,927.56					19,874,966.56		
Inner Mongolia Mengneng Wulan New Energy Co., Ltd. (Remark 9)	35,322,255.21								35,322,255.21		
Sub-total	1,004,044,717.62	102,000,000.00		53,977,719.88				-2,583,585.71	1,157,438,851.79		
3. Investment in other subsidiaries											
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	409,363,000.00								409,363,000.00		409,363,000.00
Sub-total	409,363,000.00								409,363,000.00		409,363,000.00
Total	1,814,695,262.56	102,000,000.00		76,237,199.14				-2,583,585.71	1,990,348,875.99		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 Mitsubishi; remark 4: hereinafter referred to as Dongle Heavy Lifting Company; remark 5: hereinafter referred to as Sichuan energy investment wind power company; remark 6:

hereinafter referred to as the Hongnijing Wind Power Company; remark 7: hereinafter referred to as the Zhongdian Fuel Company; remark 8: Sanshengtai Wind Power Company; remark 9: Wulan New Energy Company.

2. The long-term equity investment is analyzed as follows:

Item	Amount as at June 30, 2018	Amount as at January 1, 2018
Listing		
Unlisting	1,580,985,875.99	1,405,332,262.56
Total	1,580,985,875.99	1,405,332,262.56

5.16 Other investments in equity instruments

5.16.1 Details of other investments in equity instruments

Item	Amount as at June 30, 2018	Amount as at January 1, 2018	
Bank of Communications	98,172,103.96	106,210,586.34	Remark1
Chongqing Iron & Steel	649,287.10	649,287.10	Remark1
Sichuan Dongdian Real Estate Development Co., Ltd.	1,000,000.00	1,000,000.00	Remark2
Southern Sichuan Expressway Co., Ltd.	1,000,000.00	1,000,000.00	Remark2
Guangdong DEC Power Plant Equipment Company	2,663,282.01	2,663,282.01	Remark2
Chengdu Dongfang Electric Environment Engineering Co., Ltd.,	744,649.47	744,649.47	Remark2
Sichuan Tianhua Co., Ltd.	81,914.82	81,914.82	Remark2
Chengdu Dongfang Development Co., Ltd.	581,928.00	581,928.00	Remark2
Total	104,893,165.36	112,931,647.74	

Other equity instruments held by the Company at the end of the period are financial assets designated at fair value through profit or loss.

Remark 1: The equity interests held by the Company in listed companies, the fair value of which at the end of the period shall be determined by reference to the latest trading price on stock markets.

Remark 2: The equity interests held by the Company in unlisted companies, the fair value of which at the end of the period shall be determined by using valuation technique based on the enterprise's own data.

5.17 Investment properties

5.17.1 Investment properties measured under cost model

Item	Buildings and constructions	Land use rights	Total
1. Original book value			
(1) Balance as at January 1, 2018	207,146,775.29	18,811,826.12	225,958,601.41
(2) Increase in the period	649,832.75		649,832.75
—Outsourcing			

Item	Buildings and constructions	Land use rights	Total
—Transfer-in of inventories, fixed assets and construction in progress	649,832.75		649,832.75
—Increase from business combination			
—Others			
(3) Decrease in the period	5,147,452.30		5,147,452.30
—Disposal	2,191,564.84		2,191,564.84
—Others	2,955,887.46		2,955,887.46
(4) Balance as at June 30, 2018	202,649,155.74	18,811,826.12	221,460,981.86
2. Accumulated depreciation and accumulated amortization			
(1) Balance as at January 1, 2018	57,507,157.15	4,213,936.17	61,721,093.32
(2) Increase in the period	3,636,695.20	582,845.79	4,219,540.99
—provision or amortization	3,636,695.20	582,845.79	4,219,540.99
—Others			
(3) Decrease in the period	1,132,072.25		1,132,072.25
—Disposal	1,019,748.53		1,019,748.53
—Others	112,323.72		112,323.72
(4) Balance as at June 30, 2018	60,011,780.10	4,796,781.96	64,808,562.06
3. Provision for impairment			
(1) Balance as at January 1, 2018			
(2) Increase in the period			
— Provision			
—Others			
(3) Decrease in the period			
—Disposal			
—Others			
(4) Balance as at June 30, 2018			
4. Book value			
(1) Book value as at June 30, 2018	142,637,375.64	14,015,044.16	156,652,419.80
(2) Book value as at January 1, 2018	149,639,618.14	14,597,889.95	164,237,508.09

5.17.2 The investment properties are analyzed as per location and term:

Item	Amount as at June 30, 2018	Amount as at January 1, 2018
Located within the territory of China	106,921,692.50	111,317,847.47
Medium term (10 - 50 years)	106,921,692.50	111,317,847.47
Located in other areas	49,730,727.30	52,919,660.62
Medium term (10 - 50 years)	49,730,727.30	52,919,660.62
Total	156,652,419.80	164,237,508.09

5.18 Fixed assets

Item	Amount as at June 30, 2018	Amount as at January 1, 2018
Fixed assets	6,286,742,478.89	6,576,160,405.54

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Item	Amount as at June 30, 2018	Amount as at January 1, 2018
Disposal of fixed assets	151,325.59	145,517.40
Total	6,286,893,804.48	6,576,305,922.94

5.18.1 Details of fixed assets

Item	1. Land assets	2. Buildings and construction	3. Machinery equipment	4. Transportation facility	5. Instrument and apparatus, electronic equipment and others	Total
1. Original book value						
(1) Balance as at January 1, 2018	23,399,940.57	7,178,564,443.49	7,971,302,541.14	369,472,637.72	1,312,701,149.70	16,855,440,712.62
(2) Increase in the period		19,193,148.05	63,656,614.94	1,262,179.78	46,891,542.36	131,003,485.13
—Purchase		0.00	37,772,033.01	239,776.80	19,765,639.25	57,777,449.06
—Transfer from construction in progress		19,193,148.05	19,606,780.70	1,002,413.98	27,252,051.80	67,054,394.53
—Increase from business combination					0.00	0.00
—Others			6,277,801.23	19,989.00	-126,148.69	6,171,641.54
(3) Decrease in the period	1,257,362.98	3,073,110.49	13,716,236.76	8,248,211.77	9,653,264.82	35,948,186.82
—Disposal or write-off		0.00	13,716,236.76	8,227,740.55	9,634,970.85	31,578,948.16
—Others	1,257,362.98	3,073,110.49	0.00	20,471.22	18,293.97	4,369,238.66
—Decrease in the scope or consolidation						0.00
(4) Balance as at June 30, 2018	22,142,577.59	7,194,684,481.05	8,021,242,919.32	362,486,605.73	1,349,939,427.24	16,950,496,010.93
2. Accumulated depreciation						
(1) Balance as at January 1, 2018		2,828,782,078.46	6,032,757,906.19	320,759,652.74	1,062,957,649.32	10,245,257,286.71
(2) Increase in the period	-	162,033,974.85	207,388,599.84	6,179,264.91	39,424,100.37	415,025,939.97
—Provision		162,033,974.85	207,381,172.97	6,162,816.00	39,424,014.26	415,001,978.08
—Others		0	7,426.87	16,448.91	86.11	23,961.89
(3) Decrease in the period		91,901.22	12,883,830.54	7,769,389.85	9,807,310.07	30,552,431.68
—Disposal or write-off		0.00	12,883,830.54	7,750,274.17	9,793,261.17	30,427,365.88
—Others		91,901.22		19,115.68	14,048.90	125,065.80

Item	1. Land assets	2. Buildings and construction	3. Machinery equipment	4. Transportation facility	5. Instrument and apparatus, electronic equipment and others	Total
—Decrease in the scope or consolidation						
(4) Balance as at June 30, 2018		2,990,724,152.09	6,227,262,675.49	319,169,527.80	1,092,574,439.62	10,629,730,795.00
3. Provision for impairment						
(1) Balance as at January 1, 2018		134,305.85	32,575,283.14	92,446.42	1,220,984.96	34,023,020.37
(2) Increase in the period						
— Provision						
—Others						
(3) Decrease in the period					283.33	283.33
—Disposal or write-off					283.33	283.33
—Others						
—Decrease in the scope or consolidation						
(4) Balance as at June 30, 2018		134,305.85	32,575,283.14	92,446.42	1,220,701.63	34,022,737.04
4. Book value						
(1) Book value as at June 30, 2018	22,142,577.59	4,203,826,023.11	1,761,404,960.69	43,224,631.51	256,144,285.99	6,286,742,478.89
(2) Book value as at January 1, 2018	23,399,940.57	4,349,648,059.18	1,905,969,351.81	48,620,538.56	248,522,515.42	6,576,160,405.54

(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.

(2) The depreciation of fixed assets in the period is RMB 415,001,978.08 which would be included in current profit or loss.

(3) The net gains from disposal of fixed assets of the Company in the period were RMB779,505.43.

5.18.2 Temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Buildings and constructions					
Machinery equipment	2,926,794.33	1,927,490.36	946,065.39	53,238.58	
Transportation facility					
Total	2,926,794.33	1,927,490.36	946,065.39	53,238.58	

5.18.3 Fixed assets leased out through operating lease

Item	Book value as at June 30, 2018
Buildings and constructions	11,858,987.40
Transportation facility	852,535.78
Total	12,711,523.18

5.18.4 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 Irl92 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.	28,115,874.05	It is going through the formalities

Item	Book value	Reason for failure to complete the formalities for the certificate of title
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, No. 2 staff canteen of DFEM and staff training center.	141,977,584.56	It is going through the formalities
No. 5 plant, Deyang flaw detection room 2, Chengdu Building 2, and No. 6 plant of DBC.	135,336,203.13	It is going through the formalities
Cold state plant, hot state plant and cold auxiliary room of DBC.	8,697,794.77	The land does not belong to DBC, as a result, the certificate of title cannot be applied for.

5.18.5 The buildings and constructions are analyzed as per location and term:

Item	Amount as at June 30, 2018	Amount as at January 1, 2018
Located within the territory of China	4,163,137,246.27	4,306,350,155.02
Short-term (within 10 years)	180,306,996.92	94,739,498.20
Medium term (10 - 50 years)	3,960,115,975.41	4,188,896,382.88
Long-term (over 50 years)	22,714,273.94	22,714,273.94
Located in other areas	40,688,776.84	43,297,904.16
Short-term (within 10 years , including 10 years)		
Medium term (10-50 years)	40,688,776.84	43,297,904.16
Total	4,203,826,023.11	4,349,648,059.18

5.19 Construction in progress

5.19.1 Details of construction in progress

Item	Balance as at June 30, 2018			Balance as at January 1, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Construction in progress	215,914,984.74	237,690.00	215,677,294.74	206,545,373.13	237,690.00	206,307,683.13
Project materials	161,328.21		161,328.21	113,464.96		113,464.96
Total	216,076,312.95	237,690.00	215,838,622.95	206,658,838.09	237,690.00	206,421,148.09

5.19.2 Changes in important projects of construction in progress in the Period

Project	Budget	Balance as at January I, 2018	Increase in the Period	Amount transferred into fixed assets in the Period	Other decreases in the Period	Balance as at June 30, 2018	Proportion of accumulative project investments in the budget (%)	Project progresses	Accumulated capitalization amount of interest	Including: capitalization amount of the interest in the Period	Capitalization rate of the interest of the Period (%)	Source of funds
Constriction of the lest bed for gas turbine of DTC	255,180,000.00	70,362,841.28	11,293,799.30		2,384,602.08	79,272,038.50	32.00	32.00				Proprietary funds
Construction of the testbed for gas compressor of DTC	312,600,000.00	21,634,468.77			7,707,325.00	13,927,143.77	95.00	95.00				Proprietary funds
Digital controlled single-column mobile and vertical compound milling machine of DENE	20,000,000.00	17,672,110.27				17,672,110.27	88.36	88.36				Proprietary funds
High temperature alloy testbed of DTC	115,000,000.00	9,967,950.02	599,255.65	2,592,321.93	387,226.89	7,587,656.85	93.00	93.00				Proprietary funds
Intelligent manufacturing of high temperature	114,400,000.00	4,363,676.17	4,545,929.92	6,251,798.38	822,370.97	1,835,436.74	14.91	40.00				Proprietary funds

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Project	Budget	Balance as at January I, 2018	Increase in the Period	Amount transferred into fixed assets in the Period	Other decreases in the Period	Balance as at June 30, 2018	Proportion of accumulative project investments in the budget (%)	Project progresses	Accumulated capitalization amount of interest	Including: capitalization amount of the interest in the Period	Capitalization rate of the interest of the Period (%)	Source of funds
and high pressure parts for large-scale clean and efficient power station boiler of DBC												
Design of and test research on the 50MW combustor of DTC	15,000,000.00	3,766,996.28	301,258.56	35,042.74		4,033,212.10	60.00	60.00				Proprietary funds
Decoration of the laboratory used for researching on the 32T15001 energy clean usage mechanism of DBC	5,000,000.00	3,088,860.51	478,598.50	3,164,233.93		403,225.08	99.98	100.00				Proprietary funds
Ziji 2016-002 double planet mixing machine of DTC	2,680,000.00	1,907,692.31				1,907,692.31	90.00	90.00				Proprietary funds
One set of 4.2m heavy-2 rotor sleeper with semi-automatic precision of	26,000,000.00	449,265.53				449,265.53	100.00	100.00				Proprietary funds

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Notes to the Financial Statements

Project	Budget	Balance as at January I, 2018	Increase in the Period	Amount transferred into fixed assets in the Period	Other decreases in the Period	Balance as at June 30, 2018	Proportion of accumulative project investments in the budget (%)	Project progresses	Accumulated capitalization amount of interest	Including: capitalization amount of the interest in the Period	Capitalization rate of the interest of the Period (%)	Source of funds
DTC												
Testbed for gas compressor of DTC	7,500,000.00	7,359,052.94	4,385,909.58	150,600.00	3,677,865.87	7,916,496.65	100.00	90.00				Proprietary funds
714_14_02 punching shear laser cutting machine of DFEM	8,000,000.00	4,891,860.82	169,217.33			5,061,078.15	63.26	70.00				Proprietary funds
K 2009-874 firebox design and experiment research of DTC	33,100,000.00	3,657,869.54				3,657,869.54	90.00	90.00				Proprietary funds
Independent development project of 600 MV supercritical circulating fluidized bedboiler of DBC	337,000,000.00	2,587,299.88	1,005,128.22		525,038.47	3,067,389.63	91.75	99.00				Proprietary funds
Office base construction of DEC India Company	1,250,000,000.00	1,429,854.03		1,186,338.44	243,515.59		100.00	100.00				Proprietary funds

Project	Budget	Balance as at January I, 2018	Increase in the Period	Amount transferred into fixed assets in the Period	Other decreases in the Period	Balance as at June 30, 2018	Proportion of accumulativ e project investments in the budget (%)	Project progres s	Accumulate d capitalizatio n amount of interest	Including: capitalizatio n amount of the interest in the Period	Capitalizatio n rate of the interest of the Period (%)	Source of funds
714_16_DJ00 1 steam speeding room of DFEM	1,670,000.00	1,366,174.42				1,366,174.42	61.15	61.15				Proprietary funds
Other projects		52,039,400.36	71,020,113.1 2	53,674,059.1 1	1,627,259.17	67,758,195.20						
Total		206,545,373.1 3	93,799,210.1 8	67,054,394.5 3	17,375,204.04	215,914,984.74						

5.20 Intangible assets

5.20.1 Details of intangible assets

Item	Land use right	Patent right	Non-patent technology	Software	Concession	Total
1. Original book value						
(1) Balance as at January 1, 2017	1,061,938,609.06	11,726,001.08	342,590,448.92	184,175,180.28	628,212,066.91	2,228,642,306.25
(2) Increase in the period	66,131.79	181,588,700.00	1,301,558.73	34,033,747.57	7,364,561.31	224,354,699.40
-Purchase		181,588,700.00		33,345,713.36		214,934,413.36
-Transfer from construction in process	66,131.79		1,301,558.73	688,034.21	7,364,561.31	9,420,286.04
(3) Decrease in the period						
(4) Balance as at June 30, 2018	1,062,004,740.85	193,314,701.08	343,892,007.65	218,208,927.85	635,576,628.22	2,452,997,005.65
2. Accumulated amortization						
(1) Balance as at January 1, 2018	212,553,065.95	10,450,629.28	294,970,663.70	126,713,827.61	23,191,872.17	667,880,058.71
(2) Increase in the period	9,706,763.34	4,540,046.23	6,126,396.13	8,082,202.30	12,033,040.10	40,488,448.10
—Provision	9,706,763.34	4,540,046.23	6,126,396.13	8,082,202.30	12,033,040.10	40,488,448.10
(3) Decrease in the period						
(4) Balance as at June 30, 2018	222,259,829.29	14,990,675.51	301,097,059.83	134,796,029.91	35,224,912.27	708,368,506.81
3. Provision for impairment						
(1) Balance as at January 1, 2018	90,428,509.50					90,428,509.50
(2) Increase in the period						
(3) Decrease in the period						
(4) Balance as at June 30, 2018	90,428,509.50					90,428,509.50
4. Book value						
(1) Book value as at June 30, 2018	749,316,402.06	178,324,025.57	42,794,947.82	83,412,897.94	600,351,715.95	1,654,199,989.34
(2) Book value as at January 1, 2018	758,957,033.61	1,275,371.80	47,619,785.22	57,461,352.67	605,020,194.74	1,470,333,738.04

5.20.2 Land use right with pending certificates of title

None.

5.20.3 Analysis of the land use right by region and age limit:

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Located within the territory of China	749,316,402.06	758,957,033.61
Including: Medium term (10 - 50 years)	740,255,588.91	749,671,321.35
Long term (over 50 years)	9,060,813.15	9,285,712.26
Total	749,316,402.06	758,957,033.61

5.21 Long-term deferred expenses

Item	Balance as at January 1, 2018	Increase in the period	Amount amortized in the period	Other decreases	Balance as at June 30, 2018
ASME forensics	415,304.34				415,304.34
Cost of overhaul of power distribution equipment	175,000.30		34,999.98		140,000.32
Total	590,304.64		34,999.98		555,304.66

5.22 Deferred income tax assets and deferred income tax liabilities

5.22.1 Deferred income tax assets without the offset

Item	Balance as at June 30, 2018		Balance as at January 1, 2018	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for asset impairment	9,223,638,645.32	1,597,914,651.58	9,036,322,309.20	1,558,392,868.47
Estimated liabilities	1,817,629,799.49	594,373,545.68	1,752,606,269.44	584,019,007.98
Employee compensation payable	1,146,260,467.07	179,416,387.27	1,081,123,406.48	167,372,808.16
Losses that can be carried forward to the subsequent year	701,611,141.39	107,580,332.24	714,720,437.63	109,531,853.67
Unrealized profits of internal transactions	262,169,949.36	52,436,273.34	243,247,892.03	49,614,441.46
Government grants	216,806,091.69	34,817,269.14	224,225,962.00	35,946,180.45
Accounts payable	76,872,969.53	11,530,945.43	38,803,280.90	5,820,492.13
Depreciation of fixed assets	23,633,449.54	3,545,017.43	23,633,449.54	3,545,017.43

Item	Balance as at June 30, 2018		Balance as at January 1, 2018	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Overseas enterprise income tax to be offset	86,279,089.56	21,569,772.39	86,279,089.56	21,569,772.39
Changes in fair value	5,500,000.00	3,658,932.24	5,660,941.25	3,448,435.02
Amortization of intangible assets	2,607,171.48	391,075.72	2,607,171.48	391,075.72
Long-term deferred expenses	1,650,825.82	412,706.46	1,650,825.82	412,706.46
Unrecognized finance costs	3,692,858.28	923,214.57	3,692,858.28	923,214.57
Inventory differences arising from recognition based on accounting standards and tax laws	66,314,950.26	16,578,737.57	66,314,950.26	16,578,737.57
Gains and losses from assets to be processed	21,855,585.50	3,278,337.83	21,855,585.50	3,278,337.83
Total	13,656,522,994.29	2,628,427,198.89	13,302,744,429.37	2,560,844,949.31

5.22.2 Deferred income tax liabilities before offset

Item	Balance as at June 30, 2018		Balance as at January 1, 2018	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Depreciation of fixed assets	19,297,188.79	7,638,526.83	50,923,512.20	7,638,526.83
Changes in fair value	77,798,233.48	19,449,558.37	92,548,542.02	22,928,732.24
Long-term receivables	42,152,407.97	10,538,101.99	42,152,407.97	10,538,101.99
Receipts in advance	4,628,025.91	1,157,006.48	4,628,025.91	1,157,006.48
Total	143,875,856.15	38,783,193.67	190,252,488.10	42,262,367.54

5.22.3 Details of unrecognized deferred income tax assets

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Losses that can be carried forward to the subsequent year	976,187,329.55	955,626,962.00

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Provision for inventory depreciation	126,499,895.56	126,499,895.56
Estimated liabilities	294,982,410.37	294,982,410.37
Provision for bad debts	679,986,142.56	644,499,792.67
Evaluation increment		
Employee compensation payable	20,756,693.82	20,756,693.82
Government grants		
Provision for the impairment of intangible assets		
Provision for the impairment of fixed assets		
Unrealized profits of internal transactions		
Total	2,098,412,471.86	2,042,365,754.42

5.22.4 Deductible losses of unrecognized deferred income tax assets will be expired in the following years:

Year	Balance as at June 30, 2018	Balance as at January 1, 2018	Remark
Year 2018	77,368,474.45	77,368,474.45	
Year 2019	77,986,204.93	77,986,204.93	
Year 2020	252,620,392.60	252,620,392.60	
Year 2021	488,916,205.46	488,916,205.46	
Year 2022	58,735,684.56	58,735,684.56	
Year 2023	20,560,367.55		
Total	976,187,329.55	955,626,962.00	

5.23 Other non-current assets

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Unrealized profits or losses from sale and leaseback under the finance lease	2,299,701.58	
Total	2,299,701.58	

5.24 Short-term borrowings

5.24.1 Classification of short-term borrowings

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Pledged borrowings		2,628,570.50
Mortgage borrowings		
Guaranteed borrowings		

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Credit borrowings	27,999,000.00	62,999,000.00
Total	27,999,000.00	65,627,570.50

Remark: The Company's short-term borrowings at the end of the period decreased by RMB32.63 million or 57.34% compared with that at the beginning of the year, which was mainly caused by the repayment of matured borrowings in the current period.

5.24.2 There were no overdue unpaid borrowings existing in the short-term borrowings of the Company at the end of the period.

5.25 Customer deposits and deposits from banks and other financial institutions

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Current deposit	1,595,101,132.54	2,012,132,832.34
Time deposit	2,682,900,000.00	2,679,000,000.00
Performance guarantee	1,636,000.00	1,636,000.00
Finance lease deposit	73,725,000.00	73,725,000.00
Total	4,353,362,132.54	4,766,493,832.34

5.26 Notes and accounts payable

Type	Balance as at June 30, 2018	Balance as at January 1, 2018
Notes payable	1,767,393,859.36	2,693,749,788.39
Accounts payable	14,669,309,786.97	14,804,460,546.31
Total	16,436,703,646.33	17,498,210,334.70

5.26.1 Notes payable

Type	Balance as at June 30, 2018	Balance as at January 1, 2018
Bank acceptance bill	190,085,370.63	190,197,628.91
Commercial acceptance bill Total	1,577,308,488.73	2,503,552,159.48
Total	1,767,393,859.36	2,693,749,788.39

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.

5.26.2 Accounts payable:

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Within one year	10,441,714,417.00	11,810,689,070.25
1-2 years	1,367,014,439.85	389,803,314.67
2-3 years	789,445,584.77	1,525,921,288.97
Over 3 years	2,071,135,345.35	1,078,046,872.42
Total	14,669,309,786.97	14,804,460,546.31

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.

5.26.3 Significant accounts payable with aging over one year:

Item	Balance as at June 30, 2018	Reasons for failure of repayment or carry-forward
Rank 1	118,046,054.11	Before the settlement period
Rank 2	112,310,730.19	Before the settlement period
Rank 3	86,050,327.25	Before the settlement period
Rank 4	67,604,647.47	Before the settlement period
Rank 5	50,692,193.55	Before the settlement period
Rank 6	50,011,834.04	Before the settlement period
Rank 7	44,768,069.44	Before the settlement period
Rank 8	34,674,420.00	Before the settlement period
Total	564,158,276.05	

5.27 Contract liabilities

5.27.1 Presentation of contract liabilities

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Within 1 year	13,959,225,982.76	15,279,192,278.65
Over 1 year	15,299,843,033.69	16,936,074,133.18
Total	29,259,069,016.45	32,215,266,411.83

5.27.2 Significant contract liabilities aging over one year

Item	Balance as at June 30, 2018	Reasons for failure of repayment or carry-forward
Rank 1	1,321,548,863.92	The project has a long period and has not been completed
Rank 2	969,648,086.40	The project has a long period and has not been completed
Rank 3	935,107,117.97	The project has a long period and has not been completed
Rank 4	806,078,632.46	The project has a long period

Item	Balance as at June 30, 2018	Reasons for failure of repayment or carry-forward and has not been completed
Rank 5	270,426,766.57	The project has a long period and has not been completed
Total	4,302,809,467.32	

5.28 Employee compensation payable

5.28.1 Presentation of employee compensation payable

Item	Balance as at January 1, 2018	Increase in the period	Decrease in the period	Balance as at June 30, 2018
Short-term compensation	261,275,871.31	1,297,675,873.67	1,268,664,075.46	290,287,669.52
Post-employment benefits - defined contribution plan	59,364,916.23	173,076,144.91	161,977,037.98	70,464,023.16
Dismissal benefits	279,312,003.91	102,384,451.21	131,739,724.18	249,956,730.94
Other benefits maturing within one year				
Total	599,952,791.45	1,573,136,469.79	1,562,380,837.62	610,708,423.62

5.28.2 Presentation of short-term compensation

Item	Balance as at January 1, 2018	Increase in the period	Decrease in the period	Balance as at June 30, 2018
(1) Salary, bonus, allowance and subsidies	137,345,612.49	948,956,259.59	928,839,307.93	157,462,564.15
(2) Employee welfare		101,320,746.71	96,153,096.27	5,167,650.44
(3) Social insurance premiums	13,185,020.35	99,006,103.84	97,132,508.54	15,058,615.65
Including: medical insurance premium	13,180,035.97	86,515,906.77	85,985,201.80	13,710,740.94
Work-related injury insurance premium	-8,333.82	7,657,983.64	6,290,197.47	1,359,452.35
Maternity insurance premium	13,318.20	4,832,213.43	4,857,109.27	-11,577.64
(4) Housing provident fund	6,200,335.30	109,356,848.07	109,332,101.95	6,225,081.42
(5) Labor union funds and employee education funds	103,985,549.37	31,580,882.46	29,191,354.97	106,375,076.86
(6) Labor protection expenses		6,140,189.22	6,141,508.22	-1,319.00
(7) Others	559,353.80	1,314,843.78	1,874,197.58	
Total	261,275,871.31	1,297,675,873.67	1,268,664,075.46	290,287,669.52

5.28.3 Presentation of defined contribution plan

Item	Balance as at January 1, 2018	Increase in the period	Decrease in the period	Balance as at June 30, 2018
Basic endowment insurance	473,203.64	160,733,768.23	156,765,172.75	4,441,799.12
Unemployment insurance premium	15,980.69	5,271,245.67	5,171,623.58	115,602.78
Enterprise annuity payment	58,875,731.90	7,071,131.01	40,241.65	65,906,621.26
Total	59,364,916.23	173,076,144.91	161,977,037.98	70,464,023.16

5.29 Taxes and surcharges payable

Taxes and surcharges	Balance as at June 30, 2018	Balance as at January 1, 2018
Enterprise income tax	106,152,432.30	133,559,750.71
Value added tax	86,328,543.86	145,820,310.39
Supplementary food regulation surcharge	7,759,800.06	7,759,800.06
Urban construction and maintenance tax	7,067,137.28	10,392,771.20
Property tax	5,097,074.28	402,252.56
Individual income tax withheld or remitted	3,793,264.97	41,653,860.44
Educational surtax	3,118,652.30	4,383,061.40
Stamp duty	3,085,059.81	4,196,144.84
Local educational surtax	1,885,947.71	2,975,003.04
Land use tax	907,687.30	1,388,289.17
Special funds for water conservancy construction	170,849.57	170,849.57
Flood prevention fee	14,985.74	26.45
Others	1,147,990.60	1,898,791.37
Total	226,529,425.78	354,600,911.20

Remark: Among taxes and surcharges payable of the Company at the end of the period, there were no unpaid Hong Kong income tax.

5.30 Other payables

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Interest payable	42,326,605.38	55,121,284.31
Dividends payable	31,601,891.31	32,569,004.03
Others	2,671,888,591.56	2,562,934,642.96
Total	2,745,817,088.25	2,650,624,931.30

5.30.1 Interest payable

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Long-term borrowings with interest paid by installments and with principal paid at maturity	42,326,605.38	55,121,284.31
Interest on corporate bonds		
Interest payable on short-term borrowings		
Preferred stock or perpetual debt interest classified into the financial liability		
Total	42,326,605.38	55,121,284.31

Remark: At the end of the period, there were no significant overdue unpaid interest.

5.30.2 Dividends payable

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Ordinary share dividends	31,601,891.31	32,569,004.03
Dividend of preferred stock/perpetual debt classified into the equity instrument		
Total	31,601,891.31	32,569,004.03

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 dividends payable to Dongfang Investment Management Co, Ltd. (東方電氣投資管理有限公司) by Dongfang Electric Corporation Materials Company (東方物資公司) and the cash dividends which had not been paid at the time when DBC (東鍋股份公司) delisted due to shareholders of remaining shares failed to go through procedures for getting relevant cash dividends.

5.30.3 Other amounts presented by nature

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Equity payable, acquisition payment	1,394,518,488.07	942,336,415.78
Funds allocation within the budget of the central government	415,710,000.00	415,710,000.00
Deposit and deposit in security	291,622,417.80	289,889,857.72
Payments payable for leasing, labour service and minor purchase	129,800,387.83	447,518,614.32
Collection trusted	72,250,266.41	127,802,357.76
Advance funds payable	33,653,814.21	29,008,869.50
Personal social insurance payment and housing provident fund	51,004,961.70	34,325,152.47
Others	283,328,255.54	276,343,375.41
Total	2,671,888,591.56	2,562,934,642.96

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5.30.4 Other significant payables aging over one year

Item	Balance as at June 30, 2018	Reasons for failure of repayment or carry-forward
Rank 1	1, 356,046,415.78	Equity acquisition payment and appropriation for infrastructure
Rank 2	14,715,568.00	Security deposit payable
Rank 3	13,082,467.52	The opponent enterprise has carried out the bankruptcy liquidation.
Total	1, 383,844,451.30	

5.31 Non-current liabilities maturing within one year

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Long-term borrowings maturing within one year	53,260,000.00	528,320,000.00
Bonds payable maturing within one year		
Long-term payables maturing within one year		
Total	53,260,000.00	528,320,000.00

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
Deyang Municipal Finance Bureau	16,320,000.00	91-139 months	2.55	Carry out the renovation construction of the looping Technique combining the gas and steam	Not bombarded	
Total	16,320,000.00					

Remark: At the end of the period, the overdue borrowings referred to the Agreement on On-lending Treasury Bond Fund signed between Deyang Municipal Finance Bureau and the original Dongfang Steam Turbine Works (now called DTC"). Since 2001, DTC has borrowed on-lending treasury bond fund of RMB16.32 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.

5.32 Other current liabilities

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Deferred income—government grants	49,342,809.14	59,181,261.61
Agency business liabilities	6,018,053.46	7,268,243.71
Total	55,360,862.60	66,449,505.32

Items involving government grants:

Liability item	Balance as at January 1, 2018	New subsidy in the period	Amount included in the current profit or loss for the period	Other changes	Balance as at June 30, 2018	Related to assets/income
1. Related to assets						
Refund of value-added tax of three-line enterprises	33,520,950.92		8,218,016.81		25,302,934.11	Related to assets
Supporting payment for infrastructure construction	1,303,741.99				1,303,741.99	Related to assets
Scientific research grants	1,836,755.09				1,836,755.09	Related to assets
Grants for technical renovation	1,399,080.00				1,399,080.00	Related to assets
Financial subsidies	948,550.00		154,275.00		794,275.00	Related to assets
Other grants						
2. Related to income						
Refund of value-added tax of three-line enterprises						Related to income
Supporting payment for infrastructure construction						Related to income
Scientific research grants	17,393,296.63		2,122,285.66	-139,375.00	15,131,635.97	Related to income
Grants for technical renovation						Related to income
Financial subsidies	400,000.00				400,000.00	Related to income
Other grants	2,378,886.98	1,850,000.00		-1,054,500.00	3,174,386.98	Related to income
Total	59,181,261.61	1,850,000.00	10,494,577.47	-1,193,875.00	49,342,809.14	

5.33 Long-term borrowing

5.33.1 Classification

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Pledged borrowing	429,748,170.00	414,594,990.00
Credit borrowings	206,820,000.00	42,040,000.00
Total	636,568,170.00	456,634,990.00

5.33.2 Analysis on the due date of long-term borrowings

Item	Amounts as at June 30, 2018	Amounts as at January 1, 2018
1-2 years		24,940,000.00
2-5 years	206,820,000.00	17,100,000.00
Over 5 years	429,748,170.00	414,594,990.00
Total	636,568,170.00	456,634,990.00

5.34 Long-term payables

Item	Balance as at January 1, 2018	Increase in the period	Decrease in the period	Balance as at June 30, 2018	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 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.

5.35 Long-term accrued payroll

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
I. Post-employment benefits – net liabilities for defined benefit plans		
II. Resignation benefits	770,864,843.76	700,024,168.29
III. Other long-term benefits		

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Total	770,864,843.76	700,024,168.29

5.36 Estimated liabilities

Item	Balance as at June 30, 2018	Balance as at January 1, 2018	Forming reason
Product quality assurance	1,833,787,319.44	1,697,277,849.28	Remark 1
Pending action	455,988,607.29	456,097,366.52	Remark 2
Onerous contract to be performed	177,602,916.95	127,256,494.67	It is estimated that the total cost of the contract will be higher than the total revenue of the contract.
Others	499,468,557.80	494,818,813.89	
Total	2,966,847,401.48	2,775,450,524.36	

Remark 1: According to the product sale contract entered into 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 period, 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 International Cooperation, DEC India Company and the local tax authority.

5.37 Deferred income

Item	Balance as at January 1, 2018	Increase in the period	Decrease in the period	Balance as at June 30, 2018	Forming reason
Government grants	436,940,043.82	5,662,673.90	15,688,587.51	426,914,130.21	
Total	436,940,043.82	5,662,673.90	15,688,587.51	426,914,130.21	

Items involving government grants:

Liability item	Balance as at January 1, 2018	New subsidy in the period	Amount included in the current profit or loss for the period	Other changes (Remark 2)	Balance as at June 30, 2018	Related to assets/income
1. Related to assets						
Refund of value-added tax of three-line enterprises	224,695,947.21		5,153,577.18		219,542,370.03	Related to assets
Supporting payment for infrastructure construction	155,907,873.97		3,000,000.00		152,907,873.97	Related to assets
Scientific research grants	13,490,973.65		840,760.68		12,650,212.97	Related to assets
Grants for technical renovation	2,742,782.50				2,742,782.50	Related to assets
Financial subsidies	4,883,766.67				4,883,766.67	Related to assets
Other grants	6,148,617.00		473,341.66		5,675,275.34	Related to assets
2. Related to income						
Scientific research grants	12,974,607.43	3,159,477.86	4,357,842.64	-50,000.00	11,726,242.65	Related to income
Financial subsidies	2,000,000.00				2,000,000.00	Related to income
Other grants	14,095,475.39	2,503,196.04	1,813,065.35		14,785,606.08	Related to income
Total	436,940,043.82	5,662,673.90	15,638,587.51	-50,000.00	426,914,130.21	

Remark 1: Refund of value-added tax of three-line enterprises mentioned above referred to the refund of value-added tax of three-line enterprises received by DTC, DBC and DFEM during the period from January 1, 2006 to December 31, 2008 in accordance with the Circular on Issues 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 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. 166) issued by the Ministry of Finance and the State Administration of Taxation. According to the specific usage of the refund of value-added tax of three-line enterprises, the Company divided such refund into asset-related government grants and income-related government grants to carry out separate accounting treatment.

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 (Tongliao) Wind Power Engineering Technology Co., Ltd. (hereinafter referred to as the "Tongliao Wind Power Company") for the infrastructure, to DEC (Tianjin) Wind Power Technology Co., Ltd. (hereinafter referred to as the "Tianjin Wind Power Technology Co., Ltd.") for the soft soil subgrade subsidy, to DTC for infrastructure and other projects by the finance departments at all levels 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.

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 levels for wind power generation research and development, unclear power equipment research and development and technological innovation 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 to the current non-operating income during the period of implementing the scientific research as the income-related government grants.

Remark 2: Other changes referred to the project fund of RMB50,000.00 allocated by the Company to Xi'an Jiaotong University.

5.38 Share capital

Item	Balance as at January 1, 2018	Changes in the period (+ for increase and — for decrease)					Balance as at June 30, 2018
		New shares issued	Share donation	Conversion of reserves into share	Others	Sub-total	
Total of shares without restrictive conditions for sales	2,336,900,368.00						2,336,900,368.00
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 with restrictive conditions for sales		753,903,063.00				753,903,063.00	753,903,063.00
A-share		753,903,063.00				753,903,063.00	753,903,063.00
H-share							
Total shares	2,336,900,368.00	753,903,063.00				753,903,063.00	3,090,803,431.00

5.39 Capital reserve

Item	Balance as at January 1, 2018	Increase in the period	Decrease in the period	Balance as at June 30, 2018
Capital premium (share capital premium)	11,634,686,804.79		468,593,561.11	11,166,093,243.68
Other Capital reserve	9,121,875.12			9,121,875.12
Total	11,643,808,679.91		468,593,561.11	11,175,215,118.80

5.40 Other comprehensive income

Item	Balance as at January 1, 2018	Amount for the Period					Balance as at June 30, 2018
		Pre-tax amount incurred in the period	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	
1. Other comprehensive income that will not be reclassified to profit or loss	59,268,883.10	-8,038,482.38		-2,009,620.60	-5,727,418.69	-301,443.09	53,541,464.41
Including: change in fair value of other investments in equity instruments	59,268,883.10	-8,038,482.38		-2,009,620.60	-5,727,418.69	-301,443.09	53,541,464.41
2. Other comprehensive income that will be classified into profits or losses	-17,295,978.58	-1,608,299.80			-1,732,159.98	123,860.18	-19,028,138.56
Including: translation differences of foreign currency financial statements	-17,295,978.58	-1,608,299.80			-1,732,159.98	123,860.18	-19,028,138.56
Total of other comprehensive income	41,972,904.52	-9,646,782.18			-7,459,578.67	-177,582.91	34,513,325.85

5.41 Special reserve

Item	Balance as at January 1, 2018	Increase in the period	Decrease in the period	Balance as at June 30, 2018
Work safety expenses	72,836,252.85	29,119,220.41	15,474,591.72	86,480,881.54
Total	72,836,252.85	29,119,220.41	15,474,591.72	86,480,881.54

Remark: The increase in the special reserves of the company for the period referred to the work safety expenses provided 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, 2018	Increase in the period	Decrease in the period	Balance as at June 30, 2018
Statutory surplus reserve	774,913,922.16			774,913,922.16
Discretionary surplus reserve				
Reserve funds				
Enterprise development funds				
Others				
Total	774,913,922.16			774,913,922.16

5.43 Retained profits

Item	This period	Last period
Retained profits at the end of the previous period before adjustment	11,378,034,055.43	10,761,193,840.54
Total adjustments to retained profits at the beginning of the year (+ for increase and - for decrease)		
Retained profits at the beginning of the year after adjustment	11,378,034,055.43	10,761,193,840.54
Plus: net profit attributable to owners of the parent company in current period	514,298,835.52	486,037,837.74
Others	71,432,818.56	
Less: appropriation of statutory surplus reserve		
Appropriation of discretionary surplus reserve		
Appropriation of general risk reserve		
Dividend payable for ordinary shares		
Ordinary share dividends transferred to share capital		
Retained profits at the end of the period	11,963,765,709.51	11,247,231,678.28

5.44 Minority shareholders' equity

Subsidiary	Proportion of minority interest (%)	Amounts as at June 30, 2018	Amounts as at January 1, 2018
Eastern Boiler Control Co., Ltd.	49.00	78,266,114.20	78,850,680.29
Chengdu Dongfang KWH Company	38.58	113,758,481.07	115,635,846.77
Dongfang Electrical Controlling company	0.50	833,739.43	985,966.01
Dongfang Electric Machinery Tools & Mould Co., Ltd.	0.685	120,242.59	111,219.79
DEC Venezuela Company	1.00	275.90	40.68
Dongfang Electric (Tianjin) Wind Blade Engineering Co., Ltd.	49.64	129,497,913.42	126,965,620.39
DFHM	34.8187	600,507,641.88	593,582,598.63
DENE	33.00	6,286,831.52	12,907,897.68
DBC	0.335	17,787,170.61	17,562,219.99
Nam Mang Power Company	25.00	50,439,371.76	50,439,371.76
DEC Finance Co., Ltd. (財務公司)	5.00	155,951,633.12	147,969,411.60
Dongfang Hitachi Company (東方日立公司)	49.00	55,316,037.42	54,459,157.77
Total		1,208,765,452.92	1,199,470,031.36

Remark: Hereinafter referred to as DEMTM.

5.45 Net current assets

Item	Amounts as at June 30, 2018	Amounts as at January 1, 2018
Current assets	73,353,014,058.91	76,441,154,986.66
Less: current liabilities	53,769,959,595.57	58,745,546,288.64
Net current assets	19,583,054,463.34	17,695,608,698.02

5.46 Total assets less current liabilities

Item	Amounts as at June 30, 2018	Amounts as at January 1, 2018
Total assets	87,197,720,791.10	90,858,120,211.51
Less: current liabilities	53,769,959,595.57	58,745,546,288.64
Total assets less current liabilities	33,427,761,195.53	32,112,573,922.87

5.47 Debit and credit

5.47.1 Information of debit and credit of the Company is as bellow:

Item	Amounts as at June 30, 2018	Amounts as at January 1, 2018
Short-term loans	27,999,000.00	65,627,570.50
Non-current liabilities due within one year	53,260,000.00	528,320,000.00

Item	Amounts as at June 30, 2018	Amounts as at January 1, 2018
Long-term borrowing	636,568,170.00	456,634,990.00
Total	717,827,170.00	1,050,582,560.50

5.47.2 Analysis on debit and credit

Item	Amounts as at June 30, 2018	Amounts as at January 1, 2018
Bank borrowings	717,827,170.00	1,050,582,560.50
Borrowings must be repaid within five years	717,827,170.00	1,050,582,560.50
Sub-total	717,827,170.00	1,050,582,560.50
Other borrowings and payables		
Total	717,827,170.00	1,050,582,560.50

5.47.3 Analysis on the debit and credit on the due date

Item	Amounts as at June 30, 2018	Amounts as at January 1, 2018
Repayable on demand or within 1 year	81,259,000.00	593,947,570.50
1-2 years		24,940,000.00
2-5 years	206,820,000.00	17,100,000.00
Over 5 years	429,748,170.00	414,594,990.00
Total	717,827,170.00	1,050,582,560.50

5.48 Total operating revenue and operating costs

5.48.1 Total operating revenue and operating costs

Item	Amount for the period		Amount for the same period of the previous year	
	Revenue	Cost	Revenue	Cost
Sub-total of primary business	15,932,954,317.19	13,430,274,274.18	14,935,440,425.87	12,301,555,562.59
Sub-total of other business	165,963,620.16	75,226,992.87	128,472,916.18	83,536,875.36
Interest income/expenses	435,851,468.51	39,242,419.76	301,829,563.43	53,549,791.01
Fees and commissions income/expenses	7,205,234.85	599,613.51	12,613,426.02	443,612.28
Total	16,541,974,640.71	13,545,343,300.32	15,378,356,331.50	12,439,085,841.24

Remark: Total operating revenue of top five customers of the Company in the period amounted to RMB2,854,657,976.04, accounting for 17.26% of the total of overall operating revenue in the period; total operating revenue of top five customers of the Company in the last period amounted to RMB2,627,578,028.19, accounting for 17.44%

of the total of overall operating revenue in the last period; details of operating revenue of top five customers in the period are as below:

Unit name	Operating revenue	Proportion in the total operating revenue
Rank 1	673,614,589.50	4.18%
Rank 2	629,678,226.19	3.91%
Rank 3	622,586,670.65	3.87%
Rank 4	487,968,660.64	3.03%
Rank 5	440,809,829.06	2.74%
Total	2,854,657,976.04	17.73%

5.48.2 Total operating revenue by products

Item	Amount for the period		Amount for the same period of the previous year	
	Revenue	costs	Revenue	costs
High-efficiency clean energy equipment	9,618,155,077.54	8,137,024,491.74	10,092,882,568.64	8,352,829,929.77
Including: thermal power	7,665,734,921.48	6,557,884,684.85	7,221,764,711.13	6,132,640,490.86
nuclear power	1,442,307,166.13	1,193,655,837.73	1,444,334,273.54	1,189,287,221.06
gas turbine	510,112,989.93	385,483,969.16	1,426,783,583.97	1,030,902,217.85
Renewable energy equipment	2,159,800,691.78	1,877,838,962.14	1,193,063,894.37	1,133,585,151.12
Including: wind power	1,543,933,498.11	1,310,384,744.61	681,984,012.05	563,253,397.20
hydropower	563,596,014.18	500,972,401.30	511,079,882.32	570,331,747.74
Modern services business	3,388,409,928.86	2,533,238,633.72	2,761,643,868.61	1,934,668,642.58
Including: engineering	1,591,787,524.29	1,535,926,878.92	1,148,038,295.65	1,020,424,119.44
Power electronics and intelligent control	650,034,929.64	477,929,403.08	657,977,947.18	482,458,194.90
Ecological and environmental protection equipment and others	725,574,012.89	519,311,809.64	672,788,052.70	535,543,922.87
Total	16,541,974,640.71	13,545,343,300.32	15,378,356,331.50	12,439,085,841.24

5.49 Net interest income

Item	Amount for the year	Amount for previous year
Interest income	435,851,468.51	301,829,563.43
— Deposits with inter-banks	310,618,598.78	155,255,615.06
— Deposits with Central bank	13,220,201.35	10,256,299.58
— Loans and advances	52,196,740.91	73,428,990.83
Including: Loans and advances	30,039,682.77	33,524,057.26
Discounted bills	22,157,058.14	39,904,933.57
— Financial assets purchased under resale agreements	56,368,731.04	56,760,657.94
— Investment in debentures	3,435,630.49	6,128,000.02
— Others	11,565.94	
Interest expenses	39,242,419.76	53,549,791.01
— Taking from banks and other financial institutions		
— Deposits taking	39,242,419.76	53,549,791.01
— Financial assets sold under repurchase agreements		
Net interest income	396,609,048.75	248,279,772.42

5.50 Business tax and levies

Item	Amount for the Period	Amount for the same period of the previous year
Urban construction and maintenance tax	55,030,844.12	49,990,108.21
Property tax	44,911,589.55	47,839,923.22
Educational surtax	23,595,985.74	21,619,674.00
Land use tax	21,527,984.66	23,086,120.35
Local educational surtax	15,701,205.87	14,387,088.12
Stamp duty	11,161,742.45	16,516,958.99
Vehicle and vessel use tax	154,055.62	91,089.27
Bund protection fees	82,417.92	295,233.94
Special funds for water conservancy construction	4,548.04	593.39
Others	2,326,201.25	224,368.19
Total	174,496,575.22	174,051,157.68

5.51 Selling and distribution expenses

Item	Amount for the Period	Amount for the same period of the previous year
Product quality service fee	270,857,411.05	402,253,034.58
Employee compensation payable	114,226,549.96	108,418,419.82
Travel expenses	23,883,792.01	24,520,410.87
Others	42,761,595.41	28,103,072.85

Item	Amount for the Period	Amount for the same period of the previous year
Total	451,729,348.43	563,294,938.12

5.52 General and administrative expenses

Item	Amount for the Period	Amount for the same period of the previous year
Employee compensation payable	682,576,483.65	669,328,647.87
Insurance	106,490,735.70	31,095,403.58
Depreciation	95,659,113.23	130,277,885.31
Maintenance fee	70,414,686.28	91,678,498.70
Lease expenses	34,947,053.67	19,773,677.71
Work safety expenses	29,010,866.46	36,075,360.45
Travel expenses	27,336,485.90	25,653,618.27
Amortization of intangible assets	17,916,361.24	21,944,773.96
Property management fee	16,232,057.08	22,344,606.32
Water and electricity charges	11,374,725.90	13,054,718.37
Entertainment expenses	5,691,197.09	7,080,006.20
Telephone and communication charges	3,729,596.51	3,827,497.33
Others	47,213,714.61	116,457,860.92
Total	1,148,593,077.32	1,188,592,554.99

5.53 Financial expenses

Category	Amount for the Period	Amount for the same period of the previous year
Interest expenses	18,107,992.68	23,444,956.38
Less: Interest income	80,338,028.75	149,129,312.26
Gains or losses on exchange	-66,404,013.65	89,980,091.03
Plus: other expenditure	-26,395,741.02	-9,315,178.30
Total	-155,029,790.74	-45,019,443.15

5.53.1 Breakdown of interest expenses

Item	Amount for the Period	Amount for the same period of the previous year
Bank borrowings and overdraft interest	18,107,992.68	23,422,556.38
Bond interest provided at the effective interest rate		
Bill discounting interest		22,400.00
Finance lease expenses		
Sub-total	18,107,992.68	23,444,956.38
Less: capitalized interest		
Total	18,107,992.68	23,444,956.38

5.53.2 Breakdown of interest income

Item	Amount for the Period	Amount for the same period of the previous year
Interest income from bank deposits	80,338,028.75	149,129,312.26
Total	80,338,028.75	149,129,312.26

5.54 Impairment loss of assets

Item	Amount for the Period	Amount for the same period of the previous year
Provision for bad debts	253,956,042.22	101,889,074.70
Provision for inventory depreciation	163,858,737.79	117,828,995.05
Provision for impairment of other assets	30,253,507.46	30,512,301.74
Total	448,068,287.47	250,230,371.49

5.55 Other gains

Subsidy	Amount for the Period	Amount for the same period of the previous year	Explanation
Refund of value-added tax of three-line enterprises	13,055,062.31	16,929,942.91	
Scientific research grants	5,427,912.81	16,312,160.80	
Financial subsidies	154,275.00		
Tax refund	4,021,476.75	1,859,226.89	
Other grants	2,830,681.28	4,446,761.54	
Total	25,489,408.15	39,548,092.14	

5.56 Investment income

Item	Amount for the Period	Amount for the same period of the previous year
Long-term equity investment income calculated by the equity method	76,237,199.14	28,124,322.76
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	20,105,946.84	9,049,756.26
Investment income from the disposal of financial assets measured at fair value through the current profit or loss	4,491,509.54	20,759,353.28
Investment income from held-to-maturity investments during the holding period	42,496,739.40	17,796,091.33
Investment income from available-for-sale financial assets during the holding period	20,000.00	645,000.00
Investment income from the disposal of available-for-sale financial assets	-88,038.63	15,291,285.94
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		

Item	Amount for the Period	Amount for the same period of the previous year
Total	143,263,356.29	91,665,809.57

5.57 Gains from changes in fair values

Sources	Amount for the Period	Amount for the same period of the previous year
Financial assets measured at fair value through the current profit or loss	-8,276,082.08	-17,980,904.86
Including: Gains on changes in fair values from derivative financial instruments		-3,157,657.59
Financial liabilities measured at fair value through the current profit or loss		1,058,242.01
Including: Gains on changes in fair values from derivative financial instruments		-658,278.24
Investment properties measured at fair value		
Others		
Total	-8,276,082.08	-16,922,662.85

5.58 Gains from disposal of assets

Item	Amount for the Period	Amount for the same period of the previous year	Amount included in non-recurring profit or loss in the current period
Gains from disposal of fixed assets	2,607,652.02	18,046,499.59	2,607,652.02
Losses from disposal of fixed assets	-1,828,146.59	-1,914,431.39	-1,828,146.59
Total	779,505.43	16,132,068.20	779,505.43

5.59 Non-operating income

Item	Amount for the Period	Amount for the same period of the previous year	Amount included in non-recurring profit or loss in the current period
Gains from debt restructuring	1,000,180.00	137,507,984.95	1,000,180.00
Donations received		84,973.33	
Government grants	18,310,613.31	9,431,782.70	18,310,613.31
Amercement income	2,913,602.26	5,562,193.45	2,913,602.26
Others	7,396,065.86	3,247,855.03	7,396,065.86
Total	29,620,461.43	155,834,789.46	29,620,461.43

Note: During the Period, non-operating income of the Company included in the non-recurring profit or loss amounted to RMB29,620,461.43 (During the last period, the same amounted to RMB155,834,789.46).

Government grants included in the non-operating income

Item	Amount for the Period	Amount for the same period of the previous year	Explanation
VAT refund for the third line enterprises	2,425,376.86		
Government funding for scientific research	8,328,171.52	1,271,176.77	
Government subsidies		154,275.00	
Others	7,557,064.93	8,006,330.93	
Total	18,310,613.31	9,431,782.70	

5.60 Non-operating expenses

Item	Amount for the Period	Amount for the same period of the previous year	Amount included in non-recurring profit or loss in the current period
Expenditure on indemnity, liquidated damages and amercement outlay	19,018,677.47	142,561,842.29	19,018,677.47
Expected contract losses	55,757,882.85	0.00	55,757,882.85
Losses on debt restructuring	39,583.00	0.00	39,583.00
External donations	110,086.00	0.00	110,086.00
Others	1,491,710.23	1,996,769.01	1,491,710.23
Total	76,417,939.55	144,558,611.30	76,417,939.55

5.61 Income tax expenses

5.61.1 Table of income tax expenses

Item	Amount for the Period	Amount for the same period of the previous year
Current income tax expenses	137,378,993.47	142,199,124.90
Including: China	137,368,897.18	134,308,277.45
India		
Other regions	10,096.29	7,890,847.45
Deferred income tax expenses	-59,126,602.57	-83,747,215.60
Total	78,252,390.90	58,451,909.30

5.61.2 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 for the Period
Total profit	612,157,172.62

Item	Amount for the Period
Income tax calculated at the statutory tax rate	86,100,447.56
Effect of tax payment of tax-exempt income	-36,715,591.29
Tax payment effect of non-deductible expenses	52,492,227.17
Tax preference	-68,932,671.12
Including: additional deduction in R&D expenses	-44,438,902.57
Income tax subject to reduction and exemption	-6,363,249.68
Tax payment effect of unrecognized deductible losses and deductible temporary difference	-16,629,589.52
Effect of the inconsistency in tax rate of the Company	-9,375,756.29
Tax payment effect of adopting the unrecognized deductible losses and deductible temporary difference in previous years	63,007,208.06
Difference in the final settlement for the previous year	11,291,019.69
Changes in the balance of deferred income tax assets/liabilities at the beginning of the year caused by tax rate	-2,984,903.36
Total	78,252,390.90

5.62 Items in the statement of cash flows

5.62.1 Cash received from other operating activities

Item	Amount for the Period	Amount for the same period of the previous year
Interest income	399,716,705.94	292,433,103.60
Government grants	17,577,327.51	31,716,797.17
Advance payment for collection	1,750,165.00	5,208,036.11
Security deposit	258,336,299.20	181,991,299.51
Amounts received on behalf of others	122,703,603.70	73,573,346.89
Financial assets purchased under resale agreements	693,102,530.18	
Others	124,313,886.18	179,470,636.02
Total	1,617,500,517.71	764,393,219.30

5.62.2 Cash paid for other operating activities

Item	Amount for the Period	Amount for the same period of the previous year
Operating expenses	493,924,537.10	494,519,687.37
Payment of the advance payment	514,655,255.45	100,240,608.97
Payment of security deposit	97,956,516.42	63,848,318.73
Payment of petty cash	19,274,935.64	11,574,589.54
Financial assets purchased under resale agreements		710,469,900.99
Others	10,159,732.28	9,134,163.51
Total	1,135,970,976.89	1,389,787,269.11

5.62.3 Cash paid for other financing activities

Item	Amount for the Period	Amount for the same period of the previous year
Cash balance from disposal of Hangzhou New Energy Company		517,349.04
Total		517,349.04

5.62.4 Cash paid for other financing activities

Item	Amount for the Period	Amount for the same period of the previous year
Leaseback rent and handling charges		4,119,669.20
Total		4,119,669.20

5.63 Supplementary information to statement of cash flows

5.63.1 Supplementary information to statement of cash flows

Supplementary information	Amount for the Period	Amount for the same period of the previous year
1. Net profit adjusted to cash flows from operating activities		
Net profit	533,904,781.72	536,567,783.18
Add: provision for assets impairment	448,068,287.47	250,230,371.49
Depreciation of fixed assets	419,221,519.07	501,798,791.24
Amortization of intangible assets	40,488,448.10	39,956,946.92
Amortization of long-term deferred expenses	34,999.98	34,999.98
Losses from disposal of fixed assets, intangible assets and other long-term assets (gain is indicated by "-")	-1,855,804.48	-16,307,932.51
Losses from retirement of fixed assets (gain is indicated by "-")	373,439.83	165,756.02
Losses from changes in fair value (gain is indicated by "-")	8,276,082.08	16,922,662.85
Financial expenses (gain is indicated by "-")	-48,296,020.97	-64,052,132.74
Investments losses (gain is indicated by "-")	-143,263,356.29	-91,665,809.57
Decreases in deferred income tax (increase is indicated by "-")	-67,582,249.58	-36,722,662.87
Increase in deferred tax liabilities (decrease is indicated by "-")	-3,479,173.87	-17,192,069.22
Decrease in inventories (increase is indicated by "-")	1,039,455,683.96	-828,117,279.75
Decreases in operating receivables (increase is indicated by "-")	2,812,670,912.13	3,296,648,106.48
Increase in operating payables (decrease is indicated by "-")	-4,297,661,101.00	-4,537,285,202.17
Others		
Net cash flows from operating activities	740,356,448.15	949,017,670.67
2. Significant investing and financing activities not-involving cash receipts and payments		

Supplementary information	Amount for the Period	Amount for the same period of the previous year
Conversion of debt into capital		
Convertible corporate bonds maturing within one year		
Fixed assets under financial lease		
3. Net change in cash and cash equivalents		
Balance of cash as at June 30, 2018	29,962,327,291.69	27,702,688,360.10
Less: Balance of cash as at January 1, 2018	28,848,070,618.12	29,088,520,247.87
Add: Balance of cash equivalents as at June 30, 2018		
Less: Balance of cash equivalents as at January 1, 2018		
Net increase in cash and cash equivalents	1,114,256,673.57	1,385,831,887.77

5.63.2 Breakdown of cash and cash equivalents

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
I. Cash	29,962,327,291.69	28,848,070,618.12
Including: cash on hand	2,283,291.74	2,103,727.26
Unrestricted bank deposit	29,902,404,506.54	28,802,425,397.45
Other unrestricted monetary funds	57,639,493.41	43,541,493.41
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. Balance of cash and cash equivalents as at June 30, 2018	29,962,327,291.69	28,848,070,618.12
Including: cash and cash equivalents with restricted use right by parent company or subsidiaries of the Group		

5.64 Assets with restrictions on the ownership or use right

Item	Book value as at June 30, 2018	Reason for restriction
Cash and cash equivalents	2,201,661,349.24	Deposit reserve, performance guarantee, bank acceptance bill and other security deposits
Total	2,201,661,349.24	

5.65 Foreign currency monetary items

Item	Balance in foreign currency as at June 30, 2018	Exchange rate of conversion	Balance of RMB converted as at June 30, 2018
Cash and cash equivalents			4,907,654,160.46
Including: USD	700,985,829.30	6.6166	4,638,142,838.15
EUR	3,936,405.87	7.6515	30,119,409.51
HKD	35,804.88	0.8431	30,187.10
JPY	56,579,580.00	0.059914	3,389,908.96
INR	141,336,492.98	0.09631	13,612,117.64
PKR	19,902,359.01	0.05514	1,097,416.07
ETB	785,956,027.32	0.24007	188,684,463.48
BAM	6,652,176.66	3.9036	25,967,436.81
Others			6,610,382.74
Accounts receivable			993,902,944.25
Including: USD	141,211,459.84	6.6166	934,339,745.19
EUR	7,520,898.01	7.6515	57,546,151.15
INR	20,901,658.29	0.09631	2,013,038.71
Others			4,009.20
Other receivables			37,738,516.65
Including: USD	133,191.62	6.6166	881,275.65
EUR	569,554.20	7.6515	4,357,943.97
INR	3,085,741.67	0.09631	297,187.78
PKR	11,237,951.76	0.05514	619,660.66
VND	58,949,499,394.32	0.00028893	17,032,278.86
BAM	305,415.16	3.9036	1,192,218.60
SEK	7,961,986.84	0.7328	5,834,543.96
Others			7,523,407.17
Accounts payable			207,755,491.99
Including: USD	22,243,259.09	6.5342	145,341,903.56
EUR	1,902,141.98	7.8023	14,841,082.39
HKD	116,820.61	0.8359	97,650.35
JPY	597,904,970.98	0.0579	34,618,697.82
VND	14,608,388,848.51	0.00028893	4,220,801.79
CAD	914,012.23	6.6761	6,102,037.08
Others			2,533,319.00
Other payables			72,960,497.16
Including: USD	8,245,438.23	6.6166	54,556,766.60
EUR	125,513.75	7.6515	960,368.46
HKD	17,867.20	0.8431	15,063.84

Item	Balance in foreign currency as at June 30, 2018	Exchange rate of conversion	Balance of RMB converted as at June 30, 2018
INR	28,403,822.55	0.09631	2,735,572.15
PKR	7,955,000.00	0.05514	438,638.70
VND	30,834,845,464.30	0.00028893	8,909,111.90
Others			5,344,975.51

6. Changes in the scope of combination

6.1 Business combination not under common control

None.

6.2 Business combination under common control

During the Period, the Company acquired assets from DEC Group by issuance of shares, and took control over and included the following companies into consolidation:

No.	Enterprise name	Registration place	Business nature	Shareholding ratio (%)
1	DEC International Cooperation	Chengdu, Sichuan	Service	100.00
2	DEC Finance	Chengdu, Sichuan	Service	95.00
3	DEC Automatic Control	Deyang, Sichuan	Production	100.00
4	DEC Hitachi	Chengdu, Sichuan	Production	51.00
5	DEC Materials	Chengdu, Sichuan	Service	100.00
6	DEC Bulk Logistics	Chengdu, Sichuan	Service	100.00
7	DEC Clean Energy	Chengdu, Sichuan	Service	100.00
8	DEC Smart Energy	Chengdu, Sichuan	Service	100.00

6.3 Counter purchase

None.

6.4 Disposal of subsidiaries

None.

6.5 Changes in scope of consolidation due to other reasons

None.

6.6 Others

None.

7. Equity in other entities

7.1 Equity in subsidiaries

7.1.1 Structure of the enterprise group

Subsidiary	Main business place	Registration place	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
DTC	Deyang, Sichuan	Deyang, Sichuan	Production	100.00		Note 1
DBC	Zigong, Sichuan	Zigong, Sichuan	Production	99.67		Note 1
DFHM	Guangzhou» Guangdong	Guangzhou» Guangdong	Production	51.05	14.14	Note 1
DEWBE	Tianjin	Tianjin	Production		50.36	Note 1
DENE	Wuhan, Hubei	Wuhan, Hubei	Production	67.00		Note 2
DFEM	Deyang, Sichuan	Deyang, Sichuan	Production	100.00		Note 3
DEC India Company	Calcutta, India	Calcutta, India	Service	100.00		Note 3
Chengdu Dongfang KWH	Chengdu, Sichuan	Chengdu, Sichuan	Production		61.42	Note 3
EBC	Shenzhen, Guangdong	Shenzhen, Guangdong	Production		51.00	Note 3
DCE	Deyang, Sichuan	Deyang, Sichuan	Production		99.50	Note 3
DEMTM	Deyang, Sichuan	Deyang, Sichuan	Production		99.32	Note 3
Dongfang Electric (Tianjin) Wind Power Technology Co., Ltd.	Tianjin	Tianjin	Production		100.00	Note 3
Tongliao Wind Power Company	Tongliao, Inner Mongolia	Tongliao, Inner Mongolia	Service		100.00	Note 3
DEC (Jiuquan) New Energy Co., Ltd. (Note 4)	Jiuquan, Gansu	Jiuquan, Gansu	Production		100.00	Note 3
Hulunbeir New Energy Company	Hulunbeir, Inner Mongolia	Hulunbeir, Inner Mongolia	Production		100.00	Note 3
DEWP	Deyang, Sichuan	Deyang, Sichuan	Production	45.12	54.88	Note 3
DEC Indonesia Company (Note)	Djakarta, Indonesia	Djakarta, Indonesia	Service	95.00		Note 3
DEC Venezuela Company	Venezuela	Venezuela	Project Service		99.00	Note 3
Sichuan Dongshu Company	Deyang, Sichuan	Deyang, Sichuan	Production		100.00	Note 3
Liangshan Wind Power Company	Liangshan, Sichuan	Liangshan, Sichuan	Production		100.00	Note 3
DEC International Cooperation	Chengdu, Sichuan	Chengdu, Sichuan	Service	100.00		Note 1
DEC Finance	Chengdu, Sichuan	Chengdu, Sichuan	Service	95.00		Note 1
DEC Automatic Control	Deyang, Sichuan	Deyang, Sichuan	Production	100.00		Note 1
DEC Hitachi	Chengdu, Sichuan	Chengdu, Sichuan	Production	51.00		Note 1
DEC Materials	Chengdu, Sichuan	Chengdu, Sichuan	Service	100.00		Note 1
DEC Bulk Logistics	Chengdu, Sichuan	Chengdu, Sichuan	Service	100.00		Note 1
DEC Clean Energy	Chengdu, Sichuan	Chengdu, Sichuan	Service	100.00		Note 1

Subsidiary	Main business place	Registration place	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
DEC Smart Energy	Chengdu, Sichuan	Chengdu, Sichuan	Service	100.00		Note 1
Nam Mang Power Company	Vientiane, Laos	Vientiane, Laos	Hydropower generation		75.00	Note 1
DEC (Chengdu) Engineering Design and Consultation Comapn Limited (東方電氣(成都)工程設計諮詢有限公司) (Note 6)	Chengdu, Sichuan	Chengdu, Sichuan	Service		100.00	Note 1

Note 1: A subsidiary acquired from the business combination under common control;

Note 2: A subsidiary acquired from the business combination not under common control;

Note 3: A subsidiary acquired by establishment or investment;

Note 4: DEC (Jiuquan) New Energy Co., Ltd. is hereinafter referred to as Jiuquan New Energy Company;

Note 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 5.00% of the registered capital. As at June 30, 2018, 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.

Note 6: DEC (Chengdu) Engineering Design and Consultation Company Limited (東方電氣(成都)工程設計諮詢有限公司) is hereinafter referred to as Design and Consultation Company;

Note 7: Subsidiaries mentioned above are all limited liability companies except for Dongfang Boiler Group Co., Ltd., which is a joint stock limited company (non-listed).

7.1.2 Major non-wholly-owned subsidiaries

Subsidiary	Shareholding ratio of minority shareholders	Profit or loss attributable to minority shareholders in the Period	Dividends declared to be distributed to minority shareholders in the Period	Balance of minority interest as at June 30, 2018
DFHM	34.8187%	12,344,659.07	5,960,077.11	600,507,641.88
Chengdu Dongfang KWH	38.58%	117,636.96		113,758,481.07
DEWBE	49.64%	2,532,293.03		129,599,739.07
EBC	49.00%	2,644,894.74	1,078,000.00	78,266,114.20
DENE	33.00%	-6,599,496.00		6,286,831.52
DBC	0.335%	425,431.74	116,121.98	17,787,170.61
DEC Finance	5.00%	8,158,792.36		155,951,633.12
DEC Hitachi	49.00%	679,809.56		55,316,037.42
Nam Mang Power Company	25.00%	2,817,811.94		50,439,371.76

7.1.3 Main financial information of major non-wholly-owned subsidiaries

Currency Unit: RMB0'000

Subsidiary	Balance as at June 30, 2018						Balance as at January 1, 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
DFHM	257,393.62	111,999.71	369,393.33	171,769.76	25,156.57	196,926.33	246,245.20	117,160.54	363,405.75	168,117.95	24,809.69	192,927.64
Chengdu Dongfang KWH	33,013.68	11,395.56	44,409.24	12,390.64	1,338.59	13,729.23	31,414.35	12,046.76	43,461.11	10,366.26	2,484.62	12,850.88
DEWBE	40,834.13	14,297.43	55,131.57	25,312.91	3,085.52	28,398.42	46,671.22	14,924.84	61,596.06	32,384.54	3,032.50	35,417.04
EBC	31,708.78	3,643.96	35,352.74	18,519.88	256.40	18,776.28	31,658.21	3,391.09	35,049.30	18,592.61	200.00	18,792.61
DENE	16,203.52	20,657.71	36,861.24	29,907.28	5,048.86	34,956.14	15,973.47	21,921.10	37,894.57	28,944.61	5,038.48	33,983.09
DBC	1,877,228.56	256,820.94	2,134,049.49	1,485,536.39	98,164.27	1,583,700.65	1,811,233.90	257,860.74	2,069,094.64	1,444,896.52	80,320.38	1,525,216.90
DEC Finance	2,669,710.93	283,416.83	2,953,127.76	2,639,279.54	1,944.96	2,641,224.50	1,799,809.43	407,554.43	2,207,363.86	1,909,163.42	2,261.61	1,911,425.03
DEC Hitachi	24,883.20	2,839.95	27,723.16	16,228.01	206.16	16,434.17	28,010.41	3,001.78	31,012.19	19,681.35	216.73	19,898.07
Nam Mang Power Company	11,732.70	55,202.77	66,935.47	3.13	45,334.75	45,337.88	8,287.76	55,679.48	63,967.24	1.68	43,790.05	43,791.72

Continued:

Subsidiary	Amount for the Period				Amount for the same period of the previous year			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
DFHM	57,647.53	3,545.41	3,545.41	27,350.45	55,397.71	3,406.00	3,406.00	14,754.15
Chengdu Dongfang KWH	7,686.79	30.49	30.49	-2,865.38	7,012.14	-793.04	-793.04	972.95
DEWBE	16,429.94	510.13	510.13	-725.76	30,126.51	7,656.10	7,656.10	-1,684.47
EBC	12,560.80	539.77	539.77	2,998.32	11,370.83	315.89	315.89	2,829.93
DENE	1,219.23	-1,999.85	-1,999.85	2,097.58	3,801.07	-847.73	-847.73	-114.27
DBC	523,498.99	12,889.31	12,889.31	39,502.51	541,765.61	15,849.86	15,849.86	-16,704.55
DEC Finance	47,270.12	16,317.58	15,964.44	837,272.44	33,490.16	8,795.23	7,901.61	-35,469.69
DEC Hitachi	5,328.21	138.74	138.74	1,623.99	7,114.40	660.87	660.87	706.98
Nam Mang Power Company	4,163.81	1,127.12	1,422.07	1,634.15	1,315.29	-1,386.45	-1,832.14	81.68

7.2 Equity in joint venture arrangements or associates

7.2.1 Major joint ventures or associates

Name of joint venture or associate	Main business place	Registration place	Business nature	Shareholding ratio (%)		Accounting treatment method in investments in joint ventures or associates
				Direct	Indirect	
MHPS Dongfang Boiler Co. Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Production		50.00	Equity method
Dongfang 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	Leshan, Sichuan	Leshan City	Cargo transport		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 Wnd Power Company	Baotou, Inner Mongolia	Baotou, Inner Mongolia	Project management	20.00		Equity method
Zhongdian Gas Technology 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	Wulme Middle Banner, Bayannur, Inner Mongolia	Wulme Middle Banner, Bayannur, Inner Mongolia	Project management	20.00		Equity method
Liangshan Fengguang New Energy Company	Liangshan, Sichuan	Liangshan, Sichuan	Cargo transport		20.00	Equity method

7.2.2 Main financial information of major joint ventures

Item	Balance as at June 30, 2018/Amount for the Period		Balance as at January 1, 2018/Amount for the same period of the previous year	
	MHPS Dongfang Boiler Co., Ltd.	Dongfang AREVA Nuclear Pump Company	MHPS Dongfang Boiler Co., Ltd.	Dongfang AREVA Nuclear Pump Company
Current assets	1,002,826,401.18	1,065,323,047.03	950,434,046.99	1,207,226,571.47
Including: cash and cash equivalents	131,786,915.00	532,642,588.98	117,604,468.33	701,722,157.39
Non-current assets	260,772,171.67	119,901,932.87	248,179,405.15	127,620,372.67
Total assets	1,263,598,572.85	1,185,224,979.90	1,198,613,452.14	1,334,846,944.14

Item	Balance as at June 30, 2018/Amount for the Period		Balance as at January 1, 2018/Amount for the same period of the previous year	
	MHPS Dongfang Boiler Co., Ltd.	Dongfang AREVA Nuclear Pump Company	MHPS Dongfang Boiler Co., Ltd.	Dongfang AREVA Nuclear Pump Company
Current liabilities	782,282,851.74	595,477,804.29	726,367,218.00	773,866,826.08
Non-current liabilities	90,534,032.90	141,371,654.94	88,915,704.43	143,110,450.45
Total liabilities	872,816,884.64	736,849,459.23	815,282,922.43	916,977,276.53
Minority shareholders' equity				
Equity attributable to shareholders of the Company	390,781,688.21	448,375,520.67	383,330,529.71	417,869,667.61
Share of net assets calculated by the shareholding ratio	198,671,817.77	224,187,760.34	191,665,265.04	208,934,833.81
Adjustment events				
—Goodwill				
—Unrealized profit from internal transactions				
—Others				
Book value of the equity investment in joint ventures	198,671,817.77	224,187,760.34	191,665,265.04	208,934,833.81
Fair value of the equity investment of joint ventures with public offer				
Operating income	545,975,763.66	140,168,922.04	345,652,461.34	86,129,765.98
Financial expenses	3,487,982.79	-278,390.73	1,971,459.72	-8,793,517.49
Income tax expenses	2,244,760.41	5,383,385.83	1,998,850.13	3,823,390.27
Net profit	14,013,105.46	30,505,853.06	11,426,105.60	21,665,878.20
Net profit of discontinuing operations				
Other comprehensive income				
Total comprehensive income	14,013,105.46	30,505,853.06	11,426,105.60	21,665,878.20
Dividends received from joint ventures for the current year		37,326,557.40	2,026,051.63	67,670,414.30

7.2.3 Main financial information of major associates

Item	Balance as at June 30, 2018/Amount for the Period								Liangshan Fengguang New Energy Company
	Dongfang Mitsubishi Gas Turbine Company	Dongle Heavy Lifting Company	Sichuan Energy Wind Power Development Co., Ltd.	Huadian Longkou Wind Power Co., Ltd.	Hongnijing Wnd Power Company	Zhongdian Gas Technology Company	Sanshengtai Wind Power Company	Wulan New Energy Company	
Current Assets:	1,582,436,491.11	60,044,475.01	1,239,821,473.21	105,941,803.43	113,602,216.09	1,029,371,365.67	89,484,859.62	32,815,055.86	10,042,719.36
Including: cash and cash equivalents	1,033,010,351.84	49,205,919.28	404,222,746.45	2,542,462.51	88,330.81	1,010,755,866.38	185,345.69	16,356.22	10,042,401.29
Non-current assets	256,120,643.48	2,585,966.73	3,015,907,882.59	559,286,870.49	310,828,302.19	142,501,747.44	362,720,272.35	460,950,626.40	
Total assets	1,838,557,134.59	62,630,441.74	4,255,729,355.80	665,228,673.92	424,430,518.28	1,171,873,113.11	452,205,131.97	493,765,682.26	10,042,719.36
Current liabilities:	612,659,239.59	1,534,914.17	723,455,185.32	147,734,631.83	89,571,335.07	26,382,676.94	99,100,299.16	-19,134,317.74	318.07
Non-current liabilities			2,018,825,350.89	331,120,000.00	221,248,000.00	800,000,000.00	253,730,000.00	332,900,000.00	
Total liabilities	612,659,239.59	1,534,914.17	2,742,280,536.21	478,854,631.83	310,819,335.07	826,382,676.94	352,830,299.16	313,765,682.26	318.07
Minority shareholders' equity			100,720,248.96						
Equity attributable to shareholders of the Company	1,210,117,146.93	61,095,527.57	1,412,728,570.63	186,374,042.09	113,611,183.21	345,490,436.17	99,374,832.81	180,000,000.00	10,042,401.29
Share of net assets calculated by the shareholding ratio	595,540,987.46	27,979,888.82	282,545,714.13	46,593,510.52	22,722,236.64	41,458,852.34	19,874,966.56	36,000,000.00	1,996,884.48
Adjustment events									
--Unrealized profit from internal transactions	-2,583,585.71								
Book value of the equity investment in associates	592,957,401.75	27,979,888.82	282,545,714.13	46,593,510.52	22,722,236.64	41,458,852.34	19,874,966.56	36,000,000.00	1,996,884.48

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Item	Balance as at June 30, 2018/Amount for the Period								Liangshan Fengguang New Energy Company
	Dongfang Mitsubishi Gas Turbine Company	Dongle Heavy Lifting Company	Sichuan Energy Wind Power Development Co., Ltd.	Huadian Longkou Wind Power Co., Ltd.	Hongnijing Wnd Power Company	Zhongdian Gas Technology Company	Sanshengtai Wind Power Company	Wulan New Energy Company	
Operating income	317,402,774.41	4,101,233.88	299,841,657.53	58,938,349.74	24,918,044.70		24,822,119.31		
Financial expenses	-216,464.28	-118,936.18	43,783,260.55	8,176,270.89	5,730,273.46	-607,123.16	7,141,692.89		-50,242.91
Income tax expenses	16,228,507.04		6,395,475.27	2010534.37					12,424.03
Net profit	48,291,350.40	1,259,607.71	162,915,736.46	30,331,375.05	6,990,689.28	-1,297,409.84	6,689,637.79		57,978.88
Other comprehensive income									
Total comprehensive income	48,291,350.40	1,259,607.71	162,915,736.46	30,331,375.05	6,990,689.28	-1,297,409.84	6,689,637.79		57,978.88
Dividends received from associates for the current year									

Continued:

Item	Balance as at January 1, 2018/ Amount for the same period of the previous year								Liangshan Fengguang New Energy Company
	Dongfang Mitsubishi Gas Turbine Company	Dongle Heavy Lifting Company	Sichuan Energy Wind Power Development Co., Ltd.	Huadian Longkou Wind Power Co., Ltd.	Hongnijing Wnd Power Company	Zhongdian Gas Technology Company	Sanshengtai Wind Power Company	Wulan New Energy Company	
Current Assets:	1,666,797,457.25	61,021,307.13	1,018,300,408.09	95,571,691.26	99,314,887.69	25,299,140.01	86,206,913.16	43,069,500.66	9,984,104.34
Including: cash and cash equivalents	1,004,247,259.86	50,006,434.05	488,165,278.87	8,835,860.27	75,239.33	11,585,208.56	136,885.56	64,175.85	9,984,104.34
Non-current assets	264,367,518.37	2,500,193.68	2,927,555,461.27	573,160,624.20	318,213,853.26	97,983,839.90	372,633,710.53	435,594,485.31	
Total assets	1,931,164,975.62	63,521,500.81	3,945,855,869.36	668,732,315.46	417,528,740.95	123,282,979.91	458,840,623.69	478,663,985.97	9,984,104.34
Current liabilities:	741,170,751.69	2,772,476.96	920,267,185.34	165,369,648.42	89,660,247.02	28,495,133.90	112,425,428.67	-34,236,014.03	-318.07

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Item	Balance as at January 1, 2018/ Amount for the same period of the previous year								Liangshan Fengguang New Energy Company
	Dongfang Mitsubishi Gas Turbine Company	Dongle Heavy Lifting Company	Sichuan Energy Wind Power Development Co., Ltd.	Huadian Longkou Wind Power Co., Ltd.	Hongnijing Wnd Power Company	Zhongdian Gas Technology Company	Sanshengtai Wind Power Company	Wulan New Energy Company	
Non-current liabilities			1,675,055,600.89	347,320,000.00	221,248,000.00		253,730,000.00	332,900,000.00	
Total liabilities	741,170,751.69	2,772,476.96	2,595,322,786.23	512,689,648.42	310,908,247.02	28,495,133.90	366,155,428.67	298,663,985.97	-318.07
Minority shareholders' equity			92,538,985.96						
Equity attributable to shareholders of the Company	1,189,994,223.93	60,749,023.85	1,257,994,097.17	156,042,667.04	106,620,493.93	94,787,846.01	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 profit from 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 income	391,205,928.59	788,008.80	180,385,632.39	27,003,708.51	31,023,831.11				
Financial expenses	-136,061.83	-17,607.38	21,177,879.25	5,360,624.75	6,462,080.09	-858,359.70			-13,285.46
Income tax expenses	-27,877.75		7,677,199.62						
Net profit	-25,831,708.20	312,929.86	100,001,894.44	11,011,905.02	14,974,729.69	-5,858,010.23			-31,064.53
Other comprehensive income									
Total comprehensive	-25,831,708.20	312,929.86	100,001,894.44	11,011,905.02	14,974,729.69	-5,858,010.23			-31,064.53

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Item	Balance as at January 1, 2018/ Amount for the same period of the previous year								Liangshan Fenguang New Energy Company
	Dongfang Mitsubishi Gas Turbine Company	Dongle Heavy Lifting Company	Sichuan Energy Wind Power Development Co., Ltd.	Huadian Longkou Wind Power Co., Ltd.	Hongnijing Wnd Power Company	Zhongdian Gas Technology Company	Sanshengtai Wind Power Company	Wulan New Energy Company	
income									
Dividends received from associates for the current year									

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 risks

Market risks associated with financial instruments refer to the risks 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 risk.

(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 June 30, 2018, 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.

Item	Equivalent amount converted into RMB as at the end of the reporting period	Equivalent amount converted into RMB as at January 1, 2018
Monetary funds - USD	4,638,142,838.15	3,971,163,254.42
Monetary funds - EUR	30,119,409.51	29,981,085.87
Monetary funds - PKR	1,097,416.07	12,459,132.89
Monetary funds - INR	13,612,117.64	14,535,032.72
Monetary funds - ETB	188,684,463.48	187,047,211.44
Monetary funds - BAM	25,967,436.81	20,482,000.34
Monetary funds - other kind of currency	10,030,478.80	9,249,695.68
Derivative financial assets		2,084,032.54
Accounts receivable - USD	934,339,745.19	916,777,884.60
Accounts receivable - EUR	57,546,151.15	52,112,854.99
Accounts receivable - INR	2,013,038.71	3,290,740.72
Accounts receivable - Other kind of currency	4,009.20	3,993.20
Other receivables - USD	881,275.65	8,134,098.91
Other receivables - EUR	4,357,943.97	4,202,534.42
Other receivables - SEK	5,834,543.96	6,013,245.50
Other receivables - VND	17,032,278.86	13,063,366.06
Other receivables - Other kind of currency	9,632,474.21	11,068,560.29
Derivative financial liabilities		
Accounts payable - USD	145,341,903.56	187,748,240.53
Accounts payable - JPY	34,618,697.82	68,829,293.94
Accounts payable - EUR	14,841,082.39	22,801,113.10
Accounts payable - Other kind of currency	12,953,808.22	15,549,426.44
Other payables - USD	54,556,766.60	129,867,592.72
Other payables - EUR	960,368.46	979,295.93
Other payables - PKR	438,638.70	17,719,782.88
Other payables - INR	2,735,572.15	4,902,961.41
Other payables - VND	8,909,111.90	15,766,917.31
Other payables - Other kind of currency	5,360,039.35	5,214,905.08

(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 June 30, 2018, interest-bearing debts of the Company mainly were the fixed-rate contracts measured in RMB, amounting to RMB 717,827,170.00.

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 adopted 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 June 30, 2018, 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 debts 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 sound 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 RMB1,737,232,414.83 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 June 30, 2018, 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:

Amount as at June 30, 2018:

Item	Within 1 year	1 – 2 years	2 – 5 years	Over 5 years	Total
Financial assets					
Cash and cash	32,163,988,640.93				32,163,988,640.93

equivalents					
Held-for-trading financial assets	219,828,387.48				219,828,387.48
Notes and accounts receivable	17,092,092,134.33				17,092,092,134.33
Other receivables	547,949,166.04				547,949,166.04
Financial assets purchased under resale agreements	2,371,767,100.00				2,371,767,100.00
Other current assets	1,643,800,946.67				1,643,800,946.67
Total amount of financial assets	54,039,426,375.45				54,039,426,375.45
Financial liabilities					0.00
Short-term loans	27,999,000.00				27,999,000.00
△ Loans from the central bank	1,150,000.00				1,150,000.00
△ Customer deposits and deposits from banks and other financial institutions	4,353,362,132.54				4,353,362,132.54
Notes and accounts payable	16,436,703,646.33				16,436,703,646.33
Other payables	2,745,817,088.25				2,745,817,088.25
Employee benefits payable	610,708,423.62				610,708,423.62
Non-current liabilities due within one year	53,260,000.00				53,260,000.00
Long-term borrowings			206,820,000.00	429,748,170.00	636,568,170.00
Long-term accrued payroll		204,475,250.69	375,920,949.21	190,468,643.86	770,864,843.76
Total amount of financial liabilities	24,229,000,290.74	204,475,250.69	582,740,949.21	620,216,813.86	25,636,433,304.50

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 owner's 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 follows:

Item	Fluctuation in exchange rate	Amount for the period		Amount for the same period of the previous year	
		Effect on net profit	Effect on owner's equity	Effect on net profit	Effect on owner's equity
All foreign currencies	Appreciation of 5% against RMB	3,320,200.68	3,320,200.68	4,499,004.55	4,499,004.55
All foreign currencies	Depreciation of 5% against RMB	-3,320,200.68	-3,320,200.68	-4,499,004.55	-4,499,004.55

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 discounted cash flow 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 follows:

Item	Change in interest rate	Amount for the period		Amount for the same period of the previous year	
		Effect on net profit	Effect on owner's equity	Effect on net profit	Effect on owner's equity
Borrowings	Increase by 1%	-181,079.93	-181,079.93	-234,449.56	-234,449.56
Borrowings	Decrease by 1%	181,079.93	181,079.93	234,449.56	234,449.56

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

Item	Fair value at the end of the period			
	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	Total
I. Measurement at fair value on a going concern				
Held-for-trading financial assets				
(1) Investment in debt instruments	187,146,304.30			187,146,304.30
(2) Investment in equity instruments	32,682,083.18			32,682,083.18
Other investments in debt instruments	584,798,875.00			584,798,875.00
Other investments in equity instruments	98,821,391.06		6,071,774.30	104,893,165.36
Total amount of assets measured at fair value on a going concern	903,448,653.54		6,071,774.30	909,520,427.84
Held-for-trading financial liabilities				
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, 5.12 and 5.13 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 3 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 3 on a going concern, see Note

5.16 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 (%)
Dongfang Electric Corporation	No. 333 Shuhan Road, Jinniu District, Chengdu City	General contracting and sub-contracting of water, fire and nuclear power projects, manufacturing and sales of power station equipment.	479,167.50	55.91	55.91

The Company's ultimate controller: Dongfang Electric Corporation

10.2 Subsidiaries of the Company

See "Note 7 Equity in other entities" for details about the subsidiaries of the Company.

10.3 Joint ventures and associates of the Company

See "Note 7 Equity in other entities" for details about 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 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
Deyang Dongfang Abele Pipe System Co., Ltd. (hereinafter referred to as "Abele Company")	Other enterprises controlled by the same parent company and ultimate controller
Sichuan Dongdian Real Estate Development Co., Ltd. (hereinafter referred to as the "Dongdian Real Estate")	Other enterprises controlled by the same parent company and ultimate controller
DEC (Yixing) MAGI Solar Technology Co., Ltd. (hereinafter referred to as " (Yixing) MAGI Solar")	Other enterprises controlled by the same parent company and ultimate controller
Sichuan Dongfang Property Management Co., Ltd. (hereinafter referred to as the "SDPM")	Other enterprises controlled by the same parent company and ultimate controller
Deyang Dongqi Kexie Technology Industrial Company (hereinafter referred to as the "Deyang Dongqi Kexie")	Other enterprises controlled by the same parent company and ultimate controller
Zhonghe Seawater Desalination Engineering Co., Ltd. (hereinafter referred to as "ZSDE")	Other enterprises controlled by the same parent company and ultimate controller

Name	Relationship with the Company
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd. (hereinafter referred to as "STPPG")	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd. (hereinafter referred to as "(Jiuquan) Solar")	Other enterprises controlled by the same parent company and ultimate controller
DEC Emei Semiconductor Material Co., Ltd. (hereinafter referred to as "Emei Semiconductor")	Other enterprises controlled by the same parent company and ultimate controller
DEC Dongqi Investment Development Co., Ltd. (hereinafter referred to as the "Dongqi Investment Development")	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Electric Jieneng Technology Chengdu Co., Ltd. (hereinafter referred to as "Jieneng Technology")	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd. (hereinafter referred to as "DHPI")	Other enterprises controlled by the same parent company and ultimate controller
China Western Power Industrial Co., Ltd. (hereinafter referred to as "CWPI")	The investor having a significant impact
Germany ENV Catalyst Co., Ltd. (hereinafter referred to as Germany ENV)	The investor having a significant impact
Wuhan Boiler Group Co., Ltd. (hereinafter referred to as "WBG")	The investor having a significant impact
Guangdong Yudean Group Co., Ltd. (hereinafter referred to as the "Guangdong Yudean")	The investor having a significant impact
Directors, presidents and other senior officers of the Company	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 for the Period	Amount for the same period of the previous year
Parent company and ultimate controller		2,163,779.54	2,867,924.53
Including: Dongfang Electric Corporation	Receipt of labor services		2,867,924.53
Dongfang Electric Corporation	Purchase of goods	2,163,779.54	
Joint ventures and associates		332,264,972.50	312,675,086.15
Including: MHPS Dongfang Boiler Co., Ltd.	Purchase of goods	185,405,999.83	195,331,098.10
Dongfang Mitsubishi Gas Turbine Company	Purchase of goods	146,858,972.67	117,343,988.05
Other enterprises controlled by the same parent company and ultimate controller		19,246,059.11	23,859,800.71
Including: DECMC	Purchase of goods	18,947,302.96	23,859,800.71

Related party	Purchase of goods/receipt of labor services	Amount for the Period	Amount for the same period of the previous year
Dongqi Investment Development Company	Purchase of goods	298,756.15	
The investor having a significant impact		1,028,346.20	1,460,194.44
Including: German ENV Company	Purchase of goods		672,534.02
Guangdong Yudean	Purchase of goods	1,028,346.20	787,660.42
Total		354,703,157.35	340,863,005.83

Sales of goods / rendering of services

Related party	Sales of goods/rendering of services	Amount for the Period	Amount for the same period of the previous year
Parent company and ultimate controller		474,000.00	338,618.00
Including: Dongfang Electric Corporation	Sales of goods	474,000.00	338,618.00
Joint ventures and associates		97,249,853.09	451,566.51
Including: MHPS Dongfang Boiler Co., Ltd	Rendering of labor services		131,566.51
MHPS Dongfang Boiler Co., Ltd	Sales of goods	33,725,213.67	
Dongfang Mitsubishi Gas Turbine Company	Rendering of labor services		320,000.00
Dongfang Mitsubishi Gas Turbine Company	Sales of goods	6,862,704.92	
Dongfang Areva	Sales of goods	56,661,934.50	
Other enterprises controlled by the same parent company and ultimate controller		8,116,235.08	2,641,687.85
ABele Company	Sales of goods	759,570.98	1,098,413.50
STPPG	Rendering of labor services	198,000.00	50,000.00
Guangdong Company	Sales of goods	761,142.73	1,493,274.35
ZSDE	Sales of goods	6,397,521.37	0.00
The investor having a significant impact		1,652,384.62	276,410.27
Including: WBG	Sales of goods	1,652,384.62	276,410.27
Total		107,492,472.79	3,708,282.63

10.5.2 Lease of related parties

The Company as the lessor:

Name of lessee	Type of leased asset	Rental income recognized for the Period	Rental income recognized for the same period of the previous year
MHPS Dongfang Boiler Co., Ltd.	Land use rights, houses and buildings, equipment		1,419,216.23
Total		0.00	1,419,216.23

The Company as the lessee:

Name of lessor	Type of leased asset	Rental income recognized for the Period	Rental income recognized for the same period of the previous year
Dongfang Electric Corporation	Houses and buildings	31,040,500.00	8,860,000.00
Dongfang Electrical Machinery Works	Workshop, office room, land, special railway line	8,431,421.26	6,760,328.77
Dongfang Boiler Works	Houses and buildings, machinery equipment, office equipment, etc.;		1,203,450.84
Total		39,471,921.26	16,823,779.61

10.5.3 Related party guarantee

The Company as a guarantor:

Unit: RMB '0,000

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 2, 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.

10.5.4 Loans from/to related parties

Related party	Lending/borrowing amount	Starting date	Maturity date	Remarks
Loans from				
Dongfeng Electric Corporation	30,910,000.00	2018.01.26	2021.01.26	Long-term credit borrowings of DFEM
Dongfeng Electric Corporation	8,690,000.00	2018.01.26	2021.01.26	Long-term credit borrowings of DFEM
Dongfeng Electric Corporation	20,120,000.00	2018.02.13	2021.02.12	Long-term credit borrowings of DBC
Dongfeng Electric Corporation	130,000,000.00	2018.02.13	2021.02.12	Long-term credit borrowings of DBC
Dongfeng Electric Corporation	17,100,000.00	2017.12.19	2020.12.18	Long-term credit borrowings of DFHM
Total	206,820,000.00			

10.6 Receivables and payables of related parties

10.6.1 Receivables

Item name	Related party	Balance as at June, 2018		Balance as at January, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable		275,346,565.37	200,577,323.77	235,861,722.62	200,930,129.19
	Parent company and ultimate controller	14,969,804.59	11,947,859.84	19,282,273.34	16,678,559.44
	Including: Dongfang Electric Corporation	14,969,804.59	11,947,859.84	19,282,273.34	16,678,559.44
	Joint ventures and associates	48,749,631.74	2,905,436.24	7,896,288.72	485,601.45
	Including: MHPS Dongfang Boiler Co. Ltd.	45,131,984.02	2,681,907.35	6,743,773.80	390,388.70
	Dongfang Areva	94,770.00	47,385.00	867,210.00	80,947.50
	Dongfang Mitsubishi Gas Turbine Company	3,522,877.72	176,143.89	285,304.92	14,265.25
	Other enterprises controlled by the same parent company and ultimate controller	205,496,537.93	184,926,366.24	202,558,967.20	183,117,743.58
	Including: ZSDE	44,115,327.23	27,592,615.49	41,363,436.06	25,685,473.48
	Guangdong Company	11,899,205.33	11,771,266.76	11,949,815.33	11,812,987.26
	Emei Semiconductor	135,889,802.39	135,889,802.39	135,889,802.39	135,889,802.39
	Investment Company	367,950.00	367,950.00	367,950.00	367,950.00
	Abele Company	110,192.48	5,509.62		
	(Yixing) MAGI Solar	7,177,756.60	7,058,785.40	7,177,756.60	7,057,181.42
	STPPG	2,809,200.00	532,140.00	2,611,200.00	522,240.00
	Dongqi Investment Development	2,412,445.64	1,577,115.33	2,549,333.18	1,652,174.30
	(Jiuquan) Solar	714,658.26	131,181.25	649,673.64	129,934.73
	The investor having a significant impact	6,130,591.11	797,661.45	6,124,193.36	648,224.72
	Including: WBG			1,689,280.00	1,689,280.00

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Item name	Related party	Balance as at June, 2018		Balance as at January, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Germany ENV	420,934.65	210,467.33	429,230.66	171,692.26
	Germany ENV	5,709,656.46	587,194.12	4,005,682.70	476,532.46
Advances to suppliers		36,285,569.47		168,828,699.44	
	Parent company and ultimate controller	2,524,699.01		1,800,603.77	
	Including: Dongfang Electric Corporation	2,524,699.01		1,800,603.77	
	Joint ventures and associates	33,759,870.46		163,247,095.67	
	Including: Dongfang Mitsubishi Gas Turbine Company	33,759,870.46		163,247,095.67	
	Other enterprises controlled by the same parent company and ultimate controller			3,780,000.00	
	ZSDE			3,780,000.00	
	The investor having a significant impact	1,000.00		1,000.00	
	Including: CWPI	1,000.00		1,000.00	
Other receivables		49,392,568.13	23,789,890.71	61,394,985.85	38,531,183.80
	Parent company and ultimate controller	274,445.50	89,764.41	10,357,067.84	2,119,103.27
	Including: Dongfang Electric Corporation	274,445.50	89,764.41	10,357,067.84	2,119,103.27
	Other enterprises controlled by the same parent company and ultimate controller	44,900,831.36	23,376,805.59	44,857,148.22	35,335,529.26
	Including: Dongqi Investment Development	39,703,938.64	21,126,877.88	39,787,807.40	33,133,847.59
	(Jiuquan) Solar	5,150,439.68	2,247,490.26	5,057,478.72	2,201,009.77
	Dongdian Real Estate	3,735.77	301.58	3,015.77	229.58
	Dongfang Boiler Works	33,870.94	1,693.55		
	Dongfang Electrical Machinery Works	8,846.33	442.32	8,846.33	442.32
	Joint ventures and associates	4,217,291.27	323,320.71	6,180,769.79	1,076,551.27
	Including: MHPS Dongfang Boiler Co. Ltd.	4,217,291.27	323,320.71	6,180,769.79	1,076,551.27
Non-current assets due within		510,000,000.00	75,000,000.00	15,000,000.00	

Item name	Related party	Balance as at June, 2018		Balance as at January, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
one year					
	Other enterprises controlled by the same parent company and ultimate controller	510,000,000.00	75,000,000.00	15,000,000.00	
	Including: Abele Company	10,000,000.00		15,000,000.00	
	DHPJ	500,000,000.00	75,000,000.00		
Loans		188,500,000.00	12,825,000.00	702,500,000.00	12,300,000.00
	Other enterprises controlled by the same parent company and ultimate controller	188,500,000.00	12,825,000.00	702,500,000.00	12,300,000.00
	Including: (Jiuquan) Solar"	60,000,000.00		63,500,000.00	
	STPPG	75,500,000.00	11,325,000.00	82,000,000.00	12,300,000.00
	(Jiuquan) Photovoltaic	43,000,000.00		47,000,000.00	
	ZSDE	10,000,000.00	1,500,000.00	10,000,000.00	
	DHPJ			500,000,000.00	

10.6.2 Payables

Item name	Related party	Book balance as at June 30, 2018	Book balance as at January I, 2018
Accounts payable		356,272,623.56	414,603,902.97
	Parent company and ultimate controller	10,215,235.84	5,745,735.84
	Including: Dongfang Electric Corporation	10,215,235.84	5,745,735.84
	Joint ventures and associates	232,393,819.05	296,332,350.60
	Including: MHPS Dongfang Boiler Co. Ltd.	220,045,650.75	285,040,095.91
	Dongfang Mitsubishi Gas Turbine Company	12,348,168.30	11,292,254.69
	Other enterprises controlled by the same parent company and ultimate controller	94,039,729.73	87,591,755.24
	Including: Abele Company	14,985,416.76	6,316,942.33
	(Yixins) MAGI Solar	3,483,209.50	35,857,769.80
	(Jiuquan) Solar	7,041,180.00	7,041,180.00
	ZSDE	6,382,959.00	2,113,100.00
	International Investment Company	25,984,206.59	
	Dongfang Electrical Machinery Works	38,565.76	38,565.76
	Dongfang Boiler Works	4,414,102.72	4,414,102.72
	Dongqi Investment Development	31,710,089.40	31,782,094.63
	DHPJ	0.00	28,000.00
	The investor having a significant impact	19,623,838.94	24,934,061.29

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Item name	Related party	Book balance as at June 30, 2018	Book balance as at January 1, 2018
	Including: CWPI	19,623,838.94	24,934,061.29
Notes payable		51,685,527.99	44,660,905.05
	Parent company and ultimate controller	396,000.00	
	Including: Dongfang Electric Corporation	396,000.00	
	Joint ventures and associates	44,253,250.00	25,540,000.00
	Including: MHPS Dongfang Boiler Co. Ltd.	35,050,000.00	25,400,000.00
	Dongle Heavy Lifting Company	300,000.00	140,000.00
	Dongfang Areva	23,595.39	
	Dongfang Mitsubishi Gas Turbine Company	8,903,250.00	
	Other enterprises controlled by the same parent company and ultimate controller	7,036,277.99	19,120,905.05
	Including: DFEM	785,193.30	2,912,731.78
	Abele Company	6,251,084.69	15,631,173.27
	Emei Semiconductor Material Research Institute		577,000.00
Other payables		1,968,077,707.23	1,543,456,912.91
	Parent company and ultimate controller	1,944,622,304.45	1,515,821,591.68
	Including: Dongfang Electric Corporation	1,944,622,304.45	1,515,821,591.68
	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	23,071,797.58	23,154,894.13
	Including: Dongfang Boiler Works	14,312,543.08	14,263,068.89
	Guangdong Company	200,000.00	200,000.00
	Dongfang Electrical Machinery Works	30,607.80	815,801.10
	Dongfang Development Company	652,622.56	
	Investment Company	7,876,024.14	7,876,024.14
	The investors having a significant impact	183,605.20	4,280,427.10
	Including: WBG		3,639,290.32
	Germany ENV		177,531.58
	CWPI	183,605.20	463,605.20
Advances from customers		181,854,500.68	168,280,647.42
	Parent company and ultimate controller	250,800.00	198,800.00
	Including: Dongfang Electric Corporation	250,800.00	198,800.00
	Joint ventures and associates	129,399,812.72	155,511,497.85
	Including: Dongfang Areva	49,577,664.46	80,278,740.45
	MHPS Dongfang Boiler Co. Ltd.	33,374,232.04	31,908,679.42
	Dongfang Mitsubishi Gas Turbine Company	46,447,916.22	43,324,077.98

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Item name	Related party	Book balance as at June 30, 2018	Book balance as at January 1, 2018
	Other enterprises controlled by the same parent company and ultimate controller	52,203,887.96	12,570,349.57
	Including: Guangdong Company	5,337,177.96	5,599,139.57
	Abele Company	316,710.00	316,710.00
	ZSDE	46,550,000.00	6,650,000.00
	(Jiuquan) Photovoltaic		4,500.00
Customer deposits		4,272,158,135.01	4,684,381,300.12
	Parent company and ultimate controller	3,933,139,517.06	4,262,020,341.80
	Including: Dongfang Electric Corporation	3,933,139,517.06	4,262,020,341.80
	Other enterprises controlled by the same parent company and ultimate controller	339,018,617.95	422,360,958.32
	Including: Environment Engineering Company	15,063,588.58	14,892,973.48
	Donfang Development Company	116,770.48	9,312,102.22
	Abele Company	4,544,351.42	3,202,835.21
	Dongfang Electrical Machinery Works	137,071,968.46	152,106,091.29
	(Jiuquan) Photovoltaic	1,523,478.26	5,919,293.94
	(Jiuquan) Solar	1,030,441.20	11,499,381.03
	Jiuquan Solar Energy Engineering Company	80,368.76	196,993.98
	Dongfang Electric Management School,	2,197,949.86	2,345,894.10
	(Yixing) MAGI Solar	9,626,223.32	10,949,423.72
	Dongqi Investment Development	49,032,113.65	47,177,788.93
	Jieneng Technology	5,375,329.74	
	Investment Company	45,738,213.87	41,968,046.99
	Dongfang Boiler Works	23,864,995.49	21,634,968.48
	DHPJ	174.21	58.48
	Emei Semiconductor Material Research Institute	23,112,523.63	23,641,759.92
	Guangdong Company	521,479.80	3,801,062.64
	STPPG	1,899,461.92	1,051,476.76
	Dongdian Real Estate	11,528,519.42	16,607,025.12
	Property Company	1,728,555.09	7,628,424.04
	ZSDE	4,962,110.79	48,425,357.99
Interest payable		41,937,246.66	54,040,916.47
	Parent company and ultimate controller	29,673,992.18	43,941,422.01
	Including: Dongfang Electric Corporation	29,673,992.18	43,941,422.01
	Other enterprises controlled by the same parent company and ultimate controller	12,263,254.48	10,099,494.46
	Including: Dongfang Boiler Works	230,192.43	75,821.48
	Property Company	28,854.51	25,100.74

Item name	Related party	Book balance as at June 30, 2018	Book balance as at January 1, 2018
	Environment Engineering Company	51,989.17	115,093.33
	Investment Company	139,750.00	415,138.96
	Emei Semiconductor Material Research Institute	417,390.63	248,667.76
	Dongfang Electrical Machinery Works	11,395,077.74	9,219,672.19
Dividends payable		27,584,669.08	29,745,903.78
	Parent company and ultimate controller	238,765.30	
	Including: Dongfang Electric Corporation	238,765.30	
	Other enterprises controlled by the same parent company and ultimate controller	27,345,903.78	29,745,903.78
	Including: Investment Company	27,345,903.78	29,745,903.78
Non-current liabilities due within one year		36,940,000.00	12,000,000.00
	Parent company and ultimate controller	36,940,000.00	12,000,000.00
	Including: Dongfang Electric Corporation	36,940,000.00	12,000,000.00

11. Commitments and contingencies

11.1 Significant commitments

11.1.1 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: RMB0'000)

Item	Amount as at June 30, 2018	Amount as at January 1, 2018
Capital construction	14,535.59	14,670.22
Equipment	21,187.47	20,513.64
Total	35,723.06	35,183.86

As at June 30, 2018, the Company still had a contract on agreed significant foreign investment expenditure which has not been paid (Monetary Unit: RMB0'000)

Name of investment project	Contracted investment amount	Investment amount paid	Investment amount unpaid	Expected investment period	Remark
Capital construction	113,721.41	99,185.82	14,535.59	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 June 30, 2018, 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 as at June 30, 2018	Amount as at January 1, 2018
Within 1 year	21,849,591.67	39,809,853.53
1 - 2 years	18,942,581.78	23,143,016.04
2 -3 years	3,719,580.85	2,029,479.99
Over 3 years	21,849,591.67	3,299,008.81
Total	44,511,754.30	68,281,358.37

11.1.2 Apart from the above items, as at June 30, 2018, the Company has no other significant commitments needing to be disclosed.

11.2 Contingencies

11.2.1 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

Pledgor	Pledgee	Proportion of equity pledge	Descriptions about pledge matters
The Company	Dao Sheng International Financial Leasing Co., Ltd.	20%	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 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.
The Company	Dao Sheng International Financial Leasing Co., Ltd.	20%	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 Company	Dao Sheng International Financial Leasing Co., Ltd.	20%	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

Pledgor	Pledgee	Proportion of equity pledge	Descriptions about pledge matters
	Ltd.		by the 11th 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 RMB544,000,000.

(3) Matters such as L/C that generate contingent liabilities

As at June 30, 2018, 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		
USD	49,562,051.57	327,932,269.45
EUR	36,390,550.06	278,442,293.69
YEN	492,489,000.00	29,506,686.36
CHF	401,520.00	2,664,085.20
GBP		
Total		638,545,334.70

(4) Letter of guarantee issued

As at June 30, 2018, 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	19,476,311,876.49	19,476,311,876.49
USD	294,458,014.70	1,948,236,490.46
EUR	4,750,641.78	36,349,535.58
INR	104,300,000.00	10,993,220.00
PKR		
RUB		
VEF	253,940,252.68	2,219.29
Total		21,471,893,341.82

(5) As at June 30, 2018, the Company provides guarantee for other units.

Item	Guarantee type	Guarantee amount (RMB0'000)
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Guarantee warranty	2,450.00
Total		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 June 30, 2018, the Company has no other significant contingency needing to be disclosed.

12. Post-balance sheet events

12.1 Significant non-adjusting events

None.

13. Other significant events

13.1 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.

13.2 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.

13.3 Discontinued operation

13.3.1 Net profit from continued operation and net profit from discontinued operation attributable to owners of the parent company

Item	Amount for the period	Amount for the same period of the previous year
Net profit from continued operation attributable to owners of the parent company	514,298,835.52	486,037,837.74
Net profit from discontinued operation attributable to owners of the parent company		

13.3.2 Net profit from discontinued operation

None.

13.3.3 Adjustment to profit or loss from disposal of discontinued operation

None.

13.3.4 Cash flow of discontinued operation

None.

13.3.5 Explanation of the reason that discontinued operation will no longer satisfy the conditions for the division of held-for-sale category

None.

13.4 Leased operating asset (lessor of operating lease)

As at June 30, 2018, the category of the Company's assets leased out under operating lease is as follows:

Category of leased assets for operation purpose	Amount as at June 30, 2018	Amount as at January 1, 2018
Houses and buildings	154,496,363.04	160,061,384.61
Land use right	14,015,044.16	19,546,517.05
Machinery equipment		41060.01
Transportation equipment	852,535.78	53,584.46
Instrument and apparatus and electronic equipment		
Total	169,363,942.98	179,702,546.13

13.5 Other important transactions 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 RMB201,404,000.00 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 of 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.

13.6 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.

Reportable segment in January - June 2018

Item	High-efficiency clean energy equipment	Renewable energy equipment	Modern services business	Power electronics and intelligent control	Ecological and environmental protection equipment and others	Others	Write-off	Total
Operating income	14,966,382,886.47	3,085,808,987.83	3,534,368,039.96	650,034,929.64	1,142,595,534.32		6,837,215,737.51	16,541,974,640.71
Including: external transactions income	9,618,155,077.54	2,159,800,691.78	3,388,409,928.86	650,034,929.64	725,574,012.89			16,541,974,640.71
Inter-segment transactions income	5,348,227,808.93	926,008,296.05	145,958,111.10		417,021,521.43		6,837,215,737.51	
Operating cost	13,438,368,741.71	2,682,231,046.26	2,721,691,909.88	477,929,403.08	903,503,654.20		6,678,381,454.81	13,545,343,300.32
Cost written off	5,301,344,249.97	804,392,084.12	188,453,276.16		384,191,844.56		6,678,381,454.81	
Expenses for the period						2,160,189,219.58	-177,487,470.07	2,337,676,689.65
Operating profit (loss)	1,528,014,144.76	403,577,941.57	812,676,130.08	172,105,526.56	239,091,880.12	-2,160,189,219.58	336,321,752.77	658,954,650.74
Total assets						152,744,141,223.94	65,546,420,432.84	87,197,720,791.10
Including: amount of substantial impairment loss on a single asset								
Total liabilities						107,845,837,496.89	49,177,837,547.57	58,667,999,949.32
Supplemental information								
Capital expenditure								
Recognized impairment loss of the current period						434,802,989.89	-13,265,297.58	448,068,287.47
Including: amortization of impairment of goodwill								
Depreciation and amortization expenses						483,965,701.10		483,965,701.10

Item	High-efficiency clean energy equipment	Renewable energy equipment	Modern services business	Power electronics and intelligent control	Ecological and environmental protection equipment and others	Others	Write-off	Total
Non-cash expenses other than impairment loss, depreciation and amortization								

Reportable segment in January – June 2017

Item	High-efficiency clean energy equipment	Renewable energy equipment	Modern services business	Power electronics and intelligent control	Ecological and environmental protection equipment and others	Others	Write-off	Total
Operating income	16,507,925,374.55	2,136,607,073.29	3,048,009,351.35	657,977,947.18	1,232,254,718.72		8,204,418,133.59	15,378,356,331.50
Including: External transactions income	10,092,882,568.64	1,193,063,894.37	2,761,643,868.61	657,977,947.18	672,788,052.70			15,378,356,331.50
Inter-segment transactions income	6,415,042,805.91	943,543,178.92	286,365,482.74		559,466,666.02		8,204,418,133.59	
Operating cost	14,729,519,935.55	1,972,164,895.97	2,405,267,816.58	482,458,194.90	1,020,116,094.37		8,170,441,096.13	12,439,085,841.24
Cost written off	6,376,690,005.78	838,579,744.85	470,599,174.00		484,572,171.50		8,170,441,096.13	
Expenses for the period						2,158,041,503.89	-197,485,472.05	2,355,526,975.94
Operating profit (loss)	1,778,405,439.00	164,442,177.32	642,741,534.77	175,519,752.28	212,138,624.35	-2,158,041,503.89	231,462,509.51	583,743,514.32
Total assets						149,771,285,342.04	55,955,472,931.46	93,815,812,410.58
Including: Amount of substantial impairment loss on a single asset								
Total liabilities						113,505,564,531.31	47,146,795,799.07	66,358,768,732.24
Supplemental information								
Capital expenditure								

Item	High-efficiency clean energy equipment	Renewable energy equipment	Modern services business	Power electronics and intelligent control	Ecological and environmental protection equipment and others	Others	Write-off	Total
Recognized impairment loss of the current period						236,536,995.13	-13,693,376.36	250,230,371.49
Including: Amortization of impairment of goodwill								
Depreciation and amortization expenses						499,321,547.83		499,321,547.83
Non-cash expenses other than impairment loss, depreciation and amortization								

16. Notes to the main items of the parent company's financial statements

16.1 Notes and accounts receivable

Item name	Balance as at June 30, 2018	Balance as at January 1, 2018
Notes receivable	375,845,267.80	496,890,149.88
Accounts receivable	3,886,731,664.76	4,054,994,231.07
Total	4,262,576,932.56	4,551,884,380.95

Accounts receivable

Item name	Balance as at June 30, 2018	Balance as at January 1, 2018
Original book value of accounts receivable	4,697,770,816.47	4,813,924,703.01
Less: provision for bad debts	811,039,151.71	758,930,471.94
Net amount	3,886,731,664.76	4,054,994,231.07

16.1.1 Aging analysis of accounts receivable

Aging	Balance as at June 30, 2018	Balance as at January 1, 2018
Within 1 year	1,729,790,565.74	2,324,670,834.28
1 - 2 years	1,015,547,762.59	765,821,601.56
2-3 years	914,047,107.26	802,967,444.28
3-4 years	204,317,796.52	142,434,350.95
4-5 years	23,028,432.65	19,100,000.00
Over 5 years		
Net amount	3,886,731,664.76	4,054,994,231.07

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

Category	Balance as at June 30, 2018					Balance as at January 1, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Accounts receivable with significant single amount and subject to individual provision for bad debts	148,798,045.13	3.17	148,798,045.13	100.00%		146,217,866.69	3.04	146,217,866.69	100.00	
Accounts receivable subject to provision for bad debts by portfolios with credit risk characteristics	4,548,972,771.34	96.83	662,241,106.58	15.00%	3,886,731,664.76	4,667,706,836.32	96.96	612,712,605.25	13.13	4,054,994,231.07
Accounts receivable with insignificant single amount and subject to individual provision for bad debts										
Total	4,697,770,816.47		811,039,151.71		3,886,731,664.76	4,813,924,703.01	100.00	758,930,471.94	15.77	4,054,994,231.07

Accounts receivable with significant single amount and individual provision for bad debt as at June 30, 2018

Accounts receivable (by unit)	Balance as at June 30, 2018			
	Accounts receivable	Provision for bad debts	Proportion of provision (%)	Reason for provision
Rank 1	73,349,499.51	73,349,499.51	100.00	The client is in difficult operation, the funds are expected to be difficult to recover.
Rank 2	53,434,257.22	53,434,257.22	100.00	The client is in difficult operation, the funds are expected to be difficult to recover.
Rank 3	22,014,288.40	22,014,288.40	100.00	The client is in difficult operation, the funds are expected to be difficult to recover.
Total	148,798,045.13	148,798,045.13	100.00	

In the portfolio, accounts receivable with the provision for bad debts made under the aging analysis method:

Aging	Balance as at June 30, 2018		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	1,820,832,174.46	91,041,608.72	5.00
1 - 2 years	1,128,386,402.90	112,838,640.31	10.00
2 - 3 years	1,142,558,884.06	228,511,776.80	20.00
3 - 4 years	340,529,660.85	136,211,864.33	40.00
4 - 5 years	46,056,865.30	23,028,432.65	50.00
Over 5 years	70,608,783.77	70,608,783.77	100.00

Aging	Balance as at June 30, 2018		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Total	4,548,972,771.34	662,241,106.58	

16.1.3 Provision, reversal or recovery of provision for bad debts during the period

During the period, the Company provided the bad debts reserves of RMB52,108,679.78; and amount recovered or reversed of accounts receivable subject to separate provision for bad debts was nil.

16.1.4 Top five accounts receivable in terms of ending balance collected by the debtor

Entity name	Balance as at June 30, 2018		
	Accounts receivable	Proportion in the total accounts receivables (%)	Provision for bad debts
Rank 1	250,310,600.90	5.33	49,301,916.80
Rank 2	217,459,515.00	4.63	31,063,316.35
Rank 3	180,000,000.00	3.83	13,558,737.00
Rank 4	175,459,412.48	3.73	23,574,928.18
Rank 5	174,208,000.00	3.71	8,710,400.00
Total	997,437,528.38	21.23	126,209,298.33

The sum amount of top five accounts receivable in terms of ending balance collected by the debtor is RMB 997,437,528.38, accounting for 21.23% of the ending balance of accounts receivable, and the corresponding ending balance of provision for bad debts is RMB 126,209,298.33.

16.2 Other receivables

Item name	Balance as at June 30, 2018	Balance as at January 1, 2018
Interests receivable	125,595,579.83	124,881,895.02
Dividends receivable	131,436,444.73	168,763,002.13
Others	3,438,597,740.62	5,993,276,183.30
Net amount	3,695,629,765.18	6,286,921,080.45

16.2.1 Others

Item name	Balance as at June 30, 2018	Balance as at January 1, 2018
Book balance	3,483,000,801.84	6,037,219,682.21
Less: provision for bad debts	44,403,061.22	43,943,498.91
Net amount	3,438,597,740.62	5,993,276,183.30

16.2.2 Aging analysis of other receivables

Aging	Balance as at June 30, 2018	Balance as at January 1, 2018
Within 1 year	30,550,000.96	207,238,431.43
1 - 2 years	7,934,215.10	15,247,200.92
2-3 years	19,434,672.58	23,265,679.99
3-4 years	1,185,038,608.72	1,182,426,138.45
4-5 years	9,667,243.26	2,625,732.51
Over 5 years	2,185,973,000.00	4,562,473,000.00
Net amount	3,438,597,740.62	5,993,276,183.30

16.2.3 Other receivables disclosed by risk category

Type	Balance as at June 30, 2018					Balance as at January 1, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Other receivables with significant single amount and subject to separate provision for bad debts	3,382,712,869.23	97.17			3,382,712,869.23	5,992,988,301.50	95.46	64,278,301.50	1.07	5,928,710,000.00
Other receivables subject to provision for bad debts by portfolios with credit risk characteristics	100,287,932.61	2.83	44,403,061.22	44.00	55,884,871.39	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	3,483,000,801.84	100.00	44,403,061.22	12.75	3,438,597,740.62	6,278,187,236.66	100.00	134,171,512.49	25.58	6,144,015,724.17

Other receivables with significant single amount and subject to individual
provision for bad debts as at June 30, 2018

Other receivables (by unit)	Balance as at June 30, 2018			Reason for provision
	Other receivables	Provision for bad debts	Proportion of provision (%)	
Rank 1	1,241,853,000.00			Central budget funds, additional raising funds for A share, special funds and raising funds for convertible bonds, no provision is made
Rank 2	1,122,850,000.00			Central budget funds, additional raising funds for A share and raising funds for convertible bonds , no provision is made
Rank 3	843,000,000.00			Appropriation of expenditure for capital construction, additional raising funds for A share and raising funds for convertible bonds, no provision is made
Rank 4	113,970,000.00			The funds for automatization of nuclear power equipment and energy independent innovation project, no provision is made
Rank 5	44,300,000.00			The funds for automatization of nuclear power equipment and energy independent innovation project, no provision is made
Rank 6	16,739,869.23			Advances paid on project site, , no provision is made
Total	3,382,712,869.23			

In the portfolio, other receivables with the provision for bad debts under the aging analysis method:

Aging	Balance as at June 30, 2018		
	Other receivables	Provision for bad debts	Proportion of provision (%)
Within 1 year	21,394,875.52	1,069,743.79	5.00
1 - 2 years	8,815,794.55	881,579.45	10.00
2-3 years	24,293,340.75	4,858,668.17	20.00
3-4 years	8,397,681.23	3,359,072.51	40.00
4-5 years	6,304,486.59	3,152,243.33	50.00
Over 5 years	31,081,753.97	31,081,753.97	100.00
Total	100,287,932.61	44,403,061.22	

16.2.4 Provision, reversal or recovery of provision for bad debts during the Period

During the Period, the Company provided the bad debts reserves of RMB 459,562.31.

16.2.5 Classification of other receivables by the nature of payment

Item	Balance as at June 30, 2018	Balance as at January 1, 2018
Central budget funds, additional raising funds for A share, special funds and raising funds for convertible bonds	3,387,431,452.08	5,928,710,000.00
Advances	32,009,364.65	90,866,414.39
Petty cash	11,807,685.04	2,611,115.81
Margin and deposit	51,752,300.07	15,032,152.01
Total	3,483,000,801.84	6,037,219,682.21

16.2.6 Top five other receivables due from debtors as at June 30, 2018

Entity name	Nature of funds	Balance as at June 30, 2018	Aging	Proportion in the total ending balance of other receivables (%)	Balance of provision for bad debts as at June 30, 2018
Rank 1	Advances Investment fund	1,244,066,922.09	1 -4 years Over 5 years	35.72	202,354.34
Rank 2	Advances Investment fund	1,152,880,130.70	1 -4 years Over 5 years	33.10	29,341,120.28
Rank 3	Advances Investment fund	843,182,547.88	Within 1 year 1 - 2 years	24.21	100,307.57
Rank 4	Advances Investment fund	113,970,000.01	3 -4 years Over 5 years	3.27	
Rank 5	Investment fund	44,300,000.00	Within 1 year 1 - 3 years	1.27	
Total		3,398,399,600.68		97.57	29,643,782.19

16.3 Long-term equity investments

16.3.1 Classification of long-term equity investments

Investee	Balance as at January 1, 2018	Increase/decrease for the Period							Balance as at June 30, 2018	Provision for impairment for the Period	Balance of provision for impairment as at June 30, 2018
		Additional investment	Decrease in investments	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other changes in equities	Cash dividends or profit declared to be distributed	Others			
1. Investments in subsidiaries											
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	4,391,395,417.83								4,391,395,417.83		
DongFang Turbine Co., Ltd. of Dongfang Electric Corporation	2,542,003,999.71	2,310,000,000.00							4,852,003,999.71		
DEC Dongfang Electric Machinery Co., Ltd.	2,000,000,000.00	66,500,000.00							2,066,500,000.00		
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	186,237,000.00							556,237,000.00		
Dongfang Electric (Indonesia) Co., Ltd.	11,621,730.00								11,621,730.00		
DEC International Cooperation Limited		1,409,966,967.29							1,409,966,967.29		
Dongfang Electric Finance Co., Ltd.		2,867,031,546.59							2,867,031,546.59		
Dongfang Hitachi Electronic Control Equipment Co., Ltd.		46,036,083.55							46,036,083.55		
DEC BulkLogistic Co., Ltd.		77,469,728.35							77,469,728.35		
Dongfang Electric (Sichuan)Materials Co., Ltd		110,805,368.69							110,805,368.69		
Sichuan Dongfang Electric Automatic Control Co., Ltd		337,828,632.08							337,828,632.08		
DEC Chengdu Clean Energy Co., Ltd.		8,445,843.46							8,445,843.46		
DEC Chengdu Smart Energy Co., Ltd.		11,119,812.19							11,119,812.19		
Sub-total	10,165,545,252.13	7,431,440,982.20							17,596,986,234.33		
2. Joint ventures											

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Investee	Balance as at January 1, 2018	Increase/decrease for the Period							Balance as at June 30, 2018	Provision for impairment for the Period	Balance of provision for impairment as at June 30, 2018
		Additional investment	Decrease in investments	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other changes in equities	Cash dividends or profit declared to be distributed	Others			
ARE VA DONGFANG Reactor Coolant Pumps C., Ltd.	209,622,279.90			15,252,926.53					224,875,206.43		
Sub-total	209,622,279.90	0.00		15,252,926.53					224,875,206.43		
3. Associates											
Sichuan Energy Wind Power Development Co., Ltd.	255,556,481.06			30,946,894.69					286,503,375.75		
Huadian Longkou Wind Power Co., Ltd.	50,459,812.07			7,582,843.76					58,042,655.83		
Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	19,846,957.02			1,398,137.86					21,245,094.88		
China United Heavy-duty Gas Turbine Technology Co., Ltd.	11,672,017.69	102,000,000.00		-155,689.18					113,516,328.51		
Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	18,537,039.00			1,337,927.56					19,874,966.56		
Inner Mongolia Mengneng Wulan New Energy Co., Ltd.	35,322,255.21								35,322,255.21		
Sub-total	391,394,562.05	102,000,000.00		41,110,114.69					534,504,676.74		
Total	10,766,562,094.08	7,533,440,982.20		56,363,041.22					18,356,366,117.50		

16.3.2 The long-term equity investment is analyzed as follows:

	Amount as at June 30, 2018	Amount as at January 1, 2018
Listing		
Unlisting	18,356,366,117.50	10,766,562,094.08
Total	18,356,366,117.50	10,766,562,094.08

16.3.3 Investments in associates and joint ventures

Investee	Beginning balance	Increase/decrease in the period							Balance as at June 30, 2018	Provision for impairment in the period	Balance of provision for impairment as at June 30, 2018
		Additional investment	Decrease investments	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other changes in equities	Cash dividends or profit declared to be distributed	Others			
1. Joint ventures											
AREVA DONGFANG Reactor Coolant Pumps Co., Ltd.	209,622,279.90			15,252,926.53					224,875,206.43		
Subtotal	209,622,279.90			15,252,926.53					224,875,206.43		
2. Associates											
Sichuan Energy Wind Power Development Co., Ltd.	255,556,481.06			30,946,894.69					286,503,375.75		
Huadian Longkou Wind Power Co., Ltd.	50,459,812.07			7,582,843.76					58,042,655.83		
Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	19,846,957.02			1,398,137.86					21,245,094.88		
China United Heavy-duty Gas Turbine Technology Co., Ltd.	11,672,017.69	102,000,000.00		-155,689.18					113,516,328.51		
Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	18,537,039.00			1,337,927.56					19,874,966.56		
Inner Mongolia Mengneng Wulan New Energy Co., Ltd.	35,322,255.21								35,322,255.21		
Subtotal	391,394,562.05	102,000,000.00		41,110,114.69					534,504,676.74		
Total	601,016,841.95			56,363,041.22					759,379,883.17		

16.3.4 Operating income and operating costs

Item	Amount incurred in the period		Amount incurred in previous period	
	Income	Cost	Income	Cost
Sub-total of primary business	6,085,693,898.01	5,896,983,671.04	7,498,701,982.16	7,320,109,248.35
Sub-total of other business	2,852,350.40	736,366.85	374,195.31	649,870.67
Total	6,088,546,248.41	5,897,720,037.89	7,499,076,177.47	7,320,759,119.02

16.3.5 Investment income

Item	Amount incurred in the period	Amount incurred in previous period
Long-term equity investment income calculated under cost method	8,737,641.77	39,321,713.50
Income from long-term equity investments calculated under the equity method	56,363,041.22	34,974,707.11
Investment income from financial assets measured at fair value through the current profit or loss incurred during the holding period		957,309.00
Investment income from the disposal of financial assets measured at fair value through the current profit or loss		5,387,294.06
Others	1,335,429.78	1,507,468.55
Total	66,436,112.77	82,148,492.22

Remark: The investment income generated from the non-listed investment in 2018 is RMB 66,436,112.77. 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 the period

Item	Amount	Remarks
Profit or loss from disposal of non-current assets	795,202.21	
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)	41,338,352.82	
Gains or losses from debt restructuring	-39,583.00	
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	41,689,660.15	
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	512,711.46	
Reversal of the impairment provision for receivables subject to separate impairment test	35,450,000.00	
Other non-operating income and expenses except for the above-mentioned items	-68,027,935.02	
Affected amount of income tax	-2,424,565.19	

Item	Amount	Remarks
Affected amount of minority equity	-263,812.13	
Total	49,030,031.30	

17.2 Rate of return on net assets and earnings per share:

Profit during the reporting period	Weighted average return on net assets (%)	Earnings per share (RMB/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	1.93	0.17	0.17
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	1.74	0.15	0.15

Dongfang Electric Corporation Limited

(Official seal affixed)

August 30, 2018