



东方电气

DONGFANG ELECTRIC

DONGFANG ELECTRIC CORPORATION LIMITED

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

2019
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 parent company in 2019 amounted to RMB1,277,671,818.13. The parent company realized net profit of RMB359,018,076.48. The company, based on 3,118,792,130 shares in the share capital as at the disclosure date of annual report, proposed to distribute a cash dividend of RMB2.05 (before tax) per 10 shares, totaling RMB639,352,386.65. 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 2019 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
On 22 November 2019, the Company's 2019 first extraordinary shareholders meeting, the 2019 first A Shares class meeting and the 2019 first H Shares class meeting considered and approved the Resolution regarding the Restricted A Share Incentive Scheme for 2019 (Draft Amendment) and its Summary. On the same day, the Company held the 21st meeting of the 9th session of the Board and 14th meeting of the 9th session of Supervisory Committee, at which, the Resolution regarding the First Grant of the Restricted Shares to Participants under the Restricted A Share Incentive Scheme for 2019 was considered and approved. The independent Directors of the Company issued their independent opinions, and the Supervisory Committee issued their review opinions. They were of the view that the conditions of grant of restricted shares have been satisfied, participants to be granted with restricted shares are legally and validly qualified and the grant date determined was in compliance with the relevant provisions. On 7 January 2020, 27,988,699 new shares issued under the Restricted A Share Incentive Scheme 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 3,090,803,431 shares to 3,118,792,130 shares.

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CHAIRMAN'S STATEMENTS



Chairman
Zou Lei

Dear shareholders:

In 2019, Dongfang Electric adhered to the key theme of seeking progress in stability, firmly established and practiced the new development concept, took the supply-side structural reform as its main task, continued to pursue the “12345” new development strategy, facilitated the implementation of the industry development pattern where “six types of energy sources are developed simultaneously and five lines of business are coordinated”, which consolidated and deepened the positive growth of the innovation and development. As a result, the quality of operations have been significantly improved and the development momentum have been significantly enhanced, which laid 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. In 2019, the Company recorded a net profit attributable to the shareholders of the parent company of RMB1.278 billion, representing a year-on-year increase of 13.19%; entered into new contracts with value of RMB40.184 billion, representing a year-on-year increase of 15.03%; recorded a total operating income of RMB32.84 billion, representing a year-on-year increase of 6.95%; completed a total capacity from power generation equipment of 18.83 million KW. The gearing ratio decreased to 64.52%, which was the lowest level since the “13th Five-Year Plan” period.

During the Reporting Period, we made further breakthroughs in the Three Critical Missions. The Company recorded great achievements in the mission of the rejuvenation of the wind power industry, expedited the research and development of new products. The value of new contracts awarded hit a record over RMB20 billion, with its market share rising to 10% from 3% in 2018. The Company recorded progressive achievement in the mission of expanding modern manufacturing service business. The power station service business has reached the annual goal. Leveraging on the integration of the trading and logistic resources and continuous enhancement of the capacity in financial services business, all service industry platforms has been improved constantly. The Company maintained stable development in the mission of the strengthening of international business.

During the Reporting Period, we continuously accelerated the pace of industrial upgrading. The operating income from energy-saving and environmental protection business and the new contracts have achieved substantial growth. The hydrogen energy business continued to exert its strength. The first batch production line for hydrogen and fuel cell in the western China has been successfully put into operation. The development of hydrogen-powered intercity buses and logistics vehicle prototypes has been completed. The new products such as Dongfang Electric's first batch of 300Mvar phase modifier, Dongfang Steam Turbine's reheating waste-to-energy steam turbine with the highest parameters in the world, and Dongfang Boiler's first coal-fired million-KW boiler were successfully put into operation. The energy storage demonstration system of the Jiuquan photovoltaic power station was in the good operation, and we achieved good development in the sectors such as energy storage, intelligent manufacturing, 5G technology application and smart power plants.

CHAIRMAN'S STATEMENTS (CONTINUED)

During the Reporting Period, we continuously put more efforts in the implementation of the innovation-driven approach. Breakthroughs have been made in key core technologies for major equipment. A number of major scientific and technological projects have achieved remarkable results, such as the first domestic F-class 50MW heavy-duty gas turbine, the Baihetan's 1000MW hydropower units with the world's No.1 unit capacity, the Changlongshan's superhigh water head pumped-storage unit, the thermal-powered million-KW 630℃ modules with ultra-supercritical double reheat features and the 10MW offshore wind turbine. Major scientific and technological projects have been steadily advancing, such as integrated cleaning and efficient treatment systems for municipal solid waste.

During the Reporting Period, we continued to advance reforms and strengthen our management capacity. Breakthroughs have been made in the market-oriented selection and contract-based management for our management personnel. We completed the Restricted A Share Incentive Scheme to achieve the outset of mid-and-long term incentive; we further emphasized the "performance-based and responsibility-oriented" remuneration mechanism. We enhanced the overall budget management and improved the quality management level. Lean management has been adopted in manufacturing companies, and management efficiency has been further improved. We strengthened risk prevention and control by focusing on strengthening contract risk management and overseas risk control, comprehensively carried out basic management step-up campaign of "specifying duties, improving weak links, strengthening the foundation and enhancing capabilities" to reinforce our fundamentals of management.

During the Reporting Period, the Company proactively fulfilled its social responsibilities and achieved remarkable results in targeted poverty alleviation. We adopted the "five-in-one" poverty alleviation mechanism and steadily implemented the "one hundred-one thousand-ten thousand-one hundred million" poverty alleviation project, and the tasks was fully completed.

During the Reporting Period, the Company attached great importance to the realization of shareholders' investment value, proactively made information disclosure and actively responded to investors' concerns. While continuing to improve its profitability and ensuring its stable operation, the Company actively implemented profit distribution scheme to give back to its investors.

Looking forward to 2020, the Company will adhere to the main theme of seeking progress in stability, practice the new development concept, pursue supply-side structural reform as our main task by adopting innovation-oriented and reform-driven approach. The Company will implement the "12345" new development strategy under the development direction of "refining the main business operations and developing new business operations", and optimize the industry development pattern where "six types of energy sources are developed simultaneously and five lines of business are coordinated". We will continue to strengthen, optimize and expand our business, ensure growth, promote reform, strengthen innovation, exercise internal strength, and prevent risks to achieve our overall goals of "13th Five-Year Plan", further enhance competitiveness, creativity, control, influence, and ability to resist risks, and promote high-quality development.

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

Chairman: Zou Lei

27 March 2020

I. DEFINITIONS

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

Definitions of frequently-used terms

Board of Directors	the Board of Directors of the Company
DEC, Company	Dongfang Electric Corporation Limited
Controlling Shareholder, Dongfang Electric Corporation	DEC Group
Director(s)	the director(s) of the Company
Corporate Governance Code	Corporate Governance Code as set out in Appendix 14 to the Listing Rules
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Reporting Period	From 1 January 2019 to 31 December 2019
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Supervisor(s)	the supervisor(s) of the Company
Supervisory Committee	the supervisory committee of the Company
RMB, RMB'0000,RMB100 million	Renminbi Yuan, Renminbi '0000, Renminbi 100 million

COMPANY PROFILE AND MAJOR FINANCIAL INDICES

I. COMPANY INFORMATION

Chinese name of the Company	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

COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

II. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board of Directors	Representative of securities affairs
Name	Gong Dan	Chen Cong
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	028-87583333	028-87583333
E-mail	dsb@dongfang.com	dsb@dongfang.com

III. INFORMATION DISCLOSURE AND PLACES FOR INSPECTION FOR RELEVANT DOCUMENTS

Media designated for disclosure of the Company's information	China Securities Journal and Shanghai Securities News
Website designated by the CSRC for publication of the Company's annual report	www.sse.com.cn
Website designated by the Stock Exchange for publication of the Company's annual report	www.hkexnews.hk
Place where the Company's annual report is available for inspection	Office of the Board of Directors

IV. 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	The Stock Exchange	Dongfang Elec	1072	Dongfang Electrical

V. OTHER INFORMATION

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

COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

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

Unit: Yuan Currency: RMB

(I) Major accounting data

Major accounting data	2019	2018	Year-on-year increase/decrease (%)	2017
Total operating income	32,840,321,080.22	30,706,145,358.82	6.95	33,430,264,831.72
Operating income	31,777,585,757.68	29,729,655,571.73	6.89	32,772,718,802.40
Net profit attributable to shareholders of the parent company	1,277,671,818.13	1,128,834,236.51	13.19	1,057,303,567.22
Net profit after non-recurring profit or loss attributable to shareholders of the Company	1,057,975,035.54	782,305,816.90	35.24	491,803,164.84
Net cash flow from operating activities	202,244,625.11	-551,780,305.01		1,838,566,815.40

Major accounting data	At the end of 2019	At the end of 2018	Year-on-year increase/decrease (%)	At the end of 2017
Net asset attributable to shareholders of the parent company	29,454,645,749.51	28,584,050,995.80	3.05	27,210,679,690.40
Total asset	89,618,965,555.72	91,323,329,417.78	-1.87	92,375,917,051.75

COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

(II) Major financial index

Major financial index	2019	2018	Year-on-year increase/decrease (%)	2017
Basic earnings per share (RMB/share)	0.41	0.37	10.81	0.34
Diluted earnings per share (RMB/share)	0.41	0.37	10.81	0.34
Basic earnings per share after deducting non-recurring profit or loss (RMB/share)	0.34	0.25	36.00	0.16
Weighted average return on net assets (%)	4.40	3.90	Increase by 0.5 percentage point	3.64
Weighted average return on net assets after non-recurring profit or loss (%)	3.64	2.71	Increase by 0.93 percentage point	2.29

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

- (1) Total operating income increased by 6.95% as compared with 2018; and
- (2) Net profit attributable to the parent company increased by 13.19% over 2018.

VII. MAJOR FINANCIAL DATA OF 2019 BY QUARTERS

Unit: Yuan Currency: RMB

Major financial data	First quarter (January to March)	Second quarter (April to June)	Third quarter (July to September)	Fourth quarter (October to December)
Operating income	7,585,169,520.38	7,724,721,867.47	6,874,131,222.20	9,593,563,147.63
Net profit attributable to shareholders of the parent company	353,773,914.01	375,918,762.26	305,737,409.25	242,241,732.61
Net profit after non-recurring profit or loss attributable to shareholders of the Company	382,119,179.48	335,357,005.88	335,856,267.69	4,642,582.49
Net cash flow from operating activities	-4,150,389,876.95	900,576,265.09	577,318,635.06	2,874,739,601.91

COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

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

Items of Non-recurring Profit or Loss	Amount for 2019	Amount for 2018	Amount for 2017
Profit or loss from disposal of non-current assets	72,877,615.38	32,142,369.14	16,950,674.48
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)	147,243,541.58	195,377,227.14	148,289,356.84
Gains/(losses) of debt reorganization	2,912,770.10	-602,613.38	136,707,204.50
Net gains and loss of the subsidiaries arising from the merger of enterprises under the common control from the beginning of the period to the date of merger	/	63,301,136.44	396,471,738.34
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
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	-126,073,198.44	70,401,670.53	/
Reversal of impairment provision on receivable individually conducted impairment test	/	/	190,736,951.50
Reversal for impairment provision for receivables and contract assets individually conducted impairment test	245,251,418.68	103,635,036.14	/
Other non-operating income and expenses other than the above mentioned items	-51,831,318.87	-46,884,711.25	-270,531,983.64
Other profit and loss items falling within the definition of non-recurring profit or loss	/	/	/
Impacted amount in non-controlling shareholders' equity	-22,312,268.37	-10,948,370.86	-18,956,747.40
Impacted amount in income tax	-48,371,777.47	-59,893,324.29	-36,817,500.84
Total	219,696,782.59	346,528,419.61	565,500,402.38

COMPANY PROFILE AND MAJOR FINANCIAL INDICES (CONTINUED)

IX. ITEMS AT FAIR VALUE MEASUREMENT

Unit: Yuan Currency: RMB

Item	Opening Balance	Closing Balance	Changes during the periods	Impact amount of the current profit
Held for trading financial assets	3,122,839,818.04	1,606,664,199.35	-1,516,175,618.69	-126,073,198.44
Other equity instrument investments	4,989,859.48	4,889,859.48	-100,000.00	0.00
Total	3,127,829,677.52	1,611,554,058.83	-1,516,275,618.69	-126,073,198.44



BUSINESS OVERVIEW

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

The Company is engaged in energy equipment manufacturing industry. By following the development philosophy of “Innovation, Harmony, Greenness, Openness and Sharing”(創新、協調、綠色、開放、共享) and adhering to the objective of “to create value and to enjoy fruits together (共創價值、共享成功)”, the Company vigorously develops the industries of clean and efficient energy and renewable energy, committed to becoming a world leading manufacturer of energy and equipment and service provider with international competitiveness, and to supplying its customers with large-scale power generation equipment such as hydropower, thermal power, nuclear power, wind power, steam power, and solar power generation and engineering contracting and services. There were no material changes in our principal business during the Reporting Period. The Company's main products include 50,000–1.0 million kilowatt-class hydropower units, 50,000–1.35 million kilowatt-class thermal power generating units, 1–1.75 million kilowatt-class nuclear power units, heavy-duty gas turbine equipment, 1.5–10 megawatt-class wind power equipment and large chemical containers, environmental protection and water treatment equipment, power electronics and control system, new energy batteries and energy storage system and intelligent equipment. The Company has created a product structure where six power generations, namely “hydropower, thermal power, nuclear power, wind power, steam power, and solar thermal power generation” are simultaneously developed in a coordinated way.

The Company is mainly engaged in development, designing, manufacturing and selling large, advanced sets of equipment for the generation of hydropower, thermal power, nuclear power, wind power, steam power and solar thermal. The Company is also engaged in such related business as providing global energy 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 the world, the Company's production volume of power generation equipment stood first places for consecutive years. With its power generation equipment and service business covering nearly 80 countries and regions, the Company is highly competitive and influential in the field of power generation equipment.

With declined growth rate of global economy and increased uncertainties, the development of the power industry experienced intensified transformation and entered an accelerated adjustment stage. Changes in the power supply and demand have led to accelerated changes in the industry's growth. Factors such as environmental protection and technological progress in renewable energy triggered the accelerated adjustment of the power mix, which brought new requirements and new challenges to the transformation and upgrading of the equipment manufacturing industry. The Company proactively responded to changes in the situation and accelerated the adjustment of industrial structure, so as to maintain a good development momentum of steady growth in operating results.

II. MATERIAL CHANGES IN MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

There were no material changes in the Company's major assets during the Reporting Period.

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

As one of the largest Research and Development (R&D) and manufacturing bases of power generation equipment and one of the mega enterprises for power-plant project contracting in the world, the Company boasts strong international competitiveness, especially in technology, brand and manufacturing capability, in terms of the following aspects:

1. Possessing excellent product technology and innovative capability. The Company has proprietary technologies for the R&D, design and manufacture of power generation equipment such as 50,000 -1 million KW hydropower units, 50,000-1.35 million KW thermal power generating units, 1-1.75 million KW nuclear power units, 1.5-10 MW-level wind power units, heavy-duty gas turbine units and solar thermal; the Company received the special prize of the National Science and Technology Progress Award for the Yangtze River Three Gorges Hub Project, completed the development of the world 's first million kilowatt hydropower turbine, which made us first master the core technology of million kilowatt-class hydropower units; we received the first prize and second prize of the National Science and Technology Progress Award for the R&D and demonstration project of 600MW supercritical CFB boiler technology and the key technology and application project of steam turbine series vibration damping blade design, respectively, completed the construction design of 630 °C million kilowatt ultra-supercritical double reheating model unit with the highest parameter in the world, officially initiated the national demonstration project of the CFD unit with largest high-sulfur anthracite coal capacity, the highest parameters and the most advanced overall performance in the world; obtained the first nuclear steam supply system equipment manufacturing license in China, thus the nuclear power equipment design and manufacturing and the project management system has entered a new stage, and the international competitiveness of nuclear power equipment has been improved; successfully commissioned the first self-developed F-class 50 MW heavy-duty gas turbine in China. The Company successively received bulk orders of 4 MW onshore direct-drive wind turbine generator system and 7 MW offshore wind turbine generator system, and successfully rolled out the first 10 MW offshore wind turbine generator system in the Asia-Pacific region with completely independent intellectual property rights. The Company completed technical development of solar thermal and has the ability to supply complete sets of equipment; the Company established an online service platform and Oriental e-Purchasing Spare Parts Mall. In 2019, the Company has 934 R&D personnel with senior technical titles; obtained 692 additional valid patents (including 301 patents for invention), and possessed 2,347 valid patents (including 922 patents for invention) as at the end of 2019.

BUSINESS OVERVIEW (CONTINUED)

2. Possessing comprehensive product structure and service ability. Relying on its 61 years R&D experience, the Company has output power generation equipment of more than 564 million KW and established a six-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 full life-cycle service for power stations. The power station solutions provided by the Company can meet various higher 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, megawatt-class wind power units, E-grade and F-grade heavy-duty gas turbines, as well as large chemical containers, large environmental protection and water treatment equipment, power electronics and control systems, new energy batteries and energy storage systems and intelligent equipment 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.



REPORT OF THE BOARD OF DIRECTORS

I. DISCUSSION AND ANALYSIS OF OPERATIONS

Operation overview during the Reporting Period

In 2019, facing the complicated and severe situation at home and abroad and focusing on the production and operation as well as the transformation and development, the Company has struck a new way under frustrations and hardships, adapted to the changing circumstances swiftly and creatively and kept working hard to give rise to the consolidation and deepening of the positive growth of the innovation and development, which significantly improved operation and enhanced development momentum. In 2019, the Company recorded total profit of RMB1,579 million and total operating income of RMB32,840 million, representing a year-on-year increase of 23.76% and 6.95% respectively; and was awarded new effective contracts of RMB40.18 billion, representing a year-on-year increase of 15.03%. The gearing ratio decreased to 64.52%, reaching the expected annual goal and the best level since the Thirteenth Five-Year Plan.

Breakthroughs on Three Critical Missions

In 2019, the Company continuously 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 recorded great achievements in the mission of the rejuvenation of the wind power industry, recorded operating income of RMB3,561 million with a year-on-year increase of 43.07% and the value of new bidding contracts hit a record over RMB20 billion. Also, the Company entered into large-scale orders, such as the million-KW order in Ulanqab with SPIC and the million-KW order in Hinggan League with CGN, with its market share rising to 10% from 3% in 2018. Significant progresses were recorded in the research and development of new wind power products. The first 4MW module in China was successfully put into mass production and operation with leading performance among the peers. Types of products with advanced performance such as 3MW direct-drive modules have been successfully commissioned, laying a solid foundation for the market expansion. The new bidding products in the market accounted for over 70% in 2019. The Company recorded progressive achievement in the mission of expanding modern manufacturing service business, and the power station service business has comprehensively reached the annual goal, realizing new effective contracts of RMB5.55 billion. Leveraging on the integration of the trading and logistic resources and continuous enhancement of the capacity in financial services business, all service industry platforms got constant improvement, and modern manufacturing services including power plant services, logistics services and financial services recorded operating income of RMB3,876 million in the year, representing a year-on-year increase of 13.87%. The mission of the strengthening of international business was carried forward in a stable manner, which further strengthened the arrangement and management for the international businesses; the direct and indirect foreign trading business both ran smoothly. Also, we were awarded the first oversea order of solid waste gasification and power generation, making breakthroughs in the industry.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

Market expansion efforts continue to increase

In 2019, the domestic electricity mix continued to evolve, with demand for coal-fired power continuing to decline, demand for hydropower decreasing slightly, demand for nuclear power and gas-fired power rising modestly but steadily, while demand for wind power rising significantly. The Company seized opportunities by deepening its presence in key markets, receiving RMB40.184 billion of new orders throughout the year, among which export projects amounted to USD306 million, accounted for 5.39%. Equipment used to capture energy from clean energy sources efficiently accounted for 34% of the new orders, equipment used to capture energy from renewable energy sources accounted for 23%, engineering and trade accounted for 10%, modern manufacturing services accounted for 14%, and emerging growth business accounted for 19%. As of the end of 2019, the Company had RMB83.478 billion of orders in hand, of which equipment used to capture energy from clean energy sources efficiently accounted for 60.7%, equipment used to capture energy from renewable energy sources accounted for 20.5%, engineering and trade accounted for 5%, modern manufacturing services accounted for 3%, and emerging growth business accounted for 10.8%. Of the orders in hand, export projects accounted for approximately 10.3%.

In terms of thermal power, the Company's market share of large and medium-sized thermal power continues to lead the domestic market, acquiring mechanical and electrical equipment from the SIGC Qingshuichuan (陝投清水川) $2 \times 1,000$ MW project, and boiler equipment from the Huadian Pingjiang $2 \times 1,000$ MW project, and taking a lead in China for million-kilowatt-class units. For small and medium-sized units, the accumulated orders have exceeded RMB5 billion. In terms of nuclear power, we obtained the first nuclear steam supply system equipment manufacturing license in China, becoming the first domestic equipment manufacturing group qualified for supplying complete sets of nuclear steam supply system equipment, and obtained a Equipment Supply Contract for supplying equipment to the steam turbine generator project of Cangnan Nuclear Power. Our market share for nuclear power equipment was over 35%. In terms of gas power, the market share of F-class gas turbines continued to maintain its leading position in the industry, and won the projects such as the second phase of Dongguan Zhongtang Gas Cogeneration Project (東莞市中堂燃氣熱電聯產項目二期工程). In terms of wind power, the domestic market share was 10%, achieving significant breakthrough in the onshore and offshore markets, and was awarded new effective contracts of RMB6,016 million with cumulative bid amount exceeded RMB20 billion. In terms of service industry, orders taking effect maintained a rapid growth, reaching RMB5.5 billion, and we were awarded the first 1,000 MW ultra-supercritical unit in China that undergoes flow-through reconstruct, i.e. Huadian Zouxian large scale through-flow reconstruct project (華電鄒縣大型通流改造項目). In terms of overseas markets, we won a series of major projects along the Belt and Road. In terms of hydrogen energy, batch orders for 90 fuel cell engines have been successfully delivered. The growing industry has achieved new development, and the operating income of energy-saving and environmental protection industries and the new effective contracts have achieved substantial growth.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

The development of new industry is accelerating

The hydrogen energy business continued to exert its strength. The first batch production line for hydrogen and fuel cell in the western China has been successfully put into operation. The development of hydrogen-powered intercity buses and logistics vehicle prototypes has been completed. The 1st Chengdu International Hydrogen and Fuel Cell Industry Conference has been successfully held with constant improvement of industry influence. The industrialization of new technologies is accelerating, and the energy storage industry is about to commence its development. The energy storage demonstration system of the Jiuquan photovoltaic power station was in the good operation, and we are promoting the technological research of industrialization of 10MW energy storage system and achieved good development in the sectors such as intelligent manufacturing, 5G technology application and smart power plants. The holding companies achieved the remarkable results in implementing the goal of “refining the main business operations and developing new business operations”. The Dongfang Electric’s first batch of 300Mvar phase modifier, Dongfang Steam Turbine’s reheating waste-to-energy steam turbine with the highest parameters in the world, and Dongfang Boiler’s first coal-fired million-KW boiler were successfully put into operation with excellent indicators.

Innovation-driven efforts continue to increase

Breakthroughs have been made in key core technologies for major equipment. A number of major scientific and technological projects have achieved major results, such as the first domestic F-class 50MW heavy-duty gas turbine, the Baihetan 1,000MW hydropower units with the world’s No.1 unit capacity, the Changlongshan superhigh water head pumped-storage unit, the million-KW 630℃ modules with ultra-supercritical double reheat features, and the 10MW offshore wind turbine with the No.1 unit capacity in Asia-Pacific. New batches of major scientific and technological projects have been steadily advancing, such as integrated cleaning and efficient treatment systems for municipal solid waste. We also took the lead in the establishment of the first industrial control network security engineering laboratory in the energy equipment field of China, actively created new opportunities for development and laid a solid foundation for achieving the industry development goal of “refining the main business operations and developing new business operations”. The Company has a clearer direction in building core competitiveness though taking the initiative to comprehensively sort out the key technologies under stranglehold, and formulated and implemented the plan tackling the short slab of key technologies in 2019-2021 to identify tasks and responsibilities one by one, and make every effort to seek breakthroughs.

More efforts in deepening reform

The Company continuously optimized the mechanism of the principals of emerging industry development, and added momentum to the innovative development of emerging industries. The Company completed the Restricted A Share Incentive Scheme to achieve the outset of mid-and-long term incentive; further emphasized the “performance-based and responsibility-oriented” remuneration mechanism, achieved the better aligning the remuneration of leaders and key employees with results growth of the Company. The Company promoted the deepening of the reform of the labor employment system in an all-round way, and implemented market-oriented selection and contractual management of managerial personnel in some companies, thereby continuously stimulating the vitality of its staff, and increasing the labor productivity per capita by 3% over the previous year.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

Continued improvement in business management level

With the goal of improving the level of operation and management, the Company enhanced comprehensive budget management and formed a good working approach of standardized budget system, systematic budget process and dynamic budget control. With the goal of improving the quality level, the Company continued to strengthen the development of quality culture and quality system, promote quality improvement, and strengthen experience feedback. In 2019, the Company's overall quality goals was under control. With the goal of improving management efficiency, the Company extended the pilot lean management to the whole company. With the goal of preventing major risks, the Company strengthened contract risk management and overseas risk prevention, strengthened management of major projects, and maintained the bottom line of preventing material risks.

II. KEY OPERATION INDICATORS DURING THE REPORTING PERIOD

During the Reporting Period, in accordance with the China Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB32,840 million; net profit attributable to the shareholders of the Company of RMB1,278 million, representing an increase of 13.19% as compared with the corresponding period last year; net profit attributable to the shareholders of the Company after non-recurring profit or loss amounted to RMB1,058 million, representing an increase of 35.24% year-on-year; achieved earnings per share of RMB0.41; and gross profit margin of 23.81%, representing an increase of 0.81 percentage point 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:

Shares held during the Reporting Period incurred losses from changes in fair value of RMB126 million, which were deducted as items of non-recurring profit or loss, led to the increase of RMB126 million in profit after non-recurring profit or loss. Shares held during the last year incurred gains from changes in fair value of RMB70 million, which were deducted as items of non-recurring profit or loss, led to the decrease of RMB70 million in profit after non-recurring profit or loss.

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

Item	Amount for current period	Amount for last period	Change (%)
Total operating income	32,840,321,080.22	30,706,145,358.82	6.95
Operating income	31,777,585,757.68	29,729,655,571.73	6.89
Operating costs	24,938,437,889.53	23,568,286,522.07	5.81
Selling expenses	1,308,499,758.09	1,357,972,140.61	-3.64
Administrative expenses	2,380,523,760.63	2,501,402,084.71	-4.83
R&D expenditure	1,888,388,724.59	1,689,014,827.23	11.80
Finance cost	-139,659,690.99	-380,542,905.59	N/A
Net cash flows from operating activities	202,244,625.11	-551,780,305.01	N/A
Net cash flows from investing activities	1,370,233,737.29	-425,086,996.58	N/A
Net cash flows from financing activities	-104,540,674.57	-1,253,630,591.83	N/A

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) Operations by industry, product and region

Unit: Yuan Currency: RMB

By industry

Industry	Total operating revenue	Operating costs/ interest expenses/ fee and commission expenses	Gross profit margin (%)	Year-on-year increase/ decrease in operating revenue (%)	Year-on-year increase/ decrease in operating costs (%)	Year-on-year increase/ decrease in gross profit margin (%)
Power generation equipment manufacturing industry	32,840,321,080.22	25,020,101,310.10	23.81	6.95	5.82	Increased 0.81 percentage point

By product

Product	Total operating revenue	Operating costs/ interest expenses/ fee and commission expenses	Gross profit margin (%)	Year-on-year increase/ decrease in operating revenue (%)	Year-on-year increase/ decrease in operating costs (%)	Year-on-year increase/ decrease in gross profit margin (%)
High-efficient clean energy equipment	15,511,358,033.23	11,726,910,995.01	24.40	-9.18	-14.08	Increased 4.31 percentage points
Renewable energy equipment	5,921,352,862.59	5,210,972,278.36	12.00	47.72	48.11	Decreased 0.23 percentage point
Engineering and trade	4,430,612,539.73	3,528,160,166.08	20.37	27.28	22.50	Increased 3.11 percentage points
Modern manufacturing services business	3,876,251,271.37	1,881,715,167.81	51.46	13.87	24.08	Decreased 3.99 percentage points
Emerging growth business	3,100,746,373.30	2,672,342,702.84	13.82	13.40	28.40	Decreased 10.06 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) Operations by industry, product and region (continued)

By region

Region	Total operating revenue	Operating costs/ interest expenses/ fee and commission expenses	Gross profit margin (%)	Year-on-year increase/ decrease in operating revenue (%)	Year-on-year increase/ decrease in operating costs (%)	Year-on-year increase/ decrease in gross profit margin (%)
Domestic	28,519,300,050.31	21,024,317,764.96	26.28	15.12	12.08	Increased 2.00 percentage points
Overseas	4,321,021,029.91	3,995,783,545.14	7.53	-27.18	-18.22	Decreased 10.13 percentage points

Description of operations by industry, product and region

- (1) During the year, the Company continued to speed up its structural adjustment, and total operating revenue increased by 6.95% comparing with last year. Revenue generated from other segments increased year-on-year except for the segment of high-efficient clean energy equipment.
- (2) Renewable energy equipment revenue increased by 47.72% year on year, primarily attributable to the hydropower products revenue increased by 62.41% year-on-year and wind power products revenue increased by 43.07% year on year.
- (3) Engineering and trade revenue increased by 27.28% year-on-year.

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) Capacity and sales analysis table

Major products	Capacity MW	Sales MW	Inventory MW	Capacity increase/ (decrease) from the previous year (%)	Sales increase/ (decrease) from the previous year (%)	Inventory increase/ (decrease) from the previous year (%)
Hydro-generating Unit	4,124	1,715	3,662	176.27	(2.02)	192.02
Steam turbine generators	13,960	17,270	12,810	(32.68)	(17.39)	(20.53)
Wind power units	1,003	948	213	87.73	95.76	34.92
Power station steam turbines	15,272	13,025	13,061	(34.54)	(56.53)	20.77
Power station boilers	15,051	15,051	0	(29.4)	(29.4)	0

Details of the production and sales

In 2019, the progress of coal-fired power, hydropower, nuclear power and gas turbine projects slowed down. As a result, the output schedule was delayed, and the Company's production failed to meet the annual plan. This further affected the completion of the annual targets including the power generation equipment output and the operating revenue.

(3) Cost analysis

Unit: 0'000 yuan Currency: RMB

By industry

Industry	Cost composition	Amount for current period	Percentage in total costs for current period (%)	Amount for the corresponding period last year	Percentage in total costs the corresponding period last year (%)	Year-on-year increase/ (decrease) (%)	Remark
Power generation equipment manufacturing	Raw materials	1,996,591.26	79.80	1,812,875.27	76.68	10.13	
Power generation equipment manufacturing	Labour costs	97,065.95	3.88	93,981.12	3.97	3.28	
Power generation equipment manufacturing	Other costs	408,352.93	16.32	457,582.34	19.35	(10.76)	

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)

Unit: 0'000 yuan Currency: RMB

By product

Product	Cost composition	Amount for current period	Percentage in total costs for current period (%)	Amount for the corresponding period last year	Percentage in total costs the corresponding period last year (%)	Year-on-year increase/ (decrease) (%)	Remark
Clean high-efficiency energy equipment	Raw materials	970,585.22	82.76	1,105,449.54	81.00	(12.20)	
Clean high-efficiency energy equipment	Labour costs	52,632.93	4.49	56,507.83	4.14	(6.86)	
Clean high-efficiency energy equipment	Other costs	149,472.95	12.75	202,855.00	14.86	(26.32)	
Renewable energy equipment	Raw materials	382,934.97	73.49	246,901.44	70.18	55.10	
Renewable energy equipment	Labour costs	23,892.97	4.59	16,855.03	4.79	41.76	
Renewable energy equipment	Other costs	114,269.29	21.92	88,073.52	25.03	29.74	
Engineering and trade	Raw materials	311,649.62	88.33	220,981.62	76.72	41.03	
Engineering and trade	Labour costs	2,406.15	0.68	4,462.00	1.55	-46.07	
Engineering and trade	Other costs	38,760.25	10.99	62,575.00	21.73	-38.06	
Modern manufacturing service business	Raw materials	94,315.42	50.12	63,951.48	42.17	47.48	
Modern manufacturing service business	Labour costs	6,489.79	3.45	5,903.95	3.89	9.92	
Modern manufacturing service business	Other costs	87,366.31	46.43	81,795.30	53.94	6.81	
Emerging growth business	Raw materials	237,106.03	88.72	175,591.19	84.36	35.03	
Emerging growth business	Labour costs	11,644.11	4.36	10,252.31	4.93	13.58	
Emerging growth business	Other costs	18,484.13	6.92	22,283.52	10.71	-17.05	

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 to its top five customers amounted to RMB3,785,126,700, accounting for 11.91% of the total sales for the year, among which, sales to related parties was nil, accounting for 0% of the total sales for the year.

The Company's procurement from its top five suppliers amounted to RMB2,583,373,700, accounting for 10.36% of the total procurement for the year, among which, the procurement from related parties was RMB733,929,900, representing 2.94% of the total procurement for the year.

To the best knowledge of the Directors, none of the Directors and Supervisors or their close associates, or Shareholders who owned more than 5% of the Company's issued share capital, had any beneficial interest in any of the Group's five largest customers or five largest suppliers during the Reporting Period.

3. Expenses

Unit: yuan Currency: RMB

Item	Amount for current period	Amount for last period	Change (%)
Selling expenses	1,308,499,758.09	1,357,972,140.61	-3.64
Administrative expenses	2,380,523,760.63	2,501,402,084.71	-4.83
R&D expenditure	1,888,388,724.59	1,689,014,827.23	11.80
Finance costs	-139,659,690.99	-380,542,905.59	N/A
Income tax expenses	197,712,209.73	117,204,032.48	68.69

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

(1) *Table of R&D expenditure*

Unit: Yuan Currency: RMB

Expensed R&D expenditure for the reporting period	1,888,388,724.59
Capitalized R&D expenditure for the reporting period	0
Total R&D expenditure	1,888,388,724.59
Percentage of total R&D expenditure over revenue (%)	5.94
Number of R&D staff	4,093
Percentage of R&D staff over the total staff (%)	23.58
Percentage of capitalized R&D expenditure (%)	0

(2) *Remark*

Hydropower

The Company fully implemented the “large hydropower version 3.0” and “pumped storage version 2.0” technology upgrade program. The Company succeeded in developing the first hydropower unit key components in Baihetan Hydropower Station and the first superhigh water head, major diameter pumped storage ball valve in Changlongshan Pumped-Storage Power Station, which set the best record of the “four-zero leakage” test of the main inlet ball valve of the pumped storage unit. The hydroturbine model in Heimifeng Pumped-Storage Power Station, the first domestic pumped storage retrofit project, passed the inspection and acceptance, which successfully addressed the leftover problems of the “9 + 20” structure of foreign units.

Clean and efficient thermal power

The Company maintained the leading positions in the research and development of large-capacity, high-parameter and low-emission thermal power equipment. The key technology research of national power demonstration project for Yuncheng’s 630 ℃ modules with ultra-supercritical double reheat features is progressing smoothly. Guizhou Weihe’s 660MW (parameter: 29.4MPa/605/623 ℃) high-efficiency ultra-supercritical CFB boiler scheme passed the evaluation of external experts.

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)

(2) Remark (continued)

Nuclear power

The Company fully completed the development of the third-generation proprietary technology “Hualong No. 1” nuclear power steam turbine generator unit, and successfully completed the on-site cranking node and condenser vacuum test in the Fuqing No. 5 unit, and successfully completed the test of non-nuclear steam.

Gas turbines

The Company successfully commissioned the test of the F-class 50MW heavy-duty gas turbine with the no-load test reaching the rated rotating speed and running smoothly, which marked the completion of the development of the first domestic heavy-duty gas turbine prototype with proprietary intellectual property rights, and a major breakthrough in the development of domestic heavy-duty gas turbine. In addition, the contract of the inlet 1.5-class test project of the 400MW G/H gas turbine compressor and the first-half stage test project of the 300MW F-class gas turbine compressor with a Chinese heavy-duty gas turbine company came into effect, achieving the transformation of the technical achievements of the gas turbine.

Wind power

The Company continued to accelerate the research and development of new wind power products, with remarkable results. The first domestic 10MW offshore direct-drive unit with the largest power rating and the largest impeller diameter in Asia was successfully rolled off the assembly line. The Company completed the design and development of 3.2sMW and 4.5sMW onshore large-capacity units and the 7MW offshore unit with the largest single-unit capacity in the medium and low wind speed areas in China. The self-developed 4MW unit prototype has obtained type certification and was put into operation in March, and the two direct-drive prototypes of 2.5MW and 3.0/3.2MW units have obtained design certification and achieved first release.

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)

(2) Remark (continued)

Emerging & growth industries

The Company steadily advanced the industrialization of hydrogen fuel cell technology, and completed the construction of a demonstration production line for fuel cell systems, with an annual output of 1,000 sets of systems, and supporting testing centers and hydrogen supply stations putting into operation. In terms of product technology. The Company completed the development and finalization of the room temperature model and low temperature model of VM40 engine, and the development of VM60 engine engineering prototype.

The Company has developed a full range of high-efficiency reheating units in the area of industrial turbine to meet the various needs of users. Among them, the reheating waste-to-energy steam turbines with the highest parameter in the world have been successfully put into operation. The Company successfully developed the self-developed 24MW6000r/min pipeline motor with the largest unit capacity in China with its overall performance reaching the international advanced standard, which has great potential for expansion in the field of energy pipeline transport.

5. Cash flow

Item	Amount for the Year	Amount for the previous year	Change (%)
Cash received from refunds of taxes and surcharges	100,212,853.64	265,367,421.00	-62.24
Cash received from other operating activities	5,527,908,695.44	3,427,343,790.94	61.29
Cash received from returns on investments	259,368,343.88	162,676,258.15	59.44
Net cash from disposal of fixed assets, intangible assets and other long-term assets	10,152,002.58	24,385,417.26	-58.37
Cash paid for purchase of fixed assets, intangible assets and other long-term assets	642,236,879.74	184,988,467.66	247.18
Cash paid for investment	876,647,776.59	3,307,133,584.95	-73.49
Cash paid for other investment activities	86,617,620.30	7,832,015.87	1,005.94
Cash from absorption of Investment	392,324,954.48	49,500,000.00	692.58
Cash received from borrowings	201,650,000.00	469,670,700.00	-57.07
Cash paid for repayment of loans	259,203,634.56	797,174,810.00	-67.48
Dividends paid, profit distributed or interest paid	416,840,612.55	63,718,740.48	554.19

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)

5.1 Cash flows from operating activities

During the year, the Group had cash inflows generated from operating activities of RMB36,437 million (2018: RMB35,956 million), representing an increase of 1.34% year-on-year, which was mainly due to cash received for sales of products of RMB30,551 million (2018:29,596 million), representing an increase of 3.23% as compared with last year.

On the other hand, the Group had other cash received from operating activities of RMB5,528 million (2018: RMB3,427 million), representing an increase of 61.29% year-on-year, which was mainly due to the recovery of interbank deposit receipts at maturity during the year.

During the year, cash outflows generated from operating activities amounted to RMB36,235 million (2018: RMB36,508 million), representing a decrease of 0.75% year-on-year.

Net cash flows from operating activities amounted to RMB202 million (2018: RMB-552 million), representing an increase of RMB754 million year-on-year.

5.2 Cash flows from investing activities

During the year, net cash flows from investing activities amounted to RMB1,370 million (2018: RMB-425 million).

During the year, the Group had cash inflows generated from investing activities of RMB2,976 million (2018: RMB3,075 million), representing a decrease of 3.22% year-on-year, mainly due to the cash received from disposal of investments of RMB2,706 million (2018: RMB2,888 million), representing a decrease of 6.29% year-on-year.

Under the circumstance that the Group has increased cash received from return on investments, the above-mentioned impacts were mitigated. During the year, the Group had cash received from return on investments of RMB259 million (2018: RMB163 million), representing an increase of 59.44% as compared with the same period of last year, primarily due to dividends received from joint ventures and associates increased year-on-year.

During the year, the increase in net cash flows from investing activities was mainly due to the increase in purchase of fixed assets, intangible assets and other assets and decrease in cash paid for investment.

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)

5.2 Cash flows from investing activities (continued)

Cash paid for investment amounted to RMB877 million (2018: RMB3,307 million), representing a decrease of 73.49% year-on-year, mainly due to the decrease in purchase of investment products by DEC Finance, a non-wholly owned subsidiary of the Company. On the other hand, cash paid for purchase of fixed assets, intangible assets and other assets increased from RMB185 million of last year to RMB642 million this year, representing an increase of 247.18% year-on-year, mainly due to the increase in construction of intelligently manufactured digital workshops on this year.

5.3 Cash flows from financing activities

During the year, the Group had net cash flows generated from financing activities of RMB-105 million (2018: RMB-1,254 million), representing an increase of RMB1,149 million year-on-year.

During the year, the Group had cash paid for repayment of debts of RMB259 million (2018: RMB797 million), representing a decrease of 67.48% year-on-year.

During the year, the Group had dividends paid, profit distributed or interest paid of RMB417 million (2018: RMB64 million), representing an increase of 554.19% year-on-year, primarily due to the payment of cash dividends for 2018 in this year.

The foregoing led to the significant decrease in outflows from financing activities. The Group had cash outflows from financing activities of RMB699 million (2018: RMB1,806 million), representing a decrease of 61.33% year-on-year.

During the year, the Group had cash received from financing activities of RMB392 million (2018: RMB50 million), representing an increase of 692.58% year-on-year, primarily due to amounts received from purchase of restricted shares by employees on this year and increase of financing activities conducted by subsidiaries. On the other hand, the Group had received cash from borrowings of RMB202 million (2018: RMB470 million), representing a decrease of 57.07% year-on-year. In relation to the details of the grant of the Restricted Shares of the Restricted A Share Incentive Scheme in 2019, please refer to the Company's announcements dated 5 September 2019, 27 September 2019, 1 November 2019, 8 November 2019, 20 November 2019, 22 November 2019 and 9 January 2020, respectively and the circular dated 1 November 2019.

The foregoing led to the increase of cash inflows generated from financing activities of the Group. During the year, cash inflows generated from financing activities amounted to RMB594 million (2018: RMB553 million), representing an increase of 7.50% year-on-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

Unit: Yuan Currency: RMB

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
Funds for lending	469,762,000.00	0.52	300,000,000.00	0.33	56.59	
Held-for-trading financial assets	1,606,664,199.35	1.79	3,122,839,818.04	3.42	-48.55	Primarily due to the decrease in purchase of wealth management products and assets management products by DEC Finance
Notes receivable	1,518,715,778.12	1.69	5,109,357,725.63	5.59	-70.28	
Accounts receivable financing	1,816,408,795.25	2.03	0	/	/	The classification of notes receivable managed under the business model for the collection of contractual cash flow and held both for sale and transfer into financial assets measured at fair value through other comprehensive income

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)

Unit: Yuan Currency: RMB

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
Prepayments	2,467,333,662.69	2.75	1,913,342,742.55	2.10	28.95	
Other receivable	989,033,924.05	1.10	535,465,160.58	0.59	84.71	Increase of interests receivable and advance payment
Financial assets purchased under resale agreements	2,490,000,000.00	2.78	1,744,127,000.00	1.91	42.76	
Non-current assets due within one year	0	/	396,500,000.00	0.43	-100.00	Decrease of loans and advances due within one year
Other current assets	913,567,655.40	1.02	470,439,698.83	0.52	94.19	Mainly due to the decrease of pre-paid taxes and tax credits, short-term loans and discounted assets
Loans and advances	1,025,152,847.76	1.14	430,663,941.00	0.47	138.04	
Long-term receivables	390,738,271.80	0.44	13,775,453.41	0.02	2,736.48	Increase of finance lease receivables
Short-term Loans	13,850,000.00	0.02	245,566,000.00	0.27	-94.36	Repayment of loans during the Reporting Period
Taxes payable	261,045,191.58	0.29	461,097,975.94	0.50	-43.39	
Non-current liabilities due within one year	154,232,008.74	0.17	16,320,000.00	0.02	845.05	Mainly due to the increase of lease liabilities due within one year
Long-term borrowings	627,019,323.12	0.70	462,864,840.00	0.51	35.46	Increase in credit borrowings
Long-term payables	9,600,357.51	0.01	26,340,460.52	0.03	-63.55	

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(II) Analysis on assets and liabilities (continued)

2. Restrictions on main assets as of the end of the Reporting

6. Among cash and cash equivalents of the Company for the end of the year, restricted cash and cash equivalents totaled RMB2,007,359,024.17, mainly represented deposits in the central bank, statutory deposit reserve, etc.
 - (1) At the end of the year, the net intangible assets amounted to RMB584,699,088.00 used for pledge or guarantee for borrowing of the Company.
 - (2) Net long-term equity investment used for guarantee of the Company at the end of the year amounted to RMB88,152,632.79.
7. The gearing ratio decreased to 64.52%, reaching the expected annual goal and the best level since the Thirteenth Five-Year Plan.

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

8. Details of contingent liabilities are set out in Contingencies in Note 12 to the Financial Statements.

(III) Analysis on industry operation information

Since 2020, affected by the novel coronavirus (COVID-19) outbreak, the uncertain factors in the international situation and the macro environment further increased and the downward pressure on the domestic economy continued to increase. However, China's economic and social development still has many favorable conditions and positive factors, and maintained the general trend of steady, positive growth and long-term improvement.

Firstly, the complicated macroeconomic situation. From the international perspective, the world economy is still in the period of deep adjustment after the international financial crisis with coexistence of long-term contradictions and short-term problems, interaction between structural factors and cyclical factors and interrelation between economic issues and political issues, coupling with the global spread of COVID-19, significant fluctuations in crude oil prices, accumulation of economic and financial risks, international concerns about 2020 economic trends further raise. From the domestic perspective, China is in the key period of transforming the development mode, optimizing the economic structure, and converting the growth driving force with coexistence of structural, institutional and cyclical issues. The impact of the "Three-phase Superposition" continues to deepen. The recent outbreak of COVID-19 results in the interruption in circulation of personnel and materials, increased difficulties in the business operation, and thus increased downward pressure on the economy.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(III) Analysis on industry operation information (continued)

Secondly, the intensified transformation of the energy industry. From the perspective of power supply and demand, although the growth rate of power consumption continues to decline, it still maintains a certain growth. The National Energy Work Conference stated that the electricity consumption of the whole society is expected to increase by approximately 4.2% year-on-year in 2020, and the growth rate will further decrease. Meanwhile, China is in the period of the middle and late stages of industrialization and rapid urbanization, the per capita electricity consumption has not reached a peak level. Improving the level of electrification and replacement of electrical energy is still the trend of development, thus the future demand for electricity will continue to grow. From the perspective of energy structure adjustment, the positioning of coal power in the system will gradually change from the electric-quantity power supply to the electric-quantity and electric-power regulated power supply. The total installed capacity in China is expected to reach 2.1 billion kilowatts in 2020, of which the installed capacity of coal-fired power will be kept below 1.1 billion kilowatts. The Company will take the wind power and photovoltaics as its main development directions in the future by increasing efforts in competitive allocation and emphasizing more on orderly development, and will usher in the era of unsubsidized and equal-price grid-connection. The power system reform with market-oriented trading as the core will be further promoted.

Thirdly, the coexistence of opportunities and challenges in the equipment manufacturing. On the one hand, the Company has rare policy opportunities. According to the Central Economic Work Conference in this year, more resource elements shall be concentrated to the real economy by improving the basic industrial capacity and industrial chain level; the level of manufacturing development shall be vigorously improved by promoting the development of the advanced manufacturing, building a group of advanced manufacturing clusters with international competitiveness, and increasing the support for leading manufacturers; the industrial Internet shall be developed by implementing intelligent manufacturing program and digital transformation of manufacturing; manufacturing costs shall be reduced by cutting taxes and administrative fees in the manufacturing sector. On the other hand, the Company faces the challenges brought about by changes in market demand. In the context of the prevailing of protectionism and unilateralism, the localized substitution demand in the high-end manufacturing industry will further increase, which places higher requirements on the technological upgrading; the trend of equipment manufacturing shifting from single equipment supply to integrated system solutions becomes more obvious, which places higher requirements on the depth of “integration of IT application and industrialization” and “integration of advanced manufacturing and modern service industry”; the competition within the industry will intensify as the traditional market space shrinks further, which places higher requirements on market development capabilities.

With the innovative development since the “13th Five-Year Plan”, the Company’s overall strength has continued to grow, its development foundation has become increasingly strong, its transformation and upgrading have been steadily promoted, its competitiveness has been continuously enhanced, and its development quality has been steadily improved.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(IV) Analysis of investment

1. Overall analysis on external equity investment

During the reporting period, the Company and its subsidiaries including Dongfang Steam Turbine and Dongfang Electric Machinery, as three shareholders, contributed capital of RMB1.0 billion toward Dongfang Electric Wind Power Co., Ltd. at a same percentage, mainly for the purpose of increasing the investment in R&D and layout of manufacturing bases in Shandong, Fujian and Inner Mongolia, so as to improve our manufacturing capacity of onshore large-capacity wind turbines and offshore wind power equipment.

(1) *Significant equity investment*

During the reporting period, the Company and its subsidiaries had no significant equity investment.

(2) *Significant non-equity investment*

During the reporting period, the Company and its subsidiaries had no significant non-equity investment.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

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

(IV) Analysis of investment (continued)

1. Overall analysis on external equity investment (continued)

(4) Financial assets at fair value measurement

Currency: RMB

No.	Type	Stock code	Company name	Investment cost (RMB'000)	Balance at the beginning of the period (RMB'000)	Amount at the end of the period (RMB'000)	Profit or Loss in the Reporting Period (RMB'000)
1	Stock	SH:600011	Huaneng Power International, Inc.	53,073.26	58,403.83	44,158.99	-13,425.44
2	Stock	SH:601179	China XD Electric Co., Ltd.	1,010.77	486.19	526.71	53.10
3	Stock	SZ:000883	Hubei Energy Group Co., Ltd.	189.79	104.74	119.01	20.26
4	Stock	SH:600030	CITIC Securities Company Limited	630.98	600.21	948.50	376.40
Total				54,904.80	59,594.97	45,753.21	-12,975.68

(V) Analysis of major controlling subsidiaries and investees

Currency: RMB

Subsidiary name	Closing balance(100 million yuan)					
	Current assets	Non-current assets	Total assets	Current liabilities	Non- current liabilities	Total liabilities
DEC Dongfang Steam Turbine Co., Ltd.	172.74	60.95	233.69	165.74	9.26	175.00
DEC Dongfang Boiler Group Co., Ltd.	176.54	30.42	206.96	105.40	34.92	140.32
DEC Dongfang Electric Machinery Co., Ltd.	135.19	24.57	159.76	91.37	12.17	103.54
Dongfang Electric Finance Co., Ltd.	330.83	54.07	384.90	352.70	0.14	352.84
Dongfang Electric Wind Power Co., Ltd.	66.27	17.63	83.9	61.61	7.92	69.53
DEC International Cooperation Limited	47.82	9.37	57.19	25.96	13.26	39.22
Dongfang Electric Automatic Control Engineering Co., Ltd.	17.35	4.26	21.61	12.42	0.41	12.83

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

(I) Structure and Trend of the Industry

The Company belongs to the energy equipment industry. The 19th CPC National Congress proposed that we should vigorously promote energy consumption revolution, energy supply revolution, energy technology revolution and energy system revolution and emphasized the need for strengthening all-round international cooperation in order to achieve energy security in open conditions. 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%. 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 2019, China's total installed generating capacity reached 2 billion KW, reaching the target stipulated in the 13th Five-Year Plan a year ahead.

Changes in the energy industry were intensified. The growth rate of demand for electricity consumption continued to decline to a moderate level, however, the per capita electricity consumption in China has not reached a high level. In the future, the electricity demand will continue to increase with the rise of urbanization rate and the replacement of electric power. The change of power supply structure is inevitable, in which coal-fired power will become the alternative, wind power and solar power and other renewable energy will be the future direction, which, leveraging competitive strengths on grid parity without subsidies and combination with energy reserve system, will gain greater development advantages and space. In the face of this trend, our Company must cultivate stronger viability, continue to improve the product research and development level, manufacturing level, service level, to provide users with systematic solutions to occupy a place amid the fierce market competition.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (CONTINUED)

(II) Development strategy of the Company

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will firmly establish and practice the new development concept, adhere to the general tone of seeking progress in stability, and the principle that development is the first priority, talent is the first resource, innovation is the first driving force. We will strive to pursue supply-side structural reform as our main task, and work hard for better quality, higher efficiency with an aim to develop into a world-class enterprise. By further emancipating the mind and seeking higher growth rate, we will continue to implement the “12345” new development strategy with the goal of “refining the main business operations and developing new business operations”, and continue to fight against “Three Critical Missions” to rejuvenate the wind power industry, expand modern manufacturing services, and strengthen international business. We strive to create a good industry development pattern where “six types of energy sources are developed simultaneously and five lines of business are coordinated”. We will unswervingly strengthen, optimize and expand our business, continuously enhance the vitality, core competitiveness, value creation ability and industry influence of the Company, and comprehensively promote the Company’s high-quality development.

(III) Business plan

In 2019, the Company realized a year-on-year increase in total profit and revenue compared with 2018. However, due to the strengthened energy structure adjustment, and the decline in demand for coal-fired power, the capacity of power generating equipment completed during the year was 18.83 million KW. In 2020, the Company will implement the “12345” new development strategy under the development direction of “refining the main business operations and developing new business operations”, and optimize the industry development pattern where “six types of energy sources are developed simultaneously and five lines of business are coordinated”. We will continue to strengthen, optimize and expand our business, ensure growth, promote reform, strengthen innovation, exercise internal strength, and prevent risks, further enhance competitiveness, creativity, control, influence, and ability to resist risks, and promote high-quality development. In 2020, the Company will make all-around efforts to pursue various tasks, accelerate the adjustment and upgrade on industrial structure and achieve the production target of power generating equipment with a total capacity of 20 million KW to achieve steady growth in revenue and continuous improvement in total profit.

Solidly promoting quality and efficiency improvement

In the new era of development of “overcoming challenges, aiming high and looking far”, we will carry out in-depth works of “Three Reduction and Two Improvement” to reduce costs, account receivables and inventories as well as liabilities and to increase the profit margin and improve labor productivity.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (CONTINUED)

(III) Business plan (continued)

“Three Critical Missions” made new achievements

By proactively expanding the markets of import and export, complete plants of industrial equipment, engineering contracting and other fields, we will make our international business stronger, and strengthened the cooperation with internationally renowned companies to jointly develop third-party markets, thereby keeping the profit margin of relevant projects remained at a relatively high level. We will expand the modern manufacturing services, putting forward a full-cycle smart service plan that target smart power plants, strengthened the role of customer service managers, and give full play to the functions of financial services and supply chain services. We revitalized the wind power industry, enhance risk prevention and control when speeding up development to stabilize the developing momentum, and resolutely prevent the technological risks, quality risks and delivery risks of wind power.

Making progress in key projects under the “refining the main business Operations and developing new business operations” strategy

As for refining the main business operations, we will focus on equipment manufacturing and take the high-end areas as our target, comprehensively improving core competitiveness and building up differentiated competitive advantages, with priorities being given to development of the 50MW heavy-duty gas turbines generator and the Baihetan 1,000MW mixed-flow generator and other major technical equipment. As for developing the new business operations, we will innovate business models to strengthen capital operation, and optimize industrial layout and will accelerate the development of new technologies and introduction of new products, by continuously enhancing the development dynamics of emerging growth business, and giving top priorities to the key development projects of four new industry, namely, the chemical equipment industry, environmental protection industry, energy storage industry and hydrogen energy industry.

Further deepening comprehensive reform

We will deepen the reform of the “three systems” to fully stimulate the vitality of the Company. We will do a good job to ensure the launch of comprehensive reform pilots, advancing the reform of the pilot enterprises and enterprises with mixed ownership included in the “Double Hundred Actions” plan. We will push forward the supply-side structural reforms, comprehensively identify inefficient and redundant production links of subsidiaries and seek orderly exit, promoting further optimization of resource allocation.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (CONTINUED)

(III) Business plan (continued)

Further strengthening scientific and technological innovation

We will take steps to achieve breakthroughs in core technologies for key fields, so as to better our service for the overall development of the country. We will conscientiously implement product innovation and optimization projects and continuously improve product performance. We aim to make solid progress in the smart manufacture transformation project, and thus boosting the technological change and optimization and upgrading of production links. We will effectively upgrade scientific and technological innovation mechanisms, thereby constructing collaborative innovation in a more efficient manner.

Make solid effort to level up corporate management

We will accelerate the development of information-based management, integrating information-based human resources throughout the Company, building an independent platform, and establishing a number of independent and controllable company-level management information systems. We made further progress in lean management. By building an evaluation system for lean management and issuing and modifying lean management promotion guidelines and other guidance documents, our aim to further improve our corporate management. With comprehensive budget management as the starting point, we will perfect the management and control system of corporate operations. Greater efforts will be made to bring into effect result orientation, anomalies control and implementation promotion. We will pay closed attention to the dynamic corporate operation, spot abnormal indicators and risks in a timely manner, and supervise and guide the fully implementation of objectives and tasks. We will strengthen our market value management. On the basis of value creation, we made value operation as the core and value realization as the goal, enhancing the interaction between the industry and the finance industry, vigorously manage our market value in a legal and compliant manner. We will make solid progress in quality management, put into effect the effectiveness evaluation of the quality management system, implement quality accountability mechanism, thereby enhancing the quality awareness of all employees. We will strengthen industrial benchmarking, effectively identify quality weakness and earnestly facilitate quality improvement at all levels. As we optimized the statistics analysis of the quality data taken from production process, and collected feedbacks concerning quality experience, the construction of information-based quality management will be augmented. We will resolutely manage safety and environmental protection. Gaining a strong understanding of safety, we will take the safety management system and production safety standards as our focus to guard against and solve all kinds of safety risks. In addition, we will also strengthen source control to advance overall conservation of energy and resources, intensify the investigation of environmental pollution risks and speed up pollution prevention and treatment. And a long-term mechanism for the prevention and control of environmental pollution risks will be established on this regard.

Comprehensively improve market development capabilities

We will enhance market research and planning to improve our market development and overall planning capabilities. We will promote innovation on marketing models to expand market while maintaining the existing market shares. We will manage customer resources as a whole and improve customer management to understand their needs, so as to improve our services.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

III. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT (CONTINUED)

(III) Business plan (continued)

Effectively prevent major risks

On the basis of improving the compliance management system, strengthening internal control supervision and management, and strengthening audit work, the risk prevention and control system is further strengthened. Continuous optimization of the process of identifying and controlling major risks, has helped improve the risk management and control. And the perfected early risk warning system can fully assess the risks of the Company brought by changes in domestic and foreign environments, thus made sure that the management and control measures was in place, and that the bottom line that no major risks was preserved.

(IV) Possible Risks

1. Risks caused by the COVID-19 epidemic

From the beginning of 2020, the pneumonia epidemic caused by the novel coronavirus is becoming more and more severe, which has adversely affected the production and operation of the Company. In response, the Company will fully study and judge the impact of the epidemic, take active and strict measures to scientifically prevent and control the spread of the epidemic, and coordinate the work of prevention and control of the epidemic and the production and operation and reform of the Company as a whole.

2. Risks caused by changes in industrial environment

During the Fourteenth Five-Year Plan period, the hydropower, wind power, and solar power industries will be faced with more competition, and the uncertainty of the power equipment industry will further increase. At the same time, emerging growing industries such as hydrogen energy and offshore wind power will encounter the risk of subsidy reduction. The Company will intensify the research on the industry though compiling the Fourteenth Five-Year Plan to adapt to policy adjustments, seize market opportunities to accelerate the business structure transformation.

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 2019.

(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 2019, please refer to the Chapter VI “Significant Events – VII. Material Contracts and Implementation thereof”.

(IV) Donations

For the year ended 31 December 2019, the aggregated amount of donation made by the Company for charity and other purposes amounted to RMB23,625,900.

(V) Events Subsequent to the Reporting Period

The Company has adopted the Restricted A Share Incentive Scheme for 2019 and granted restricted A shares to the Participants on 22 November 2019. The 27,988,699 Restricted Shares were granted under the First Grant. The Company completed the registration of Restricted Shares under the First Grant at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 7 January 2020.

For details, please refer to the announcements dated 5 September 2019, 27 September 2019, 1 November 2019, 8 November 2019, 20 November 2019, 22 November 2019, and 9 January 2020 and the circular dated on 1 November 2019.

(VI) Share Incentive Scheme

For details of the Share Option Incentives Scheme of the Company during the year, please refer to Chapter VI “Significant Events – V. (I) Descriptions of the Incentive of the Company 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 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” and the objective of “Co-create Value and Share Success”, the Company continues its efforts in the construction of green plant and continuously carries out environmental protection work. The Company strictly abide by environmental protection laws and regulations, and earnestly fulfills its responsibility of environmental protection. The Company strengthens the prevention and control of pollutants at the source, strictly review the energy consumption and pollutant discharge of fixed asset investment projects, and controls the generation and discharge of pollutants from the source. The Company strengthens the maintenance and management of environmental protection equipment and facilities to ensure the effective operation of environmental protection equipment and facilities, and discharge all kinds of pollutants after meeting the standard. The Company strictly implements the environmental impact assessment system of construction projects and implements the “Three Simultaneities” provisions for pollution prevention and control facilities. The Company carries out environmental pollution risk investigation, identifies important environmental pollution sources, investigates environmental protection risk points, supervises and implements rectification measures and risk prevention measures to ensure that environmental pollution risks are controlled.

For details, please refer to the Social Responsibility Report of Dongfang Electric Corporation Limited for 2019 (《東方電氣股份有限公司2019年社會責任報告》) which is published separately from this report.

REPORT OF THE BOARD OF DIRECTORS (CONTINUED)

IV. OTHER EVENTS (CONTINUED)

(XI) Distributable reserves

As at 31 December 2019, the Company's reserves available for distribution, calculated in accordance with the relevant regulations amounted to RMB7,166,790,794.30.

(XII) Deemed Disposal of Subsidiary

Deemed Disposal of Dongshu New Material

On 18 June 2019, Dongfang Electric Corporation ("**DEC**", being the controlling shareholder of the Company) entered into the capital increase agreement with DEC Dongfang Steam Turbine Co., Ltd. ("**Dongfang Turbine Company**"), pursuant to which DEC agreed to make a capital contribution to Sichuan Dongshu New Material Co., Ltd. ("**Dongshu New Material**") in an amount of RMB150 million in cash. After completion of the capital injection, the proportion of shareholders' equity interests in Dongshu New Material of DEC and Dongfang Turbine Company were 52.46% and 47.54%, respectively. The relevant dilution was deemed as a disposal of equity interest in an indirect subsidiary under Rule 14.29 of the Listing Rules.

Dongshu New Material ceased to be an indirect subsidiary of the Company. Upon completion of the capital injection, the assets, liabilities and financial results of such company will no longer be consolidated into the consolidated financial statements of the Company.

(XIII) Compliance with Laws and Regulations

During the year ended 31 December 2019 and up to the date of this report, the Company has complied with the relevant laws and regulations including the Company Law of the People's Republic of China, the Code of Corporate Governance for Listed Companies in China, the Corporate Governance Code and Corporate Governance Report set out in Appendix 14 to the Hong Kong Listing Rules and the Article of Association of the Company 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 Articles of Association and the Rules of Procedure of Supervisory Committee, the Supervisory Committee legally supervised the standardized operation of the Company and the performance of the duties by Directors and senior management personnel, which effectively safeguard the legitimate rights and interests of the Company, employees, shareholders and other stakeholders. The relevant work is hereby reported as follows:

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

(I) Meeting of the Supervisory Committee

In 2019, a total of 10 meetings were convened by the Supervisory Committee. During the Reporting Period, the convening and holding of the meeting were in compliance with relevant laws, regulations, the Articles of Association and the Rules of Procedure of Supervisory Committee. The procedures, resolutions of meeting, information disclosure of meeting resolutions were conducted in strict compliance with the provisions of the Rules of Procedure of Supervisory Committee and Information Disclosure Management Rules.

Details of the meetings are set out as follows:

1. The 5th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 21 January 2019 with attendance by all 3 Supervisors. The Resolution on 2019 Overall Budget was considered and approved at the meeting.
2. The 6th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 27 March 2019 with attendance by all 3 supervisors. The following resolutions were considered and approved at the meeting:
 - (1) the Resolution on the Company's 2018 Annual Report;
 - (2) the Resolution on the Company's 2018 Audited Financial Report;
 - (3) the Resolution on the Company's 2018 Profit Distribution Plan;
 - (4) the Resolution on the 2018 Appraisal Report of Internal Control and the Internal Control Report of the Company;
 - (5) the Resolution on the Annual Special Report on the Placement and Use of the Proceeds of the Company;
 - (6) the Resolution on the Retrospective Adjustment of the Opening Balance in the 2018 financial statements of the Company; and
 - (7) the Resolution on the 2018 Work Report of the Supervisory Committee of the 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)

3. The 7th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 28 April 2019 with attendance by all 3 supervisors. The following resolutions were considered and approved at the meeting:
 - (1) considered and approved the Resolution on the Change of 2019 Accounting Policies of the Company;
 - (2) considered and approved the Resolution on the Company's Unaudited Financial Report for the First Quarter of 2019;
 - (3) considered and approved the Resolution on the Company's 2019 First Quarterly Report; and
 - (4) considered and approved the Resolution on the Company's Key Tasks and Work Plan of Internal Audit in 2019.
4. The 8th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 21 May 2019 with attendance by all 3 Supervisors. The Resolution on Proposed Capital Contribution to Sichuan Dongshu New Material Co., Ltd. and Related Party Transaction was considered and approved at the meeting.
5. The 9th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 29 August 2019 with attendance by all 3 Supervisors. The following resolutions were considered and approved at the meeting:
 - (1) the Resolution on the Change of Accounting Policy of the Company;
 - (2) the Resolution on the Company's 2019 Interim Financial Report;
 - (3) the Resolution on the Company's 2019 Interim Report; and
 - (4) the Resolution on the 2019 Interim Special Report on the Placement and Use of the Proceeds of the 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)

6. The 10th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 5 September 2019 with attendance by all 3 Supervisors. The following resolutions were considered and approved at the meeting:
 - (1) the Resolution regarding the Restricted A Share Incentive Scheme for 2019 (Draft) and its Summary; and
 - (2) the Resolution regarding the Assessment Management Measures for the Incentive Scheme for Restricted A Shares in 2019.
7. The 11th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 17 September 2019 with attendance by all 3 Supervisors. The Resolution on the Change of Use of Portion of Proceeds and Permanent Supplement of Working Capital was considered and approved at the meeting.
8. The 12th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 27 September 2019 with attendance by all 3 Supervisors. The Resolution regarding the Restricted A Share Incentive Scheme for 2019 (Amended Draft) and its Summary was considered and approved at the meeting.
9. The 13th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 25 October 2019 with attendance by all 3 Supervisors. The following resolutions were considered and approved at the meeting:
 - (1) the Resolution on the Company's Financial Report for the Third Quarter of 2019; and
 - (2) the Resolution on the Company's 2019 Third Quarterly Report of the Company.
10. The 14th meeting of the ninth session of the Supervisory Committee was held in Chengdu on 22 November 2019 with attendance by all 3 Supervisors. The Resolution regarding the First Grant of the Restricted Shares to Participants under the Restricted A Share Incentive Scheme for 2019 was considered and approved at the meeting.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

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

(I) The Supervisory Committee's Independent Opinion on Legal Compliance of the Company's operations

During the Reporting Period, the Supervisors attended 6 meetings of the Board of Directors and attended 2 general meetings, and supervised the legal compliance of the Company's operations. The Supervisory Committee considered that the procedures for convening and holding the general meetings and the Board meetings were in compliance with relevant laws, regulations and the relevant provisions of the Articles of Association; the Directors and senior management was capable of strictly implementing the resolutions of the general meeting and the Board meetings and the Supervisory Committee did not notice any violations of national laws and regulations, the Articles of Association and other conducts that undermined the interests of the Company and its shareholders; the preparation procedures of the Company's 2019 annual report conformed to the relevant provisions of laws, regulations and regulatory documents, the information of the reports gave true and complete picture of its actual situation, and did not contain any false statements, misleading representations or material omissions.

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

During the Reporting Period, the Supervisory Committee listened to the financial reporting of the Company on a regular basis and carefully considered the Company's financial reports, and considered that the preparation and approval procedures of the Company's 2019 financial report conformed to the relevant regulations, the standard and unqualified auditor's report issued by BDO China Shu Lun Pan Certified Public Accountants LLP objectively and truly reflected the Company's financial position and operating results.

(III) The Supervisory Committee's Independent Opinions on the Company's Related Party Transactions

During the Reporting Period, the Supervisory Committee diligently supervised the Company's related party transactions, and considered that the company's related party transactions entered into based on the principles of openness, fairness and justice, and in compliance with relevant national laws, regulations, and the Articles of Association. The related party transactions of the Company were fair and reasonable with sufficient information disclosure, and no conducts that undermined the interests of the Company and its shareholders were identified.

(IV) The Supervisory Committee's Independent Opinions on the Internal Control Assessment Report and Internal Control Audit Report for 2019

The Supervisory Committee carefully considered the Company's the Internal Control Assessment Report and Internal Control Audit Report for 2019, and was of the opinion of that the Company had established a relatively sound internal control system which can meet the current management requirements and development needs of the Company and can be effectively executed, and the Internal Control Assessment Report and Internal Control Audit Report of the Company for 2019 truly and objectively reflected the development and operation of the internal control system of the Company.

REPORT OF THE SUPERVISORY COMMITTEE (CONTINUED)

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

(V) The Supervisory Committee's Independent Opinions on 2019 Annual Profit Distribution Plan

The Supervisory Committee carefully considered the 2019 profit distribution plan of the Company and the explanation of relevant opinions on the dividend distribution, and was of the opinion of that the profit distribution plan for 2019 was 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.

(VI) The Supervisory Committee's Independent Opinion on the Placement and Use of Proceeds for the Year

The Supervisory Committee carefully considered the Special Annual Report on the Placement and Use of Proceeds for the Year 2019 and was of the opinion of that 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 placement and use of proceeds, or any damage to the interests of shareholders.

(VII) The Supervisory Committee's Independent Opinion on the First Grant of the Restricted Shares to Participants under the Restricted A Share Incentive Scheme for 2019

The Supervisory Committee reviewed the relevant matters in relation to the first batch of participants, grant date and first grant arrangement under the Restricted A Share Incentive Scheme of the Company for 2019. The Supervisory Committee considered that participants to be granted with restricted shares were legally and validly qualified, the conditions of grant of restricted shares have been satisfied; there were no circumstances where the Company and the participants granted with the restricted share were not allowed to be granted/receive restricted shares, and the conditions of participants to be granted with restricted shares under the Restricted A Share Incentive Scheme have been satisfied; the grant date under the first grant was in compliance with the relevant provisions on the grant date in the Administrative Measures on Share Incentives of Listed Companies and the 2019 Restricted Share Incentive Scheme (Draft Amendment) of the Company. The Supervisory Committee agreed to determine 22 November 2019 as the first grant date to grant 29 million restricted shares to 800 participants.

III. WORK GUIDELINE OF THE SUPERVISORY COMMITTEE IN 2020

In 2020, the Supervisory Committee of the Company will continue to diligently perform its duties in strict accordance with the relevant provisions of the Company Law, the Securities Law, the Articles of Association and the Rules of Procedure of the Supervisory Committee, strengthen the supervision of legal compliance of company's operation, prevent major risks, effectively safeguard the legal rights and interests of the Company and its all shareholders to further improve the governance capability of the Company.

The Supervisory Committee of Dongfang Electric Corporation Limited
26 March 2020

I. PROPOSAL ON ORDINARY SHARE PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE INTO SHARE CAPITAL

(I) Formulation, Execution or Adjustment of Cash 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.

Profit Distribution Scheme for 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.

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 (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.

Profit Distribution Scheme for 2019: Audited by BDO China Shu Lun Pan Certified Public Accountants LLP, the net profit attributable to shareholders of the parent Company is RMB1,277,671,818.13 in 2019; The parent company has procured a net profit of RMB359,018,076.48. The Company proposed to distribute a cash dividend of RMB2.05 (before tax) per 10 shares on the basis of 3,118,792,130 shares of its share capital as at the date of the annual report, totaling payment of a cash dividend of RMB639,352,386.65. The Company did not convert any capital reserve into share capital nor make any bonus issue. The proposal still needs to be submitted to the 2019 annual general meeting for consideration and approval.

SIGNIFICANT EVENTS (CONTINUED)

I. PROPOSAL ON ORDINARY SHARE PROFIT DISTRIBUTION OR CONVERSION OF CAPITAL RESERVE INTO SHARE CAPITAL (CONTINUED)

- (II) 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)	Net profits attributable to shareholders of the Company in the consolidated financial statements for the year	Percentage of dividend to the net profits attributable to shareholders of the Company in the consolidated financial statements (%)
2019	-	-	-	639,352,386.65	1,277,671,818.13	50.04
2018	-	-	-	339,988,377.41	1,128,834,236.51	30.12
2017	-	-	-	-	673,079,118.85	-

II. APPOINTMENT OR DISMISSAL OF THE AUDITOR

Unit: 0'000 Yuan Currency: RMB

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	3

Unit: 0'000 Yuan Currency: RMB

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

SIGNIFICANT EVENTS (CONTINUED)

III. BANKRUPTCY REORGANIZATION

1. Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd was a wholly owned subsidiary established by DEC Dongfang Electric Machinery Co., Ltd., a 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.
2. 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, confirmation of claims, disposal of assets and other work of the above-mentioned enterprises are still in legal process.

IV. SIGNIFICANT LITIGATION OR ARBITRATION EVENTS

During the year, the Company was not involved in any material litigation and arbitration.

At the year end, the contingent liabilities arising from pending litigation or arbitration of the Group included (1) final tax of Indonesia Longwan and Pacitan project; and (2) profit tax of Indonesia branches. For details, please refer to note 12 "Commitments and contingencies-Contingent liabilities arising from pending litigation or pending arbitration" in the financial statements.

V. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF

(I) Descriptions of the Incentives of the Company during the Reporting Period

During the Reporting Period, aiming for "strengthening positive incentives" and "correcting the mismatch of salary resources", the Company promoted new breakthroughs in income distribution reform. The Company restructured the total wage determining mechanism, optimized and adjusted the rules of review of total wages, implemented classified management of total wages among different companies by focusing on the economic benefits, labor cost effectiveness and labor efficiency, and which achieved better balance between enterprise efficiency and resource allocation. The Company explored the diversified salary incentives for scientific research personnel, implemented a total salary filing management system for key research teams, launched special incentives for scientific and technological achievements transformation and government-funded projects, and established special incentive mechanisms for key core technology research. The Company reshaped the remuneration appraisal and distribution system for corporate leaders, improved the incentive and restraint mechanism for corporate leaders, further increased incentives for corporate leaders with excellent performance and taking on responsibilities, and explored the implementation of contractual appointment system of corporate leaders. The Company achieved the outset of mid-and-long term incentives, formulated and published Mid-and-long Term Incentive Management Measures to provide policy support for mid-and-long term incentives.

SIGNIFICANT EVENTS (CONTINUED)

V. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

(I) Descriptions of the Incentives of the Company during the Reporting Period (Continued)

In addition, to further perfect the mid-and-long term incentive and restraint mechanism of the Company, achieve the incentive and restraint on the Directors, senior and middle management and frontline leaders (the participants) of the Company, branches and subsidiaries to more tightly align their interests with the long-term development of the Company, and fully mobilize their enthusiasm and creativity to promote the sustainable and high quality development of the Company. Upon the consideration and approval of the Company's 2019 first extraordinary general meeting, 2019 first A Share class meeting, 2019 first H Share class meeting, and 19th meeting of the ninth session of the Board, the Company implemented the Restricted A Share Incentive Scheme for 2019 (the "Restricted Share Incentive Scheme") on 22 November 2019.

Details of the Incentive Scheme are as follows:

(I) Source and Number

Under the Restricted Share Incentive Scheme, the Company issues A shares to the participants, of which 29,000,000 restricted shares are proposed to be granted under the first grant ("First Grant") and 1,000,000 restricted shares will be reserved ("Reserved Grant").

(II) Participants to be covered

The participants under the Restricted Share Incentive Scheme shall include directors, senior and middle management, and frontline leaders of the Company, its branches and subsidiaries.

(III) Validity Period, Lock-Up Periods and Unlocking Arrangement

The validity period of the Restricted Share Incentive Scheme at the First Grant shall commence on the date of the registration of the restricted shares and end on the date when all the restricted shares which have been granted to the participants are unlocked or repurchased and cancelled, and shall not exceed 72 months.

The lock-up periods of the restricted shares granted under the Restricted Share Incentive Scheme shall be 24 months, 36 months and 48 months from the relevant completion date of registration of the restricted shares under the grant. The restricted shares granted to the participants under the Restricted Share Incentive Scheme shall not be transferred, pledged or used for repayment of debt during the lock-up periods.

After the lock-up periods, the Company will proceed the unlocked arrangement for those participants satisfied the unlocking conditions. For restricted shares held by participants who does not satisfy the unlocking conditions shall be repurchased and cancelled by the Company.

SIGNIFICANT EVENTS (CONTINUED)

V. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

(I) Descriptions of the Incentives of the Company during the Reporting Period (Continued)

(III) Validity Period, Lock-Up Periods and Unlocking Arrangement (Continued)

The unlocking periods and unlocking schedule for the First and Reserved restricted shares granted under the Incentive Scheme are set out in the table below:

Unlocking Period	Unlocking Time	Ratio unlocking
The First Unlocking Period under the First and Reserved Grant	Commencing from the first trading day after expiry of the 24-month period from the date of completion of registration of certain corresponding restricted shares and ending on the last trading day of the 36-month period from the date of completion of registration of certain corresponding restricted shares	1/3
The Second Unlocking Period under the First and Reserved Grant	Commencing from the first trading day after expiry of the 36-month period from the date of completion of registration of certain corresponding restricted shares and ending on the last trading day of the 48-month period from the date of completion of registration of certain corresponding restricted shares	1/3
The Third Unlocking Period under the First and Reserved Grant	Commencing from the first trading day after expiry of the 48-month period from the date of completion of registration of certain corresponding restricted shares and ending on the last trading day of the 60-month period from the date of completion of registration of certain corresponding restricted shares	1/3

For restricted shares held by participants who does not satisfy the unlocking conditions shall be repurchased and cancelled by the Company according to the rules prescribed in the Restricted Share Incentive Scheme. Restricted shares received by participants due to capitalisation issue, bonus issue and share subdivision shall also be subject to lock-up restriction, and shall not be disposed in the secondary market or otherwise transferred until they are unlocked. The unlocking periods of such shares shall be the same as those of the restricted shares. Where the Company repurchases unlocked restricted shares, such shares shall be repurchased and cancelled together with those unlocked restricted shares.

SIGNIFICANT EVENTS (CONTINUED)

V. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

(I) Descriptions of the Incentives of the Company during the Reporting Period (Continued)

(III) Validity Period, Lock-Up Periods and Unlocking Arrangement (Continued)

While meeting relevant requirements consistent with the conditions for grant, the restricted shares granted to the participants may be unlocked only when all of the following conditions are satisfied:

1) *Achieving the Company's level performance appraisal targets*

Restricted shares in the Restricted Share Incentive Scheme at the First Grant shall be appraised on performance and unlocked on a year basis in three accounting years from 2020 to 2022, and an appraisal will be carried out every accounting year to achieve the performance appraisal targets of the Company, which shall be regarded as the unlock conditions of the participants.

Unlocking Period	Performance targets
The First Unlocking Period	(1) On the basis of the net profit for 2018, the compound growth rate of the net profit for 2020 shall not be less than 10% and not lower than industry average level; (2) The return on net assets for 2020 shall not be less than 4% and not lower than industry average level; and (3) The Δ EVA for 2020 is positive.
The Second Unlocking Period	(1) On the basis of the net profit for 2018, the compound growth rate of the net profit for 2021 shall not be less than 10% and not lower than industry average level; (2) The return on net assets for 2021 shall not be less than 4.5% and not lower than industry average level; and (3) The Δ EVA for 2021 is positive.
The Third Unlocking Period	(1) On the basis of net profit for 2018, the compound growth rate of the net profit for 2022 shall not be less than 10% and not lower than industry average level; (2) The return on net assets for 2022 shall not be less than 5% and not lower than industry average level; and (3) The Δ EVA for 2022 is positive.

SIGNIFICANT EVENTS (CONTINUED)

V. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

(I) Descriptions of the Incentives of the Company during the Reporting Period (Continued)

(IV) First Grant of Restricted Shares

The Company first granted the restricted shares to the participants on 22 November 2019 and completed the registration at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 7 January 2020. 27,988,699 restricted shares were granted to 780 participants under the First Grant and the grant price was RMB5.93 per share.

The unlocking of the restricted shares granted by the participants shall be subject to both the Company's level performance appraisal targets and the individual performance appraisal of the participant specified in the Restricted Share Incentive Scheme. If the restricted shares did not satisfy the unlocking conditions during the unlocking period, the Company will repurchase and cancel at the agreed repurchase price of RMB5.93 per share.

On the grant date, the total amount of subscriptions paid by the participants received by the Company amounted to RMB165,972,988.00, and all of which were included in the capital reserve on the balance sheet date. The share registration was completed on 7 January 2020, and the increased share capital of RMB165,972,988.00 was included in the capital reserve (share premium). In addition, treasury shares and other payables were recognized for the Company's obligation to repurchase the restricted shares at the agreed repurchase price of RMB5.93 per share and 27,988,699 restricted shares issued.

On 31 December 2019, the Company made the best estimate to the number of unlockable equity instruments according to the change in the latest available number of the participants eligible to unlock the restricted shares, the Company's performance conditions and the individual performance appraisal, and on this basis, included the services acquired in 2019 (amortization of share-based payments) in the relevant administration expenses, and accordingly included in the capital reserve according to fair value of equity instrument on the profit date.

The total amount of equity-settled share-based payments recognized in 2019 was RMB3,098,647.01.

SIGNIFICANT EVENTS (CONTINUED)

V. EQUITY INCENTIVE SCHEME, EMPLOYEE STOCK OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVES AND EFFECTS THEREOF (CONTINUED)

(I) Descriptions of the Incentives of the Company during the Reporting Period (Continued)

(V) Matters in Relation to Reserved Entitlements Arrangements

The Company has reserved 1,000,000 restricted shares for further distribution. The participants for whom the restricted shares are reserved shall be determined within 12 months from the date on which the Restricted Share Incentive Scheme was considered and passed at the general meeting held on 22 November 2019, and such restricted shares shall not be granted to such participants to whom the restricted shares have been granted under the Incentive Scheme.

If the Company proposes to grant the reserved shares in the future, following the proposals from the Board, issue of clear opinions by the independent Directors and the Supervisory Committee as well as issue of professional opinions and legal opinions by the legal adviser equipped with legal, the Company shall promptly and accurately disclose the relevant information on such participants on the designated website pursuant to the relevant requirements. If the reserved part involves with connected persons, the Company will comply with all applicable requirements of the Listing Rules by fulfilling the relevant information disclosure or shareholders' approval (if needed). The reserved entitlements shall become invalid where the participants for the reserved grant are not determined after 12 months from the aforesaid date.

For details of the Restricted Share Incentive Scheme, please refer to the announcements of the Company dated 5 September 2019, 27 September 2019, 1 November 2019, 8 November 2019, 20 November 2019, 22 November 2019, and 9 January 2020 and the circular of the Company dated on 1 November 2019.

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

VI. MATERIAL CONNECTED TRANSACTIONS

(I) 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 Listing Rules. As such, the 2019 Dongfang Electric Corporation Framework Agreement and the transactions contemplated thereunder will constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (Continued)

(1) Content of continuing connected transactions

On 27 December 2018, the Company entered into the 2019–2021 Sales and Production Services Framework Agreement, 2019–2021 Combined Ancillary Services Framework Agreement, 2019–2021 Properties and Equipment Framework Lessee Agreement and 2019–2021 Financial Services Framework Agreement with Dongfang Electric Corporation in Chengdu, Sichuan Province. Such continuing connected transactions are effective from 1 January 2019 to 31 December 2021.

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

The basic content of these agreements are:

(1) *2019–2021 Sales and Production Services Framework Agreement*

The Company and its subsidiaries shall supply products and provide production services to Dongfang Electric Corporation and its affiliated enterprises. The products include but are not limited to 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. The production services include but are not limited to processing services, technical services, transportation services, import agency services, and other related production services.

(2) *2019–2021 Combined Ancillary Services Framework Agreement*

The Company and its subsidiaries shall 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 shall provide the combined ancillary services (including but not limited to medical services, cleaning services, employee management 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)

VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (Continued)

(1) Content of continuing connected transactions (Continued)

(3) *2019–2021 Properties and Equipment Framework Lessee Agreement*

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

(4) *2019–2021 Financial Services Framework Agreement*

DEC Finance shall provide the following financial services to Dongfang Electric Corporation and its affiliated enterprises in accordance with financial permit 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 and Insurance Regulatory Commission.

For details of the aforesaid agreements, please refer to the announcement and circular of the Company published by the Company on the websites of SSE and Hong Kong Stock Exchange on 28 December 2018.

The above-mentioned daily continuing connected transactions between the Company and Dongfang Electric Corporation and other connected 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 and 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.

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 amounts of these major continuing connected transactions as at 31 December 2019 did not exceed the annual caps approved by the Board or the general meeting.

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (Continued)

(2) Material continuing connected transactions as at 31 December 2019

The actual amounts of the connected transactions as at 31 December 2019 and the annual caps for 2019

Unit: '000 Yuan Currency: RMB

Name of framework agreement	Date of signing	Subject of transactions	Maximum annual cap	Amount for the year
2019–2021 Sales and Production Services Framework Agreement	31 December 2018	The Company supplies products and provides production services to Dongfang Electric Corporation	300,000	19,203.89
2019–2021 Combined Ancillary Services Framework Agreement	31 December 2018	Combined ancillary services		
		(1) The Company provides combined ancillary services to Dongfang Electric Corporation	10,000	–
		(2) Dongfang Electric Corporation provides combined ancillary services to the Company	100,000	410.26
2019–2021 Properties and Equipment Framework Lessee Agreement	31 December 2018	Dongfang Electric Corporation leases relevant properties to the Company	200,000	117,522.12
2019–2021 Financial Services Framework Agreement	31 December 2018	The Company provides deposit-taking and loans services to Dongfang Electric Corporation		
		(1) Maximum daily deposit balance and deposit interest income earned	10,000,000	5,130,975.09
		(2) Maximum daily loan balance and loan interest paid	1,050,000	949,290.52

SIGNIFICANT EVENTS (CONTINUED)

VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (Continued)

(3) 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 for 2019:
 - (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 agreements governing the transactions; and
 - (4) did not exceed the caps 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.

VI. MATERIAL CONNECTED TRANSACTIONS (CONTINUED)

(I) Continuing connected transactions (Continued)

(3) Confirmation for material continuing connected transactions (Continued)

- (iii) The above-mentioned daily continuing connected transactions between the Company and Dongfang Electric Corporation and other connected person 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 Directors 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 2019 did not exceed the annual cap amount approved by the Board or the general meeting.

Set out in the section headed Note 10 "Related parties and related-party transactions" to the financial statements of this annual report included some transactions which constitute 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.

SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF

(I) Guarantee

Unit: Yuan Currency: RMB

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

Guarantor	Relationship between guarantor and listed company	Guaranteed parties	Guaranteed amount	Date of agreement	Commencement date of guarantee	Expiry date of guarantee	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 relationship
Dongfang Electric Co., Ltd.	headquarters 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 guarantee	No	No	0	No	Yes	Associate
Dongfang Electric Co., Ltd.	headquarters of the Company	Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	16,000,000	29 June 2016	29 June 2016	29 June 2026	General guarantee	No	No	0	No	Yes	Associate
Dongfang Electric Co., Ltd.	headquarters of the Company	Inner Mongolia Wulan New Energy Co., Ltd.	36,000,000	27 October 2016	27 October 2016	27 October 2026	General guarantee	No	No	0	No	Yes	Associate
DEC Dongfang Steam Turbine Co., Ltd.	A majority-owned subsidiary	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	24,500,000	22 September 2016	22 September 2016	30 April 2025	General guarantee	No	No	0	Yes	Yes	Associate

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

Guarantees provided by the Company and its subsidiaries to their subsidiaries

Total guarantee for subsidiaries incurred during the Reporting Period	0
Total balance of guarantee for 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
Total guarantee as a percentage of the net assets of the Company (%)	0.29
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)

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.
Details of the guarantees	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.

(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. and 833 pieces of equipments (including 407 pieces of mechanical equipments, and 426 pieces of electronic equipments) and 472 intangible assets (including 63 pieces of 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 2019 of the target companies that have made performance commitment under the asset restructuring. The level of fulfillment of the performance commitment is as follows:

SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(II) Performance commitment (continued)

(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

Target Assets	Accumulated Committed Net Profit		
	For the year 2018	For the year 2018 and 2019	For the year 2018, 2019 and 2020
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 based on the impairment testing, DEC shall make compensation pursuant to the agreement		

SIGNIFICANT EVENTS (CONTINUED)

VII. MATERIAL CONTRACTS AND IMPLEMENTATION THEREOF (CONTINUED)

(II) 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 2019 (XIN KUAI SHI BAO ZI [2020] No. ZG10449)(《東方電氣股份有限公司2019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[2020]第ZG10449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 2019(XIN KUAI SHI BAO ZI [2020] No. ZG10450)(《東方電氣股份有限公司2019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[2020]第ZG10450號)) issued by BDO China Shu Lun Pan Certified Public Accountants LLP, the level of fulfillment of performance commitment by the undertaking parties in 2019 is as follows:

Unit: 0'000 yuan Currency: RMB

Target assets	The profits from the target assets for the year 2019	Accumulated profits from the target assets for the year 2018 and 2019	Whether fulfilling commitment
DEC International Cooperation Patents, proprietary technology and software products of DEC Automatic Control, and patents, proprietary technology and copyright of DEC Hitachi	25,493.40	50,427.14	Yes
Trademark rights of DEC Automatic Control and trademark right of DEC Hitachi	1,688.03	3,134.78	Yes
Trademark rights of Buram of DEC Materials	66.99	186.45	Yes
DEC Finance (Note)	2.21	6.28	Yes

Note: As at 31 December 2019, the valuation of 95% interest equity of DEC Finance (after deducting the impacts of contribution from shareholders, donation received and profit distribution on the assets valuation during the compensation period) amounted to RMB3,566,920,900, representing no impairment as compared with the transaction consideration for 95% interest equity of DEC Finance of RMB3,090,202,100.

The net profit after deducting non-recurring items recorded by each of the aforesaid undertaking parties in 2019 has fulfilled the commitments made by Dongfang Electric Corporation.

SIGNIFICANT EVENTS (CONTINUED)

VIII. OTHER SIGNIFICANT EVENTS

1. The Use of Proceeds for Investment Projects (“Investment Projects”)

Unit: Yuan Currency: RMB

Investment projects	Total amount of committed investments from proceeds	Actual amount invested as of 31 December 2018	Actual amount invested during the year ended 31 December 2019	Unutilized amount as of 31 December 2019 deposited at the bank	Deposit with bank and bank account number	Progress of fund utilization as of 31 December 2019 (%)
Thermal power EPC project in coastal area of Vietnam (越南沿海火電EPC項目)	1,300,000,000.00	1,283,500,000.00	1,283,500,000.00	0 (cancelled)	Chengdu Kaifaxiqu Sub-branch of Bank of China Limited 122580414144	100
Thermal power EPC project in Bosnia and Herzegovina (波黑斯丹納瑞火電EPC項目)	800,000,000.00	789,921,600.00	789,921,600.00	0 (cancelled)	Chengdu Qinglong Sub-branch of Industrial and Commercial Bank of China Limited 4402238029100079491	100
Thermal power BTG project in Singhtarai, India (印度辛伽塔里火電BTG項目)	720,000,000.00	300,730,222.46	323,571,055.46	248,317.59	Chengdu Qinglong Sub-branch of Industrial and Commercial Bank of China Limited 4402238029100079518	100
Independently developed 600MW supercritical looping fluidized bed furnace project (600MW 超臨界循環流化牀鍋爐自主研製項目)	180,000,000.00	185,640,972.91	185,640,972.91	0	Zigong Branch of Industrial and Commercial Bank of China Limited 2303620329020117272	103.13
Trial project for strengthening research and development by upgrading and modification (phase I) (試驗研發能力提升改造項目(一期))	330,000,000.00	115,150,404.19	305,300,162.92	43,395,690.96 (Note 1) 54,238,841.28 (Note 2)	Deyang Branch of Industrial and Commercial Bank of China Limited 2305362729020125122 Deyang Branch of Bank of China Limited 121230397746	92.52

SIGNIFICANT EVENTS (CONTINUED)

VIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. The Use of Proceeds for Investment Projects (“Investment Projects”) (Continued)

Unit: Yuan Currency: RMB

Investment projects	Total amount of committed investments from proceeds	Actual amount invested as of 31 December 2018	Actual amount invested during the year ended 31 December 2019	Unutilized amount as of 31 December 2019 deposited at the bank	Deposit with bank and bank account number	Progress of fund utilization as of 31 December 2019 (%)
Project of Dongfang Electric Machinery for optimizing research and development (東方電機試驗研發能力完善化項目)	160,000,000.00	73,342,867.69	124,440,926.38	43,395,690.96 (included in Note 1)	Deyang Branch of Industrial and Commercial Bank of China Limited 2305362729020125122	77.78
Upgrading of research and development of gas turbine (phase I) (燃氣輪機研發能力提升項目(一期))	510,000,000.00	543,894,019.13	543,894,019.13	54,238,841.28 (included in Note 2)	Deyang Branch of Bank of China Limited 121230397746	106.65
General account of the proceeds				4,733,549.22	Chengdu Qinglong Sub-branch of Industrial and Commercial Bank of China Limited 4402238029100078341	
Total	4,000,000,000.00	3,292,180,086.38	3,556,268,736.80	102,616,399.05	/	/

Initial investment in investment projects and its replacement

The total self-owned funds used by the Company for its investment projects during the period from 30 October 2013 to 31 July 2014 was RMB127,852,936.02, including the self-owned funds of RMB22,830,555.91 used by DEC Dongfang Boiler Group Co., Ltd. for the self-developed project of 600MW supercritical circulating fluidized bed boilers; RMB36,538,513.55 for the testing & research capacity upgrade and promotion projects (Phase I) (where RMB22,382,617.73 was used by DEC Dongfang Electric Machinery Co., Ltd. and RMB14,155,895.82 was used by DEC Dongfang Turbine Co., Ltd.); RMB24,339,999.80 used for the testing & research capacity improvement projects of DEC Dongfang Electric Machinery Co., Ltd.; RMB44,143,866.76 used for the gas turbines research and development capacity promotion projects (Phase I) of DEC Dongfang Turbine Co., Ltd.. The aforesaid use of self-owned funds has been verified in the XYZH/2014CDA6014 Special Review Report on the Use of Self-owned Funds for Investment Projects issued by ShineWing Certified Public Accountants on 27 August 2014.

VIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. The Use of Proceeds for Investment Projects (“Investment Projects”) (Continued)

Based on the resolution passed at the 16th meeting of the seventh session of the Board of the Company on 29 August 2014, the Company swapped its self-raised funds of RMB127,852,936.02 used in advance for the investment projects with the proceeds, including the invested self-owned funds of RMB22,830,555.91 for the self-developed project of 600MW supercritical circulating fluidized bed boilers of DEC Dongfang Boiler Group Co., Ltd.; RMB36,538,513.55 for the testing & research capacity promotion and upgrade projects (Phase I) (where RMB22,382,617.73 was swapped for DEC Dongfang Electric Machinery Co., Ltd. and RMB14,155,895.82 was swapped for DEC Dongfang Turbine Co., Ltd.); RMB24,339,999.80 for the testing & research capacity improvement projects of DEC Dongfang Electric Machinery Co., Ltd.; RMB44,143,866.76 for the gas turbines research and development capacity promotion projects (Phase I) of DEC Dongfang Turbine Co., Ltd..

Temporary replenishment of liquidity with idle proceeds

In the principle of maximizing the interests of shareholders, and to improve the efficiency of the proceeds and reduce finance costs, without affecting the construction of investment projects and the plan for the use of proceeds, the Company convened the fourth meeting of the eighth session of the Board on 29 October 2015, at which the Resolution on Temporary Use of Certain Idle Proceeds from Convertible Bonds by the Company to Replenish Liquidity was considered and passed. It was agreed to temporarily replenish liquidity with part of the idle proceeds, with a total amount of RMB500 million (including RMB180 million for the testing & research capacity promotion and upgrade projects (Phase I) and RMB320 million for the gas turbines research and development capacity promotion projects (Phase I)), within a period not exceeding 12 months from the date of consideration and approval by the Board meeting. Prior to the expiration of the period, the Company will return the proceeds temporarily replenished liquidity to special account for the proceeds in a timely manner.

According to the capital arrangement, from the date of consideration and approval by the fourth meeting of the eighth session of the Board of the Company to 26 October 2016, the Company has actually used RMB160 million of the idle proceeds to temporarily replenish the liquidity. As at 26 October 2016, the Company has returned all sums of the idle proceeds temporarily replenished the liquidity to the special account for the proceeds. The use of part of the idle proceeds for temporary replenishment of the Company’s liquidity will not change or disguise the use of proceeds, nor will affect the normal progress of investment plans with the proceeds.

SIGNIFICANT EVENTS (CONTINUED)

VIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

1. The Use of Proceeds for Investment Projects (“Investment Projects”) (Continued)

INFORMATION OF CHANGE IN PROCEEDS OF Thermal power BTG project in Singhatari, India

The Singhatari BTG thermal power project in India undertaken by the Company is located in Chhattisgarh State in central India and is in the energy center in eastern India. Athena Chhattisgarh Power Limited (ACPL), as the owner of the project, is responsible for development and construction of the project.

On 21 December 2009, the Company and ACPL entered into the BTG island supply contract for the 2x600MW subcritical coal-fired power plant project in Singhatari, India, the contract amount was USD409.5 million.

Since the inception of the Singhatari Project with a contract amount of USD409.5 million on 1 June 2011, the Company has in succession received a total contract amount of USD236 million (equivalent to RMB1,550 million) and paid equipment procurement/service totaling RMB1,412 million. It is expected that the Singhatari Project will record profit upon completion of the final settlement.

On 13 August 2014, the Company transferred proceeds in an amount of RMB710 million to the Company’s special account (account number:4402238029100079518) for proceeds with Qinglong Sub-branch of Industrial and Commercial Bank of China Limited (Account Number: 4402238029100079518) to be specifically used for the Singhatari Project. From year of 2014 to year 2019, proceeds in a total amount of RMB334 million were utilized for the Singhatari Project. The balance funds of RMB439 million remained in the special account for proceeds.

In order to improve the utilization efficiency of proceeds, the Company has used all of the remaining funds of RMB439 million in the special account for proceeds for the Singhatari Project to permanently replenish working capital, after taking into account various factors including the actual conditions of the investment project funded by proceeds.

The change in the use of partial proceeds and the permanent replenishment of working capital is conducive to improving the utilization efficiency of proceeds, reducing financial costs of the Company and safeguarding the interests of the Company and its shareholders as a whole. As there are no losses on proceeds arising from the implementation of the Singhatari Project, there is no circumstances that will impair the interests of the Company and its shareholders, especially the minority shareholders. Since the working capital is used for production and operation, it is difficult to account for the project separately, so the benefit cannot be accounted for separately.

The resolution regarding the change in the use of partial proceeds and the permanent replenishment of working capital was considered and approved at the 2019 first extraordinary general meeting.

Plan for expected use of unutilized proceeds

For the unutilized proceeds as at 31 December 2019, the Company will apply to the investment projects based on the progress and the contractual provisions. If there is any update information, the Company will disclose in a due course.

SIGNIFICANT EVENTS (CONTINUED)

VIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

2. Public Float

Based on the public information available to the Company and its directors as at the date of this annual report, the Company has maintained sufficient public float in compliance with the Listing Rules.

3. Purchase, Sale 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.

4. 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.

5. Five-year Financial Summary

Unit: Yuan Currency: RMB

Item	2019 (31 December 2019)	2018 (31 December 2018)	2017 (31 December 2017) (Restated)	2016 (31 December 2016)	2015 (31 December 2015)
Total assets	89,618,965,555.72	91,323,329,417.78	95,300,994,111.66	84,702,600,301.42	86,134,423,264.67
Total liabilities	57,820,532,585.13	60,629,420,802.57	66,870,439,720.75	62,616,845,381.45	62,156,834,114.73
Total shareholders' equity	31,798,432,970.59	30,693,908,615.21	28,430,554,390.91	22,085,754,919.97	23,977,589,149.94
Including: Equity attributable to shareholders of the parent company	29,454,645,749.51	28,584,050,995.80	27,317,650,546.98	21,144,292,192.79	23,051,589,145.83
Non-controlling shareholders' equity	2,343,787,221.08	2,109,857,619.41	1,112,903,843.93	941,462,727.18	926,000,004.11
Operating income	32,840,321,080.22	30,706,145,358.82	33,430,264,831.72	33,285,723,808.34	36,017,943,700.32
Total profit/(loss)	1,578,583,920.06	1,275,469,723.33	1,017,278,838.50	(1,944,064,007.65)	532,899,436.82
Income tax expenses	197,712,209.73	117,204,032.48	(62,262,599.30)	(184,625,607.38)	73,401,825.32
Net profit/(loss)	1,380,871,710.33	1,158,265,690.85	1,079,541,437.80	(1,759,438,400.27)	459,497,611.50
Including: Net profit/(loss) attributable to the parent company	1,277,671,818.13	1,128,834,236.51	1,057,303,567.22	(1,784,306,804.76)	439,072,644.82
Non-controlling shareholders profit or loss	103,199,892.20	29,431,454.34	22,237,870.58	24,868,404.49	20,424,966.68

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

SIGNIFICANT EVENTS (CONTINUED)

VIII. OTHER SIGNIFICANT EVENTS (CONTINUED)

6. 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.

CHANGES IN 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	1,727,919,826	–	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	3,090,803,431	–	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)	120,629
Total number of ordinary shareholders as of the end of the month prior to the date of disclosure of the Annual Report (shareholder)	115,181

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

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

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	-	1,727,919,826	55.91	753,903,063	Nil	-	State-owned legal person
HKSCC Nominees Limited	(30,008)	338,309,619	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	1.61	-	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	0.73	-	Unknown	-	State-owned legal person
Yi Jiandong	12,980,700	12,980,700	0.42	-	Unknown	-	Overseas natural person
China Construction Bank Corporation - Huaxia CSI Sichuan State-owned Enterprise Reform Trading Open-ended Index Securities Investment Fund	12,708,072	12,708,072	0.41	-	Unknown	-	Other
Agricultural Bank of China Limited- China securities 500 exchange - oriented index securities investment fund	(1,186,632)	10,499,859	0.34	-	Unknown	-	Other
China Merchants Bank Co., Ltd. - Bosera CSI Central SOE Innovation-driven ETF Securities Investment Fund	9,725,800	9,725,800	0.31	-	Unknown	-	Other
Tu Wenbin	8,620,000	8,620,000	0.28	-	Unknown	-	Domestic natural person

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

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

(II) Shareholdings of the top 10 shareholders and top 10 holders of tradable shares (or shareholders that were not subject to trading moratorium) as of the end of the Reporting Period (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 Status of shares	Number of shares	Type of shareholder
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
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 SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

III. INFORMATION OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER

(I) Information of Controlling Shareholder

1. Legal person

Name	Dongfang Electric Corporation
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.
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 2019:

Stock Name	Stock Code	Number of Shares held (shares)	Percentage of the share capital of the listed company (%)
Huaneng Power International, Inc.	SH: 600011	500,000	0.003
Huadian Power International Corporation Ltd.	SH: 600027	200,000	0.002
GD Power Development Co., Ltd.	SH: 600795	3,040,000	0.015
China National Nuclear Power Co., Ltd.	SH: 601985	800,000	0.005
Datang International Power Generation Co., Ltd.	SH: 601991	17,173,679	0.093

CHANGES IN SHARES AND PARTICULARS OF SHAREHOLDERS (CONTINUED)

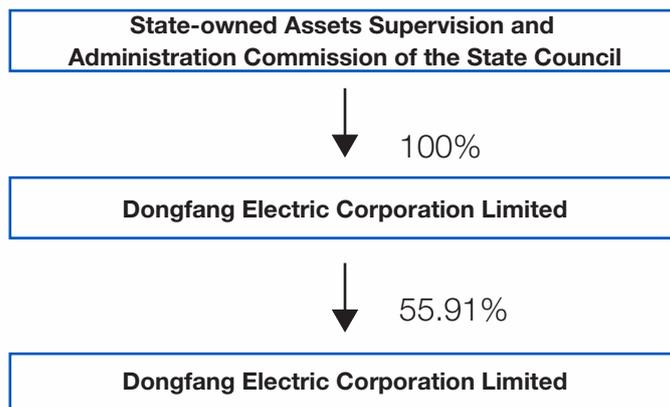
III. INFORMATION OF CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER (CONTINUED)

(I) Information of Controlling Shareholders (continued)

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

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

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



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

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

CHANGES IN 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 2019, 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 2019.

Save as disclosed above, as at 31 December 2019, the Company did not record other interests (including derivative interests) or short positions 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 during the Reporting Period

Unit: share

Name	Position <i>(Note)</i>	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
										(RMB'000)	
Zou Lei	Chairman	Male	53	29 June 2018	28 June 2021	0	0	0	N/A	0	Yes
Yu Peigen	Director President	Male	57	26 June 2019 8 May 2019	28 June 2021	0	0	0	N/A	0	Yes
Huang Wei	Director, Senior Vice President	Male	54	29 June 2018	28 June 2021	0	0	0	N/A	0	Yes
Xu Peng	Director, Senior Vice President	Male	54	29 June 2018	28 June 2021	0	0	0	N/A	0	Yes
Bai Yong	Director, Chief Accountant	Male	49	4 December 2018	28 June 2021	0	0	0	N/A	0	Yes
Gu Dake	Independent non-executive Director	Male	66	29 June 2018	28 June 2021	0	0	0	N/A	12.5	No
Xu Haihe	Independent non-executive Director	Male	65	29 June 2018	28 June 2021	0	0	0	N/A	12.5	No
Liu Dengqing	Independent non-executive Director	Male	50	29 June 2018	28 June 2021	0	0	0	N/A	12.5	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 during the Reporting Period (Continued)

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 (RMB'000)	Whether get payment from related parties
Zhang Jilie	Supervisor, chairman of the supervisory committee	Male	56	4 December 2018	28 June 2021	0	0	0	N/A	0	Yes
Fu Haibo	Former Supervisor	Male	55	29 June 2018	14 February 2020	0	0	0	N/A	0	Yes
Zeng Yi	Former Supervisor	Male	49	29 June 2018	11 October 2019	0	0	0	N/A	36.23	No
Feng Yong	Supervisor	Male	52	11 October 2019	28 June 2021	0	0	0	N/A	10.04	No
Wang Zhiwen	Supervisor	Male	52	14 February 2020	28 June 2021	0	0	0	N/A	0	No
Gong Dan	Secretary to the Board	Male	57	29 June 2018	28 June 2021	2,540	2,540	0	N/A	68.16	No
Zhang Zhiying	Executive Vice President	Male	59	29 June 2018	28 June 2021	0	0	0	N/A	67.86	No
Han Zhiqiao	Former Vice President	Male	61	29 June 2018	11 November 2019	2,540	2,540	0	N/A	65.81	No
Chen Huan	Vice President	Male	58	29 June 2018	28 June 2021	0	0	0	N/A	67.66	No
Gao Feng	Vice President	Male	56	29 June 2018	28 June 2021	0	0	0	N/A	70.51	No
Total	/	/	/	/	/	5,080	5,080	0	/	423.77	/

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 during the Reporting Period (Continued)

Explanations on other matters

1. Other than the independent Directors as well as the Supervisors, the remuneration of the senior management disclosed in the table above does not include the tenure incentive income paid by the Company for 2016 – 2018. During the Reporting Period, the senior management's tenure incentive income paid by the Company for 2016 – 2018 are as follows:

Mr. Zhang Zhiying as to RMB388,100; Mr. Han Zhiqiao as to RMB384,000; Mr. Gong Dan as to RMB384,000; Mr. Gao Feng as to RMB392,100 and Mr. Chen Huan as to RMB375,900.

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.

Save as disclosed above, 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 2019.

Save as disclosed above, as at 31 December 2019, none of the Directors, Supervisors or chief executive of the Company had any interests 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 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's 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 Company 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 Company 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 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 during the Reporting Period (Continued)

Name	Principal working experience
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Yu Peigen	<p>Born in November 1962, is currently a Director and the president of the Company, the deputy secretary of the Party Committee, a director, and general manager of Dongfang Electric Corporation. He graduated from Zhejiang University, majoring in thermal power with a bachelor's degree in engineering. He completed his postgraduate study from Renmin University of China and received a master's degree in Executive Master of Business Administration (EMBA). Since August 1984, Mr. Yu successively served as a reactor operator, deputy shift chief and shift chief of main control room of Qinshan Nuclear Power Plant (秦山核電廠); the technical section chief, deputy chief, chief, assistant to general manager and chief of the production division of Qinshan Nuclear Power Company (秦山核電公司); the deputy general manager and the general manager of Qinshan Nuclear Power Company; the head of the nuclear power department of China National Nuclear Corporation; the manager of the nuclear power department of China Power Investment Corporation (中國電力投資集團公司) from May 2003 to September 2005, the chief engineer on nuclear power of China Power Investment Corporation from September 2005 to December 2010 (during which, concurrently served as the general manager of Shandong Nuclear Company(山東核電公司) and CPI Investment Nuclear Power Company(中電投核電公司) from July 2004 to March 2008, the general manager of Liaoning Nuclear Company (遼寧核電公司) from July 2004 to December 2010); a member of the Party Committee and the chief engineer on nuclear power of China Power Investment Corporation and the chairman of Shandong Nuclear Company (山東核電公司) and Jiangxi Nuclear Company (江西核電公司) from December 2010 to August 2011; the deputy general manager and a member of the Party Committee of China National Nuclear Corporation (中國核工業集團公司) from August 2011 to July 2018; the deputy general manager and a member of the Party Committee of China National Nuclear Corporation(中國核工業集團有限公司) from July 2018 to April 2019. Since April 2019, he has been serving as a director, the general manager and the deputy secretary of the Party Committee of Dongfang Electric Corporation. He has been serving as a president and the Director of the Company since May 2019 and June 2019, respectively. Mr. Yu 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 during the Reporting Period (Continued)

Name	Principal working experience
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Huang Wei	born in July 1965, is currently a Director of the Company, deputy secretary of the Party Committee and Director 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. Since January 1989, he successively served as a key technician of the Complete Plant Section of Dongfang Power Station(東方電站), and key technician, manager assistant, deputy manager, deputy general manager, and general manager of the thermal power department of importation and exportation branch of Dongfang Electric Corporation(中國東方電氣集團公司進出口公司). He served as deputy general manager of Dongfang Electric Corporation from June 2000 to February 2007, deputy general manager and a member of the Party Committee 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 from September 2008 to April 2017, the deputy secretary of the Party Committee and deputy general manager of Dongfang Electric Corporation from April 2017 to February 2019 (during May 2017 to July 2018 he also served as the deputy secretary of the Party Committee directly under Dongfang Electric Corporation and the president of the Party School under the Group, and the deputy secretary of the Party Committee and a Director of Dongfang Electric Corporation since February 2019). He has been the senior vice president of the Company from September 2017 to May 2019. 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 during the Reporting Period (Continued)

Name	Principal working experience
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. Since July 1987, Mr. Xu 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 2018, 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, vice president of the Party School, and the chairman of Labor Union directly under Dongfang Electric Corporation. From May 2017 to March 2018, he served as vice president of the Company. Since August 2017, he has been serving as a member of the party committee of Dongfang Electric Corporation. He has been serving as vice general manager of Dongfang Electric Corporation and a Director of the Company since September 2017 and December 2017 respectively. Since March 2018, he has been acting as senior vice president of the Company. Mr. Xu holds the title of senior engineer.</p>

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

I. CHANGES IN THE SHAREHOLDING AND REMUNERATION (CONTINUED)

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

Name	Principal working experience
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Bai Yong	<p>born in October 1971, is currently a Director and the chief accountant of the Company; the chief accountant and a member of the Party Committee of Dongfang Electric Corporation. 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). Since June 1993, 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, business manager 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 chairman of Hubei Bajiao River Hydro-power Development Co., Ltd (湖北芭蕉河水電公司), the general manager and deputy secretary of the Party Committee of Hubei Energy Group Limited and an executive director and legal representative 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 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 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 a 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 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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Liu Dengqing	born in November 1970, has been an independent non-executive Director of the Company since 29 June 2018, is a 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).
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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 during the Reporting Period (Continued)

Name	Principal working experience
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Zhang Jilie	<p>born in August 1963, is currently a chairman of the Supervisory Committee of the Company, and deputy general manager, a member of the Party Committee and the chief law consultant 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. Since July 1984, he has held various positions including secretary to Factory Office, deputy section head and section head of Planning Department of DFEW; general manager, deputy officer of administrative office, officer, secretary to Party Branch Committee, assistant to the general manager and 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. 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, and the director of the general office of Dongfang Electric Corporation; the head of Legal Affairs Department and director of the President Office of Dongfang Electric Corporation Limited; and a director, chairman of the board and general manager of DEC Investment Management Company Limited. From December 2015 to December 2017, he served as secretary to the board of Dongfang Electric Corporation. 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 August 2017, he has been serving as a member of Party Committee of Dongfang Electric Corporation. Since September 2017, he has been serving as a deputy general manager of DEC Group. Since December 2018, he has been serving as the chairman of the Supervisory Committee of the Company. 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 during the Reporting Period (Continued)

Name	Principal working experience
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Feng Yong	<p>Born in March 1967, is currently a Supervisor and the head of the Audit and Supervision Department of the Company, the head of the Audit and Supervision Department of Dongfang Electric Corporation. He graduated from Luoyang Institute of Technology(洛陽工學院) majoring in financial accounting of industrial enterprises of Industrial Management Engineering Department and obtained an associate degree and graduated from Chengdu University of Technology majoring in accounting and obtained a bachelor's degree. He completed the MBA course jointly sponsored by Southwest Jiaotong University and University of South Australia of Australia and obtained a master's degree in MBA. Since August 1987, Mr. Feng successively served as the accountant of finance division, the secretary of the general manager's office, the deputy section head of the finance division, the deputy head and Party branch secretary of Finance Department and the head and Party branch secretary of Finance Department of Dongfang Electrical Machinery (東方電機廠). From April 2006 to November 2007, he served as the deputy head of Asset and Finance Department of Dongfang Electric Corporation. From November 2007 to June 2008, he served as the head of Finance Department of Dongfang Electric Corporation Limited. From June 2008 to June 2010, he served as the head of Asset and Finance Department of Dongfang Electric Corporation (during which, he concurrently served as a director of the board of Dongfang Steam Turbine Co. Ltd. and a director of the board of Dongfang Electric Machinery Co., Ltd. from January 2008 to July 2008, a director of the board of directors of Dongfang Boiler (Group) Co., Ltd. (東方鍋爐(集團)股份有限公司) from April 2008 to July 2008, a director of DEC International Cooperation Limited from September 2009 to June 2010, a director of DEC Investment Management Company Limited from March 2009 to June 2010). From June 2010 to December 2010, he served as a member of preparatory group of DEC (Wuhan) Heavy Industry Group Co., Ltd.(東方電氣(武漢)重工集團有限公司) (during which, he concurrently served as a director of Dongfang Electric Finance Co., Ltd. (東方電氣集團財務有限公司) from July 2008 to December 2010). From December 2010 to September 2019, he served as a director and general manager of Dongfang Electric Finance Co., Ltd. (during which, he concurrently served as the secretary of the Party Committee of Dongfang Electric Finance Co., Ltd. from December 2016 to September 2019, the head of the Assets and Finance Department of Dongfang Electric Corporation and the head of the Assets and Finance Department of Dongfang Electric Corporation Limited from October 2017 to February 2019). From September 2019 to November 2019, he served as the head of Audit Department of Dongfang Electric Corporation (Dongfang Electric Corporation Limited). Since November 2019, he has been serving as the head of the Audit and Supervision Department of Dongfang Electric Corporation (Dongfang Electric Corporation Limited). From September 2019, he has been serving as a staff representative Supervisor of the Company (concurrently served as the chairman of Supervisory Committee of DEC International Cooperation Limited, Dongfang Electric Wind Power Co., Ltd., Dongfang Electric Automatic Control Engineering Co., Ltd. and Dongfang Electric Finance Co., Ltd.). Mr. Feng holds the title of 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 during the Reporting Period (Continued)

Name	Principal working experience
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Wang Zhiwen	<p>born in February 1967, currently serves as the head of the Legal Risk Control Department of Dongfang Electric Corporation Limited. He graduated from the School of Energy and Power Engineering of Xi'an Jiaotong University with a bachelor's degree in thermal energy engineering (boiler) and from Sichuan University with a master's degree in law. He joined Dongfang Boiler Factory (東方鍋爐廠) in July 1989 and successively served as a designer, assistant to the director of the integrated planning division, project manager and deputy director of the product items management division, deputy director of the procurement division, deputy director and director of the product items management division, general manager and the Party branch secretary of Nuclear Capacitor Branch (核電容器分公司) before June 2005. He served as the deputy head of the corporate management department and deputy head of the legal affairs department of Dongfang Electric Corporation from June 2005 to January 2008, the deputy head of the legal affairs department of Dongfang Electric Corporation Limited from January 2008 to September 2008, the deputy head of the legal affairs department of Dongfang Electric Corporation and the deputy head of the legal affairs department of Dongfang Electric Corporation Limited from September 2008 to August 2010, the deputy head of the legal affairs department and a member of the discipline inspection group of the Party group of Dongfang Electric Corporation and the deputy head of the legal affairs department of Dongfang Electric Corporation Limited from August 2010 to March 2017 (during which he concurrently served as a supervisor of Dongfang Electric Corporation from February 2007 to October 2013 and the chairman of the supervisory committee of DEC Investment Management Company Limited from December 2006 to October 2012), the deputy head (presided over work) and head of the legal and audit department of Dongfang Electric Corporation/Dongfang Electric Corporation Limited from March 2017 to October 2017, and the head of the corporate management and legal affairs department and the head of the corporate management department and legal affairs department of Dongfang Electric Corporation/Dongfang Electric Corporation Limited from October 2017 to November 2019. He has served as the head of the legal risk control department of Dongfang Electric Corporation/Dongfang Electric Corporation Limited since November 2009 (during which he concurrently served as a director of DEC (Leshan) New Energy Equipment Co., Ltd. (東方電氣(樂山)新能源設備有限公司) from March 2009 to December 2018; he has been a director of Dongfang Electric Finance Co., Ltd. since March 2012; and has concurrently served as a member of the discipline inspection commission directly under the head office of Dongfang Electric Corporation since June 2016, the chairman of the supervisory committee of Dongfang Boiler Group Co., Ltd. since May 2017 and the chairman of the supervisory committee of Dongfang Steam Turbine Co., Ltd. and Dongfang Electric Machinery Co., Ltd. since October 2017). Mr. Wang holds the title of senior engineer 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 during the Reporting Period (Continued)

Name	Principal working experience
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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 engaged 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 of the Company from October 2007 to September 2018. He has also concurrently served as the chief law consultant of the Company 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 Dongfang Electric Corporation, president of the CPC School and Dean of the Management Academy; Mr. Gong holds the titles of senior engineer and senior accountant.
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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 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's 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 the Company since June 2010. Mr. Zhang holds the title of senior engineer.
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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 majoring in materials science and engineering. From January 1993 to December 1994, he worked as a postdoctoral researcher in the Center of Materials Development at the University of Massachusetts. From January 1995 to September 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 October 2000 to April 2004, he served on behalf of Siemens as vice president of Shanghai Turbine Co., Ltd. From May 2004 to April 2009, Mr. Chen worked as Executive Vice President in Shanghai Electric Power Corporation and the deputy head of the Central Research Institute of Shanghai Electric Group Company Ltd.. 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 the Company from December 2009 to March 2011. In 2011, he 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 in the same year.
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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 during the Reporting Period (Continued)

Name	Principal working experience
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Gao feng	<p>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. 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 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 and the general manager of Nuclear Power Division of the Company from April 2017 to November 2019. He has been vice president of the Company since December 2010 and the general manager of Nuclear Power Division of the Company from November 2019. Mr. Gao 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)

Shares Granted under the Incentive Scheme to the Directors or Senior Management during the Reporting Period

Unit: share

Name	Position	Number of restricted Shares held at the beginning of the year	Number of new restricted Shares granted during the Reporting Period	Grant price of restricted Shares (RMB)	Unlocked Shares	Locked Shares	Number of restricted Shares held at the end of the period	Market price at the end of the Reporting Period (RMB)
Gong Dan	Secretary to the Board	0	150,000	5.93	0	150,000	0	0
Chen Huan	Vice President	0	150,000	5.93	0	150,000	0	0
Gao Feng	Vice President	0	150,000	5.93	0	150,000	0	0
Total	/	0	450,000	/	0	450,000	0	/

Note: The Board of the Company decided to grant restricted Shares to Participants (including Gong Dan, Chen Huan and Gao Feng) under the Restricted A Share Incentive Scheme for 2019 of the Company for the first time on 22 November 2019. The new Shares granted under the Restricted A Share Incentive Scheme have been registered at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited and listed on 7 January 2020. Therefore, as at the end of the Reporting Period, 31 December 2019, Gong Dan, Chen Huan and Gao Feng have not yet owned any restricted Shares of the Company.

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
Yu Peigen	Dongfang Electric Corporation	Deputy Secretary of the Party Committee, Director, General Manager	April 2019	Until now
Huang Wei	Dongfang Electric Corporation	Deputy Secretary of the Party Committee	April 2017	Until now
		Director	February 2019	Until now
Xu Peng	Dongfang Electric Corporation	Member of the Party Committee	August 2017	Until now
		Deputy General Manager	September 2017	Until now
Zhang Jilie	Dongfang Electric Corporation	Member of the Party Committee	August 2017	Until now
		Deputy General Manager	September 2017	Until now
		Chief Law Consultant	January 2007	Until now
Bai Yong	Dongfang Electric Corporation	Member of the Party Committee, Chief Accountant,	May 2018	Until now
Gong Dan	Dongfang Electric Corporation	Secretary to the Board	December 2017	Until now
Feng Yong	Dongfang Electric Corporation	Head of Audit Supervision Department	November 2019	Until now
Fu Haibo	Dongfang Electric Corporation	Director of the Patrol Leading Group Office	March 2017	Until now
Wang Zhiwen	Dongfang Electric Corporation	Head of the Legal Risk Control Department	November 2019	Until now
Zeng Yi	Dongfang Electric Corporation	Head of Audit Department	November 2017	September 2019

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 17 members of Directors, Supervisors and senior management. The remuneration actually received by 3 independent Directors, 2 supervisors and 5 senior management of the Company was RMB4,237,700 (before tax) in total during the Reporting Period (excluding incentive income of senior management during their tenure from 2016 to 2018).

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

Name	Position	Change situation	Reasons for changes
Yu Peigen	President	Appointment	Appointed by the Board
Han Zhiqiao	Vice President	Resignation	Retirement
Feng Yong	Staff Representative Supervisor	Elected	Elected at congress of staff representatives
Zeng Yi	Supervisor	Resignation	Job reallocation
Fu Haibo	Supervisor	Resignation	Job reallocation
Wang Zhiwen	Supervisor	Elected	Elected at the general meeting

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

No

DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (CONTINUED)

V. EMPLOYEES OF THE COMPANY AND PRINCIPAL SUBSIDIARIES

(I) Information on employees

	2019
The number of employees on register of the Company	344
The number of employees on register of principal subsidiaries	17,016
Total	17,360
The number of retired employees whose expenses shall be assumed by the Company and principal subsidiaries	16,410

Professional composition

Category of professional structure	2019 Headcount
Production	8,168
Sales	653
Technical	6,956
Financial	391
Administrative	1,192
Total	17,360

Background education

Category of background education	2019 Headcount
Master degree and above	1,821
Bachelor degree	6,670
Tertiary degree	3,925
Technical middle school and below	4,944
Total	17,360

(II) Number of Employees and Remuneration

During the Reporting Period, the average number of employees at the Company was 17,399, and the average number of labor dispatch personnel was 1,430. The total amount of remuneration paid to the employees during the year was RMB2,342 million, and the total amount of remuneration paid to the labor dispatch personnel during the year was RMB108.09 million.

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

(III) Remuneration Policy

During the Reporting Period, aiming for “strengthening positive incentives” and “correcting the mismatch of salary resources”, the Company promoted new breakthroughs in income distribution reform. The Company restructured the total wage determining mechanism, optimized and adjusted the rules of review of total wages, implemented classified management of total wages among different companies by focusing on the economic benefits, labor cost effectiveness and labor efficiency, which achieved better balance between enterprise efficiency and resource allocation. The Company explored the diversified salary incentives for scientific research personnel, implemented a total salary filing management system for key research teams, launched special incentives for scientific and technological achievements transformation and government-funded projects, and established special incentive mechanisms for key core technology research. The Company reshaped the remuneration appraisal and distribution system for corporate leaders, improved the incentive and restraint mechanism for corporate leaders, further increased incentives for corporate leaders with excellent performance and taking on responsibilities, and explored the implementation of contractual appointment system of corporate leaders. The Company achieved the outset of mid-and-long term incentives, formulated and published Mid-and-long Term Incentive Management Measures to provide policy support for mid- and-long term incentives.

In addition, to further perfect the mid-and-long term incentive and restraint mechanism of the Company, achieve the incentive and restraint on the Directors, senior and middle management and frontline leaders (the participants) of the Company, branches and subsidiaries, to more tightly align their interests with the long-term development of the Company, and fully mobilize their enthusiasm and creativity to promote the sustainable and high quality development of the Company, the Company implemented the 2019 Restricted A Share Incentive Scheme (Incentive Scheme). The number of participants granted with the restricted shares under the first grant was 780, and the number of shares granted under the first grant was 27.988699 million shares. The Company completed the registration of the restricted shares granted under the first grant with the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 7 January 2020.

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

(IV) Training Programs

During the Reporting Period, the Company strengthened the training plan management. Aiming for serving its strategies and facilitating its business development, the Company developed a total of 71 annual education and training programs for its key talent groups for the first time in a systematical manner. The Company enhanced the training of key talents of the three teams, and implemented the key talent training programs to produce the desired results. After careful planning and organization, the Company successfully completed the first session of training course for youth scientific talents, the first session of training course for youth management talents, the first session of training course for high-skilled talents, special training for top-level talents and the 2019 unified orientation training for fresh graduates. To closely cater for talent training needs, the affiliated subsidiaries of the Company diversified the training forms continuously. Some subsidiaries have made remarkable achievements in fostering and developing high-quality training programs, which has promoted the overall improvement of the ability and quality of the employee team and provided talent support for the sustainable development of the Company. The Company improved the training management mechanism, established a training information management platform, continuously promoted the optimization and adjustment of the online and offline employee training system and completed the construction of the online learning and training platform, which enable to achieve the whole-process IT-based training management from release of the training programs, the download of training courseware to training performance evaluation.

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).

CORPORATE GOVERNANCE

I. EXPLANATION ON MATTERS REGARDING CORPORATE GOVERNANCE

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

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

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

1. 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.

2. In relation to Directors and the Board of Directors

The ninth session of Board of Directors of the Company consists of 8 Directors, of which 3 are independent non-executive Directors. The Board has delegated the certain duties to the following committees including the Strategic Development Committee, the Audit and Review Committee, the Remuneration and Assessment Committee, the Nomination Committee and the Risk Management Committee. All committees under the Board has put in place specific working regulations which clearly stipulate the terms of reference of each committee.

CORPORATE GOVERNANCE (CONTINUED)

I. EXPLANATION ON MATTERS REGARDING CORPORATE GOVERNANCE (CONTINUED)

2. 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 14 Board meetings were convened.

3. 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 9 meetings.

4. 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.

CORPORATE GOVERNANCE (CONTINUED)

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.

VII. CORPORATE GOVERNANCE REPORT

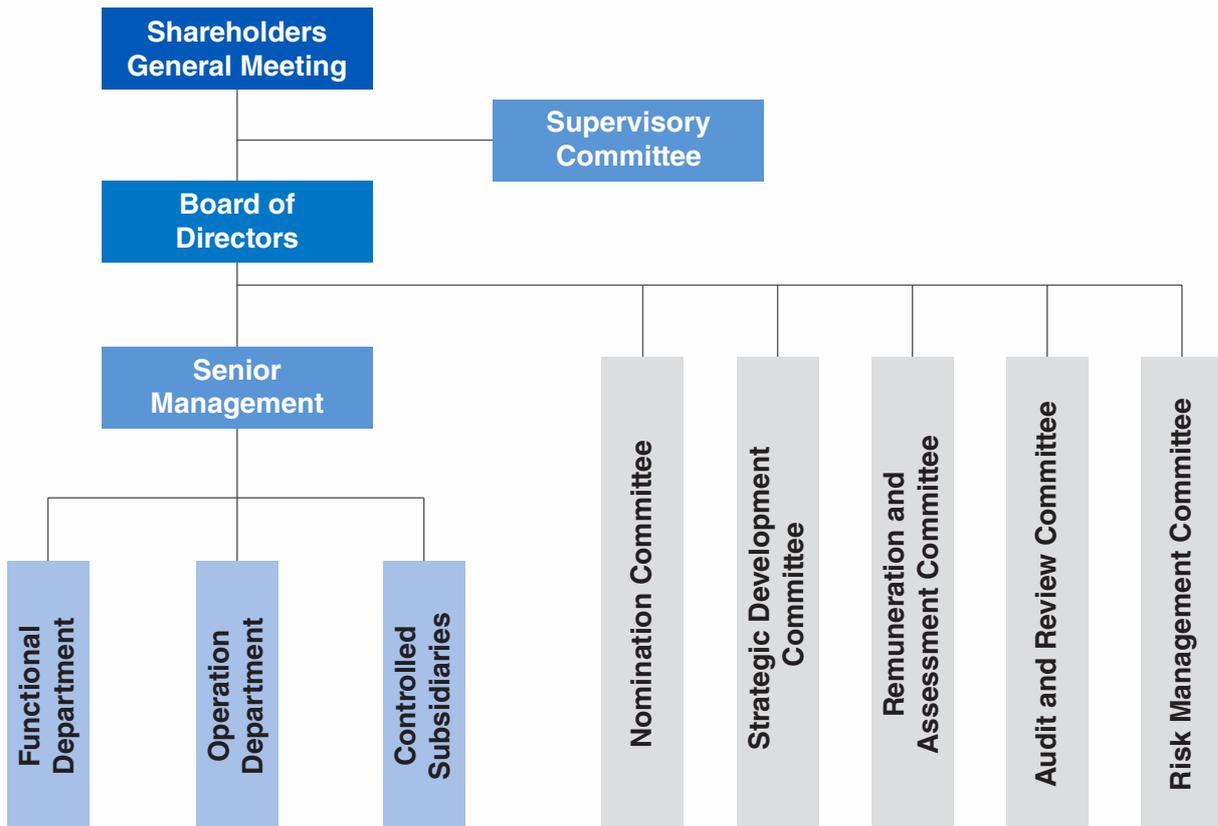
Corporate governance practices

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)

1. 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 AGM or EGM 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 2019 are as follows:

Session of Meeting	Date	Resolutions	Voting results	Designated website for publication of resolutions	Publication date of resolutions
2018 AGM	26 June 2019	The following resolutions were considered at the meeting by way of ordinary resolution:		www.sse.com.cn	27 June 2019
		1. Work Report of the Board of the Company for 2018	Approved		
		2. Work Report of the Supervisory Committee of the Company for 2018	Approved		
		3. After-tax Profit Distribution Plan of the Company for 2018	Approved		
		4. Audited Consolidated Financial Report of the Company for 2018	Approved		
		5. The reappointment 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 2019 and authorise the board of directors of the Company to determine its remuneration	Approved		
		6. To elect Mr. Yu Peigen as the non-independent Director of the ninth session of the Board of the Company	Approved		
		7. The resolution regarding the acceptance of state investment project funds and conversion into increased state-owned capital	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
2019 first extraordinary general meeting	22 November 2019	The following resolution was considered at the meeting by way of ordinary resolution:		www.sse.com.cn	23 November 2019
		1. The resolution regarding the change in the use of partial proceeds and the permanent replenishment of working capital	Approved		
		The following resolutions were considered at the general meeting by way of special resolution:			
		1. The Restricted A Share Incentive Scheme for 2019 (Amended Draft) and its summary	Approved		
		2. The Assessment Management Measures for the Incentive Scheme for Restricted A Shares in 2019	Approved		
		3. The mandate granted by the general meeting to the Board to handle the relevant matters in respect of the Restricted A Share Incentive Scheme for 2019	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
The 2019 first A shares class meeting	22 November 2019	The following resolutions were considered at the meeting by way of special resolution: 1. The Restricted A Share Incentive Scheme for 2019 (Amended Draft) and its summary 2. The Assessment Management Measures for the Incentive Scheme for Restricted A Shares in 2019 3. The mandate granted by the general meeting to the Board to handle the relevant matters in respect of the Restricted A Share Incentive Scheme for 2019	Approved Approved Approved	www.sse.com.cn	23 November 2019
The 2019 first H shares class meeting	22 November 2019	The following resolutions were considered at the meeting by way of special resolution: 1. The Restricted A Share Incentive Scheme for 2019 (Amended Draft) and its summary 2. The Assessment Management Measures for the Incentive Scheme for Restricted A Shares in 2019 3. The mandate granted by the general meeting to the Board to handle the relevant matters in respect of the Restricted A Share Incentive Scheme for 2019	Approved Approved Approved	www.sse.com.cn	23 November 2019

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

2. Board of Directors

(1) *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 are 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.

(2) *Composition*

The ninth session of Board is composed of 8 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, Mr. Xu Haihe and Mr. Liu Dengqing; and the remaining Directors of the Company are Mr. Zou Lei, Mr. Yu Peigen, Mr. Huang Wei, Mr. Xupeng and Mr. Bai Yong; the president of the Company is Mr. Yu Peigen. 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)

2. Board of Directors (Continued)

(2) 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 all shareholders. The three independent non-executive Directors of the Company also served in the Board's special committees.

Current composition of the Board is as follows:

Designation	Executive Directors (5)	Independent non-executive Directors (3)		
Gender	Male (8)	Female (0)		
Ethnicity	Han (8)			
Age	45-50 (2)	51-55 (2)	56-60 (2)	61 or above (2)
Directorship with the Company (Years)	under 3 years (5)	4-6 years (2)	10-12 years (1)	
Skills, knowledge and profession	Legal consultant (1), Accountant (1), Appraiser (1), Engineer (4) and Business administration management (!)			
Education background	Doctor (3), Master (3) and Degree (2)			

Note: The numbers in parentheses are the number of directors included in the relevant category.

(3) Policy concerning diversity of Board members

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.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

2. Board of Directors (Continued)

(4) *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.

(5) *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 Directors and special committees shall be entitled to appoint an independent professional 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 applied to the securities transactions conducted by the directors as provided by the domestic and Hong Kong regulatory bodies and sticks to the principle of strict compliance.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

2. Board of Directors (Continued)

(5) *Directors (Continued)*

Securities transactions by Directors and supervisors

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 (the “Model Code”) in Appendix 10 to the Listing Rules. Having made specific enquiry to all Directors and Supervisors of the Company, the Company confirms that, as of 31 December 2019, 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

According to the Articles of Association of the Company, Directors are elected on the general meeting for a term of three years. 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)

2. Board of Directors (Continued)

(6) Meeting of the Board of Directors

During the Reporting Period, 14 Board meetings were convened by the Company 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	14	5	8	1	0	No	2	
Yu Peigen	No	8	3	5	0	0	No	0	
Huang Wei	No	14	5	8	1	0	No	0	
Xu Peng	No	14	5	8	1	0	No	0	
Bai Yong	No	14	5	8	1	0	No	0	
Gu Dake	Yes	14	6	8	0	0	No	1	
Xu Haihe	Yes	14	6	8	0	0	No	0	
Liu Dengqing	Yes	14	6	8	0	0	No	1	

Number of Board meetings convened during the year	14
Among which: number of meetings convened on-site	6
Number of meetings convened by communication equipment	8
Number of meetings convened by a combination of the above two means	0

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

2. Board of Directors (Continued)

(6) 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 behalves.

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

3. 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.

(1) 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.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(1) Audit and Review Committee (Continued)

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.

In 2019, the Audit and Review Committee held a total of 5 meetings, at which resolutions including the Overall Budget of the Company for 2019, the Audited Financial Report of the Company for 2018, the Report on the Assessment of Internal Control of the Company for 2018, the resolutions on the Reappointment of the Annual Auditor for 2019, the First Quarterly Financial Report of the Company for 2019, the Interim Financial Report of the Company for 2019 and the Third Quarterly Financial Report of the Company for 2019 were considered and approved.

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

Name	Position	Required attendance in 2019	Actual Attendance
Xu Haihe (Independent non-executive Director)	Chairman of the committee	5	5
Gu Dake (Independent non-executive Director)	Member of the committee	5	5
Liu Dengqing (Independent non-executive Director)	Member of the committee	5	5

(2) Strategic Development Committee

The main duties of the 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. Xu Peng and Mr. Gu Dake, an independent non-executive Director.

During the year, the Company has not held any Strategic Development Committee meeting.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(3) *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 and the remuneration level of related positions in other related enterprises;
- ② to make recommendations to the Board on the Company's policy and structure for remuneration of all 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; and
- 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.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(3) Remuneration and Assessment Committee (Continued)

During the year of 2019, the Remuneration and Assessment Committee convened 3 meetings to mainly consider and approve the Resolution on the Performance Assessment Results of the Company's Senior Executives in 2018, the Restricted A Share Incentive Scheme of the Company, the Resolution on the Performance Appraisal Targets of the Company's Senior Executives in 2019 and the Resolution on Remuneration of the Company's Senior Executives in 2018 and Incentive Income during the Term of Office from 2016-2018, etc.

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

Name	Position	Required attendance in 2019	Actual Attendance
Gu Dake (Independent non-executive Director)	Chairman of the committee	3	3
Xu Haihe (Independent non-executive Director)	Member of the committee	3	3
Liu Dengqing (Independent non-executive Director)	Member of the committee	3	3
Huang Wei (Director)	Member of the committee	3	3

Remuneration of Directors and senior management

During the Reporting Period, the remuneration of senior management of the Company by band is as follows:

Remuneration Band (in RMB)	Number For the years ended 31 December	
	2019	2018
500,000 to 600,000	–	5
600,000 to 700,000	4	–
700,000 to 800,000	1	–

Remuneration of Directors and Supervisors are disclosed in “10.5 Related-party transactions – Remuneration of key officers” to the financial statements of this annual report.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(4) 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 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 of the Company comprise of Mr. Gu Dake, Mr. Xu Haihe and Mr. Liu Dengqing, who are all independent non-executive Directors.

During the year of 2019, 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 2018 and agreed to submit the same to the Board of Directors for consideration.

Members of the Risk Management Committee and attendance at its meeting

Name	Position	Required attendance in 2019	Actual Attendance
Gu Dake (Independent non-executive Director)	Member of the committee	1	1
Xu Haihe (Independent non-executive Director)	Member of the committee	1	1
Liu Dengqing (Independent non-executive Director)	Member of the committee	1	1

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(5) *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 regard;
- 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 regard. 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)

3. Special committees of the Board (Continued)

(5) *Nomination Committee (Continued)*

In identifying suitable individuals, the Nomination Committee makes recommendation to the Board after considering (i) individuals on merit (ii) the objective criteria, with due regard for the benefits of diversity on the Board; and (iii) the Company's corporate strategy and the mix of skills, knowledge, experience and diversity needed in the future.

The procedures for nominating directors and senior managers of the Company:

1. A list of proposed candidates shall be first put forward by persons or organizations having the right to nominate directors of the Company to the Nomination Committee for review before being presented to the Board for consideration. The list, if approved by the Board, shall be submitted to the general meeting of the Company for consideration.
2. A list of proposed candidates for the president of the Company, Board secretary and other senior managers shall be first put forward by persons or organizations having the right to nominate such executives to the Nomination Committee for review before being presented to the Board for consideration.

The procedures for examining the qualifications of candidates for directors and senior managers:

1. The Nomination Committee may request the relevant department of the Company to provide or may collect by itself all relevant information about the occupation, academic qualifications, professional titles, detailed working experience and concurrent posts of the candidates and compile written reports.
2. The Nomination Committee shall convene a meeting to conduct a qualification review on the candidate(s) according to the employment requirements of Directors and senior managers, and specify its opinions and recommendations on selection in the form of proposals.
3. The Nomination Committee shall carry out other relevant work according to the decisions and feedback of the Board.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

3. Special committees of the Board (Continued)

(5) 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.

During the year of 2019, the nomination committee convened 1 meeting to consider the Resolution on the Nomination of President and Director of the Company. At the meeting, candidate recommended as the president of the Company by Controlling Shareholder were reviewed and came to the conclusion that the recommendation gave full play to the advantages of such candidate, 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 2019	Actual Attendance
Liu Dengqing (Independent non-executive Director)	Chairman of the committee	1	1
Gu Dake (Independent non-executive Director)	Member of the committee	1	1
Xu Haihe (Independent non-executive Director)	Member of the committee	1	1
Zou Lei (Chairman)	Member of the committee	1	1

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

4. Duties of the Management Team

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

- (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 plan for financial budget and final accounts, 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.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

5. 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.

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

During the Reporting Period, the Company provides trainings for all the Directors (including Mr. Zou Lei, Mr. Yu Peigen, 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, Mr. Zeng Yi and Mr. Feng Yong) 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.

7. Information Disclosure and Investor Relation

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 2019, the Company has made information disclosure for approximately 248 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)

8. Auditors

On the basis of that ShineWing Certified Public Accountants LLP has provided auditing services for the Company for eight years since 2017. In order to maintain a sound corporate governance, the Board, through appointment procedures, recommended to appoint BDO China Shu Lun Pan Certified Public Accountants LLP as the auditor of the Company to the audit and review committee based on the principle of fairness. Save as disclosed above, the Company did not change auditor for the past three years.

Upon consideration and approval on the 2018 annual general meeting of the Company held on 26 June 2019, the Company intended to re-appoint BDO China Shu Lun Pan Certified Public Accountants LLP (“BDO”) to audit the Company’s financial statements for 2019 and issue the audit report, and to audit the effectiveness of the Company’s internal control in 2019 and issue the audit report in accordance with the relevant regulations of Shanghai Stock Exchange for a term of one year.

9. Acknowledgement of the Directors and Auditor

All Directors have acknowledged their responsibilities for preparing the accounts for the year ended 31 December 2019.

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 2019.

10. Material changes in the constitutional documents of the Company

There was no amendments on Articles of Association of the Company during the Reporting Period.

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

11. 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 2019, BDO was engaged by the Company to review the effectiveness of internal control on the financial report as of 31 December 2019, 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 management, the internal audit team and external auditor, the Board makes its assessment on the efficiency of the internal control. The annual review also includes consideration of the adequacy of resources, qualifications and experience of staff in terms of accounting and financial reporting functions, including their training programme and training budget.

For the year ended 31 December 2019, 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)

12. Dividend Policy

(1) *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.

(2) *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)*

The Profit Distribution Scheme for 2017: The acquisition of assets by issuance of shares of the Company (a 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 profit distribution for 2017 and the issuance of shares by the Company under this transaction as well as the smooth progress of the transaction, the Company, decided not to make any profit distribution for 2017 and nor it will convert any capital reserve into share capital or make any bonus issue.

The 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 (tax inclusive) 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.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

12. Dividend Policy (Continued)

- (2) *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) (Continued)*

Profit Distribution Scheme for 2019: Audited by BDO China Shu Lun Pan Certified Public Accountants LLP, the net profit attributable to shareholders of the parent company is RMB1,277,671,818.13 in 2019; the parent company has procured a net profit of RMB359,018,076.48. The Company proposed to distribute a cash dividend of RMB2.05 (before tax) per 10 shares on the basis of 3,118,792,130 shares as at the publication date of the annual report, totaling payment of a cash dividend of RMB639,352,386.65. 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 2019 annual general meeting for consideration and approval.

The dividend payment proposal shall be approved by the shareholders at the annual general meeting (the "AGM") of shareholders. If approved, the final dividend is expected to be paid to the shareholders listed on the register of members around 24 August 2020. Dividends payable to H 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 a week preceding the announcement of the payment of final dividend (if approved) at the AGM.

Unit: Yuan Currency: RMB

Year of distribution	Number of bonus shares for every 10 shares (share(s))	Dividend for every 10 shares (Yuan) (Tax inclusive)	Number of scrip shares for every 10 shares (share(s))	Total amount of cash dividend (Yuan) (Tax inclusive)	Net profits attributable to shareholders of the Company in the consolidated financial statements for the year	Percentage of dividend to the net profits attributable to shareholders of the Company in the consolidated financial statements (%)
2019	0	0	0	639,352,386.65	1,277,671,818.13	50.04
2018	-	-	-	339,988,377.41	1,128,834,236.51	30.12
2017	-	-	-	-	-	-

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

12. Dividend Policy (Continued)

(3) *Enterprise Income Tax or Individual Income Tax on Withholding and Payment of Dividend*

Withholding and Payment of Income Tax (Continued)

Enterprise Income Tax Withholding of Overseas Non-Resident Enterprises

Pursuant to the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), the Implementation Rules of the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法實施條例》) and the Notice on Issues Regarding Withholding Enterprise Income Taxes when Chinese Resident Enterprises Distribute Dividends to H-share Holders which are Foreign Non-resident Enterprises (Guo Shui Han [2008] No. 897) (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》(國稅函[2008]897號)) issued by the State Administration of Taxation, a PRC resident enterprise shall withhold and pay enterprise income tax at the uniform tax rate of 10% on behalf of its shareholders when distributing the dividends to foreign non-resident enterprise holders of H Share for the year 2008 and subsequent years.

Pursuant to the provisions in the Notice on Tax Policies Regarding the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets (Cai Shui [2014] No. 81) (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》(財稅[2014]81號)) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC, for dividend and bonus incomes obtained by mainland enterprise investors from investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, such H-share companies shall not withhold and pay any income taxes on such dividends and bonuses, as the income taxes shall be reported and paid by the investing enterprises on their own. Meanwhile, for dividends and bonuses obtained by mainland resident enterprises from holding relevant H shares for 12 months consecutively, enterprise income taxes shall be exempted according to laws.

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

12. Dividend Policy (Continued)

- (3) *Enterprise Income Tax or Individual Income Tax on Withholding and Payment of Dividend (Continued)*

Withholding and Payment of Income Tax (Continued)

Individual Income Tax Withholding of Overseas Individual Shareholders

Pursuant to provisions in the Notice by the State Administration of Taxation on Issues Regarding the Administration of Individual Income Tax Collection after the Annulment of Document Guo Shui Fa [1993] No. 045 (Guo Shui Han [2011] No. 348) (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》(國稅函[2011]348號)), for dividend and bonus incomes received by individual shareholders as foreign residents from shares of domestic non-foreign-invested enterprises listed in Hong Kong, the individual income taxes thereof shall be withheld and lawfully paid by a withholding agent. When a domestic non-foreign-invested enterprise lists its shares in Hong Kong, its individual shareholders, as foreign residents, can claim relevant preferential tax treatment pursuant to the provisions in the tax treaty entered into between the country where their residential identity belongs and the PRC and in the tax arrangements between Mainland China and Hong Kong (Macau). Pursuant to the relevant tax treaties and tax arrangements, the tax rate for dividends is normally 10%. To simplify the administration of tax collection, when dividends and bonuses are distributed by a domestic non-foreign-invested enterprise for shares listed in Hong Kong, individual income taxes thereof are generally withheld and paid at the tax rate of 10% with no need to file any application. If the dividend tax rate is not 10%, the following provisions shall be followed: (1) for residents subject to tax rates below 10%, pursuant to relevant treaties, withholding agents may handle the application for relevant treatments under such treaties on their behalf, and extra tax payments shall be refunded upon the approval of the governing tax authority; (2) for residents subject to tax rates over 10% but lower than 20%, pursuant to relevant treaties, withholding agents shall withhold and pay the individual income taxes at the effective rate when the dividends and bonuses are distributed, with no need to apply for review and approval; (3) for residents whose countries have not entered into any tax treaty with the PRC, withholding agents shall withhold and pay the individual income taxes at the tax rate of 20% when the dividends and bonuses are distributed.

Pursuant to the provisions in the Notice on Tax Policies Regarding the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets(Cai Shui [2014] No. 81) issued by the Ministry of Finance, the State Administration of Taxation and the CSRC for dividends and bonuses obtained by mainland individual investors from investing in H-shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, such H-share companies shall withhold individual income tax at the rate of 20%. For dividend and bonus incomes obtained by mainland securities investment funds by investing in shares listed on the Hong Kong Stock Exchange through Shanghai-Hong Kong Stock Connect, the individual income tax will be levied pursuant to the provisions mentioned above.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

12. Dividend Policy (Continued)

- (3) *Enterprise Income Tax or Individual Income Tax on Withholding and Payment of Dividend (Continued)*

Withholding and Payment of Income Tax (Continued)

Profit Distribution to Investors of Northbound Trading

For investors of the Hong Kong Stock Exchange (including enterprises and individuals) investing in the A Shares listed on the Shanghai Stock Exchange (the “Investors of Northbound Trading”), their dividends and bonuses will be distributed in RMB by the Company through the Shanghai Branch of China Securities Depository and Clearing Corporation Limited to the account of the nominees holding such shares. The Company will withhold and pay income taxes at the rate of 10% on behalf of those investors and will report to the tax authorities for the withholding. For Investors of Northbound Trading who are tax residents of other countries and whose country of domicile is a country which has entered into a tax treaty with the PRC stipulating a dividend and bonus tax rate of lower than 10%, those enterprises and individuals may, or may entrust a withholding agent to, apply to the competent tax authorities for the entitlement of the rate under such tax treaty. Upon approval by the tax authorities, the paid amount in excess of the tax payable based on the tax rate according to such tax treaty will be refunded.

The record date, the date of distribution of Final Dividend and other arrangements for the Investors of Northbound Trading will be the same as those for the holders of A Shares of the Company.

Profit Distribution to Investors of Southbound Trading

For investors of the Shanghai Stock Exchange and the Shenzhen Stock Exchange (including enterprises and individuals) investing in the H Shares of the Company listed on the Hong Kong Stock Exchange (the “Investors of Southbound Trading”), the Company has arranged for the China Securities Depository and Clearing Corporation Limited or its branches, as the nominee of the holders of H Shares for Southbound Trading, to receive all Final Dividend distributed by the Company and distribute the Final Dividend to the relevant investors of H Shares of Southbound Trading through its depository and clearing system.

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

12. Dividend Policy (Continued)

- (3) *Enterprise Income Tax or Individual Income Tax on Withholding and Payment of Dividend (Continued)*

Withholding and Payment of Income Tax (Continued)

Profit Distribution to Investors of Southbound Trading (Continued)

The Final Dividend for the investors of H Shares of Southbound Trading will be paid in RMB. In accordance with relevant requirements of the Notice on Tax Policies Regarding the Pilot Program of an Interconnection Mechanism for Transactions in the Shanghai and Hong Kong Stock Markets(Cai Shui [2014] No.81) and the Notice on Tax Policies Regarding the Pilot Program of an Interconnection Mechanism for Transactions in the Shenzhen and Hong Kong Stock Markets (Cai Shui [2016] No.127) (《關於深港股票市場交易互聯互通機制試點有關稅收政策的通知(財稅[2016]127號)》), for Final Dividend received by mainland individual investors from investing in H Shares of the Company listed on the Hong Kong Stock Exchange through Shanghai/Shenzhen-Hong Kong Stock Connect, the Company will withhold and pay individual income tax at the rate of 20% on their behalf. For Final Dividend received by mainland securities investment funds from investing in H Shares of the Company listed on the Hong Kong Stock Exchange through Shanghai/Shenzhen-Hong Kong Stock Connect, the tax payable shall be the same as that for individual investors. The Company will not withhold and pay the income tax of dividends and bonuses for domestic enterprise investors and those domestic enterprise investors shall report and pay the relevant tax themselves.

The record date, the date of distribution of Final Dividend and other arrangements for the Investors of Southbound Trading will be the same as those for the holders of H Shares of the Company.

Anyone has the intention to change their identity as a shareholder in the register of members, please inquire about relevant procedures from nominees and trustees. The Company will strictly abide by relevant laws and regulations of relevant government departments, and strictly adhere to data set out in the register of members of the Company on the record date to withhold enterprise income tax of non-resident enterprise shareholders.

CORPORATE GOVERNANCE (CONTINUED)

VII. CORPORATE GOVERNANCE REPORT (CONTINUED)

Corporate governance practices (Continued)

13. Shareholder's Rights

(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 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 on which the shareholders put forward the written proposal.
- (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 shares shall have the right to propose in written form to the Supervisory Committee to convene an EGM.
- (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 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 toward the dispatched office of CSRC at the locality of the Company and the stock exchange. Before the resolution of the EGM is announced, the shareholding proportion of the summoning shareholders shall be no less than 10%.

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

- (5) In respect of the EGM convened by shareholders on their own initiative, the Board of Directors and its secretary shall cooperate. The Board of Directors shall provide the register of members 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)

13. 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 general meeting. 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 proposals in writing to the Company. The Company shall include the matters which are within the scope of responsibilities of the general meeting in the agenda of the 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 procedures 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 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.: 028-8758 3333
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, 2019

PCPAR [2020] No. ZG10443

DONGFANG ELECTRIC CORPORATION LIMITED

AUDITORS' REPORT AND FINANCIAL STATEMENTS

(From January 1, 2019 to December 31, 2019)

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Auditors' Report

PCPAR [2020] No. ZG10443

All shareholders of Dongfang Electric Corporation Limited:

I. Opinion

We have audited the attached financial statements of Dongfang Electric Corporation Limited (hereinafter referred to as the "Company"), which comprise the consolidated balance sheet and the parent company's balance sheet as at December 31, 2019, the consolidated income statement and the parent company's income statement, the consolidated statement of cash flows and the parent company's statement of cash flows, and the consolidated statement of changes in shareholders' equity and the parent company's statement of changes in shareholders' equity for the year then ended, as well as 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 parent company's financial position as at December 31, 2019 and the consolidated operating results and the parent company's operating results and cash flows for the year then ended.

II. Basis for Our Opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. 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 for 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
<p>(I) Revenue recognition</p> <p>See the accounting policies as stated in the Note 3.29 under Note "3. Significant accounting policies and accounting estimates" and the Note 5.55 under Note "5. Notes to the items of consolidated financial statements" in the note to the financial statements for the detailed accounting policies for revenue recognition and the revenue analysis. For the year ended December 31, 2019, the operating revenue recognized by the Company amounted to RMB 32.84 billion which were divided into revenue recognized according to the time point of performance and revenue recognized according to the time period of performance.</p> <p>1. The occurrence and integrity of revenue 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 the Management's judgment on different contracts;</p> <p>3. Revenue recognition according to the time period of performance involves the Management's significant judgments and estimates. These estimates are affected by judgments about the future markets and the economic situation, which may further affect whether the Company recognizes revenue according to the time period of performance during the appropriate accounting period. Therefore, the revenue recognition is identified as a key audit matter.</p>	<p>Audit responses</p> <p>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;</p> <p>2. Examined important sales contracts and interviewed with key management personnel. Analyzed 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 recognition policy of sales revenue meets the requirements of enterprise accounting standards;</p> <p>3. For the occurrence and completeness of revenue recognition according to the time point of performance, the major audit procedures we had undertaken include:</p> <p>(1) Evaluated the designing and implementation of the related internal control over the revenue recognition according to the time point 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 recognized according to the time point of performance;</p> <p>(3) For the revenue recognized by the Company according to the time point of performance around the balance sheet date, checked the transportation bill, customer acceptance certificate and other documents, and evaluated the completeness of sales revenue recognition according to the time point of performance;</p>

Key Audit Matters	How the audit addressed the matter
	<p>4. For the revenue recognition according to the time period of performance, the major audit procedures we had undertaken include:</p> <ol style="list-style-type: none"> <li data-bbox="882 510 1353 678">(1) Understood, assessed and tested the internal control over the recognition of the revenue and costs according to the time period of performance; <li data-bbox="882 712 1366 913">(2) Checked the accounting policies for the recognition of the revenue according to the time period of performance, and checked and reviewed the related major contracts and key contracts; <li data-bbox="882 947 1361 1350">(3) Selected a sample of recognizing 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; <li data-bbox="882 1384 1361 1686">(4) Selected a sample of recognizing revenue according to the period of performance to check the contract, invoices, materials receipt and dispatch certificate, statements and other supporting documents related to the actual project costs for assessing the real occurrence of actual costs; <li data-bbox="882 1720 1361 2018">(5) Selected a sample of recognizing 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, 2019.

II.	Provision for inventory depreciation	Audit responses
	<p>See the accounting policies as stated in the Note 3.14 under the "3. Significant accounting policies and accounting estimates" and Note 5.10 Inventories under of the Note "5. Notes to the items of consolidated financial statements" in the note to the financial statements for the details. As at December 31, 2019, the Company's inventory balance was RMB14.438 billion, the balance of the provision for inventory depreciation was RMB 1.296 billion, the book value of inventories was RMB 13.142 billion, and the inventories were measured at the lower of cost or net realizable value. The production cycle of the products of the Company is long, and the net realizable value of related inventories is vulnerable to fluctuations caused by 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 for the Management to use certain estimates and assumptions as the premise. Therefore the recognition of provision for inventory depreciation is identified as a key audit matter.</p>	<ol style="list-style-type: none"> 1. Understood and evaluated the related internal control over the provision for inventory depreciation and the net realizable value of the Company. Tested the effectiveness of key control node execution; 2. Obtained the net realizable value list of the ending inventory prepared by the Management, evaluated the assumptions and estimates used in the calculation process, and checked the accuracy of the calculation; 3. Reviewed the storage age and the turnover situation of inventory; 4. Obtained the calculation table of the provision for inventory depreciation, and reviewed the Management's method of calculating the provision for inventories; 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.

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 2019 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. In this regard, we have nothing to report.

V. Responsibilities of the 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 going-concern ability of the Company, disclosing the matters related to going concern (if applicable) and using the going-concern assumption unless the Management either intends to carry out the liquidation 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. Auditors' 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 an audit conducted in accordance with audit standards, we exercise professional judgment and maintain professional skepticism throughout the audit. 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 by 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, in our auditors' report, draw attention of the users of statements to the related disclosures in the financial statements; if such disclosures are inadequate, we should modify our opinion. Our conclusions are based on the audit evidence 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 financial statements' overall presentation (including disclosure), structure and contents, and whether the financial statements fairly represent the underlying transactions and events.
- (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, and bear full responsibility for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit, significant audit findings and other matters, 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 in regard to all relationships and other matters that may reasonably be thought to affect our independence, and related safeguards (if applicable).

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.

**BDO CHINA Shu Lun Pan
Certified Public Accountants LLP**

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

Certified Public Accountant of China:

Shanghai, China

March 27, 2020

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, 2019

(Amounts are expressed in RMB unless otherwise stated)

Assets	Note 5	Balance as at December 31, 2019	Balance as at December 31, 2018
Current assets:			
Monetary funds	5.1	30,479,728,679.02	29,346,448,438.05
Balances with clearing companies			
Loans to banks and other financial institutions	5.2	469,762,000.00	300,000,000.00
Financial assets held for trading	5.3	1,606,664,199.35	3,122,839,818.04
Derivative financial assets			
Notes receivable	5.4	1,518,715,778.12	5,109,357,725.63
Accounts receivable	5.5	6,215,286,948.87	6,555,217,018.91
Receivables financing	5.6	1,816,408,795.25	
Advances to suppliers	5.7	2,467,333,662.69	1,913,342,742.55
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	5.8	989,033,924.05	535,465,160.58
Financial assets purchased under resale agreements	5.9	2,490,000,000.00	1,744,127,000.00
Inventories	5.10	13,142,022,679.41	13,873,986,465.23
Contract assets	5.11	7,290,368,005.89	10,187,971,672.86
Assets held for sale			
Non-current assets maturing within one year	5.12		396,500,000.00
Other current assets	5.13	913,567,655.40	470,439,698.83
Total current assets		69,398,892,328.05	73,555,695,740.68
Non-current assets:			
Disbursement of loans and advances	5.14	1,025,152,847.76	430,663,941.00
Creditor's right investments	5.15	3,756,152,435.75	4,922,529,793.75
Other creditor's right investments			
Long-term receivables	5.16	390,738,271.80	13,775,453.41
Long-term equity investments	5.17	1,717,650,083.08	1,516,634,253.84
Other equity instrument investments	5.18	4,889,859.48	4,989,859.48
Other non-current financial assets			
Investment properties	5.19	175,495,834.49	153,816,742.24
Fixed assets	5.20	5,279,930,962.85	5,902,438,578.09
Construction in progress	5.21	382,771,135.73	188,792,238.53
Productive biological assets			
Oil and gas assets			
Right-of-use assets	5.22	291,388,386.25	
Intangible assets	5.23	1,632,833,016.54	1,681,044,339.19
Development expenditures			
Goodwill			
Long-term deferred expenses	5.24	50,792,966.40	51,778,532.60
Deferred income tax assets	5.25	2,892,961,105.86	2,897,188,154.97
Other non-current assets	5.26	2,619,316,321.68	3,981,790.00
Total non-current assets		20,220,073,227.67	17,767,633,677.10
Total assets		89,618,965,555.72	91,323,329,417.78

The accompanying notes to the financial statements form an integral part 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, 2019

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and the owners' equity	Note 5	Balance as at December 31, 2019	Balance as at December 31, 2018
Current liabilities:			
Short-term borrowings	5.27	13,850,000.00	245,566,000.00
Borrowings from central bank			
Loans from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	5.28	3,650,947,932.56	3,552,762,831.53
Accounts payable	5.29	11,833,812,175.96	11,540,188,158.94
Advances from customers	5.30	28,000,000.00	
Contract liabilities	5.31	25,873,464,019.06	29,460,944,098.28
Financial assets sold under repurchase agreements			
Absorption of deposits and interbank deposits	5.32	4,999,411,987.90	4,793,625,912.49
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee compensation payable	5.33	780,900,223.52	772,584,805.65
Taxes and surcharges payable	5.34	261,045,191.58	461,097,975.94
Other payables	5.35	1,770,776,404.82	1,749,869,606.78
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities maturing within one year	5.36	154,232,008.74	16,320,000.00
Other current liabilities	5.37	87,375,624.68	103,588,912.65
Total current liabilities		49,453,815,568.82	52,696,548,302.26
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	5.38	627,019,323.12	462,864,840.00
Bonds payable			
Including: preferred stock			
Perpetual bond			
Lease liabilities	5.39	156,664,637.27	
Long-term payables	5.40	9,600,357.51	26,340,460.52
Long-term employee compensation payable	5.41	784,413,550.52	837,303,270.07
Estimated liabilities	5.42	6,280,380,090.91	6,136,106,066.37
Deferred income	5.43	470,607,566.07	444,014,801.58
Deferred income tax liabilities	5.25	38,031,490.91	26,243,061.77
Other non-current liabilities			
Total non-current liabilities		8,366,717,016.31	7,932,872,500.31
Total liabilities		57,820,532,585.13	60,629,420,802.57
Owners' equity:			
Share capital	5.44	3,090,803,431.00	3,090,803,431.00
Other equity instruments			
Including: preferred stock			
Perpetual bond			
Capital reserves	5.45	11,345,339,174.91	11,251,874,281.59
Less: treasury stock	5.46	165,972,988.00	

Liabilities and the owners' equity	Note 5	Balance as at December 31, 2019	Balance as at December 31, 2018
Other comprehensive income	5.47	-24,418,047.58	-33,400,468.00
Special reserves	5.48	76,102,748.09	79,395,179.18
Surplus reserves	5.49	907,174,974.45	871,273,166.80
General risk reserves			
Undistributed profits	5.50	14,225,616,456.64	13,324,105,405.23
Total equity attributable to owners of the parent company		29,454,645,749.51	28,584,050,995.80
Minority equity	5.51	2,343,787,221.08	2,109,857,619.41
Total owners' equity		31,798,432,970.59	30,693,908,615.21
Total liabilities and owners' equity		89,618,965,555.72	91,323,329,417.78

The accompanying notes to the financial statements form an integral part of the financial statements.

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

Dongfang Electric Corporation Limited
Parent Company' Balance Sheet
As at December 31, 2019

(Amounts are expressed in RMB unless otherwise stated)

Assets	Note 15	Balance as at December 31, 2019	Balance as at December 31, 2018
Current assets:			
Monetary funds		5,497,247,223.57	8,040,524,852.09
Financial assets held for trading		457,532,079.66	595,949,757.26
Derivative financial assets			
Notes receivable	15.1		865,318,082.63
Accounts receivable	15.2	1,065,723,447.18	1,355,903,343.63
Receivables financing	15.3	460,847,729.38	
Advances to suppliers		7,662,350,525.48	9,382,067,906.12
Other receivables	15.4	413,450,619.18	370,612,187.12
Inventories		408,599,537.97	69,239,529.73
Contract assets		2,987,295,769.33	3,252,589,182.48
Assets held for sale			
Non-current assets maturing within one year			
Other current assets		57,081,460.02	56,394,516.30
Total current assets		19,010,128,391.77	23,988,599,357.36
Non-current assets:			
Creditor's right investments			
Other creditor's right investments			
Long-term receivables			
Long-term equity investments	15.5	22,169,345,668.35	21,576,904,119.31
Other equity instrument investments			
Other non-current financial assets			
Investment properties		11,205,457.00	12,318,817.26
Fixed assets		46,156,980.72	50,409,533.23
Construction in progress		338,748.12	1,443,058.47
Productive biological assets			
Oil and gas assets			
Right-of-use assets		192,596,104.68	
Intangible assets		171,794,017.86	197,668,622.62
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		261,093,920.40	275,356,901.19
Other non-current assets		546,974,524.06	
Total non-current assets		23,399,505,421.19	22,114,101,052.08
Total assets		42,409,633,812.96	46,102,700,409.44

The accompanying notes to the financial statements form an integral part of the financial statements.

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

Dongfang Electric Corporation Limited
Parent Company' Balance Sheet (Continued)
As at December 31, 2019

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and the owners' equity	Balance as at December 31, 2019	Balance as at December 31, 2018
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	4,822,032,902.86	5,833,469,234.78
Advances from customers		
Contract liabilities	11,396,442,704.53	14,261,970,077.65
Employee compensation payable	28,033,750.74	34,924,721.82
Taxes and surcharges payable	4,749,221.09	12,758,992.30
Other payables	876,416,312.16	709,679,160.03
Liabilities held for sale		
Non-current liabilities maturing within one year	96,226,518.83	
Other current liabilities		
Total current liabilities	17,223,901,410.21	20,852,802,186.58
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: preferred stock		
Perpetual bond		
Lease liabilities	100,879,341.60	
Long-term payables		
Long-term employee compensation payable	12,439,017.95	16,062,947.55
Estimated liabilities	576,957,712.18	768,595,143.58
Deferred income	18,008,062.50	2,884,954.54
Deferred income tax liabilities		7,035,254.75
Other non-current liabilities		
Total non-current liabilities	708,284,134.23	794,578,300.42
Total liabilities	17,932,185,544.44	21,647,380,487.00
Owners' equity:		
Share capital	3,090,803,431.00	3,090,803,431.00
Other equity instruments		
Including: preferred stock		
Perpetual bond		
Capital reserves	13,190,288,940.34	13,021,217,305.33
Less: treasury stock	165,972,988.00	
Other comprehensive income		
Special reserves		
Surplus reserves	1,195,538,090.88	1,159,636,283.23
Undistributed profits	7,166,790,794.30	7,183,662,902.88
Total owners' equity	24,477,448,268.52	24,455,319,922.44
Total liabilities and owners' equity	42,409,633,812.96	46,102,700,409.44

The accompanying notes to the financial statements form an integral part of the financial statements.

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

Dongfang Electric Corporation Limited
Consolidated Income Statement
Year 2019

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Year 2019	Year 2018
I. Total operating revenue	5.55	32,840,321,080.22	30,706,145,358.82
Including: operating revenue	5.55	31,777,585,757.68	29,729,655,571.73
Interest income	5.55	1,062,215,899.11	969,278,602.81
Premiums earned			
Income from handling charges and commissions	5.55	519,423.43	7,211,184.28
II. Total operating cost		30,697,953,151.01	29,146,750,868.77
Including: operating cost	5.55	24,938,437,889.53	23,568,286,522.07
Interest expenses	5.55	81,498,284.37	75,134,577.37
Handling charges and commissions expenses	5.55	165,136.20	966,188.86
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend expenses			
Reinsurance costs			
Taxes and surcharges	5.56	240,099,288.59	334,517,433.51
Selling and distribution expenses	5.57	1,308,499,758.09	1,357,972,140.61
General and administrative expenses	5.58	2,380,523,760.63	2,501,402,084.71
Research and development expenditures	5.59	1,888,388,724.59	1,689,014,827.23
Financial expenses	5.60	-139,659,690.99	-380,542,905.59
Including: interest expenses	5.60	49,431,576.08	37,439,485.33
Interest income	5.60	83,050,317.66	149,395,707.65
Plus: other income	5.61	139,844,440.55	111,127,012.38
Investment income ("-" for losses)	5.62	377,935,987.09	245,947,029.53
Including: income from investment in associates and joint ventures	5.62	203,802,439.98	132,557,375.04
Income from derecognition of financial assets measured at amortized cost			
Foreign exchange gains ("-" for losses)	5.63	872,319.89	1,112,082.95
Income from net exposure hedging ("-" for losses)			
Income from changes in fair value ("-" for losses)	5.64	-126,073,198.44	83,645,380.11
Losses from credit impairment ("-" for losses)	5.65	-25,782,025.30	-255,937,862.31
Losses from asset impairment ("-" for losses)	5.66	-896,326,277.66	-524,002,955.35
Income from asset disposal ("-" for losses)	5.67	9,424,700.01	17,421,655.84
III. Operating profits ("-" for loss)		1,622,263,875.35	1,238,706,833.20
Plus: non-operating revenue	5.68	104,192,017.32	163,286,246.15
Less: non-operating expenses	5.69	147,871,972.61	126,523,356.02
IV. Total profits ("-" for total losses)		1,578,583,920.06	1,275,469,723.33
Less: income tax expenses	5.70	197,712,209.73	117,204,032.48
V. Net profit ("-" for net loss)		1,380,871,710.33	1,158,265,690.85
(I) Classified by operating sustainability			
1. Net profit from continuing operations ("-" for net loss)		1,380,871,710.33	1,158,265,690.85
2. Net profit from discontinued operation ("-" for net loss)			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the		1,277,671,818.13	1,128,834,236.51

Item	Note 5	Year 2019	Year 2018
parent company ("-" for net loss)			
2. Minority interest income ("-" for net loss)		103,199,892.20	29,431,454.34
VI. Other comprehensive income, net of tax	5.47	10,537,271.19	15,816,290.45
Other comprehensive income, net of tax, attributable to owners of the parent company	5.47	8,939,920.42	12,320,225.54
(I) Other comprehensive income that cannot be reclassified into profit or loss	5.47		-81,914.82
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments	5.47		-81,914.82
4. Changes in fair value of the Company's own credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss	5.47	8,939,920.42	12,402,140.36
1. Other comprehensive income that can be transferred to profit or loss under the equity method	5.47	1,791,356.58	
2. Changes in fair value of other bond investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other creditor's rights investment			
5. Cash flow hedging reserves			
6. Differences arising from translation of foreign-currency financial statements	5.47	7,148,563.84	12,402,140.36
7. Others			
Other comprehensive income, net of tax, attributable to minority shareholders	5.47	1,597,350.77	3,496,064.91
VII. Total comprehensive income		1,391,408,981.52	1,174,081,981.30
Total comprehensive income attributable to owners of the parent company		1,286,611,738.55	1,141,154,462.05
Total comprehensive income attributable to minority shareholders		104,797,242.97	32,927,519.25
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/ share)	5.71	0.41	0.37
(II) Diluted earnings per share (RMB/ share)	5.71	0.41	0.37

In case of business combination under common control in 2019, the net profit realized by the combinee before the combination was RMB 0.00; and the net profit realized by the combinee in 2018 was RMB 0.00. The accompanying notes to the financial statements form an integral part of the financial statements.

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

Dongfang Electric Corporation Limited
Parent Company's Income Statement
Year 2019

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 15	Year 2019	Year 2018
I. Operating revenue	15.6	9,869,759,300.97	11,810,737,765.61
Less: operating cost	15.6	9,570,120,555.80	11,654,112,584.09
Taxes and surcharges		13,892,312.31	23,523,372.94
Selling and distribution expenses		5,777,522.41	67,472,650.88
General and administrative expenses		231,828,994.28	279,522,210.65
Research and development expenditures		133,812,021.92	168,287,228.69
Financial expenses		-113,397,444.55	-223,427,209.97
Including: interest expenses		10,960,530.73	496,684.45
Interest income		93,511,225.40	145,446,083.67
Plus: other income		2,207,293.74	423,521.39
Investment income ("-" for losses)	15.7	495,234,136.84	1,122,568,128.75
Including: income from investment in associates and joint ventures	15.7	106,354,621.73	96,849,700.02
Income from derecognition of financial assets measured at amortized cost			
Income from net exposure hedging ("-" for losses)			
Income from changes in fair value ("-" for losses)		-138,417,677.60	64,230,323.91
Losses from credit impairment ("-" for losses)		-3,381,166.21	-86,768,295.00
Losses from asset impairment ("-" for losses)			
Gains from disposal of assets ("-" for losses)		40,333.98	134,358.08
II. Operating profits ("-" for losses)		383,408,259.55	941,834,965.46
Plus: non-operating revenue		29,541,253.59	28,760,198.58
Less: non-operating expenses		46,703,710.62	29,278,022.82
III. Total profits ("-" for total losses)		366,245,802.52	941,317,141.22
Less: current income tax expenses		7,227,726.04	-22,275,305.23
IV. Net profit ("-" for net loss)		359,018,076.48	963,592,446.45
(I) Net profit from continued operation ("-" for net loss)		359,018,076.48	963,592,446.45
(II) Net profit from discontinued operation ("-" for net loss)			
V. Other comprehensive income, net of tax			
(I) Other comprehensive income that cannot be reclassified into profit or loss			
1. Changes in re-measurement of the defined benefit plan			
2. Other comprehensive income that cannot be transferred to profit or loss under the equity method			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of the Company's own credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss			
1. Other comprehensive income that can be transferred to profit or loss under the equity method			
2. Changes in fair value of other bond investments			
3. Amount of financial assets reclassified into other comprehensive income			
4. Provision for credit impairment of other creditor's rights investment			

Item	Note 15	Year 2019	Year 2018
5. Cash flow hedging reserves			
6. Differences arising from translation of foreign-currency financial statements			
7. Others			
VI. Total comprehensive income		359,018,076.48	963,592,446.45
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 form an integral part of the financial statements.

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

Dongfang Electric Corporation Limited
Consolidated Statement of Cash Flows
Year 2019

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	Year 2019	Year 2018
I. Cash flows from operating activities			
Cash received from sales of goods and rendering of services		30,550,893,393.88	29,595,614,470.26
Net increase in deposits from customers and due from banks and other financial institutions		-275,896,804.64	2,078,500,166.11
Net increase in borrowings from central bank			
Net increase in loans from other financial institutions		44,266,999.55	
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, handling charges and commissions		490,057,542.95	589,460,360.07
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Net cash received from vicariously traded securities			
Refund of taxes and surcharges		100,212,853.64	265,367,421.00
Cash received from other operating activities	5.73	5,527,908,695.44	3,427,343,790.94
Sub-total of cash inflows from operating activities		36,437,442,680.82	35,956,286,208.38
Cash paid for goods purchased and services received		23,534,532,445.43	20,830,400,100.46
Net increase in loans and advances to customers		657,004,382.91	1,947,703,068.12
Net increase in deposits in central bank and other banks and financial institutions		-274,984,392.26	1,242,049,849.48
Cash paid for original insurance contract claims			
Net increase in loans to banks and other financial institutions			
Cash paid for interest, handling charges and commissions		201,323,478.28	1,009,547.58
Cash paid for policy dividends			
Cash paid to and on behalf of employees		3,974,168,812.65	3,639,365,124.45
Cash paid for taxes and surcharges		1,935,781,193.96	2,474,343,611.18
Cash paid for other operating activities	5.73	6,207,372,134.74	6,373,195,212.12
Sub-total of cash outflows from operating activities		36,235,198,055.71	36,508,066,513.39
Net cash flows from operating activities		202,244,625.11	-551,780,305.01
II. Cash flows from investing activities			
Cash received from disposal of investments		2,706,215,667.46	2,887,805,396.49
Cash received from returns on investments		259,368,343.88	162,676,258.15
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		10,152,002.58	24,385,417.26
Net cash received from disposal of subsidiaries and other business units			
Cash received from other investing activities			
Sub-total of cash inflows from investing activities		2,975,736,013.92	3,074,867,071.90

Item	Note 5	Year 2019	Year 2018
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		642,236,879.74	184,988,467.66
Cash paid for investments		876,647,776.59	3,307,133,584.95
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities	5.73	86,617,620.30	7,832,015.87
Sub-total of cash outflows from investing activities		1,605,502,276.63	3,499,954,068.48
Net cash flows from investing activities		1,370,233,737.29	-425,086,996.58
III. Cash flows from financing activities			
Cash from absorption of investments		392,324,954.48	49,500,000.00
Including: cash received by subsidiaries from the absorption of minority shareholders' investments		226,351,966.48	49,500,000.00
Cash received from borrowings		201,650,000.00	469,670,700.00
Cash received from other financing activities	5.73		33,383,333.33
Sub-total of cash inflows from financing activities		593,974,954.48	552,554,033.33
Cash paid for debt repayments		259,203,634.56	797,174,810.00
Cash paid for distribution of dividends and profits or payment of interest		416,840,612.55	63,718,740.48
Including: dividends and profits paid to minority shareholders by subsidiaries		361,037,164.19	21,620,351.55
Cash paid for other financing activities	5.73	22,471,381.94	945,291,074.68
Sub-total of cash outflows from financing activities		698,515,629.05	1,806,184,625.16
Net cash flows from financing activities		-104,540,674.57	-1,253,630,591.83
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		104,804,772.87	282,376,135.24
V. Net increase in cash and cash equivalents		1,572,742,460.70	-1,948,121,758.18
Plus: beginning balance of cash and cash equivalents		26,899,627,194.15	28,847,748,952.33
VI. Ending balance of cash and cash equivalents		28,472,369,654.85	26,899,627,194.15

The accompanying notes to the financial statements form an integral part of the financial statements.

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

Dongfang Electric Corporation Limited
Parent Company's Statement of Cash Flows
Year 2019

(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2019	Year 2018
I. Cash flows from operating activities		
Cash received from sales of goods and rendering of services	7,152,076,436.05	10,901,004,147.00
Refund of taxes and surcharges	4,344,567.42	146,709,193.52
Cash received from other operating activities	186,072,505.48	461,733,473.21
Sub-total of cash inflows from operating activities	7,342,493,508.95	11,509,446,813.73
Cash paid for goods purchased and services received	8,802,693,878.48	13,714,560,559.03
Cash paid to and on behalf of employees	188,800,923.41	237,606,311.03
Cash paid for taxes and surcharges	95,541,414.07	97,816,878.27
Cash paid for other operating activities	509,714,721.30	444,005,388.50
Sub-total of cash outflows from operating activities	9,596,750,937.26	14,493,989,136.83
Net cash flows from operating activities	-2,254,257,428.31	-2,984,542,323.10
II. Cash flows from investing activities		
Cash received from disposal of investments	43,604,812.46	40,000,000.00
Cash received from returns on investments	364,713,614.85	1,070,900,935.57
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	151,552.88	285,048.66
Net cash received from disposal of subsidiaries and other business units		
Cash received from other investing activities		
Sub-total of cash inflows from investing activities	408,469,980.19	1,111,185,984.23
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	10,457,051.43	6,338,183.24
Cash paid for investment	543,000,000.00	732,499,994.35
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Sub-total of cash outflows from investing activities	553,457,051.43	738,838,177.59
Net cash flows from investing activities	-144,987,071.24	372,347,806.64
III. Cash flows from financing activities		
Cash from absorption of investments	165,972,988.00	
Cash received from borrowings		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities	165,972,988.00	
Cash paid for debt repayments		
Cash paid for distribution of dividends and profits or payment of interest	342,237,879.72	
Cash paid for other financing activities		942,336,415.78
Sub-total of cash outflows from financing activities	342,237,879.72	942,336,415.78
Net cash flows from financing activities	-176,264,891.72	-942,336,415.78
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		
	32,782,762.75	74,234,036.93
V. Net increase in cash and cash equivalents	-2,542,726,628.52	-3,480,296,895.31
Plus: beginning balance of cash and cash equivalents	8,033,458,852.09	11,513,755,747.40
VI. Ending balance of cash and cash equivalents	5,490,732,223.57	8,033,458,852.09

The accompanying notes to the financial statements form an integral part 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
Year 2019
(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2019													
	Equity attributable to owners of the parent company												Minority equity	Total shareholders' equity
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Sub-total		
	Preferred stock	Perpetual bond	Others											
I. 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
Plus: adjustments for changes in accounting policies											-228,081.66	-228,081.66	-219,137.28	-447,218.94
Correction of accounting errors in prior periods														
Business combination under common control														
Others														
II. Balance as at January 1, 2019	3,090,803,431.00				11,251,874,281.59		-33,400,468.00	79,395,179.18	871,273,166.80		13,323,877,323.57	28,583,822,914.14	2,109,638,482.13	30,693,461,396.27
III. Increases/decreases in 2019 ("-" for decreases)					93,464,893.32	165,972,988.00	8,982,420.42	-3,292,431.09	35,901,807.65		901,739,133.07	870,822,835.37	234,148,738.95	1,104,971,574.32
(I) Total comprehensive income							8,939,920.42				1,277,671,818.13	1,286,611,738.55	104,797,242.97	1,391,408,981.52
(II) Capital contributed or reduced by owners					93,464,893.32	165,972,988.00		-3,768,103.89				-76,276,198.57	151,047,224.82	74,771,026.25
1. Common stock contributed by owners					165,972,988.00							165,972,988.00	77,812,914.57	243,785,902.57
2. Capital invested by the holders of other equity instruments														
3. Amounts of share-based payments recognized in owners' equity					3,098,647.01	165,972,988.00						-162,874,340.99		-162,874,340.99
4. Others					-75,606,741.69			-3,768,103.89				-79,374,845.58	73,234,310.25	-6,140,535.33
(III) Profit distribution									35,901,807.65		-375,890,185.06	-339,988,377.41	-21,048,786.78	-361,037,164.19
1. Withdrawal of surplus reserves									35,901,807.65		-35,901,807.65			
2. Withdrawal of general risk reserve														
3. Profit distributed to owners (shareholders)														
											-339,988,377.41	-339,988,377.41	-21,048,786.78	-361,037,164.19

Item	Year 2019																
	Equity attributable to owners of the parent company												Minority equity	Total shareholders' equity			
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Sub-total					
Preferred stock		Perpetual bond	Others														
4. Others																	
(IV) Internal carry-forward of owners' equity																	
1. Conversion of capital reserves into paid-in capital (or share capital)																	
2. Conversion of surplus reserves into paid-in capital (or share capital)																	
3. Surplus reserves offsetting losses																	
4. Carry-forward of changes in the defined benefit plan for retained earnings																	
5. Carry-forward of other comprehensive income for retained earnings																	
6. Others																	
(V) Special reserves																	
1. Amount withdrawn in 2019																	
2. Amount used in 2019																	
(VI) Others																	
IV. Balance as at December 31, 2019	3,090,803,431.00				11,345,339,174.91	165,972,988.00	-24,418,047.58	76,102,748.09	907,174,974.45		14,225,616,456.64	29,454,645,749.51	2,343,787,221.08	31,798,432,970.59			

The accompanying notes to the financial statements form an integral part 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)
Year 2019
(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2018													
	Equity attributable to owners of the parent company											Minority equity	Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit			Sub-total
	Preferred stock	Perpetual bond	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 combination 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 decreases)	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 stock contributed by owners	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 invested by the holders of other equity instruments														
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 reserve														
3. Profit distributed to owners													-21,620,351.55	-21,620,351.55

Item	Year 2018													
	Equity attributable to owners of the parent company											Minority equity	Total shareholders' equity	
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit			Sub-total
	Preferred stock	Perpetual bond	Others											
(shareholders)														
4. Others														
(IV) Internal carry-forward of owners' equity														
1. Conversion of capital reserves into paid-in capital (or share capital)														
2. Conversion of surplus reserves into paid-in capital (or share capital)														
3. Surplus reserves offsetting losses														
4. Carry-forward of changes in the defined benefit plan for retained earnings														
5. Carry-forward of other comprehensive income for 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 form an integral part of the financial statements.

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Parent Company's Statement of Changes in Shareholders' Equity
Year 2019

(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2019										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	Others							
I. 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
Plus: adjustments for changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at January 1, 2019	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
III. Increases/decreases in 2019 ("-" for decreases)					169,071,635.01	165,972,988.00			35,901,807.65	-16,872,108.58	22,128,346.08
(I) Total comprehensive income										359,018,076.48	359,018,076.48
(II) Capital contributed or reduced by owners					169,071,635.01	165,972,988.00					3,098,647.01
1. Common stock contributed by owners					165,972,988.00						165,972,988.00
2. Capital invested by the holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity					3,098,647.01	165,972,988.00					-162,874,340.99
4. Others											
(III) Profit distribution									35,901,807.65	-375,890,185.06	-339,988,377.41
1. Withdrawal of surplus reserves									35,901,807.65	-35,901,807.65	
2. Profit distributed to owners (shareholders)										-339,988,377.41	-339,988,377.41
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Carry-forward of changes in the defined benefit plan for retained earnings											
5. Carry-forward of other comprehensive income for retained earnings											
6. Others											
(V) Special reserves											
1. Amount withdrawn in 2019											
2. Amount used in 2019											
(VI) Others											
IV. Balance as at December 31, 2019	3,090,803,431.00				13,190,288,940.34	165,972,988.00			1,195,538,090.88	7,166,790,794.30	24,477,448,268.52

The accompanying notes to the financial statements form an integral part of the financial statements.

Legal Representative:

Accounting Principal:

Person in charge of the Accounting Department:

Dongfang Electric Corporation Limited
Parent Company's Statement of Changes in Shareholders' Equity (Continued)
Year 2019

(Amounts are expressed in RMB unless otherwise stated)

Item	Year 2018										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	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 stock contributed by owners	753,903,063.00				4,129,517,048.80						4,883,420,111.80
2. Capital invested by the holders of other equity instruments											
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 (shareholders)											
3. Others											
(IV) Internal carry-forward of owners' equity											
1. Conversion of capital reserves into paid-in capital (or share capital)											
2. Conversion of surplus reserves into paid-in capital (or share capital)											
3. Surplus reserves offsetting losses											
4. Carry-forward of changes in the defined benefit plan for retained earnings											
5. Carry-forward of other											

Item	Year 2018										
	Share capital	Other equity instruments			Capital reserves	Less: treasury stock	Other comprehensive income	Special reserves	Surplus reserves	Undistributed profit	Total shareholders' equity
		Preferred stock	Perpetual bond	Others							
comprehensive income for 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 form an integral part 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, 2019
(Amounts 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. Upon the approval with the document TGS [1994] No. 42 issued by the State Commission for Restructuring the Economic System on April 12, 1994, the Company publicly issued 170 million overseas listed foreign shares (H share) in Hong Kong on May 31, 1994, which were listed for trading in the Stock Exchange of Hong Kong Limited on June 6, 1994. On July 4, 1995, the Company 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 (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 DEC in November 2007, therefore, the Company obtained 273,165,244 domestic shares (A share) of DongFang Boiler (Group) Co.,Ltd. (hereinafter referred to as the "DBC") originally held by DEC (accounting for 68.05% of the original share capital of DBC) and 100% equity of Dongfang Turbine Co., Ltd. (hereinafter referred to as the "DTC"). According to the resolutions made in the second extraordinary general meeting in 2007, the Company was renamed as Dongfang Electric Corporation Limited on October 26, 2007.

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

Upon the approval with the *Official Reply to the Approval of the Private Offering of Shares by Dongfang Electric Corporation Limited* (ZJXK [2009] No. 1151) issued by the China Securities Regulatory Commission on November 6, 2009, the Company privately issued 119.93 million domestic shares (A share) to eight non-specific objects including DEC in November 2009, and the share capital of the Company changed to 1,001.93 million 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 1,001.93 million shares on December 31, 2009, and the capital share of the Company changed to 2,003.86 million shares after such increase.

On January 12, 2015, the A-share convertible bonds amounting to RMB4 billion issued in public on July 10, 2014 upon the approval of the *Official Reply to the Approval of Public Offering of Convertible Bonds by Dongfang Electric Corporation Limited* (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 Company purchased relevant assets from Dongfang Electric Corporation with 753,903,063 shares which shall be issued on March 31, 2018 according to the *Official Reply to the Approval of Purchasing Shares from Dongfang Electric Corporation by Dongfang Electric Corporation Limited* (ZJXK [2018] No. 354) issued by the China Securities Regulatory Commission; thereafter, the share capital of the Company became 3,090,803,431 shares.

On November 22, 2019, as adopted at the 1st extraordinary general meeting in 2019, the 1st A-share general meeting in 2019 and the 1st H-share general meeting in 2019 of the Company, according to the resolution made at the 19th meeting of the 9th board of directors of the Company in 2019, the Company newly issued 27,988,699 shares in RMB at the price of RMB 5.93 per share on December 19, 2019 to the objects conforming to the *Incentive Plan for Restricted A-shares in 2019*, accounting for 0.68% of the share capital. The newly-issued shares were registered on January 7, 2020.

As at December 31, 2019, the share capital of the Company was 3,090,803,431 shares, in which, 753,903,063 domestic shares (A share) with restricted conditions accounted for 24.39% of the share capital; the 1,996,900,368 domestic shares (A share) without restricted conditions accounted for 64.61% of the same, and 340,000,000 overseas shares (H share) without restricted conditions accounted for 11% of the same.

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 is at No. 18, Xixin Avenue, Western High-tech Zone, Chengdu, Sichuan Province.

Dongfang Electric Corporation is the controlling shareholder and ultimate controller of the Company. The general meeting 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, executing the operational decision-making power of the Company according to law; executives are responsible for organizing the implementation of resolutions made at the general meeting and the board meeting, and taking charge of the Company's production and operation management. The Company has 13 functional management departments, which are the board office, company office, enterprise culture department, strategic development department, investment management department, human resources department, finance department, science and technology innovation department, quality safety and environmental protection department, legal risk control department, audit and supervision department, marketing department and information technology center; 5 business divisions, which are the nuclear power business division, gas turbine business division, thermal power business division, wind power business division, and environmental protection business division; 6 organizations directly under the Company, which are institute of management, institute of nuclear equipment design, financial settlement center, information center, headquarters logistics service center, and central research institute; 1 branch company which is the international engineering branch company.

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 of the Company on March 27, 2020.

1.2 Scope of the consolidated financial statement

As at December 31, 2019, secondary subsidiaries within the scope of the consolidated financial statements of the Company are as follows:

Name of subsidiary
DongFang Boiler (Group) Co.,Ltd. (hereinafter referred to as "DBC")
Dongfang Turbine Co., Ltd. (hereinafter referred to as the "DTC")
Dongfang Electric Machinery Company Limited (hereinafter referred to as the "DFEM")
Dongfang (Guangzhou) Heavy Machinery Co., Ltd. (hereinafter referred to as the "DFHM")
Dongfang Electric Wind Power Co., Ltd. (hereinafter referred to as the "DEWP")

Name of subsidiary
Dongfang Electric Auto Control Engineering Co., Ltd. Dongfang Electric Auto Control Engineering Co., Ltd. (hereinafter referred to as the "DEA")
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd. (hereinafter referred to as the "DENE")
DongFangElectric (India) PrivateLimited (Hereinafter referred to as the "Dongfang Electric India")
Dongfang Electric International Corporation (hereinafter referred to as the "DEIC")
Dongfang Electric Group Finance Co., Ltd. (hereinafter referred to as the "DECFC")
Dongfang Electric Corporation Materials Co. (hereinafter referred to as "Dongfang Materials")
Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd. (hereinafter referred to as the "Dongfang Hydrogen Energy")
Science and Technology Institute Co., Ltd. of Dongfang Electric Corporation (hereinafter referred to as the "Dongfang Institute")

See "Note 6 Changes in the scope of consolidation" and "Note 7 Equities in other entities" for details of the scope of consolidated financial statements and the changes thereof in 2019.

2 Basis of preparation for the 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* issued by the China Securities Regulatory Commission, the *Listing Rules of the Stock Exchange of Hong Kong Limited* and the *Companies Ordinance*.

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 accounting estimates formulated by the Company according to the characteristics of its actual production and operation. For details, see Notes "3.10 Financial instruments", "3.19 Fixed assets" and "3.29 Revenue".

3.1 Statement on compliance with the Accounting Standards for Business Enterprises

The financial statements meet the requirements of the Accounting Standards for Business Enterprises issued by the Ministry of Finance, and truly and completely reflect the consolidated and the parent company's financial position of the Company as at December 31, 2019, and the consolidated and the parent company's operating results and cash flows for the year then ended.

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 adopts RMB as its functional currency.

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 combining party, 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 capital reserves 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 capital reserves is insufficient to cover the difference, the remaining amount will be charged against retained earnings.

Business combination not under common control: The acquirer, on the acquisition date, measures the assets surrendered and liabilities incurred or assumed for a business combination at their fair values. The difference between the fair value and their book value are included in the current profit or loss. The Company recognizes 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 includes 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.

Expenses incurred directly relating to the business combination are included in the current profit or loss; transaction expenses incurred in issuing equity or debt securities for business combination are included in the initial recognition amount of those equity or debt securities.

3.6 Preparation method of consolidated financial statements

3.6.1 Scope of consolidation

The scope of consolidation for the consolidated financial statements of the Company is determined based on control, including the Company and all its subsidiaries.

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 the preparation of consolidated financial statements, the Company shall take the enterprise group as a whole accounting entity, and reflects the overall financial position, operating results and cash flows of the enterprise 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 scope of consolidation for the consolidated financial statements 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, will be adjusted according to the accounting policies and accounting periods of the Company. For the subsidiaries acquired through business combination not under common control, adjustments to their financial statements are made based on the fair values of net identifiable assets on the acquisition date. For the subsidiaries acquired through business combination under common control, adjustment to their financial statements are made based on the book values of its assets and liabilities (including goodwill formed in the acquisition of these subsidiaries by the ultimate controller) as presented in the financial statements of the ultimate controller.

The share of owners' equity, current net profit or loss and current comprehensive income of subsidiaries attributable to minority owners are respectively and separately presented under the owner's equity in the consolidated balance sheet, the net profit in the consolidated income statement, and the total comprehensive income in the consolidated income statement. If the current losses shared by a minority shareholder of a subsidiary exceed the balances arising from the shares enjoyed by the minority shareholder in the owners' equity of the subsidiary at the beginning of the period, minority equity will be written down accordingly.

(1) Increase of subsidiaries or business

During the reporting period, where the Company acquired subsidiaries or business from the business combination under common control, the beginning balance in the consolidated balance sheet is adjusted; the revenue, expenses and profits of the newly acquired subsidiaries or business from the beginning of the period for business combination to the end of the reporting period are included in the consolidated income statement; the cash flows of the same for the aforesaid period are included in the consolidated statement of cash flows. Relevant items in the comparative financial statements of the subsidiaries are adjusted accordingly, as if the reporting entity after the business combination exists as of the time when the ultimate controller has the control.

Where control can be exercised on the investee under common control for additional investment or other reasons, adjustment is 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 profits or losses, other comprehensive income as well as other changes in net assets recognized from the later between the date when the original equity is obtained and the date when the acquirer and the acquiree are under common control to the combination date will respectively write down the beginning retained earnings or the current profit or loss during the period for comparing financial statements.

During the reporting period, if the Company acquired subsidiaries or business from the business combination not under common control, the beginning balance in the consolidated balance sheet will not be adjusted. The revenue, expenses and profits of the newly acquired subsidiaries or business from the acquisition date to the end of the reporting period will be included in the consolidated income statement; the cash flows of the same for the aforesaid period will be included in the consolidated statement of cash flows.

Where the Company can control the investee not under common control for 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 between the fair value and book value in the current investment income. 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 profit or loss, other comprehensive income and profit distribution, the relevant other comprehensive income and other changes in owners' equity shall be transferred to the 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 treatment methods

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 shall be remeasured by the Company at its fair value on the date of loss of the control. The difference of total amount of the consideration from disposal of equities plus the fair value of the remaining equities less the shares calculated at the original shareholding ratio in net assets and goodwill of the original subsidiary which are continuously calculated as of the acquisition date or combination date shall be included in the investment income of the period at the loss of control. 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, shall be 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 defined benefit plan.

Where the Company loses the 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 subsidiaries 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 in a package deal and subject to accounting processing as below:

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

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

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

(3) Purchase of minority 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 minority interest 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 equity investments in subsidiaries without losing control

The equity premium of capital reserves in the consolidated balance sheet will be adjusted according to the difference between the disposal price obtained for partial disposal of long-term equity investments in subsidiaries in the case of not lose control and the share of net assets of subsidiaries calculated from the acquisition date or the combination date corresponding to the disposal of long-term equity investments; if the equity premium of capital reserves is insufficient, the retained earnings will 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 venture under the joint venture arrangement and enjoys the relevant assets and assumes the relevant liabilities.

The Company recognizes the following items related to its share of benefits in the joint operation and conduct accounting treatment in accordance with relevant accounting standards for business enterprises:

- (1) Assets it solely holds and its share of jointly-held assets based on its percentage;
- (2) Liabilities it solely assumes and its share of jointly-assumed liabilities based on its percentage;
- (3) Revenues from sale of output enjoyed by it from the joint operation;
- (4) Revenues from sale of output from the joint operation based on its percentage; and
- (5) Separate costs and costs for the joint operation based on its percentage.

See "Note 3.17 Long-term equity investments" 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 the date of acquisition) 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 statements

3.9.1 Foreign currency transaction

Foreign currency transactions are translated into RMB for recording purpose at the spot exchange rate prevailing on the transaction date.

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.

3.9.2 Translation of foreign currency statements

Assets and liabilities in the balance sheet are translated at the spot exchange rate prevailing on balance sheet date; owners' equity items, except for the item of "undistributed profits", are translated at the spot exchange rate prevailing on the transaction date. Revenue and expenses presented in the income statement are translated at the spot exchange rate on the date when relevant transactions occur.

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

3.10 Financial instruments

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

3.10.1 Classification of financial instruments

According to the business model of financial assets and contractual cash flow characteristics of the same, which are subject to the management of the Company, financial assets are classified at the initial recognition as: financial assets measured at the 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.

Where the business model is for receiving contractual cash flow which is used for the payment of interest from the principal and unpaid principal amount, the financial assets shall be classified as financial assets measured at the amortized cost; where the business model is both for receiving contractual cash flow and for selling such financial assets, and the contractual cash flow is used for the payment of interest from the principal and unpaid principal amount, the financial assets shall be classified as financial assets (debt instruments) measured at fair value through the other comprehensive income; the remaining financial assets shall be classified as financial assets measured at fair value through the current profit or loss.

At the initial recognition, the Company makes decisions on whether the non-trading equity instrument investments can be designated as financial assets (equity instruments) measured at fair value through the other comprehensive income. At the initial recognition, in order to eliminate or significantly reduce accounting mismatches, the Company may designate financial assets as the financial assets measured at fair value through the current profit or loss.

At the initial recognition, financial liabilities are classified as: financial liabilities measured at fair value through the current profit or loss and financial liabilities measured at the amortized cost.

At the initial recognition, financial liabilities meeting one of the following conditions may be designated as the financial liabilities measured at fair value through the current profit or loss:

- 1) This designation can eliminate or significantly reduce the accounting mismatch.
- 2) According to the enterprise risk management or investment strategies specified in formal written documents, the management and performance evaluation of financial liability portfolios or portfolios of financial assets and financial liabilities is carried out based on fair value, and the report to key officer in the enterprise has been made based on such management and performance evaluation.
- 3) The financial liabilities contain the embedded derivative which needs to be separated.

3.10.2 Recognition basis and measurement method of financial instruments

(1) Financial assets measured at amortized cost

Financial assets measured at amortized cost include notes receivable and accounts receivable, other receivables, long-term receivables, and creditors' investment, etc., of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount; exclude accounts receivable with significant financing component and accounts receivable with the financing component not exceeding one year and not considered by the Company, of which initial measurement is made at the contractual transaction price.

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

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

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

Financial assets (debt instruments) measured at fair value through the other comprehensive income include receivables financing and other creditors' investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value. Changes in fair value are included in other comprehensive income except for interest, impairment losses or gains and exchange gains or losses calculated by the effective interest method.

At derecognition, the accumulated gains or losses previously included in other comprehensive income will be transferred from the other comprehensive income to the current profit or loss.

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

Financial assets (equity instruments) measured at fair value through the other comprehensive income include other equity instrument investment, of which initial measurement is made at fair value, and relevant transaction costs are included in the initially recognized amount. The subsequent measurement of such financial assets is made at fair value, and the changes in fair value are included in the other comprehensive income. Dividends obtained are included in the current profit or loss.

At derecognition, the accumulated gains or losses previously included in other comprehensive income will be transferred from the other comprehensive income to the retained earnings.

- (4) Financial assets measured at fair value through the current profit or loss

Financial assets measured at fair value through the current profit or loss include trading financial assets, derivative financial assets and other non-current financial assets, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial assets is made at fair value, and changes in fair value are included in the current profit or loss.

- (5) Financial liabilities measured at fair value through the current profit or loss

Financial liabilities measured at fair value through the current profit or loss include trading financial liabilities and derivative financial liabilities, of which initial measurement is made at fair value, and relevant transaction costs are included in the current profit or loss. The subsequent measurement of such financial liabilities is made at fair value, and changes in fair value are included in the current profit or loss.

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

- (6) Financial liabilities measured at the amortized cost

Financial liabilities measured at the amortized cost include short-term borrowings, notes payable and accounts payable, other payables, long-term borrowings, bonds payable and long-term payables, of which initial measurement is made at fair value, and related transaction costs are included in the initially recognized amount.

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

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

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

When the 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 will not derecognize the financial assets.

In determining whether the transfer of a financial asset meets the above derecognition criteria of financial assets, the principle of substance over form will be adopted.

The Company divides the transfer of financial assets into overall transfer and partial transfer. Where the entire transfer of financial assets meets the de-recognition conditions, the difference of the following two amounts shall be included in the current profit or loss:

- (1) 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 included in owners' equity (where the financial assets transferred are the financial assets (debt instruments) measured at fair value through the other comprehensive income).

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

- (1) Book value of the derecognized part;
- (2) The sum of the consideration for the derecognized part and the amount corresponding to the de-recognition part in the accumulated change amount of fair value originally and directly included in owners' equity (where the financial assets transferred are the financial assets (debt instruments) measured at fair value through the other comprehensive income).

Where the transfer of financial assets does not meet the derecognition criteria, the financial assets 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 liabilities or any part thereof shall 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 shall be derecognized, and at the same time, the new financial liabilities shall be recognized.

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

Where financial liabilities are derecognized in whole or in part, the difference between the book value of the financial liabilities derecognized and the consideration paid (including non-cash assets surrendered and the new financial liabilities assumed) shall be included in 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 derecognized 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 Method of determining the fair value of financial assets and financial liabilities

Where there is an active market for any financial instrument, the fair value of such financial instrument shall be determined at the price quoted in the active market. The fair value of a financial instrument, for which there is no active market, is determined by using valuation techniques. At the time of valuation, the Company shall adopt the valuation technique that is applicable to the current circumstance and is supported by sufficient available data and other information to select the input values consistent with the assets or liabilities characteristics that are taken into account by market participants in transactions of relevant assets and liabilities, and shall give priority in use of observable input values. And the unobservable input values may be used only when the observable input values are unable or unpractical to be obtained.

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

The Company considers all reasonable and evidence-based information, including forward-looking information, and estimates the expected credit loss of financial assets measured at the amortized cost and financial assets (debt instruments) measured at fair value through the other comprehensive income individually or in portfolio. The measurement of expected credit loss depends on whether there is obvious increase in credit risk following the initial recognition.

If there is obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss over the entire duration of such financial instrument; if there is no obvious increase in credit risk following the initial recognition of such financial instrument, the Company will measure the loss provision at the amount which is equivalent to the amount of the expected credit loss within 12 months in the future of such financial instrument. Amount increased or reversed of loss provision arising therefrom will be included in the current profit or loss as impairment loss or gain.

Generally, once the overdue period is more than 30 days, the Company may consider that there is obvious increase in credit risk of such financial instrument, unless there is unambiguous evidence that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If the credit risk of the financial instrument is low on the balance sheet date, the Company will immediately consider that there is no obvious increase in credit risk of such financial instrument following the initial recognition.

If there is objective evidence that any financial asset has had credit impairment, the Company will make the provision for impairment for such financial asset individually.

3.11 Provision for bad debts of receivables

3.11.1 Accounts receivable

Receivables of the Company mainly include accounts receivable, receivables financing, and other receivables.

For the receivables from sales of goods or rendering of services and the receivables from leasing, the Company measures the loss provision based on the amount equivalent to the expected credit loss over the whole duration.

For receivables in other categories, the Company makes assessment on whether the credit risk in receivables has had significant increase after the initial recognition on each balance sheet date, in case the default probability of any receivables during the estimated duration, determined on the balance sheet date is significantly higher than that determined at initial recognition, it shows that credit risk in the receivables has had significant increase. If the credit risk does not significantly increase after the initial recognition, standing at the first level, the Company will measure the loss provision based on the amount of expected credit loss within the future 12 months; if the credit risk has significantly increased after the initial recognition without any credit impairment, standing at the second level, the Company will measure the loss provision based on the amount equivalent to the expected credit loss over the whole duration; where any financial instrument has credit impairment after the initial recognition, standing at the third level, the Company will measure the loss provision based on the expected credit loss over the whole during.

- 1) For financial instruments with relatively low credit risk on the balance sheet date, the Company assumes that such credit risk does not significantly increase after the initial recognition, and measures the loss provision based on the expected credit loss within the future 12 months.
- 2) In addition to receivables with separate assessment on credit risk, the Company divides other receivables into the analysis portfolio based on the credit risk characteristics, and calculates the expected credit loss based on such portfolio:

For receivables with separate assessment on credit risk, such as the receivables where any dispute exists with the counterpart or any lawsuit or arbitration is involved with, and for receivables where there is obvious evidence that the debtor is likely to be unable to perform the repayment obligation and other receivables with obvious credit risks and distinctly different portfolios, and receivables with separate assessment are divided into the accounts receivable with individually significant amount and individual provision for bad debts and the accounts receivable with individually insignificant amount and individual provision for bad debts according to the amounts thereof.

For receivables divided into the analysis portfolio, the Company, based on the historical experience in credit loss and in light of the current situation and the prediction of future economic position, prepares the comparison table of expected credit loss ratios over ages and the whole duration of these receivables, and calculates the expected credit loss.

The Company combines the accounts receivable according to similar credit risk characteristics (aging) and based on forward-looking information and all other reasonable and reliable information, estimates the proportion of provision for bad debts of accounts receivable as follows:

Aging	Proportion of provision for accounts receivable (%)
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

3.11.2 Other receivables

The measurement of provision for impairment loss on other receivables is conducted in accordance with the measurement method of impairment loss on the aforesaid receivable.

For the receivables from leasing and the long-term receivables from sales of goods or rendering of services, the Company always measures the loss provision based on the amount equivalent to the expected credit loss over the whole duration.

For accounts receivable, contract assets and receivables from leasing containing significant financing components, and the long-term receivables from sales of goods and rendering of services, the Company adopts the general impairment method for financial assets, that is according to the situation whether the credit risk has significant increase after the initial recognition, the Company measures the loss provision based on the expected credit loss within the future 12 months (first level) or based on the expected credit loss over the whole duration (second and third levels).

3.12 Loans and advances to customers

Loans and advances directly issued by the finance company subordinated to the Company to customers, and discount assets are accounted for as loans and advances.

The Company calculates the credit loss by the allowance method. The provision for credit impairment includes the loss provision of loans to banks and other financial institutions, discount assets, and loans and advances to customers, as well as credit-kind financial instruments.

According to the *Circular of the China Banking Regulatory Commission on Issuing the Guidelines for Loan Risk Classification* (YJF [2007] No. 54), the Company has been making the provision for asset impairment based on the five-level classification since 2007.

The Company's loans are classified into five categories, which are pass, special mention, substandard, doubtful and loss. Loans in pass category refer to loans where the borrower is able to perform relevant contract and there is no good reason to suspect that the principal and interest cannot be fully repaid in time; loans in special-mention category refer to loans where through the borrow is able to repay the principal and interest of the loans at present, some factors having adverse effect on the repayment still exist; loans in substandard category refer to loans where the borrower's ability of loan repayment has obvious problem, by which the normal operating revenue of the borrower cannot fully repay the principal and interest of the loans, and losses may be caused even implementing relevant guarantee; loans in doubtful category refer to loans where the borrower cannot fully repay the principal and interest of the loans and the significant losses must be caused even implementing relevant guarantee; loans in loss category refer to loans where the principle and interest cannot be collected or only the very few parts thereof can be collected after taking all possible measures or going through all necessary legal procedures.

The Company inspects all assets, makes the adjustment upon analysis whether the impairment has incurred, and makes the provision for credit impairment based on the aforesaid method in the following proportion of provision:

Category	Proportion of provision (%)
Normal assets (including assets in pass and special-mention categories)	Pass 0.00 - 15.00 (excluding 15.00)
Substandard	Special mention 15.00 - 25.00 (excluding 25.00)
Doubtful	25.00 - 50.00 (excluding 50.00)
Loss	50.00 - 70.00 (excluding 70.00)
	70.00 - 100.00

3.13 Payments for purchase for resale and proceeds from sale for repurchase

The assets that will be resold on a specified date in the future according to the agreement at the time of purchase should not be recognized in the balance sheet, and the costs for purchasing those assets, including accrued interest, are stated as "payments for purchase for resale" in the balance sheet. The difference between the purchase price and resale price is recognized in the agreement period under the effective interest method, and is included in the item of interest income.

The assets that will be repurchased on a specified date in the future according to the agreement should not be derecognized in the balance sheet. Proceeds from sale of these assets, including accrued interest, are listed as "proceeds from sale for repurchase" in the balance sheet to reflect the economic substance of the Company's loans. The difference between the sale price and repurchase price is recognized in the agreement period under the effective interest method and included in the item of interest expenses.

Securities borrowing and lending transactions are generally 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 associated with the ownership of the securities are transferred simultaneously. Cash paid or cash collateral received is 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 financial liabilities held for trading and measured at fair value.

3.14 Inventories

3.14.1 Classification of inventories

Inventories can be classified into raw materials, self-manufactured semi-finished products and goods in process, self-manufactured semi-finished products, stock commodities (finished products), materials for consigned processing, revolving materials and contract performance cost, etc.

3.14.2 Measurement method of dispatched inventories

The inventories are measured at weighted average method when dispatched.

3.14.3 Recognition basis of the net realizable value of different types of inventories

In normal operating process, 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.

At the end of the period, the provision for inventory depreciation reserve is made on an individual basis. For inventories with large quantity and low unit price, the provision for inventory depreciation is 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 provision for inventory depreciation shall be made on a portfolio basis.

The net realizable values of inventory items are recognized based on the market price on the balance sheet date, except that there is obvious evidence showing the market price on the balance sheet date is abnormal.

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

3.14.4 Inventory system

The perpetual inventory system is adopted.

3.14.5 Amortization method of low-cost consumables and packing materials

(1) Low-cost consumables are amortized at lump-sum method.

(2) Packaging materials are amortized at lump-sum method.

3.15 Contract assets

3.15.1 Recognition method and criteria for contract assets

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. The Company's right to charge the consideration via goods transfer or service rendering to the customer (and the right depends on other factors except for the time lapses) shall be presented as contract assets. The contract assets and contract liabilities under the same contract are presented by their net amount.

3.15.2 Determination method and accounting treatment for the expected credit loss of contract assets

Please see "3.10" financial instruments, for the determination method and accounting treatment for the expected credit loss of contract assets.

3.16 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 investment

3.17.1 Judgment criteria for common control and significant influence

Joint 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 joint 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 is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. Where an investing enterprise is able to have significant influence on an investee, the investee shall be its associate.

3.17.2 Determination of initial investment cost

(1) Long-term equity investments acquired through business combination

Business combination under common control: if the Company pays a consideration to the combinee 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 combinee in the consolidated financial statements of the ultimate controller shall be recognized, 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 combinee in the consolidated financial statements of the ultimate controller shall be recognized, 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.

Business combination not under common control: the Company recognizes the combination cost determined on the combination date as the initial investment cost of long-term equity investments. Where the Company can control the investee not under common control from additional investments, the initial investment cost should be changed to be accounted for under the cost method and recognized at the sum of the book value of equity investments originally held and newly increased investment cost.

(2) Long-term equity investments acquired by other means

For long-term equity investments acquired from cash payment, the initial investment cost is the actually paid purchase cost.

For long-term equity investments acquired from issuing 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 and 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 obtained through debt restructuring, its book value is determined by the fair value of the abandoned creditor's right and the other taxes directly attributable to the assets, and the difference between the fair value of the abandoned creditor's right and the book value is included into the current profit or loss.

3.17.3 Subsequent measurement and recognition of profit or loss

- (1) Long-term equity investments accounted for under cost method
Long-term equity investments of the Company in subsidiaries are calculated under 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 investment income in the current period at the cash dividends or profits declared by the investee.
- (2) Long-term equity investments accounted for under the equity method
The Company's long-term equity investments in its associates and joint ventures are calculated under the equity method. If the cost of initial investment is in excess of the proportion 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 proportion 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 in the owners' equity.

When recognizing the attributable shares of net profit or loss of the investee, the Company shall, based on the fair value of identifiable net asset of the investee when it obtains the investment, recognize its attributable share of the net profit or loss of the investee after the adjustment according to the Company's accounting policy and accounting period. During the holding investment period, where an investee prepares consolidated financial statements, the amount lies in the net profit, other comprehensive income and changes in other owners' equity of the consolidated financial statements which belongs to the investee shall be took as the basis for accounting.

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. Unrealized internal transaction loss incurred between the Company and the investee shall be recognized in full amount if such loss belongs to the asset impairment. For transactions on investments or sales of assets between the Company and associates or joint ventures, where such assets constitute business, they should be accounted for according to the relevant policies disclosed in "Note 3.5 Accounting treatment of business combinations under common control and not under common control" and "Note 3.6 Preparation of consolidated financial statements".

When the Company confirms that it should share losses of the investee, treatment shall be done in following sequence: Firstly, writing down the book value of long-term equity investments. 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 forms net investment in the investee in substance (Note: specific content and recognition criteria of such long-term equity should be specified) and the book value of long-term receivables and other items shall be reduced. Finally, after all the above treatments, if the Company is still responsible for any additional liability in accordance with the provisions stipulated in the investment contracts or agreements, provisions are recognized and included into current investment loss according to the obligations estimated to undertake.

(3) Disposal of long-term equity investments

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

Where a long-term equity investment is accounted for under the equity method, accounting treatment should be made on the part which is originally included in other comprehensive income according to corresponding ratio by using the same basis for the investee to directly dispose of the relevant assets or liabilities when the investments are disposed of. Owner's equity recognized at the changes in the investee's other owner's equity other than net profit or loss, other comprehensive income and profit distribution shall be transferred to the current profit or loss according to the proportion, except for other comprehensive income from changes arising from the investee's re-measurement of net liabilities or net assets of defined benefit plan.

In case the joint control or significant influence over the investee is lost for disposing part of equity investments or other reasons, the remaining equity will be changed to be accounted for according to the recognition and measurement principles of financial instruments, while the difference between the fair value and the book value on the date of the loss of joint control or significant influence should be included in the current profit or loss. For other comprehensive income that is recognized from original equity investment by using the equity method, the accounting treatment will be made on the basis the same as that for the direct disposal of related assets or liabilities by the investee when the equity method is terminated. Owner's equity recognized from the investee's changes in other owner's equity other than net profit or loss, other comprehensive income and profit distribution should all transferred to the current profit or loss when the equity method is no longer adopted.

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 equities are acquired through business combination as a result of additional investment and other reasons, if the remaining equities after disposal are accounted by using the cost method or equity method upon preparation of separate financial statements, other comprehensive income and other owners' equities recognized in equity investments held before the acquisition date as a result of employment of equity method for accounting shall be carried forward pro rata; if the remaining equities after disposal are accounted for according to the provisions on Recognition and Measurement of Financial Instruments, other comprehensive income and other owners' equities will all be carried forward.

3.18 Investment properties

The investment properties refer to the properties 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 its existing investment properties by using the cost model. For investment properties 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 provision 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:

Type	Depreciation life (year)	Net residual rate (%)	Annual depreciation rate (%)
Land use right	50	—	2.00
Houses and buildings Including: houses and buildings used for production	20	5.00	4.75
Houses and buildings used for non-production	25	5.00	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 book-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 Company shall recognize the difference of any proceeds on disposal, net of its book value and related taxes and surcharges, in the current profit or 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, providing services, renting or business management with useful lives exceeding one accounting year. Fixed assets are recognized when they simultaneously meet the following conditions:

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

3.19.2 Depreciation method

Depreciation of fixed assets is provided on a category basis using the straight-line method or double-declining-balance method. The depreciation rate is determined according to the category, estimated useful life and estimated net residual rate of fixed assets. Where various components of fixed assets are different in useful lives or bring economic benefits for the enterprise in different ways, then the Company should choose different depreciation rates or methods to separately provide for depreciation.

The depreciation method, depreciation life, residual rate and annual depreciation rate of fixed assets are as follows:

Type	Depreciation method	Depreciation life (year)	Residual value 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
IV. Instrument and apparatus	Straight-line method or double-declining-balance method	6.00	5.00	15.83 or double-declining-balance method

Type	Depreciation method	Depreciation life (year)	Residual value rate (%)	Annual depreciation rate (%)
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 Recognition basis and measurement method of fixed assets acquired financing lease (accounting policies applicable before January 1, 2019)

The fixed assets acquired under financing lease are recognized if one of the following conditions is specified by the Company and the leaser in their lease agreement:

- (1) Upon the expiration of the lease term, the ownership of the leased asset has been transferred to the Company;
- (2) The Company has the option to purchase the asset and the purchase price is far lower than the asset's fair value at the time of the option being exercised;
- (3) The lease term covers the most of the useful life of the leased asset;
- (4) There is no large difference between the present value of the minimum lease payments on the lease commencement date and the fair value of the asset.

On the lease commencement date, the book entry value of a fixed asset acquired under financing lease is measured at the asset's fair value or the present value of the minimum lease payment, whichever is the lower. The minimum lease payment is recorded as the book entry value of the long-term payables, and the difference between them is deemed as the unrecognized financing expenses.

3.20 Categories of construction in progress

The initial book values of the fixed assets are stated at necessary expenditures incurred before construction in progress reaching the serviceable condition for its 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 included in relevant asset costs; other borrowing costs should be recognized as costs based on the amount incurred and be included in the current profit or 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.

Borrowing costs may be capitalized only when all the following conditions are met at the same time:

- (1) Asset disbursements, which include those incurred by cash payment, the transfer of non-cash assets or the undertaking of interest-bearing debts for acquiring and constructing or producing assets eligible for capitalization, have already been incurred;
- (2) Borrowing costs have already been incurred; and
- (3) The acquisition and construction or production activities which are necessary to prepare the assets for their intended use or sale have been in progress.

3.21.2 Capitalization period for borrowing costs

Capitalization period refers to the period from the commencement of capitalization of borrowing costs to its cessation, excluding the period of capitalization suspension of borrowing costs.

Capitalization of borrowing costs should be ceased when the acquired and constructed or produced assets eligible for capitalization have reached their intended use or sale condition.

When some projects among the acquired and constructed or produced assets eligible for capitalization are completed and can be used separately, the capitalization of borrowing costs of such assets should be ceased.

Where construction for each part of assets purchased, constructed or manufactured has been completed separately but can be used or sold only after the entire assets have been completed, capitalization of borrowing costs should cease at the completion of the entire assets.

3.21.3 Suspension of capitalization

If the acquisition, construction or production activities of assets eligible for capitalization are abnormally interrupted and such condition lasts for more than three months, the capitalization of borrowing costs should be suspended; if the interruption is necessary procedures for the acquired, constructed or produced assets eligible for capitalization to reach the working conditions for their intended use or sale, the borrowing costs continue to be capitalized. Borrowing costs incurred during the interruption are recognized as the current profit or loss and continue to be capitalized until the acquisition, construction or production of the assets restarts.

3.21.4 Measurement method of capitalization rate and capitalized amounts of borrowing costs

As for special borrowings borrowed for acquiring and constructing or producing assets eligible for capitalization, borrowing costs of special borrowings actually incurred in the current period less the interest income from undrawn borrowings deposited in the bank or investment income from temporary investment should be recognized as the capitalization amount of borrowing costs.

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 is calculated by weighted average interest rate of general borrowings.

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 purchased intangible assets include purchase prices, relevant taxes and surcharges and other directly attributable expenditures incurred to prepare the assets for their intended uses. If the payment for an intangible asset is delayed beyond the normal credit conditions and it is of the financing nature, the cost of the intangible asset shall be determined on the basis of the present value of the purchase price.

For intangible assets obtained through debt restructuring that are used by debtors for offsetting debts, its book value is determined by the fair value of the abandoned creditor's right and the taxes directly attributable to the assets reaching intended use, and the difference between the fair value of the abandoned creditor's right and the book value is included into the current profit or loss.

On the premise that non-monetary assets trade is of commercial nature and the fair value of the assets traded in and out can be measured reliably, the intangible assets traded in with non-monetary assets should be recognized at the fair value of the assets traded out, unless any unambiguous evidence indicates that the fair value of the assets traded in is more reliable; as to the non-monetary assets trade not meeting the aforesaid premise, the book value of the assets traded out and related taxes and surcharges payable should be recognized as the cost of the intangible assets, with profits or losses not recognized.

- (2) Subsequent measurements
The useful lives of the intangible assets are analyzed and determined on their acquisition.

For intangible assets with definite useful lives, the straight-line amortization method is adopted in the period when such intangible assets bring economic benefit to the enterprise; if such period cannot be forecasted, the intangible assets will be deemed as intangible assets with indefinite useful lives and will not be amortized.

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 when the following conditions are simultaneously satisfied:

- (1) It is technically feasible to finish intangible assets for use or sale;
- (2) The management has the intention to finish and use or sell the intangible assets;
- (3) The method that the intangible assets generate economic benefits, including the existence of a market for products produced by the intangible assets or for the intangible assets themselves, shall be proved. Or, if to be used internally, the usefulness of the assets 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 assets, and it is able to use or sell the intangible assets; and
- (5) The expenditures attributable to the intangible assets during their development stage can be reliably measured.

Expenditures at the development stage that do not meet the above conditions are included in the current profit or 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 at the development stage should be listed as development expenses in the balance sheet, and transferred to be intangible assets when the project meets the working condition for its intended use.

3.23 Impairment of long-term assets

The Company will conduct the impairment test if the evidence shows that the long-term assets, such as the long-term equity investment, investment properties measured with the cost model, fixed assets, construction in progress, right-of-use asset and intangible assets with definite useful lives, are impaired on the balance sheet date. If the result of the impairment test shows that the recoverable amount of the asset is lower than its book value, the provision for impairment shall be made and included in impairment loss. The recoverable amounts of intangible assets are the higher of their fair values less costs to sell and the present values of the future cash flows expected to be derived from the assets. Provision for assets impairment is made on individual asset basis. If it is difficult to estimate the recoverable amount of the individual asset, the Company shall estimate the recoverable amount of the asset group that the individual asset belongs to. The asset group is the minimum asset group that can independently generate the cash inflow.

Impairment tests for goodwill, intangible assets with uncertain useful lives and intangible assets not reaching serviceable condition shall be conducted every year.

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 combinations of asset groups if it is difficult to be amortized to relevant asset groups. The Company allocates the book value of goodwill based on the relative benefits that the relevant asset group or combination of asset groups can obtain from the synergies of the business combination, and conducts a goodwill impairment test on this basis.

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 may be impaired, the Company shall first conduct an impairment test on the asset groups or combinations of assets 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 above losses from asset impairment cannot be reversed in subsequent accounting periods once recognized.

3.24 Long-term deferred expenses

Long-term deferred expenses refer to various expenses which have been already incurred but will be borne in the reporting period and in the future with an amortization period of over one year. Long-term deferred expenses are evenly amortized over the benefit 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 Contract liabilities

The Company presents contract assets or contract liabilities in the balance sheet based on the relationship between its performance of fulfillment obligations and customer payments. The obligation of transferring goods or providing services to customers for the consideration received or receivable from customers shall be presented as contract liabilities. The contract assets and contract liabilities under the same contract are presented by their net amount.

3.26 Employee compensation

3.26.1 Accounting treatment of short-term compensation

During the accounting period where employees serve the Company, the short-term remuneration actually incurred should be recognized as a liability and included in the current profit or loss or the asset-related cost.

The social insurance premiums and the housing provident fund paid by the Company for its employees, together with the labor union expenditures and employee education drew as required are used to calculate and determine the relevant employee compensation amount based on the prescribed accrual basis and accrual proportion during the accounting period in which the employees provide services to the Company.

The non-monetary benefits of employees that can be measured reliably are measured at fair value.

3.26.2 Accounting treatment of post-employment benefits

(1) Defined contribution plan

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 the current profit or loss or asset-related cost.

In addition to the basic pension insurance, the Company also sets up enterprise annuity payment 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

According to the formula determined based on expected cumulative unit method, the Company will set the period that the welfare obligations deriving from the defined benefit plan, which will be included in current profit or loss or assets-related cost.

A net liability or net asset in connection with the defined benefit plan is recognized at the present value of the obligation under the defined benefit plan less the deficit or surplus arising out of the fair value of the assets under the defined benefit plan. For a surplus of defined benefit plan, the Company shall measure net assets of such defined benefit plan by the lower one between the surplus of defined benefit plan and the upper limit of assets thereof.

All obligations of the defined benefit plan, including the payments expected to be paid within 12 months after the end of the annual reporting period when the employees provide services, will be discounted at the market yield rate of national debt corresponding to the period and currencies of the obligations of the defined benefit plan and that of 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 assets-related costs; 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.

When the defined benefit plan is settled, the settlement gain or loss will be measured at the balance between the present value of the obligations of the defined benefit plan and the settlement price determined on the settlement date.

3.26.3 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 expenses 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.

3.27 Estimated liabilities

3.27.1 Recognition criteria of estimated liabilities

The Company recognizes estimated liabilities when such obligations related to contingencies including litigation, debt guarantee, onerous contracts and restructuring matters satisfy all the following conditions:

- (1) Such 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; and
- (3) The amount of the obligation can be measured reliably.

3.27.2 Measurement method of estimated liabilities

The estimated liabilities of the Company are initially measured as the best estimate of expenses required for the performance of relevant present obligations.

When determining the best estimates, the Company comprehensively considers the risks, uncertainties, time value of money, and other factors relating to the contingencies. If the time value of money is significant, the best estimates will be determined after discount of relevant future cash outflows.

The best estimates shall be treated as follows in different circumstances:

If there is continuous range (or interval) for the necessary expenses, and probabilities of occurrence of all the outcomes within this range are equal, the best estimate should be determined at the average amount of upper and lower limits within the range.

If there is no continuous range (or interval) for the necessary expenses, or probabilities of occurrence of all the outcomes within this range are unequal despite such a range exists, in case that the contingency involves a single item, the best estimate should be determined at the most likely outcome; if the contingency involves two or more items, the best estimate should be determined according to all the possible outcomes with their relevant probabilities.

When all or part of the expenses necessary for the settlement of an estimated liability of the Company are expected to be compensated by a third party, the compensation shall be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation shall not exceed the book value of the estimated liability.

3.28 Share-based payment

The Company's share-based payments are transactions in which the Company grants equity instruments or undertakes equity-instrument-based liabilities in return for services from employees [or other parties]. The Company's share-based payments include equity-settled share-based payments and cash-settled share-based payments.

3.28.1 Equity-settled share-based payment and equity instruments

The equity-settled share-based payment in return for services from employees shall be measured at the fair value of the equity instruments granted to the employees. Where the Company makes share-based payments in restricted stocks and the employee makes capital contributions to subscribe such shares, such shares should not be circulated or transferred before they reach unlocked conditions and before they are unlocked; if the unlocked conditions specified in the final equity incentive plan fail to be reached, then the Company should repurchase the shares at the price agreed in advance. When the Company received the payment of the employee for the subscription of restricted stocks, it should recognize share capital and capital reserves (share premiums) in accordance with the payment for subscription received. The Company should fully recognize a liability at the repurchase obligations and recognize treasury stock at the same time. On each balance sheet date within the waiting period, the Company will, based on the newly-acquired subsequent information such as the changes in the number of the vested employees and whether the specified performance is reached, make the best estimate on the number of the vesting equity instruments. On such basis, the services received in the current period should be included in the relevant cost or expenses according to fair value on the date of grant and capital reserves should be accordingly increased. After the vesting date, no adjustments will be made to the sum of the relevant recognized costs or expenses and total owners' equity. However, when the right can be exercised immediately after the grant, it should be included in the relevant costs or expenses at the fair value on the date of grant. The capital reserves should be increased accordingly.

Cost and expense shall not be recognized for the share-based payment failing to be excised finally, unless the vesting conditions are market conditions or the non-vesting conditions. At this time, whether the market conditions or non-vesting conditions are met or not, it is deemed to have the vesting right if non-market conditions in all vesting conditions are met.

If the terms of the equity-settled share-based payments are modified, the services received should be recognized at least in accordance with the unmodified terms. Moreover, the modification from any increase of fair value of equity instruments granted, or beneficial changes to the employee on the modification date should be recognized as increases in services obtained.

If the equity-settled share-based payments are cancelled, they should be handled as accelerated exercise of rights on the date of cancellation and the amount that is not yet recognized should be immediately recognized. Where employees or other parties may choose to meet non-vesting conditions but are not met in the vesting period, such payments shall be handled as cancelling equity-settled share-based payments. However, if new equity instruments are granted and such new equity instruments granted are recognized to be used to replace the cancelled equity instruments on the grant date of the new equity instruments, the alternative equity instruments granted should be handled in the same way as the modification to the terms and conditions on handling the original equity instruments.

3.28.2 Cash-settled share-based payment and equity instruments

A cash-settled share-based payment shall be measured in accordance with the fair value of liabilities calculated and confirmed based on shares or other equity instruments undertaken by the Company. The initial recognition is subject to the measurement at the fair value on the grant date and in consideration of the terms and conditions on granting equity instruments. Where cash-settled share-based payments are immediately exercised after the grant, they shall be included in the relevant cost or expenses based on the fair value on the grant date, and the liability shall be added accordingly; where the right can be exercised only when the services within the vesting period come to an end or until the prescribed performance conditions are met, the services received in the current period shall be included in the relevant cost or expenses based on the best estimate on vesting conditions during the vesting period at the fair value of the liability assumed, and the liability shall be added accordingly. The Company shall, on each balance sheet date and each settlement date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profit or loss.

3.29 Revenue

The Company fulfills its performance obligations in the contract, that is, it recognizes the revenue when the customer obtains control of the relevant assets (goods or services). Whether the performance obligation is performed within a certain period or at a certain time point depends on the terms of the contract and relevant legal provisions. If the Company meets one of the following conditions, it is deemed to have performed the performance obligations within a certain period:

1. The customer obtains and consumes the economic benefits brought by the performance of the Company while the company is performing the obligation.
2. Customers are able to control the assets under construction in the Company's performance process.
3. The assets produced by the Company during the performance of the contract have irreplaceable uses, and the Company has the right to receive payments for the portion of the performance that has been completed to date.

If the performance obligation is fulfilled within a certain period, the Company recognizes the revenue according to the progress of the performance. Otherwise, the Company recognizes the revenue at a certain point in time when the customer obtains control of the relevant assets. The performance of the contract is measured by the expenditure or investment incurred by the Company in fulfilling its performance obligations. The progress is determined based on the proportion of the total costs incurred by each contract as of the balance sheet date to the estimated total costs.

When determining the price of a contract transaction, if there is a variable consideration, the Company determines the best estimate of the variable consideration according to the expected value or the most likely amount, and will include it in the transaction price that does not exceed the accumulatively recognized revenue that is highly unlikely to have a major reversal when the relevant uncertainty is eliminated. If there is a major financing component in the contract, the Company will adjust the transaction price according to the financing component in the contract; if the interval between the transfer of control rights and the payment of the customer's price is less than one year, the Company does not consider the financing component.

For sales with sales return clauses, when the customer obtains the control of the related goods, the Company recognizes revenues based on the consideration amount that it is entitled to due to the transfer of the goods to the customer, and confirms the returned amount due to sales return as estimated liabilities; At the same time, the balance after deducting the estimated cost of recovering the goods (including the impairment of the value of the returned commodity) according to the estimated book value of the returned goods at the time of transfer was recognized as an asset, that is, the receivable cost of the returned goods was carried forward to costs after deducting the net amount of the above-mentioned contract costs, according to the book value of the transferred commodity at the time of transfer. On each balance sheet date, the Company re-estimated future sales returns and remeasured the above assets and liabilities.

If there are significant financing costs in the contract, the Company determines the transaction price based on the assumed amount of cash to be paid when the customer obtains control of the goods. If the nominal amount of the contract consideration is discounted to the current sale price of the goods, the difference between determined transaction price and the amount of consideration promised in the contract was amortized by adopting the effective interest method during the contract period. For the interval between the estimated acquisition of the goods control right by the customer and the payment by the customer less than one year, the Company did not consider the significant financing component in the contract.

As the Company has the right to independently determine the price of the goods traded, that is, the Company can control such product before transferring the goods and other products to the customer, the company is the main responsible person, and the revenue would be recognized based on the total consideration received or receivable. Otherwise, the Company is an agent, and the revenue would be recognized according to the amount of commission or handling fee expected to be collected. Such amount should be recognized according to the net amount of the total consideration received or receivable deducting the payables to other related parties, or according to the established amount or proportion of the commission.

3.30 Contract costs

The contract costs are divided into contract performance costs and contract acquisition costs.

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

1. The costs are directly related to a current or expected contract obtained.
2. The costs increase the resources of the Company to fulfill its performance obligations in the future.
3. The costs are expected to be recovered.

If the incremental cost incurred by the Company for obtaining the contract is expected to be recovered, the contract acquisition cost is recognized as an asset.

The assets related to contract costs are amortized on the same basis as revenue recognition for goods or services related to the asset; however, if the amortization period of contract acquisition costs does not exceed one year, the Company will include them in the current profit or loss when it occurs.

If the assets related to contract costs whose carrying amount is higher than the difference between the following two items, the Company will make provision for impairment for the excess part and recognize it as loss from asset impairment:

1. The remaining consideration expected to be obtained due to the transfer of goods or services related to the asset;

2. Estimate the costs that will occur in order to transfer the relevant goods or services.

If the above provision for asset impairment is reversed, the book value of the asset upon the reversal shall not exceed the book value of such assets on the reversal date under the assumption that no provision for impairment is made.

3.31 Government grants

3.31.1 Type

Government grants refer to the monetary or non-monetary assets obtained by the Company from the government for free. Government grants are divided into asset-related government grants and income-related government grants.

Asset-related government grants refer to government subsidies obtained by the Company for forming long-term assets by acquisition, construction or other manners. Income-related government grants refer to those other than asset-related government grants. Where government documents fail to clearly define grant objects, the Company will make a judgement according to the aforesaid principle.

3.31.2 Recognition time

Government grants are recognized when the Company is eligible for the conditions for government grants and can receive them.

3.31.3 Accounting treatment

Asset-related government grants shall be used to offset the book value of relevant assets or recognized as deferred income. The government grants recognized as asset-related government grants 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 by reasonable and systematic methods within useful lives of related assets (where such grants are related to the routine activities of the Company, they will be included in other income; where such grants are not related to the routine activities of the Company, they will be included in non-operating revenue);

The income-related government grants used to compensate for relevant costs or losses which will occur in the following period in the Company shall be recognized as the deferred income, and, during the period when relevant costs or losses are recognized, be included in the current profit or loss (where income-related government grants are relevant to routine activities of the Company, such grants shall be included in the other income; where income-related government grants are irrelevant to daily activities of the Company, such grants shall be included in the non-operating revenue) or used to offset relevant costs or losses; income-related government grants used to compensate for relevant costs or losses incurred in the Company shall be included in the current profit or loss (where income-related government grants are relevant to daily activities of the Company, such grants shall be included in the other income; where income-related government grants are irrelevant to daily activities of the Company, such grants shall be included in the non-operating revenue) or used to offset relevant costs or losses.

3.32 Deferred income tax assets and deferred income tax liabilities

Deferred income tax assets are recognized for deductible temporary differences to the extent that it shall not exceed the taxable income probably obtained in future period that can be used for deducting the deductible temporary differences. For deductible losses and tax credits that can be carried forward to subsequent periods, deferred income tax assets arising therefrom are recognized to the extent of the taxable income probably obtained in future period that can be used for deducting the deductible losses and tax credits.

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 matters excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred.

If the Company has the legal right to settle in net amounts and intends to settle in net amount or to obtain assets and discharge liabilities simultaneously, the current tax assets and current tax liabilities of the Company shall be presented based on the net amount upon offset.

When the Company has the legal rights to settle income tax assets and income tax liabilities for the current period with net amount, and deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpayer by the same tax collection authority or on different taxpayers, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved taxpayer 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.

3.33 Lease

The applicable accounting policies as of January 1, 2019

Lease refers to a contract in which a lessor assigns the right to use an asset to a lessee within a certain period of time in order to obtain consideration.

On the contract commencement date, the Company evaluates whether the contract is a lease or includes a lease. If a party to a contract transfers the right to control the use of one or more identified assets within a certain period in exchange for consideration, the contract shall be a lease or include a lease.

If the contract contains multiple individual leases, the lessee and the lessor will split the contract and make accounting treatment over each individual lease. If the contract contains both leased and non-leased parts, the lessee and lessor will split the leased and non-leased parts.

3.33.1 The Company as the lessee

(1) Right-of-use assets

As at the beginning of the lease period, the Company recognizes the leases other than short-term leases and leases of low-value assets as the right-of-use assets. Right-of-use assets are initially measured at cost. Such costs include:

- The initial measurement amount of lease liabilities;
- In case of any lease incentives, relevant amount of the lease incentives enjoyed shall be deducted from the lease payment paid on or before the commencement date of the lease term;
- The initial direct costs incurred of the Company;

- The costs incurred of the Company for demolishing and removing leased assets, restoring the site where the leased assets are located, or restoring the leased assets to the state agreed in the lease terms. The Company recognizes and measures the cost in accordance with the recognition standards and measurement methods described in Note 5.42 Estimated Liabilities. Such cost is included in inventory costs incurred for the production of inventory.

The Company adopts the straight-line-method to make the provision for the depreciation of the right-of-use assets. If there is a reasonable assurance that the ownership of leased assets can be acquired when the lease period expires, the depreciation of the right-of-use assets will be made within the remaining useful life of such lease assets. If there is no reasonable assurance that the ownership of the leased assets can be acquired when the lease period expires, the depreciation of such leased assets is made within the shorter one between the lease period and the remaining useful life of the leased assets.

(2) Lease liabilities

As at the beginning of the lease period, the Company recognizes the leases other than short-term leases and leases of low-value assets as lease liabilities. Lease liabilities are initially measured at the present value of the lease payments that have not been paid. Lease payments include:

- For fixed payments (including substantial fixed payments), if there is any lease incentive, the relevant amount of the lease incentive shall be deducted;
- Variable lease payments depending on the index or ratio;
- The payments expected to be payable based on the residual value of the guarantee provided by the Company;
- Exercise price of purchase option, provided that the Company reasonably determines that it will exercise the option;
- The amount to be paid to exercise the lease termination option, provided that it is reflected that the Company will exercise the lease termination option during the lease period;

The Company adopts the implicit rate of lease as the discount rate, but if the implicit rate of lease cannot be reasonably determined, the incremental borrowing rate will be adopted as the discount rate.

The Company calculates the interest expenses of lease liabilities in each lease term based on a fixed periodic interest rate, and includes such expenses into the current profit or loss or the cost of related assets.

The variable lease payments not included in the measurement of lease liabilities shall be included in the current profit or loss or the costs of related assets when they actually occur.

After the commencement date of the lease period, the Company will re-measure the lease liabilities based on the present value of the lease payments after changes:

- Any change in the estimated payable amount based on the residual value of the guarantee;

- Any change in the index or ratio used to determine lease payments;
- Any change in the evaluation results of the purchase option, lease renewal option or lease termination option, or any inconsistency between the actual exercise of the lease renewal option or lease termination option and the original evaluation results.

When the lease liabilities are remeasured, the Company will adjust the book value of the right-of-use assets accordingly. If the book value of the right-of-use assets has been reduced to zero and further reduction of lease liabilities is still required, the Company will include the remaining amount in the current profit or loss.

(3) Short-term lease and lease of low-value assets

The Company chooses not to recognize right-of-use assets and lease liabilities for short-term leases and leases of low-value assets, and the relevant lease payments are included in the current profit or loss or the cost of related assets by straight-line method over each period within the lease term. Short-term leases refer to leases that do not exceed 12 months on the commencement date of the lease period and do not include any purchase option. Low-value asset lease refers to the lease of a single lease asset with lower value when it is brand new. For the lease asset subleased by the Company subleases or expected to be subleased, the original lease is not a lease of low-value assets.

(4) Lease changes

If the lease changes and the following conditions are met at the same time, the Company will carry out accounting treatment over the lease change as a separate lease:

- Where the lease change expands the scope of the lease by adding the right to use one or more leased assets;
- Where the increase of the consideration is equivalent to the adjusted individual price of the expanded part of the lease scope according to the contract.

Where the lease change is not accounted for as a separate lease, on the effective date of the lease change, the Company will re-distribute the consideration of the contract after the change, re-determine the lease period, and re-measure lease liabilities according to the present value calculated by the changed lease payments and the revised discount rate.

3.33.2 The Company as the lessor

Leases of the Company are classified as financing lease and operating lease on the lease commence date. Lease under which almost all the risks and rewards relevant to the ownership of leased assets are materially transferred is recognized as financing lease, regardless of whether the ownership is ultimately transferred. Operating lease refers to the leases other than financing lease. When the Company is a sub-lessor, it classifies the sub-leases based on the right-of-use assets generated by the original lease.

- (1) Accounting treatment of operating leases
Rental from the operating lease in each stage during the rental period should be recognized as the rental income by the straight-line method. Initial direct costs relating to operating lease incurred by the Company are capitalized, and shall be included in the current profit or loss on the same basis as the recognition of lease income during the lease term. The variable lease payable that is not included in the lease receivable shall be included in the current profit or loss at the time of actual occurrence.
- (2) Accounting treatment of finance lease
On the lease commencement date, the Company recognizes finance lease receivables for financial leases and derecognizes financial lease assets. When the Company conducts the initial measurement of finance lease receivables, the net lease investment is adopted as the entry value of the finance lease receivables. The net lease investment is the sum of the unguaranteed residual value and the present value of the lease payments that have not been received at the beginning of the lease term and discounted at the interest rate included in the lease.

The Company calculates and recognizes the interest expenses in each lease term based on a fixed periodic interest rate. The derecognition and impairment of finance lease receivables shall be accounted for in accordance with "3.10 Financial instruments" herein.

The variable lease payable that is not included in the net lease investment for measurement shall be included in the current profit or loss at the time of actual occurrence.

3.33.3 Sale-and-leaseback deals

The Company evaluates and determines whether the transfer of assets in the sale-and-leaseback transaction is a sale in accordance with the principles described in "3.29 Revenue" herein.

- (1) As the lessee
If the asset transfer in the sale-leaseback transaction belongs to sales, the Company as the lessee measures the right-of-use asset formed by the sale-leaseback according to the part related to the use-right obtained from the leaseback in the original book value of assets, and only recognizes the relevant gains and losses only for the rights transferred to the lessor; If the asset transfer in the sale-and-leaseback transaction does not belong to the sale, the Company, as the lessee, continues to confirm the transferred assets and recognizes a financial liability equivalent to the transfer income. Please refer to Note "3.10 financial instruments" for the accounting treatment for financial liabilities.
- (2) As the lessor
If the asset transfer in the sale-and-leaseback transaction belongs to sales, the Company, as the lessor, conducts accounting treatment over asset purchases, and performs accounting treatment for asset lease in accordance with the aforementioned policy of "2. The Company acts as the lessor"; If the asset transfer in the sale-and-leaseback transaction does not belong to the sale, the Company, as the lessor, will not confirm the transferred assets but recognizes a financial asset equivalent to the transfer income. Please refer to Note "3.10 financial instruments" for the accounting treatment for financial assets.

The applicable accounting policies before January 1, 2019

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. The initial direct costs related to the lease transactions paid by the Company are included in 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 terms 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 the relevant rental income. Initial direct costs relating to lease transactions incurred by the Company shall be recognized as the period charges; if the amounts are significant, they shall be capitalized and included in the current income by stages on the same basis as the recognition of lease income over the whole lease term.

If the expenses related to the lease which shall be paid by the lessee are borne by the Company, such expenses shall be deducted from total lease income by the Company, and residual lease fees shall be amortized over the lease term.

2. Accounting treatment of financing leases

- (1) Assets acquired under financing leases: At the commencement of the lease term, assets acquired under financing leases shall be recorded at the lower of their fair values and the present values of the minimum lease payments, and the Company shall recognize the long-term payables at amounts equal to the minimum lease payments, and shall record the differences between book value of the leased assets and the long-term payables as unrecognized finance charges. The Company adopts the effective interest rate method for unrecognized financing charges, which shall be amortized over the lease term and included in financial expenses. The Company records the initial direct costs in the value of leased assets.

- (2) Assets rented out under financing leases: On the lease beginning date, the Company recognizes the difference between the sum of financing lease receivable and the unguaranteed residual value, and the present value thereof as unrealized financing income, and recognize the same as rental income over the periods when rent is received in the future. The Company's initial direct costs associated with the rental transactions shall be included in the initial measurement of the finance lease receivables and the amount of revenue recognized during the lease term shall be reduced.

3.34 Discontinued operations

Discontinued operations refer to the component that meets any of the following conditions, can be separately distinguished and has been disposed by the Company or classified as held for sale by the Company:

- (1) The component represents an independent major business or a sole major business area;

- (2) The component is a part of a related plan on intended disposal of an independent major business or a sole major business area; or
- (3) The component is a subsidiary acquired only for re-sale.

3.35 Segment reporting

The Company determines operating segments based on internal organization structure, management requirements and internal reporting system, determines reporting segments based on operating segments, and disclose the information of the segments.

An operating segment is a constituent part meeting the following conditions within the Company:

- (1) The constituent part can generate income and expenses in routine activities;
- (2) The Company's management is able to regularly evaluate the operating results of this constituent part so as to determine the resources allocation and assess its performance;
- (3) The Company is able to obtain the financial position, operating results, cash flows and other relevant accounting information of this constituent part. If two or more operating segments have similar economic characteristics, and have met a certain condition, they will be merged into one operating segment.

3.36 Other significant accounting policies and estimates

Based on annual actual operating revenue of machinery manufacturing enterprises in the Company in the last year, the work safety expenses shall be evenly withdrawn month by month through the excess regressive method and based on the following standards, and specially used for perfecting and improving the safety production conditions of the enterprises or projects.

- (1) 2% of business revenue which is no more than RMB 10 million;
- (2) 1% of business revenue which exceeds RMB 10 million and is no more than RMB 100 million;
- (3) 0.2% of business revenue which exceeds RMB 100 million and is no more than RMB 1 billion; and
- (4) 0.1% of business revenue which exceeds RMB 1 billion and is no more than RMB 5 billion; and
- (5) 0.05% of business revenue which exceeds RMB 5 billion.

For the machinery manufacturing enterprises which are newly built and have been put into production for less than one year, the expenses of safety production shall be withdrawn on a monthly basis based on the actual operating revenue of the current year.

Safety production costs withdrawn are included in the current profit or loss and included in the item of "special reserves" at the same time, and separately listed in the item of "owner's equity". When withdrawn safe production costs are used within the prescribed range and belong to expenses, such costs shall be directly deducted from special reserves. Where fixed assets form, incurred expenses are accumulated under the item "construction in progress" and are recognized as fixed assets when the safe project is completed and reaches the working conditions for its intended; meanwhile, special reserves shall be offset according to the costs of fixed assets and the accumulated depreciation of the same amount shall be recognized. The balance of specific reserves withdrawn should be directly included in the current profit or loss.

3.37 Changes in significant accounting policies and accounting estimates

3.37.1 Changes in significant accounting policies

- (1) Implementation of *the Circular of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises in 2019* and *the Circular on Revising and Issuing the Format of Consolidated Financial Statements (Version 2019)*

The Ministry of Finance respectively promulgated *the Circular on Revising and Issuing the Format of Financial Statements of General Enterprises in 2019* (CK [2019] No. 6) and *the Circular on Revising and Issuing the Format of Consolidated Financial Statements (Version 2019)* (CK [2019] No. 16) on April 30, 2019 and September 19, 2019, revising the format of the financial statements of general enterprises. Main impacts of the Company's implementation of the above provisions are as follows:

Content of and reason for changes in accounting policies	Procedures for examination and approval	Name and amount of the affected items in the financial statements	
		Consolidated	Parent Company
In the balance sheet, "notes receivable and accounts receivable" are separately presented as "notes receivable" and "accounts receivable"; "notes payable and accounts payable" are separately presented as "notes payable" and "accounts payable"; and the comparison data are adjusted accordingly.	Approval of the Board of Directors	"Notes receivable and accounts receivable" are separately presented as "notes receivable" and "accounts receivable". The balance of "notes receivable" as at the end of the previous year was RMB 5,109,357,725.63, and the balance of "accounts receivable" as at the end of the previous year was RMB 6,555,217,018.91. "Notes payable and accounts payable" are separately presented as "notes payable" and "accounts payable". The balance of "notes payable" as at the end of the previous year was RMB 3,552,762,831.53, and the balance of "accounts receivable" as at the end of the previous year was RMB 11,540,188,158.94.	"Notes receivable and accounts receivable" are separately presented as "notes receivable" and "accounts receivable". The balance of "notes receivable" as at the end of the previous year was RMB 865,318,082.63, and the balance of "accounts receivable" as at the end of the previous year was RMB 1,355,903,343.63; "Notes payable and accounts payable" are separately presented as "notes payable" and "accounts payable". The balance of "notes payable" as at the end of the previous year was RMB 0.00, and the balance of "accounts payable" as at the end of the previous year was RMB 5,833,469,234.78.

(2) Implementation of *the Accounting Standards for Business Enterprises No. 21 – Leases* (Revised in 2018)

The Ministry of Finance revised *the Accounting Standards for Business Enterprises No. 21 – Leases* (the "New Lease Standards") in 2018. The revised standards were implemented from January 1, 2019. According to the standards, the Company chose not to re-evaluate whether it was a lease or included a lease on the first execution date for the contract that already existed before the first execution date (i.e. January 1, 2019).

- The Company as the lessee

The Company chose to adjust the amount of retained earnings at the beginning of the year at the time of the first implementation of the new lease standard and other related items in the financial statements based on the cumulative impact of the first implementation of the new lease standards, without adjusting the information for the comparable period.

For the operating leases that existed prior to the first execution date, the Company measures the lease liability as per the current value discounted at the incremental borrowing rate on the first execution date based on the remaining lease payments on the first execution date, and measures the right-of-use assets by adopting the following two methods :

- It is assumed that the book value of the new lease standards will be adopted from the lease commencement date, and the incremental borrowing rate of the Company on the first execution date will be used as the discount rate. The company adopts this method for real estate lease;
- For the amount equal to the lease liability, necessary adjustments will be made based on the prepaid rent. The Company adopts this method for all other leases.

For the operating leases before the first execution date, the Company chose to use one or more of the following options to conduct simplified treatments according to each lease while applying the above method:

- 1) Leases to be completed within 12 months after the first execution date are treated as short-term leases;
- 2) While measuring lease liabilities, the same discount rate is adopted for the leases with similar characteristics;
- 3) The measurement of right-of-use assets does not include initial direct costs;
- 4) If there is an option to renew the lease or an option to terminate the lease, the lease term shall be determined according to the actual exercise of the option before the first execution date and other latest conditions;
- 5) As an alternative to the impairment test of the right-of-use asset, whether the contract including the lease is an onerous contract before the first execution date will be evaluated according to *the Accounting Standards for Business Enterprises No. 13 - Contingencies*; and the right-of-use assets will be adjusted according to the amount of the loss allowance included in the balance sheet before the first execution date;

- 6) The lease change that occurred before the beginning of the year when the new lease standard was first implemented will not be retrospectively adjusted, and accounting treatments will be made in accordance with the new lease standards based on the final arrangement for the lease change.

While measuring lease liabilities, the Company adopts the benchmark interest rate on three-year loans of 4.75% on January 1, 2019, which matches the lease term, to discount the lease payments.

The minimum lease payment not paid for major operating leases disclosed in the consolidated financial statements as at December 31, 2018 (RMB)	422,526,229.84
Present value discounted at the incremental borrowing rate of the Company as at January 1, 2019 (RMB)	392,267,874.44
Lease liabilities under the new lease standards as at January 1, 2019 (RMB)	392,267,874.44
The difference between the above discounted present value and the lease liability (RMB)	

For the financial leases that existed prior to the first execution date, the Company measured the right-of-use assets and lease liabilities separately on the basis of the original book value of the assets acquired under financing lease and financial lease payments payable on the first execution date.

- The Company as the lessor
For the sub-leases that are classified as operating leases before the first execution date and still exist after the first execution date, the Company re-evaluates such sub-leases on the first execution date based on the remaining contract period and terms of the original leases and sub-leases, and classifies them according to the new lease standards. If such sub-leases are reclassified as a finance lease, the Company will conduct accounting treatments over them as a new finance lease.

Except for sub-leases, the Company does not need to adjust the leases in which it acts as the lessor in accordance with the new lease standards. The Company performs accounting treatments in accordance with the new lease standards from the first implementation date.

- The main impact of the implementation of the new lease standards by the Company on the financial statements
Consolidated Statements of the Company and Statements of the Parent Company

Content of and reason for changes in accounting policies	Procedures for examination and approval	Name and amount of the affected items in the financial statements	
		Consolidated	Parent Company
As a lessee, the Company adjusts the operating lease existing	Approval of the Board of Directors	Right-of-use assets: an increase of RMB 391,820,655.50; Lease liabilities: an increase of RMB 392,267,874.44, including: non-current	Right-of-use assets: an increase of RMB 288,894,157.02; Lease liabilities: an increase of RMB

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Content of and reason for changes in accounting policies	Procedures for examination and approval	Name and amount of the affected items in the financial statements	
		Consolidated	Parent Company
before the first execution date		liabilities maturing within one year: an increase of RMB 124,718,906.50; undistributed profits: a decrease of RMB 228,081.66, minority equity: a decrease of RMB 219,137.28	288,894,157.02, including: non-current liabilities maturing within one year: an increase of RMB 91,788,296.59.

(3) Implementation of *the Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets* (Revised in 2019)

The Ministry of Finance issued *the Accounting Standards for Business Enterprises No. 7 - Exchange of Non-monetary Assets* (Revised in 2019) (CK [2019] No. 8) on May 9, 2019. The revised standards come into effect from June 10, 2019. The exchange of non-monetary assets occurring between January 1, 2019 and the implementation date of these standards should be adjusted according to these standards. For the exchange of non-monetary assets before January 1, 2019, retrospective adjustment is not required in accordance with these standards. The Company's implementation of the above standards causes no significant impact during the reporting period.

(4) Implementation of *the Accounting Standards for Business Enterprises No. 12 - Debt Restructuring* (Revised in 2019)

The Ministry of Finance issued *the Accounting Standards for Business Enterprises No. 12 - Debt Restructuring* (Revised in 2019) (CK [2019] No. 9) on May 16, 2019. The revised standards come into effect from June 17, 2019. Debt restructuring occurring between January 1, 2019 and the implementation date of these standards should be adjusted according to these standards. For debt restructuring occurring before January 1, 2019, retrospective adjustment is not required in accordance with these standards. The Company's implementation of the above standards causes no significant impact during the reporting period.

3.37.2 Significant changes in accounting estimates

The Company has no changes in significant accounting estimates in 2019.

3.37.3 First implementation of new lease standards and impact on relevant items of the financial statements at the beginning of the current year
Consolidated Balance Sheet

Item	Balance as at December 31, 2018	Balance as at January 1, 2019	Amount of adjustment
Current assets:			
Monetary funds	29,346,448,438.05	29,346,448,438.05	
Balances with clearing companies			
Loans to banks and other financial	300,000,000.00	300,000,000.00	

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Item	Balance as at December 31, 2018	Balance as at January 1, 2019	Amount of adjustment
institutions			
Financial assets held for trading	3,122,839,818.04	3,122,839,818.04	
Derivative financial assets			
Notes receivable	5,109,357,725.63	5,109,357,725.63	
Accounts receivable	6,555,217,018.91	6,555,217,018.91	
Receivables financing			
Advances to suppliers	1,913,342,742.55	1,913,342,742.55	
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	535,465,160.58	535,465,160.58	
Financial assets purchased under resale agreements	1,744,127,000.00	1,744,127,000.00	
Inventories	13,873,986,465.23	13,873,986,465.23	
Contract assets	10,187,971,672.86	10,187,971,672.86	
Assets held for sale			
Non-current assets maturing within one year	396,500,000.00	396,500,000.00	
Other current assets	470,439,698.83	470,439,698.83	
Total current assets	73,555,695,740.68	73,555,695,740.68	
Non-current assets:			
Disbursement of loans and advances	430,663,941.00	430,663,941.00	
Creditor's right investments	4,922,529,793.75	4,922,529,793.75	
Other creditor's right investments			
Long-term receivables	13,775,453.41	13,775,453.41	
Long-term equity investments	1,516,634,253.84	1,516,634,253.84	
Other equity instrument investments	4,989,859.48	4,989,859.48	
Other non-current financial assets			
Investment properties	153,816,742.24	153,816,742.24	
Fixed assets	5,902,438,578.09	5,902,438,578.09	
Construction in progress	188,792,238.53	188,792,238.53	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		391,820,655.50	391,820,655.50
Intangible assets	1,681,044,339.19	1,681,044,339.19	
Development expenditures			
Goodwill			
Long-term deferred expenses	51,778,532.60	51,778,532.60	

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Item	Balance as at December 31, 2018	Balance as at January 1, 2019	Amount of adjustment
Deferred income tax assets	2,897,188,154.97	2,897,188,154.97	
Other non-current assets	3,981,790.00	3,981,790.00	
Total non-current assets	17,767,633,677.10	18,159,454,332.60	391,820,655.50
Total assets	91,323,329,417.78	91,715,150,073.28	391,820,655.50
Current liabilities:			
Short-term borrowings	245,566,000.00	245,566,000.00	
Borrowings from central bank			
Loans from banks and other financial institutions			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	3,552,762,831.53	3,552,762,831.53	
Accounts payable	11,540,188,158.94	11,540,188,158.94	
Advances from customers			
Contract liabilities	29,460,944,098.28	29,460,944,098.28	
Financial assets sold under repurchase agreements			
Absorption of deposits and interbank deposits	4,793,625,912.49	4,793,625,912.49	
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee compensation payable	772,584,805.65	772,584,805.65	
Taxes and surcharges payable	461,097,975.94	461,097,975.94	
Other payables	1,749,869,606.78	1,749,869,606.78	
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities maturing within one year	16,320,000.00	141,038,906.50	124,718,906.50
Other current liabilities	103,588,912.65	103,588,912.65	
Total current liabilities	52,696,548,302.26	52,821,267,208.76	124,718,906.50
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	462,864,840.00	462,864,840.00	

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Item	Balance as at December 31, 2018	Balance as at January 1, 2019	Amount of adjustment
Bonds payable			
Including: preferred stock			
Perpetual bond			
Lease liabilities		267,548,967.94	267,548,967.94
Long-term payables	26,340,460.52	26,340,460.52	
Long-term employee compensation payable	837,303,270.07	837,303,270.07	
Estimated liabilities	6,136,106,066.37	6,136,106,066.37	
Deferred income	444,014,801.58	444,014,801.58	
Deferred income tax liabilities	26,243,061.77	26,243,061.77	
Other non-current liabilities			
Total non-current liabilities	7,932,872,500.31	8,200,421,468.25	267,548,967.94
Total liabilities	60,629,420,802.57	61,021,688,677.01	392,267,874.44
Owners' equity:			
Share capital	3,090,803,431.00	3,090,803,431.00	
Other equity instruments			
Including: preferred stock			
Perpetual bond			
Capital reserves	11,251,874,281.59	11,251,874,281.59	
Less: treasury stock			
Other comprehensive income	-33,400,468.00	-33,400,468.00	
Special reserves	79,395,179.18	79,395,179.18	
Surplus reserves	871,273,166.80	871,273,166.80	
General risk reserves			
Undistributed profits	13,324,105,405.23	13,323,877,323.57	-228,081.66
Total equity attributable to owners of the parent company	28,584,050,995.80	28,583,822,914.14	-228,081.66
Minority equity	2,109,857,619.41	2,109,638,482.13	-219,137.28
Total owners' equity	30,693,908,615.21	30,693,461,396.27	-447,218.94
Total liabilities and owners' equity	91,323,329,417.78	91,715,150,073.28	391,820,655.50

Balance Sheet of the Parent Company

Item	Balance as at December 31, 2018	Balance as at January 1, 2019	Amount of adjustment
Current assets:			
Monetary funds	8,040,524,852.09	8,040,524,852.09	
Financial assets held for trading	595,949,757.26	595,949,757.26	
Derivative financial assets			
Notes receivable	865,318,082.63	865,318,082.63	
Accounts receivable	1,355,903,343.63	1,355,903,343.63	
Receivables financing			
Advances to suppliers	9,382,067,906.12	9,382,067,906.12	
Other receivables	370,612,187.12	370,612,187.12	

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Item	Balance as at December 31, 2018	Balance as at January 1, 2019	Amount of adjustment
Inventories	69,239,529.73	69,239,529.73	
Contract assets	3,252,589,182.48	3,252,589,182.48	
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	56,394,516.30	56,394,516.30	
Total current assets	23,988,599,357.36	23,988,599,357.36	
Non-current assets:			
Creditor's right investments			
Other creditor's right investments			
Long-term receivables			
Long-term equity investments	21,576,904,119.31	21,576,904,119.31	
Other equity instrument investments			
Other non-current financial assets			
Investment properties	12,318,817.26	12,318,817.26	
Fixed assets	50,409,533.23	50,409,533.23	
Construction in progress	1,443,058.47	1,443,058.47	
Productive biological assets			
Oil and gas assets			
Right-of-use assets		288,894,157.02	288,894,157.02
Intangible assets	197,668,622.62	197,668,622.62	
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets	275,356,901.19	275,356,901.19	
Other non-current assets			
Total non-current assets	22,114,101,052.08	22,402,995,209.10	288,894,157.02
Total assets	46,102,700,409.44	46,391,594,566.46	288,894,157.02
Current liabilities:			
Short-term borrowings			
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable			
Accounts payable	5,833,469,234.78	5,833,469,234.78	
Advances from customers			
Contract liabilities	14,261,970,077.65	14,261,970,077.65	

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Item	Balance as at December 31, 2018	Balance as at January 1, 2019	Amount of adjustment
Employee compensation payable	34,924,721.82	34,924,721.82	
Taxes and surcharges payable	12,758,992.30	12,758,992.30	
Other payables	709,679,160.03	709,679,160.03	
Liabilities held for sale			
Non-current liabilities maturing within one year		91,788,296.59	91,788,296.59
Other current liabilities			
Total current liabilities	20,852,802,186.58	20,944,590,483.17	91,788,296.59
Non-current liabilities:			
Long-term borrowings			
Bonds payable			
Including: preferred stock			
Perpetual bond			
Lease liabilities		197,105,860.43	197,105,860.43
Long-term payables			
Long-term employee compensation payable	16,062,947.55	16,062,947.55	
Estimated liabilities	768,595,143.58	768,595,143.58	
Deferred income	2,884,954.54	2,884,954.54	
Deferred income tax liabilities	7,035,254.75	7,035,254.75	
Other non-current liabilities			
Total non-current liabilities	794,578,300.42	991,684,160.85	197,105,860.43
Total liabilities	21,647,380,487.00	21,936,274,644.02	288,894,157.02
Owners' equity:			
Share capital	3,090,803,431.00	3,090,803,431.00	
Other equity instruments			
Including: preferred stock			
Perpetual bond			
Capital reserves	13,021,217,305.33	13,021,217,305.33	
Less: treasury stock			
Other comprehensive income			
Special reserves			
Surplus reserves	1,159,636,283.23	1,159,636,283.23	
Undistributed profits	7,183,662,902.88	7,183,662,902.88	
Total owners' equity	24,455,319,922.44	24,455,319,922.44	
Total liabilities and owners' equity	46,102,700,409.44	46,391,594,566.46	288,894,157.02

4 Taxation

4.1 Main tax types and tax rates

Tax Type	Tax basis	Tax rate (%)
Value-added tax ("VAT") (Remark 1)	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	6.00, 9.00, 10.00, 11.00, 13.00, 16.00, 17.00, 18.00
Urban maintenance and construction tax	Levied based on the actual business tax, VAT and consumption tax paid	5.00, 7.00
Enterprise income tax	Levied based on the taxable income	5.00, 15.00, 20.00, 27.553, 25.00, 34.00
Property tax	The property for personal use shall be levied based on 70% of the original value and the leased property shall be levied based on income	1.20, 12.00

Remark 1: The goods sales services of DongFangElectric (India) PrivateLimited shall be levied the goods and services tax (GST) at a unified rate of 18.00%; The VAT value levied on the goods sales of PT.Dongfang Electric Indonesia Company is 10.00%.

Notes to disclosure of enterprises with different enterprise income tax rates:

Taxpayer name	Income tax rate (%)
Dongfang Electric Corporation Limited	15.00
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	15.00
DongFang Boiler (Group) Co.,Ltd.	15.00
Chengdu Dongfang Kwh Environmental Protection Catalysts Co., Ltd.	15.00
Dongfang Turbine Co., Ltd.	15.00
Deyang Dongfang Aberle Sysrem Corporation Limited	15.00
Dongfang Electric Machinery Company Limited	15.00
Dongfang Electric Wind Power Co., Ltd.	15.00
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	15.00
Dongfang Electric Wind Power (Fujian) Co., Ltd.	20.00
Dongfang Electric Auto Control Engineering Co., Ltd.	15.00
Eastern Boiler Control Co., Ltd.	15.00
Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.	15.00
Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd.	15.00
Science and Technology Institute Co., Ltd. of Dongfang Electric Corporation	5.00
DongFangElectric (India) PrivateLimited	27.553
PT.Dongfang Electric Indonesia Company (Remark 2)	25.00, 20.00
Dongfang Electric Venezuela Co., Ltd.	34.00
NamMang1 Power Company Limited (Remark 3)	0.00
Other companies within the scope of consolidation of the Company	25.00

Remark 2: PT.Dongfang Electric Indonesia Company shall be levied the enterprise income tax respectively according to 25% and 20% of taxable income and income from deposit interest.

Remark 3: According to *the Franchise Agreement* signed by NamMang1 Power Company Limited and the Laos Government on January 9, 2013, the enterprise income tax rate applicable to NamMang1 Power Company Limited is 0.00%.

4.2 Tax preference

1. Dongfang Electric Corporation Limited
According to the *Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies* (CS [2011] No. 58) issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, for enterprises located in Western China, taking the additional encouraged industry projects as stipulated in the *Catalogue of Encouraged Industries in the Western Region* as primary businesses and having a revenue from primary businesses accounting for over 70% of its total enterprise revenues for the current year, they are entitled to the enterprise income tax levied at a reduced tax rate of 15.00% from January 1, 2011 to December 31, 2020. Dongfang Electric Corporation Limited meets the said tax preference condition, and can enjoy such preferential tax rate of 15.00%.
2. Dongfang (Guangzhou) Heavy Machinery Co., Ltd.
On November 30, 2016, it was qualified as a hi-tech enterprise with a 3-year certificate of No. GR201644000010. After the expiration of the certificate, Dongfang (Guangzhou) Heavy Machinery Co., Ltd. went through the application and filling procedures and received a renewed hi-tech enterprise certificate of No. GR201944003468. According to the preferential tax policies for hi-tech enterprises as stated in *Law of the people's Republic of China on Enterprise Income Tax*, its applicable enterprise income tax rate in 2019 is 15.00%.
3. DongFang Boiler (Group) Co.,Ltd.
 - (1) DongFang Boiler (Group) Co.,Ltd.
On December 4, 2017, it was qualified as a hi-tech enterprise with a 3-year certificate of No. GR201751000961. According to the preferential tax policies for hi-tech enterprises as stated in *Law of the people's Republic of China on Enterprise Income Tax*, its applicable enterprise income tax rate in 2019 is 15.00%.
 - (2) Chengdu Dongfang Kwh Environmental Protection Catalysts Co., Ltd.
On December 3, 2018, after approved by the Science and Technology Department of Sichuan Province, Sichuan Provincial Finance Department, Sichuan Provincial Tax Services, STA. and the Local Taxation Bureau of Sichuan Province, it was qualified as a hi-tech enterprise with a 3-year certificate of No. GR201851001669, and can apply the enterprise income tax rate of 15.00% in 2019.

4. Dongfang Turbine Co., Ltd.
 - (1) Dongfang Turbine Co., Ltd.

On September 14, 2018, after approved by the Science and Technology Department of Sichuan Province, Sichuan Provincial Finance Department, Sichuan Provincial Tax Services, STA. and the Local Taxation Bureau of Sichuan Province, it was qualified as a hi-tech enterprise with a 3-year certificate of No. GR201851000343. According to the preferential tax policies for hi-tech enterprises as stated in *Law of the people's Republic of China on Enterprise Income Tax*, its applicable enterprise income tax rate in 2019 is 15.00%.
 - (2) Deyang Dongfang Aberle System Corporation Limited

According to the *Circular on Issues Concerning Tax Policies for In-depth Implementation of Western Development Strategies* (CS [2011] No. 58) issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, for enterprises located in Western China, taking the additional encouraged industry projects as stipulated in the *Catalogue of Encouraged Industries in the Western Region* as primary businesses and having a revenue from primary businesses accounting for over 70% of its total enterprise revenues for the current year, they are entitled to the enterprise income tax levied at a reduced tax rate of 15.00% from January 1, 2011 to December 31, 2020. Deyang Dongfang Aberle System Corporation Limited meets the said tax preference condition, and can enjoy such preferential tax rate of 15.00%.
5. Dongfang Electric Machinery Company Limited

On December 3, 2018, it was qualified as a hi-tech enterprise with a 3-year certificate of No. GR201851001296. According to the preferential tax policies for hi-tech enterprises as stated in *Law of the people's Republic of China on Enterprise Income Tax*, its applicable enterprise income tax rate in 2019 is 15.00%.
6. Dongfang Electric Wind Power Co., Ltd.
 - (1) Dongfang Electric Wind Power Co., Ltd.

On November 28, 2019, Dongfang Electric Wind Power Co., Ltd. acquired the 3-year High-tech Enterprise Certificate of No. GR201951001691, jointly issued by the Science and Technology Department of Sichuan Province, Sichuan Provincial Finance Department, and Sichuan Provincial Tax Services, STA. According to the preferential tax policies for hi-tech enterprises as stated in *Law of the people's Republic of China on Enterprise Income Tax*, its applicable enterprise income tax rate in 2019 is 15.00%.
 - (2) Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.

On December 9, 2016, Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd. acquired the 3-year High-tech Enterprise Certificate of No. GR201612000990, jointly issued by Tianjin Science and Technology Commission, Tianjin Finance Bureau, Tianjin Tax Services, STA., and Tianjin Municipal Local Taxation Bureau. After expiration of the certificate, Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd. has gone through the application and filling procedures and received a renewed certificate of No. GR201912001714. According to the preferential tax policies for hi-tech enterprises as stated in *Law of the people's Republic of China on Enterprise Income Tax*, its applicable enterprise income tax rate in 2019 is 15.00%.

- (3) Dongfang Electric Wind Power (Fujian) Co., Ltd.
According to the *Circular on Implementing the Policy on Inclusive Tax Reliefs for Small and Micro Enterprises* (CS [2019] No. 13), for small low-profit enterprises, the portion of less than RMB 1 million will be included in the actual taxable income at 25%, based on which the enterprise income tax payable will be calculated at the reduced tax rate of 20%. Dongfang Electric Wind Power (Fujian) Co., Ltd. meet the said conditions and can enjoy the preferential enterprise income tax policy for small low-profit enterprises in 2019, thus applying the enterprise income tax rate of 20.00%.
7. Dongfang Electric Auto Control Engineering Co., Ltd.
- (1) Dongfang Electric Auto Control Engineering Co., Ltd.
On August 29, 2017, it was qualified as a hi-tech enterprise with a 3-year certificate of No. GR201751000468. According to the preferential tax policies for hi-tech enterprises as stated in *Law of the People's Republic of China on Enterprise Income Tax*, its applicable enterprise income tax rate in 2019 is 15%. Dongfang Electric Auto Control Engineering Co., Ltd. Dongfang Electric Auto Control Engineering Co., Ltd. and its subsidiaries have obtained the *Computer Software Copyright Registration Certificate* issued by the National Copyright Administration of the People's Republic of China. According to the relevant provisions of the *Circular on Value-added Tax Policy on Software Products* (CS [2011] No. 100) issued by the Ministry of Finance and the State Administration of Taxation, Dongfang Electric Auto Control Engineering Co., Ltd. Dongfang Electric Auto Control Engineering Co., Ltd. and its subsidiaries can enjoy the preferential policy on VAT collection and refund for the part of actual tax burden on sales of self-developed and produced software products that exceeds 3%.
- (2) Eastern Boiler Control Co., Ltd.
On October 16, 2018, it was qualified as a hi-tech enterprise with a 3-year certificate of No. GR201844200982. According the preferential tax policies for hi-tech enterprises as stated in *Law of the People's Republic of China on Enterprise Income Tax*, its applicable enterprise income tax rate in 2019 is 15.00%.
- (3) Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.
In December 2018, it acquired the hi-tech enterprise certificate of No. GR201851000689, with a valid term of 3 years. According the preferential tax policies for hi-tech enterprises as stated in *Law of the People's Republic of China on Enterprise Income Tax*, its applicable enterprise income tax rate in 2019 is 15.00%.
8. Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd.
In October 2019, it acquired the hi-tech enterprise certificate of No. GR201951000324, with a valid term of 3 years. According the preferential tax policies for hi-tech enterprises as stated in *Law of the People's Republic of China on Enterprise Income Tax*, its applicable enterprise income tax rate in 2019 is 15.00%.
9. Science and Technology Institute Co., Ltd. of Dongfang Electric Corporation
According to Article 2 of the *Circular of the Ministry of Finance and the State Administration of Taxation on Implementing the Policy on Inclusive Tax Reliefs for Small and Micro Enterprises* (CS [2019] No. 13), “for small low-profit enterprises, the portion of less than RMB 1 million, and the portion of more than RMB 1 million but less than RMB 3 million, of the annual taxable income, will be included in the actual taxable income at 25% and 50% respectively, based on which the enterprise income tax payable will be calculated at the reduced tax rate of 20%, thus, the Company meets the said relevant preferential policies and can enjoy the enterprise income tax rate of 5%.

5 Notes to the items of the consolidated financial statements

5.1 Monetary funds

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Cash on hand	2,005,692.73	1,614,922.27
Bank deposits	30,272,736,763.15	28,880,558,015.97
Other monetary funds	204,986,223.14	464,275,499.81
Total	30,479,728,679.02	29,346,448,438.05
Including: total amount of deposit abroad	245,058,564.81	518,179,088.26

Remark: The item of “Bank deposits” includes the deposits in central bank and the deposits in banks and other financial institutions.

Monetary funds restricted for use due to mortgage, pledge or freezing, or placed overseas with restrictions on fund repatriation are as follows:

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Bank deposit reserves	1,948,285,326.63	2,221,051,302.86
L/G deposit	52,255,879.46	220,923,288.98
Performance bond	6,817,818.08	4,846,652.06
Total	2,007,359,024.17	2,446,821,243.90

5.2 Loans to banks and other financial institutions

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Loans to other banks	69,762,000.00	
Including: loans to domestic banks	69,762,000.00	
Loans to non-bank financial institutions	400,000,000.00	300,000,000.00
Including: loans to domestic non-bank financial institutions	400,000,000.00	300,000,000.00
Sub-total	469,762,000.00	300,000,000.00
Less: provision for losses on loans to banks and other financial institutions		
Book value of loans to banks and other financial institutions	469,762,000.00	300,000,000.00

5.3 Financial assets held for trading

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Financial assets measured at fair value through the current profit or loss	1,606,664,199.35	3,122,839,818.04
Including: debt instrument investments	493,204,821.00	573,843,354.00
Equity instrument investments	554,756,742.38	695,634,287.24
Derivative financial assets		
Others	558,702,635.97	1,853,362,176.80

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Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Financial assets designated to be measured at fair value through the current profit or loss		
Including: debt instrument investments		
Others		
Total	1,606,664,199.35	3,122,839,818.04

Remark: (1) As at December 31, 2019, the item of “Others” amounting to RMB 558,702,635.97 mainly include income certificates of RMB 261,530,000.00, asset management products of RMB 174,119,885.32, financial products of RMB 100,000,000.00, and funds of RMB 23,052,750.65.

(2) As at January 1, 2019, the item of “Others” amounting to RMB 1,853,362,176.80 mainly includes financial products of RMB 1,700,000,000.00, asset management products of RMB 150,000,000.00, and funds of RMB 3,362,176.80.

Financial assets held for trading are analyzed as follows

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Listed financial assets		
China (except Hong Kong)	554,685,342.38	695,562,887.24
Sub-total	554,685,342.38	695,562,887.24
Non-listed financial assets	1,051,978,856.97	2,427,276,930.80
Total	1,606,664,199.35	3,122,839,818.04

Remarks: (1) The Company holds 1,447,000.00 shares of domestic listing RMB ordinary shares (A-share) without restricted circulation in China XD Electricity Co., Ltd., accounting for 0.0282% of the share capital of the investee;

(2) The Company holds 79,137,977.00 shares of domestic listing RMB ordinary shares (A-share) without restricted circulation in Huaneng Power International, Inc., accounting for 0.5041% of the share capital of the investee;

(3) The Company holds 285,400.00 shares of domestic listing RMB ordinary shares (A-share) without restricted circulation in Hubei Energy Group Co., Ltd., accounting for 0.0044% of the share capital of the investee;

(4) The Company holds 374,900.00 shares of domestic listing RMB ordinary shares (A-share) without restricted circulation in CITIC Securities, accounting for 0.0031% of the share capital of the investee;

(5) The Company holds 17,103,154.00 shares of domestic listing RMB ordinary shares (A-share) without restricted circulation in Bank of Communications Company Limited, accounting for 0.0230% of the share capital of the investee;

(6) The Company holds 301,994.00 shares of domestic listing RMB ordinary shares (A-share) without restricted circulation in Chongqing Iron & Steel Limited by Share Ltd., accounting for 0.0034% of the share capital of the investee;

- (7) For the above-mentioned trading equity instrument investments, except the fair value of the RMB 71,400.00 equity held by Great Wall West China Bank Co., Ltd. its determined based on the investment cost, the fair values of the rest investments on December 31, 2019 are calculated and determined based on the closing price of the securities market on December 31, 2019.

5.4 Notes receivable

5.4.1 Presentation of the notes receivable by category

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Bank acceptance bills	1,270,922,938.67	3,404,979,270.57
Commercial acceptance bills	247,792,839.45	1,704,378,455.06
Total	1,518,715,778.12	5,109,357,725.63

5.4.2 Notes receivable endorsed or discounted by the Company as at December 31, 2019 but not expired on the balance sheet date

Item	Amount derecognized as at December 31, 2019	Amount not derecognized as at December 31, 2019
Bank acceptance bills	359,431,538.76	
Commercial acceptance bills	3,460,000.00	
Total	362,891,538.76	

5.4.3 Notes transferred to accounts receivable as at December 31, 2019 due to the drawer's failure of performing the contract

Item	Amount transferred to accounts receivable as at December 31, 2019
Commercial acceptance bills	15,122,000.00
Bank acceptance bills	14,050,000.00
Total	29,172,000.00

5.5 Accounts receivable

5.5.1 Disclosure of accounts receivable by aging

Aging	Balance as at December 31, 2019	Balance as at December 31, 2018
Within 1 year	3,584,734,118.98	3,651,706,679.27
1 - 2 years	1,220,225,381.88	1,563,293,617.85
2 - 3 years	1,242,701,454.24	1,435,954,881.36
3 - 4 years	1,120,166,619.62	1,253,825,388.45
4 - 5 years	859,218,842.68	900,635,506.48
Over 5 years	2,450,745,343.73	2,376,734,839.09
Sub-total	10,477,791,761.13	11,182,150,912.50
Less: provision for bad debts	4,262,504,812.26	4,626,933,893.59
Total	6,215,286,948.87	6,555,217,018.91

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5.5.2 Disclosure under the methods of provision for bad debts of accounts receivable by category

Category	Balance as at December 31, 2019					Balance as at December 31, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Individual provision for bad debts	1,540,808,273.79	14.71	1,429,005,933.95	92.74	111,802,339.84	1,995,385,261.29	17.84	1,815,990,190.79	91.01	179,395,070.50
Including:										
Accounts receivable with individually significant amount and individual provision for bad debts	1,393,906,057.13	13.31	1,282,711,632.33	92.02	111,194,424.80	1,904,872,892.93	17.03	1,728,720,107.31	90.75	176,152,785.62
Accounts receivable with individually insignificant amount and individual provision for bad debts	146,902,216.66	1.40	146,294,301.62	99.59	607,915.04	90,512,368.36	0.81	87,270,083.48	96.42	3,242,284.88
Provision for bad debts accrued on a portfolio basis	8,936,983,487.34	85.29	2,833,498,878.31	31.71	6,103,484,609.03	9,186,765,651.21	82.16	2,810,943,702.80	30.60	6,375,821,948.41
Including:										
Accounts receivable with provision for bad debts made by portfolios with credit risk characteristics	8,936,983,487.34	85.29	2,833,498,878.31	31.71	6,103,484,609.03	9,186,765,651.21	82.16	2,810,943,702.80	30.60	6,375,821,948.41
Total	10,477,791,761.13	100.00	4,262,504,812.26		6,215,286,948.87	11,182,150,912.50	100.00	4,626,933,893.59		6,555,217,018.91

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Individual provision for bad debts:

Name	Balance as at December 31, 2019			Reason for provision
	Book balance	Provision for bad debts	Proportion of provision (%)	
Entity 1	368,765,795.70	306,562,559.25	83.13	During bankruptcy liquidation proceedings
Entity 2	207,174,794.98	207,174,794.98	100.00	During bankruptcy liquidation proceedings
Entity 3	120,411,140.00	94,649,184.00	78.61	The debtor's capital chain breaks
Entity 4	116,163,355.81	116,163,355.81	100.00	During bankruptcy liquidation proceedings
Entity 5	95,587,278.73	92,995,530.38	97.29	During bankruptcy liquidation proceedings
Entity 6	91,500,000.00	91,500,000.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 7	84,813,750.00	84,813,750.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 8	83,889,219.56	83,889,219.56	100.00	During bankruptcy liquidation proceedings
Entity 9	57,635,854.62	57,635,854.62	100.00	Facing capital shortage, expected to be difficult to recover
Entity 10	49,599,460.00	32,450,076.00	65.42	Facing capital shortage, expected to be difficult to recover
Entity 11	40,108,107.28	40,108,107.28	100.00	Facing capital shortage, expected to be difficult to recover
Entity 12	34,611,838.84	31,123,738.84	89.92	Facing capital shortage, expected to be difficult to recover
Entity 13	31,300,000.00	31,300,000.00	100.00	Facing capital shortage,

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Name	Balance as at December 31, 2019			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
				expected to be difficult to recover
Entity 14	31,200,000.00	31,200,000.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 15	20,902,000.00	20,902,000.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 16	17,319,029.55	17,319,029.55	100.00	Facing capital shortage, expected to be difficult to recover
Entity 17	11,573,813.40	11,573,813.40	100.00	Facing capital shortage, expected to be difficult to recover
Entity 18	9,268,250.00	9,268,250.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 19	9,190,000.00	9,190,000.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 20	7,400,000.00	7,400,000.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 21	7,346,000.00	7,346,000.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 22	5,932,734.44	5,932,734.44	100.00	Expected to be difficult to recover
Entity 23	5,880,000.00	5,880,000.00	100.00	Expected to be difficult to recover
Entity 24	5,000,000.00	5,000,000.00	100.00	Expected to be difficult to recover

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Name	Balance as at December 31, 2019			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Entity 25	4,880,000.00	4,880,000.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 26	4,529,254.34	4,076,328.90	90.00	Expected to be unrecoverable
Entity 27	3,327,856.50	3,327,856.50	100.00	Facing capital shortage, expected to be difficult to recover
Entity 28	3,307,305.00	3,307,305.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 29	3,000,000.00	3,000,000.00	100.00	Prosecuted, very unlikely to recover
Others	9,191,435.04	9,036,445.44	98.31	Facing capital shortage, expected to be difficult to recover
Total	1,540,808,273.79	1,429,005,933.95		

Provision for bad debts accrued on a portfolio basis:

Name	Balance as at December 31, 2019		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	3,582,902,501.41	179,145,125.22	5.00
1 - 2 years	1,104,955,608.96	110,495,560.92	10.00
2 - 3 years	1,096,278,144.56	219,255,628.84	20.00
3 - 4 years	910,844,979.53	364,337,991.79	40.00
4 - 5 years	563,475,363.19	281,737,681.85	50.00
Over 5 years	1,678,526,889.69	1,678,526,889.69	100.00
Total	8,936,983,487.34	2,833,498,878.31	

5.5.3 Provision for bad debts recovered or reversed

In 2019, the Company accrued RMB408,393,109.14 as provision for bad debts, and recovered or reversed RMB247,007,605.68. Reversal or recovery of significant amount of provision for bad debts in 2019 is listed as follows:

Entity name	Amount recovered or reversed	Basis and reasonability for recognizing the original provision for bad debts	Reason for reversal or recovery	Method for recovery
Entity 1	120,760,000.00	Expected credit loss	Financial situation improved due to owner's financing	Recovery through monetary funds
Entity 2	60,000,000.00	Expected credit loss	Smooth collection in 2019	Recovery through monetary funds
Entity 3	20,004,680.00	Expected credit loss	Smooth collection in 2019	Recovery through monetary funds
Entity 4	12,486,668.00	Expected credit loss	Smooth collection in 2019	Recovery through monetary funds
Entity 5	12,365,000.00	Expected credit loss	Smooth collection in 2019	Recovery through monetary funds
Entity 6	10,631,164.75	Expected credit loss	Smooth collection in 2019	Recovery through monetary funds
Entity 7	7,333,120.00	Expected credit loss	Smooth collection in 2019	Recovery through monetary funds
Entity 8	2,000,000.00	Expected credit loss	Smooth collection in 2019	Recovery through monetary funds
Entity 9	1,074,063.68	Expected credit loss	Smooth collection in 2019	Recovery through monetary funds
Total	246,654,696.43			

5.5.4 Accounts receivable actually charged off in 2019

Item	Amount charged off
Accounts receivable actually charged off	525,814,584.79

Charge-off of significant accounts receivable:

Entity name	Nature of accounts receivable	Amount charged off	Reason for charge-off	Charge-off procedures performed	Whether it is due to related party transactions
LancoInfratech. LTD	Project payment	519,426,923.40	Owner bankruptcy	Deliberation and approval by the General Manager Office and the Board of Directors	No
Total		519,426,923.40			

Remark: As the Indian owners of the above two overseas projects of DEIC, subsidiary of the Company, are subject to bankruptcy and liquidation, the relevant accounts receivable are charged off after performance of relevant deliberation and approval procedures, and the above-mentioned accounts receivable in previous years have been fully accrued for credit impairment reserves.

5.5.5 Top 5 of accounts receivable as at December 31, 2019, presented by debtor

Entity name	Balance as at December 31, 2019		
	Accounts receivable	Proportion in the total accounts receivable (%)	Provision for bad debts
Entity 1	368,765,795.70	3.52	306,562,559.25
Entity 2	355,914,017.42	3.40	78,116,026.95
Entity 3	207,174,794.98	1.98	207,174,794.98
Entity 4	182,569,624.40	1.74	104,910,538.44
Entity 5	166,090,515.20	1.59	8,304,525.76
Total	1,280,514,747.70	12.23	705,068,445.38

5.6 Receivables financing

5.6.1 Presentation of receivables financing by category

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Notes receivable	1,816,408,795.25	
Including: bank acceptance bills	1,622,115,198.32	
Commercial acceptance bills	194,293,596.93	
Total	1,816,408,795.25	

Remark: The Company classifies the notes receivable in the management business mode of receiving contract cash flow and sale or transfer as the financial assets measured at fair value through other comprehensive income.

5.6.2 Pledged receivables financing of the Company as at December 31, 2019

None.

5.6.3 Receivables financing endorsed or discounted by the Company as at December 31, 2019 but not expired on the balance sheet date

Item	Amount derecognized as at December 31, 2019	Amount not derecognized as at December 31, 2019
Notes receivable endorsed or discounted but not expired	1,251,355,550.56	
Including: bank acceptance bills	1,195,049,445.76	
Commercial acceptance bills	56,306,104.80	
Total	1,251,355,550.56	

5.7 Advances to suppliers

5.7.1 Presentation of advances to suppliers by aging

Aging	Balance as at December 31, 2019		Balance as at December 31, 2018	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	1,857,260,044.29	75.28	1,457,070,619.11	76.15
1 - 2 years	401,204,534.65	16.26	65,078,536.72	3.40
2 - 3 years	33,642,501.99	1.36	79,950,042.95	4.18
Over 3 years	175,226,581.76	7.10	311,243,543.77	16.27
Total	2,467,333,662.69	100.00	1,913,342,742.55	100.00

5.7.2 Top 5 of advances to suppliers as at December 31, 2019, presented by supplier

Supplier	Balance as at December 31, 2019	Proportion in the total ending balance of advances to suppliers (%)
Entity 1	126,329,409.26	5.12
Entity 2	116,304,065.83	4.71
Entity 3	108,237,493.00	4.39
Entity 4	73,660,959.70	2.99
Entity 5	62,517,841.27	2.53
Total	487,049,769.06	19.74

5.8 Other receivables

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Interest receivable	416,416,397.66	297,649,175.14
Dividends receivable	37,002,845.36	6,597,000.00
Others	535,614,681.03	231,218,985.44
Total	989,033,924.05	535,465,160.58

5.8.1 Interest receivable

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Time deposit	308,992,773.78	215,158,078.63
Bond investment	8,704,189.37	75,773,470.58
Interest on financial	98,651,000.76	5,415,775.93

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Item	Balance as at December 31, 2019	Balance as at December 31, 2018
assets purchased under resale agreements		
Others	68,433.75	1,301,850.00
Sub-total	416,416,397.66	297,649,175.14
Less: provision for bad debts		
Total	416,416,397.66	297,649,175.14

5.8.2 Dividends receivable

(1) Details of dividends receivable

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Within 1 year	33,705,845.36	
Over 1 year	3,297,000.00	6,597,000.00
Sub-total	37,002,845.36	6,597,000.00
Less: provision for bad debts		
Total	37,002,845.36	6,597,000.00

(2) Significant dividends receivable with aging over one year

Item	Balance as at December 31, 2019	Aging	Reason for non-recovery	Whether impairment or not and the judgment basis
Deyang Dongqi Real Estate Co., Ltd.	3,297,000.00	Over 1 year	The investee suffers capital shortage in short term, and the account is expected to be recovered by installments from 2020 to 2022.	No sign of impairment, and partial dividends recovered in 2019.
Total	3,297,000.00			

5.8.3 Other receivables

(1) Disclosure by aging

Aging	Balance as at December 31, 2019	Balance as at December 31, 2018
Within 1 year	477,902,190.62	136,620,025.17
1 - 2 years	44,980,515.79	38,510,090.17
2 - 3 years	21,666,508.57	29,096,262.74
3 - 4 years	10,352,956.13	59,267,148.58
4 - 5 years	10,847,916.38	13,612,842.74
Over 5 years	1,243,236,514.31	1,249,059,612.01
Sub-total	1,808,986,601.80	1,526,165,981.41
Less: provision for bad debts	1,273,371,920.77	1,294,946,995.97
Total	535,614,681.03	231,218,985.44

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(2) Disclosure by category

Category	Balance as at December 31, 2019					Balance as at December 31, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Individual provision for bad debts	1,180,600,412.32	65.26	1,137,757,345.24	96.37	42,843,067.08	1,144,160,262.21	74.97	1,124,061,959.68	98.24	20,098,302.53
Including:										
Other receivables with significant single amount and individual provision for bad debts	1,061,251,349.67	58.67	1,061,251,349.67	100.00		1,080,511,183.65	70.80	1,061,251,349.67	98.22	19,259,833.98
Other receivables with insignificant single amount and individual provision for bad debts	119,349,062.65	6.60	76,505,995.57	64.10	42,843,067.08	63,649,078.56	4.17	62,810,610.01	98.68	838,468.55
Provision for bad debts accrued on a portfolio basis	628,386,189.48	34.74	135,614,575.53	21.58	492,771,613.95	382,005,719.20	25.03	170,885,036.29	44.73	211,120,682.91
Including:										
Other receivables with the provision for bad debts made on a portfolio with credit risk characteristics	628,386,189.48	34.74	135,614,575.53	21.58	492,771,613.95	382,005,719.20	25.03	170,885,036.29	44.73	211,120,682.91
Total	1,808,986,601.80	100.00	1,273,371,920.77		535,614,681.03	1,526,165,981.41	100.00	1,294,946,995.97		231,218,985.44

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Individual provision for bad debts:

Name	Balance as at December 31, 2019			Reason for provision
	Book balance	Provision for bad debts	Proportion of provision (%)	
Entity 1	915,187,035.61	915,187,035.61	100.00	The debtor bankrupted, and the account is estimated to be difficult to recover
Entity 2	146,064,314.06	146,064,314.06	100.00	Expected to be difficult to recover
Entity 3	19,259,833.98			Accounts receivable from the government, subject to quite low recovery risk
Entity 4	18,977,059.66			Current accounts with associates, subject to quite low recovery risk
Entity 5	13,546,631.61	13,546,631.61	100.00	Involved in bankruptcy liquidation, and expected to be difficult to recover
Entity 6	8,552,151.76	8,552,151.76	100.00	Expected to be difficult to recover
Entity 7	4,560,250.50	4,560,250.50	100.00	Expected to be difficult to recover
Entity 8	3,310,139.34	3,310,139.34	100.00	Expected to be difficult to recover
Entity 9	3,149,934.00	3,149,934.00	100.00	Expected to be difficult to recover
Entity 10	2,295,245.64			Current accounts with associates, subject to quite low recovery risk
Entity 11	2,165,359.70	2,165,359.70	100.00	Expected to be difficult to recover
Entity 12	1,872,243.46	1,872,243.46	100.00	Expected to be difficult to recover
Entity 13	1,832,667.28	1,832,667.28	100.00	Expected to be difficult to recover

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Name	Balance as at December 31, 2019			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Entity 14	1,791,806.80	1,791,806.80	100.00	Expected to be difficult to recover
Entity 15	1,790,748.11	1,790,748.11	100.00	Expected to be difficult to recover
Entity 16	1,753,688.17	1,753,688.17	100.00	Expected to be difficult to recover
Entity 17	1,674,153.52	1,674,153.52	100.00	Expected to be difficult to recover
Entity 18	1,575,005.00	1,575,005.00	100.00	Expected to be difficult to recover
Entity 19	1,271,983.86	1,271,983.86	100.00	Expected to be difficult to recover
Entity 20	1,232,716.91	1,232,716.91	100.00	Expected to be difficult to recover
Entity 21	1,176,754.00	1,176,754.00	100.00	Expected to be difficult to recover
Entity 22	1,163,025.00	1,163,025.00	100.00	Expected to be difficult to recover
Entity 23	800,180.00	800,180.00	100.00	Expected to be difficult to recover
Entity 24	442,042.60	442,042.60	100.00	Expected to be difficult to recover
Others	25,155,441.75	22,844,513.95	90.81	Expected to be difficult to recover
Total	1,180,600,412.32	1,137,757,345.24		

Provision for bad debts accrued on a portfolio basis:

Name	Balance as at December 31, 2019		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	454,150,214.51	22,685,771.41	5.00
1 - 2 years	44,374,249.35	4,437,424.95	10.00
2 - 3 years	14,506,623.83	2,901,324.79	20.00
3 - 4 years	8,718,028.71	3,487,211.48	40.00
4 - 5 years	9,068,460.42	4,534,230.24	50.00
Over 5 years	97,568,612.66	97,568,612.66	100.00
Total	628,386,189.48	135,614,575.53	

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(3) Provision for bad debts

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment)	
Balance as at December 31, 2018	170,885,036.29		1,124,061,959.68	1,294,946,995.97
Balance as at 1 January 2019				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Provision in 2019			13,786,407.57	13,786,407.57
Reversal in 2019	33,037,214.72			33,037,214.72
Write-off in 2019				
Charge-off in 2019	2,233,246.04			2,233,246.04
Other changes			-91,022.01	-91,022.01
Balance as at December 31, 2019	135,614,575.53		1,137,757,345.24	1,273,371,920.77

Changes in the book balance of other receivables are as follows:

Book balance	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment)	
Balance as at December 31, 2018	382,005,719.20		1,144,160,262.21	1,526,165,981.41
Balance as at 1 January 2019				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Increase in 2019	248,613,716.32		37,422,659.09	286,036,375.41

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	Phase 1	Phase 2	Phase 3	
Book balance	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment)	Total
Direct write-down in 2019				
Derecognition in 2019	2,233,246.04			2,233,246.04
Other changes			-982,508.98	-982,508.98
Balance as at December 31, 2019	628,386,189.48		1,180,600,412.32	1,808,986,601.80

Remark: Other decreases refer to the removal of Sichuan Dongshu New Materials Co., Ltd. from the scope of consolidation.

(4) Provision, reversal or recovery of provision for bad debts in 2019

Category	Balance as at December 31, 2018	Change in 2019				Balance as at December 31, 2019
		Provision	Recovery or reversal	Write-off or charge-off	Others	
Other receivables with significant single amount and individual provision for bad debts	1,061,251,349.67					1,061,251,349.67
Other receivables with the provision for bad debts made on a portfolio with credit risk characteristics	170,885,036.29		33,037,214.72	2,233,246.04		135,614,575.53
Other receivables with individually insignificant amount and individual provision for bad debts	62,810,610.01	13,786,407.57			-91,022.01	76,505,995.57
Total	1,294,946,995.97	13,786,407.57	33,037,214.72	2,233,246.04	-91,022.01	1,273,371,920.77

(5) Other receivables actually charged off in 2019

Item	Amount charged off
Other receivables actually written off	2,233,246.04

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Write-off of significant amount of other receivables:

Entity name	Nature of other receivables	Amount written off	Reason for write-off	Write-off procedures performed	Whether it is due to related party transactions
Dongfang Industrial Boiler Branch Factory	Kinetic energy cost	2,167,587.29	Substantial loss	Deliberation by the General Manager Office	No
Total		2,167,587.29			

(6) **Classification by nature**

Nature	Book value as at December 31, 2019	Book value as at December 31, 2018
Security deposit and quality guarantee deposit	25,236,100.44	13,051,795.17
Petty cash	89,172,657.19	73,881,311.32
Money advanced	131,340,167.70	72,390,581.67
Receivables from other business	111,101,373.07	61,515,089.44
Subsidies for the first equipment	164,617,757.63	
Others	14,146,625.00	10,380,207.84
Total	535,614,681.03	231,218,985.44

(7) **Top 5 of other receivables as at December 31, 2019, presented by debtor**

Entity name	Nature of payment	Balance as at December 31, 2019	Aging	Proportion in the total ending balance of other receivables (%)	Ending balance of provision for bad debts
Entity 1	Others	915,187,035.61	Over 5 years	50.59	915,187,035.61
Entity 2	Receivable insurance subsidy for the first set	152,461,850.14	Within 1 year	8.43	7,623,092.51
Entity 3	Others	146,064,314.06	Over 5 years	8.07	146,064,314.06
Entity 4	Money advanced	65,607,079.49	1-5 years	3.63	7,637,283.44
Entity 5	Receivable insurance subsidy for the first set	20,820,000.00	Within 1 year	1.15	1,041,000.00
Total		1,300,140,279.30		71.87	1,077,552,725.62

(8) **Other receivables involving government grants**

Entity name	Items of government grants	Balance as at December 31, 2019	Aging as at December 31, 2019	Estimated collection time, amount and basis
Deyang Municipal Finance Bureau	Insurance subsidies for the first equipment	152,461,850.14	Within 1 year	In the first quarter of 2020 / according to relevant government documents for the first equipment, the expected recoverable amount is RMB 144,838,757.63.
Zigong Finance Bureau	Insurance subsidies for the first equipment	20,820,000.00	Within 1 year	In the first quarter of 2020 / according to relevant government documents for the first equipment, the expected recoverable amount is RMB 19,779,000.00.
Total		173,281,850.14		

Remark: During the reporting period, the Company recognized that the subsidies for the first equipment were RMB 173,281,850.14 according to the relevant government documents, and the relevant funds had been recovered before the report was issued.

5.9 Financial assets purchased under resale agreements

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Bond	2,490,000,000.00	1,744,127,000.00
Less: provision for bad debts		
Book value of the financial assets purchased under resale agreements	2,490,000,000.00	1,744,127,000.00

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5.10 Inventories

5.10.1 Classification of inventories

Item	Balance as at December 31, 2019			Balance as at December 31, 2018		
	Book balance	Provision for depreciation of inventories/ provision for impairment of contract performance cost	Book value	Book balance	Provision for depreciation of inventories/ provision for impairment of contract performance cost	Book value
Raw materials	2,700,591,277.34	442,056,537.98	2,258,534,739.36	2,409,788,590.95	525,680,582.45	1,884,108,008.50
Revolving materials (packaging materials, low-cost consumables, etc.)	20,289,808.12	130,409.52	20,159,398.60	27,871,508.92	4,829,458.78	23,042,050.14
Stock commodities (finished goods)	406,261,852.66	275,964.27	405,985,888.39	283,460,321.62	8,061,625.91	275,398,695.71
Contract performance cost	20,165,484.98		20,165,484.98	27,453,170.07		27,453,170.07
Self-manufactured semi-finished products and goods in process	11,290,445,554.47	853,268,386.39	10,437,177,168.08	12,440,223,455.55	776,238,914.74	11,663,984,540.81
Total	14,437,753,977.57	1,295,731,298.16	13,142,022,679.41	15,188,797,047.11	1,314,810,581.88	13,873,986,465.23

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5.10.2 Provision for depreciation of inventories and provision for impairment of contract performance cost

Item	Balance as at December 31, 2018	Increase in 2019		Decrease in 2019		Balance as at December 31, 2019
		Provision	Others	Reversal or write-off	Others	
Raw materials	525,680,582.45	231,190,168.98		302,495,437.36	12,318,776.09	442,056,537.98
Revolving materials (packaging materials, low-cost consumables, etc.)	4,829,458.78	84,343.98		3,743,413.33	1,039,979.91	130,409.52
Stock commodities (finished goods)	8,061,625.91			6,878,510.62	907,151.02	275,964.27
Contract performance cost						
Self-manufactured semi-finished products and goods in process	776,238,914.74	608,760,249.53		528,958,173.41	2,772,604.47	853,268,386.39
Total	1,314,810,581.88	840,034,762.49		842,075,534.72	17,038,511.49	1,295,731,298.16

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5.11 Contract assets

5.11.1 Breakdown of Contract assets

Item	Balance as at December 31, 2019			Balance as at December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Payments for completed but not settled project	4,254,512,750.35	137,692,948.74	4,116,819,801.61	4,945,506,075.79		4,945,506,075.79
Contract quality guarantee deposit	3,465,871,606.82	292,323,402.54	3,173,548,204.28	6,702,138,965.88	1,459,673,368.81	5,242,465,597.07
Total	7,720,384,357.17	430,016,351.28	7,290,368,005.89	11,647,645,041.67	1,459,673,368.81	10,187,971,672.86

5.11.2 Provision for impairment of contract assets in 2019

Item	Balance as at December 31, 2018	Provision in 2019	Reversal in 2019	Write-off/ Charge-off in 2019	Others	Balance as at December 31, 2019	Reason
Payments for completed but not settled project		137,692,948.74				137,692,948.74	
Contract quality guarantee deposit	1,459,673,368.81	347,428,377.07	53,511,168.70	698,791.96	-1,460,568,382.68	292,323,402.54	
Total	1,459,673,368.81	485,121,325.81	53,511,168.70	698,791.96	-1,460,568,382.68	430,016,351.28	

Remark: other items are caused by the Company's classification of the contract quality guarantee deposit with warranty obligation over one year and the accrued credit impairment provision as other non-current assets.

5.12 Non-current assets maturing within one year

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Disbursement of loans and advances maturing within one year		396,500,000.00
Total		396,500,000.00

5.13 Other current assets

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Prepaid taxes and overpaid taxes	432,631,480.92	222,166,708.25
Entrusted loan	60,000,000.00	126,912,737.19
Disbursement of loans and advances (short-term)	287,657,889.74	115,391,593.55
Discount assets	70,826,959.01	200,000.00
Others	62,451,325.73	5,768,659.84
Total	913,567,655.40	470,439,698.83

5.14 Disbursement of loans and advances

5.14.1 Loans and advances, presented by individual and enterprise

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Loans and advances to enterprises	1,439,817,319.86	506,663,460.00
-Loans	1,439,817,319.86	506,663,460.00
Total loans and advances	1,439,817,319.86	506,663,460.00
Less: provision for losses on loans	414,664,472.10	75,999,519.00
Including: individual provision		
Provision made on portfolio basis	414,664,472.10	75,999,519.00
Book value of loans and advances	1,025,152,847.76	430,663,941.00

5.14.2 Loans and advances, presented by industry

Industry	Balance as at December 31, 2019	Proportion (%)	Balance as at December 31, 2018	Proportion (%)
Power equipment industry	1,439,817,319.86	100.00	506,663,460.00	100.00
Total loans and advances	1,439,817,319.86	100.00	506,663,460.00	100.00
Less: provision for losses on loans	414,664,472.10		75,999,519.00	
Including: individual provision				

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Industry	Balance as at December 31, 2019	Proportion (%)	Balance as at December 31, 2018	Proportion (%)
Provision made on portfolio basis	414,664,472.10		75,999,519.00	
Book value of loans and advances	1,025,152,847.76		430,663,941.00	

5.14.3 Loans and advances, presented by region

Region	Balance as at December 31, 2019	Proportion (%)	Balance as at December 31, 2018	Proportion (%)
South China	1,300,317,319.86	90.31	342,163,460.00	67.53
North China				
Central China				
Southwest China				
Northwest China	139,500,000.00	9.69	164,500,000.00	32.47
Eastern China				
Total loans and advances	1,439,817,319.86	100.00	506,663,460.00	100.00
Less: provision for losses on loans	414,664,472.10		75,999,519.00	
Including: individual provision				
Provision made on portfolio basis	414,664,472.10		75,999,519.00	
Book value of loans and advances	1,025,152,847.76		430,663,941.00	

5.14.4 Loans and advances, presented by guaranty style

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Credit loans		342,163,460.00
Guaranteed loans		
Collateral loans	1,439,817,319.86	164,500,000.00
Including: mortgage loans	1,439,817,319.86	108,000,000.00
Pledged loans		56,500,000.00
Total loans and advances	1,439,817,319.86	506,663,460.00
Including: individual provision		
Provision made on portfolio basis	414,664,472.10	75,999,519.00
Book value of loans and advances	1,025,152,847.76	430,663,941.00

5.14.5 Provision for losses on loans

Item	Year 2019		Year 2018	
	Individual	Portfolio	Individual	Portfolio
Balance as at January 1, 2019		75,999,519.00		12,300,000.00
Provision in 2019		338,664,953.10		63,699,519.00
Transfer-out in 2019				
Charge-off in 2019				
Reversal in 2019				
- Reversal due to recovery of loans and advances originally written off				
- Reversal due to increase in discounted value of loans and advances				
- Reversal due to other factors				
Balance as at December 31, 2019		414,664,472.10		75,999,519.00

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5.15 Creditor's right investments

5.15.1 Breakdown of creditor's right investments

Item	Balance as at December 31, 2019			Balance as at December 31, 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	241,035,390.00	18,077,654.25	222,957,735.75
Financial bonds				50,000,000.00	3,750,000.00	46,250,000.00
Income certificates				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
Trust products				30,000,000.00	2,250,000.00	27,750,000.00
Short-term financing bonds				30,000,000.00	2,250,000.00	27,750,000.00
Interbank deposit certificate	3,486,944,700.00		3,486,944,700.00	4,429,230,300.00		4,429,230,300.00
Asset backed notes	50,000,000.00	3,750,000.00	46,250,000.00			
Total	3,777,980,090.00	21,827,654.25	3,756,152,435.75	4,962,527,050.00	39,997,256.25	4,922,529,793.75

5.15.2 Provision for impairment of creditor's right investments

Provision for impairment	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment)	
Balance as at December 31, 2018	39,997,256.25			39,997,256.25
In 2019, balance as at December 31, 2018				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Provision in 2019				
Reversal in 2019	18,169,602.00			18,169,602.00
Write-off in 2019				
Charge-off in 2019				
Other changes				
Balance as at December 31, 2019	21,827,654.25			21,827,654.25

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Changes in the book balance of creditor's right investments are as follows:

Book balance	Phase 1 Expected credit losses in the next 12 months	Phase 2 Expected credit loss for the entire duration (no credit impairment)	Phase 3 Expected credit loss for the entire duration (credit impairment)	Total
Balance as at December 31, 2018	4,962,527,050.00			4,962,527,050.00
In 2019, balance as at December 31, 2018				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Increase in 2019				
Direct write-down in 2019	1,184,546,960.00			1,184,546,960.00
Derecognition in 2019				
Other changes				
Balance as at December 31, 2019	3,777,980,090.00			3,777,980,090.00

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5.16 Long-term receivables

5.16.1 Breakdown of long-term receivables

Item	Balance as at December 31, 2019			Balance as at December 31, 2018			Range of discount rate
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	
Finance lease payment	543,312,046.03	152,573,774.23	390,738,271.80				
Including: unrealized financing income	62,759,812.56		62,759,812.56				Contractual interest rate
Installment proceeds from sale of goods				15,306,059.35	1,530,605.94	13,775,453.41	3%-4%
Total	543,312,046.03	152,573,774.23	390,738,271.80	15,306,059.35	1,530,605.94	13,775,453.41	

5.16.2 Provision for bad debts of long-term receivables

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit loss for the entire duration (no credit impairment)	Expected credit loss for the entire duration (credit impairment)	
Balance as at January 1, 2019	1,530,605.94			1,530,605.94
In 2019, book balance of long-term receivables as at January 1, 2019				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Provision in 2019	30,283,168.29	120,760,000.00		151,043,168.29
Reversal in 2019				
Write-off in 2019				
Charge-off in 2019				
Other changes				
Balance as at December 31, 2019	31,813,774.23	120,760,000.00		152,573,774.23

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5.17 Long-term equity investments

Investee	Balance as at December 31, 2018	Increases/decreases in 2019								Balance as at December 31, 2019	Provision for bad debts as at December 31, 2019
		Additional investment	Decrease Investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared to be distributed	Provision for impairment made	Others		
1. Subsidiaries											
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	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
Dongfang Electric (Jiuquan) New Energy Co., Ltd.	30,000,000.00									30,000,000.00	30,000,000.00
Dongfang Electric (Hulunbeier) New Energy Co., Ltd.	30,000,000.00									30,000,000.00	30,000,000.00
Sub-total	499,363,000.00									499,363,000.00	499,363,000.00
2. Joint ventures											
MHPS Dongfang Boiler Co. Ltd.	199,851,685.92			5,501,926.82		546,054.89	4,159,621.67			201,740,045.96	
Framatome Dongfang Reactor Coolant Pumps Company Limited	243,087,142.06			21,673,913.60			67,077,814.34			197,683,241.32	
Dongfang Electric (Xichang) Hydrogen Energy Co., Ltd.		6,600,000.00		197,753.04						6,797,753.04	

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Investee	Balance as at December 31, 2018	Increases/decreases in 2019								Balance as at December 31, 2019	Provision for bad debts as at December 31, 2019
		Additional investment	Decrease Investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared to be distributed	Provision for impairment made	Others		
Sub-total	442,938,827.98	6,600,000.00		27,373,593.46		546,054.89	71,237,436.01			406,221,040.32	
3. Associates											
Sichuan Energy Wind Power Development Co., Ltd.	284,075,003.72	33,800,000.00		68,162,980.42			9,000,000.00			377,037,984.14	
Huadian Longkou Wind Power Co., Ltd.	59,434,514.02			9,976,926.88						69,411,440.90	
Inner Mongolia Energy Power Generation Hongnijing Wind Power Co., Ltd.	22,310,282.21			1,779,476.40						24,089,758.61	
China United Heavy Gas Turbine Technology Co., Ltd.	113,695,779.36	18,000,000.00		32,208.05						131,727,987.41	
Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	19,844,590.30			662,803.69						20,507,393.99	
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	39,489,167.50			4,066,312.69						43,555,480.19	
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	505,384,313.30			88,822,555.23			84,985,968.00		-7,699,578.83	501,521,321.70	
Sichuan Dongshu New									138,140,317.21	138,140,317.21	

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Investee	Balance as at December 31, 2018	Increases/decreases in 2019								Balance as at December 31, 2019	Provision for bad debts as at December 31, 2019
		Additional investment	Decrease Investment	Profit or loss on investments recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividends or profit declared to be distributed	Provision for impairment made	Others		
Materials Co., Ltd.											
Leshan Dongle Dajian Lifting Co., Ltd.	27,460,342.75			2,904,640.89			26,950,000.00			3,414,983.64	
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd.	2,001,432.70			20,942.27						2,022,374.97	
Sub-total	1,073,695,425.86	51,800,000.00		176,428,846.52			120,935,968.00		130,440,738.38	1,311,429,042.76	
Total	2,015,997,253.84	58,400,000.00		203,802,439.98		546,054.89	192,173,404.01		130,440,738.38	2,217,013,083.08	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;
2. Dongfang Electric (Hulunbeier) New Energy Co., Ltd., Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd., and Dongfang Electric (Jiuquan) New Energy Co., Ltd. have entered into bankruptcy proceedings in 2018 and have not yet completed bankruptcy liquidation.
3. The Company lost control over Sichuan Dongshu New Materials Co., Ltd. due to capital increase of DEC, and changed the cost method to equity method for accounting of this equity.

5.18 Other equity instrument investments

5.18.1 Breakdown of other equity instrument investments

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Guangdong Dongfang Power Station Complete Set Equipment Company	1,563,282.01	2,663,282.01
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
Zhejiang Yuhuan Huadian Wind Power Co., Ltd.	1,000,000.00	
Total	4,889,859.48	4,989,859.48

5.18.2 Breakdown of non-tradable equity instrument investments

Item	Dividend income recognized in the current period	Accumulated gains	Accumulated losses	Amount of other comprehensive income transferred to retained earnings	Reasons for financial assets designated to be measured at fair value through other comprehensive income	Reasons for other comprehensive income transferred to retained earnings
Southern Sichuan Expressway Co., Ltd.		51,270.00			Judgment based on management intention	
Guangdong Dongfang Power Station Complete Set Equipment 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	
Zhejiang Yuhuan Huadian Wind Power Co., Ltd.					Judgment based on management intention	
Total		1,621,270.00				

5.19 Investment properties

5.19.1 Investment properties measured under cost model

Item	Buildings and constructions	Land use right	Total
1. Original book value			
(1) Balance as at December 31, 2018	211,667,187.16	18,811,826.12	230,479,013.28
(2) Increase in 2019	37,475,773.64		37,475,773.64
- Outsourcing			
- Transfer-in of inventories, fixed assets and construction in progress	37,475,773.64		37,475,773.64
- Increase from business combination			
- Other changes			
(3) Decrease in 2019	25,126.54		25,126.54
- Disposal			
- Other changes	25,126.54		25,126.54
(4) Balance as at December 31, 2019	249,117,834.26	18,811,826.12	267,929,660.38
2. Accumulated depreciation and amortization			
(1) Balance as at December 31, 2018	72,005,046.41	4,657,224.63	76,662,271.04
(2) Increase in 2019	15,330,161.25	443,288.50	15,773,449.75
- Provision or amortization	12,108,351.51	443,288.50	12,551,640.01
- Other changes	3,221,809.74		3,221,809.74
(3) Decrease in 2019	1,894.90		1,894.90
- Disposal			
- Other changes	1,894.90		1,894.90
(4) Balance as at December 31, 2019	87,333,312.76	5,100,513.13	92,433,825.89
3. Provision for impairment			

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Item	Buildings and constructions	Land use right	Total
(1) Balance as at December 31, 2018			
(2) Increase in 2019			
- Provision			
- Other changes			
(3) Decrease in 2019			
- Disposal			
- Other transfer-out			
(4) Balance as at December 31, 2019			
4. Book value			
(1) Book value as at December 31, 2019	161,784,521.50	13,711,312.99	175,495,834.49
(2) Book value as at December 31, 2018	139,662,140.75	14,154,601.49	153,816,742.24

5.19.2 Investment properties with certificates of title uncompleted

None.

5.20 Fixed assets

5.20.1 Fixed assets and disposal of fixed assets

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Fixed assets	5,279,766,171.41	5,902,410,162.25
Disposal of fixed assets	164,791.44	28,415.84
Total	5,279,930,962.85	5,902,438,578.09

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5.20.2 Breakdown of fixed assets

Item	Land assets	Buildings and constructions	Machinery equipment	Transportation facilities	Instrument and apparatus, electronic equipment and others	Total
1. Original book value						
(1) 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) Increase in 2019		33,030,407.20	213,757,939.06	13,481,920.09	92,274,710.35	352,544,976.70
- Purchase		174,431.78	25,743,529.61	11,293,336.81	21,441,030.18	58,652,328.38
- Transfer-in of construction in progress		32,855,975.42	188,014,409.45	2,188,583.28	70,833,680.17	293,892,648.32
- Other increases						
(3) Decrease in 2019	10,556.44	107,450,226.02	100,851,305.99	20,158,756.05	52,763,208.58	281,234,053.08
- Disposal or scrapping		31,318,840.36	90,457,389.77	20,131,294.91	35,680,663.31	177,588,188.35
- Other decreases	10,556.44	76,131,385.66	10,393,916.22	27,461.14	17,082,545.27	103,645,864.73
(4) Balance as at December 31, 2019	22,476,023.18	7,019,670,402.62	8,128,431,264.01	297,531,009.67	1,387,061,114.48	16,855,169,813.96
2. Accumulated depreciation						
(1) Balance as at December		3,101,407,800.99	6,368,957,527.01	266,915,706.21	1,098,082,998.44	10,835,364,032.65

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Item	Land assets	Buildings and constructions	Machinery equipment	Transportation facilities	Instrument and apparatus, electronic equipment and others	Total
31, 2018						
(2) Increase in 2019		317,525,817.86	385,604,715.23	8,927,273.38	77,158,811.86	789,216,618.33
- Provision		317,525,817.86	385,604,715.23	8,927,273.38	77,158,811.86	789,216,618.33
- Other increases						
(3) Decrease in 2019		44,763,059.11	84,199,872.27	18,935,579.03	46,759,773.18	194,658,283.59
- Disposal or scrapping		14,325,569.76	79,966,798.49	18,923,250.33	32,803,087.64	146,018,706.22
- Other decreases		30,437,489.35	4,233,073.78	12,328.70	13,956,685.54	48,639,577.37
(4) Balance as at December 31, 2019		3,374,170,559.74	6,670,362,369.97	256,907,400.56	1,128,482,037.12	11,429,922,367.39
3. Provision for impairment						
(1) Balance as at December 31, 2018		294,082.30	39,831,864.70	97,856.61	5,860,891.83	46,084,695.44
(2) Increase in 2019		86,066,308.99	18,082,644.97		1,086,015.67	105,234,969.63
- Provision		86,066,308.99	18,082,644.97		1,086,015.67	105,234,969.63
- Other increases						
(3) Decrease in		271,446.39	4,220,450.37	2,610.20	1,343,882.95	5,838,389.91

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Item	Land assets	Buildings and constructions	Machinery equipment	Transportation facilities	Instrument and apparatus, electronic equipment and others	Total
2019						
- Disposal or scrapping		149,670.16	3,618,633.03	2,610.20	1,343,882.95	5,114,796.34
- Other decreases		121,776.23	601,817.34	0.00	0.00	723,593.57
(4) Balance as at December 31, 2019		86,088,944.90	53,694,059.30	95,246.41	5,603,024.55	145,481,275.16
4. Book value						
(1) Book value as at December 31, 2019	22,476,023.18	3,559,410,897.98	1,404,374,834.74	40,528,362.70	252,976,052.81	5,279,766,171.41
(2) 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

Remark:

- The Company's land assets shown under the fixed assets as at December 31, 2019 refer to the land use right obtained by DEC India Company within India.
- The depreciation of fixed assets in 2019 is RMB 789,216,618.33 which has been included in current profit or loss by beneficiaries (the depreciation of fixed assets in 2018 was RMB 862,120,955.60).
- The net gains from disposal of fixed assets of the Company in 2019 were RMB 8,939,914.74.
- Other decreases in 2019 mainly refer to the change of Sichuan Dongshu New Materials Co., Ltd. to an associate from a subsidiary under Dongfang Turbine Co., Ltd..

5.20.3 Temporarily idle fixed assets

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Machinery equipment	677,079.88	618,959.56		58,120.32	
Total	677,079.88	618,959.56		58,120.32	

5.20.4 Fixed assets leased out through operating lease

Item	Book value as at December 31, 2019	Book value as at December 31, 2018
Buildings and constructions	89,464,433.02	40,928,565.63
Machinery equipment	466,963.87	28,341,410.43
Transportation facilities		67,024.46
Instrument and apparatus, electronic equipment and others	143,051.99	1,537,601.62
Total	90,074,448.88	70,874,602.14

5.20.5 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 plan	53,484,603.27	After the completion of the project, the Company started the process of preliminary certificate application formalities in 2016. Due to the large number of design changes during the project construction and the long time communication and coordination with the planning management department, the planning verification was completed at the end of 2017 and the constructor is now responsible for filing the construction project data.
Nuclear power plant	34,600,107.73	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.
J-379 second staff canteen	18,119,697.56	It is going through the formalities.
No. 5 union workshop	14,836,033.58	It is going through the formalities.
J-376 new technology building	14,097,326.95	The cancellation procedure of the original building property right certificate is being processed.
Wind power workshop and auxiliary room	12,854,264.37	Due to the 5.12 earthquake, some information on construction projects are missing.
J-378 staff canteen	12,742,687.94	The information is being filed.
J-375 hydraulic laboratory	8,016,080.40	The cancellation procedure of the original building property right certificate is being processed.

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Item	Book value	Reason for failure to complete the formalities for the certificate of title
J-373 second overspeed laboratory	6,140,784.41	The cancellation procedure of the original building property right certificate is being processed.
J-380110KV control building of transformer station	4,455,407.58	It is going through the formalities.
Other sporadic projects	21,203,216.17	It is going through the formalities.
Total	412,423,067.92	

5.20.6 Buildings and constructions analyzed by location and term:

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Located within the territory of China	3,543,253,187.11	3,951,969,232.64
Including: Short-term (within 10 years, including 10 years)	80,235,031.98	128,361,601.12
Medium term (10 - 50 years)	3,463,018,155.13	3,786,708,884.24
Long-term (over 50 years)		36,898,747.28
Located in other areas	16,157,710.87	40,419,105.51
Including: Short-term (within 10 years, including 10 years)	16,157,710.87	40,419,105.51
Medium term (10 - 50 years)		
Total	3,559,410,897.98	3,992,388,338.15

5.20.7 Disposal of fixed assets

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Transportation facilities	82,444.98	20,314.60
Electronic equipment	82,346.46	8,101.24
Total	164,791.44	28,415.84

5.21 Construction in progress

5.21.1 Construction in progress and project materials

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Construction in progress	381,899,778.29	187,330,497.71
Project materials	871,357.44	1,461,740.82
Total	382,771,135.73	188,792,238.53

5.21.2 Breakdown of construction in progress

Item	Balance as at December 31, 2019			Balance as at December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Section 2016-1329	80,391,218.07		80,391,218.07	95,153,309.70		95,153,309.70
Reconstruction and expansion project of Shandong Company	64,771,848.99		64,771,848.99			
Dongfang wind power Xingan League main engine and blade base	34,594,274.16		34,594,274.16			
0708_J15802G Turbonator	9,980,000.00		9,980,000.00			

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Item	Balance as at December 31, 2019			Balance as at December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
rotor coil milling hole automatic line (national dial)						
0708_J15806G Stator punching intelligent manufacturing and production line and supporting equipment (national dial)	9,969,000.00		9,969,000.00	2,895,000.00		2,895,000.00
0708_J_01580 Large-scale clean and efficient power generation equipment and intelligent manufacturing digital workshop construction	8,227,722.77		8,227,722.77	189,000.00		189,000.00
Expansion project of Deyang Clean and Efficient Combustion Technology Test Center	8,100,107.34		8,100,107.34	120,000.00		120,000.00
714_18_01B 16m CNC vertical lathe (used) 1 set	7,962,564.00		7,962,564.00	7,962,564.00		7,962,564.00
714_12_01J02 Intelligent transformation of insulation laboratory (equipment)	7,555,000.36		7,555,000.36			
0708_S_01416 Impact turbine model test bench construction and model test technology development	6,630,561.42		6,630,561.42			
Others	148,185,363.79	4,467,882.61	143,717,481.18	85,901,981.17	4,891,357.16	81,010,624.01
Total	386,367,660.90	4,467,882.61	381,899,778.29	192,221,854.87	4,891,357.16	187,330,497.71

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5.21.3 Changes in important projects of construction in progress in 2019

Project name	Budget	Balance as at December 31, 2018	Increase in 2019	Amount transferred into fixed assets/ intangible assets in 2019	Other decreases in the current period	Balance as at December 31, 2019	Proportion of accumulative project investments in budget (%)	Project progress(%)	Accumulated capitalization amount of interest	Including: capitalization amount of interest in the current period	Capitalization rate of interest in the current period (%)	Source of funds
Section 2016-1329	255,180,000.00	95,153,309.70	57,426,842.71	72,188,934.34		80,391,218.07	68.89	70.00				Self-finance
Reconstruction and expansion project of Shandong Company	117,771,848.99		64,771,848.99			64,771,848.99	55.00	55.00				Self-finance
Dongfang wind power Xingan League main engine and blade base	131,000,000.00		34,594,274.16			34,594,274.16	26.41	26.00				Self-finance
0708_J15802G Turbonator rotor coil milling hole automatic line (national dial)			9,980,000.00			9,980,000.00	93.27	95.00				National dial
0708_J15806G Stator punching intelligent manufacturing and production line and supporting equipment (national dial)		2,895,000.00	7,074,000.00			9,969,000.00	93.27	95.00				National dial
0708_J_01580 Large-scale clean and efficient power generation equipment and intelligent manufacturing digital workshop construction	49,400,000.00	189,000.00	8,444,401.83	405,679.06		8,227,722.77	93.27	95.00				Self-finance
Expansion Project of Deyang Clean and Efficient Combustion Technology Test Center	29,950,000.00	120,000.00	8,035,823.72	55,716.38		8,100,107.34	55.99	55.99				Self-finance

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Project name	Budget	Balance as at December 31, 2018	Increase in 2019	Amount transferred into fixed assets/ intangible assets in 2019	Other decreases in the current period	Balance as at December 31, 2019	Proportion of accumulative project investments in budget (%)	Project progress(%)	Accumulated capitalization amount of interest	Including: capitalization amount of interest in the current period	Capitalization rate of interest in the current period (%)	Source of funds
714_18_01B 16m CNC vertical lathe (used) 1 set	8,000,000.00	7,962,564.00				7,962,564.00	99.53	0.90				Self-finance
714_12_01J02 Intelligent transformation of insulation laboratory (equipment)	8,500,000.00		7,555,000.36			7,555,000.36	88.88	90.00				Self-finance
0708_S_01416 Impact turbine model test bench construction and model test technology development	13,400,000.00		6,630,561.42			6,630,561.42	49.48	60.00				Self-finance
Other small projects		85,901,981.17	307,076,190.11	244,792,807.49		148,185,363.79						
Total		192,221,854.87	511,588,943.30	317,443,137.27		386,367,660.90						

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5.21.4 Project materials

Item	Balance as at December 31, 2019			Balance as at December 31, 2018		
	Book balance	Provision for impairment of project materials	Book value	Book balance	Provision for impairment of project materials	Book value
Spare parts	871,357.44		871,357.44	1,461,740.82		1,461,740.82
Total	871,357.44		871,357.44	1,461,740.82		1,461,740.82

5.22 Right-of-use assets

Item	Buildings and constructions	Machinery equipment	Total
1. Original book value			
(1) Balance as at January 1, 2019	388,135,114.46	6,094,012.17	394,229,126.63
(2) Increase in 2019	12,322,363.63	19,911,810.18	32,234,173.81
- New leases	12,322,363.63	19,911,810.18	32,234,173.81
- Increase from business combination			
- Revaluation adjustment			
(3) Decrease in 2019			
- Transfer-out to Fixed assets			
- Disposal			
(4) Balance as at December 31, 2019	400,457,478.09	26,005,822.35	426,463,300.44
2. Accumulated depreciation			
(1) Balance as at January 1, 2019	2,408,471.13		2,408,471.13
(2) Increase in 2019	129,463,366.80	3,203,076.26	132,666,443.06
- Provision	129,463,366.80	3,203,076.26	132,666,443.06
(3) Decrease in 2019			
- Transfer-out to Fixed assets			
- Disposal			
(4) Balance as at December 31, 2019	131,871,837.93	3,203,076.26	135,074,914.19
3. Provision for impairment			
(1) Balance as at January 1, 2019			
(2) Increase in 2019			
- Provision			
(3) Decrease in 2019			
- Transfer-out to Fixed assets			
- Disposal			
(4) Balance as at December 31, 2019			
4. Book value			
(1) Book value as at December 31, 2019	268,585,640.16	22,802,746.09	291,388,386.25
(2) Book value as at January 1, 2019	385,726,643.33	6,094,012.17	391,820,655.50

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5.23 Intangible assets

5.23.1 Breakdown of intangible assets

Item	Land use right	Patent right	Non-patent technology	Software	Others	Total
1. Original book value						
(1) 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) Increase in 2019	33,004,274.88		1,001,886.79	12,273,769.84	22,787,079.69	69,067,011.20
- Purchase	32,590,109.77		1,001,886.79	8,541,665.99	3,382,859.70	45,516,522.25
- Transfer-in of construction in progress	414,165.11			3,732,103.85	19,404,219.99	23,550,488.95
(3) Decrease in 2019	29,355,202.76					29,355,202.76
- Disposal	11,982,618.40					11,982,618.40
- Other changes	17,372,584.36					17,372,584.36
(4) Balance as at December 31, 2019	1,012,440,233.00	181,884,539.93	343,592,335.71	256,156,272.08	673,150,174.20	2,467,223,554.92
2. Accumulated amortization						
(1) 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
(2) Increase in 2019	6,223,136.88	18,159,267.48	9,016,112.51	23,248,623.84	37,373,591.50	94,020,732.21

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Item	Land use right	Patent right	Non-patent technology	Software	Others	Total
- Provision	6,223,136.88	18,159,267.48	9,016,112.51	23,248,623.84	37,373,591.50	94,020,732.21
- Other changes						
(3) Decrease in 2019	6,097,601.12					6,097,601.12
- Disposal	2,404,145.49					2,404,145.49
- Other changes	3,693,455.63					3,693,455.63
(4) Balance as at December 31, 2019	223,711,488.10	32,071,676.33	311,456,922.84	182,041,635.28	85,075,501.47	834,357,224.02
3. Provision for impairment						
(1) Balance as at December 31, 2018	33,314.36					33,314.36
(2) Increase in 2019						
- Provision						
- Other changes						
(3) Decrease in 2019						
- Disposal						
- Other changes						
(4) Balance as at December 31, 2019	33,314.36					33,314.36

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Item	Land use right	Patent right	Non-patent technology	Software	Others	Total
4. Book value						
(1) Book value as at December 31, 2019	788,695,430.54	149,812,863.60	32,135,412.87	74,114,636.80	588,074,672.73	1,632,833,016.54
(2) 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

Remark: The item of “others” in intangible assets mainly refers to the franchise rights of Laos Namang River Power Co., Ltd..

5.23.2 Land use rights analyzed by location and term

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Located within the territory of China	788,695,430.54	785,171,894.18
Including: Medium term (10 - 50 years)	788,695,430.54	785,171,894.18
Total	788,695,430.54	785,171,894.18

5.23.3 Land use rights with certificates of title uncompleted

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 land use certificate is being processed
Carbon-based fuel clean and efficient project land	2,863,898.96	The land use certificate is being processed
Land use right of former instrument factory	24,004,951.96	The title transfer is being processed
Land use right of former Dongfang Electric Autocontrol	17,547,173.02	The title transfer is being processed
Total	56,063,606.33	

5.24 Long-term deferred expenses

Item	Balance as at December 31, 2018	Increase in 2019	Amount amortized in 2019	Balance as at December 31, 2019
Long-term deferred agency fee	51,629,895.90	12,742,922.02	15,269,131.53	49,103,686.39
Switch station interval maintenance fee	105,000.34		69,999.96	35,000.38
AP1000 Technology	43,636.36		21,818.18	21,818.18
Sporadic projects		1,653,806.47	21,345.02	1,632,461.45
Total	51,778,532.60	14,396,728.49	15,382,294.69	50,792,966.40

5.25 Deferred income tax assets and deferred income tax liabilities

5.25.1 Deferred income tax assets without offset

Item	Balance as at December 31, 2019		Balance as at December 31, 2018	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	7,488,611,133.53	1,352,205,659.88	9,994,327,011.44	1,633,241,978.02
Deductible losses	1,129,396,705.40	198,749,340.38	928,531,957.94	134,570,215.80
Estimated liabilities	5,546,733,840.84	972,097,048.74	5,058,279,071.33	839,489,790.87
Employee	1,380,600,667.95	209,672,206.78	1,346,863,183.41	204,775,370.34

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Item	Balance as at December 31, 2019		Balance as at December 31, 2018	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
compensation payable				
Unrealized profits of internal transactions	66,452,632.49	10,654,686.31	44,486,967.06	8,569,593.48
Government grants	279,605,076.50	43,760,483.33	274,206,423.79	42,950,685.43
Accounts payable	402,214,313.36	60,332,147.01	32,235,212.42	4,835,281.86
Depreciation of fixed assets	32,536,260.68	4,880,439.10	23,685,096.03	3,771,994.31
Changes in fair value	91,575,979.23	13,736,396.89	60,000.00	9,000.00
Overseas enterprise income tax to be offset	143,798,482.60	21,569,772.39	143,798,482.60	21,569,772.39
Amortization of intangible assets	2,675,864.89	401,379.73	2,778,905.04	416,835.75
Others	32,676,968.69	4,901,545.32	12,513,720.74	2,987,636.72
Total	16,596,877,926.16	2,892,961,105.86	17,861,766,031.80	2,897,188,154.97

5.25.2 Deferred income tax liabilities before offset

Item	Balance as at December 31, 2019		Balance as at December 31, 2018	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Valuation of transactional and derivative financial instruments	41,214,278.20	10,303,569.55	75,744,317.93	14,245,909.65
Depreciation of fixed assets	135,346,671.06	19,765,032.14	50,959,709.12	7,643,956.37
Others	53,085,928.10	7,962,889.22	17,412,782.97	4,353,195.75
Total	229,646,877.36	38,031,490.91	144,116,810.02	26,243,061.77

5.25.3 Details of unrecognized deferred income tax assets (unrecognized timing difference)

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Losses that can be carried forward to the subsequent year	1,354,800,746.76	1,115,195,900.84
Provision for impairment of assets	1,019,874,649.67	746,140,771.68
Estimated liabilities	733,646,250.07	1,077,826,995.04
Employee compensation payable	34,549,889.66	263,024,892.31
Government grants	24,730,535.64	236,017,883.11
Total	3,167,602,071.80	3,438,206,442.98

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

Year	Balance as at December 31, 2019	Balance as at December 31, 2018	Remark
2019			
2020			
2021			
2022			
2023	77,986,204.93	77,986,204.93	
2024	252,620,392.60	252,620,392.60	
2025	196,203,722.44	196,203,722.44	
2026	58,735,684.56	58,735,684.56	
2027	55,492,724.93	55,492,724.93	
2028	474,157,171.38	474,157,171.38	
2029	239,604,845.92		
Total	1,354,800,746.76	1,115,195,900.84	

5.26 Other non-current assets

Item	Balance as at December 31, 2019			Balance as at December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract assets	3,602,244,380.77	983,371,986.24	2,618,872,394.53			
Advances for projects	443,927.15		443,927.15	3,981,790.00		3,981,790.00
Total	3,602,688,307.92	983,371,986.24	2,619,316,321.68	3,981,790.00		3,981,790.00

Remark: The contract quality guarantee deposit with the quality guarantee period over one year has been presented as the other non-current assets upon the re-classification during the reporting period.

5.27 Short-term borrowings

5.27.1 Classification of short-term borrowings

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Guaranteed borrowings		
Credit borrowings	13,850,000.00	245,566,000.00
Total	13,850,000.00	245,566,000.00

5.27.2 Short-term borrowings that have been due but not paid

None.

5.28 Notes payable

Category	Balance as at December 31, 2019	Balance as at December 31, 2018
Bank acceptance bill	138,168,242.75	202,844,885.11
Commercial acceptance bill	3,512,779,689.81	3,349,917,946.42
Total	3,650,947,932.56	3,552,762,831.53

Remark: The Company had no due and unpaid notes payable as at December 31, 2019.

5.29 Accounts payable

5.29.1 Presentation of accounts payable

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Within 1 year (including 1 year)	9,606,589,127.35	9,264,318,072.00
1-2 years (including 2 years)	803,022,569.41	955,206,459.17
2-3 years (including 3 years)	501,740,777.39	338,384,404.48
Over 3 years	922,459,701.81	982,279,223.29
Total	11,833,812,175.96	11,540,188,158.94

5.29.2 Significant accounts payable with aging over one year

Item	Balance as at December 31, 2019	Reason for failure in repayment or carry-forward
Entity 1	171,097,437.41	The term of payment has not been met.
Entity 2	91,065,628.69	The counterpart is in bankruptcy liquidation.
Entity 3	64,721,334.75	The term of payment has not been met.
Entity 4	59,597,642.11	The term of payment has not been met.
Entity 5	57,044,109.32	The term of payment has not been met.
Entity 6	50,692,193.55	The term of payment has not been met.
Entity 7	40,496,659.74	The term of payment has not been met.
Total	534,715,005.57	

5.30 Advances from customers

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Within 1 year (including 1 year)	28,000,000.00	
Over 1 year		
Total	28,000,000.00	

5.31 Contract liabilities

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Within 1 year	19,386,730,100.06	22,175,098,870.27
Over 1 year	6,486,733,919.00	7,285,845,228.01
Total	25,873,464,019.06	29,460,944,098.28

5.32 Absorption of deposits and interbank deposits

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Demand deposits	2,249,786,987.90	2,118,000,912.49
-Company	2,249,786,987.90	2,118,000,912.49
Time deposits (including the call deposits)	2,749,625,000.00	2,675,625,000.00
-Company	2,675,900,000.00	2,601,900,000.00
Security deposits received	73,725,000.00	73,725,000.00
-Other deposits (including outward)		

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Item	Balance as at December 31, 2019	Balance as at December 31, 2018
remittance for individuals and remittances outstanding for enterprises)		
Total	4,999,411,987.90	4,793,625,912.49

5.33 Employee compensation payable

5.33.1 Presentation of employee compensation payable

Item	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019
Short-term compensation	332,156,744.89	3,307,003,394.67	3,287,094,822.59	352,065,316.97
Post-employment benefits - defined contribution plans	95,714,436.42	471,937,804.33	463,579,261.50	104,072,979.25
Dismissal benefits	344,713,624.34	308,316,973.14	328,268,670.18	324,761,927.30
Other benefits maturing within one year				
Total	772,584,805.65	4,087,258,172.14	4,078,942,754.27	780,900,223.52

5.33.2 Presentation of short-term compensation

Item	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019
(1) Salaries, bonuses, allowances and subsidies	184,240,461.07	2,446,558,810.02	2,446,958,484.38	183,840,786.71
(2) Employee welfare fees		279,081,095.75	278,699,340.82	381,754.93
(3) Social insurance premiums	20,482,874.94	208,142,210.37	206,000,672.57	22,624,412.74
Including: medical insurance premium	422,358.69	136,432,640.31	135,114,964.99	1,740,034.01
Work-related injury insurance premium	61,494.96	15,383,396.93	15,382,695.59	62,196.30
Maternity insurance premium	120,837.36	12,327,109.34	12,326,701.49	121,245.21
Supplementary medical insurance premium	19,878,183.93	43,999,063.79	43,176,310.50	20,700,937.22
Others				
(4) Housing provident fund	6,182,108.64	244,554,724.31	244,461,704.95	6,275,128.00
(5) Labor union expenditures and employee education funds	121,033,623.24	94,367,446.67	76,685,187.31	138,715,882.60
(6) Labor protection expenses	5,173.00	29,834,191.67	29,839,364.67	
(7) Short-term profit sharing plan				
(8) Others	212,504.00	4,464,915.88	4,450,067.89	227,351.99
Total	332,156,744.89	3,307,003,394.67	3,287,094,822.59	352,065,316.97

5.33.3 Presentation of defined contribution plans

Item	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019
Basic endowment insurance premium	6,794.78	343,536,321.31	343,096,761.53	446,354.56
Unemployment insurance premium	73.61	11,979,863.39	11,979,548.72	388.28
Enterprise annuity payment	95,707,568.03	116,421,619.63	108,502,951.25	103,626,236.41
Total	95,714,436.42	471,937,804.33	463,579,261.50	104,072,979.25

5.34 Taxes and surcharges payable

Tax	Balance as at December 31, 2019	Balance as at December 31, 2018
Value-added tax	80,235,801.54	170,776,310.55
Enterprise income tax	131,512,899.56	218,557,984.94
Individual income tax	23,741,145.38	29,373,060.10
Urban maintenance and construction tax	7,452,938.90	10,984,719.88
House property tax	423,610.09	321,852.62
Educational surtax	1,964,677.35	6,945,931.38
Local educational surtax	1,313,672.58	4,611,618.73
Land use tax	429,812.15	298,434.44
Stamp duty	5,213,649.40	9,970,070.15
Other taxes	8,756,984.63	9,257,993.15
Total	261,045,191.58	461,097,975.94

5.35 Other payables

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Interest payable	60,708,321.69	69,676,019.71
Dividends payable	23,554,076.18	34,465,530.50
Other payables	1,686,514,006.95	1,645,728,056.57
Total	1,770,776,404.82	1,749,869,606.78

5.35.1 Interest payable

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Interest payable on short-term borrowings	6,583,527.96	6,931,999.33
Interest payable on absorption of deposits	54,124,793.73	62,744,020.38
Total	60,708,321.69	69,676,019.71

5.35.2 Dividends payable

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Ordinary share dividends	23,554,076.18	34,465,530.50
Total	23,554,076.18	34,465,530.50

5.35.3 Other payables

(1) Presentation of other payables by nature

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Equity purchase price payable	560,470,965.39	631,936,725.39
Agency fund	177,211,912.96	182,209,157.32
Margin and deposit	236,148,816.46	253,936,410.64
Lease, service and minor purchase payables	134,057,750.63	138,054,092.99
Advance money payable	6,364,519.86	122,910,185.78
Social insurance premium and housing provident fund undertaken by individuals	61,387,863.33	30,451,035.46
Others	510,872,178.32	286,230,448.99
Total	1,686,514,006.95	1,645,728,056.57

(2) Other significant payables with aging over one year

Item	Balance as at December 31, 2019	Reason for failure in repayment or carry-forward
Entity 1	578,381,739.70	The time for settlement has not been due.
Entity 2	47,052,651.47	Insurance payment in advance
Entity 3	31,847,028.31	Insurance payment in advance
Entity 4	28,975,720.77	Bankruptcy liquidation
Entity 5	14,461,647.51	Bankruptcy liquidation
Total	700,718,787.76	

5.36 Non-current liabilities maturing within one year

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Long-term borrowings maturing within one year	17,264,036.00	16,320,000.00
Bonds payable maturing within one year		
Long-term payables maturing within one year		
Lease liabilities maturing within one year	136,967,972.74	
Total	154,232,008.74	16,320,000.00

5.37 Other current liabilities

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Deferred income - Government grants		103,588,912.65
Provisional estimate cost	68,427,082.56	
Liabilities from vicarious business	6,735,755.76	
Recognized, endorsed and undue receivables financing at the end of period	5,700,000.00	
Others	6,512,786.36	
Total	87,375,624.68	103,588,912.65

5.38 Long-term borrowings

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Mortgage borrowings	432,019,323.12	445,764,840.00
Credit borrowings	195,000,000.00	17,100,000.00
Total	627,019,323.12	462,864,840.00

5.39 Lease liabilities

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Lease payment	308,808,794.19	
Less: unrecognized financing expense	15,176,184.18	
Part reclassified to the non-current liabilities maturing within one year	136,967,972.74	
Total	156,664,637.27	

Remark: The Company has implemented the new lease rules as of January 1, 2019, adjusting the lease liabilities of RMB 392,267,874.44 as at January 1, 2019, including the non-current liabilities maturing within one year of RMB 124,718,906.50; for details, see Note 3.37.1 Changes in significant accounting policies.

The Company reclassified the part within one year to the non-current liabilities maturing within one year based on liquidity; for details, see Note 5.36.

5.40 Long-term payables

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Long-term payables		
Special payables	9,600,357.51	26,340,460.52
Total	9,600,357.51	26,340,460.52

Including: special payables

Item	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019	Forming reason
Funds for energy conservation and emission reduction of the central state-owned capital management budget	140,000.00			140,000.00	In use
Funds allocated for urban light rail	100,000.00			100,000.00	In use

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Item	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019	Forming reason
vehicle AC transmission project					
Fiscal appropriation	560,000.00		560,000.00		
Tax reimbursement for three-line enterprises	20,069,900.00		16,180,103.01	3,889,796.99	In use
Payment for water, electricity, heating and property management	4,920,000.00			4,920,000.00	In use
Expenses on the research of alignment techniques for CAP1400 reactor internals	550,560.52			550,560.52	In use
Total	26,340,460.52		16,740,103.01	9,600,357.51	

5.41 Long-term employee compensation payable

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
I. Post-employment benefits - net liabilities of defined benefit plans		
II. Dismissal benefits	784,413,550.52	837,303,270.07
III. Other long-term benefits		
Total	784,413,550.52	837,303,270.07

5.42 Estimated liabilities

Item	Balance as at December 31, 2018	Balance as at December 31, 2019	Forming reason
Pending litigation	495,526,411.78	387,314,709.06	Estimated tax, overdue fine, amercement outlay and other estimated expenditure on lawsuit from the disputes between the Company and the local tax authority on account of the collection of property tax regarding projects.
Product quality guarantee deposit	2,198,094,022.07	2,138,995,806.35	Estimated expenditure on product quality guarantee deposit
Onerous contract	3,115,764,431.88	3,421,969,033.49	Onerous contract to be implemented and the expected future loss in the course of implementation
Expected fines for late delivery	326,721,200.64	332,100,542.01	Expected fines for late delivery
Total	6,136,106,066.37	6,280,380,090.91	

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5.43 Deferred income

Item	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019	Forming reason
Government grants	444,014,801.58	70,001,067.46	43,408,302.97	470,607,566.07	
Total	444,014,801.58	70,001,067.46	43,408,302.97	470,607,566.07	

Items involving government grants:

Liability item	Balance as at December 31, 2018	New grants in 2019	Amount included in the current profit or loss in 2019	Other changes	Balance as at December 31, 2019	Related to assets/income
VAT refund for three-line enterprises	213,345,598.27		27,332,451.60	26,403,965.52	212,417,112.19	Related to assets
Subsidy for project infrastructure construction	125,750,000.00		2,666,666.67		123,083,333.33	Related to assets
Appropriation for scientific research	17,604,381.07		6,771,251.70	284,070.88	11,117,200.25	Related to assets
Appropriation for technical reform	3,820,000.00	4,493,300.00	890,000.00		7,423,300.00	Related to assets
Government subsidies	2,235,216.67		308,550.00		1,926,666.67	Related to assets
Other appropriations	10,909,250.88	915,567.13	1,836,078.09	1,584,181.96	11,572,921.88	Related to assets
Appropriation for scientific research	52,425,698.77	56,561,650.50	42,369,992.07	15,254,398.65	81,871,755.85	Related to income
Government subsidies		308,550.00			308,550.00	Related to income
Other appropriations	17,924,655.92	7,721,999.83	6,689,234.58	1,929,304.73	20,886,725.90	Related to income
Total	444,014,801.58	70,001,067.46	88,864,224.71	45,455,921.74	470,607,566.07	

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Remark: The VAT refund for three-line enterprises refers to the VAT refund for three-line enterprises received by DTC, DBC and DFEM for the period from January 1, 2006 to December 31, 2008, in accordance with the *Circular on Matters concerning Tax Policies for Three-line Enterprises during the Period for the Tenth Five-year Plan* (CS [2001] No. 133) issued by the Ministry of Finance and the State Taxation Administration, and the *Circular on the Refund upon Collection Policy for Value-Added Tax of Three-line Enterprises* (CS [2006] No. 166) issued by the Ministry of Finance and the State Taxation Administration. The Company, according to the specification on VAT refund for three-line enterprises, divided such VAT refund for three-line enterprises as asset-related government grants and income-related government grants, and carried out the accounting treatment respectively.

The subsidy for project infrastructure construction mainly refers to the subsidy for soft foundation of Dongfang Electrical (Tianjin) Wind Power Technology Co., Ltd. and the subsidy for project infrastructure construction of Dongfang Turbine Co., Ltd., which were allocated by the finance and government departments at all levels and received by the Company. The Company took such subsidy as the asset-related government grants, and included the same in the current non-operating revenue by stages during the asset useful lives.

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5.44 Share capital

Item	Balance as at December 31, 2018	Changes in 2019 ("+" for increase and "-" for decrease)					Balance as at December 31, 2019
		New shares issued	Share donation	Conversion of reserves into share	Others	Sub-total	
Shares without restricted conditions							
A shares	1,996,900,368.00						1,996,900,368.00
H shares	340,000,000.00						340,000,000.00
Total shares without restricted conditions	2,336,900,368.00						2,336,900,368.00
Shares with restricted conditions							
A shares	753,903,063.00						753,903,063.00
H shares							
Total shares with restricted conditions	753,903,063.00						753,903,063.00
Total shares	3,090,803,431.00						3,090,803,431.00

Remark: As deliberated at the 1st extraordinary general meeting in 2019, the 1st A-share general meeting in 2019, the 1st H-share general meeting in 2019 of the Company, and the 19th meeting of the 9th board of directors of the Company in 2019, and as approved by the China Securities Regulatory Commission, the Company issued 30,000,000 ordinary shares in RMB (A shares) with restricted conditions at the price of RMB 1.00 per share on December 19, 2019 to 800 incentive objects (actually to 780 incentive objects as some incentive objects gave up such subscription) (actual subscription of 27,988,699 shares). The periods for granting shares with restricted conditions under this incentive plan respectively are 24 months, 36 months and 48 months as of the date of registration of corresponding part of shares with restricted conditions. The shares with restricted conditions granted this time amount to 27,988,699 shares, for which the registration procedures was gone through with Shanghai Branch of China Securities Depository and Clearing Company Limited on January 7, 2020, and such shares were provisionally included in the capital reserves on the balance sheet date.

5.45 Capital reserves

Item	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019
Capital (share capital) premium	11,251,874,281.59	165,972,988.00	75,606,741.69	11,342,240,527.90
Other capital reserves		3,098,647.01		3,098,647.01
Total	11,251,874,281.59	169,071,635.01	75,606,741.69	11,345,339,174.91

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Remark: During the reporting period, the capital reserves were increased by RMB 165,972,988.00 on account of the incentive plan under which the equity was granted to some senior management and middle management of the Company (including: increased amount of share capital not recognized provisionally of RMB 27,988,699.00 and the capital premium of RMB 137,984,289.00); in 2019, the capital reserves were increased by RMB 3,098,647.01 on account of the recognition of share payments, while the capital reserves were decreased by RMB 75,606,741.69 on account of the reduction of shareholding ratio by Dongfang Electric Indonesia and the capital increase of DEWP and other companies.

5.46 Treasury stock

Item	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019
Repurchase plan for restricted stock incentive		165,972,988.00		165,972,988.00
Total		165,972,988.00		165,972,988.00

Remark: In December 2019, the Company implemented the restricted stock incentive plan to recognize the corresponding liabilities and treasury stock amounting to RMB 165,972,988.00 regarding the repurchase obligations.

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5.47 Other comprehensive income

Item	Balance as at December 31, 2018	Year 2019						Balance as at December 31, 2019
		Pre-tax amount incurred in 2019	Less: amount previously included in the other comprehensive income and currently transferred to the profit or loss	Less: amount previously included in the other comprehensive income and currently transferred to the retained earnings	Less: income tax expenses	Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	
1. Other comprehensive income that cannot be reclassified into profit or loss	-81,914.82			-42,500.00		42,500.00		-39,414.82
Including: changes in re-measurement of the defined benefit plan								
Other comprehensive income that cannot be transferred to profit or loss under the equity method								
Changes in fair value of other equity instrument investments	-81,914.82			-42,500.00		42,500.00		-39,414.82

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Item	Balance as at December 31, 2018	Year 2019						Balance as at December 31, 2019
		Pre-tax amount incurred in 2019	Less: amount previously included in the other comprehensive income and currently transferred to the profit or loss	Less: amount previously included in the other comprehensive income and currently transferred to the retained earnings	Less: income tax expenses	Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	
Changes in the fair value of the Company's own credit risk								
2. Other comprehensive income that will be reclassified into profit or loss	-33,318,553.18	10,537,271.19				8,939,920.42	1,597,350.77	-24,378,632.76
Including: other comprehensive income that can be transferred to profit or loss under the equity method		1,897,824.54				1,791,356.58	106,467.96	1,791,356.58
Changes in fair value of other creditor's right investment								
Amount of financial assets reclassified into other								

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Item	Balance as at December 31, 2018	Year 2019						Balance as at December 31, 2019
		Pre-tax amount incurred in 2019	Less: amount previously included in the other comprehensive income and currently transferred to the profit or loss	Less: amount previously included in the other comprehensive income and currently transferred to the retained earnings	Less: income tax expenses	Amount after tax attributable to the parent company	Amount after tax attributable to minority shareholders	
comprehensive income								
Provision for credit impairment of other creditor's right investment								
Cash flow hedging reserve								
Translation differences of foreign currency financial statements	-33,318,553.18	8,639,446.65				7,148,563.84	1,490,882.81	-26,169,989.34
Total of other comprehensive income	-33,400,468.00	10,537,271.19		-42,500.00		8,982,420.42	1,597,350.77	-24,418,047.58

5.48 Special reserves

Item	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019
Work safety expenses	79,395,179.18	65,700,392.29	68,992,823.38	76,102,748.09
Total	79,395,179.18	65,700,392.29	68,992,823.38	76,102,748.09

Remark: The special reserves increased in this year of the Company referred to the work safety expenses calculated and used 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.

5.49 Surplus reserves

Item	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019
Statutory surplus reserves	871,273,166.80	35,901,807.65		907,174,974.45
Discretionary surplus reserves				
Total	871,273,166.80	35,901,807.65		907,174,974.45

Remark: The surplus reserves increased in this year of the Company referred to the provision for statutory surplus reserves made at 10% of the net profits of the parent company.

5.50 Undistributed profits

Item	Year 2019	Year 2018
Undistributed profits at the end of the previous year before adjustment	13,324,105,405.23	12,096,965,958.72
Total adjustment to undistributed profits at the beginning of the year ("+" for increase and "-" for decrease)	-228,081.66	194,664,454.64
Undistributed profits at the beginning of the year after adjustment	13,323,877,323.57	12,291,630,413.36
Plus: net profit attributable to owners of the parent company in the current period	1,277,671,818.13	1,128,834,236.51
Less: withdrawal of statutory surplus reserves	35,901,807.65	96,359,244.64
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		
Common stock dividends payable	339,988,377.41	
Common stock dividends transferred to share capital		
Carry-forward of other comprehensive income for retained earnings	42,500.00	
Undistributed profits at the end of the period	14,225,616,456.64	13,324,105,405.23

Remark: During the reporting period, on account of the new rules on lease, the undistributed profits at the end of the year were decreased by RMB 228,081.66 in accordance with the changes in accounting policies.

5.51 Minority equity

Subsidiary	Proportion of minority interest (%)	Amount as at December 31, 2019	Amount as at December 31, 2018
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	35.26	599,793,156.79	593,503,211.24
Dongfang Electric Machinery Company Limited	8.14	457,602,916.92	440,692,795.56
Dongfang Turbine Co., Ltd.	5.61	328,825,206.64	312,567,908.99
DongFang Boiler (Group) Co.,Ltd.	3.21	210,246,853.69	198,075,323.11
Dongfang Electric Group Finance Co., Ltd.	5.00	160,348,416.73	150,360,942.27
Chengdu Dongfang Kwh Environmental Protection Catalysts Co., Ltd.	38.58	109,664,727.41	110,001,784.33
Eastern Boiler Control Co., Ltd.	49.00	89,546,575.94	82,073,279.91
Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.	49.00	63,169,138.41	49,715,456.68
Laos Namang River Power Co., Ltd.	25.00	65,728,124.32	58,943,553.39
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	33.00	65,425,156.20	62,586,495.74
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	15.00	38,505,667.50	43,180,852.64
Dongfang Electric Auto Control Engineering Co., Ltd.	3.49	24,862,647.06	960,643.24
Deyang Dongfang Aberle Sysrem Corporation Limited	16.24	7,338,671.27	7,195,371.74
Dongfang Electric Venezuela Co., Ltd.	1.00	0.01	0.57
Dongfang Electric Wind Power (Shandong) Co., Ltd.	31.25	57,346,399.78	
Dongfang Electric Wind Power Co., Ltd.	3.46	42,853,010.34	
PT.Dongfang Electric Indonesia Company	49.00	17,463,499.40	
Henan Dongfang Boiler City Environmental Protection Equipment Co., Ltd.	20.00	5,067,052.67	
Total		2,343,787,221.08	2,109,857,619.41

5.52 Net current assets

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Item	Amount as at December 31, 2019	Amount as at December 31, 2018
Current assets	69,398,892,328.05	73,555,695,740.68
Less: current liabilities	49,453,815,568.82	52,696,548,302.26
Net current assets	19,945,076,759.23	20,859,147,438.42

5.53 Total assets less current liabilities

Item	Amount as at December 31, 2019	Amount as at December 31, 2018
Total assets	89,618,965,555.72	91,323,329,417.78
Less: current liabilities	49,453,815,568.82	52,696,548,302.26
Total assets less current liabilities	40,165,149,986.90	38,626,781,115.52

5.54 Debit and credit

5.54.1 Information of debit and credit of the Company

Item	Amount as at December 31, 2019	Amount as at December 31, 2018
Short-term borrowings	13,850,000.00	245,566,000.00
Non-current liabilities maturing within one year (Partial borrowings)	17,264,036.00	16,320,000.00
Long-term borrowings	627,019,323.12	462,864,840.00
Total	658,133,359.12	724,750,840.00

5.54.2 Analysis on debit and credit

Item	Amount as at December 31, 2019	Amount as at December 31, 2018
Bank borrowings	658,133,359.12	668,763,840.00
Including: borrowings required to be repaid within five years	226,114,036.00	222,999,000.00
Sub-total	658,133,359.12	668,763,840.00
Other borrowings and payables		55,987,000.00
Total	658,133,359.12	724,750,840.00

5.54.3 Analysis on the debit and credit on the due date

Item	Amount as at December 31, 2019	Amount as at December 31, 2018
Repay as required or within 1 year	31,114,036.00	261,886,000.00
1-2 years	195,000,000.00	17,100,000.00
2-5 years		
Over 5 years	432,019,323.12	445,764,840.00
Total	658,133,359.12	724,750,840.00

5.55 Operating revenue and operating costs

5.55.1 Information on operating revenue and operating costs

Item	Year 2019		Year 2018	
	Revenue	Expenses from costs/interest / Expenses from handling charges and commissions	Revenue	Expenses from costs/interest / Expenses from handling charges and commissions
Primary business	31,269,847,147.78	24,559,343,836.65	29,304,835,008.49	23,289,238,168.72
Other business	507,738,609.90	379,094,052.88	424,820,563.24	279,048,353.35
Interest income	1,062,215,899.11	81,498,284.37	969,278,602.81	75,134,577.37
Revenue from handling charges and commissions	519,423.43	165,136.20	7,211,184.28	966,188.86
Total	32,840,321,080.22	25,020,101,310.10	30,706,145,358.82	23,644,387,288.30

5.55.2 Revenue from contracts

Name of module and product	Operating revenue		Operating cost	
	Year 2019	Year 2018	Year 2019	Year 2018
Efficient and clean energy equipment	15,511,358,033.23	17,078,555,594.72	11,726,910,995.01	13,648,123,690.84
Including: thermal power	11,574,767,948.21	12,930,647,538.47	8,617,588,539.55	10,450,301,378.22
Nuclear power	2,080,407,378.21	2,390,102,512.31	1,705,488,939.26	1,915,597,284.27
Gas turbine	1,856,182,706.81	1,757,805,543.94	1,403,833,516.20	1,282,225,028.35
Renewable energy equipment	5,921,352,862.59	4,008,421,728.16	5,210,972,278.36	3,518,299,934.85
Including: hydroelectric power	2,254,718,900.98	1,388,323,540.37	2,126,618,156.07	1,195,892,588.75
Wind power	3,561,123,257.73	2,489,113,264.65	2,856,483,937.90	2,107,393,377.49
Engineering and trade	4,430,612,539.73	3,480,960,491.64	3,528,160,166.08	2,880,186,141.23
Including: EPC	1,791,301,251.34	3,031,305,106.16	1,200,114,668.76	2,558,492,887.35
Trade	2,636,473,646.88	448,092,885.49	2,326,099,311.82	326,558,319.30
Modern manufacturing service industry	3,876,251,271.37	3,403,983,277.54	1,881,715,167.81	1,516,507,274.66
Including: power station service	2,015,463,965.79	1,834,302,253.65	1,137,749,739.81	1,009,215,880.98
Financial service	1,062,735,322.54	976,489,787.09	81,663,420.57	76,100,766.23
Emerging growth industry	3,100,746,373.30	2,734,224,266.76	2,672,342,702.84	2,081,270,246.72
Total	32,840,321,080.22	30,706,145,358.82	25,020,101,310.10	23,644,387,288.30

5.56 Taxes and surcharges

Item	Year 2019	Year 2018
Urban maintenance and construction tax	63,970,603.69	101,453,534.27
House property tax	60,933,622.04	65,460,104.06
Educational surtax	27,444,110.28	43,551,805.69
Stamp duty	41,447,819.53	38,892,183.98
Land use tax	25,442,511.28	32,672,899.15
Local educational surtax	18,294,100.19	29,005,230.95
Other taxes	2,566,521.58	23,481,675.41
Total	240,099,288.59	334,517,433.51

5.57 Selling and distribution expenses

Item	Year 2019	Year 2018
Sales and service fees	703,955,305.29	882,704,283.96
Employee compensation	373,684,057.24	313,632,783.17
Travel expenses	60,783,608.86	58,698,618.28
Others	170,076,786.70	102,936,455.20
Total	1,308,499,758.09	1,357,972,140.61

5.58 General and administrative expenses

Item	Year 2019	Year 2018
Employee compensation	1,298,032,582.93	1,433,542,296.94
Repair charges	323,715,268.11	264,682,197.65
Depreciation costs	150,080,916.82	166,090,474.33
Work safety expenses	68,039,819.26	68,467,686.33
Rental fees	94,790,537.22	67,527,084.59
Travel expenses	66,606,330.71	62,793,713.22
Insurance premium	47,103,534.77	60,997,823.75
Property management fees	57,033,456.18	46,232,584.15
Amortization of intangible assets	35,428,807.48	33,203,299.70
Hydroelectric power cost	28,903,816.13	27,178,301.82
Cost of hiring intermediaries	20,154,296.92	24,129,271.24
Transportation costs	22,481,352.23	19,112,180.79
Others	168,153,041.87	227,445,170.20
Total	2,380,523,760.63	2,501,402,084.71

5.59 Research and development expenditure

Item	Year 2019	Year 2018
Employee compensation	905,040,657.54	812,464,385.02
Materials expenses	342,657,995.54	239,198,815.97
Testing and quality assurance expenses	159,171,728.53	164,601,225.67
External commission fees	79,084,426.97	128,998,953.39
Depreciation expenses	87,677,587.82	88,558,152.47
Tooling fees	46,492,908.75	32,184,919.86
Amortization of intangible assets	32,864,727.24	27,797,952.07
Travel expenses	28,751,388.54	25,530,534.03
Hydroelectric power cost	19,111,464.14	15,419,809.37
Others	187,535,839.52	154,260,079.38
Total	1,888,388,724.59	1,689,014,827.23

5.60 Financial expenses

Item	Year 2019	Year 2018
Interest expenses	49,431,576.08	37,439,485.33
Including: lease liability interest expenses	15,516,312.64	
Less: interest revenue	83,050,317.66	149,395,707.65
Profit or loss on exchange	-59,945,801.68	-219,774,309.46
Handling charges of financial institutions	22,951,572.19	26,976,408.12
Cash discount	-82,429,763.68	-88,103,994.04
Others	13,383,043.76	12,315,212.11
Total	-139,659,690.99	-380,542,905.59

5.61 Other income

Item	Year 2019	Year 2018
Government grants	138,572,577.20	111,127,012.38
Handling charges deducted for individual income tax	569,004.78	
Others	702,858.57	
Total	139,844,440.55	111,127,012.38

Government grants included in other income

Subsidy	Year 2019	Year 2018	Related to assets/income
VAT refund for three-line enterprises	27,332,451.60	26,646,891.01	Related to assets
Appropriation for scientific research	8,133,889.36	2,136,592.58	Related to assets
Appropriation for scientific research	47,152,472.21	32,289,468.74	Related to income
Finance discount	340,000.00	340,000.00	Related to assets
Finance discount	308,550.00	392,050.00	Related to income
Tax returns	7,687,485.79	11,977,513.33	Related to income
Other appropriations	3,466,666.67	1,821,862.50	Related to assets
Other appropriations	44,151,061.57	35,522,634.22	Related to income
Total	138,572,577.20	111,127,012.38	

5.62 Investment income

Item	Year 2019	Year 2018
Long-term equity investment income calculated by the equity method	203,802,439.98	132,557,375.04
Investment income from disposal of long-term equity investments	63,389,464.99	14,720,713.30
Investment income from trading financial assets during the holding period	68,091,791.26	20,200,156.76

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Item	Year 2019	Year 2018
Investment income from disposal of trading financial assets	26,316,499.58	5,768,003.12
Interest revenue from creditor's right investment during the holding period	15,461,791.28	64,361,983.37
Dividend revenue from other equity instrument investment during the holding period		20,000.00
Investment income from the disposal of other equity instruments	874,000.00	8,318,797.94
Total	377,935,987.09	245,947,029.53

5.63 Foreign exchange gains

Item	Year 2019	Year 2018
Revenue from foreign exchange	872,319.89	1,112,082.95
Expenditure on foreign exchange		
Total	872,319.89	1,112,082.95

5.64 Income from changes in fair value

Sources of income from changes in fair value	Year 2019	Year 2018
Financial assets held for trading	-126,073,198.44	83,645,380.11
Including: income from changes in fair value arising from derivative financial instruments		
Other non-current financial assets		
Financial liabilities held for trading		
Total	-126,073,198.44	83,645,380.11

5.65 Losses from credit impairment

Item	Year 2019	Year 2018
Losses from bad debts of notes receivable		
Losses from bad debts of accounts receivable and contract assets	-134,954,171.75	-180,275,245.89
Losses from impairment of receivables financing		
Losses from bad debts of other receivables	18,784,303.46	20,323,214.75
Losses from impairment of creditor's right investment	18,169,602.00	24,419,100.00
Losses from impairment of other creditor's right investment		
Losses from bad debts of long-term receivables	-151,043,168.29	2,742,677.36
Losses from impairment of credit assets	223,261,409.28	-123,147,608.53
Total	-25,782,025.30	-255,937,862.31

Losses are presented with "-".

5.66 Losses from asset impairment

Item	Year 2019	Year 2018
Loss from inventory depreciation and losses from impairment of contract performance cost	-791,091,308.03	-505,894,494.69
Loss from impairment of fixed assets	-105,234,969.63	-15,396,267.03
Losses from impairment of right-of-use assets		
Losses from impairment of intangible assets		-2,712,193.63
Total	-896,326,277.66	-524,002,955.35

Losses are presented with "-".

5.67 Income from asset disposal

Item	Year 2019	Year 2018	Amount included in non-recurring profit or loss in the current period
Income from disposal of non-current assets	9,424,700.01	17,421,655.84	9,424,700.01
Total	9,424,700.01	17,421,655.84	9,424,700.01

5.68 Non-operating revenue

Item	Year 2019	Year 2018	Amount included in non-recurring profit or loss in the current period
Government grants	8,101,959.60	84,250,214.76	8,101,959.60
Gains from disposal of non-current assets	553,605.27	37,082.73	553,605.27
Including: gains from scrapping of fixed assets	553,605.27	37,082.73	553,605.27
Gains from debt restructuring		2,550,109.62	
Donations received		17,943,105.77	
Revenue from liquidated damages	17,982,207.54	17,488,419.08	17,982,207.54
Others	77,554,244.91	41,017,314.19	77,554,244.91
Total	104,192,017.32	163,286,246.15	104,192,017.32

Government grants included in the non-operating revenue

Subsidy	Year 2019	Year 2018	Related to assets/income
Subsidy for relocation		41,673,213.72	Related to income
Balance of tax reimbursement for three-line enterprises of Dongfang Electric Power Plant		14,239,506.88	Related to income
Subsidy funds allocated by Dongfang Electric Corporation for		7,018,463.00	Related to income

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Subsidy	Year 2019	Year 2018	Related to assets/income
disposal of zombie enterprises in new energy			
Subsidy for stabilizing posts	3,708,072.60	6,706,906.52	Related to income
Government award	1,000,000.00	378,000.00	Related to income
Bureau of Industry and Information Technology and Bureau of Finance in the economic development zone	160,000.00	100,000.00	Related to income
Industrial incentive fund	100,000.00	5,580.00	Related to income
Deyang Science and Technology Bureau and Deyang Intellectual Property Office	30,000.00	1,500.00	Related to income
Donative subsidies	2,600,000.00		Related to income
Finance discount	503,887.00		Related to income
Others		14,127,044.64	Related to income
Total	8,101,959.60	84,250,214.76	

5.69 Non-operating expenses

Item	Year 2019	Year 2018	Amount included in non-recurring profit or loss in the current period
Losses from disposal of non-current assets	1,038,390.54	2,206,909.77	1,038,390.54
Including: losses from scrapping of fixed assets	1,038,390.54	2,206,901.25	1,038,390.54
Losses from debt restructuring		3,152,723.00	
Donation outlay	23,625,926.24	7,502,870.00	23,625,926.24
Losses from pending litigation	20,000,000.00	40,053,860.00	20,000,000.00
Expenditure on indemnity, liquidated damages and amercement outlay	93,188,907.54	64,753,735.15	93,188,907.54
Others	10,018,748.29	8,853,258.10	10,018,748.29
Total	147,871,972.61	126,523,356.02	147,871,972.61

5.70 Income tax expenses

5.70.1 Table of income tax expenses

Item	Year 2019	Year 2018
Current income tax expenses	181,696,731.48	432,953,201.71
Including:		
China	179,880,564.64	431,421,956.67
India	1,815,626.20	1,531,044.82

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Item	Year 2019	Year 2018
Other regions	540.64	200.22
Deferred income tax expenses	16,015,478.25	-315,749,169.23
Total	197,712,209.73	117,204,032.48

5.70.2 Adjustment process of accounting profit and income tax expenses

Item	Year 2019
Total profits	1,578,583,920.06
Income tax expenses calculated at statutory [or applicable] tax rate	236,787,588.01
Effect of the application of various tax rates by subsidiaries	74,903,602.19
Effect of adjustments to the income tax for the prior years	15,999,337.78
Effect of non-taxable income	-3,143,438.38
Effect of non-deductible costs, expenses and losses	13,831,622.19
Effect of using the deductible losses related to deferred income tax assets unrecognized in previous periods	-129,562,044.48
Effect of deductible temporary differences or losses from deferred income tax assets unrecognized in the current period	102,142,774.70
Tax preference	-113,247,232.28
Including: additional deduction of research and development expenditure	-112,764,749.63
Income tax expenses	197,712,209.73

5.71 Earnings per share

5.71.1 Basic earnings per share

The basic earnings per share is calculated by dividing the consolidated net profit attributable to the common stockholder of the parent company by the weighted average of the Company's outstanding common stock:

Item	Year 2019	Year 2018
Consolidated net profit attributable to the common stockholder of the parent company	1,277,671,818.13	1,128,834,236.51
Weighted average of the Company's outstanding common stock	3,090,803,431.00	3,090,803,431.00
Basic earnings per share	0.41	0.37
Including: basic earnings per share from going concern	0.41	0.37
Basic earnings per share from discontinued operation		

Weighted average of the Company's outstanding common stock
= Beginning share capital + shares issued in the current period * months counted from the next month of share issue to the end of the reporting period/months of the reporting period

= 3,090,803,431.00

Basic earnings per share

= Consolidated net profit attributable to the common stockholder of the parent company / Weighted average of the outstanding common stock

= 1,277,671,818.13 / 3,090,803,431.00 = 0.41

5.71.2 Diluted earnings per share

The diluted earnings per share is calculated by dividing the consolidated net profit attributable to the common stockholder of the parent company (diluted) by the weighted average of the Company's outstanding common stock (diluted):

Item	Year 2019	Year 2018
Consolidated net profit attributable to the common stockholder of the parent company (diluted)	1,277,671,818.13	1,128,834,236.51
Weighted average of the Company's outstanding common stock (diluted)	3,090,803,431.00	3,090,803,431.00
Diluted earnings per share	0.41	0.37
Including: diluted earnings per share from going concern	0.41	0.37
Diluted earnings per share from discontinued operation		

5.72 Supplementary information to the income statement where expenses are classified by nature

The operating cost (including the interest, handling charges and commission paid for the absorption of deposits), selling and distribution expenses, general and administrative expenses and research and development expenditures are classified by nature as follows:

Item	Year 2019	Year 2018
Raw material consumption	20,308,570,545.80	18,367,951,507.00
Labor costs	3,547,416,794.22	3,499,450,704.67
Outsourcing of equipment and services	3,350,017,817.93	3,966,921,148.07
Depreciation and amortization expenses	1,043,837,728.30	987,143,591.16
Sales and service fees	703,955,305.29	882,704,283.96
Repair charges	331,853,125.37	271,758,531.33
Travel expenses and business expenses	231,579,566.72	178,772,194.07
Testing and quality assurance expenses	160,233,126.69	165,129,862.03
Rental fees	119,431,088.92	95,104,516.57
Interest, handling charges and commission paid for the absorption of deposits	81,663,420.57	76,100,766.23
Others	718,955,033.60	701,739,235.76
Total	30,597,513,553.41	29,192,776,340.85

5.73 Items in the statement of cash flows

5.73.1 Cash received from other operating activities

Item	Year 2019	Year 2018
Collection of due NCD (negotiable certificate of deposit)	4,109,529,161.72	1,309,122,654.25
Security deposit	430,854,131.81	649,222,583.14
Government grants	132,157,071.40	326,187,440.14
Appropriation	110,739,294.57	240,544,876.66
Compensation	54,255,259.86	134,073,543.96

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Item	Year 2019	Year 2018
Advance payment for collection	198,752,408.43	82,578,507.77
Project-related assets	22,145,652.38	65,158,874.91
Compensation	429,188.00	42,486,468.30
Exchange		40,107,128.12
Fund allocation for bankruptcy		32,614,638.93
Revolving fund and deposit for house purchase	4,551,949.75	24,989,489.19
Interest income	31,053,135.46	22,043,925.56
Debt collection	28,278,499.75	20,379,148.78
Cash received from the lease of fixed assets and investment properties	95,318,008.96	14,876,257.13
Collection of imprest	16,352,884.18	10,190,624.06
Revenue from fines	68,756,608.86	3,765,136.33
Others	224,735,440.31	409,002,493.71
Total	5,527,908,695.44	3,427,343,790.94

5.73.2 Cash paid for other operating activities

Item	Year 2019	Year 2018
Purchase of NCD	3,583,693,900.00	4,429,230,300.00
Purchase under resale agreements	662,907,958.20	
Operating expenses	868,603,138.40	1,398,289,792.03
Security deposit payment	334,265,241.88	371,860,068.80
Advance payment	371,421,811.45	40,518,969.58
Imprest payment	33,446,644.17	27,497,230.08
Others	353,033,440.64	105,798,851.63
Total	6,207,372,134.74	6,373,195,212.12

5.73.3 Cash received from other investing activities

None.

5.73.4 Cash paid for other investing activities

Item	Year 2019	Year 2018
Subsidiaries are excluded from the scope of consolidation due to bankruptcy		7,832,015.87
Subsidiaries loss the right of control due to the additional capital contribution by other shareholders	86,617,620.30	
Total	86,617,620.30	7,832,015.87

5.73.5 Cash received from other financing activities

Item	Year 2019	Year 2018
State-allocated funds		33,383,333.33
Total		33,383,333.33

5.73.6 Cash paid for other financing activities

Item	Year 2019	Year 2018
Overseas investment insurance of SINOSURE (Part of creditor's right)	2,927,834.64	2,954,658.90
Profits during the transitional period of DBC and DTC paid by DEC for Xuri Project		942,336,415.78
Rent and handling charges for the leaseback under finance lease	19,543,547.30	
Total	22,471,381.94	945,291,074.68

5.74 Supplementary information to the statement of cash flows

5.74.1 Supplementary information to the statement of cash flows

Supplementary information	Year 2019	Year 2018
1. Net profit adjusted to cash flows from operating activities		
Net profit	1,380,871,710.33	1,158,265,690.85
Plus: losses from credit impairment	25,782,025.30	255,937,862.31
Provision for asset impairment	896,326,277.66	524,002,955.35
Depreciation of investment properties and fixed assets	801,768,258.34	876,564,378.60
Depreciation of right-of-use assets	132,666,443.06	
Amortization of intangible assets	94,020,732.21	97,076,505.97
Amortization of long-term deferred expenses	15,382,294.69	13,502,706.59
Losses on disposal of fixed assets, intangible assets and other long-term assets ("- " for income)	-9,424,700.01	-17,421,655.84
Losses from scrapping of fixed assets ("- " for income)	484,785.27	2,169,827.04
Losses from changes in fair value ("- " for income)	126,073,198.44	-83,645,380.11
Financial expenses ("- " for income)	-54,354,653.45	-244,936,649.91
Investment losses ("- " for income)	-377,935,987.09	-245,947,029.53
Decreases in deferred income tax assets ("- " for increases)	4,227,049.11	-315,749,169.23
Increases in deferred income tax liabilities ("- " for decreases)	11,788,429.14	4,776,793.57
Decreases in inventories ("- " for increases)	448,942,775.00	3,655,264,315.43
Decreases in operating receivables ("- " for increases)	2,641,079,120.88	2,349,835,176.10

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Supplementary information	Year 2019	Year 2018
Increases in operating payables ("-" for decreases)	-5,939,027,453.58	-8,582,073,124.77
Others	3,574,319.81	596,492.57
Net cash flows from operating activities	202,244,625.11	-551,780,305.01
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 acquired under financing lease		
3. Net changes in cash and cash equivalents		
Ending balance of cash	28,472,369,654.85	26,899,627,194.15
Less: beginning balance of cash	26,899,627,194.15	28,847,748,952.33
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	1,572,742,460.70	-1,948,121,758.18

5.74.2 Net cash received from disposal of subsidiaries in 2019

Item	Amount
Cash or cash equivalents received in the current period from disposal of subsidiaries in the current period	
Including: Sichuan Dongshu New Materials Co., Ltd.	
Less: cash and cash equivalents held by subsidiaries on date of losing the right of control	86,617,620.30
Including: Sichuan Dongshu New Materials Co., Ltd.	86,617,620.30
Plus: cash or cash equivalents received in the current period from disposal of subsidiaries in prior periods	
Including: Sichuan Dongshu New Materials Co., Ltd.	
DFEM Control Equipment Co., Ltd.	
Net cash received from disposal of subsidiaries	-86,617,620.30

Remark: During the reporting period, the Company lost the right of control over Sichuan Dongshu New Materials Co., Ltd. due to the additional capital contribution by Dongfang Electric Corporation, and the Company did not collect any cash or cash equivalent as consideration.

5.74.3 Breakdown of cash and cash equivalents

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
I. Cash	28,472,369,654.85	26,899,627,194.15
Including: cash on hand	2,005,692.73	1,614,922.27
Unrestricted bank deposit	4,043,584,929.49	3,995,022,938.44
Other unrestricted cash and cash equivalents	148,310,025.30	238,505,558.77
Unrestricted deposits in central bank	25,705,108.74	961,150,461.18
Deposits in banks and other financial institutions	24,252,763,898.59	21,703,333,313.49
Loans to banks and other financial institutions		
II. Cash equivalents		
Including: bond investments maturing within three months		
III. Ending balance of cash and cash equivalents	28,472,369,654.85	26,899,627,194.15
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries in the Group		

5.75 Assets with restrictions on the ownership or use right

Item	Book value as at December 31, 2019	Reason for restriction
Monetary funds	2,007,359,024.17	Deposits in central bank, reserves and security deposits
Long-term equity investments	88,152,632.79	Equity pledge (For details, see Note 12.2.1 (3) Provision of guarantees for other entities under Note 12 Commitments and contingencies)
Intangible assets	584,699,088.00	Mortgage borrowings
Total	2,680,210,744.96	

5.76 Foreign currency monetary items

Item	Balance in foreign currency as at December 31, 2019	Exchange rate for conversion	Balance of RMB converted as at December 31, 2019
Monetary funds			5,096,486,474.42
Including:			
USD	691,949,169.40	6.9762	4,827,175,795.57
EUR	19,912,843.20	7.8155	155,628,826.03
HKD	35,138.06	0.8958	31,476.67
JPY	21,844,197.10	0.0641	1,400,213.03
GBP	5.15	9.1501	47.12
INR	281,930,653.68	0.0979	27,601,011.00
PKR	1,200,604.52	0.0451	54,147.26
VND	991,265,277.43	0.0003	297,379.58
ETB	305,787,185.55	0.2179	66,631,027.73
NPR	786,435.05	0.0609	47,893.89

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Item	Balance in foreign currency as at December 31, 2019	Exchange rate for conversion	Balance of RMB converted as at December 31, 2019
LAK	4,737,907,985.75	0.0008	3,790,326.39
LKR	97,135.17	0.0383	3,720.28
BDT	25,879,839.37	0.0819	2,119,558.84
TRY	26,199.21	1.1706	30,668.80
BAM	2,463,163.75	3.9944	9,838,861.28
CAD	9.01	5.3421	48.13
SEK	175,790.69	0.7464	131,210.17
Other currencies	256,280,974.39		1,704,262.65
Accounts receivable			396,367,230.75
Including:			
USD	55,613,183.62	6.9762	387,968,691.57
EUR	389,318.45	7.8155	3,042,718.35
INR	54,707,056.44	0.0979	5,355,820.83
Other accounts receivable			49,843,014.26
Including:			
USD	2,912,751.43	6.9762	20,319,936.53
EUR	682,373.53	7.8155	5,333,090.32
INR	18,894,846.56	0.0979	1,849,805.48
VND	14,588,110,500.00	0.0003	4,376,433.15
BAM	384,189.74	3.9944	1,534,607.50
SEK	13,925,724.92	0.7464	10,394,161.08
Other currencies	60,976,374.75		6,034,980.20
Accounts payable			448,693,832.65
Including:			
USD	48,870,228.71	6.9762	340,928,489.53
EUR	5,201,261.61	7.8155	40,650,460.11
JPY	896,131,140.63	0.0641	57,442,006.11
VND	13,223,053,216.31	0.0003	3,966,915.96
GBP	620,581.48	9.1501	5,678,382.60
BAM	6,904.25	3.9944	27,578.34
Other payables			94,074,204.13
Including:			
USD	7,502,050.41	6.9762	52,335,804.07
EUR	331,464.43	7.8155	2,590,560.25
HKD	17,867.20	0.8958	16,005.44
INR	41,918,396.23	0.0979	4,103,810.99
PKR	4,945,000.00	0.0451	223,019.50
VND	1,023,540,600.00	0.0003	307,062.18
ETB	120,622,163.63	0.2179	26,283,569.45
TRY	259,496.78	1.1706	303,766.93
Other currencies	157,581,779.09		7,910,605.32
Absorption of deposits			1,841,805,014.05

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Item	Balance in foreign currency as at December 31, 2019	Exchange rate for conversion	Balance of RMB converted as at December 31, 2019
Including:			
USD	253,846,169.66	6.9762	1,770,881,648.78
EUR	8,943,802.60	7.8155	69,900,289.22
HKD	10.20	0.8958	9.14
JPY	15,960,268.00	0.0641	1,023,053.18
GBP	1.50	9.1501	13.73

5.77 Government grants

5.77.1 Asset-related government grants

Category	Amount	Item presented on the balance sheet	Amount included in the current profit or loss or used to offset the losses of related costs		Item included in the current profit or loss or used to offset the losses of related costs
			Year 2019	Year 2018	
VAT refund for three-line enterprises	212,417,112.19	Deferred income	27,332,451.60	26,646,891.01	Other income
Subsidy for project infrastructure construction	123,083,333.33	Deferred income		1,699,080.00	Other income
Appropriation for scientific research	11,117,200.25	Deferred income	8,133,889.36	2,136,592.58	Other income
Appropriation for technical reform	7,423,300.00	Deferred income		122,782.50	Other income
Government subsidies	1,926,666.67	Deferred income	340,000.00	340,000.00	Other income
Others	11,572,921.88	Deferred income	3,466,666.67		Other income
Total	367,540,534.32		39,273,007.63	30,945,346.09	

5.77.2 Income-related government grants

Category	Amount	Amount included in the current profit or loss or used to offset the losses of related costs		Item included in the current profit or loss or used to offset the losses of related costs
		Year 2019	Year 2018	
Tax reimbursement for three-line enterprises			63,896,503.66	Other income, or non-operating revenue
Subsidy for relocation			41,673,213.72	Non-operating revenue
Subsidy funds allocated by Dongfang Electric Corporation for disposal			7,018,463.00	Non-operating revenue

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Category	Amount	Amount included in the current profit or loss or used to offset the losses of related costs		Item included in the current profit or loss or used to offset the losses of related costs
		Year 2019	Year 2018	
of zombie enterprises in new energy				
Subsidy for stabilizing posts	10,415,746.89	10,415,746.89	9,862,049.62	Other income, or non-operating revenue
Tax returns	7,687,485.79	7,687,485.79	3,258,025.97	Other income
Special funds for provincial business development and promotion of Sichuan Provincial Department of Commerce	7,990,000.00	7,990,000.00	3,000,000.00	Other income
Appropriation for scientific research	47,152,472.21	47,152,472.21		Other income
Subsidy for the insurance of the first major technical equipment	200,230,000.00	200,230,000.00	146,110,000.00	Presented by the net method Used to offset the general and administrative expenses and operating cost
Appropriation for the research, development and construction of 2018GZDZX0015-50MW gas turbine test platform	3,347,826.09	3,347,826.09		Other income
Carry forward the treasury bond fund lending of the Finance Department to appropriation	8,901,800.00	8,901,800.00		Other income
First funds for industrial development at the province level in 2019 of the Bureau of Finance in Deyang Economic Technological Development Area	4,500,000.00	4,500,000.00		Other income
Laboratory for large-scale clean power generation technology engineering			3,000,000.00	Other income
Test for basic research and development of 50MW gas turbine			3,000,000.00	Other income
Others	17,406,198.19	17,406,198.19	29,723,625.08	Other income, or non-operating revenue
Total	307,631,529.17	307,631,529.17	310,541,881.05	

5.78 Audit expense

In 2019, the audit expense was RMB 2.55 million (2018: RMB 2.55 million).

5.79 Depreciation and amortization

Depreciation/amortization recognized in 2019 amounted to RMB 1,043,837,728.30 (2018: RMB 987,143,591.16).

5.80 Expenditure on operating rents

In 2019, the expenditure on operating rents was RMB 129,723,999.02 (2018: RMB 80,308,255.49), of which the rent expenditure on industrial installment and machinery was RMB 5,356,331.65 (2018: RMB 149,316.24).

5.81 Rent revenue

In 2019, revenue from land and building leasing was RMB 33,413,690.75 (2018: RMB 8,368,616.98).

6 Changes in the scope of consolidation

6.1 Disposal of subsidiaries

Loss of the right of control due to single disposal of investment in subsidiaries

Subsidiary	Equity disposal Price	Equity disposal proportion (%)	Way of equity disposal	Basis at the loss of the right of control	Difference of the subsidiary's net asset shares in the consolidated financial statements corresponding to the disposal price and disposed investment	Proportion of the residual equity on the date of losing the right of control	Book value of the residual equity on the date of losing the right of control	Fair value of the residual equity on the date of losing the right of control	Gains or losses from the re-measurement of residual equity at fair value	Determination method and main assumptions for the fair value of the residual equity on the day of losing the right of control	Amount of the other comprehensive income relating to the equity investment of the original subsidiary transferred to the profit or loss on investments
Sichuan Dongshu New Materials Co., Ltd.		52.46%	Additional capital contribution by the minority shareholder	Modification to the articles of association, and the change of industrial and commercial registration	33,091,301.68	47.54%	107,842,153.90	138,140,317.21	30,298,163.31	Appraisal and valuation	None

Remark: On June 30, 2019, upon the resolution made at the 14th meeting of the board of directors, Dongfang Electric Corporation made the additional capital contribution to Sichuan Dongshu New Materials Co., Ltd. which is a wholly-owned subsidiary of DTC, a subsidiary of the Company with RMB 150 million. According to the modified articles of association, the ratio of contributions and the right proportion of Dongfang Electric Corporation respectively was 78.95% and 52.46%, diluting the shareholding ratio of DTC to 47.54% without consideration payment.

6.2 Changes in scope of consolidation due to other reasons

6.2.1 Newly-built subsidiaries

S.N.	Name	Way of forming the right of control	Net assets as at December 31, 2019	Net profit in 2019
1	Henan Dongfang Boiler City Environmental Protection Equipment Co., Ltd.	Established by investment	25,335,263.37	535,263.37
2	Dongfang Electric Wind Power (Fujian) Co., Ltd.	Established by investment	30,161,990.06	161,990.06
3	Dongfang Electric Wind Power (Shandong) Co., Ltd.	Established by investment	183,508,479.28	-491,520.72
4	Dongfang Electric Wind Power (Hinggan League) Co., Ltd.	Established by investment	49,893,902.84	-106,097.16
5	Dongfang Electric Wind Blade (Hinggan League) Co., Ltd.	Established by investment		

6.2.2 Subsidiaries subject to cancellation of liquidation

Upon the resolution of the Company, the secondary subsidiary DEA completed the merger by absorption of its wholly-owned subsidiary DFEM Control Equipment Co., Ltd. In September 2019, and completed the cancellation of industrial and commercial registration and tax registration of DFEM Control Equipment Co., Ltd. in November 2019.

7 Equity in other entities

7.1 Equity in subsidiaries

7.1.1 Structure of the enterprise group

Subsidiary	Main business place	Registration place	Type of legal person	Business nature	Shareholding ratio (%)		Method of acquisition
					Direct	Indirect	
Dongfang Turbine Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Limited liability company	Production	94.39		Established by investment
DongFang Boiler (Group) Co.,Ltd.	Zigong, Sichuan	Zigong, Sichuan	Company limited	Production	96.79		Established by investment
Chengdu Dongfang Kwh Environmental Protection Catalysts Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Limited liability company	Production of dedicated pharmaceutical and medicinal materials		60.95	Established by investment
Henan Dongfang Boiler City Environmental Protection Equipment Co., Ltd.	Jiaozuo, Henan	Jiaozuo, Henan	Limited liability company	Manufacturing of dedicated equipment for environmental protection		80.00	Established by investment
Eastern Boiler Control Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Limited liability company	General equipment manufacturing		51.00	Established by investment
Dongfang Electric Machinery Company Limited	Deyang, Sichuan	Deyang, Sichuan	Limited liability company	Production	91.86		Established by investment

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Subsidiary	Main business place	Registration place	Type of legal person	Business nature	Shareholding ratio (%)		Method of acquisition
					Direct	Indirect	
Dongfang Electric Venezuela Co., Ltd.	Venezuela	Venezuela	Limited liability company	Project service		99.00	Established by investment
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	Guangzhou, Guangdong	Guangzhou, Guangdong	Limited liability company	Production	51.05	14.14	Established by investment
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	Wuhan, Hubei	Wuhan, Hubei	Limited liability company	Production	67.00		Established by investment
DongFangElectric (India) Private Limited	Calcutta, India	Calcutta, India	Limited liability company	Service	100.00		Established by investment
PT.Dongfang Electric Indonesia Company	Jakarta, Indonesia	Jakarta, Indonesia	Limited liability company	Service		51.00	Established by investment
Dongfang Electric Wind Power Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Limited liability company	Production	45.12	54.88	Established by investment
Dongfang Electrical (Tianjin) Wind Power Technology Co., Ltd.	Tianjin	Tianjin	Limited liability company	Production		100.00	Established by investment
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	Tianjin	Tianjin	Limited liability company	Production		85.00	Established by investment
Dongfang Electric Wind Power (Liangshan) Co., Ltd.	Liangshan, Sichuan	Liangshan, Sichuan	Limited liability company	Production		100.00	Established by investment
Dongfang Electric Wind Power (Fujian) Co., Ltd.	Fujian	Fujian	Limited liability company	Power equipment manufacturing		100.00	Established by investment
Dongfang Electric Wind Power (Shandong) Co., Ltd.	Shandong	Shandong	Limited liability company	Power equipment manufacturing		68.75	Established by investment
Dongfang Electric Wind Power (Hinggan League) Co., Ltd.	Hinggan League	Hinggan League	Limited liability company	Power equipment manufacturing		100.00	Established by investment
Dongfang Electric Wind Blade (Hinggan League) Co., Ltd.	Hinggan League	Hinggan League	Limited liability company	Power equipment manufacturing		100.00	Established by investment
Dongfang Electric Group Finance Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Limited liability company	Finance	95.00		Business combination under common control
Dongfang Electric International Corporation	Chengdu, Sichuan	Chengdu, Sichuan	Limited liability company	International trade	100.00		Business combination under common control
Laos Namang River Power Co., Ltd.	Vientiane, Laos	Vientiane, Laos	Limited liability company	Electricity supply		75.00	Business combination under common control
Dongfang Electric (Chengdu)	Chengdu, Sichuan	Chengdu, Sichuan	Limited liability company	Consulting service		100.00	Business combination under

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Subsidiary	Main business place	Registration place	Type of legal person	Business nature	Shareholding ratio (%)		Method of acquisition
					Direct	Indirect	
Engineering & Consulting Co., Ltd.							common control
Deyang Dongfang Aberle Sysrem Corporation Limited	Mianzhu, Sichuan	Mianzhu, Sichuan	Limited liability company	Machine manufacturing		83.76	Business combination under common control
Dongfang Electric Auto Control Engineering Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Limited liability company	Power unit manufacturing	40.28	59.62	Business combination under common control
Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Limited liability company	Production		51.00	Business combination under common control
Dongfang Electric Corporation Materials Co.	Chengdu, Sichuan	Chengdu, Sichuan	Limited liability company	Commodity circulation	100.00		Business combination under common control
DEC Project Cargo Logistics Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Limited liability company	Transportation	100.00		Business combination under common control
Science and Technology Institute Co., Ltd. of Dongfang Electric Corporation	Chengdu, Sichuan	Chengdu, Sichuan	Limited liability company	Technology service	100.00		Business combination under common control
Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd.	Chengdu, Sichuan	Chengdu, Sichuan	Limited liability company	Technology service	100.00		Business combination under common control

7.1.2 Major non-wholly-owned subsidiaries

Subsidiary	Shareholding ratio of minority shareholders	Profit or loss attributable to minority shareholders in the current period	Dividends declared to be distributed to minority shareholders in 2019	Ending balance of minority equity
Dongfang Turbine Co., Ltd.	5.61%	16,471,682.06		328,825,206.64
DongFang Boiler (Group) Co.,Ltd.	3.21%	15,679,721.44	3,411,964.00	210,246,853.69
Dongfang Electric Machinery Company Limited	8.14%	23,597,872.77	6,806,780.20	457,602,916.92
Dongfang Electric Group Finance Co., Ltd.	5.00%	16,325,678.75	6,538,966.89	160,348,416.73
Dongfang Electric Auto Control Engineering Co., Ltd.	3.49%	642,069.53		24,862,647.06
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	35.26%	375,663.57	1,607,910.02	599,793,156.79
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	33.00%	3,207,599.96		65,425,156.20

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

Subsidiary	Balance as at December 31, 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Dongfang Turbine Co., Ltd.	17,273,907,567.82	6,094,628,734.10	23,368,536,301.92	16,574,204,204.73	925,581,542.87	17,499,785,747.60
DongFang Boiler (Group) Co.,Ltd.	17,654,294,150.62	3,042,388,273.83	20,696,682,424.45	10,539,819,855.42	3,492,384,567.93	14,032,204,423.35
Dongfang Electric Machinery Company Limited	13,518,939,387.50	2,457,316,160.09	15,976,255,547.59	9,137,131,689.76	1,217,466,401.79	10,354,598,091.55
Dongfang Electric Group Finance Co., Ltd.	33,083,103,569.53	5,407,426,822.35	38,490,530,391.88	35,269,939,767.73	13,622,289.60	35,283,562,057.33
Dongfang Electric Auto Control Engineering Co., Ltd.	1,734,516,804.57	426,213,218.48	2,160,730,023.05	1,242,127,104.45	40,904,311.81	1,283,031,416.26
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	2,212,380,955.99	972,511,077.43	3,184,892,033.42	1,242,314,965.34	241,518,767.49	1,483,833,732.83
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	331,950,723.51	175,084,145.88	507,034,869.39	219,028,274.45	89,748,545.84	308,776,820.29

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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.	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.	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 Company Limited	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 Auto Control Engineering Co., Ltd.	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 (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

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Subsidiary	Year 2019				Year 2018			
	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.	9,503,325,236.43	293,677,900.38	295,575,724.92	873,297,144.37	9,207,388,843.76	108,896,812.02	108,896,812.02	2,940,901,319.21
DongFang Boiler (Group) Co.,Ltd.	8,010,311,415.65	490,923,146.82	490,923,146.82	-13,589,549.54	9,372,003,873.74	247,325,852.76	247,325,852.76	811,976,994.57
Dongfang Electric Machinery Company Limited	6,509,950,514.38	289,900,156.85	289,900,100.39	722,598,928.80	4,852,143,072.68	167,445,638.04	167,317,119.35	1,518,447,682.98
Dongfang Electric Group Finance Co., Ltd.	1,109,537,413.53	326,513,575.05	330,528,826.95	-65,095,684.71	1,031,049,865.40	261,558,675.50	271,566,962.42	11,388,421,749.73
Dongfang Electric Auto Control Engineering Co., Ltd.	1,550,978,983.71	34,056,079.06	34,056,079.06	7,468,226.11	1,329,290,351.48	28,733,391.50	28,733,391.50	26,202,919.80
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	1,110,518,206.62	1,065,410.00	1,065,410.00	47,130,760.15	1,001,007,751.10	16,889,456.35	16,889,456.35	348,989,267.71
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	152,119,591.26	9,719,999.88	9,719,999.88	13,881,065.06	121,987,536.68	106,921.69	106,921.69	8,647,177.72

7.2 Transactions leading to changes in the share of owners' equity in subsidiaries and still controlling the subsidiaries

7.2.1 Notes to the changes in the share of owner's equity in subsidiaries

In 2019, the Company disposed of 49% of equity of its subsidiary PT.Dongfang Electric Indonesia Company (Hereinafter referred to as “Dongfang Electric Indonesia”), and sold the residual equity accounting for 51% to the subsidiary DEIC; thereafter, the Company still has the right of control over Dongfang Electric Indonesia, which is still included in the scope of consolidation this year.

7.2.2 Effect of transactions on minority interests and equity attributable to owners of the parent company

Item	Dongfang Electric Indonesia
Disposal consideration	3,845,889.03
- Cash	3,845,889.03
- Fair value of non-cash assets	
- Others	
Total disposal consideration	3,845,889.03
Less: share of net assets of subsidiaries calculated at the ratio of equity disposed	3,839,908.94
Difference	
Including: adjustment to capital reserves	-5,980.09
Adjustment to surplus reserves	
Adjustment to undistributed profit	

7.3 Equity in joint venture arrangements or associates

7.3.1 Major joint ventures or associates

Name of joint venture/associate	Main business place	Registration place	Business nature	Shareholding ratio (%)		Accounting treatment method for investments in joint ventures or associates
				Direct	Indirect	
MHPS Dongfang Boiler Co., Ltd.	Jiaxing, Zhejiang	Jiaxing, Zhejiang	Production		50.00	Equity method
Framatome Dongfang Reactor Coolant Pumps Company Limited	Deyang, Sichuan	Deyang, Sichuan	Production	50.00		Equity method
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Nansha, Guangzhou	Nansha, Guangzhou	Production		49.00	Equity method
Sichuan Energy Wind Power Development Co., Ltd.	Leshan, Sichuan	Leshan City	Cargo transportation	20.00		Equity method
Sichuan Dongshu New Materials Co., Ltd.	Sichuan Province	Sichuan Province	Manufacturing		47.54	Equity method
Dongfang Electric (Xichang) Hydrogen Energy Co., Ltd.	Xichang, Sichuan	Xichang, Sichuan	Manufacturing and maintenance of hydrogen production equipment		66.00	Equity method

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7.3.2 Principle financial information of major joint ventures

Item	Balance as at December 31, 2019/Year 2019		Balance as at December 31, 2018/Year 2018	
	MHPS Dongfang Boiler Co., Ltd.	Framatome Dongfang Reactor Coolant Pumps Company Limited	MHPS Dongfang Boiler Co., Ltd.	Framatome Dongfang Reactor Coolant Pumps Company Limited
Current assets	1,214,086,003.49	1,162,852,405.36	952,861,350.78	1,204,050,970.20
Including: cash and cash equivalents	224,089,354.35	567,308,947.67	118,779,423.25	648,742,257.29
Non-current assets	259,864,995.02	123,882,882.22	259,691,870.39	138,786,321.04
Total assets	1,473,950,998.51	1,286,735,287.58	1,212,553,221.17	1,342,837,291.24
Current liabilities	982,518,032.96	727,848,973.73	727,351,977.07	705,981,182.39
Non-current liabilities	82,016,460.25	164,412,756.99	85,497,872.26	150,681,824.74
Total liabilities	1,064,534,493.21	892,261,730.72	812,849,849.33	856,663,007.13
Minority equity				
Equity attributable to shareholders of the parent company	409,416,505.30	394,473,556.86	399,703,371.84	486,174,284.11
Net asset share calculated by shareholding ratio	204,708,252.65	197,236,778.43	199,851,685.92	243,087,142.06
Adjustments				
- Goodwill				
- Unrealized profits of internal transactions	-2,968,206.69	446,462.89		
- Others				
Book value of the equity investment in joint ventures	201,740,045.96	197,683,241.32	199,851,685.92	243,087,142.06
Fair value of the equity investment in joint ventures with public offer				
Operating revenue	882,436,346.21	342,783,700.08	810,530,818.15	407,659,405.51
Financial expenses	9,089,135.49	-8,164,196.53	6,761,413.04	-6,840,268.29
Income tax expenses	13,573,160.52	7,994,539.98	2,097,947.73	11,811,127.82
Net profit	7,840,267.03	43,347,827.20	24,468,362.79	66,929,724.30
Net profit of discontinued operation				
Other comprehensive income				
Total comprehensive income	7,840,267.03	43,347,827.20	24,468,362.79	66,929,724.30
Dividends received from joint ventures in current period	4,159,621.67	33,371,968.98	3,959,973.64	37,326,557.40

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7.3.3 Principle financial information of major associates

Item	Balance as at December 31, 2019/Year 2019			Balance as at December 31, 2018/Year 2018		
	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Sichuan Energy Wind Power Development Co., Ltd.	Sichuan Dongshu New Materials Co., Ltd.	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Sichuan Energy Wind Power Development Co., Ltd.	Sichuan Dongshu New Materials Co., Ltd.
Current assets	1,500,938,876.52	2,019,965,198.95	554,509,840.77	1,479,734,163.08	1,173,133,849.46	526,802,242.23
Non-current assets	184,558,424.93	3,228,140,346.37	49,917,591.06	174,311,564.17	3,268,107,485.87	47,736,727.53
Total assets	1,685,497,301.45	5,248,105,545.32	604,427,431.83	1,654,045,727.25	4,441,241,335.33	574,538,969.76
Current liabilities	661,984,400.03	1,101,196,878.45	370,468,336.12	538,057,126.33	661,198,570.07	465,716,389.90
Non-current liabilities		2,120,298,623.39	7,114,009.67	88,020,222.03	2,256,432,654.30	1,828,097.61
Total liabilities	661,984,400.03	3,221,495,501.84	377,582,345.79	626,077,348.36	2,917,631,224.37	467,544,487.51
Minority equity		158,320,122.79			103,235,092.38	
Equity attributable to shareholders of the parent company	1,023,512,901.42	1,868,289,920.69	226,845,086.04	1,027,968,378.89	1,420,375,018.58	106,994,482.25
Net asset share calculated by shareholding ratio	501,521,321.70	373,657,984.14	107,842,153.90	503,704,505.66	284,075,003.72	
Adjustments			30,298,163.31			
- Goodwill						
- Unrealized profits of internal transactions		-3,380,000.00				
- Others						

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Item	Balance as at December 31, 2019/Year 2019			Balance as at December 31, 2018/Year 2018		
	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Sichuan Energy Wind Power Development Co., Ltd.	Sichuan Dongshu New Materials Co., Ltd.	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Sichuan Energy Wind Power Development Co., Ltd.	Sichuan Dongshu New Materials Co., Ltd.
Book value of the equity investment in associates	501,521,321.70	377,037,984.14	138,140,317.21	503,704,505.66	284,075,003.72	40,000,000.00
Fair value of the equity investment in associates with public offer						
Operating revenue	815,776,129.94	725,884,839.32	660,091,725.29	469,127,000.80	576,174,355.46	450,448,792.96
Net profit	169,065,351.53	343,415,492.40	20,352,223.52	91,009,818.23	265,976,260.86	6,520,167.83
Net profit of discontinued operation						
Other comprehensive income						
Total comprehensive income	169,065,351.53	343,415,492.40	20,352,223.52	91,009,818.23	265,976,260.86	6,520,167.83
Dividends received from associates in the current period	84,985,968.00	9,000,000.00	50,397,276.63		17,930,062.80	

7.3.4 **Summary of financial information on insignificant joint ventures or associates**

Item	Balance as at December 31, 2019/ Year 2019	Balance as at December 31, 2018/ Year 2018
Joint ventures:		
Dongfang Electric (Xichang) Hydrogen Energy Co., Ltd.	6,797,753.04	
Total book value of investment	6,797,753.04	
Total amounts of the following items calculated at shareholding ratio		
- Net profit	197,753.04	
- Other comprehensive income		
- Total comprehensive income	197,753.04	
Associates:		
Leshan Dongle Dajian Lifting Co., Ltd.	3,414,983.64	27,460,342.75
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd.	2,022,374.97	2,001,432.70
Huadian Longkou Wind Power Co., Ltd.	69,411,440.90	59,434,514.02
Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	24,089,758.61	22,310,282.21
China United Heavy-duty Gas Turbine Technology Co., Ltd.	131,727,987.41	113,695,779.36
Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	20,507,393.99	19,844,590.30
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	43,555,480.19	39,489,167.50
Total book value of investment	294,729,419.71	284,236,108.84
Total amounts of the following items calculated at shareholding ratio		
- Net profit	19,443,310.87	17,396,142.41
- Other comprehensive income		
- Total comprehensive income	19,443,310.87	17,396,142.41

7.4 Enterprises whose shareholding ratio exceeds 50% not included in the scope of consolidation

Name of joint operation	Main place of business	Registration place	Business nature	Shareholding proportion/share (%)	
				Direct	Indirect
Dongfang Electric (Xichang) Hydrogen Energy Co., Ltd.	Xichang, Sichuan	Xichang, Sichuan	New energy technology development		66.00

Remark:

During the reporting period, DBC and Dongfang Hydrogen Energy, subsidiaries of the Company, jointly invested in establishment of Dongfang Electric (Xichang) Hydrogen Energy Co., Ltd. ("Xichang Hydrogen Energy") with Xichang State-owned Assets Management Co., Ltd. on February 28, 2019. After the capital contribution was completed, they held 50% and 16% respectively. The board of directors of Xichang Hydrogen Energy has four directors; two of them are dispatched by the Company. The relevant provisions of articles of association of Xichang Hydrogen Energy provide that, "Article 15. The company's business policy and investment plan decisions, review and approval of the board report, review and approval of the annual financial budget plan and final account plan, review and approval of the company's profit distribution plan and loss recovery plan can be adopted only when they are approved by more than two-thirds (exclusive) of the shareholders with voting rights".

"Article 16 Amendment to the company's articles of association, investment and external guarantees, mergers and divisions, profit distribution, dissolution, liquidation or change of company form may be adopted only when they are approved by all shareholders". According to the articles of association, the Company has no control over Xichang Hydrogen Energy, so Xichang Hydrogen Energy is not included in the scope of consolidation.

7.5 Equities of the structuring subjects not included in the scope of consolidated financial statements

No.

8 Risks related to financial instruments

The Company's main financial instruments include borrowings, receivables, contract assets, contract liabilities, payables, financial assets held for trading, financial liabilities held for trading, etc. For more details about financial instruments, please see Note 3 of these financial statements. Risks associated with these financial instruments, as well as the risk management policies taken by the Company to mitigate these risks are as set out below. The Company's management manages and monitors these exposures to ensure that the risks are controlled within certain limits.

8.1 Credit risk

The Company's objective in risk management is proper balance between the risks and benefits and the Company aims to reduce the negative impact of risks on the Company's results of operations to a minimum level, so that the interests of shareholders and other equity investors are maximized. Based on these risk management objectives, the basic strategy of the Company's risk management is to identify and analyze the risks faced by the Company, set appropriate bottom line for risk tolerance and conduct risk management, and timely and reliably monitor various risks to control the risks within a limited range.

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, 2019, except for the asset and liability in USD and other foreign currencies below the table, 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 currencies may affect the business performance of the Company. For foreign currency monetary assets and liabilities held by the Company on December 31, 2019, please see Note 5.76.

8.2.2 Interest rate risk

The Company's interest rate risk arises from interest-bearing debts such as bank loans and bonds payable. The financial liabilities with floating interest rate made the Company exposed to the cash flow interest rate risks, and the financial liabilities with fixed interest rate made the Company exposed to the fair value interest rate risks. The Company determines the relative proportion of fixed-rate contracts and floating-rate contracts pursuant to the prevailing market conditions. On December 31, 2019, the Company's interest-bearing debts were mainly fixed interest rate contracts valued at RMB, amounting to RMB 658,133,359.12.

The risk relating to the change in cash flows of the financial instruments due to the change in the interest rate is mainly relevant to the bank borrowings with floating rate. The policy adopt by the Company is to keep the floating rate of such borrowings to eliminate the risk in fair value relevant to the change in interest rate.

8.2.3 Other price risks

The Company sells the power generating equipment at the market price; as a result, it may be affected by the price fluctuation.

8.3 Credit risk

On December 31, 2019, the maximum exposure to credit risk which may cause financial loss of the Company was mainly from the loss from the financial asset of the Company and the financial guarantee borne by the Company due to the failure of the other party to the contract in obligation performance, including:

The book value of the financial assets identified in the consolidated balance sheet; for financial instruments measured at fair value, the book value reflects its risk exposure but is not the maximum risk exposure and its maximum exposure will vary from the future changes in the fair value.

In order to reduce the credit risk, the Company establishes the special department to determine the line of credit, conduct credit approval and execute other monitoring procedures to recover overdue debts by taking necessary measures. In addition, the Company reviews the recoverable amount of each individual on each balance sheet date to ensure that the allowance for bad debts will be provided for the money that cannot be recovered fully. Thus, the management of the Company believes that the credit risk the Company is exposed to have been greatly reduced.

As the Company's working capital is deposited with banks with high credit ratings, the working capital may have low credit risk.

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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.

The top five amounts of accounts receivable totaled RMB 1,280,514,747.70, accounting for 12.23% of the total amount of accounts receivable.

8.4 Liquidity risk

The liquidity risk refers to the risk in which the Company cannot perform its financial obligations on the due date. The method used by the Company for the management over the liquidity risk is to guarantee that there is sufficient fund liquidity to repay the due debts so as to avoid any unacceptable loss or any damage to the enterprise reputation. The Company analyzes the liability structure and term on a regular basis to ensure that the fund is sufficient. The management of the Company supervises the use of the bank borrowings to guarantee the compliance of the borrowings agreement; meanwhile, it actively communicates with financial institutions to have enough line of credit and reduce the liquidity risk.

As the Company has good bank credit and higher credit rating, as at December 31, 2019, 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:

Item	Within 1 year	1-2 years	2-5 years	Over 5 years	Total
Financial assets					
Including:					
monetary funds	30,479,728,679.02				30,479,728,679.02
Financial assets held for trading	1,606,664,199.35				1,606,664,199.35
Notes receivable	1,518,715,778.12				1,518,715,778.12
Accounts receivable	6,215,286,948.87				6,215,286,948.87
Accounts receivable financing	1,816,408,795.25				1,816,408,795.25
Other receivables	989,033,924.05				989,033,924.05
Total amount of financial assets	42,625,838,324.66				42,625,838,324.66
Financial liabilities					
Including:					
short-term borrowings	13,850,000.00				13,850,000.00
Financial liabilities held for trading					
Notes payable	3,650,947,932.56				3,650,947,932.56
Accounts payable	11,833,812,175.96				11,833,812,175.96
Other payables	1,770,776,404.82				1,770,776,404.82
Employee compensation payable	780,900,223.52				780,900,223.52
Non-current liabilities maturing within one year	154,232,008.74				154,232,008.74
Long-term borrowings		195,000,000.00		432,019,323.12	627,019,323.12
Long-term employee compensation payable			326,549,807.62	457,863,742.90	784,413,550.52
Total amount of financial liabilities	18,204,518,745.60	195,000,000.00	326,549,807.62	889,883,066.02	19,615,951,619.24

8.5 Sensitivity analysis

The Company uses sensitivity analysis techniques to analyze the possible effects of reasonable and potential changes of risk variables on the current profit and loss and shareholders' equity. As any risk variate hardly changes in isolation, and the pertinence existing among the variates will have significant effect on the final affected amount of the change of any risk variate, the following content is conducted on the basis of the assumption that the change of every variate is independent.

8.5.1 Sensitivity analysis on foreign exchange risk

Assumption of sensitivity analysis on foreign exchange risk: all hedges of net investment in an overseas operation and cash flow hedges are highly effective.

Based on the above assumption, under the circumstance that other variables are unchanged, the after-tax effect of the rational change in exchange rate on the current profit or loss and equity is as below:

Item	Fluctuation in foreign exchange rate	Year 2019		Year 2018	
		Impact on net profit	Effect on owners' equity	Impact on net profit	Effect on owners' equity
All foreign currencies	5% of appreciation in RMB	2,997,290.08	2,997,290.08	11,044,319.62	11,044,319.62
All foreign currencies	5% of depreciation in RMB	-2,997,290.08	-2,997,290.08	-11,044,319.62	-11,044,319.62

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 income 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 income 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	Fluctuation in interest rate	Year 2019		Year 2018	
		Impact on net profit	Impact on owners' equity	Impact on net profit	Impact on owners' equity
Borrowings with floating rate	Increase by 1%	-6,455,938.30	-6,455,938.30	-7,247,508.40	-7,247,508.40
Borrowings with floating rate	Decrease by 1%	6,455,938.30	6,455,938.30	7,247,508.40	7,247,508.40

9 Disclosure of fair value

The level of the measurement result of fair value shall subject to the lowest level which the input having great significance to the entire measurement of fair value belongs to.

Level 1 inputs refer to quoted prices (unadjusted) in active markets for identical assets or liabilities.

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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.

9.1 Fair value of assets and liabilities measured at fair value as at December 31, 2019

Item	Book value as at December 31, 2019			Total
	Measured at the fair value of level 1	Measured at the fair value of level 2	Measured at the fair value of level 3	
I. Continuous measurement at fair value				
◆ Financial assets held for trading	1,606,592,799.35		71,400.00	1,606,664,199.35
1. Financial assets measured at fair value through current profit or loss	1,606,592,799.35		71,400.00	1,606,664,199.35
(1) Debt instrument investment	493,204,821.00			493,204,821.00
(2) Equity instrument investment	554,685,342.38		71,400.00	554,756,742.38
(3) Derivative financial assets				
(4) Others	558,702,635.97			558,702,635.97
2. Financial assets designated to be measured at fair value through current profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
◆ Other creditor's right investment				
◆ Other equity instrument investment			4,889,859.48	4,889,859.48
◆ Other non-current financial assets				
1. Financial assets measured at fair value through current profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
(3) Derivative financial assets				

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Item	Book value as at December 31, 2019			Total
	Measured at the fair value of level 1	Measured at the fair value of level 2	Measured at the fair value of level 3	
2. Financial assets designated to be measured at fair value through current profit or loss				
(1) Debt instrument investment				
(2) Equity instrument investment				
Total assets measured at fair value on a going concern	1,606,592,799.35		4,961,259.48	1,611,554,058.83
◆ Financial liabilities held for trading				
Including: issued bonds held for trading				
Derivative financial liabilities				
Others				
◆ Financial liabilities designated to be measured at fair value through profit or loss				
Total liabilities measured at fair value on a going concern				
II. Measurement at fair value not on a going concern				
(I) Assets held for sale				
Total assets measured at fair value on a non-going concern				
Such as: liabilities held for sale				
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

Where there is a financial instrument traded in the active market, the Company will determine the fair value according to quoted prices in active market.

- 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 Company's fair value measurements on a going and non-going concern were at cost method unless the cost measurement is unreliable.
- 9.5 The measurement project of fair value on a going concern, the conversion between the various levels during the period, the reason for conversion and the policy of determining the conversion time**
 None.
- 9.6 Changes in valuation technology and reasons for changes occurred in current period**
 None.
- 9.7 Fair value of financial assets and financial liabilities not measured at fair value**
 None.

10 Related parties and related party transactions

10.1 Parent company of the Company

Monetary Unit: RMB '0,000

Name of parent company	Registration place	Nature of business	Registered Capital:	Shareholding ratio in the Company (%)	Voting ratio in the Company (%)
Dongfang Electric Corporation	No. 333, Shuhan Road, Jinniu District, Chengdu City, Sichuan Province	Manufacturing of generator and generator set	479,167.50	55.91	55.91

Remark: The above shareholding ratio is the ratio of the equity directly held by the parent company, and the equity ratio held by Dongfang Electric International Investment Co., Ltd., a subsidiary of the parent company, is 0.028%, calculated through non-consolidation.

10.2 Subsidiaries of the Company

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

10.3 Joint ventures and associates of the Company

See "Note 7 Equity in other entities" for details about major joint ventures and associates of the Company.

Other joint ventures or associates having balances from related party transactions with the Company in 2019 or in the prior period:

Name of joint venture or associate	Relationship with the Company
MHPS Dongfang Boiler Co. Ltd.	Joint venture
Framatome Dongfang Reactor Coolant Pumps Company Limited	Joint venture
Dongfang Electric (Xichang) Hydrogen Energy Co., Ltd.	Joint venture

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Name of joint venture or associate	Relationship with the Company
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Assocaite
Leshan Dongle Dajian Lifting Co., Ltd.	Assocaite
Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	Assocaite
Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	Assocaite
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	Assocaite
Sichuan Dongshu New Materials Co., Ltd.	Assocaite

10.4 Other related parties

Name of other related parties	Relationship with the Company
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	Subsidiaries under the state of bankruptcy and liquidation
Dongfang Electric (Hulunbeier) New Energy Co., Ltd.	Subsidiaries under the state of bankruptcy and liquidation
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	Subsidiaries under the state of bankruptcy and liquidation
Dongfang Electric (Jiuquan) New Energy Co., Ltd.	Subsidiaries under the state of bankruptcy and liquidation
Guangdong Dongfang Power Station Complete Set Equipment Company	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Electric (Yixing) MAGI Solar Power Technology 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
DEC Emei Semiconductor Material Co., Ltd.	Enterprises under the control of the final party in the previous year and currently in the state of bankruptcy and liquidation
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 Generation 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 Investment Management Co., Ltd.	Other enterprises controlled by the same parent company and ultimate controller
Emei Semiconductor Materials Research Institute	Other enterprises controlled by the same parent company and ultimate controller
Dongfang Electric 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 Electric Environment Engineering 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.	The investor having a significant impact
Germany ENV Catalyst Co., Ltd.	The investor having a significant impact

Name of other related parties	Relationship with the Company
Wuhan Boiler Group Co., Ltd.	The investor having a significant impact
Guangdong Yudean Group Co., Ltd.	The investor having a significant impact
Directors, presidents and other senior officers of the Company	Relationship with other related parties

10.5 Related-party transactions

10.5.1 Related-party transactions on purchase or sales of goods, and rendering or receipt of services

Purchase of goods/ receipt of services

Related party	Content of related-party transactions	Year 2019	Year 2018
Parent company and ultimate controller		577,400.00	271,408,006.98
Including: Dongfang Electric Corporation	Purchase of goods	577,400.00	10,413,829.98
Dongfang Electric Corporation	Acceptance of services		68,000.00
Dongfang Electric Corporation	Purchase of intangibles		208,630,260.00
Dongfang Electric Corporation	Purchase of fixed assets		52,295,917.00
Joint ventures and associates		897,109,636.09	558,866,652.71
Including: MHPS Dongfang Boiler Co., Ltd.	Purchase of goods	733,929,901.58	307,577,226.63
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Purchase of goods	163,179,734.51	251,289,426.08
Other enterprises controlled by the same parent company and ultimate controller		53,931,593.02	14,874,228.80
Including: Zhonghe Seawater Desalination Engineering Co., Ltd.	Purchase of goods		14,874,228.80
Dongfang Electric International Investment Co., Ltd.	Purchase of goods	53,595,593.02	
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	Purchase of goods	336,000.00	
The investor having a significant impact		5,580,287.89	16,755,615.28
Including: China Western Power Industrial Co., Ltd.	Purchase of goods	2,397,200.00	13,333,333.30
Guangdong Yudean Group Co., Ltd.	Purchase of goods	3,183,087.89	3,422,281.98

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Sales of goods/rendering of services

Related party	Content of related-party transactions	Year 2019	Year 2018
Parent company and ultimate controller		5,135,399.45	18,792,449.12
Including: Dongfang Electric Corporation	Provision of labor service and kinetic energy	68,597.46	17,692,635.83
Dongfang Electric Corporation	Sales of goods	5,066,801.99	1,099,813.29
Joint ventures and associates		213,360,228.76	506,237,845.90
Including: Framatome Dongfang Reactor Coolant Pumps Company Limited	Sales of goods	56,347,358.34	60,295,650.00
MHPS Dongfang Boiler Co. Ltd.	Sales of goods	57,975,159.14	
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Sales of goods	59,577,835.39	355,881.53
Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	Sales of goods	2,383,592.92	902,492.25
Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	Sales of goods	3,404,465.87	1,063,156.82
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	Sales of goods	33,671,817.10	443,620,665.30
Other enterprises controlled by the same parent company and ultimate controller		14,068,491.14	157,627,665.29
Including: Zhonghe Seawater Desalination Engineering Co., Ltd.	Sales of goods	4,722,086.47	120,716,503.54
Zhonghe Seawater Desalination Engineering Co., Ltd.	Provision of labor service and kinetic energy	1,336,806.11	
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	Sales of goods		30,047,277.03
Dongfang	Provision of	5,429,593.60	

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Related party	Content of related-party transactions	Year 2019	Year 2018
Huansheng Photovoltaic (Jiangsu) Co., Ltd.	labor service and kinetic energy		
Guangdong Dongfang Power Station Complete Set Equipment Company	Sales of goods		6,421,311.97
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Provision of labor service and kinetic energy		207,547.17
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Sales of goods	1,768,141.59	90,744.82
Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	Sales of goods	23,362.83	138,604.77
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	Sales of goods	1,385.84	3,034.48
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	Provision of labor service and kinetic energy		2,641.51
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	Sales of goods	2,020.36	
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	Provision of labor service and kinetic energy	698,113.20	
Dongfang Electric Investment Management Co., Ltd.	Provision of labor service and kinetic energy	86,981.14	
The investor having a significant impact		2,559,021.42	1,955,806.01
Including: China Western Power Industrial Co., Ltd.	Sales of goods	2,559,021.42	1,955,806.01

10.5.2 Income and expenses of related interest

Table of interest income

Related party	Content of related-party transactions	Year 2019	Year 2018
Joint ventures and associates		2,517,535.36	2,021,735.46
Including: MHPS Dongfang Boiler Co., Ltd.	Interest income	2,517,535.36	2,021,735.46
Other enterprises controlled by the same parent company and		27,995,092.56	29,123,652.50

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Related party	Content of related-party transactions	Year 2019	Year 2018
ultimate controller			
Including: Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	Interest income	20,782,907.48	20,445,165.09
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Interest income	3,075,725.89	3,697,150.13
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	Interest income	2,302,862.50	2,607,747.64
Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	Interest income	1,543,962.26	1,901,639.15
Zhonghe Seawater Desalination Engineering Co., Ltd.	Interest income	289,634.43	471,950.49

Table of interest expenses

Related party	Content of related-party transactions	Year 2019	Year 2018
Parent company and ultimate controller			
Including: Dongfang Electric Corporation	Interest expenses	71,818,273.61	67,920,346.86
Joint ventures and associates			
Including: MHPS Dongfang Boiler Co., Ltd.	Interest expenses	16,354.34	7,494.31
Other enterprises controlled by the same parent company and ultimate controller			
Including: Dongfang Electric Investment Management Co., Ltd.	Interest expenses	3,587,295.36	1,423,036.01
Chengdu Dongfang Electric Environment Engineering Co., Ltd.	Interest expenses	2,364,103.94	773,922.38
DEC (Chengdu) Sharing Service Co., Ltd.	Interest expenses	219,249.57	207,328.17
Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	Interest expenses	76,712.56	151,314.64
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	Interest expenses	48,401.18	71,383.71
Zhonghe Seawater Desalination	Interest expenses	80,677.14	49,667.37
		38,797.34	44,878.21

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Related party	Content of related-party transactions	Year 2019	Year 2018
Engineering Co., Ltd.			
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	Interest expenses	10,971.75	16,813.08
Guangdong Dongfang Power Station Complete Set Equipment Company	Interest expenses	66,350.15	15,230.57
Emei Semiconductor Materials Research Institute	Interest expenses	368,964.80	14,396.40
Emeishan Eban High Purity Material Co., Ltd.	Interest expenses	70,108.68	
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Interest expenses	12,378.55	10,153.21
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	Interest expenses	230,547.47	3,111.17
Dongfang Electric (Yixing) MAGI Solar Power Technology Co., Ltd.	Interest expenses	19.78	43,014.08
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	Interest expenses	10.47	15,262.26
Dongfang Electric (Jiuquan) New Energy Co., Ltd.	Interest expenses	1.41	5,286.31
Dongfang Electric (Hulunbeier) New Energy Co., Ltd.	Interest expenses	0.52	1,274.40
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	Interest expenses	0.04	0.04
DEC Emei Semiconductor Material Co., Ltd.	Interest expenses	0.01	0.01

10.5.3 Related-party lease

The Company as the lessor

Name of lessee	Type of leased assets	Lease revenue recognized in 2019	Lease revenue recognized in 2018
Guangdong Yudean Group Co., Ltd.	Yard	83,034.86	74,800.00
Dongfang Electric Corporation	House or workshop	362,317.69	

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Name of lessee	Type of leased assets	Lease revenue recognized in 2019	Lease revenue recognized in 2018
Guangdong Yudean Group Co., Ltd.	Yard	83,034.86	74,800.00
Zhonghe Seawater Desalination Engineering Co., Ltd.	House	144,198.33	

The Company as the lessee

Name of lessor	Type of leased assets	Rental fees recognized in current period	Rental fees recognized in prior period
Dongfang Electric Corporation	Houses and buildings	117,111,862.38	74,253,942.89
Dongfang Electric Corporation	Machinery equipment	410,256.41	

Remarks on related-party lease: upon deliberation at the 9th meeting of the 9th board of directors, the Company and some subsidiaries signed four framework agreements such as the "2019-2021 Agreement on Continuous Related Transaction" with Dongfang Electric Corporation. According to the *2019-2021 Framework Agreement on Property and Equipment Lessee*, since January 1, 2019, the Company continued to lease property facilities such as the office buildings of Dongfang Electric Corporation, with the lease period of 3 years and the rent standards determined according to market principles.

10.5.4 Related party guarantee

The Company as the guarantor:

Monetary unit: RMB '0,000

The guaranteed	Guarantee amount	Commencement date of guarantee	Expiration date of guarantee	Whether or not the guarantee performance has been completed
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	2,450.00	2016/9/22	2025/4/30	No
Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	1,600.00	2016/1/19	2026/1/19	No
Inner	1,600.00	2016/6/29	2026/6/29	No

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Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.				
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	3,600.00	2016/10/27	2026/10/27	No

10.5.5 Related-party letter of guarantee ("L/G")

Monetary unit: RMB '0,000

Name of related party	L/G amount	Commencement date of L/G	Expiration date of L/G	Whether or not the L/G performance has been completed
MHPS Dongfang Boiler Co. Ltd.	1,964.32	2019/5/30	2020/9/15	No

10.5.6 Loans from and to related parties

Related party	Lending amount	Commencement date	Expiration date
Loan to			
MHPS Dongfang Boiler Co. Ltd.	10,000,000.00	2018/7/4	2019/7/3
MHPS Dongfang Boiler Co. Ltd.	10,000,000.00	2019/7/25	2020/7/24
MHPS Dongfang Boiler Co. Ltd.	20,000,000.00	2018/9/19	2019/9/18
MHPS Dongfang Boiler Co. Ltd.	20,000,000.00	2019/9/25	2020/9/24
MHPS Dongfang Boiler Co. Ltd.	20,000,000.00	2018/12/12	2019/12/11
MHPS Dongfang Boiler Co. Ltd.	20,000,000.00	2019/8/29	2020/8/28
MHPS Dongfang Boiler Co. Ltd.	15,000,000.00	2019/10/30	2020/10/29
MHPS Dongfang Boiler Co. Ltd.	15,000,000.00	2019/11/28	2020/11/27
Zhonghe Seawater Desalination	10,000,000.00	2017/7/21	2019/7/20

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Related party	Lending amount	Commencement date	Expiration date
Engineering Co., Ltd.			
Zhonghe Seawater Desalination Engineering Co., Ltd.	5,000,000.00	2019/9/6	2020/9/5
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	48,500,000.00	2012/8/22	2025/12/25
Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	29,000,000.00	2014/4/21	2023/4/21
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	42,500,000.00	2012/9/21	2023/1/21
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	19,500,000.00	2015/6/16	2025/6/15
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	265,000,000.00	2016/2/26	2019/2/25
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	235,000,000.00	2016/2/26	2019/2/25
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	200,000,000.00	2019/1/29	2019/6/13
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	125,000,000.00	2019/3/14	2019/8/28
Dongfang Huansheng Photovoltaic	125,000,000.00	2019/3/8	2019/8/28

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Related party	Lending amount	Commencement date	Expiration date
(Jiangsu) Co., Ltd.			
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	125,000,000.00	2019/3/12	2019/8/28
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	125,000,000.00	2019/4/17	2019/8/28
Loan from			
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

10.5.7 Remuneration of key management personnel

(1) Remuneration of directors and supervisors in 2019

Item	Year 2019 (RMB 0'000)	Year 2018 (RMB 0'000)
Remuneration of key management personnel	83.77	102.35

(2) Remuneration of directors and supervisors in 2019

Item	Emoluments of director or supervisor	Salaries and subsidies	Performance salary	Contributions of retirement welfare plan	Total
Directors					
Including:					
Gu Dake	124,992.00				124,992.00
Xu Haihe	124,992.00				124,992.00
Liu Dengqing	124,992.00				124,992.00
Supervisors					
Including:					
Feng Yong		53,139.00	35,829.82	11,429.18	100,398.00
Zeng Yi		154,566.85	178,666.31	29,063.69	362,296.85
Total	374,976.00	207,705.85	214,496.13	40,492.87	837,670.85

Remark: 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. Among them, Zeng Yi's period of remuneration is from January to September, and Feng Yong's period of remuneration is from October to December.

(3) The top five employees with the highest remuneration

In 2019, the five top employees with the highest remuneration did not include directors (the same for the previous year), and the remuneration for the rest five members (five for the previous year) with the highest remuneration is as follows:

Item	Year 2019	Year 2018
Salaries and subsidies	4,808,092.28	3,202,509.84
Contributions of retirement welfare plan	179,986.40	187,482.12
Total	4,988,078.68	3,389,991.96

Among the Company's key officers (including directors), there were persons whose remuneration exceeded HKD 1 million in 2019 and 2018.

The number of the employees with the highest remuneration is classified as below according to the type of remuneration group (by the number of people):

Item	Year 2019	Year 2018
HKD 0 to 1 million		5
HKD 1 million to 1.5 million	5	
Total	5	5

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10.6 Receivables from and payables to related parties

10.6.1 Receivables

Item name	Related party	Balance as at December 31, 2019		Balance as at December 31, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable		1,038,339,210.46	920,415,718.53	1,019,560,885.82	861,046,268.81
	Parent company and ultimate controller	1,493,234.91	76,760.25	19,268,542.34	16,677,186.34
	Including: Dongfang Electric Corporation	1,493,234.91	76,760.25	19,268,542.34	16,677,186.34
	Joint ventures and associates	53,480,741.66	4,235,042.01	21,774,388.30	1,289,690.92
	Including: MHPS Dongfang Boiler Co. Ltd.	48,119,956.59	2,574,974.75	19,842,628.90	1,150,456.45
	Framatome Dongfang Reactor Coolant Pumps Company Limited	94,770.00	94,770.00	1,931,759.40	139,234.47
	Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	2,693,460.00	538,692.00		
	Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	2,565,650.00	1,026,260.00		
	Sichuan Dongshu New Materials Co., Ltd.	6,905.07	345.26		
	Other enterprises controlled by the same parent company and ultimate controller	978,835,979.55	912,027,587.37	977,702,395.04	843,061,176.43
	Including: Dongfang Electric (Jiuquan) New Energy Co., Ltd.	368,765,795.70	306,562,559.25	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	207,174,794.98	207,174,794.98
	DEC Emei Semiconductor Material Co., Ltd.	132,743,892.39	132,743,892.39	132,743,892.39	132,743,892.39
	Dongfang Electric (Hulunbeier) New Energy Co., Ltd.	95,587,278.73	92,995,530.38	95,587,278.73	71,227,331.12
	Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	83,889,219.56	83,889,219.56	83,889,219.56	83,889,219.56
	Zhonghe Seawater Desalination Engineering Co., Ltd.	80,513,951.18	78,666,236.10	74,212,619.48	29,656,789.09
	Guangdong Dongfang Power Station Complete Set Equipment Company	7,797,978.89	7,632,286.59	12,342,995.33	12,206,167.26
	Dongfang Electric (Yixing) MAGI Solar Power Technology Co., Ltd.	1,995,118.12	1,995,118.12	1,997,448.87	1,997,448.87
	Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.			613,200.00	322,440.00
	Dongfang Electric Investment Management Co., Ltd.	367,950.00	367,950.00	367,950.00	367,950.00
	The investor having a significant impact	4,529,254.34	4,076,328.90	815,560.14	18,215.12
	Including: China Western Power Industrial Co., Ltd.	4,529,254.34	4,076,328.90	815,560.14	18,215.12

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Item name	Related party	Balance as at December 31, 2019		Balance as at December 31, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Contract assets		8,607,723.19	7,506,377.56	42,598,617.69	18,592,019.16
	Parent company and ultimate controller			3,132,475.00	3,121,490.20
	Including: Dongfang Electric Corporation			3,132,475.00	3,121,490.20
	Joint ventures and associates			10,225,172.97	511,258.64
	Including: MHPS Dongfang Boiler Co., Ltd.			10,225,172.97	511,258.64
	Other enterprises controlled by the same parent company and ultimate controller	7,575,266.82	6,577,166.82	28,098,937.17	14,826,346.86
	Including: Zhonghe Seawater Desalination Engineering Co., Ltd.	1,833,266.82	1,833,266.82	23,064,937.17	10,267,546.86
	DEC Emei Semiconductor Material Co., Ltd.	3,150,000.00	3,150,000.00	3,150,000.00	3,150,000.00
	Guangdong Dongfang Power Station Complete Set Equipment Company			1,290,000.00	1,290,000.00
	Dongfang Electric (Jiuquan) New Energy Co., Ltd.	594,000.00	594,000.00	594,000.00	118,800.00
	Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	1,998,000.00	999,900.00		
	The investor having a significant impact	1,032,456.37	929,210.74	1,142,032.55	132,923.46
	Including: China Western Power Industrial Co., Ltd.	1,032,456.37	929,210.74	1,142,032.55	132,923.46
Notes receivable		127,556,377.38		4,000,000.00	
	Joint ventures and associates	105,694,677.38			
	Including: Sichuan Dongshu New Materials Co., Ltd.	105,232,746.38			
	MHPS Dongfang Boiler Co. Ltd.	461,931.00			
	Other enterprises controlled by the same parent company and ultimate controller	21,861,700.00		4,000,000.00	
	Including: Dongfang Electric (Jiuquan) New Energy Co., Ltd.			4,000,000.00	
	Zhonghe Seawater Desalination Engineering Co., Ltd.	19,659,700.00			
	Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	2,202,000.00			
Advance to suppliers		308,475.20		55,252,149.92	
	Parent company and ultimate controller	308,475.20		193,975.20	
	Including: Dongfang Electric Corporation	308,475.20		193,975.20	
	Other enterprises controlled by the same parent company and ultimate controller			55,057,174.72	
	Including: Dongfang			55,057,174.72	

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Item name	Related party	Balance as at December 31, 2019		Balance as at December 31, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	Electric International Investment Co., Ltd.			1,000.00	
	The investor having a significant impact				
	Including: China Western Power Industrial Co., Ltd.			1,000.00	
Other receivables		928,950,215.22	928,950,215.22	934,610,202.50	924,271,429.72
	Parent company and ultimate controller			744,953.42	279,633.45
	Including: Dongfang Electric Corporation			744,953.42	279,633.45
	Other enterprises controlled by the same parent company and ultimate controller	928,733,667.22	928,733,667.22	929,647,957.81	923,570,067.14
	Including: Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	13,546,631.61	13,546,631.61	13,685,648.50	8,059,663.33
	Dongfang Electric (Jiuquan) Solar Power Co., Ltd.			324,738.93	150,150.33
	Emei Semiconductor Materials Research Institute			260,849.86	91,509.13
	Zhonghe Seawater Desalination Engineering Co., Ltd.			166,547.89	67,413.93
	Dongfang Electric (Yixing) MAGI Solar Power Technology Co., Ltd.			14,737.02	5,894.81
	Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.			8,400.00	8,400.00
	DEC Emei Semiconductor Material Co., Ltd.	915,187,035.61	915,187,035.61	915,187,035.61	915,187,035.61
	Joint ventures and associates	216,548.00	216,548.00	4,217,291.27	421,729.13
	Including: MHPS Dongfang Boiler Co., Ltd.			4,217,291.27	421,729.13
	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	216,548.00	216,548.00		
Entrusted loan		569,000,000.00	509,000,000.00	785,000,000.00	658,087,262.81
	Other enterprises controlled by the same parent company and ultimate controller	569,000,000.00	509,000,000.00	785,000,000.00	658,087,262.81
	Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	569,000,000.00	509,000,000.00	785,000,000.00	658,087,262.81
Disbursement of loans and advances		427,757,889.74	21,675,000.00	724,500,000.00	138,175,000.00
	Joint ventures and associates	283,257,889.74		50,000,000.00	
	MHPS Dongfang Boiler Co. Ltd.	80,000,000.00		50,000,000.00	
	Sichuan Dongshu New Materials Co., Ltd.	203,257,889.74			
	Other enterprises controlled by the	144,500,000.00	21,675,000.00	674,500,000.00	138,175,000.00

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Item name	Related party	Balance as at December 31, 2019		Balance as at December 31, 2018	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	same parent company and ultimate controller				
	Including: Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	48,500,000.00	7,275,000.00	56,500,000.00	8,475,000.00
	Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.			500,000,000.00	112,000,000.00
	Zhonghe Seawater Desalination Engineering Co., Ltd.	5,000,000.00	750,000.00	10,000,000.00	1,500,000.00
	Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	29,000,000.00	4,350,000.00	39,000,000.00	5,850,000.00
	Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	62,000,000.00	9,300,000.00	69,000,000.00	10,350,000.00
Discounted assets		19,323,364.89			
	Joint ventures and associates	19,323,364.89			
	MHPS Dongfang Boiler Co. Ltd.	6,230,000.00			
	Sichuan Dongshu New Materials Co., Ltd.	13,093,364.89			

10.6.2 Payables

Item name	Related party	Book balance as at December 31, 2019	Book balance as at December 31, 2018
Accounts payable		564,228,169.06	184,860,527.72
	Parent company and ultimate controller	2,193,412.82	7,921,500.00
	Including: Dongfang Electric Corporation	2,193,412.82	7,921,500.00
	Joint ventures and associates	425,854,975.04	73,046,849.18
	Including: MHPS Dongfang Boiler Co., Ltd.	326,351,167.44	65,870,038.75
	Sichuan Dongshu New Materials Co., Ltd.	48,811,870.85	
	Framatome Dongfang Reactor Coolant Pumps Company Limited	24,961.50	9,331.00
	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	50,574,575.47	7,005,367.92
	Leshan Dongle Dajian Lifting Co., Ltd.	92,399.78	162,111.51

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Item name	Related party	Book balance as at December 31, 2019	Book balance as at December 31, 2018
	Other enterprises controlled by the same parent company and ultimate controller		
		135,999,747.01	88,813,171.31
	Dongfang Electric (Hulunbeier) New Energy Co., Ltd.	6,985,974.14	35,814,916.43
	Dongfang Electric (Jiuquan) New Energy Co., Ltd.	33,227,649.08	33,227,649.08
	Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	91,065,628.69	13,962,185.60
	Zhonghe Seawater Desalination Engineering Co., Ltd.	4,670,007.10	5,729,932.20
	Dongfang Electric (Yixing) MAGI Solar Power Technology Co., Ltd.	50,488.00	78,488.00
	The investor having a significant impact	180,034.19	15,079,007.23
	Including: China Western Power Industrial Co., Ltd.	180,034.19	14,797,599.63
	Guangdong Yudean Group Co., Ltd.		281,407.60
Other payables		772,345,162.93	1,060,512,947.78
	Parent company and ultimate controller	714,344,452.98	1,002,512,371.23
	Including: Dongfang Electric Corporation	714,344,452.98	1,002,512,371.23
	Joint ventures and associates	5,862,983.00	5,862,983.00
	Including: MHPS Dongfang Boiler Co., Ltd.	200,000.00	200,000.00
	Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	1,809,461.00	1,809,461.00
	Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	3,853,522.00	3,853,522.00
	Other enterprises controlled by the same parent company and	46,229,116.63	46,228,983.23

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Item name	Related party	Book balance as at December 31, 2019	Book balance as at December 31, 2018
	ultimate controller		
	Including: Dongfang Electric (Jiuquan) New Energy Co., Ltd.	28,975,720.77	28,975,587.37
	Dongfang Electric (Hulunbeier) New Energy Co., Ltd.	2,591,748.35	2,591,748.35
	Guangdong Dongfang Power Station Complete Set Equipment Company	200,000.00	200,000.00
	Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	14,461,647.51	14,461,647.51
	The investor having a significant impact	5,908,610.32	5,908,610.32
	Including: Wuhan Boiler Group Co., Ltd.	5,908,610.32	5,908,610.32
Contract liabilities		164,871,990.18	207,652,648.22
	Parent company and ultimate controller		250,800.00
	Including: Dongfang Electric Corporation		250,800.00
	Joint ventures and associates	163,789,780.18	207,015,031.44
	Including: Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	76,706,452.01	77,481,934.19
	Framatome Dongfang Reactor Coolant Pumps Company Limited	58,763,618.08	68,210,534.21
	MHPS Dongfang Boiler Co. Ltd.	3,579,726.40	6,002,881.33
	Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	3,343,118.06	5,293,568.08
	Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	8,486,255.65	11,890,721.52
	Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	12,910,609.98	38,135,392.11
	Other enterprises	1,082,210.00	386,816.78

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Item name	Related party	Book balance as at December 31, 2019	Book balance as at December 31, 2018
	controlled by the same parent company and ultimate controller		
	Including: Guangdong Dongfang Power Station Complete Set Equipment Company	533,843.20	386,816.78
	Zhonghe Seawater Desalination Engineering Co., Ltd.	490,000.00	
	Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	4,310.00	
	Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	54,056.80	
Interest payable		36,850,354.54	57,333,285.60
	Parent company and ultimate controller	35,759,875.29	56,650,079.02
	Including: Dongfang Electric Corporation	35,759,875.29	56,650,079.02
	Other enterprises controlled by the same parent company and ultimate controller	1,090,479.25	683,206.58
	Dongfang Electric Investment Management Co., Ltd.	607,167.37	171,347.23
	Emei Semiconductor Materials Research Institute	420,749.37	511,859.35
	Chengdu Dongfang Electric Environment Engineering Co., Ltd.	4,062.50	
	DEC (Chengdu) Sharing Service Co., Ltd.	58,500.01	
Dividends payable		20,210,186.44	31,221,927.92
	Other enterprises controlled by the same parent company and ultimate controller	20,210,186.44	31,221,927.92
	Dongfang Electric Investment	20,210,186.44	31,221,927.92

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Item name	Related party	Book balance as at December 31, 2019	Book balance as at December 31, 2018
	Management Co., Ltd.		
Non-current liabilities maturing within one year		17,100,000.00	
	Parent company and ultimate controller	17,100,000.00	
	Including: Dongfang Electric Corporation	17,100,000.00	
Long-term borrowings			17,100,000.00
	Parent company and ultimate controller		17,100,000.00
	Including: Dongfang Electric Corporation		17,100,000.00

10.6.3 Monetary funds absorbed from related parties

Name of related party	Currency type	Amount as at December 31, 2019 (original currency)	Amount as at December 31, 2018 (original currency)	Amount as at December 31, 2019 (Converted into RMB)	Amount as at December 31, 2018 (Converted into RMB)
Parent company and ultimate controller				4,576,328,382.34	4,169,352,093.57
Including: Dongfang Electric Corporation	RMB	4,392,429,817.16	4,070,387,003.41	4,392,429,817.16	4,070,387,003.41
Dongfang Electric Corporation	USD	26,360,850.42	15,095,807.24	183,898,564.70	98,639,023.68
Dongfang Electric Corporation	YEN	1.00	4,875,257.85	0.06	282,194.55
Dongfang Electric Corporation	EUR		5,622.90		43,871.54
Dongfang Electric Corporation	HKD	0.47	0.47	0.42	0.39
Joint ventures and associates				84,186,116.52	
Sichuan Dongshu New Materials Co., Ltd.	RMB	83,994,774.43		83,994,774.43	
MHPS Dongfang Boiler Co. Ltd.	RMB	191,342.09		191,342.09	
Other enterprises controlled by the same parent company and ultimate controller				249,560,056.61	156,710,392.33

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Name of related party	Currency type	Amount as at December 31, 2019 (original currency)	Amount as at December 31, 2018 (original currency)	Amount as at December 31, 2019 (Converted into RMB)	Amount as at December 31, 2018 (Converted into RMB)
Including: Dongfang Electric Investment Management Co., Ltd.	RMB	137,220,689.23	41,968,046.99	137,220,689.23	41,968,046.99
Emei Semiconductor Materials Research Institute	RMB	44,452,279.43	23,641,759.92	44,452,279.43	23,641,759.92
Emeishan Eban High Purity Material Co., Ltd.	RMB	19,337,599.15		19,337,599.15	
Chengdu Dongfang Electric Environment Engineering Co., Ltd.	RMB	15,465,476.23	14,892,973.48	15,465,476.23	14,892,973.48
DEC (Chengdu) Sharing Service Co., Ltd.	RMB	11,519,686.81	9,312,102.22	11,519,686.81	9,312,102.22
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	RMB	6,904,686.00	1,051,476.76	6,904,686.00	1,051,476.76
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	RMB	5,423,799.30		5,423,799.30	
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	RMB	4,253,348.92	11,499,381.03	4,253,348.92	11,499,381.03
Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	RMB	2,694,064.96	5,919,293.94	2,694,064.96	5,919,293.94
Zhonghe Seawater Desalination Engineering Co., Ltd.	RMB	1,445,368.19	48,425,357.99	1,445,368.19	48,425,357.99
Guangdong Dongfang Power Station Complete Set Equipment Company	RMB	842,834.81		842,834.81	
Dongfang Electric (Hulunbeier) New Energy Co., Ltd.	RMB	134.02		134.02	

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Name of related party	Currency type	Amount as at December 31, 2019 (original currency)	Amount as at December 31, 2018 (original currency)	Amount as at December 31, 2019 (Converted into RMB)	Amount as at December 31, 2018 (Converted into RMB)
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	RMB	10.47		10.47	
DEC Emei Semiconductor Material Co., Ltd.	RMB	1.74		1.74	
Dongfang Electric (Jiuquan) New Energy Co., Ltd.	RMB	1.41		1.41	
Dongfang Electric (Yixing) MAGI Solar Power Technology Co., Ltd.	RMB	0.58		0.58	
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	RMB	15.18		15.18	
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	EUR	7.7		60.18	

10.7 Other related-party transactions

In 2019, Dongfang Electric Corporation increased capital to Sichuan Dongshu New Materials Co., Ltd. with a monetary capital of RMB 150 million. After the capital increase was completed, the shareholding of the Company's subsidiary Dongfang Turbine Co., Ltd. in Sichuan Dongshu New Materials Co., Ltd. fell from 100% to 47.54%. After the completion of the transaction, Sichuan Dongshu New Materials Co., Ltd. is no longer under the control of the Company, which constitutes a related transaction.

11. Share-based payment

11.1 General information of share-based payment

Total amount of all equity instruments granted by the Company in 2019: RMB 27,988,699 (shares).

Total amount of all equity instruments exercised by the Company in current period: none.
Total amount of all invalid equity instruments of the Company in current period: none.

Range of exercise price of restricted stock by the Company as at December 31, 2019 and the remaining contractual period: RMB 5.93 per share, and exercise period of 48 months.

Range of exercise price of other equity instruments of the Company as at December 31, 2019 and the remaining contractual period: none.

The amortization amount of share-based payment expenses incurred in 2019 was RMB 3,098,647.01.

11.2 Equity-settled share-based payment

Upon deliberation and approval at the Company's first extraordinary general meeting in 2019, the first A-share shareholders' meeting in 2019, the first H-share general meeting in 2019, and the 19th meeting of the 9th board of directors in 2019, the Company implemented the *2019 Incentive Plan for A-Share Restricted Stocks of Dongfang Electric Corporation Limited* as of November 22, 2019, and the incentive objects granted are up to 800 persons, including some executives and middle-level management personnel and business backbones; The source of the stocks was private placement; the grant price was RMB 5.93 per share; the quantity of RMB common stocks (A-share) granted was 30 million shares, with the par value of RMB 1 per share. 29 million shares were granted for the first time, while 1 million shares were reserved for grant. Some incentive objects gave up subscription for personal reasons. The actual quantity of stocks granted was adjusted from 29 million shares to 27,988,699 shares, and the number of incentive objects was adjusted from 800 to 780. The restricted equity granted this time is locked up immediately after the grant, and the restricted stock granted to incentive objects cannot be transferred or repaid for debts during the lock-up period. The restricted stock incentive plan granted this time is as follows:

1. Grant date: November 22, 2019.
2. Quantity of grant: 27,988,699 shares.
3. Number of incentive objects: 780.
4. Grant price: RMB 5.93 / share.
5. Source of stocks: The Company will issue A-share common stocks to incentive objects.
6. Validity period, period of restricted sales and arrangements for lifting restricted sales:
 - (1) The valid period of this incentive plan is from the day when the registration of the restricted stocks granted for the first time is completed to the date when the sales restrictions, purchase or cancellation on all the restricted stocks granted to incentive objects are lifted, with a maximum of 72 months.
 - (2) The periods of restricted sales granted in this incentive plan are respectively 24 months, 36 months or 48 months from the date when the registration of the restricted stocks corresponding to the granted part is completed. The restricted stocks granted by incentive objects under this incentive plan shall not be transferred, used to guarantee or repay for debts before the sales restrictions are lifted. After the period of restricted sales expires, the Company handles the lifting of restricted sales for the incentive objects eligible for lifting the restricted sales. Restricted stocks held by the incentive objects not eligible for lifting the restricted sales will be repurchased and cancelled by the Company.
 - (3) The time of lifting restricted sales of the restricted stocks granted for the first time and reserved for grant under the incentive plan and the time of lifting restricted sales in various periods are shown in the table below:

Unlocking period	Time of unlocking	Proportion of unlocking
The first unlocking period for the first time and reserved	From the first trading day after 24 months from the completion of registration of restricted stocks of the corresponding part to the last trading day within 36 months from the completion of registration of restricted stocks of the corresponding part	1/3
The second unlocking period for the first time and reserved	From the first trading day after 36 months from the completion of registration of restricted stocks of the corresponding part to the last trading day within 48 months from the completion of	1/3

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Unlocking period	Time of unlocking	Proportion of unlocking
	registration of restricted stocks of the corresponding part	
The third unlocking period for the first time and reserved	From the first trading day after 48 months from the completion of registration of restricted stocks of the corresponding part to the last trading day within 60 months from the completion of registration of restricted stocks of the corresponding part	1/3

The Company will repurchase and cancel the restricted stocks in principles stipulated in the incentive plans, provided that the restricted sales for restricted stocks cannot be lifted within the above-mentioned agreed period. The restricted stocks obtained by incentive objects, are restricted for sales together with the shares obtained from conversion of capital reserves into share capital, stock dividends or stock split, may not be sold in the secondary market or transferred otherwise. The unlocking period of such shares is the same as that of restricted stocks. If the Company repurchases restricted stocks that have not been lifted, the stocks will be repurchased and cancelled together.

- (4) The incentive objects entitled to unlock restricted stocks, when trying to unlock and sell the restricted stocks granted to them, shall not only meet the relevant requirements consistent with the granting conditions, but also meet the following conditions:

1) The Company's performance assessment requirements

Restricted shares firstly granted under the incentive plan shall be assessed and unlock by year in the three fiscal years from 2020 to 2022 to achieve the Company's performance assessment objectives, so as to satisfy the unlocking condition for the incentive objects.

Unlocking period	Performance assessment objectives
The first unlocking period	(1) The compound growth rate of net profit in 2020, calculated based on the net profit in 2018, is not less than 10% as well as the peer industry's performance average; (2) The ROE in 2020 is not less than 4% as well as the peer industry's performance average; (3) The Δ EVA in 2020 is positive.
The second unlocking period	(1) The compound growth rate of net profit in 2021, calculated based on the net profit in 2018, is not less than 10% as well as the peer industry's performance average; (2) The ROE in 2021 is not less than 4.5% as well as the peer industry's performance average; (3) The Δ EVA in 2021 is positive.
The third unlocking period	(1) The compound growth rate of net profit in 2022, calculated based on the net profit in 2018, is not less than 10% as well as the peer industry's performance average; (2) The ROE in 2022 is not less than 5% as well as the peer industry's performance average; (3) The Δ EVA in 2022 is positive.

To unlock the restricted stock granted to the incentive objects, it is required to simultaneously meet the Company's performance assessment conditions stated in the incentive plans for restricted stocks and the individual performance assessment conditions specified for the incentive objects. If the restricted shares fail to meet the unlocking conditions during the unlocking period, the Company will repurchase and cancel the shares at the agreed repurchase price of RMB 5.93/share.

On the grant date, the total subscription amount received from the incentive

objects by the Company is RMB 165,972,988.00 in total, and all of them are included in the capital reserves on the balance sheet date. The share registration was completed on January 7, 2020, and the increased share capital of RMB 165,972,988.00 was included in the capital reserves (share premium). At the same time, in respect of the Company's repurchase obligation to the restricted shares, the Company recognizes the treasury shares and other payables respectively according to the agreed repurchase price of RMB 5.93/share and the number of 27,988,699.00 issued restricted shares.

On December 31, 2019, the company made a best estimate on the number of unlockable equity instruments according to the number of newly entitled incentive objects, the Company's performance requirements, and the incentive objects' individual performance assessment results. On this basis, the services received in 2019 (with the share-based payment expenses amortized) were included in the relevant general and administrative expenses at the fair value on the income date of equity instruments, and included in the capital reserves accordingly.

Total expenses recognized for equity-settled share-based payment in 2019: RMB 3,098,647.01.

11.3 Adjustment to and termination of share-based payment

None.

12 Commitments and contingencies

12.1 Significant commitments

12.1.1 Significant commitments existed on the balance sheet date

(1) The Company's commitment on capital expenditure as at December 31, 2019

A commitment on capital expenditure which has been signed and yet confirmed in the financial statements

Item	Monetary Unit: RMB '0,000	
	Amount as at December 31, 2019	Amount as at December 31, 2018
Capital construction	12,416.57	13,933.45
Equipment	12,559.94	42,762.25
Total	24,976.51	56,695.70

As at December 31, 2019, the total agreed significant foreign investment expenditures of the Company with contract on which has not been paid amounted to RMB 51,207,600. The details are as follows:

Commitment unit	Name of investment project	Contracted investment amount	Investment amount paid	Investment amount unpaid	Expected investment period
The Company and its subsidiaries	Capital construction	4,420.55	1,460.76	2,959.79	2020
The Company and its subsidiaries	Equipment	3,943.82	1,782.84	2,160.97	2020
Total		8,364.37	3,243.60	5,120.76	

(2) Signed lease contracts being performed or to be performed and their

financial effects

As at December 31, 2019, 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 2019
Within one year	160,655,855.87
1-2 years	175,168,573.58
2-3 years	6,678,365.93
Over 3 years	5,490,030.00
Total	347,992,825.38

12.1.2 Commitment on stock lock-up

In 2018, through issuing shares, the Company acquired eight target companies and some fixed assets and intangible assets from the parent company Dongfang Electric Corporation. Dongfang Electric Corporation promised to "take the Company's equity in Dongfang Finance, DEIC, Dongfang Autocontrol, Dongfang Hitachi and Materials Company (now renamed as " Dongfang Electric Corporation Materials Co." or shortly as "Dongfang Materials"), DECPROJECT Cargo Logistics Co., Ltd, Qingneng Technologies (now renamed as "Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd.") and Intelligent Technologies (now renamed as "Science and Technology Institute Co., Ltd. of Dongfang Electric Corporation"), as well as the Dongfang Electric's shares acquired through some intangible assets such as equipment assets and intellectual property rights owned by Dongfang Electric Corporation. Such shares shall not be transferred in any way (including but not limited to public transfer, block trade or agreement transfer through the securities market, as well as repurchase by Dongfang Electric, except for repurchased by Dongfang Electric due to the performance of profit compensation responsibility) within 36 months from such shares' listing date. After the completion of this transaction, if the closing price of Dongfang Electric shares for 20 consecutive trading days is lower than the issue price of this transaction within 6 months from the listing of new shares in this transaction, or if the closing price on December 31, 2018 is lower than the issue price of this transaction within 6 months after the completion of this transaction, the lockup period of Dongfang Electric shares obtained in this transaction will be automatically extended for 6 months from the original lockup period. The shares of the listed company directly and indirectly held by the Company before this transaction shall not be transferred within 12 months after the completion of this transaction (since the listing of new shares in this transaction). During the above-mentioned trading-restricted period, the Company's Dongfang Electric shares increased due to Dongfang Electric's bonus share, share capital conversion and other reasons shall also be locked according to the commitments for the above-mentioned lockup period. "

12.1.3 Commitment to compensation for the "Rainbow Project" profit forecast

On August 31, 2017, Dongfang Electric and Dongfang Electric Corporation signed the *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 the completion of the transaction and the following two fiscal years, namely 2018, 2019 and 2020.

For the relevant performance commitment and results, please refer to *the Special Statement on the Profit Forecast Realization Result Involved in the Related Transactions of Issuing Shares to Purchase Assets by Dongfang Electric Corporation Limited*, and *the Impairment Test Report on Underlying Assets Involved in the Related Transactions of Issuing Shares to Purchase Assets by Dongfang Electric Corporation Limited*.

(2) Compensation arrangement

For the 100% equity of DEIC, one of the underlying assets of the transaction, the appraisal institution uses the income method to evaluate the underlying assets and adopts the same as the pricing reference. According to *the Restructuring Management Measures* and the relevant provisions of the China Securities Regulatory Commission, the asset appraisal institution adopts the income method, hypothetical development method and other valuation methods based on future income expectations to evaluate the assets to be purchased and uses the same as the 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 and 2019 (If the share issue and asset purchase failed to be completed before December 31, 2017, the profit compensation period of Dongfang Electric Corporation would be postponed accordingly). Since the final transaction was completed on March 31, 2018, DEIC promised that the profit realization period will be 2018, 2019 and 2020.

Dongfang Electric Corporation promises that the sum of the actual net profits of DEIC in the profit compensation period and those in the previous one or two fiscal years will not be lower than the sum of the estimated net profits attributable to owners of the parent company after deduction of non-recurring profit or loss in the current year and those in the previous one or two fiscal years within the profit compensation period as stated in the asset assessment report, and the final accumulated net profits of the commitment shall be subject to amount of the compensation of DEIC within the profit compensation period as stated in the asset assessment report filed by the State-owned Assets Supervision and Administration Commission of the State Council. The specific compensation method is stipulated in the Supplementary Agreement of the Profit Forecast Compensation Agreement by Dongfang Electric Corporation 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 shall hire an accounting firm with securities qualification to conduct impairment test on DEIC and issue a special audit report. If the impairment amount of DEIC is greater than the sum of the amount of the total number of the shares compensated through the method of shares within the profit compensation period multiplied this issue price and the amount of cash compensation, then the counterparty needs to make compensations separately. If the A-shares of a listed company subscribed for with 100% equity of DEIC are insufficient to compensate, the counterparty shall compensate the listed company with cash. Both parties to the transaction confirm that the total amount of profit compensation and impairment test compensation will not exceed the transaction amount of 100% equity of DEIC.

For the patents, proprietary technologies and software products and trademark rights of Dongfang Autocontrol, the patents, proprietary technologies and copyright and trademark rights of Dongfang Hitachi, and the trademark rights of Bairui of Dongfang Materials, the appraisal institution adopted the income method for evaluation and used the same as pricing reference. Dongfang Electric Corporation undertakes that in the year after the completion of this transaction and the two subsequent fiscal years (i.e., the profit compensation period), the sum of the actual net profits from the patents, proprietary technologies and software products and trademark rights of Dongfang Autocontrol, the patents, proprietary technologies, copyrights and trademark rights of Dongfang Hitachi, the trademark right of Bairui of Dongfang Materials in the year and those in the previous one or two accounting years within the profit compensation period will not be less than the sum of the estimated net profits from the patents, proprietary technologies and software products and trademark rights of Dongfang Autocontrol, the patents, proprietary technologies, copyrights and trademark rights of Dongfang Hitachi, the trademark right of Bairui of DECMC in the year and those in the previous one or two accounting years within the profit compensation period as stated in the Assets Appraisal Report. The amount of the final promised net profits is determined based on the estimated net profits from patents, proprietary technologies and software products and trademark rights of Dongfang Autocontrol, the patents, proprietary technologies and copyrights and trademark rights of Dongfang Hitachi and the trademark rights of Bairui of Dongfang Materials within the profit compensation period as stated in the Asset Appraisal Report filed by the State-owned Assets Supervision and Administration Commission of the State Council. If, during the profit compensation period, the accumulated net profits from the patents, proprietary technologies and software products and trademark rights of Dongfang Autocontrol, the patents, proprietary technologies, copyrights and trademark rights from Dongfang Hitachi, and the trademark right of Bairui of Dongfang Materials are less than the accumulated net profits promised, compensation shall be made to the asset purchaser for the insufficient section. The specific compensation methods are agreed between Dongfang Electric Corporation and Dongfang Electric in accordance with *the Restructuring Management Measures* and other relevant provisions in *the Supplementary Agreement to the Profit Forecast Compensation Agreement*.

For 95% of the equity of DECFC, one of the underlying assets of this transaction, the appraisal institution adopts the market method to evaluate the underlying asset and uses the same as the pricing reference. The listed company will hire an accounting firm with securities business qualification to conduct an impairment test on DECFC and issue a special auditors' report during the impairment test of each annual audit period (the impairment test period is the same as the profit compensation period as agreed in the Profit Forecast Compensation Agreement). If the amount of impairment of DECFC at the end of the period is greater than the amount of "total number of shares actually compensated by shares during the impairment test period multiplied by current issue price and then plus the amount of cash compensation", the counterparty of the transaction shall compensate the listed company with A shares.

If the A-shares of a listed company subscribed by the counterparty with 95% equity of DECFC are insufficient to compensate, the counterparty shall compensate the listed company with cash. Both parties to the transaction confirm that the total amount of share compensation and cash compensation does not exceed the transaction amount of 95% equity of DECFC. The aforementioned impairment amount is 95% of the pricing of DECFC minus 95% of the valuation of DECFC at the end of the period after deducting the impact of shareholder capital increase, capital reduction, donation received and profit distribution of DECFC during the profit compensation period.

Regarding the profits realized during the above performance commitment period, BDO CHINA Shu Lun Pan Certified Public Accountants LLP has audited and issued a special auditors' report. After audit, the relevant profit commitments were completed in 2018 and cumulatively to 2019.

(3) Payment arrangements for specific accounts receivable and estimated liabilities

The overseas business of DEIC is mainly in Southeast Asia. The relevant regional policies and market conditions are relatively complex with certain uncertainties. Therefore, a number of accounts receivable and estimated liabilities are generated during the historical operation of DEIC. For the purpose of ensuring the equity of the listed company would not be subject to the above influences and giving consideration to the uncertainty of reducing state-owned equity, in the process of reorganization, in addition to provision for bad debts of accounts receivable and estimated liabilities accrued in accordance with the normal judgment of the audit agency, *the Supplementary Agreement to the Agreement on the Issuance of Shares to Purchase Assets* signed by the listed company and Dongfang Electric Corporation reached corresponding agreements on specific accounts receivable and estimated liabilities of DEIC. (Please refer to *the Report of Dongfang Electric Corporation Limited on Share Issue to Purchase Assets and the Implementation of Reconstructing of Related Transactions and the Announcement on the Listing of Shares* issued on June 14, 2018 for details. Up to now, the specific estimated accounts receivable and estimated liabilities have not yet reached the overall settlement conditions.

12.1.4 In addition to the above-mentioned events, the Company has no other significant commitments needing to be disclosed.

12.2 Contingencies

12.2.1 Significant contingencies existing on balance sheet date

See Note 7 Equity in other entities for details of relevant contingent liabilities of joint ventures or associates.

(1) Unsettled letter of guarantee

As at December 31, 2019, the information on the letter of guarantee opened by the Company is as follows

Entity name	Business type	Currency	Balance as at December 31, 2019
Dongfang Electric Corporation Limited (Parent Company)	Letter of guarantee	RMB	9,325,816,793.39
Dongfang Electric Corporation Limited (Parent Company)	Letter of guarantee	EUR	765,141,663.34
Dongfang Electric Corporation Limited (Parent Company)	Letter of guarantee	USD	140,719,329.15
Dongfang Electric Corporation Limited (Parent Company)	Letter of guarantee	RUB	11,744,180.00
DongFang Boiler (Group) Co.,Ltd.	Letter of guarantee	USD	1,089,651,110.52
DongFang Boiler (Group) Co.,Ltd.	Letter of guarantee	EUR	325,063.00
Dongfang Turbine Co., Ltd.	Letter of guarantee	RMB	1,287,034,023.16
Dongfang Turbine Co., Ltd.	Letter of guarantee	USD	7,810,321.60
Dongfang Electric Machinery Company Limited	Letter of guarantee	RMB	3,223,946,072.55
Dongfang Electric Machinery Company Limited	Letter of guarantee	USD	91,730,802.50
Dongfang Electric Wind Power Co., Ltd.	Letter of guarantee	RMB	1,032,147,255.94
Dongfang Electric Auto Control Engineering Co., Ltd.	Letter of guarantee	RMB	72,380,840.00
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	Letter of guarantee	RMB	17,406,671.92
Dongfang Electric International Corporation	Letter of guarantee	RMB	2,173,953,800.00

(2) Unsettled letter of credit

As at December 31, 2019, the information of the irrevocable L/C opened by the Company is as follows

Entity name	Business type	Currency	Balance as at December 31, 2019
DongFang Boiler (Group) Co.,Ltd.	Letter of credit	RMB	16,377,483.39
DongFang Boiler (Group) Co.,Ltd.	Letter of credit	USD	5,224,251.65

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Entity name	Business type	Currency	Balance as at December 31, 2019
Dongfang Turbine Co., Ltd.	Letter of credit	USD	2,170,490.21
Dongfang Turbine Co., Ltd.	Letter of credit	EUR	6,325,861.25
Dongfang Turbine Co., Ltd.	Letter of credit	JPY	102,813,000.00
Dongfang Electric Machinery Company Limited	Letter of credit	USD	1,456,461.60
Dongfang Electric Machinery Company Limited	Letter of credit	EUR	776,084.66
Dongfang Electric Machinery Company Limited	Letter of credit	JPY	352,924,000.00
Dongfang Electric Machinery Company Limited	Letter of credit	Franc	242,596.00
Dongfang Electric International Corporation	Letter of credit	RMB	295,578,400.00
Dongfang Electric Corporation Limited	Letter of credit	USD	1,427,849.34
Dongfang Electric Corporation Limited	Letter of credit	EUR	77,335,213.68
Dongfang Electric Corporation Limited	Letter of credit	JPY	1,122,786.72

(3) Provision of guarantees for other entities

As at December 31, 2019, the Company provides guarantee for other entities

Monetary Unit: RMB '0,000

No.	Guarantee entity	The guaranteed			Type of guarantee	Whether there is any counter-guarantee	Actual guarantee amount as at December 31, 2019
		Name	Nature of the enterprise	A listed company or not			
1	Dongfang Turbine Co., Ltd.	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Foreign enterprise	No	Performance guarantee	Yes	2,450.00
2	Dongfang Electric Corporation Limited	Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	State-owned	No	Pledge		1,600.00
3	Dongfang Electric Corporation Limited	Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	State-owned	No	Pledge		1,600.00
4	Dongfang Electric Corporation Limited	Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	State-owned	No	Pledge		3,600.00
	Total						9,250.00

Remarks: Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd. (hereinafter referred to as "Dongfang Mitsubishi Gas Turbine Company") intends to sign *the Agreement on Long-term Management of M701F Gas Turbine Component, Repair of Component and Technical Consulting Service* (hereinafter referred to as the Agreement on Long-term Service of Gas Turbine) with CNOOC Zhuhai Gas Power Generation Co., Ltd., Zhongshan Jiaming Electric Power Co., Ltd., CNOOC Fujian Gas Power Co., Ltd. and Guangdong Huizhou LNG Power Co., Ltd. (hereinafter collectively referred to as the "client"). The Agreement on Long-term Service of Gas Turbine involves 12 units, and the client requests the parent company of the Dongfang Mitsubishi Gas Turbine Company (Mitsubishi Hitachi Power Systems, Ltd. and the Company) to sign the Guarantee Agreement of Parent Company for providing the guarantee for the performance of Dongfang Mitsubishi Gas Turbine Company. The total guarantee amount of the long-term service agreement is RMB 50 million. The Company provides a guarantee amount of RMB 24.5 million in accordance with the shareholding ratio of the Dongfang Mitsubishi Gas Turbine Company, and Dongfang Mitsubishi Gas Turbine Company provides the same amount of counter guarantee to the Company. Guarantee period: after the expiration or termination of the Agreement on Long-term Service of Gas Turbine, the guarantee liability shall have full effect within the scope of the obligation or responsibility of the seller hereunder until the seller's obligations and responsibilities (including but not limited to the warranty obligation) hereunder or related hereto have been performed without defect.

- (4) Provision of letter of guarantee for other entities
As at December 31, 2019, the Company provides letter of guarantee for other entities.

Monetary Unit: RMB '0,000

No.	Guarantee entity	The guaranteed			Method of guarantee	Type of guarantee	Counter-guarantee style	Actual guarantee amount as at December 31, 2019
		Name	Nature of the enterprise	A listed company or not				
1	Dongfang Electric Group Finance Co., Ltd.	MHPS Dongfang Boiler Co. Ltd.	Private	No		Letter of guarantee		1,964.32

- (5) Contingent liabilities arising from pending litigation or arbitration

① Final tax of Indonesia Longwan and Pacitan 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, the final tax will be levied according to the fixed ratio of contract revenue (2%-6%); 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, DEIC, a subsidiary of the Company, signed a contract with the Indonesian State Power Corporation PLN for the construction contract (EPC) of the Longwan and Pacitan coal-fired power stations in Indonesia. The total contract amount was USD 880,235,465.00 and IDR 3,119,882,434 thousand. In accordance with the adjusted final tax policy of the Indonesian government, DEIC, as an enterprise that has not obtained the LPJK certificate, shall pay the final tax at a rate of 4%. The final tax shall be calculated according to the revenue of DEIC recognized after 2009 (The FOB part is equivalent to RMB 3.679 billion) and the tax rate of 4%. DEIC shall pay the final tax approximately RMB 147 million.

In November 2016 and December 2016, the Indonesian Taxation Court ruled two similar tax disputes of other two Chinese-funded enterprises, and determined that the final tax shall be levied for the entire revenue of the EPC contract in Indonesia at a rate of 3%. DEIC, based on the relevant judgments made by the above-mentioned Indonesia tax court, calculated the final tax payable according to the revenue of Indonesia Longwan and Pacitan projects after January 1, 2009 and at the rate of 3%, and calculated the corresponding late payment fee and fine according to the regulations of Indonesia. The sum of the final tax, late payment fee and fine expected to be paid by DEIC amounted to RMB 323 million, and the estimated litigation agency fee to be paid amounted to RMB 1 million.

In October 2018, the Indonesia Tax Court made judgments on the final tax dispute in 2009, and most of them maintained the tax audit determination, that is, the EPC contract revenue shall be subject to the final income tax at 3% in Indonesia. In January 2019, DEIC paid the corresponding taxes and late fees in accordance with the judgment of the tax court, and submitted an application for judicial review to the Supreme Court of Indonesia.

In October 2018, the Indonesia Tax Court made a ruling on the final tax of the Indonesia EPC project in 2009, and determined that the Indonesia EPC project of Dongfang Electric International Cooperation Company needs to pay the final Indonesian income tax according to 3% the EPC contract revenue in 2009. In January 2019, the Company paid taxes amounting to IDR 210,912,506,434.00, equivalent to RMB 102,773,613.88. (exchange rate: RMB 0.00049 / IDR 1).

In August 2018, the Indonesia Tax Court gave a ruling on the final tax disputes in 2010 and accepted all the appeals of DEIC. In October 2018, the Indonesia tax department was dissatisfied with the ruling to the benefits of DEIC made by the tax court and filed a judicial review application with the Supreme Court of Indonesia. In September 2019, the Supreme Court of Indonesia rejected the favorable ruling made by the Indonesia Tax Court against DEIC and maintained the conclusion of the tax audit, that is, it was determined that the EPC contract revenue for the year 2010 should be subject to final income tax in Indonesia at a rate of 4%. According to the ruling of the Supreme Court of Indonesia, DEIC paid the year 2010 corresponding taxes and late fees amounting to IDR 162,828,751,900.00 in January 2020, equivalent to RMB 81,740,033.45 (exchange rate: RMB 0.000502 / IDR 1). At the same time, as the rulings made by the Supreme Court were contradictory, DEIC submitted the second judicial review request accordingly. At present, the Supreme Court has not yet ruled on the second judicial review application.

Although the Supreme Court of Indonesia rejected the ruling made by the Indonesia Tax Court and maintained the tax audit affirmation of determining that the final income tax for the period from January to November 2010 was required to be paid in accordance with 4% of EPC contract revenue, for the final ruling made by the Supreme Court of Indonesia on the tax rate of 3% in 2009 and the fact that the Supreme Court maintained the ruling made by the tax court in December 2010, the Company believed that the ruling of the Supreme Court of Indonesia on the dispute in 2010 was contradictory, so it filed a second judicial review application with the Supreme Court. The Company believed that the final actual tax rate was 3%. Therefore, the expected fines and late fees have not been reconfirmed.

② Profit tax of Indonesia branches

In 2016, the Indonesian local tax authority conducted an on-site audit over the income tax payment of DEIC in 2011 in accordance with Indonesian tax policies, and requested that the Indonesia branch of DEIC should pay the branch profit tax and the late fee for the profits in 2011 at the tax rate of 20%, approximately RMB 86 million, and it is not allowed to make up for the losses in previous years. DEIC filed an objection to the Indonesian tax authority in March 2017 and appealed. If the objection is rejected, an additional 50% fine approximately RMB 43 million will be required to be paid. DEIC withheld profits tax, late fees and fines approximately RMB 130 million from Indonesian branch.

In October 2019, the Indonesia Tax Court gave a ruling on the dispute of DEIC concerning the branch profit tax in 2011 and accepted all the appeals of Deciding December 2019, the Indonesia tax department was dissatisfied with the ruling made by the tax court and filed a judicial review application with the Supreme Court of Indonesia. Although DEIC won the case in the tax court stage, considering that the Indonesian tax authority filed an application for judicial review and the case was at the tax court hearing stage, not all judges accepted the appeal application from DEIC and partial judges were against that. Based on the above situation and in accordance with the principle of prudence, when evaluating the tax dispute on December 31, 2019, DEIC judged that there was still the possibility of losing the case in the Supreme Court, and therefore, it did not adjust this part of estimated liabilities.

The Company and Dongfang Electric Corporation confirmed that after the completion of the transfer of 100% equity of DEIC involved in the Rainbow Project, if the sum of the taxes, late fees, fines and other expenses paid by DEIC to the Indonesian tax authority due to the final tax dispute in Indonesia and Indonesian branch profit tax dispute was actually greater than the amount of the estimated taxes, late fee and fine for Indonesia projects under this contract, Dongfang Electric Corporation should pay the difference between the total amount of taxes, late fees, fines and other expenses actually paid and the accrued amount with cash to the Company (or DEIC designated by the Company as the receiving entity at that time). The aforesaid difference shall be paid within 15 working days from the date of the issuance of the Company's annual audit report for the year of the final judgment / resolution of the final tax dispute in Indonesia and Indonesian branch profit tax dispute.

The Company and Dongfang Electric Corporation confirmed that after the completion of the transfer of 100% equity of DEIC involved in the Rainbow Project, if the sum of the taxes, late fees, fines and other expenses paid by DEIC to the Indonesian tax authority due to the final tax dispute in Indonesia and Indonesian branch profit tax dispute was actually less than the amount of the estimated taxes, late fee and fine for Indonesia projects under this contract, the Company (or DEIC designated by the Company at that time) should pay the difference between the total amount of taxes, late fees, fines and other expenses actually paid and the accrued amount with cash to Dongfang Electric Corporation. Within 15 working days from the date of the issuance of the Company's annual audit report for the year of the final judgment / resolution of the final tax dispute in Indonesia and Indonesian branch profit tax dispute, the Company shall pay the aforesaid difference after deducting the estimated tax, late fees and fines for Indonesia projects that have not incurred in fact but been included in the estimated value and recognized as deferred income tax assets on December 31, 2016, to Dongfang Electric Corporation in cash.

12.2.2 Others

Apart from the above items, the Company has no other significant contingencies required to be disclosed as at the date of financial statements.

13 Post balance sheet events

13.1 Significant non-adjusting events

None.

13.2 Profit distribution

Profits or dividends to be distributed	639,352,386.65
Profit or dividend declared to be distributed upon deliberation and approval	639,352,386.65

Remark: The Company held the twenty-sixth meeting of the ninth Board of Directors on March 27, 2020, and approved the profit distribution plan for 2019. Based on the Company's total share capital of 3,118,792,130 shares at the time of the board meeting on March 27, 2020, RMB 639,352,386.65 of cash dividends were distributed, RMB 2.05 for every 10 shares (before tax).

13.3 Assets and disposal group classified as held-for-sale

None.

13.4 Notes to other post-balance sheet events

None.

14 Other significant events

14.1 Debt restructuring

There was no significant debt restructuring incurred during the reporting period.

14.2 Asset replacement

There was no significant asset replacement incurred during the reporting period.

14.3 Annuity plan

According to the *Official Reply to the Trial Implementation of Enterprise Annuity System by Dongfang Electric Corporation* (GZFP [2007] No. 1201), the annuity expenses are disbursed from balance of gross wage and costs for the current year according to the method of mutual payment by enterprise and employee. The annuity accrued every year will be paid to the special account of the social security office of Dongfang Electric Corporation, and then entrusted by Dongfang Electric Corporation to China Life Pension Company Limited for operation and management.

14.4 Discontinued operations

None.

14.5 Segment information

14.5.1 Determination basis and accounting policies for reportable segments

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 services provided by each reportable segment of the Company are clean and efficient energy equipment, renewable energy sources equipment, engineering and trade, modern manufacturing services and emerging growth industries.

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.

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14.5.2 Financial information of reportable segments

Reportable segment in 2019

Item	Clean and efficient energy equipment	Renewable energy equipment	Engineering and trade	Modern manufacturing services industry	Emerging growth industry	Summary	Offset	Total
Operating revenue	25,717,015,292.60	7,546,273,108.24	4,849,216,487.01	4,739,997,637.34	3,829,695,024.89	46,682,197,550.08	13,841,876,469.86	32,840,321,080.22
Including: revenue from foreign transactions	15,511,358,033.23	5,921,352,862.59	4,430,612,539.73	3,876,251,271.37	3,100,746,373.30	32,840,321,080.22		32,840,321,080.22
Revenue from inter-segment transactions	10,205,657,259.37	1,624,920,245.65	418,603,947.28	863,746,365.97	728,948,651.59	13,841,876,469.86	13,841,876,469.86	
Operating cost	21,866,585,340.00	6,856,213,784.92	4,194,573,904.10	3,275,138,606.29	3,276,915,839.92	39,469,427,475.23	14,449,326,165.13	25,020,101,310.10
Offset of cost	10,139,674,344.99	1,645,241,506.56	666,413,738.02	1,393,423,438.48	604,573,137.08	14,449,326,165.13	14,449,326,165.13	
Period expenses						4,906,101,391.84	-531,651,160.48	5,437,752,552.32
Operating profits (losses)	3,784,447,038.22	710,380,584.23	902,452,373.65	1,994,536,103.56	428,403,670.46	2,456,696,729.83	834,432,854.48	1,622,263,875.35
Total assets						162,039,943,325.15	72,420,977,769.43	89,618,965,555.72
Including: the amount of a single asset with significant impairment loss								
Total liabilities						109,791,079,903.37	51,970,547,318.24	57,820,532,585.13
Supplementary information								
Capital expenditure								
Impairment losses recognized in the current period						442,839,662.05	-479,268,640.91	922,108,302.96
Including: allocation of goodwill impairments								
Depreciation and amortization costs						1,043,837,728.30		1,043,837,728.30
Other non-cash expenses excluding impairment loss, depreciation and amortization								

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Reportable segment in 2018

Item	Clean and efficient energy equipment	Renewable energy equipment	Engineering and trade	Modern manufacturing services industry	Emerging growth industry	Summary	Offset	Total
Operating revenue	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: revenue 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
Revenue 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 losses recognized in the current period						1,091,028,958.01	311,088,140.35	779,940,817.66
Including: allocation of goodwill impairments								
Depreciation and amortization costs						987,143,591.16		987,143,591.16
Other non-cash expenses excluding impairment loss, depreciation and amortization								

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The total revenue from foreign transactions at home and in other countries and regions are listed as follows:

Revenue from foreign transactions	Year 2019	Year 2018
Within the territory of China (except for Hong Kong)	28,519,300,050.31	24,772,582,111.74
Other overseas areas	4,321,021,029.91	5,933,563,247.08
Total	32,840,321,080.22	30,706,145,358.82

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

15.1 Notes receivable

15.1.1 Presentation of notes receivable by category

Category	Amount as at December 31, 2019			Amount as at January 1, 2019		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value
Bank acceptance bill				541,789,401.94		541,789,401.94
Commercial acceptance bill				323,528,680.69		323,528,680.69
Total				865,318,082.63		865,318,082.63

15.2 Accounts receivable

15.2.1 Disclosure of accounts receivable by aging

Aging	Balance as at December 31, 2019	Balance as at December 31, 2018
Within one year	367,861,082.81	725,810,097.91
1-2 years	303,428,145.63	167,271,067.95
2-3 years	156,889,763.11	462,403,495.52
3-4 years	425,092,933.66	236,792,265.29
4-5 years	164,122,114.79	59,452,855.91
Over 5 years	58,436,097.66	16,275,683.72
Sub-total	1,475,830,137.66	1,668,005,466.30
Less: provision for bad debts	410,106,690.48	312,102,122.67
Total	1,065,723,447.18	1,355,903,343.63

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15.2.2 Disclosure under the methods of provision for bad debts by category

Category	Balance as at December 31, 2019					Balance as at December 31, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts accrued on an individual basis	34,611,838.84	2.35	31,123,738.84	89.92	3,488,100.00	34,051,198.71	2.04	30,601,198.71	89.87	3,450,000.00
Including:										
Accounts receivable with significant single amount and individual provision for bad debts	34,611,838.84	2.35	31,123,738.84	89.92	3,488,100.00	34,051,198.71	2.04	30,601,198.71	89.87	3,450,000.00
Accounts receivable with insignificant single amount and individual provision for bad debts										
Provision for bad debts accrued on a portfolio basis	1,441,218,298.82	97.65	378,982,951.64	26.30	1,062,235,347.18	1,633,954,267.59	97.96	281,500,923.96	17.23	1,352,453,343.63
Including:										
Accounts receivable with the provision for bad debts made on a portfolio with credit risk characteristics	1,441,218,298.82	97.65	378,982,951.64	26.30	1,062,235,347.18	1,633,954,267.59	97.96	281,500,923.96	17.23	1,352,453,343.63
Total	1,475,830,137.66	100.00	410,106,690.48		1,065,723,447.18	1,668,005,466.30	100.00	312,102,122.67		1,355,903,343.63

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Provision for bad debts accrued on an individual basis:

Name	Amount as at December 31, 2019			Reason for provision
	Book balance	Provision for bad debts	Proportion of provision (%)	
VIETNAMELECTRICITY	34,611,838.84	31,123,738.84	89.92	Facing capital shortage, expected to be difficult to recover
Total	34,611,838.84	31,123,738.84		

Provision for bad debts accrued on a portfolio basis:

Name	Balance as at December 31, 2019		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within one year	367,861,082.81	18,393,054.15	5.00
1-2 years	303,428,145.63	30,342,814.57	10.00
2-3 years	145,992,076.59	29,198,415.32	20.00
3-4 years	401,378,781.34	160,551,512.53	40.00
4-5 years	164,122,114.79	82,061,057.41	50.00
Over 5 years	58,436,097.66	58,436,097.66	100.00
Total	1,441,218,298.82	378,982,951.64	

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15.2.3 Provision, reversal or recovery of provision for bad debts in 2019

Category	Balance as at December 31, 2018	Amount of change in 2019			Balance as at December 31, 2019
		Provision	Recovery or reversal	Write-off or charge-off	
Accounts receivable with significant single amount and individual provision for bad debts	30,601,198.71	522,540.13			31,123,738.84
Accounts receivable with individually insignificant amount and individual provision for bad debt					
Accounts receivable with the provision for bad debts made on a portfolio with credit risk characteristics	281,500,923.96	97,482,027.68			378,982,951.64
Total	312,102,122.67	98,004,567.81			410,106,690.48

15.2.4 Top 5 of accounts receivable as at December 31, 2019, presented by debtor

Debtor	Book balance	Proportion in the total accounts receivables (%)	Provision for bad debts
Entity 1	115,157,767.35	7.80	46,063,106.94
Entity 2	103,860,424.96	7.04	5,193,021.25
Entity 3	99,042,000.00	6.71	9,904,200.00
Entity 4	90,800,000.00	6.15	36,320,000.00
Entity 5	85,795,500.00	5.81	4,289,775.00
Total	494,655,692.31	33.51	101,770,103.19

15.3 Receivables financing

15.3.1 Presentation of receivables financing by category

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Notes receivable	460,847,729.38	
Including: bank acceptance bill	438,847,729.38	
Commercial acceptance bill	22,000,000.00	
Total	460,847,729.38	

Remark: The Company classifies the notes receivable subject to the management business model of collecting contractual cash flows and sales and transfer as a financial asset measured at fair value through the other comprehensive income.

15.3.2 Receivables financing pledged by the Company as at December 31, 2019

None.

15.3.3 Receivables financing endorsed or discounted by the Company as at December 31, 2019 but not expired on the balance sheet date

Item	Amount derecognized as at December 31, 2019	Amount not derecognized as at December 31, 2019
Notes receivable endorsed or discounted but not expired	240,713,139.27	
Including: bank acceptance bill	191,113,139.27	
Commercial acceptance bill	49,600,000.00	
Total	240,713,139.27	

15.4 Other receivables

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Interest receivable	28,462,251.79	61,892,578.10
Dividends receivable	165,142,290.09	131,436,444.73
Other receivables	219,846,077.30	177,283,164.29
Total	413,450,619.18	370,612,187.12

15.4.1 Interest receivable

Classification of interest receivable

Item	Balance as at December 31, 2019	Balance as at December 31, 2018
Time deposits	28,462,251.79	61,892,578.10
Entrusted loan		
Bond investments		
Sub-total	28,462,251.79	61,892,578.10
Less: provision for bad debts		
Total	28,462,251.79	61,892,578.10

15.4.2 Dividends receivable

(1) Details of dividends receivable

Item (or Investee)	Balance as at December 31, 2019	Balance as at December 31, 2018
Within one year	33,705,845.36	131,436,444.73
Over one year	131,436,444.73	
Sub-total	165,142,290.09	131,436,444.73
Less: provision for bad debts		
Total	165,142,290.09	131,436,444.73

(2) Significant dividends receivable with aging over one year

Item (or investee)	Balance as at December 31, 2019	Aging	Reason for non-recovery	Whether impairment or not and the judgment basis
Dongfang Electric Machinery Company Limited	131,436,444.73	Over 1 year	Not yet paid	No impairment has occurred, and the operating condition of the investee is good
Total	131,436,444.73			

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15.4.3 Other receivables

(1) Disclosure by aging:

Aging	Balance as at December 31, 2019	Balance as at December 31, 2018
Within one year	57,425,149.74	117,825,960.38
1-2 years	117,375,071.95	6,539,428.19
2-3 years	4,605,649.27	4,182,110.15
3-4 years	2,034,576.22	16,349,366.93
4-5 years	4,663,759.14	2,885,493.66
Over 5 years	83,082,253.45	89,316,058.09
Sub-total	269,186,459.77	237,098,417.40
Less: provision for bad debts	49,340,382.47	59,815,253.11
Total	219,846,077.30	177,283,164.29

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(2) Disclosure by classification

Category	Balance as at December 31, 2019					Balance as at December 31, 2018				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts accrued on an individual basis	190,243,800.33	70.67	10,701,495.03	5.63	179,542,305.30	164,650,080.78	69.44	6,380,080.78	3.87	158,270,000.00
Including:										
Other accounts receivable with significant single amount and individual provision for bad debts	158,270,000.00	58.80			158,270,000.00	158,270,000.00	66.75			158,270,000.00
Other accounts receivable with insignificant single amount and individual provision for bad debts	31,973,800.33	11.87	10,701,495.03	5.63	21,272,305.30	6,380,080.78	2.69	6,380,080.78	100.00	
Provision for bad debts accrued on a portfolio basis	78,942,659.44	29.33	38,638,887.44	48.95	40,303,772.00	72,448,336.62	30.56	53,435,172.33	73.76	19,013,164.29
Including:										
Other accounts receivable with the provision for bad debts made on a portfolio with credit risk characteristics	78,942,659.44	29.33	38,638,887.44	48.95	40,303,772.00	72,448,336.62	30.56	53,435,172.33	73.76	19,013,164.29
Total	269,186,459.77	100.00	49,340,382.47		219,846,077.30	237,098,417.40	100.00	59,815,253.11		177,283,164.29

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Provision for bad debts accrued on an individual basis:

Name	Amount as at December 31, 2019			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Entity 1	44,300,000.00			To be converted into equity capital increase
Entity 2	113,970,000.00			To be converted into equity capital increase
Entity 3	10,701,495.03	10,701,495.03	100.00	Bankruptcy liquidation
Entity 4	18,977,059.66			Joint venture is expected to have a lower recovery risk
Entity 5	2,295,245.64			Joint venture is expected to have a lower recovery risk
Total	190,243,800.33	10,701,495.03		

Provision for bad debts accrued on a portfolio basis:

Name	Amount as at December 31, 2019			Amount as at January 1, 2019		
	Book balance	Provision for bad debts	Proportion of provision (%)	Book balance	Provision for bad debts	Proportion of provision (%)
Within one year	36,152,844.44	1,807,642.23	5.00	3,558,422.68	177,921.16	5.00
1-2 years	3,113,395.91	311,339.58	10.00	3,084,310.92	308,431.11	10.00
2-3 years	1,218,599.72	243,719.94	20.00	3,358,026.99	671,605.40	20.00
3-4 years	1,226,727.95	490,691.18	40.00	14,546,024.28	5,818,409.72	40.00
4-5 years	2,891,193.87	1,445,596.96	50.00	2,885,493.66	1,442,746.85	50.00
Over 5 years	34,339,897.55	34,339,897.55	100.00	45,016,058.09	45,016,058.09	100.00
Total	78,942,659.44	38,638,887.44		72,448,336.62	53,435,172.33	

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(3) Provision for bad debts

Provision for bad debts	Phase 1	Phase 2	Phase 3	Total
	Expected credit losses in the next 12 months	Expected credit losses for the entire duration (no credit impairment)	Expected credit losses for the entire duration (credit impairment)	
Balance as at December 31, 2018	53,435,172.33		6,380,080.78	59,815,253.11
In 2019, balance as at December 31, 2018				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Provision in 2019			4,321,414.25	4,321,414.25
Reversal in 2019	14,796,284.89			14,796,284.89
Write-off in 2019				
Charge-off in 2019				
Other changes				
Balance as at December 31, 2019	38,638,887.44		10,701,495.03	49,340,382.47

(4) Provision, reversal or recovery of provision for bad debts in 2019

Category	Balance as at December 31, 2018	Amount of change in 2019			Balance as at December 31, 2019
		Provision	Recovery or reversal	Write-off or charge-off	
Other receivables with significant single amount and individual provision for bad debts					
Other receivables with the provision for bad debts made on a portfolio with credit risk characteristics	53,435,172.33		14,796,284.89		38,638,887.44
Other receivables with individually insignificant amount and individual provision for bad debts	6,380,080.78	4,321,414.25			10,701,495.03
Total	59,815,253.11	4,321,414.25	14,796,284.89		49,340,382.47

- (5) Other receivables actually written off in 2019
None.

- (6) **Classification by nature of payment**

Nature of payment	Book value as at December 31, 2019	Book value as at December 31, 2018
Petty cash	4,935,366.46	1,421,182.02
Advances	2,852,808.51	1,905,958.80
Others	53,787,902.33	15,686,023.47
Investment fund	158,270,000.00	158,270,000.00
Total	219,846,077.30	177,283,164.29

- (7) **Top 5 of other receivables as at December 31, 2019, presented by debtor:**

Debtor	Nature of payment	Book balance	Aging	Proportion in total other receivables (%)	Provision for bad debts
Entity 1	Advances and investment fund	113,983,439.38	Within one year, 1-2 years	42.34	671.97
Entity 2	Investment fund	44,300,000.00	Over 5 years	16.46	
Entity 3	Advances	30,906,687.74	Within one year, 1-5 years	11.48	29,468,341.46
Entity 4	Others	18,977,059.66	Within one year	7.05	
Entity 5	Others	10,701,495.03	Within 5 years	3.98	10,701,495.03
Total		218,868,681.81		81.31	

15.5 Long-term equity investments

Item	Balance as at December 31, 2019			Balance as at December 31, 2018		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	21,305,332,381.79		21,305,332,381.79	20,794,967,640.14		20,794,967,640.14
Investments in associates and joint ventures	864,013,286.56		864,013,286.56	781,936,479.17		781,936,479.17
Total	22,169,345,668.35		22,169,345,668.35	21,576,904,119.31		21,576,904,119.31

15.5.1 Investments in subsidiaries

Investee	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019	Provision for impairment in 2019	Balance of provision for impairment as at December 31, 2019
DongFang Boiler (Group) Co., Ltd.	5,192,395,417.83			5,192,395,417.83		
Dongfang Turbine Co., Ltd.	6,010,766,999.71			6,010,766,999.71		
Dongfang Electric Machinery Company Limited	3,164,000,000.00			3,164,000,000.00		

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Investee	Balance as at December 31, 2018	Increase in 2019	Decrease in 2019	Balance as at December 31, 2019	Provision for impairment in 2019	Balance of provision for impairment as at December 31, 2019
DongFangElectric (India) PrivateLimited	129,504,712.22			129,504,712.22		
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	232,060,000.00			232,060,000.00		
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	589,459,392.37			589,459,392.37		
Dongfang Electric Wind Power Co., Ltd.	556,237,000.00	451,200,000.00		1,007,437,000.00		
PT.Dongfang Electric Indonesia Company	11,621,730.00		11,621,730.00			
Dongfang Electric International Corporation	1,409,966,967.29			1,409,966,967.29		
Dongfang Electric Group Finance Co., Ltd.	2,867,031,546.59			2,867,031,546.59		
DEC Project Cargo Logistics Co., Ltd.	77,469,728.35		77,469,728.35			
Dongfang Electric Corporation Materials Co.	110,805,368.69	148,256,200.00		259,061,568.69		
Dongfang Electric Auto Control 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		
Science and Technology Institute Co., Ltd. of Dongfang Electric Corporation	11,119,812.19			11,119,812.19		
Total	20,794,967,640.14	599,456,200.00	89,091,458.35	21,305,332,381.79		

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15.5.2 Investments in associates and joint ventures

Investee	Balance as at December 31, 2018	Increase/decrease in 2019							Balance as at December 31, 2019	Balance of provision for impairment as at December 31, 2019
		Additional investment	Decrease in investment	Profit or loss on investments recognized by the equity method	Adjustment to other comprehensive income	Other changes in equities	Cash dividends or profits declared to be distributed	Provision for impairment		
1. Joint ventures										
Framatome Dongfang Reactor Coolant Pumps Company Limited	243,087,142.06			21,673,913.60			67,077,814.34			197,683,241.32
Sub-total	243,087,142.06			21,673,913.60			67,077,814.34			197,683,241.32
2. Associates										
Sichuan Energy Wind Power Development Co., Ltd.	284,075,003.72	33,800,000.00		68,162,980.42			9,000,000.00			377,037,984.14
Huadian Longkou Wind Power Co., Ltd.	59,434,514.02			9,976,926.88						69,411,440.90
Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	22,310,282.21			1,779,476.40						24,089,758.61
China United Heavy Gas Turbine Technology Co., Ltd.	113,695,779.36	18,000,000.00		32,208.05						131,727,987.41
Inner Mongolia Mengneng Sanshengtai Wind Power	19,844,590.30			662,803.69						20,507,393.99

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Investee	Balance as at December 31, 2018	Increase/decrease in 2019							Balance as at December 31, 2019	Balance of provision for impairment as at December 31, 2019
		Additional investment	Decrease in investment	Profit or loss on investments recognized by the equity method	Adjustment to other comprehensive income	Other changes in equities	Cash dividends or profits declared to be distributed	Provision for impairment		
Generation Co., Ltd.										
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	39,489,167.50			4,066,312.69						43,555,480.19
Sub-total	538,849,337.11	51,800,000.00		84,680,708.13			9,000,000.00			666,330,045.24
Total	781,936,479.17	51,800,000.00		106,354,621.73			76,077,814.34			864,013,286.56

15.6 Operating revenue and operating costs

Item	Year 2019		Year 2018	
	Revenue	Cost	Revenue	Cost
Primary business	9,863,997,325.95	9,567,599,595.17	11,806,228,595.01	11,652,671,953.38
Other business	5,761,975.02	2,520,960.63	4,509,170.60	1,440,630.71
Total	9,869,759,300.97	9,570,120,555.80	11,810,737,765.61	11,654,112,584.09

15.7 Investment income

Source of investment income	Year 2019	Year 2018
Income from long-term equity investments calculated under cost method	312,310,167.95	1,013,095,148.69
Income from long-term equity investments calculated under equity method	106,354,621.73	96,849,700.02
Investment income from disposal of long-term equity investments	66,615,443.14	10,218,405.81
Investment income from financial assets held for trading during the holding period	8,661,005.70	
Others	1,292,898.32	2,404,874.23
Total	495,234,136.84	1,122,568,128.75

16 Supplementary information

16.1 Breakdown of non-recurring profit or loss in 2019

Item	Amount	Remarks
Profit or loss from disposal of non-current assets	72,877,615.38	
Tax returns, deduction and exemption approved beyond the authority or without official approval documents		
Government grants included in the current profit or loss (except for government grants closely related to the enterprise business, or obtained by quota or quantity at unified state standards)	147,243,541.58	
Expenses for using funds charged from non-financial enterprises and included in the current profit or loss		
Gains from the difference between the investment costs of acquisition of subsidiaries, associates and joint ventures and share in the net fair value of the identifiable assets of the investee when investing		
Gains or losses from non-monetary asset exchange		
Gains or losses from entrusting the investments or management of asset		
Impairment provision for force majeure such as natural calamities		

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Item	Amount	Remarks
Gains or losses from debt restructuring	2,912,770.10	
Restructure expenses, such as the compensation for employee relocation and integration costs		
Profit or loss on transactions made at unfair transaction price in excess of their fair value		
Current net gains and losses of the subsidiaries from enterprise merger under the same control from the beginning of the period to the merger date		
Profit or loss on contingent matter irrelevant to normal business operation of the Company		
Except for effective hedging business related to the normal business of the company, profits or losses from fair value changes in financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment income from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other creditor's right investments	-126,073,198.44	
Reversal of provision for impairment of receivables and contract assets subject to separate impairment test	245,251,418.68	
Profits or losses from entrusted loans		
Profits or losses on changes in fair value of investment property subsequently measured by adopting the fair value mode		
Impact on the current profit or loss due to one-off adjustment thereon according to requirements of laws and regulations on taxation or accounting		
Custodian income from entrusted management		
Other non-operating revenue and expenses except for the above-mentioned items	-51,831,318.87	
Other items of gains and losses subject to the definition of non-recurring gains and losses		
Sub-total	290,380,828.43	
Affected amount of income tax	-48,371,777.47	
Affected amount of minority equity (after tax)	-22,312,268.37	
Total	219,696,782.59	

16.2 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)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	4.40	0.41	0.41
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring gains and losses	3.64	0.34	0.34

Dongfang Electric Corporation Limited

March 27, 2020