



东方电气
DONGFANG ELECTRIC

DONGFANG ELECTRIC CORPORATION LIMITED

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

2018 ANNUAL REPORT



Important Notice

- I. The Board of Directors, the Supervisory Committee and the directors, supervisors and senior management of the Company warrant that the content of this annual report is true, accurate and complete and does not contain any false representations, misleading statements or material omissions, and severally and jointly accept legal responsibility thereof.
- II. All the directors of the Company attended the meeting of the Board of Directors.
- III. BDO China Shu Lun Pan Certified Public Accountants LLP has issued the audit report with unqualified opinions to the Company.
- IV. Zou Lei, the person-in-charge of the Company, Bai Yong, the person-in-charge of accounting and Wang Chengmi, the head of the accounting department (person-in-charge of accounting), warrant the truthfulness, accuracy and completeness of the financial report in this annual report.
- V. Profit distribution plan or plan to convert surplus reserves into share capital approved by the Board during the Reporting Period
As audited by BDO China Shu Lun Pan Certified Public Accountants LLP, net profit attributable to the owners of the Company in 2018 amounted to RMB1,128,834,236.51. The parent company realized net profit of RMB963,592,446.45. The company proposed to distribute a cash dividend of RMB1.10 (before tax) per 10 shares, totaling RMB339,988,377.41. The Company did not convert any capital reserve into share capital or make any bonus issue. The proposal still needs to be submitted to the 2018 shareholders' general meeting for consideration and approval.
- VI. Risks disclaimer of the forward-looking statements
The business plan of the Company does not constitute a profit guarantee of the Company to investors. Investors should be aware of the investment risks and have a proper understanding of differences between the business plan and profit guarantee.
- VII. Any appropriation of fund by the controlling shareholder and its related parties for non-operating purpose
No
- VIII. Any provision of external guarantee in violation of the stipulated decision making procedure
No
- IX. Material risk alert
For the risks described in this report, please refer to the possible risk factors and strategies stated in the "Discussion and Analysis on Future Development" in the Report of the Board of Directors.
- X. Others
 - (1) On 23 November 2017, the Company's first extraordinary shareholders meeting and Separate Meeting of Classes of Shareholders for 2017 considered and approved the Acquisition of Assets by Issuance of Shares of Dongfang Electric Corporation Limited and Connected Transaction Report (Draft); on 1 March 2018, the CSRC approved the Company's acquisition of assets by issuance of shares and connected transactions; on 12 June 2018, the new shares issued for the acquisition of assets were registered and listed at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited. The total share capital of the Company increased from 2,336,900,368 shares to 3,090,803,431 shares.
 - (2) Since the Company completed the acquisition of assets by issuance of shares and connected transactions in the first half of 2018, the Company's business scope has been expanded to include power electronics and control, finance, logistics, trade, new energy, industrial and intelligent equipment, etc. As a power generation equipment manufacturer, the Company will further perfect its industrial chain and improve its capabilities in core industries related to power generation equipment. The industries and sectors extended into: clean and efficient energy equipment (including thermal power, nuclear power and gas turbines), renewable energy equipment (including hydropower, wind power and solar energy), Engineering and trade (including general contracting, trade, engineering design and consultation), modern manufacturing services (including power plant services, financial services, logistics services and other services), and emerging & growth industries (including hydrogen energy and fuel cells, power electronics and intelligent control, environmental protection, new materials, smart manufacturing, and other new industries).
 - (3) According to the Accounting Standards for Business Enterprises No. 33 – Consolidated Financial Statements: "When preparing a consolidated balance sheet during the reporting period for any new subsidiary and business resulting from the merger of enterprises under common control, the parent shall adjust the opening balances for the consolidated balance sheet and at the same time adjust the relevant items in the comparative financial statements, as if the reporting entity resulting from the merger has been existing since the ultimate controlling party began to exercise control." "The Company acquired relevant assets during the reporting period "as described in (2)", so the Company prepared a consolidated balance sheet in accordance with this provision.

Contents

Chairman's Statements	2
I Definitions	4
II Company Profile and Major Financial Indices	5
III Business Overview	11
IV Report of the Board of Directors	16
V Report of the Supervisory Committee	46
VI Significant Events	51
VII Changes in Ordinary Shares and Particulars of Shareholders	70
VIII Directors, Supervisors, Senior Management and Employees	77
IX Corporate Governance	97
X Financial Report	128

CHAIRMAN'S STATEMENTS



Chairman
Zou Lei

Dear shareholders:

In 2018, Dongfang Electric firmly established and practiced the new concept of development concepts and continued to pursue the “12345” new development strategy. In a situation where the energy mix was undergoing profound adjustment, the proportion of coal-fired power was in sharp decline and competition in the equipment manufacturing industry was fierce, the Company reversed losses in 2017 and embarked on a path of innovation-driven development in 2018. As a result, its operational and management capabilities have been significantly improved, laying a solid foundation for the realization of the objectives of the 13th five-year Plan.

During the Reporting Period, we steadily improved our operating performance across a range of indicators. The Company strengthened evaluation of the situation, accelerated structural adjustment, strengthened value creation, and delivered good operating results. In 2018, the Company recorded a net profit attributable to the shareholders of the parent Company of RMB1.129 billion (restated net profit attributable to the shareholders of the parent Company in 2017 amounted to RMB1.057 billion), representing an increase of 6.77% as compared with restated net profit attributable to the shareholders of the parent Company in 2017, and representing an increase of 67.71% from the previous year before adjustment; entered into new contracts of RMB34.93 billion, representing a year-on-year increase of 8.7%; realized an operating income of RMB30.706 billion; completed a total capacity from power generation equipment of 22.7602 million KW.

During the Reporting Period, we made steady progress in the Three Critical Missions. In 2018, the Company succeeded in the first mission of the rejuvenation of the wind power industry, delivering a significant increase in the volume of orders taking effect and awarded compared with the previous year and successfully turning itself around; the Company made a breakthrough in the expansion of the modern service industry, deploying customer service managers to 675 power plants at home and abroad, setting up regional customer service centers in Xinjiang, Tianjin, Inner Mongolia, etc., establishing an online service platform and the Oriental e-Purchasing Spare Parts Mall, and entering into 30% more contracts than in the previous year; the Company saw good momentum in its international business, integrating segments of its international business, adjusting the deployment of overseas resources, further diversifying related business, and signing contracts on major projects such as the project in Hamrawein, Egypt.

During the Reporting Period, we steadily enhanced our competitiveness. In the face of a grim and complex market situation and fierce competition, the Company capitalized on the advantages afforded by its two-tier marketing system, deepened its presence in key markets, accomplished its yearly target for orders, and consolidated and enhanced its market position. The Company secured the contract to supply million-KW 630°C modules with ultra-supercritical double reheat features for the demonstration project with the highest parameters in China. The Company had 46.3% of the market for thermal power generating units with a capacity of 200MW or above. The

CHAIRMAN'S STATEMENTS (CONTINUED)

Company consolidated its position in the traditional hydropower market, and seized the opportunity to develop pumped-storage hydropower to build a leading edge; The Company made multiple breakthroughs in nuclear power, became the supplier of a complete set of main equipment for the nuclear island of China's first offshore nuclear power platform demonstration project, received orders from the UK, France and other European high-end markets, and had 65.9% of the nuclear island market and 44.9% of the conventional island market; the Company's maintained its share of the gas-fired power generation market above 40% for two years in a row and had the biggest share of the domestic gas turbine market; the Company's share of the market for new products and new technologies continued to expand.

During the Reporting Period, we made remarkable achievements in scientific research. We improved the two-tier R&D system, increased R&D investment, and applied ourselves to making breakthroughs in key and core technologies. The Company continuously won several award included the first prize and second prize of the National Award for Science and Technology Progress and the grand prize and first prize of the Sichuan Provincial Award for Science and Technology Progress; the Company made a series of breakthroughs in major equipment and key and core technologies, completed construction design for million-KW 630 °C modules with ultra-supercritical double reheat features for the demonstration project with the highest parameters in China, completed the building of the world's first million-kilowatt-class high-quality turbine runner independently developed by it in Baihetan, and successfully commissioned its independently developed 50MW heavy-duty F-class gas turbine compressor and burner; hydrogen fuel cell buses with independent intellectual property were put into service.

During the Reporting Period, we deepened reform and solidified our base of development. The Company successfully completed the acquisition of assets from its controlling shareholder by issuance of shares to add impetus to the development of the Company; the Company flattened its management hierarchy in an effort to get lean and fit, eliminated inefficient and unproductive production capacity, and streamlined its organizational structure, laying a solid foundation for the company's high-quality development; the Company tapped into its potential, worked hard towards "Three Reduce's and Two Increase's", strengthened overall budget management and risk prevention and control, and promoted lean management to improve the quality of the Company's operations.

During the Reporting Period, we achieved remarkable results in targeted poverty alleviation. We have always been committed to people's livelihood and actively fulfill the social responsibility as a central government-owned enterprise. The Company implemented the "five-in-one" poverty alleviation strategy and the "one hundred-one thousand-ten thousand-one hundred million" poverty alleviation project, with Jixian County, Shanxi Province, which was targeted for poverty alleviation, "taking off the poverty hat".

Looking forward to 2019, we will overcome all kinds of difficulties and scale new heights. 2019 will be a critical year for Dongfang Electric to implement the "12345" new development strategy and a year in which the Company will make an all-out effort to overcome all kinds of difficulties, scale new heights, make sustained advances in the Company's high-quality development, and achieve the objectives of the 13th five-year Plan. Adhering to the general work guideline of making progress while maintaining stability, the Company will create a sound industrial pattern where "multiple types of energy sources are developed simultaneously and five lines of business are coordinated", secure a comprehensive victory in the "Three Critical Missions" of the rejuvenation of the wind power industry, the expansion of the modern service industry and the strengthening of international business with "refining the main business operations and developing new business operations" as its direction of development, and speed up efforts to build itself into a leading energy equipment manufacturer in China to celebrate the 70th anniversary of the founding of New China with excellent operating results.

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

Chairman: Zou Lei

29 March 2019

DEFINITIONS

I. DEFINITIONS

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

Definitions of frequently-used terms

DEC, Company	Dongfang Electric Corporation Limited
Controlling Shareholder, Dongfang Electric Corporation	DEC Group
Reporting Period	From 1 January 2018 to 31 December 2018
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
RMB, RMB'0000,RMB100 million	Renminbi Yuan, Renminbi '0000, Renminbi 100 million
the Transaction, the Reorganization, the Purchase of Assets by issuance of A Shares	Dongfang Electric Corporation or the Company purchased the Subject Assets owned by DEC Group by issuance of A Shares.

COMPANY PROFILE AND MAJOR FINANCIAL INDICES

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
Registered and business address	18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province
Postal code for registered and business address	611731
Company website	http://www.dec-ltd.cn
E-mail	dsb@dongfang.com
Registered capital of the Company	RMB3,090,803,431

Inquiry for changes in registered share capital during the reporting period, refer to the announcements published on SSE, and the Hong Kong Stock Exchange on 22 August 2018.

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

III. SHARE INFORMATION

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

COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

IV. OTHER INFORMATION

The accounting firm engaged by the Company	Name	BDO China Shu Lun Pan Certified Public Accountants LLP
	Business address	7F, Tower A, Zhonghai International Center, No. 5 Anding Road, Chaoyang District, Beijing
	Signing accountants	Zhang Junshu and Sun Nianshao
H Share registrar in Hong Kong	Name	Computershare Hong Kong Investor Services Limited
	Business address	Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong

COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

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

(I) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	2018	2017		Year-on-year increase/decrease (%)	2016	
		After Restated	Before Restated		After Restated	Before Restated
Total operating income	30,706,145,358.82	33,430,264,831.72	30,830,230,430.91	-8.15	35,625,162,668.49	33,285,723,808.34
Net profit attributable to shareholders of the parent Company	1,128,834,236.51	1,057,303,567.22	673,079,118.85	6.77 (Increased 67.71 for the current period over the previous period before adjustment)	-1,268,862,863.14	-1,784,306,804.76
Net profit after non-recurring profit or loss attributable to shareholders of the Company	782,305,816.90	491,803,164.84	491,803,164.84	59.07	-1,982,592,343.89	-1,982,592,343.89
Net cash flow from operating activities	-551,780,305.01	1,838,566,815.40	450,239,494.68	-130.01	8,966,088,073.53	8,965,090,194.05
Total equity attributable to owners of the parent Company	28,584,050,995.80	27,210,679,690.40	21,821,370,658.62	5.05	26,158,906,510.06	21,144,292,192.79
Total assets	91,323,329,417.78	92,375,917,051.75	78,920,765,722.56	-1.14	98,352,644,220.07	84,702,600,301.42

(II) Major financial index

Major financial index	2018	2017		Year-on-year increase/decrease (%)	2016	
		After Restated	Before Restated		After Restated	Before Restated
Basic earnings per share (RMB/share)	0.37	0.34	0.29	8.82	-0.41	-0.76
Diluted earnings per share (RMB/share)	0.37	0.34	0.29	8.82	-0.41	-0.76
Basic earnings per share after deducting non-recurring profit or loss (RMB/share)	0.25	0.16	0.21	56.25	-0.64	-0.85
Weighted average return on net assets (%)	3.90	3.64	3.13	Increase by 0.26 percentage points	-4.26	-8.07
Weighted average return on net assets after non-recurring profit or loss (%)	2.71	2.29	2.29	Increase by 0.42 percentage points	-8.97	-8.97

COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

Description of the major accounting data and major financial indicators for the first three years at the end of the reporting period

- (I) Total operating income decreased by 0.4% as compared with 2017 (before retrospective adjustment);
- (II) Net profit attributable to the parent company increased by 67.71% over 2017 (before retrospective adjustment).

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

Unit: Yuan Currency: RMB

Items of Non-recurring Profit or Loss	Amount for 2018	Note	Amount for 2017	Amount for 2016
Profit or loss from disposal of non-current assets	32,142,369.14		16,950,674.48	-5,436,906.96
Incidental tax refund or exemption in relation to documents of unauthorized approval, or without official approval	-		-	-
Government grants charged to profit or loss for the current period (except for those closely related to the normal operation of the Company and gained constantly at a fixed amount or quantity according to a certain standard based on state policies)	195,377,227.14		148,289,356.84	180,374,099.82
Fund occupation fee charged to non-financial enterprises through current profit or loss	-		-	-
Gains arising from the investment cost of acquiring a subsidiary less than the Company's share of fair value of the identifiable net assets of the investee upon acquisition date	-		-	-
Profit or loss of non-monetary asset swap	-		-	-
Gains and losses from entrusting others with investment or asset management	-		-	-
The provision for impairment of assets due to force majeure, such as natural disasters	-		-	-
Gains and losses of debt reorganization	-602,613.38		136,707,204.50	20,622,378.52
Enterprise restructuring costs, such as the cost of resettlement of employees, integration costs, etc.	-		-	-
Loss over fair value arising from a transaction in which the transaction price is obviously unfair	-		-	-
Net gains and loss of the subsidiaries arising from the merger of enterprises under the same control from the beginning of the period to the date of merger	63,301,136.44		396,471,738.34	520,744,778.91

COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

Items of Non-recurring Profit or Loss	Amount for 2018	Note	Amount for 2017	Amount for 2016
Profits and losses arising from contingent items unrelated to the normal operation of the company	-		-	-
Gain/(Loss) on changes in the fair value of financial assets and financial liabilities held for trading and investment, gain from disposal of financial assets and financial liabilities held for trading and available-for-sale financial assets, other than the hedging business related to the Company's general business	-		2,650,708.60	-12,000,395.74
Gain or loss on change of fair value arising from trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and the investment income of the disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other debt investments, other than the effective hedging business related to the Company's normal business	70,401,670.53		-	-
Reversal of provision on receivable impairment individually conducted impairment test	-		190,736,951.50	175,855,529.34
Reversal for impairment provision for receivables and contract assets to be reversed through a separate impairment test	103,635,036.14		-	-
Profit or loss from entrusted loans	-		-	-
Profits and losses arising from changes in fair value of investment property using fair value model for subsequent measurement	-		-	-
The impact of one-time adjustment on current profit and loss in accordance with the requirements of laws and regulations such as taxation and accounting	-		-	-
Custodian income from entrusted management	-		-	-
Other non-operating income and expenses other than the above mentioned items	-46,884,711.25		-270,531,983.64	-143,690,445.40
Other profit and loss items falling within the definition of non-recurring profit or loss	-		-	-
Impacted amount in non-controlling shareholders' equity	-10,948,370.86		-18,956,747.40	2,572,874.84
Impacted amount in income tax	-59,893,324.29		-36,817,500.84	-25,312,432.58
Total	346,528,419.61		565,500,402.38	713,729,480.75

COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

VII. ITEMS AT FAIR VALUE

Unit: Yuan Currency: RMB

Item	Opening Balance	Closing Balance	Changes during the periods	Impact amount of the current profit
Held for trading financial assets	2,305,996,477.96	3,122,839,818.04	816,843,340.08	147,518,045.82
Other equity instrument investments	27,111,774.30	4,989,859.48	-22,121,914.82	-
Total	2,333,108,252.26	3,127,829,677.52	794,721,425.26	147,518,045.82



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

(I) The Company's principal business and operating model

The Company is engaged in power equipment manufacturing industry. By adhering to the objective of “to create value and to enjoy fruits together (共創價值、共享成功)”, the Company committed to becoming a world leading manufacturer of major technology and equipment and service provider with international competitiveness, and to providing its customers with large-scale power generation equipment of clean and efficient power such as hydropower, thermal power, nuclear power, wind power and steam power, solar thermal and engineering contracting and services. The Company's main products include 50,000–1 million kilowatt-class thermal power generating units, 50,000–1 million kilowatt-class hydroelectric generating units, 1–1.75 million kilowatt-class nuclear power units, heavy-duty gas turbine equipment, 1.5–10 megawatt-class wind power equipment, equipment for the desulphurization and denitrification of flue gas emissions from boilers at large power stations and large chemical containers. The Company has created a product pattern where “hydropower, thermal energy, nuclear energy, wind energy and solar energy” are simultaneously used for electricity generation and developed in a coordinated way.

During the Reporting Period, the Company completed the acquisition of assets from Dongfang Electric Corporation by issuance of shares. As a result, the Company's business scope was further expanded to include power electronics and control, finance, logistics, trade, new energy, industrial and intelligent equipment, etc. Dongfang Electric further perfected its industrial system for power generation equipment manufacturing, improved the quality and efficiency of its operations in core industries related to power generation equipment, and further increased the synergy effect among different segments of its business.

The Company is mainly engaged in development, designing, manufacturing and selling large, advanced sets of equipment for the high-efficiency clean generation of hydropower, thermal power, nuclear power, wind power, gas power and solar thermal. 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 globe, the Company has ranked top globally for successive years in terms of production volume of power generation equipment. With its power generation equipment and service business covering nearly 70 countries and regions, the Company is highly competitive and influential in the field of power generation equipment.

BUSINESS OVERVIEW (CONTINUED)

The global energy demand will see a slowdown against the backdrop of slow global economy. However, due to the increasing demand in the world new energy power equipment market, especially the rigid demand for electricity of developing countries persisting for a long time, the proportion of renewable energy will increase significantly. The slowdown in electricity consumption in China has eased the overall electricity supply, and the annual overcapacity of traditional power generation equipment such as coal power in China has become apparent resulting in an increasingly fierce market competition. The development of power generation equipment towards "clean, low-carbon, high-efficiency, intelligence, economy, and security" has raised higher requirements for enterprises to improve their market competitiveness and transformation and upgrading. Across the globe, rapid advances in renewable energy technologies have led to a significant reduction in costs, making them increasingly important in global energy use. It is expected that renewable energy will become a key area of energy investment. This, while bringing new development opportunities for the Company, also sets a higher bar for the Company's market competitiveness.

(II) Analysis on industry operation information

During the Reporting Period, the Company completed the acquisition of assets from Dongfang Electric Corporation by issuance of shares, further consolidating and enhancing the Company's core competitiveness. After the transaction, the Company's business scope will be expanded to include power electronics and control, finance, logistics, trade, new energy, industrial and intelligent equipment, etc.; the Company will further perfect its industrial system for power generation equipment manufacturing. Meanwhile, through the transaction, the Company will receive a major boost in terms of industry-finance integration and international operations. The Company is expected to cultivate future growth points through new business, improve its profitability and risk resistance capacity and enhance its comprehensive competitiveness.

As one of the largest R&D and manufacturing bases for power equipment and the largest power station project contracting enterprises in the world, the Company possesses a relatively strong international competitiveness, especially in techniques, brand and manufacturing ability. The core competitiveness of the Company mainly shows as below:

1. **Possessing excellent product technology and innovative capability of products.** The Company has the proprietary technologies for the R&D, design and manufacture of such equipment as 50,000 – 1 million KW hydropower units, 50,000 – 1 million KW thermal power units, 1–1.75 million KW nuclear power units, 1.5–10MW-level wind power units, and heavy duty gas turbine units and solar thermal. The Company completed the development of a high-quality turbine runner for mixed-flow hydropower units with a capacity of one million KW, the largest of their kind in the world, and mastered related key technologies; the contract for million-KW 630℃ modules with ultra-supercritical double reheat features for the demonstration project with the highest parameters in the world took effect; the overall scheme for the world's first 660,000-kilowatt ultra-supercritical CFB boiler passed a national-level evaluation, and the boiler was approved for demonstration applications; a 1.75 million-kilowatt EPR unit developed by the Company, the largest of its kind in the world, was put into operation at Taishan Nuclear Power Plant; the Company completed the development of the Generation III CAP1400 and Hualong No. 1 main equipment, which reach the world advanced level on main performance indicators; the Company accelerated the development of demonstration Generation IV sodium-cooled fast reactors for nuclear islands, and manufactured some prototypes; the more advanced M701F4+ gas turbine generator set achieved mass production, China's first Generation V M701F5 heavy-duty gas turbine was successfully put into operation, and breakthroughs were

BUSINESS OVERVIEW (CONTINUED)

made in R&D platform construction and the testing of key components for the F-class 50MW heavy-duty gas turbine independently developed by the Company; the Company began mass production of the 5MW offshore wind turbine, giving it equipment support capability that covered Class I-III wind farms; the Company accelerated the development of 7MW and 10MW class giant offshore wind power prototypes, and obtained the first 10MW class offshore wind turbine design certificate in China; the Company made a technological breakthrough in the solar thermal industry by successfully developing China's first 50,000 kilowatt high-power steam turbine unit that generates electricity from solar thermal energy and developing a capability to supply a complete set of related equipment; the remote monitoring and diagnosis system for thermal power generating units was put into operation at Wanzhou and Hengshan power plants, and the intelligent wind farm system for wind turbines was put into use, laying the foundation for product life cycle management and giving impetus to the Company's transition to a manufacturing service-oriented enterprise. The Company obtained 326 additional valid patents (including 147 patents for invention) in 2018 and possessed 1,670 valid patents (including 621 patents for invention) as at the end of 2018.

2. **Possessing comprehensive product structure and service ability:** Relying on its 60 years R&D experience, the Company has output power generation equipment of more than 545 million KW and established a five-in-one and jointly-developing structure (i.e. hydropower, thermal power, nuclear power, wind power, steam power, and solar thermal power) which enable it to provide comprehensive transformation and service for power stations. The full-package power station improvement and optimization solutions provided by the Company can meet various demands of customers, therefore increasing competitiveness and anti-risk ability.
3. **Possessing first-rate manufacturing capability:** The Company has owned the manufacturing technology, craftsmanship, and production equipment of advanced international levels and sophisticated production management methods and approaches, thereby forming the first-rate manufacturing capability. The Company can mass-produce hydropower units, thermal power units, nuclear power units, wind power units, E-grade and F-grade heavy-duty gas turbines, flue gas desulfurizers or denitrators for large power station boilers, and large chemical containers meeting various requirements of safe and environmental protection.
4. **Possessing good market expansion capability:** Through powerful promotion team, complete domestic and overseas network and product structure, the Company has maintained considerable market share in the PRC, and higher influence in foreign markets.
5. **Possessing strong brand influence:** Brands including "DEC and the logo image" became famous trademarks in China. In addition, "DEC and the logo image" have been successfully registered and been protected by local laws in 25 countries like Germany, France and Russia, which indicated an increasingly strong brand influence.

II. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

1. Landscape of the international energy industry

As global economic growth slows, global energy demand will also slow down. With countries around the world paying ever more attention to environmental protection, energy technology and production will develop in the direction of cleanliness, low carbon, high efficiency and green. Rapid advances in renewable energy technologies have led to a significant reduction in costs, making them increasingly important in global energy use. From 2017 to 2040, global new investment in power generation is expected to be USD10.2 trillion, 72% or USD7.4 trillion of which will go to renewable energy. Renewable energy will become a key area of energy investment, bringing new development opportunities for power companies.

2. Landscape of the domestic energy industry

The 19th CPC National Congress proposed that we should vigorously promote a revolution in energy production and consumption, and build a clean, low-carbon, safe and efficient energy system. According to China's 13th Five-Year Plan for Energy Development, total energy consumption will be kept below 5 billion tons of standard coal by 2020, as a portion of total energy consumption, coal usage will fall from 64% in 2015 to less than 58% in 2020, the ratio of non-fossil energy in the energy mix will be increased to more than 15%, natural gas's share of total energy consumption will reach 10%, and total energy consumption will grow by about 2.5 percent annually, 1.1 percentage points lower than the 12th Five-Year Plan. The control of total energy consumption and an increase in the share of non-fossil energy in total energy consumption will promote profound changes in China's energy structure.

China will actively develop hydropower, vigorously develop new energy sources, safely develop nuclear power, orderly develop natural gas-fired power generation, and cleanly and orderly develop coal-fired power generation. Clean energy has become the focus of development. According to the 13th Five-Year Plan for Electric Power Development, the target Installed generating capacity for 2020 is 2 billion KW. By the end of 2018, China's total installed generating capacity reached 1.9 billion KW. It is anticipated that new installed generating capacity will decline in the future, which will lead to significant shrinkage in market space for the market space of the power equipment industry, so overcapacity will get worse and competition will become more intense. China's new energy industry has been developing rapidly with strong support at the national policy level. China is leading the world in installed solar and wind power capacity. China is phasing out subsidies for new energy with a view to encouraging the new energy industry to further upgrade technology, reduce costs and enhance competitiveness.

BUSINESS OVERVIEW (CONTINUED)

Actively develop hydropower. Scientifically develop hydropower resources in southwest China and advance the construction of large hydropower bases in an orderly fashion, with a focus on the construction of leading hydropower stations in important river basins. Installed conventional hydropower capacity will reach 340 million KW by 2020.

Vigorously develop new energy sources. Optimize the deployment of wind power capacity according to the principles of undertaking centralized development and decentralized development simultaneously and consuming the power generated locally; by 2020, China's installed wind power capacity will reach more than 210 million KW, including about 5 million KW from offshore wind power. Deploy photovoltaic power stations according to the principles of decentralized development and consuming the power generated locally; by 2020, China's installed solar power capacity will reach more than 110 million KW, including more than 60 million KW from decentralized photovoltaic power generation and 5 million KW from solar thermal power generation.

Safely develop nuclear power. Step up the construction of independent nuclear power demonstration projects and accelerate the construction of coastal nuclear power projects. During the "13th Five-Year Plan" period, China will put into operation about 30 million KW of nuclear power capacity and build more than 30 million KW of nuclear power capacity; by 2020, China's installed nuclear power capacity will reach 58 million KW.

Orderly develop natural gas-fired power generation and vigorously promote the construction of decentralized gas-fired power generation. During the "13th Five-Year Plan" period, China will put into operation 50 million KW of gas-fired power capacity; by 2020, China's installed gas-fired power capacity will reach 110 million KW, including 15 million KW from trigeneration.

Cleanly and orderly develop coal-fired power generation. Strictly control coal-fired power planning and construction. During the "13th Five-Year Plan" period, China will cancel and postpone the construction of more than 150 million KW of coal-fired power capacity. By 2020, China's installed coal-fired power capacity will be kept below 1.1 billion KW. In terms of energy conservation and emission reduction, China will phase out more than 20 million KW of outdated thermal power production capacity. The average coal consumption of newly built coal-fired generating units will be less than 300g of standard coal/kilowatt-hour, and the average coal consumption of existing coal-fired generating units will be less than 310g of standard coal/kilowatt-hour after modification.



REPORT OF THE BOARD OF DIRECTORS

I. DISCUSSION AND ANALYSIS OF OPERATIONS

Operation overview during the Reporting Period

Year 2018 witnessed a rigorous and complicated macro-economy with a sluggish coal power market and a downturn in industrial efficiency. Under these circumstances, the Company insisted on the guide of Socialism with Chinese Characteristics for a New Era, earnestly implemented the spirit of the 19th National Congress of the Communist Party of China, and carried out an in-depth research and analysis of the impact of “De-capacity” policy in the coal power industry on projects, struck a new way under frustrations and hardships, adapted to the changing circumstances swiftly and creatively by firmly upholding corporate spirits as a whole, and made efforts on restructuring and upgrading to become stronger and better. Upon all these efforts, the Company turned loss into profit, reversing the passive situation from a downturn in profit for consecutive three years to a net profit attributable to the owner of parent company of RMB673 million for the year, completing power generation equipment with a capacity of 30.4772 million KW and new effective orders increased by RMB32.09 billion for the year.

Advance steadily to make significant progress in operation results

In 2018, the Company recorded a net profit attributable to the shareholders of the parent Company of RMB1.129 billion (restated net profit attributable to the shareholders of the parent Company in 2017 amounted to RMB1.057 billion), representing an increase of 6.77% as compared with restated net profit attributable to the shareholders of the parent Company in 2017, and representing an increase of 67.71% from the previous year before adjustment; entered into new orders of RMB34.93 billion, representing a year-on-year increase of 8.7%; realized an operating income of RMB30.706 billion; The Company produced power generation equipment with a total capacity of 22.7602 million KW, including 22 hydroelectric generating units with a total capacity of 1.4902 million KW, 87 steam turbine generator with a total capacity of 20.736 million KW (including nuclear power generators and gas turbine generators), 225 wind turbine generators with a total capacity of 534,000 KW, 50 power station boilers with a total capacity of 21.32 million KW, and 110 power station steam turbines with a total capacity of 23.33 million KW (including gas turbines).

Focused efforts on making steady progress with the Three Critical Missions

The Company carried out the Three Critical Missions of the rejuvenation of the wind power industry, the expansion of the modern service industry and the strengthening of international business. The Company succeeded in the first mission of the rejuvenation of the wind power industry by successfully reversing losses. The Company made breakthroughs in new product development, obtained design certification for 7MW and 10MW offshore units, completed construction design for 8MW offshore units, put into operation the first intelligent wind farm system and secured bulk orders for both 4MW onshore wind turbines and 5MW offshore units. The volume of orders taking effect and awarded in 2018 increased by 67.7% and 113.9% from the previous year. The Company made a breakthrough the expansion of the modern service industry and reinvented its service model. The Company deployed customer service managers to 675 power plants at home and abroad, set up regional customer service centers in Xinjiang, Tianjin, Inner Mongolia, etc., and established an online service platform and the Oriental e-Purchasing Spare Parts Mall to enable rapid response; the Company incorporated intelligence into its services, with its remote diagnosis system put into operation in Wanzhou and Hengshan power plants; the Company vigorously expanded its footprint in the power station modification and spare parts markets. In 2018, the Company entered into contracts worth RMB4.16 billion for its power station service business, representing a year-on-year increase of 30%. The mission of the strengthening of international business gained momentum. The Company integrated its international business, adjusted the deployment of overseas resources, further diversified its business, and signed contracts on major projects such as power plant reconstruction in Hanlavin, Egypt, and Slavyansk, Ukraine.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

Made efforts to secure a bountiful harvest of orders

In 2018, the domestic electricity mix continued to evolve, with demand for coal-fired power continuing to decline, and demand for hydropower, wind power, nuclear power and gas-fired power rising modestly but steadily. In the face of a grim and complex market situation and fierce competition, the Company capitalized on the advantages afforded by its two-tier marketing system, deepened its presence in key markets, and consolidated and enhanced its market position. The Company received RMB34.93 billion of new orders throughout the year, USD1.01 billion, accounted for 19.0%. Equipment used to capture energy from clean energy sources efficiently accounted for 46% of the new orders, equipment used to capture energy from renewable energy sources accounted for 20%, engineering and trade accounted for 8%, modern manufacturing services accounted for 13%, and emerging growth business accounted for 13%. As of the end of 2018, the Company had RMB86.4 billion of orders in hand, of which equipment used to capture energy from clean energy sources efficiently accounted for 63%, equipment used to capture energy from renewable energy sources accounted for 19%, engineering and trade accounted for 9%, modern manufacturing services accounted for 2%, and emerging growth business accounted for 7%. Of the orders in hand, export projects accounted for approximately 15%.

For thermal power, the Company secured the contract to supply million-KW 630℃ modules with ultra-supercritical double reheat features for the demonstration project with the highest parameters in China. The Company had 46.3% of the market for thermal power generating units with a capacity of 200MW or above. The Company consolidated its position in the traditional hydropower market, seized the opportunity to develop pumped-storage hydropower to build a leading edge, with its market share rising to 47.2% from 10.4% in 2016. The Company made multiple breakthroughs in nuclear power, expanded into new market segments and achieved the integration of R&D, design and manufacturing of nuclear-grade equipment for Generation IV nuclear power plants. The Company became the supplier of a complete set of main equipment for the nuclear island of China's first offshore nuclear power platform demonstration project, and received orders from the UK, France and other European high-end markets. In 2018, the Company had 65.9% of the nuclear island market and 44.9% of the conventional island market. The Company's maintained its share of the gas-fired power generation market above 40% for two years in a row. In 2018, the Company won the bidding for four out of the six gas turbine projects put up for bidding. The Company had the biggest share of the domestic gas turbine market. 5MW offshore wind power and 4MW onshore wind power projects procured batch orders, and the market presence expanded steady. The service industry has maintained a rapid growth of effective orders, with the contract value exceeding RMB4 billion.

Achieved success in transformation and upgrading and high quality development

The Company highlighted high-quality development in all aspects of its work, and achieved initial success in transformation and upgrading. The proportion of coal-fired power in its operating income decreased from 44.2% at the end of 12th Five-Year to 42.1%, the proportion of new energy rose from 9.7% to 13.1%, and the proportion of power station services increased from 3.7% to 6.0%. RMB1.66 billion worth of contracts for small units with a capacity of 100MW or below, a new bright spot in growth, took effect in 2018, realizing RMB1.53 billion in operating income, up 35.9% from the previous year; RMB550 million worth of contracts for new materials took effect, realizing RMB450 million in operating income, up 30.8% from the previous year. Hydrogen fuel cell buses with independent intellectual property were put into service in Sichuan province. The buses chalked up a total of nearly 280,000 kilometers, with one bus accomplishing a maximum of 40,000 kilometers. The buses have served a passenger volume of 400,000 person-times.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

Made remarkable achievements in scientific research driven by an urge to innovate

The Company deepened reform of the Central Research Institute, relied on the Science and Technology Development Strategy Advisory Committee to strengthen top-level design, improved the two-tier R&D system, increased R&D investment, and applied itself to making breakthroughs in key and core technologies. The Company won the first prize and second prize of the National Award for Science and Technology Progress and the grand prize and first prize of the Sichuan Provincial Award for Science and Technology Progress; the Company made a series of breakthroughs in major equipment and key and core technologies, completed construction design for million-KW 630 °C modules with ultra-supercritical double reheat features for the demonstration project with the highest parameters in China, completed the building of the world's first million-kilowatt-class high-quality turbine runner independently developed by it in Baihetan, and successfully commissioned its independently developed 50MW heavy-duty F-class gas turbine compressor and burner; the Company accelerated the pace of industrialization of scientific and technological achievements, succeeded in the demonstration and promotion of specialized robots for nuclear waste disposal, and made smooth progress in the smart power generation equipment demonstration project.

Deepened reform and steadily solidified its base of development

The Company promoted asset securitization and expanded its business scope to include power electronics and control, finance, logistics, trade, new energy, industrial and intelligent equipment, etc. As a power generation equipment manufacturer, the Company will further perfect its industrial chain and improve its capabilities in core industries related to power generation equipment. The Company flattened its management hierarchy in an effort to reduce management layers and get lean and fit. In response to the adjustment of the energy mix, the Company eliminated inefficient and unproductive production capacity, streamlined its organizational structure, and made proper arrangements for the reassignment and placement of personnel working in traditional industries who had been made redundant. The Company strengthened the construction of a performance-oriented incentive mechanism, completed the reform of remuneration allocation for employees at the functional departments of the headquarters, and experimented with the market-oriented and contract-based management of enterprise leaders at some enterprises.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD

During the Reporting Period, in accordance with the China Accounting Standards for Business Enterprises, the Company recorded a total operating income of RMB30,706 million; net profit attributable to the shareholders of the Company of RMB1.129 billion (restated net profit attributable to the shareholders of the parent Company in 2017 amounted to RMB1.057 billion), representing an increase of 6.77% as compared with restated net profit attributable to the shareholders of the parent Company in 2017, and representing an increase of 67.71% from the previous year before adjustment; net profit attributable to the shareholders of the parent Company after non-recurring profit or loss amounted to RMB782 million, an increase of 59.07% as compared to the amount of statutory disclosure of last year; earnings per share of RMB0.37; and gross profit margin of 23.00%, representing an increase of 2.18 percentage points as compared with last year.

Main reasons for the significant year-on-year increase in net profit attributable to shareholders of the listed company after non-recurring profit or loss during the reporting period:

- (1) Impact of main business: In 2018, aiming to achieve its strategic objectives and driven by an urge to innovate, the Company made vigorous efforts to improve its management, boosting the profitability of its main business. The Company responded in an orderly manner to the impact of the elimination of excessive coal-fired power capacity, and remained operationally steady and robust; the Company addressed its weaknesses, consolidated its base and pushed for transformation with a focus on wind power, services and international business; in the face of a grim and complex market situation, the Company deepened its presence in key markets, and consolidated and enhanced its market position; the Company implemented the requirements for supply-side structural reform and shed development burdens to add new momentum to its development; the Company worked hard towards “Three Reduce’s and Two Increase’s” and tapped into its potential to improve operational quality.
- (2) Impact of acquired assets: The Company completed the acquisition of assets from Dongfang Electric Corporation by issuance of shares. On the one hand, due to the integration of the assets acquired from the target into the listed company, its profitability was enhanced, increasing the net profit attributable to its shareholders. The net profit attributable to shareholders of the listed company derived from the acquired assets from the beginning of the period to the date of merger was reported under “non-recurring gains and losses”. On the other hand, the acquisition increased the Company’s foreign currency assets, which coupled with exchange rate fluctuations led to a decrease in its financial expenses.
- (3) Impact of accounting treatment: The Company’s acquisition of the target’s assets in 2018 fell under the category of mergers of enterprises under common control, so prior period financial statements were restated, and all the restated figures were figures for non-recurring gains and losses in 2017.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business

1. Analysis of changes in certain items in the income statement and statement of cash flows

Unit: Yuan Currency: RMB

Items	Amount for current period	Amount for last period (Restated)	Change (%)
Total operating income	30,706,145,358.82	33,430,264,831.72	-8.15
Operating cost	23,568,286,522.07	26,387,532,586.33	-10.68
Selling and distribution expenses	1,357,972,140.61	916,848,038.02	48.11
General and administrative expenses	2,501,402,084.71	2,619,871,898.04	-4.52
Finance costs	-380,542,905.59	160,390,303.32	-337.26
Research and development expenses	1,689,014,827.23	1,435,218,361.18	17.68
Net cash flows from operating activities	-551,780,305.01	1,838,566,815.40	-130.01
Net cash flows from investing activities	-425,086,996.58	-1,114,198,039.45	61.85
Net cash flows from financing activities	-1,253,630,591.83	-649,902,337.84	-92.90

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

2. Analysis of revenue and cost

(1) Principal operations by industry, product and region

Principal Operations by industry

Unit: Yuan Currency: RMB

Industry	Operating income	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
Power generation equipment manufacturing industry	30,706,145,358.82	23,644,387,288.30	23.00	-8.15	-10.67	Increased 2.18 percentage points

Operations by product

Unit: Yuan Currency: RMB

Product	Operating income	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
High-efficient clean energy equipment	17,078,555,594.72	13,648,123,690.84	20.09	-17.72	-19.01	Increased by 1.27 percentage points
Renewable energy equipment	4,008,421,728.16	3,518,299,934.85	12.23	4.25	5.13	Decreased by 0.73 percentage points
Engineering and trade	3,480,960,491.64	2,880,186,141.23	17.26	-5.35	-5.84	Increased by 0.44 percentage points
Modern manufacturing services industry	3,403,983,277.54	1,516,507,274.66	55.45	36.70	13.46	Increased by 9.13 percentage points
Emerging growth industry	2,734,224,266.76	2,081,270,246.72	23.88	2.79	10.99	Decreased by 5.62 percentage points

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

2. Analysis of revenue and cost (continued)

(1) *Principal operations by industry, product and region (continued)*

Operations by region

Unit: Yuan Currency: RMB

Region	Operating income	Operating costs	Gross profit margin (%)	Year-on-year increase/decrease in operating income (%)	Year-on-year increase/decrease in operating costs (%)	Year-on-year increase/decrease in gross profit margin (%)
Domestic	24,772,582,111.74	18,758,306,012.94	24.28	-10.62	-14.26	Increased by 3.22 percentage points
Overseas	5,933,563,247.08	4,886,081,275.36	17.65	3.86	6.47	Decreased by 2.02 percentage points

- (1) During the year, the Company intensified structural adjustment, transformation and upgrading. The revenues of modern manufacturing services and emerging growth business increased by 36.70% and 2.79% respectively comparing with the same period of last year. However, due to the influence of domestic and international industry trends, the revenues of clean and efficient energy equipment and the engineering and trade segments declined to a certain extent, resulting in a decrease of 8.15% in the annual revenue year on year. The Company continued to reduce costs and increase efficiency, with the operating gross margin rate increased by 2.18% over the same period last year.
- (2) Renewable energy equipment revenue increased by 4.25% year-on-year, mainly attributed to the hydropower business revenue increased by 28.15% year-on-year.
- (3) Engineering and trade revenue decreased by 5.35% year on year, and the revenue from major project contracting and trade decreased to varying degrees.
- (4) Revenue of modern manufacturing services increased by 36.70% year on year, and gross margin rate increased by 9.13%, mainly attributed to the large increase in revenues of power station services and financial services year on year, in which, the revenue from power station service increased by 29.22% year on year, and the gross margin rate increased by 11.16%; revenue from financial service increased by 48.51% year on year, and the gross margin rate increased by 4.53 percentage points.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

2. Analysis of revenue and cost (continued)

(2) Analysis of production and sales volume

Principal products	Unit	Production volume	Sales volume	Inventory volume	Increase/ decrease in production volume over last year (%)	Increase/ decrease in sales volume over last year (%)	Increase/ decrease in inventory volume over last year (%)
Hydro-generating unit	MW	1,490	1,751	1,254	-35.61	19.05	-17.20
Steam turbine generator	MW	20,736	20,906	16,120	-24.55	-21.21	-1.04
Wind power units	MW	534	484	158	-21.47	-15.46	46.51
Power station steam turbines	MW	23,330	29,966	10,814	-2.66	31.28	-38.03
Power station boilers	MW	21,320	21,320	0	-8.47	-8.47	0

Description on sales of products

In 2018, the state strictly controlled coal and electricity, the progress of hydropower, nuclear power, gas turbine and other projects slowed down, and the output schedule was delayed, which made the company's production less than the annual plan, affecting the completion of annual targets such as the output of power generation equipment and business income.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

2. Analysis of revenue and cost (continued)

(3) Cost analysis

Unit: '0,000 Yuan Currency: RMB

By industry

Industry	Cost composition	Amount for the period	As a percentage in total costs for the period (%)	Amount for the corresponding period of last year	Percentage In total costs the corresponding period of last year (%)	Year-on-year increase/decrease (%)	Note
Power generation equipment manufacturing industry	Raw materials	1,812,875.27	76.68	2,075,270.33	78.40	-12.64	
Power generation equipment manufacturing industry	Labor costs	93,981.12	3.97	105,327.81	3.98	-10.77	
Power generation equipment manufacturing industry	Other costs	457,582.34	19.35	466,255.90	17.62	-1.86	
Power generation equipment manufacturing industry	Total	2,364,438.73	100	2,646,854.04	100	-10.67	

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

2. Analysis of revenue and cost (continued)

(3) Cost analysis (continued)

By product

Unit: 0'000 Yuan Currency: RMB

By industry	Cost composition	Amount for the period	As a percentage In total costs for the period (%)	Amount for the corresponding period of last year	Percentage In total costs the corresponding period of last year (%)	Amount for the period year-on-year increase/decrease (%)	Note
Clean high-efficiency energy equipment	Raw materials	1,105,449.54	81.00	1,392,053.68	82.61	-20.59	
Clean high-efficiency energy equipment	Labor cost	56,507.83	4.14	64,201.41	3.81	-11.98	
Clean high-efficiency energy equipment	Other cost	202,855.00	14.86	228,865.82	13.58	-11.37	
Total		1,364,812.37	100	1,685,120.91	100	-19.01	
Renewable energy equipment	Raw materials	246,901.44	70.18	211,066.27	63.07	16.98	
Renewable energy equipment	Labor cost	16,855.03	4.79	15,117.63	4.52	11.49	
Renewable energy equipment	Other cost	88,073.52	25.03	108,474.40	32.41	-18.81	
Total		351,829.99	100	334,658.30	100	5.13	

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

2. Analysis of revenue and cost (continued)

(3) Cost analysis (continued)

By product (continued)

Unit: 0'000 Yuan Currency: RMB

By industry	Cost composition	Amount for the period	As a percentage In total costs for the period (%)	Amount for the corresponding period of last year	Percentage In total costs the corresponding period of last year (%)	Amount for the period year-on-year increase/decrease (%)	Note
Engineering and trade	Raw materials	220,981.62	76.72	251,765.33	82.30	-12.23	
Engineering and trade	Labor cost	4,462.00	1.55	7,785.00	2.55	-42.68	
Engineering and trade	Other cost	62,575.00	21.73	46,340.00	15.15	35.03	
Total		288,018.62	100	305,890.33	100	-5.84	
Modern manufacturing services business	Raw materials	63,951.48	42.17	62,122.47	46.48	2.94	
Modern manufacturing services business	Labor cost	5,903.95	3.89	5,817.98	4.35	1.48	
Modern manufacturing services business	Other cost	81,795.30	53.94	65,718.41	49.17	24.46	
Total		151,650.73	100	133,658.86	100	13.46	
Emerging growth industry	Raw materials	175,591.19	84.36	158,262.58	84.40	10.95	
Emerging growth industry	Labor cost	10,252.31	4.93	12,405.79	6.62	-17.36	
Emerging growth industry	Other cost	22,283.52	10.71	16,857.27	8.98	32.19	
Total		208,127.02	100	187,525.64	100	10.99	

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

2. Analysis of revenue and cost (continued)

(4) Major customers in sales and major suppliers

The Company's sales from its top five customers amounted to RMB4.223 billion, accounting for 13.75% of the total sales for the year, among which, sales to connected parties was nil, representing 0% of the total sales for the year.

The Company's procurement from its top five suppliers amounted to RMB1.401 billion, accounting for 5.94% of the total procurement for the year, among which, the procurement from connected parties was RMB552 million, accounting for 2.34% of the total procurement for the year.

3. Expenses

Unit: Yuan Currency: RMB

Item	Amount for the Period	Amount for the corresponding period of last year (Restated)	Change (%)
Selling and distribution expenses	1,357,972,140.61	916,848,038.02	48.11
General and administrative expenses	2,501,402,084.71	2,619,871,898.04	-4.52
Research and development expenses	1,689,014,827.23	1,435,218,361.18	17.68
Finance costs	-380,542,905.59	160,390,303.32	-337.26
Income tax expenses	117,204,032.48	-62,262,599.30	288.24

- (1) The selling and distribution expenses of the Company increased year-on-year by 48.11%, due to the increase of sales service expenses such as extended warranty period and operation and maintenance expenses for some projects.
- (2) The finance costs of the Company decreased year-on-year by 337.26%, mainly due to changes in net exchange gains of RMB220 million for the current period.
- (3) Income tax expenses increased year-on-year by 288.24%, mainly due to the increase of profits for the period.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

4. R&D expenditure

Table of R&D expenditure

Unit: Yuan Currency: RMB

Expensed R&D expenditure for the period	1,689,014,827.23
Capitalized R&D expenditure for the period	–
Total R&D expenditure	1,689,014,827.23
Percentage of total R&D expenditure over revenue (%)	5.68%
Number of R&D staff	3,754
Percentage of R&D staff over the total staffs (%)	21.32%
Percentage of R&D expenditure capitalization (%)	–

Remark

(1) Hydropower

In terms of hydropower, the Company mastered key technologies for mixed-flow hydropower units with a capacity of 1,000 MW, the largest of its kind in the world, and completed the development of a high-quality turbine runner in Baihetan. The Company succeeded in independently developing pumped-storage technologies. The large pumped storage units at Shenzhen Pumped-Storage Power Station were successfully put into operation and performed excellently. This is yet another success after Xianyou Pumped-Storage Power Station and Xianju Pumped-Storage Power Station. The model runner developed by the Company for Changlongshan Pumped-Storage Power Station which had the world's second highest and China's highest water head won the first prize in a competition with world-class enterprises.

(2) Clean and efficient thermal power

Large-capacity, high-parameter and low-emission thermal power products independently developed by the Company delivered practical results, and product performance reached the world advanced level. The contract for million-KW 630℃ modules with ultra-supercritical double reheat features for the demonstration project with the highest parameters in the world took effect. Efforts are underway to carry out construction design and develop high-temperature materials and key technologies. The overall scheme for the world's first 660MW ultra-supercritical CFB boiler passed a national-level evaluation, and the boiler was approved for demonstration applications. The world's first 600MW supercritical CFB boiler was successfully put into commercial operation and reached the international leading level. The reaction turbine flow path design system independently developed by the Company was verified. The first 660MW modules with ultra-supercritical double reheat features ran well after optimization.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

4. R&D expenditure (continued)

Remark (continued)

(3) Nuclear power

The world's largest EPR 1750 MW nuclear power main unit has been put into operation at Taishan Nuclear Power Station. The main plants of the third generation nuclear power unit, represented by the national key S&T special project CAP1400 demonstration project – Shidaowan Project, the independently developed Fuqing No. 5 and No. 6 units of Hualong No. 1 and Fangchenggang No. 3 and No. 4 units, have been developed. The main performance indicators have reached the international leading level. The development of the main plant of the Generation IV sodium-cooled fast reactors for nuclear islands has been accelerated, and some prototypes have been manufactured. The development of the main plant of the modular small reactor offshore is being implemented.

(4) Gas Turbines

In terms of gas turbines, international cooperation on and independent development of gas turbines went hand in hand. The M701F4+ gas turbine generator set, which was market-oriented and more advanced, achieved mass production and had a high localization rate. China's first fifth-generation M701F5 heavy-duty gas turbine was successfully put into operation at Huaneng Beijing Thermal Power Plant. The Company made breakthroughs in R&D platform construction and the testing of key components for the F-class 50MW heavy-duty gas turbine independently developed by it, and completed the compressor and burner tests with good results. At the end of 2018, the Company successfully commissioned the compressor and burner. Work on the development of high-temperature turbine blades was in full swing, prototype manufacturing began, and an independent R&D system for heavy-duty gas turbines took shape. The Company developed China's leading R&D and testing capabilities for heavy-duty gas turbines, and completed plant construction, equipment installation and commissioning for the test bed for gas turbines.

(5) Wind power

The development of new wind power products has been accelerated, and the core competitiveness of the wind power industry was enhanced vigorously. 4MW wind turbines are successfully offline, providing large capacity, long blade flagship products for the market. The Company began mass production of the 5MW offshore wind turbine, giving it equipment support capability that covered Class I-III wind farms; the Company accelerated the development of 7MW and 10MW class giant offshore wind power prototypes, and obtained the first 10MW class offshore wind turbine design certificate in China.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

4. R&D expenditure (continued)

Remark (continued)

(6) Development of new technologies and emerging & growth industries

In terms of progress in the development of new technologies and emerging & growth industries, achievements in hydrogen energy and fuel cell technology entered the industrialization phase. The first 10 hydrogen fuel cell buses with independent intellectual property were put into service in Sichuan province for demonstration purposes. Their safety, stability and reliability were preliminarily verified, and their performance reached the domestic advanced level. The Company created the overall design scheme for a 10MW class hydrogen fuel cell system for decentralized power generation with independent intellectual property.

The Company achieved breakthroughs in high-end products in the areas of industrial turbines, power electronics and control, resulting in the formation of new economic growth points. Industry-leading small and medium-sized steam turbine products for the photothermal, drive and environmental protection industries were technologically advanced and highly recognized by users, forming a new economic growth point. The Company achieved market-oriented applications for its high-dynamic, high-performance, high-reliability high-voltage inverter, and completed design, development and prototype manufacturing for the fifth-generation inverter. The Company launched an online customer service platform and completed the development of the CAP1400 nuclear power excitation system and Hualong No. 1 turbine control system.

5. Cash flow

Unit: Yuan Currency : RMB

Item	Amount for the Period	Amount for the previous period	Change (%)
Cash received from interests, fees and commission	589,460,360.07	377,797,904.18	56.03
Cash received from refunds of taxes and surcharges	265,367,421.00	116,443,390.77	127.89
Cash received from other operating activities	3,427,343,790.94	1,170,095,170.21	192.91
Net increase in deposits with the central bank and with banks and other financial institutions	1,242,049,849.48	5,248,767.08	23,563.65
Cash paid for other operating activities	6,373,195,212.12	1,970,134,038.40	223.49
Cash received from disposal of investments	2,887,805,396.49	2,192,961,325.41	31.69
Cash received from borrowings	469,670,700.00	216,662,475.00	116.78
Cash paid for other financing activities	945,291,074.68	7,126,412.85	13,164.61

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(I) Analysis of Principal Business (continued)

5. Cash flow (continued)

- (1) Cash received from interests, fees and commission increased by 56.03% over the same period of last year, mainly due to the increase in interest income generated by interbank deposit receipts and other businesses this year.
- (2) Cash received from refunds of taxes and surcharges increased by 127.89% over the same period last year, mainly due to the increase in import and export rebates this year.
- (3) Cash received from other operating activities increased by 192.91% over the same period last year, mainly due to the increase in the sales of buying back the sale of financial assets.
- (4) Net increase in deposits with the central bank and with banks and other financial institutions increased by 23,563.65% over the same period last year, mainly due to the increase in the size of deposits absorbed this year and the corresponding increase in the deposit reserve with central bank.
- (5) Cash paid for other operating activities increased by 223.49% over the same period last year, mainly due to the increase in interbank deposit receipts and other businesses this year.
- (6) Cash received from disposal of investments increased by 31.69% over the same period last year, mainly due to the increase in cash receipts from disposal of investment products this year.
- (7) Cash received from borrowings increased by 116.78% over the same period last year, mainly due to the Company added borrowings for policy this year.
- (8) Cash paid for other financing activities increased by 13,164.61% over the same period last year, mainly due to the payment of profit and loss during the transition period of the DEC Dongfang Boiler and the DEC Dongfang Steam Turbine this year.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(II) Analysis on assets and liabilities

(1) The status of assets and liabilities

Item	Closing amount at the end of the year	Closing amount at the end of the year over total assets (%)	Closing amount at the end of last year	Percentage of closing amount at the end of last year over total assets (%)	Increase/ decrease of closing amount at the end of the year over that at the end of last year (%)	Description
Held for trading financial assets	3,122,839,818.04	3.42	2,305,996,477.96	2.42	35.42	Mainly due to the increase in purchase of held for trading financial assets in the current period
Buying back the sale of financial assets	1,744,127,000.00	1.91	2,999,617,000.00	3.15	-41.86	Mainly due to the sales of buying back the sale of financial assets
Non-current assets maturing within one year	396,500,000.00	0.43	680,000,000.00	0.71	-41.69	Recovery of the matured loan due
Loans and advances issued	430,663,941.00	0.47	690,200,000.00	0.72	-37.60	-
Debt investments	4,922,529,793.75	5.39	807,536,793.75	0.85	509.57	Increase in interbank deposit in the current period
Long-term receivables	13,775,453.41	0.02	38,459,549.69	0.04	-64.18	Recovered part of instalment sales
Short-term borrowing	245,566,000.00	0.27	88,194,570.50	0.09	178.44	Mainly due to the increase in borrowing for policy

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(II) Analysis on assets and liabilities (continued)

(1) The status of assets and liabilities (continued)

Item	Closing amount at the end of the year	Closing amount at the end of the year over total assets (%)	Closing amount at the end of last year	Percentage of closing amount at the end of last year over total assets (%)	Increase/ decrease of closing amount at the end of the year over that at the end of last year (%)	Description
Other payables	1,749,869,606.78	1.92	2,455,995,343.75	2.58	-28.75	Mainly due to repayment of the controlling shareholder's profit during the transition period of the DEC Dongfang Boiler and the DEC Dongfang Steam Turbine this year
Non-current liabilities maturing within one year	16,320,000.00	0.02	528,320,000.00	0.55	-96.91	Mainly due to repayment of matured credit borrowings during the year
Other current liabilities	103,588,912.65	0.11	66,593,071.87	0.07	55.56	
Accrued liabilities	6,136,106,066.37	6.72	4,588,348,076.44	4.81	33.73	Increase in provisions for sales service charges
Share capital	3,090,803,431.00	3.39	2,336,900,368.00	2.45	32.26	Purchase of controlling shareholders' assets by issuing equity in the current period
Non-controlling shareholders' equity	2,109,857,619.41	2.31	1,112,903,843.93	1.17	89.58	Controlling shareholders' increase in capital to some subsidiaries

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(III) Analysis of investment (continued)

(1) Financial assets at fair value

No.	Type	Stock code	Stock short name	Investment cost (RMB0'000)	Balance at the beginning of the period (RMB0'000)	Number of Shares held (Share)	Amount at the end of the period (RMB0'000)	Percentage to total securities investment at the end of the period	Profit or Loss in the Reporting Period (RMB0'000)
1	Stock	600011	Huaneng Power	53,073.26	1,728.90	79,137,977	58,403.83	83.96%	6,674.93
2	Stock	601179	CHINA XD	1,010.77	632.34	1,447,000	486.19	0.70%	-146.15
3	Stock	600883	Hubei Energy	189.79	132.14	285,400	104.74	0.15%	-27.4
4	Stock	600030	CITICS	630.98	678.57	374,900	600.21	0.86%	-78.35
Total				54,904.8	3,171.95		59,594.97		6,423.03

Note: During 2018, the Company has participated in the subscription of the private placement by Huaneng Power, at a subscription amount of RMB0.5 billion.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(IV) Analysis of major controlling subsidiaries and investees

Unit : 100 million yuan Currency: RMB

Subsidiary name	Current assets	Non-current assets	Total assets	Current liabilities	Non-current Liabilities	Total Liabilities
DEC Dongfang Steam Turbine Co., Ltd.	202.32	46.11	248.43	181.64	11.01	192.65
DEC Dongfang Boiler Group Co., Ltd.	181.66	26.56	208.22	115.94	29.47	145.41
DEC Dongfang Electric Machinery Co., Ltd.	133.22	17.91	151.13	87.27	9.72	96.99
Dongfang Electric Finance Co., Ltd.	316.23	58.46	374.69	344.55	0.07	344.62
Dongfang Electric Automatic Control Engineering Co., Ltd.	18.20	2.55	20.75	12.62	0.23	12.85
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	23.22	10.74	33.96	14.28	2.64	16.92
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	2.36	1.94	4.30	1.91	0.49	2.40

Save as disclosed in this annual report, the Group did not hold any significant investments during the Reporting Period.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

(1) Analysis of operating results

Unit: Yuan Currency: RMB

Item	Amount for the current period	Amount for the previous period (restated)	Year-on-year increase/decrease (%)
Operating income	30,706,145,358.82	33,430,264,831.72	-8.15
Selling and distribution expenses	1,357,972,140.61	916,848,038.02	48.11
General and administrative expenses	2,501,402,084.71	2,691,871,898.04	-4.52
Research and development expenses	1,689,014,827.23	1,435,218,361.18	17.68
Finance expenses	-380,542,905.59	160,390,303.32	-337.26
Operating profit	1,238,706,833.20	1,086,472,236.29	14.01
Total profit	1,275,469,723.33	1,017,278,838.50	25.38
Income tax expenses	117,204,032.48	-62,262,599.30	288.24
Net profit	1,158,265,690.85	1,079,541,437.80	7.29
Net profit attributable to the owner of the Parent Company	1,128,834,236.51	1,057,303,567.22	6.77

- i. During the year, the Company enhanced structure adjustment and transformation and upgrade. The revenue from modern services business and emerging growth business increased year-on-year by 36.70% and 2.79%, respectively. The operating income of the Company decreased year-on-year by 8.15% under the effect of macroeconomic environment, and the decreased revenue from high-efficient clean energy equipment and engineering and trade segments.
- ii. The selling and distribution expenses of the Company increased year-on-year by 48.11%, mainly due to the increase in sales services fees as a result of the extension in warranty period and operating and maintenance fees.
- iii. The finance costs of the Company decreased year-on-year by 337.26%, mainly due to changes in net exchange gains and losses, the net exchange gains for the year was RMB220 million.
- iv. The income tax expenses increased year-on-year by 288.24%, mainly due to the increase in profit during period.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

(2) Analysis of assets, liabilities and shareholders' equity

At the end of the year, the Company's total assets amounted to RMB91.323 billion, representing a decrease of 4.17% as compared with the beginning of the year, among which, a decrease of 19.25% and 18.50% were recorded in inventory and accounts receivable, respectively. Meanwhile, total liabilities amounted to RMB60.629 billion, representing a decrease of 9.33% as compared with the beginning of the year, mainly attributable to a decrease of 22.11% in accounts payable. Shareholders' equity amounted to RMB30.694 billion in total, representing an increase of 7.96% as compared with the beginning of the year, mainly attributable to the increase in profit during the year.

(3) Gearing ratio

Item	Current period	Previous period (Restated)	Year-on-year increase/ decrease (percentage point)
Gearing ratio (%)	66.39	70.17	-3.78

Note: Gearing ratio = Total liabilities/Total assets X 100%

Gearing ratio of the Company was 66.39% at the end of the year, representing a decrease of 3.78 percentage points as compared with the beginning of the year. The Company's assets structure risk is controllable.

4. Bank borrowings

As at 31 December 2018, the Company had borrowings from financial institutions (banks) of RMB223 million due within one year and had bank borrowings amounted to RMB446 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB669 million were fixed-rate loans. The Company has maintained a favorable credit rating with banks and a sound financing capacity.

5. Exchange risk management

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

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

6. Pledge of assets

- (1) At the end of the year, a total amount of RMB2,446,821,243.90 was under restriction, which was the reserve of deposits with central bank.
- (2) At the end of the year, the net intangible assets amounted to RMB569,849,597.98 used for pledge or guarantee for borrowing of the Company.
- (3) Net long-term equity investment used for guarantee of the Company at the end of the Year amounted to RMB81,644,040.01.

Details are set out in Note 5.65. Assets with restrictions on the ownership or use right of the audit report.

7. Contingent liabilities

Please see “Contingencies” of “Commitments and Contingencies” in Note 13.2 to the Financial Statements.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(VI) Main Sources and Uses of Funds

1. Cash flows from operating activities

During the year, the Company had cash inflows generated from operating activities of RMB35.956 billion, mainly due to the recovery of payments for sales of products; cash outflows generated from operating activities of RMB36.508 billion, mainly due to the payments for purchase of raw materials; and net cash flows generated from operating activities of negative RMB552 million, representing a year-on-year decrease of 130.01%.

2. Cash flows from investing activities

During the year, the Company had cash inflows generated from investing activities of RMB3.075 billion, mainly due to the recovery of partial profit-making investments and dividends paid by associates; cash outflows generated from investing activities of RMB3.5 billion, mainly due to the payment for the investment of the Company and deposits in other companies in the same industry; and net cash flows generated from investing activities of negative RMB0.425 billion, representing a year-on-year decrease of 61.85%.

3. Cash flows from financing activities

During the year, the Company had cash inflows generated from financing activities of RMB0.553 billion, mainly due to the receipt of cash from borrowings of RMB0.47 billion; cash outflows generated from financing activities of RMB1.806 billion, mainly due to the repayment for transferring profit or loss amount of RMB0.945 billion to the group company to Dong Fang Turbine Co., Ltd. of Dongfang Electric Corporation and Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation during the transferring period; and net cash flows generated from financing activities of negative RMB1.253 billion.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

(I) Structure and Trend of the Industry

1. Macroeconomic situation

The Company belongs to the power equipment industry. The 19th CPC National Congress proposed that we should vigorously promote a revolution in energy production and consumption, and build a clean, low-carbon, safe and efficient energy system. According to China's 13th Five-Year Plan for Energy Development, total energy consumption will be kept below 5 billion tons of standard coal by 2020, as a portion of total energy consumption, coal usage will fall from 64% in 2015 to less than 58% in 2020, the ratio of non-fossil energy in the energy mix will be increased to more than 15%, natural gas's share of total energy consumption will reach 10%, and total energy consumption will grow by about 2.5 percent annually, 1.1 percentage points lower than the 12th Five-Year Plan. The control of total energy consumption and an increase in the share of non-fossil energy in total energy consumption will promote profound changes in China's energy structure.

2. Development trend of the industry

China will actively develop hydropower, vigorously develop new energy sources, safely develop nuclear power, orderly develop natural gas-fired power generation, and cleanly and orderly develop coal-fired power generation. Clean energy has become the focus of development. According to the 13th Five-Year Plan for Electric Power Development, the target Installed generating capacity for 2020 is 2 billion KW. By the end of 2018, China's total installed generating capacity reached 1.9 billion KW. It is anticipated that new installed generating capacity will decline in the future, which will lead to significant shrinkage in market space for the market space of the power equipment industry, so overcapacity will get worse and competition will become more intense.

3. Competition of the industry

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (CONTINUED)

(II) Development strategy of the Company

Guided by socialism with Chinese characteristics in the new era of Xi Jinping, the Company fully implements the spirit of the 19th National Congress of the Communist Party of China. Adhering to the new development concept, the Company implements the new “12345” development strategy to achieve the goal of high-quality development: (1) concentrating on one vision and achieving the Chinese dream of manufacturing energy equipment; shift the development mode and achieve leapfrog development of scale; (2) commit to the revitalization of the wind power business, expansion of modern manufacturing services business and strengthen the international business; (3) develop the four growth business segments including “new energy business, international business, modern manufacturing services business and emerging business”; and (4) conduct the five projects of “deepen reformation, scientific and technological innovation, quality improvement, costs reduction and management enhancement”.

(III) Operation plan

In 2019, the Company faces a more complex development environment, more risks and challenges and, but China’s development is still in an important period of strategic opportunity. The Company will take the initiative to serve and implement national strategies, adhere to the general work guideline of making progress while maintaining stability, secure a comprehensive victory in the “Three Critical Missions” of the rejuvenation of the wind power industry, the expansion of the modern manufacturing service industry and the strengthening of international business, and actively develop emerging & growth industries. The Company plans to manufacture power generation equipment with a total capacity of 21 million KW throughout the year to reverse the downside trend in operation revenue, realize stable growth of the revenue, ensure a constant improvement in profit, pursuing the Company to realize a high quality development.

Secure further victories in the “Three Critical Missions”:

The first is to commit to the revitalization of the wind power business. We shall put into operation 7MW and 8–10MW offshore wind turbine prototypes, open up new markets by accelerating business model innovation, and inject more capital into the wind power company to increase its capital strength. The second is to commit to the expansion of modern services business. We shall grab market share and orders by highlighting our leadership in technology, further expand our intelligent service business by highlighting our leadership in transformation, create more value for customers and ensure a continued increase in power station service orders by highlighting our leadership in quality. The third is to commit to the strengthening of the international business. We shall focus on new development opportunities presented by the “Belt and Road” Initiative, work with our partners to develop third-party markets, further expand our range of industrial projects, diversify our operations in power transmission and distribution and other related industries, and accelerate the implementation of projects in hand.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (CONTINUED)

(III) Operation plan (continued)

Focus on “five major tasks”:

First, deepen reform and stimulate vitality. In 2019, we shall concentrate our efforts on making breakthroughs in key areas of reform with a focus on the reform of the three systems, create a market-oriented operation mechanism, and actively pursue the mixed ownership reform.

Second, carry out an innovation-driven strategy and scale new heights. We shall step up efforts to tackle challenges encountered in major scientific and technological projects to achieve breakthroughs in key and core technologies; strengthen forward-looking technology research, carry out research on intelligent power plants, intelligent equipment, and distributed energy, and actively follow up on technologies such as biomass energy and geothermal energy; speed up the industrialization of scientific and technological achievements such as hydrogen energy fuel cells and actively undertake key national science and technology projects.

Third, build our business on quality and strictly observe the red lines. We shall continue to improve the quality of our products and services to establish Dongfang Electric's brand as an epitome of quality excellence; continue to improve the effectiveness of the quality management system; continue to tighten quality accountability and implement the “one-vote veto” system for quality responsibility; continue to do a good job in the construction of a quality culture, and significantly improve the quality awareness and literacy of our staff.

Fourth, improve efficiency through cost leadership. Strengthen target cost management, and bring down costs down in line with market price; do a better job in the work of “Three Reduce's and Two Increase's”, enrich the work content, and improve the work mechanism; do a better job in analyzing enterprises' operations and providing early warning of major operational deviations.

Fifth, improve management and seek practical results. We shall further improve the corporate governance structure of enterprises, and allow enterprises the right to manage their business on their own to improve their responsiveness to the market; continue to optimize the operation system built around “collectivized operation, industrialized management and lean management”; strengthen risk prevention and control, and hold fast to the bottom line that no major risks should occur; further advance comprehensive budget management.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (CONTINUED)

(IV) Possible Risks

1. Risks Involved in Project Implementation

At present, domestic power enterprises are generally facing a tough operational environment. The Company's projects in hand, especially coal-fired power and wind power projects face certain project implementation risks. Overseas projects are also faced with intensified risks in relation to collection risks, increased exchange rate volatility in the international market, which pose risks to project implementation. The Company will strengthen project risk management and control, strengthen projects evaluation, schedule production and delivery according to customers' financial status, progress in the collection of payments from customers, etc. For risky projects, we shall stop or slow down the input of resources and project implementation, and prepare and plan for legal action to reduce the Company's operating risks.

2. Risk relating to market orders

With the gear of Chinese economic growth shifting to medium-to-high speed, there is less demand for additional power generating equipment. The new power generation equipment market faces sharp downturn due to further control to be imposed by the National Energy Administration on the capacity of coal-fired power. All of these factors bring about great pressure and risks to orders of enterprises. The Company will spare no effort to expand the target market. We will strive for the sustainable increase in orders by tapping into the traditional market, fully developing the renewable energy market, vigorously developing the services market and steadily developing international business, thus laying a solid foundation for leapfrog development.

3. Risk relating to recovery of receivables

Since the progress of construction of some power stations project is slowing down, the Company is facing the risk arising from more difficulties in recovery of such payments. As a result, the cash flow generated from operating activities such as the recovery of receivables decreased. In order to ensure the normal operation of the Company's capital chain to satisfy the capital demand for production and operation, the Company will strengthen fund management to prevent fund risk, and make more efforts on recovering the account receivables.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

IV. OTHER EVENTS

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

(I) Directors and Supervisors

Please refer to Section VIII headed “Directors, Supervisors, Senior Management and Employees” for list of members regarding the Board of Directors, the Supervisory Committee in 2018.

(II) Principal business

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

(III) Interests of Directors and Supervisors

For details of the interests of Directors and Supervisors in 2018, please refer to the Section VI “Significant Events – VI. Material Contracts and Implementation thereof”.

(IV) Donations

For the year ended 31 December 2018, the aggregated amount of donation made by the Company for charity and other purposes amounted to RMB5.73 million.

(V) Debentures

The Company did not issue any debentures.

(VI) Share Incentive Scheme

For details of the Share Option Incentives Scheme of the Company during the year, please refer to Section VI “Significant Events – IV. Relevant Matters Regarding The Share Incentive Scheme During The Reporting Period”.

(VII) Permitted Indemnity Provisions

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

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

IV. OTHER EVENTS(CONTINUED)

(VIII) Directors' and Supervisors' Interests in Contracts

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

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

(IX) Key Relationships with Persons with Significant Impact

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

(X) Corporate Social Responsibility

By adhering to the "green value", the Company continued its efforts in the construction of green plant and environmental protection works. To comply with energy conservation provisions under the national laws and regulations in relation to the material infrastructure projects, the Company endeavors to promote green, energy-saving and environmentally friendly low-carbon technologies for major equipment and facilities. In respect of optimizing working environment, the Company enhanced its management and regulation on the disposal of waste oil, liquid and residue, advocated paperless office, and implemented energy conservation and emission reduction among each unit of the Company through various education activities. For details, please refer to the Social Responsibility Report of Dongfang Electric Corporation Limited for 2018 (《東方電氣股份有限公司2018年社會責任報告》) which is published separately from this report.

(XI) Compliance with Laws and Regulations

During the year ended 31 December 2018 and up to the date of this report, the Company has complied with the relevant laws and regulations that have significant impact.

REPORT OF THE SUPERVISORY COMMITTEE

Dear Shareholders,

During the reporting period, in accordance with the relevant provisions of the Company Law, the Securities Law and the Articles of Association, the Supervisory Committee has conscientiously and effectively fulfilled its supervisory duties based on the principles of compliance with the law, objectivity and impartiality, supervised over the legitimacy and compliance of the performance of the board of directors, senior management and their members, and supervised over the Company's finance, internal control risks and disclosure of the Company's information, which effectively safeguard the legitimate rights and interests of the Company, shareholders, employees and other stakeholders. The report on the work of the Company's Supervisory Committee in 2018 is as follows:

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

(I) Meeting of the Supervisory Committee

In 2018, a total of 7 meetings were convened by the Supervisory Committee. During the Reporting Period, the convening and procedures of decision were in compliance with the relevant laws, regulations and related requirements under the Articles of Association. Details of the meetings are set out as follows:

1. The 15th meeting of the eighth session of the Supervisory Committee was held in Chengdu on 22 January 2018 with attendance by all 3 supervisors. The following matters were considered and approved at the meeting:
 - (1) considered and approved the Resolution for the Company's 2018 Operating Plan;
 - (2) considered and approved the Resolution for the Company's 2018 Fixed Assets Investment Plan;
 - (3) considered and approved the Resolution for the Company's 2018 Equity Investment Plan
 - (4) considered and approved the Resolution for the Company's 2018 Financial Budget Plan;
 - (5) To consider the resolution on transferring state funds to the capital increase for the three subsidiaries of the joint stock company; and
 - (6) To approve the resolution on the capital increase of Dongfang Electric Wind Power Co., Ltd..

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

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

(I) Meeting of the Supervisory Committee (continued)

2. The 16th meeting of the eighth session of the Supervisory Committee was held in Chengdu on 27 March 2018 with attendance by 2 supervisors (one supervisor was absent), at which the following matters were considered and approved:
 - (1) considered the Resolution for the Company's 2017 Audited Financial Report;
 - (2) considered the Resolution for the 2017 Profit Distribution Plan;
 - (3) considered the Resolution for the Company's 2017 Annual Report;
 - (4) considered the Resolution on 2017 Appraisal Report of Internal Control and the Audit Report of Internal Control of the Company;
 - (5) considered the Annual Special Report on the Deposit and Use of the Proceeds of the Company;
 - (6) considered the Resolution on 2017 Annual Report of Supervisory Committee of the Company; and
 - (7) discussed the 2018 Plan for Tasks of the Supervisory Committee.
3. The 17th meeting of the eighth session of the Supervisory Committee was held in Chengdu on 26 April 2018 with attendance by 2 supervisors (one supervisor was absent), at which the following matters were considered and approved:
 - (1) considered the Resolution for the change of 2018 accounting policies;
 - (2) considered the Resolution for the Company's Unaudited Financial Report for the First Quarter of 2018;
 - (3) considered the Resolution for the Company's report for the first quarter of 2018; and
 - (4) considered the Resolution of appointing the 2018 annual audit accountant of the joint stock company.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

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

(I) Meeting of the Supervisory Committee (continued)

4. The 1st meeting of the ninth session of the Supervisory Committee was held in Chengdu on 29 June 2018 with attendance by all 3 supervisors. The meeting approved the Resolution to elect the chairman of the ninth session of the Supervisory Committee of the Company.
5. The 2nd meeting of the ninth session of the Supervisory Committee was held in Chengdu on 29 August 2018 with attendance by all 3 supervisors, at which the following matters were considered and approved:
 - (1) considered the Resolution for the Company's 2018 Interim Financial Report (unaudited);
 - (2) considered the Resolution for the Company's 2018 Interim Report; and
 - (3) considered the Resolution for 2018 Interim Special Report on the Deposit and Use of the Proceeds of the Company.
6. The 3rd meeting of the ninth session of the Supervisory Committee was held in Chengdu on 29 October 2018 with attendance by 2 supervisors (one supervisor was absent), at which the following matters were considered and approved:
 - (1) considered the resolution for the Company's Unaudited Financial Report for the Third Quarter of 2018;
 - (2) considered and approved the Company's Report for the Third Quarter of 2018;
 - (3) considered the resolution of Dongfang Electric Machinery Co., Ltd.'s merge on Dongfang Electric Machinery Plant and the resolution of Dongfang Steam Turbine Co. Ltd.'s merge on DEC Dongfang Investment Development; and
 - (4) considered the resolution on the overall donation of the damaged assets during the earthquake in Hanwang Base of Dongfang Steam Turbine to the local governments.
7. The 4th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 4 December 2018 with attendance by all 3 supervisors. The meeting approved the resolution to elect the chairman of the Supervisory Committee of the joint stock company.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

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

- (II) Attending Board meetings and work meetings of the President, general meetings and other meetings, supervising the Company's significant operation decision matters, and earnestly safeguarding the interests of the Company and the legitimate rights and interests of shareholders

During the Reporting Period, in accordance with the provisions of the Company Law, the Securities Law, the Articles of Association, and the Rules of Procedure for the Supervisory Committee, by attending the general meetings, Board meetings and work meetings of the President; the Supervisory Committee has directly supervised the Company's significant operation decision matters, the meeting procedures and voting results, and put forward the recommendations and opinions of the Supervisory Committee, thus safeguarding the interests of the Company and the legitimate rights and interests of all shareholders.

II. THE SUPERVISORY COMMITTEE'S INDEPENDENT OPINION DURING THE REPORTING PERIOD

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

During the reporting period, the Supervisory Committee has supervised and inspected the Company's operation according to the responsibilities conferred by the Company Law, the Securities Law and the Company's Articles of Association. The Supervisory Committee considered that the preparation and review procedures of the Company's 2018 annual report conformed to the relevant laws and regulations, the Articles of Association and the internal management system of the Company, and the content and format of the Company's 2018 annual report conformed to the provisions of the CSRC and the Shanghai Stock Exchange. The information contained therein truly and objectively reflected the major business management and financial position of the Company for the Reporting Period.

- (II) The Supervisory Committee's Independent Opinions on the Inspection of the Company's Financial Position

During the Reporting Period, the Supervisory Committee carefully considered the Company's financial reports by listening to the report of the Company's chief financial officer, and carefully supervised, inspected and audited the financial statements, final account reports, periodic reports and related documents. The Supervisory Committee considered that the preparation and approval procedures of the Company's 2018 financial report conformed to the relevant regulations, and the 2018 financial report objectively and truly reflected the Company's financial position and operating results. The 2018 financial report has been audited by BDO China Shu Lun Pan Certified Public Accountants LLP and a standard and unqualified auditor's report was issued.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

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

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

During the Reporting Period, the Company carried out a self-assessment on its internal controls in accordance with the Basic Standards for Enterprise Internal Control jointly issued by the Ministry of Finance of the PRC and China Securities Regulatory Commission and other authorities, the Guidelines on Internal Control of Listed Companies issued by the Shanghai Stock Exchange and other relevant national laws and regulations. The Supervisory Committee heard reports on the internal control self-assessment for 2018 from the audit department, and deliberated the Internal Control Audit Report with standard unqualified opinions issued by BDO China Shu Lun Pan Certified Public Accountants LLP. After careful consideration and based on the daily supervisory duties performed, the Supervisory Committee was of the opinion that the Report on the Internal Control Self-assessment for 2018 and the Internal Control Audit Report of the Company have truly and objectively reflected the development and operation of the internal control system of the Company, and that the Company had established a relatively complete internal control system, which can be effectively executed.

(IV) The Supervisory Committee's independent opinion on 2018 Annual Profit Distribution Plan

The Supervisory Committee was briefed by the finance department of the Company on the proposed distribution of profit and dividend for 2018. After carefully considering, the Supervisory Committee gave its audit opinion as follow: the profit distribution plan for 2018 is in compliance with the relevant laws and regulations, as well as the Articles of Association of the Company; the decision-making procedure thereof was in accordance with relevant regulations and in the interests of the Shareholders as a whole and met the production and operation needs of the Company.

(V) Independent opinions of the Supervisory Committee on the Special Report Regarding Deposit and Use of Proceeds for the Year"

The Supervisory Committee listened to the report of the Company's board of Directors on the "Special Report Regarding Deposit and Use of Proceeds for the Year 2018". After careful consideration by the supervisors, the audit opinions were as follows: the management of the company's proceeds followed the principles of "special account deposit, standardized use, truthful disclosure and strict management". The Supervisory Committee did not notice any violations on the Company's deposit and use of proceeds, or any damage to the interests of shareholders.

2019 is the year for the Company to implement the "12345" new development strategy, advance high-quality development, realize the goal of 13th Five-year Plan. The Supervisory Committee of the Company will continue to implement relevant duties and functions, promote the regulated operation of the Company, and safeguard the interest of the Company and shareholders in accordance with relevant laws, regulation and the relevant requirement of the Articles of Association.

SIGNIFICANT EVENTS

I. APPOINTMENT OR DISMISSAL OF THE AUDITOR

Unit: 0'000 Currency: RMB

	Current appointment
Name of the domestic auditor	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)
Remuneration of the domestic auditor	255
Term of audit of the domestic auditor	2

	Name	Remuneration
Internal control auditor	BDO China Shu Lun Pan Certified Public Accountants LLP (Special General Partnership)	60
Financial advisor	CITIC Securities Co., Ltd	900

II. 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, and confirmation of claims, disposal of assets and other work are still in legal process.

On 29 September 2018, the Intermediate People's Court of Jiuquan City of Gansu Province ruled the bankruptcy and liquidation of Dongfang Electric (Jiuquan) New Energy Co., Ltd.. On 12 November 2018, the Intermediate People's Court of Hulunbuir City of Inner Mongolia Autonomous Region ruled the bankruptcy and liquidation of Dongfang Electric (Hulunbuir) New Energy Co., Ltd.. On 24 December 2018, the Intermediate People's Court of Tongliao City of Inner Mongolia Autonomous Region ruled the bankruptcy and liquidation of Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd. As of the date of this financial report, the bankruptcy and liquidation of the above-mentioned enterprises are still underway.

III. SIGNIFICANT LITIGATION OR ARBITRATION EVENTS

The Company did not have any material litigation and arbitration matters.

SIGNIFICANT EVENTS (CONTINUED)

IV. RELEVANT MATTERS REGARDING THE INCENTIVE SCHEME DURING THE REPORTING PERIOD

The Company launched the first H Share Appreciation Rights Scheme on 14 December 2012, incentive recipients included the Directors and senior management of the Company, the principal and key managerial personnel of main subsidiaries, the senior management and important managerial personnel of the subsidiaries, the key engineering and technical professionals and the key professionals with expertise. The restrictive period was from 14 December 2012 to 13 December 2014, and the lock-up period was commenced on 14 December 2014 and ended on 13 December 2017. One third of the H share appreciation rights granted by the Company to incentive recipients took effect from 14 December 2014. None of incentive recipients exercised such rights during 2017. Hence, as of 13 December 2017, the H share appreciation rights granted by the Company to incentive recipients were lapsed. During the Reporting Period, the Company did not grant any share award or other incentive measures.

Pursuant to the requirements of Accounting Standard for Business Enterprises 11 – Share-based Payment, incentive funds of RMB0 was provided during the Reporting Period with accumulated provision for incentive funds of RMB0.

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

V. MATERIAL CONNECTED TRANSACTIONS

(I) Continuing connected transactions

(1) Content of continuing connected transactions

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 are effective from 1 January 2018 to 31 December 2018.

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

V. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (continued)

(1) Content of continuing connected transactions (continued)

The basic content of these agreements are:

(1) *2018 Purchase and Production Services Framework Agreement*

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

(2) *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 Dongfang Electric Corporation and its affiliated enterprises.

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

SIGNIFICANT EVENTS (CONTINUED)

V. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (continued)

(1) Content of continuing connected transactions (continued)

(4) *2018 Properties and Equipment Framework Lessee Agreement*

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

(5) *2018 Properties and Equipment Framework Lessor Agreement*

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

SIGNIFICANT EVENTS (CONTINUED)

V. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (continued)

(2) Material continuing connected transactions as at 31 March 2018

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

Unit: '000 yuan Currency: RMB

Name of agreement	Total actual amount as at 31 March 2018	Proposed annual cap for 2018
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	100,000
Properties and Equipment Framework Lessor Agreement	7.3	5,000
Financial Services Framework Agreement	Deposit and interest of 19,456,253	20,000,000
	Loan and interest of 3,049,282	20,000,000

SIGNIFICANT EVENTS (CONTINUED)

V. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (continued)

(3) Material continuing connected transactions as at 31 December 2018

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

Unit: '000 yuan Currency: RMB

Name of agreement	Total actual amount as at 31 December 2018	Proposed annual cap for 2018
Purchase and Production Services Framework Agreement	25,356.1	2,500,000
Sales and Production Services Framework Agreement	176,420.1	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	74,253.90	100,000
Properties and Equipment Framework Lessor Agreement	0	5,000

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 Dongfang Electric Corporation as well as the 833 equipment assets and 472 intangible assets owned by Dongfang Electric Corporation by issuance of A shares. 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. 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.

SIGNIFICANT EVENTS (CONTINUED)

V. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (continued)

(4) Confirmation for material continuing connected transactions

- (i) Pursuant to Rule 14A.56 of the Listing Rules, the auditors engaged by the Company has confirmed these continuing connected transactions at 2018:
 - (1) have been approved by the Board of the Company;
 - (2) have been conducted in accordance with the company's pricing policy (if applicable);
 - (3) have been conducted in accordance with the terms of the agreement in relation to the transaction; and
 - (4) did not exceed the upper limit disclosed in the previous announcement.
- (ii) The Company has confirmed that the details of the above connected transactions (if applicable) and the continuing connected transactions have complied with the disclosure requirements of Chapter 14A of the Listing Rules.

The independent non-executive Directors of the Company's reviewed the continuing connected transactions and confirmed that:

- (1) these transactions are the daily business of the Company;
- (2) these transactions are conducted in accordance with the normal commercial terms, or the terms of the transactions are no less favourable than those obtained from or provided by the independent third parties (as the case may be) the terms if the comparable transactions are insufficient to determine whether the terms of the transactions are the normal commercial terms; and
- (3) these transactions are conducted in accordance with the terms of the agreement in relation to the transaction, and the terms of the transaction are fair and reasonable and in the interests of the shareholders of the Company as a whole.

SIGNIFICANT EVENTS (CONTINUED)

V. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (continued)

(4) Confirmation for material continuing connected transactions

- (iii) The above-mentioned daily continuing connected transactions between the Company and Dongfang Electric Corporation and other related parties are necessary for the Company's production and operation, and are in accordance with the normal commercial terms, at arm's length and on the basis of Framework Agreement related relevant specific transaction agreements. The trading conditions and pricing are fair, and the approval procedures have been fulfilled in accordance with relevant regulations, and there is no harm to the interests of the Company and shareholders. The related connected transactions are beneficial to the sustainable and stable development of the company's production and operation.
- (iv) These related transactions have been formally effective with the approval of the independent directors of the Board of the Company and/or the independent shareholders of the general meeting of the Company. The specific amount of these major continuing connected transactions as at 31 December 2018 did not exceed the annual cap amount approved by the Board or the general meeting.

(5) Signature or renewal of the continuing connected transactions

As Dongfang Electric Corporation is a substantial shareholder of the Company and holds approximately 55.91% of the entire issued shares of the Company, Dongfang Electric Corporation is a connected person of the Company as defined in the Hong Kong Listing Rules. As such, the 2019 Dongfang Electric Corporation Framework Agreement and the transactions contemplated thereunder will constitute a continuing connected transaction of the Company under Chapter 14A of the Hong Kong Listing Rules.

Signature of the new framework agreement

On 27 December 2018, DEC Finance, a subsidiary of the Company, entered into the 2019 Financial Services Framework Agreement with Dongfang Electric Corporation, pursuant to which DEC Finance agreed to provide financial services to Dongfang Electric Corporation for a term commencing on 1 January 2019 and ending on 31 December 2021, and determined the annual cap for continuing connected transactions.

SIGNIFICANT EVENTS (CONTINUED)

V. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (continued)

(5) Signature or renewal of the continuing connected transactions (continued)

Renewal of certain existing 2018 Framework Agreements

Reference is made to the Company's circular dated 27 December 2017 and the announcement dated 27 October 2017, in relation to, among other things, the renewal of the Framework Agreement and its proposed annual cap between the Company and the Dongfang Electric Corporation, and the renewed Framework Agreement expired on 31 December 2018. In order to renew the transactions under the existing Sales and Production Services Framework Agreement, the Combined Ancillary Services Framework Agreement and the Properties and Equipment Framework Lessee Agreements, on 27 December 2018, the Company entered into the 2019 Sales and Production Services Framework Agreement, the 2019 Combined Ancillary Services Framework Agreement and the 2019 Properties and Equipment Framework Lessee Agreements with Dongfang Electric Corporation for a term commencing on 1 January 2019 and ending on 31 December 2021, and revised the annual caps of continuing connected transactions.

For details of the signature or renewal of the continuing connected transactions mentioned above, please refer to the announcement of the Company dated 27 December 2018.

(II) Connected Transactions

During the Reporting Period, the Company purchased 95% equity interests in Sichuan Dongfang Electric DEC Finance Co., Ltd. (DEC Finance), 100% equity interests in DEC International Cooperation Limited (DEC International Cooperation), 100% equity interests in Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd. (DEC Automatic Control), 41.24% equity interests in DEC Hitachi Electric Control Equipment Co., Ltd (DEC Hitachi), 100% equity interests in Dongfang Electric Sichuan Materials Co., Ltd. (DEC Materials), 100% equity interests in DEC Bulk Logistic Co., Ltd. (DEC Bulk Logistic), 100% equity interests in Chengdu Dongfang Electric Clean Energy Co., Ltd. (DEC Clean Energy), 100% equity interests in Chengdu Dongfang Electric Smart Energy Co., Ltd. (DEC Smart Energy) held by Dongfang Electric Corporation as well as 833 equipment assets and 472 intangible assets owned by Dongfang Electric Corporation by issuance of A shares at a total consideration of RMB6,793 million. 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. 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. 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.

SIGNIFICANT EVENTS (CONTINUED)

V. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(III) Related Parties Transactions

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

VI. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF

(I) Guarantee

Unit: '000 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 agreement	Commencement		Type of guarantee	Is the guarantee fully fulfilled	Is the guarantee overdue	Overdue amount	Any counter-guarantee	Is the guarantee provided to related party	Related party relationship
					date of guarantee	Expiry date of guarantee							
Dongfang Electric Co., Ltd.	Headquarter of the Company	Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	16,000,000	19 January 2016	19 January 2016	19 January 2026	General pledge	No	No	0	No	No	Other
Dongfang Electric Co., Ltd.	Headquarter of the Company	Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	16,000,000	29 June 2016	29 June 2016	29 June 2026	General pledge	No	No	0	No	No	Other
Dongfang Electric Co., Ltd.	Headquarter of the company	Inner Mongolia Wulan New Energy Co., Ltd.	36,000,000	27 October 2016	27 October 2016	27 October 2026	General pledge	No	No	0	No	No	Other
DEC Dongfang Steam Turbine Co., Ltd.	A 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	Other

SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(I) Guarantee (continued)

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

Total guarantee incurred during the Reporting Period (excluding those provided to 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 and its subsidiaries to its subsidiaries

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

Total guarantee provided by the Company (including the guarantee to its subsidiaries)

Aggregate guarantee(A+B)	92,500,000
Percentage of aggregate guarantee to net assets of the Company (%)	0.30
Representing:	
Amount of guarantee provided for shareholders, de facto controller 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

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(I) Guarantee (continued)

Total guarantee provided by the Company (including the guarantee to its subsidiaries) (continued)

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 each of above companies. The guarantees shall be valid from the effective date of the equity pledge agreement until all debts under the financial leasing contract are being repaid. The guarantee provided by DEC Dongfang Steam Turbine Co., Ltd. for Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd. constitutes a continuous security of payment and performance of obligations. The Guarantor's obligations under the guarantee should not exceed and should be limited to the scope of obligations and liabilities to be assumed by the vendor pursuant to the contract.

Statement on guarantee

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

VI. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(II) Performance commitment

In June 2018, the Company completed the acquisition of 95% equity interest in Dongfang Electric Finance Co., Ltd. (“DEC Finance”), 100% equity interest in DEC International Cooperation Limited (“DEC International Cooperation”), 100% equity interest in Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd. (“DEC Automatic Control”), 41.24% equity interest in Dongfang Hitachi Electronic Control Equipment Co., Ltd. (“DEC Hitachi”), 100% equity interest in DEC (Sichuan) Materials Co., Ltd. (“DEC Materials”, formerly known as Dongfang Electric (Sichuan) Materials Co., Ltd.), 100% equity interest in DEC Bulk Logistic Co., Ltd. (“DEC Bulk Logistic”), 100% equity interest in Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd. (“DEC Hydrogen”, formerly known as Chengdu Dongfang Electric Clean Energy Co., Ltd.), 100% equity interest in DEC Chengdu Smart Technology Co., Ltd. (“DEC Smart Technology”) and 833 equipment (including 407 mechanical equipment, and 426 electronic equipment) and 472 intangible assets (including 63 software, 14 computer software copyrights, and 395 patents) held by Dongfang Electric Corporation.

The Company has engaged BDO China Shu Lun Pan Certified Public Accountants LLP to carry out special audit in respect of the level of fulfillment of performance commitment in 2018 of the target companies that have made performance commitment under the asset restructuring. The level of fulfillment of the performance commitment is as follows:

1. Basic information on the assets reorganisation

Pursuant to the Conditional Agreement on Assets Acquisition by Issuance of Shares between Dongfang Electric Corporation Limited and Dongfang Electric Corporation (《東方電氣股份有限公司與中國東方電氣集團有限公司附條件生效的發行股份購買資產協議》), the Supplemental Agreement to the Conditional Agreement on Assets Acquisition by Issuance of Shares between Dongfang Electric Corporation Limited and Dongfang Electric Corporation (《東方電氣股份有限公司與中國東方電氣集團有限公司附條件生效的發行股份購買資產協議之補充協議》) (together referred to as the “Agreements on Assets Acquisition by Issuance of Shares”), the Report on Assets Acquisition by Issuance of Shares and Connected Transactions (the “Reorganisation Report”), the resolutions passed at the 2017 first extraordinary general meeting, the 2017 first A shareholders class meeting and the 2017 first H shareholders class meeting, the Company acquired 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 Hydrogen, 100% equity interest in DEC Smart Technology, and 833 equipment (including 407 mechanical equipment, and 426 electronic equipment) and 472 intangible assets (including 63 software, 14 computer software copyrights, and 395 patents) held by Dongfang Electric Corporation by way of issuance of A shares.

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(II) Performance commitment (continued)

1. Basic information on the assets reorganisation (continued)

On 8 February 2018, the Company received a notice from the China Securities Regulatory Commission (the “CSRC”) that the assets acquisition by issuance of shares and connected transactions of the Company had been unconditionally approved upon being reviewed at the 2018 ninth working meeting of the CSRC Merger and Reorganisation Vetting Committee (the “Merger and Reorganisation Committee”) held on 8 February 2018.

On 1 March 2018, the Company received the Approval in relation to the Acquisition of Assets by Dongfang Electric Corporation Limited from Dongfang Electric Corporation by Issuance of Shares (ZHENG JIAN XU KE [2018] No. 354) issued by the CSRC, pursuant to which the acquisition of assets by the Company from Dongfang Electric Corporation by issuance of 753,903,063 shares had been approved.

On 27 April 2018, ShineWing Certified Public Accountants (Special General Partnership) (“ShineWing”) verified the additional registered capital and the paid up capital under the assets acquisition by issuance of shares by the Company and issued the Capital Verification Report (No. XYZH/2018CDA80153). As verified by ShineWing, as at 27 April 2018, the Company has received RMB753,903,063 of additional registered capital (share capital) contributed by Dongfang Electric Corporation in the form of equity interests of its eight subsidiaries, equipment, copyrights and other intangible assets mentioned above, with the additional share capital representing 100% of the additional registered capital. The Company’s registered capital has changed to RMB3,090,803,431.00 accordingly.

On 12 June 2018, the Company completed the registration and depository procedures of the additional shares with the Shanghai branch of the China Securities Depository and Clearing Corporation Limited.

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(III) Particulars of the performance commitment

1. Performance commitment

Pursuant to the Profit Forecast Compensation Agreement between Dongfang Electric Corporation Limited and Dongfang Electric Corporation and the Supplemental Agreement to the Profit Forecast Compensation Agreement between Dongfang Electric Corporation Limited and Dongfang Electric Corporation (together referred to as the "Profit Forecast Compensation Agreements") entered into between the Company and Dongfang Electric Corporation, performance commitment of the target assets which the valuer has carried out valuation using income method and the result thereof has been taken as the pricing reference. As confirmed by the both parties, the performance commitment only involved the following companies:

For certain target assets of the transaction, namely, 100% equity interest in DEC International Cooperation, patents, proprietary technology, software products and trademark right in DEC Automatic Control, patents, proprietary technology, copyright and trademark right in DEC Hitachi, and trademark rights of Buram in DEC Materials, the valuer carried out valuation using income method, and the results thereof were adopted as the pricing reference. Details of which are as follows:

Unit: 0'000 yuan Currency: RMB

	Accumulated Committed Net Profit		
	For the year 2018	For the year 2018 and 2019	For the year 2018, 2019 and 2020
Target Assets			
DEC International Cooperation	22,640.01	47,557.85	74,380.80
Patents, proprietary technology and software products in DEC Automatic Control	804.12	1,740.61	2,837.68
Trademark right in DEC Automatic Control	21.53	52.63	95.76
Patents, proprietary technology and copyright in DEC Hitachi	142.68	310.18	498.67
Trademark right in DEC Hitachi	2.42	6.69	12.54
Trademark right of Buram in DEC Materials	2.21	4.49	6.83
DEC Finance	Where impairment exists in the impairment test, DEC shall make compensation pursuant to the agreement		

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(III) Particulars of the performance commitment (continued)

2. Level of fulfillment of the performance commitment

According to the Special Audit Report on Level of Fulfillment of Profit Forecast Involved in Assets Acquisition by Issuance of Shares and Connected Transaction of Dongfang Electric Corporation Limited in 2018 (XIN KUAI SHI BAO ZI [2019] No. ZG10882)(《東方電氣股份有限公司2018年度發行股份購買資產暨關聯交易事項所涉及的盈利預測實現情況的專項審核報告》(信會師報字[2019]第ZG10882號)) and the Audit Report on Impairment Test of Target Assets Involved in Assets Acquisition by Issuance of Shares and Connected Transaction of Dongfang Electric Corporation Limited in 2018(XIN KUAI SHI BAO ZI [2019] No. ZG10883)(《東方電氣股份有限公司2018年度發行股份購買資產暨關聯交易事項所涉及的標的資產減值測試審核報告》(信會師報字[2019]第ZG10883號)) issued by BDO China Shu Lun Pan Certified Public Accountants LLP, the level of fulfillment of performance commitment by the undertaking parties in 2018 is as follows:

Unit: 0'000 yuan Currency: RMB

	For the year 2018	Net profit attributable to the Company after non-recurring items	Whether fulfilled commitment
Target Assets			
DEC International Cooperation	22,640.01	24,933.74	Yes
Patents, proprietary technology and software products of DEC Automatic Control (Note 1)	804.12		
Patents, proprietary technology and copyright of DEC Hitachi (Note 1)	142.68	1,446.75	Yes
Trademark rights of DEC Automatic Control (Note 2)	21.53		
Trademark right of DEC Hitachi (Note 2)	2.42	119.46	Yes
Trademark rights of Buram of DEC Materials	2.21	4.07	Yes
DEC Finance		Note 3	Yes

Note 1: Combined calculation of the profit forecast compensation of patents, proprietary technology and software products of DEC Automatic Control and patents, proprietary technology and copyright of DEC Hitachi.

Note 2: Combined calculation of the profit forecast compensation of trademark rights of DEC Automatic Control and trademark rights of DEC Hitachi.

Note 3: On 31 December 2018, the impairment test of the acquired assets (after deducting the impacts of contribution from shareholders, donation received and profit distribution on the impairment test during the compensation period) amounted to RMB3,474,417,800, representing no impairment as compared with the transaction consideration for the target assets of RMB3,090,202,100.

The net profit after deducting non-recurring items recorded by each of the aforesaid undertaking parties in 2018 has fulfilled the commitments made by Dongfang Electric Corporation.

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(IV) Other material contracts

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

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

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

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

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

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

OTHER SIGNIFICANT EVENTS

1. Public Float

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

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

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

3. Audit and Review Committee

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

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Five Years Financial Summary

Unit: Yuan

Item	2018 (31 December 2018)	2017 (31 December 2017) (Restated)	2016 (31 December 2016)	2015 (31 December 2015)	2014 (31 December 2014)
Total assets	91,323,329,417.78	95,300,994,111.66	84,702,600,301.42	86,134,423,264.67	85,842,623,386.50
Total liabilities	60,629,420,802.57	66,870,439,720.75	62,616,845,381.45	62,156,834,114.73	65,373,357,755.18
Total shareholders' equity	30,693,908,615.21	28,430,554,390.91	22,085,754,919.97	23,977,589,149.94	20,469,265,631.32
Including: Equity attributable to shareholders of the parent company	28,584,050,995.80	27,317,650,546.98	21,144,292,192.79	23,051,589,145.83	19,544,092,526.73
Non-controlling shareholders' equity	2,109,857,619.41	1,112,903,843.93	941,462,727.18	926,000,004.11	925,173,104.59
Total operating income	30,706,145,358.82	33,430,264,831.72	33,285,723,808.34	36,017,943,700.32	39,036,164,758.11
Total profit/(loss)	1,275,469,723.33	1,017,278,838.50	(1,944,064,007.65)	532,899,436.82	1,502,342,336.40
Income tax expenses	117,204,032.48	-62,262,599.30	(184,625,607.38)	73,401,825.32	181,725,615.62
Net profit/(loss)	1,158,265,690.85	1,079,541,437.80	(1,759,438,400.27)	459,497,611.50	1,320,616,720.78
Including: Net profit/(loss) attributable to the parent company	1,128,834,236.51	1,057,303,567.22	(1,784,306,804.76)	439,072,644.82	1,278,258,405.62
Non-controlling shareholders profit or loss	29,431,454.34	22,237,870.58	24,868,404.49	20,424,966.68	42,359,315.16

Note: Prepared in accordance with the PRC Accounting Standards, the Comparative figure in 2017 has been restated.

5. Pre-emptive Rights

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

VII. ACTIVE PERFORMANCE OF SOCIAL RESPONSIBILITY

(I) Works of social responsibility

For details, please refer to the simultaneous separately disclosed Social Responsibility Report of Dongfang Electric Corporation Limited for 2018 《東方電氣股份有限公司2018年社會責任報告》.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

I. CHANGES IN ORDINARY SHARES CAPITAL

(I) Table of total number of ordinary shares

Total number of ordinary shares of the Company and changes in the shareholder structure of the Company

Share class	Number of shares at the beginning of the Reporting Period	Number of new shares	Number of shares at the end of the Reporting Period	Percentage (share)
I A share				
1. Dongfang Electric Corporation	974,016,763	753,903,063	1,727,919,826	55.91%
2. Others	1,022,883,605	–	1,022,883,605	33.09%
II H shares				
DongFang Electric (Hong Kong) Limited	858,800	–	858,800	0.03
Other H shareholders	339,141,200	–	339,141,200	10.97
Total	2,336,900,368	753,903,063	3,090,803,431	100%

II. PARTICULARS OF SHAREHOLDERS AND DE FACTO CONTROLLER

(I) Total number of shareholders

Total number of ordinary shareholders as of the end of the Reporting Period (shareholder)	116,027
Total number of ordinary shareholders as of the end of the month prior to the date of disclosure of the Annual Report (shareholder)	112,079

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

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

Unit: share

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen Status of shares	Number of shares	Type of shareholder
Dongfang Electric Corporation	753,903,063	1,727,919,826	55.91	753,903,063	Nil	-	State-owned legal person
HKSCC Nominees Limited	83,130	338,339,627	10.95	-	Unknown	-	Overseas legal person
China Securities Finance Corporation Limited (中國證券 金融股份有限公司)	-	49,648,500	2.12	-	Unknown	-	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資 產管理有限責任公司)	-	22,645,600	0.97	-	Unknown	-	State-owned legal person
Bank of Communications Co., Ltd. – ICBC credit suisse double – interest bond securities investment fund	12,000,061	12,000,061	0.39	-	Unknown	-	Other
Agricultural Bank of China Limited–China securities 500 exchange – oriented index securities investment fund	11,686,491	11,686,491	0.38	-	Unknown	-	Other Domestic natural person
Bai Jiangcai	10,200,000	10,200,000	0.33	-	Unknown	-	
Bosera Funds-Agricultural Bank –Bosera China Securities and Financial Assets Management Program (博時基金–農業銀 行–博時中證金融資產管理計 劃)	-	8,480,400	0.27	-	Unknown	-	Other

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

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

Name of shareholder (full name)	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Reporting Period	Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen		Type of shareholder
					Status of shares	Number of shares	
EFund – Agricultural Bank – EFund China Securities and Financial Assets Management Program (易方達基金－農業銀 行－易方達中證金融資產管理 計劃)	-	8,480,400	0.27	-	Unknown	-	Other
Dacheng Fund – Agricultural Bank–Dacheng China Securities and Financial Assets Management Program (大成基金－農業銀行－大成中 證金融資產管理計劃)	-	8,480,400	0.27	-	Unknown	-	Other
GF Fund – Agricultural Bank – GF China Securities and Financial Assets Management Program (廣發基金－農業銀 行－廣發中證金融資產管理計 劃)	-	8,480,400	0.27	-	Unknown	-	Other
Zhong Ou Fund – Agricultural Bank– Zhong Ou China Securities and Financial Assets Management Program (中歐基金－農業銀行－中歐中 證金融資產管理計劃)	-	8,480,400	0.27	-	Unknown	-	Other
China Southern Fund – Agricultural Bank– China Southern China Securities and Financial Assets Management Program (南方基金－農業銀 行－南方中證金融資產管理計 劃)	-	8,480,400	0.27	-	Unknown	-	Other

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

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

On 13 June 2018, the Company has received the Certificate of Amendment Registration of the Securities from the Shanghai branch of China Securities Depository and Clearing Corporation Limited (中國證券登記結算有限責任公司上海分公司) (“CSDCC”) and confirmed that the registration procedures of such proposed purchase of new shares have been completed on 12 June 2018. Thus, the Company has completed the acquisition of the following equities from Dongfang Electric Corporation at a consideration by issuing of 753,903,063 A shares: (i) 100% equity interests in DEC Materials, 100% equity interests in DEC Bulk Logistic, 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 Clean Energy, 100% equity interests in DEC Smart Energy held by DEC; (ii) other target assets, i.e. the certain equipment and intangible assets owned by DEC, including 833 equipment (including 407 machinery equipment and 426 electronic equipment) assets and 472 intangible assets (including 63 software, 14 copyrights of computer software and 395 patents). Dongfang Electric Corporation shall not transfer its 753,903,063 A shares in any way within 36 months from the date of listing. Therefore, the restriction on sale of such 753,903,063 A shares is ended 12 June 2021.

III. INFORMATION OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Information of Controlling Shareholder

1. Legal person

Name	Dongfang Electric Corporation
Person in charge of the company or legal representative	Zou Lei
Date of establishment	6 November 1984
Principal business	Import and export business; general contracting and subcontracting of projects of hydro-, thermal- and nuclear-power stations; whole set technological development of power station equipment and technology consultation; manufacturing and sales of whole-set equipment; sales of machinery and electrical ancestries; general contracting and subcontracting of related projects.

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

(I) Information of Controlling Shareholders (continued)

1. Legal person (continued)

Equity interests in other controlled and invested companies whose shares were listed in the PRC or overseas during the Reporting Period

Stock account under the Parent Company of the Group also held shares of the following listed companies as at the end of 2018:

Stock Name	Number of Shares held <i>(shares)</i>	Percentage of the share capital of the listed company <i>(%)</i>
Huaneng International	500,000	0.003
Huadian Power	200,000	0.002
GD Power	3,040,000	0.015
China's nuclear power	800,000	0.005
Datang Power	17,173,679	0.109

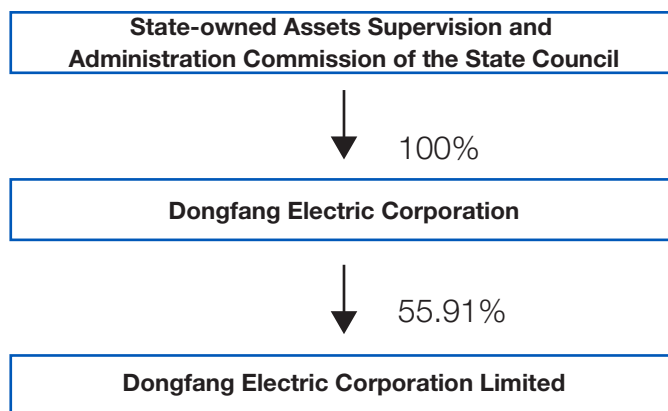
2. Special explanation that the Company does not have any controlling Shareholder

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

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

(I) Information of Controlling Shareholders (continued)

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



(IV) OTHER LEGAL PERSONS HOLDING SHARES OF 10% OR ABOVE

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

CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

(V) PARTICULARS OF DISCLOSED SHAREHOLDINGS ACCORDING TO REGULATORY REGULATIONS ON H SHARES

Interests of substantial shareholders

To the best knowledge of the Directors, as at 31 December 2018, the following person was recorded in the register required to be kept pursuant to Section 336 of the Hong Kong Securities and Futures Ordinance as the substantial shareholder (defined in the Hong Kong Securities and Futures Ordinance) of the Company, whose interests were as follows:

Name	Share class	Capacity	Number of shares held	Percentage of total share capital (%)	Percentage in the respective class of share capital (%)
Dongfang Electric Corporation	A Shares	Beneficial owner	1,727,919,826(L)	55.91(L)	62.82 (L)
	H Shares	Interest held by controlled corporation	858,800(L)	0.03(L)	0.25(L)

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

Notes:

1. Dongfang Electric Corporation held 100% of interests in Dongfang Electric (HongKong) Limited therefore, Dongfang Electric Corporation was deemed to own the interests in such H shares held by Dongfang Electric (Hong Kong) Limited pursuant to the Hong Kong Securities and Futures Ordinance.
2. The above interests held by Dongfang Electric Corporation reflected its latest disclosure of interests of substantial Shareholder under the Hong Kong Securities and Futures Ordinance.
3. The above percentage of total share capital and the percentage in the respective class of share capital were calculated on the basis of total share capital and respective class of share capital of the Company as at 31 December 2018.

Save as disclosed above, as at 31 December 2018, the Company did not record other interests (including derivative interests) or short position in the register required to be kept pursuant to Section 336 of the Hong Kong Securities and Futures Ordinance.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION

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

Unit: share

Name	Position (Note)	Gender	Age	Commencement of term of office	Expiry of term office	Number of share held at the beginning of the year	Number of shares held at the end of the year	Number of shares changed during the year	Reasons for change	Total remuneration received from the Company in Reporting Period	Whether get payment from related parties of the Period
										RMB'000	
Zou Lei	Chairman	Male	52	29 June 2018	28 June 2021	0	0	0	N/A	0	Yes
Zhang Xiaolun	Former Director, President	Male	54	29 June 2018	9 October 2018	0	0	0	N/A	0	Yes
Huang Wei	Director, Senior Vice President	Male	53	29 June 2018	28 June 2021	0	0	0	N/A	0	Yes
Xu Peng	Director, Senior Vice President	Male	53	29 June 2018	28 June 2021	0	0	0	N/A	0	Yes
Bai Yong	Director, Chief Accountant	Male	48	4 December 2018	28 June 2021	0	0	0	N/A	0	Yes
Chen Zhangwu	Former Independent nonexecutive Director	Male	72	28 June 2015	28 June 2018	0	0	0	N/A	5.8	No
Gu Dake	Independent non-executive Director	Male	65	29 June 2018	28 June 2021	0	0	0	N/A	11.6	No
Xu Haihe	Independent non-executive Director	Male	64	29 June 2018	28 June 2021	0	0	0	N/A	11.9	No
Liu Dengqing	Independent non-executive Director	Male	49	29 June 2018	28 June 2021	0	0	0	N/A	5.8	No

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

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

Name	Position (Note)	Gender	Age	Commencement of term of office	Expiry of term office	Number of share held at the beginning of the year	Number of shares held at the end of the year	Number of shares changed during the year	Reasons for change	Total remuneration received from the Company in Reporting Period	Whether get payment from related parties of the Period
										RM'000	
Wen Limin	Former Chairman of Supervisory Committee	Male	53	28 June 2015	5 March 2018	0	0	0	N/A	0	yes
Zhang Jilie	Former Director, Senior Vice President	Male	55	29 June 2018	9 October 2018	0	0	0	N/A	0	yes
Zhang Jilie	Supervisor, chairman of the supervisory committee	Male	55	4 December 2018	28 June 2021	0	0	0	N/A	0	yes
Fu Haibo	Supervisor	Male	54	29 June 2018	28 June 2021	0	0	0	N/A	21.82	No
Zeng Yi	Supervisor	Male	48	29 June 2018	28 June 2021	0	0	0	N/A	45.43	No
Gong Dan	Secretary to the Board	Male	56	29 June 2018	28 June 2021	2,540	2,540	0	N/A	56.58	No
Zhang Zhiying	Executive Vice President	Male	58	29 June 2018	28 June 2021	0	0	0	N/A	57.04	No
Han Zhiqiao	Vice President	Male	60	29 June 2018	28 June 2021	2,540	2,540	0	N/A	56.12	No
Chen Huan	Vice President	Male	57	29 June 2018	28 June 2021	0	0	0	N/A	55.67	No
Gao Feng	Vice President	Male	55	29 June 2018	28 June 2021	0	0	0	N/A	55.67	No
Total	/	/	/	/	/	5,080	5,080	0	/	383.43	/

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

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

Explanations on other matters

1. Other than the independent non-executive Directors as well as the Supervisors, the Remuneration disclosed in the table above represented the sum of basic annual salary for 2018 and the performance-based emolument of senior management for 2017 (deferred part included).
2. Members of the management team concurrently serving as directors, supervisors of Dongfang Electric Corporation will not be receiving any form of remuneration from the Company since 1 January 2015 pursuant to the requirements by Zhongfa [2014] No. 12 and Guo Zi Fa Fen Pei [2015] No.83.

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

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

None of the Directors, Supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company nor had they exercised any such right before 31 December 2018.

Save as disclosed above, as at 31 December 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 Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance); or which were required to be recorded in the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance; or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies as set out in Appendix 10 to the Listing Rules ("Model Code") adopted by the Company.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period

Name	Principal working experience
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Zou Lei	<p>born in June 1966, is currently the Chairman of the Company, and the Chairman and secretary of the Party Committee of Dongfang Electric Corporation. He graduated from Jiamusi Technical College (佳木斯工學院) with a bachelor's degree in mechanical manufacture process and professional equipment, completed his postgraduate study at Harbin Institute of Technology with a master degree in business administration and then obtained a doctorate degree in technological economy and professional management from Harbin Institute of Technology. He joined Harbin Electric Corporation in August 1988 and acted as an intern of the Auxiliary Machinery Branch, the general dispatcher of the dispatching room of production division, Party office secretary, league deputy secretary and league secretary in the former Harbin Boiler Works, Party branch secretary of pipe first branch factory, factory director of heavy vessel workshop, factory director of Pingshan branch factory, production director of General Manager Department, deputy general manager, chairman and general manager, and Party committee deputy secretary of Harbin Boiler Company Limited. Mr. Zou was a standing committee member of the Party Committee, director and general manager of Harbin Electric Corporation from December 2008 to January 2009, a standing committee member of the Party Committee, director and general manager of Harbin Electric Corporation as well as a standing committee member of the Party Committee of Harbin Power Equipment Company Limited from January to February 2009, a standing committee member, director and general manager of Harbin Electric Corporation and a standing committee member of the Party Committee and executive director of Harbin Power Equipment Company Limited from February to November 2009, a standing committee member of the Party Committee, director and general manager of Harbin Electric Corporation as well as a standing committee member of the Party Committee and the deputy chairman of Harbin Electric Corporation from November 2009 to February 2015, and the secretary of the Party Committee and chairman of Harbin Electric Corporation as well as a standing committee member of the Party Committee and the deputy chairman of Harbin Electric Corporation from February 2015 to March 2015. He was the secretary of the Party Committee and chairman of both Harbin Electric Corporation and Harbin Electric Company from March 2015 to May 2016. He has been serving as Chairman and secretary of the Party Committee of Dongfang Electric Corporation since May 2016, and the Chairman of the Company since 21 October 2016. Mr. Zou holds the title of senior economist.</p>
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DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
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Huang Wei	born in July 1965, is currently a Director and senior vice president of the Company, Director and deputy secretary of the Party Committee of Dongfang Electric Corporation. Mr. Huang graduated from Shanghai Jiao Tong University with a bachelor's degree of ship power machinery, University of Chongqing with a master's degree of thermal engineering, and Southwestern University of Finance and Economics with a doctor's degree of economics. He joined Dongfang Electric Corporation in January 1989 and had been a key technician of the Complete Plant Section of Dongfang Electric Corporation, and key technician, manager assistant, deputy manager, deputy general manager, and general manager of the thermal power department of Sichuan Dongfang Power Equipment Union Company Limited of Dongfang Electric Corporation. He served as deputy general manager of Dongfang Electric Corporation from June 2000 to February 2007, a member of the Party Committee and deputy general manager of the State Nuclear Power Technology Corporation from February 2007 to September 2008. He has been a deputy general manager and a member of the Party Committee of Dongfang Electric Corporation since September 2008, and the deputy secretary of the Party Committee of Dongfang Electric Corporation since May 2017. He has been the senior vice president of the Company since September 2017. Mr. Huang holds the title of senior engineer.
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DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

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

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
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Bai Yong	<p>born in October 1971, is currently the chief accountant, a member of the Party Committee of Dongfang Electric Corporation and the chief accountant of the Company. He graduated from Zhongnan University of Finance and Economics with a bachelor's degree of economics majoring in industrial economics. He completed his postgraduate study from Tsinghua University and received a master's degree in Business Administration of Senior Management (EMBA). Mr. Bai successively served as the deputy chief of the credit section and the industrial and commercial credit section under the business department of the Three Gorges Project Branch of China Construction Bank, the deputy principal officer of credit management department of Three Gorges Branch of China Construction Bank, the principal officer and deputy manager of the credit investment department of Three Gorges Finance Co., Ltd., a member of the preparatory team of Changxin Fund Management Company, deputy manager of planning and finance department of Three Gorges Finance Co., Ltd., the head of corporate issuance and listing business of capital operation department of China Yangtze Power Co., Ltd., the assistant to the general manager and deputy general manager of Three Gorges Finance Co., Ltd., the manager of finance department of China Yangtze Power Co., Ltd., a director, deputy general manager and chief accountant of Hubei Energy Group Co., Ltd., the general manager and deputy secretary of the Party Committee of Hubei Energy Group Limited and an executive director of Hubei Qingjiang Hydropower Development Company (湖北清江水電開發公司), a member of the Party Committee and financial controller of China Yangtze Power Co., Ltd., the director of capital operation department of China Three Gorges Corporation and a member of the Party Committee and financial controller of China Yangtze Power Co., Ltd., the director of strategic development department and director of strategic planning department of China Three Gorges Corporation (served concurrently as director of the office of board of directors and supervisors, and director of offshore wind power office). He has been the chief accountant and a member of the Party Committee of Dongfang Electric Corporation since May 2018. He served as the chairman of Supervisory Committee of the Company from June to October 2018. He has been the chief accountant and Director of the Company since 9 October 2018 and 4 December 2018 respectively. He holds the titles of senior economist and senior accountant.</p>
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DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
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Gu Dake	born in March 1954, has been an independent non-executive Director of the Company since 28 June 2015, is a professor-level senior engineer with a bachelor's degree. Mr. Gu has held positions including the specialized person-in-charge of the boilers, the person-in-charge of the production arrangement division, deputy chief engineer and the head of the repair division of Tianjin Ji County Power Plant; the chief engineer, deputy director and director of Tianjin Panshan Power Plant; the chief engineer and deputy general manager of Beijing Guohua Power Company Limited; the vice president of CLP Guohau Corporation (中電國華電力股份有限責任公司); the member of the Party Committee, deputy general manager and chief engineer of China Power International Holding Limited; the vice president of China Power International Development Limited; the deputy secretary to the Party Committee and deputy general manager of the branch company of China Power Investment Corporation in Northern China; the general manager of Shanxi Zhangze Power Company Limited; the chief operational officer in power generation of China Power Investment Corporation. He also serves as the executive director and president of China Power International Development Limited, and concurrently holds the positions of the general manager, deputy secretary to the Party Committee of China Power International Holding Limited and others.
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Xu Haihe	born in February 1955, has been an independent non-executive Director of the Company since 28 June 2015, is an MBA degree holder and senior accountant. Mr. Xu ever served for China National Electronic Materials Corporation as deputy head of financial management division, head of financial management division, general manager assistant and head of finance division, head of auditing division, deputy general manager, member of party group, general manager (legal representative) and secretary of party group; worked for China Electronics Corporation as deputy general manager of finance department and director of finance department, concurrently served for China Electronics Financial Co., Ltd. as director and the chairman (legal representative) and for China Electronics Corporation as general economist and worker's director.
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DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Liu Dengqing	born in November 1970, has been an independent non-executive Director of the Company since 29 June 2018, is PhD degree holder in management. He had successively served China Enterprise Appraisals Consultation Co., Ltd as the chief appraiser, the vice president and chief appraiser, the senior vice president and chief appraiser, the president and chief executive officer, the secretary of the Party branch as well as the president and chief executive officer. In particular, Mr. Liu served as a member of the tenth and eleventh Issuance Verification Committee of the China Securities Regulatory Commission (“CSRC”) from May 2008 to May 2010, and a member of the fourth and fifth Merger and Reorganization Committee of CSRC from May 2012 to May 2016. He is currently an executive director of China Appraisal Society, the vice chairman of Beijing Assets Appraisal Association (北京資產評估協會).

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

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

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
Fu Haibo	born in November 1964, now acts as a Supervisor of the Company, and director of the patrol working office of Dongfang Electric Corporation. He graduated from the economics department of Zhejiang University, majoring in political economics with a master's degree of economics. In May 1993, he joined Dongfang Electric Corporation and successively served as staff of business administration office and staff, deputy chief, director assistant and vice director of the asset management office, chief of the strategic development department, deputy head of the discipline inspection group and chief of the discipline inspection and supervision department of Dongfang Electric Corporation and chief of the human resources department of the Dongfang Electric Corporation Limited. From May 2004 to July 2006, he served as director of Dongfang (Guangzhou) Heavy Machinery Co., Ltd.. From December 2005 to January 2007, he served as director of Dongfang Electric Machinery Co., Ltd. From March 2017 to April 2018, he has been serving as deputy head of the discipline inspection group, chief of the discipline inspection and supervision department and director of the patrol working office, Deputy Secretary of the Party Committee directly under the headquarters, Secretary of Discipline Inspection Commission of Dongfang Electric Corporation and chief of the discipline inspection and supervision department of Dongfang Electric Corporation Limited. Serving as the Director of Patrol Inspection Office from March 2017 till now, he was appointed as a Supervisor of the Company in December 2017 to present. He holds the title of senior economist.
Zeng Yi	born in January 1970, is currently a Supervisor of the Company, the head of the audit division of both Dongfang Electric Corporation and Dongfang Electric Corporation Limited. He graduated from Shanghai University of Finance and Economics majoring in international finance of the world economics department and obtained the bachelor's degree in economics. Since his admission to Dongfang Boiler Factory (東方鍋爐廠) in July 1991, he had been an employee of the finance and accounting division of Dongfang Boiler Factory; an accountant and the assistant to the head of the finance division, the deputy head and head of the division of finance, accounting and pricing and Party branch secretary of Dongfang Boiler (Group) Co., Ltd. (東方鍋爐(集團)股份有限公司); the deputy head and head of Finance Department of Dongfang Electric Corporation Limited; and the head of Asset and Finance Department of Dongfang Electric Corporation. In particular, Mr. Zeng concurrently served as a supervisor of Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. (東方電氣(廣州)重型機器有限公司) from August 2008 to January 2011. Since October 2017, he has been serving as the head of the audit division of both Dongfang Electric Corporation and Dongfang Electric Corporation Limited. He has also been serving as a Supervisor of the Company since November 2017. He holds the title of senior accountant.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

<u>Name</u>	<u>Principal working experience</u>
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Gong Dan	born in January 1963, currently acts a secretary to the Board of the Company, and concurrently serves as secretary to the board of directors of Dongfang Electric Corporation, Secretary of the Party Committee directly under the headquarters, president of the CPC School and Dean of the Management Academy. He graduated from Department of Mechanics of Anhui Industrial University majoring in casting and equipment and obtained a bachelor's degree of engineering. He joined DFEW in September 1983 and mainly involved in production technology, corporate management, management of young workers and the running of the organization department. He had been deputy secretary and secretary to the Youth League Committee, officer of the Young Workers' Office, and deputy head and head of Organization Department. From November 1999 to October 2007, he also worked as an executive director, deputy general manager and secretary to the board of directors of Dongfang Electric Machinery Company Limited. He has been chief accountant and secretary to the Board of Directors of Dongfang Electric Corporation Limited since October 2007 to September 2018. He has also concurrently served as the chief law consultant of Dongfang Electric Corporation Limited since June 2011 to August 2018. He concurrently served as a director of Dongfang Boiler Group Co., Ltd. from July 2008 to May 2017 and a director of DEC Dongfang Steam Turbine Co. Ltd. from July 2008 to October 2017. He concurrently served as secretary to the Party Committee of Sichuan Dongfang Electronic Auto-control Co., Ltd. from June 2017 to February 2018 and secretary to the board of directors of Dongfang Electric Corporation since December 2017. Since October 2007 till now, he has served as the Secretary of the Board of Directors of the Company; since September 2018 till now, he has served as Secretary of the Party Committee directly under the headquarters, president of the CPC School and Dean of the Management Academy; Mr. Gong holds the title of senior engineer, senior accountant and senior titles.
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DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
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Zhang Zhiying	born in December 1960, is currently an executive vice president of the Company. Mr. Zhang graduated from Xi'an Jiao Tong University with a bachelor's degree of engineering in turbine thermal turbo machinery and from University of Electronic Science and Technology of China with a doctor degree of management in enterprise management. From August 1982 to December 1999, he had been assistant engineer, engineer and team leader of the main unit team of Design Department, Deputy Head of Product Service Division of Product Design and Experimental Institution, deputy officer of the main unit office of Product Design and Experimental Institution, deputy officer and senior engineer of Steam Turbine Office of Design Department, deputy head and deputy chief economist of Operation Department of Dongfang Turbine Works; he had been the chief economist of Dongfang Turbine Works from December 1999 to December 2006, a director and general manager of DEC Dongfang Steam Turbine Co. Ltd. from December 2006 to October 2007, the vice president of Dongfang Electric Corporation Limited and a director and the general manager of DEC Dongfang Steam Turbine Co. Ltd. from October 2007 to June 2010; he has been an executive vice president of Dongfang Electric Corporation Limited since June 2010. Mr. Zhang holds the title of senior engineer.
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Han Zhiqiao	born in October 1958, is currently a vice president of the Company. He graduated from the faculty of Hydro works of Shanxi college of Technology with a Bachelor's degree in engineering and majored in hydroelectric power generating equipment. He attended the MBA course jointly held by Southwest Jiaotong University and University of South Australia and obtained MBA degree. He joined DFEW in August 1983 and has long been engaged in product sales and technological services. He had been the deputy section head, section head, deputy department head, assistant to the general manager of the Sales Service Department of Dongfang Electric Machinery Company Limited from December 1992 to November 1999, and had been executive director and deputy general manager, director and general manager, vice chairman and general manager of Dongfang Electric Machinery Company Limited from November 1999 to October 2007. He had been vice president of Dongfang Electric Corporation Limited and director and general manager of Dongfang Electric Machinery Company Limited from October 2007 to December 2010. He has been the vice president of Dongfang Electric Corporation Limited since December 2010, and he concurrently served as the general manager of the Engineering Branch Company of Dongfang Electric Corporation Limited from December 2010 to June 2011. He has also concurrently served as the general manager and secretary of the Party committee of the International Engineering Branch Company of Dongfang Electric Corporation Limited from June 2011 to October 2016. He has been appointed as the chairman of Dongfang Electric (India) Company Limited from May 2014 to December 2016. He has been the vice president of the Company since October 2007 up to present. Mr. Han holds the title of senior engineer.
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DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

(II) Biographies of existing Directors, Supervisors and senior management and those retired during the Reporting Period (Continued)

Name	Principal working experience
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Chen Huan	born in November 1961, with US nationality, is currently the vice president of the Company. He graduated from the Beijing University with a bachelor's degree majoring in physics, from the University of Science and Technology Beijing with a master's degree majoring in physics of metals, and from the University of Virginia with a doctor's degree in materials science and engineering. From 1993 to 1994, he worked as a postdoctoral researcher in the Center of Materials Development at the University of Massachusetts. From 1995 to 2000, Mr. Chen acted as marketing manager of Marketing Department, chief sales executive of Sales Department, business manager of Foreign Joint Venture Department in Siemens Westinghouse, a US subsidiary of Siemens. From 2000 to 2004, he served on behalf of Siemens as vice president of Shanghai Turbine Co., Ltd, a joint venture company. From 2004 to 2009, Mr. Chen worked as Executive Vice President in Shanghai Electric Power Corporation. He has been the vice president of Dongfang Electric Corporation Limited since June 2009. He has also served as the general manager of Power Station Service Division in Dongfang Electric Corporation Limited from December 2009 to March 2011. In 2011, he was included in the national "Thousand Talents Plan" and was awarded as a "Distinguished Expert of State Level" by the Organizing Department of CCCPC and the Ministry of Human Resources and Social Security of the People's Republic of China under the State Council on the same year.
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Gao feng	born in January 1964, is currently the vice president of the Company and concurrently serves as general manager of Nuclear Power Division of the Company and director of the civil-military integration Office/military Office of the group company. He graduated from Electrical Engineering Department of University of Chongqing where he majored in electric machinery and obtained a bachelor degree of engineering. He obtained an MBA degree from Southwest Jiaotong University majoring in business management. He started his career in August 1984, and held various positions in DFEW such as technician, engineer, Deputy Station Head of Quality Inspection Office from August 1984 to April 1995. Mr. Gao served as Deputy Section Head, Section Head, Deputy General Quality Controller and Deputy Department Head of Dongfang Electric Machinery Company Limited from April 1995 to February 2001. He had been Deputy Chief Economist of DFEW and General Manager of Dongfang Electrical Appliance Company (東電電器公司) from February 2001 to January 2002 and Assistant to General Manager of Dongfang Electric Machinery Company Limited from January 2002 to November 2002. He had been executive director and Deputy General Manager of Dongfang Electric Machinery Company Limited from November 2002 to June 2005, and Assistant to General Manager and General Manager of Nuclear Power Division of Dongfang Electric Corporation from June 2005 to January 2008. He had been Assistant to President and General Manager of Nuclear Power Division of Dongfang Electric Corporation Limited from January 2008 to June 2010, and Vice President of and General Manager of Nuclear Power Division of Dongfang Electric Corporation Limited from June 2010 to December 2010. He has been a Chairman of Dongfang Electric Wind Power Co. LTD (東方電氣風電有限公司) from March 2015 to December 2016. He has been Vice President of Dongfang Electric Corporation Limited since December 2010. Mr. Gao holds the title of senior engineer.
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DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

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

(I) Positions held in shareholders entities

Name	Name of shareholders entities	Positions held in shareholders entities	Commencement of term of office	Expiry of term of office
Zou Lei	Dongfang Electric Corporation	Secretary of the Party Committee, Chairman	May 2016	Until now
Huang Wei	Dongfang Electric Corporation	Secretary of the Party Committee, Deputy general manager	September 2008	Until now
Xu Peng	Dongfang Electric Corporation	Director of secretary of the Party Committee, Deputy general manager	September 2017	Until now
Zhang Jilie	Dongfang Electric Corporation	Member of the Party Committee, Deputy general manager, Chief law consultant,	September 2017	Until now
Bai Yong	Dongfang Electric Corporation	Member of the Party Committee, chief Accountant,	May 2018	Until now
Wen Limin	Dongfang Electric Corporation	Member of the Party Committee, chief accountant	September 2005	March 2018
Gong Dan	Dongfang Electric Corporation	Secretary to the Board	December 2017	Until now
Fu Haibo	Dongfang Electric Corporation	Director of patrol office	March 2017	Until now
Zeng Yi	Dongfang Electric Corporation	Head of Audit Department	November 2017	Until now

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

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

II. REMUNERATIONS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Decision-making procedures for the remuneration of Directors, Supervisors and senior management	Remuneration of Directors, supervisors and senior management of the Company will be assessed by the Remuneration and Assessment Committee of the Board and considered and approved on the Board meeting and submitted to the annual general meeting for Consideration and approval.
Basis of determination for the remuneration of Directors, Supervisors and senior management	Remuneration of senior management of the Company is determined based on the operating performance, job responsibilities and the results of annual performance.
Remuneration payable to Directors, Supervisors and senior management	Please refer to table above about “changes in the shareholding and remuneration of Directors, Supervisors and senior management”.
Total remuneration actually paid to Directors, Supervisors and senior management as at the end of the Reporting Period	During the Reporting Period, there were a total of 16 members of Directors, Supervisors and senior management. The remuneration actually received by 4 independent Directors, 2 supervisors and 5 senior management of the Company was RMB3,834,300 (before tax) in total during the Reporting Period.

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

Name	Position	Change situation	Reasons for changes
Zhang Xiaolun	Former Director and Former President	Resignation	Job reallocation
Wen Limin	Former Director, Chairman of Supervisory Committee	Resignation	Job reallocation
Xu Peng	Senior Vice President	Appointment	Appointed by the Board
Zhang Jilie	Senior Vice President	Appointment	Appointed by the Board
Bai Yong	Chairman of Supervisory Committee	Elected at the general meeting	Elected at the general meeting and appointed by the Supervisory Committee
Bai Yong	Director, Chief Accountant	Elected at the general meeting	Elected at the general meeting and appointed by the Board
Chen Zhangwu	Former Independent director	Resignation	Retirement
Liu Dengqing	Independent director	Elected at the general meeting	Elected at the general meeting
Gong Dan	Chief Accountant	Resignation	Job reallocation

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

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

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

Since 9 October 2018, Mr. Zhang Xiaolun no longer served as a Director and the president of the Company due to job reallocation.

Since 28 June 2018, Mr. Chen Zhangwu no longer served as an Independent Director of the Company due to retirement.

Since 9 October 2018, Mr. Zhang Jilie no longer served as a Director and senior vice president due to job reallocation; On 4 December 2018, Mr. Zhang Jilie was elected as a supervisor and the Chairman of Supervisory Committee at the 2018 first extraordinary general meeting.

Since 9 October 2018, Mr. Bai Yong no longer served as a Director and the chairman of supervisory committee due to job reallocation; Appointed by the board of directors at the 5th meeting of the ninth session of the Board, he holds the position of chief accountant of the Company; on 4 December, he was elected as a Director of the Board at the 2018 first extraordinary general meeting.

Since 9 October 2018, Mr. Gong Dan no longer served as the chief accountant of the Company due to job reallocation.

Due to the changes in the eighth Board of Directors and supervisory committee, after the election of the 2018 shareholders' general meeting and the first extraordinary general meeting in 2018, and the election and appointment at the first meeting of the ninth session of the Board of Directors and supervisory committee, the current members of the Board of Directors are: Zou Lei, Huang Wei, Xu Peng, Bai Yong, Gu Dake, Xu Haihe and Liu Dengqing; the members of the supervisory committee are Zhang Jilie, Fu Haibo and Zeng Yi; the senior management are Gong Dan, Zhang Zhiying, Han Zhiqiao, Chen Huan and Gao Feng.

The Company hereby expresses its high regard and sincere gratitude for contributions of Mr. Zhang Xiaolun, Mr. Wen Limin, Mr. Chen Zhangwu to the Company during their tenure of services.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

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

No

V. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Information on employees

	2018
The number of employees on register of the Company	806
The number of employees on register of principal subsidiaries	16,802
Total	17,608
The number of retired employees whose expenses shall be assumed by the Company and principal subsidiaries	13,968

Professional composition

Category of professional structure	2018 Headcount
Production	8,388
Sales	621
Technical	7,043
Financial	391
Administrative	1,165
Total	17,608

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

V. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES (CONTINUED)

(I) Information on employees (Continued)

Background education

<u>Category of background education</u>	<u>2018 Headcount</u>
Master degree and above	1,686
Bachelor degree	6,554
Tertiary degree	4,003
Technical middle school and below	5,365
Total	17,608

(II) Number of Employees and Remuneration

During the reporting period, the average number of employees at the Company was 17,988, and the average number of labor dispatch personnel was 1,494. The total amount of remuneration paid to the employees during the year was RMB2.2066 billion, and the total amount of remuneration paid to the labor dispatch personnel during the year was RMB94.84 million.

(III) Remuneration Policy

During the Reporting Period, the Company continued to optimize and adjust the rules for the regulation of the total wages of enterprises, managed total wages on an enterprise-by-enterprise basis strictly in accordance with the principle of “determining remuneration based on performance”, implemented regulation around “two dimensions (total wages and average wage per person) and three categories (increase/reduce profits, go from losses to profits\profits to losses, and reduce\increase losses)”, and explored linking total wages to performance scores and profit per employee. Guided by the principle of “performance determining allocation”, the Company’s subsidiaries continued to optimize their internal assessment mechanisms that linked pay to performance in the light of the actual situation of their own reform and development, effectively motivating business units to create profits. Starting with the reform of remuneration allocation for employees at the functional departments of the headquarters, the Company carried out a new round of income allocation reform. The Company met the reform goals of further rationalizing the remuneration scheme, sorting out the salary structure, making the salary management process more transparent and exercising overall control over reform costs. Some of the Company’s affiliated enterprises actively optimized or restructured their salary management systems, and solved the problem of mismatch between pay and performance for some positions by comparing with benchmark counterparts, applying compulsory grading in performance management and setting salary grades based on positions, preliminarily realizing market-oriented compensation management.

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

V. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES (CONTINUED)

(IV) Training Programs

During the Reporting Period, the Company continued to optimize and adjust the employee training system both online and offline. The parent company's online and offline employee training system construction plan and key project implementation plan have taken shape. The Company further strengthened the management of training programs, improved management modes for the preparation and implementation of training programs of various levels and types, and rigorously reviewed the management school's unified training program and professional training program for 2018 and the Company's employee training program with a focus on supervising and inspecting the implementation of the programs. The Company actively cooperated with government platforms in an effort to obtain funding for overseas training, stepped up overseas training for personnel with technical skills, and selected a total of 22 outstanding skilled personnel for participation in eight overseas training projects organized by the Ministry of Industry and Information Technology, the State-owned Assets Supervision and Administration Commission, etc. The Company's affiliated enterprises continuously diversified the forms of training with demand for talent cultivation top of mind, with some enterprises achieving remarkable results in creating quality training projects. By doing so, the Company's affiliated enterprises have improved the competence and quality of their workforce as a whole to secure the talents needed to sustain their development.

VI. OTHERS

(I) Core Technical Team or Key Technicians of the Company

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

(II) Directors' and Supervisors' Service Contracts

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

I. EXPLANATION ON MATTERS REGARDING CORPORATE GOVERNANCE

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

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

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

I. In relation to shareholders and general meetings

The Company is able to treat all shareholders equally with due respect and protect their interests. In particular, non-controlling shareholders are entitled to their status and fully exercise their rights with their legal interests being protected. The Company ensures that shareholders are entitled to their right of access to information and right to participate in decision-making in respect of material events of the Company as required by laws and administrative rules and regulations.

By strictly following the relevant requirements for convening and holding general meetings set out in the Articles of Association and the Rules for Procedure of the General Meeting, related persons are arranged to abstain from voting on connected transactions, so as to ensure that connected transactions are open, equal and fair. During the Reporting Period, the Company held two general meetings which were witnessed by lawyers with their legal opinions issued in such respect.

II. In relation to Directors and the Board of Directors

The ninth session of Board of Directors of the Company consists of 7 Directors, of which 3 are independent non-executive Directors. The Board has set up the Strategic Development Committee, the Audit and Review Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Risk Management Committee.

CORPORATE GOVERNANCE (CONTINUED)

I. EXPLANATION ON MATTERS REGARDING CORPORATE GOVERNANCE (CONTINUED)

II. In relation to Directors and the Board of Directors (Continued)

All the Directors are familiar with relevant laws and regulations as well as their responsibilities, rights and obligations, and are able to fully express opinions on the matters discussed. All Directors are able to perform their duties in an honest, faithful and diligent manner and in the interests of the Company and all Shareholders as a whole. The Company convened the Board meetings in strict accordance with statutory procedures. During the Reporting Period, a total of 15 Board meetings were convened.

III. In relation to Supervisors and the Supervisory Committee

The ninth session of Supervisory Committee of the Company comprises 3 Supervisors, of which 2 are shareholders representative Supervisors and 1 is staff representative Supervisor. Upholding the principle of being responsible to all shareholders of the Company, the Supervisory Committee supervised and inspected the legal compliance of the Company's operations, financial affairs and investments of the Company and maintained the legitimate interests of the Company and all its shareholders in accordance with the Company Law, the Securities Law as well as the requirements of the Articles of Association and Rules of Procedure of the Supervisory Committee. During the Reporting Period, the Supervisory Committee held a total of 7 meetings.

IV. In relation to stakeholders

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

There had no material discrepancy between corporate governance and relevant requirements of CSRC.

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

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

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

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

Corresponding solutions, working progress and subsequent working plans of the Company in case of inter-industry competition. There had no inter-industry competition for the Company during the Reporting Period.

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

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

V. DISCLOSURE OF SELF-ASSESSMENT REPORT ON INTERNAL CONTROL

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

VI. EXPLANATION OF AUDIT REPORT ON INTERNAL CONTROL

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

Whether the Audit Report on Internal Control is disclosed: Yes

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT

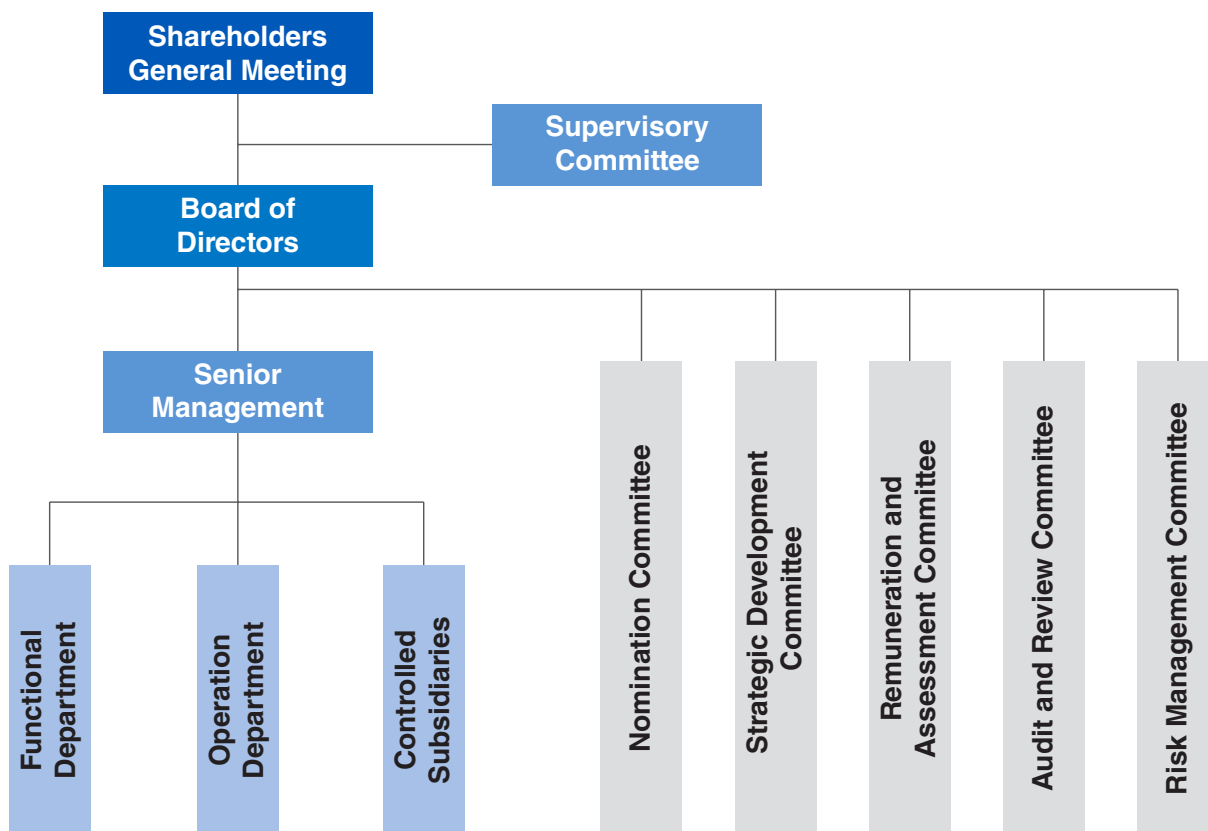
Corporate governance practices

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

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

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

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



CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

I. General Meeting

As the highest authority of the Company, the general meeting performs its functions and power in determining the material events of the Company under the laws. The annual general meeting or extraordinary general meeting provides a direct communication channel for the Board and the shareholders. Hence, the Company regards highly of the shareholders' general meetings. Notice of meetings will be delivered 45 days before convening. All Directors and members of senior management are requested to attend as far as possible. The Company encourages all shareholders to attend the shareholders' meeting and welcomes shareholders to express their opinions in the meeting. The details of the shareholders' general meeting of the Company in 2018 are as follows:

Session of Meeting	Date	Resolutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
2017 annual general meeting	29 June 2018	The following resolutions were considered at the meeting by way of ordinary resolution:		www.sse.com.cn	30 June 2018
		1. Work Report of the Board of the Company for 2017	Approved		
		2. Work Report of the Supervisory Committee of the Company for 2017	Approved		
		3. After-tax Profit Distribution Plan of the Company for 2017	Approved		
		4. Audited Financial Report of the Company for 2017	Approved		
		5. To consider and approve the appointment of BDO China Shu Lun Pan Certified Public Accountants LLP as the auditor of the Company to audit the Company's financial statements for the year 2018 and authorise the board of directors of the Company to determine its remuneration	Approved		
		6. To elect Mr. Bai Yong as the member of the ninth session of the Supervisory Committee of the Company	Approved		
		7. To elect Mr. Fu Haibo as the member of the ninth session of the Supervisory Committee of the Company	Approved		

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

I. General Meeting (Continued)

Session of Meeting	Date	Resolutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
		8. To consider and approve the remuneration of the members of the ninth session of the Board	Approved		
		9. To consider and approve the remuneration of the members of the ninth session of the Supervisory Committee	Approved		
		10. To elect the non-independent directors of the ninth session of the Board (by way of cumulative voting)	Approved		
		The following resolutions were considered at the general meeting by way of special resolution:			
		1. To consider and approve the amendment on the Articles of Association	Approved		
		2. To consider and approve the amendment on the number of the Board members in the Articles of Association.	Approved		
2018 first extraordinary general meeting	4 December 2018	The following resolutions were considered at the meeting by way of ordinary resolution:		www.sse.com.cn	5 December 2018
		1. To elect Mr. Zhang Jilie as the member of the ninth session of the Supervisory Committee of the Company	Approved		
		2. To elect Mr. Bai Yong as the non-independent Director of the ninth session of the Board of the Company	Approved		

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

II. Board of Directors

(I) *Division of Responsibilities*

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

(II) *Composition*

The ninth session of Board is composed of 7 Directors, of which 3 are independent non-executive Directors, representing one third of all Directors. The three independent non-executive directors of the Company are Mr. Gu Dake and Mr. Xu Haihe and Mr. Liu Dengqing, and the remaining Directors of the Company are Mr. Zou Lei, Mr. Huang Wei, Mr. Xupeng and Mr. Bai Yong; the Chairman of the Company is Mr. Zou Lei. This session of Board is the ninth session of the Board since the establishment of the Company, the term of which is expected to end on 28 June 2021.

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

II. Board of Directors (Continued)

(II) Composition (Continued)

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

(III) Policy concerning diversity of Board members

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

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

(IV) Corporate governance functions

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

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

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

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

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

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

II. Board of Directors (Continued)

(V) Directors

The election of Directors

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

Directors' responsibilities and duties

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

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

Securities transactions by Directors

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company as set out in the Model Code. Having made specific enquiry to all directors and supervisors of the Company, the Company confirms that, as of 31 December 2018, all Directors and Supervisors of the Company had complied with the provisions regarding the securities transactions by directors and supervisors as set out in the Model Code.

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

Director's service contract

The Company has entered into separate service contracts with each Director of the ninth session of the Board. The terms of appointments of Directors (including non-executive Directors) should refer to the section headed "Directors, Supervisors, Senior Management and Employees" of this annual report.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

II. Board of Directors (Continued)

(VI) Meeting of the Board of Directors

During the Reporting Period, 15 Board meetings were convened by the Company with the attendance rate of 100% (including attendance by proxy) to discuss the investment plan, business and financial performance. The Board meetings can effectively produce quick and prudent decisions by effective discussion. The independent non-executive Directors of the Company had no objection to the Company's decisions.

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

Name	Independent Director or not	Required attendance during the year	Attendance at the Board meetings				Absence	Absence in person for twice consecutively	Attendance at general meetings
			Attendance in person	Attendance by communication equipment	Attendance by proxy	Attendance at general meetings			
Zou Lei	No	15	5	9	1	0	No	1	
Zhang Xiaolun	No	11	3	7	1	0	No	0	
Huang Wei	No	15	5	9	1	0	No	1	
Xu Peng	No	15	6	9	0	0	No	0	
Zhang Jilie	No	11	3	7	1	0	No	0	
Bai Yong	No	1	1	1	0	0	No	0	
Gu Dake	Yes	15	6	9	0	0	No	0	
Xu Haihe	Yes	15	6	9	0	0	No	1	
Liu Dengqing	Yes	9	2	7	0	0	No	0	

Number of Board meetings convened during the year	15
Among which: number of meetings convened on-site	6
Number of meetings convened by communication equipment	9
Number of meetings convened by a combination of the above two means	0

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

II. Board of Directors (Continued)

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

III. Special committees of the Board

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

(I) *Audit and Review Committee*

The main duties of the Audit and Review Committee are:

- ① supervise and assess the work of the external audit institutions, and propose to appoint or change external audit institutions;
- ② guide the internal audit work and supervise the internal audit system of the Company and its implementation;
- ③ review the financial information of the Company and its disclosure, and review the interim and annual financial statements before submitting to the Board;
- ④ coordinate the communication between the management, internal audit department and relevant departments and external audit institutions;
- ⑤ examine the internal control system of the Company and assess its effectiveness;
- ⑥ examine the major connected transactions of the Company;
- ⑦ review the letter from the external auditor to the management and the feedback of the management.

The members of audit and review committee under the ninth session of the Board of the Company comprise of independent non-executive Directors of the Company, including Mr. Xu Haihe (chairman), Mr. Gu Dake and Mr. Liu Dengqing. Due to the change of the session of the eight session of the Board of Directors, Director Chen Zhangwu has ceased to be the member of the audit and review committee since 28 June 2018.

In 2018, the audit and review committee held a total of 6 meetings, at which resolutions including the Audited Financial Report of the Company for 2017, the Unaudited First Quarterly Financial Report of the Company for 2018, the Unaudited Interim Financial Report of the Company for 2018, the Unaudited Third Quarterly Financial Report of the Company for 2018, and the resolutions on the Selection of the Annual Auditors were considered and approved.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

III. Special committees of the Board (Continued)

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

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

Name	Position	Required attendance in 2018	Actual Attendance
Xu Haihe (Independent non-executive Director)	Chairman of the committee	6	6
Gu Dake (Independent non-executive Director)	Member	6	6
Liu Dengqing (Independent non-executive Director)	Member	3	3
Chen Zhangwu (former independent non-executive Director)	Former Member	3	3

(II) *Strategic Development Committee*

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

The members of the strategic development committee under the ninth session of Board of directors comprise of Mr. Zou Lei (chairman), Mr. Zhang Xiaolun and Mr. Xu Peng, and Mr. Gu Dake, an independent non-executive Director. Since 9 October 2018, Mr. Zhang Xiaolun has ceased to serve as a member of the Strategic Development Committee of the Board due to job transfer.

During the Reporting Period, the company was no Strategic Development Committee meetings being held.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

III. Special committees of the Board (Continued)

(III) *Remuneration and Assessment Committee*

The main duties of the Remuneration and Assessment Committee are:

- ① to formulate remuneration plan or scheme for directors and senior management based on their work scope, duties and importance;
- ② to make recommendations to the Board on the Company's policy and structure for all remuneration of Directors and senior management and on the establishment of a formal and transparent procedure for developing such remuneration policy;
- ③ to review and approve the management's remuneration proposals by reference to the corporate goals and objectives set by the Board;
- ④ to make recommendations to the Board on the remuneration of independent non-executive Directors;
- ⑤ consider the remuneration paid by similar companies, the time commitment, job duties and the employment conditions for other positions in the Group;
- ⑥ examine the duty performance of Directors and senior management, and conduct annual performance appraisal;
- ⑦ review and approve compensation payable to non-independent Directors and senior management for any loss or termination of office or appointment to ensure that it is consistent with contractual terms and is otherwise fair, reasonable and not excessive;
- ⑧ review and approve compensation arrangements relating to dismissal or removal of Directors for misconduct to ensure that they are consistent with contractual terms and are otherwise reasonable and appropriate;
- ⑨ be responsible for supervising the implementation of the remuneration system of the Company;
- ⑩ other matters authorized by the Board.

The members of the Remuneration and Assessment Committee under the ninth session of Board of Directors comprise of independent non-executive Directors Mr. Gu Dake (Chairman), Mr. Xu Haihe, Mr. Liu Dengqing and Director Mr. Huang Wei. Since 28 June 2018, Mr. Chen Zhangwu and Mr. Zhang Xiaolun the two Directors no longer served as the members of the Remuneration and Assessment Committee due to the general election of the Board.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

III. Special committees of the Board (Continued)

(III) Remuneration and Assessment Committee (Continued)

During the year of 2018, the Remuneration and Assessment Committee convened 3 meetings to mainly consider and approve the Report on Remuneration of Directors, Supervisors and Senior Management of the Company for 2017, the Resolution on the Deliberation of the Performance Assessment Results of the Company's Senior Executives in 2017, the Resolution on the Deliberation of the Performance Appraisal of the Company's Senior Executives in 2018, and the Remuneration of Senior Management of the Dongfang Electric Corporation Limited in 2017 and the Advice on Basic Payment for 2018, etc..

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

Name	Position	Required attendance in 2018	Actual Attendance
Gu Dake (Independent non-executive Director)	Chairman of the committee	3	3
Chen Zhangwu (Independent non-executive Director)	Former Member	2	2
Xu Haihe (Independent non-executive Director)	Member	3	3
Liu Dengqing (Independent non-executive Director)	Member	1	1
Zhang Xiaolun (Director)	Former Member	2	2
Huang Wei (Director)	Member	1	1

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

III. Special committees of the Board (Continued)

(IV) Risk Management Committee

The main duties of the Risk Management Committee are:

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

The members of Risk Management Committee under the ninth session of Board of Directors comprise of Directors Mr. Zhang Xiaolun (chairman) and Mr. Zhang Jilie and independent non-executive Directors Mr. Gu Dake, Mr. Xu Haihe and Mr. Liu Dengqing. Since 28 June 2018, Mr. Huang Wei, a Director no longer served as a member of the Remuneration and Assessment Committee due to the general election of the Board; Since 9 October 2018, Mr. Zhang Xiaolun, a Director no longer served as a member of the Remuneration and Assessment Committee due to job relocation.

During the year of 2018, the Risk Management Committee convened 1 meeting to consider and approve the Report on the Assessment of Internal Control of Dongfang Electric Corporation Limited for 2017 and agreed to submit the same to the Board of Directors for consideration.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

III. Special committees of the Board (Continued)

(IV) Risk Management Committee (Continued)

Members of the Risk Management Committee and attendance at its meeting

Name	Position	Required attendance in 2018	Actual Attendance
Zhang Xiaolun (Director)	Former chairman	0	0
Huang Wei (Director)	Formal Member	1	1
Zhang Jilie (Director)	Member	1	1
Gu Dake (Independent non-executive Director)	Member	0	0
Xu Haihe (Independent non-executive Director)	Member	1	1
Liu Dengqing (Independent non-executive Director)	Member	0	0

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

III. Special committees of the Board (Continued)

(V) *Nomination Committee*

The main duties of the Nomination Committee are:

- ① review the structure, composition and diversification (including but not limited to gender, age, cultural and educational background, ethnics, skills, knowledge, term of service and experience) of the Board and senior management at least once a year according to the operating activities, asset scale and shareholding structure of the Company, and make recommendations in respect of any proposed changes on the Board to be in line with the corporate strategies;
- ② study the criteria and procedures for selection of Director and senior management and make recommendations to the Board;
- ③ review the qualification of candidates for Directors and senior management and make recommendations on this;
- ④ formulate policy for nomination of Directors to identify individuals suitably qualified to become members of the Board, and select and nominate such individuals to serve as Directors or make recommendations to the Board on this. When the committee identifies suitable individuals, it shall take into account the strength of such individuals and objective criteria with due regard to the benefits of diversity on the Board;
- ⑤ assess the independence of independent non-executive Directors;
- ⑥ review the implementation of the Board diversity policy, review the diversity policy as and when appropriate, and review the measurable target set by the Board for the implementation of the Board diversity policy and its progress and make recommendations to the Board;
- ⑦ make recommendation to the Board on the appointment and re-appointment of directors and the succession plan of directors (in particular the Chairman and the president of the Company) in accordance with the corporate strategy of the Company, the techniques, knowledge and experience that meet future need and the diversification of the Board.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

III. Special committees of the Board (Continued)

(V) Nomination Committee (Continued)

The members of nomination committee of the ninth session of Board of Directors comprise of independent non-executive directors Mr. Liu Dengqing (chairman), Mr. Gu Dake and Mr. Xu Haihe and Chairman Mr. Zou Lei. Since 28 June 2018, Mr. Chen Zhangwu, a non-executive Director no longer served as the chairman of the nomination committee due to the general election of the Board.

During the year of 2018, the Nomination Committee convened 2 meetings to consider resolution on the nomination of associate president of the company and the nomination of candidates for the ninth Board of Directors of the company. At the meeting, president of the company, senior associate president of the company, and candidates of associate president recommended by Controlling Shareholder were reviewed and came to the conclusion that the recommendation gave full play to the advantages of such candidates, took the board diversity policy into account (including, but not limited to the gender, age, culture, educational background, ethnics, expertise, knowledge, term of service and experience) and conformed with reasonable recommendation procedure and structure.

Members of the Nomination Committee and attendance at its meeting

Name	Position	Required attendance in 2018	Actual Attendance
Chen Zhangwu (Independent non-executive Director)	Former Chairman of the Committee	2	2
Liu Dengqing (Independent non-executive Director)	Chairman of the committee	0	0
Gu Dake (Independent non-executive Director)	Member of the committee	2	2
Xu Haihe (Independent non-executive Director)	Member of the committee	2	2
Zou Lei (Chairman)	Member of the committee	2	2

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

IV. Duties of the Management Team

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

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

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

V. Secretary to the Board

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

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

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

VII. Information Disclosure and Investor Relation Management

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

As for information disclosure, in order to enable the investors to understand the Company's operation conditions, the Company made meticulous organization and careful arrangement to strengthen coordination of information disclosure work, analyze and identify keys and difficulties and make effective communication with regulatory authorities. Accordingly, the Company finished the disclosure work as required. In 2018, the Company has made information disclosure for approximately 276 times in mainland China and Hong Kong, covering regular reports and temporary announcements.

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

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

VIII. Auditors

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

On 27 April 2018, the Company considered and approved the Proposal on Appointment of Auditor for 2018 at the 28th meeting of the eighth session of the Board of Directors of the Company. The Company intended to re-appointment BDO China Shu Lun Pan Certified Public Accountants LLP (“BDO”) to audit the Company’s financial statements for 2018 and issue the audit report, and to audit the effectiveness of the Company’s internal control in 2018 and issue the audit report in accordance with the relevant regulations of Shanghai Stock Exchange, for a term of one year.

IX. Acknowledgement of the Directors and Auditor

All Directors have acknowledged their responsibilities for preparing the accounts for the year ended 31 December 2018.

BDO China Shu Lun Pan Certified Public Accountants LLP, the auditor of the Company, has acknowledged its reporting responsibilities in the Auditor’s Report of the financial statements prepared under the PRC accounting standards for the year ended 31 December 2018.

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

X. Material changes in the constitutional documents of the Company

- I. Subject to the consideration and approval at the 27th and 29th meetings of the 8th Board of Directors and the 2017 annual general meeting, the Company agreed to make the following amendments to the provisions of the Articles of Association, according to the requirements of “Several Opinions on Upholding the Leadership of the Party and Strengthening the construction of the Party when Deepening the Reform of the State-owned Enterprises” (《關於在深化國有企業改革中堅持黨的領導加強黨的建設的若干意見》), the “the Guidelines on Articles of Association of Listed Companies” (《上市公司章程指引》) of China Securities Regulatory Commission and other regulation documents, with reference to the situation and work requirements of the Company. The major amendments are as follows:
 - (a) Add Article 9. In accordance with the requirements of the Company Law and the Constitution of the Communist Party of China, an organization of the Communist Party of China shall be established under Article 9. The working organs of the Party shall be established, equipped with sufficient staff to deal with Party affairs and provided with sufficient funds to operate the Party organization. The Party committee shall perform the core leadership and core political functions to provide directions, manage overall situations and ensure implementation.
 - (b) Add Article 127. Prior to making decisions on material issues such as the direction of the reform and development of the Company, its main objectives and tasks, and key work arrangement, the board of directors shall seek advice from the Party organisation under Article 127. When the board of directors appoints senior management personnel of the Company, the Party organisation shall first deliberate on the candidates and make recommendations or recommend candidates to the board of directors and the president.
 - (c) Article 118 shall be amended to Article 119, in which the “The Company shall set up a Board, which shall be composed of 9 to 13 directors” shall be amended to “The Company shall set up a Board, which shall be composed of 7 to 11 directors”.
 - (d) After adding Article 9 and Article 127, the corresponding serial numbers of the Articles of Association are adjusted sequentially.

For the details of amendments, please refer to the announcement of the Company dated 29 June 2018.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

X. Material changes in the constitutional documents of the Company (Continued)

- II. Reference is made to (i) the announcement of the Company dated 9 March 2017; (ii) the supplementary announcement of the Company dated 31 August 2017; (iii) the circular of the Company dated 7 November 2017; (iv) the announcement on fulfillment of all conditions in relation to the proposed acquisition dated 9 April 2018; (v) the overseas regulatory announcement dated 13 June 2018 and (vi) the overseas regulatory announcement dated 19 June 2018. On 8 February 2018, the assets acquisition by issuance of shares and connected transactions of the Company had been approved by the CSRC Merger and Reorganisation Vetting Committee. On 1 March 2018, the Company received the Approval in relation to the Acquisition of Assets by Dongfang Electric Corporation Limited from Dongfang Electric Corporation by Issuance of Shares (ZHENG JIAN XU KE [2018] No. 354) issued by the CSRC. Upon the completion of the transaction, the Company has received 753,903,063 additional shares on restriction, and the Company's total registered shares have changed to 3,090,803,431 accordingly. On 12 June 2018, the Company completed the registration and depository procedures of the additional shares. According to the resolutions passed at the 2017 first extraordinary general meeting, the 2017 first A shareholders class meeting and the 2017 first H shareholders class meeting, the contents related to the registered capital and the total number of shares within the Articles of Association of the Company have been amended accordingly. For the details of the amendments, please refer to the announcement of the Company dated 21 August 2018.

The updated Articles of Association of the Company has been uploaded to the website of the Company and that of The Hong Kong Stock Exchange on 21 August 2018.

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

XI. Internal control

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

The Board is responsible for implementing the risk management and internal control systems of the Company and its subsidiaries and reviewing the effectiveness of such systems. The Board assesses and reviews the effectiveness of the risk management and internal control systems and procedures based on the information derived from discussions with the senior management, internal audit team and external auditor and the reports from the internal audit team. Our internal audit team regularly reviews the effectiveness of our Company's material internal controls, including financial, operational and compliance controls and risk management functions according to the audit plans and reports to the Board with its findings and makes recommendations to improve the internal controls of our Company. The Audit and Review Committee has reviewed the comments of external auditors provided at the Audit and Review Committee meetings. In 2018, BDO China Shu Lun Pan was engaged by the Company to review the effectiveness of internal control on the financial report for the year ended 31 December 2018, and issued the audit report on internal control with unqualified opinion.

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

For the year ended 31 December 2018, based on the assessment made by the Audit and Review Committee, the senior management and the internal audit team, the Board reviewed the risk management and internal control systems of the Company and its subsidiaries.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

XII. Dividend Policy

(I) *Dividend Policy*

The company has made clear the cash dividend policy in its articles of association, which stipulates that when the net profit attributable to the shareholders of the Company of the year is positive and the accumulated distributable profit at the end of the year is positive, the dividend can be distributed in cash. Under the condition that the undistributed profit is positive, the accumulated payment of dividend by way of cash for the last three years may not be less than 30% of the Company's average distributable profit for the last three years.

(II) *Historical Dividend*

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

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

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

XII. Dividend Policy (Continued)

(II) Historical Dividend (Continued)

Profit Distribution Scheme for 2018: Audited by BDO China Shu Lun Pan Certified Public Accountants LLP, the net profit attributable to shareholders of the parent Company is RMB1,128,834,236.51 in 2018; The parent company has procured a net profit of RMB963,592,446.45. The Company proposed to distribute a cash dividend of RMB1.10 yuan (before tax) per 10 shares, totaling payment of a cash dividend of RMB339,988,377.41. The company did not convert any capital reserve into share capital nor make any bonus issue. The scheme still needs to be submitted to the 2018 annual general meeting for consideration and approval.

The dividend payment proposal shall be approved by the shareholders at the annual general meeting of shareholders. If approved, the final dividend is expected to be paid to the shareholders listed on the register of members around 26 August 2019. Dividends payable to H-share shareholders of the Company will be paid in Hong Kong dollars. The amount payable in Hong Kong dollars will be calculated on the basis of the average value of the central parity rate between RMB and Hong Kong dollar published by the People's Bank of China in the week preceding the announcement of the payment of final dividend (if approved) at the AGM.

The ordinary share dividend allocation scheme or plan and those for converting capital reserve into share capital for the Company in the past three years (including the reporting period).

Unit: Yuan Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share(s))	Dividend for every 10 shares (RMB) (Tax inclusive)	Number of scrip shares for every 10 shares (share(s))	Total amount of cash dividend (Tax inclusive)	Percentage of dividend to the net profits attributable to shareholders of the Company in the consolidated financial statements for the year	
					Net profits attributable to shareholders of the Company in the consolidated financial statements for the year	of dividend to the net profits attributable to shareholders of the Company in the consolidated financial statements (%)
2018	-	-	-	339,988,377.41	1,128,834,236.51	30.12
2017	-	-	-	-	-	-
2016	-	-	-	-	-	-

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

XII. Dividend Policy (Continued)

(III) *Income Tax or Individual Income Tax on Dividends*

According to the Enterprise Income Tax Law and its implementation rules, both effective on 1 January 2008, before distribution of dividends, the Bank shall withhold and pay enterprise income tax at the rate of 10% for non-resident enterprise Shareholders whose names appear on the Company's register of members for H Shares.

According to the Notice on Issues Concerning Taxation and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348), the Company shall withhold and pay individual income tax for individual holders of the H Shares. If the individual holders of the H shares are Hong Kong or Macau residents or residents of the countries or regions which have an agreed tax rate of 10% under the relevant tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such shareholders.

If the individual holders of the H shares are residents of the countries or regions that have a tax rate lower than 10% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 10% on behalf of such shareholders. If such shareholders claim refund of the amount in excess of the individual income tax payable under the tax treaties, the shareholders can apply by themselves according to the relevant tax treaties for the relevant agreed preferential tax treatment provided that the relevant shareholders submit the relevant documents and information in a timely manner required by the Administrative Rules on Enjoying Treatment under Taxation Treaties by Non-resident Taxpayers (State Administration of Taxation Announcement, 2015, No. 60) and the provisions of the relevant tax treaties. The shareholders may have the tax refund of the overpaid withholding tax subject to approval of the competent tax authority.

If the individual holders of the H shares are residents of the countries or regions that have a tax rate higher than 10% but lower than 20% under the tax treaties with the PRC, the Company will withhold and pay individual income tax at the applicable tax rates stated in such tax treaties on behalf of such shareholders.

If the individual holders of the H shares are residents of the countries or regions that have a tax rate of 20% under the tax treaties with the PRC, or that have not entered into any tax treaties with the PRC, or otherwise, the Company will withhold and pay individual income tax at the rate of 20% on behalf of such shareholders.

Anyone has the intention to change the shareholder in the share registry, please inquiry for relevant handling procedures to nominees and trustees. The Company will strictly abide by relevant laws and regulations of relevant government department, and data set out in the share registry withhold enterprise income tax of shareholders of non-resident enterprise.

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices

XIII. Shareholder's Rights (Continued)

(1) *Shareholder's rights*

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

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

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

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

XIII. Shareholder's Rights (Continued)

(1) *Shareholder's rights (Continued)*

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

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

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

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

XIII. Shareholder's Rights (Continued)

(1) *Shareholder's rights (Continued)*

Procedures for Putting Forward Proposals to the Shareholders' General Meeting

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

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

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

Procedures for Shareholders to Propose a Director Candidate

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

Procedures for Shareholders to Make Enquiries to the Board

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

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

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



FINANCIAL REPORT

Dongfang Electric Corporation Limited

Auditors' Report and Financial Statements

For the year ended December 31, 2018

PCPAR [2019] No. ZG10879

Dongfang Electric Corporation Limited

Auditors' Report and Financial Statements

(From January 1, 2018 to December 31, 2018)

	Table of Content	Page
I.	Auditors' Report	1-6
II.	Financial Statements	
	Consolidated Balance Sheet and the Company's Balance Sheet	1-4
	Consolidated Income Statement and the Company's Income Statement	5-6
	Consolidated Statement of Cash Flows and the Company's Statement of Cash Flows	7-8
	Consolidated Statement of Changes in Shareholders' Equity and the Company's Statement of Changes in Shareholders' Equity	9-12
	Notes to the Financial Statements	1-194

Auditors' Report

PCPAR [2019] No. ZG10879

All shareholders of Dongfang Electric Corporation Limited:

I. Opinion

We have audited the attached financial statements of Dongfang Electric Corporation Limited (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet and the company's balance sheet as at December 31, 2018, the consolidated income statement and the company's income statement, the consolidated statement of cash flows and the company's statement of cash flows, and the consolidated statement of changes in shareholders' equity and the company's statement of changes in shareholders' equity for the year then ended and notes to the relevant financial statements.

In our opinion, the financial statements attached are prepared in accordance with Accounting Standards for Business Enterprises and present fairly, in all material respects, the consolidated financial position of the Company and the company's financial position as at December 31, 2018 and the consolidated operating results and the company's operating results and cash flows for the year then ended.

II. Basis for Our Opinion

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

III. Key Audit Matters

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

Key Audit Matters	How the audit addressed the matter
(I) Recognition of operating revenue	
See the accounting policies as stated in the Note 27 of the "3. Significant accounting policies and accounting estimates" and Note 47 of the "5. Notes to the items of consolidated financial statements" in the note to the consolidated financial statements for the details of the accounting policies for revenue recognition and revenue analysis. For the year ended December 31, 2018, the recognized operating revenue of the	1. Understood and evaluated the design of internal control in the sales process from the approval of sales contracts to the record of sales revenue, and tested the effectiveness of key control process execution. 2. Examined important sales contracts and interviewed with management. Analysed the contracts by Five-step model and judged the composition of performance obligations and the time point of control transfer, and then evaluated whether the confirmation policy

Key Audit Matters	How the audit addressed the matter
<p>Company amounted to RMB 30.706 billion which were divided into income recognition according to the time point of performance and income recognition according to the time period of performance.</p> <p>1. The occurrence and completeness of the revenue from sales of goods may significantly influence the operating results of the Company.</p> <p>2. Recognition of revenue according to the time point of performance or according to the time period of performance involves management's judgment on different contracts.</p> <p>3. Recognition of revenue in accordance with the performance period involves significant management judgments and estimates, which are influenced by future market and economic situation judgments, and may further affect whether the company recognizes revenue in accordance with the performance period during the appropriate accounting period.</p> <p>Therefore, the recognition of the revenue is identified as a key audit matter.</p>	<p>of sales revenue meets the requirements of enterprise accounting standards.</p> <p>3. For the occurrence and completeness of recognizing the revenue at the time of performance, the major audit procedures we had undertaken include:</p> <p>(1) Evaluated the designed and implementation of the related internal control over recognition of revenue at the time of performance;</p> <p>(2) Checked the relevant sales contracts, sales invoices, transportation bill and customer acceptance certificate and other documents of the Company by sampling method, and assessed the occurrence of the revenue according to the time point of performance;</p> <p>(3) For the revenue from sales of goods recognized by the company around the balance sheet date, checked the transportation bill, customer acceptance certificate and other documents and evaluated the completeness of the revenue according to the time point of performance;</p> <p>4. For the occurrence and completeness of recognizing the revenue at the period of performance, the major audit procedures we had undertaken include:</p> <p>(1) Understood, assessed and tested the internal control over the recognition of the revenue and costs according to the period of performance;</p> <p>(2) Checked the accounting policies for the recognition of the revenue according to the period of performance, and checked and reviewed the related major contracts and key contracts;</p> <p>(3) Selected a sample of recognising revenue according to the period of performance to check the contract and cost budget on which the expected total revenue and cost made by the management was based, and evaluated the reasonability and sufficiency of the estimate made by the management, and assessed the recoverability of the related contract assets;</p> <p>(4) Selected a sample of recognising revenue according to the period of performance to check the contract, invoices, materials receipt and dispatch certificate,</p>

Key Audit Matters	How the audit addressed the matter
	<p>statements and other supporting documents related to the actual project costs for assessing the real occurrence of actual cost;</p> <p>(5) Selected a sample of recognising revenue according to the period of performance, reviewed the completion calculation table, and evaluated the recognition of the revenue and cost according the performance progress of the Company for the year ended December 31, 2018.</p>
<p>(II) Inventory provision for depreciation</p>	
<p>Please refer to the accounting policies as described in Note 14 of "3. Principal accounting policies and accounting estimates" and Note 8 of "5. Notes to the items of the consolidated financial statements" in the Notes to the Financial Statements. As at December 31, 2018, the inventory balance in the consolidated financial statements of the Company was RMB 15.189 billion, the balance of the inventory provision for depreciation was RMB 1.315 billion, the book value of inventories was RMB 13.874 billion, and the inventories were measured at the lower of cost and net realizable value. The production cycle of the products is long, and the net realizable value of related inventories is vulnerable to fluctuations due to changes in market demand. Net realizable value is determined according to the estimated price of inventory minus the estimated cost, estimated sales cost and the amount of related taxes and fees. To determine net realizable value, it is necessary to management to use certain estimates and assumptions as the premise. Therefore the recognition of inventory provision for depreciation is identified as a key audit matter.</p>	<p>The audit procedures we had undertaken for the implementation of inventory provision for depreciation include:</p> <p>(1) Understood and evaluated the related internal control over the inventory provision for depreciation and the net realizable value of the Company. Tested the effectiveness of key control node execution;</p> <p>(2) Obtained the net realizable value list of the ending inventory prepared by the management Conducted the supervision of counting over the inventories of the Company, evaluated the assumptions and estimates used in the calculation process, and checked the accuracy of the calculation;</p> <p>(3) Reviewed the storage age and the turnover situation of inventory;</p> <p>(4) Obtained the calculation table of the inventory provision for depreciation and reviewed the management's method of calculating the provision for Inventory;</p> <p>(5) Compared the book cost with the net realizable value of inventory after deducting the expected cost, estimated sales cost and tax from the sales contract.</p>

IV. Other Information

The management of the Company (hereinafter referred to as the "Management") is responsible for other information. The other information comprises information of the 2018 annual report, but excludes the financial statements and our auditors' report.

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

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

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

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

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

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

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

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

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

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

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cause significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements or, if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the information obtained up to the date of our auditors' report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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



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**BDO China Shu Lun Pan
Certified Public Accountants LLP
(Special General Partnership)**

**Certified Public Accountant of China:
(Engagement partner)**

Certified Public Accountant of China:

Shanghai, China

March 29, 2019

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

Dongfang Electric Corporation Limited
Consolidated Balance Sheet
As at December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Assets	Note 5	Balance as at December 31, 2018	Balance as at January 1, 2018	Balance as at December 31, 2017
Current assets:				
Cash and cash equivalents	5.1	29,346,448,438.05	30,609,842,597.19	30,609,842,597.19
Settlement reserve				
Placements with banks and other financial institutions	5.2	300,000,000.00		
Held for trading financial assets	5.3	3,122,839,818.04	2,305,996,477.96	
Financial assets at fair value through profit and loss				356,894,260.52
Derivative financial assets				
Notes receivable and Accounts receivable	5.4	11,664,574,744.54	13,925,937,220.63	19,278,666,973.18
Prepayments	5.5	1,913,342,742.55	2,443,615,454.54	2,443,615,454.54
Premiums receivable				
Reinsurance receivables				
Provision of cession receivable				
Other receivables	5.6	535,465,160.58	516,091,579.92	516,091,579.92
Financial assets purchased under agreements to resell	5.7	1,744,127,000.00	2,999,617,000.00	2,999,617,000.00
Inventories	5.8	13,873,986,465.23	17,182,011,008.94	18,959,975,214.67
Contract assets	5.9	10,187,971,672.86	10,029,782,106.34	
Held - for - sale assets				
Non-current assets maturing within one year	5.10	396,500,000.00	680,000,000.00	680,000,000.00
Other current assets	5.11	470,439,698.83	477,465,818.30	477,465,818.30
Total current assets		73,555,695,740.68	81,170,359,263.82	76,322,168,898.32
Non-current assets:				
Loans and advances to customers	5.12	430,663,941.00	690,200,000.00	690,200,000.00
Debt investments	5.13	4,922,529,793.75	807,536,793.75	
Available-for-sale financial assets				720,507,847.74
Other debt investments				
Held-to-maturity investments				2,043,786,793.75
Long-term receivables	5.14	13,775,453.41	38,459,549.69	38,459,549.69
Long-term equity investments	5.15	1,516,634,253.84	1,407,679,377.51	1,407,679,377.51
Other equity instrument investments	5.16	4,989,859.48	27,111,774.30	
Other non-current financial assets				
Investment property	5.17	153,816,742.24	177,835,892.21	177,835,892.21
Fixed assets	5.18	5,902,438,578.09	6,628,978,365.26	6,628,978,365.26
Construction in progress	5.19	188,792,238.53	216,488,145.32	216,488,145.32
Productive biological assets				
Oil and gas assets				
Intangible assets	5.20	1,681,044,339.19	1,549,411,174.36	1,549,411,174.36
Development expenditure				
Goodwill				
Long-term deferred expenses	5.21	51,778,532.60	590,304.64	590,304.64
Deferred tax assets	5.22	2,897,188,154.97	2,581,411,680.80	2,574,878,912.95
Other non-current assets	5.23	3,981,790.00	4,931,790.00	4,931,790.00
Total non-current assets		17,767,633,677.10	14,130,634,847.84	16,053,748,153.43
Total assets		91,323,329,417.78	95,300,994,111.66	92,375,917,051.75

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

Legal Representative: Accounting Principal: Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Consolidated Balance Sheet (Continued)
As at December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Liabilities and owners' equity	Note 5	Balance as at December 31, 2018	Balance as at January 1, 2018	Balance as at December 31, 2017
Current liabilities:				
Short-term borrowings	5.24	245,566,000.00	88,194,570.50	88,194,570.50
Borrowings from central bank				
Placements from banks and other financial institutions				
Held for trading financial liabilities				
Financial liabilities at fair value through profit and loss				
Derivative financial liabilities				
Notes payable and Accounts payable	5.25	15,092,950,990.47	18,443,495,371.64	18,443,495,371.64
Advances from customers				32,208,115,796.89
Amounts sold under repurchase agreements				
Deposits from banks and other financial institutions	5.26	4,793,625,912.49	4,539,497,293.27	4,539,497,293.27
Funds received as agent of stock exchange				
Funds received as stock underwrite				
Employee benefits payable	5.27	772,584,805.65	660,360,561.04	660,360,561.04
Taxes and surcharge payable	5.28	461,097,975.94	380,570,418.48	361,876,261.06
Other payables	5.29	1,749,869,606.78	2,455,995,343.75	2,455,995,343.75
Handling charges and commissions payable				
Cession insurance premiums payable				
Contract Liabilities	5.9	29,460,944,098.28	33,219,379,473.54	
Held-for-sale liabilities				
Non-current liabilities maturing within one year	5.30	16,320,000.00	528,320,000.00	528,320,000.00
Other non-current liabilities	5.31	103,588,912.65	66,593,071.87	66,593,071.87
Total current liabilities		52,696,548,302.26	60,382,406,104.09	59,352,448,270.02
Non-current liabilities:				
Provision for insurance contracts				
Long-term borrowings	5.32	462,864,840.00	456,634,990.00	456,634,990.00
Bonds payable				
Including: Preferred stock				
Perpetual debt				
Long-term payables	5.33	26,340,460.52	58,302,614.63	58,302,614.63
Long-term employee benefits payable	5.34	837,303,270.07	700,024,168.29	700,024,168.29
Provision	5.35	6,136,106,066.37	4,588,348,076.44	2,776,014,026.92
Deferred income	5.36	444,014,801.58	663,257,499.10	663,257,499.10
Deferred tax liabilities	5.22	26,243,061.77	21,466,268.20	42,262,367.54
Other non-current liabilities				
Total non-current liabilities		7,932,872,500.31	6,488,033,616.66	4,696,495,666.48
Total liabilities		60,629,420,802.57	66,870,439,720.75	64,048,943,936.50
Owners' equity:				
Share capital	5.37	3,090,803,431.00	2,336,900,368.00	2,336,900,368.00
Other equity instrument investments				
Including: Preferred stock				
Perpetual debt				
Capital reserves	5.38	11,251,874,281.59	11,884,507,974.98	11,884,507,974.98
Less: Treasury shares				
Other comprehensive income	5.39	-33,400,468.00	-45,720,693.54	41,972,904.52
Specialized reserves	5.40	79,395,179.18	75,418,562.02	75,418,562.02
Surplus reserves	5.41	871,273,166.80	774,913,922.16	774,913,922.16
General risk reserves				
Undistributed profits	5.42	13,324,105,405.23	12,291,630,413.36	12,096,965,958.72
Total equity attributable to owners of the parent company		28,584,050,995.80	27,317,650,546.98	27,210,679,690.40
Non-controlling shareholders' equity	5.43	2,109,857,619.41	1,112,903,843.93	1,116,293,424.85
Total owners' equity		30,693,908,615.21	28,430,554,390.91	28,326,973,115.25
Total liabilities and owners' equity		91,323,329,417.78	95,300,994,111.66	92,375,917,051.75

The accompanying notes to the financial statements are constituent parts of the financial statements.
Legal Representative: Accounting Principal: Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Balance Sheet
As at December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Assets	Note 16	Balance as at December 31, 2018	Balance as at January 1, 2018	Balance as at December 31, 2017
Current assets:				
Cash and cash equivalents		8,040,524,852.09	11,520,821,747.40	11,520,821,747.40
Held for trading financial assets		595,949,757.26	31,719,439.00	
Financial assets at fair value through profit and loss				31,719,439.00
Derivative financial assets				
Notes receivable and Accounts receivable	16.1	2,221,221,426.26	2,387,717,805.67	4,551,884,380.95
Prepayments		9,382,067,906.12	8,318,788,343.40	8,318,788,343.40
Other receivables	16.2	370,612,187.12	6,286,921,080.45	6,286,921,080.45
Inventories		69,239,529.73	170,880,896.17	1,517,033,079.35
Contract assets		3,252,589,182.48	3,510,318,758.46	
Held - for - sale assets				
Non-current assets maturing within one year				
Other current assets		56,394,516.30	141,054,991.66	141,054,991.66
Total current assets		23,988,599,357.36	32,368,223,062.21	32,368,223,062.21
Non-current assets:				
Debt investments				
Available-for-sale financial assets				
Other debt investments				
Held-to-maturity investments				
Long-term receivables				
Long-term equity investments	16.3	21,576,904,119.31	10,766,562,094.08	10,766,562,094.08
Other equity instrument investments				
Other non-current financial assets				
Investment property		12,318,817.26	13,432,177.52	13,432,177.52
Fixed assets		50,409,533.23	3,767,519.78	3,767,519.78
Construction in progress		1,443,058.47	1,560,384.62	1,560,384.62
Productive biological assets				
Oil and gas assets				
Intangible assets		197,668,622.62	8,598,690.02	8,598,690.02
Development expenditure				
Goodwill				
Long-term deferred expenses				
Deferred tax assets		275,356,901.19	212,545,345.20	212,545,345.20
Other non-current assets				
Total non-current assets		22,114,101,052.08	11,006,466,211.22	11,006,466,211.22
Total assets		46,102,700,409.44	43,374,689,273.43	43,374,689,273.43

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

Legal Representative: Accounting Principal: Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Balance Sheet (Continued)
As at December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Liabilities and owners' equity	Note 16	Balance as at December 31, 2018	Balance as at January 1, 2018	Balance as at December 31, 2017
Current liabilities:				
Short-term borrowings				
Held for trading financial liabilities				
Financial liabilities at fair value through profit and loss				
Derivative financial liabilities				
Notes payable and Accounts payable		5,833,469,234.78	7,150,623,630.66	7,150,623,630.66
Advances from customers				15,842,609,301.83
Employee benefits payable		34,924,721.82	21,146,205.50	21,146,205.50
Taxes and surcharge payable		12,758,992.30	11,533,648.57	11,533,648.57
Other payables		709,679,160.03	1,456,486,089.30	1,456,486,089.30
Contract Liabilities		14,261,970,077.65	15,842,609,301.83	
Held-for-sale liabilities				
Non-current liabilities maturing within one year				
Other non-current liabilities				
Total current liabilities		20,852,802,186.58	24,482,398,875.86	24,482,398,875.86
Non-current liabilities:				
Long-term borrowings				
Bonds payable				
Including: Preferred stock				
Perpetual debt				
Long-term payables				
Long-term employee benefits payable		16,062,947.55	17,518,632.96	17,518,632.96
Provision		768,595,143.58	265,847,376.75	265,847,376.75
Deferred income		2,884,954.54	617,023.67	617,023.67
Deferred tax liabilities		7,035,254.75		
Other non-current liabilities				
Total non-current liabilities		794,578,300.42	283,983,033.38	283,983,033.38
Total liabilities		21,647,380,487.00	24,766,381,909.24	24,766,381,909.24
Owners' equity:				
Share capital		3,090,803,431.00	2,336,900,368.00	2,336,900,368.00
Other equity instrument investments				
Including: Preferred stock				
Perpetual debt				
Capital reserves		13,021,217,305.33	8,891,700,256.53	8,891,700,256.53
Less: Treasury shares				
Other comprehensive income				
Specialized reserves				
Surplus reserves		1,159,636,283.23	1,063,277,038.59	1,063,277,038.59
Undistributed profits		7,183,662,902.88	6,316,429,701.07	6,316,429,701.07
Total owners' equity		24,455,319,922.44	18,608,307,364.19	18,608,307,364.19
Total liabilities and owners' equity		46,102,700,409.44	43,374,689,273.43	43,374,689,273.43

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

Legal Representative: Accounting Principal: Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Consolidated Income Statement
For the Year Ended December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Item	Note 5	Year 2018	Year 2017
I. Total operating income	5.47	30,706,145,358.82	33,430,264,831.72
Including: Operating income	5.47	29,729,655,571.73	32,772,718,802.40
Interest income	5.47	969,278,602.81	644,916,410.43
Premiums earned			
Income from handling charges and commissions	5.47	7,211,184.28	12,629,618.89
II. Total operating cost		29,926,691,686.43	32,757,821,720.23
Including: Operating cost	5.47	23,568,286,522.07	26,387,532,586.33
Interest expenses	5.47	75,134,577.37	80,113,525.65
Handling charges and commissions expenses	5.47	966,188.86	894,329.04
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend payment			
Reinsurance costs			
Taxes and surcharges	5.48	334,517,433.51	343,711,346.65
Selling and distribution expenses	5.49	1,357,972,140.61	916,848,038.02
General and administrative expenses	5.50	2,501,402,084.71	2,619,871,898.04
Research and development expenses	5.51	1,689,014,827.23	1,435,218,361.18
Financial expenses	5.52	-380,542,905.59	160,390,303.32
Including: Interest expenses	5.52	37,439,485.33	54,964,669.16
Interest income	5.52	149,395,707.65	323,783,916.11
Impairment on assets	5.53	524,002,955.35	813,241,332.00
Credit losses	5.54	255,937,862.31	
Plus: Other income	5.55	111,127,012.38	134,054,952.27
Investment income ("-" for losses)	5.56	245,947,029.53	279,969,914.30
Including: Investment income from associates and joint ventures	5.56	132,557,375.04	177,430,326.44
Gain on foreign exchange("-" for loss)	5.57	1,112,082.95	992,296.30
Net exposure to hedging gains("-" for loss)			
Gains from fair -value changes("-" for losses)	5.58	83,645,380.11	-18,025,163.90
Proceeds from asset disposal("-" for losses)	5.59	17,421,655.84	17,037,125.83
III. Operating profits ("-" for losses)		1,238,706,833.20	1,086,472,236.29
Plus: Non-operating income	5.60	163,286,246.15	235,833,974.57
Less: Non-operating expenses	5.61	126,523,356.02	305,027,372.36
IV. Total profit ("-" for total losses)		1,275,469,723.33	1,017,278,838.50
Less: Income tax expenses	5.62	117,204,032.48	-62,262,599.30
V. Net profits ("-" for net losses)		1,158,265,690.85	1,079,541,437.80
(I) Classification by the continuity of operation			
1. Net profit from continued operation ("-" for net losses)		1,158,265,690.85	1,079,541,437.80
2. Net profit from cease of operation ("-" for net losses)			
(II) Classification by the attribution of ownership			
1. Net profit attributable to shareholders of the parent company("-" for net losses)		1,128,834,236.51	1,057,303,567.22
2. Non-controlling shareholders profit or loss("-" for net losses)		29,431,454.34	22,237,870.58
VI. Other comprehensive income, net of tax	5.39	15,816,290.45	-12,796,145.34
Other comprehensive income, net of tax attributable to owners of the parent company	5.39	12,320,225.54	-15,258,614.02
(I) Other comprehensive income not be reclassified as profit or loss	5.39	-81,914.82	
1. Changes in remeasured defined benefit obligations			
2. Share of other comprehensive income of an associate			
3. Net gain on equity instrument at fair value through other comprehensive income	5.39	-81,914.82	
4. Fair value changes in enterprise's own credit risk			
(II) Other comprehensive income to be reclassified as profit or loss	5.39	12,402,140.36	-15,258,614.02
1. Share of other comprehensive income of an associate			
2. Net gain on debt instruments at fair value through other comprehensive income			
3. Gain or loss from fair value changes of available-for-sale financial assets			
4. The amount of financial assets reclassified into other comprehensive income			
5. Gain or loss from reclassification of held-to-maturity investments as available -for -sale financial assets			
6. Other debt investment credit impairment provision			
7. Cash flow hedging reserve(Effective portion of cash flow hedging profit or loss)			
8. Currency tranciation reserve	5.39	12,402,140.36	-15,258,614.02
9. Other			
Other comprehensive income net of tax attributable to non-controlling shareholders	5.39	3,496,064.91	2,462,468.68
VII. Total comprehensive income		1,174,081,981.30	1,066,745,292.46
Total comprehensive income attributable to owners of the parent company		1,141,154,462.05	1,042,044,953.20
Total comprehensive income attributable to non-controlling shareholders		32,927,519.25	24,700,339.26
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/ share)		0.37	0.34
(II) Diluted earnings per share(RMB/ share)		0.37	0.34

In case of business combination under common control, net profit realized by the combine before the combination in the period was RMB 63,301,136.44; net profit realized by the combine in the previous period was RMB 396,471,738.34. The accompanying notes to the financial statements are constituent parts of the financial statements.

Legal Representative: Accounting Principal: Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Income Statement
For the Year Ended December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Item	Note 16	Year 2018	Year 2017
I. Total operating income	16.4	11,810,737,765.61	16,018,524,789.67
Including: Operating income	16.4	11,654,112,584.09	15,677,832,812.06
Taxes and surcharges		23,523,372.94	18,702,376.55
Selling and distribution expenses		67,472,650.88	48,166,721.56
General and administrative expenses		279,522,210.65	188,455,295.19
Research and development expenses		168,287,228.69	
Financial expenses		-223,427,209.97	71,301,699.03
Including: interest expenses		496,684.45	
Interest income		145,446,083.67	190,915,434.09
Impairment on assets			-79,798,140.92
Credit losses		86,768,295.00	
Plus: Other income		423,521.39	5,377,849.94
Investment income ("-" for losses)	16.5	1,122,568,128.75	116,885,093.06
Including: Investment income from associates and joint ventures		96,849,700.02	67,953,419.87
Net exposure to hedging gains("-"for loss)			
Gains from fair -value changes ("-" for losses)		64,230,323.91	-10,252,627.69
Proceeds from asset disposal("-" for losses)		134,358.08	
II. Operating profits ("-" for losses)		941,834,965.46	205,874,341.51
Plus: Non-operating income		28,760,198.58	11,517,287.03
Less: Non-operating expenses		29,278,022.82	177,944,502.27
III. Total profits ("-" for total losses)		941,317,141.22	39,447,126.27
Less: Income tax expenses		-22,275,305.23	-18,762,119.75
IV. Net profits ("-" for net losses)		963,592,446.45	58,209,246.02
(I) Net profit from operation on going concern basis ("-" for net losses)		963,592,446.45	58,209,246.02
(II) Net profit from cease of operation ("-" for net losses)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income not be reclassified as profit or loss			
1.Changes in remeasured defined benefit obligations			
2.Share of other comprehensive income of an associate			
3.Net gain on equity instrument at fair value through other comprehensive income			
4.Fair value changes in enterprise's own credit risk			
(II) Other comprehensive income to be reclassified as profit or loss			
1.Share of other comprehensive income of an associate			
2.Net gain on debt instruments at fair value through other comprehensive income			
3.Gain or loss from fair value changes of available-for-sale financial assets			
4.The amount of financial assets reclassified into other comprehensive income			
5.Gain or loss from reclassification of held-to-maturity investments as available -for -sale financial assets			
6.Other debt investment credit impairment provision			
7.Cash flow hedging reserve(Effective portion of cash flow hedging profit or loss)			
8.Currency tranciation reserve			
9.Other			
VI. Total comprehensive income		963,592,446.45	58,209,246.02
VII. 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: Accounting Principal: Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Consolidated Statement of Cash Flows
For the year ended December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Item	Note 5	Year 2018	Year 2017
I. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		29,595,614,470.26	32,590,352,457.07
Net increase in deposits from customers and due from banks and other financial institutions		2,078,500,166.11	3,459,676,506.58
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions			99,999.10
Cash received from receiving insurance premiums of original insurance contracts			
Net cash received from reinsurance business			
Net increase in deposits and investments from policyholders			
Cash received from interest, fees and commission		589,460,360.07	377,797,904.18
Net increase in placements from banks and other financial institutions			
Net increase in repurchase business funds			
Net cash received from vicariously traded securities			
Cash received from refunds of taxes and surcharges		265,367,421.00	116,443,390.77
Cash received from other operating activities	5.63	3,427,343,790.94	1,170,095,170.21
Sub-total of cash inflows from operating activities		35,956,286,208.38	37,714,465,427.91
Cash paid for goods purchased and services received		20,830,400,100.46	23,929,722,175.19
Net increase in loans and advances to customers		1,947,703,068.12	3,583,149,746.95
Net increase in balances with central bank and with banks		1,242,049,849.48	5,248,767.68
Cash paid for original insurance contract claims			
Net increase in held for trading financial assets			
Net increase in placements with banks and other financial institutions			
Cash paid for interests, handling charges and commissions		1,009,547.58	1,041,533.07
Cash paid for policy dividends			
Cash paid to and on behalf of employees		3,639,365,124.45	3,592,508,239.60
Cash paid for taxes and surcharges		2,474,343,611.18	2,794,094,111.62
Cash paid for other operating activities	5.63	6,373,195,212.12	1,970,134,038.40
Sub-total of cash outflows from operating activities		36,508,066,513.39	35,875,898,612.51
Net cash flows from operating activities		-551,780,305.01	1,838,566,815.40
II. Cash flows from investing activities			
Cash received from disposal of investments		2,887,805,396.49	2,192,961,325.41
Cash received from returns on investments		162,676,258.15	216,774,890.50
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		24,385,417.26	33,865,418.72
Net cash received from disposal of subsidiaries and other business units			-517,349.04
Cash received from other investing activities			
Sub-total of cash inflows from investment activities		3,074,867,071.90	2,443,084,285.59
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		184,988,467.66	209,780,813.37
Cash paid for investments		3,307,133,584.95	3,347,501,511.67
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities	5.63	7,832,015.87	
Sub-total of cash outflows from investing activities		3,499,954,068.48	3,557,282,325.04
Net cash flows from investing activities		-425,086,996.58	-1,114,198,039.45
III. Cash flows from financing activities			
Cash from absorption of investments		49,500,000.00	
Including: cash received by subsidiaries from investments by minority shareholders		49,500,000.00	
Cash received from borrowings		469,670,700.00	216,662,475.00
Cash received from bonds issue			
Cash received from other financing activities	5.63	33,383,333.33	
Subtotal of cash inflow from financing activities		552,554,033.33	216,662,475.00
Cash paid for debt repayments		797,174,810.00	804,470,000.00
Cash paid for distribution of dividends and profit or payment of interest		63,718,740.48	54,968,399.99
Including: Dividends and profits paid to minority shareholders by subsidiaries		21,620,351.55	5,960,077.10
Cash paid for other financing activities	5.63	945,291,074.68	7,126,412.85
Sub-total of cash outflows from financing activities		1,806,184,625.16	866,564,812.84
Net cash flows from financing activities		-1,253,630,591.83	-649,902,337.84
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		282,376,135.24	-318,940,273.97
V. Net increase in cash and cash equivalents		-1,948,121,758.18	-244,473,835.86
Plus: Beginning balance of cash and cash equivalents		28,847,748,952.33	29,092,222,788.19
VI. Ending balance of cash and cash equivalents		26,899,627,194.15	28,847,748,952.33

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

Legal Representative: Accounting Principal: Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Statement of Cash Flows
For the year ended December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Item	Note 16	Year 2018	Year 2017
I. Cash flows from operating activities			
Cash received from sale of goods and rendering of services		10,901,004,147.00	11,383,227,351.65
Cash received from refunds of taxes and surcharges		146,709,193.52	62,345,448.50
Cash received from other operating activities		461,733,473.21	334,660,467.68
Sub-total of cash inflows from operating activities		11,509,446,813.73	11,780,233,267.83
Cash paid for goods purchased and services received		13,714,560,559.03	11,155,105,275.81
Cash paid to and on behalf of employees		237,606,311.03	197,200,547.64
Cash paid for taxes and surcharges		97,816,878.27	137,080,259.50
Cash paid for other operating activities		444,005,388.50	443,128,908.32
Sub-total of cash outflows from operating activities		14,493,989,136.83	11,932,514,991.27
Net cash flows from operating activities		-2,984,542,323.10	-152,281,723.44
II. Cash flows from investing activities			
Cash received from disposal of investments		40,000,000.00	338,663,685.05
Cash received from returns on investments		1,070,900,935.57	119,715,736.31
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		285,048.66	263,302.65
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Subtotal of cash inflows from investment activities		1,111,185,984.23	458,642,724.01
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		6,338,183.24	1,639,231.92
Cash paid for investments		732,499,994.35	78,750,000.00
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Subtotal of cash outflows from investing activities		738,838,177.59	80,389,231.92
Net cash flows from investing activities		372,347,806.64	378,253,492.09
III. Cash flows from financing activities			
Cash from absorption of investments			
Cash received from borrowings			
Cash received from bonds issue			
Cash received from other financing activities			
Sub-total of cash inflows from financing activities			
Cash paid for debt repayments			
Cash paid for distribution of dividends and profit or payment of interest			
Cash paid for other financing activities		942,336,415.78	
Subtotal of cash outflows from financing activities		942,336,415.78	
Net cash flows from financing activities		-942,336,415.78	
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		74,234,036.93	-87,269,012.55
V. Net increase in cash and cash equivalents		-3,480,296,895.31	138,702,756.10
Plus: Beginning balance of cash and cash equivalents		11,513,755,747.40	11,375,052,991.30
VI. Ending balance of cash and cash equivalents		8,033,458,852.09	11,513,755,747.40

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

Legal Representative: Accounting Principal: Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Consolidated Statement of Changes in Shareholders' Equity
For the year ended December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Item	Year 2018														
	Equity attributable to owners of the parent company												Non-controlling shareholders' equity	Total owners' equity	
	Share capital	Other equity instrument investments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others			Subtotal
	Preferred stock	Perpetual debt	Others												
I. Balance as at December 31, 2017	2,336,900,368.00				11,884,507,974.98		41,972,904.52	75,418,562.02	774,913,922.16		12,096,965,958.72		27,210,679,690.40	1,116,293,424.85	28,326,973,115.25
Plus: Adjustments for changes in accounting policies							-87,693,598.06				194,664,454.64		106,970,856.58	-3,389,580.92	103,581,275.66
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				11,884,507,974.98		-45,720,693.54	75,418,562.02	774,913,922.16		12,291,630,413.36		27,317,650,546.98	1,112,903,843.93	28,430,554,390.91
III. Increases/decreases in 2018 ("+" for increases)	753,903,063.00				-632,633,693.39		12,320,225.54	3,976,617.16	96,359,244.64		1,032,474,991.87		1,266,400,448.82	996,953,775.48	2,263,354,224.30
(I) Total comprehensive income							12,320,225.54				1,128,834,236.51		1,141,154,462.05	32,927,519.25	1,174,081,981.30
(II) Capital contributed or reduced by owners	753,903,063.00				4,071,781,192.49								4,825,684,255.49	984,990,929.13	5,810,675,184.62
1. Common shares contributed by shareholders	753,903,063.00				4,129,517,048.80								4,883,420,111.80	927,367,104.44	5,810,787,216.24
2. Capital contributed by the holders of other equity instrument investments															
3. Amounts of share-based payments recognized in owners' equity															
4. Others					-57,735,856.31								-57,735,856.31	57,623,824.69	-112,031.62
(III) Profit distribution									96,359,244.64		-96,359,244.64			-21,620,351.55	-21,620,351.55
1. Withdrawal of surplus reserves									96,359,244.64		-96,359,244.64				
2. Withdrawal of general risk reserves															
3. Profit distributed to owners (or shareholders)														-21,620,351.55	-21,620,351.55
4. Others															
(IV) Internal carry-forward of owners' equity															
1. Conversion of capital reserves into share capital															
2. Conversion of surplus reserves into share capital															
3. Surplus reserves offsetting losses															
4. Amount of Changes in setting benefit plan transfer to retained earnings															
5. Other comprehensive income transfer to retained earnings															
6. Others															
(V) Special reserves								3,976,617.16					3,976,617.16	655,678.65	4,632,295.81
1. Amount withdrawn in 2018								70,566,972.56					70,566,972.56	1,655,356.08	72,222,328.64
2. Amount used in 2018								66,590,355.40					66,590,355.40	999,677.43	67,590,032.83
(VI) Others					-4,704,414,885.88								-4,704,414,885.88		-4,704,414,885.88
IV. Balance as at December 31, 2018	3,090,803,431.00				11,251,874,281.59		-33,400,468.00	79,395,179.18	871,273,166.80		13,324,105,405.23		28,584,050,995.80	2,109,857,619.41	30,693,908,615.21

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

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Consolidated Statement of Changes in Shareholders' Equity (Continued)
For the year ended December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Item	Year 2017														
	Equity attributable to owners of the parent company												Non-controlling shareholders' equity	Total owners' equity	
	Share capital	Other equity instrument investments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	General risk reserves	Undistributed profits	Others			Subtotal
	Preferred stock	Perpetual debt	Others												
I. Balance as at December 31, 2016	2,336,900,368.00				8,828,262,489.81		-28,762,895.01	45,314,931.41	769,092,997.56		9,193,484,301.02		21,144,292,192.79	941,462,727.18	22,085,754,919.97
Plus: Adjustments for changes in accounting policies															
Correction of accounting errors in prior periods															
Business combinations under common control					3,056,168,109.88		85,994,413.55	20,452,778.46			1,851,999,015.08		5,014,614,316.97	154,085,105.49	5,168,699,422.46
Others															
II. Balance as at January 1, 2017	2,336,900,368.00				11,884,430,599.69		57,231,518.54	65,767,709.87	769,092,997.56		11,045,483,316.10		26,158,906,509.76	1,095,547,832.67	27,254,454,342.43
III. Increases/decreases in 2017 ("+" for increases)					77,375.29		-15,258,614.02	9,650,852.15	5,820,924.60		1,051,482,642.62		1,051,773,180.64	20,745,592.18	1,072,518,772.82
(I) Total comprehensive income							-15,258,614.02				1,057,303,567.22		1,042,044,953.20	24,700,339.26	1,066,745,292.46
(II) Capital contributed or reduced by owners					77,375.29								77,375.29		77,375.29
1. Common shares contributed by shareholders															
2. Capital contributed by the holders of other equity instrument investments															
3. Amounts of share-based payments recognized in owners' equity															
4. Others					77,375.29								77,375.29		77,375.29
(III) Profit distribution									5,820,924.60		-5,820,924.60			-5,440,876.13	-5,440,876.13
1. Withdrawal of surplus reserves									5,820,924.60		-5,820,924.60				
2. Withdrawal of general risk reserves															
3. Profit distributed to owners (or shareholders)														-5,440,876.13	-5,440,876.13
4. Others															
(IV) Internal carry-forward of owners' equity															
1. Conversion of capital reserves into share capital															
2. Conversion of surplus reserves into share capital															
3. Surplus reserves offsetting losses															
4. Amount of Changes in setting benefit plan transfer to retained earnings															
5. Other comprehensive income transfer to retained earnings															
6. Others															
(V) Special reserves								9,650,852.15					9,650,852.15	1,486,129.05	11,136,981.20
1. Amount withdrawn in 2017								65,048,446.26					65,048,446.26	4,221,499.53	69,269,945.79
2. Amount used in 2017								55,397,594.11					55,397,594.11	2,735,370.48	58,132,964.59
(VI) Others															
IV. Balance as at December 31, 2017	2,336,900,368.00				11,884,507,974.98		41,972,904.52	75,418,562.02	774,913,922.16		12,096,965,958.72		27,210,679,690.40	1,116,293,424.85	28,326,973,115.25

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

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Statement of Changes in Shareholders' Equity
For the year ended December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Item	Year 2018										
	Share capital	Other equity instrument investments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual debt	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 2018 ("-" for decreases)	753,903,063.00				4,129,517,048.80				96,359,244.64	867,233,201.81	5,847,012,558.25
(I) Total comprehensive income										963,592,446.45	963,592,446.45
(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 holders of other equity instrument investments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution									96,359,244.64	-96,359,244.64	
1. Withdrawal of surplus reserves									96,359,244.64	-96,359,244.64	
2. Profit distributed to owners (or shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into share capital											
2. Conversion of surplus reserves into share capital											
3. Surplus reserves offsetting losses											
4. Amount of Changes in setting benefit plan transfer to retained earnings											
5. Other comprehensive income transfer to retained earnings											
6. Others											
(V) Special reserves											
1. Amount withdrawn in 2018											
2. Amount used in 2018											
(VI) Others											
IV. Balance as at December 31, 2018	3,090,803,431.00				13,021,217,305.33				1,159,636,283.23	7,183,662,902.88	24,455,319,922.44

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

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Statement of Changes in Shareholders' Equity (Continued)
For the year ended December 31, 2018
(Monetary units are expressed in RMB unless otherwise stated)

Item	Year 2017										
	Share capital	Other equity instrument investments			Capital reserves	Less: Treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profits	Total owners' equity
		Preferred stock	Perpetual debt	Others							
I. Balance as at December 31, 2016	2,336,900,368.00				8,891,700,256.53				1,057,456,113.99	6,264,041,379.65	18,550,098,118.17
Plus: Adjustments for changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at January 1, 2017	2,336,900,368.00				8,891,700,256.53				1,057,456,113.99	6,264,041,379.65	18,550,098,118.17
III. Increases/decreases in 2017 ("-" for decreases)									5,820,924.60	52,388,321.42	58,209,246.02
(I) Total comprehensive income										58,209,246.02	58,209,246.02
(II) Capital contributed or reduced by owners											
1. Common shares contributed by shareholders											
2. Capital contributed by the holders of other equity instrument investments											
3. Amounts of share-based payments recognized in owners' equity											
4. Others											
(III) Profit distribution									5,820,924.60	-5,820,924.60	
1. Withdrawal of surplus reserves									5,820,924.60	-5,820,924.60	
2. Profit distributed to owners (or shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into share capital											
2. Conversion of surplus reserves into share capital											
3. Surplus reserves offsetting losses											
4. Amount of Changes in setting benefit plan transfer to retained earnings											
5. Other comprehensive income transfer to retained earnings											
6. Others											
(V) Special reserves											
1. Amount withdrawn in 2017											
2. Amount used in 2017											
(VI) Others											
IV. 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

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

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Notes to the Financial Statements for the Year Ended December 31, 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 915101002051154851, and its registered address was No. 18, Xixin Avenue, Western High-tech Zone, Chengdu, Sichuan Province.

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

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

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

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

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

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

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

On March 1, 2018, the 753,903,063 shares issued to Dongfang Electric Corporation on March 31, 2018 upon the approval of the Official Reply on Approving the Purchase of Assets by Issuing Shares to Dongfang Electric Corporation of Dongfang Electric Corporation Limited (ZJXK [2018] No. 354) issued by the China Securities Regulatory Commission. The share capital of the Company became 3,090,803,431 shares.

As at December 31, 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, and 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 of the Company's material matters, such as guideline for management, financing, investment and profit distribution according to law. The board of directors is responsible for the general meeting of shareholders, executing the operational decision-making power of the Company according to law; executives are responsible for the organization and implementation of the general meeting of shareholders and resolutions of the board of directors, and presiding over the production and operation management of the Company. The Company sets up 13 functional management departments, which were the board office, CEO office, human resource department, operation management department, enterprise management department, legal affair department, technology and quality

department, marketing department, financial department, enterprise culture department, discipline inspection department, audit department and planning and development department, four business divisions, which were the gas turbine division, nuclear power division, power station division and renewable energy division, and international engineering branch companies.

The Company belongs to the industry of power generation equipment manufacturing with a business scope covering general equipment manufacturing, electrical machinery and equipment manufacturing, 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 equipment; power station design, packaged technology development of power station equipment, sales of and service for complete equipment; general contracting and sub-contracting of overseas power generation equipment, machine electricity, complete engineering and domestic international bidding engineering, export of equipment and materials needed by the aforesaid overseas engineering, and outward dispatch of contract workers needed by the same; import and export trade; commercial service; professional technique service; science and technology exchange and promotion (Items subject to approval according to law shall not be carried out before such approval is granted by the competent authorities). Major products of the Company are thermal power generation equipment, hydroelectric generation equipment, wind power generation equipment, nuclear power generation equipment and gas power generation equipment.

The financial statements have been approved by the board of directors on March 29, 2019.

1.2 The scope of consolidated financial statements

As at December 31, 2018, the secondary 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 CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Subsidiary
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.
Dongfang Electric Wind Power Co., Ltd.
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.
Dongfang Electric(India) PVT LTD
Dongfang Electric (Indonesia) Co., Ltd.
Dongfang Electric International Corporation
Dongfang Electric Group Finance Co.,Ltd.
Dongfang Electric Automatic Control Engineering Co., Ltd. (Remark 1)
DEC (Sichuan) Trading Co., Ltd. (Remark 2)
DEC Project Cargo Logistics Co.,Ltd.
Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd. (Remark 3)
Dongfang Electric Chengdu Intelligent Technology Co., Ltd.

Remark1: The former name of Dongfang Electric Automatic Control Engineering Co., Ltd. was Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd.

Remark2: The former name of DEC (Sichuan) Trading Co., Ltd. was Dongfang Electric (Sichuan) Material Co., Ltd.

Remark3: The former name of Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd. was Dongfang Electric Chengdu Qingneng Technology Co., Ltd.

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 2018 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"), as well as the disclosure provisions of the Rules for the Compilation and Submission of Information Disclosure by Companies Offering Securities to the Public No. 15 - General Requirements for Financial Reports, the Listing Rules of the Stock Exchange of Hong Kong Limited and the Companies Ordinance issued by the China Securities Regulatory Commission.

2.2 Going concern

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

3. Significant accounting policies and accounting estimates

The following disclosures have covered the specific accounting policies and estimates formulated by the Company according to its actual production and operation features. For details, see Notes "3.11 Provision for bad debts of accounts receivable", "3.19 Fixed assets" and "3.27 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 non-controlling shareholder 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 non-controlling shareholder of a subsidiary exceeds the balances arising from the shares enjoyed by the non-controlling shareholder in the owners' equity of the subsidiary at the beginning of the period, non-controlling shareholders' equity shall be written down accordingly.

(1) Increase of subsidiaries or business

During the reporting period, if the Company acquired subsidiaries or business from the business combination under common control, the beginning balance in the consolidated statement of financial position shall be adjusted; the income, expenses and profits of the newly acquired subsidiaries or business from the beginning to the end of the reporting period shall be included into the consolidated

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

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

During the reporting period, if the Group acquired subsidiaries or business from the business combination not under common control, the beginning balance in the consolidated statement of financial position will not be adjusted. The income, expenses and profits of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period shall be included in the consolidated income statement. The cash flows of the newly acquired subsidiaries or business from the acquisition date to the date of December 31, 2018 shall be included in the consolidated statement of cash flow.

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

(2) Disposal of subsidiaries or business

① General method of disposal

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

the beginning period to the disposal date shall be included in the consolidated cash flow statement.

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

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

② Disposal of subsidiary by stages

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

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

Where various transactions of disposal of equity investments in subsidiaries until loss of the control belong to a package deal, accounting treatment shall be made by the Company on

the transactions as a transaction to dispose subsidiaries and lose the control; however, the difference between each disposal cost and net asset share in the subsidiaries corresponding to each disposal of investments before loss of the control should be recognized as other comprehensive income in the consolidated financial statements and should be transferred into the current profit or loss at the loss of the control.

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

- (3) Purchase of non-controlling shareholders' equity 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 non-controlling shareholders' equities and the share of net assets calculated constantly from the acquisition date (or combination date) according to the newly increased shareholding ratio. Where the share premium is insufficient to offset, retained earnings will be adjusted.
- (4) Partial disposal of long-term equity investments in subsidiaries without losing control
The difference between the proceeds from partial disposal of equity investments in the subsidiary and the share of identifiable net assets of the subsidiary attributable to the Company which are calculated continuously from the acquisition date (or the combination date) and which are corresponding to the disposal of long-term equity investments without losing control shall be charged against stock premium within capital reserves in the consolidated balance sheet; when stock premium within capital reserves is insufficient to offset, the retained earnings shall be adjusted.

3.7 Classification and accounting treatment of joint venture arrangements

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

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

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

- (1) Assets peculiar to the Company and assets jointly owned by the Company based on shares held;

- (2) Liabilities undertaken by the Company solely and liabilities jointly undertaken by the Company based on shares held;
- (3) Income from selling production shares of the joint operation enjoyed by the Company;
- (4) Income from selling the production of the joint operation recognized based on the shares held by the Company; and
- (5) Separate costs and costs for the joint operation based on the shares held by the Company.

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

3.8 Recognition criteria of cash and cash equivalents

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

3.9 Foreign currency transactions and translation of foreign currency financial statements

3.9.1 Foreign currency transactions

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

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

3.9.2 Translation of foreign currency financial statements

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

Foreign currency translation differences arising from the above conversion should be presented in other comprehensive income in the

balance sheet. Foreign currency cash flows shall be translated at the spot exchange rate on the date when such cash flows occur. Affected amount of the fluctuation in exchange rate on cash and cash equivalents is separately presented in the statement of cash flows.

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

3.10 Financial instruments

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

3.10.1 Classification of financial instruments

Accounting Policy Applicable as of January 1, 2018

According to the company's business model of managing financial assets and the characteristics of contract cash flow of financial assets, financial assets are classified at the initial confirmation into: Financial assets measured at amortized cost, financial assets(debt instruments) measured at fair value through the other comprehensive income and financial assets measured at fair value through the current profit or loss. For non-tradable equity instruments investment, the company determines at the initial confirmation whether to designate them as financial assets(equity instruments). In the period of initial confirmation, in order to eliminate or significantly reduce accounting mismatches, financial assets can be designated as financial assets which are measured at fair value through the current profit or loss.

Financial liabilities at the time of initial recognition are classified as: financial asset designated to be measured by fair value through the current profit or loss and financial liabilities measured at amortized cost.

A financial liability meeting one of the following conditions may be initially classified as financial liability measured by fair value through the current profit or loss:

(1) This designation eliminates or significantly reduces accounting mismatches.

(2) According to the enterprise risk management or investment strategy stated in the formal written document, the financial liability portfolio or financial assets and financial liability portfolio shall be managed and evaluated on the basis of fair value, and the report shall be made to the key management personnel within the enterprise on this basis.

(3)The financial liability includes embedded derivatives that need to be separately split.

Accounting Policy Applicable before January 1, 2018

Upon initial recognition, financial liabilities are classified into: Financial assets and financial liabilities measured at fair value through the current profit or loss, including financial assets or held for trading financial liabilities and financial assets or financial liabilities directly

designated to be measured at fair value through the current profit or loss; held-to-maturity investments; receivables; available-for-sale financial assets; and other financial liabilities, etc.

3.10.2 Recognition basis and measurement method of financial instruments

Accounting Policy Applicable as of January 1, 2018

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable and accounts receivable, other receivables, long-term receivables, debt investment, etc. They are initially measured at fair value, and related transaction fees are included in the initial confirmation amount; Accounts receivable that do not contain significant financing elements and accounts receivable that the company decided not to consider financing elements for less than one year are initially measured at the contract transaction price.

Interest calculated by the real interest rate method during the holding period shall be accounted for as current profit and loss.

The difference between the acquired price and the book value of the financial asset shall be accounted for as current profit and loss when took back or handled.

(2) Financial assets measured at fair value through the other comprehensive income(Debt instruments)

Financial assets(Debt instruments) measured at fair value through the other comprehensive income, including other debt instruments, are initially measured at fair value, and relevant transaction fees are included in the initial confirmation amount. The financial assets are subsequently measured at fair value, and the changes in fair value are included in other comprehensive income besides the interest, calculated by the real interest rate method, impairment loss or gains and losses on exchange.

When the recognition is terminated, the accumulated gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and recorded into the current profit and loss.

(3) Financial assets measured at fair value through the other comprehensive income(Equity instruments)

Financial assets(Equity instruments) measured at fair value through the other comprehensive income, including other equity instrument investments, are initially measured at fair value, and relevant transaction fees are included in the initial confirmation amount. The financial assets are subsequently measured at fair value, and the changes in fair value are included in other comprehensive income. The dividend earned is included in current profit and loss.

When the recognition is terminated, the accumulated gains or losses previously included in other comprehensive income shall be transferred out from other comprehensive income and recorded into the retained

earnings.

(4) Financial asset designated to be measured by fair value through the current profit or loss

Financial asset designated to be measured by fair value through the current profit or loss includes trading financial assets, derivative financial asset, other non-current financial assets and soon. The initial measurement shall be made according to the fair value, and the relevant transaction expenses shall be included into the current profit and loss. The financial asset is subsequently measured according to its fair value, and changes in the fair value are included in the current profit and loss.

When the confirmation is terminated, the difference between the fair value and the initial amount of account is recognized as the investment income, and the profit and loss of the change of the fair value should be adjusted at the same time.

(5) Financial liability designated to be measured by fair value through the current profit or loss

Financial liability designated to be measured by fair value through the current profit or loss includes trading financial liability, derivative financial liability and soon. The initial measurement shall be made according to the fair value, and the relevant transaction expenses shall be included into the current profit and loss.

When the confirmation is terminated, the difference between the fair value and the initial amount of account is recognized as the investment income, and the profit and loss of the change of the fair value should be adjusted at the same time.

(6) Financial liabilities measured at amortized cost

Financial liabilities measured at amortized cost includes short-term borrowings, notes payable and accounts payable, other payables, long-term borrowings, bonds payable and long-term payables. The initial measurement shall be made according to the fair value, and the relevant transaction expenses shall be included in the initial confirmed amount.

The interest calculated by the real interest rate method during the holding period shall be included into the current profit and loss.

When the recognition is terminated, the difference between the consideration paid and the book value of the financial liability shall be recorded into the current profit and loss.

Accounting Policy Applicable before January 1, 2018

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

Its initially recognized amount is determined at the fair value (deducting the cash dividend that has been announced but not been issued or bond interest that has matured but not been drawn) at acquisition, and relevant transaction expenses are included in the current profit or loss.

The interest or cash dividends to be received during the holding

period shall be recognized as investment income. Change in fair values is included in the current profit or loss at the end of the period.

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

(2) Held-to-maturity investments

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

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

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

(3) Receivables

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

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

(4) Available-for-sale financial assets

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

The interest or cash dividend obtained during the holding period is recognized as investment income. At the end of the period, available-for-sale financial assets are measured at fair value, and the change in fair value is recognized in other comprehensive income. However, for an equity instrument investment that has no quoted price in an active market and whose fair value cannot be reliably measured, and for derivative financial asset linked to the said equity instrument investment and settled by delivery of the same equity instrument, they are measured at cost.

Difference between the proceeds and the book value of the financial assets is included in investment profit or loss upon

disposal; meanwhile, amount of disposal corresponding to the accumulated change in fair value which was originally and directly included in other comprehensive income is transferred out and included in the current profit or loss.

(5) Other financial liabilities

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

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

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

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

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

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

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

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

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

3.10.4 Derecognition criteria of financial liabilities

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

Where substantive changes are made to the contract terms of existing financial liability in whole or in part, the existing financial liabilities shall be derecognized in whole or in part, and the financial liability of which terms have been modified shall be recognized as a new financial liability.

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

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

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

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

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

Accounting Policy Applicable as of January 1, 2018

The company considers all reasonable and substantiated information, including forward-looking information, financial assets measured at amortized cost in a single item or combination and financial asset designated to be measured by fair value and which change is recorded in other comprehensive income (Debt instruments). The measurement of

expected credit loss depends on whether the credit risk of financial assets has increased significantly since the initial recognition.

If the credit risk of the financial instrument has increased significantly since the initial confirmation, the company shall measure its loss reserve according to the amount equivalent to the expected credit loss of the financial instrument in the whole duration; If the credit risk of the financial instrument has not increased significantly since the initial confirmation, the company shall measure its loss reserve according to the amount equivalent to the expected credit loss of the financial instrument in the next 12 months. The resulting increase or reversal of loss provision shall be recorded as impairment loss or gain in the current profit and loss.

Generally, if the delay exceeds 30 days, the company considers that the credit risk of the financial instrument has increased significantly, unless there is conclusive evidence that the credit risk of the financial instrument has not increased significantly since the initial confirmation.

If the credit risk of a financial instrument is low at the balance sheet date, the company considers that the credit risk of the financial instrument has not increased significantly since the initial recognition.

Accounting Policy Applicable before January 1, 2018

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

Provision for impairment of available-for-sale financial assets

If the fair value of available-for-sale financial assets has significantly declined on December 31, 2018, or it is expected that the trend of decrease in fair value is non-temporary after considering various relevant factors, the impairment occurred shall be recognized. The cumulative loss caused by the decrease of fair value directly recognised in the owner's equity should be transferred out and confirm the impairment.

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

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

3.11 Provision for bad debts of receivables

Accounting Policy Applicable as of January 1, 2018

3.11.1 Receivables

For accounts receivable, regardless of whether they contain significant financing elements, the company always measures its loss reserve

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

according to the amount equivalent to the expected credit loss in the whole duration, and the resulting increase or reversal amount of loss reserve will be included in the current profit and loss as impairment loss or gain.

The company combines the accounts receivable according to similar credit risk characteristics (aging) and, based on all reasonable and valid information, including forward-looking information, estimates the proportion of bad debt provision of the accounts receivable is estimated as follows:

Aging	Proportion of provision for receivables (%)
Within 1 year (including 1 year)	5.00
1 - 2 years	10.00
2 - 3 years	20.00
3 - 4 years	40.00
4 - 5 years	50.00
Over 5 years	100.00

If there is objective evidence that the credit impairment has occurred on an account receivable, the company shall itemized the provision for bad debt and confirm the expected credit loss.

3.11.2 Other receivables

For the measurement of impairment of other receivables, it shall be dealt with in accordance with the above-mentioned measurement method of receivables.

Accounting Policy Applicable before January 1, 2018

3.11.3 Receivables with individually significant amount and individual provision for bad debts

Judgment basis or amount standards for individually significant amount: Accounts receivable of which individual amount exceeds RMB 30 million and other receivables of which individual amount exceeds RMB 10 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.

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

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

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

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Aging	Proportion of provision for receivables (%)	Proportion of provision for other receivables (%)
Within 1 year (including 1 year)	5.00	5.00
1 - 2 years	10.00	10.00
2 - 3 years	20.00	20.00
3 - 4 years	40.00	40.00
4 - 5 years	50.00	50.00
Over 5 years	100.00	100.00

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

Method of 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 Loans and advances

The company directly grants loans and advances to customers, and discounted assets are accounted for by loans and advances.

The company adopts the allowance method to account for credit losses. Credit impairment includes placements with banks and other financial institutions, discounted assets, loss reserve of loans and advances and similar credit financial instruments.

According to the notice of the China Banking Regulatory Commission on the Issue of Guidelines for the Classification of Loan Risks(CBRC [2007] 54), the company began to draw reserve for loss of assets in accordance with the five-level classification from 2007.

The company's loans are classified into five categories: normal, concerned, subordinate, suspicious and loss. Normal loan means that the borrower can fulfill the contract and there is not enough reason to suspect that the principal and interest of the loan cannot be repaid fully; Concerned loans means even though a borrower can repay the principal and interest of the loan now, there are some factors which may negatively affect the repayment thereof; Subordinate loan means obvious problems arise in the borrower's repayment ability and it is impossible to repay the principal and interest of the loan fully depends on its normal operating income. Even if the guarantee is enforced, it may cause some losses; Suspicious loan means the borrower is unable to repay the principal and interest of loans fully. Even if the guarantee is enforced, the considerable losses is unavoidable; Loss loan means the principal and interest still can not be recovered, or only a very small part can be recovered after all possible measures or all necessary legal procedures have been taken.

The company inspected various assets, analysed and judged whether assets occurred impairment, and calculated credit impairment according to the above-mentioned methods. The proportion is as follows:

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Grade	Proportion of providing(%)
Normal assets(Including category of normal and concerned)	Normal 0.00 - 15.00(Not include15.00)
	Concerned 15.00 - 25.00(Not include25.00)
Subordinate assets	25.00 - 50.00(Not include50.00)
Suspicious assets	50.00 - 70.00(Not include70.00)
Loss assets	70.00-100.00

3.13 Funds from buying back the sale and sales for repurchase

Assets that are resold at a certain date in the future according to the purchase agreement will not be recognized in the balance sheet. Costs paid for the purchase of such assets, including accrued interest, are shown in the balance sheet as buy-back payments. The difference between the purchase price and the resale price shall be confirmed by the real interest rate method during the period of the agreement and shall be included in the interest income.

Selled assets repurchased at a certain date in the future according to the agreement shall not be terminated in the balance sheet. The proceeds from the sale of such assets, including accrued interest, are shown in the balance sheet as funds of selling for repurchase to reflect the economic essence of the loan to the company. The difference between the selling price and the repurchase price shall be confirmed by the actual interest rate method during the period of the agreement and shall be included in the interest expenditure.

Securities borrowing and lending transactions are usually accompanied by collateral, with securities or cash as collateral. The transfer of securities between counterparties is reflected in the balance sheet only when the risks and benefits related to the ownership of securities are transferred simultaneously. Cash paid or cash collateral collected are recognized as assets or liabilities respectively.

Borrowed securities are not recognized in the balance sheet. If such securities are sold to a third party, the responsibility for repaying the securities is recognized as held for trading financial liabilities and measured at fair value.

3.14 Funds from buying back the sale and sales for repurchase

3.14.1 Classification of inventories

Inventories mainly include raw materials, self-manufactured semi-finished products and unfinished products, stock commodities(finished goods), consigned processing materials, turnover materials and cost of contract performance, etc.

3.14.2 Measurement method of inventories dispatched

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

3.14.3 Recognition basis for net realizable values of inventories in different categories

For merchandise inventories for direct sale, including finished goods and materials for sale, their net realizable values are recognized at the

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

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

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

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

3.14.4 Inventory system

Perpetual inventory system is adopted.

3.14.5 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.

3.15 Contract assets and contract liabilities

According to the relationship between performance obligations and the payment of customer, the Company lists contract assets or contract liabilities in the balance sheet. The consideration (excluding receivables) that the Company has been entitled to collect for the transfer of goods or services to its customers is shown as contract assets; The obligation of transferring goods or providing services to its customers, which the Company have received or should receive consideration from customers, is shown as contract liabilities.

For contract assets, whether or not contain significant financing elements, the Company always measures its provisions for losses according to the amount equivalent to the expected credit loss in the duration, and the increase or return amount of the provisions for losses is recorded as impairment loss or gain in the current profit and loss.

3.16 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.

3.17 Long-term equity investments

3.17.1 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.

3.17.2 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. 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.

3.17.3 Subsequent measurement and recognition of profits or losses

(1) Long-term equity investment accounted for by the cost method

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

(2) Long-term equity investment accounted for by the equity method

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

included in the current profit or loss.

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

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

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

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

estimated to undertake.

(3) Disposal of long-term equity investments

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

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

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

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

Where the disposed equities are acquired via the business combination due to the reasons such as additional investment, the

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

3.18 Investment property

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

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

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

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

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

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

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

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

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

3.19 Fixed assets

3.19.1 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.

3.19.2 Depreciation method

The depreciation of fixed assets is classified by the method of average years or double-declining-balance and determine the depreciation rate according to the category of Fixed Assets, estimated useful life and estimated net residual rate. If the service life of each component of fixed assets is different or provide economic benefits to enterprises in different ways, then choose different depreciation rate or depreciation method to calculate the depreciation.

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; 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.

The depreciation methods, depreciation life, residual rate and annual depreciation rate of all kinds of fixed assets are as follows:

Category of fixed assets	Depreciation method	Depreciation life(Year)	Residual rate(%)	Annual depreciation rate(%)
I. Houses and buildings				
Including: houses and buildings used for production	Straight-line method or double declining balance method	20.00	5.00	4.75% or double declining balance method
Houses and buildings used for non-production	Straight-line method	25.00	5.00	3.80
II. Machinery equipment	Straight-line method or double declining balance method	10.00	5.00	9.50% or double declining balance method
III. Transportation equipment	Straight-line method	6.00	5.00	15.83

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Category of fixed assets	Depreciation method	Depreciation life(Year)	Residual rate(%)	Annual depreciation rate(%)
IV. Instrument and apparatus	Straight-line method or double declining balance method	6.00	5.00	15.83% or double declining balance method
V. Electronic computer	Straight-line method or double declining balance method	5.00	5.00	19.00% or double declining balance method
VI. Other equipment	Straight-line method or double declining balance method	6.00	5.00	15.83% or double declining balance method

3.19.3 Cognizance basis and valuation method of fixed assets acquired under financing leases

If one of the following conditions is stipulated in the terms of the lease agreement signed between the Company and the lessor, it shall be recognized as a fixed assets acquired under financing leases:

- (1) When the lease term expires, the ownership of the leased assets belongs to the Company;
- (2) The Company has the option to purchase assets, and the purchase price is much lower than the fair value of the assets when exercising the right of choice;
- (3) The lease term accounts for the majority of the life of the leased assets;
- (4) There is no significant difference between the present value of the minimum lease payment on the beginning of the lease term and the fair value of the asset.

At the beginning of the lease, the Company regards the lower of the fair value of the leased assets and the present value of the minimum lease payment as the entry value of the leased assets, and regards the lowest lease payment as the entry value of the long-term accounts payable, and the difference as the unrecognized financing fee.

3.20 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.

3.21 Borrowing costs

3.21.1 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.

3.21.2 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.

3.21.3 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.

3.21.4 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.

3.22 Intangible assets

3.22.1 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. If the purchase price of intangible assets exceeds the normal credit conditions resulting deferred payment, essentially with the nature of financing, the cost of intangible assets is determined on the basis of the present value of the purchase price.

The entry value of the intangible assets, which acquired through debt restructuring from the debtor to pay debts, is determined on the basis of the fair value. The difference between the book value of the restructured debt and the fair value of the intangible assets used to settle the debt is included in the current profit and loss.

On the premise that the exchange of non-monetary assets has commercial substance and the fair value of assets received or transferred can be reliably measured, the entry value of the intangible assets received by the exchange of non-monetary assets is determined on the basis of the fair value of the transferred assets, unless there is conclusive evidence that the fair value of the received assets is more reliable; If the exchange of non-monetary assets do not satisfy the preconditions mentioned above, the cost of received intangible assets is determined on the basis of the book value of the transferred assets and relevant taxes and fees payable and do not confirm the profit and loss.

- (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. 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.

3.22.2 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.

3.22.3 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;
- (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.

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

3.24 Long-term deferred expenses

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

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

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

3.25 Employee compensation

3.25.1 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.

3.25.2 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.

3.25.3 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.

3.26 Estimated liabilities

3.26.1 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.

3.26.2 Measurement methods for various estimated liabilities

The company's estimated liabilities are initially measured in terms of the best estimate of the expenditure required to meet the relevant current obligations.

In determining the best estimate, the company should take such factors as the risk, uncertainty and time value of money related to contingencies into consideration.

The best estimate is determined by discounting the relevant future cash outflows when the time value of money has a significant impact.

The best estimates are dealt with respectively in the following cases:

The best estimate is based on an average of the middle of the range, the upper and lower limits, when there is a continuous range (or range) of required expenditures and the probability of the occurrence of various results within that range is same.

The best estimate is determined in terms of the most likely amount to occur, when there is not a continuous range (or range) of required expenditures, or where there is a continuous range but the likelihood of various outcomes occurring within that range is different.

If the contingencies involve more than one item, the best estimate is calculated and determined according to various possible results and relevant probabilities. Where all or part of the expenditure required for the liquidation of the estimated liabilities of the company is expected to be compensated by a third party, the amount of compensation shall be recognized as an asset when it is basically confirmed that it can be received, and the confirmed amount of compensation shall not exceed the book value of the estimated liabilities.

See this note for details 5.35 Estimated liabilities.

3.27 Revenue

Accounting policies that apply from January 1, 2018

When the company has performed contractual obligation, revenue is recognized when the customer takes control of the relevant assets (goods or services). Whether the performance obligation is performed within a certain period of time or at a certain point depends on the contractual terms and relevant legal provisions.

If the company meets any of the following conditions, it shall fulfill its performance obligations within a certain period of time:

1. The customer obtains and consumes the economic benefits brought by the company's performance of the contract at the same time;
2. The customers can control the assets under construction during the company's performance;
3. The assets produced during the performance of the contract of the company have irreplaceable uses.

In addition, the company has the right to charge payment which has been accumulated so far during the whole contract period.

If the performance obligation is performed within a certain period of time, the company shall recognize the revenue according to the performance progress. Otherwise, the company shall recognize the revenue at a certain point when the customer obtains control over the relevant assets. The performance progress is measured by the company's expenditure or input for the performance of the performance obligations. The progress is determined based on the proportion of the accumulated costs incurred as of the balance sheet date of each contract to the estimated total costs.

When determining the contract transaction price, if there is a variable consideration, the company shall determine the best estimate of the variable consideration according to the expected value or the most likely amount, and record it in the transaction price with the amount not exceeding the amount that will most likely not be significantly reversed in the accumulated confirmed income when the relevant uncertainty is eliminated. If there is a significant financing component in the contract, the company will adjust the transaction price according to the financing component in the contract. If the gap between the transfer of control and the payment of price by the customer is less than one year, the company will not consider the financing.

3.28 Contract cost

Contract cost includes contract performance cost and contract acquisition cost.

The costs incurred by the company for the performance of the contract shall be recognized as an asset when the following conditions are met:

1. The cost is directly related to a current or anticipated contract;
2. This cost increases the company's resources for future performance;
3. The cost is expected to recover.

If the incremental cost incurred by the company in order to obtain the contract can be expected to be recovered, the contract acquisition cost shall be recognized as an asset.

Assets related to contract costs are amortized on the same basis as revenue recognition of goods or services related to the asset. However, if the amortization period of the contract acquisition cost does not exceed one year, the company shall record it into the current profit and loss when it occurs.

If the book value of the assets related to the contract cost is higher than the difference between the following two items, the company will make provision for the excess and recognize it as the impairment loss:

1. Residual consideration expected to be obtained by the transfer of goods or services related to the asset;
2. The cost to be incurred for the transfer of the relevant good or service.

If the impairment provision of the aforesaid assets is subsequently reversed, the book value of the reversed asset shall not exceed the book value of the asset on the date of the reverse assuming no provision for impairment is made.

3.29 Government grants

3.29.1 Type

Government grants refers to the monetary assets and non-monetary assets obtained by the company free of charge from the government. It is divided into government subsidy related to assets and government subsidy related to earnings.

Government grants related to assets refers to the government subsidy obtained by the company for the purchase and construction or the formation of long-term assets.

Government grants related to income refer to government grants other than those related to assets. If the government document does not specify the target of the subsidy, the Company makes the judgment according to the principles above mentioned.

3.29.2 Timing of recognition

Disclosure requirement: Disclose the beginning of government grants.

3.29.3 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).

3.30 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.

3.31 Lease

3.31.1 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.

3.31.2 Accounting treatment of financing lease

(1) Finance lease assets: The company takes the lower of the fair value of the leased assets and the present value of the minimum lease payments as the book value of the leased assets on the lease commencement date, takes the minimum lease payments as the book value of long-term payables, and takes the difference as the unrecognized financing expenses. The company adopts the effective interest rate method to amortize the unrecognized financing expenses during the asset lease period and record them into financial expenses. The initial direct expenses incurred by the company shall be recorded into the value of the leased assets.

(2) Finance lease assets: At the beginning date of leasing, the company shall recognize the difference between the sum of finance lease receivables, unguaranteed residual value and its present value as unrealized financing income, and shall recognize it as leasing income within each period when it receives rent in the future. The initial direct expenses incurred by the company in connection with the lease transaction shall be included in the initial measurement of the receivable finance lease payment and shall reduce the amount of income recognized during the lease term.

3.32 Termination of business

Termination of operations is a separately distinguishable component which satisfies one of the following conditions and which has been disposed of by the company or is classified by the company as being held for sale:

(1) This component represents an independent major business or a separate major operating area;

(2) This component is part of an associated plan for the disposal of an independent major business or a separate major area of operation;

(3) This component is a subsidiary acquired specifically for resale.

3.33 Other important accounting policies and accounting estimates

The actual operating income of the machinery manufacturing enterprise in the company in last years shall be the basis of calculation and withdrawal. The method of excess regression was adopted and extracted monthly on average according to the following standard. Safety production fee for perfecting and improving safety production conditions of enterprises or projects is as follows:

(1) The portion of the operating revenue not exceeding 10 million yuan shall be withdrawn according to 2%;

(2) The portion of the operating revenue exceeding 10 million yuan to 100 million yuan shall be withdrawn according to 1%;

(3) The portion of the operating revenue exceeding 100 million to 1 billion yuan shall be withdrawn according to 0.2%;

(4) The portion of the operating revenue exceeding 1 billion to 5 billion shall be withdrawn according to 0.1%;

(5) The portion of the operating revenue exceeding 5 billion shall be withdrawn according to 0.05%.

For newly established enterprises and machinery manufacturing enterprises which have been put into operation for less than one year, the actual operating income of that year shall be taken as the basis for withdrawal, and the safety expenses shall be calculated and withdrawn on a monthly basis.

The safety production expenses extracted shall be recorded into the current profits and losses, and shall be recorded into the special reserves, which shall be separately listed and shown under the liabilities and owners' equity. Where the safety production be taken into actual use, the special reserve shall be directly written off. If the extracted safety production cost is used to form fixed assets, the expenditure generated by the collection of "Construction in progress" shall be recognized as fixed assets when the safety project is completed and reaches the predetermined usable state; At the same time, according to the formation of fixed assets cost write-down special reserve, and confirm the same amount of accumulated depreciation. Where the special reserve balance withdrawn is insufficient to be written off, it shall be directly recorded into the current profits and losses.

3.34 Significant changes in accounting policies and estimates

3.34.1 Significant changes in accounting policies

(1) On June 15, 2018, the ministry of finance issued the notice of the ministry of finance on the revision and issuance of the format of general corporate financial statements for the year of 2018 (no. 15 of the ministry of finance and accounting

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(2018)) and the interpretation of the format of general corporate financial statements for the year of 2018, which revised the format of general corporate financial statements. In Dongfang Electric Corporation Limited Consolidated Balance Sheet, Reclassify " Derivative assets " and " Notes receivable and Accounts receivable " into the newly added " Notes receivable and Accounts receivable "; Reclassify "Interest receivable"and "Dividends receivable" into the "Other receivables"; Reclassify "Disposal of fixed assets "into" Fixed assets"; Reclassify "Project materials "into" Construction in progress "; Reclassify "Notes payable" and "Accounts payable" into "Notes payable and Accounts payable"; Reclassify "Interest payable" and "Dividends payable" into "Other payables";Reclassify"Special payables"into"Long-term payables";In Income Statement, Split out"Research and development expenses"under"General and administrative expenses".Under "Financial expenses" add "Interest Expenses" and "Interest Income";The enterprise adopts the retroactive adjustment method in accordance with relevant provisions to adjust the comparative data of the comparable accounting period.

Implementation of financial accounting (2018) document no. 15 on the current period and each of the financial statements (consolidation) in the earlier affected project name and adjustment amount

Number	Report item	Consolidated Balance Sheet			
		Balance as at December 31, 2017	Reclassification amount	Remeasure and adjustment amount	Balance as at January 1, 2018
1	Notes receivable	5,883,127,546.12	-5,883,127,546.12		
2	Accounts receivable	13,395,539,427.06	-13,395,539,427.06		
3	Notes receivable and Accounts receivable		19,278,666,973.18		19,278,666,973.18
4	Interest receivable	169,882,340.48	-169,882,340.48		
5	Dividends receivable	43,923,557.40	-43,923,557.40		
6	Other receivables	302,285,682.04	213,805,897.88		516,091,579.92
7	Fixed assets	6,628,836,307.86	142,057.40		6,628,978,365.26
8	Disposal of fixed assets	142,057.40	-142,057.40		
9	Construction in progress	216,374,680.36	113,464.96		216,488,145.32
10	Project materials	113,464.96	-113,464.96		
11	Notes payable	3,627,922,679.01	-3,627,922,679.01		
12	Accounts payable	14,815,572,692.63	-14,815,572,692.63		
13	Notes payable and Accounts payable		18,443,495,371.64		18,443,495,371.64
14	Dividends receivable	32,569,004.03	-32,569,004.03		
15	Interest payable	51,774,673.87	-51,774,673.87		
16	Other payables	2,371,651,665.85	84,343,677.90		2,455,995,343.75
17	Special payables	58,302,614.63	-58,302,614.63		
18	Long-term payables		58,302,614.63		58,302,614.63

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Number	Report item	Consolidated Income Statement(For the Year Ended December 31, 2017)			
		Before adjustment	Reclassification amount	Remeasure and adjustment amount	After adjustment
19	General and administrative expenses	4,055,090,259.22	-1,435,218,361.18		2,619,871,898.04
20	Research and development expenses		1,435,218,361.18		1,435,218,361.18

(2) The ministry of finance issued on June 12, 2017 by the 9th explanation of accounting standards for enterprises - about investment under the equity method accounting treatment of a net loss, the 10th explanation of accounting standards for enterprises - about the revenue generated by use of fixed assets depreciation method based, the 11th explanation of accounting standards for enterprises - about based on the use of intangible assets to generate income amortization method and the 12th explanation of accounting standards for enterprises - about whether the key management service provider and receiver for related parties, according to the four accounting standards explain rules, since January 1, 2018, Except for the explanation that 9th should be retroactively adjusted, there is no need to retroactively adjust the comparative data.

(3) Perform the Accounting standards for enterprises No.22-Confirmation and measurement of financial instruments, Accounting standards for enterprises No.23-Transfer of financial assets, Accounting standards for enterprises No.24-Hedging accounting, Accounting standards for enterprises No.37-Presentation of financial instruments(2017 revision).

The ministry of finance revised the accounting standards for enterprises No.22-Confirmation and measurement of financial instruments, Accounting standards for enterprises No.23-Transfer of financial assets, Accounting standards for enterprises No.24-Hedging accounting, Accounting standards for enterprises No.37-Presentation of financial instruments in 2017. The above revised standards shall come into force as of January 1, 2018. According to the provisions of the standards, for financial instruments that have not been recognized as of the implementation date, if the previous recognition and measurement are inconsistent with the requirements of the revised standards, the adjustment shall be made retroactively. There is no need to adjust if the data of the earlier comparative financial statements are inconsistent with the requirements of the revised standards. On January 1, 2018, the company adjusted the retained earnings and other comprehensive earnings at the beginning of the year due to the cumulative effect of retroactive adjustment. The main effects of the above criteria are as follows:

The content and reason of the change of accounting policy	Approval procedure	The name and amount of the affected report item
(1) Because of the change of report item name, Financial asset designated to be measured by fair value and which change is recorded in profit and loss reclassified as held for trading financial assets	Board approval	Financial asset designated to be measured by fair value and which change is recorded in profit and loss: reduce RMB 356,894,260.52; Held for trading financial assets: increase RMB 356,894,260.52.
(2) Held for trading financial assets reclassified as held for trading financial assets	Board approval	Held for trading financial assets: increase RMB 106,931,273.44; Held for trading financial assets: reduce RMB 134,043,047.74; Other equity instrument investments: increase RMB 27,111,774.30; Other comprehensive income: reduce RMB

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

The content and reason of the change of accounting policy	Approval procedure	The name and amount of the affected report item
		87,693,598.06; Undistributed profits: increase RMB 108,489,697.40; Deferred tax liabilities: reduce RMB 20,796,099.34.
(3)Held for trading financial assets reclassified as held for trading financial assets	Board approval	Held for trading financial assets: reduce RMB 586,464,800.00; Held for trading financial assets: increase RMB 592,170,944.00; Undistributed profits: increase RMB 4,279,608.00; Deferred tax assets: reduce RMB 1,426,536.00.
(4)Held-to-maturity investments reclassified as Financial assets measured at amortized cost, Bond investment and Held for trading financial assets	Board approval	Held-to-maturity investments: reduce RMB 2,043,786,793.75; Bond investment:increase RMB 807,536,793.75; Held for trading financial assets: increase RMB 1,250,000,000.00; Undistributed profits: increase RMB 10,312,500.00; Deferred tax assets: reduce RMB 3,437,500.00.
(5)Held for trading financial assets reclassified as Financial assets measured at amortized cost	Not involved	Not involved
(6)Held-to-maturity investments reclassified as Financial assets measured at amortized cost, Bond investment, Held for trading financial assets, and Other current assets	Not involved	Not involved
(7)Financial assets measured at amortized cost and Financial asset designated to be measured by fair value and which change is recorded in other comprehensive income should provide expected credit losses	Not involved	Not involved

(4)Perform the Accounting standards for enterprises No.14-Revenue (2017 revision)

The ministry of finance revised the accounting standards for enterprises No.14-Revenue in 2017. According to the revised standards, the first implementation of the standards shall adjust the amount of retained earnings at the beginning of the year and other related items in the financial statements according to the cumulative impact, and shall not adjust the information of the comparable period. In accordance with the guidelines, the company only adjusts the cumulative impact of outstanding contracts on the first execution date. The main implications of the implementation of the guidelines are as follows:

The content and reason of the change of accounting policy	Approval procedure	The name and amount of the affected report item
(1)Adjust the cumulative impact of outstanding contracts	Board approval	Accounts receivable: reduce RMB 97,680,847.50; Inventories: increase RMB 1,318,877,469.41; Deferred tax assets: increase RMB 11,396,803.85; Contract Liabilities: increase RMB 1,181,753,696.85; Taxes and surcharge payable: increase RMB 18,694,157.42; Provision: reduce RMB 9,206,098.81; Undistributed profits: increase RMB 44,741,251.22; Non-controlling shareholders' equity: reduce RMB 3,389,580.92.
(2)Part of the goods sold are the performance obligations performed within a certain period of time, and the revenue	Board approval	Accounts receivable: increase RMB 43,281,738.94; Inventories: reduce RMB 185,876,557.77; Contract assets: reduce RMB 1,053,803.35;

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

The content and reason of the change of accounting policy	Approval procedure	The name and amount of the affected report item
recognition amount increases		Advances from customers: reduce RMB 170,490,020.20; Undistributed profits: increase RMB 26,841,398.00.
(3)The sales commissions generated in order to obtain the contract are expected to be recoverable and recognized as the contract acquisition costs as assets	Board approval	Not involved
(4)Add contract assets and contract liabilities to the balance sheet	Board approval	Accounts receivable: reduce RMB 5,298,330,643.99; Inventories: reduce RMB 2,910,965,117.37; Contract assets: increase RMB 10,030,835,909.69; Advances from customers: reduce RMB 32,037,625,776.69; Contract Liabilities: increase RMB 32,037,625,776.69; Provision: increase RMB 1,821,540,148.33.

3.34.2 Changes in significant accounting policies and accounting estimates

No main changes in accounting estimate at this period.

3.34.3 First implementation of new financial instrument standards or new income standards adjustment first implementation of financial statements at the beginning of the year related to the project

Consolidated Balance Sheet

Item	Balance as at December 31, 2017	Balance as at January 1, 2018	Adjustment
Current assets:			
Cash and cash equivalents	30,609,842,597.19	30,609,842,597.19	
Settlement reserve			
Placements with banks and other financial institutions			
Held for trading financial assets		2,305,996,477.96	2,305,996,477.96
Financial assets at fair value through profit and loss	356,894,260.52		-356,894,260.52
Derivative financial assets			
Notes receivable and Accounts receivable	19,278,666,973.18	13,925,937,220.63	-5,352,729,752.55
Prepayments	2,443,615,454.54	2,443,615,454.54	
Premiums receivable			
Reinsurance receivables			
Provision of cession receivable			
Other receivables	516,091,579.92	516,091,579.92	
Financial assets purchased under agreements to resell	2,999,617,000.00	2,999,617,000.00	
Inventories	18,959,975,214.67	17,182,011,008.94	-1,777,964,205.73
Contract assets		10,029,782,106.34	10,029,782,106.34
Held - for - sale assets			
Non-current assets maturing within one year	680,000,000.00	680,000,000.00	

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2017	Balance as at January 1, 2018	Adjustment
Other current assets	477,465,818.30	477,465,818.30	
Total current assets	76,322,168,898.32	81,170,359,263.82	4,848,190,365.50
Non-current assets:			
Loans and advances to customers	690,200,000.00	690,200,000.00	
Debt investments		807,536,793.75	807,536,793.75
Available-for-sale financial assets	720,507,847.74		-720,507,847.74
Other debt investments			
Held-to-maturity investments	2,043,786,793.75		-2,043,786,793.75
Long-term receivables	38,459,549.69	38,459,549.69	
Long-term equity investments	1,407,679,377.51	1,407,679,377.51	
Other equity instrument investments		27,111,774.30	27,111,774.30
Other non-current financial assets			
Investment property	177,835,892.21	177,835,892.21	
Fixed assets	6,628,978,365.26	6,628,978,365.26	
Construction in progress	216,488,145.32	216,488,145.32	
Productive biological assets			
Oil and gas assets			
Intangible assets	1,549,411,174.36	1,549,411,174.36	
Development expenditure			
Goodwill			
Long-term deferred expenses	590,304.64	590,304.64	
Deferred tax assets	2,574,878,912.95	2,581,411,680.80	6,532,767.85
Other non-current assets	4,931,790.00	4,931,790.00	
Total non-current assets	16,053,748,153.43	14,130,634,847.84	-1,923,113,305.59
Total assets	92,375,917,051.75	95,300,994,111.66	2,925,077,059.91
Current liabilities:			
Short-term borrowings	88,194,570.50	88,194,570.50	
Borrowings from central bank			
Placements from banks and other financial institutions			
Held for trading financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative financial liabilities			
Notes payable and Accounts payable	18,443,495,371.64	18,443,495,371.64	
Advances from customers	32,208,115,796.89		-32,208,115,796.89
Amounts sold under repurchase agreements			
Deposits from banks and other financial institutions	4,539,497,293.27	4,539,497,293.27	

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2017	Balance as at January 1, 2018	Adjustment
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Employee benefits payable	660,360,561.04	660,360,561.04	
Taxes and surcharge payable	361,876,261.06	380,570,418.48	18,694,157.42
Other payables	2,455,995,343.75	2,455,995,343.75	
Handling charges and commissions payable			
Cession insurance premiums payable			
Contract Liabilities		33,219,379,473.54	33,219,379,473.54
Held-for-sale liabilities			
Non-current liabilities maturing within one year	528,320,000.00	528,320,000.00	
Other non-current liabilities	66,593,071.87	66,593,071.87	
Total current liabilities	59,352,448,270.02	60,382,406,104.09	1,029,957,834.07
Non-current liabilities:			
Provision for insurance contracts			
Long-term borrowings	456,634,990.00	456,634,990.00	
Bonds payable			
Including: Preferred stock			
Perpetual debt			
Long-term payables	58,302,614.63	58,302,614.63	
Long-term employee benefits payable	700,024,168.29	700,024,168.29	
Provision	2,776,014,026.92	4,588,348,076.44	1,812,334,049.52
Deferred income	663,257,499.10	663,257,499.10	
Deferred tax liabilities	42,262,367.54	21,466,268.20	-20,796,099.34
Other non-current liabilities			
Total non-current liabilities	4,696,495,666.48	6,488,033,616.66	1,791,537,950.18
Total liabilities	64,048,943,936.50	66,870,439,720.75	2,821,495,784.25
Owners' equity:			
Share capital	2,336,900,368.00	2,336,900,368.00	
Other equity instrument investments			
Including: Preferred stock			
Perpetual debt			
Capital reserves	11,884,507,974.98	11,884,507,974.98	
Less: Treasury shares			
Other comprehensive income	41,972,904.52	-45,720,693.54	-87,693,598.06
Specialized reserves	75,418,562.02	75,418,562.02	
Surplus reserves	774,913,922.16	774,913,922.16	
General risk reserves			

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2017	Balance as at January 1, 2018	Adjustment
Undistributed profits	12,096,965,958.72	12,291,630,413.36	194,664,454.64
Total equity attributable to owners of the parent company	27,210,679,690.40	27,317,650,546.98	106,970,856.58
Non-controlling shareholders' equity	1,116,293,424.85	1,112,903,843.93	-3,389,580.92
Total owners' equity	28,326,973,115.25	28,430,554,390.91	103,581,275.66
Total liabilities and owners' equity	92,375,917,051.75	95,300,994,111.66	2,925,077,059.91

Balance Sheet

Item	Balance as at December 31, 2017	Balance as at January 1, 2018	Adjustment
Current assets:			
Cash and cash equivalents	11,520,821,747.40	11,520,821,747.40	
Held for trading financial assets		31,719,439.00	31,719,439.00
Financial assets at fair value through profit and loss	31,719,439.00		-31,719,439.00
Derivative financial assets			
Notes receivable and Accounts receivable	4,551,884,380.95	2,387,717,805.67	-2,164,166,575.28
Prepayments	8,318,788,343.40	8,318,788,343.40	
Other receivables	6,286,921,080.45	6,286,921,080.45	
Inventories	1,517,033,079.35	170,880,896.17	-1,346,152,183.18
Contract assets		3,510,318,758.46	3,510,318,758.46
Held - for - sale assets			
Non-current assets maturing within one year			
Other current assets	141,054,991.66	141,054,991.66	
Total current assets	32,368,223,062.21	32,368,223,062.21	
Non-current assets:			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	10,766,562,094.08	10,766,562,094.08	
Other equity instrument investments			
Other non-current financial assets			
Investment property	13,432,177.52	13,432,177.52	
Fixed assets	3,767,519.78	3,767,519.78	
Construction in progress	1,560,384.62	1,560,384.62	
Productive biological assets			
Oil and gas assets			

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2017	Balance as at January 1, 2018	Adjustment
Intangible assets	8,598,690.02	8,598,690.02	
Development expenditure			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	212,545,345.20	212,545,345.20	
Other non-current assets			
Total non-current assets	11,006,466,211.22	11,006,466,211.22	
Total assets	43,374,689,273.43	43,374,689,273.43	
Current liabilities:			
Short-term borrowings			
Held for trading financial liabilities			
Financial liabilities at fair value through profit and loss			
Derivative financial liabilities			
Notes payable and Accounts payable	7,150,623,630.66	7,150,623,630.66	
Advances from customers	15,842,609,301.83		-15,842,609,301.83
Employee benefits payable	21,146,205.50	21,146,205.50	
Taxes and surcharge payable	11,533,648.57	11,533,648.57	
Other payables	1,456,486,089.30	1,456,486,089.30	
Contract Liabilities		15,842,609,301.83	15,842,609,301.83
Held-for-sale liabilities			
Non-current liabilities maturing within one year			
Other non-current liabilities			
Total current liabilities	24,482,398,875.86	24,482,398,875.86	
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: Preferred stock			
Perpetual debt			
Long-term payables			
Long-term employee benefits payable	17,518,632.96	17,518,632.96	
Provision	265,847,376.75	265,847,376.75	
Deferred income	617,023.67	617,023.67	
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities	283,983,033.38	283,983,033.38	
Total liabilities	24,766,381,909.24	24,766,381,909.24	
Owners' equity:			

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2017	Balance as at January 1, 2018	Adjustment
Share capital	2,336,900,368.00	2,336,900,368.00	
Other equity instrument investments			
Including: Preferred stock			
Perpetual debt			
Capital reserves	8,891,700,256.53	8,891,700,256.53	
Less: Treasury shares			
Other comprehensive income			
Specialized reserves			
Surplus reserves	1,063,277,038.59	1,063,277,038.59	
Undistributed profits	6,316,429,701.07	6,316,429,701.07	
Total owners' equity	18,608,307,364.19	18,608,307,364.19	
Total liabilities and owners' equity	43,374,689,273.43	43,374,689,273.43	

4. Taxation

4.1 Main tax types and tax rates

Tax types	Tax basis	Tax rate(%)
Value-added tax (Remark 4)	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	2.00、6.00、10.00、11.00、14.50、16.00、17.00
Urban maintenance and construction tax	Paid based on the actual business tax, VAT and consumption tax paid	5.00、7.00
Enterprise income tax(Remark 5)	Levied based on the taxable income	15.00、20.00、22.00、27.553、25.00、34.00
The property tax	70% of original value of self-use property/rental income of rental property	1.20、12.00

Remark 4: Sales of goods for Dongfang Electric(India) PVT LTD are subject to simeon VAT. Among them, the value-added tax rate for in-state sales is 14.50%, and the value-added tax rate for out-of-state sales is 2.00%; The VAT rate for merchandise sales for Dongfang Electric (Indonesia) Co., Ltd.is 10.00%.

Remark 5: Taxpayers with different enterprise income tax rates listed in the table as below:

Taxpayer name	Income tax rate(%)
Dongfang Electric Corporation Limited	15.00
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	15.00
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	15.00
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd	15.00
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	15.00
Deyang Dongfang Abele Pipe System Co., Ltd.	15.00
Dongfang Electric Dongfeng Electric Machinery Co., Ltd.	15.00
Tianjin Dongqi Wind Turbine Blade Engineering Co.,Ltd.	15.00
Dongfang Turbine CO.LTD Resin Division	15.00
Dongfang Electric Autocontrol Engineering Co., Ltd.	15.00

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Taxpayer name	Income tax rate(%)
Dongfang Electrical Machinery Control Equipment Co., Ltd.	15.00
Shenzhen Dongfang Boiler Control Co.,Ltd.	15.00
Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.	15.00
Dongfang Electric Intelligent Technology Co., Ltd.	15.00
Dongfang Electric India Company	27.553
Dongfang Electric Indonesia Company (Remark 6)	25.00、 20.00
Dongfang Electric Venezuela Co., Ltd.(hereinafter referred to as the "DEV")	34.00
Nam Mang 1 Power Company Limited (Remark 7)	0.00
Other enterprise within the scope of the Company's consolidation	25.00

Remark 6: Dongfang Electric Indonesia Company Enterprise income tax collects the enterprise income tax respectively according to 25% and 20% of taxable income and income from deposit interest.

Remark 7: According to the franchise agreement signed by Nam Mang 1 Power Company Limited and the Lao government on January 9, 2013, the enterprise income tax is 0.00%.

4.2 Tax preference

1. Dongfang Electric Corporation Limited

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%, if its income from primary business accounts for more than 70% of the total income of the enterprise. Dongfang Electric Corporation Limited belong to the foresaid encouraged industries and the income tax in 2018 is subject to 15% of preferential tax rate.

2. Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd

The company obtained the high-tech enterprise certification on November 30, 2016. The certificate number is GR201644000010 and the period of validity is 3 years. In accordance with the preferential tax policies for high-tech enterprises in the enterprise income tax law of the People's Republic of China, the applicable enterprise income tax rate for this year is 15.00%.

3. Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation

(1) Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation
 Obtained the high-tech enterprise certification on December 4, 2017, with the certificate no. GR 201751000961 and valid for three years. In accordance with the preferential tax policies for high-tech enterprises in the enterprise income tax law of the People's Republic of China, the enterprise income tax rate applicable this year is 15.00%.

(2) Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd

Obtained the high-tech enterprise certification on October 9, 2015, the certificate number is GR201551000118, valid for three years, after the expiration of this year has been re-applied for high-tech enterprise identification, December 3, 2018 has been publicly announced as a high-tech enterprise, this year the applicable corporate income tax rate is 15.00%.

4. Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation

(1) Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation
 Obtained the high-tech enterprise certification on October 9, 2015, with the certificate no.

GF201551000755 and valid for 3 years. After the expiration of this year, we have re-applied for the recognition of high-tech enterprises, and the certificate number is GR201851000343. The issuance date is September 14, 2018, and the validity period is 3 years. In accordance with the preferential tax policies for high-tech enterprises in the enterprise income tax law of the People's Republic of China, the enterprise income tax rate applicable this year is 15.00%.

(2)Deyang Dongfang Abele Pipe System Co., Ltd.

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, Deyang Dongfang Abele Pipe System Co., Ltd. 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.

(3)Dongfang Turbine Co., Ltd. Resin Division

Obtained the high-tech enterprise certification on August 29, 2017, the certificate number is GR201751000538, valid for 3 years, in accordance with the "enterprise income tax law of the People's Republic of China" on high-tech enterprises in the preferential tax policies, the applicable corporate income tax rate of 15.00% this year.

5.Dongfang Electric Dongfeng Electric Machinery Co., Ltd.

Obtained the high-tech enterprise certification on December 3, 2018, with the certificate number GR201851001296 and valid for three years. In accordance with the preferential tax policies for high-tech enterprises in the enterprise income tax law of the People's Republic of China, the enterprise income tax rate applicable this year is 15.00%.

6.Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.

Obtained the high-tech enterprise certification on December 9, 2016, with the certificate number GR201612000990, and the validity period is 3 years. In accordance with the preferential tax policies for high-tech enterprises in the enterprise income tax law of the People's Republic of China, the enterprise income tax rate applicable this year is 15.00%.

7.Dongfang Electric Autocontrol Engineering Co., Ltd.

(1)Dongfang Electric Autocontrol Engineering Co., Ltd

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, Dongfang Electric Autocontrol Engineering Co., Ltd belong to the foresaid encouraged industries in the Western Region and after being recorded and confirmed by

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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's management believes that it is still in line with the preferential tax policies for the development of the western region in 2018. The company's enterprise income tax in 2018 is tentatively calculated and paid at the preferential tax rate of 15.00% for enterprises in the western development after being recorded and confirmed by the respective competent tax authority.

Dongfang Electric Autocontrol Engineering Co., Ltd and its subsidiary of sichuan province economic and information commission issued "the software product registration certificate", according to the ministry of finance, state administration of taxation on the software product value-added tax policy notice (caishui [2011] 100) the relevant provisions of dongfang electric automatic control engineering co., LTD and its subsidiary sales of self-developed software products production VAT is the actual tax burden more than 3.00% of the part to enjoy the preferential policies.

(2) Dongfang Electrical Machinery Control Equipment Co., Ltd.
 Obtained the high-tech enterprise certification on December 8, 2016, with the certificate No. GR201651000491 and valid for 3 years. In accordance with the preferential tax policies for high-tech enterprises in the enterprise income tax law of the People's Republic of China, the enterprise income tax rate applicable this year is 15.00%.

(3)Shenzhen Dongfang Boiler Control Co., Ltd.
 Obtained the high-tech enterprise certification on October 16, 2018, with the certificate No. GR201844200982 and valid for 3 years. In accordance with the preferential tax policies for high-tech enterprises in the enterprise income tax law of the People's Republic of China, the enterprise income tax rate applicable this year is 15.00%.

(4) Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.
 Obtained the high-tech enterprise certification on October 9, 2015. The certificate number is GE201551000172 and the validity period is 3 years. After the expiration of this year, it has re-applied for the recognition of high-tech enterprises, and has been proposed to be publicized as a high-tech enterprise. In accordance with the preferential tax policies for high-tech enterprises in the enterprise income tax law of the People's Republic of China, the enterprise income tax rate applicable this year is 15.00%.

8.Dongfang Electric Intelligent Technology Co., Ltd.
 Obtained the high-tech enterprise certification on September 14, 2018. The certificate number is GR201851000162, and the period of validity is 3 years. In accordance with the preferential tax policies for high-tech enterprises in the enterprise income tax law of the People's Republic of China, the enterprise income tax rate applicable this year is 15.00%.

4.3 Other instructions

None.

5. Notes to items of consolidated financial statements

5.1 Monetary funds

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Cash on hand	1,614,922.27	2,135,420.50
Bank deposits	28,880,558,015.97	29,859,229,813.05
Other monetary funds	464,275,499.81	748,477,363.64

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Total	29,346,448,438.05	30,609,842,597.19
Including: total amount deposited abroad	518,179,088.26	731,697,534.26

Remark: the item "bank deposits" includes deposits with the central bank and deposits with banks.

The details of the monetary funds which are restricted in use due to mortgage, pledge or freeze, and which are placed abroad and limited in the repatriation of funds are as follows:

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Bank reserve	2,221,051,302.86	1,274,786,851.18
Guarantee deposit	220,923,288.98	482,537,323.39
L/C deposit		93,795.00
Performance bond	4,846,652.06	4,675,675.29
Total	2,446,821,243.90	1,762,093,644.86

5.2 Placements with banks and other financial institutions

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Dismantling non-bank financial institutions	300,000,000.00	
Including: dismantling and releasing non-bank financial institutions in China	300,000,000.00	
Subtotal	300,000,000.00	
Less: Loan loss reserve		
Book value of placements with banks and other financial institutions	300,000,000.00	

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

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

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Financial asset designated to be measured by fair value and which change is recorded in profit and loss	3,122,839,818.04	2,305,996,477.96
Including: Investment in debt instruments	573,843,354.00	914,388,442.90
Investment in equity instrument	695,634,287.24	139,524,002.52
Derivative financial assets		2,084,032.54
Others	1,853,362,176.80	1,250,000,000.00
Financial asset designated to be measured by fair value and which change is recorded in profit and loss		

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Including: Investment in debt instruments		
Investment in equity instrument		
Others		
Total	3,122,839,818.04	2,305,996,477.96

Remark:

(1) On December 31, 2018, "Other" item RMB 1,853,362,176.80 mainly constitute RMB 1,700,000,000.00 of financial products, RMB 150,000,000.00 of asset management products, and RMB 3,362,176.80 of funds.

(2) On January 1, 2018, RMB 1,250,000,000.00 for "other" item mainly consists of RMB 1,200,000,000.00 for financial products and RMB 50,000,000.00 for asset management products.

5.3.2 The analysis of held for trading financial assets is as follows

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
The listed company		
China(excpt Hongkong)	695,562,887.24	139,452,602.52
subtotal	695,562,887.24	139,452,602.52
The private company	2,427,276,930.80	2,166,543,875.44
Total	3,122,839,818.04	2,305,996,477.96

Remark:

(1) 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) 79,137,977.00 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 0.5041 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) 17,103,154.00 shares belonging to the domestic listing RMB ordinary shares (A-share) without restricted circulation held by the Company in Bank of Communications, accounting for 0.0230% of the share capital of the investee;
- (6) 301,994.00 shares belonging to the domestic listing RMB ordinary shares (A-share) without restricted circulation held by the Company in Chongqing iron and steel co. LTD, accounting for 0.0034% of the share capital of the investee;
- (7) Except the fair value of 71,400.00 shares held by Great Wall bank. is based on investment cost, the rest part on December 31, 2018 is based on the closing price on December 31, 2018 in the securities market.

5.4 Notes receivable and Accounts receivable

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Notes receivable	5,109,357,725.63	5,883,127,546.12
Accounts receivable	6,555,217,018.91	8,042,809,674.51
Total	11,664,574,744.54	13,925,937,220.63

5.4.1 Notes receivable

(1) Presentation of the notes receivable by category

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Bank acceptance bill	3,404,979,270.57	4,794,967,758.65
Commercial acceptance bill	1,704,378,455.06	1,088,159,787.47
Total	5,109,357,725.63	5,883,127,546.12

(2) Notes receivable endorsed or discounted by the Company as at December 31, 2018 but not expired on the balance sheet date

Item	Amount derecognized as at December 31, 2018	Amount not derecognized as at December 31, 2018
Bank acceptance bill	1,758,571,931.60	
Total	1,758,571,931.60	

(3) Bills converted into accounts receivable by the company as at December 31, 2018 because the drawer failed to perform the contract

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Amount of transferred accounts receivable as at December 31, 2018
Bank acceptance bill	11,805,000.00
Commercial acceptance bill	55,495,000.00
Total	67,300,000.00

5.4.2 Accounts receivable

(1) Aging analysis of accounts receivable

Aging	Amount as at December 31, 2018	Amount as at January 1, 2018
Within 1 year	3,401,976,725.46	5,674,614,165.90
1 - 2 years	1,339,701,149.02	1,213,594,177.32
2 - 3 years	997,427,780.57	561,013,184.46
3 - 4 years	516,399,547.88	365,755,645.28
4 - 5 years	299,711,815.98	227,832,501.55
Total	6,555,217,018.91	8,042,809,674.51

(2) Disclosure of accounts receivable by classification

Category	Balance as at December 31, 2018				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts on a single basis	1,995,385,261.29	17.84	1,815,990,190.79	91.01	179,395,070.50
Including:					
Accounts receivable with significant single amount and subject to individual provision for bad debts	1,904,872,892.93	17.03	1,728,720,107.31	90.75	176,152,785.62
Accounts receivable with insignificant single amount and subject to individual provision for bad debts	90,512,368.36	0.81	87,270,083.48	96.42	3,242,284.88
Provision for bad debts by portfolio	9,186,765,651.21	82.16	2,810,943,702.80	30.60	6,375,821,948.41
Including:					
Accounts receivable subject to provision for bad debts by portfolios with credit risk characteristics	9,186,765,651.21	82.16	2,810,943,702.80	30.60	6,375,821,948.41
Total	11,182,150,912.50	100.00	4,626,933,893.59		6,555,217,018.91

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Category	Balance as at January 1, 2018				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts on a single basis	1,254,008,923.00	11.27	1,254,008,923.00	100.00	
Including:					
Accounts receivable with significant single amount and subject to individual provision for bad debts	1,128,986,510.59	10.15	1,128,986,510.59	100.00	
Accounts receivable with insignificant single amount and subject to individual provision for bad debts	125,022,412.41	1.12	125,022,412.41	100.00	
Provision for bad debts by portfolio	9,868,444,616.52	88.73	1,825,634,942.01	18.50	8,042,809,674.51
Including:					
Accounts receivable subject to provision for bad debts by portfolios with credit risk characteristics	9,868,444,616.52	88.73	1,825,634,942.01	18.50	8,042,809,674.51
Total	11,122,453,539.52	100.00	3,079,643,865.01		8,042,809,674.51

Provision for bad debts on a single basis

Accounts receivable (by unit)	Balance as at December 31, 2018			
	Accounts receivable	Provision for bad debts	Proportion of provision (%)	Reason for provision
Rank 1	511,013,282.40	511,013,282.40	100.00	Has entered bankruptcy liquidation procedures
Rank 2	368,772,995.70	303,475,143.16	82.29	Has entered bankruptcy liquidation procedures
Rank 3	207,174,794.98	207,174,794.98	100.00	Has entered bankruptcy liquidation procedures
Rank 4	133,994,260.00	80,396,556.00	60.00	Debtor's operating performance declined and operating cash income is out of payment
Rank 5	116,163,355.81	116,163,355.81	100.00	The Company is seriously insolvent and it is difficult to recover
Rank 6	101,140,000.00	101,140,000.00	100.00	Financial strain of the client, can't be retrieved on time
Rank 7	95,587,278.73	71,227,331.12	74.52	Has entered bankruptcy liquidation procedures
Rank 8	84,813,750.00	84,813,750.00	100.00	The debtor went bankrupt in 2018 after repeated unsuccessful calls from 2014 to 2018
Rank 9	83,889,219.56	83,889,219.56	100.00	Bankruptcy
Rank 10	69,604,140.00	41,762,484.00	60.00	Debtor's operating performance declined and operating cash income is out of payment
Rank 11	38,758,107.28	38,758,107.28	100.00	The client's business is difficult and can't be recovered on time
Rank 12	34,051,198.71	30,601,198.71	89.87	The impairment test is expected to recover only RMB 3.45 million
Rank 13	31,300,000.00	31,300,000.00	100.00	The client's business is difficult and can't be recovered on time

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Accounts receivable (by unit)	Balance as at December 31, 2018			
	Accounts receivable	Provision for bad debts	Proportion of provision (%)	Reason for provision
Rank 14	20,250,000.00	20,250,000.00	100.00	The debtor's capital chain breaks
Rank 15	19,711,000.00	19,711,000.00	100.00	Financial strain of the client, can't be retrieved on time
Rank 16	18,708,497.55	18,708,497.55	100.00	Poor financial and operating conditions
Rank 17	18,600,595.03	15,358,310.15	82.57	The possibility of recovering is very low
Rank 18	11,573,813.40	11,573,813.40	100.00	The debtor's capital chain breaks and the possibility of recovering is lower
Rank 19	10,461,050.00	10,461,050.00	100.00	Poor financial and operating conditions
Rank 20	4,014,063.68	2,408,438.21	60.00	The client's business is difficult and can't be recovered on time
Others	15,803,858.46	15,803,858.46	100.00	The client's business is difficult, can't be recovered on time and the possibility of recovering is very low
Total	1,995,385,261.29	1,815,990,190.79		

Accounts receivable with the provision for bad debts made under the aging portfolio

Aging	Balance as at December 31, 2018		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year(including 1 year)	3,556,119,400.54	177,624,296.71	5.00
1 - 2 years	1,429,299,357.85	142,929,935.89	10.00
2 - 3 years	1,190,426,227.28	238,085,245.47	20.00
3 - 4 years	824,294,889.31	329,717,955.72	40.00
4 - 5 years	528,079,014.52	264,039,507.30	50.00
Over 5 years	1,658,546,761.71	1,658,546,761.71	100.00
Total	9,186,765,651.21	2,810,943,702.80	

(3) Provision, reversal or recovery of provision for bad debts in 2018

In 2018, the Company provided the bad debts reserves of RMB 1,668,706,824.33; and amount recovered or reversed was RMB 95,756,762.50. Reversal or recovery of significant amount of provision for bad debts in 2018:

Unit name	Amount recovered or reversed	The basis and rationality of determining the provision for original bad debts	Reason for reversal or recovery	Ways for recovery
Rank 1	21,737,841.83	Expected credit loss	Project completion and settlement,	By monetary funds
Rank 2	24,450,000.00	Expected credit loss	Capital situation improved	By monetary funds

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Unit name	Amount recovered or reversed	The basis and rationality of determining the provision for original bad debts	Reason for reversal or recovery	Ways for recovery
Rank 3	22,050,000.00	Expected credit loss	Capital situation improved	By monetary funds
Rank 4	7,200,000.00	Expected credit loss	Capital situation improved	By monetary funds
Rank 5	6,000,000.00	Expected credit loss	Capital situation improved	By monetary funds
Rank 6	4,400,000.00	Expected credit loss	Capital situation improved	By monetary funds
Rank 7	5,031,593.73	Expected credit loss	Pay debts by three parties	Pay debts by three parties
Rank 8	2,865,546.58	Expected credit loss	By bank deposits	By monetary funds
Total	93,734,982.14			

(4) Accounts receivable actually written off in 2018

Item	Amount for write-off
Actual write-off of accounts receivable	25,660,033.25

Significant accounts receivable written off in 2018

Unit name	The nature of accounts receivable	Amount for write-off	Reason for write-off	Whether the money is generated by related transactions or not
DEC Dongfeng Electric Machinery Co., Ltd.	Funds of selling products	24,432,986.17	Has entered bankruptcy liquidation procedures	Yes
Total		24,432,986.17		

(5) Top five accounts receivable in terms of ending balance collected by the debtor

Unit name	Balance as at December 31, 2018		
	Accounts receivable	Proportion in the total accounts receivable (%)	Provision for bad debts
Rank 1	511,013,282.40	4.57	511,013,282.40
Rank 2	368,772,995.70	3.30	303,475,143.16
Rank 3	273,803,163.74	2.45	19,275,458.18
Rank 4	234,383,633.00	2.10	24,690,456.95
Rank 5	207,174,794.98	1.85	207,174,794.98
Total	1,595,147,869.82	14.27	1,065,629,135.67

5.5 Advances to suppliers

5.5.1 Presentation of advances to suppliers by aging

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Aging	Balance as at December 31, 2018		Balance as at January 1, 2018	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	1,457,070,619.11	76.15	2,003,341,218.07	81.98
1 - 2 years	65,078,536.72	3.40	85,904,522.46	3.52
2 - 3 years	79,950,042.95	4.18	76,236,544.38	3.12
Over 3 years	311,243,543.77	16.27	278,133,169.63	11.38
Total	1,913,342,742.55	100.00	2,443,615,454.54	100.00

5.5.2 Top five advances to suppliers in terms of the ending balance

Collected by the prepaid object

Prepaid object	Balance as at December 31, 2018	Proportion in the total ending balance of advances to suppliers
Rank 1	111,776,387.79	5.84
Rank 2	88,374,564.70	4.62
Rank 3	71,485,467.56	3.74
Rank 4	61,521,551.24	3.22
Rank 5	55,556,491.13	2.90
Total	388,714,462.42	20.32

5.6 Other receivables

Item	Amount as at December 31, 2018	Amount as at January 1, 2018
Interest receivable	297,649,175.14	169,882,340.48
Dividends receivable	6,597,000.00	43,923,557.40
Other receivables	231,218,985.44	302,285,682.04
Total	535,465,160.58	516,091,579.92

5.6.1 Interest receivable

Item	Amount as at December 31, 2018	Amount as at January 1, 2018
Fixed deposit	215,158,078.63	137,476,879.61
Bond investment	75,773,470.58	24,135,686.30
Interest on purchase and resale of financial assets	5,415,775.93	8,269,774.57
Others	1,301,850.00	
Total	297,649,175.14	169,882,340.48

5.6.2 Dividends receivable

(1) Details of dividends receivable

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Within 1 year		37,326,557.40
Over 1 year	6,597,000.00	6,597,000.00
Total	6,597,000.00	43,923,557.40

(2) Significant dividend receivable over 1 year

Item (or Investee)	Balance as at December 31, 2018	Aging	Reasons for non-recovery	Whether there is impairment or not and its judgment basis
Deyang Dongqi Construction Co., Ltd	6,597,000.00	Over 1 year	Not yet paid	No
Total	6,597,000.00			

5.6.3 Other receivables

(1) Aging analysis of other receivables

Aging	Amount as at December 31, 2018	Amount as at January 1, 2018
Within 1 year	113,004,205.60	125,034,498.50
1 - 2 years	34,659,081.15	46,570,560.43
2 - 3 years	23,277,010.19	69,528,608.93
3 - 4 years	35,560,289.15	8,817,535.92
4 - 5 years	6,410,137.01	18,929,944.54
Over 5 years	18,308,262.34	33,404,533.72
Net amount	231,218,985.44	302,285,682.04

(2) Classification of other receivables by quality

Item	Amount as at December 31, 2018	Amount as at January 1, 2018
Cash deposit and guarantee money	13,051,795.17	7,285,094.33
Reserve fund	73,881,311.32	61,203,682.67
pre-paid charge	72,390,581.67	72,727,208.94
Other business receivables	61,515,089.44	136,283,063.83
Others	10,380,207.84	24,786,632.27
Total	231,218,985.44	302,285,682.04

(3) Provision for bad debts

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit loss for the whole life period (No credit impairment occurred)	Expected credit loss for the whole life period (Credit impairment occurred)	
Amount as at January 1, 2018	186,272,376.83		1,128,997,833.89	1,315,270,210.72
Book value of other receivable Amount as at January 1, 2018				
-- Turn to the second stage				
-- Turn to the third stage				
-- Return to the second stage				
--Return to the first stage				
Provision in 2018			20,723,135.38	20,723,135.38
Switch back in 2018	14,896,763.54		25,659,009.59	40,555,773.13
Write-off in 2018				
Verification in 2018	490,577.00			490,577.00
Other changes				
Amount as at December 31, 2018	170,885,036.29		1,124,061,959.68	1,294,946,995.97

(4) Provision, reversal or recovery of provision for bad debts in 2018

In 2018, the Company provided the bad debts reserves of RMB 20,723,135.38; and amount recovered or reversed was RMB 40,555,773.13.

Category	Balance as at January 1, 2018	Changes in 2018			Balance as at December 31, 2018
		Provision	Reversal or recovery	Resale or verification	
Other receivables with significant single amount and subject to separate provision for bad debts	1,086,910,359.26		25,659,009.59		1,061,251,349.67
Other receivables subject to provision for bad debts by portfolios with credit risk characteristics	186,272,376.83		14,896,763.54	490,577.00	170,885,036.29
Other receivables with insignificant single amount but subject to separate provision for bad debts	42,087,474.63	20,723,135.38			62,810,610.01
Total	1,315,270,210.72	20,723,135.38	40,555,773.13	490,577.00	1,294,946,995.97

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(5) The actual write-off of other receivable for the current period

Item	The amount of write-off
Actual write-off of other receivable	490,577.00

(6) Top five other receivable in terms of ending balance collected by the debtor

Entity name	Nature of other receivable	Balance as at December 31, 2018	Aging	Proportion in the total other receivables (%)	Provision for bad debts at at December 31, 2018
Rank 1	Others	915,187,035.61	Over 5 years	59.97	915,187,035.61
Rank 2	Shift from short-term investment	146,064,314.06	Over 5 years	9.57	146,064,314.06
Rank 3	Funds of low-cost housing	49,148,297.43	1-5 years	3.22	34,950,810.83
Rank 4	Others	19,500,000.00	Over 5 years	1.28	19,500,000.00
Rank 5	Others	13,612,842.74	4-5years	0.89	13,599,623.89
Total		1,143,512,489.84		74.93	1,129,301,784.39

5.7 Financial assets purchased under agreements to resell

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Bond	1,744,127,000.00	2,999,617,000.00
Less: Provision for bad debts		
Book value of financial assets purchased under agreements to resell	1,744,127,000.00	2,999,617,000.00

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.8 Inventories

5.8.1 Classification of inventories

Item	Balance as at December 31, 2018			Balance as at January 1, 2018		
	Book balance	Provision for depreciation/ Impairment of contract performance cost	Book value	Book balance	Provision for depreciation/ Impairment of contract performance cost	Book value
Raw material	2,409,788,590.95	525,680,582.45	1,884,108,008.50	3,039,763,634.90	512,557,908.26	2,527,205,726.64
Self-made semi finished goods and Goods in process	12,440,223,455.55	776,238,914.74	11,663,984,540.81	15,541,410,459.79	1,135,113,379.88	14,406,297,079.91
Commodity stocks(Finished products)	283,460,321.62	8,061,625.91	275,398,695.71	182,400,808.06	11,543,944.34	170,856,863.72
Circulating materials(Packing materials, Low value consumbles, etc.)	27,871,508.92	4,829,458.78	23,042,050.14	52,164,198.17	2,835,121.12	49,329,077.05
Contract performance cost	27,453,170.07		27,453,170.07	28,322,261.62		28,322,261.62
Total	15,188,797,047.11	1,314,810,581.88	13,873,986,465.23	18,844,061,362.54	1,662,050,353.60	17,182,011,008.94

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.8.2 Inventory depreciation reserve

Item	Balance as at January 1, 2018	Increase in 2018		Decrease in 2018		Balance as at December 31, 2018
		Provision	Others	Reversal or resale	Others	
Raw material	512,557,908.26	245,181,038.65		232,058,364.46		525,680,582.45
Self-made semi finished goods and Goods in process	1,135,113,379.88	278,208,132.76		637,082,597.90		776,238,914.74
Commodity stocks(Finished products)	11,543,944.34	2,838,707.62		6,321,026.05		8,061,625.91
Circulating materials(Packing materials, Low value consumbles, etc.)	2,835,121.12	4,176,578.03		2,182,240.37		4,829,458.78
Total	1,662,050,353.60	530,404,457.06		877,644,228.78		1,314,810,581.88

5.9 Contract assets and Contract liabilities

5.9.1 Contract assets

Item	Balance as at December 31, 2018			Balance as at January 1, 2018		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Completed and Unsettled	4,945,506,075.79		4,945,506,075.79	4,579,509,754.71		4,579,509,754.71
Contract retention money	6,702,138,965.88	1,459,673,368.81	5,242,465,597.07	8,205,468,485.70	2,755,196,134.07	5,450,272,351.63
Total	11,647,645,041.67	1,459,673,368.81	10,187,971,672.86	12,784,978,240.41	2,755,196,134.07	10,029,782,106.34

5.9.2 Allowance for decrease of Contract assets

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
Contract retention money	2,755,196,134.07		1,295,522,765.26	1,459,673,368.81
Total	2,755,196,134.07		1,295,522,765.26	1,459,673,368.81

5.9.3 Contract liabilities

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Within 1 year	22,175,098,870.27	15,350,427,762.69
Over 1 years	7,285,845,228.01	17,868,951,710.85
Total	29,460,944,098.28	33,219,379,473.54

5.10 Financial assets purchased under agreements to resell

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Loans and advances to customers within one year	396,500,000.00	680,000,000.00
Total	396,500,000.00	680,000,000.00

5.11 Other current assets

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Prepaid tax and fee and tax retained	222,166,708.25	228,815,957.23

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Entrusted loans	126,912,737.19	126,912,737.19
Loans and advances to customers within one year	115,391,593.55	56,018,006.58
Discounted assets	200,000.00	62,075,760.00
Others	5,768,659.84	3,643,357.30
Total	470,439,698.83	477,465,818.30

5.12 Loans and advances to customers

5.12.1 Distribution of individuals and enterprises of loans and advances to customers

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Enterprise loans and advances	506,663,460.00	702,500,000.00
-Loans	506,663,460.00	702,500,000.00
Total amount of loans and advances to customers	506,663,460.00	702,500,000.00
Less: Provisions of loans	75,999,519.00	12,300,000.00
Including: Individual counting		
Portfolios counting	75,999,519.00	12,300,000.00
Book value of loans and advances to customers	430,663,941.00	690,200,000.00

5.12.2 Distribution of industries of loans and advances to customers

Industry distribution	Balance as at December 31, 2018	Proportion(%)	Balance as at January 1, 2018	Proportion(%)
Power equipment industry	506,663,460.00	100.00	702,500,000.00	100.00
Total amount of loans and advances to customers	506,663,460.00	100.00	702,500,000.00	100.00
Less: Provisions of loans	75,999,519.00		12,300,000.00	
Including: Individual counting				
Portfolios counting	75,999,519.00		12,300,000.00	
Book value of loans and advances to customers	430,663,941.00		690,200,000.00	

5.12.3 Distribution of regions of loans and advances to customers

Regional distribution	Balance as at December 31, 2018	Proportion(%)	Balance as at January 1, 2018	Proportion(%)
South China	342,163,460.00	67.53	500,000,000.00	71.18
North China			10,000,000.00	1.42

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Regional distribution	Balance as at December 31, 2018	Proportion(%)	Balance as at January 1, 2018	Proportion(%)
Central China				
Southwest China				
Northwest China	164,500,000.00	32.47	192,500,000.00	27.40
East China				
Total amount of loans and advances to customers	506,663,460.00	100.00	702,500,000.00	100.00
Less: Provisions of loans	75,999,519.00		12,300,000.00	
Including: Individual counting				
Portfolios counting	75,999,519.00		12,300,000.00	
Book value of loans and advances to customers	430,663,941.00		690,200,000.00	

5.12.4 Distribution of guarantee forms of loans and advances to customers

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Credit loan	342,163,460.00	
Guaranteed loan		500,000,000.00
Collateral loan	164,500,000.00	202,500,000.00
Including: Mortgage	108,000,000.00	139,000,000.00
Pledge loans	56,500,000.00	63,500,000.00
Total amount of loans and advances to customers	506,663,460.00	702,500,000.00
Including: Individual counting		
Portfolios counting	75,999,519.00	12,300,000.00
Book value of loans and advances to customers	430,663,941.00	690,200,000.00

5.12.5 Provisions of loans

Item	Year 2018		Year 2017	
	Individual	Portfolio	Individual	Portfolio
Balance as at January 1, 2018		12,300,000.00		152,494,650.00
Provision in 2018		63,699,519.00		
Transfer-out in 2018				140,194,650.00
Write-offs in 2018				
Reversal in 2018				
-As recovery of original write-off loans and advances				
-As Increasing discount value of loans and advances				

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Year 2018		Year 2017	
	Individual	Portfolio	Individual	Portfolio
-As other factors				
Balance as at December 31, 2018		75,999,519.00		12,300,000.00

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.13 Debt investments

Item	Balance as at December 31, 2018			Balance as at January 1, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Medium-term notes	241,035,390.00	18,077,654.25	222,957,735.75	191,035,390.00	14,327,654.25	176,707,735.75
Financial 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
Beneficiary certificate	30,000,000.00	2,250,000.00	27,750,000.00			
Corporate bonds	152,261,360.00	11,419,602.00	140,841,758.00	600,917,760.00	44,088,702.00	556,829,058.00
Trust products	30,000,000.00	2,250,000.00	27,750,000.00	30,000,000.00	2,250,000.00	27,750,000.00
Short-term financing bills	30,000,000.00	2,250,000.00	27,750,000.00			
Ncbs	4,429,230,300.00		4,429,230,300.00			
Total	4,962,527,050.00	39,997,256.25	4,922,529,793.75	871,953,150.00	64,416,356.25	807,536,793.75

5.14 Long-term receivables

5.14.1 Long-term receivables

Item	Balance as at December 31, 2018			Balance as at January 1, 2018			Discount rate range
	Book balance	Provision of bad debt	Book value	Book balance	Provision of bad debt	Book value	
Selling goods by instalments	15,306,059.35	1,530,605.94	13,775,453.41	42,732,832.99	4,273,283.30	38,459,549.69	3%-4%
Total	15,306,059.35	1,530,605.94	13,775,453.41	42,732,832.99	4,273,283.30	38,459,549.69	

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.14.2 Provision for long-term receivables

Provision for bad debts	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit loss for the whole life period (No credit impairment occurred)	Expected credit loss for the whole life period (Credit impairment occurred)	
Amount as at January 1, 2018	4,273,283.30			4,273,283.30
Book value of long-term receivable Amount as at January 1, 2018				
-- Turn to the second stage				
-- Turn to the third stage				
-- Return to the second stage				
-- Return to the first stage				
Provision in 2018				
Switch back in 2018	2,742,677.36			2,742,677.36
Write-off in 2018				
Verification in 2018				
Other changes				
Amount as at December 31, 2018	1,530,605.94			1,530,605.94

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.15 Long-term equity investments

5.15.1 Classification of long-term equity investments

Investee	Balance as at January 1, 2018	Balance of provision for impairment as at January 1, 2018	Change in 2018							Balance as at December 31, 2018	Provision for impairment in 2018	Balance of provision for impairment as at December 31, 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. Investments in subsidiaries												
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	409,363,000.00	409,363,000.00								409,363,000.00		409,363,000.00
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.									30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
Dongfang Electric (Jiuquan) New Energy Co., Ltd.									30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
Dongfang Electric (Hulunbuir) New Energy Co., Ltd.									30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
Sub-total	409,363,000.00	409,363,000.00							90,000,000.00	499,363,000.00	90,000,000.00	499,363,000.00
2. Joint ventures												
Dongfang Lingli Boiler Co., Ltd.	191,665,265.04				11,622,472.14		523,922.38	3,959,973.64		199,851,685.92		
Dongfang Famatong Nuclear Pump Co., Ltd.	209,622,279.90				33,464,862.16					243,087,142.06		
Sub-total	401,287,544.94				45,087,334.30		523,922.38	3,959,973.64		442,938,827.98		
3. Associates												
Deyang Dongqi Construction Co., Ltd	2,347,114.95			2,347,114.95								

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Investee	Balance as at January 1, 2018	Balance of provision for impairment as at January 1, 2018	Change in 2018							Balance as at December 31, 2018	Provision for impairment in 2018	Balance of provision for impairment as at December 31, 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				
Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	582,849,570.13				23,625,312.87				95,026,513.00	-6,064,056.70	505,384,313.30		
Leshan Dongle Heavy Hanging Co., Ltd.	27,803,700.96				455,341.79				798,700.00		27,460,342.75		
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd.	1,996,884.48				4,548.22						2,001,432.70		
Sichuan Energy Wind Power Development Co., Ltd.	255,556,481.06				46,448,585.46				17,930,062.80		284,075,003.72		
Huadian Longkou Wind Power Co., Ltd.	50,459,812.07				8,974,701.95						59,434,514.02		
Inner Mongolia Energy Power Generation Hongnijing Wind Power Co., Ltd.	19,846,957.02				2,463,325.19						22,310,282.21		
China United Heavy Gas Turbine Technology Co., Ltd.	11,672,017.69		102,000,000.00		23,761.67						113,695,779.36		
Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	18,537,039.00				1,307,551.30						19,844,590.30		
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	35,322,255.21				4,166,912.29						39,489,167.50		
Sub-total	1,006,391,832.57		102,000,000.00	2,347,114.95	87,470,040.74				113,755,275.80	-6,064,056.70	1,073,695,425.86		
Total	1,817,042,377.51	409,363,000.00	102,000,000.00	2,347,114.95	132,557,375.04		523,922.38	117,715,249.44	83,935,943.3		2,015,997,253.84	90,000,000.00	499,363,000.00

Remark:

(1) Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd. entered the bankruptcy proceedings in 2017, and has not yet completed the bankruptcy liquidation.

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

(2) DEC (Hulunbeir) New Energy Co., Ltd. and DEC (Tongliao) Wind Power Engineering Technology Co., Ltd. have entered into bankruptcy proceedings this year and have not yet completed bankruptcy liquidation.

5.15.2 Analysis of long-term equity investments

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Listing		
Unlisting	1,516,634,253.84	1,407,679,377.51
Total	1,516,634,253.84	1,407,679,377.51

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.16 Other equity instrument investments

5.16.1 Condition of other equity instrument investments

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Guangdong Dongfang Power Plant Complete Equipment Company (hereinafter referred to as the "Guangdong Company")	2,663,282.01	4,863,282.01
Southern Sichuan Expressway Co., Ltd.	1,000,000.00	1,000,000.00
Chengdu Dongfang Electrical Environment Engineering Co., Ltd.	744,649.47	744,649.47
DEC (Chengdu) Sharing Service Co., Ltd.	581,928.00	581,928.00
Inner Mongolia Huadian Uda Thermal Power Co., Ltd.		19,340,000.00
Sichuan Tianhua Co., Ltd.		281,914.82
Wuxi Electrician Hostel		150,000.00
Sichuan Southwest Machinery Industry Joint Venture Group Company		150,000.00
Total	4,989,859.48	27,111,774.30

5.16.2 Investment conditions of non-tradable equity instruments

Item	Dividend income recognized in 2018	Accumulated gains	Accumulated losses	The amount of other comprehensive income transferred into retained earnings	Reasons for designating as fair value measures and their changes included in other comprehensive income	Reasons for transferring other comprehensive income into retained earnings
Southern Sichuan Expressway Co., Ltd.	20,000.00	51,270.00			Judgment based on management intention	
Guangdong Dongfang Power Plant Complete Equipment Company (hereinafter referred to as the "Guangdong Company")		1,570,000.00			Judgment based on management intention	
Chengdu Dongfang Electrical Environment Engineering Co., Ltd.					Judgment based on management intention	
DEC (Chengdu) Sharing Service Co., Ltd.					Judgment based on management intention	

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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	225,474,738.12	20,651,832.39	246,126,570.51
(2) Increase in 2018	3,899,400.70		3,899,400.70
- Outsourcing			
- Transfer-in of inventories, fixed assets and construction in progress	659,928.41		659,928.41
- Increase from business combination			
- Others	3,239,472.29		3,239,472.29
(3) Decrease in 2018	17,706,951.66	1,840,006.27	19,546,957.93
- Disposal	2,191,564.84		2,191,564.84
- Others	15,515,386.82	1,840,006.27	17,355,393.09
(4) Balance as at December 31, 2018	211,667,187.16	18,811,826.12	230,479,013.28
2. Accumulated depreciation and accumulated amortization			
(1) Balance as at January 1, 2018	63,144,198.80	5,146,479.50	68,290,678.30
(2) Increase in 2018	13,965,950.16	477,472.84	14,443,423.00
- provision or amortization	13,965,950.16	477,472.84	14,443,423.00
- Others			
(3) Decrease in 2018	5,105,102.55	966,727.71	6,071,830.26
- Disposal	1,053,740.15		1,053,740.15
- Others	4,051,362.40	966,727.71	5,018,090.11
(4) Balance as at December 31, 2018	72,005,046.41	4,657,224.63	76,662,271.04
3. Provision for impairment			
(1) Balance as at January 1, 2018			
(2) Increase in 2018			
- Provision			
- Others			
(3) Decrease in 2018			
- Disposal			
- Others			
(4) Balance as at December 31, 2018			
4. Book value			
(1) Book value as at December 31, 2018	139,662,140.75	14,154,601.49	153,816,742.24
(2) Book value as at January 1, 2018	162,330,539.32	15,505,352.89	177,835,892.21

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

Item	Amount as at December 31, 2018	Amount as at January 1, 2018
Located within the territory of China	104,330,342.62	124,916,231.59
Including: Short term (within 10 years)	83,042,304.46	78,506,093.29
Medium term (10 - 50 years)	21,288,038.16	46,410,138.30
Located in other areas	49,486,399.62	52,919,660.62
Including: Medium term (10 - 50 years)	49,486,399.62	52,919,660.62
Total	153,816,742.24	177,835,892.21

5.18 Fixed assets

5.18.1 Fixed assets and disposal on fixed assets

Item	Amount as at December 31, 2018	Amount as at January 1, 2018
Fixed assets	5,902,410,162.25	6,628,832,847.86
Disposal on fixed assets	28,415.84	145,517.40
Total	5,902,438,578.09	6,628,978,365.26

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.18.2 Details of fixed assets

Item	Land assets	Buildings and construction	Machinery equipment	Transportation facility	Instrument and apparatus, electronic equipment and others	Total
1. Original book value						
(1) Balance as at January 1, 2018	23,815,641.57	7,256,524,256.40	7,983,759,682.14	372,316,621.43	1,315,070,945.58	16,951,487,147.12
(2) Increase in 2018		98,666,974.29	144,082,426.25	3,725,276.89	87,564,318.25	334,038,995.68
- Purchase		62,860,388.97	48,159,932.76	1,011,355.17	36,063,921.26	148,095,598.16
- Transfer from construction in progress		35,806,585.32	95,922,493.49	2,634,111.26	51,500,396.99	185,863,587.06
- Exchange rate changes				79,810.46		79,810.46
- Others						
(3) Decrease in 2018	1,329,061.95	261,101,009.25	112,317,477.45	71,834,052.69	55,085,651.12	501,667,252.46
- Disposal or write-off	415,701.00	72,664,011.97	103,716,514.89	60,457,075.91	48,595,805.06	285,849,108.83
- Others	913,360.95	188,436,997.28	8,600,962.56	11,376,976.78	6,489,846.06	215,818,143.63
(4) Balance as at December 31, 2018	22,486,579.62	7,094,090,221.44	8,015,524,630.94	304,207,845.63	1,347,549,612.71	16,783,858,890.34
2. Accumulated depreciation						
(1) Balance as at January 1, 2018	175,089.94	2,859,305,167.26	6,040,911,404.95	323,314,221.55	1,064,925,395.19	10,288,631,278.89
(2) Increase in 2018		342,311,864.50	423,353,393.34	11,708,278.83	84,820,085.47	862,193,622.14
- Provision		342,311,864.50	423,353,393.34	11,635,612.29	84,820,085.47	862,120,955.60
- Others				72,666.54		72,666.54
(3) Decrease in 2018	175,089.94	100,209,230.77	95,307,271.28	68,106,794.17	51,662,482.22	315,460,868.38
- Disposal or write-off	175,089.94	30,489,217.12	90,123,625.65	57,468,440.09	46,343,452.49	224,599,825.29
- Others		69,720,013.65	5,183,645.63	10,638,354.08	5,319,029.73	90,861,043.09

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Land assets	Buildings and construction	Machinery equipment	Transportation facility	Instrument and apparatus, electronic equipment and others	Total
(4) Balance as at December 31, 2018		3,101,407,800.99	6,368,957,527.01	266,915,706.21	1,098,082,998.44	10,835,364,032.65
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 2018		159,776.45	10,488,219.17	5,410.19	4,742,861.22	15,396,267.03
- Provision		159,776.45	10,488,219.17	5,410.19	4,742,861.22	15,396,267.03
- Others						
(3) Decrease in 2018			3,231,637.61		102,954.35	3,334,591.96
- Disposal or write-off			3,231,637.61		102,954.35	3,334,591.96
- Others						
(4) Balance as at December 31, 2018		294,082.30	39,831,864.70	97,856.61	5,860,891.83	46,084,695.44
4. Book value						
(1) Book value as at December 31, 2018	22,486,579.62	3,992,388,338.15	1,606,735,239.23	37,194,282.81	243,605,722.44	5,902,410,162.25
(2) Book value as at January 1, 2018	23,640,551.63	4,397,084,783.29	1,910,272,994.05	48,909,953.46	248,924,565.43	6,628,832,847.86

(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 Dongfang Electric (India) PVT LTD within India.

(2) The depreciation of fixed assets in 2018 is RMB 862,120,955.60 which would be included in current profit or loss (the depreciation of fixed assets in 2017 was RMB 932,938,603.59).

(3) The net gains from disposal of fixed assets of the Company in 2018 were RMB 17,421,655.84.

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.18.3 Temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Buildings and constructions					
Machinery equipment	832,169.95	739,679.19		92,490.76	
Total	832,169.95	739,679.19		92,490.76	

5.18.4 Fixed assets leased out through operating lease

Item	Book value as at December 31, 2018
Buildings and construction	40,928,565.63
Machinery equipment	28,341,410.43
Transportation facility	67,024.46
Instrument and apparatus, electronic equipment and others	1,537,601.62
Total	70,874,602.14

5.18.5 Fixed assets with certificates of title uncompleted

Item	Book value	Reason for failure to complete the formalities for the certificate of title
No.6 union workshop	114,929,681.56	It is going through the formalities.
No. 2 building in Chengdu	96,943,176.40	It is going through the formalities.
350T high speed dynamic balance and nuclear power plant	56,759,370.66	
Nuclear power plant	39,079,262.77	Due to the 5.12 earthquake, there is a serious lack of information on construction projects. With the help of the Company, it will be soon complete the filing of information and there is no property rights disputes.
J-379 second staff canteen	20,447,116.54	It is going through the formalities.
Compressor test bed workshop and supercharging station	19,305,685.33	In 2010, the construction process failed to communicate and coordinate with the government planning management department in time. When the company handled the warrants, the planning department did not issue a plan verification proposal. After many times of communication and coordination, it was fruitless. Deyang Municipal Government is now requested to coordinate this matter and there is no property rights disputes.
J-376 new technology building	16,440,583.07	The cancellation procedure of the original building property right certificate is being processed.
No.5 union workshop	14,836,033.58	It is going through the formalities.
J-378 staff canteen	14,613,738.00	The information is being filed.
Wind power workshop and auxiliary room	14,342,721.59	Loss of construction data due to earthquakes.
J-375 hydraulic laboratory	9,267,340.21	The cancellation procedure of the original building property right certificate is being processed.

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Book value	Reason for failure to complete the formalities for the certificate of title
J-373 second overspeed laboratory	7,365,457.34	The cancellation procedure of the original building property right certificate is being processed.
J-380110KV control building of transformer station	5,010,539.78	It is going through the formalities.
Other sporadic projects	22,281,568.56	It is going through the formalities.
Total	451,622,275.39	

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

Item	Amount as at December 31, 2018	Amount as at January 1, 2018
Located within the territory of China	3,951,969,232.64	4,353,786,879.13
Including: Short-term (within 10 years, including 10 years)	128,361,601.12	94,739,498.20
Medium term (10 - 50 years)	3,786,708,884.24	4,228,917,009.55
Long-term (over 50 years)	36,898,747.28	30,130,371.38
Located in other areas	40,419,105.51	43,297,904.16
Including: Short-term (within 10 years, including 10 years)	40,419,105.51	43,297,904.16
Medium term (10 - 50 years)		
Total	3,992,388,338.15	4,397,084,783.29

5.18.7 Disposal on fixed assets

Item	Amount as at December 31, 2018	Amount as at January 1, 2018
Transportation facility	20,314.60	31,490.53
Electronic equipment	8,101.24	3,460.00
Others		110,566.87
Total	28,415.84	145,517.40

5.19 Construction in progress

5.19.1 Construction in progress and material holds for construction of fixed assets

Item	Amount as at December 31, 2018	Amount as at January 1, 2018
Construction in progress	187,330,497.71	216,374,680.36
Material holds for construction of fixed assets	1,461,740.82	113,464.96
Total	188,792,238.53	216,488,145.32

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.19.2 Details of construction in progress

Item	Balance as at December 31, 2018			Balance as at January 1, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Section 2016-1329	95,153,309.70		95,153,309.70	70,362,841.28		70,362,841.28
Other engineering projects	13,904,858.37		13,904,858.37	24,571,648.89		24,571,648.89
Other projects provide three supplies and one business	13,901,250.73		13,901,250.73	4,014,423.76		4,014,423.76
714 18 01B16 one millimeter CNC vertical car (Used)	7,962,564.00		7,962,564.00			
Mianzhu living base phase I	6,560,196.90	4,891,357.16	1,668,839.74	10,943,930.63	4,891,357.16	6,052,573.47
CNC gantry boring and milling machine	6,224,335.82		6,224,335.82			
Kelin 2015-012	4,753,234.33		4,753,234.33	3,766,996.28		3,766,996.28
Compressor test bench	3,975,771.00		3,975,771.00	7,359,052.94		7,359,052.94
Superalloy test bench	3,766,096.04		3,766,096.04	9,967,950.02		9,967,950.02
Sporadic projects	36,020,237.98		36,020,237.98	90,516,883.72	237,690.00	90,279,193.72
Total	192,221,854.87	4,891,357.16	187,330,497.71	221,503,727.52	5,129,047.16	216,374,680.36

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.19.3 Changes in important projects of construction in progress in 2018

Project	Budget	Balance as at January 1, 2018	Increase in 2018	Amount transferred into fixed assets in 2018	Other decrease in 2018	Balance as at December 31, 2018	Proportion of accumulative project investments in the budget (%)	Project progress	Accumulated capitalization amount of interest	Including: capitalization amount of the interest in 2018	Capitalization rate of the interest of 2018 (%)	Source of funds
Section 2016-1329	255,180,000.00	70,362,841.28	24,790,468.42			95,153,309.70	37.29	40.00				Internally financed/loan
Other projects provide three supplies and one business	24,989,900.00	4,014,423.76	9,886,826.97			13,901,250.73	55.63	55.00				Internally financed/loan
714 18 01B16 one millimeter CNC vertical car (Used)	8,000,000.00		7,962,564.00			7,962,564.00	99.53	97.00				Internally financed/loan
Compressor test bench	40,000,000.00	7,359,052.94	13,035,283.63	16,418,565.57		3,975,771.00	50.99	50.00				Internally financed/loan
Intelligent manufacturing project for high temperature and high pressure components of large clean and high efficiency power plant boiler	114,400,000.00	4,363,676.17	8,644,970.97	9,161,383.44		3,847,263.70	41.96	45.00				Internally financed/loan
Total	442,569,900.00	86,099,994.15	64,320,113.99	25,579,949.01		124,840,159.13						

5.19.4 Material holds for construction of fixed assets

Item	Amount as at December 31, 2018			Amount as at January 1, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Amount as at December 31, 2018			Amount as at January 1, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Spare parts	1,461,740.82		1,461,740.82	113,464.96		113,464.96
Total	1,461,740.82		1,461,740.82	113,464.96		113,464.96

5.20 Intangible assets

5.20.1 Details of intangible assets

Item	Land use right	Patent right	Non-patent technology	Software	Others	Total
1. Original book value						
(1) Balance as at January 1, 2018	1,212,125,192.01	11,729,801.08	342,590,448.92	184,969,723.04	630,032,498.00	2,381,447,663.05
(2) Increase in 2018	180,943.11	181,588,699.93		64,147,696.73	37,845,904.61	283,763,244.38
- Purchase		181,588,699.93		42,104,435.28		223,693,135.21
- Transfer in construction	180,943.11			22,043,261.45	37,845,904.61	60,070,109.17
(3) Decrease in 2018	203,514,974.24	11,433,961.08		5,234,917.53	17,515,308.10	237,699,160.95
- Disposal	170,205,574.95	11,433,961.08		5,234,917.53	1,820,431.09	188,694,884.65
- Others	33,309,399.29				15,694,877.01	49,004,276.30
(4) Balance as at December 31, 2018	1,008,791,160.88	181,884,539.93	342,590,448.92	243,882,502.24	650,363,094.51	2,427,511,746.48
2. Accumulated amortization						
(1) Balance as at January 1, 2018	217,890,370.29	10,454,429.28	294,970,663.70	127,008,194.10	25,012,303.26	675,335,960.63
(2) Increase in 2018	19,677,723.85	13,619,701.65	7,470,146.63	31,798,896.04	24,510,037.80	97,076,505.97
- Provision	19,677,723.85	13,619,701.65	7,470,146.63	31,798,896.04	24,510,037.80	97,076,505.97
- Others						

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Land use right	Patent right	Non-patent technology	Software	Others	Total
(3) Decrease in 2018	13,982,141.80	10,161,722.08		14,078.70	1,820,431.09	25,978,373.67
- Disposal	8,580,832.48	10,161,722.08			1,820,431.09	20,562,985.65
-Others	5,401,309.32			14,078.70		5,415,388.02
(4) Balance as at December 31, 2018	223,585,952.34	13,912,408.85	302,440,810.33	158,793,011.44	47,701,909.97	746,434,092.93
3. Provision for impairment						
(1) Balance as at January 1, 2018	156,700,528.06					156,700,528.06
(2) Increase in 2018	2,712,193.63					2,712,193.63
- Provision	2,712,193.63					2,712,193.63
-Others						
(3) Decrease in 2018	159,379,407.33					159,379,407.33
- Disposal	159,379,407.33					159,379,407.33
- Others						
(4) Balance as at December 31, 2018	33,314.36					33,314.36
4. Book value						
(1) Book value as at December 31, 2018	785,171,894.18	167,972,131.08	40,149,638.59	85,089,490.80	602,661,184.54	1,681,044,339.19
(2) Book value as at January 1, 2018	837,534,293.66	1,275,371.80	47,619,785.22	57,961,528.94	605,020,194.74	1,549,411,174.36

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

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Located within the territory of China	785,171,894.18	837,534,293.66
Medium term (10 - 50 years)	785,171,894.18	837,534,293.66

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Total	785,171,894.18	837,534,293.66

5.20.3 Land use right with pending certificates of title

Item	Book value	Reason for failure to complete the formalities for the certificate of title
Land No. 6 at the west side of Huashan Road	11,647,582.39	The certificate of land is under process
Carbon-based fuel clean and efficient project land	2,863,898.96	The certificate of land is under process
Total	14,511,481.35	

5.21 Long-term deferred expenses

Item	Balance as at January 1, 2018	Increase in 2018	Amount amortized in 2018	Other decreases	Balance as at December 31, 2018
Long-term deferred agency fee		64,647,298.19	13,017,402.29		51,629,895.90
Switch station interval maintenance fee	175,000.30		69,999.96		105,000.34
AP1000 Technology	415,304.34	43,636.36	415,304.34		43,636.36
Total	590,304.64	64,690,934.55	13,502,706.59		51,778,532.60

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 December 31, 2018		Balance as at January 1, 2018	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 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	9,994,327,011.44	1,633,241,978.02	10,374,757,653.96	1,683,018,895.79
Estimated liabilities	5,058,279,071.33	839,489,790.87	2,474,209,142.40	456,825,011.06
Employee compensation payable	1,346,863,183.41	204,775,370.34	1,106,776,796.05	167,372,808.16
Losses that can be carried forward to the subsequent year	928,531,957.94	134,570,215.80	730,212,357.76	109,531,853.67
Unrealized profits of internal transactions	44,486,967.06	8,569,593.48	386,009,837.88	69,809,772.84
Government grants	274,206,423.79	42,950,685.43	225,740,207.90	35,946,180.45
Accounts payable	32,235,212.42	4,835,281.86	38,803,280.90	5,820,492.12
Depreciation of fixed assets	23,685,096.03	3,771,994.31	23,633,449.54	3,545,017.43
Overseas enterprise income tax to be offset			86,279,089.56	21,569,772.39
Changes in fair value	60,000.00	9,000.00	22,828,625.54	3,424,293.83
Amortization of intangible assets	2,778,905.04	416,835.75	2,607,171.48	391,075.72
Others	156,312,203.34	24,557,409.11	105,368,263.48	24,156,507.34
Total	17,861,766,031.80	2,897,188,154.97	15,577,225,876.45	2,581,411,680.80

5.22.2 Deferred income tax liabilities before offset

Item	Balance as at December 31, 2018		Balance as at January 1, 2018	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Valuation of transactional and derivative financial instruments	75,744,317.93	14,245,909.65	7,280,112.08	1,820,028.02

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018		Balance as at January 1, 2018	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Changes in fair value of other financial assets included in other comprehensive income			2,084,032.54	312,604.88
Depreciation of fixed assets	50,959,709.12	7,643,956.37	50,923,512.20	7,638,526.83
Others	17,412,782.97	4,353,195.75	46,780,433.88	11,695,108.47
Total	144,116,810.02	26,243,061.77	107,068,090.70	21,466,268.20

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.22.3 Details of unrecognized deferred income tax assets

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Losses that can be carried forward to the subsequent year	1,115,195,900.84	955,626,962.00
Provision for the impairment of assets	746,140,771.68	126,499,895.56
Estimated liabilities	1,077,826,995.04	2,114,138,934.04
Employee compensation payable	263,024,892.31	253,607,933.28
government grants	236,017,883.11	541,106,203.85
Total	3,438,206,442.98	3,990,979,928.73

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

Year	Balance as at December 31, 2018	Balance as at January 1, 2018	Remark
Year 2018		77,368,474.45	
Year 2019		77,986,204.93	
Year 2020		252,620,392.60	
Year 2021		488,916,205.46	
Year 2022		58,735,684.56	
Year 2023	77,986,204.93		
Year 2024	252,620,392.60		
Year 2025	196,203,722.44		
Year 2026	58,735,684.56		
Year 2027	55,492,724.93		
Year 2028	474,157,171.38		
Total	1,115,195,900.84	955,626,962.00	

5.23 Other non-current assets

Item	Balance as at December 31, 2018			Balance as at January 1, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Advance payment of project	3,981,790.00		3,981,790.00	4,931,790.00		4,931,790.00
Total	3,981,790.00		3,981,790.00	4,931,790.00		4,931,790.00

5.24 Short-term borrowings

5.24.1 Classification of short-term borrowing

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Credit borrowings	245,566,000.00	85,566,000.00
Pledged borrowings		2,628,570.50
Total	245,566,000.00	88,194,570.50

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

5.25 Notes payable and Accounts payable

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Notes payable	3,552,762,831.53	3,627,922,679.01
Accounts payable	11,540,188,158.94	14,815,572,692.63
Total	15,092,950,990.47	18,443,495,371.64

5.25.1 Notes payable

Type	Balance as at December 31, 2018	Balance as at January 1, 2018
Bank acceptance bill	202,844,885.11	225,897,628.91
Commercial acceptance bill	3,349,917,946.42	3,402,025,050.10
Total	3,552,762,831.53	3,627,922,679.01

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.

5.25.2 Accounts payable

(1) Presentation of accounts payable

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Within one year(including one year)	9,264,318,072.00	12,917,063,534.53
1 - 2 years	955,206,459.17	378,071,556.78
2 - 3 years	338,384,404.48	450,356,271.05
Over 3 years	982,279,223.29	1,070,081,330.27
Total	11,540,188,158.94	14,815,572,692.63

(2) Significant accounts payable with aging over one year

Item	Balance as at December 31, 2018	Reasons for failure of repayment or carry-forward
Rank 1	191,097,437.41	Failure to meet settlement conditions
Rank 2	99,474,798.52	Failure to meet settlement conditions
Rank 3	84,509,678.32	Unfinished Settlement
Rank 4	77,104,541.84	Failure to meet settlement conditions
Rank 5	56,483,783.22	The contract has not yet been executed
Rank 6	50,942,193.55	Failure to meet settlement conditions
Rank 7	40,000,000.00	Failure to meet settlement conditions
Total	599,612,432.86	

5.26 Deposits from banks and other financial institutions

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Current deposit	2,118,000,912.49	1,816,001,890.96
- Corporation	2,118,000,912.49	1,816,001,890.96
Fixed deposit(including notification deposit)	2,675,625,000.00	2,723,495,402.31
- Corporation	2,601,900,000.00	2,648,134,402.31
-Other deposit(including remittances under custody and remittances outstanding)	73,725,000.00	75,361,000.00
Total	4,793,625,912.49	4,539,497,293.27

5.27 Employee compensation payable

5.27.1 Presentation of employee compensation payable

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
Short-term compensation	316,966,215.62	3,128,423,180.12	3,113,232,650.85	332,156,744.89
Post-employment benefits - defined contribution plan	61,084,303.67	473,262,794.78	438,632,662.03	95,714,436.42
Dismissal benefits	282,310,041.75	298,288,056.05	235,884,473.46	344,713,624.34
Other benefits maturing within one year				
Total	660,360,561.04	3,899,974,030.95	3,787,749,786.34	772,584,805.65

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.27.2 Presentation of short-term compensation

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
(1) Salary, bonus, allowance and subsidies	186,577,100.91	2,296,418,951.41	2,298,755,591.25	184,240,461.07
(2) Employee welfare		265,795,780.42	265,795,780.42	
(3) Social insurance premiums	13,652,947.56	219,021,273.09	212,191,345.71	20,482,874.94
Including: medical insurance premium	428,216.41	140,025,838.25	140,031,695.97	422,358.69
Work-related injury insurance premium	53,097.35	13,185,437.82	13,177,040.21	61,494.96
Maternity insurance premium	133,872.16	10,656,865.82	10,669,900.62	120,837.36
Supplementary medical insurance	13,037,761.64	53,325,258.69	46,484,836.40	19,878,183.93
Others		1,827,872.51	1,827,872.51	
(4) Housing provident fund	6,208,163.00	233,590,392.95	233,616,447.31	6,182,108.64
(5) Labor union funds and employee education funds	109,968,650.35	81,829,718.15	70,764,745.26	121,033,623.24
(6) Labor protection expenses		28,173,113.38	28,167,940.38	5,173.00
(7)Others	559,353.80	3,593,950.72	3,940,800.52	212,504.00
Total	316,966,215.62	3,128,423,180.12	3,113,232,650.85	332,156,744.89

5.27.3 Presentation of defined contribution plan

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
Basic endowment insurance	600,408.11	358,451,399.36	359,045,012.69	6,794.78
Unemployment insurance premium	16,696.39	12,622,576.53	12,639,199.31	73.61
Enterprise annuity payment	60,467,199.17	102,188,818.89	66,948,450.03	95,707,568.03
Total	61,084,303.67	473,262,794.78	438,632,662.03	95,714,436.42

5.28 Taxes and surcharges payable

Taxes and surcharges	Balance as at December 31, 2018	Balance as at January 1, 2018
Value added tax	170,776,310.55	146,709,011.53
Enterprise income tax	218,557,984.94	156,883,601.77
Urban construction and maintenance tax	10,984,719.88	10,521,878.23
Property tax	321,852.62	1,574,226.87

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Taxes and surcharges	Balance as at December 31, 2018	Balance as at January 1, 2018
Land use tax	298,434.44	1,388,289.17
Stamp duty	9,970,070.15	4,199,137.04
Individual income tax withheld or remitted	29,373,060.10	41,692,166.38
Educational surtax	6,945,931.38	4,434,100.83
Local educational surtax	4,611,618.73	2,974,710.12
Others	9,257,993.15	10,193,296.54
Total	461,097,975.94	380,570,418.48

5.29 Other payables

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Interest payable	69,676,019.71	51,774,673.87
Dividends payable	34,465,530.50	32,569,004.03
Other payables	1,645,728,056.57	2,371,651,665.85
Total	1,749,869,606.78	2,455,995,343.75

5.29.1 Interest payable

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Interest payable on short-term borrowings	6,931,999.33	6,803,286.84
Interest payable on absorption of deposits	62,744,020.38	44,971,387.03
Total	69,676,019.71	51,774,673.87

5.29.2 Dividends payable

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Ordinary share dividends	34,465,530.50	32,569,004.03
Total	34,465,530.50	32,569,004.03

5.29.3 Other payables

(1) Presentation of other payables by nature

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Equity acquisition payment payable	631,936,725.39	1,380,954,236.98
Collection trusted	182,209,157.32	215,083,246.86
Deposit and deposit in security	253,936,410.64	305,891,947.20

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Payments payable for leasing, labor service and minor purchase	138,054,092.99	144,754,378.15
Advance funds payable	122,910,185.78	104,450,517.80
Personal social insurance payment and housing provident fund	30,451,035.46	35,170,578.12
Others	286,230,448.99	185,346,760.74
Total	1,645,728,056.57	2,371,651,665.85

(2) Other significant payables aging over one year

Item	Balance as at December 31, 2018	Reasons for failure of repayment or carry-forward
Rank 1	596,353,686.27	Failure to meet settlement conditions
Rank 2	28,975,587.37	Failure to meet settlement conditions
Rank 3	14,715,568.00	Failure to meet settlement conditions
Rank 4	7,698,739.83	Failure to meet settlement conditions
Rank 5	6,262,643.92	Failure to meet settlement conditions

5.30 Non-current liabilities maturing within one year

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Long-term borrowings maturing within one year	16,320,000.00	528,320,000.00
Total	16,320,000.00	528,320,000.00

5.31 Other current liabilities

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Deferred income - government grants	103,588,912.65	66,593,071.87
Total	103,588,912.65	66,593,071.87

5.32 Long-term borrowings

5.32.1 Classification of long-term borrowings

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Pledged borrowings	445,764,840.00	414,594,990.00
Credit borrowings	17,100,000.00	42,040,000.00

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Total	462,864,840.00	456,634,990.00

5.32.2 Analysis on the due date of long-term borrowings

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
1 - 2 years	17,100,000.00	24,940,000.00
2 - 5 years		17,100,000.00
Over 5 years	445,764,840.00	414,594,990.00
Total	462,864,840.00	456,634,990.00

5.33 Long-term payables

5.33.1 Presentation of long-term payables

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Long-term payables		
Special accounts payable	26,340,460.52	58,302,614.63
Total	26,340,460.52	58,302,614.63

5.33.2 Special accounts payable

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018	Formation reason
Refund of import tariff and value-added tax	58,062,614.63		58,062,614.63		Capital increase
Energy saving and emission reduction funds in the central state-owned capital management budget	140,000.00			140,000.00	
Allocation for AC Drive Project of Urban Light Rail Vehicles	100,000.00			100,000.00	
Financial appropriation		560,000.00		560,000.00	
Three line tax rebate		20,069,900.00		20,069,900.00	
Funds of three for one business		4,920,000.00		4,920,000.00	
CAP1400 research fee for mid-technology of reactor internal components		550,560.52		550,560.52	
Total	58,302,614.63	26,100,460.52	58,062,614.63	26,340,460.52	

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.34 Long-term employee compensation payable

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
I. Post-employment benefit - net liabilities of defined benefit plans		
II. Dismissal welfare	837,303,270.07	700,024,168.29
III. Other long-term welfare		
Total	837,303,270.07	700,024,168.29

5.35 Estimated liabilities

Item	Balance as at December 31, 2018	Balance as at January 1, 2018	Forming reason
Onerous contract	3,115,764,431.88	2,079,257,951.68	Unexecuted loss contract and anticipated future loss in execution
Pending action	495,526,411.78	456,097,366.52	Expected tax, late fee, fines and other litigation expenditures due to disputes between project companies and local tax authorities over property tax collection
Product quality assurance	2,198,094,022.07	1,684,274,838.21	Projected expenditure for product quality assurance
Others	326,721,200.64	368,717,920.03	Expected delay fine
Total	6,136,106,066.37	4,588,348,076.44	

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.36 Deferred income

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018	Forming reason
Government grants	663,257,499.10	103,587,612.55	322,830,310.07	444,014,801.58	
Total	663,257,499.10	103,587,612.55	322,830,310.07	444,014,801.58	

Items involving government grants

Liability item	Balance as at January 1, 2018	New subsidy in 2018	Amount included in the current profit or loss at the current period	Other changes	Balance as at December 31, 2018	Related to assets/income
Refund of value-added tax of three-line enterprises	448,669,210.54		30,579,243.53	-204,744,368.74	213,345,598.27	Related to assets
Supporting payment for infrastructure construction	136,825,897.33			-11,075,897.33	125,750,000.00	Related to assets
Scientific research grants	20,490,973.65		2,886,592.58		17,604,381.07	Related to assets
Grants for technical reform	4,742,782.50		122,782.50	-800,000.00	3,820,000.00	Related to assets
Financial subsidies	2,883,766.67			-648,550.00	2,235,216.67	Related to assets
Other grants	10,735,242.05	591,452.26	417,443.43		10,909,250.88	Related to assets
Scientific research grants	13,228,465.89	95,774,986.50	18,054,501.68	-38,523,251.94	52,425,698.77	Related to income
Others	25,681,160.47	7,221,173.79	8,762,314.87	-6,215,363.47	17,924,655.92	Related to income
Total	663,257,499.10	103,587,612.55	60,822,878.59	-262,007,431.48	444,014,801.58	

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

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

the specific usage of the refund of value-added tax of three-line enterprises, the Company divided such refund into asset-related-related government grants and income-related government grants to carry out separate accounting treatment.

5.37 Capital stock

Item	Balance as at January 1, 2018	Changes in 2017 ("+" for increase and "-" for decrease)					Balance as at December 31, 2018
		New shares issued	Share donation	Conversion of reserves into share	Others	Sub-total	
Unlimited conditional shares							
A-share	1,996,900,368.00						1,996,900,368.00
H-share	340,000,000.00						340,000,000.00
Total of unlimited conditional shares	2,336,900,368.00						2,336,900,368.00
Limited conditional shares							
A-share		753,903,063.00				753,903,063.00	753,903,063.00
H-share							
Total of limited conditional shares		753,903,063.00				753,903,063.00	753,903,063.00
Total	2,336,900,368.00	753,903,063.00				753,903,063.00	3,090,803,431.00

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.38 Capital reserves

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
Capital premium (capital stock premium)	11,884,507,974.98	4,129,517,048.80	4,762,150,742.19	11,251,874,281.59
Other capital reserves				
Total	11,884,507,974.98	4,129,517,048.80	4,762,150,742.19	11,251,874,281.59

Remark: The increase in capital reserve during the year was issued by the company to purchase the shares and related assets of the eight companies held by the controlling shareholder (hereinafter referred to as "Rainbow Project"). The number of shares issued 753,903,063.00 shares, and the value of the eight equity and related assets exceeded the book value of the issued shares. The amount of RMB 4,129,517,048.80 is included in the current capital reserve; the current capital reserve reduction is the company's implementation of the "Rainbow Project", which constitutes the business combination under the same control. During the initial period of the simulation period, the balance of the company's equity and the capital reserve of the eight companies of the Rainbow Project during the initial period of the simulation period. The amount of capital reserve attributable to the parent company at the beginning of the period is RMB 3,056,168,109.88. After the completion of the merger this year, the part needs to be reduced. At the same time, on March 31, 2018, the company completed the delivery of the rainbow project. It is necessary to return the relevant equity book to the parent company, and the retained earnings of RMB 1,648,246,776.00 will be restored from the capital reserve; In addition, the controlling shareholder of this year, with Deyang Dongfang Motor Factory Co., Ltd. and some state-funded funds, implemented capital increase for the subsidiary Dongfang Electric Group Dongfang Motor Co., Ltd., and allocated funds to the subsidiary Dongfang Electric Group Dongfang Boiler Co., Ltd. Dongfang Electric Group Dongqi Investment Development Co., Ltd. and some state-owned funds have increased the capital of the company's subsidiary Dongfang Electric Group, Dongfang Turbine Co., Ltd., and the controlling shareholders' share of the net assets of the subsidiaries before and after the capital increase of the subsidiaries decreased by RMB 57,735,856.31. This part reduced the capital reserve, and the above matters reduced the current capital reserve by RMB 4,762,150,742.19.

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.39 Other comprehensive income

Item	Balance as at January 1, 2018	Amount incurred in 2018					Balance as at December 31, 2018
		Pre-tax amount incurred in 2018	Less: amount included in other comprehensive income in prior period and transferred in the current profit or loss	Less: the impact of deferred tax assets	After-tax income attributable to the parent company	After-tax amount attributable to non-controlling shareholders' equity	
1. Other comprehensive income that cannot be reclassified into the profit or loss later		-109,219.76		-27,304.94	-81,914.82		-81,914.82
Including: changes arising from the re-measurement of defined benefit plan							
other comprehensive income that cannot be reclassified into profits or losses under the equity method							
Change in fair value of investment in other equity instrument investments		-109,219.76		-27,304.94	-81,914.82		-81,914.82
Change in fair value of enterprise's credit risk							
Others							
2. Other comprehensive income that will be classified into profits or losses	-45,720,693.54	15,898,205.27			12,402,140.36	3,496,064.91	-33,318,553.18
Including: other comprehensive income will be reclassified into profits or losses under the equity method							
Change in fair value of investment in other debt							
Profit or loss from the change in fair value of available-for-sale financial assets							
Financial assets that will be classified into other comprehensive income							
Held-to-maturity investments that will be classified into the profits or losses of available-for-sale financial assets							
Other debt investment credit impairment provision							

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at January 1, 2018	Amount incurred in 2018					Balance as at December 31, 2018
		Pre-tax amount incurred in 2018	Less: amount included in other comprehensive income in prior period and transferred in the current profit or loss	Less: the impact of deferred tax assets	After-tax income attributable to the parent company	After-tax amount attributable to non-controlling shareholders' equity	
Cash flow hedging reserve(effective portion of profit or loss from cash flow hedging)							
Translation differences of foreign currency financial statements	-45,720,693.54	15,898,205.27			12,402,140.36	3,496,064.91	-33,318,553.18
Others							
Total of other comprehensive income	-45,720,693.54	15,788,985.51		-27,304.94	12,320,225.54	3,496,064.91	-33,400,468.00

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.40 Special reserves

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
Work safety expenses	75,418,562.02	70,566,972.56	66,590,355.40	79,395,179.18
Total	75,418,562.02	70,566,972.56	66,590,355.40	79,395,179.18

Remark: The special reserves increased in this year of the company referred to the work safety expenses calculated and withdrawn in accordance with the Circular on Issuing the Administrative Measures for the Withdrawal and Use of Work Safety Expenses of Enterprises (CQ [2012] No. 16) issued by the Ministry of Finance and the State Administration of Work Safety.

5.41 Surplus reserve

Item	Balance as at January 1, 2018	Increase in 2018	Decrease in 2018	Balance as at December 31, 2018
Statutory surplus reserves	774,913,922.16	96,359,244.64		871,273,166.80
Discretionary surplus reserves				
Reserve funds				
Enterprise development funds				
Others				
Total	774,913,922.16	96,359,244.64		871,273,166.80

5.42 Undistributed profits

Item	Year 2018	Year 2018
Undistributed profits at the end of the previous period before adjustment	12,096,965,958.72	9,193,484,301.02
Total adjustments to undistributed profits at the beginning of the year (+ for increase and - for decrease)	194,664,454.64	1,851,999,015.08
Undistributed profits at the beginning of the year after adjustment	12,291,630,413.36	11,045,483,316.10
Plus: net profit attributable to owners of the parent company in current period	1,128,834,236.51	1,057,303,567.22
Less: withdrawal of statutory surplus reserves	96,359,244.64	5,820,924.60
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		
Common stock dividend payable		
Ordinary share dividends transferred to capital stock		
Others		
Undistributed profits at the end of the period	13,324,105,405.23	12,096,965,958.72

Remark: The details of adjustment of the undistributed profits at the beginning of the

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

year

(1) As a result of the change in accounting policy, the undistributed profit increased by 194,664,454.64 yuan at the beginning of this year (see “3.34.1 Significant changes in accounting policies” for detail).

(2) Due to the scope of consolidated financial statements caused by the business combinations, the undistributed profit increased by 1,851,999,015.08 yuan at the beginning of last year.

5.43 Non-controlling shareholders' equity

Subsidiary	Proportion of non-controlling shareholders' equity (%)	Amount as at December 31, 2018	Balance as at January 1, 2018
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	34.82	593,503,211.24	593,582,598.63
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation	8.14	440,692,795.56	
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	5.61	312,567,908.99	
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	3.21	198,075,323.11	17,562,219.99
Dongfang Electric Group Finance Co., Ltd.	5.00	150,360,942.27	147,969,411.60
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd.	38.58	110,001,784.33	112,246,265.85
Shenzhen Dongfang Boiler Control Co., Ltd.	49.00	82,073,279.91	78,850,680.29
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	33.00	62,586,495.74	12,907,897.68
Nam Mang 1 Power Company Limited	25.00	58,943,553.39	50,439,371.76
Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.	49.00	49,715,456.68	51,837,124.37
Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.	15.00	43,180,852.64	39,268,529.98
Deyang Dongfang Abele Pipe System Co., Ltd.	16.24	7,195,371.74	7,142,517.30
Dongfang Electric Autocontrol Engineering Co., Ltd. (hereinafter referred to as the "DEA")	0.15	960,643.24	
Dongfang Electric Venezuela Co., Ltd. (hereinafter referred to as the "DEV")	1.00	0.57	40.68
Dongfang Electrical Machinery Control Equipment Co., Ltd.			985,966.01
Dongfang Electric Machine & Tools Co., LTD.			111,219.79
Total		2,109,857,619.41	1,112,903,843.93

5.44 Net current assets

Item	Amount as at December 31, 2018	Balance as at January 1, 2018
Current assets	73,555,695,740.68	81,170,359,263.82

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Amount as at December 31, 2018	Balance as at January 1, 2018
Less: current liabilities	52,696,548,302.26	60,382,406,104.09
Net current assets	20,859,147,438.42	20,787,953,159.73

5.45 Total assets less current liabilities

Item	Amount as at December 31, 2018	Balance as at January 1, 2018
Total assets	91,323,329,417.78	95,300,994,111.66
Less: current liabilities	52,696,548,302.26	60,382,406,104.09
Total assets less current liabilities	38,626,781,115.52	34,918,588,007.57

5.46 Debit and credit

5.46.1 Information of debit and credit of the Company is as below

Item	Amount as at December 31, 2018	Balance as at January 1, 2018
Short-term borrowings	245,566,000.00	88,194,570.50
Non-current liabilities maturing within one year	16,320,000.00	528,320,000.00
Long-term borrowings	462,864,840.00	456,634,990.00
Total	724,750,840.00	1,073,149,560.50

5.46.2 Analysis on debit and credit

Item	Amount as at December 31, 2018	Balance as at January 1, 2018
Bank borrowings	668,763,840.00	980,222,560.50
Borrowings must be repaid within five years	222,999,000.00	565,627,570.50
Sub-total	668,763,840.00	980,222,560.50
Other borrowings and payables	55,987,000.00	92,927,000.00
Total	724,750,840.00	1,073,149,560.50

5.46.3 Analysis on the debit and credit on the due date

Item	Amount as at December 31, 2018	Balance as at January 1, 2018
Repay within 1 year as required	261,886,000.00	593,947,570.50
1 - 2 years	17,100,000.00	47,507,000.00
2 - 5 years		17,100,000.00
Over 5 years	445,764,840.00	414,594,990.00
Total	724,750,840.00	1,073,149,560.50

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.47 Operating revenue and operating costs

5.47.1 Details of operating revenue and operating costs

Item	Amount incurred in 2018		Amount incurred in 2017	
	Revenue	Cost, interest expenses or handling charges and commissions expenses	Revenue	Cost, interest expenses or handling charges and commissions expenses
Primary business	29,304,835,008.49	23,289,238,168.72	32,447,059,041.44	26,152,605,879.43
Other business	424,820,563.24	279,048,353.35	325,659,760.96	234,926,706.90
Interest income	969,278,602.81	75,134,577.37	644,916,410.43	80,113,525.65
Income from handling charges and commissions	7,211,184.28	966,188.86	12,629,618.89	894,329.04
Total	30,706,145,358.82	23,644,387,288.30	33,430,264,831.72	26,468,540,441.02

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.47.2 Details of revenue from contracts

Block and product name	Operating revenue		Operating costs	
	Amount incurred in 2018	Amount incurred in 2017	Amount incurred in 2018	Amount incurred in 2017
Clean and efficient energy equipment	17,078,555,594.72	20,757,610,423.20	13,648,123,690.84	16,851,209,109.22
Including: Thermal power	12,930,647,538.47	15,288,712,659.47	10,450,301,378.22	12,674,663,180.96
Nuclear power	2,390,102,512.31	2,695,701,146.77	1,915,597,284.27	2,073,939,098.34
Gas turbine	1,757,805,543.94	2,773,196,616.96	1,282,225,028.35	2,102,606,829.92
Renewable Energy Equipment	4,008,421,728.16	3,844,852,269.35	3,518,299,934.85	3,346,583,030.05
Including: Hydropower	1,388,323,540.37	1,083,371,236.48	1,195,892,588.75	1,082,459,363.28
Wind power	2,489,113,264.65	2,761,481,032.87	2,107,393,377.49	2,264,123,660.59
Engineering and Trade	3,480,960,491.64	3,677,603,328.19	2,880,186,141.23	3,058,903,320.83
Including: General Contracting	3,031,305,106.16	3,192,539,175.88	2,558,492,887.35	2,884,215,531.43
Modern manufacturing services	3,403,983,277.54	2,490,115,380.01	1,516,507,274.66	1,336,588,632.07
Including: Power station service	1,834,302,253.65	1,419,546,052.47	1,009,215,880.98	939,488,244.40
Financial service	976,489,787.09	657,546,029.32	76,100,766.23	81,007,854.69
Emerging Growth Industries	2,734,224,266.76	2,660,083,430.97	2,081,270,246.72	1,875,256,348.85
Total	30,706,145,358.82	33,430,264,831.72	23,644,387,288.30	26,468,540,441.02

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.48 Taxes and surcharges

Item	Amount incurred in 2018	Amount incurred in 2017
Urban construction and maintenance tax	101,453,534.27	108,029,079.15
Property tax	65,460,104.06	62,681,159.17
Educational surtax	43,551,805.69	46,946,164.49
Stamp duty	38,892,183.98	37,940,503.12
Land use tax	32,672,899.15	34,027,017.93
Local educational surtax	29,005,230.95	31,042,912.59
Others	23,481,675.41	23,044,510.20
Total	334,517,433.51	343,711,346.65

5.49 Selling and distribution expenses

Item	Amount incurred in 2018	Amount incurred in 2017
Product quality service fee	882,704,283.96	535,082,948.45
Employee compensation payable	313,632,783.17	284,169,493.93
Travel expenses	58,698,618.28	55,757,061.35
Others	102,936,455.20	41,838,534.29
Total	1,357,972,140.61	916,848,038.02

5.50 General and administrative expenses

Item	Amount incurred in 2018	Amount incurred in 2017
Employee compensation payable	1,433,542,296.94	1,570,944,416.26
Repair charges	264,682,197.65	242,194,801.13
Depreciation costs	166,090,474.33	175,259,034.83
Work safety expenses	68,467,686.33	67,709,938.99
Rental fees	67,527,084.59	58,216,809.08
Travel expenses	62,793,713.22	56,586,856.80
Insurance premium	60,997,823.75	97,635,607.36
Property management fees	46,232,584.15	45,178,412.71
Amortization of intangible assets	33,203,299.70	35,237,397.33
Hydroelectric power cost	27,178,301.82	28,591,291.71
Expenses for hiring intermediaries	24,129,271.24	12,226,136.08
Party and League Activity Fees	21,137,753.99	2,427,916.46
Transportation charges	19,112,180.79	26,665,181.91
Others	206,307,416.21	200,998,097.39

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Amount incurred in 2018	Amount incurred in 2017
Total	2,501,402,084.71	2,619,871,898.04

5.51 Research and development expense

Item	Amount incurred in 2018	Amount incurred in 2017
Employee compensation payable	812,464,385.02	665,701,821.90
Material cost	239,198,815.97	240,280,005.77
Test inspection and quality appraisal fee	164,601,225.67	135,630,530.88
Outsourcing fee	128,998,953.39	96,583,300.81
Depreciation costs	88,558,152.47	105,182,776.98
Tool and Die Fee	32,184,919.86	45,804,982.60
Amortization of intangible assets	27,797,952.07	16,317,595.97
Travel expenses	25,530,534.03	20,886,655.59
Hydroelectric power cost	15,419,809.37	16,206,564.86
Others	154,260,079.38	92,624,125.82
Total	1,689,014,827.23	1,435,218,361.18

5.52 Financial expenses

Item	Amount incurred in 2018	Amount incurred in 2017
Interest expenses	37,439,485.33	54,964,669.16
Less: Interest revenue	149,395,707.65	323,783,916.11
Gains or losses on exchange	-219,774,309.46	462,852,879.02
Processing Fees for Financial Institutions	26,976,408.12	33,883,499.90
Cash discount	-88,103,994.04	-73,734,271.23
Others	12,315,212.11	6,207,442.58
Total	-380,542,905.59	160,390,303.32

5.52.1 Breakdown of interest expenses

Item	Amount incurred in 2018	Amount incurred in 2017
Bank borrowings and overdraft interest	32,537,324.11	49,439,220.87
Discounted interest	4,902,161.22	5,245,929.02
Others		279,519.27
Sub-total	37,439,485.33	54,964,669.16
Less: Capitalized interest		
Total	37,439,485.33	54,964,669.16

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.52.2 Breakdown of interest revenue

Item	Amount incurred in 2018	Amount incurred in 2017
Interest revenue from bank deposits	130,798,841.93	314,003,835.41
Others	18,596,865.72	9,780,080.70
Total	149,395,707.65	323,783,916.11

5.53 Losses from asset impairment

Item	Amount incurred in 2018	Amount incurred in 2017
Provision for bad debts		-191,791,412.15
Provision for inventory depreciation and loss of impairment of contract performance cost	505,894,494.69	1,001,841,588.20
Provision for impairment of fixed assets	15,396,267.03	3,191,155.95
Provision for impairment of intangible assets	2,712,193.63	
Total	524,002,955.35	813,241,332.00

5.54 Losses from credit impairment

Item	Amount incurred in 2018	Amount incurred in 2017
Provision for bad debts of Notes receivable and Accounts receivable and Contract assets	180,275,245.89	
Provision for bad debts of other receivables	-20,323,214.75	
Impairment loss of credit assets	123,147,608.53	
Impairment loss of debt investment	-24,419,100.00	
Provision for bad debts of long-term receivables	-2,742,677.36	
Total	255,937,862.31	

5.55 Other income

Subsidy project	Amount incurred in 2018	Amount incurred in 2017	Related to assets/income
Refund of value-added tax of three-line enterprises	26,646,891.01	27,039,731.10	Related to assets
Scientific research grants	2,136,592.58	1,136,592.24	Related to assets
Scientific research grants	32,289,468.74	43,530,160.42	Related to income
Financial interest subsidies	340,000.00	340,000.00	Related to assets
Financial interest subsidies	392,050.00	308,550.00	Related to income
Tax returns	11,977,513.33	15,974,735.90	Related to income
Other grants	1,821,862.50	2,390,729.60	Related to assets

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Subsidy project	Amount incurred in 2018	Amount incurred in 2017	Related to assets/income
Other grants	35,522,634.22	43,334,453.01	Related to income
Total	111,127,012.38	134,054,952.27	

5.56 Investment income

Item	Amount incurred in 2018	Amount incurred in 2017
Long-term equity investment income calculated by the equity method	132,557,375.04	177,430,326.44
Investment income from the disposal of long-term equity investments	14,720,713.30	-112,207.21
Investment income from held for trading financial assets during the holding period	20,200,156.76	
Investment income from financial assets measured at fair values through the current profit or loss during the holding period		26,558,571.94
Investment income from disposal of held for trading financial assets	5,768,003.12	
Investment income from disposal of financial assets measured at fair values through the current profit or loss		9,559,083.07
Interest income from debts investment during the holding period	64,361,983.37	41,092,065.60
Investment income from available-for-sale financial assets during the holding period		
Investment income from disposal of debts investment		
Investment income from disposal of available-for-sale financial assets		
Interest income from debts investment during the holding period		4,643,506.31
Investment income from held-to-maturity investment during the holding period		
Investment income from disposal of other debts investment		20,798,568.15
Dividend income of other equity investment during the holding period	20,000.00	
Investment income from disposal of other equity investment	8,318,797.94	
Investment income from other non-current financial assets during the holding period		
Investment income from disposal of other non-current financial assets		
Gains from the remaining equities re-measured at the fair value after the loss of the right of control		
Investment income from the disposal of disposed asset portfolio constituting the business		
Total	245,947,029.53	279,969,914.30

5.57 Exchange earnings

Item	Amount incurred in 2018	Amount incurred in 2017
Foreign Exchange Business Income	1,112,082.95	992,296.30
Foreign Exchange Business Expenditure		
Total	1,112,082.95	992,296.30

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

5.58 Income from changes in fair value

Source of income from changes in fair value	Amount incurred in 2018	Amount incurred in 2017
Financial assets measured at fair value through the current profit or loss		-22,685,868.99
Held for trading financial assets	83,645,380.11	
Financial liabilities measured at fair value through the current profit or loss		4,660,705.09
Total	83,645,380.11	-18,025,163.90

5.59 Income from asset disposal

Item	Amount incurred in 2018	Amount incurred in 2017	Amount included in non-recurring profit or loss in the current period
Income from non-current asset disposal	17,421,655.84	17,037,125.83	17,421,655.84
Total	17,421,655.84	17,037,125.83	17,421,655.84

5.60 Non-operating income

Item	Amount incurred in 2018	Amount incurred in 2017	Amount included in non-recurring profit or loss in the current period
Gains from non-current asset disposal	37,082.73	1,374,333.61	37,082.73
Including: gains from scrapping fixed assets	37,082.73	1,374,333.61	37,082.73
Gains from government grants	84,250,214.76	47,020,155.34	84,250,214.76
Gains from debt restructuring	2,550,109.62	139,927,821.95	2,550,109.62
Donations received	17,943,105.77	173,191.69	17,943,105.77
Revenues from liquidated damages and compensation	17,488,419.08	17,247,658.52	17,488,419.08
Others	41,017,314.19	30,090,813.46	41,017,314.19
Total	163,286,246.15	235,833,974.57	163,286,246.15

Remark: "Other" items mainly include 11,593,812.93 of quality retention and 7,831,013.99 of non-payment to suppliers.

Government grants included in the non-operating income

Project	Amount incurred in 2018	Amount incurred in 2017	Related to assets/income
Demolition subsidy	41,673,213.72		Related to income

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Project	Amount incurred in 2018	Amount incurred in 2017	Related to assets/income
Balance of three line tax rebate for Dongfang electric factory	14,239,506.88	15,227.46	Related to income
Disposal Subsidy Fund of Dongfang Electric corporation to New Energy Zombie Enterprise	7,018,463.00		Related to income
Employment stabilization allowance	6,706,906.52		Related to income
Total	69,638,090.12	15,227.46	

5.61 Non-operating expenses

Item	Amount incurred in 2018	Amount incurred in 2017	Amount included in non-recurring profit or loss in the current period
Expenditure on non-current asset disposal	2,206,909.77	1,407,581.95	2,206,909.77
Including: expenditure on scrapping fixed assets	2,206,901.25	1,407,581.95	2,206,901.25
Expenditure on debt restructuring	3,152,723.00	1,362,050.82	3,152,723.00
Donation expenditure	7,502,870.00	58,873.79	7,502,870.00
Expenditure on pending litigation	40,053,860.00	1,302,394.15	40,053,860.00
Expenditure on indemnity, liquidated damages and amercement outlay	64,753,735.15	267,569,449.10	64,753,735.15
Others	8,853,258.10	33,327,022.55	8,853,258.10
Total	126,523,356.02	305,027,372.36	126,523,356.02

5.62 Income tax expenses

5.62.1 Table of income tax expenses

Item	Amount incurred in 2018	Amount incurred in 2017
Current income tax expenses	432,953,201.71	650,196,037.65
Including: China	431,421,956.67	638,696,958.29
India	1,531,044.82	1,964,696.41
Other regions	200.22	9,534,382.95
Deferred income tax expenses	-315,749,169.23	-712,458,636.95
Total	117,204,032.48	-62,262,599.30

5.62.2 The Adjustment Process of total profit and Income Tax Expenses

Item	Amount incurred in 2018
Total profit	1,275,469,723.33
Income tax calculated at the statutory or applicable tax rate	191,320,458.50
Effect of different tax rates on subsidiaries	16,050,686.64

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Amount incurred in 2018
Effect of adjustment of income tax in the previous period	8,114,494.90
Effect of non-taxable income	-11,765,371.17
Tax payment effect of non-deductible costs, fees and expenses	30,375,329.23
Tax preference	-176,692,144.73
Including: extra deductions for businesses 'R& D expenses	-176,692,144.73
Income tax subject to reduction and exemption	-36,892,054.43
Effect of deductible loss of deferred tax assets not recognized in pre-use period	-9,450,865.47
Effect of the deductible temporary difference or deductible loss of deferred tax assets not recognized in the current period	106,143,499.01
Others	
Income tax expenses	117,204,032.48

5.63 Items in the statement of cash flows

5.63.1 Cash received from other operating activities

Item	Amount incurred in 2018	Amount incurred in 2017
Recovery of interbank deposit receipts at maturity	1,309,122,654.25	
Margin	649,222,583.14	173,770,314.19
Government grants	326,187,440.14	101,484,790.96
Appropriate funds	240,544,876.66	2,334,141.46
Reparations	134,073,543.96	47,379,491.93
Advance payment for collection	82,578,507.77	59,532,345.82
Project-related funds	65,158,874.91	201,814,860.82
Compensation	42,486,468.30	
Currency Exchange	40,107,128.12	
Distribution of bankruptcy funds	32,614,638.93	54,348.70
Working capital and deposit of purchase house	24,989,489.19	210,500.00
Interest revenue	22,043,925.56	388,688,455.80
Recover debts	20,379,148.78	151,590,013.64
Cash Received in the operating leased fixed assets and investment real estate	14,876,257.13	8,288,096.56
Recovery of the petty cash	10,190,624.06	5,075,183.40
Fine income	3,765,136.33	1,652,088.55
Others	409,002,493.71	28,220,538.38
Total	3,427,343,790.94	1,170,095,170.21

5.63.2 Cash paid for other operating activities

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Amount incurred in 2018	Amount incurred in 2017
Payment of purchasing interbank deposit receipts	4,429,230,300.00	
Payment of operating expenses	1,398,289,792.03	1,575,553,979.83
Payment of margin	371,860,068.80	113,864,257.18
Payment of disbursements	40,518,969.58	212,914,338.05
Payment of the petty cash	27,497,230.08	23,753,071.48
Others	105,798,851.63	44,048,391.86
Total	6,373,195,212.12	1,970,134,038.40

5.63.3 Cash paid for other investment activities

Item	Amount incurred in 2018	Amount incurred in 2017
Subsidiary bankruptcy exit merger scope	7,832,015.87	
Total	7,832,015.87	

5.63.4 Cash received from other financing activities

Item	Amount incurred in 2018	Amount incurred in 2017
Capital appropriated from the national treasury	33,383,333.33	
Total	33,383,333.33	

5.63.5 Cash paid for other financing activities

Item	Amount incurred in 2018	Amount incurred in 2017
Payment of transitional profits of DBC and DTC to Dongfang Electric Corporation for the sun project	942,336,415.78	
Leaseback rent and handling charges of finance lease		4,119,669.20
CITIC overseas investment insurance(debt parts)	2,954,658.90	3,006,743.65
Total	945,291,074.68	7,126,412.85

5.64 Supplementary information to statement of cash flows

5.64.1 Supplementary information to statement of cash flows

Supplementary information	Amount in 2018	Amount in 2017
1. Net profit adjusted to cash flows from operating activities		
Net profit	1,158,265,690.85	1,079,541,437.80
Plus: provision for assets impairment	524,002,955.35	813,241,332.00
Credit losses	255,937,862.31	

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Supplementary information	Amount in 2018	Amount in 2017
Depreciation of fixed assets and investment property	876,564,378.60	957,904,864.46
Amortization of intangible assets	97,076,505.97	80,668,577.49
Amortization of long-term deferred expenses	13,502,706.59	485,304.30
Losses from disposal of fixed assets, intangible assets and other long-term assets ("-" for income)	-17,421,655.84	-17,037,125.83
Losses from write-off of fixed assets ("-" for income)	2,169,827.04	63,248.34
Losses from changes in fair value ("-" for income)	-83,645,380.11	18,025,163.90
Financial expenses ("-" for income)	-244,936,649.91	367,079,140.37
Investments losses ("-" for income)	-245,947,029.53	-279,969,914.30
Decreases in deferred income tax assets ("-" for increases)	-315,749,169.23	-183,066,947.84
Increase in deferred income tax liabilities ("-" for decrease)	4,776,793.57	-529,391,689.11
Decrease in inventories ("-" for increase)	3,655,264,315.43	1,119,011,764.84
Decreases in operating receivables ("-" for increases)	2,349,835,176.10	4,847,020,859.99
Increase in operating payables ("-" for decrease)	-8,582,073,124.77	-6,423,872,219.81
Others	596,492.57	-11,136,981.20
Net cash flows from operating activities	-551,780,305.01	1,838,566,815.40
2. Significant investing and financing activities not involving cash receipts and payments		
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		
Ending balance of cash	26,899,627,194.15	28,847,748,952.33
Less: beginning balance of cash	28,847,748,952.33	29,092,222,788.19
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-1,948,121,758.18	-244,473,835.86

5.64.2 Net cash received from the disposal of subsidiaries in 2018

None.

5.64.3 Net cash received from the disposal of subsidiaries in 2018

Item	Amount
Cash or cash equivalents received in 2018 from the disposal of subsidiaries in the same period	2,231,114.12
Including: Dongfang Electric Machine & Tools Co., LTD.	2,231,114.12
Dongfang Electric (Jiuquan) New Energy Co., Ltd.	
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Amount
Dongfang Electric (Hulunbuir) New Energy Co., Ltd.	
Less: cash and cash equivalents held by subsidiaries on the date of losing the right of control	10,063,129.99
Including: Dongfang Electric Machine & Tools Co., LTD.	2,231,114.12
Dongfang Electric (Jiuquan) New Energy Co., Ltd.	7,380,092.25
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	291,865.09
Dongfang Electric (Hulunbuir) New Energy Co., Ltd.	160,058.53
Plus: cash or cash equivalents from the disposal of subsidiaries in prior years but received in 2018	
Net cash received from the disposal of subsidiaries	-7,832,015.87

5.64.4 Breakdowns of cash and cash equivalents

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
I. Cash	26,899,627,194.15	28,847,748,952.33
Including: cash on hand	1,614,922.27	2,135,420.50
Unrestricted bank deposit	3,995,022,938.44	17,337,444,712.94
Other unrestricted monetary funds	238,505,558.77	261,170,569.96
Unrestricted deposits in central bank	961,150,461.18	42,051,891.71
Deposits in banks and other financial institutions	21,703,333,313.49	11,204,946,357.22
Loans from banks and other financial institutions		
II. Cash equivalents		
Including: bond investments maturing within three months		
III. Ending balance of cash and cash equivalents	26,899,627,194.15	28,847,748,952.33
Including: cash and cash equivalents with restricted use right by parent company or subsidiaries of the Group		

5.65 Assets with restrictions on the ownership or use right

Item	Book value as at December 31, 2018	Reason for restriction
Monetary funds	2,446,821,243.90	Restricted deposits in central bank, performance guarantee, and other security deposits
Long-term equity investments	81,644,040.01	Pledge of stock rights(Refer to 13. Commitments and contingencies II. 1. (3) Guarantee provided for other units
Intangible assets	569,849,597.98	Used for mortgage borrowings
Total	3,098,314,881.89	

5.66 Monetary items denominated in foreign currencies

Item	Balance in foreign currency as at December 31, 2018	Exchange rate of conversion	Balance of RMB converted as at December 31, 2018
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DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance in foreign currency as at December 31, 2018	Exchange rate of conversion	Balance of RMB converted as at December 31, 2018
Monetary funds			7,543,550,495.44
Including: USD	1,059,985,879.32	6.8632	7,274,895,113.82
EUR	6,769,527.01	7.8473	53,122,548.58
HKD	35,540.50	0.8762	31,140.59
JPY	78,225,413.96	0.0619	4,841,136.21
GBP	2.18	8.6762	18.91
INR	427,078,643.96	0.0980	41,932,776.59
PKR	1,577,593.07	0.0494	77,901.54
VND	2,198,909,092.51	0.0003	690,759.35
IDR	968,692,898.81	0.0005	458,191.74
ETB	633,825,731.77	0.2422	153,512,592.23
NPR	20,234,621.20	0.0613	1,240,179.93
LAK	380,550,805.49	0.0008	306,297.73
LKR	5,770,175.91	0.0376	217,016.32
BDT	1,542,387.70	0.0822	126,830.54
TRY	43,271.81	1.3007	56,283.64
MVR	43,963.00	0.4454	19,579.80
BAM	2,852,794.91	4.1220	11,759,334.73
CAD	7.13	5.0379	35.92
SEK	345,097.54	0.7614	262,757.27
Accounts receivable			223,212,832.76
Including: USD	32,056,559.60	6.8632	219,205,345.38
EUR	389,318.45	7.8473	3,055,098.67
INR	9,676,075.26	0.0980	948,119.91
THB	20,000.00	0.2134	4,268.80
Other receivables			195,228,944.98
Including: USD	13,667,458.23	6.8632	93,802,499.58
EUR	682,373.53	7.8473	5,354,789.80
INR	2,906,204.46	0.0980	284,767.34
VND	64,030,657,191.00	0.0003	18,954,317.31
BAM	350,426.52	4.1220	1,444,472.85
IDR	948,598,164.91	0.0005	448,686.93
SEK	13,032,417.81	0.7614	9,922,882.92
ETB	258,832,449.14	0.2422	62,689,219.18
AOA	53,778,794.00	0.0223	1,198,729.32
TRY	507,152.75	1.3007	659,653.58
NPR	6,025,186.00	0.0613	369,283.65
BDT	455,000.00	0.0822	37,414.65

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance in foreign currency as at December 31, 2018	Exchange rate of conversion	Balance of RMB converted as at December 31, 2018
PKR	595,508.90	0.0494	29,406.23
KES	260,000.00	0.0675	17,550.00
MVR	28,961.00	0.4454	12,898.45
IQD	288,291.00	0.0058	1,660.87
LAK	885,000.00	0.0008	712.32
Accounts payable			438,124,893.48
Including: USD	49,569,880.69	6.8632	340,208,005.10
EUR	5,985,021.17	7.8473	46,966,256.63
HKD	137,892.25	0.8762	120,821.19
JPY	676,604,109.00	0.0619	41,872,998.49
VND	14,608,388,814.00	0.0003	4,323,498.76
CAD	914,006.00	5.0381	4,604,853.63
BAM	6,904.27	4.1220	28,459.68
Other payables			150,410,574.82
Including: USD	18,166,702.72	6.8632	124,681,714.13
EUR	102,760.00	7.8473	806,388.55
HKD	17867.20	0.8762	15,655.24
INR	25,389,357.88	0.0980	2,487,801.62
PKR	36,973,317.72	0.0494	1,759,123.53
VND	26,390,243,482.00	0.0003	7,814,209.83
AOA	163,974,013.18	0.0223	3,654,980.75
ETB	36,240,615.80	0.2422	8,777,477.15
TRY	259,496.78	1.3007	337,527.46
IDR	160,035,000.00	0.0005	75,696.56
Long-term loan			445,764,840.00
Including: USD	64,950,000.00	6.8632	445,764,840.00
Deposit taking			2,728,305,379.95
Including: USD	395,096,031.71	6.8632	2,711,623,084.83
EUR	2,002,741.36	7.8473	15,716,112.27
HKD	8.00	0.8762	7.01
JPY	15,611,758.76	0.0619	966,164.91
GBP	1.26	8.6762	10.93
Taxes payable			17,378.17
Including: USD	2,532.08	6.8632	17,378.17

5.67 Audit expenses

In 2018, the audit expense was RMB 2.55 million (2017: RMB 1.80 million).

5.68 Depreciation and amortization

Depreciation/amortization recognized in 2018 amounted to RMB 987,143,591.16 (2017: RMB 1,041,763,521.20)

5.69 Expenditure on operating rents

In 2018, the expenditure on operating rents was RMB 80,308,255.49 (2017: RMB 38,331,029.91), of which the rent expenditure on industrial installment and machinery was RMB 149,316.24 (2017: RMB0.00).

5.70 Rent revenue

In 2018, revenue from land and building leasing was RMB 8,368,616.98 (2017: RMB 6,806,574.72).

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6. Changes in the scope of combination

6.1 Business combination under common control

6.1.1 Details of business combination under common control

Name of the merged party	The proportion of equity acquired in the business combination	The basis constituting business combination under the same control	Combination date	The basis of confirming the combination date	The income of the merged party from the beginning of the current period to the date of business combination	Net profit of the merged party from the beginning of the current period to the date of combination	The income of the merged party during the comparison period	The net profit of the merged party during the comparison period
DEC PROJECT CARGO LOGISTICS CO.,LTD.Dongfang Electric Group Finance Co.,Ltd.	95.00%	Controlled by the same final controller	2018/3/31	The resolution approved by the general meeting of shareholders, and all the examination and verification completed	216,068,525.44	66,412,890.03	156,297,607.23	52,167,856.47
Dongfang Electric Autocontrol Engineering Co., Ltd.	100.00%	Controlled by the same final controller	2018/3/31	The resolution approved by the general meeting of shareholders, and all the examination and verification completed	104,504,289.31	1,796,625.23	117,522,850.55	11,650,735.80
Dongfang Electric International Corporation	100.00%	Controlled by the same final controller	2018/3/31	The resolution approved by the general meeting of shareholders, and all the examination and verification completed	333,157,543.46	-28,645,605.05	117,522,850.55	11,650,735.80
Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.	41.32%	Controlled by the same final controller	2018/3/31	The resolution approved by the general meeting of shareholders, and all the examination and verification completed	14,197,163.41	335,835.51	30,632,222.06	1,206,949.14
Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd.	100.00%	Controlled by the same final controller	2018/3/31	The resolution approved by the general meeting of shareholders, and all the examination and verification completed		-52,958.15	1,752.14	55,015.19

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Name of the merged party	The proportion of equity acquired in the business combination	The basis constituting business combination under the same control	Combination date	The basis of confirming the combination date	The income of the merged party from the beginning of the current period to the date of business combination	Net profit of the merged party from the beginning of the current period to the date of combination	The income of the merged party during the comparison period	The net profit of the merged party during the comparison period
Dongfang Electric Chengdu Intelligent Technology Co., Ltd.	100.00%	Controlled by the same final controller	2018/3/31	The resolution approved by the general meeting of shareholders, and all the examination and verification completed	4,236,324.78	63,140.95	40,170.94	101,896.48
DEC Project Cargo Logistics Co.,Ltd.	100.00%	Controlled by the same final controller	2018/3/31	The resolution approved by the general meeting of shareholders, and all the examination and verification completed	104,385,132.77	2,908,761.46	92,375,145.32	1,808,052.40
DEC (Sichuan) Trading Co., Ltd.	100.00%	Controlled by the same final controller	2018/3/31	The resolution approved by the general meeting of shareholders, and all the examination and verification completed	149,703,291.90	708,344.27	126,688,379.45	2,757,200.00
DEC Dongqi Investment Development Co., Ltd.	100.00%	Controlled by the same final controller	2018/12/31	All the examination and verification completed	48,577,061.68	24,551,592.92	57,947,722.72	22,104,042.20
Deyang Dongfang Electric Power Plant Co., Ltd.	100.00%	Controlled by the same final controller	2018/12/31	All the examination and verification completed	115,842,943.27	-4,777,490.73	119,515,568.74	24,695,873.21

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6.1.2 Combination cost

Item	Dongfang Electric Group Finance Co.,Ltd.	Dongfang Electric Autocontrol Engineering Co., Ltd.
Combination cost	3,090,202,077.52	496,901,972.23
-Cash		
-Book value of non-cash asset		
-Book value of issued or guaranteed debt		
-Value of issued equity security	3,090,202,077.52	496,901,972.23
Including: fair value of issued equity security	342,974,704.53	55,150,052.60
-Contemporary consideration		

Combination cost	Dongfang Electric International Corporation	Dongfang Electric Autocontrol Engineering Co., Ltd.
-Cash	2,624,692,477.05	57,354,802.77
-Book value of non-cash asset		
-Book value of issued or guaranteed debt		
-Value of issued equity security		
Including: fair value of issued equity security	2,624,692,477.05	57,354,802.77
-Contemporary consideration	291,308,821.95	6,365,682.90
Combination cost		

Combination cost	Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd.	Dongfang Electric Chengdu Intelligent Technology Co., Ltd.
-Cash	8,199,846.81	10,430,780.25
-Book value of non-cash asset		
-Book value of issued or guaranteed debt		
-Value of issued equity security		
Including: fair value of issued equity security	8,199,846.81	10,430,780.25
-Contemporary consideration	910,082.89	1,157,689.27
Combination cost		

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Combination cost	DEC Project Cargo Logistics Co.,Ltd.	DEC (Sichuan) Trading Co., Ltd.
-Cash	129,863,665.75	114,094,235.60
-Book value of non-cash asset		
-Book value of issued or guaranteed debt		
-Value of issued equity security		
Including: fair value of issued equity security	129,863,665.75	114,094,235.60
-Contemporary consideration	14,413,281.48	12,663,067.26
Combination cost		

Combination cost	DEC Dongqi Investment Development Co., Ltd.	Deyang Dongfang Electric Power Plant Co., Ltd.
-Cash	401,775,411.36	235,429,172.29
-Book value of non-cash asset		
-Book value of issued or guaranteed debt	401,775,411.36	235,429,172.29
-Value of issued equity security		
Including: fair value of issued equity security		
-Contemporary consideration		

Remark: By issuing a-share shares, the company purchased from Dongfang Electric Corporation 95% equity of Dongfang Electric Group Finance Co.,Ltd., 100% equity of Dongfang Electric International Corporation, 100% equity of Dongfang Electric Autocontrol Engineering Co., Ltd., 41.24% equity of Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd., 100% equity of DEC (Sichuan) Trading Co., Ltd., 100% equity of DEC Project Cargo Logistics Co.,Ltd., 100% equity of Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd., 100% equity of Dongfang Electric Chengdu Intelligent Technology Co., Ltd., and a portion of machinery equipment and intangible assets such as intellectual property. (Patent No.201520304281.X for utility model is not included). The issuing price was RMB 9.01 per share.

The subsidiary of the Company, Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation signed an equity purchase agreement with Dongfang Electric Corporation in which Dongfang Electric Corporation transfer the control of Deyang Dongfang Electric Power Plant Co., Ltd. and its subsidiary, Sichuan Dongdian Real Estate Development Co., Ltd., to Dongfang Electric Machinery Co., Ltd. by acquiring partial equity of Dongfang Electric Machinery Co., Ltd. Dongfang Electric Machinery Co., Ltd. completed the absorption merger towards Deyang Dongfang Electric Power Plant Co., Ltd. and its subsidiary, Sichuan Dongdian Real Estate Development Co., Ltd. by the end of December 31, 2018; the consideration of the absorbing merger was determined to be the assessment value

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

of Deyang Dongfang Electric Power Plant Co., Ltd. on the date of August 31, 2018 with an additional share capital of RMB 107,009,172.29 to Dongfang Electric Machinery Co., Ltd. The subsidiary of the Company, Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation signed an equity purchase agreement with Dongfang Electric Corporation in which Dongfang Electric Corporation transfer the control of DEC Dongqi Investment Development Co., Ltd. and its subsidiary, Deyang Dongfang Abele Pipe System Co., Ltd., to Dongfang Electric Machinery Co., Ltd. by acquiring partial equity of Dongfang Turbine Co., Ltd. Dongfang Turbine Co., Ltd. completed the absorbing merger towards Dongqi Investment Development Co., Ltd. and its subsidiary, Deyang Dongfang Abele Pipe System Co., Ltd. by the end of December 31, 2018; meanwhile, the control merger towards Deyang Dongfang Abele Pipe System Co., Ltd., the subsidiary of Dongqi Investment Development Co., Ltd., was completed; the consideration of the merger was determined to be the assessment value of Dongqi Investment Development Co., Ltd. on the date of May 31, 2018 with an additional share capital of RMB 20,000,000.00 to Dongfang Turbine Co., Ltd.

6.1.3 The Net value of the assets and liabilities of the merged party on the combining date

Item	DEC Financial Co., Ltd.		Dongfang Electric Autocontrol Engineering Co., Ltd.	
	Combination date	Balance as at December 31, 2018	Combination date	Balance as at December 31, 2018
Assets:	28,135,524,532.82	22,073,638,578.77	779,724,115.73	823,846,753.51
Monetary funds	19,653,241,641.15	12,521,785,100.11	55,017,572.86	149,791,339.82
Accounts receivable	580,941,121.16	571,075,912.56	412,296,629.24	388,752,984.73
Inventory			223,530,541.48	193,675,047.64
Fixed asset	5,874,543.58	6,113,336.28	30,571,326.78	31,430,879.11
Intangible asset	7,151,715.23	7,483,199.40	9,163,762.70	9,285,712.26
Liability:	25,117,596,589.04	19,114,250,346.78	441,895,483.65	488,155,217.58
Loan	24,666,992,172.36	18,645,319,030.30	50,000,000.00	120,000,000.00
Account payable	428,410,670.94	446,315,189.12	383,966,088.07	360,621,564.75
Net asset	3,017,927,943.78	2,959,388,231.99	337,828,632.08	335,691,535.93
Less: Non-controlling shareholders' equity	150,896,397.19	147,969,411.60		
Derived net asset	2,867,031,546.59	2,811,418,820.39	337,828,632.08	335,691,535.93

Item	Dongfang Electric Autocontrol Engineering Co., Ltd.	Dongfang Electric Autocontrol Engineering Co., Ltd.

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

	Combination date	Balance as at December 31, 2018	Combination date	Balance as at December 31, 2018
Assets:	5,465,670,280.26	5,276,500,133.41	283,735,408.66	310,121,854.77
Monetary funds	3,802,457,498.58	3,821,397,999.00	29,064,044.07	35,827,211.81
Accounts receivable	376,469,206.21	307,935,261.61	155,367,476.19	178,813,378.92
Inventory	282,553,161.04	103,727,787.85	69,606,502.00	64,921,784.80
Fixed asset	4,138,977.97	4,342,842.77	12,813,970.14	13,423,262.13
Intangible asset	581,776,762.46	605,020,194.74	6,028,915.43	6,181,531.00
Liability:	4,054,884,758.74	3,829,887,340.41	172,105,720.13	198,980,717.63
Loan			37,999,000.00	47,999,000.00
Account payable	2,806,391,161.19	2,573,537,805.50	131,446,467.86	148,370,019.75
Net asset	1,410,785,521.52	1,446,612,793.00	111,629,688.53	111,141,137.14
Less: Non-controlling shareholders' equity	818,554.23	50,439,371.76	54,698,547.38	54,459,157.20
Derived net asset	1,409,966,967.29	1,396,173,421.24	56,931,141.15	56,681,979.94

Item	Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd.		Dongfang Electric Chengdu Intelligent Technology Co., Ltd.	
	Combination date	Balance as at December 31, 2018	Combination date	Balance as at December 31, 2018
Assets:	10,605,313.56	10,805,290.14	19,935,355.55	19,595,327.97
Monetary funds	6,609,245.65	9,885,968.57	10,398,027.93	11,388,559.58
Accounts receivable	3,695,418.54	895,062.72	6,116,918.60	2,160,631.65
Inventory	247,101.03	13,128.37	3,420,409.02	5,626,911.04
Fixed asset				
Intangible asset				
Liability:	2,159,470.10	2,306,488.53	8,815,543.36	8,538,656.73
Loan				
Account payable	2,159,470.10	2,306,488.53	8,815,543.36	8,538,656.73
Net asset	8,445,843.46	8,498,801.61	11,119,812.19	11,056,671.24
Less: Non-controlling shareholders' equity				
Derived net asset	8,445,843.46	8,498,801.61	11,119,812.19	11,056,671.24

Item	DEC Project Cargo Logistics Co.,Ltd.		DEC (Sichuan) Trading Co., Ltd.	
	Combination date	Balance as at December 31, 2018	Combination date	Balance as at December 31, 2018
Assets:	208,225,800.36	179,302,355.71	344,586,913.27	324,199,815.71

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	DEC Project Cargo Logistics Co.,Ltd.		DEC (Sichuan) Trading Co., Ltd.	
	Combination date	Balance as at December 31, 2018	Combination date	Balance as at December 31, 2018
Monetary funds	11,056,671.24	47,920,568.20	30,562,327.87	3,561,376.73
Accounts receivable	124,343,923.29	63,257,752.17	230,368,357.66	243,680,428.90
Inventory	26,156,148.83	27,587,810.61	75,542,189.90	68,125,646.20
Fixed asset		14,876,688.63	365,753.81	391,934.90
Intangible asset		3,771,335.62		
Liability:	130,756,072.01	105,393,305.84	233,781,544.58	214,102,791.29
Loan	50,000,000.00	55,000,000.00	144,206,738.16	124,206,738.16
Account payable	75,040,471.17	44,050,605.30	89,574,806.42	89,896,053.13
Net asset	77,469,728.35	73,909,049.87	110,805,368.69	110,097,024.42
Less:Non-controlling shareholders' equity				
Derived net asset	77,469,728.35	73,909,049.87	110,805,368.69	110,097,024.42

Item	DEC Dongqi Investment Development Co., Ltd.(subsidiary acquisitions and merger)		Deyang Dongfang Electric Power Plant Co., Ltd. (subsidiary acquisitions and merger)	
	Combination date	Balance as at December 31, 2018	Combination date	Balance as at December 31, 2018
Assets:	287,779,497.73	305,978,532.70	294,075,283.78	367,137,239.16
Monetary funds	79,216,763.54	55,734,915.13	140,318,585.53	174,324,691.33
Accounts receivable	28,301,414.78	41,927,913.82	53,309,862.14	93,319,776.85
Inventory	13,487,851.95	17,891,888.04	32,091,819.24	32,138,144.43
Fixed asset	30,255,677.73	39,907,212.78	222,619.56	518,812.62
Intangible asset	16,239,516.75	18,487,080.69	57,334,676.90	60,590,355.63
Liability:	137,438,808.47	326,410,646.20	52,294,480.81	102,696,423.56
Loan	22,567,000.00	37,567,000.00		
Account payable	106,040,574.69	75,818,628.69	52,294,480.81	88,456,916.68
Net asset	150,340,689.26	-20,432,113.50	241,780,802.97	264,440,815.60
Less:Non-controlling shareholders' equity	7,195,371.74	7,142,517.30		
Derived net asset	143,145,317.52	-27,574,630.80	241,780,802.97	264,440,815.60

Remark: In year 2018, Dongfang Electric Corporation increase the share capital to Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation, a subsidiary of the Company, using the equity of Dongqi Investment Development Co., Ltd. With the capital increase, Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation completed the

absorbing merger towards Dongqi Investment Development Co., Ltd.; Dongfang Electric Corporation increase the share capital to Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation, a subsidiary of the Company, using the equity of Deyang Dongfang Electric Power Plant Co., Ltd. With the capital increase, Deyang Dongfang Electric Power Plant Co., Ltd. completed the absorbing merger towards Deyang Dongfang Electric Power Plant Co., Ltd.

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

6.2 Disposal of subsidiaries

Disposal of the investment to subsidiary at one-off (The loss of control to subsidiary)

Subsidiary name	The price of equity disposal	The proportion of equity disposal (%)	The method of equity disposal	The point at which control is lost	Basis to confirm the point at which the control is lost	The difference of the subsidiary's net assets share between the disposal price and the disposal investment at the consolidated financial statement level	The proportion of the remaining equity on the date of loss of control	The Net value of the remaining equity on the date of loss of control	The fair value of the remaining equity on the date of loss of control	Gains or losses on the remaining equity according to the remeasured fair value	The determination method and main hypothesis of the fair value of the remaining equity on the day of loss of control	The amount of other comprehensive income related to the equity investment of original subsidiary and transferred into the profit and loss of the investment
Dongfang Electric Machine & Tools Co., LTD.	17,554,439.76	99.32	Cancellation of registration	2018/7/31	Liquidation completed	1,206.42						
Dongfang Electric (Jiuquan) New Energy Co., Ltd.		100.00	Judicial bankruptcy	2018/9/29	Adjudication of bankruptcy	259,045,407.31						
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.		100.00	Judicial bankruptcy	2018/12/24	Adjudication of bankruptcy	172,146,838.15						
Dongfang Electric (Hulunbuir) New Energy Co., Ltd.		100.00	Judicial bankruptcy	2018/11/12	Adjudication of bankruptcy	41,377,900.64						

7. Equity in other entities

7.1 Equity in subsidiaries

7.1.1 Structure of the enterprise group

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Subsidiary	Main business place	Registration place	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	Deyang, Sichuan	Deyang, Sichuan	Production	94.39		Establishment by investment
Dongfang Turbine CO.LTD Resin Division (hereinafter referred to as the "DTR")	Deyang, Sichuan	Deyang City, Sichuan Province	Production		100.00	Acquired from the business combination under common control
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	Zigong, Sichuan	Zigong, Sichuan	Production	96.79		Establishment by investment
Chengdu Dongfang KWH Environmental Protection Catalysts Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Production of special reagents		61.42	Establishment by investment
Shenzhen Dongfang Boiler Control Co.,Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Ordinary Machinery		51.00	Establishment by investment
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation	Deyang, Sichuan	Deyang, Sichuan	Production	91.86		Establishment by investment
Dongfang Electrical Machinery Control Equipment Co.,Ltd.	Deyang, Sichuan	Deyang, Sichuan	Production		100.00	Establishment by investment
Dongfang Electric Venezuela Co., Ltd.	Venezuela	Venezuela	Project service		99.00	Establishment by investment
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	Guangzhou, Guangdong	Guangzhou, Guangdong	Production	51.05	14.14	Establishment by investment
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Production	67.00		Establishment by investment
Dongfang Electric (India) PVT LTD	Calcutta, India	Calcutta, India	Service	100.00		Establishment by investment
Dongfang Electric (Indonesia) Co., Ltd.	Djakarta, Indonesia	Djakarta, Indonesia	Service	100.00		Establishment by investment
Dongfang Electric Wind Power Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Production	45.12	54.88	Establishment by investment
Dongfang Electric (Tianjin) Wind Power Technology Co. Ltd	Tianjin	Tianjin	Production		100.00	Establishment by investment
Tianjin Dongqi Wind Turbine Blade Engineering Co.,Ltd.	Tianjin	Tianjin	Production		85.00	Establishment by

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Subsidiary	Main business place	Registration place	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
						investment
Dongfang Electric Wind Power (Liangshan) Co. Ltd	Liangshan, Sichuan	Liangshan, Sichuan	Production		100.00	Establishment by investment
Dongfang Electric Group Finance Co.,Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Finance	95.00		Acquired from the business combination under common control
Dongfang Electric International Corporation	Chengdu, Sichuan	Chengdu, Sichuan	International trade	100.00		Acquired from the business combination under common control
Nam Mang 1 Power Company Limited	Vientiane Laos	Vientiane Laos	Electric power supply		75.00	Acquired from the business combination under common control
Dongfang Electric (Chengdu) Engineering Design Consulting Co. LTD	Chengdu, Sichuan	Chengdu, Sichuan	Consulting service		100.00	Acquired from the business combination under common control
Deyang Dongfang Abele Pipe System Co., Ltd.	Mianzhu, Sichuan	Mianzhu, Sichuan	Machinery manufacturing		83.76	Acquired from the business combination under common control

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Subsidiary	Main business place	Registration place	Business nature	Shareholding ratio (%)		Method of acquisition
				Direct	Indirect	
Dongfang Electric Autocontrol Engineering Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Generator set manufacturing	50.27	49.58	Acquired from the business combination under common control
Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Production		51.00	Acquired from the business combination under common control
DEC (Sichuan) Trading Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Trading	100.00		Acquired from the business combination under common control
DEC Project Cargo Logistics Co.,Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Transporting	100.00		Acquired from the business combination under common control
Dongfang Electric Chengdu Intelligent Technology Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Technology service	100.00		Acquired from the business combination under common control
Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Technology service	100.00		Acquired from the business combination under common control

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

7.1.2 Major non-wholly-owned subsidiaries

Subsidiary	Shareholding ratio of non-controlling shareholders	Profit or loss attributable to non-controlling shareholders in 2018	Dividends declared to be distributed to non-controlling shareholders in 2018	Balance of non-controlling shareholders as at December 31, 2018
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	5.61%	9,077,651.78		312,567,908.99
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	3.21%	777,008.48		198,075,323.11
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation	8.14%			440,692,795.56
Dongfang Electric Group Finance Co.,Ltd.	5.00%	13,077,940.42	12,956,227.82	150,360,942.27
Dongfang Electric Autocontrol Engineering Co., Ltd.	0.15%	5,116,426.90		150,270,924.05
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	34.82%	5,880,689.14	5,960,077.11	593,503,211.24
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	33.00%	35,284.16		62,586,495.74

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

Subsidiary	Balance as at December 31, 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	20,232,366,560.11	4,610,973,985.17	24,843,340,545.28	18,163,970,891.62	1,100,553,800.88	19,264,524,692.50
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	18,165,542,583.58	2,656,092,917.55	20,821,635,501.13	11,593,610,051.98	2,947,452,851.46	14,541,062,903.44
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation	13,321,730,261.91	1,791,442,018.70	15,113,172,280.61	8,726,542,132.26	972,713,740.43	9,699,255,872.69
Dongfang Electric Group Finance Co.,Ltd.	31,623,179,767.70	5,846,273,374.34	37,469,453,142.04	34,455,023,641.79	7,210,654.90	34,462,234,296.69
Dongfang Electric Autocontrol	1,819,845,030.23	255,369,029.19	2,075,214,059.42	1,262,388,481.26	23,086,465.47	1,285,474,946.73

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Subsidiary	Balance as at December 31, 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Engineering Co., Ltd.						
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	2,322,365,672.36	1,073,852,556.50	3,396,218,228.86	1,427,699,798.77	263,965,386.29	1,691,665,185.06
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	235,825,832.00	194,076,596.27	429,902,428.27	191,047,398.23	49,198,982.33	240,246,380.56

Subsidiary	Balance as at January 1, 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	21,437,958,869.11	4,875,288,556.71	26,313,247,425.82	21,223,808,153.31	1,091,462,364.17	22,315,270,517.48
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	20,820,217,049.58	2,656,092,917.55	23,476,309,967.13	15,649,413,092.66	2,280,679,103.11	17,930,092,195.77
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation	12,677,586,103.82	1,667,708,818.47	14,345,294,922.29	9,149,357,858.28	1,053,140,233.49	10,202,498,091.77
Dongfang Electric Group Finance Co., Ltd.	17,998,094,302.28	4,075,544,276.49	22,073,638,578.77	19,091,634,219.42	22,616,127.36	19,114,250,346.78
Dongfang Electric Autocontrol Engineering Co., Ltd.	1,890,660,937.14	259,240,625.12	2,149,901,562.26	1,320,477,922.34	23,148,526.37	1,343,626,448.71
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	2,462,452,022.39	1,171,605,434.51	3,634,057,456.90	1,681,179,543.07	248,096,866.21	1,929,276,409.28
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	159,734,697.49	219,211,047.83	378,945,745.32	289,446,105.67	50,384,798.21	339,830,903.88

Subsidiary	Amount incurred in 2018				Amount Incurred in 2017			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	9,207,388,843.76	108,896,812.02	108,896,812.02	2,940,901,319.21	10,010,959,661.37	120,868,306.48	120,868,306.48	1,180,400,913.99
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	9,372,003,873.74	247,325,852.76	247,325,852.76	811,976,994.57	10,720,518,054.03	238,455,054.92	238,455,054.92	-296,352,184.50

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Subsidiary	Amount incurred in 2018				Amount Incurred in 2017			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation	4,852,143,072.68	167,445,638.04	167,317,119.35	1,518,447,682.98	4,863,663,073.15	320,857,979.44	320,848,702.61	698,037,817.61
Dongfang Electric Group Finance Co.,Ltd.	1,031,049,865.40	261,558,675.50	271,566,962.42	11,388,421,749.73	696,068,780.48	192,711,666.37	187,122,925.29	813,297,958.14
Dongfang Electric Autocontrol Engineering Co., Ltd.	1,329,290,351.48	28,733,391.50	28,733,391.50	26,202,919.80	1,243,371,987.58	78,887,658.33	78,887,658.33	211,520,953.90
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	1,001,007,751.10	16,889,456.35	16,889,456.35	348,989,267.71	1,000,139,979.60	63,398,000.63	63,398,000.63	24,437,396.16
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	121,987,536.68	106,921.69	106,921.69	8,647,177.72	63,422,736.25	-51,661,590.56	-51,661,590.56	-16,506,636.82

7.1.4 Major restrictions on the use of the assets of an enterprise group and the repayment of its debts:

None.

7.1.5 Financial or other support provided to structured entities incorporated in the consolidated financial statements

None.

7.2 The transactions that has been changed in the share of equity in the subsidiary but still have the control of the subsidiary

7.2.1 The explanation of the changes in the share of equity in the subsidiary

In 2018, China Dongfang Electric Group Co. Ltd increased its capital investment to Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation, the subsidiary of the Company, with DEC Dongqi Investment Development Co., Ltd. and partial state appropriation; increased its capital investment to Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation with partial state appropriation; increased its capital investment to Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation with Dongfang Electric Machinery Factory and partial state appropriation. With the addtioanl investments, the Company holds the control over the three companies mentioned above.

7.2.2 The effect of the transaction on non-controlling shareholders' equity and the equity attributable to the parent company

Item	Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation
Disposal consideration	305,661,265.49	213,503,333.33	358,702,505.62
-Cash	162,515,947.97	213,503,333.33	123,273,333.33
-Fair value of non-cash asset	143,145,317.52		235,429,172.29
-Others			
Subtotal of disposal consideration	305,661,265.49	213,503,333.33	358,702,505.62
Less: The net assets share of the subsidiary calculated according to the shareholding ratio obtained/disposed	312,567,908.99	182,342,256.20	440,692,795.56
Gap	-6,906,643.50	31,161,077.13	-81,990,289.94

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation
Including: Adjust capital reserve	-6,906,643.50	31,161,077.13	-81,990,289.94
Adjust surplus reserve			
Adjust undistributed profits			

7.3 Equity in joint venture arrangements or associates

7.3.1 Major joint ventures or associates

Name of joint venture or associate	Principal place of business	Registration place	Business nature	Shareholding ratio (%)		Accounting treatment method in investments in joint ventures or associates
				Direct	Indirect	
Dongfang Lingli Boiler Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Manufacture		50.00	Equity
Dongfang Famatong Nuclear Pump Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Manufacture	50.00		Equity
Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	Nansha, Guangzhou	Nansha, Guangzhou	Manufacture		49.00	Equity
Sichuan Energy Wind Power Development Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Power station development		20.00	Equity

7.3.2 Main financial information on major joint ventures

Item	Balance as at December 31, 2018/Amount incurred in 2018		Balance as at January 1, 2018/Amount incurred in 2017	
	Dongfang Lingli Boiler Co., Ltd.	Dongfang Famatong Nuclear Pump Co., Ltd.	Dongfang Lingli Boiler Co., Ltd.	Dongfang Famatong Nuclear Pump Co., Ltd.
Current assets	952,861,350.78	1,204,050,970.20	950,434,046.99	1,195,708,828.94
Including: cash and cash equivalents	118,779,423.25	648,742,257.29	117,604,468.33	703,535,143.57
Non-current assets	259,691,870.39	138,786,321.04	248,179,405.15	126,841,520.75
Total assets	1,212,553,221.17	1,342,837,291.24	1,198,613,452.14	1,322,550,349.69
Current liabilities	727,351,977.07	705,981,182.39	726,367,218.00	760,195,339.45
Non-current liabilities	85,497,872.26	150,681,824.74	88,915,704.43	143,110,450.45
Total Liabilities	812,849,849.33	856,663,007.13	815,282,922.43	903,305,789.90
Non-controlling shareholders' equity				
Equity attributable to shareholders of the parent	399,703,371.84	486,174,284.11	383,330,529.71	419,244,559.79

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018/Amount incurred in 2018		Balance as at January 1, 2018/Amount incurred in 2017	
	Dongfang Lingli Boiler Co., Ltd.	Dongfang Famatong Nuclear Pump Co., Ltd.	Dongfang Lingli Boiler Co., Ltd.	Dongfang Famatong Nuclear Pump Co., Ltd.
company				
Share of net assets calculated by the shareholding ratio	199,851,685.92	243,087,142.06	191,665,265.04	209,622,279.90
Adjustment events				
-Goodwill				
-Profit from internal transactions				
-Others				
Net value of the equity investment in joint ventures	199,851,685.92	243,087,142.06	191,665,265.04	209,622,279.90
Fair value of the equity investment of joint ventures with public offer				
Operating revenue	810,530,818.15	407,659,405.51	771,170,377.81	285,644,724.85
Financial expenses	6,761,413.04	-6,840,268.29	4,600,989.69	-10,996,209.46
Income tax expenses	2,097,947.73	11,811,127.82	3,021,591.74	11,315,816.98
Net profit	24,468,362.79	66,929,724.30	24,749,835.25	68,118,830.14
Net profit of discontinuing operations				
Other comprehensive income				
Total comprehensive income	24,468,362.79	66,929,724.30	24,749,835.25	68,118,830.14
Dividends received from joint ventures the current year	3,959,973.64	37,326,557.40	3,347,961.43	67,670,414.30

7.3.3 Main financial information on major associates

Item	Balance as at December 31, 2018/Amount incurred in 2018		Balance as at January 1, 2018/Amount incurred in 2017	
	Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	Sichuan Energy Wind Power Development Co., Ltd.	Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	Sichuan Energy Wind Power Development Co., Ltd.
Current assets	1,479,734,163.08	1,173,133,849.46	1,666,797,457.25	1,075,203,384.35
Non-current assets	174,311,564.17	3,268,107,485.87	264,367,518.37	2,891,967,488.62
Total assets	1,654,045,727.25	4,441,241,335.33	1,931,164,975.62	3,967,170,872.97

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018/Amount incurred in 2018		Balance as at January 1, 2018/Amount incurred in 2017	
	Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	Sichuan Energy Wind Power Development Co., Ltd.	Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	Sichuan Energy Wind Power Development Co., Ltd.
Current liabilities	538,057,126.33	661,198,570.07	741,170,751.69	918,991,964.49
Non-current liabilities	88,020,222.03	2,256,432,654.30		1,699,900,370.89
Total Liabilities	626,077,348.36	2,917,631,224.37	741,170,751.69	2,618,892,335.38
Non-controlling shareholders' equity		103,235,092.38		92,448,252.51
Equity attributable to shareholders of the parent company	1,027,968,378.89	1,420,375,018.58	1,189,994,223.93	1,255,830,285.08
Share of net assets calculated by the shareholding ratio	503,704,505.66	284,075,003.72	582,849,570.13	255,556,481.06
Adjustment events				
-Goodwill				
-Profit from internal transactions				
-Others				
Net value of the equity investment in associates	503,704,505.66	284,075,003.72	582,849,570.13	255,556,481.06
Fair value of the equity investment of associates with public offer				
Operating revenue	469,127,000.80	576,174,355.46	841,744,068.73	309,894,738.87
Net profit	91,009,818.23	265,976,260.86	123,138,398.79	115,896,217.47
Net profit of discontinuing operations				
Other comprehensive income				
Total comprehensive income	91,009,818.23	265,976,260.86	123,138,398.79	115,896,217.47
Dividends received from associates in the current year		17,930,062.80	114,870,982.00	8,625,154.77

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

7.3.4 Main financial information of unimportant joint ventures and associate

Item	Balance as at December 31, 2018/Amount incurred in 2018	Balance as at January 1, 2018/Amount incurred in 2017
Joint ventures:		
Subtotal of the investment's Net value		
The following items are calculated according to the total shareholding ratio		
-Net profit		
-Other comprehensive income		
-Total comprehensive income		
Associates:		
Deyang Dongqi Construction Co., Ltd		2,347,114.95
Leshan Dongle Heavy Hanging Co., Ltd.	27,460,342.75	27,803,700.96
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd.	2,001,432.70	1,996,884.48
Huadian Longkou Wind Power Co., Ltd.	59,434,514.02	50,459,812.07
Inner Mongolia Energy Power Generation Hongnijing Wind Power Co., Ltd.	22,310,282.21	19,846,957.02
China United Heavy Gas Turbine Technology Co., Ltd.	113,695,779.36	11,672,017.69
Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	19,844,590.30	18,537,039.00
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	39,489,167.50	35,322,255.21
Subtotal of the investment's Net value	284,236,108.84	167,985,781.38
The following items are calculated according to the total shareholding ratio		
-Net profit	17,396,142.41	13,649,706.67
-Other comprehensive income		
-Total comprehensive income	17,396,142.41	13,649,706.67

7.3.5 Disclosure of the significant restriction on transfer of financial resources from joint ventures or associates to the Company

None.

7.3.6 Excess losses incurred by joint ventures or associated enterprises

None.

7.3.7 Unconfirmed commitments relating to the investment of the joint venture

None.

7.3.8 Contingent liabilities relating to the investment of a joint venture or associated venture

None.

7.4 Important joint ventures

None.

7.5 Interests in structured entities not included in the consolidated financial statements

None.

7.6 Others

None.

8. Risks related to financial instruments

Major financial instruments of the Company include borrowings, receivables, accounts payable, held for trading financial assets, held for trading financial liabilities, 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 adopted 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 Credit risk

The Company works on risk management with the purpose of getting a proper balance between the risk and the income, minimizing the adverse impact of the risk on business performance of the Company, and maximizing interests of shareholders and other equity investors. Based on such purpose, the basic strategy for risk management of the Company is to determine and analyze various risks the Company may encounter, set up a proper risk bearing bottom line, implement the risk management, and supervise various risks in a timely and reliable manner to have these risks be controlled within a restricted scope.

8.2 Market risk

Market risk associated with financial instruments refers to the risk that fair value or future cash flows of financial instruments fluctuate due to variations in market prices, and it includes exchange rate risk, interest rate risk and price risks.

8.2.1 Exchange rate risk

Foreign exchange risks to be suffered by the Company are mainly relevant to USD, EUR, PKR and INR; except for the purchase and sales of the Company and its major subsidiaries in USD, EUR, PKR and INR, other business of the Company shall be settled in RMB. On December 31, 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.

Please refer to V. (56) for the details of monetary items denominated in foreign currencies held by the Company.

8.2.2 Interest risk

The interest rate risk of the Company may arise from the bank borrowings, bonds payable and other interest-bearing debts. The financial liability with a floating rate may bring the interest rate risk of cash flows to the Company, and the financial liability with fixed rate may bring the interest rate risk of fair value to the Company. The Company determines the relative proportion of fixed-rate contracts and floating-rate contracts pursuant to the prevailing market conditions. On December 31, 2018, interest-bearing debts of the Company mainly were the fixed-rate contracts measured in RMB, amounting to RMB 724,750,840.00.

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.

8.2.3 Price risk

The Company sells the power generating equipment at the market price, as a result, it may be

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

affected by the price fluctuation.

8.3 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, the Company actively communicates with financial institutions to have enough line of credit and reduce the liquidity risk. As the Company has well bank credit and higher credit rating, as at December 31, 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 contract obligations as follows:

Amount as at December 31, 2018:

Item	Within 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
Financial assets					
Including: Monetary funds	29,346,448,438.05				29,346,448,438.05
Held for trading financial assets	3,122,839,818.04				3,122,839,818.04
Notes receivable and Accounts receivable	11,664,574,744.54				11,664,574,744.54
Other receivables	535,465,160.58				535,465,160.58
Total amount of financial assets	44,669,328,161.21				44,669,328,161.21
Financial liabilities					
Including: Short-term borrowings	245,566,000.00				245,566,000.00
Held for trading financial liabilities					
Notes payable and Accounts payable	15,092,950,990.47				15,092,950,990.47
Other payables	1,749,869,606.78				1,749,869,606.78
Employee compensation payable	772,584,805.65				772,584,805.65
Non-current liabilities maturing	16,320,000.00				16,320,000.00

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Within 1 year	1 - 2 years	2 - 5 years	Over 5 years	Total
within one year					
Long-term borrowings		17,100,000.00	445,764,840.00		462,864,840.00
Long-term employee compensation payable		143,444,746.62	183,105,061.00	510,753,462.45	837,303,270.07
Total amount of financial liabilities	17,877,291,402.90	160,544,746.62	628,869,901.00	510,753,462.45	19,177,459,512.97

8.4 Credit risk

On December 31, 2018, the largest exposure to credit risk which may cause financial loss of the Company was mainly from the loss from the financial asset of the Company and the financial guarantee borne by the Company due to the failure of the other party to the contract in obligation performance, including: The book value of the financial assets identified in the consolidated balance sheet; for financial instruments measured at fair value, the book value reflects its risk exposure but is not the maximum risk exposure and its maximum exposure will vary from the future changes in the fair value. In order to reduce the credit risk, the Company established a special department to determine the line of credit, carry out the credit-related examination and approval and implement other monitor routine to guarantee that necessary measures for collecting overdue debt can be taken. In addition, on each balance sheet date, the Company shall review the collection of each individual receivables to guarantee that the provision for bad debts due to the failure in relevant payment collection can be made. As a result, the management of the Company believes that the credit risk borne by the Company has been minimized.

As the Company's working capital is deposited with banks with high credit ratings, the working capital may have low credit risk.

The Company adopts necessary policies to guarantee that all sale customers are have nice credit records. Except for top five amounts of accounts receivable, the Company has no other significant credit centralized risk. Top five amounts of accounts receivable amounted to RMB 1,595,147,869.82 in total, which accounts for 14.27% of the total.

8.5 Sensitivity analysis

The Company uses sensitivity analysis techniques to analyze the possible effects of reasonable and potential changes of risk variables on the current profit and loss and shareholders' equity. As any risk variate hardly changes in isolation, and the pertinence existing among the variates will have significant effect on the final affected amount of the change of any risk variate. The following

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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 are in an overseas operation and cash flow hedges are highly effective.

Based on the above assumption, under the circumstance that other variables are unchanged, the after-tax effect of the rational change in exchange rate on the current profit or loss and equity is as below:

Item	Fluctuation in exchange rate	Year 2018		Year 2017	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
All foreign currency	5% of appreciation in RMB	11,044,319.62	11,044,319.62	23,093,029.14	23,093,029.14
All foreign currency	5% of depreciation in RMB	-11,044,319.62	-11,044,319.62	-23,093,029.14	-23,093,029.14

8.5.2 Sensitivity analysis on interest rate risk

Sensitivity analysis on interest rate risk is made based on the following assumptions: The change in market interest rate affects the interest revenue or expenses of the financial instrument with variable rate; For the financial instrument with fixed interest rate measured at fair value, the change in market interest rate only affects the interest revenue or expenses; The fair value of derivative financial instruments calculated by the cash flow capitalization method at the market interest rate on the balance sheet date and the fair value of other financial asset and liability change. Based on the above assumptions, under the circumstance that other variables are unchanged, the after-tax effect of the rational change in interest rate on the current profit or loss and equity is as below:

Item	Change in interest rate	Year 2018		Year 2017	
		Effect on net profit	Effect on owners' equity	Effect on net profit	Effect on owners' equity
Borrowings with floating rate	Increase by 1%	-7,247,508.40	-7,247,508.40	-260,018.13	-260,018.13
Borrowings with floating rate	Decrease by 1%	7,247,508.40	7,247,508.40	260,018.13	260,018.13

9. Disclosure of fair value

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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				
Financial assets measured at fair value through the current profit or loss	3,122,768,418.04		71,400.00	3,122,839,818.04
1. Held for trading financial assets	3,122,768,418.04		71,400.00	3,122,839,818.04
(1) Investment in debt instruments	573,843,354.00			573,843,354.00
(2) Investment in equity instrument	695,562,887.24		71,400.00	695,634,287.24
(3) Derivative financial assets				
(4) Others	1,853,362,176.80			1,853,362,176.80
Held for trading financial liabilities				
Investment in debt instruments				
Investment in equity instrument				
Other debt investment				
Other equity investment			4,989,859.48	4,989,859.48
Other non-current financial asset				
1. Financial assets measured at fair value through the current profit or loss				
(1) Investment in debt instruments				

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Fair value at the end of the period			Total
	Measurement of fair value at level 1	Measurement of fair value at level 2	Measurement of fair value at level 3	
(2) Investment in equity instrument				
(3) Derivative financial assets				
2. Financial assets designated at fair value measurement through the current profit or loss				
(1) Investment in debt instruments				
(2) Investment in equity instrument				
Total amount of assets measured at fair value on a going concern	3,122,839,818.04		4,989,859.48	3,127,829,677.52
Financial assets measured at fair value through the current profit or loss				
Including: bonds issued for trading				
Derivative financial liabilities				
Others				
Financial liabilities designated at fair value measurement through the current profit or loss				
Total amount of liabilities measured at fair value on a going concern				
II. Measurement at fair value not on a going concern				
(1) Held for trading financial assets				
Total amount of assets measured at fair value not on a going concern				
Such as: Held for trading financial liabilities				
Total amount of liabilities measured 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 5.3 to the Financial Statements for details.

9.3 Nature and quantitative information of valuation techniques and key parameters adopted for items measured at the fair value of Level 2 on a going and non-going concern

None.

9.4 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

The nature and quantitative information of valuation techniques and key parameters adopted for the Company's items measured at the fair value of Level 2 on a going concern is measured at the cost, unless it is prove that the cost is not reliable.

9.5 The continuous fair value measurement project, the conversion between the various levels during the period, the reason for the conversion and the policy to determine the conversion time

None.

9.6 The reason of changes on valuation techniques

None.

9.7 The fair value of financial asset and financial liabilities not measured at fair value

None.

10. Related parties and related-party transactions

10.1 The Company's parent company

Unit: RMB 10,000

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

Note: the above shareholding ratio is the equity ratio that refers to the portion of equity directly held by the parent company, and the shareholding ratio of 0.028% held by Dongfang Electric Group International Investment Co., Ltd., the subsidiary of the parent company, is not included.

10.2 Subsidiaries of the Company

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

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

10.3 Joint ventures and associates of the Company

See "Note 7 Equity in other entities" for details on major joint ventures and associates of the Company.

Other joint ventures and associates company that take related-party transactions with the Company in the current period or have accumulated a balance during previous periods:

Joint ventures and associates company name	Relationship with the Company
Dongfang Lingli Boiler Co., Ltd.	Joint ventures
Dongfang Famatong Nuclear Pump Co., Ltd.	Joint ventures
Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	Associates
Leshan Dongle Heavy Hanging Co., Ltd.	Associates
Inner Mongolia Energy Power Generation Hongnijing Wind Power Co., Ltd.	Associates
Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	Associates
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	Associates

10.4 Other related parties

Name	Relationship with the Company
DEC Henan Station Auxiliary Equipment Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller at the beginning of the period
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller at the beginning of the period
Dongfang Electric (Hulunbuir) New Energy Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller at the beginning of the period
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller at the beginning of the period
Dongfang Electric (Jiuquan) New Energy Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller at the beginning of the period
Dongfang Electric (Leshan) New Energy Equipment Co., Ltd.	Under the significant impact of the ultimate controller at the beginning of the period
Dongfang Boiler Works	Other enterprises controlled by the same parent company and ultimate controller
Guangdong Dongfang Power Plant Complete Equipment Company	Other enterprises controlled by the same parent company and ultimate controller
DEC (Yingxing) MAGI Solar Technology Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Sichuan Dongfang Property Management Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Zhonghe Seawater Desalination Engineering Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd.	Other enterprises controlled by the same parent company

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Name	Relationship with the Company
	and ultimate controller
DEC Emei Semiconductor Material Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Electric (Jiuquan) Photovoltaic Power Technology Co., Ltd	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Electric (Jiuquan) Solar Power Co. Ltd	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Electric Group Investment Management Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Emei Institute of Semiconductor Materials	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Electric Group International Investment Co. Ltd	Other enterprises controlled by the same parent company and ultimate controller
DEC (Chengdu) Sharing Service Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Chengdu Dongfang Electrical Environment Engineering Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Emeishan Eban Semiconductor Material Co. Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Emeishan Eban High Purity Material Co. Ltd	Other enterprises controlled by the same parent company and ultimate controller
China Western Power Industrial Co., Ltd.	Investor with significant impact
Germany ENV Catalyst Co., Ltd.	Investor with significant impact
Wuhan Boiler Group Co., Ltd.	Investor with significant impact
Guangdong Yudean Group Co., Ltd.	Investor with significant impact
Directors, presidents and other senior officers of the Company	Related parties with other relationship

10.5 Related-party transactions

10.5.1 Related party transactions on purchase and sales of goods, rendering and receipt of labor services

Purchase of goods/ receipt of labor services

Related party	Purchase of goods/receipt of labor services	Amount incurred in 2018	Amount Incurred in 2017
Parent company and ultimate controller		271,408,006.98	9,185,815.25
Including: Dongfang Electric Corporation	Purchase of goods	10,413,829.98	9,121,815.25
Dongfang Electric Corporation	Receipt of labor services	68,000.00	64,000.00
Dongfang Electric Corporation	Purchase of intangible assets	208,630,260.00	
Dongfang Electric Corporation	Purchase of fixed assets	52,295,917.00	
Joint ventures and associates		558,866,652.71	447,158,585.49

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Related party	Purchase of goods/receipt of labor services	Amount incurred in 2018	Amount Incurred in 2017
Including: Dongfang Lingli Boiler Co., Ltd.	Purchase of goods	307,577,226.63	335,915,258.79
Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	Purchase of goods	251,289,426.08	111,243,326.70
Other enterprises controlled by the same parent company and ultimate controller		14,874,228.80	162,749,875.21
Zhonghe Seawater Desalination Engineering Co., Ltd.	Purchase of goods	14,874,228.80	
Including: Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	Purchase of goods		161,365,000.00
Dongfang Electric (Leshan) New Energy Equipment Co., Ltd.	Purchase of goods		1,384,875.21
Investor with significant impact		16,755,615.28	3,829,477.11
Including: China Western Power Industrial Co., Ltd.	Purchase of goods	13,333,333.30	
Guangdong Yudean Group Co., Ltd.	Purchase of goods	3,422,281.98	3,829,477.11

Sales of goods / receipt of services

Related party	Purchase of goods/receipt of labor services	Amount incurred in 2018	Amount Incurred in 2017
Parent company and ultimate controller		18,792,449.12	289,417.10
Including: Dongfang Electric Corporation	Rendering of labor services	17,692,635.83	
Dongfang Electric Corporation	Sales of goods	1,099,813.29	289,417.10
Joint ventures and associates		60,651,531.53	976,576.47
Including: Dongfang Famatong Nuclear Pump Co., Ltd.	Sales of goods	60,295,650.00	192,000.00
Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	Sales of goods	355,881.53	511,072.20
Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	Rendering of labor services		273,504.27
Other enterprises controlled by the same parent company and ultimate controller		157,635,739.46	3,111,317.93
Including: Zhonghe Seawater Desalination Engineering Co., Ltd.	Sales of goods	120,716,503.54	1,303,659.82
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	Sales of goods	30,047,277.03	
Guangdong Dongfang Power Plant Complete Equipment Company	Sales of goods	6,421,311.97	1,730,735.04
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Rendering of labor services	207,547.17	42,735.04
Dongfang Electric (Jiuquan) Photovoltaic Power Technology Co., Ltd	Sales of goods	138,604.77	
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Sales of goods	90,744.82	
DEC Henan Station Auxiliary Equipment Co., Ltd.	Rendering of labor services	8,074.17	
Dongfang Electric (Jiuquan) Solar Power Co. Ltd	Sales of goods	3,034.48	
Dongfang Electric (Jiuquan) Solar Power Co. Ltd	Rendering of labor services	2,641.51	

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Related party	Purchase of goods/receipt of labor services	Amount incurred in 2018	Amount Incurred in 2017
Dongfang Electric (Leshan) New Energy Equipment Co., Ltd.	Sales of goods		34,188.03
Investor with significant impact		1,955,806.01	300,341.90
China Western Power Industrial Co., Ltd.	Sales of goods	1,955,806.01	300,341.90

10.5.2 Interest revenue and expense between related parties

Disclosure of interest revenue

Related party	Related transactions	Amount incurred in 2018	Amount Incurred in 2017
Parent company and ultimate controller			692,614.88
Including: Dongfang Electric Corporation	Interest revenue		692,614.88
Joint ventures and associates		2,021,735.46	664,298.35
Including: Dongfang Lingli Boiler Co., Ltd.	Interest revenue	2,021,735.46	664,298.35
Other enterprises controlled by the same parent company and ultimate controller		29,123,652.50	30,211,129.42
Including: Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	Interest revenue	20,445,165.09	20,445,165.09
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Interest revenue	3,697,150.13	4,304,770.67
Dongfang Electric (Jiuquan) Solar Power Co. Ltd	Interest revenue	2,607,747.64	2,857,370.28
Dongfang Electric (Jiuquan) Photovoltaic Power Technology Co., Ltd	Interest revenue	1,901,639.15	2,197,488.21
Zhonghe Seawater Desalination Engineering Co., Ltd.	Interest revenue	471,950.49	406,335.17

Disclosure of interest expense

Related party	Related transactions	Amount incurred in 2018	Amount Incurred in 2017
Parent company and ultimate controller		67,920,346.86	106,937,442.85
Including: Dongfang Electric Corporation	Interest Expense	67,920,346.86	106,937,442.85
Other enterprises controlled by the same parent company and ultimate controller		1,737,552.48	2,176,346.34
Including: Dongfang Electric Group Investment Management Co., Ltd.	Interest Expense	773,922.38	758,312.21
Dongfang Boiler Works	Interest Expense	302,936.21	373,951.87
Chengdu Dongfang Electrical Environment Engineering Co., Ltd.	Interest Expense	207,328.17	254,670.04
DEC (Chengdu) Sharing Service Co., Ltd.	Interest Expense	151,314.64	35,411.90
Dongfang Electric (Jiuquan) Photovoltaic Power Technology Co., Ltd	Interest Expense	71,383.71	90,861.97
Dongfang Electric (Jiuquan) Solar Power Co. Ltd	Interest Expense	49,667.37	71,187.74
Zhonghe Seawater Desalination Engineering Co., Ltd.	Interest Expense	44,878.21	20,664.34

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Related party	Related transactions	Amount incurred in 2018	Amount Incurred in 2017
DEC (Yingxing) MAGI Solar Technology Co., Ltd.	Interest Expense	43,014.08	120,768.25
Sichuan Dongfang Property Management Co., Ltd.	Interest Expense	33,403.27	73,107.24
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	Interest Expense	16,813.08	
Guangdong Dongfang Power Plant Complete Equipment Company	Interest Expense	15,230.57	38,544.49
Emei Institute of Semiconductor Materials	Interest Expense	14,396.40	326,012.80
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Interest Expense	10,153.21	11,693.98
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	Interest Expense	3,111.17	175.57

10.5.3 Lease of related parties

Lease of related parties

Name of lessee	Type of leased asset	Rental income recognized in 2018	Rental income recognized in 2017
Dongfang Lingli Boiler Co., Ltd.	Land use rights, houses and buildings, equipment		1,849,094.14
Guangdong Yudean Group Co., Ltd.	Court	74,800.00	74,126.13

The Company as the lessee:

Name of lessor	Type of leased asset	Lease fees recognized in 2018	Lease fees recognized in 2017
Dongfang Electric Corporation	Houses and buildings	74,253,942.89	56,886,396.15
Dongfang Electric Corporation	Machinery equipment		410,256.41

10.5.4 Related party guarantee

The Company as a guarantor:

Unit: RMB 10,000

Guarantee	Guaranteed amount	Commencement date of guarantee	Maturity date of guarantee	Whether the guarantee has been fulfilled or not
Mitsubishi Heavy Industry Oriental Gas Turbine (Guangzhou) Co., Ltd.	2,450.00	2016/9/22	2025/4/30	None
Inner Mongolia Energy Power Generation Hongnijing Wind Power Co., Ltd.	1,600.00	2016/1/19	2026/1/19	None
Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	1,600.00	2016/6/29	2026/6/29	None
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	3,600.00	2016/8/26	2026/8/27	None

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

10.5.5 Loans from/to related parties

Related party	Lending/borrowing amount	Starting date	Maturity date
Loans from			
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	500,000,000.00	2016/2/26	2019/2/25
Dongfang Electric (Jiuquan) Solar Power Co. Ltd	56,500,000.00	2012/8/22	2025/12/25
Dongfang Electric (Jiuquan) Photovoltaic Power Technology Co., Ltd	39,000,000.00	2014/4/21	2023/4/21
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	48,000,000.00	2012/9/21	2023/1/21
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	21,000,000.00	2014/4/21	2023/4/21
Dongfang Lingli Boiler Co., Ltd.	20,000,000.00	2018/9/19	2019/9/18
Dongfang Lingli Boiler Co., Ltd.	20,000,000.00	2018/12/12	2019/12/11
Dongfang Lingli Boiler Co., Ltd.	10,000,000.00	2018/7/4	2019/7/3
Zhonghe Seawater Desalination Engineering Co., Ltd.	10,000,000.00	2017/7/21	2019/7/20
Loans to			
Dongfang Electric Corporation	17,100,000.00	2017/12/19	2020/12/18
Dongfang Electric Corporation	6,484,000.00	2018/2/6	2019/2/6
Dongfang Electric Corporation	3,434,000.00	2018/9/29	2019/9/29
Dongfang Electric Corporation	3,052,000.00	2018/12/28	2019/12/27
Dongfang Electric Corporation	2,967,000.00	2018/11/22	2019/11/22
Dongfang Electric Corporation	2,956,000.00	2018/12/28	2019/12/27
Dongfang Electric Corporation	865,000.00	2018/12/28	2019/12/27
Dongfang Electric Corporation	860,000.00	2018/2/6	2019/2/6
Dongfang Electric Corporation	699,000.00	2018/11/22	2019/11/22
Dongfang Electric Corporation	675,000.00	2018/9/29	2019/9/29
Dongfang Electric Corporation	575,000.00	2018/12/28	2019/12/27

10.5.6 Remuneration of key officers

(1) Remuneration of directors or supervisors

The remuneration of each director or supervisor in 2018 is as follows:

Name	Emoluments of director or supervisor	Salaries and subsidies	Performance salary	Contributions of retirement welfare plan	Total
Director					
Including: Chen Zhangwu	58,004.00				58,004.00
Gu Dake	116,000.00				116,000.00
Xu Haihe	119,000.00				119,000.00
Liu Dengqing	57,996.00				57,996.00
Supervisor					

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Name	Emoluments of director or supervisor	Salaries and subsidies	Performance salary	Contributions of retirement welfare plan	Total
Including: Fu Haib		96,062.00	106,682.52	15,417.98	218,162.50
Zeng Yi		192,124.00	232,436.24	29,764.76	454,325.00
Total	351,000.00	288,186.00	339,118.76	45,182.74	1,023,487.50

(2)The remuneration of each director or supervisor in 2017 is as follows:

Name	Emoluments of director or supervisor	Salaries and subsidies	Performance salary	Contributions of retirement welfare plan	Total
Director					
Including: Chen Zhangwu	80,000.00				80,000.00
Gu Dake	80,000.00				80,000.00
Xu Haihe	80,000.00				80,000.00
Liu Dengqing					
Supervisor					
Including: Wang Zaiqiu		191,320.00	72,126.05	28,120.95	291,567.00
Wang Congyuan		176,691.00	45,042.95	34,370.05	256,104.00
Zeng Yi		20,123.00	7,458.45	3,124.55	30,706.00
Total	240,000.00	388,134.00	124,627.45	65,615.55	818,377.00

The directors and supervisors who receive remuneration from the Company are determined by the Company's remuneration committee based on their personal performance and market trend.

(3)The top five employees with the highest remuneration:

In 2018, the five top members with the highest remuneration included zero (in 2017: zero) directors, and the remuneration for the rest five members with the highest remuneration (in 2017: top five):

Item	Amount in 2018	Amount in 2017
Salaries and subsidies	3,202,509.84	3,202,509.84
Contributions of retirement welfare plan	187,482.12	187,482.12
Total	3,389,991.96	3,389,991.96

Remark: none of the Company's key officers (including directors) has the remuneration of more than HKD 1 million in 2018 and 2017. The number of the members with the highest

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

remuneration is classified according to the type of remuneration group as below: (by the number):

Item	Year 2018	Year 2017
HKD 0 to 1 million	5	5
Total	5	5

10.5.7 Other related party transactions

In year 2018, the Company acquired eight target companies held by the parent company, Dongfang Electric Group Co., Ltd. through issuing shares (Details refer to 6.1 Business combination under common control) and a portion of fixed and intangible assets. Dongfang Electric Corporation committed its share of the Company acquired by the according holding share of Dongfang Electric Group Finance Co., Ltd., Dongfang Electric International Corporation, Dongfang Electric Autocontrol Engineering Co., Ltd., Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd, DEC (Sichuan) Trading Co., Ltd., DEC Project Cargo Logistics Co., Ltd., Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd., and Dongfang Electric Chengdu Intelligent Technology Co., Ltd., and a portion of machinery equipment and intangible assets such as intellectual property.

In 2018, China Dongfang Electric Group Co. Ltd increased its capital investment to the subsidiary of the Company, Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation, with DEC Dongqi Investment Development Co., Ltd. and partial state appropriation; increased its capital investment to Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation with partial state appropriation; increased its capital investment to Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation with Dongfang Electric Machinery Factory and partial state appropriation. The addtioanl investments to the three companies mentioned above all form related party transactions.

10.6 Receivables and payables of related parties

10.6.1 Receivables

Project	Related Party	Balance as at December 31, 2018		Balance as at January 1, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable		1,029,849,156.95	870,814,801.03	306,476,282.45	273,701,106.61
	Parent company and ultimate controller	19,268,542.34	16,677,186.34	4,745,734.00	4,505,143.00

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Project	Related Party	Balance as at December 31, 2018		Balance as at January 1, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Including: Dongfang Electric Corporation	19,268,542.34	16,677,186.34	4,745,734.00	4,505,143.00
	Joint ventures and associates	21,774,388.30	1,289,690.92	7,545,553.88	191,347.50
	Including: Dongfang Lingli Boiler Co., Ltd.	19,842,628.90	1,150,456.45	6,678,343.88	110,400.00
	Dongfang Famatong Nuclear Pump Co., Ltd.	1,931,759.40	139,234.47	867,210.00	80,947.50
	Other enterprises controlled by the same parent company and ultimate controller	987,990,666.17	852,829,708.65	290,687,301.01	268,454,391.54
	Including: Dongfang Electric (Jiuquan) New Energy Co., Ltd.	368,772,995.70	303,475,143.16		
	Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	207,174,794.98	207,174,794.98		
	Emeishan Eban Semiconductor Material Co. Ltd.	132,743,892.39	132,743,892.39	129,047,822.69	129,047,822.69
	Dongfang Electric (Hulunbuir) New Energy Co., Ltd.	95,587,278.73	71,227,331.12		
	Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	83,889,219.56	83,889,219.56	96,554,917.17	96,554,917.17
	Zhonghe Seawater Desalination Engineering Co., Ltd.	74,212,619.48	29,656,789.09	18,865,880.97	15,479,552.53
	Guangdong Dongfang Power Plant Complete Equipment Company	12,342,995.33	12,206,167.26	12,182,039.03	11,707,039.34
	Dongfang Electric (Leshan) New Energy Equipment Co., Ltd. (hereinafter referred to as "(Leshan) New Energy")	9,638,597.49	9,638,597.49	10,138,597.49	5,069,298.75
	DEC (Yingxing) MAGI Solar Technology Co., Ltd.	1,997,448.87	1,997,448.87	7,177,756.60	7,057,181.42
	Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd.	649,673.64	129,934.73	714,658.26	258,445.70
	Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	613,200.00	322,440.00	2,286,684.80	2,244,634.24
	Dongfang Electric investment and Management Co, Ltd	367,950.00	367,950.00	367,950.00	367,950.00

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Project	Related Party	Balance as at December 31, 2018		Balance as at January 1, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.			77,644.00	3,882.20
	Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.			13,273,350.00	663,667.50
	The investor having a significant impact	815,560.14	18,215.12	3,497,693.56	550,224.57
	Including: China Western Power Industrial Co., Ltd. (hereinafter referred to as "CWPI").	815,560.14	18,215.12	3,068,462.90	378,532.31
	Germany ENV Catalyst Co., Ltd. (hereinafter referred to as Germany ENV).			429,230.66	171,692.26
Contract Asset		42,598,617.69	18,592,019.16	35,262,740.30	26,592,136.03
	Other enterprises controlled by the same parent company and ultimate controller	3,132,475.00	3,121,490.20	15,469,553.00	12,998,239.60
	Including: Dongfang Electric Corporation Limited	3,132,475.00	3,121,490.20	15,469,553.00	12,998,239.60
	Joint ventures and associates	10,225,172.97	511,258.64	2,866,261.45	143,313.07
	Including: Dongfang Lingli Boiler Co., Ltd.	10,225,172.97	511,258.64	2,866,261.45	143,313.07
	Other enterprises controlled by the same parent company and ultimate controller	28,098,937.17	14,826,346.86	12,954,900.00	12,954,900.00
	Including: Zhonghe Seawater Desalination Engineering Co., Ltd.	23,064,937.17	10,267,546.86	9,594,000.00	9,594,000.00
	DEC Emei Semiconductor Material Co., Ltd. (hereinafter referred to as "Emei Semiconductor")	3,150,000.00	3,150,000.00	3,360,900.00	3,360,900.00
	Guangdong Dongfang Power Plant Complete Equipment Company	1,290,000.00	1,290,000.00		
	Dongfang Electric (Jiuquan) New Energy Co., Ltd.	594,000.00	118,800.00		
	The investor having a significant impact	1,142,032.55	132,923.46	2,626,499.80	266,928.15
	Including: China	1,142,032.55	132,923.46	937,219.80	98,000.15

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Project	Related Party	Balance as at December 31, 2018		Balance as at January 1, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Western Power Industrial Co., Ltd. (hereinafter referred to as "CWPI")				
	Wuhan Boiler Group Co., Ltd. (hereinafter referred to as "WBG").			1,689,280.00	168,928.00
	Subsidiary Company			1,345,526.05	228,755.21
	Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.			1,345,526.05	228,755.21
Notes Receivable		4,000,000.00		660,000.00	
	Other enterprises controlled by the same parent company and ultimate controller	4,000,000.00		660,000.00	
	Including: Dongfang Electric (Jiuquan) New Energy Co., Ltd.	4,000,000.00			
	DEC Henan Station Auxiliary Equipment Co., Ltd. (hereinafter referred to as the "Henan Station Auxiliary")			660,000.00	
Advance Payment		57,839,866.44		168,503,099.44	
	Parent company and ultimate controller	193,975.20		1,800,603.77	
	Including: Dongfang Electric Corporation Limited	193,975.20		1,800,603.77	
	Joint ventures and associates			163,247,095.67	
	Including: Mitsubishi Heavy Industries Dongfang Gas Turbine Co., Ltd.			163,247,095.67	
	Other enterprises controlled by the same parent company and ultimate controller	57,644,891.24		3,454,400.00	
	Including: Dongfang Electric International investment Co, Ltd	55,057,174.72			
	DEC Henan Station Auxiliary Equipment Co., Ltd. (hereinafter referred to as the	2,325,972.52			

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Project	Related Party	Balance as at December 31, 2018		Balance as at January 1, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	"Henan Station Auxiliary")				
	Zhonghe Seawater Desalination Engineering Co., Ltd. (hereinafter referred to as "ZSDE")			2,891,900.00	
	Dongfang Electric (Leshan) New Energy Equipment Co., Ltd. (hereinafter referred to as "(Leshan) New Energy")	261,744.00		562,500.00	
	The investor having a significant fact	1,000.00		1,000.00	
	Including: China Western Power Industrial Co., Ltd. (hereinafter referred to as "CWPI").	1,000.00		1,000.00	
Other Receivables		936,909,602.50	926,570,829.72	1,245,312,969.86	959,077,616.08
	Parent company and ultimate controller	744,953.42	279,633.45	274,396,892.27	2,119,644.82
	Including: Dongfang Electric International investment Co, Ltd	744,953.42	279,633.45	274,396,892.27	2,119,644.82
	Parent company and ultimate controller	931,947,357.81	925,869,467.14	964,735,307.80	955,881,419.99
	Including: Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	13,685,648.50	8,059,663.33	13,685,648.50	8,059,663.33
	Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd.	2,299,400.00	2,299,400.00	9,656,278.72	6,799,809.77
	Dongfang Electric (Jiuquan) Photovoltaic Power Generation Co., Ltd.	324,738.93	150,150.33	324,738.93	105,457.30
	DEC Emei Semiconductor Material Co., Ltd. (hereinafter referred to as "Emei Semiconductor")	260,849.86	91,509.13	41,311.54	2,065.58
	Zhonghe Seawater Desalination Engineering Co., Ltd. (hereinafter referred to as "ZSDE")	166,547.89	67,413.93	166,547.89	65,431.41
	DEC (Yingxing) MAGI Solar Technology Co., Ltd. (hereinafter	14,737.02	5,894.81	14,737.02	2,947.40

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Project	Related Party	Balance as at December 31, 2018		Balance as at January 1, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	referred to as " (Yingxing) MAGI Solar")				
	Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	8,400.00	8,400.00		
	DEC Emei Semiconductor Material Co., Ltd. (hereinafter referred to as "Emei Semiconductor")	915,187,035.61	915,187,035.61	940,846,045.20	940,846,045.20
	Joint ventures and associates	4,217,291.27	421,729.13	6,180,769.79	1,076,551.27
	Including:MHPS Dongfang Boiler Co. Ltd.	4,217,291.27	421,729.13	6,180,769.79	1,076,551.27
Entrust Loans		785,000,000.00	658,087,262.81	785,000,000.00	658,087,262.81
	Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	785,000,000.00	658,087,262.81	785,000,000.00	658,087,262.81

10.6.2 Payables

Projects	Related Party.	Book Balance as at December 31, 2018	Book Balance as at January 1, 2018
Account Payables		325,944,079.47	472,363,114.17
	Parent company and ultimate controller	7,921,500.00	5,736,235.84
	Including:Dongfang Electric Corporation Limited	7,921,500.00	5,736,235.84
	Joint ventures and associates	65,879,369.75	285,040,095.91
	Including:MHPS Dongfang Boiler Co. Ltd.	65,870,038.75	285,040,095.91
	Dongfang Famatong Nuclear Pump Co., Ltd.	9,331.00	
	Other enterprises controlled by the same parent company and ultimate controller	237,064,202.49	179,642,833.79
	Including: Dongfang Electric (Leshan) New Energy Equipment Co., Ltd. (hereinafter referred to as "(Leshan) New Energy")	78,467,116.45	93,661,474.45
	Dongfang Electric (Hulunbuir) New Energy Co., Ltd.	35,814,916.43	
	Dongfang Electric (Jiuquan) New Energy Co., Ltd.	33,227,649.08	
	DEC Henan Station Auxiliary Equipment Co., Ltd. (hereinafter referred to as the "Henan Station Auxiliary")	27,032,889.88	30,731,049.59

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Projects	Related Party.	Book Balance as at December 31, 2018	Book Balance as at January 1, 2018
	Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	13,962,185.60	3,905,645.69
	Zhonghe Seawater Desalination Engineering Co., Ltd. (hereinafter referred to as "ZSDE")	5,729,932.20	1,225,000.00
	Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd. (hereinafter referred to as "(Jiuquan) Solar")	5,102,735.77	7,041,180.00
	Dongfang Electric (Leshan) New Energy Equipment Co., Ltd. (hereinafter referred to as "(Leshan) New Energy")	4,420,640.00	10,371,290.00
	DEC (Yingxing) MAGI Solar Technology Co., Ltd. (hereinafter referred to as "(Yingxing) MAGI Solar")	78,488.00	32,535,594.30
	Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd. (hereinafter referred to as "DHPJ").		133,034.00
	The investor having a significant impact	15,079,007.23	1,943,948.63
	Including:China Western Power Industrial Co., Ltd. (hereinafter referred to as "CWPI")	14,797,599.63	1,943,948.63
	Guangdong Yudean Group Co., Ltd. (hereinafter referred to as the "Guangdong Yudean")	281,407.60	
Notes Payable			26,117,000.00
	Joint ventures and associates		25,540,000.00
	Including:MHPS Dongfang Boiler Co. Ltd.		25,400,000.00
	Leshan Dongle Heavy Lifting Co., Ltd.		140,000.00
	Other enterprises controlled by the same parent company and ultimate controller		577,000.00
	including:DEC Emei Semiconductor Material Co., Ltd. (hereinafter referred to as "Emei Semiconductor")		577,000.00
Other Payables		1,040,394,937.27	2,028,823,820.49
	Parent company and ultimate controller	1,002,512,371.23	2,016,724,354.45
	Including:Dongfang Electric Corporation Limited	1,002,512,371.23	2,016,724,354.45
	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	31,773,955.72	8,082,644.14
	Including:Dongfang Electric (Jiuquan) New Energy Co., Ltd.	28,975,587.37	
	Dongfang Electric (Hulunbuir) New Energy Co., Ltd.	2,591,748.35	
	Guangdong Dongfang Power Plant Complete Equipment Company	200,000.00	200,000.00
	Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	6,620.00	6,620.00
	Dongfang Electric iinvestment and Management Co, Ltd		7,876,024.14

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Projects	Related Party.	Book Balance as at December 31, 2018	Book Balance as at January 1, 2018
	The investor having a significant impact	5,908,610.32	3,816,821.90
	Including: Wuhan Boiler Group Co., Ltd. (hereinafter referred to as "WBG").	5,908,610.32	3,639,290.32
	Germany ENV Catalyst Co., Ltd. (hereinafter referred to as Germany ENV).		177,531.58
Contract Liabilities		152,332,966.51	168,116,465.62
	Parent company and ultimate controller	250,800.00	198,800.00
	Including: Dongfang Electric Corporation Limited	250,800.00	198,800.00
	Joint ventures and associates	151,695,349.73	155,511,497.85
	Including: Mitsubishi Heavy Industries Dongfang Gas Turbine Co., Ltd.	77,481,934.19	43,324,077.98
	Dongfang Famatong Nuclear Pump Co., Ltd.	68,210,534.21	80,278,740.45
	MHPS Dongfang Boiler Co. Ltd. (Remark 1).	6,002,881.33	31,908,679.42
	Other enterprises controlled by the same parent company and ultimate controller	386,816.78	12,406,167.77
	Guangdong Dongfang Power Plant Complete Equipment Company (hereinafter referred to as the "Guangdong Company")	386,816.78	5,599,139.57
	Zhonghe Seawater Desalination Engineering Co., Ltd. (hereinafter referred to as "ZSDE")		6,802,528.20
	Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.		4,500.00
Long-term borrowings			42,040,000.00
	Parent company and ultimate controller		42,040,000.00
	Including: Dongfang Electric Corporation Limited		42,040,000.00

10.6.3 Absorption of Related Party Monetary Fund

Name	Currency	Balance as at December 31, 2018(Currency)	Balance as at January 1, 2018(RMB)	Balance as at December 31, 2018(RMB)	Balance as at January 1, 2018(RMB)
Other enterprises controlled by the same parent company and ultimate controller					
Including: Dongfang Electric Corporation Limited	RMB	4,070,387,003.41	4,149,780,075.77	4,070,387,003.41	4,149,780,075.77
Zhonghe Seawater Desalination Engineering Co., Ltd. (hereinafter referred to as "ZSDE")	RMB	48,425,357.99	9,612,304.10	48,425,357.99	9,612,304.10

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Name	Currency	Balance as at December 31, 2018(Currency)	Balance as at January 1, 2018(RMB)	Balance as at December 31, 2018(RMB)	Balance as at January 1, 2018(RMB)
Dongfang Electric Investment and Management Co., Ltd	RMB	41,968,046.99	47,307,250.02	41,968,046.99	47,307,250.02
DEC Emei Semiconductor Material Co., Ltd. (hereinafter referred to as "Emei Semiconductor")	RMB	23,641,759.92	37,296,619.93	23,641,759.92	37,296,619.93
Chengdu Dongfang Electrical Environment Engineering Co., Ltd.	RMB	14,892,973.48	15,100,301.65	14,892,973.48	15,100,301.65
Dongfang Electric (Jiuquan) Solar Engineering Technology Co., Ltd. (hereinafter referred to as "(Jiuquan Solar)")	RMB	11,499,381.03	7,334,584.57	11,499,381.03	7,334,584.57
DEC (Chengdu) Sharing Service Co., Ltd.	RMB	9,312,102.22	5,027,239.68	9,312,102.22	5,027,239.68
Sichuan Dongfang Property Management Co., Ltd. (hereinafter referred to as the "SDPM")	RMB	7,628,424.04	1,155,933.66	7,628,424.04	1,155,933.66
Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	RMB	5,919,293.94	3,484,294.46	5,919,293.94	3,484,294.46
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd. (hereinafter referred to as "STPPG")	RMB	1,051,476.76	2,599,906.28	1,051,476.76	2,599,906.28
Dongfang Electric Jieneng Technology Chengdu Co., Ltd. (hereinafter referred to as "Jieneng Technology")	RMB		3,513,723.68		3,513,723.68
DEC Emei Semiconductor Material Co., Ltd. (hereinafter referred to as "Emei Semiconductor")	RMB		20,868,888.93		20,868,888.93
Dongfang Electric Corporation Limited	USD	15,095,807.24	53,764,079.82	98,639,023.68	368,993,632.64

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Name	Currency	Balance as at December 31, 2018(Currency)	Balance as at January 1, 2018(RMB)	Balance as at December 31, 2018(RMB)	Balance as at January 1, 2018(RMB)
Dongfang Electric Corporation Limited	YEN	4,875,257.85	4,875,262.80	282,194.55	301,715.39
Dongfang Electric Corporation Limited	EURO	5,622.90	5,622.90	43,871.54	44,124.56
Dongfang Electric Corporation Limited	HK	0.47	0.47	0.39	0.41
Total		4,254,702,508.24	4,361,726,088.72	4,333,690,909.94	4,672,420,595.73

11. Share-based payment

None.

12. Government grants

12.1 Government grants relating to assets

Type	Amount	Items listed	The amount that is included in the current profit or loss or used to offset the losses of related costs		Item that is included in the current profit or loss or used to offset the losses of related costs
			Amount incurred in 2018	Amount incurred in 2017	
Refund of value-added tax of three-line enterprises	226,272,671.95	Other current liabilities	26,646,891.01	27,039,731.10	Other income
Supporting payment for infrastructure construction	136,825,897.33	Other current liabilities	1,699,080.00	2,169,745.60	Other income
Scientific research grants	17,604,381.07	Other current liabilities	2,136,592.58	1,136,592.24	Other income
Grants for technical reform	4,620,000.00	Other current liabilities	122,782.50	220,984.00	Other income
Refund of value-added tax of three-line enterprises	2,883,766.67	Other current liabilities	340,000.00	340,000.00	Other income
Supporting payment for infrastructure construction	388,206,717.02	Other current liabilities	30,945,346.09	30,907,052.94	

12.2 Government grants relating to income

Type	Amount	The amount that is included in the current profit or loss or used to offset the losses of related costs		Item that is included in the current profit or loss or used to offset the losses of related costs
		Amount incurred in 2018	Amount incurred in 2017	
Refund of value-added tax of three-line	63,896,503.66	63,896,503.66	38,968,787.89	Other income、Non-operating

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Type	Amount	The amount that is included in the current profit or loss or used to offset the losses of related costs		Item that is included in the current profit or loss or used to offset the losses of related costs
		Amount incurred in 2018	Amount incurred in 2017	
				income
Compensation for Demolition	41,673,213.72	41,673,213.72		Non-operating income
Dongfang electric group company allocates subsidy funds for disposal of new energy zombie enterprises	7,018,463.00	7,018,463.00		Non-operating income
Subsidies for stable employment	6,706,906.52	6,706,906.52		Non-operating income
Refund of Tax	3,258,025.97	3,258,025.97	4,060,906.57	Other income
Deyang employment bureau 2018 stable post subsidy	3,155,143.10	3,155,143.10		Other income
Large clean power generation technology engineering laboratory	3,000,000.00	3,000,000.00		Other income
Special fund for promoting provincial business development of sichuan provincial department of commerce in 2018	3,000,000.00	3,000,000.00		Other income
Special fund for promoting provincial business development of sichuan provincial department of commerce in 2018	3,000,000.00	3,000,000.00	2,438,300.00	Other income
Scientific research grants			11,345,135.97	Other income
Insurance subsidy for the first set of major technical equipment	146,110,000.00	146,110,000.00	20,140,000.00	Net Method Listing Reduction of management costs
Zigong city ziliujing district economic and information bureau special funds			5,000,000.00	Other income
Industrial support fund			5,000,000.00	Other income
The investment shall be deposited into the project support fund of the bureau			5,000,000.00	Other income
After the province subsidies			5,000,000.00	Other income
Other GovernmentSubsidies	29,723,625.08	29,723,625.08	53,214,924.24	Other income、Non-operating income
Total	310,541,881.05	310,541,881.05	150,168,054.67	

13. Commitments and contingencies

13.1 Significant commitments

13.1.1 Significant commitments existed on the balance sheet date

(1) The Company's commitment on capital expenditure at the end of the periodA commitment on capital expenditure which has been signed and yet confirmed in the financial statements (Monetary Unit: RMB 10,000)

Unit: RMB 10,000

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Capital construction	13,933.45	14,670.22
Equipment	42,762.25	20,513.64
Total	56,695.70	35,183.86

As of December 31, 2018, the group has a total of 58.2201 million yuan of major outbound investment expenditure that has been signed but has not been paid. The details are as follows:

Unit: RMB 10,000

Name of investment project	Contracted investment amount	Investment amount paid	Investment amount unpaid	Expected investment period	Name of investment project
Capital construction	infrastructure	2,173.60	757.47	1,416.13	2019year
Equipment	equipment	16,412.55	12,006.67	4,405.88	2019year
Total		18,586.15	12,764.14	5,822.01	

(2)Signed lease contracts being performed or to be performed and their financial effects

As at December 31, 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 in 2018	Amount in 2017
Within 1 year	12,761,198.28	31,683,464.28
1 - 2 years	2,414,055.99	18,992,841.04
2 - 3 years	2,110,672.88	2,029,479.99
Over 3 years	1,188,335.93	3,299,008.81
Total	18,474,263.08	56,004,794.12

13.1.2 Commitment on share lock-in

The Company acquired the eight underlying companies held by the parent company China Dongfang Electric Group Co., Ltd. by way of issuance of shares (see section VI, (1) Business Combination under the same control) and some fixed assets and intangible assets. China Dongfang Electric Group Co., Ltd. The company promises to “mainly hold some of the equipment assets and intellectual property rights owned by Dongfang Finance, Guohe Company, Dongfang Zikong, Dongfang Hitachi, Material Company, Bulk Logistics, Qingneng Technology, Intelligent Technology and Dongfang Electric Group. The Dongfang Electric shares acquired by the intangible assets shall not be transferred in any way within 36 months from the date of listing of the shares (including but not limited to the transfer through the securities market, the bulk transaction or the agreement, or Dongfang Electric Repurchase, except for the repurchase by Dongfang Electric due to the performance of the profit compensation liability.) After the completion of the transaction (the closing price of Dongfang Electric's stock for 20 consecutive

trading days within 6 months from the listing of the newly added shares of this transaction) The issue price of this transaction, or the closing price of the transaction 6 months after December 31, 2018, is lower than this The issue price of the transaction, Dongfang Electric Company stock exchange made this lock-up period is automatically extended for six months on the basis of the original lock-up period. Before the transaction, the shares of the listed company directly and indirectly held by the company will not be transferred within 12 months after the completion of the transaction (since the new shares are listed on this transaction). During the above-mentioned period of restricted sales, Dongfang Electric's shares, which were added by Dongfang Electric due to bonus shares and share capital increase, were also locked in compliance with the above-mentioned commitment period. ”

13.1.3 Commitment to compensation for the “Rainbow Project” profit forecast

On August 31, 2017, Dongfang Electric and Dongfang Electric Group signed a Compensation Agreement on the Profit Forecast Compensation Agreement, with March 31, 2018 as the delivery date of the relevant equity and assets. According to the relevant agreement, the profit forecast compensation arrangement for the underlying assets of the “Rainbow Project” is as follows:

(1) Compensation period and performance commitment

The profit compensation period is the year of completion of the transaction and the following two fiscal years, namely 2018, 2019, and 2020.

(2) Compensation arrangement

For the 100% equity of Guohe Company, one of the underlying assets of the transaction, the appraisal institution uses the income method to evaluate the underlying assets and use it as a pricing reference. According to the “Restructuring Management Measures” and the relevant provisions of the China Securities Regulatory Commission, the asset appraisal agency adopts the income method, hypothetical development method and other valuation methods based on future income expectations evaluate the assets to be purchased and use as a reference for pricing. The counterparty should sign a clear and feasible compensation agreement for the fact that the actual profit of the underlying asset is less than the profit forecast.

According to the "Profit Forecast Compensation Agreement" signed by both parties to the transaction, the profit compensation period is the year in which the transaction is completed and the following two fiscal years, that is, if the transaction is completed in 2017, the profit

compensation period is 2017, 2018, Year and 2019 (If the assets purchased in this issue are not completed before December 31, 2017, the Dongfang Electric Group's profit compensation period will be postponed accordingly)

Dongfang Electric Group promises that the sum of the actual net profit of Guohe Company in the profit compensation period and the previous or previous two fiscal years will not be lower than the same as the previous one of Guohe Company in the profit assessment period stated in the asset assessment report. Or the sum of the predicted net profit attributable to the owner of the parent company after deducting the non-recurring gains and losses in the first two fiscal years, and the final accumulated net profit of the commitment is the compensation of Guohe Company as stated in the asset assessment report filed by the State-owned Assets Supervision and Administration Commission of the State Council. The amount of predicted net profit during the period is determined. The specific compensation method is stipulated in the Supplementary Agreement of the Profit Forecast Compensation Agreement by Dongfang Electric Group and Dongfang Electric in accordance with the relevant provisions of the “Restructuring Management Measures”.

At the same time, when the above compensation period expires, the listed company should hire an accounting firm with securities business qualifications to conduct impairment test on Guohe Company and issue a special audit report. For example, Guohe Company's depreciation amount is greater than “profit” on December 31, 2018. During the compensation period, the total number of shares that have been compensated for the actual adoption of the share method \times the current issue price + the amount of cash compensation, the counterparty shall separately compensate. If the A shares of the listed company subscribed by the counterparty with 100% equity of Guohe Company are insufficient to compensate, the counterparty shall compensate the listed company in cash. The parties to the transaction confirm that the total compensation for profit compensation and impairment test does not exceed the transaction amount of 100% equity of Guohe Company.

For the patent, proprietary technology and software products and trademark rights of Oriental Autocontrol, the patents, proprietary technology and copyright of Oriental Hitachi, and the trademark rights of Oriental Material Company, the evaluation institutions adopt the income method to evaluate and use it as a reference basis for pricing. Dongfang Electric Group promises that the actual net profit of the year and the previous two accounting years (i.e. the period of profit compensation) will be the year when the transaction is completed, the patent, proprietary technology and software products and trademark rights of Dongfang Autocontrol, the patent,

proprietary technology, copyright and trademark rights of Dongfang Hitachi, and the trademark rights of Bairui Material Company in the period of profit compensation. The sum of profits will not be less than the sum of the estimated net profits of the current year and the previous or previous two accounting years of Oriental Autonomous Control, proprietary technology and software products and trademarks, Oriental Hitachi's patents, proprietary technology and copyrights, and trademarks, materials companies in the period of profit compensation, and ultimately the amount of net profits will be promised by the State Council. The predicted net profit amount of Oriental Autonomous Patents, proprietary technologies and software products and trademarks, Oriental Hitachi's patents, proprietary technologies and copyrights, trademark rights, and material companies during the period of compensation for the profits of Berry's trademark rights, as contained in the Asset Assessment Report filed by SASAC, shall be accurately determined. If the accumulative net profit of Oriental Hitachi's patent, proprietary technology and software products and trademark rights during the period of profit compensation is lower than its accumulative promised net profit, it must compensate the purchaser of assets for the insufficient part of the total net profit realized by Oriental Hitachi's patent, proprietary technology and copyright, trademark rights and material company's Berry trademark rights. Specific compensation methods are stipulated by Dongfang Electric Group and Dongfang Electric in the Supplementary Agreement of Profit Forecasting Compensation Agreement in accordance with the Reorganization Management Measures and other relevant provisions.

For the 95% equity of Oriental Finance, one of the underlying assets of this transaction, the evaluation institution uses the market method to evaluate the underlying assets and serves as a reference basis for pricing. Listed companies will employ accounting firms qualified for securities business to test the impairment of Oriental Finance during the impairment test period (the impairment test period is the same as the profit compensation period stipulated in the Earnings Prediction Compensation Agreement) and issue special audit reports during each annual audit. If the impairment of Dongfang Finance on Dec. 31, 2018 is greater than the total number of compensated shares by shares during the impairment test period * the issuance price + cash compensation amount, the counterparty shall compensate the listed company for A-share shares.

If the A share of the listed company subscribed by the counterparty with 95% equity of Oriental Finance is not enough to compensate, the counterparty shall compensate the listed company with cash. Both parties confirm that the total amount of the final share compensation and cash compensation shall not exceed the transaction amount of 95% of Oriental Finance's equity. The

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

above-mentioned impairment is 95% of Oriental's financial valuation minus 95% of Oriental's financial valuation on December 31, 2018, and deducts the effects of increasing, reducing, accepting gifts and profit distribution of Oriental's financial shareholders during the period of profit compensation.

13.1.4 Apart from the above items, as at December 31, 2018, the Company has no other significant commitments needing to be disclosed

13.2 Contingencies

13.2.1 Significant contingencies existing on balance sheet date

The Contingent liabilities relating to the investment of the joint venture and associate need to see the notes "VII", equity in other subject".

(1) Outstanding letter of guarantee

As of December 31, 2018, the situation of the letter of guarantee issued by the company

Entity name	Business type	Currency	Balance as at December 31, 2018
Dongfang Electric Corporation Limited	Guarantee	RMB	11,477,050,274.69
Dongfang Electric Corporation Limited	Guarantee	EURO	12,596,011.60
Dongfang Electric Corporation Limited	Guarantee	USD	288,302,246.84
Dongfang Electric Corporation Limited	Guarantee	ROUB	104,300,000.00
Dongfang Electric (India) PVT LTD (hereinafter referred to as the "DEC India Company")	Guarantee	INR	25,884,823.00
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	Guarantee	RMB	1,419,792,178.66
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	Guarantee	USD	772,000.00
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	Guarantee	RMB	1,287,034,023.16
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	Guarantee	USD	7,810,321.60
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation (hereinafter referred to as the "DFEM")	Guarantee	EURO	3,025,083,435.10
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation (hereinafter referred to as the "DFEM")	Guarantee	ZLOT	96,730,802.50
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation (hereinafter referred to as the "DFEM")	Guarantee	RMB	305,710.18
Dongfang Electric Machinery Co., Ltd. of Dongfang Electric Corporation (hereinafter referred to as the "DFEM")	Guarantee	RMB	253,940,252.68
Dongfang Electric International Corporation (hereinafter referred to as "DEIC")	Guarantee	USD	203,970,822.63

(2) As at December 31, 2018, the balance of irrevocable L/CAs at December 31, 2018, the balance of irrevocable L/C

Entity name	Business type	Currency	Balance as at December 31, 2018
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DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Entity name	Business type	Currency	Balance as at December 31, 2018
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	L/C	RMB	7,805,168.20
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	L/C	USD	19,661,892.15
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	L/C	EURO	183,231.99
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	L/C	USD	2,170,490.21
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	L/C	EURO	6,325,861.25
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	L/C	YEN	102,813,000.00
Dongfang Electric Corporation Limited	L/C	USD	603,214.11
Dongfang Electric Corporation Limited	L/C	EURO	29,417,398.64
Dongfang Electric Corporation Limited	L/C	YEN	291,400,000.00

(3) Guarantee for other units

As at December 31, 2018, the Company provides guarantee for other units

Unit: RMB 10,000

Item	Guarantee the unit	Guarantee object			Assure means	guarantee species	Counter guarantee way	The actual guarantee
		name	Enterprise nature	Whether it is on In the company				
1	Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	Mitsubishi Heavy Industries Dongfang Gas Turbine Co., Ltd.	Foreign Merchant	No	The joint liability guaranty	Performance Guarantee	The joint liability guaranty	2,450.00
2	Dongfang Electric Corporation Limited	Inner Mongolia Energy Power Generation Hongnijing Wind Power Co., Ltd.	Private	No	The joint liability guaranty	Pledged	The joint liability guaranty	1,600.00
3	Dongfang Electric Corporation Limited	Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	Private	No	The joint liability guaranty	Pledged	The joint liability guaranty	1,600.00
4	Dongfang Electric Corporation Limited	Inner Mongolia Huadian Uda Thermal Power Co., Ltd.	Private	No	The joint liability guaranty	Pledged	The joint liability guaranty	3,600.00
	Total							9,250.00

Note: Oriental Mitsubishi Gas Turbine Co., Ltd. and CNOOC Zhuhai Natural Gas Power Generation Co., Ltd., Zhongshan Jiaming Power Co., Ltd., Zhonghai Fujian Gas Power Generation Co., Ltd., and Guangdong Huizhou Natural Gas Power Generation Co., Ltd. (hereinafter referred to as "owners") intend to sign "M701F gas turbine parts, Long-term Management Agreement for Component Maintenance and Technical Advisory Services (hereinafter referred to as the "Long-Term Service Agreement for Gas Turbine"), the "Long-Term Service Agreement for Gas Turbine" involves 12 units, and the owner requests the parent company of Mitsubishi Gas Turbine Company (Mitsubishi Hitachi Power) System Co., Ltd. and the

Company) signed the "Parent Company Guarantee Agreement" to guarantee the performance of Dongfang Mitsubishi Gas Turbine Company. The total guarantee for this long-term service agreement is 50 million yuan. The company provides a guarantee amount of 24.5 million yuan according to the proportion of shares held by Oriental Mitsubishi Gas Turbine Co., Ltd., and Oriental Mitsubishi Gas Turbine Co., Ltd. provides equal guarantees to the company. Warranty period: After the expiration or termination of the Gas Turbine Long-Term Service Agreement, the guarantee liability shall be fully effective within the scope of the obligations or liabilities of the seller's contract until the seller is under the contract or related to the contract. Obligations and responsibilities (including but not limited to guarantee obligations) have been fulfilled without any hassle.

Contingent liabilities arising from pending litigation or pending arbitration

(1) Final tax of Indonesia Longwan and Bazidan project (FINALTAX)

In July 2008, the Indonesian government adjusted the corporate income tax policy. For the permanent establishment of a foreign company, the construction service contract in Indonesia is subject to a final tax on the revenue recognized in the current year, that is, regardless of the profit or loss of the executed project, all according to the fixed ratio of contract revenue. (2%-6%) levy final tax; relevant contracts signed before January 1, 2008, will be implemented after January 1, 2009; contracts signed after January 1, 2008 will be executed at the time of signing

In August 2007, Dongfang Electric Group International Cooperation Co., Ltd., a subsidiary of the Company, signed a contract with the Indonesian State Power Corporation PLN for the construction contract (EPC) of the Longwan and Bazidan coal-fired power stations in Indonesia. The total contract amount was USD 880,235,465.00 and the Indonesian rupee was 3,119,882,434. Thousand yuan. In accordance with the adjusted final tax policy of the Indonesian government, Dongfang Electric Group International Cooperation Co., Ltd., as an enterprise that has not obtained the LPJK certificate, shall pay the final tax at a rate of 4%, and confirm the income according to Dongfang Electric Group International Cooperation Co., Ltd. after 2009 (The FOB part is equivalent to RMB 3.679 billion) and the 4% tax rate is calculated. Dongfang Electric Group International Cooperation Co., Ltd. shall pay a final tax of approximately RMB 147 million.

On November 2016 and December 2016, the Indonesian Taxation Court ruled on the same type of tax disputes of two other Chinese-funded enterprises, and determined that the entire income of the EPC contract was paid in Indonesia at a rate of 3%. Dongfang Electric Group International

Cooperation Co., Ltd. based on the relevant judgments made by the above-mentioned Indonesian tax court, calculated the final tax payable according to the income of Indonesia Longwan and Bazidan projects after January 1, 2009 and the ratio of 3%, and Indonesia has calculated the corresponding late payment fee and fine. Dongfang Electric Group International Cooperation Co., Ltd. expects to pay a final tax, late payment fee and fine of RMB 323 million, and an estimated agency fee of RMB 0.01 billion.

Dongfang Electric Group International Cooperation Co., Ltd. believes that this regulation does not comply with the double taxation agreement signed between China and Indonesia, and submits an appeal to the Indonesian Tax Court and the Supreme Court. The Indonesian High Court has not yet finalized the case.

(2) Indonesian branch profit tax

In 2016, Indonesian local tax authorities conducted an on-site audit of Dongfang Electric Group International Cooperation Co., Ltd.'s 2011 annual income tax taxation in accordance with Indonesia's tax policy, requiring the Indonesian branch of Dongfang Electric Group International Cooperation Co., Ltd. to pay a profit of 20% for the 2011 annual profit. The profit tax and late payment fee of the branch was paid about RMB 86 million, and it was not allowed to make up for the loss in the previous year. Dongfang Electric Group International Cooperation Co., Ltd. filed an objection and appeal to the Indonesian tax authorities in March 2017 on the above matters. At present, the local tax court has not yet made a final judgment. If the objection is rejected, an additional 50% fine will be paid to approximately RMB43 million. Dongfang Electric Group International Cooperation Co., Ltd. withdrew the profit tax, late payment fee and fine of RMB 130 million in Indonesian branches.

The Indonesian branch's profit tax, late payment fee and fine of RMB 130 million were imposed.

The company and Dongfang Electric Group confirmed that after the 100% equity of Dongfang Electric Group International Cooperation Co., Ltd. involved in the Rainbow Project was completed, Dongfang Electric Group International Cooperation Co., Ltd. was in charge of Indonesia's taxation due to Indonesia's final tax dispute and Indonesian branch profit tax dispute. If the total amount of taxes, late fees, fines and other expenses paid by the department is actually greater than the estimated Indonesian project tax, late payment fee and fine amount under this contract, Dongfang Electric Group shall pay the actual taxes, late fees, fines and other expenses. The difference between the total amount and the accrued amount is paid to the company (or the company designated Dongfang Electric Group International Cooperation Co., Ltd. as the receiving entity). The aforesaid balance shall be paid within 15 working days from the date of issuance of

the annual audit report of Indonesia and the final judgment/solution of the profit tax dispute in Indonesia.

The company and Dongfang Electric Group confirmed that after the 100% equity of Dongfang Electric Group International Cooperation Co., Ltd. involved in the Rainbow Project was completed, Dongfang Electric Group International Cooperation Co., Ltd. was in charge of Indonesia's taxation due to Indonesia's final tax dispute and Indonesian branch profit tax dispute. If the total amount of taxes, late fees, fines and other expenses paid by the department is actually less than the estimated Indonesian project tax, late payment fee and fine amount under this contract, the company (or the company designated Dongfang Electric Group International Cooperation Co., Ltd. at that time) shall The Dongfang Electric Group will pay cash to the difference between the total amount of taxes, late fees, fines and other expenses actually paid and the amount of the provision. Within 15 working days from the date of issuance of the final tax dispute in Indonesia and the final judgment/solution of the Indonesian branch profit tax dispute, the company shall deduct the unanticipated Indonesian project tax from the aforementioned difference. The deferred income tax assets corresponding to the deferred income tax assets recognized on December 31, 2016, which have been reflected in the assessment value, are paid in cash to Dongfang Electric Group.

13.3 Others

Except for the above matters, the company has no other major contingencies to be disclosed as of the reporting date.

14. Post-balance sheet events

14.1 Significant non-adjusting events

None.

14.2 Profit distribution

The profit or dividend to be distributed	339,988,377.41
Profits or dividends declared after deliberation and approval	339,988,377.41

On March 29, 2019, the 11th the ninth board meeting of the company was held to approve the profit distribution plan for 2018, in which the cash dividend was distributed at RMB 339,988,377.41 and RMB 1.10 (pre-tax) was distributed for every 10 shares.

14.3 Into assets held for sale and disposal groups

None.

14.4 Other post-balance sheet events

None.

15. Other significant events

15.1 Early accounting error correction

This report period did not adopt important early accounting error correction matters.

15.2 Debt restructuring

No significant debt restructuring occurred during the period.

15.3 Asset replacement

No significant asset replacement occurred during the period.

15.4 Annuity plan

According to the Official Reply to the Trial Implementation of Enterprise Annuity System by Dongfang Electric Corporation (GZFP [2007] No. 1201), the annuity expenses are disbursed from balance of gross wage and costs for the current year according to the method of mutual payment by enterprise and employee. The annuity accrued every year will be paid to the special account of the social security office of Dongfang Electric Corporation, and then entrusted by Dongfang Electric Corporation to China Life Pension Company Limited for operation and management.

15.5 Termination of business

15.5.1 Net income attributable to the owner of the parent company from continuing operations and net income from terminating operations

Item	Amount incurred in 2018	Amount incurred in 2017
Net profit from continued operation attributable to owners of the parent company	1,128,834,236.51	1,057,303,567.22
Net profit from discontinued operation attributable to owners of the parent company		

15.5.2 Net profit from discontinued operation

None.

15.5.3 Adjustment to profit or loss from disposal of discontinued operation

None.

15.5.4 Cash flow of discontinued operation

None.

15.5.5 Note that discontinued operation will no longer satisfy the conditions for the division of held-for-sale category

None.

15.6. Reportable segment

15.6.1 Determination and accounting policie of reportable segment

Segment information

According to the Company's internal organization structure, management requirement and internal reporting system, the Company's operating business are divided into five reportable segments, which are determined on the basis of the internal organization structure, management requirement and internal reporting system. The Company's management regularly evaluates the operating results of these reportable segments to determine to allocate resources and assess its performance. Main products and labor services provided by each reportable segment of the Company are respectively as follows: clean and efficient power generation equipment, new energy, water energy and environmental protection equipment, engineering and service and others.

Information on segment reporting are disclosed according to the accounting policies and measurement standards adopted by each segment to report to the management, which are consistent with the accounting and measurement basis adopted when the financial statements are prepared.

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

15.6.2 Reportable segment

Reportable segment in 2018

Item	Clean and efficient power generation equipment	Renewable energy equipment	Engineering and Trade	Modern manufacturing services	Emerging growth industry	Subtotal	Offset	Total
Operating income	27,190,068,579.15	5,719,768,945.12	3,792,186,225.92	4,234,068,411.71	3,073,740,148.86	44,009,832,310.76	13,303,686,951.94	30,706,145,358.82
Including: income from foreign transactions	17,078,555,594.72	4,008,421,728.16	3,480,960,491.64	3,403,983,277.54	2,734,224,266.76	30,706,145,358.82		30,706,145,358.82
Income from inter-segment transactions	10,111,512,984.43	1,711,347,216.96	311,225,734.28	830,085,134.17	339,515,882.10	13,303,686,951.94	13,303,686,951.94	
Operating cost	23,709,309,183.84	5,286,691,890.07	3,497,537,826.07	2,852,241,291.21	2,346,077,565.42	37,691,857,756.61	14,047,470,468.31	23,644,387,288.30
Offset of cost	10,061,185,493.00	1,768,391,955.22	617,351,684.84	1,335,734,016.55	264,807,318.70	14,047,470,468.31	14,047,470,468.31	
Period expenses						4,654,692,803.11	-513,153,343.85	5,167,846,146.96
Operating profits (losses)	3,480,759,395.31	433,077,055.05	294,648,399.85	1,381,827,120.50	727,662,583.44	1,663,281,751.04	424,574,917.84	1,238,706,833.20
Total assets						162,054,245,157.55	70,730,915,739.77	91,323,329,417.78
Including: the amount of a single asset with significant impairment loss								
Total liabilities						112,442,176,581.32	51,812,755,778.75	60,629,420,802.57
Supplementary information								
Capital expenditure								
Impairment loss recognized in current period						1,091,028,958.01	311,088,140.35	779,940,817.66
Including: allocation of goodwill impairments								

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Clean and efficient power generation equipment	Renewable energy equipment	Engineering and Trade	Modern manufacturing services	Emerging growth industry	Subtotal	Offset	Total
Depreciation and amortization costs						987,143,591.16		987,143,591.16
Other non-cash expenses excluding impairment loss, depreciation and amortization								

Reportable segment in 2017

Item	Clean and efficient power generation equipment	Renewable energy equipment	Engineering and Trade	Modern manufacturing services	Emerging growth industry	Subtotal	Offset	Total
Operating income	33,835,747,373.04	5,641,338,778.56	4,040,892,326.51	3,310,695,603.55	2,949,415,030.49	49,778,089,112.15	16,347,824,280.43	33,430,264,831.72
Including: income from foreign transactions	20,757,610,423.20	3,844,852,269.35	3,677,603,328.19	2,490,115,380.01	2,660,083,430.97	33,430,264,831.72		33,430,264,831.72
Income from inter-segment transactions	13,078,136,949.84	1,796,486,509.21	363,288,998.32	820,580,223.54	289,331,599.52	16,347,824,280.43	16,347,824,280.43	
Operating cost	29,872,086,777.44	5,153,035,757.55	3,503,163,276.90	2,452,208,847.53	2,072,692,118.75	43,053,186,778.17	16,584,646,337.15	26,468,540,441.02
Offset of cost	13,020,877,668.22	1,806,452,727.50	444,259,956.07	1,115,620,215.46	197,435,769.90	16,584,646,337.15	16,584,646,337.15	
Period expenses						4,826,669,167.05	-305,659,433.51	5,132,328,600.56
Operating profits (losses)	3,963,660,595.60	488,303,021.01	537,729,049.61	858,486,756.02	876,722,911.74	1,898,233,166.93	811,760,930.64	1,086,472,236.29
Total assets						148,226,696,300.96	52,925,702,189.30	95,300,994,111.66
Including: the amount of a single asset with significant impairment loss								

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Clean and efficient power generation equipment	Renewable energy equipment	Engineering and Trade	Modern manufacturing services	Emerging growth industry	Subtotal	Offset	Total
Total liabilities						108,613,607,790.59	41,743,168,069.84	66,870,439,720.75
Supplementary information								
Capital expenditure								
Impairment loss recognized in current period						1,131,691,049.06	318,449,717.06	813,241,332.00
Including: allocation of goodwill impairments								
Depreciation and amortization costs						1,041,763,521.20		1,041,763,521.20
Other non-cash expenses excluding impairment loss, depreciation and amortization								

15.7 Other important transaction and events affecting decision-making of investors

(1) In 2004, without the consent of DBC, Chongqing Business Office of China Science and Technology Securities Co., Ltd. arbitrarily and illegally pledged the national debts of face value amounted to RMB 201,404,000.00 purchased by DBC in batch. In 2006, China Science and Technology Securities Co., Ltd. was managed by China Securities Investor Protection Fund Corporation Limited under the commission of the CSRC in accordance with the law. Upon the deliberation and approval at the interim meeting of the board of directors, DBC makes provision of RMB 150,000,000.00 for impairment of national debts having the risk of compensation in 2006.

On September 7, 2007, No. 2 Intermediate People's Court of Beijing accepted the bankruptcy case of China Science and Technology Securities Co., Ltd.

On August 4, 2008, DBC received RMB 10,709,456.86 from the first property distribution made by the bankruptcy liquidation committee of China Science and Technology Securities Co., Ltd. In March 2014, all creditors voted to restore the property distribution of creditor's right confirmed by DBC. DBC received a total of payable allocated payments amounted to RMB 29,013,662.90 from the property distribution from the second to fourth times. In November 2016, DBC received RMB 11,386,129.34 from the fifth property distribution made by the bankruptcy liquidation committee of China Science and Technology Securities Co., Ltd., and the aging remaining debt that has not been recovered is over 5 years, DBC makes full provision of RMB 146,064,314.06 for impairment of the above debts having the risk of compensation. As at the date of the financial report, China Science and Technology Securities Co., Ltd. is still under bankruptcy liquidation process.

(2) Important bankruptcy and liquidation enterprises this year

On September 29, 2018, the Intermediate People's Court of Jiuquan City of Gansu Province ruled that Dongfang Electric (Jiuquan) New Energy Co., Ltd. went bankrupt and liquidated. On November 12, 2018, the Intermediate People's Court of Hulunbeier City of Inner Mongolia Autonomous Region ruled Dongfang Electric (Hulunbeier) New Energy Co., Ltd. Bankruptcy liquidation, on December 24, 2018, Tongliao Intermediate People's Court of Inner Mongolia Autonomous Region ruled that Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd. was bankrupted and liquidated. As of the

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

date of this financial report, the bankruptcy liquidation of the above-mentioned enterprises is still in progress.

16. Major Notes To Company Financial Statements

16.1 Notes receivable and Accounts receivable

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Notes receivable	865,318,082.63	496,890,149.88
Accounts receivable	1,355,903,343.63	1,890,827,655.79
Total	2,221,221,426.26	2,387,717,805.67

16.1.1 Notes receivable

(1) Presentation of the notes receivable by category

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Bank acceptance bill	541,789,401.94	496,890,149.88
Commercial acceptance bill	323,528,680.69	
Total	865,318,082.63	496,890,149.88

(2) Notes receivable endorsed or discounted by the Company as at December 31, 2018 but not expired on the balance sheet date but not expired on the balance sheet date

Item	Amount derecognized as at December 31, 2018	Amount not derecognized as at December 31, 2018
Bank acceptance bill	728,050,429.33	
Total	728,050,429.33	

16.1.2 Accounts receivable

(1) Aging analysis of accounts receivable

Aging	Amount as at December 31, 2018	Amount as at January 1, 2018
Within 1 year	689,519,593.01	979,681,665.11
1 - 2 years	131,699,445.41	468,445,146.71
2 - 3 years	362,882,518.09	399,202,209.23
3 - 4 years	142,075,359.17	39,398,634.74
4 - 5 years	29,726,427.95	4,100,000.00
Total	1,355,903,343.63	1,890,827,655.79

(2) Disclosure of accounts receivable by classification

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Category	Balance as at December 31, 2018				
	Book balance		Provision for bad debts		Book value
	Amount (%)	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts on a single basis	34,051,198.71	2.04	30,601,198.71	89.87	3,450,000.00
Including:					
Accounts receivable with significant single amount and subject to individual provision for bad debts	34,051,198.71	2.04	30,601,198.71	89.87	3,450,000.00
Accounts receivable with insignificant single amount and subject to individual provision for bad debts					
Provision for bad debts by portfolio	1,633,954,267.59	97.96	281,500,923.96	17.23	1,352,453,343.63
Including:					
Accounts receivable subject to provision for bad debts by portfolios with credit risk characteristics	1,633,954,267.59	97.96	281,500,923.96	17.23	1,352,453,343.63
Total	1,668,005,466.30	100.00	312,102,122.67		1,355,903,343.63

Category	Balance as at January 1, 2018				
	Book balance		Provision for bad debts		Book value
	Amount (%)	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts on a single basis	86,501,315.19	4.02	30,856,337.97	35.67	55,644,977.22
Including:					
Accounts receivable with significant single amount and subject to individual provision for bad debts	86,501,315.19	4.02	30,856,337.97	35.67	55,644,977.22
Accounts receivable with insignificant single amount and subject to individual provision for bad debts					
Provision for bad debts by portfolio	2,067,917,828.60	95.98	232,735,150.03	11.25	1,835,182,678.57
Including:					
Accounts receivable subject to provision for bad debts by portfolios with credit risk characteristics	2,067,917,828.60	95.98	232,735,150.03	11.25	1,835,182,678.57
Total	2,154,419,143.79	100.00	263,591,488.00		1,890,827,655.79

Provision for bad debts on a single basis

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Accounts receivable (by unit)	Balance as at December 31, 2018			
	Accounts receivable	Provision for bad debts	Proportion of provision (%)	Reason for provision
Rank 1	34,051,198.71	30,601,198.71	89.87	After impairment test, it is only expected to recover RMB 3.45 million
Total	34,051,198.71	30,601,198.71		

Accounts receivable with the provision for bad debts made under the aging portfolio

Aging	Balance as at December 31, 2018		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year(including 1 year)	725,810,097.91	36,290,504.90	5.00
1 - 2 years	146,332,717.13	14,633,271.72	10.00
2 - 3 years	449,290,647.63	89,858,129.54	20.00
3 - 4 years	236,792,265.29	94,716,906.12	40.00
4 - 5 years	59,452,855.91	29,726,427.96	50.00
Over 5 years	16,275,683.72	16,275,683.72	100.00
Total	1,633,954,267.59	281,500,923.96	

(3)Provision, reversal or recovery of provision for bad debts in 2018

Category	Balance as at January 1, 2018	Changes in 2018			Balance as at December 31, 2018
		Provision	Reversal or recovery	Resale or verification	
Accounts receivable with significant single amount and subject to individual provision for bad debts	30,856,337.97	21,482,702.57	21,737,841.83		30,601,198.71
Accounts receivable with insignificant single amount and subject to individual provision for bad debts					
Accounts receivable subject to provision for bad debts by portfolios with credit risk characteristics	232,735,150.03	48,765,773.93			281,500,923.96
Total	263,591,488.00	70,248,476.50	21,737,841.83		312,102,122.67

Provision, reversal or recovery of provision for bad debts in 2018

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

In 2018

Entity name	Reversal or recovery	The basis and rationality of determining the provision for original bad debts	Reason for reversal or recovery	Ways for recovery
Rank 1	21,737,841.83	Expected credit loss	Project completion and settlement,	By monetary funds
Total	21,737,841.83			

(4) Top five accounts receivable in terms of ending balance collected by the debtor

Unit name	Balance as at December 31, 2018		
	Accounts receivable	Proportion in the total accounts receivable (%)	Provision for bad debts
Rank 1	100,949,583.00	6.05	11,347,051.95
Rank 2	99,042,000.00	5.94	4,952,100.00
Rank 3	95,574,400.00	5.73	4,778,720.00
Rank 4	90,800,000.00	5.44	18,160,000.00
Rank 5	90,624,000.00	5.43	18,124,800.00
Total	476,989,983.00	28.59	57,362,671.95

16.2 Other receivables

Item	Balance as at December 31, 2018	Balance as at January 1, 2018
Interest receivable	61,892,578.10	124,881,895.02
Dividends receivable	131,436,444.73	168,763,002.13
Other receivables	177,283,164.29	5,993,276,183.30
Total	370,612,187.12	6,286,921,080.45

16.2.1 Interest receivable

Classification of interest receivable

Item	Amount as at December 31, 2018	Amount as at January 1, 2018
Fixed deposit	61,892,578.10	124,881,895.02
Total	61,892,578.10	124,881,895.02

16.2.2 Dividends receivable

Item (or Investee)	Amount as at December 31, 2018	Amount as at January 1, 2018
Dongfeng Electric Machinery Co., Ltd.	131,436,444.73	131,436,444.73
AREVA DONGFANG Reactor Coolant Pumps Co., Ltd.		37,326,557.40

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item (or Investee)	Amount as at December 31, 2018	Amount as at January 1, 2018
Total	131,436,444.73	168,763,002.13

16.2.3 Other receivables

(1) Aging analysis of other receivables

Aging	Amount as at December 31, 2018	Amount as at January 1, 2018
Within 1 year	117,350,501.52	207,238,431.43
1 - 2 years	2,775,879.81	15,247,200.92
2 - 3 years	2,686,421.59	23,265,679.99
3 - 4 years	8,727,614.56	1,182,426,138.45
4 - 5 years	1,442,746.81	2,625,732.51
Over 5 years	44,300,000.00	4,562,473,000.00
Net amount	177,283,164.29	5,993,276,183.30

(2) Classification of other receivables by quality

Item	Amount as at December 31, 2018	Amount as at January 1, 2018
Reserve fund	1,421,182.02	6,699,481.73
Pre-paid charge	1,905,958.80	39,618,647.84
Others	15,686,023.47	18,248,053.73
Investment fund	158,270,000.0	5,928,710,000.00
Total	177,283,164.29	5,993,276,183.30

(3) Provision for bad debts

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit loss for the whole life period (No credit impairment occurred)	Expected credit loss for the whole life period (Credit impairment occurred)	
Amount as at January 1, 2018	43,304,779.67		638,719.26	43,943,498.93
Book value of other receivable Amount as at January 1, 2018				
-- Turn to the second stage				
-- Turn to the third stage				
-- Return to the second stage				
--Return to the first stage				
Provision in 2018	10,130,392.66		5,741,361.52	15,871,754.18

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Bad debt provision	First stage	Second stage	Third stage	Total
	Expected credit losses in the next 12 months	Expected credit loss for the whole life period (No credit impairment occurred)	Expected credit loss for the whole life period (Credit impairment occurred)	
Switch back in 2018				
Write-off in 2018				
Verification in 2018				
Other changes				
Amount as at December 31, 2018	53,435,172.33		6,380,080.78	59,815,253.11

(4) Provision, reversal or recovery of provision for bad debts in 2018

Category	Balance as at January 1, 2018	Changes in 2018			Balance as at December 31, 2018
		Provision	Reversal or recovery	Resale or verification	
Other receivables with significant single amount and subject to separate provision for bad debts					
Other receivables subject to provision for bad debts by portfolios with credit risk characteristics	43,304,779.67	10,130,392.66			53,435,172.33
Other receivables with insignificant single amount but subject to separate provision for bad debts	638,719.26	5,741,361.52			6,380,080.78
Total	43,943,498.93	15,871,754.18			59,815,253.11

(5) The actual write-off of other receivable for the current period

Entity name	Nature of other receivable	Balance as at December 31, 2018	Aging	Proportion in the total other receivables (%)	Provision for bad debts at at December 31, 2018
Rank 1	Investment fund and Generation of advances	113,970,000.01	Within 1 year	48.07	
Rank 2	Investment fund	44,300,000.00	Over 5 years	18.68	
Rank 3	Generation of advances	30,027,690.64	1-5 years	12.66	29,289,856.06
Rank 4	Others	10,840,511.92	Within 4 year	4.57	7,775,149.67
Rank 5	Payment for goods	10,197,339.13	3-4 years	4.30	4,078,935.65
Total		209,335,541.70		88.28	41,143,941.38

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

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Amount incurred in 2018			Amount incurred in 2017		
	Amount	Provision for bad debts	Net amount	Amount	Provision for bad debts	Net amount
Investments in subsidiaries	20,794,967,640.14		20,794,967,640.14	10,165,545,252.13		10,165,545,252.13
Investments in joint ventures and associates	781,936,479.17		781,936,479.17	601,016,841.95		601,016,841.95
Total	21,576,904,119.31		21,576,904,119.31	10,766,562,094.08		10,766,562,094.08

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

16.3.1 Investments in subsidiaries

Investee	Balance as at January 1, 2018	Increase	Decrease	Balance as at December 31, 2018	Provision for impairment in 2018	Balance of provision for impairment as at December 31, 2018
Dongfang Boiler Group Co., Ltd. of Dongfang Electric Corporation	4,391,395,417.83	801,000,000.00		5,192,395,417.83		
Dongfang Turbine Co., Ltd. of Dongfang Electric Corporation	2,542,003,999.71	3,468,763,000.00		6,010,766,999.71		
DEC Dongfang Electric Machinery Co., Ltd.	2,000,000,000.00	1,164,000,000.00		3,164,000,000.00		
Dongfang Electric(India) PVT LTD	129,504,712.22			129,504,712.22		
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	131,560,000.00	100,500,000.00		232,060,000.00		
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		
Dongfang Electric International Corporation		1,409,966,967.29		1,409,966,967.29		
Dongfang Electric Financial Company		2,867,031,546.59		2,867,031,546.59		
Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.		46,036,083.55	46,036,083.55			
Dongfang Electric Heavy cargo logistics Co., Ltd.		77,469,728.35		77,469,728.35		
Dongfang Electric(Sichuan) Trading Co., Ltd.		110,805,368.69		110,805,368.69		
Dongfang Electric Autocontrol Engineering Co., Ltd.		394,083,121.44		394,083,121.44		
Dongfang Electric (chengdu) Hydrogen Fuel Cell Technology Co., Ltd		38,445,843.46		38,445,843.46		
Dongfang Electric Intelligent Technology Co., Ltd.		11,119,812.19		11,119,812.19		
Total	10,165,545,252.13	10,675,458,471.56	46,036,083.55	20,794,967,640.14		

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

16.3.2 Investments in joint ventures and associates

Investee	Balance as at January 1, 2018	Increase							Balance as at December 31, 2018	Provision for impairment in 2018	Balance of provision for impairment as at December 31, 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			
I. Investments in joint ventures and											
AREVA DONGFANG Reactor Coolant Pumps Co., Ltd.	209,622,279.90			33,464,862.16					243,087,142.06		
Sub-total	209,622,279.90			33,464,862.16					243,087,142.06		
I. Investments in associates											
Sichuan Energy Wind Power Development Co., Ltd.	255,556,481.06			46,448,585.46			17,930,062.80		284,075,003.72		
Huadian Longkou Wind Power Co., Ltd.	50,459,812.07			8,974,701.95					59,434,514.02		
Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	19,846,957.02			2,463,325.19					22,310,282.21		
China United Heavy-duty Gas Turbine Technology Co., Ltd.	11,672,017.69	102,000,000.00		23,761.67					113,695,779.36		
Inner Mongolia Mengeng Sanshengtai Wind Power Generation Co., Ltd.	18,537,039.00			1,307,551.30					19,844,590.30		
Inner Mongolia Mengneng Wulan New Energy Co., Ltd.	35,322,255.21			4,166,912.29					39,489,167.50		
Sub-total	391,394,562.05	102,000,000.00		63,384,837.86			17,930,062.80		538,849,337.11		
Total	601,016,841.95	102,000,000.00		96,849,700.02			17,930,062.80		781,936,479.17		

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

16.4 Operating income and operating costs

Item	Amount incurred in 2018		Amount incurred in 2017	
	Income	Cost	Income	Cost
Sub-total of primary business	11,806,228,595.01	11,652,671,953.38	16,015,996,007.50	15,676,588,880.27
Sub-total of other business	4,509,170.60	1,440,630.71	2,528,782.17	1,243,931.79
Total	11,810,737,765.61	11,654,112,584.09	16,018,524,789.67	15,677,832,812.06

16.5 Investment income

Item	Amount incurred in 2018	Amount incurred in 2017
Long-term equity investment income calculated under cost method	1,013,095,148.69	39,321,713.50
Income from long-term equity investments calculated under the equity method	96,849,700.02	67,953,419.87
Investment income from financial assets measured at fair value through the current profit or loss incurred during the holding period	10,218,405.81	
Investment income from the disposal of financial assets measured at fair value through the current profit or loss		6,931,697.11
Others		
Total	2,404,874.23	2,678,262.58
Total	1,122,568,128.75	116,885,093.06

17. Supplementary information

17.1 Breakdown of non-recurring profits and losses in 2018

Item	Amount	Remarks
Profit or loss from disposal of non-current assets	32,142,369.14	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in current profits and losses (except for government grants closely related to the enterprise business, obtained by quota or quantity at unified state standards)	195,377,227.14	
Payment for use of state funds received from non-financial institutions recorded in current profits and losses		
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing		
Gains or losses on non-monetary asset exchange		
Gains or losses on entrusting the investments or management of asset		
Impairment provision for force majeure such as natural calamities		

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Amount	Remarks
Gains or losses on debt restructuring	-602,613.38	
Restructure expenses, such as the compensation for employee relocation and integration costs		
Gains or losses on transactions with obvious unfair transaction price		
Current net gains and losses of the subsidiaries arising from the merger of enterprises under the same control from the beginning of the period to the date of merger.	63,301,136.44	
Profits or losses arising from contingencies not related to the company's normal business		
Other than the effective hedging business related to the normal business of the company, gains 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	70,401,670.53	
Reversal of the impairment provision for receivables subject to separate impairment test	103,635,036.14	
Profits or losses from entrusted loans		
Profits or losses from fair value changes in investment property subsequently calculated with the fair value mode		
Impacts of one-time adjusting the current profits or losses in accordance with requirements of tax and accounting laws and regulations on the current profits and losses		
Custodian income from entrusted management		
Other non-operating income and expenses except for the above-mentions items	-46,884,711.25	
Other items of gains and losses subject to the definition of non-recurring gains and losses		
Impacted amount in income tax	-59,893,324.29	
Impacted amount in non-controlling shareholders' equity	-10,948,370.86	
Total	346,528,419.61	

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	3.90	0.37	0.37
Net profit attributable to ordinary shareholders of the Company after deducting non-recurring gains and losses	2.71	0.25	0.25

17.3 Supplementary information on accounting policy changes

The company has changed relevant accounting policies according to financial accounting (2018) document no. 15 and relevant regulations (see “3.34.1 Significant changes in accounting policies” for detail), and retroactively restated the consolidated balance sheet. The restated consolidated balance sheet on January 1, 2017 and December 31, 2017 is as

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

follows:

Item	Balance as at January 1, 2017	Balance as at December 31, 2017	Balance as at December 31, 2018
Current assets:			
Cash and cash equivalents	30,854,040,597.82	30,609,842,597.19	29,346,448,438.05
Settlement reserve			
Placements with banks and other financial institutions			300,000,000.00
Held for trading financial assets	749,633,657.05		3,122,839,818.04
Financial assets at fair value through profit and loss		356,894,260.52	
Derivative financial assets			
Notes receivable and Accounts receivable	23,037,049,655.56	19,278,666,973.18	11,664,574,744.54
Prepayments	2,644,049,524.75	2,443,615,454.54	1,913,342,742.55
Premiums receivable			
Reinsurance receivables			
Provision of cession receivable			
Other receivables	970,393,192.79	516,091,579.92	535,465,160.58
Financial assets purchased under agreements to resell	2,947,733,677.65	2,999,617,000.00	1,744,127,000.00
Inventories	20,419,011,062.82	18,959,975,214.67	13,873,986,465.23
Contract assets			10,187,971,672.86
Held - for - sale assets			
Non-current assets maturing within one year	100,086,150.00	680,000,000.00	396,500,000.00
Other current assets	401,325,411.26	477,465,818.30	470,439,698.83
Total current assets	82,123,322,929.70	76,322,168,898.32	73,555,695,740.68
Non-current assets:			
Loans and advances to customers	1,385,000,000.00	690,200,000.00	430,663,941.00
Debt investments			4,922,529,793.75
Available-for-sale financial assets	601,098,408.03	720,507,847.74	
Other debt investments			
Held-to-maturity investments	610,659,392.00	2,043,786,793.75	
Long-term receivables	122,996,636.40	38,459,549.69	13,775,453.41
Long-term equity investments	1,455,879,412.09	1,407,679,377.51	1,516,634,253.84
Other equity instrument investments			4,989,859.48
Other non-current financial assets			
Investment property	176,780,382.28	177,835,892.21	153,816,742.24
Fixed assets	7,741,019,925.47	6,628,978,365.26	5,902,438,578.09
Construction in progress	716,950,333.42	216,488,145.32	188,792,238.53
Productive biological assets			

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at January 1, 2017	Balance as at December 31, 2017	Balance as at December 31, 2018
Oil and gas assets			
Intangible assets	1,019,090,250.01	1,549,411,174.36	1,681,044,339.19
Development expenditure			
Goodwill			
Long-term deferred expenses	1,075,608.94	590,304.64	51,778,532.60
Deferred tax assets	2,398,344,732.96	2,574,878,912.95	2,897,188,154.97
Other non-current assets	426,208.77	4,931,790.00	3,981,790.00
Total non-current assets	16,229,321,290.37	16,053,748,153.43	17,767,633,677.10
Total assets	98,352,644,220.07	92,375,917,051.75	91,323,329,417.78
Current liabilities:			
Short-term borrowings	166,442,270.97	88,194,570.50	245,566,000.00
Borrowings from central bank			
Placements from banks and other financial institutions			
Held for trading financial liabilities	10,372,195.96		
Financial liabilities at fair value through profit and loss			
Derivative financial liabilities			
Notes payable and Accounts payable	20,109,624,539.18	18,443,495,371.64	15,092,950,990.47
Advances from customers	36,062,762,409.16	32,208,115,796.89	
Amounts sold under repurchase agreements			
Loans from other banks and other financial institutions	5,040,931,107.80	4,539,497,293.27	4,793,625,912.49
Funds received as agent of stock exchange			
Funds received as stock underwrite			
Employee benefits payable	514,944,417.18	660,360,561.04	772,584,805.65
Taxes and surcharge payable	820,765,480.18	361,876,261.06	461,097,975.94
Other payables	2,612,961,094.53	2,455,995,343.75	1,749,869,606.78
Handling charges and commissions payable			
Cession insurance premiums payable			
Contract Liabilities			29,460,944,098.28
Held-for-sale liabilities			
Non-current liabilities maturing within one year	723,140,000.00	528,320,000.00	16,320,000.00
Other non-current liabilities	86,545,071.98	66,593,071.87	103,588,912.65
Total current liabilities	66,148,488,586.94	59,352,448,270.02	52,696,548,302.26
Non-current liabilities:			
Provision for insurance contracts			

DONGFANG ELECTRIC CORPORATION LIMITED
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2018

Item	Balance as at January 1, 2017	Balance as at December 31, 2017	Balance as at December 31, 2018
Long-term borrowings	954,547,400.00	456,634,990.00	462,864,840.00
Bonds payable			
Including: Preferred stock			
Perpetual debt			
Long-term payables	60,903,133.26	58,302,614.63	26,340,460.52
Long-term employee benefits payable	462,923,464.10	700,024,168.29	837,303,270.07
Provision	2,699,914,927.05	2,776,014,026.92	6,136,106,066.37
Deferred income	220,554,408.68	663,257,499.10	444,014,801.58
Deferred tax liabilities	550,857,957.31	42,262,367.54	26,243,061.77
Other non-current liabilities			
Total non-current liabilities	4,949,701,290.40	4,696,495,666.48	7,932,872,500.31
Total liabilities	71,098,189,877.34	64,048,943,936.50	60,629,420,802.57
Owners' equity:			
Share capital	2,336,900,368.00	2,336,900,368.00	3,090,803,431.00
Other equity instrument investments			
Including: Preferred stock			
Perpetual debt			
Capital reserves	11,884,430,599.69	11,884,507,974.98	11,251,874,281.59
Less: Treasury shares			
Other comprehensive income	57,231,518.54	41,972,904.52	-33,400,468.00
Specialized reserves	65,767,709.87	75,418,562.02	79,395,179.18
Surplus reserves	769,092,997.56	774,913,922.16	871,273,166.80
General risk reserves			
Undistributed profits	11,045,483,316.40	12,096,965,958.72	13,324,105,405.23
Total equity attributable to owners of the parent company	26,158,906,510.06	27,210,679,690.40	28,584,050,995.80
Non-controlling shareholders' equity	1,095,547,832.67	1,116,293,424.85	2,109,857,619.41
Total owners' equity	27,254,454,342.73	28,326,973,115.25	30,693,908,615.21
Total liabilities and owners' equity	98,352,644,220.07	92,375,917,051.75	91,323,329,417.78

17.4 Others

None.

Dongfang Electric Corporation Limited
(Official seal affixed)
March 29, 2019