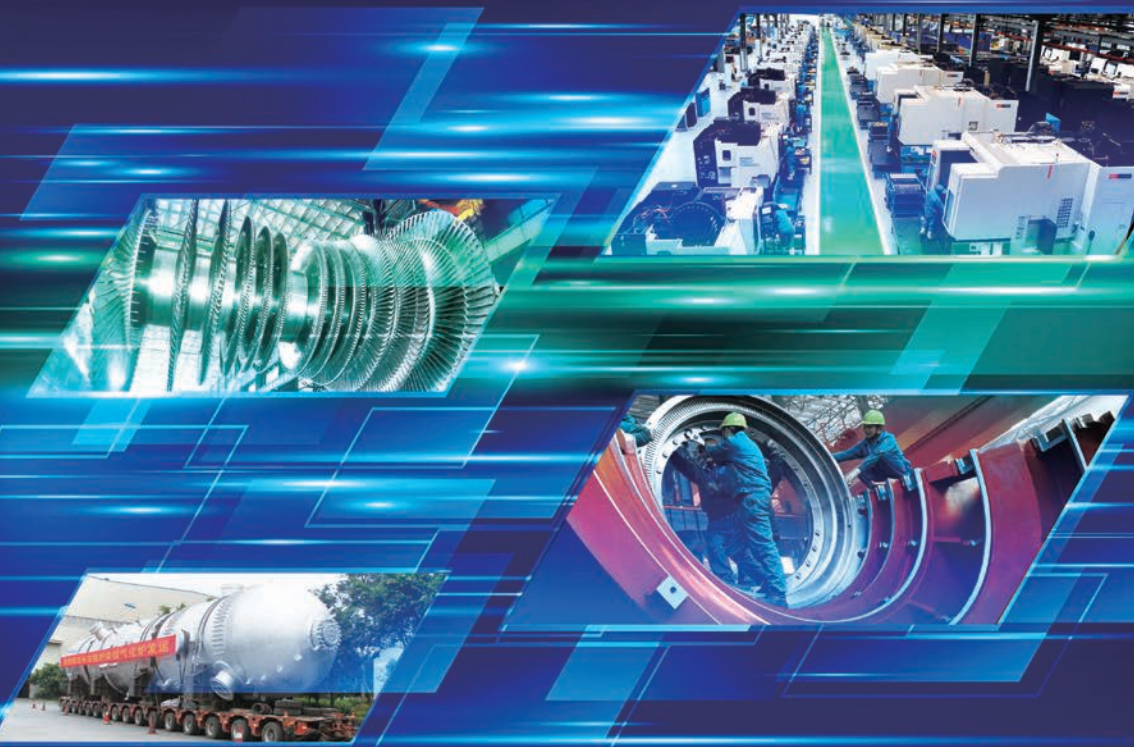




东方电气  
DONGFANG ELECTRIC

DONGFANG ELECTRIC CORPORATION LIMITED

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



2020

INTERIM REPORT

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## I. DEFINITIONS

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

### Definitions of Frequently Used Terms

Dongfang Electric, Company, the Company	Dongfang Electric Corporation Limited
Controlling Shareholder, DEC	Dongfang Electric Corporation
CSRC	China Securities Regulatory Commission
Reporting Period	From 1 January 2020 to 30 June 2020
SSE	Shanghai Stock Exchange
Hong Kong Stock Exchange, Stock Exchange	The Stock Exchange of Hong Kong Limited
RMB, RMB0'000, RMB100 million	Renminbi Yuan, Renminbi 0'000, Renminbi 100 million

## II. COMPANY PROFILE AND MAJOR FINANCIAL INDICATORS

### I. Company Information

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

### II. Contact Persons and Methods

	<b>Secretary to the Board of Directors</b>	<b>Representative of securities affairs</b>
Name	Gong Dan	Zhu Yuhui
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

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

### III. Change of Basic Information

Registered address of the Company	18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province
Postal code of the Company for the registered address	611731
Company business address	18 Xixin Road, High-Tech District (Western District), Chengdu City, Sichuan Province
Postal code of the Company for business address	611731
Company website	<a href="http://www.dec-ltd.cn/">http://www.dec-ltd.cn/</a>
E-mail	<a href="mailto:dsb@dongfang.com">dsb@dongfang.com</a>
Reference index for changes during the Reporting Period	Not applicable

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

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

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

### V. Company's Share Information

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

### VI. Major Accounting Data and Financial Indicators

#### (I) Major accounting data

Unit: Yuan Currency: RMB

Major accounting data	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)	Increase/decrease for the Reporting Period compared to the corresponding period of the previous year (%)
Total operating income	17,752,970,500.73	15,841,165,600.17	12.07
Operating income	17,220,493,375.80	15,309,891,387.85	12.48
Net profit attributable to shareholders of the parent company	954,371,842.93	729,692,676.27	30.79
Net profit after non-recurring profit and loss attributable to shareholders of the parent company	982,498,415.86	717,476,185.36	36.94
Net cash flow from operating activities	972,054,379.41	(3,249,813,611.86)	N/A

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

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

#### (I) Major accounting data (Continued)

	As at 30 June 2020 (Unaudited)	As at 30 June 2019 (Audited)	Increase/decrease for the end of the Reporting Period compared to the end of the previous year (%)
Net assets attributable to shareholders of the parent company	29,803,408,602.38	29,454,645,749.51	1.18
Total assets	92,736,366,674.85	89,618,965,555.72	3.48

#### (II) Major financial indicators

Currency: RMB

Major accounting indicators	For the six months ended 30 June 2020 (Unaudited)	For the six months ended 30 June 2019 (Unaudited)	Increase/decrease for the Reporting Period compared to the corresponding period of the previous year (%)
Basic earnings per share (RMB/share)	0.31	0.24	29.17
Diluted earnings per share (RMB/share)	0.31	0.24	29.17
Basic earnings per share after non- recurring profit and loss (RMB/share)	0.32	0.23	39.13
Weighted average return on net assets (%)	3.19	2.52	Increased by 0.67 percentage point
Weighted average return on net assets after non-recurring profit and loss (%)	3.28	2.48	Increased by 0.8 percentage point

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

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

Unit: Yuan Currency: RMB

<u>Items of Non-recurring Profit or Loss</u>	<u>Amount</u>	<u>Note (if applicable)</u>
Gain or loss on disposal of non-current assets	4,221,277.89	
Government subsidies recognized in current period's profit or loss, except continuous government subsidies closely related to the Company's general business, in accordance with state policy, and with fixed amounts or fixed quantities	55,908,175.35	
Gains or losses of debt restructure	16,866.66	
Gain/(Loss) on changes in the fair value of financial assets held for trading, derivative financial assets, financial liabilities held for trading, 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 debts investments, other than the effective hedging business related to the Company's general business	(106,522,889.72)	
Reversal of provision on receivable and contract assets impairment individually conducted impairment test	48,959,771.48	
Other non-operating income and expenses other than the above mentioned items	(34,899,922.63)	
Impacted amount in non-controlling shareholders' equity	(717,359.44)	
Impacted amount in income tax	4,907,507.48	
Total	<u>(28,126,572.93)</u>	



### III. BUSINESS OVERVIEW

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

The Company engages in the power equipment industry, adhering to the objective of “to create value and to enjoy fruits together (共創價值·共享成功)”, committed to becoming a world leading manufacturer of energy and equipment and service provider with international competitiveness. The Company's main products include 50,000–1 million kilowatt-class thermal power generating units, 50,000–1 million kilowatt-class hydro-electric turbine generator units, 1–1.75 million kilowatt-class nuclear power units, heavy-duty gas turbine equipment, 1.5–10 megawatt-class wind power equipment and high-efficiency solar power plants equipment, hydrogen energy and fuel cell automotive power system, large 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 power generation” are simultaneously developed in a coordinated way.

### III. BUSINESS OVERVIEW (CONTINUED)

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

The Company is mainly engaged in development, designing, manufacturing and selling large, advanced sets of equipment for the high-efficiency clean generation of hydropower, thermal power, nuclear power, wind power, gas power and solar thermal. The Group is also engaged in such related business as providing global electricity operators with construction contracting and services. As one of the largest R&D and manufacturing bases of power generation equipment and one of the mega enterprises for power-plant project contracting in globe, the Company has ranked top globally for successive years in terms of production volume of power generation equipment. With its power generation equipment and service business covering nearly 80 countries and regions, the Company is highly competitive and influential in the field of power generation equipment. In the first half of 2020, there was no material change to the principal business of the Company.

In the first half of 2020, China's economy faced severe challenges such as the impact of COVID-19 epidemic. Under the implementation of a series of policies, China's economic operation first fell and then rose and recovered steadily. The main indicators have gradually picked up. The gross domestic product (GDP) for the second quarter increased by 3.2% as compared with the same period of the previous year, turning negative to positive from the decrease of 6.8% in the first quarter of 2020, and the overall electricity consumption situation in the whole community continued to improve. From January to June of 2020, the national total electricity consumption was 3,354.7 billion kWh, representing a year-on-year decrease of 1.3%, of which, the national total electricity consumption in June was 635 billion kWh, representing a year-on-year increase of 6.1%. The investment in power engineering of major power generation enterprises in the PRC increased by 51.5% as compared with the same period of the previous year, of which the investment in hydropower and wind power increased by 25.3% and 152.2% as compared with the same period of the previous year, respectively, while the investment in nuclear power was slightly lower than that of the previous year, and the investment in thermal power decreased by 31.9% as compared with the same period of the previous year.

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

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

As one of the world's largest R&D and manufacturing bases for power equipment and the largest power plant project contracting enterprise, the Company has excellent technology and innovative capability, a comprehensive product structure and service capabilities, first-rate manufacturing capability, remarkable market expansion capability and strong brand influence. During the Reporting Period, there was no significant change in the core competitiveness of the Company.

### **IV. DISCUSSION AND ANALYSIS OF OPERATIONS**

#### **I. Discussion and Analysis of Operations**

In the first half of 2020, facing with the impact of the COVID-19 epidemic, the Company adhered to scientific epidemic prevention and control according to the deployment of the Party and the State, implemented the resumption of work and production, continued to promote the high-quality development of the Company, and achieved “Double Victories” in epidemic prevention and control as well as in production and operation.

## **IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)**

### **I. Discussion and Analysis of Operations (Continued)**

#### ***Growth in Production and Operation Against the Trend***

In the first half of 2020, the Company overcame the adverse effects of the pandemic, made unremitting efforts to manage well in all aspects of production and operation, and consolidated and enhanced the good momentum of high-quality development. During the Reporting Period, the Company recorded a total operating revenue of RMB17.753 billion, representing an increase of 12.07% over the same period of the previous year; net profit attributable to shareholders of the Company was RMB954 million, representing an increase of 30.79% over the same period of the previous year; and earnings per share of RMB0.31. Consolidated gross profit margin in the first half of 2020 was 21.14%.

#### ***Capacity of Power Generation Equipment***

During the Reporting Period, the Company produced power generation equipment with total capacity of 12,494.7 MW, representing an increase of 33.86% as compared with the same period of the previous year. The equipment included 4,530.4 MW hydro-electric turbine generator units (17 units), up by 115.61% as compared with the same period of the previous year; 7,068 MW steam turbine generators (68 generators), up by 2.66% as compared with the same period of the previous year; 896.3 MW wind turbine generator sets (342 sets), up by 157.56% as compared with the same period of the previous year; 6,091.4 MW power station boilers (22 boilers), down by 18.77% as compared with the same period of the previous year; and 4,122.5 MW power station steam turbines (51 turbines), down by 55.76% as compared with the same period of the previous year.

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

### I. Discussion and Analysis of Operations (Continued)

#### *Orders Fulfillment*

Under the impact of COVID-19 pandemic and the economic downturn, the Company unified the thought, overcame difficulties and actively explored the market. In the first half of 2020, the Company obtained new orders in the amount of RMB25.887 billion, representing a year-on-year increase of 34.4%. In the wind power segment, the Company continued to strengthen market development efforts and seize orders. In the first half of 2020, the Company obtained new orders in the amount of RMB8 billion, launched high-power offshore wind turbines, and won the bid for batch orders for 10MW units-Fujian Changle Offshore 100 MW offshore wind power project; Batch orders for 7MW units were placed in two cities consecutively, and won the bid for the offshore wind power projects of 300 MW in Yangjiang, Guangdong and 300 MW in Laizhou, Shandong. In respect of the international business in the first half of 2020, it has overcome the adverse impact of the COVID-19 pandemic and the rapid changes in the international environment. It has successfully signed a contract for the equipment supply of the Julino Hydropower Station in Tanzania, which is a unit contract for China's overseas hydropower project with the largest capacity; a new breakthrough was made in the overseas gas turbine market, and the Saidepu Gas Turbine Project in Bangladesh has taken effect successfully.

## **IV. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)**

### **I. Discussion and Analysis of Operations (Continued)**

#### ***Deepening Reform***

During the Reporting Period, the Company mainly promoted the reform of the “three systems” and the reform of its subordinate secondary enterprises with mixed ownership. As for the reform of the “three systems”, the Company established the assessment and evaluation mechanisms of the reform of the “three systems”, implemented the professional manager system in Dongfang Electric Wind Power Co., Ltd. (hereinafter referred to as the “DEWP”) and Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd. and generally conducted a tenure system and the contractual management of the managers in other secondary enterprises. DEWP and DEC Dongfang Boiler Group Co., Ltd., the subsidiaries of the Company, have been included in the pilot enterprises of “Double Hundred Actions” plan. DEWP is undergoing the shareholding listing of the mixed ownership reform, etc.

#### ***Scientific and Technological Innovation***

The Company strengthened top-level design, insisted on system innovation, and fully promoted three major innovation projects: key and core technology research, product innovation and optimization, and intelligent manufacturing transformation. Major development projects such as the million-kilowatt hydropower unit in Baihetan and the 50MW gas turbine rotor have overcome the adverse impact of the pandemic and have continued to advance with orderly progress under control. The 10MW offshore wind power unit with the largest single-unit capacity in the Asia-Pacific region have been successfully connected to the grid for power generation. “Digital workshop construction project for intelligent manufacturing of the large-scale clean and efficient power generation equipment” of Dongfang Electric passed the national inspection and acceptance.

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

### I. Discussion and Analysis of Operations (Continued)

#### *Improvement in Business Management*

The Company insisted on seeking benefits from management, continuously enhancing the management ability and improving management level. Moreover, it accelerated the management informatization and formulated and implemented the overall planning scheme for the construction of financial shared service system. In addition, it vigorously promoted the target cost management and strengthened the rigid constraint of budget. Furthermore, it effectively intensified the quality management and formulated the Management Measures for Quality and Safety Status Report. No material quality accident occurred in the first half of 2020.

#### (I) Analysis of Principal Business

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

Unit: Yuan Currency: RMB

Item	For the	For the	Change (%)
	six months ended 30 June 2020 (Unaudited)	six months ended 30 June 2019 (Unaudited)	
Operating revenue	17,220,493,375.80	15,309,891,387.85	12.48
Operating cost	13,952,748,578.34	11,993,909,056.13	16.33
Selling expenses	365,245,712.90	461,061,153.42	(20.78)
Administrative expenses	1,032,305,007.66	1,144,703,122.20	(9.82)
Finance costs	(36,446,341.50)	(30,297,494.36)	N/A
R&D expenses	882,438,413.90	785,932,757.27	12.28
Net cash flows from operating activities	972,054,379.41	(3,249,813,611.86)	N/A
Net cash flows from investing activities	(2,105,228,811.78)	(1,306,576,124.09)	N/A
Net cash flows from financing activities	(38,488,150.78)	95,418,061.99	(140.34)

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

### I. Discussion and Analysis of Operations (Continued)

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

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

1. The operating revenue for the current period increased by 12.48% from the same period of the previous year, mainly due to the year-on-year increase of 68.12% in engineering and trade, the increase of 23.98% in renewable energy equipment and the increase of 41.03% in emerging growth business.
2. The operating costs for the current period increased by 16.33% from the same period of the previous year, mainly due to the corresponding increase in operating costs as a result of the increase in operating income.
3. The selling expenses for the current period decreased by 20.78% from the same period of the previous year, mainly due to the decrease of 24.10% in sales and service fees, 9.50% in employees remuneration and 48.71% in travel expense.
4. The administrative expenses for the current period decreased by 9.82% from the same period of the previous year, mainly due to the decrease of 4.41% in employees remuneration, 41.01% in insurance expense and 46.73% in travel expense, etc.
5. The finance costs for the current period decreased RMB6,148,800 from the same period of the previous year, mainly due to the increase in foreign exchange gains.



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

### I. Discussion and Analysis of Operations (Continued)

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

1. *Analysis of changes in certain items in the financial statements (Continued)*
6. The R&D expenses increased year-on-year by 12.28%, which was mainly due to the continued increase in the research and development investment of the Company during the Reporting Period.
7. The net cash flows from operating activities for the current period increased RMB4,222 million from the same period of the previous year, which was due to: first, the receivable for the Reporting Period represented the year-on-year increase; second, the cash inflow for the investment in the financial service by DEC Finance of the Company for the Reporting Period represented the year-on-year increase.
8. The cash flows from investing activities for the current period decreased RMB799 million from the same period of the previous year, mainly due to the year-on-year increase in the investment outflow of the bank's wealth management products of DEC Finance of the Company during the Reporting Period.
9. The cash flows from financing activities for the current period decreased RMB134 million from the same period of the previous year, mainly due to the year-on-year decrease in cash received from absorption of investment during the Reporting Period.

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

### I. Discussion and Analysis of Operations (Continued)

#### (II) Analysis on Assets and Liabilities

##### 1. Assets and liabilities

Unit: Yuan Currency: RMB

Item	As of 30 June 2020	Percentage in total assets (%)	As of 30 June 2019	Percentage in total assets (%)	Change in proportion of balance at the end of the current period compared with the same period of the end of the prior year	Note <i>(See notes below)</i>
					(%)	
Notes receivable	2,020,516,077.20	2.18	3,523,209,806.01	4.08	(42.65)	(1)
Non-current assets due within one year	-	-	8,500,000.00	0.01	(100.00)	(2)
Other current assets	982,415,342.07	1.06	441,751,481.47	0.51	122.39	(3)
Other investments in equity instruments	2,744,649.47	0.00	5,989,859.48	0.01	(54.18)	(4)
Constructions in process	446,895,153.14	0.48	287,095,704.88	0.33	55.66	(5)
Right-of-use assets	226,627,440.94	0.24	36,192,597.79	0.04	526.17	(6)
Short-term borrowings	36,380,000.00	0.04	232,417,000.00	0.27	(84.35)	(7)
Notes payable	3,192,449,801.80	3.44	2,046,294,554.01	2.37	56.01	(8)
Non-current liabilities due within one year	123,967,481.10	0.13	16,320,000.00	0.02	659.60	(9)
Long-term borrowings	622,717,903.80	0.67	453,222,718.36	0.52	37.40	(10)
Lease liabilities	108,072,699.30	0.12	35,731,374.49	0.04	202.46	(11)
Long-term payables	9,473,942.42	0.01	26,445,460.52	0.03	(64.18)	(12)
Deferred tax liabilities	37,432,742.46	0.04	21,337,057.58	0.02	75.44	(13)

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

### I. Discussion and Analysis of Operations (Continued)

#### (II) Analysis on Assets and Liabilities (Continued)

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

1. Notes receivable for the Period is 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.
2. The decrease in non-current assets due within one year is mainly due to the decrease in loans and advances due within one year.
3. The increase in other current assets is mainly due to the increase in prepaid taxes and tax credits, short-term loans and discounted assets.
4. The decrease in other investments in equity instruments is mainly due to the disposal of some other equity instrument investments.
5. The increase in construction in progress is mainly due to the increase in wind power production base.

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

### I. Discussion and Analysis of Operations (Continued)

#### (II) Analysis on Assets and Liabilities (Continued)

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

6. The increase in right-of-use assets is mainly due to the increase in the leasing of buildings and structures.
7. The decrease in short-term borrowings is mainly due to the repayment of short-term borrowings when due.
8. The increase in notes payable is mainly due to the increase in the settlement of bills.
9. The increase in non-current liabilities due within one year is mainly due to the increase in lease liabilities due within one year.
10. The increase in long-term borrowings is mainly due to the increase in credit borrowings.
11. The increase in lease liabilities is mainly due to the increase in the leasing of buildings and structures.
12. The decrease in long-term payables is mainly due to the decrease in special payables.
13. The increase in deferred tax liabilities is mainly due to temporary differences in tax payable.

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

### I. Discussion and Analysis of Operations (Continued)

#### (II) Analysis on Assets and Liabilities (Continued)

##### 2. Gearing ratio

Item	Amount at the end of the Period	Amount at the beginning of the year	Year-on- year increase <i>(percentage point)</i>
Gearing ratio (%)	<b>65.16</b>	64.52	0.64

*Note:* Gearing ratio = total liabilities/total assets × 100%

The gearing ratio of the Group was 65.16% at the end of the Reporting Period, representing an increase of 0.64 percentage point as compared with the beginning of the year. The risk relating to the asset structure of the Group is in a controllable state.

##### 3. Major restricted assets at the end of the Reporting Period

Among Cash and cash equivalents of the Group as at the end of the Reporting Period, restricted cash and cash equivalents totaled RMB2,223,249,980.35, which represented statutory deposit reserve with central bank from DEC Finance Co., Ltd. security deposit for letter of credit, security deposit for bank acceptance bills and performance guarantee deposits.

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

### I. Discussion and Analysis of Operations (Continued)

#### (III) Analysis of Operations by Product or Region

##### 1. Total operating revenue by product and segment

Unit: Yuan Currency: RMB

By product	Revenue	Cost	Gross profit margin	Year-on-year	Year-on-year	Year-on-year
				increase/decrease in revenue	increase/decrease in cost	increase/decrease in gross profit margin
			(%)	(%)	(%)	(percentage point)
High-efficient clean energy equipment	8,455,535,717.65	6,959,009,656.70	17.70	(2.93)	3.22	(4.90)
Renewable energy equipment	3,200,435,990.79	2,759,676,709.49	13.77	23.98	23.86	0.08
Engineering and trade	2,209,839,088.11	1,707,443,047.05	22.73	68.12	59.52	4.16
Modern manufacturing services business	1,972,341,354.37	954,444,057.52	51.61	5.07	1.76	1.58
Emerging growth business	1,914,818,349.81	1,619,823,625.50	15.41	41.03	53.24	(6.74)

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

### I. Discussion and Analysis of Operations (Continued)

#### (III) Analysis of Operations by Product or Region (Continued)

##### 1. *Total operating revenue by product and segment (Continued)*

- (1) The Company sought for restructuring and upgrading proactively during the Reporting Period. While focusing on the objectives of the “refining the main business operations and developing new business operations”, it optimized the allocation of resources and improved its quality control continuously, realizing varying level of income growth in other main products except for thermal power, nuclear power and engineering, which recorded a decrease in revenue. Total operating revenue increased year-on-year by 12.07% during the Reporting Period.
- (2) The operating revenue from high-efficiency clean energy equipment decreased year-on-year by 2.93%, mainly due to a decrease in the scale of sales of thermal power and nuclear power products during the Reporting Period. The gross profit margin of high-efficiency clean energy equipment decreased year-on-year by 4.90 percentage points, mainly due to the change in project mix during the Reporting Period.

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

### I. Discussion and Analysis of Operations (Continued)

#### (III) Analysis of Operations by Product or Region (Continued)

##### 1. Total operating revenue by product and segment (Continued)

- (3) The revenue from renewable energy equipment increased year-on-year by 23.98%, mainly due to the year-on-year increase of 41.05% in revenue from hydropower products. The gross profit margin of renewable energy equipment for the Reporting Period remained basically flat as compared with the corresponding period of last year.
- (4) The operating revenue from engineering and trade increased year-on-year by 68.12%, mainly due to the year-on-year increase in revenue from trade. The gross profit margin of engineering and trade increased year-on-year by 4.16 percentage points during the Reporting Period, mainly due to the increase in the gross profit margin of engineering business.
- (5) The operating revenue from modern manufacturing services business increased year-on-year by 5.07%, mainly due to the year-on-year growth in logistics services. The gross profit margin of modern manufacturing services increased year-on-year by 1.58 percentage points, mainly due to the year-on-year increase in the gross profit margin of power plant services.



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

### I. Discussion and Analysis of Operations (Continued)

#### (III) Analysis of Operations by Product or Region (Continued)

##### 1. Total operating revenue by product and segment (Continued)

- (6) The operating revenue from emerging growth business increased year-on-year by 41.03%, mainly due to the year-on-year growth in revenue from electronic power and intelligent control products and environmental protection products. The gross profit margin of emerging growth business for the Reporting Period decreased by 6.74 percentage points as compared with the corresponding period of last year, mainly due to the low gross profit of some environmental products.

##### 2. Total operating revenue by region

Unit: Yuan Currency: RMB

Region	Total operating revenue	Year-on-year increase/ decrease in operating revenue
Mainland China	15,436,164,544.32	8.08%
Overseas	<u>2,316,805,956.41</u>	<u>48.59%</u>
Total	<u>17,752,970,500.73</u>	<u>12.07%</u>

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

### I. Discussion and Analysis of Operations (Continued)

#### (IV) Analysis of Investment

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

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

No.	Type	Stock code	Stock short name	Initial investment cost (RMB'000)	Balance at the beginning of the period (RMB'000)	Balance at the end of the period (RMB'000)	Profit or Loss in the Reporting Period (RMB'000)
1	Stock	600011	Huaneng Power	53,073.26	44,158.99	33,396.23	(10,762.76)
2	Stock	601179	CHINA XD	1,010.77	526.71	700.35	173.64
3	Stock	000883	Hubei Energy	189.79	119.01	100.46	(18.55)
4	Stock	600030	CITICS	630.98	948.50	903.88	(44.62)
Total				54,904.80	45,753.21	35,100.92	(10,652.29)

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

### I. Discussion and Analysis of Operations (Continued)

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

Closing balance (RMB 100 million)

Subsidiary name	Assets			Liabilities		
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
DEC Dongfang Steam Turbine Co., Ltd.	180.60	57.14	237.74	166.95	9.93	176.88
DEC Dongfang Boiler Group Co., Ltd.	165.14	32.04	197.18	97.58	33.59	131.17
DEC Dongfang Electric Machinery Co., Ltd.	134.83	24.80	159.63	90.48	11.67	102.15
Dongfang Electric Finance Co., Ltd.	325.01	66.73	391.74	359.47	0.13	359.60
Dongfang Electric Wind Power Co., Ltd.	103.19	19.22	122.41	97.83	8.47	106.30
Dongfang Electric International Corporation Limited	51.33	8.73	60.06	28.22	12.45	40.67
Dongfang Electric Automatic Control Engineering Co., Ltd.	20.91	4.15	25.06	15.44	0.40	15.84

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

### I. Discussion and Analysis of Operations (Continued)

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

##### 1. *Bank borrowings*

As at 30 June 2020, the Group had financial institution (bank) borrowings of RMB36 million due within one year and financial institution (bank) borrowings of RMB623 million due beyond one year. The Group's borrowings are mainly denominated in RMB. In particular, RMB659 million were fixed-rate loans. The Group has maintained a favorable credit rating with banks and a sound financing capacity.

##### 2. *Cash and cash equivalents*

As at 30 June 2020, the cash and cash equivalents in RMB and US dollars held by the Group accounted for 88.31% and 10.93% of the Group's cash and cash equivalents respectively.

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

### I. Discussion and Analysis of Operations (Continued)

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

##### 3. *Exchange risk management*

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

##### 4. *Pledge of assets*

As at 30 June 2020, the Group had pledged bank borrowings of approximately RMB428 million (as at 31 December 2019: RMB432 million), which were related to borrowings from financial institutions secured by concession. As at 30 June 2020, net concession value amounted to RMB580 million (as at 31 December 2019: RMB585 million). As at the end of the Reporting Period, this part of borrowings was not due and repayable.

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

### II. Other Disclosure

#### (I) 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, and has spread around the world which has adversely affected the production and operation of the Company such as international business, supply chain management, etc. 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 relating to contract execution*

Due to COVID-19 pandemic, the production capacity of the Company and the subcontractors in the first half of 2020 was affected to a certain extent, which is prone to delay the performance of the subcontractors, affecting project output, leading to the failure of the contract execution on time and affecting the sales as planned. The Company will get in touch with customers and general contractors in a timely manner, and try to change the delivery period through emails, agreements, etc. While preventing and controlling the pandemic, it will organize project output to minimize the impact of the pandemic.

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

### II. Other Disclosure (Continued)

#### (I) Possible risks (Continued)

##### 3. *Risks relating to market competition*

As the market competition intensifies, the owner may put forward extraordinary requirements on the payment method, delivery schedule and technical indicators of the contract, which increased the costs, difficulty and risks of execution. The Company will adopt measures such as full evaluation before bidding and optimization of technical schemes to strive for more favorable contract conditions, etc., and produce and manufacture in strict accordance with contract technical standards to meet the needs of users and enhance products competitiveness with technology and service advantages.

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

### II. Other Disclosure (Continued)

#### (II) Other disclosure

##### 1. *Prospect for the Second Half of 2020*

The Company will continue to carry out the COVID-19 epidemic prevention and control work, enhance market development, optimize enterprise internal management, strengthen technological innovation and control internal and external risks, so as to ensure steady growth in operating income and continued increase in total profit, and promote high-quality development of the Company.

## V. SIGNIFICANT EVENTS

### I. Overview of General Meetings

Session of Meeting	Date	Designated website for publication of resolutions	Publication date of resolutions
2020 first extraordinary general meeting	14 February 2020	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk/">http://www.hkexnews.hk/</a>	14 February 2020
2019 annual general meeting and the 2020 first A Shares class meeting and the 2020 first H Shares class meeting	24 June 2020	<a href="http://www.sse.com.cn/">http://www.sse.com.cn/</a> <a href="http://www.hkexnews.hk/">http://www.hkexnews.hk/</a>	24 June 2020



## V. SIGNIFICANT EVENTS (CONTINUED)

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

#### (I) Profit distribution during the Reporting Period

Approved by the general meeting for 2019 on 24 June 2020, the Company paid the final dividend for 2019 to its shareholders on 24 August 2020, a cash dividend of RMB2.05 (inclusive of tax) per 10 shares, totaling the dividend of RMB639,352,386.65 (inclusive of tax).

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

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

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2020 (30 June 2019: Nil).

## V. SIGNIFICANT EVENTS (CONTINUED)

### III. Performance of Undertakings

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

Background of undertakings	Type of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in a timely manner or not	Description of specific reasons if not performed timely	Description of plans for next steps if not performed timely
Undertakings made in acquisition reports or equity change reports	Lock-up of shares	Dongfang Electric Corporation	DEC shares subscribed with the Target Assets held by the Company shall not be transferred in any form within 36 months after the listing of such shares. If the closing price of DEC shares is below the issue price in the transaction for 20 consecutive trading days within 6 months from the listing of new shares from the transaction, or the closing price at the end of the six month period after the completion of the transaction is below the issue price in the transaction, the lock-up period of DEC shares obtained by the Company from the transaction will be extended by six months automatically on the basis of the original lock-up period. Shares of the listed company directly and indirectly held by the Company prior to the transaction shall not be transferred with 12 months after the listing of new shares from the transaction.	Lock-up period	Yes	Yes		

## V. SIGNIFICANT EVENTS (CONTINUED)

### III. Performance of Undertakings (Continued)

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

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

## V. SIGNIFICANT EVENTS (CONTINUED)

### III. Performance of Undertakings (Continued)

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

Background of undertakings	Type of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in a timely manner or not	Description of specific reasons if not performed timely	Description of plans for next steps if not performed timely
	Others	Dongfang Electric Corporation	For the outstanding entrusted loans of DEC Finance to DEC Emei Semiconductor Materials Research Institute ("DEC Eban Company") (東方峨半公司) and Dongfang Electric (Yixing) MAGI Solar Power Technology Co., Ltd. ("DEC Majiji") (東方邁吉), the Group undertook that the risks on the issuing of loans by DEC Finance upon the appointment of Dongfang Electric Corporation and Dongfang Electric Dongqi Investment Development Co., Ltd. ("Dongqi Investment Development") will be assumed by the Group and Dongqi Investment Development, as the entrusting parties, respectively. If DEC Eban Company and DEC Majiji fail to make the repayment, all of the relevant losses will be assumed by the Group and Dongqi Investment Development, as the entrusting parties, respectively. DEC Finance will not assume any risks or losses.	Performance period for entrusted loans	Yes	Yes		
Undertakings related to share incentive	Others	The Company	The Company undertakes not to provide loans and financial assistance in any other forms, including providing guarantee for its loans, to the Participants for acquiring the related Restricted Shares under the Incentive Scheme.	Within implementation period of Incentive Scheme	Yes	Yes		

## V. SIGNIFICANT EVENTS (CONTINUED)

### IV. Bankruptcy Reorganization

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

On 29 September 2018, the Intermediate People's Court of Jiuquan City of Gansu Province ruled the bankruptcy and liquidation of Dongfang Electric (Jiuquan) New Energy Co., Ltd.. On 12 November 2018, the Intermediate People's Court of Hulunbuir City of Inner Mongolia Autonomous Region ruled the bankruptcy and liquidation of Dongfang Electric (Hulunbuir) New Energy Co., Ltd.. On 24 December 2018, the Intermediate People's Court of Tongliao City of Inner Mongolia Autonomous Region ruled the bankruptcy and liquidation of Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd. As of 30 June 2020, confirmation of claims, disposal of assets and other work of the above-mentioned enterprises are still in legal process.

## **V. SIGNIFICANT EVENTS (CONTINUED)**

### **V. Significant Litigation or Arbitration Events**

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

### **VI. Material Events**

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

### **VII. Equity Incentive Scheme, Employee Stock Ownership Scheme or Other Employee Incentives and Effects Thereof**

On 22 November 2019, the Company considered and approved the Resolution regarding the Restricted A Share Incentive Scheme for 2019 (Draft Amendment) and its Summary at the Company's 2019 first extraordinary general meeting, the 2019 first A Shares class meeting and the 2019 first H Shares class meeting. 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. On 7 January 2020, 27,988,699 ordinary A Shares were directly issued to 780 participants under the Restricted A Share Incentive Scheme, and were registered at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited and listed.

## V. SIGNIFICANT EVENTS (CONTINUED)

### VIII. Material Related Party Transactions

#### (I) Related party transactions in ordinary course of business

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

The 2019-2021 continuing related party transactions agreements entered with DEC, including the 2019-2021 Marketing and Production Service Framework Agreement(《2019-2021銷售及生產服務框架協議》), the 2019-2021 Integrated Supporting Service Framework Agreement(2019-2021綜合配套服務框架協議), 2019-2021 Property and Equipment Lessee Framework Agreement(《2019-2021物業及設備承租人框架協議》) and 2019-2021 Financial Services Framework Agreement(《2019-2021財務服務框架協議》), were considered and approved at the meeting of Board held by the Company on 27 December 2018. During the Reporting Period, all continuing related party transactions were carried out within the scope of the framework agreements and the annual caps.

#### (II) Related party transactions relating to acquisition and disposal of assets and equity

*Events disclosed in the temporary announcements but without subsequent development or changes during implementation*

On 29 May 2020, Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd. (a subsidiary of the Company) entered into the asset transaction contract with DEC, pursuant to which DEC agreed to transfer to Dongfang Electric (Chengdu) Hydrogen Fuel Cell Technology Co., Ltd hydrogen fuel cell business related equipment and intangible assets, including 41 sets of machinery and equipment, 1 set of electronic equipment and 51 items of intangible assets such as software and patents. The transfer price is RMB47,285,590 which is funded from internal resources of the Company.

Details of the transfer of target assets from DEC and related party transaction are set out in the announcement dated 29 May 2020 on the website of the Shanghai Stock Exchange (<http://www.sse.com.cn>) and the website of the Stock Exchange (<http://www.hkexnews.hk>).

## V. SIGNIFICANT EVENTS (CONTINUED)

### IX. Material Related Party Transactions (Continued)

#### (III) Significant related party transactions relating to joint external investment

*Events disclosed in the temporary announcements with subsequent development or changes during implementation*

The capital increase through conversion of state funds by Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. was approved at the 29th meeting of the ninth session of the Board of the Company held on 19 June 2020. At the 2020 fourth general meeting of Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. held on 23 June 2020, a resolution was approved to agree that RMB68,623,037 out of the state funds of RMB131,070,000 contributed by DEC into Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. be converted into additional registered capital by DEC to Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. and the remaining RMB62,446,963 be additional capital reserve of Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. which would be shared by all shareholders. The Company, other shareholders of Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. and DEC completed the signing of the capital increase agreement.

Upon completion of the capital increase through conversion of state funds, the total controlling equity interests by the Company and DEC Dongfang Boiler Group Co., Ltd. (a subsidiary of the Company) in Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. will be diluted from approximately 64.7275% to approximately 61.0860%, the Company still maintain the actual control over Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. remains a subsidiary of the Company and is consolidated in the financial statements of the Group as a subsidiary.

Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. completed the industrial and commercial procedures on 21 July 2020.

Details of the capital increase through conversion of state funds and deemed disposal of equity interests in Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. and related party transaction are set out in the announcements dated 19 June 2020 and 3 July 2020 on website of the Shanghai Stock Exchange ([www.sse.com.cn](http://www.sse.com.cn)) and website of the Stock Exchange (<http://www.hkexnews.hk>).



## V. SIGNIFICANT EVENTS (CONTINUED)

### X. Material Contracts and Performance thereof

#### (I) Guarantee

Unit: Yuan Currency: RMB

Guarantor	Relationship between guarantor and listed company	Guaranteed amount	Date of guarantee (execution date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	External guarantees provided by the Company (excluding guarantees provided for subsidiaries)			Is the guarantee provided to related party	
							Is the guarantee fully fulfilled	Is the guarantee overdue	Any counter guarantee		
Dongfang Electric Corporation Limited	Headquarters of the Company	16,000,000	19 January 2016	19 January 2016	19 January 2026	General guarantee	No	No	0	Yes	Associate
Dongfang Electric Corporation Limited	Headquarters of the Company	16,000,000	29 June 2016	29 June 2016	29 June 2026	General guarantee	No	No	0	Yes	Associate
Dongfang Electric Corporation Limited	Headquarters of the Company	36,000,000	27 October 2016	27 October 2016	27 October 2026	General guarantee	No	No	0	Yes	Associate
DEC Dongfang Steam Turbine Co., Ltd.	Wholly-owned subsidiary	24,500,000	22 September 2016	22 September 2016	30 April 2025	General guarantee	No	No	0	Yes	Joint venture

## V. SIGNIFICANT EVENTS (CONTINUED)

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

#### (I) Guarantee (Continued)

Total guarantee incurred during the Reporting Period (excluding those provided to subsidiaries)	0
Total balance of guarantee as at the end of the Reporting Period (A) (excluding those provided to subsidiaries)	92,500,000
<b>Guarantee provided by the Company to its subsidiaries</b>	
Total guarantee to subsidiaries incurred during the Reporting Period	0
Total balance of guarantee to subsidiaries as at the end of the Reporting Period (B)	0
<b>Aggregate guarantee of the Company (including those to subsidiaries)</b>	
Aggregate guarantee (A+B)	92,500,000
Percentage of aggregate guarantee to net assets of the Company (%)	0.29
Representing:	
Amount of guarantee provided for shareholders, de facto controller and their related parties (C)	0
Amount of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	0
Excess amount of aggregate guarantee over 50% of net assets (E)	0
Aggregate amount of the above three items (C+D+E)	0

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

The Company provided financing guarantees for Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd., Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd. and Inner Mongolia Mengneng Wulan New Energy Co., Ltd. with its 20% equity interests and derivative interests in the each of above three companies. The guarantees shall be valid from the effective date of the Equity Pledge Agreement until all debts under the Financial Leasing Contract are being repaid.

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

Statement on guarantee

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

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters

#### (I) The Use of Proceeds for Investment Projects (“Investment Projects”)

Unit: Yuan Currency: RMB

Investment projects	Total amount	Actual amount	Utilized amount	Actual accumulated	Unutilized	Progress of fund		
	of committed						Total amount	for the six
	investments from	invested during	months ended	use of proceeds as	deposited at the	30 June 2020		
	proceeds	the year ended 31	30 June 2020	at 30 June 2020	bank	30 June 2020		
	after adjustment	December 2019			account number	(%)		
Thermal power EPC project in coastal area of Vietnam (越南沿海火電EPC項目)	1,300,000,000.00	1,300,000,000.00	1,283,500,000.00	-	1,283,500,000.00	0 (Accounts cancelled)	Chengdu Kaifaxiqu Sub-branch of Bank of China Limited 122580414144	100
Thermal power EPC project in Bosnia and Herzegovina (波黑斯尼納端火電EPC項目)	800,000,000.00	800,000,000.00	789,921,600.00	-	789,921,600.00	0 (Accounts cancelled)	Chengdu Qinglong Sub-branch of Industrial and Commercial Bank of China Limited 4402238029100079491	100
Thermal power BTG project in Singhtarai, India (印度辛加塔里火電BTG項目) (Note 1)	720,000,000.00	323,571,055.46	323,571,055.46	-	323,571,055.46	0 (Accounts cancelled)	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	180,000,000.00	185,640,972.91	-	185,640,972.91	0 (Accounts cancelled)	Zigong Branch of Industrial and Commercial Bank of China Limited 2303820329020117272	103.13

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (I) The Use of Proceeds for Investment Projects (“Investment Projects”) (Continued)

Investment projects	Total amount		Actual amount invested during the year ended 31 December 2019	Utilized amount for the six months ended 30 June 2020	Actual accumulated amount invested of use of proceeds as at 30 June 2020	Unutilized amount as at 30 June 2020		Progress of fund utilization as of 30 June 2020 (%)
	of committed investments from proceeds	Total amount of investment after adjustment				Deposit with bank and bank account number	amount as deposited at the bank	
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	330,000,000.00	305,300,162.92	22,312,625.41	327,612,788.33	38,785,696.70 <i>(Note 1)</i>	Deyang Branch of Industrial and Commercial Bank of China Limited 2305362729020125122	99.28
						33,211,854.24 <i>(Note 2)</i>	Deyang Branch of Bank of China Limited 121230397746	
Project of Dongfang Electric Machinery for optimizing research and development (東方電機試驗研發能力提升項目)	160,000,000.00	160,000,000.00	124,440,926.38	4,936,034.89	129,376,961.27	38,785,696.70 <i>(included in Note 1)</i>	Deyang Branch of Industrial and Commercial Bank of China Limited 2305362729020125122	80.86
Upgrading of research and development of gas turbine (phase II) (燃氣輪機研發能力提升項目(一期))	510,000,000.00	510,000,000.00	543,894,019.13		543,894,019.13	33,211,854.24 <i>(included in Note 2)</i>	Deyang Branch of Bank of China Limited 121230397746	106.65
General account of the proceeds						4,755,619.97	Chengdu Qinglong Sub-branch of Industrial and Commercial Bank of China Limited 4402238029100078341	
<b>Total</b>	<b>4,000,000,000.00</b>	<b>3,603,571,055.46</b>	<b>3,556,268,736.80</b>	<b>27,248,660.30</b>	<b>3,583,517,397.10</b>	<b>76,753,170.91</b>	/	/

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (I) The Use of Proceeds for Investment Projects (“Investment Projects”) (Continued)

*Notes:*

1. In October 2018, ACPL, the owner of the Singhatari Project, was petitioned by its creditor, the project loan syndicate, to the National Company Law Tribunal for bankruptcy restructuring as its capital funds were not fully in place and its debts were massive. The National Company Law Tribunal pronounced the commencement of restructuring procedures on 24 May 2019. In view of the current situation of the project, it is expected that Singhatari Project will no longer be carried out in the future.

In order to improve the utilization efficiency of proceeds, the Company proposed to use all of the remaining funds of RMB432,068,415.67 (including interest) 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. For details, please refer to the circular of the Company dated 1 November 2019 on the proposed change in use of partial proceeds.

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.

2. The fund in the general bank account of the proceeds amount to RMB4,755,619.97, which is interest balance on the proceeds.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (I) The Use of Proceeds for Investment Projects (“Investment Projects”) (Continued)

##### *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 project; RMB36,538,513.55 for the testing & research capacity upgrade and promotion project (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 Steam Turbine Co., Ltd.); RMB24,339,999.80 used for the testing & research capacity improvement project of DEC Dongfang Electric Machinery Co., Ltd.; RMB44,143,866.76 used for the gas turbines research and development capacity promotion project (Phase I) of DEC Dongfang Steam 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.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (I) The Use of Proceeds for Investment Projects (“Investment Projects”) (Continued)

*Initial investment in investment projects and its replacement  
(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 project 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 Steam Turbine Co., Ltd.); RMB24,339,999.80 for the testing & research capacity improvement project of DEC Dongfang Electric Machinery Co., Ltd; RMB44,143,866.76 for the gas turbines research and development capacity promotion project (Phase I) of DEC Dongfang Steam Turbine Co., Ltd.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (I) The Use of Proceeds for Investment Projects (“Investment Projects”) (Continued)

##### *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.



## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (I) The Use of Proceeds for Investment Projects (“Investment Projects”) (Continued)

##### *Temporary replenishment of liquidity with idle proceeds (Continued)*

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.

##### *Plan for expected use of unutilized proceeds*

For the unutilized proceeds as at 30 June 2020, 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.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (II) The Use of Proceeds from the Restricted A Incentive Scheme

During the Reporting Period, the total amount of subscriptions paid by the participants received by the Company amounted to RMB165,972,988.00. As at 30 June 2020, all of the proceeds generated from the issuance of restricted A Shares were used for supplementing the Company's working capital.

#### (III) Others

##### 1. *Employees and remuneration policies*

As at 30 June 2020, the total number of employees of the Company was 18,256. The total amount of remuneration paid to the employees during the Reporting Period was RMB1,049,500,000.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 1. *Employees and remuneration policies (Continued)*

The Company has formulated management systems including total wages, performance assessment, employee remuneration distribution, medium and long-term incentives, etc., and established an internal remuneration distribution system adapting to market competition based on the position value, and with performance contribution as orientation. Employee remuneration is paid with reference to enterprise economic efficiency and individual performance.

During the Reporting Period, guided by the development strategy, the Company formulated the annual unified training plan of the Company and the annual training plan of each enterprise, so as to improve the professional ability of employees and boost their career development. The Company implemented hierarchical and classified trainings, and planned that the number of trainings per employee in the year should be not less than 7 times. The Company's unified training plan focuses on improving the management ability of leaders and the professional skills of employees, highlighting the unified training of management talents, core technical talents, excellent skilled talents and backbone young talents; the annual training plan of each enterprise affiliated to the Company highlights the improvement of professional skills and comprehensive abilities of all employees. Through the combination of online and offline trainings, independent trainings and superior trainings, the Company made full use of the Company's "learning cloud" platform, effectively coordinated the training resources inside and outside the Group, promoted the implementation of training plans, and continuously improved the position performance capacity and development potential of talents in various fields and at all levels to promote the mutual development of employees and the Company.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

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

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

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

There were no other major acquisition and disposal of subsidiaries and associates during the six months ended 30 June 2020.

4. *Corporate Governance Code*

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

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 5. *Model Code for Securities Transactions*

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

##### 6. *Audit Committee*

The Board has set up an audit committee comprising three independent non-executive directors, Mr. Xu Haihe, Mr. Gu Dake and Mr. Liu Dengqing. Mr. Xu Haihe, the independent non-executive director, holds the position of the Chairman. The audit committee has reviewed the 2020 interim report of the Company for the Reporting Period, and agreed with the accounting treatment method adopted by the Company.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 7. *Share Incentive Scheme*

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.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 7. *Share Incentive Scheme (Continued)*

#### (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.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 7. Share Incentive Scheme (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	Unlocking ratio
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



## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 7. Share Incentive Scheme (Continued)

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

<b>Unlocking Period</b>	<b>Unlocking Time</b>	<b>Unlocking ratio</b>
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

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 7. *Share Incentive Scheme (Continued)*

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

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.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 7. *Share Incentive Scheme (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.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 7. Share Incentive Scheme (Continued)

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

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

<b>Unlocking Period</b>	<b>Performance targets</b>
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 $\Delta$ 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 $\Delta$ 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 $\Delta$ EVA for 2022 is positive.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 7. *Share Incentive Scheme (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.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 7. *Share Incentive Scheme (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.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 7. *Share Incentive Scheme (Continued)*

#### (V) Matters in Relation to Reserved Entitlements Arrangements (Continued)

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.

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.

## V. SIGNIFICANT EVENTS (CONTINUED)

### XI. Explanation on Other Important Matters (Continued)

#### (III) Others (Continued)

##### 8. *Information Disclosure*

The interim report of the Company for the period ended 30 June 2020, which contains all information as proposed in the Disclosure of Financial Information set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, will be dispatched to shareholders of the Company and published on the websites of Hong Kong Stock Exchange and the Company's website (<http://dfem.wsfg.hk>) in due course.



## VI. CHANGES IN ORDINARY SHARES AND PARTICULARS OF SHAREHOLDERS

### I. Changes in Ordinary Shares

#### (I) 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	55.40%
2. Others	1,022,883,605	27,988,699	1,050,872,304	33.70%
II H shares				
DongFang Electric (Hong Kong) Limited	858,800	–	858,800	0.03%
Other H shareholders	339,141,200	–	339,141,200	10.87%
Total	<u>3,090,803,431</u>	<u>27,988,699</u>	<u>3,118,792,130</u>	<u>100%</u>

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

### I. Changes in Ordinary Shares (Continued)

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

Unit: Share

	Prior to the current movements		Increase/(decrease) of current movements (+, -)					After current movements	
	Number of shares	Percentage (%)	New shares issued	Share donation	Conversion of reserves into share	Others	Sub-total	Number of shares	Percentage (%)
I. Shares subject to trading moratorium	753,903,063	24.39	27,988,699	0	0	0	27,988,699	781,891,762	25.07
1. State-owned shares	0	0	0	0	0	0	0	0	0
2. State-owned legal person shares	753,903,063	24.39	0	0	0	0	0	753,903,063	24.17
3. Other domestic shares	0	0	27,838,699				27,838,699	27,838,699	0.90
Including: shares owned by domestic non-state-owned legal persons	0	0	0	0	0	0	0	0	0
Shares owned by domestic natural persons	0	0	27,838,699	0	0	0	27,838,699	27,838,699	0.89
4. Foreign owned shares	0	0	150,000	0	0	0	150,000	150,000	0.005
Including: shares owned by overseas legal persons	0	0	0	0	0	0	0	0	0
Shares owned by overseas natural persons	0	0	150,000	0	0	0	150,000	0	0.005

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

### I. Changes in Ordinary Shares (Continued)

#### (II) Table of changes in shares (Continued)

Unit: Share

	Prior to the current movements		Increase/(decrease) of current movements (+, -)					After current movements	
	Number of shares	Percentage (%)	New shares issued	Share donation	Conversion of reserves into share	Others	Sub-total	Number of shares	Percentage (%)
II. Tradable shares not subject to trading moratorium	2,336,900,368	75.61	0	0	0	0	0	2,336,900,368	74.93
1. RMB-denominated ordinary shares	1,996,900,368	64.61	0	0	0	0	0	1,996,900,368	64.03
2. Domestic listed foreign shares	0	0	0	0	0	0	0	0	0
3. Overseas listed foreign shares	340,000,000	11	0	0	0	0	0	340,000,000	10.90
4. Others	0	0	0	0	0	0	0	0	0
III Total number of shares	3,090,803,431	100	27,988,699	0	0	0	27,988,699	3,118,792,130	100

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

### **I. Changes in Ordinary Shares (Continued)**

#### **(II) Table of changes in shares (Continued)**

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.

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

### I. Changes in Ordinary Shares (Continued)

#### (III) Changes in shares subject to trading moratorium

Unit: Share

Name of shareholder	Number of shares subject to selling restrictions at the beginning of the period	Number of shares released from selling restrictions during the Reporting Period	Increased number of shares subject to selling restrictions during the Reporting Period	Number of shares subject to selling restrictions at the end of the Reporting Period	Reason for selling restrictions	Date of release from selling restrictions
Dongfang Electric Corporation Limited	753,903,063	0	0	753,903,063	Non-public issuance of shares, subject to a lock-up period of three years	12 June 2021
Participants under the Restricted A Share Incentive Scheme	0	0	27,988,699	27,988,699	Incentive schemes with restricted stock as an incentive method	The lock-up periods shall be 24 months, 36 months and 48 months from the relevant completion date of registration of the restricted shares under the grant, the proportion of unlocking shares in the equity granted is 1/3
Total	753,903,063	0	27,988,699	781,891,762	/	/

### II. Particulars of Shareholders

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

Total number of shareholders of ordinary shares as of the end of the Reporting Period ( <i>shareholder</i> )	111,389
Total number of shareholders of preference shares with restoration of voting rights as at the end of Reporting Period ( <i>shareholder</i> )	0

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

### II. Particulars of Shareholders (Continued)

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

Unit: share

Name of shareholder (Full name)	Shareholdings of top 10 shareholders			Number of shares held subject to trading moratorium	Pledged or frozen Status of shares	Number of shares	Type of shareholder
	Increase/decrease during the Reporting Period	Number of shares held at the end of the Period	Percentage (%)				
Dongfang Electric Corporation	0	1,727,919,826	55.40	753,903,063	Nil	0	State-owned legal person
Hong Kong Securities Clearing Company Limited	(523,000)	337,811,619	10.83	0	Unknown	0	Overseas legal person
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	0	49,648,500	1.59	0	Unknown	0	State-owned legal person
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	0	22,645,600	0.73	0	Unknown	0	State-owned legal person
China Merchants Bank Co., Ltd. – Boser China Securities Central SOE Innovation-driven ETF Securities Investment Fund(招商銀行股份有限公司–博時中證央企創新驅動交易型開放式指數證券投資基金)	17,929,431	17,929,431	0.57	0	Unknown	0	Other
China Construction Bank Corporation – Huaxia CSI Sichuan State-owned Enterprise Reform Trading Open-ended Index Securities Investment Fund(中國建設銀行股份有限公司–華夏中證四川國企改革交易型開放式指數證券投資基金)	(646,428)	12,212,472	0.39	0	Unknown	0	Other

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

### II. Particulars of Shareholders (Continued)

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

Unit: share

Name of shareholder (Full name)	Shareholdings of top 10 shareholders			Percentage (%)	Number of shares held subject to trading moratorium	Pledged or frozen Status of shares	Number of shares	Type of shareholder
	Increase/ decrease during the Reporting Period	Number of shares held at the end of the Period	Number of shares held subject to trading moratorium					
Bank of China Limited – Harvest CSI Central SOE Innovation-driven ETF Securities Investment Fund (嘉實中證央企創新驅動交易型開放式指數證券投資基金)	11,923,100	11,923,100	0.38	0	Unknown	0	Other	
E Fund – Industrial and Commercial Bank of China – E Fund No. 2 Asset Management Plan (易方達基金 – 工商銀行 – 易方達基金臻選2號資產管理計劃)	8,977,920	8,977,920	0.29	0	Unknown	0	Other	
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)	0	8,480,400	0.27	0	Unknown	0	Other	
E Fund – Agricultural Bank – E Fund 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)	0	8,480,400	0.27	0	Unknown	0	Other	
Dacheng Fund – Agricultural Bank – Dacheng China Securities and Financial Assets Management Program (大成基金 – 農業銀行 – 大成中證金融資產管理計劃)	0	8,480,400	0.27	0	Unknown	0	Other	

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

### II. Particulars of Shareholders (Continued)

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

Unit: share

Name of shareholder (Full name)	Shareholdings of top 10 shareholders			Number of shares held subject to trading moratorium	Pledged or frozen Status of shares	Number of shares	Type of shareholder
	Increase/decrease during the Reporting Period	Number of shares held at the end of the Period	Percentage (%)				
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)	0	8,480,400	0.27	0	Unknown	0	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)	0	8,480,400	0.27	0	Unknown	0	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)	0	8,480,400	0.27	0	Unknown	0	Other



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

### II. Particulars of Shareholders (Continued)

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

##### Shareholdings of top 10 shareholders that were not subject to trading moratorium

Name of shareholder	Number of tradable shares which are not subject to trading moratorium	Type and number of shares	Number of shares
		Type of shares	
Dongfang Electric Corporation	974,016,763	RMB ordinary shares	974,016,763
Hong Kong Securities Clearing Company Limited	337,811,619	Overseas-listed foreign shares	337,811,619
China Securities Finance Corporation Limited (中國證券金融股份有限公司)	49,648,500	RMB ordinary shares	49,648,500
Central Huijin Asset Management Ltd. (中央匯金資產管理有限責任公司)	22,645,600	RMB ordinary shares	22,645,600
China Merchants Bank Co., Ltd. – Boserá CSI Central SOE Innovation-driven ETF Securities Investment Fund(招商銀行股份有限公司–博時中證央企創新驅動交易型開放式指數證券投資基金)	17,929,431	RMB ordinary shares	17,929,431
China Construction Bank Corporation – Huaxia CSI Sichuan State-owned Enterprise Reform Trading Open-ended Index Securities Investment Fund(中國建設銀行股份有限公司–華夏中證四川國企改革交易型開放式指數證券投資基金)	12,212,472	RMB ordinary shares	12,212,472

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

### II. Particulars of Shareholders (Continued)

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

##### Shareholdings of top 10 shareholders that were not subject to trading moratorium

Name of shareholder	Number of tradable shares which are not subject to trading moratorium	Type and number of shares	
		Type of shares	Number of shares
Bank of China Limited— Harvest CSI Central SOE Innovation-driven ETF Securities Investment Fund (中國銀行股份有限公司-嘉實中證央企創新驅動交易型開放式指數證券投資基金)	11,923,100	RMB ordinary shares	11,923,100
E Fund – Industrial and Commercial Bank of China – E Fund No. 2 Asset Management Plan (易方達基金-工商銀行-易方達基金臻選2號資產管理計劃)	8,977,920	RMB ordinary shares	8,977,920
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	RMB ordinary shares	8,480,400
E Fund – Agricultural Bank –E Fund 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	RMB ordinary shares	8,480,400

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

### II. Particulars of Shareholders (Continued)

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

##### Shareholdings of top 10 shareholders that were not subject to trading moratorium

Name of shareholder	Number of tradable shares which are not subject to trading moratorium	Type and number of shares	
		Type of shares	Number of shares
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	RMB ordinary shares	8,480,400
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	RMB ordinary shares	8,480,400
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	RMB ordinary shares	8,480,400
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	RMB ordinary shares	8,480,400
Connected relationship or concert party relationship among the above shareholders	The Company did not discover any connected relationship or concert party relationship between top 10 shareholders and top 10 holders of tradable shares.		
Description of shareholders of preference shares with restoration of voting rights and their shareholdings	N/A		

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

### II. Particulars of Shareholders (Continued)

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

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

*Unit: share*

No.	Name of holders of shares subject to trading moratorium	Number of shares held subject to trading moratorium	Listing status of shares which are subject to trading moratorium		Conditions of trading moratorium
			Eligible listing time	Number of new listed shares	
1	Dongfang Electric Corporation	753,903,063	12 June 2021	0	36 months
2	Gong Dan	150,000	24 months, 36 months and 48 months from the completion date of registration of the Restricted Shares under the grant.	0	See explanation
3	Cheng Huan	150,000	24 months, 36 months and 48 months from the completion date of registration of the Restricted Shares under the grant.	0	See explanation
4	Gao Feng	150,000	24 months, 36 months and 48 months from the completion date of registration of the Restricted Shares under the grant.	0	See explanation

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

### II. Particulars of Shareholders (Continued)

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

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

*Unit: share*

No.	Name of holders of shares subject to trading moratorium	Number of shares held subject to trading moratorium	Listing status of shares which are subject to trading moratorium		Conditions of trading moratorium
			Eligible listing time	Number of new listed shares	
5	Wang Weimin	75,000	24 months, 36 months and 48 months from the completion date of registration of the Restricted Shares under the grant.	0	See explanation
6	Liu Hui	75,000	24 months, 36 months and 48 months from the completion date of registration of the Restricted Shares under the grant.	0	See explanation
7	Hu Xiukui	75,000	24 months, 36 months and 48 months from the completion date of registration of the Restricted Shares under the grant.	0	See explanation
8	He Jianhua	75,000	24 months, 36 months and 48 months from the completion date of registration of the Restricted Shares under the grant.	0	See explanation

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

### II. Particulars of Shareholders (Continued)

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

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

*Unit: share*

No.	Name of holders of shares subject to trading moratorium	Number of shares held subject to trading moratorium	Listing status of shares which are subject to trading moratorium Eligible listing time	Number of new listed shares	Conditions of trading moratorium
9	Wu Jiandong	75,000	24 months, 36 months and 48 months from the completion date of registration of the Restricted Shares under the grant.	0	See explanation
10	Chen Qiang	75,000	24 months, 36 months and 48 months from the completion date of registration of the Restricted Shares under the grant.	0	See explanation
Connected relationship or concert party relationship among the above shareholders		The above nine individual shareholders are the participants of the Restricted A Share Incentive Scheme of the Company. For the details of the conditions for unlocking of the restricted shares, please refer to the Restricted A Share Incentive Scheme for 2019 (Draft Amendment) of Dongfang Electric Corporation Limited published on the website of Shanghai Stock Exchange ( <a href="http://www.sse.com.cn">http://www.sse.com.cn</a> ) on 28 September 2019.			

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

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

#### Interests of substantial shareholders

As at 30 June 2020, to the best of the directors' knowledge, having made all reasonable enquiries, the following person(s) (other than Directors, Supervisors and chief executive), had or deemed to have interests (including derivative instruments) or short positions in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance:

Name	Share class	Capacity	Number of shares held	Percentage	Percentage
				of total share capital (%)	in the respective class of share capital (%)
DEC	A share	Beneficial owner	1,727,919,826(L)	55.40(L)	62.18(L)
	H share	Interest held by controlled corporation	858,800(L)	0.03(L)	0.25(L)
Citigroup Inc.	H Shares	Secured equity holders	1,993,400(L)	0.06%	0.59%
	H Shares	Interest held by controlled corporation	15,300(L)	0.00%	0.00%
	H Shares	Interest held by controlled corporation	15,200(S)	0.00%	0.00%
	H Shares	Approved lending agents	15,111,536(L)	0.48%	4.44%
	H Shares	Total	17,120,236(L)	0.54%	5.03%
	H Shares		15,200(S)	0.00%	0.00%
	H Shares		15,111,536(P)	0.48%	4.44%

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

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

#### Interests of substantial shareholders (Continued)

*Notes:*

1. (L) – long position; (S) – short position; and (P) – lending pool.
2. Dongfang Electric Corporation held 100% of interests in Dongfang Electric International Investment Co., Limited, and, therefore, Dongfang Electric Corporation was deemed to own the interests in such H shares held by Dongfang Electric International Investment Co., Limited pursuant to the Hong Kong Securities and Futures Ordinance.
3. The above interests held by Dongfang Electric Corporation reflected its latest disclosure of interests of substantial shareholder under the Securities and Futures Ordinance of Hong Kong.
4. Citigroup Inc. holds all the issued share capital of Citicorp LLC, and Citicorp LLC holds the entire issued share capital of Citibank, N.A.. Both Citigroup Inc. and Citicorp LLC are deemed to have the same interests in the Company as Citibank, N.A.. Citigroup Inc. holds 15,111,536 H Shares (long position) of the Company through Citicorp LLC and Citibank, N.A., which are available for lending.

Citigroup Inc. holds all the issued share capital of Citigroup Global Markets Holdings Inc., while Citigroup Global Markets Holdings Inc. holds the entire issued share capital of Citigroup Financial Products Inc., and Citigroup Financial Products Inc. holds 90% of the issued share capital of Citigroup Global Markets Holdings Bahamas Limited, and Citigroup Global Markets Holdings Bahamas Limited holds all the issued share capital of Citigroup Global Markets Limited. Citigroup Inc., Citigroup Global Markets Holdings Inc., Citigroup Financial Products Inc. and Citigroup Global Markets Holdings Bahamas Limited are all deemed to have the same interests in the Company as Citigroup Global Markets Hong Kong Limited. Citigroup Inc. holds 2,008,600 H Shares (long position) of the Company and 15,200 H Shares (short position) of the Company through the aforementioned corporations under its control.



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

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

#### Interests of substantial shareholders (Continued)

*Notes: (Continued)*

4. (Continued)

Citigroup Inc. holds all the issued share capital of Citigroup Global Markets Holdings Inc., while Citigroup Global Markets Holdings Inc. holds the entire issued share capital of Citigroup Financial Products Inc., and Citigroup Financial Products Inc. holds all the issued share capital of Citigroup Global Markets Hong Kong Limited. Citigroup Inc., Citigroup Global Markets Holdings Inc. and Citigroup Financial Products Inc. are all deemed to have the same interests in the Company as Citigroup Global Markets Hong Kong Limited. Citigroup Inc. holds 100 H Shares (long position) of the Company through the aforementioned corporations under its control.

Among the 17,120,236 H Shares (long position), 5,111,536 H Shares are available for lending, 15,300 H Shares are held by controlled corporation and 1,993,400 H Shares are held by secured equity holders.

5. The above percentage of total share capital and the percentage in the respective class of share capital were calculated on the basis of total share capital and respective class of share capital of the Company as at 30 June 2020.

Save as disclosed above, as at 30 June 2020, the Company was not aware of any other persons who had interests (including derivative interests) or short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company pursuant to Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance or as recorded in the register required to be kept pursuant to Section 336 of the Securities and Futures Ordinance of Hong Kong.

## VII. PARTICULARS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### I. Changes in Shareholdings

#### (I) Securities transactions conducted by directors, supervisors and chief executive

As at 30 June 2020, the Company is not aware of the interests and short positions of the directors, supervisors and chief executive of the Company in the shares, underlying shares or debentures of the Company and any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance) which were required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests or short positions which they were taken or deemed to have under such provisions of the Securities and Futures Ordinance); or which were required to be recorded in the register required to be kept by the Company pursuant to Section 352 of the Securities and Futures Ordinance; or which were required to be notified to the Company and the Stock Exchange pursuant to the Model Code adopted by the Company.

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

### I. Changes in Shareholdings (Continued)

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

*Unit: share*

Name	Position	Number of shares held at the beginning of the Period	Number of shares held at the end of the Period	Increase/decrease in the number of shares during the Reporting Period	Reason for increase/decrease
Zou Lei	Director	0	0	0	No change
Yu Peigen	Director, senior management	0	0	0	No change
Huang Wei	Director	0	0	0	No change
Xu Peng	Director, senior management	0	0	0	No change
Bai Yong	Director, senior management	0	0	0	No change
Gu Dake	Independent director	0	0	0	No change
Xu Haihe	Independent director	0	0	0	No change
Liu Dengqing	Independent director	0	0	0	No change

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

### I. Changes in Shareholdings (Continued)

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

Unit: share

Name	Position	Number of shares held at the beginning of the Period	Number of shares held at the end of the Period	Increase/decrease in the number of shares during the Reporting Period	Reason for increase/decrease
Zhang Jilie	Supervisor	0	0	0	No change
Feng Yong	Supervisor	0	0	0	No change
Wang Zhiwen	Supervisor	0	0	0	No change
Gong Dan	Senior Management	2,540	152,540	150,000	Being granted restricted shares
Zhang Zhiying	Senior Management	0	0	0	No change
Chen Huan	Senior Management	0	150,000	150,000	Being granted restricted shares
Gao Feng	Senior Management	0	150,000	150,000	Being granted restricted shares

#### Other Explanations

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

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

### **I. Changes in Shareholdings (Continued)**

#### **(II) Changes in the shareholdings of existing directors, supervisors and senior management and those retired during the Reporting Period (Continued)**

None of the Directors, Supervisors and senior management of the Company or their respective associates was granted by the Company or its subsidiaries any right to acquire shares or debentures of the Company nor had they exercised any such right before 30 June 2020.

Save as disclosed above, as at 30 June 2020, 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 were taken or deemed to have under such provisions of the Securities and Futures Ordinance); or which were required to be recorded in the register kept by the Company pursuant to section 352 of the Securities and Futures Ordinance; or which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code adopted by the Company.

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

### I. Changes in Shareholdings (Continued)

#### (III) Shares Granted under the Incentive Scheme to the Directors, Supervisors or Senior Management during the Reporting Period

*Unit: share*

Name	Position	Number of restricted Shares held at the beginning of the period	Number of new restricted Shares granted during the Reporting Period	Unlocked Shares	Locked Shares	Number of restricted Shares held at the end of the period
Gong Dan	Senior Management	0	0	0	150,000	150,000
Chen Huan	Senior Management	0	0	0	150,000	150,000
Gao Feng	Senior Management	0	0	0	150,000	150,000
Total	/	0	0	0	450,000	450,000

*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 beginning of the Reporting Period, 1 January 2020, Gong Dan, Chen Huan and Gao Feng have not yet owned any restricted Shares of the Company.

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

### II. Changes in the Directors, Supervisors and Senior management members of the Company

<u>Name</u>	<u>Position</u>	<u>Change situation</u>
Fu Haibo	Supervisor	Resignation
Wang Zhiwen	Supervisor	Elected

The 2020 first extraordinary general meeting of the Company was held on 14 February 2020, at which, the Resolution regarding the Election of Mr. Wang Zhiwen as a Member of 9th Session of the Supervisory Committee was considered and approved, and Mr. Wang Zhiwen was elected as a Supervisor of the Company.

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



## **IX. DOCUMENTS AVAILABLE FOR INSPECTION**

Copy of the 2020 Interim Report signed by the Chairman of the Company.

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

Articles of Association of the Company.

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

**Dongfang Electric Corporation Limited**

**Zou Lei**

*Chairman*

27 August 2020

# Dongfang Electric Corporation Limited

## Financial Statements and Notes

(From January 1, 2020 to June 30, 2020)

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**Dongfang Electric Corporation Limited**  
**Consolidated Balance Sheet**  
**As at June 30, 2020**  
**(Amounts are expressed in RMB unless otherwise stated)**

Assets	Note 5	Balance as at June 30,2020	Balance as at December 31, 2019
Current Assets:			
Monetary funds	5.1	29,572,496,641.84	30,479,728,679.02
Balances with clearing companies			
Loans to banks and other financial institutions	5.2		469,762,000.00
Financial assets held for trading	5.3	2,379,042,891.01	1,606,664,199.35
Derivative financial assets			
Notes receivable	5.4	2,020,516,077.20	1,518,715,778.12
Accounts receivable	5.5	7,701,159,476.45	6,215,286,948.87
Receivables financing	5.6	1,005,202,251.96	1,816,408,795.25
Advances to suppliers	5.7	2,725,962,363.96	2,467,333,662.69
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance contract reserves receivable			
Other receivables	5.8	752,750,630.61	989,033,924.05
Financial assets purchased under resale agreements	5.9	2,540,000,000.00	2,490,000,000.00
Inventories	5.10	13,758,239,335.44	13,142,022,679.41
Contract assets	5.11	7,733,552,158.13	7,290,368,005.89
Assets held for sale			
Non-current assets maturing within one year			
Other current assets	5.12	982,415,342.07	913,567,655.40
Total Current Assets		71,171,337,168.67	69,398,892,328.05
Non-current Assets:			
Disbursement of loans and advances	5.13	1,227,511,850.50	1,025,152,847.76
Creditor's right investments	5.14	4,923,102,491.00	3,756,152,435.75
Other creditor's right investments			
Long-term receivables	5.15	301,753,716.39	390,738,271.80
Long-term equity investments	5.16	1,775,202,520.72	1,717,650,083.08
Other equity instrument investments	5.17	2,744,649.47	4,889,859.48
Other non-current financial assets			
Investment properties	5.18	169,349,801.97	175,495,834.49
Fixed assets	5.19	5,007,042,108.49	5,279,930,962.85
Construction in progress	5.20	446,895,153.14	382,771,135.73
Productive biological assets			
Oil and gas assets			
Right-of-use assets	5.21	226,627,440.94	291,388,386.25
Intangible assets	5.22	1,600,216,271.59	1,632,833,016.54
Development expenditures			
Goodwill			
Long-term deferred expenses	5.23	40,328,894.83	50,792,966.40
Deferred income tax assets	5.24	2,925,530,857.16	2,892,961,105.86
Other non-current assets	5.25	2,918,723,749.98	2,619,316,321.68
Total non-current assets		21,565,029,506.18	20,220,073,227.67
Total assets		92,736,366,674.85	89,618,965,555.72

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

Legal Representative: Zou Lei

Accounting Principal: Bai Yong Person in charge of the

Accounting Department: Wang Chengmi

**Dongfang Electric Corporation Limited**  
**Consolidated Balance Sheet (Continued)**  
**As at June 30, 2020**  
**(Amounts are expressed in RMB unless otherwise stated)**

Liabilities and owners' equity	Note 5	Balance as at June 30,20120	Balance as at December 31, 2019
Current liabilities:			
Short-term borrowings	5.26	36,380,000.00	13,850,000.00
Borrowings from central bank		67,036,458.15	
Loans from banks and other financial institutions		424,770,000.00	
Financial liabilities held for trading			
Derivative financial liabilities			
Notes payable	5.27	3,192,449,801.80	3,650,947,932.56
Accounts payable	5.28	13,999,434,472.05	11,833,812,175.96
Advances from customers	5.29		28,000,000.00
Contract liabilities	5.30	26,427,359,402.90	25,873,464,019.06
Financial assets sold under repurchase agreements			
Absorption of deposits and interbank deposits	5.31	4,799,383,336.18	4,999,411,987.90
Receivings from vicariously traded securities			
Receivings from vicariously sold securities			
Employee compensation payable	5.32	668,751,061.69	780,900,223.52
Taxes and surcharges payable	5.33	122,866,642.55	261,045,191.58
Other payables	5.34	2,336,783,565.21	1,770,776,404.82
Handling charges and commissions payable			
Reinsurance accounts payable			
Liabilities held for sale			
Non-current liabilities maturing within one year	5.35	123,967,481.10	154,232,008.74
Other current liabilities	5.36	73,988,323.36	87,375,624.68
Total current liabilities		52,273,170,544.99	49,453,815,568.82
Non-current liabilities:			
Reserves for insurance contracts			
Long-term borrowings	5.37	622,717,903.80	627,019,323.12
Bonds payable			
Including: preferred stock			
Perpetual bond			
Lease liabilities	5.38	108,072,699.30	156,664,637.27
Long-term payables	5.39	9,473,942.42	9,600,357.51
Long-term employee compensation payable	5.40	763,458,350.08	784,413,550.52
Estimated liabilities	5.41	6,164,426,273.28	6,280,380,090.91
Deferred income	5.42	444,176,838.78	470,607,566.07
Deferred income tax liabilities	5.24	37,432,742.46	38,031,490.91
Other non-current liabilities			
Total non-current liabilities		8,149,758,750.12	8,366,717,016.31
Total liabilities		60,422,929,295.11	57,820,532,585.13
Owner's equity:			
Share capital	5.43	3,090,803,431.00	3,090,803,431.00
Other equity instruments			
Including: preferred stock			
Perpetual bond			
Capital reserves	5.44	11,331,960,245.62	11,345,339,174.91
Less: treasury stock	5.45	165,972,988.00	165,972,988.00
Other comprehensive income	5.46	-21,767,001.52	-24,418,047.58
Special reserves	5.47	91,599,565.07	76,102,748.09
Surplus reserves	5.48	907,174,974.45	907,174,974.45
General risk reserves			
Undistributed profits	5.49	14,541,621,676.76	14,225,616,456.64
Total equity attributable to owners of the parent company		29,803,408,602.38	29,454,645,749.51
Minority equity	5.50	2,510,028,777.36	2,343,787,221.08
Total owner's equity		32,313,437,379.74	31,798,432,970.59
Total liabilities and owners' equity		92,736,366,674.85	89,618,965,555.72

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

Legal Representative: Zou Lei    Accounting Principal: Bai Yong    Person in charge of the Accounting Department: Wang Chengmi

**Dongfang Electric Corporation Limited**  
**Parent Company's Balance Sheet**  
**As at June 30, 2020**  
(Amounts are expressed in RMB unless otherwise stated)

Assets	Note 15	Balance as at June 30, 2020	Balance as at December 31, 2019
Current Assets:			
Monetary funds		5,483,892,691.72	5,497,247,223.57
Financial assets held for trading		351,009,189.94	457,532,079.66
Derivative financial assets			
Notes receivable			
Accounts receivable	15.1	1,232,644,676.09	1,065,723,447.18
Receivables financing	15.2	277,945,064.51	460,847,729.38
Advances to suppliers		6,384,701,152.14	7,662,350,525.48
Other receivables	15.3	311,995,341.99	413,450,619.18
Inventories		70,197,800.67	408,599,537.97
Contract assets		3,010,926,709.45	2,987,295,769.33
Assets held for sale			
Non-current assets due maturing one year			
Other current assets		95,606,473.38	57,081,460.02
Total Current Assets		17,218,919,099.89	19,010,128,391.77
Non-current Assets:			
Creditor's right investments			
Other creditor's right investments			
Long-term receivables			
Long-term equity investments	15.4	22,276,548,582.66	22,169,345,668.35
Other equity instrument investments			
Other non-current financial assets			
Investment properties		10,648,776.87	11,205,457.00
Fixed assets		19,034,501.19	46,156,980.72
Construction in progress		338,748.12	338,748.12
Productive biological assets			
Oil and gas assets			
Right-of-use assets		144,447,078.51	192,596,104.68
Intangible assets		158,773,441.24	171,794,017.86
Development expenditures			
Goodwill			
Long-term deferred expenses			
Deferred income tax assets		268,812,177.94	261,093,920.40
Other non-current assets		696,001,897.40	546,974,524.06
Total non-current assets		23,574,605,203.93	23,399,505,421.19
Total assets		40,793,524,303.82	42,409,633,812.96

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

Legal Representative: Zou Lei    Accounting Principal: Bai Yong    Person in charge of the Accounting Department: Wang Chengmi

**Dongfang Electric Corporation Limited**  
**Parent Company's Balance Sheet (Continued)**  
**As at June 30, 2020**

(Amounts are expressed in RMB unless otherwise stated)

Liabilities and owners' equity	Balance as at June 30, 2020	Balance as at December 31, 2019
Current liabilities:		
Short-term borrowings		
Financial liabilities held for trading		
Derivative financial liabilities		
Notes payable		
Accounts payable	4,540,840,611.31	4,822,032,902.86
Advances from customers		
Contract liabilities	9,662,691,689.95	11,396,442,704.53
Employee compensation payable	17,313,363.86	28,033,750.74
Taxes and surcharges payable	2,378,331.93	4,749,221.09
Other payables	1,381,743,930.67	876,416,312.16
Liabilities held for sale		
Non-current liabilities maturing within one year	96,226,518.83	96,226,518.83
Other current liabilities		
Total current liabilities	15,701,194,446.55	17,223,901,410.21
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Including: preferred stock		
Perpetual bond		
Lease liabilities	52,625,138.40	100,879,341.60
Long-term payables		
Long-term employee compensation payable	12,439,017.95	12,439,017.95
Estimated liabilities	566,393,156.24	576,957,712.18
Deferred income	23,084,944.13	18,008,062.50
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	654,542,256.72	708,284,134.23
Total liabilities	16,355,736,703.27	17,932,185,544.44
Owner's equity:		
Share capital	3,118,792,130.00	3,090,803,431.00
Other equity instruments		
Including: preferred stock		
Perpetual bond		
Capital reserves	13,162,300,241.34	13,190,288,940.34
Less: treasury stock	165,972,988.00	165,972,988.00
Other comprehensive income		
Special reserves		
Surplus reserves	1,195,538,090.88	1,195,538,090.88
Undistributed profits	7,127,130,126.33	7,166,790,794.30
Total owner's equity	24,437,787,600.55	24,477,448,268.52
Total liabilities and owners' equity	40,793,524,303.82	42,409,633,812.96

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

Legal Representative: Zou Lei    Accounting Principal: Bai Yong    Person in charge of the Accounting Department: Wang Chengmi

**Dongfang Electric Corporation Limited**  
**Consolidated Income Statement**  
**January- June 2020**  
(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	For the six months ended June 30, 2020	For the six months ended June 30, 2019
I. Total operating revenue	5.54	17,752,970,500.73	15,841,165,600.17
Including: operating revenue	5.54	17,220,493,375.80	15,309,891,387.85
Interest income	5.54	531,303,054.28	531,274,212.32
Premiums earned			
Income from handling charges and commissions	5.54	1,174,070.65	
II. Total operating cost		16,342,701,521.47	14,529,860,250.66
Including: operating costs	5.54	13,952,748,578.34	11,993,909,056.13
Interest expenses	5.54	47,110,050.60	40,719,217.85
Handling charges and commissions expenses	5.54	538,467.32	594,693.41
Surrender value			
Net amount of compensation payout			
Net amount withdrawn for insurance contract reserves			
Policy dividend expenses			
Reinsurance costs			
Taxes and surcharges	5.55	98,761,632.25	133,237,744.74
Selling and distribution expenses	5.56	365,245,712.90	461,061,153.42
General and administrative expenses	5.57	1,032,305,007.66	1,144,703,122.20
Research and development expenditures	5.58	882,438,413.90	785,932,757.27
Finance expenses	5.59	-36,446,341.50	-30,297,494.36
Including: interest expenses	5.59	14,328,027.89	16,965,368.96
Interest income	5.59	18,780,641.10	41,526,780.39
Plus: other income	5.60	52,270,749.46	35,193,001.67
Investment income ("-" for losses)	5.61	113,443,156.99	150,623,380.79
Including: income from investment in associates and joint ventures	5.61	72,334,525.29	101,336,724.54
Income from derecognition of financial assets measured at amortized cost			
Foreign exchange gains ("-" for losses)	5.62	413,609.59	407,997.15
Income from net exposure hedging ("-" for losses)			
Income from changes in fair value ("-" for losses)	5.63	-110,146,758.23	-78,884,253.33
Losses from credit impairment ("-" for losses)	5.64	-74,067,558.00	-176,131,592.81
Losses from asset impairment ("-" for losses)	5.65	-214,254,727.16	-347,801,337.28
Income from asset disposal ("-" for losses)	5.66	4,914,531.35	1,200,600.28
III. Operating profits ("-" for losses)		1,182,841,983.26	895,913,145.98
Plus: non-operating revenue	5.67	23,303,528.84	36,121,605.45
Less: non-operating expenses	5.68	56,519,445.40	14,056,491.92
IV. Total profits ("-" for total losses)		1,149,626,066.70	917,978,259.51
Less: income tax expenses	5.69	130,091,593.13	131,858,274.81
V. Net profit ("-" for net loss)		1,019,534,473.57	786,119,984.70
(I) Classified by operating sustainability			
1. Net profit from continuing operations ("-" for net loss)		1,019,534,473.57	786,119,984.70
2. Net profit from discontinued operation ("-" for net			

**Dongfang Electric Corporation Limited**

loss)			
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent Company ("-" for net loss)		954,371,842.93	729,692,676.27
2. Minority interest income ("-" for net loss)		65,162,630.64	56,427,308.43
VI. Other comprehensive income, net of tax	5.46	3,860,709.34	2,630,247.87
Other comprehensive income, net of tax, attributable to owners of the parent company	5.46	3,636,809.90	2,609,900.25
(I) Other comprehensive income that cannot be reclassified into profit or loss	5.46	1,158,533.99	
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	5.46	1,158,533.99	
4. Changes in fair value of the Company's own credit risk			
(II) Other comprehensive income that will be reclassified into profit or loss	5.46	2,478,275.91	2,609,900.25
1. Other comprehensive income that can be transferred to profit or loss under the equity method	5.46	-10,413.15	
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	5.46	2,488,689.06	2,609,900.25
7. Others			
Other comprehensive income, net of tax, attributable to minority shareholders	5.46	223,899.44	20,347.62
VII. Total comprehensive income		1,023,395,182.91	788,750,232.57
Total comprehensive income attributable to owners of the parent company		958,008,652.83	732,302,576.52
Total comprehensive income attributable to minority shareholders		65,386,530.08	56,447,656.05
VIII. Earnings per share:			
(I) Basic earnings per share (RMB/share)	5.70	0.31	0.24
(II) Diluted earnings per share (RMB/share)	5.70	0.31	0.24

In case of business combination under common control, the net profit realized by the combinee before the combination in the period was RMB0.00; and the net profit realized by the combinee in the previous period was RMB0.00. The accompanying notes to the financial statements form an integral part of the financial statements.

Legal Representative: Zou Lei Accounting Principal: Bai Yong Person in charge of the Accounting Department: Wang Chengmi



**Dongfang Electric Corporation Limited**  
**Parent Company's Income Statement**  
**January- June 2020**  
(Amounts are expressed in RMB unless otherwise stated)

Item	Note 15	For the six months ended June 30, 2020	For the six months ended June 30, 2019
I. Operating revenue	15.5	5,674,895,166.32	6,215,753,439.51
Less: Operating cost	15.5	5,411,846,067.80	6,031,536,009.13
Taxes and surcharges		136,296.96	3,793,460.75
Selling and distribution expenses		12,365,037.96	11,877,710.62
General and administrative expenses		102,159,813.78	97,426,386.42
Research and development expenditures		62,207,566.80	54,465,907.15
Finance expenses		-53,147,934.74	-51,342,470.28
Including: interest expenses			
Interest income		34,185,702.84	48,603,695.23
Plus: other income		1,279,159.85	149,917.95
Investment income ("- " for losses)	15.6	602,389,114.58	399,724,511.44
Including: income from investment in associates and joint ventures	15.6	64,696,869.49	78,947,102.64
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)		-106,522,889.72	-87,401,255.55
Losses from credit impairment ("- " for losses)		-9,522,018.13	-622,632.83
Losses from asset impairment ("- " for losses)			
Income from asset disposal ("- " for losses)		1,845,391.62	
II. Operating profits ("- " for losses)		628,797,075.96	379,846,976.73
Plus: non-operating revenue		1,072,908.35	8,891,762.04
Less: non-operating expenses		37,896,523.17	58.32
III. Total profits ("- " for total losses)		591,973,461.14	388,738,680.45
Less: income tax expenses		-7,718,257.54	-2,249,308.33
IV. Net profit ("- " for net loss)		599,691,718.68	390,987,988.78
(I) Net profit from continued operation ("- " for net loss)		599,691,718.68	390,987,988.78
(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			
5. Cash flow hedging reserves			
6. Differences arising from translation of foreign-currency financial statements			
7. Others			
VI. Total comprehensive income		599,691,718.68	390,987,988.78

**Dongfang Electric Corporation Limited**

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: Zou Lei

Accounting Principal: Bai Yong    Person in charge of the

Accounting Department: Wang Chengmi

## Dongfang Electric Corporation Limited

### Consolidated Statement of Cash Flows

January- June 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	Note 5	For the six months ended June 30, 2020	For the six months ended June 30, 2019
<b>I. Cash flows from operating activities</b>			
Cash received from sales of goods and rendering of services		16,172,200,276.72	10,992,383,162.25
Net increase in deposits from customers and due from banks and other financial institutions		-41,088,195.39	-164,425,817.14
Net increase in borrowings from central bank		66,637,844.50	
Net increase in loans from other financial institutions		898,516,032.88	622,732,538.90
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 interests, handling charges and commissions		441,728,304.15	270,241,320.97
Net increase in loans from banks and other financial institutions			
Net capital increase in repurchase business			
Net cash received from vicariously traded securities			
Refunds of taxes and surcharges		100,426,646.68	50,529,675.43
Cash received from other operating activities	5.72	935,314,577.22	538,322,034.34
Sub-total of cash inflows from operating activities		18,573,735,486.76	12,309,782,914.75
Cash paid for goods purchased and services received		13,913,080,676.17	10,215,512,444.53
Net increase in loans and advances to customers		242,868,766.41	310,486,706.93
Net increase in deposits with central bank and with banks and other financial institutions		144,195,998.91	-346,835,641.83
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		553,413.78	717,709.97
Cash paid for policy dividends			
Cash paid to and on behalf of employees		1,751,922,829.78	1,751,248,117.45
Cash paid for taxes and surcharges		597,265,744.68	1,161,954,355.99
Cash paid for other operating activities	5.72	951,793,677.62	2,466,512,833.57
Sub-total of cash outflows from operating activities		17,601,681,107.35	15,559,596,526.61
Net cash flows from operating activities		972,054,379.41	-3,249,813,611.86
<b>II. Cash flows from investing activities</b>			
Cash received from disposal of investments		4,420,115,871.48	2,512,923,514.38
Cash received from returns on investments		45,278,697.96	305,704,299.91
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		737,209.88	4,716,740.85
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		4,466,131,779.32	2,823,344,555.14
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets		228,069,938.14	108,492,508.79
Cash paid for investments		6,343,290,652.96	4,021,428,170.44
Net increase in pledge loans			
Net cash paid to acquire subsidiaries and other business units			
Cash paid for other investing activities			
Sub-total of cash outflows from investing activities		6,571,360,591.10	4,129,920,679.23
Net cash flows from investing activities		-2,105,228,811.78	-1,306,576,124.09
<b>III. Cash flows from financing activities</b>			
Cash from absorption of investments		8,000,000.00	150,000,000.00
Including: cash received by subsidiaries from the absorption of minority shareholders' investments		8,000,000.00	150,000,000.00
Cash received from borrowings		32,380,000.00	2,650,000.00
Cash received from other financing activities			
Sub-total of cash inflows from financing activities		40,380,000.00	152,650,000.00
Cash paid for debt repayments		31,319,615.56	26,031,939.68

### Dongfang Electric Corporation Limited

Cash paid for distribution of dividends and profits or payment of interest		47,548,535.22	31,199,998.33
Including: dividends and profits paid to minority shareholders by subsidiaries		27,809,488.48	11,758,932.73
Cash paid for other financing activities			
Sub-total of cash outflows from financing activities		78,868,150.78	57,231,938.01
Net cash flows from financing activities		-38,488,150.78	95,418,061.99
IV. Effect of fluctuation in exchange rate on cash and cash equivalents		48,539,589.79	-329,781.07
V. Net increase in cash and cash equivalents		-1,123,122,993.36	-4,461,301,455.03
Plus: beginning balance of cash and cash equivalents		28,472,369,654.85	26,899,627,194.15
VI. Ending balance of cash and cash equivalents		27,349,246,661.49	22,438,325,739.12

The accompanying notes to the financial statements form an integral part of the financial statements. Legal Representative: Zou Lei                      Accounting Principal: Bai Yong      Person in charge of the Accounting Department: Wang Chengmi

**Dongfang Electric Corporation Limited**  
**Parent Company's Statement of Cash Flows**  
**January- June 2020**  
(Amounts are expressed in RMB unless otherwise stated)

Item	For the six months ended June 30, 2020	For the six months ended June 30, 2019
I. Cash flows from operating activities		
Cash received from sales of goods and rendering of services	3,138,619,836.42	2,582,297,225.28
Refunds of taxes and surcharges	356,021.97	3,972,084.04
Cash received from other operating activities	119,919,260.22	57,126,800.33
Sub-total of cash inflows from operating activities	3,258,895,118.61	2,643,396,109.65
Cash paid for goods purchased and services received	3,554,451,035.23	3,602,745,464.35
Cash paid to and on behalf of employees	75,372,091.33	83,000,042.20
Cash paid for taxes and surcharges	9,506,719.11	59,577,317.86
Cash paid for other operating activities	174,758,438.25	164,178,378.29
Sub-total of cash outflows from operating activities	3,814,088,283.92	3,909,501,202.70
Net cash flows from operating activities	-555,193,165.31	-1,266,105,093.05
II. Cash flows from investing activities		
Cash received from disposal of investments	3,945,116.50	40,000,000.00
Cash received from returns on investments	581,457,260.03	229,937,377.99
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	2,619.88	
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	585,404,996.41	269,937,377.99
Cash paid to acquire and construct fixed assets, intangible assets and other long-term assets	7,380,876.16	2,462,315.85
Cash paid for investments	50,690,900.00	491,200,000.00
Net cash paid to acquire subsidiaries and other business units		
Cash paid for other investing activities		
Sub-total of cash outflows from investing activities	58,071,776.16	493,662,315.85
Net cash flows from investing activities	527,333,220.25	-223,724,937.86
III. Cash flows from financing activities		
Cash from absorption of investments		
Cash received from borrowings		
Cash received from other financing activities		
Sub-total of cash inflows from financing activities		
Cash paid for debt repayments		
Cash paid for distribution of dividends and profits or payment of interest		
Cash paid for other financing activities		
Sub-total of cash outflows from financing activities		
Net cash flows from financing activities		
IV. Effect of fluctuation in exchange rate on cash and cash equivalents	14,505,413.21	-3,763,174.34
V. Net increase in cash and cash equivalents	-13,354,531.85	-1,493,593,205.25
Plus: beginning balance of cash and cash equivalents	5,490,732,223.57	8,033,458,852.09
VI. Ending balance of cash and cash equivalents	5,477,377,691.72	6,539,865,646.84

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

Legal Representative: Zou Lei

Accounting Principal: Bai Yong Person in charge of the

Accounting Department: Wang Chengmi

## Dongfang Electric Corporation Limited

### Consolidated Statement of Changes in Shareholders' Equity

For January - June 2020

(Amounts are expressed in RMB unless otherwise stated)

Item	For the six months ended June 30, 2020													
	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 bonds	Others											
I. 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	2,343,787.21.08	31,798,432,970.59
Plus: adjustments for changes in accounting policies														
Correction of accounting errors in prior periods														
Business combination under common control														
Others														
II. Balance as at January 1, 2020	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	2,343,787.21.08	31,798,432,970.59
III. Increases/decreases in the period ("-" for decreases)	27,988,699.00				-13,378,929.29		2,651,046.06	15,496,816.98			316,005,220.12	348,762,852.87	166,241,556.28	515,004,409.15
(I) Total comprehensive income							3,636,809.90				954,371,842.93	958,008,652.83	65,386,530.08	1,023,395,182.91
(II) Capital contributed or reduced by owners	27,988,699.00				-13,378,929.29							14,609,769.71	126,923,635.00	141,533,404.71
1. Common stock contributed by owners					14,609,769.71							14,609,769.71	126,923,635.00	141,533,404.71
2. Capital invested by the holders of other equity instruments														
3. Amounts of share-based	27,988,699.00				-									

**Dongfang Electric Corporation Limited**

payments recognized in owners' equity	9.00				27,988,699.00								
4. Others													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk reserves													
3. Profit distributed to owners (or 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													
1. Amount withdrawn in the period													
2. Amount used in the period													
(VI) Others													

**Dongfang Electric Corporation Limited**

IV. Balance as at June 30, 2020	3,118,792,130.00				11,331,960,245.62	165,972,988.00	-21,767,001.52	91,599,565.07	907,174,974.45		14,541,621,676.76	29,803,408,602.38	2,510,028,777.36	32,313,437,379.74
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The accompanying notes to the financial statements form an integral part of the financial statements.

Legal Representative: Zou Lei    Accounting Principal: BaiYong    Person in charge of the Accounting Department: Wang Chengmi



**Dongfang Electric Corporation Limited**  
**Consolidated Statement of Changes in Shareholders' Equity (Continued)**  
**For January - June 2020**  
**(Amounts are expressed in RMB unless otherwise stated)**

Item	For the six months ended June 30, 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														
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			13,324,105,405.23	28,584,050,995.80	2,109,857,619.41	30,693,908,615.21
III. Increases/decreases in the period ("-" for decreases)						2,609,900.25	12,571,090.37				389,704,298.86	404,885,289.48	45,456,699.21	450,341,988.69
(I) Total comprehensive income						2,609,900.25					729,692,676.27	732,302,576.52	56,447,656.05	788,750,232.57
(II) Capital contributed or reduced by owners														
1. Common stock contributed by owners														
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											-339,988,377.41	-339,988,377.41	11,809,219.89	-351,797,597.3

**Dongfang Electric Corporation Limited**

														0
1. Withdrawal of surplus reserves														
2. Withdrawal of general risk reserves														
3. Profit distributed to owners (or shareholders)										-	-	-	-	-
										339,988,377.41	339,988,377.41	11,809,219.89	7,597.30	351,797,597.30
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										12,571,090.37	12,571,090.37	818,263.05	13,389,353.42	
1. Amount withdrawn in the period										32,792,427.47	32,792,427.47	3,162,998.26	35,955,425.73	
2. Amount used in the period										-	-	-	-	
										20,221,337.10	20,221,337.10	2,344,735.21	22,566,072.31	
(VI) Others														
IV. Balance as at June 30, 2019	3,090,803,431.00				11,251,874,281.59	-	30,790,567.75	91,966,269.55	871,273,166.80	13,713,809,704.09	28,988,936,285.28	2,155,314,318.62	31,144,250,603.90	

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

Legal Representative: Zou Lei    Accounting Principal: Bai Yong    Person in charge of the Accounting Department: Wang Chengmi

**Dongfang Electric Corporation Limited**  
**Parent Company's Statement of Changes in Shareholders' Equity**  
**January – June 2020**  
**(Amounts are expressed in RMB unless otherwise stated)**

Item	For the six months ended June 30, 2020										
	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, 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
Plus: adjustments for changes in accounting policies											
Correction of accounting errors in prior periods											
Others											
II. Balance as at January 1, 2020	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
III. Increases/decreases in the period ("-" for decreases)	27,988,699.00				-27,988,699.00					-39,660,667.97	-39,660,667.97
(I) Total comprehensive income										599,691,718.68	599,691,718.68
(II) Capital contributed or reduced by owners											
1. Common stock contributed by owners											
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										-	-639,352,386.65
1. Withdrawal of surplus reserves											
2. Profit distributed to owners (or shareholders)										639,352,386.65	-639,352,386.65
3. Others											
(IV) Internal carry-forward of owners' equity	27,988,699.00				-27,988,699.00						
1. Conversion of capital reserves into paid-in capital (or share capital)	27,988,699.00				-27,988,699.00						
2. Conversion of surplus											

**Dongfang Electric Corporation Limited**

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 the period											
2. Amount used in the period											
(VI) Others											
IV. Balance as at June 30, 2020	3,118,792,130.00				13,162,300,241.34	165,972,988.00			1,195,538,090.88	7,127,130,126.33	24,437,787,600.55

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

Legal Representative: Zou Lei

Accounting Principal: Bai Yong

Person in charge of the Accounting Department: Wang Chengmi

**Dongfang Electric Corporation Limited**  
**Parent Company's Statement of Changes in Shareholders' Equity (Continued)**  
**January – June 2020**  
**(Amounts are expressed in RMB unless otherwise stated)**

Item	For the six months ended June 30, 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 the period ("-" for decreases)										50,999,611.37	50,999,611.37
(I) Total comprehensive income										390,987,988.78	390,987,988.78
(II) Capital contributed or reduced by owners											
1. Common stock contributed by owners											
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										-339,988,377.41	-339,988,377.41
1. Withdrawal of surplus reserves											
2. Profit distributed to owners (or 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)											

**Dongfang Electric Corporation Limited**

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 the period											
2. Amount used in the period											
(VI) Others											
IV. Balance as at June 30, 2019	3,090,803,431.00				13,021,217,305.33				1,159,636,283.23	7,234,662,514.25	24,506,319,533.81

The accompanying notes to the financial statements form an integral part of the financial statements.  
 Legal Representative: Zou Lei

Accounting Principal: Bai Yong

Person in charge of the Accounting Department: Wang Chengmi

**Dongfang Electric Corporation Limited**  
**Notes to the Financial Statements for the First Half of 2020**  
(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 and 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. (renamed as DEC 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 DEC Dongfang Steam 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 to the resolutions made in the 2009 Annual General Meeting of the Company, the first shareholders' meeting of domestic shares in 2010 and the first shareholders' meeting of shares listed overseas in 2010 held on June 18, 2010, the Company additionally increased 10 shares for each 10 shares of all the shareholders based on the capital share base of 1,001.93 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

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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 First extraordinary general meeting in 2019, the First A-share general meeting in 2019 and the First 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 RMB5.93 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 June 30, 2020, the share capital of the Company was 3,118,792,130 shares, in which, 781,891,762 domestic shares (A share) with restricted conditions accounted for 25.07% of the share capital; the 1,996,900,368 domestic shares (A share) without restricted conditions accounted for 64.03 % of the same, and 340,000,000 overseas shares (H share) without restricted conditions accounted for 10.90% 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; and 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 August 27, 2020.

## **1.2 Scope of the consolidated financial statement**

As at June 30, 2020, secondary subsidiaries within the scope of the consolidated financial statements of the Company are as follows:

Name of subsidiary
DEC DongFang Boiler (Group) Co.,Ltd. (hereinafter referred to as "DBC")
DEC Dongfang Steam Turbine Co., Ltd. (hereinafter referred to as the "DTC")



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Dongfang Electric Machinery Co., Ltd. (hereinafter referred to as the "DFEM")

Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd. (hereinafter referred to as the "DFHM")

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Dongfang Electric Wind Power Co., Ltd. (hereinafter referred to as the "DEWP")

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Name of subsidiary
Dongfang Electric Automatic Control Engineering Co., Ltd. (hereinafter referred to as the "DEA")
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd. (hereinafter referred to as the "DENE")
DongFang Electric (India) PrivateLimited (Hereinafter referred to as the "Dongfang Electric India")
Dongfang Electric International Corporation Limited (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 the current period.

**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 *Hong Kong 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 June 30, 2020, and the consolidated and the parent company's operating results and cash flows in January to June 2020.

**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 deem 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.

(I) Increase of subsidiaries or business

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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.

(II) 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 statement of cash flows; cash flows of the subsidiary or the business from the beginning period to the disposal date shall be included in the consolidated statement of cash flows.

When the Company loses the control over the investee due to disposal of partial equity investment or other reasons, the remaining equity investment after the disposal 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 right of control due to the decline in its proportion of shareholding caused by the increase of investment in subsidiaries by other investors, accounting treatment should be conducted according to the above principles.

② Disposal of 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:

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

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

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

- (III) 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 investments acquired by the Company for the purchase of minority equity 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.

- (IV) Partial disposal of long-term 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 peculiar to the Company and assets jointly owned by the Company based on shares held;
- (2) Liabilities undertaken by the Company solely and liabilities jointly undertaken by the Company based on shares held;
- (3) Income from selling production shares of the joint operation enjoyed by the Company;
- (4) Income from selling the production of the joint operation recognized based on the shares held by the Company; and
- (5) Separate costs and costs for the joint operation based on the shares held by the Company.

See Note "3.17 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 acquisition date) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

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

#### **3.9.1 Foreign currency transactions**

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

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

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

### **3.10 Financial instruments**

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

#### **3.10.1 Classification of financial instruments**

According to the company's business model of managing financial assets and the characteristics of contract cash flow of financial assets, financial assets are classified at the initial recognition into: Financial assets measured at amortized cost, financial assets (debt instruments) measured at fair value through the other comprehensive income and financial assets measured at fair value through the current profit or loss.

Where the business model is for receiving contractual cash flow which is used for the payment of the principal and the 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.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

- (6) Financial liabilities measured at amortized cost

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

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

On derecognition, the difference between the consideration to be paid and the book value of such financial

liabilities is included in the current profit or loss.

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

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

The principle of substance over form is adopted to determine whether the transfer of a financial asset meets the above derecognition conditions for the financial asset.

The Company classifies the transfer of a financial asset into the entire transfer and the partial transfer of financial asset. Where the entire transfer of a financial asset meets the derecognition criteria, the difference between the following two amounts shall be included in the current profit or loss:

- (1) The book value of the transferred financial asset;
- (2) The sum of consideration received from the transfer and the accumulated changes amount of fair value originally recorded in owners' equity (where the financial assets involved in the transfer are financial assets (debt instruments) measured at fair value through the other comprehensive income).

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

- (1) The book value of the derecognized part;
- (2) The sum of the consideration for the derecognized part and the portion of derecognition corresponding to the accumulated amount of the changes in fair value originally and directly included in owners' equity (where the financial assets involved in the transfer are financial assets (debt instruments) measured at fair value through the other comprehensive income).

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

### **3.10.4 Derecognition criteria of financial liabilities**

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

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

Where financial liabilities are 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 transferred out or new financial liabilities assumed) shall be included in the current profit or loss.

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

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

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



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

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

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

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

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

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

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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 though 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:

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Category	Proportion of provision (%)
Normal assets (including assets in pass and special-mention categories)	Pass 0.00 - 15.00 (excluding 15.00)
	Special mention 15.00 - 25.00 (excluding 25.00)
Substandard	25.00 - 50.00 (excluding 50.00)
Doubtful	50.00 - 70.00 (excluding 70.00)
Loss	70.0 - 100.00

### **3.13 Payments for purchase for resale and proceeds from sales 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 sales of these assets, including accrued interest, are listed as "proceeds from sales 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

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abnormal.

Net realizable value of inventory items at the end of the period 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 investments**

**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 the Company 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 investments. If the Company can exercise control over the investee under common control as a result of additional investment or other reasons, the share of

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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 investments. 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 investments 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 investments.

For long-term equity investments 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 investments; 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 investments. 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 investments 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 investments 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

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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 investments 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

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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

**3.20 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 recorded into relevant asset costs; other borrowing costs should be recognized as costs according to the amount incurred and be included into the current profit and loss.

Assets eligible for capitalization refer to fixed assets, investment property, inventories and other assets which may reach their intended use or sale status only after long-time acquisition and construction or production activities.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

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

**3.21.2 Capitalization period for borrowing costs**

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

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

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

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

### **3.21.3 Period of suspension for capitalization**

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

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

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of borrowing costs shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

As for general borrowings used for acquiring and constructing or producing assets eligible for capitalization, the amount of general borrowings to be capitalized should be calculated by multiplying the weighted average of asset disbursements of the part of accumulated asset disbursements exceeding special borrowings by the capitalization rate of used general borrowings. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

## **3.22 Intangible assets**

### **3.22.1 Measurement method of intangible assets**

- (1) The Company initially measures intangible assets at cost on acquisition;

The costs of externally acquired intangible assets comprise their purchase prices, related taxes and surcharges and any other directly attributable expenditure incurred to prepare the asset for its intended use. If the purchase price of intangible assets exceeds the normal credit conditions resulting deferred payment, essentially with the nature of financing, the cost of intangible assets is determined on the basis of the present value of the purchase price.

The entry value of the intangible assets, which acquired through debt restructuring from the debtor to pay debts, is determined on the basis of

the fair value of the creditor' rights waived thereunder and other costs including the taxes which directly attributable to bringing the asset to its intended use, and the difference between the fair value and the carrying amount of creditor' rights waived thereunder should be included in current profit or loss.

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

(2) Subsequent measurement

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

Intangible assets with limited useful lives shall be amortized at the straight-line method over the period when such assets can bring economic benefits for an enterprise. In case of the period when the intangible assets generate economic benefit for enterprise cannot be forecasted, the intangible assets shall be deemed as the intangible assets with indefinite useful lives and not be amortized.

**3.22.2 Specific criteria for classifying research and development stages**

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

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

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

**3.22.3 Criteria for capitalization of qualifying expenditures during the development stage**

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

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

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

### **3.23 Impairment of long-term assets**

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

Goodwill, intangible assets with uncertain useful lives and intangible assets that are not yet ready for use shall be subject to impairment test at least once at the end of each period.

The Company conducts an impairment test for the goodwill. The book value of goodwill arising from business combinations is amortized to relevant asset groups with a reasonable method since the date of acquisition; or amortized to relevant combination of asset groups if it is difficult to be amortized to relevant asset groups. When the Company allocates the carrying value of goodwill, the allocation shall be made based on the relative benefits gained from the synergy of business combination by relevant asset group or set of asset groups, based on which impairment tests for goodwill shall be carried out.

When making an impairment test on the relevant asset groups or combination of asset groups containing goodwill, if any indication shows that the asset groups or combinations of asset groups related to the goodwill may be impaired, the Company shall first conduct an impairment test on the asset groups or combinations of asset groups not containing goodwill, calculate the recoverable amount and compare it with the relevant book value to recognize the corresponding impairment loss. Then the Company shall conduct an impairment test on the asset groups or combinations of asset groups containing goodwill, and compare the book value of these asset groups or combinations of asset groups (including the book value of the goodwill apportioned thereto) with the recoverable amount. Where the recoverable amount of the relevant asset groups or combinations of asset groups is lower than the book value thereof, the Company shall recognize the impairment loss of the goodwill.

The abovementioned impairment loss will not be reversed in the subsequent accounting periods once being recognized.

### **3.24 Long-term deferred expenses**

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

Where long-term deferred expenses are not beneficial to the subsequent accounting periods, the amortized value of the projects that are not amortized yet shall all be included in the current profit and loss.

### **3.25 Contract liabilities**

The Company has presented contract assets or contract liabilities in the balance sheet based on the connection between the fulfilment of performance obligations and payment of the customers. A contract liability represents the obligation to transfer goods or services to a customer for which the Company has received a consideration or an amount of consideration that is due from the customer. A contract asset and a contract liability under the same contract are accounted for and presented on a net basis.

### **3.26 Employee compensation**

#### **3.26.1 Accounting treatment of short-term compensation**

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

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

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

#### **3.26.2 Accounting treatment of post-employment benefits**

##### **(1) Defined contribution plans**

The Company pays the basic endowment insurance premiums and unemployment insurance for employees according to the relevant provisions of the local governments. During the accounting period when employees serve the Company, the paid amount which is calculated based on the payment base and proportion as stipulated in the provisions of the local place is recognized as liabilities and included in current profit and loss or costs associated with assets.

In addition to the basic pension insurance, the Company also sets up enterprise annuity system (supplementary pension insurance)/enterprise annuity plans in accordance with relevant national policies on enterprise annuity system. The Company makes payments to the local social insurance institutions/annuity plan in a certain proportion to the total employee wage, with corresponding expense included in the current profit or loss or related asset cost.

##### **(2) Defined benefit plans**

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

The deficit or surplus arising from the difference between the present value under defined benefit plan and the fair value of assets under defined benefit plan is recognized as the net liability or net asset of the defined benefit plan. For a surplus of defined benefit plans, the Company should measure the net asset of such defined benefit plans at the lower of the surplus of such defined benefit plans and asset thereof.

All obligations under the defined benefit plan, including the estimated payment obligation within 12 months following the annual report period during which the employees provide service, are discounted to the present value at the market return of the national debt corresponding to the period and currencies of the obligations under the defined benefit plan or high-quality corporate bonds active on the market on the balance sheet date.

The service costs of the defined benefit plan and net interest on the net liabilities or net assets in respect of the defined benefit plan are included in the current profit or loss or related assets cost; changes in the re-measurement of net liabilities or net assets under the defined benefit plans

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should be included in other comprehensive income and should not be reversed in subsequent accounting periods. When the original defined benefit plan terminates, the portion originally included in other comprehensive income will all be transferred to the undistributed profits.

For the settlement of the defined benefit plan, the balance between the present value and the settlement price in regard to the defined benefit plan confirmed on the settlement date shall be recognized and settled as gains or losses.

### **3.26.3 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 fees associated with the reorganization involving the payment of the dismissal benefits (whatever is earlier), the employee compensation liabilities arising from the confirmation of dismissal benefits are included in the current profit or loss.

## **3.27 Estimated liabilities**

### **3.27.1 Recognition criteria of estimated liabilities**

The Company recognizes estimated liabilities when business related to contingencies (including arbitration, debts guarantee, onerous contract and reorganization) satisfies all the following conditions:

- (1) This obligation is a present obligation of the Company;
- (2) The performance of this obligation may very probably lead to the flow of economic interests out of the Company;
- (3) The amount of the obligation can be measured reliably.

### **3.27.2 Measurement methods for various estimated liabilities**

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

The Company shall comprehensively take the risks, uncertainties, time value of money and other factors relating to the contingencies into consideration in determining the best estimate. If the time value of money is significant, the best estimates shall be determined after discount of relevant future cash outflows.

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

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

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



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

### **3.28 Share-based payments**

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 instrument**

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 exercised 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 payments and equity instrument**

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**

When the company has performed contractual obligation, revenue is recognized when the customer takes control of the

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relevant assets (goods or services). Whether the performance obligation is performed within a certain period of time or at a certain point depends on the contractual terms and relevant legal provisions. If the company meets any of the following conditions, it shall fulfill its performance obligations within a certain period of time:

1. The customer obtains and consumes the economic benefits brought by the company's performance of the contract at the same time;
2. The customers can control the assets under construction during the company's performance;
3. The assets produced during the performance of the contract of the company have irreplaceable uses. In addition, the company has the right to charge payment which has been accumulated so far during the whole contract period.

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

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

For sales with a sales return clause, when customer received the ownership from the goods transportation, the Company recognizes revenue based on the amount of consideration entitled to be received due to the goods transportation with the customer, and recognizes the estimated liability based on the amount expected to be refunded due to the sales return. Meanwhile, the cost of the sales equals to the book value at the time of transfer of the transferred good after deducting the net cost of the asset (being cost of sales return receivable), which equals to the expected recognized book value of the returned goods at the time of transfer after deducting estimated cost of recovering the goods (including the impairment of the returned goods' value). On each balance sheet date, the Company re-estimates the future sales return and re-measures the assets described above and the liabilities.

If the contract includes significant financing component, the Company determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when "control" of the goods is obtained by the customer. By discounting the nominal amount of the contract consideration to the current selling price of the goods, the difference between the transaction price determined and the contract consideration of the contract committed shall be amortised within the contract period using effective interest rate method. If the Company expects that the period between when the Company transfers a promised good to a customer and when the customer pays for that good will be one year or less, the Company needs not to consider the significant financing component.

The Company has the right to determine the price of the goods traded at its own discretion, that is, the Company is a principal if it controls the specified goods and other products before that goods and other products are transferred to a customer, and the revenue shall be recognised based on the total consideration received or receivable; otherwise, the Company is an agent, and the revenue shall be recognised based on the amount of commission or handling fee that is expected to be charged, and such amount shall be determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount or proportion.

### **3.30 Contract cost**

Contract cost includes contract performance cost and contract acquisition cost.

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

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

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

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

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

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

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

### **3.31 Government grants**

#### **3.31.1 Type**

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

Government grants related to assets refers to the government subsidy obtained by the company for the purchase and construction or the formation of long-term assets. Government grants related to income refer to government grants other than those related to assets. If the government document does not specify the target of the subsidy, the Company makes the judgment according to the principles above mentioned.

#### **3.31.2 Timing of recognition**

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

#### **3.31.3 Accounting treatment**

Government subsidies related to assets shall be used to offset the book value of relevant assets or recognized as deferred income. Where the government subsidies are recognized as related to deferred assets, they will be used to offset the book value of relevant assets or recognized as deferred income. Where such grants are recognized as the deferred income, they will be included in the current profit or loss in accordance with the reasonable and systematic methods within useful lives of related assets (Where such grants are related to the daily activities of the Company, they will be included in other income; where such grants are not related to the daily activities of the Company, they will be included in non-operating income);

The government grants associated with income that are used to recover relevant costs or losses of the Company in subsequent period are recognized as deferred income and included in the current profit or loss when relevant costs or losses are recognized (Where such grants are related to the daily activities of the Company, they will be included in other income; where such grants are not related to the daily activities of the Company, they will be included in non-operating income) or the expenses for offsetting relevant costs or losses; The grants used to compensate for the relevant costs or losses incurred by the Company will be directly included in the current profits or losses (Where such grants are related to the daily activities of the Company, they will be included in other income; where such grants are not related to the daily activities of the Company, they will be included in non-operating income) or the expenses for offsetting relevant costs or losses.

### **3.32 Deferred income tax assets and deferred income tax liabilities**

Deferred income tax assets shall be recognized for deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary differences can be utilized. For the ones capable of carrying forward the deductible losses and tax deductions in the subsequent years, deferred income tax assets are recognized accordingly to the extent of taxable income that is likely to offset the deductible losses and tax deductions.

Taxable temporary differences are recognized as deferred income tax liabilities except in special circumstances.

Special circumstances in which deferred income tax assets or deferred income tax liabilities shall not be recognized include: the initial recognition of goodwill; other transactions or events excluding business combinations, which affect neither accounting profits nor the taxable income (or deductible losses) when occurred.

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

When the Company has the legal rights to balance income tax assets and income tax liabilities for the current period with net settlement, and deferred income tax assets and deferred income tax liabilities are related to the income tax which are imposed on the same taxpaying subject by the same tax collection authority or on different tax paying subjects, but, in each important future period in connection with the reverse of deferred income tax assets and liabilities, the involved tax paying subject intends to balance income tax assets and liabilities for the current period with net settlement at the time of obtaining assets and discharging liabilities, deferred income tax assets and deferred income tax liabilities shall be presented based on the net amount after offset.

### **3.33 Lease**

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 a 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;

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- 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

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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.

### **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;
- (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;
- (4) 0.1% of business revenue which exceeds RMB 1 billion and is no more than RMB 5 billion;
- (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**



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The Company has no changes in significant accounting policies and accounting estimates in the period.

**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) Private Limited 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 incometax rates:

Taxpayer name	Income tax rate (%)
Dongfang Electric Corporation Limited	15.00
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	15.00
DEC Dongfang Boiler Group Co., Ltd.	15.00
Chengdu Dongfang Kwh Environmental Protection Catalysts Co., Ltd.	15.00
DEC Dongfang Steam Turbine Co., Ltd.	15.00
Deyang Dongfang Aberle Sysrem Corporation Limited	15.00
Dongfang Electric Machinery Co., Ltd.	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.	25.00
Dongfang Electric Automatic 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
NamMangl 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 Electric (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 Electric (Guangzhou) Heavy Machinery Co., Ltd. went through the application and filing 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 2020 is 15.00%.

3. DEC Dongfang Boiler Group Co.,Ltd.

(1) DEC 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 2020 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 2020.

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4. DEC Dongfang Steam Turbine Co., Ltd.

(1) DEC Dongfang Steam 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 2020 is 15.00%.

(2) Deyang Dongfang Aberle Sysrem 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 Sysrem Corporation Limited meets the said tax preference condition, and can enjoy such preferential tax rate of 15.00%.

5. Dongfang Electric Machinery Company Co., Ltd.

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 2020 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 2020 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 2020 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 2020, thus applying the enterprise income tax rate of 20.00%.

7. Dongfang Electric Automatic Control Engineering Co., Ltd.

- (1) Dongfang Electric Automatic 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 2020 is 15%. Dongfang Electric Automatic 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 Automatic 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 2020 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%.

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**5. Notes to the items of the consolidated financial statements**

**5.1 Monetary funds**

Item	Balance as at June 30,2020	Balance as at December 31,2019
Cash on hand	1,728,602.49	2,005,692.73
Bank deposits	29,278,128,901.27	30,272,736,763.15
Other monetary funds	292,639,138.08	204,986,223.14
Total	29,572,496,641.84	30,479,728,679.02
Including: total amount of deposit abroad	254,274,825.59	245,058,564.81

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 June 30,2020	Balance as at December 31,2019
Bank deposit reserves	2,094,234,680.33	1,948,285,326.63
L/G deposit	127,854,897.20	52,255,879.46
Performance bond	781,042.82	6,817,818.08
Security deposit of bank acceptance bills	379,360.00	
Total	2,223,249,980.35	2,007,359,024.17

**5.2 Loans to banks and other financial institutions**

Item	Balance as at June 30,2020	Balance as at December 31,2019
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
Including: loans to domestic non-bank financial institutions		400,000,000.00
Sub-total		469,762,000.00
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

**5.3 Financial assets held for trading**

Item	Balance as at June 30,2020	Balance as at December 31,2019
Financial assets measured at fair value through the current profit or loss	2,379,042,891.01	1,606,664,199.35
Including: debt instrument investments	362,073,106.80	493,204,821.00
Equity instrument investments	439,628,885.26	554,756,742.38

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Derivative financial assets		
Others	1,577,340,898.95	558,702,635.97

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Item	Balance as at June 30,2020	Balance as at December 31,2019
Financial assets designated to be measured at fair value through the current profit or loss		
Including: debt instrument investments		
Others		
<b>Total</b>	<b>2,379,042,891.01</b>	<b>1,606,664,199.35</b>

Remark: (1) As at the end of the current period, the item of “Others” amounting to RMB1,577,340,898.95 mainly includes asset management products of RMB105,990,084.71, financial products of RMB812,136,301.37, and funds of RMB659,214,512.87.

(2) As at December 31, 2019, the item of “Others” amounting to RMB558,702,635.97 mainly includes beneficiary certificates of RMB261,530,000.00, asset management products of RMB174,119,885.32, financial products of RMB100,000,000.00, and funds of RMB23,052,750.65.

**Financial assets held for trading are analyzed as follows**

Item	Balance as at June 30,2020	Balance as at December 31,2019
Listed financial assets		
China (except Hong Kong)	439,557,485.26	554,685,342.38
Sub-total	439,557,485.26	554,685,342.38
Non-listed financial assets	1,939,485,405.75	1,051,978,856.97
<b>Total</b>	<b>2,379,042,891.01</b>	<b>1,606,664,199.35</b>

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 RMB71,400.00 equity held by Great Wall West China Bank Co., Ltd. determined based on the investment cost, the fair values of the rest investments on June 30, 2020 are calculated and determined based on the closing price of the securities market on June 30, 2020.

## 5.4 Notes receivable

### 5.4.1 Presentation of the notes receivable by category

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Bank acceptance bills	1,567,182,640.16	1,270,922,938.67
Commercial acceptance bills	453,379,637.04	247,792,839.45
Sub-total	2,020,562,277.20	1,518,715,778.12
Less: Provision for bad debts	46,200.00	
Total	2,020,516,077.20	1,518,715,778.12

### 5.4.2 Notes receivable endorsed or discounted by the Company as at June 30, 2020 but not expired on the balance sheet date

Item	Amount derecognized as at June 30, 2020	Amount not derecognized as at June 30, 2020
Bank acceptance bills	603,932,191.01	
Commercial acceptance bills	161,451,168.10	
Total	765,383,359.11	

### 5.4.3 Notes transferred to accounts receivable as at June 30, 2020 due to the drawer's failure of performing the contract

Item	Amount transferred to accounts receivable as at June 30, 2020
Commercial acceptance bills	10,682,000.00
Bank acceptance bills	13,000,000.00
Total	23,682,000.00

## 5.5 Accounts receivable

### 5.5.1 Disclosure of accounts receivable by aging

Aging	Balance as at June 30, 2020	Balance as at December 31, 2019
Within 1 year	5,085,659,289.21	3,584,734,118.98
1 - 2 years	1,588,681,717.37	1,220,225,381.88
2 - 3 years	834,279,457.50	1,242,701,454.24
3 - 4 years	1,147,710,652.61	1,120,166,619.62
4 - 5 years	837,970,428.60	859,218,842.68
Over 5 years	2,756,611,042.44	2,450,745,343.73
Sub-total	12,250,912,587.73	10,477,791,761.13
Less: provision for bad debts	4,549,753,111.28	4,262,504,812.26
Total	7,701,159,476.45	6,215,286,948.87



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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 June 30, 2020					Balance as at December 31, 2019				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Individual provision for bad debts	1,548,895,645.03	12.64	1,437,619,977.24	92.82	111,275,667.79	1,540,808,273.79	14.71	1,429,005,933.95	92.74	111,802,339.84
Including:										
Accounts receivable with individually significant amount and individual provision for bad debts	1,453,477,127.24	11.86	1,342,716,900.84	92.38	110,760,226.40	1,393,906,057.13	13.31	1,282,711,632.33	92.02	111,194,424.80
Accounts receivable with individually insignificant amount and individual provision for bad debts	95,418,517.79	0.78	94,903,076.40	99.46	515,441.39	146,902,216.66	1.40	146,294,301.62	99.59	607,915.04
Provision for bad debts accrued on a portfolio basis	10,702,016,942.70	87.36	3,112,133,134.04	29.08	7,589,883,808.66	8,936,983,487.34	85.29	2,833,498,878.31	31.71	6,103,484,609.03
Including:										

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Accounts receivable with provision for bad debts made by portfolios with credit risks	10,702,016,942.70	87.36	3,112,133,134.04	29.08	7,589,883,808.66	8,936,983,487.34	85.29	2,833,498,878.31	31.71	6,103,484,609.03
Total	12,250,912,587.73	100	4,549,753,111.28		7,701,159,476.45	10,477,791,761.13	100	4,262,504,812.26		6,215,286,948.87

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Individual provision for bad debts:				
Name	Balance as at June 30, 2020			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for 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	126,661,140.00	100,899,184.00	79.66	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	Expected to be difficult to recover
Entity 7	84,813,750.00	84,813,750.00	100.00	The debtor's capital chain breaks
Entity 8	83,889,219.56	83,889,219.56	100.00	During bankruptcy liquidation proceedings
Entity 9	56,633,634.62	56,633,634.62	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	43,200,000.00	43,200,000.00	100.00	Expected to be difficult to recover
Entity 12	40,108,107.28	40,108,107.28	100.00	Expected to be difficult to recover
Entity 13	35,124,353.26	32,070,451.66	91.31	Facing capital shortage,

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Name	Balance as at June 30, 2020			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
				expected to be difficult to recover
Entity 14	31,300,000.00	31,300,000.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 15	29,823,813.40	29,823,813.40	100.00	Facing capital shortage, expected to be difficult to recover
Entity 16	26,587,279.55	26,587,279.55	100.00	Facing capital shortage, expected to be difficult to recover
Entity 17	11,837,462.74	11,837,462.74	100.00	Facing capital shortage, expected to be difficult to recover
Entity 18	7,346,000.00	7,346,000.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 19	5,880,000.00	5,880,000.00	100.00	Expected to be difficult to recover
Entity 20	4,880,000.00	4,880,000.00	100.00	Facing capital shortage, expected to be difficult to recover
Entity 21	3,458,413.96	3,112,572.57	90.00	Facing capital shortage, expected to be difficult to recover
Entity 22	3,327,856.50	3,327,856.50	100.00	Facing capital shortage, expected to be difficult to recover
Entity 23	3,307,305.00	3,307,305.00	100.00	Facing capital shortage, expected to be difficult to recover

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Entity 24	3,000,000.00	3,000,000.00	100.00	Having sued, and recoverability being minimal
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Name	Balance as at June 30, 2020			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Others	18,926,623.94	18,757,023.94	99.10	Facing capital shortage, expected to be difficult to recover
Total	1,548,895,645.03	1,437,619,977.24		

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Provision for bad debts accrued on a portfolio basis:

Name	Balance as at June 30, 2020		
	Accounts receivable	Provision for bad debts	Proportion of provision (%)
Within 1 year	5,082,133,588.35	254,106,679.67	5
1 - 2 years	1,514,495,792.10	151,449,579.23	10
2 - 3 years	691,292,961.25	138,258,592.28	20
3 - 4 years	976,596,526.36	390,638,610.55	40
4 - 5 years	519,636,805.16	259,818,402.83	50
Over 5 years	1,917,861,269.48	1,917,861,269.48	100
Total	10,702,016,942.70	3,112,133,134.04	

**5.5.3 Provision for bad debts recovered or reversed**

In the current period, the Company accrued RMB263,789,827.35 as provision for bad debts, and recovered or reversed RMB29,699,937.50. Reversal or recovery of significant amount of provision for bad debts in the current period 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	15,239,500.00	Expected credit loss	Financial situation improved due to owner's financing	Recovery through monetary funds
Entity 2	7,400,000.00	Expected credit loss	Smooth collection in the current period	Recovery through monetary funds
Entity 3	5,000,000.00	Expected credit loss	Smooth collection in the current period	Recovery through monetary funds
Entity 4	1,710,437.50	Expected credit loss	Lawsuit winning	Recovery through monetary funds
Entity 5	200,000.00	Expected credit loss	Smooth collection in the current period	Recovery through monetary funds
Entity 6	150,000.00	Expected credit loss	Smooth collection in the current period	Recovery through monetary funds
Total	29,699,937.50			

**5.5.4 Accounts receivable actually charged off in the current period**

Item	Amount charged off
Accounts receivable actually charged off	255,757.72

**5.5.5 Top 5 of accounts receivable as at the end of the current period, presented by debtor**

Entity name	Balance as at June 30, 2020		
	Accounts receivable	Proportion in the total accounts receivable (%)	Provision for bad debts
Entity 1	368,765,795.70	3.01	306,562,559.25
Entity 2	359,393,884.03	2.93	82,109,214.84
Entity 3	286,088,265.82	2.34	14,304,413.29
Entity 4	207,174,794.98	1.69	207,174,794.98
Entity 5	206,627,302.73	1.69	16,974,985.78
Total	1,428,050,043.26	11.66	627,125,968.14

**5.6 Receivables financing**

**5.6.1 Presentation of receivables financing by category**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Notes receivable	1,005,202,251.96	1,816,408,795.25
Including: bank acceptance bills	931,424,779.48	1,622,115,198.32
Commercial acceptance bills	73,777,472.48	194,293,596.93
Total	1,005,202,251.96	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.



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**5.6.2 Pledged receivables financing of the Company as at the end of the current period**

None.

**5.6.3 Receivables financing endorsed or discounted by the Company as at the end of the current period but not expired on the balance sheet date**

Item	Amount derecognized as at June 30, 2020	Amount not derecognized as at June 30, 2020
Notes receivable endorsed or discounted but not expired	1,484,026,150.48	62,856,715.89
Including: bank acceptance bills	1,465,006,041.34	
Commercial acceptance bills	19,020,109.14	62,856,715.89
Total	1,484,026,150.48	62,856,715.89

**5.7 Advances to suppliers**

**5.7.1 Presentation of advances to suppliers by aging**

Aging	Balance as at June 30, 2020		Balance as at December 31, 2019	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	2,109,979,362.84	77.40	1,857,260,044.29	75.28
1 - 2 years	357,075,454.43	13.10	401,204,534.65	16.26
2 - 3 years	57,317,649.01	2.10	33,642,501.99	1.36
Over 3 years	201,589,897.68	7.40	175,226,581.76	7.10
Total	2,725,962,363.96	100.00	2,467,333,662.69	100.00

**5.7.2 Top five advances to suppliers in terms of the ending balance collected by the prepaid object as at June 30, 2020**

Prepaid object	Balance as at June 30, 2020	Proportion (%) in the total ending balance of advances to suppliers as at June 30, 2020
Entity 1	112,219,449.89	4.12
Entity 2	88,557,289.40	3.25
Entity 3	75,513,831.57	2.77
Entity 4	66,229,412.10	2.43
Entity 5	64,578,030.00	2.37
Total	407,098,012.96	14.94

**5.8 Other receivables**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Interest receivable	286,624,537.55	416,416,397.66

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Dividends receivable	32,775,570.56	37,002,845.36
Other receivables	433,350,522.50	535,614,681.03
Total	752,750,630.61	989,033,924.05

**5.8.1 Interest receivable**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Fixed deposit	239,283,323.29	308,992,773.78
Bond investment	8,715,777.65	8,704,189.37
Interest on purchase and resale of financial assets	38,625,436.61	98,651,000.76
Others		68,433.75
Sub-total	286,624,537.55	416,416,397.66
Less: provision for bad debts		
Total	286,624,537.55	416,416,397.66

**5.8.2 Dividends receivable**

(1) Details of dividends receivable

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Within 1 year	29,478,570.56	33,705,845.36
Over 1 year	3,297,000.00	3,297,000.00
Sub-total	32,775,570.56	37,002,845.36
Less: provision for bad debts		
Total	32,775,570.56	37,002,845.36

(2) Significant dividend receivable over 1 year

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Item	Balance as at June 30, 2020	Aging	Reasons for non-recovery	Whether there is impairment or not and its judgment basis
Deyang Dongqi Real Estate Co., Ltd.(德陽東汽置業有限公司)	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 were recovered during the current period.
Total	3,297,000.00			

**5.8.3 Other receivables**

(1) Aging analysis

Aging	Balance as at June 30, 2020	Balance as at December 31, 2019
Within 1 year	364,091,192.75	477,902,190.62
1 - 2 years	66,055,291.22	44,980,515.79
2 - 3 years	21,422,075.41	21,666,508.57
3 - 4 years	18,539,195.73	10,352,956.13
4 - 5 years	17,404,794.19	10,847,916.38
Over 5 years	1,223,260,027.33	1,243,236,514.31
Sub-total	1,710,772,576.63	1,808,986,601.80
Less: provision for bad debts	1,277,422,054.13	1,273,371,920.77
Total	433,350,522.50	535,614,681.03

(2) Disclosure by category

Category	Balance as at June 30, 2020				Book value	Balance as at as at December 31, 2019				
	Book balance		Provision for bad debts			Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion of provision (%)		Amount	Proportion (%)	Amount	Proportion of provision (%)	
Provision for bad debts on a single basis	1,159,532,553.17	67.78	1,136,608,023.35	98.02	22,924,529.82	1,180,600,412.32	65.26	1,137,757,345.24	96.37	42,843,067.08
Including:										
Other receivables with significant single amount and subject to individual provision for bad debts	1,061,251,349.67	62.04	1,061,251,349.67	100.00		1,061,251,349.67	58.67	1,061,251,349.67	100.00	
Other receivables with	98,281,203.50	5.74	75,356,673.68	76.67	22,924,529.82	119,349,062.65	6.60	76,505,995.57	64.10	42,843,067.08

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insignificant single amount and subject to individual provision for bad debts										
Provision for bad debts by portfolio	551,240,023.46	32.22	140,814,030.78	25.54	410,425,992.68	628,386,189.48	34.74	135,614,575.53	21.58	492,771,613.95
Including:										
Other receivables subject to provision for bad debts by portfolios with credit risk characteristics	551,240,023.46	32.22	140,814,030.78	25.54	410,425,992.68	628,386,189.48	34.74	135,614,575.53	21.58	492,771,613.95
Total	1,710,772,576.63	100.00	1,277,422,054.13		433,350,522.50	1,808,986,601.80	100.00	1,273,371,920.77		535,614,681.03

**Provision for bad debts on a single basis**

Name	Balance as at June 30, 2020			
	Book balance	Provision for bad debts	Proportion of provision (%)	Reason for provision
Entity 1	915,187,035.61	915,187,035.61	100	The debtor bankrupted, and the account is estimated to be difficult to recover
Entity 2	146,064,314.06	146,064,314.06	100	Expected to be difficult to recover
Entity 3	13,730,119.01	13,730,119.01	100	The debtor bankrupted, and the account is estimated to be difficult to recover
Entity 4	4,560,250.50	4,560,250.50	100	Expected to be difficult to recover
Entity 5	4,464,330.19	4,464,330.19	100	Expected to be difficult to recover
Entity 6	4,079,167.38	4,079,167.38	100	Expected to be difficult to recover
Entity 7	3,973,259.34	3,973,259.34	100	Expected to be difficult to recover
Entity 8	3,149,934.00	3,149,934.00	100	Expected to be difficult to recover
Entity 9	2,165,359.70	2,165,359.70	100	Expected to be difficult to recover

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Entity 10	1,895,463.57	1,895,463.57	100	Expected to be difficult to recover
Entity 11	1,872,243.46	1,872,243.46	100	Expected to be difficult to recover
Entity 12	1,837,968.42	1,837,968.42	100	Expected to be difficult to recover
Entity 13	1,791,806.80	1,791,806.80	100	Expected to be difficult to recover
Entity 14	1,790,748.11	1,790,748.11	100	Expected to be difficult to recover
Entity 15	1,753,688.17	1,753,688.17	100	Expected to be difficult to recover
Entity 16	1,674,153.52	1,674,153.52	100	Expected to be difficult to recover
Entity 17	1,575,005.00	1,575,005.00	100	Expected to be difficult to recover
Entity 18	1,271,983.86	1,271,983.86	100	Expected to be difficult to recover
Entity 19	1,246,553.91	1,246,553.91	100	Expected to be difficult to recover
Entity 20	1,176,754.00	1,176,754.00	100	Expected to be difficult to recover
Entity 21	1,163,025.00	1,163,025.00	100	Expected to be difficult to recover
Entity 22	1,118,391.13	1,118,391.13	100	Expected to be difficult to recover
Entity 23	952,155.75	952,155.75	100	Expected to be difficult to recover
Entity 24	826,269.41	826,269.41	100	Expected to be difficult to recover
Entity 25	807,602.00	807,602.00	100	Expected to be difficult to recover
Others	39,404,971.27	16,480,441.45	41.82	Expected to be difficult to recover
Total	1,159,532,553.17	1,136,608,023.35		

**Provision for bad debts accrued on a portfolio basis:**

Name	Balance as at June 30, 2020		
	Book balance	Provision for bad debts	Proportion of provision (%)
Within 1 year	339,920,316.71	16,977,824.11	5.00
1 - 2 years	65,792,028.28	6,579,202.83	10.00
2 - 3 years	17,007,500.79	3,401,500.18	20.00
3 - 4 years	14,612,201.69	5,844,880.66	40.00
4 - 5 years	11,794,706.02	5,897,353.04	50.00
Over 5 years	102,113,269.97	102,113,269.97	100.00
Total	551,240,023.46	140,814,030.79	

(3) Provision for bad debts

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	Phase 1	Phase 2	Phase 3	Total
Provision for bad debts	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, 2019	135,614,575.53		1,137,757,345.24	1,273,371,920.77
On June 30, 2020, balance as at December 31, 2019				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Provision in the current period	5,757,211.40		-319,933.97	5,437,277.43
Reversal in the current period	539,023.46			539,023.46
Write-off in the current period	18,732.69		829,387.92	848,120.61
Charge-off in the current period				
Other changes				
Balance as at June 30, 2020	140,502,663.81		1,136,919,390.32	1,277,422,054.13

Changes in book balance of other receivables as follows:

	Phase 1	Phase 2	Phase 3	Total
Book balance	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, 2019	628,386,189.48		1,180,600,412.32	1,808,986,601.80
On June 30, 2020, balance as at December 31, 2019				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Increase in the current period	551,221,290.77		1,158,703,165.25	1,709,924,456.02
Direct Write-off in the current period				
Derecognition in the current period	18,732.69		829,387.92	848,120.61

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Other changes				
Balance as at June 30, 2020	551,240,023.46		1,159,532,553.17	1,710,772,576.63

**(4) Provision, reversal or recovery of provision for bad debts in the current period**

Category	Balance as at December 31, 2019	Change in January to June, 2020				Balance as at as at June 30, 2020
		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	135,614,575.53	5,757,211.40	539,023.46	18,732.69		140,814,030.78
Other receivables with individually insignificant amount and individual provision for bad debts	76,505,995.57	-319,933.97		829,387.92		75,356,673.68
Total	1,273,371,920.77	5,437,277.43	539,023.46	848,120.61		1,277,422,054.13

**(5) Other receivables actually written off in the current period**

Item	Amount written off
Other receivables actually written off	848,120.61

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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	Whether it is due to related party transactions
Chengdu Jingbang Investment Co., Ltd.*( 成都经邦投资有限公司)	House rent	800,180.00	Unable to recover after resort to litigation and enforcement	No
Total		800,180.00		

(6) Classification by nature

Nature	Book value as at June 30, 2020	Book value as at December 31, 2019
Security deposit and quality guarantee deposit	18,719,728.22	25,236,100.44
Petty cash	127,967,848.97	89,172,657.19
Money advanced	97,582,467.58	131,340,167.70
Receivables from other business	122,622,302.37	111,101,373.07
Subsidies for the first equipment		164,617,757.63
Others	66,458,175.36	14,146,625.00
Total	433,350,522.50	535,614,681.03

(7) Top 5 of other receivables as at June 30, 2020, 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	53.50	915,187,035.61
Entity 2	Investment fund	146,064,314.06	Over 5 years	8.54	146,064,314.06
Entity 3	Receivables from other business	124,784,825.08	Within 1 year	7.29	6,239,241.25
Entity 4	Others	19,500,000.00	Over 5 years	1.14	19,500,000.00
Entity 5	Others	13,730,119.01	1-5 years	0.80	13,730,119.01
Total		1,219,266,293.76		71.27	1,100,720,709.93

(8) Other receivables involving government grants

Nil



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<b>5.9 Financial assets purchased under resale agreements</b>		
Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Bond	2,540,000,000.00	2,490,000,000.00
Less: provision for bad debts		
Book value of the financial assets purchased under resale agreements	2,540,000,000.00	2,490,000,000.00

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**5.10 Inventories**

**5.10.1 Classification of inventories**

Item	Balance as at June 30, 2020			Balance as at December 31, 2019		
	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	4,181,522,361.57	431,036,264.70	3,750,486,096.87	2,700,591,277.34	442,056,537.98	2,258,534,739.36
Revolving materials (packaging materials, low-cost consumables, etc.)	27,004,732.82	130,409.52	26,874,323.30	20,289,808.12	130,409.52	20,159,398.60
Stock commodities (finished goods)	409,331,915.46	275,964.27	409,055,951.19	406,261,852.66	275,964.27	405,985,888.39
Contract performance cost	28,297,615.24		28,297,615.24	20,165,484.98		20,165,484.98
Self-manufactured semi-finished products and goods in process	10,467,722,904.95	924,197,556.11	9,543,525,348.84	11,290,445,554.47	853,268,386.39	10,437,177,168.08
Total	15,113,879,530.04	1,355,640,194.60	13,758,239,335.44	14,437,753,977.57	1,295,731,298.16	13,142,022,679.41

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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, 2019	Increase in January to June, 2020		Decrease in January to June, 2020		Balance as at June 30, 2020
		Provision	Others	Reversal or write-off	Others	
Raw materials	442,056,537.98	40,902,306.52		48,970,175.58	2,952,404.22	431,036,264.70
Revolving materials (packaging materials, low-cost consumables, etc.)	130,409.52					130,409.52
Stock commodities (finished goods)	275,964.27					275,964.27
Contract performance cost						
Self-manufactured semi-finished products and goods in process	853,268,386.39	176,479,968.94		104,930,927.53	619,871.69	924,197,556.11
<b>Total</b>	<b>1,295,731,298.16</b>	<b>217,382,275.46</b>		<b>153,901,103.11</b>	<b>3,572,275.91</b>	<b>1,355,640,194.60</b>

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**5.11 Contract assets**

**5.11.1 Breakdown of Contract assets**

Item	Balance as at June 30, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Payments for completed but not settled project	5,552,043,983.32	130,409,757.02	5,421,634,226.30	4,254,512,750.35	137,692,948.74	4,116,819,801.61
Contract quality guarantee deposit	2,541,524,622.57	229,606,690.74	2,311,917,931.83	3,465,871,606.82	292,323,402.54	3,173,548,204.28
Total	8,093,568,605.89	360,016,447.76	7,733,552,158.13	7,720,384,357.17	430,016,351.28	7,290,368,005.89

**5.11.2 Provision for impairment of contract assets in January to June, 2020**

Item	Balance as at December 31, 2019	Provision in January to June, 2020	Reversal in January to June, 2020	Write-off/ Charge-off in January to June, 2020	Others	Balance as at June 30, 2020	Reason
Payments for completed but not settled project	137,692,948.74	-7,283,191.72				130,409,757.02	
Contract quality guarantee deposit	292,323,402.54	-18,267,129.69	44,449,582.11			229,606,690.74	
Total	430,016,351.28	-25,550,321.41	44,449,582.11			360,016,447.76	

**5.12 Other current assets**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Prepaid taxes and overpaid taxes	378,730,211.32	432,631,480.92
Entrusted loan	60,000,000.00	60,000,000.00
Disbursement of loans and advances (short-term)	421,776,618.43	287,657,889.74
Discount assets	66,800,505.71	70,826,959.01
Others	55,108,006.61	62,451,325.73
<b>Total</b>	<b>982,415,342.07</b>	<b>913,567,655.40</b>

**5.13 Disbursement of loans and advances**

**5.13.1 Loans and advances, presented by individual and enterprise**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Loans and advances to enterprises	1,411,939,805.71	1,206,062,173.84
-Loans	1,411,939,805.71	1,206,062,173.84
<b>Total loans and advances</b>	<b>1,411,939,805.71</b>	<b>1,206,062,173.84</b>
Less: provision for losses on loans	184,427,955.21	180,909,326.08
Including: provision made on individual basis		
Provision made on portfolio basis	184,427,955.21	180,909,326.08
<b>Book value of loans and advances</b>	<b>1,227,511,850.50</b>	<b>1,025,152,847.76</b>

**5.13.2 Disbursement of loans and advances, presented by industry**

Industry	Balance as at June 30, 2020	Proportion (%)	Balance as at December 31, 2019	Proportion (%)
Power equipment industry	1,411,939,805.71	100.00	1,206,062,173.84	100.00
<b>Total loans and advances</b>	<b>1,411,939,805.71</b>	<b>100.00</b>	<b>1,206,062,173.84</b>	<b>100.00</b>
Less: provision for losses on loans	184,427,955.21		180,909,326.08	
Including: provision made on individual basis				

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Industry	Balance as at June 30, 2020	Proportion (%)	Balance as at December 31, 2019	Proportion (%)
Provision made on portfolio basis	184,427,955.21		180,909,326.08	
Book value of loans and advances	1,227,511,850.50		1,025,152,847.76	

**5.13.3 Loans and advances, presented by region**

Region	Balance as at June 30, 2020	Proportion (%)	Balance as at December 31, 2019	Proportion (%)
South China	1,200,359,581.53	85.02	1,026,567,541.72	85.12
North China				
Central China				
Southwest China				
Northwest China	127,500,000.00	9.03	139,500,000.00	11.57
Eastern China	84,080,224.18	5.95	39,994,632.12	3.32
Total loans and advances	1,411,939,805.71	100.00	1,206,062,173.84	100.00
Less: provision for losses on loans	184,427,955.21		180,909,326.08	
Including: provision made on individual basis				
Provision made on portfolio basis	184,427,955.21		180,909,326.08	
Book value of loans and advances	1,227,511,850.50		1,025,152,847.76	

**5.13.4 Loans and advances, presented by guaranty style**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Credit loans		
Guaranteed loans		
Collateral loans	1,411,939,805.71	1,206,062,173.84
Including: mortgage loans	1,411,939,805.71	1,206,062,173.84
Pledged loans		
Total loans and advances	1,411,939,805.71	1,206,062,173.84
Including: provision made on individual basis		
Provision made on portfolio basis	184,427,955.21	180,909,326.08
Book value of loans and advances	1,227,511,850.50	1,025,152,847.76

**5.13.5 Provision for losses on loans**

Item	January to June, 2020		January to June, 2019	
	Individual	Portfolio	Individual	Portfolio
Balance as at January 1, 2020		180,909,326.08		75,999,519.00
Provision in January to June, 2020		3,518,629.13		135,474,699.42
Transfer-out in January to June, 2020				
Charge-off in January to June, 2020				
Reversal in January to June, 2020				
- 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 June 30, 2020		184,427,955.21		211,474,218.42

**5.14 Creditor's right investments**

**5.14.1 Breakdown of creditor's right investments**

Item	Balance as at June 30, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Medium-term notes	790,730,391.00	40,500,000.00	750,230,391.00	241,035,390.00	18,077,654.25	222,957,735.75
Financial bonds						
Income certificates						
Corporate bonds						
Trust products						
Short-term financing bonds						
Interbank deposit certificate	4,126,622,100.00		4,126,622,100.00	3,486,944,700.00		3,486,944,700.00
Asset backed notes	50,000,000.00	3,750,000.00	46,250,000.00	50,000,000.00	3,750,000.00	46,250,000.00
Total	4,967,352,491.00	44,250,000.00	4,923,102,491.00	3,777,980,090.00	21,827,654.25	3,756,152,435.75



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**5.14.2 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, 2019	21,827,654.25			21,827,654.25
In the current period, balance as at December 31, 2019				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Provision in the current period	22,422,345.75			22,422,345.75
Reversal in the current period				
Write-off in the current period				
Charge-off in the current period				
Other changes				
Balance as at June 30, 2020	44,250,000.00			44,250,000.00

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Changes in the book balance of creditor's right investments 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, 2019	3,777,980,090.00			3,777,980,090.00
In the current period, balance as at December 31, 2019				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Increase in the current period	1,189,372,401.00			1,189,372,401.00
Direct write-down in the current period				
Derecognition in the current period				
Other changes				
Balance as at June 30, 2020	4,967,352,491.00			4,967,352,491.00

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**5.15 Long-term receivables**

**5.15.1 Breakdown of long-term receivables**

Item	Balance as at June 30, 2020			Balance as at December 31, 2019			Range of discount rate
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value	
Finance lease payment	438,624,333.79	136,870,617.40	301,753,716.39	543,312,046.03	152,573,774.23	390,738,271.80	Contractual interest rate
Including: unrealized financing income	64,757,876.03			62,759,812.56		62,759,812.56	
Installment proceeds from sales of goods							3%-4%
Total	438,624,333.79	136,870,617.40	301,753,716.39	543,312,046.03	152,573,774.23	390,738,271.80	

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**5.15.2 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, 2020	31,813,774.23	120,760,000.00		152,573,774.23
In the current period, book balance of long-term receivables as at January 1, 2020				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Provision in the current period	-9,388,472.09	-6,314,684.74		-15,703,156.83
Reversal in the current period				
Write-off in the current period				
Charge-off in the current period				
Other changes				
Balance as at June 30, 2020	22,425,302.14	114,445,315.26		136,870,617.40

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**5.16 Long-term equity investments**

Investee	Balance as at December 31, 2019	Increases/decreases in the current period								Balance as at June 30, 2020	Provision for bad debts as at June 30, 2020
		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											

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MHPS Dongfang Boiler Co. Ltd.	201,740,045.96			703,513.23						202,443,559.19
Framato me Dongfan g Reactor Coolant Pumps Company Limited	197,683,241.32			299,373.24						197,982,614.56
Dongfang Electric (Xichang) Hydrogen Energy Co., Ltd.	6,797,753.04			4,382.48						6,802,135.52

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Investee	Balance as at December 31, 2019	Increases/decreases in the current period							Balance as at June 30, 2020	Provision for bad debts as at June 30, 2020	
		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	406,221,040.32			1,007,268.95						407,228,309.27	
3. Associates											
Sichuan Energy Wind Power Development Co., Ltd.	377,037,984.14	16,600,000.00		54,217,940.02						447,855,924.16	
Huadian Longkou Wind Power Co., Ltd.	69,411,440.90			6,175,494.58			19,787,607.31			55,799,328.17	
Inner Mongolia Energy Power Generation Hongnijin Wind Power Co., Ltd.	24,089,758.61			1,718,798.05			7,017,408.83			18,791,147.83	
China United Heavy Gas Turbine Technology Co., Ltd.	131,727,987.41			2,744.55						131,730,731.96	
Inner Mongolia											

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Mengnen g Sanshengt ai Wind Power Co., Ltd.	20,507,393.99			1,476,429.17			3,460,131.28		18,523,691.88
Inner Mongolia Mengnen g Ulan New Energy Co., Ltd.	43,555,480.19			806,089.88			3,828,807.76		40,532,762.31
Mitsubish i Heavy Industries Dongfang Gas Turbine (Guangzh ou) Co., Ltd.	501,521,321.70			2,520,517.33				5,099,899.58	509,141,738.61
Sichuan Dongshu New Materials Co., Ltd.	138,140,317.21			5,353,757.03	-11,032.05		2,377,000.00		141,106,042.19



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Investee	Balance as at December 31, 2019	Increases/decreases in the current period							Balance as at June 30, 2020	Provision for bad debts as at June 30, 2020	
		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
Leshan Dongle Dajian Lifting Co., Ltd.	3,414,983.64			-944,514.27						2,470,469.37	
Liangshan Fengguan g New Energy Operation and Maintenance Co., Ltd.	2,022,374.97			20,942.27						2,022,374.97	
Sub-total	1,311,429,042.76	16,600,000.00		71,327,256.34	-11,032.05		36,470,955.18		5,099,899.58	1,367,974,211.45	
Total	2,217,013,083.08	16,600,000.00		72,334,525.29	-11,032.05		36,470,955.18		5,099,899.58	2,274,565,520.72	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.

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**5.17 Other equity instrument investments**

**5.17.1 Breakdown of other equity instrument investments**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Guangdong Dongfang Power Station Complete Set Equipment Company		1,563,282.01
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
Zhejiang Yuhuan Huadian Wind Power Co., Ltd.	1,000,000.00	1,000,000.00
Sichuan Southwest Machinery Industry Group Co., Ltd.		
<b>Total</b>	<b>2,744,649.47</b>	<b>4,989,859.48</b>

**5.17.2 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.		30,000.00			Judgment based on management intention	
Guangdong Dongfang Power Station Complete Set Equipment Company		410,717.99		410,717.99	Judgment based on management intention	
Chengdu Dongfang Electrical Environment Engineering Co., Ltd.					Judgment based on management intention	
DEC (Chengdu) Sharing Service Co., Ltd.		402,972.00		402,972.00	Judgment based on management intention	

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Zhejiang Yuhuan Huadian Wind Power Co., Ltd					Judgment based on management intention
Sichuan Southwest Machinery Industry Group Co., Ltd.		172,073.85		172,073.85	
Total		1,015,763.84		985,763.84	

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**5.18 Investment properties**

**5.18.1 Investment properties measured under cost model**

Item	Buildings and constructions	Land use right	Total
1. Original book value			
(1) Balance as at December 31, 2019	249,117,834.26	18,811,826.12	267,929,660.38
(2) Increase in the current period	1,740,577.74		1,740,577.74
- Outsourcing	205.00		205.00
- Transfer-in of inventories, fixed assets and construction in progress	1,740,372.74		1,740,372.74
- Increase from business combination			
- Other changes			
(3) Decrease in the current period	3,369,033.72		3,369,033.72
- Disposal			
- Other changes	3,369,033.72		3,369,033.72
(4) Balance as at June 30, 2020	247,489,378.28	18,811,826.12	266,301,204.40
2. Accumulated depreciation and amortization			
(1) Balance as at December 31, 2019	87,333,312.76	5,100,513.13	92,433,825.89
(2) Increase in the current period	4,678,137.65	221,644.25	4,899,781.90
- Provision or amortization	4,678,137.65	221,644.25	4,899,781.90
- Other changes			
(3) Decrease in the current period	382,205.36		382,205.36
- Disposal			
- Other changes	382,205.36		382,205.36
(4) Balance as at June 30, 2020	91,629,245.05	5,322,157.38	96,951,402.43
3. Provision for impairment			

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Item	Buildings and constructions	Land use right	Total
(1) Balance as at December 31, 2019			
(2) Increase in the current period			
- Provision			
- Other changes			
(3) Decrease in the current period			
- Disposal			
- Other transfer-out			
(4) Balance as at June 30, 2020			
4. Book value			
(1) Book value as at June 30, 2020	155,860,133.23	13,489,668.74	169,349,801.97
(2) Book value as at December 31, 2019	161,784,521.50	13,711,312.99	175,495,834.49

**5.18.2 Investment properties with certificates of title uncompleted**

Nil.

**5.19 Fixed assets**

**5.19.1 Fixed assets and disposal of fixed assets**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Fixed assets	5,006,697,413.97	5,279,766,171.41
Disposal of fixed assets	344,694.52	164,791.44
Total	5,007,042,108.49	5,279,930,962.85

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**5.19.2 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, 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) Increase in the current period		6,038,178.88	82,431,824.93	2,204,916.05	37,043,847.37	127,718,767.23
- Purchase		1,010,163.12	6,421,188.36	2,145,184.36	5,546,363.03	15,122,898.87
- Transfer-in of construction in progress		4,592,922.58	48,538,689.32	60,088.50	28,374,472.85	81,566,173.25
- Other increases		435,093.18	27,471,947.25	-356.81	3,123,011.49	31,029,695.11
(3) Decrease in the current period	958,799.52	1,244,232.50	47,132,439.12	3,075,268.35	17,299,849.80	69,710,589.29
- Disposal or scrapping		466,763.19	44,384,119.48	3,059,924.55	17,286,421.77	65,197,228.99
- Other decreases	958,799.52	777,469.31	2,748,319.64	15,343.80	13,428.03	4,513,360.30
(4) Balance as at June 30, 2020	21,517,223.66	7,024,464,349.00	8,163,730,649.82	296,660,657.37	1,406,805,112.05	16,913,177,991.90
2. Accumulated depreciation						
(1) 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

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Item	Land assets	Buildings and constructions	Machinery equipment	Transportation facilities	Instrument and apparatus, electronic equipment and others	Total
(2) Increase in the current period		153,847,515.46	178,281,271.01	4,359,687.26	35,980,272.38	372,468,746.11
- Provision		153,847,515.46	178,281,271.01	4,359,687.26	35,980,272.38	372,468,746.11
- Other increases						
(3) Decrease in the current period		369,514.90	21,463,695.70	2,908,717.92	16,218,566.19	40,960,494.71
- Disposal or scrapping		281,313.66	21,463,695.70	2,894,141.31	16,208,370.60	40,847,521.27
- Other decreases		88,201.24		14,576.61	10,195.59	112,973.44
(4) Balance as at June 30, 2020		3,527,648,560.30	6,827,179,945.28	258,358,369.90	1,148,243,743.31	11,761,430,618.79
3. Provision for impairment						
(1) 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
(2) Increase in the current period						
- Provision						
- Other increases						
(3) Decrease in the current period			135,577.28		295,738.74	431,316.02

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Item	Land assets	Buildings and constructions	Machinery equipment	Transportation facilities	Instrument and apparatus, electronic equipment and others	Total
- Disposal or scrapping			135,577.28		295,738.74	431,316.02
- Other decreases						
(4) Balance as at June 30, 2020		86,088,944.90	53,558,482.02	95,246.41	5,307,285.81	145,049,959.14
4. Book value						
(1) Book value as at June 30, 2020	21,517,223.66	3,410,726,843.80	1,282,992,222.52	38,207,041.06	253,254,082.93	5,006,697,413.97
(2) 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

Remark:

1. The Company's land assets shown under the fixed assets as at June 30, 2020 refer to the land use right obtained by DEC India Company within India.
2. The depreciation of fixed assets of the current period is RMB 372,468,746.11.



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**5.19.3 Temporarily idle fixed assets**

Item	Original book value	Accumulated depreciation	Provision for impairment	Book value	Remark
Machinery equipment	48,960,447.20	27,261,126.49	15,750,823.25	5,948,497.46	
Transportation facilities	1,350,117.92	1,100,794.06		249,323.86	
Electronic equipment	1,081,611.91	1,027,531.31		54,080.60	
Others	235,500.00	223,725.00		11,775.00	
Total	51,627,677.03	29,613,176.86	15,750,823.25	6,263,676.92	

**5.19.4 Fixed assets leased out through operating lease**

Item	Book value as at June 30, 2020	Book value as at December 31, 2019
Buildings and constructions	21,384,078.93	89,464,433.02
Machinery equipment	798,748.21	466,963.87
Instrument and apparatus, electronic equipment and others	79,840.70	143,051.99
Total	22,262,667.84	90,074,448.88

**5.19.5 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	105,344,268.46	It is going through the formalities.
No. 2 building in Chengdu	90,913,088.47	It is going through the formalities.
350T high speed dynamic balance and nuclear power plan	51,847,219.58	The information is being filed.
Nuclear power plant	32,881,590.47	The information is being filed.
J-379 second staff canteen	17,536,630.56	It is going through the formalities.
No. 5 union workshop	13,449,503.72	It is going through the formalities.
J-376 new technology building	13,511,512.92	The cancellation procedure of the original building property right certificate is being processed.
Wind power workshop and auxiliary room	12,110,035.76	Due to the 5.12 earthquake, some information on construction projects are missing.
J-378 staff canteen	12,274,925.43	The information is being filed.
J-375 hydraulic laboratory	7,683,037.73	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	5,950,052.56	The cancellation procedure of the original building property right certificate is being processed.
J-380110KV control building of transformer station	4,316,624.53	It is going through the formalities.
Other sporadic projects	19,371,009.27	It is going through the formalities.
Total	387,189,499.46	

**5.19.6 Buildings and constructions analyzed by location and term:**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Located within the territory of China	3,395,154,816.77	3,543,253,187.11
Including: Short-term (within 10 years, including 10 years)	55,559,139.14	80,235,031.98
Medium-term (10 - 50 years)	3,339,595,677.63	3,463,018,155.13
Long-term (over 50 years)		
Located in other areas	15,572,027.03	16,157,710.87
Including: Short-term (within 10 years, including 10 years)	15,572,027.03	16,157,710.87
Medium-term (10 - 50 years)		
Total	3,410,726,843.80	3,559,410,897.98

**5.19.7 Disposal of fixed assets**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Machinery equipment	181,281.68	
Transportation facilities	73,778.49	82,444.98
Instrument and apparatus	731.43	
Electronic equipment	88,902.92	82,346.46
Total	344,694.52	164,791.44

**5.20 Construction in progress**

**5.20.1 Construction in progress and project materials**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Construction in progress	446,864,503.66	381,899,778.29
Project materials	30,649.48	871,357.44

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Total	446,895,153.14	382,771,135.73
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**5.20.2 Breakdown of construction in progress**

Item	Balance as at June 30, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Section 2016-1329	88,096,950.16		88,096,950.16	80,391,218.07		80,391,218.07
Reconstruction and expansion project of Shandong Company	96,054,973.94		96,054,973.94	64,771,848.99		64,771,848.99
Dongfang wind power Xingan League main engine and blade base	62,573,126.07		62,573,126.07	34,594,274.16		34,594,274.16
0708_J15 802G Turbonat or rotor coil milling hole automatic line	9,980,000.00		9,980,000.00	9,980,000.00		9,980,000.00

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Item	Balance as at June 30, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
0708_J158 06G Stator punching intelligent manufacturing and production line and supporting equipment (national dial)	9,969,000.00		9,969,000.00	9,969,000.00		9,969,000.00
0708_J_01 580 Large-scale clean and efficient power generation equipment and intelligent manufacturing digital workshop construction	1,740,963.71		1,740,963.71	8,227,722.77		8,227,722.77
Expansion project of Deyang Clean and Efficient Combustion Technology Test Center	11,913,518.47		11,913,518.47	8,100,107.34		8,100,107.34
714_18_01 B 16m CNC vertical lathe 1 set	7,962,564.00		7,962,564.00	7,962,564.00		7,962,564.00
714_12_01 J02 Intelligent transformation of insulation laboratory	7,555,000.36		7,555,000.36	7,555,000.36		7,555,000.36
0708_S_01 416 Impact turbine model test bench construction and model test technology development	6,630,561.42		6,630,561.42	6,630,561.42		6,630,561.42
Others	148,855,728.14	4,467,882.61	144,387,845.53	148,185,363.79	4,467,882.61	143,717,481.18

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Total	451,332,386.27	4,467,882.61	446,864,503.66	386,367,660.90	4,467,882.61	381,899,778.29

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**5.20.3 Changes in important projects of construction in progress in the current period**

Project name	Budget	Balance as at December 31, 2019	Increase in the current period	Amount transferred into fixed assets/ intangible assets in the current period	Other decreases in the current period	Balance as at June 30, 2020	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	80,391,218.07	8,684,978.45	979,246.36		88,096,950.16	86.00	98.00				Self-finance
Reconstruction and expansion project of Shandong Company	117,771,848.99	64,771,848.99	31,283,124.95			96,054,973.94	81.56	90.00				Self-finance
Dongfang wind power Xingan League main engine and blade base	131,000,000.00	34,594,274.16	27,978,851.91			62,573,126.07	53.00	60.00				Self-finance
0708_J1580 2G Turbonator rotor coil milling hole automatic line		9,980,000.00				9,980,000.00	95.05	95.00				National dial

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0708_J1580 6G Stator punching intelligent manufacturing and production line and supporting equipment		9,969,000.00				9,969,000.00	84.48	95.00			National dial
0708_J_015 80 Large-scale clean and efficient power generation equipment and intelligent manufacturing digital workshop construction	49,400,000.00	8,227,722.77	184,871.15	5,541,830.21	1,129,800.00	1,740,963.71	94.00	97.00			Self-finance
Expansion Project of Deyang Clean and Efficient Combustion Technology Test Center	29,950,000.00	8,100,107.34	3,870,933.25	57,522.12		11,913,518.47	57.89	92.00			Self-finance

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Project name	Budget	Balance as at December 31, 2019	Increase in the current period	Amount transferred into fixed assets/ intangible assets in the current period	Other decreases in the current period	Balance as at June 30, 2020	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 1 set	8,000,000.00	7,962,564.00				7,962,564.00	99.53	90.00				Self-finance
714_12_01J02 Intelligent transformation of insulation laboratory	8,500,000.00	7,555,000.36				7,555,000.36	88.88	85.00				Self-finance
0708_S_0141 6 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	97.00				Self-finance
Other small projects		148,185,363.79	83,546,219.43	74,987,574.56	7,888,280.52	148,855,728.14	86.00	98.00				
<b>Total</b>		<b>386,367,660.90</b>	<b>155,548,979.14</b>	<b>81,566,173.25</b>	<b>9,018,080.52</b>	<b>451,332,386.27</b>						



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<b>5.20.4 Project materials</b>						
Item	Balance as at June 30, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment of project materials	Book value	Book balance	Provision for impairment of project materials	Book value
Spare parts	30,649.48		30,649.48	871,357.44		871,357.44
Total	30,649.48		30,649.48	871,357.44		871,357.44

<b>5.21 Right-of-use assets</b>			
Item	Buildings and constructions	Machinery equipment	Total
1. Original book value			
(1) Balance as at January 1, 2020	400,457,478.09	26,005,822.35	426,463,300.44
(2) Increase in the current period			
- New leases			
- Increase from business combination			
- Revaluation adjustment			
(3) Decrease in the current period			
- Transfer-out to Fixed assets			
- Disposal			
(4) Balance as at June 30, 2020	400,457,478.09	26,005,822.35	426,463,300.44
2. Accumulated depreciation			
(1) Balance as at January 1, 2020	131,871,837.93	3,203,076.26	135,074,914.19
(2) Increase in the current period			
- Provision	62,499,250.04	2,261,695.27	64,760,945.31
(3) Decrease in the current period			

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- Transfer-out to Fixed assets			
- Disposal			
(4) Balance as at June 30, 2020	194,371,087.97	5,464,771.53	199,835,859.50
3. Provision for impairment			
(1) Balance as at January 1, 2020			
(2) Increase in the current period			
- Provision			
(3) Decrease in the current period			
- Transfer-out to Fixed assets			
- Disposal			
(4) Balance as at June 30, 2020			
4. Book value			
(1) Book value as at June 30, 2020	206,086,390.12	20,541,050.82	226,627,440.94
(2) Book value as at January 1, 2020	268,585,640.16	22,802,746.09	291,388,386.25

**5.22 Intangible assets**

**5.22.1 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, 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) Increase in the current period	34,320.00			9,064,784.91	9,812,433.26	18,911,538.17
- Purchase	34,320.00			5,117,286.82		5,151,606.82

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- Transfer-in of construction in progress				3,947,498.09	9,812,433.26	13,759,931.35
(3) Decrease in the current period				2,646,500.00		2,646,500.00
- Disposal				2,646,500.00		2,646,500.00
- Other changes						
(4) Balance as at June 30, 2020	1,012,474,553.00	181,884,539.93	343,592,335.71	262,574,556.99	682,962,607.46	2,483,488,593.09
2. Accumulated amortization						
(1) 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
(2) Increase in the current period	10,148,723.13	9,079,633.74	3,785,167.61	12,466,284.48	14,704,528.55	50,184,337.51

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Item	Land use right	Patent right	Non-patent technology	Software	Others	Total
- Provision	10,148,723.13	9,079,633.74	3,785,167.61	12,466,284.48	14,704,528.55	50,184,337.51
- Other changes						
(3) Decrease in the current period				1,302,554.39		1,302,554.39
- Disposal				1,302,554.39		1,302,554.39
- Other changes						
(4) Balance as at June 30, 2020	233,860,211.23	41,151,310.07	315,242,090.45	193,205,365.37	99,780,030.02	883,239,007.14
3. Provision for impairment						
(1) Balance as at December 31, 2019	33,314.36					33,314.36
(2) Increase in the current period						
- Provision						
- Other changes						
(3) Decrease in the current period						
- Disposal						
- Other changes						

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(4) Balance as at June 30, 2020	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 June 30, 2020	778,581,027.41	140,733,229.86	28,350,245.26	69,369,191.62	583,182,577.44	1,600,216,271.59
(2) 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

Remark: The item of “others” in intangible assets mainly refers to the franchise rights of Laos Namang River Power Co., Ltd.

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**5.22.2 Land use rights analyzed by location and term**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Located within the territory of China	778,581,027.41	788,695,430.54
Including: Medium term (10 - 50 years)	778,581,027.41	788,695,430.54
<b>Total</b>	<b>778,581,027.41</b>	<b>788,695,430.54</b>

**5.22.3 Land use rights with certificates of title uncompleted**

Item	Book value	Reason for failure to complete the formalities for the certificate of title
Land use right of former instrument factory	23,658,837.78	The title transfer is being processed
<b>Total</b>	<b>23,658,837.78</b>	

**5.23 Long-term deferred expenses**

Item	Balance as at December 31, 2019	Increase in the current period	Amount amortized in the current period	Balance as at June 30, 2020
Long-term deferred agency fee	49,103,686.39		10,561,391.16	38,542,295.23
Switch station interval maintenance fee	35,000.38		34,999.98	0.40
AP1000 Technology	21,818.18			21,818.18
Sporadic projects	1,632,461.45	314,593.90	182,274.33	1,764,781.02
<b>Total</b>	<b>50,792,966.40</b>	<b>314,593.90</b>	<b>10,778,665.47</b>	<b>40,328,894.83</b>

**5.24 Deferred income tax assets and deferred income tax liabilities**

**5.24.1 Deferred income tax assets without offset**

Item	Balance as at June 30, 2020		Balance as at December 31, 2019	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for impairment of assets	8,649,964,267.15	1,360,047,680.66	7,488,611,133.53	1,352,205,659.88
Deductible losses	956,316,507.77	156,887,105.96	1,129,396,705.40	198,749,340.38
Estimated liabilities	5,773,346,755.33	935,206,327.08	5,546,733,840.84	972,097,048.74
Employee compensation payable	1,291,914,618.84	196,369,299.42	1,380,600,667.95	209,672,206.78

Item	Balance as at June 30, 2020		Balance as at December 31, 2019	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Unrealized				

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profits of internal transactions	188,466,473.99	28,864,493.53	66,452,632.49	10,654,686.31
Government grants	263,070,177.49	41,280,248.48	279,605,076.50	43,760,483.33
Accounts payable	998,440,293.24	149,766,043.98	402,214,313.36	60,332,147.01
Depreciation of fixed assets	32,536,260.68	4,880,439.10	32,536,260.68	4,880,439.10
Changes in fair value	198,098,868.95	29,714,830.35	91,575,979.23	13,736,396.89
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	2,675,864.89	401,379.73
Others	3,499,070.62	543,236.48	32,676,968.69	4,901,545.32
<b>Total</b>	<b>18,502,127,641.55</b>	<b>2,925,530,857.16</b>	<b>16,596,877,926.16</b>	<b>2,892,961,105.86</b>

**5.24.2 Deferred income tax liabilities before offset**

Item	Balance as at June 30, 2020		Balance as at December 31, 2019	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
Valuation of transactional and derivative financial instruments	38,819,284.40	9,704,821.10	41,214,278.20	10,303,569.55
Depreciation of fixed assets	131,766,880.94	19,765,032.14	135,346,671.06	19,765,032.14
Others	53,085,928.10	7,962,889.22	53,085,928.10	7,962,889.22
<b>Total</b>	<b>223,672,093.44</b>	<b>37,432,742.46</b>	<b>229,646,877.36</b>	<b>38,031,490.91</b>

**5.24.3 Details of unrecognized deferred income tax assets (unrecognized timing difference)**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Losses that can be carried forward to the subsequent year	1,288,615,762.96	1,354,800,746.76
Provision for impairment of assets	1,269,425,270.72	1,019,874,649.67
Estimated liabilities	544,682,252.50	733,646,250.07
Employee compensation payable	2,047,997.18	34,549,889.66
Government grants		24,730,535.64
<b>Total</b>	<b>3,104,771,283.36</b>	<b>3,167,602,071.80</b>



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**5.24.4 Deductible losses of unrecognized deferred income tax assets will be expired in the following years**

Year	Balance as at June 30, 2020	Balance as at December 31, 2019	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	173,419,862.12	239,604,845.92	
Total	1,288,615,762.96	1,354,800,746.76	

**5.25 Other non-current assets**

Item	Balance as at June 30, 2020			Balance as at December 31, 2019		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Contract assets	3,746,025,539.42	827,745,716.59	2,918,279,822.83	3,602,244,380.774	983,371,986.2	2,618,872,394.53
Advances for projects	443,927.15		443,927.15	443,927.15		443,927.15
Total	3,746,469,466.57	827,745,716.59	2,918,723,749.98	3,602,688,307.924	983,371,986.2	2,619,316,321.68

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.

**5.26 Short-term borrowings**

**5.26.1 Classification of short-term borrowings**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Guaranteed borrowings		
Credit borrowings	36,380,000.00	13,850,000.00
Total	36,380,000.00	13,850,000.00

**5.26.2 Short-term borrowings that have been due but not paid**

None.

**5.27 Notes payable**

Category	Balance as at June 30, 2020	Balance as at December 31, 2019
Bank acceptance bill	34,573,074.11	138,168,242.75
Commercial acceptance bill	3,157,876,727.69	3,512,779,689.81
Total	3,192,449,801.80	3,650,947,932.56

Remark: The Company had no due and unpaid notes payable as at June 30, 2020.

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**5.28 Accounts payable**

**5.28.1 Presentation of accounts payable**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Within 1 year (including 1 year)	11,911,024,870.91	9,606,589,127.35
1-2 years (including 2 years)	683,037,559.38	803,022,569.41
2-3 years (including 3 years)	538,330,022.88	501,740,777.39
Over 3 years	867,042,018.88	922,459,701.81
Total	13,999,434,472.05	11,833,812,175.96

**5.28.2 Significant accounts payable with aging over one year**

Item	Balance as at June 30, 2020	Reason for failure in repayment or carry- forward
Entity 1	116,781,624.69	The term of payment has not been met.
Entity 2	91,065,628.69	The counterpart is in bankruptcy liquidation.
Entity 3	62,072,050.49	The term of payment has not been met.
Entity 4	50,692,193.55	The term of payment has not been met.
Entity 5	47,661,900.50	The term of payment has not been met.
Entity 6	46,544,323.76	The term of payment has not been met.
Entity 7	41,759,675.00	The term of payment has not been met.
Total	456,577,396.68	

**5.29 Advances from customers**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Within 1 year (including 1 year)		28,000,000.00
Over 1 year		
Total		28,000,000.00

**5.30 Contract liabilities**

Item	Balance as at June 30, 2020	Balance as at December 31, 2018
Within 1 year	20,466,899,357.86	19,386,730,100.06
Over 1 year	5,960,460,045.04	6,486,733,919.00
Total	26,427,359,402.90	25,873,464,019.06

**5.31 Absorption of deposits and interbank deposits**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Demand deposits	3,585,267,436.18	2,249,786,987.90
-Company	3,585,267,436.18	2,249,786,987.90
Time deposits (including the call deposits)	1,214,115,900.00	2,749,625,000.00
-Company	1,140,390,900.00	2,675,900,000.00
Security deposits received	73,725,000.00	73,725,000.00
-Other deposits (including outward		

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Item	Balance as at June 30, 2020	Balance as at December 31, 2019
remittance for individuals and remittances outstanding for enterprises)		
<b>Total</b>	<b>4,799,383,336.18</b>	<b>4,999,411,987.90</b>

**5.32 Employee compensation payable**

**5.32.1 Presentation of employee compensation payable**

Item	Balance as at December 31, 2019	Increase in the current period	Decrease in the current period	Balance as at June 30, 2020
Short-term compensation	352,065,316.97	1,377,949,125.02	1,352,243,321.09	377,771,120.90
Post-employment benefits - defined contribution plans	104,072,979.25	112,411,082.91	177,698,274.77	38,785,787.39
Dismissal benefits	324,761,927.30	90,370,131.20	162,937,905.10	252,194,153.40
Other benefits maturing within one year				
<b>Total</b>	<b>780,900,223.52</b>	<b>1,580,730,339.13</b>	<b>1,692,879,500.96</b>	<b>668,751,061.69</b>

**5.32.2 Presentation of short-term compensation**

Item	Balance as at December 31, 2019	Increase in the current period	Decrease in the current period	Balance as at June 30, 2020
(1) Salaries, bonuses, allowances and subsidies	183,840,786.71	1,047,221,922.94	1,030,261,660.78	200,801,048.87
(2) Employee welfare fees	381,754.93	95,548,662.69	84,858,998.81	11,071,418.81
(3) Social insurance premiums	22,624,412.74	65,944,062.59	66,947,438.61	21,621,036.72
Including: medical insurance premium	1,740,034.01	50,271,407.43	50,052,643.04	1,958,798.40
Work-related injury insurance premium	62,196.30	5,027,781.23	5,373,903.56	-283,926.03
Maternity insurance premium	121,245.21	6,660,433.53	6,725,815.90	55,862.84
Supplementary medical insurance premium	20,700,937.22	3,956,550.06	4,767,185.77	19,890,301.51
Others		27,890.34	27,890.34	
(4) Housing provident fund	6,275,128.00	126,078,251.53	124,796,921.57	7,556,457.96
(5) Labor union expenditures and employee education funds	138,715,882.60	36,581,292.30	38,576,016.36	136,721,158.54
(6) Labor protection expenses		4,222,985.21	4,222,985.21	
(7) Short-term profit sharing plan				
(8) Others	227,351.99	2,351,947.76	2,579,299.75	
<b>Total</b>	<b>352,065,316.97</b>	<b>1,377,949,125.02</b>	<b>1,352,243,321.09</b>	<b>377,771,120.90</b>

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**5.32.3**

**Presentation of defined contribution plans**

Item	Balance as at December 31, 2019	Increase in the current period	Decrease in the current period	Balance as at June 30, 2020
Basic endowment insurance premium	446,354.56	100,920,248.45	100,111,886.30	1,254,716.71
Unemployment insurance premium	388.28	3,773,783.88	3,868,587.82	-94,415.66
Enterprise annuity payment	103,626,236.41	7,717,050.58	73,717,800.65	37,625,486.34
Total	104,072,979.25	112,411,082.91	177,698,274.77	38,785,787.39

**5.33 Taxes and surcharges payable**

Tax	Balance as at June 30, 2020	Balance as at December 31, 2019
Value-added tax	71,941,452.74	80,235,801.54
Enterprise income tax	3,741,987.99	131,512,899.56
Individual income tax	6,055,302.73	23,741,145.38
Urban maintenance and construction tax	7,157,620.22	7,452,938.90
House property tax	10,358,552.54	423,610.09
Educational surtax	1,840,507.99	1,964,677.35
Local educational surtax	1,192,919.88	1,313,672.58
Land use tax	4,730,612.10	429,812.15
Stamp duty	5,625,892.89	5,213,649.40
Other taxes	10,221,793.47	8,756,984.63
Total	122,866,642.55	261,045,191.58

**5.34 Other payables**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Interest payable	23,449,579.95	60,708,321.69
Dividends payable	658,044,853.88	23,554,076.18
Other payables	1,655,289,131.38	1,686,514,006.95
Total	2,336,783,565.21	1,770,776,404.82

**5.34.1 Interest payable**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Interest payable on short-term borrowings	6,328,008.99	6,583,527.96
Interest payable on absorption of deposits	17,121,570.96	54,124,793.73
Total	23,449,579.95	60,708,321.69

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**5.34.2 Dividends payable**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Ordinary share dividends	658,044,853.88	23,554,076.18
<b>Total</b>	<b>658,044,853.88</b>	<b>23,554,076.18</b>

**5.34.3 Other payables**

(1) Presentation of other payables by nature

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Equity purchase price payable	446,500,965.39	560,470,965.39
Agency fund	96,202,396.14	177,211,912.96
Margin and deposit	141,373,888.63	236,148,816.46
Lease, service and minor purchase payables	127,279,983.28	134,057,750.63
Advance money payable	273,153,746.65	6,364,519.86
Social insurance premium and housing provident fund undertaken by individuals	57,356,181.41	61,387,863.33
Others	513,421,969.88	510,872,178.32
<b>Total</b>	<b>1,655,289,131.38</b>	<b>1,686,514,006.95</b>

(2) Other significant payables with aging over one year

Item	Balance as at June 30, 2020	Reason for failure in repayment or carry-forward
Entity 1	42,483,066.52	Insurance payment in advance
Entity 2	31,266,740.76	Insurance payment in advance
Entity 3	28,975,587.37	Bankruptcy liquidation
Entity 4	14,461,647.51	Bankruptcy liquidation
Entity 5	6,117,965.25	Not yet due for settlement
<b>Total</b>	<b>123,305,007.41</b>	

**5.35 Non-current liabilities maturing within one year**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Long-term borrowings maturing within one year	164,036.00	17,264,036.00
Bonds payable maturing within one year		
Long-term payables maturing within one year		
Lease liabilities maturing within one year	123,803,445.10	136,967,972.74
<b>Total</b>	<b>123,967,481.10</b>	<b>154,232,008.74</b>

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**5.36 Other current liabilities**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Deferred income – Government grants		
Provisional estimate cost	57,008,898.72	68,427,082.56
Liabilities from vicarious business	4,757,932.17	6,735,755.76
Recognized, endorsed and undue receivables financing at the end of period		5,700,000.00
Others	12,221,492.47	6,512,786.36
<b>Total</b>	<b>73,988,323.36</b>	<b>87,375,624.68</b>

**5.37 Long-term borrowings**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Mortgage borrowings	427,717,903.80	432,019,323.12
Credit borrowings	195,000,000.00	195,000,000.00
<b>Total</b>	<b>622,717,903.80</b>	<b>627,019,323.12</b>

**5.38 Lease liabilities**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Lease payment	245,432,418.05	308,808,794.19
Less: unrecognized financing expense	13,556,273.65	15,176,184.18
Part reclassified to the non-current liabilities maturing within one year	123,803,445.10	136,967,972.74
<b>Total</b>	<b>108,072,699.30</b>	<b>156,664,637.27</b>

Remark: The Company reclassified the part within one year to the non-current liabilities maturing within one year based on liquidity. For details, see Note 5.35.

**5.39 Long-term payables**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Long-term payables		
Special payables	9,473,942.42	9,600,357.51
<b>Total</b>	<b>9,473,942.42</b>	<b>9,600,357.51</b>

**Including: special payables**

Item	Balance as at December 31, 2019	Increase in the current period	Decrease in the current period	Balance as at June 30, 2020	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, 2019	Increase in the current period	Decrease in the current period	Balance as at June 30, 2020	Forming reason
vehicle AC transmission project					
Tax reimbursement for three-line enterprises	3,889,796.99			3,889,796.99	In use
Payment for water, electricity, heating and property management	4,920,000.00		126,415.09	4,793,584.91	In use
Expenses on the research of alignment techniques for CAP1400 reactor internals	550,560.52			550,560.52	In use
Total	9,600,357.51		126,415.09	9,473,942.42	

**5.40 Long-term employee compensation payable**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
I. Post-employment benefits - net liabilities of defined benefit plans		
II. Dismissal benefits	763,458,350.08	784,413,550.52
III. Other long-term benefits		
Total	763,458,350.08	784,413,550.52

**5.41 Estimated liabilities**

Item	Balance as at June 30, 2020	Balance as at December 31, 2020	Forming reason

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Pending litigation	305,514,935.27	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	2,259,558,638.08	2,138,995,806.35	Estimated expenditure on product quality guarantee deposit
Onerous contract	3,262,334,583.04	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	337,018,116.89	332,100,542.01	Expected fines for late delivery
<b>Total</b>	<b>6,164,426,273.28</b>	<b>6,280,380,090.91</b>	

**5.42 Deferred income**

Item	Balance as at December 31, 2019	Increase in first half of 2020	Decrease in first half of 2020	Balance as at June 30, 2020	Forming reason
Government grants	470,607,566.07	14,664,725.89	41,095,453.18	444,176,838.78	
<b>Total</b>	<b>470,607,566.07</b>	<b>14,664,725.89</b>	<b>41,095,453.18</b>	<b>444,176,838.78</b>	

**Items involving government grants:**

Liability item	Balance as at December 31, 2019	New grants in 2020	Amount included in the current profit or loss in 2020	Other changes	Balance as at June 30, 2020	Related to assets/income
VAT refund for three-line enterprises	212,417,112.19		10,841,147.91		201,575,964.28	Related to assets



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Subsidy for project infrastructure construction	123,083,333.33		1,523,809.52		121,559,523.81	Related to assets
Appropriation for scientific research	11,117,200.25		553,829.36		10,563,370.89	Related to assets
Appropriation for technical reform	7,423,300.00	536,700.00	1,882,433.33		6,077,566.67	Related to assets
Government subsidies	1,926,666.67		340,000.00		1,586,666.67	Related to assets
Other appropriations	11,572,921.88				11,572,921.88	Related to assets
Appropriation for scientific research	81,871,755.85	10,353,166.00	19,818,528.66	-2,845,829.34	69,560,563.85	Related to income
Government subsidies	308,550.00	884,400.00	1,038,675.00		154,275.00	Related to income
Other appropriations	20,886,725.90	2,890,459.89	2,251,200.06		21,525,985.73	Related to income
Total	470,607,566.07	14,664,725.89	38,249,623.84	-2,845,829.34	444,176,838.78	

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Remark: The VATrefund for three-line enterprises refers to the VATrefund 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 VATrefund 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 DEC Dongfang Steam 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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**5.43 Share capital**

Item	Balance as at December 31, 2019	Changes in first half of 2020 ("+ for increase and "-" for decrease)					Balance as at June 30, 2020
		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			27,988,699.00		27,988,699.00	781,891,762.00
H shares							
Total shares with restricted conditions	753,903,063.00			27,988,699.00		27,988,699.00	781,891,762.00
Total shares	3,090,803,431.00			27,988,699.00		27,988,699.00	3,118,792,130.00

Remark: As deliberated at the first extraordinary general meeting in 2019, the first A Shares class meeting of 2019, the first H Shares class meeting of 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 increased amount of the share capital included in the capital reserves on the balance sheet date for the last period will be transferred into the paid-up capital.

**5.44 Capital reserves**

Item	Balance as at December 31, 2019	Increase in 2020	Decrease in 2020	Balance as at June 30, 2020
Capital (share capital) premium	11,342,240,527.90	14,609,769.71	27,988,699.00	11,328,861,598.61
Other capital reserves	3,098,647.01			3,098,647.01
Total	11,345,339,174.91	14,609,769.71	27,988,699.00	11,331,960,245.62

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Remark: On January 7, 2020, the Company has gone through the registration procedures of the shares with restricted conditions (27,988,699 shares) with Shanghai Branch of China Securities Depository and Clearing Company Limited, and recognized in the current period the increased amount of share capital not recognized provisionally of RMB 27,988,699.00. Due to the new capital contribution by a minority shareholder of a subsidiary in the current period, the balance between the share of book value of subsidiary's net assets before capital increased an amount of RMB 14,609,769.71 of the capital reserve.

**5.45 Treasury stock**

Item	Balance as at December 31, 2019	Increase in 2020	Decrease in 2020	Balance as at June 30, 2020
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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**5.46 Other comprehensive income**

Item	Balance as at December 31, 2019	First half of Year 2020						Balance as at June 30, 2020
		Pre-tax amount incurred in 2020	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	-39,414.82	1,173,689.99		985,763.84		172,770.15	15,156.00	133,355.33
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	-39,414.82	1,173,689.99		985,763.84		172,770.15	15,156.00	133,355.33

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Item	Balance as at December 31, 2019	First half of Year 2020						Balance as at June 30, 2020
		Pre-tax amount incurred in 2020	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	-24,378,632.76	2,687,019.35				2,478,275.91	208,743.44	-21,900,356.85
Including: other comprehensive income that can be transferred to profit or loss under the equity method	1,791,356.58							
		-11,032.05				-10,413.15	-618.90	1,780,943.43

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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, 2019	First half of Year 2020						Balance as at June 30, 2020
		Pre-tax amount incurred in 2020	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								
	-26,169,989.34	2,698,051.40				2,488,689.06	209,362.34	-23,681,300.28
Total of other comprehensive income	-24,418,047.58	3,860,709.34		985,763.84		2,651,046.06	223,899.44	-21,767,001.52



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**5.47 Special reserves**

Item	Balance as at December 31, 2019	Increase in First half of 2020	Decrease in First half of 2020	Balance as at June 30, 2020
Work safety expenses	76,102,748.09	44,231,824.73	28,735,007.75	91,599,565.07
<b>Total</b>	<b>76,102,748.09</b>	<b>44,231,824.73</b>	<b>28,735,007.75</b>	<b>91,599,565.07</b>

Remark: The special reserves increased in the current period 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.

**5.48 Surplus reserves**

Item	Balance as at December 31, 2019	Increase in first half of 2020	Decrease in First half of 2020	Balance as at June 30, 2020
Statutory surplus reserves	907,174,974.45			907,174,974.45
Discretionary surplus reserves				
<b>Total</b>	<b>907,174,974.45</b>			<b>907,174,974.45</b>

**5.49 Undistributed profits**

Item	First half of Year 2020	First half of Year 2019
Undistributed profits at the end of the previous year before adjustment	14,225,616,456.64	13,324,105,405.23
Total adjustment to undistributed profits at the beginning of the year ("+" for increase and "-" for decrease)		
Undistributed profits at the beginning of the year after adjustment	14,225,616,456.64	13,324,105,405.23
Plus: net profit attributable to owners of the parent company in the current period	954,371,842.93	729,692,676.27
Less: withdrawal of statutory surplus reserves		
Withdrawal of discretionary surplus reserves		
Withdrawal of general risk reserves		
Common stock dividends payable	639,352,386.65	339,988,377.41
Common stock dividends transferred to share capital		
Carry-forward of other comprehensive income for retained earnings	-985,763.84	
<b>Undistributed profits at the end of the period</b>	<b>14,541,621,676.76</b>	<b>13,713,809,704.09</b>

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**5.50 Minority equity**

Subsidiary	Proportion of minority interest (%)	Amount for the current period	Balance as at December 31, 2019
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	38.91	713,096,885.69	599,793,156.79
Dongfang Electric Machinery Company Co., Ltd.	8.14	467,217,987.88	457,602,916.92
DEC Dongfang Steam Turbine Co., Ltd.	5.61	341,031,021.76	328,825,206.64
DEC Dongfang Boiler Group Co., Ltd.	3.21	208,059,782.61	210,246,853.69
Dongfang Electric Group Finance Co., Ltd.	5.00	160,711,068.29	160,348,416.73
Chengdu Dongfang Kwh Environmental Protection Catalysts Co., Ltd.	38.58	115,535,013.36	109,664,727.41
Eastern Boiler Control Co., Ltd.	49.00	94,149,630.57	89,546,575.94
Dongfang Hitachi (Chengdu) Electric Control Equipment Co., Ltd.	49.00	67,080,461.02	63,169,138.41
Laos Namang River Power Co., Ltd.	25.00	70,021,386.28	65,728,124.32
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	33.00	68,553,000.75	65,425,156.20
Tianjin Dongqi Wind Turbine Blade Engineering Co., Ltd.	15.00	39,552,479.57	38,505,667.50
Dongfang Electric Automatic Control Engineering Co., Ltd.	3.49	26,100,481.31	24,862,647.06
Deyang Dongfang Aberle Sysrem Corporation Limited	16.24	7,398,930.14	7,338,671.27
Dongfang Electric Venezuela Co., Ltd.	1.00	0.01	0.01
Dongfang Electric Wind Power (Shandong) Co., Ltd.	31.25	57,019,534.93	57,346,399.78
Dongfang Electric Wind Power Co., Ltd.	3.46	44,077,822.65	42,853,010.34

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PT.Dongfang Electric Indonesia Company	49.00	13,216,675.45	17,463,499.40
Henan Dongfang Boiler City Environmental Protection Equipment Co., Ltd.	20.00	4,244,916.70	5,067,052.67
Dongfang Electric (Deyang) Motor Technology Co., Ltd.	10.00	8,008,271.87	
Dongfang Electrical (Tianjin) Wind Power Technology Co., Ltd.	1.58	4,953,426.52	
<b>Total</b>		<b>2,510,028,777.36</b>	<b>2,343,787,221.08</b>

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**5.51 Net current assets**

Item	Amount as at June 30, 2020	Amount as at December 31, 2019
Current assets	71,171,337,168.67	69,398,892,328.05
Less: current liabilities	52,273,170,544.99	49,453,815,568.82
Net current assets	18,898,166,623.68	19,945,076,759.23

**5.52 Total assets less current liabilities**

Item	Amount as at June 30, 2020	Amount as at December 31, 2019
Total assets	92,736,366,674.85	89,618,965,555.72
Less: current liabilities	52,273,170,544.99	49,453,815,568.82
Total assets less current liabilities	40,463,196,129.86	40,165,149,986.90

**5.53 Debit and credit**

**5.53.1 Information of debit and credit of the Company**

Item	Amount as at June 30, 2020	Amount as at December 31, 2019
Short-term borrowings	36,380,000.00	13,850,000.00
Non-current liabilities maturing within one year (Partial borrowings)	164,036.00	17,264,036.00
Long-term borrowings	622,717,903.80	627,019,323.12
Total	659,261,939.80	658,133,359.12

**5.53.2 Analysis on debit and credit**

Item	Amount as at June 30, 2020	Amount as at December 31, 2019
Bank borrowings	659,261,939.80	658,133,359.12
Including: borrowings required to be repaid within five years	231,544,036.00	226,114,036.00
Sub-total	659,261,939.80	658,133,359.12
Other borrowings and payables		
Total	659,261,939.80	658,133,359.12

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**5.53.3 Analysis on the debit and credit on the due date**

Item	Amount as at June 30, 2020	Amount as at December 31, 2019
Repay as required or within 1 year	36,544,036.00	31,114,036.00
1-2 years	195,000,000.00	195,000,000.00
2-5 years		
Over 5 years	427,717,903.80	432,019,323.12
<b>Total</b>	<b>659,261,939.80</b>	<b>658,133,359.12</b>

**5.54 Operating revenue and operating costs**

**5.54.1 Information on operating revenue and operating costs**

Item	First half of Year 2020		First Half of Year 2019	
	Revenue	Expenses from costs/interest / Expenses from handling charges and commissions	Revenue	Expenses from costs/interest / Expenses from handling charges and commissions
Primary business	16,971,221,005.09	13,815,417,335.42	15,131,864,131.73	11,861,171,565.55
Other business	249,272,370.71	137,331,242.92	178,027,256.12	132,737,490.58
Interest income	531,303,054.28	47,110,050.60	531,274,212.32	40,719,217.85
Revenue from handling charges and commissions	1,174,070.65	538,467.32		594,693.41
<b>Total</b>	<b>17,752,970,500.73</b>	<b>14,000,397,096.26</b>	<b>15,841,165,600.17</b>	<b>12,035,222,967.39</b>

**5.54.2 Revenue from contracts**

Name of module and product	Operating revenue		Operating cost	
	First half of Year 2020	First half of Year 2019	First half of Year 2020	First half of Year 2019
<b>Efficient and clean energy equipment</b>	8,455,535,717.65	8,710,411,128.52	6,959,009,656.70	6,741,743,233.55
Including: thermal power	5,750,303,381.42	6,328,372,460.29	4,642,321,042.09	4,946,396,519.25
Nuclear power	751,771,718.67	1,107,716,614.84	620,724,277.43	883,098,497.27
Gas turbine	1,953,460,617.56	1,274,322,053.39	1,695,964,337.18	912,248,217.03
<b>Renewable energy equipment</b>	3,200,435,990.79	2,581,451,833.10	2,759,676,709.49	2,228,120,822.21
Including: hydroelectric power	1,339,954,486.64	950,011,183.15	1,117,985,728.48	848,804,403.82
Wind power	1,739,825,790.95	1,550,817,265.34	1,545,620,815.28	1,304,505,991.48
<b>Engineering and trade</b>	2,209,839,088.11	1,314,457,623.64	1,707,443,047.05	1,070,388,829.60
Including: EPC	565,598,544.31	836,134,041.48	336,890,260.93	700,761,548.80
Trade	1,635,500,622.37	476,891,318.00	1,368,355,888.22	368,574,549.61
<b>Modern manufacturing service industry</b>	1,972,341,354.37	1,877,141,526.89	954,444,057.52	937,937,387.03
Including: power station service	931,015,091.82	1,042,419,592.75	517,836,175.50	644,329,100.80
Financial service	532,477,124.93	531,274,212.32	47,110,050.60	41,313,911.26
<b>Emerging growth industry</b>	1,914,818,349.81	1,357,703,488.02	1,619,823,625.50	1,057,032,695.00

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Total	17,752,970,500.73	15,841,165,600.17	14,000,397,096.26	12,035,222,967.39
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**5.55 Taxes and surcharges**

Item	First half of Year 2020	First half of Year 2019
Urban maintenance and construction tax	16,769,274.33	33,974,744.54
House property tax	34,570,593.93	40,532,906.90
Educational surtax	7,231,754.26	14,570,582.49
Stamp duty	13,842,431.65	9,891,857.60
Land use tax	20,347,947.86	22,186,532.93
Local educational surtax	4,720,846.75	9,695,064.89
Other taxes	1,278,783.47	2,386,055.39
<b>Total</b>	<b>98,761,632.25</b>	<b>133,237,744.74</b>

**5.56 Selling and distribution expenses**

Item	First half of Year 2020	First half of Year 2019
Sales and service fees	177,541,379.22	223,925,970.59
Employee compensation	105,569,328.76	116,657,749.72
Travel expenses	13,645,925.20	26,607,434.90
Others	68,489,079.72	93,869,998.21
<b>Total</b>	<b>365,245,712.90</b>	<b>461,061,153.42</b>

**5.57 General and administrative expenses**

Item	First half of Year 2020	First half of Year 2019
Employee compensation	468,894,340.35	490,549,455.60
Repair charges	115,700,038.86	120,153,684.63
Depreciation costs	83,423,221.97	75,939,164.55
Work safety expenses	46,622,052.73	36,804,181.70
Rental fees	52,611,150.81	52,791,755.47
Travel expenses	13,141,045.21	24,672,233.02
Insurance premium	124,324,582.38	210,776,606.17
Others	127,588,575.35	133,016,041.06
<b>Total</b>	<b>1,032,305,007.66</b>	<b>1,144,703,122.20</b>

**5.58 Research and development expenditure**

Item	First half of Year 2020	First half of Year 2019
Employee compensation	372,344,921.38	369,547,873.34
Materials expenses	186,531,653.96	163,106,120.89
Testing and quality assurance expenses	56,019,204.19	33,453,184.48
External commission fees	95,451,101.36	43,809,083.41
Depreciation expenses	49,910,350.94	42,429,150.39
Others	122,181,182.07	133,587,344.76
<b>Total</b>	<b>882,438,413.90</b>	<b>785,932,757.27</b>

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**5.59 Finance expenses**

Item	First half of Year 2020	First half of Year 2019
Interest expenses	14,328,027.89	16,965,368.96
Including: lease liability interest expenses	531,768.86	
Less: interest revenue	18,780,641.10	41,526,780.39
Profit or loss on exchange	-21,363,769.14	-2,489,832.42
Handling charges of financial institutions	17,106,078.98	12,063,961.86
Cash discount	-32,769,693.74	-20,514,619.71
Others	5,033,655.61	5,204,407.34
<b>Total</b>	<b>-36,446,341.50</b>	<b>-30,297,494.36</b>

**5.60 Other income**

Item	First half of Year 2020	First half of Year 2019
Government grants	52,253,882.80	35,193,001.67
Others	16,866.66	
<b>Total</b>	<b>52,270,749.46</b>	<b>35,193,001.67</b>

Government grants included in other income

Subsidy	First half of Year 2020	First half of Year 2019	Related to assets/income
VAT refund for three-line enterprises	10,841,147.91	13,693,256.28	Related to assets
Appropriation for scientific research	553,829.36		Related to assets
Appropriation for scientific research	19,924,128.66	10,974,959.36	Related to income
Finance discount	340,000.00	154,275.00	Related to assets
Finance discount	154,275.00		Related to income
Tax returns	3,846,638.64	759,606.75	Related to income
Other appropriations	3,406,242.85	1,834,527.78	Related to assets
Other appropriations	13,187,620.38	7,776,376.50	Related to income
<b>Total</b>	<b>52,253,882.80</b>	<b>35,193,001.67</b>	

**5.61 Investment income**

Item	First half of Year 2020	First half of Year 2019
Long-term equity investment income calculated by the equity method	72,334,525.29	101,336,724.54
Investment income from trading financial assets during the holding period	13,824,254.29	7,994,389.70



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Item	First half of Year 2020	First half of Year 2019
Investment income from disposal of trading financial assets	18,339,720.05	35,433,162.17
Interest revenue from creditor's right investment during the holding period	8,944,657.36	3,489,311.57
Investment income from the disposal of Creditor's right instruments		2,369,792.81
<b>Total</b>	<b>113,443,156.99</b>	<b>150,623,380.79</b>

**5.62 Foreign exchange gains**

Item	First half of Year 2020	First half of Year 2019
Revenue from foreign exchange	413,609.59	407,997.15
Expenditure on foreign exchange		
<b>Total</b>	<b>413,609.59</b>	<b>407,997.15</b>

**5.63 Income from changes in fair value**

Sources of income from changes in fair value	First half of Year 2020	First half of Year 2019
Financial assets held for trading	-110,146,758.23	-78,884,253.33
Including: income from changes in fair value arising from derivative financial instruments		
Other non-current financial assets		
Financial liabilities held for trading		
<b>Total</b>	<b>-110,146,758.23</b>	<b>-78,884,253.33</b>

**5.64 Losses from credit impairment**

Item	First half of Year 2020	First half of Year 2019
Losses from bad debts of notes receivable	-46,200.00	
Losses from bad debts of accounts receivable and contract assets	-62,443,734.91	-194,885,504.39
Losses from impairment of receivables financing		
Losses from bad debts of other receivables	-5,340,632.44	23,336,100.65
Losses from impairment of creditor's right investment	-22,422,345.75	2,419,602.00
Losses from impairment of other creditor's right investment		
Losses from bad debts of long-term receivables	15,703,156.83	16,472,908.34
Losses from impairment of credit assets	482,198.27	-23,474,699.41
<b>Total</b>	<b>-74,067,558.00</b>	<b>-176,131,592.81</b>

Losses are presented with "-".

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**5.65 Losses from asset impairment**

Item	First half of Year 2020	First half of Year 2019
Loss from inventory depreciation and losses from impairment of contract performance cost	-214,254,727.16	-322,873,935.75
Loss from impairment of fixed assets		-24,927,401.53
Losses from impairment of right-of-use assets		
Losses from impairment of intangible assets		
<b>Total</b>	<b>-214,254,727.16</b>	<b>-347,801,337.28</b>

Losses are presented with "-".

**5.66 Income from asset disposal**

Item	First half of Year 2020	First half of Year 2019	Amount included in non-recurring profit or loss in the current period
Income from disposal of non-current assets	4,914,531.35	1,200,600.28	4,914,531.35
<b>Total</b>	<b>4,914,531.35</b>	<b>1,200,600.28</b>	<b>4,914,531.35</b>

**5.67 Non-operating revenue**

Item	First half of Year 2020	First half of Year 2019	Amount included in non-recurring profit or loss in the current period
Government grants	3,654,292.55	2,846,488.88	3,654,292.55
Gains from disposal of non-current assets	2,079.02	27,449.28	2,079.02
Including: gains from scrapping of fixed assets	2,079.02	27,449.28	2,079.02
Gains from debt restructuring			
Donations received			
Revenue from liquidated damages	4,630,575.74	4,411,460.20	4,630,575.74
Others	15,016,581.53	28,836,207.09	15,016,581.53
<b>Total</b>	<b>23,303,528.84</b>	<b>36,121,605.45</b>	<b>23,303,528.84</b>

**Government grants included in the non-operating revenue**

Subsidy	First half of Year 2020	First half of Year 2019	Related to asset/income
Appropriation for scientific research		145,000.00	Related to income
Tax returns	924.96	30,687.58	Related to income
Free-of-charge funding		136,000.00	Related to income
Other funding			Related to assets
Other funding	3,653,367.59	2,534,801.30	Related to income
<b>Total</b>	<b>3,654,292.55</b>	<b>2,846,488.88</b>	

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**5.68 Non-operating expenses**

Item	First half of Year 2020	First half of Year 2019	Amount included in non-recurring profit or loss in the current period
Losses from disposal of non-current assets	695,332.48	128,021.36	695,332.48
Including: losses from scrapping of fixed assets	695,332.48	128,021.36	695,332.48
Losses from debt restructuring		508,830.46	
Donation outlay	41,349,713.28	3,700,000.00	41,349,713.28
Losses from pending litigation			
Expenditure on indemnity, liquidated damages and amercement outlay	10,048,328.76	7,083,898.38	10,048,328.76
Others	4,426,070.88	2,635,741.72	4,426,070.88
<b>Total</b>	<b>56,519,445.40</b>	<b>14,056,491.92</b>	<b>56,519,445.40</b>

**5.69 Income tax expenses**

**5.69.1 Table of income tax expenses**

Item	First half of Year 2020	First half of Year 2019
Current income tax expenses	163,260,092.88	173,152,950.72
Including:	163,257,245.17	173,152,950.72
China		
India		

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Item	First half of Year 2020	First half of Year 2019
Other regions	2,847.71	
Deferred income tax expenses	-33,168,499.75	-41,294,675.91
Total	130,091,593.13	131,858,274.81

**5.69.2 Adjustment process of accounting profit and income tax expenses**

Item	First half of Year 2020
Total profits	1,149,626,066.70
Income tax expenses calculated at statutory tax rate	282,522,017.58
Effect of tax payment of tax-exempt income	
Tax payment effect of non-deductible expenses	770,624.31
Tax preference	-49,280,650.40
Including: additional deduction of research and development expenditure	-49,164,877.97
Income tax subject to reduction and exemption	-115,772.43
Tax payment effect of unrecognized deductible losses and deductible temporary difference	10,808,758.41
Tax exemption effect of special tax	
Effect of the inconsistency in tax rate of the Company	-89,049,666.41
Tax payment effect of adopting the unrecognized deductible losses and deductible temporary	-5,154,251.84
Difference in previous years	-20,525,238.52
Income tax expenses	130,091,593.13

**5.70 Earnings per share**

**5.70.1 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	First half of Year 2020	First half of Year 2019
Consolidated net profit attributable to the common stockholder of the parent company	954,371,842.93	729,692,676.27
Weighted average of the Company's outstanding common stock	3,090,803,431.00	3,090,803,431.00
Basic earnings per share	0.31	0.24
Including: basic earnings per share from going concern	0.31	0.24
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

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 = 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

=954,371,842.93/3,090,803,431.00=0.31

**5.70.2 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	First half of Year 2020	First half of Year 2019
Consolidated net profit attributable to the common stockholder of the parent company (diluted)	954,371,842.93	729,692,676.27
Weighted average of the Company's outstanding common stock (diluted)	3,090,803,431.00	3,090,803,431.00
Diluted earnings per share	0.31	0.24
Including: diluted earnings per share from going concern	0.31	0.24
Diluted earnings per share from discontinued operation		

**5.71 Items in the statement of cash flows**

**5.71.1 Cash received from other operating activities**

Item	First half of Year 2020	First half of Year 2019
Interest income	72,853,557.40	40,605,889.51
Government grants	72,255,913.39	15,979,086.24
Security deposit	155,101,578.26	279,551,207.70
Fund allocation for bankruptcy	83,436,882.18	
Recovery of loans to banks and other financial institutions		54,997,600.00

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Item	First half of Year 2020	First half of Year 2019
Cash from operating lease	11,495,578.18	37,638,552.04
Revolving funds for purchasing house and deposit in security	19,449,230.48	37,808,337.36
Advance payment for collection	158,830,885.69	34,436,777.32
Received the payment	26,639,875.03	
Received the premium	145,990,000.00	
Others	189,261,076.61	37,304,584.17
<b>Total</b>	<b>935,314,577.22</b>	<b>538,322,034.34</b>

**5.71.2 Cash paid for other operating activities**

Item	First half of Year 2020	First half of Year 2019
Operating expenses	658,710,394.01	686,698,936.75
Security deposit payment	227,672,367.59	156,696,131.22
Imprest payment	27,574,316.68	24,363,187.93
Financial assets purchased under resale agreements	29,529,899.34	1,462,733,758.96
Others	8,306,700.00	136,020,818.71
<b>Total</b>	<b>951,793,677.62</b>	<b>2,466,512,833.57</b>

**5.71.3 Cash received from other investing activities**

Nil.

**5.71.4 Cash paid for other investing activities**

Nil

**5.71.5 Cash received from other financing activities**

Nil

**5.71.6 Cash paid for other financing activities**

Nil

**5.72 Supplementary information to the statement of cash flows**

**5.72.1 Supplementary information to the statement of cash flows**

Supplementary information	First half of Year 2020	First half of Year 2019
1. Net profit adjusted to cash flows from operating activities		
Net profit	1,019,534,473.57	786,119,984.70
Plus: losses from credit impairment	74,067,558.00	176,131,592.81
Provision for asset impairment	214,254,727.16	347,801,337.28
Depreciation of investment properties and fixed assets	377,368,528.01	398,826,429.39
Depreciation of right-of-use assets	64,760,945.31	
Amortization of intangible assets	50,184,337.51	34,218,811.57
Amortization of long-term deferred expenses	10,778,665.47	26,119,516.70
Losses on disposal of fixed assets, intangible assets and other long- term assets ("- " for income)	-4,914,531.35	-1,200,600.28
Losses from scrapping of fixed assets ("- " for income)	693,253.46	100,572.08
Losses from changes in fair value ("- " for income)	110,146,758.23	78,884,253.33
Finance expenses ("- " for income)	-54,133,462.88	-23,004,452.13
Investment losses ("- " for income)	-113,443,156.99	-150,623,380.79
Decreases in deferred income tax assets ("- " for increases)	-32,569,751.30	-33,896,753.29
Increases in deferred income tax liabilities ("- " for decreases)	-598,748.45	-4,906,004.19
Decreases in inventories ("- " for increases)	-616,216,656.03	1,328,341,946.70
Decreases in operating receivables ("- " for increases)	-2,503,202,386.73	-558,039,754.46

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Supplementary information	First half of Year 2020	First half of Year 2019
Increases in operating payables ("-" for decreases)	2,375,343,826.42	-5,654,687,111.28
Others		
Net cash flows from operating activities	972,054,379.41	-3,249,813,611.86
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	27,349,246,661.49	22,438,325,739.12
Less: beginning balance of cash	28,472,369,654.85	26,899,627,194.15
Plus: ending balance of cash equivalents		
Less: beginning balance of cash equivalents		
Net increase in cash and cash equivalents	-1,123,122,993.36	-4,461,301,455.03

**5.72.2 Net cash received from disposal of subsidiaries in 2020**

**Nil**



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**5.72.3 Breakdown of cash and cash equivalents**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
I. Cash	27,349,246,661.49	28,472,369,654.85
Including: cash on hand	1,728,602.49	2,005,692.73
Unrestricted bank deposit	3,648,490,924.86	4,043,584,929.49
Other unrestricted cash and cash equivalents	164,751,786.45	148,310,025.30
Unrestricted deposits in central bank	13,881,814.36	25,705,108.74
Deposits in banks and other financial institutions	23,520,393,533.33	24,252,763,898.59
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	27,349,246,661.49	28,472,369,654.85
Including: cash and cash equivalents restricted for use by the parent company or subsidiaries in the Group		

**5.73 Assets with restrictions on the ownership or use right**

Item	Book value as at June 30, 2020	Reason for restriction
Monetary funds	2,223,249,980.35	Deposits in central bank, reserves and security deposits
Long-term equity investments	77,847,602.02	Equity pledge (For details, see Note 12.2.1 (3) Provision of guarantees for other entities under Note 12 Commitments and contingencies)
Intangible assets	579,849,051.11	Mortgage borrowings
Total	2,880,946,633.48	

**5.74 Foreign currency monetary items**

Item	Balance in foreign currency as at June 30, 2020	Exchange rate for conversion	Balance of RMB converted as at June 30, 2020
Monetary funds			3,456,843,056.52
Including: USD	456,650,976.93	7.0795	3,232,860,591.20
EUR	5,671,827.95	7.9610	45,153,422.28
HKD	15,951,390.41	0.9134	14.57
JPY	15,288,174.99	0.0658	1,006,084.22
GBP	1,209,492,335	8.7144	10.54
INR	314,316,393.83	0.0937	29,464,647.39
PKR	984,654.44	0.0443	43,625.14

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VND	948,083,284.82	0.0003	287,388.38
ETB	70,438,172.52	0.2011	14,163,003.3
NPR	786,431.06	0.0585	46,037.67

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Item	Balance in foreign currency as at June 30, 2020	Exchange rate for conversion	Balance of RMB converted as at June 30, 2020
LAK	22,421,085,130.00	0.0008	17,551,259.74
LKR	16,887,800.17	0.0380	642,074.16
BDT	26,872,830.29	0.0834	2,240,925.32
TRY	26,199.21	1.0310	27,011.12
BAM	3,031,497.46	3.9113	11,857,174.72
CAD	9,009,895,261	5.1843	46.71
SEK	591,026.00	0.7589	448,529.63
Other currencies			101,051,210.38
Accounts receivable			446,949,841.84
Including:	62,368,163.41	7.0795	441,535,412.89
USD			
EUR	316,484.08	7.9610	2,519,529.78
INR	30,881,559.71	0.0937	2,894,899.17
Other accounts receivable			38,058,543.81
Including:	965,912.63	7.0795	6,838,178.44
USD			
EUR	568,403.29	7.9610	4,525,058.60
INR	24,416,858.51	0.0937	2,288,885.15
VND	53,186,484,147.11	0.0003	16,122,188.59
BAM	384,191.10	3.9113	1,502,696.61
SEK	8,066,136.26	0.7589	6,121,390.81
Other currencies			660,145.61
Accounts payable			381,826,737.69
Including:	24,244,875.27	7.0795	171,641,594.48
USD			
EUR	20,206,195.09	7.9610	160,861,519.09
JPY	466,967,890.99	0.0658	30,730,222.97
VND	8,940,759,285.57	0.0003	2,710,173.64
GBP	32,985.67	8.7144	287,450.34
BAM	6,904.28	3.9113	27,004.88
INR	78,943,997.46	0.0937	7,400,368.21
CAD	1,177,022.37	5.1843	6,102,037.08
SEK	131,600.00	6.8146	896,801.36
Others			1,169,565.64
Other payables			101,507,269.60
Including:		7.0795	54,471,942.40
USD	7,694,320.56		
EUR	125,641.74	7.9610	1,000,233.90
HKD	17,867.20	0.9134	16,319.90
INR	60,923,929.19	0.0937	5,711,130.97
PKR	3,971,837.02	0.0443	175,972.34

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VND	36,968,588,955.76	0.0003	11,206,128.26
Other currencies			28,925,541.83
Absorption of deposits			51,996,218.15

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Item	Balance in foreign currency as at June 30, 2020	Exchange rate for conversion	Balance of RMB converted as at June 30, 2020
Including:	7,343,643.22	7.0795	51,989,322.18
USD			
EUR	866.22	7.9610	6,895.98

**5.75 Government grants**

**5.75.1 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
			First half of Year 2020	First half of Year 2019	
VAT refund for three-line enterprises	201,575,964.28	Deferred income	10,841,147.91	13,693,256.28	Other income
Subsidy for project infrastructure construction	121,559,523.81	Deferred income	1,523,809.52	1,333,333.34	Other income
Appropriation for scientific research	10,563,370.89	Deferred income	553,829.36	501,194.44	Other income
Appropriation for technical reform	6,077,566.67	Deferred income	1,882,433.33		Other income
Government subsidies	1,586,666.67	Deferred income	340,000.00	154,275.00	Other income
Others	11,572,921.88	Deferred income			Other income
Total	352,936,014.20		15,141,220.12	15,682,059.06	

**5.75.2 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
		First half of Year 2020	First half of Year 2019	

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Tax refund	3,847,563.60	3,847,563.60	790,294.33	Other income, non-operating revenue
Scientific research grants	19,924,128.66	19,924,128.66	11,119,959.36	Other income
Subsidy for the insurance of the first major technical equipment	30,580,000.00		13,883,232.00	Presented by the net method used to offset the general and administrative expenses and operating cost
Financial subsidies	154,275.00	154,275.00		Other income,
Others	16,840,987.97	16,840,987.97	10,311,177.80	Other income, non-operating revenue
Free-of-charge funding			136,000.00	non-operating revenue
<b>Total</b>	<b>71,346,955.23</b>	<b>40,766,955.23</b>	<b>36,240,663.49</b>	

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**6 Changes in the scope of consolidation**

**6.1 Disposal of subsidiaries**

Nil.

**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 the end of the current period	Net profit for the current period
1	Dongfang Electric (Deyang) Motor Technology Co., Ltd. *(东方电气(德阳)电动机技术有限责任公司)	Established by investment	80,082,718.67	82,718.67
2	Dongfang Electric (Guangdong) Energy Science & Technology Co., Ltd. *(东方电气(广东)能源科技有限公司)	Established by investment	14,992,731.00	-7,269.00
3	Dongfang Electric New Energy Science & Technology (Chengdu) Co., Ltd.* (东方电气新能科技(成都)有限公司)	Established by investment	50,549,919.05	549,919.05

**6.2.2 Subsidiaries subject to cancellation or liquidation**

Nil.

**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	
DEC Dongfang Steam Turbine Co., Ltd.	Deyang, Sichuan	Deyang, Sichuan	Limited liability company	Production	94.39		Established by investment
DEC 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		80.00	Established by investment

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				protection			
Eastern Boiler Control Co., Ltd.	Shenzhen, Guangdong	Shenzhen, Guangdong	Limited liability company	General equipment manufacturing		51.00	Established by investment
Dongfang Electric Machinery Co., Ltd.	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 Electric (Guangzhou) Heavy Machinery Co., Ltd.	Guangzhou, Guangdong	Guangzhou, Guangdong	Limited liability company	Production	48.17	13.34	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) PrivateLimited	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			Limited	Power			Established

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Blade (Hinggan League) Co., Ltd.	Hinggan League	Hinggan League	liability company	equipment manufacturing		100.00	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 System Corporation Limited	Mianzhu, Sichuan	Mianzhu, Sichuan	Limited liability company	Machine manufacturing		83.76	Business combination under common control
Dongfang Electric Automatic 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
Dongfang Electric (Deyang) Motor Technology Co., Ltd. * (东方电气(德阳)电动机技术有限责任公司)	Deyang, Sichuan	Deyang, Sichuan	Limited Liability company	Production		90.00	Established by investment
Dongfang Electric (Guangdong) Energy Science & Technology Co., Ltd. * (东方电气(广东)能源科技有限公司)	Yangjiang, Guangdong	Yangjiang, Guangdong	Limited Liability company	Production		100.00	Established by investment
Dongfang Electric New Energy Science & Technology (Chengdu) Co., Ltd.* (东方电气新能源科技	Chengdu, Sichuan	Chengdu, Sichuan	Limited liability company	Production		100.00	Established by investment

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(成都) 有限公司								
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**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 the current period	Ending balance of minority equity
DEC Dongfang Steam Turbine Co., Ltd.	5.61%	11,817,449.47		341,031,021.76
DEC Dongfang Boiler Group Co., Ltd.	3.21%	10,508,732.99	7,847,712.72	208,059,782.61
Dongfang Electric Machinery Company Co., Ltd.	8.14%	21,362,649.93	11,798,936.38	467,217,987.88
Dongfang Electric Group Finance Co., Ltd.	5.00%	8,316,128.61	8,162,839.38	160,711,068.29
Dongfang Electric Automatic Control Engineering Co., Ltd.	3.49%	10,029,266.32		26,100,481.31
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	38.91%	195,523.94		713,096,885.69
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	33.00%	2,595,503.02		68,553,000.75

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

Subsidiary	Balance as at June 30, 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
DEC Dongfang Steam Turbine Co., Ltd.	18,060,309,104.28	5,713,828,744.06	23,774,137,848.34	16,695,498,211.73	992,256,361.41	17,687,754,573.14
DEC Dongfang Boiler Group Co., Ltd.	16,514,479,883.36	3,203,533,762.60	19,718,013,645.96	9,758,325,667.53	3,358,294,882.90	13,116,620,550.43
Dongfang Electric Machinery Company Co., Ltd.	13,482,599,907.00	2,480,255,188.91	15,962,855,095.91	9,047,696,685.12	1,167,371,418.00	10,215,068,103.12
Dongfang Electric Group Finance Co., Ltd.	32,501,271,192.37	6,672,816,373.82	39,174,087,566.19	35,946,802,976.66	13,063,223.41	35,959,866,200.07
Dongfang Electric Automatic Control Engineering Co., Ltd.	2,091,328,390.29	414,905,482.12	2,506,233,872.41	1,543,683,244.21	40,095,228.12	1,583,778,472.33
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	2,214,763,377.40	918,838,699.70	3,133,602,077.10	1,191,802,051.31	109,117,204.68	1,300,919,255.99
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	414,484,865.75	167,487,881.70	581,972,747.45	283,904,759.22	90,331,622.32	374,236,381.54

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Subsidiary	Balance as at December 31, 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
DEC Dongfang Steam 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
DEC 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 Co., Ltd.	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 Automatic 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 Electric (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

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Dongfang Electric (Wuhan) Nuclear Equipmen t 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	Amount for the period				Amount for the same period of the previous year			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
DEC Dongfang Steam Turbine Co., Ltd.	4,698,900,960.29	209,574,917.76	209,563,885.71	785,740,956.87	5,183,110,511.79	158,866,510.15	158,866,510.15	219,712,688.10
DongFang Boiler (Group) Co., Ltd.	4,350,884,479.53	180,528,081.27	180,528,081.27	-711,987,154.39	4,006,848,460.88	188,574,173.89	188,574,173.89	-459,722,082.17
Dongfang Electric Machinery Company Limited	3,649,627,352.70	262,347,068.64	262,347,068.64	-577,041,181.43	2,956,543,187.83	185,095,246.89	185,095,194.01	-293,418,193.73
Dongfang Electric Group Finance Co., Ltd.	560,821,313.74	166,322,572.27	170,509,819.10	1,267,304,129.15	552,305,291.45	156,687,660.81	157,094,708.91	-3,137,873,485.11
Dongfang Electric Auto Control Engineering Co., Ltd.	782,882,485.69	42,508,132.11	42,508,132.11	30,451,945.10	731,876,781.29	36,450,536.09	36,450,536.09	-28,902,168.63
Dongfang (Guangzhou) Heavy Machinery Co., Ltd.	530,427,566.16	554,520.52	554,520.52	-129,574,119.29	558,913,308.20	2,080,756.66	2,080,756.66	-127,975,517.43
Dongfang Electric (Wuhan) Nuclear Equipment Co., Ltd.	78,034,717.99	7,865,160.66	7,865,160.66	19,293,823.94	70,845,847.06	6,941,871.82	6,941,871.82	-11,827,749.83

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**7.2 Transactions leading to changes in the share of owners' equity in subsidiaries and still controlling subsidiaries**

**7.2.1 Notes to the changes in the share of owner's equity in subsidiaries**

In the current period, Dongfang Electric Corporation increased its capital contribution to Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd., one of the subsidiaries of the Company, by RMB131.07 million. Upon the capital increase, the Company's shareholding (including indirect shareholding) in the company has decreased from 64.74% to 61.09%, however, the Company still has the right of control over Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd., which is still included in the scope of consolidation this period.

**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 June 30, 2020/Amount for the current period		Balance as at December 31, 2019/Amount for the same period of the previous year	
	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	1,086,219,073.09	1,194,565,604.28	1,214,086,003.49	1,162,852,405.36
Including: cash and cash equivalents	110,390,139.41	505,311,199.50	224,089,354.35	567,308,947.67
Non-current assets	251,576,015.66	115,529,355.69	259,864,995.02	123,882,882.22
Total assets	1,337,795,088.75	1,310,094,959.97	1,473,950,998.51	1,286,735,287.58
Current liabilities	846,927,360.47	750,250,183.07	982,518,032.96	727,848,973.73
Non-current liabilities	85,320,333.49	163,459,330.11	82,016,460.25	164,412,756.99
Total liabilities	932,247,693.96	913,709,513.18	1,064,534,493.21	892,261,730.72
Minority equity				
Equity attributable to shareholders of the parent company	405,547,394.79	396,385,446.79	409,416,505.30	394,473,556.86
Net asset share calculated by shareholding ratio	202,773,697.40	198,192,723.40	204,708,252.65	197,236,778.43
Adjustments			-2,968,206.69	446,462.89
- Goodwill				
- Unrealized profits of internal transactions			-2,968,206.69	446,462.89
- Others				
Book value of the equity investment in joint ventures	202,773,697.40	197,982,614.56	201,740,045.96	197,683,241.32
Fair value of the equity investment in joint ventures with public offer				
Operating revenue	426,113,671.96	81,415,996.19	490,209,801.28	112,575,717.03
Finance expenses	3,520,907.88	-284,491.45	4,559,734.24	-768,174.84
Income tax expenses	-130,193.08	89,811.97	11,889,373.66	2,973,980.67
Net profit	1,407,026.46	508,934.51	2,998,232.22	16,852,557.16

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Net profit from discontinued operation				
Other comprehensive income				
Total comprehensive income	1,407,026.46	508,934.51	2,998,232.22	16,852,557.16
Dividends received from joint ventures in current period				33,371,968.98

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**7.3.3 Principle financial information of major associates**

Item	Balance as at June 30, 2020/Amount for the current period			Balance as at December 31, 2019/Amount for the same period of the previous year		
	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	1,455,833,826.89	1,796,935,510.75	739,422,288.16	1,500,938,876.52	2,019,965,198.95	554,509,840.77
Non-current assets	335,398,594.75	4,366,739,484.28	49,789,064.90	184,558,424.93	3,228,140,346.37	49,917,591.06
Total assets	1,791,232,421.64	6,163,674,995.03	789,211,353.06	1,685,497,301.45	5,248,105,545.32	604,427,431.83
Current liabilities	752,167,648.96	1,546,855,167.92	547,979,087.68	661,984,400.03	1,101,196,878.45	370,468,336.12
Non-current liabilities		2,287,243,824.70	5,532,511.27		2,120,298,623.39	7,114,009.67
Total liabilities	752,167,648.96	3,834,098,992.62	553,511,598.95	661,984,400.03	3,221,495,501.84	377,582,345.79
Minority equity		176,607,877.61			158,320,122.79	
Equity attributable to shareholders of the parent company	1,039,064,772.68	2,152,968,124.80	235,699,754.11	1,023,512,901.42	1,868,289,920.69	226,845,086.04
Net asset share calculated by shareholding ratio	508,977,280.76	430,593,624.96	112,051,663.10	501,521,321.70	373,657,984.14	107,842,153.90
Adjustments	164,457.85	17,262,299.20	29,054,379.09		3,380,000.00	30,298,163.31
- Goodwill						
- Unrealized profits of internal transactions	164,457.85	16,600,000.00	29,054,379.09		3,380,000.00	30,298,163.31
- Others		662,299.20				

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Item	Balance as at June 30, 2020/Amount for the current period			Balance as at December 31, 2019/Amount for the same period of the previous year		
	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	509,141,738.61	447,855,924.16	141,106,042.19	501,521,321.70	377,037,984.14	138,140,317.21
Fair value of the equity investment in associates with public offer						
Operating revenue	163,457,564.96	467,166,670.41	522,510,612.86	137,276,008.26	38,044,208.54	244,202,306.01
Net profit	20,216,205.03	271,089,700.11	13,877,873.91	31,922,252.00	11,876,311.40	13,877,873.91
Net profit of discontinued operation						
Other comprehensive income						
Total comprehensive income	20,216,205.03	271,089,700.11	13,877,873.91	31,922,252.00	11,876,311.40	13,877,873.91
Dividends received from associates in the current period						

**7.3.4 Summary of financial information on other joint ventures and associates**

Item	Balance as at June 30, 2020/Amount for the current period	Balance as at December 31, 2019/ Amount for the same period of the previous year
Joint ventures:		
Dongfang Electric (Xichang) Hydrogen Energy Co., Ltd.	6,802,135.52	6,797,753.04
Total book value of investment	6,802,135.52	6,797,753.04
Total amounts of the following items calculated at shareholding ratio		
- Net profit	5,784.87	
- Other comprehensive income		
- Total comprehensive income	5,784.87	
Associates:		
Leshan Dongle Dajian Lifting Co., Ltd.	2,470,469.37	3,414,983.64
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd.	2,022,374.97	2,022,374.97
Huadian Longkou Wind Power Co., Ltd.	55,799,328.17	69,411,440.90
Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	18,791,147.83	24,089,758.61
China United Heavy-duty Gas Turbine Technology Co., Ltd.	131,730,731.96	131,727,987.41
Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	18,523,691.88	20,507,393.99
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	40,532,762.31	43,555,480.19
Total book value of investment	269,870,506.49	294,729,419.71
Total amounts of the following items calculated at shareholding ratio		
- Net profit	9,259,326.08	44,493,928.70
- Other comprehensive income		
- Total comprehensive income	9,259,326.08	44,493,928.70

**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**

Nil.

**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 June 30, 2020, 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 June 30, 2020, please see Note 5.74.

### **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 June 30, 2020, the Company's interest-bearing debts were mainly fixed interest rate contracts valued at RMB, amounting to RMB 659,261,939.80.

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 June 30, 2020, 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.

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 1,428,050,043.26, accounting for 11.66% 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 June 30, 2020, 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	29,572,496,641.84				29,572,496,641.84
Financial assets held for trading	2,379,042,891.01				2,379,042,891.01
Notes receivable	2,020,516,077.20				2,020,516,077.20
Accounts receivable	7,701,159,476.45				7,701,159,476.45
Accounts receivable financing	1,005,202,251.96				1,005,202,251.96
Other receivables	752,750,630.61				752,750,630.61
Total amount of financial assets	43,431,167,969.07				43,431,167,969.07
Financial liabilities					
Including: short-term borrowings	36,380,000.00				36,380,000.00
Financial liabilities held for trading					
Notes payable	3,192,449,801.80				3,192,449,801.80
Accounts payable	13,999,434,472.05				13,999,434,472.05
Other payables	2,336,783,565.21				2,336,783,565.21
Employee compensation payable	668,751,061.69				668,751,061.69
Non-current liabilities maturing within one year	123,967,481.10				123,967,481.10

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Long-term borrowings		195,000,000.00		427,717,903.80	622,717,903.80
Long-term employee compensation payable			326,549,807.62	436,908,542.46	763,458,350.08
Total amount of financial liabilities	20,357,766,381.85	195,000,000.00	326,549,807.62	864,626,446.26	21,743,942,635.73

## 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	Amount for the period		Amount for the same period of the previous year	
		Impact on net profit	Effect on owners' equity	Impact on net profit	Effect on owners' equity
All foreign currencies	5% of appreciation in RMB	1,068,188.46	1,068,188.46	124,491.62	124,491.62
All foreign currencies	5% of depreciation in RMB	-1,068,188.46	-1,068,188.46	-124,491.62	-124,491.62

### 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	Amount for the period		Amount for the same period of the previous year	
		Impact on net profit	Impact on owners' equity	Impact on net profit	Impact on owners' equity
Borrowings with floating rate	Increase by 1%	-6,592,619.40	-6,592,619.40	-169,653.69	-169,653.69
Borrowings with floating rate	Decrease by 1%	6,592,619.40	6,592,619.40	169,653.69	169,653.69

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.

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 June 30, 2020**

Item	Fair value as at June 30, 2020			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	
<b>I. Continuous measurement at fair value</b>				
◆ Financial assets held for trading	2,378,971,491.01		71,400.00	2,379,042,891.01
1. Financial assets measured at fair value through current profit or loss	2,378,971,491.01		71,400.00	2,379,042,891.01
(1) Debt instrument investment	362,073,106.80			362,073,106.80
(2) Equity instrument investment	439,557,485.26		71,400.00	439,628,885.26
(3) Derivative financial assets				
(4) Others	1,577,340,898.95			1,577,340,898.95
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			2,744,649.47	2,744,649.47
◆ 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				

Item	Fair value as at June 30, 2020			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				
<b>Total assets measured at fair value on a going concern</b>	2,378,971,491.01		2,816,049.47	2,381,787,540.48
◆ 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				
<b>Total liabilities measured at fair value on a going concern</b>				
<b>II. Measurement at fair value not on a going concern</b>				
(I) Assets held for sale				
<b>Total assets measured at fair value on a non-going concern</b>				
Such as: liabilities held for sale				
<b>Total amount of liabilities measured at fair value not on a going concern</b>				

**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	55.40	55.40

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 the current period 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



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	Amount for the period	Amount for the same period of the previous year
<b>Parent company and ultimate controller</b>		1,129,989.47	433,026.42
Including: Dongfang Electric Corporation	Purchase of goods		36,800.00
Dongfang Electric Corporation	Acceptance of services	1,129,989.47	396,226.42
<b>Joint ventures and associates</b>		327,354,247.61	427,532,094.81
Including: MHPS Dongfang Boiler Co., Ltd.	Purchase of goods	277,124,250.77	378,595,626.43
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Purchase of goods	50,229,996.84	48,936,468.38
<b>Other enterprises controlled by the same parent company and ultimate controller</b>		9,727,122.09	42,210,980.56
Including: Zhonghe Seawater Desalination Engineering Co., Ltd.	Purchase of goods	9,557,522.09	
Dongfang Electric International Investment Co., Ltd.	Purchase of goods		41,874,980.56
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	Purchase of goods	169,600.00	336,000.00

Sales of goods/rendering of services			
Related party	Content of related-party transactions	Amount for the period	Amount for the same period of the previous year
<b>Parent company and ultimate controller</b>		2,009,557.92	1,177,924.09
Including: Dongfang Electric Corporation	Provision of labor service and kinetic energy	18,112.25	
Dongfang Electric Corporation	Sales of goods	1,991,445.67	1,177,924.09
<b>Joint ventures and associates</b>		34,673,324.44	89,655,144.91
Including: Framatome Dongfang Reactor Coolant Pumps Company Limited	Sales of goods	27,683,079.00	56,347,358.34
MHPS Dongfang Boiler Co. Ltd.	Sales of goods	6,990,245.44	
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Sales of goods		33,307,786.57
<b>Other enterprises controlled by the same parent company and ultimate controller</b>		957,321.59	19,424,011.69
Including: Zhonghe Seawater Desalination Engineering Co., Ltd.	Sales of goods		1,122,130.40
Zhonghe Seawater Desalination Engineering Co., Ltd.	Provision of labor service and kinetic energy	814,800.16	
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	Sales of goods		18,301,881.29

Related party	Content of related-party transactions	Amount for the period	Amount for the same period of the previous year
Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	Sales of goods	79,133.10	
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	Sales of goods	3,814.16	
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	Provision of labor service and kinetic energy	55,045.87	
Dongfang Electric Investment Management Co., Ltd.	Provision of labor service and kinetic energy	4,528.30	

#### **10.5.2 Income and expenses of related interest**

Table of interest income

Related party	Content of related-party transactions	Amount for the period	Amount for the same period of the previous year
<b>Other enterprises controlled by the same parent company and ultimate controller</b>		4,318,748.02	18,173,997.03
Including: Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	Interest income		12,990,871.28
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Interest income	1,458,058.17	1,618,823.38
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	Interest income	1,027,093.16	1,190,712.73
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	Amount for the period	Amount for the same period of the previous year
<b>Parent company and ultimate controller</b>		34,825,631.33	36,068,916.61
Including: Dongfang Electric Corporation	Interest expenses	34,825,631.33	36,068,916.61
<b>Other enterprises controlled by the same parent company and ultimate controller</b>		1,187,813.16	1,017,484.25
Including: Dongfang Electric Investment Management Co., Ltd.	Interest expenses	665,892.42	390,459.74
Chengdu Dongfang Electric Environment Engineering Co., Ltd.	Interest expenses	120,227.40	117,020.11
DEC (Chengdu) Sharing Service Co., Ltd.	Interest expenses	60,600.32	5,872.15
Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	Interest expenses	7,525.85	24,087.06
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	Interest expenses	31,978.95	38,450.39
Zhonghe Seawater Desalination	Interest expenses	16,921.29	25,930.13

Related party	Content of related-party transactions	Amount for the period	Amount for the same period of the previous year
Engineering Co., Ltd.			
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	Interest expenses	11,606.36	6,247.03
Guangdong Dongfang Power Station Complete Set Equipment Company	Interest expenses	4,640.18	31,100.08
Emei Semiconductor Materials Research Institute	Interest expenses	228,220.63	147,241.45
Emeishan Eban High Purity Material Co., Ltd.	Interest expenses	32,047.56	
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	Interest expenses	8,152.20	4,269.51
Dongfang Huansheng Photovoltaic (Jiangsu) Co., Ltd.	Interest expenses		226,775.81
Dongfang Electric (Yixing) MAGI Solar Power Technology Co., Ltd.	Interest expenses		18.65
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	Interest expenses		10.45
Dongfang Electric (Jiuquan) New Energy Co., Ltd.	Interest expenses		1.41
Dongfang Electric (Hulunbeier) New Energy Co., Ltd.	Interest expenses		0.26
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	Interest expenses		0.02

### 10.5.3 Related-party lease

#### The Company as the lessor

Name of lessee	Type of leased assets	Lease revenue recognized in the current period	Lease revenue recognized in the same period of the previous year

Name of lessee	Type of leased assets	Lease revenue recognized in the current period	Lease revenue recognized in the same period of the previous year
Zhonghe Seawater Desalination Engineering Co., Ltd.	House	69,894.50	94,235.98

**The Company as the lessee**

Name of lessor	Type of leased assets	Rental fees recognized in the current period	Rental fees recognized in the same period of the previous year
Dongfang Electric Corporation	Houses and buildings	57,104,274.00	60,573,560.01

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

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
<b>Loan to</b>			
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
MHPS Dongfang Boiler Co. Ltd.	20,000,000.00	2020/1/17	2021/1/16



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Related party	Lending amount	Commencement date	Expiration date
Zhonghe Seawater Desalination Engineering Co., Ltd.	4,900,000.00	2019/9/6	2020/9/5
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	44,500,000.00	2012/8/22	2025/12/25
Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	24,000,000.00	2014/4/21	2023/4/21
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	41,500,000.00	2012/9/21	2025/12/25
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	17,500,000.00	2015/6/16	2025/12/15

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<b>Loan from</b>			
Dongfang Electric Corporation	17,100,000.00	2017/12/19	2020/12/18

**10.6 Receivables from and payables to related parties**

**10.6.1 Receivables**

Item name	Related party	Balance as at June 30, 2020		Balance as at December 31, 2019	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable		1,018,541,533.68	894,443,361.58	1,038,339,210.46	920,415,718.53
	<b>Parent company and ultimate controller</b>	457,779.55	28,165.48	1,493,234.91	76,760.25
	Including: Dongfang Electric Corporation	457,779.55	28,165.48	1,493,234.91	76,760.25
	<b>Joint ventures and associates</b>	55,385,853.52	4,498,531.02	53,480,741.66	4,235,042.01
	Including: MHPS Dongfang Boiler Co. Ltd.	44,769,341.51	2,575,677.42	48,119,956.59	2,574,974.75
	Framatome Dongfang Reactor Coolant Pumps Company Limited	5,354,555.01	357,759.25	94,770.00	94,770.00
	Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	2,693,460.00	538,692.00	2,693,460.00	538,692.00
	Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	2,565,650.00	1,026,260.00	2,565,650.00	1,026,260.00
	Sichuan Dongshu New Materials Co., Ltd.	2,847.00	142.35	6,905.07	345.26
	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	957,331,406.61	885,862,088.51	978,835,979.55	912,027,587.37
	Including: Dongfang Electric (Jiuquan) New Energy Co., Ltd.	368,765,795.70	306,562,559.25	368,765,795.70	306,562,559.25
	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.	132,404,731.95	132,404,731.95	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	92,995,530.38

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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.	63,700,123.68	57,191,482.68	80,513,951.18	78,666,236.10
Guangdong Dongfang Power Station Complete Set Equipment Company	3,814,343.89	3,648,651.59	7,797,978.89	7,632,286.59
Dongfang Electric (Yixing) MAGI Solar Power Technology Co., Ltd.	1,995,118.12	1,995,118.12	1,995,118.12	1,995,118.12
Dongfang Electric Investment Management Co., Ltd.			367,950.00	367,950.00
<b>The investor having a significant impact</b>	5,366,494.00	4,054,576.57	4,529,254.34	4,076,328.90
Including: China Western Power Industrial Co., Ltd.	5,366,494.00	4,054,576.57	4,529,254.34	4,076,328.90

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Item name	Related party	Balance as at June 30, 2020		Balance as at December 31, 2019	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Contract assets		12,410,529.19	1,600,120.25	8,607,723.19	7,506,377.56
	<b>Joint ventures and associates</b>	11,186,488.92	575,931.04		
	Including: MHPS Dongfang Boiler Co., Ltd.	11,186,488.92	575,931.04		
	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	135,668.38	135,668.38	7,575,266.82	6,577,166.82
	Including: Zhonghe Seawater Desalination Engineering Co., Ltd.	135,668.38	135,668.38	1,833,266.82	1,833,266.82
	DEC Emei Semiconductor Material Co., Ltd.			3,150,000.00	3,150,000.00
	Dongfang Electric (Jiuquan) New Energy Co., Ltd.			594,000.00	594,000.00
	Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.			1,998,000.00	999,900.00
	<b>The investor having a significant impact</b>	1,088,371.89	888,520.83	1,032,456.37	929,210.74
	Including: China Western Power Industrial Co., Ltd.	1,088,371.89	888,520.83	1,032,456.37	929,210.74
Notes receivable		41,071,332.70		127,556,377.38	
	<b>Joint ventures and associates</b>	38,869,332.70		105,694,677.38	
	Including: Sichuan Dongshu New Materials Co., Ltd.	21,869,332.70		105,232,746.38	
	MHPS Dongfang Boiler Co. Ltd.	17,000,000.00		461,931.00	
	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	2,202,000.00		21,861,700.00	
	Including: Zhonghe Seawater Desalination Engineering Co., Ltd.			19,659,700.00	
	Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	2,202,000.00		2,202,000.00	
Advance to suppliers		289,071.42		308,475.20	
	<b>Parent company</b>				

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	<b>and ultimate controller</b>	289,071.42	308,475.20
	Including: Dongfang Electric Corporation	289,071.42	308,475.20

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Item name	Related party	Balance as at June 30, 2020		Balance as at December 31, 2019	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables		929,339,851.06	928,917,154.6 <sub>2</sub>	928,950,215.22	928,950,215.2 <sub>2</sub>
	<b>Parent company and ultimate controller</b>	422,696.44			
	Including: Dongfang Electric Corporation	422,696.44			
	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	928,917,154.62	928,917,154.6 <sub>2</sub>	928,733,667.22	928,733,667.2 <sub>2</sub>
	Including: Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	13,730,119.01	13,730,119.01	13,546,631.61	13,546,631.61
	DEC Emei Semiconductor Material Co., Ltd.	915,187,035.61	915,187,035.6 <sub>1</sub>	915,187,035.61	915,187,035.6 <sub>1</sub>
	<b>Joint ventures and associates</b>			216,548.00	216,548.00
	Including: Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.			216,548.00	216,548.00
Entrusted loan		569,000,000.00	509,000,000.0 <sub>0</sub>	569,000,000.00	509,000,000.0 <sub>0</sub>
	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	569,000,000.00	509,000,000.0 <sub>0</sub>	569,000,000.00	509,000,000.0 <sub>0</sub>
	Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	569,000,000.00	509,000,000.0 <sub>0</sub>	569,000,000.00	509,000,000.0 <sub>0</sub>
Disbursement of loans and advances		550,011,618.43	16,260,000.00	427,757,889.74	21,675,000.00
	<b>Joint ventures and associates</b>	417,611,618.43		283,257,889.74	
	MHPS Dongfang Boiler Co. Ltd.	70,000,000.00		80,000,000.00	
	Sichuan Dongshu New Materials Co., Ltd.	347,611,618.43		203,257,889.74	
	<b>Other enterprises controlled by the</b>	132,400,000.00	16,260,000.00	144,500,000.00	21,675,000.00

Item name	Related party	Balance as at June 30, 2020		Balance as at December 31, 2019	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
	<b>same parent company and ultimate controller</b>				
	Including: Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	44,500,000.00	6,675,000.00	48,500,000.00	7,275,000.00
	Zhonghe Seawater Desalination Engineering Co., Ltd.	4,900,000.00	735,000.00	5,000,000.00	750,000.00
	Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	24,000,000.00		29,000,000.00	4,350,000.00
	Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	59,000,000.00	8,850,000.00	62,000,000.00	9,300,000.00
Discounted assets		12,210,271.14		19,323,364.89	
	<b>Joint ventures and associates</b>	12,210,271.14		19,323,364.89	
	MHPS Dongfang Boiler Co. Ltd.	4,700,000.00		6,230,000.00	
	Sichuan Dongshu New Materials Co., Ltd.	7,510,271.14		13,093,364.89	

#### 10.6.2 Payables

Item name	Related party	Book balance as at June 30, 2020	Book balance as at December 31, 2019
Accounts payable		566,372,635.20	564,228,169.06
	<b>Parent company and ultimate controller</b>	3,436,490.00	2,193,412.82
	Including: Dongfang Electric Corporation	3,436,490.00	2,193,412.82
	<b>Joint ventures and associates</b>	433,512,754.52	425,854,975.04
	Including: MHPS Dongfang Boiler Co., Ltd.	324,739,802.27	326,351,167.44
	Sichuan Dongshu New Materials Co., Ltd.	43,197,436.15	48,811,870.85
	Framatome Dongfang Reactor Coolant Pumps Company Limited	24,961.50	24,961.50



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Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	65,304,553.62	50,574,575.47
Leshan Dongle Dajian Lifting Co., Ltd.	246,000.98	92,399.78

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Item name	Related party	Book balance as at June 30, 2020	Book balance as at December 31, 2019
	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	129,243,356.49	135,999,747.01
	Dongfang Electric (Hulunbeier) New Energy Co., Ltd.	2,574,624.64	6,985,974.14
	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	91,065,628.69
	Zhonghe Seawater Desalination Engineering Co., Ltd.	2,339,703.10	4,670,007.10
	Dongfang Electric (Yixing) MAGI Solar Power Technology Co., Ltd.	35,750.98	50,488.00
	<b>The investor having a significant impact</b>	180,034.19	180,034.19
	Including: China Western Power Industrial Co., Ltd.	180,034.19	180,034.19
Other payables		514,391,610.90	772,345,162.93
	<b>Parent company and ultimate controller</b>	456,181,546.02	714,344,452.98
	Including: Dongfang Electric Corporation	456,181,546.02	714,344,452.98
	<b>Joint ventures and associates</b>	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
	<b>Other enterprises controlled by the same parent company and</b>	46,229,116.63	46,229,116.63

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Item name	Related party	Book balance as at June 30, 2020	Book balance as at December 31, 2019
	<b>ultimate controller</b>		
	Including: Dongfang Electric (Jiuquan) New Energy Co., Ltd.	28,975,720.77	28,975,720.77
	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
	<b>The investor having a significant impact</b>	6,117,965.25	5,908,610.32
	Including: Wuhan Boiler Group Co., Ltd.	6,117,965.25	5,908,610.32
Contract liabilities		153,794,546.68	164,871,990.18
	<b>Parent company and ultimate controller</b>	150,467.51	
	Including: Dongfang Electric Corporation	150,467.51	
	<b>Joint ventures and associates</b>	153,282,725.97	163,789,780.18
	Including: Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	82,970,518.67	76,706,452.01
	Framatome Dongfang Reactor Coolant Pumps Company Limited	45,058,223.61	58,763,618.08
	MHPS Dongfang Boiler Co. Ltd.	514,000.00	3,579,726.40
	Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	3,343,118.06	3,343,118.06
	Inner Mongolia Mengneng Sanshengtai Wind Power Generation Co., Ltd.	8,486,255.65	8,486,255.65
	Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	12,910,609.98	12,910,609.98
	<b>Other enterprises</b>	361,353.20	1,082,210.00

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Item name	Related party	Book balance as at June 30, 2020	Book balance as at December 31, 2019
	<b>controlled by the same parent company and ultimate controller</b>		
	Including: Guangdong Dongfang Power Station Complete Set Equipment Company	357,043.20	533,843.20
	Zhonghe Seawater Desalination Engineering Co., Ltd.		490,000.00
	Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	4,310.00	4,310.00
	Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.		54,056.80
Interest payable		26,449,945.96	36,850,354.54
	<b>Parent company and ultimate controller</b>	26,043,527.37	35,759,875.29
	Including: Dongfang Electric Corporation	26,043,527.37	35,759,875.29
	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	406,418.59	1,090,479.25
	Dongfang Electric Investment Management Co., Ltd.	42,487.50	607,167.37
	Emei Semiconductor Materials Research Institute	344,449.14	420,749.37
	Chengdu Dongfang Electric Environment Engineering Co., Ltd.	19,481.95	4,062.50
	DEC (Chengdu) Sharing Service Co., Ltd.		58,500.01
Dividends payable		15,118,092.95	20,210,186.44
	<b>Other enterprises controlled by the same parent company and ultimate controller</b>	15,118,092.95	20,210,186.44

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	Dongfang Electric Investment	15,118,092.95	20,210,186.44
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Item name	Related party	Book balance as at June 30, 2020	Book balance as at December 31, 2019
	Management Co., Ltd.		
Non-current liabilities maturing within one year			17,100,000.00
	<b>Parent company and ultimate controller</b>		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 June 30, 2020 (original currency)	Amount as at December 31, 2019 (original currency)	Amount as at June 30, 2020 (Converted into RMB)	Amount as at December 31, 2019 (Converted into RMB)
<b>Parent company and ultimate controller</b>				4,591,063,303.63	4,576,328,382.34
Including: Dongfang Electric Corporation	RMB	4,539,214,380.61	4,392,429,817.16	4,539,214,380.61	4,392,429,817.16
Dongfang Electric Corporation	USD	7,323,811.43	26,360,850.42	51,848,923.02	183,898,564.70
Dongfang Electric Corporation	YEN		1		0.06
Dongfang Electric Corporation	HKD		0.47		0.42
<b>Joint ventures and associates</b>				21,321,673.46	84,186,116.52
Sichuan Dongshu New Materials Co., Ltd.	RMB	21,164,090.46	83,994,774.43	21,164,090.46	83,994,774.43

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MHPS Dongfang Boiler Co. Ltd.	RMB	157,583.00	191,342.09	157,583.00	191,342.09
<b>Other enterprises controlled by the same parent company and ultimate controller</b>				168,998,023.53	249,560,056.61

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Name of related party	Currency type	Amount as at December 31, 2019 (original currency)	Amount as at December 31, 2019 (original currency)	Amount as at June 30, 2020 (Converted into RMB)	Amount as at December 31, 2019 (Converted into RMB)
Including: Dongfang Electric Investment Management Co., Ltd.	RMB	77,142,809.44	137,220,689.23	77,142,809.44	137,220,689.23
Emei Semiconductor Materials Research Institute	RMB	49,993,562.56	44,452,279.43	49,993,562.56	44,452,279.43
Emeishan Eban High Purity Material Co., Ltd.	RMB	2,759,589.68	19,337,599.15	2,759,589.68	19,337,599.15
Chengdu Dongfang Electric Environment Engineering Co., Ltd.	RMB	15,571,284.18	15,465,476.23	15,571,284.18	15,465,476.23
DEC (Chengdu) Sharing Service Co., Ltd.	RMB	13,218,644.05	11,519,686.81	13,218,644.05	11,519,686.81
Shizuishan Tiande Photovoltaic Power Generation Co., Ltd.	RMB	1,082,852.87	6,904,686.00	1,082,852.87	6,904,686.00
Dongfang Electric Jieneng Technology Chengdu Co., Ltd.	RMB	6,003,359.67	5,423,799.30	6,003,359.67	5,423,799.30
Dongfang Electric (Jiuquan) Solar Power Co., Ltd.	RMB	1,121,192.45	4,253,348.92	1,121,192.45	4,253,348.92
Dongfang Electric (Jiuquan) Photovoltaic Power Generation Technology Co., Ltd.	RMB	672,766.37	2,694,064.96	672,766.37	2,694,064.96
Zhonghe Seawater Desalination Engineering Co., Ltd.	RMB	1,198,805.72	1,445,368.19	1,198,805.72	1,445,368.19
Guangdong Dongfang			842,834.81		842,834.81



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Power Station Complete Set Equipment Company	RMB	232,930.99		232,930.99	
Dongfang Electric (Hulunbeier) New Energy Co., Ltd.	RMB	134.28	134.02	134.28	134.02

Name of related party	Currency type	Amount as at December 31, 2019 (original currency)	Amount as at December 31, 2019 (original currency)	Amount as at June 30, 2020 (Converted into RMB)	Amount as at December 31, 2019 (Converted into RMB)
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co., Ltd.	RMB	10.49	10.47	10.49	10.47
DEC Emei Semiconductor Material Co., Ltd.	RMB	1.74	1.74	1.74	1.74
Dongfang Electric (Jiuquan) New Energy Co., Ltd.	RMB	1.41	1.41	1.41	1.41
Dongfang Electric (Yixing) MAGI Solar Power Technology Co., Ltd.	RMB	1.13	0.58	1.13	0.58
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	RMB	15.2	15.18	15.20	15.18
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	EUR	7.7	7.7	61.30	60.18

## 11. Share-based payment

### 11.1 General information of share-based payment

Total amount of all equity instruments granted by the Company as at June 30, 2020: RMB 27,988,699 (shares).

Total amount of all equity instruments exercised by the Company: none.

Total amount of all invalid equity instruments of the Company: none.

Range of exercise price of restricted stock by the Company as at June 30, 2020 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 June 30, 2020 and the remaining contractual period: none.

The amortization amount of share-based payment expenses incurred in current period was RMB0.

## 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 class meeting of 2019, the first H Share class meeting of 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:

11.2.1 Grant date: November 22, 2019.

11.2.2 Quantity of grant: 27,988,699 shares.

11.2.3 Number of incentive objects: 780.

11.2.4 Grant price: RMB 5.93 / share.

11.2.5 Source of stocks: The Company will issue A-share common stocks to incentive objects.

11.2.6 Validity period, period of restricted sales and arrangements for lifting restricted sales:

11.2.6.1 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.

11.2.6.2 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.

11.2.6.3 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

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.

11.2.6.4 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:

11.2.6.4.1 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 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 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 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..

### 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

##### 12.1.1.1 The Company's commitment on capital expenditure as at June 30, 2020

A commitment on capital expenditure which has been signed and yet confirmed in the financial statements

Monetary Unit: RMB '0,000		
Item	Amount as at June 30, 2020	Amount as at December 31, 2019
Capital construction	9,502.36	12,416.57
Equipment	11,267.67	12,559.94
<b>Total</b>	<b>20,770.03</b>	<b>24,976.51</b>

As at June 30, 2020, the total agreed significant foreign investment expenditures of the Company with contract on which has not been paid amounted to RMB207,700,300. 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	47,195.19	37,692.83	9,502.36	2020-2023
The Company and its subsidiaries	Equipment	26,268.35	15,000.68	11,267.67	2020-2022
<b>Total</b>		<b>73,463.54</b>	<b>52,693.51</b>	<b>20,770.03</b>	

##### 12.1.1.2 Signed lease contracts being performed or to be performed and their

**financial effects**

As at June 30, 2020, 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 2020
Within one year	123,803,445.10
1-2 years	175,168,573.58
2-3 years	6,678,365.93
Over 3 years	5,490,030.00
Total	311,140,414.61

**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., Ltd." 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

**12.1.3.1 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*.

#### 12.1.3.2 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.

#### 12.1.3.3 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.

12.2.1.1 Unsettled letter of guarantee

As at June 30, 2020, the information on the letter of guarantee opened by the Company is as follows

Entity name	Business type	Currency	Balance as at June 30, 2020
Dongfang Electric Corporation Limited (Parent Company)	Letter of guarantee	RMB	8,434,176,968.12
Dongfang Electric Corporation Limited (Parent Company)	Letter of guarantee	EUR	83,719,791.93
Dongfang Electric Corporation Limited (Parent Company)	Letter of guarantee	USD	937,913,435.24
Dongfang Electric Corporation Limited (Parent Company)	Letter of guarantee	RUB	11,921,490.00
DEC Dongfang Boiler Group Co., Ltd.	Letter of guarantee	RMB	1,049,582,681.20
DEC Dongfang Boiler Group Co., Ltd.	Letter of guarantee	USD	2,301,446.04
DEC Dongfang Steam Turbine Co., Ltd.	Letter of guarantee	RMB	1,082,921,756.46
DEC Dongfang Steam Turbine Co., Ltd.	Letter of guarantee	USD	2,106,634.71
Dongfang Electric Machinery Company Co., Ltd.	Letter of guarantee	RMB	2,904,962,376.41
Dongfang Electric Machinery Company Co., Ltd.	Letter of guarantee	USD	614,010,716.30
Dongfang Electric Wind Power Co., Ltd.	Letter of guarantee	RMB	2,048,358,012.63
Dongfang Electric Automatic Control Engineering Co., Ltd.	Letter of guarantee	RMB	72,380,840.00
Dongfang Electric (Guangzhou) Heavy Machinery Co., Ltd.	Letter of guarantee	RMB	49,665,460.22
DEC (Sichuan) Materials Co., Ltd.	Letter of guarantee	RMB	2,166,730.14
Dongfang Electric International Corporation limited	Letter of guarantee	RMB	97,843,678.73
Dongfang Electric International Corporation	Letter of guarantee	USD	1,220,627,080.83

Limited			
Dongfang Electric International Corporation Limited	Letter of guarantee	EUR	30,334,474.99

12.2.1.2 Unsettled letter of credit

As at June 30, 2020, the information of the irrevocable L/C opened by the Company is as follows

Entity name	Business type	Currency	Balance as at June 30, 2020 (RMB)
DEC Dongfang Boiler Group Co., Ltd.	Letter of credit	EUR	50,524,953.97
DEC Dongfang Boiler Group Co., Ltd.	Letter of credit	USD	202,399,071.10

Entity name	Business type	Currency	Balance as at June 30, 2020
DEC Dongfang Steam Turbine Co., Ltd.	Letter of credit	USD	7,305,589.99
DEC Dongfang Steam Turbine Co., Ltd.	Letter of credit	EUR	84,081,433.87
DEC Dongfang Steam Turbine Co., Ltd.	Letter of credit	JPY	14,355,202.29
Dongfang Electric Machinery Company Co., Ltd.	Letter of credit	USD	6,825,706.30
Dongfang Electric Machinery Company Co., Ltd.	Letter of credit	EUR	9,130,343.52
Dongfang Electric Machinery Company Co., Ltd.	Letter of credit	JPY	10,226,874.00
Dongfang Electric Machinery Company Co., Ltd.	Letter of credit	Swiss Franc	2,462,592.32
Dongfang Electric International Corporation Limited	Letter of credit	RMB	397,616,200.00
Dongfang Electric Corporation Limited	Letter of credit	Swiss Franc	1,150,188.00
Dongfang Electric Corporation Limited	Letter of credit	EUR	1,448,111.73
Dongfang Electric Corporation Limited	Letter of credit	JPY	209,201,445.67

12.2.1.3 Provision of guarantees for other entities

As at June 30, 2020, 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 June 30, 2020
		Name	Nature of the enterprise	A listed company or not			
1	DEC Dongfang Steam Turbine Co., Ltd.	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	Foreign enterprise	No	Performance guarantee	Yes	2,450.00
		Inner Mongolia Energy					

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2	Dongfang Electric Corporation Limited	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.

12.2.1.4 Provision of letter of guarantee for other entities

As at June 30, 2020, 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 June 30, 2020	
		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		1,964.3	

12.2.1.5 Contingent liabilities arising from pending litigation or arbitration

12.2.1.5.1 Final tax of Indonesia Longwan and Pacitan project (FINAL TAX)

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 Indonesia 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 the rate of 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.

#### 12.2.1.5.2 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 DEIC 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 June 30, 2020, 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.

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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**

None.

#### **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 from January to June 2020

Item	Clean and efficient energy equipment	Renewable energy equipment	Engineering and trade	Modern manufacturing services industry	Emerging growth industry	Summary	Offset	Total
Operating revenue	13,592,185,112.09	4,564,167,843.68	2,699,927,065.90	2,166,157,270.73	2,153,252,377.20	25,175,689,669.60		17,752,970,500.73
Including: revenue from foreign transactions	8,455,535,717.65	3,200,435,990.79	2,209,839,088.11	1,972,341,354.37	1,914,818,349.81	17,752,970,500.73	7,422,719,168.87	17,752,970,500.73
Revenue from inter-segment transactions	5,136,649,394.44	1,363,731,852.89	490,087,977.79	193,815,916.36	238,434,027.39	7,422,719,168.87	7,422,719,168.87	
Operating cost	6,959,009,656.70	2,759,676,709.49	1,707,443,047.05	954,444,057.52	1,619,823,625.50	14,000,397,096.26	7,321,691,430.47	6,678,705,665.79
Offset of cost	5,223,350,012.65	1,279,454,842.75	489,404,505.95	148,817,783.74	180,664,285.38	7,321,691,430.47	7,321,691,430.47	
Period expenses						1,887,208,401.86	-356,334,391.10	2,243,542,792.96
Operating profits (losses)	6,633,175,455.39	1,804,491,134.19	992,484,018.85	1,211,713,213.21	533,428,751.70	9,288,084,171.48	8,105,242,188.22	1,182,841,983.26
Total assets						165,447,668,703.87	72,711,302,029.02	92,736,366,674.85
Including: the amount of a single asset with significant impairment loss								
Total liabilities						112,382,067,139.28	51,959,137,844.17	60,422,929,295.11
Supplementary information								
Capital expenditure								
Impairment losses recognized in the current period						252,951,055.57	18,042,937.30	234,908,118.27

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Including : allocation of goodwill impairme nts								
Depreciation and amortization costs						503,092,476.30		503,092,476.30
Other non- cash expenses excluding impairment loss, depreciati on and amortizati on								



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Impairment losses recognized in the current period						451,465,825.81		
Including : allocation of goodwill impairments							-72,467,104.28	523,932,930.09
Depreciation and amortization costs						459,164,757.66		459,164,757.66
Other non-cash expenses excluding impairment loss, depreciation and amortization								

**15** Notes to the main items of the parent company's financial statements

**15.1** Accounts receivable

**15.1.1** Disclosure of accounts receivable by aging

Aging	Balance as at June 30, 2020	Balance as at December 31, 2019
Within one year	656,182,388.61	367,861,082.81
1-2 years	412,079,953.00	303,428,145.63
2-3 years	143,795,394.41	156,889,763.11
3-4 years	185,764,113.65	425,092,933.66
4-5 years	79,778,851.32	164,122,114.79
Over 5 years	191,709,175.36	58,436,097.66
Sub-total	1,669,309,876.35	1,475,830,137.66
Less: provision for bad debts	436,665,200.26	410,106,690.48
<b>Total</b>	<b>1,232,644,676.09</b>	<b>1,065,723,447.18</b>





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Accounts receivable with the provision for bad debts made on a portfolio with credit risk characteristics	1,634,185,523.09	97.90	404,594,748.60	24.76	1,229,590,774.49	1,441,218,298.82	97.65	378,982,951.64	26.30	1,062,235,347.18
Total	1,669,309,876.35	100.00	436,665,200.26		1,232,644,676.09	1,475,830,137.66	100.00	410,106,690.48		1,065,723,447.18

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Provision for bad debts accrued on an individual basis:

Name	Amount as at June 30, 2020			Reason for provision
	Book balance	Provision for bad debts	Proportion of provision (%)	
VIETNAMELECTRICITY	35,124,353.26	32,070,451.66	91.31	Facing capital shortage, expected to be difficult to recover
Total	35,124,353.26	32,070,451.66		

Provision for bad debts accrued on a portfolio basis:

Name	Balance as at June 30, 2020			Proportion of provision (%)
	Accounts receivable	Provision for bad debts		
Within one year	656,182,388.61	32,809,119.44		5.00
1-2 years	412,079,953.00	41,207,995.30		10.00
2-3 years	93,975,145.53	18,795,029.11		20.00
3-4 years	200,460,009.27	80,184,003.71		40.00
4-5 years	79,778,851.32	39,889,425.68		50.00
Over 5 years	191,709,175.36	191,709,175.36		100.00
Total	1,634,185,523.09	404,594,748.60		

**15.1.3 Provision, reversal or recovery of provision for bad debts in the current period**

Category	Balance as at December 31, 2019	Amount of change in 2020			Balance as at June 30, 2020
		Provision	Recovery or reversal	Write-off or charge-off	
Accounts receivable with significant single amount and individual provision for bad debts	31,123,738.84	946,712.82			32,070,451.66
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	378,982,951.64	25,611,796.96			404,594,748.60
<b>Total</b>	<b>410,106,690.48</b>	<b>26,558,509.78</b>			<b>436,665,200.26</b>

**15.1.4 Top 5 of accounts receivable as at June 30, 2020, presented by debtor**

Debtor	Book balance	Proportion in the total accounts receivables (%)	Provision for bad debts
Entity 1	141,505,128.35	8.48	46,976,934.27
Entity 2	111,500,000.00	6.68	30,530,000.00
Entity 3	99,770,097.44	5.98	4,988,504.87
Entity 4	85,222,700.92	5.11	4,261,135.05
Entity 5	75,015,346.16	4.49	3,750,767.31
<b>Total</b>	<b>513,013,272.87</b>	<b>30.73</b>	<b>90,507,341.50</b>

**15.2 Receivables financing**

**15.2.1 Presentation of receivables financing by category**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Notes receivable	277,945,064.51	460,847,729.38
Including: bank acceptance bill	270,445,064.51	438,847,729.38
Commercial acceptance bill	7,500,000.00	22,000,000.00
<b>Total</b>	<b>277,945,064.51</b>	<b>460,847,729.38</b>

Remark: The Company classifies the notes receivable subject to the management business model of  
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collecting contractual cash flows and sales and transfer as a financial asset measured at fair value through the other comprehensive income.

**15.2.2 Receivables financing pledged by the Company as at June 30, 2020**

None.

**15.2.3 Receivables financing endorsed or discounted by the Company as at June 30, 2020 but not expired on the balance sheet date**

Item	Amount derecognized as at June 30, 2020	Amount not derecognized as at June 30, 2020
Notes receivable endorsed or discounted but not expired	744,517,513.63	
Including: bank acceptance bill	740,517,513.63	
Commercial acceptance bill	4,000,000.00	
Total	744,517,513.63	

**15.3 Other receivables**

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Interest receivable	44,212,651.50	28,462,251.79
Dividends receivable	160,915,015.29	165,142,290.09
Other receivables	106,867,675.20	219,846,077.30
Total	311,995,341.99	413,450,619.18

**15.3.1 Interest receivable**

Classification of interest receivable

Item	Balance as at June 30, 2020	Balance as at December 31, 2019
Time deposits	44,212,651.50	28,462,251.79
Entrusted loan		
Bond investments		
Sub-total	44,212,651.50	28,462,251.79
Less: provision for bad debts		
Total	44,212,651.50	28,462,251.79

**15.3.2 Dividends receivable**

15.3.2.1 Details of dividends receivable

Item (or Investee)	Balance as at June 30, 2020	Balance as at December 31, 2019
Within one year	29,478,570.56	33,705,845.36
Over one year	131,436,444.73	131,436,444.73
Sub-total	160,915,015.29	165,142,290.09
Less: provision for bad debts		
Total	160,915,015.29	165,142,290.09

15.3.2.2 Significant dividends receivable with aging over one year

Item (or investee)	Balance as at June 30, 2020	Aging	Reason for non-recovery	Whether impairment or not and the judgment basis

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Dongfang Electric Machinery Company Co., Ltd.	131,436,444.73	Over 1 year	Not yet paid	No impairment has occurred, and the operating condition of the investee is good
<b>Total</b>	<b>131,436,444.73</b>			

**15.3.3 Other receivables**

15.3.3.1 Disclosure by aging:

Aging	Balance as at June 30, 2020	Balance as at December 31, 2019
Within one year	49,013,720.60	57,425,149.74
1-2 years	14,982,829.86	117,375,071.95
2-3 years	3,695,171.41	4,605,649.27
3-4 years	2,235,598.36	2,034,576.22
4-5 years	3,096,568.63	4,663,759.14
Over 5 years	86,456,150.02	83,082,253.45
Sub-total	159,480,038.88	269,186,459.77
Less: provision for bad debts	52,612,363.68	49,340,382.47
Total	106,867,675.20	219,846,077.30



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15.3.3.2 Disclosure by classification

Category	Balance as at June 30, 2020					Balance as at December 31, 2019				
	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	76,021,970.13	47.67	10,884,982.43	14.32	65,136,987.70	190,243,800.33	70.67	10,701,495.03	5.63	179,542,305.30
Including:										
Other accounts receivable with significant single amount and individual provision for bad debts	44,300,000.00	27.78			44,300,000.00	158,270,000.00	58.80			158,270,000.00
Other accounts receivable with insignificant single amount and individual provision for bad debts	31,721,970.13	19.89	10,884,982.43	34.31	20,836,987.70	31,973,800.33	11.87	10,701,495.03	5.63	212,723,053.3
Provision for bad debts accrued on a portfolio basis	83,458,068.75	52.33	41,727,381.25	50.00	41,730,687.50	78,942,659.44	29.33	38,638,887.44	48.95	40,303,772.00

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Including:										
Other accounts receivable with the provision for bad debts made on a portfolio with credit risk characteristics	83,458,068.75	52.33	41,727,381.25	50.00	41,730,687.50	78,942,659.44	29.33	38,638,887.44	48.95	40,303,772.00
Total	159,480,038.88	100.00	52,612,363.68		106,867,675.20	269,186,459.77	100.00	49,340,382.47		219,846,077.30

Provision for bad debts accrued on an individual basis:

Name	Amount as at June 30, 2020			
	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	10,884,982.43	10,884,982.43	100.00	High risk on collection
Entity 3	20,836,987.70			Low risk on site charges collection
Total	76,021,970.13	10,884,982.43		

Provision for bad debts accrued on a portfolio basis:

Name	Amount as at June 30, 2019			Amount as at January 1, 2020		
	Book balance	Provision for bad debts	Proportion of provision (%)	Book balance	Provision for bad debts	Proportion of provision (%)
Within one year	25,776,732.90	1,288,836.68	5.00	36,152,844.44	1,807,642.23	5.00
1-2 years	14,906,340.85	1,490,634.09	10.00	3,113,395.91	311,339.58	10.00
2-3 years	3,112,075.91	622,415.18	20.00	1,218,599.72	243,719.94	20.00
3-4 years	1,215,099.72	486,039.88	40.00	1,226,727.95	490,691.18	40.00
4-5 years	1,216,727.95	608,364.00	50.00	2,891,193.87	1,445,596.96	50.00
Over 5 years	37,231,091.42	37,231,091.42	100.00	34,339,897.55	34,339,897.55	100.00
Total	83,458,068.75	41,727,381.25		78,942,659.44	38,638,887.44	

15.3.3.3 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, 2019	38,638,887.44		10,701,495.03	49,340,382.47
In the current period, balance as at December 31, 2019				
- Transfer to Phase 2				
- Transfer to Phase 3				
- Reversal from Phase 2				
- Reversal from Phase 1				
Provision for the current period	3,088,493.81		183,487.40	3,271,981.21
Reversal for the current period				
Write-off for the current period				
Charge-off for the current period				
Other changes				
Balance as at June 30, 2020	41,727,381.25		10,884,982.43	52,612,363.68

15.3.3.4 Provision, reversal or recovery of provision for bad debts in the current period

Category	Balance as at December 31, 2019	Amount of change in the current period			Balance as at June 30, 2020
		Provision	Recovery or reversal	Write-off or charge-off	

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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	38,638,887.44	3,088,493.81		41,727,381.25
Other receivables with individually insignificant amount and individual provision for bad debts	10,701,495.03	183,487.40		10,884,982.43
Total	49,340,382.47	3,271,981.21		52,612,363.68

15.3.3.5 Other receivables actually written off in the current period

None.

15.3.3.6 Classification by nature of payment

Nature of payment	Book value as at June 30, 2020	Book value as at December 31, 2019
Petty cash	6,579,363.77	4,935,366.46
Advances	2,725,050.21	2,852,808.51
Investment fund	44,300,000.00	158,270,000.00
Others	53,263,261.22	53,787,902.33
<b>Total</b>	<b>106,867,675.20</b>	<b>219,846,077.30</b>

15.3.3.7 Top 5 of other receivables as at June 30, 2020, presented by debtor:

Debtor	Nature of payment	Book balance	Aging	Proportion in total other receivables (%)	Provision for bad debts
Entity 1	Investment fund	44,300,000.00	Over 5 years	27.78	
Entity 2	Advances	29,239,846.73	Over 5 years	18.33	29,239,846.73
Entity 3	Others	20,836,987.70	Within one year	13.07	
Entity 4	Others	8,109,000.00	Within one year	5.08	405,450.00
Entity 5	Others	5,797,532.22	Within one year, 3 – 5 years and over 5 years	3.64	1,821,347.98
<b>Total</b>		<b>108,283,366.65</b>		<b>67.90</b>	<b>31,466,644.71</b>

**15.4 Long-term equity investments**

Item	Balance as at June 30, 2020		Balance as at December 31, 2019			
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investments in subsidiaries	21,365,332,381.79		21,365,332,381.79	21,305,332,381.79		21,305,332,381.79
Investments in associates and joint ventures	911,216,200.87		911,216,200.87	864,013,286.56		864,013,286.56
<b>Total</b>	<b>22,276,548,582.66</b>		<b>22,276,548,582.66</b>	<b>22,169,345,668.35</b>		<b>22,169,345,668.35</b>

**15.4.1 Investments in subsidiaries**

Investee	Balance as at December 31, 2019	Increase in the current period	Decrease in the current period	Balance as at June 30, 2020	Provision for impairment in the current period	Balance of provision for impairment as at June 30, 2020
DEC Dongfang Boiler Group Co., Ltd.	5,192,395,417.83			5,192,395,417.83		
DEC Dongfang Steam Turbine Co., Ltd.	6,010,766,999.71			6,010,766,999.71		
Dongfang Electric Machinery Company Co., Ltd.	3,164,000,000.00			3,164,000,000.00		

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Investee	Balance as at December 31, 2019	Increase in January to June, 2020	Decrease in January to June, 2020	Balance as at June 30, 2020	Provision for impairment in January to June, 2020	Balance of provision for impairment as at June 30, 2020
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 Electric (Guangzhou) Heavy Machinery Co., Ltd.	589,459,392.37			589,459,392.37		
Dongfang Electric Wind Power Co., Ltd.	1,007,437,000.00			1,007,437,000.00		
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		
Dongfang Electric Corporation Materials Co.	259,061,568.69			259,061,568.69		
Dongfang Electric Automatic 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	60,000,000.00		71,119,812.19		
<b>Total</b>	<b>21,305,332,381.79</b>	<b>60,000,000.00</b>		<b>21,365,332,381.79</b>		



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**15.4.2 Investments in associates and joint ventures**

Investee	Balance as at December 31, 2019	Increase/decrease in the current period								Balance as at June 30, 2020	Balance of provision for impairment as at June 30, 2020
		Addition 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	Others		
1. Joint ventures											
Framatome Dongfang Reactor Coolant Pumps Company Limited	197,683,241.32			299,373.24						197,982,614.56	
Sub-total	197,683,241.32			299,373.24						197,982,614.56	
2. Associates											
Sichuan Energy Wind Power Development Co., Ltd.	377,037,984.14	16,600,000.00		54,217,940.02						447,855,924.16	
Huadian Longkou Wind Power Co., Ltd.	69,411,440.90			6,175,494.58			19,787,607.31			55,799,328.17	
China United Heavy Gas Turbine Technology Co., Ltd.	131,727,987.41			2,744.55						131,730,731.96	

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Inner Mongolia Energy Generation Hongnijing Wind Power Co., Ltd.	24,089,758.61			1,718,798.05			7,017,408.83			18,791,147.83	
Inner Mongolia Mengneng Sanshengtai Wind Power	20,507,393.99			1,476,429.17			3,460,131.28			18,523,691.88	

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Investee	Balance as at December 31, 2019	Increase/decrease in January to June, 2020								Balance as at June 30, 2020	Balance of provision for impairment as at June 30, 2020
		Addition al investme nt	Decrease in investme nt	Profit or loss on investments recognized by the equity method	Adjustment to other comprehensive income	Other change s in equitie s	Cash dividends or profits declared to be distributed	Provision for impairment	Others		
Generation Co., Ltd.											
Inner Mongolia Mengneng Ulan New Energy Co., Ltd.	43,555,480.19			806,089.88			3,828,807.76			40,532,762.31	
Sub-total	666,330,045.24	16,600,000.00		64,397,496.25			34,093,955.18			713,233,586.31	
Total	864,013,286.56	16,600,000.00		64,696,869.49			34,093,955.18			911,216,200.87	

**15.5 Operating revenue and operating costs**

Item	Amount for the current period		Amount for the same period of the previous year	
	Revenue	Cost	Revenue	Cost
Primary business	5,668,180,834.60	5,408,312,988.37	6,214,708,495.28	6,030,909,423.69
Other business	6,714,331.72	3,533,079.43	1,044,944.23	626,585.44
Total	5,674,895,166.32	5,411,846,067.80	6,215,753,439.51	6,031,536,009.13

**15.6 Investment income**

Source of investment income	Amount for the current period	Amount for the same period of the previous year
Income from long-term equity investments calculated under cost method	536,342,862.07	312,310,167.95
Income from long-term equity investments calculated under equity method	64,696,869.49	78,947,102.64
Investment income from disposal of long-term equity investments		
Investment income from financial assets held for trading during the holding period	72,350.00	7,994,389.70
Others	1,277,033.02	472,851.15
Total	602,389,114.58	399,724,511.44

**16 Supplementary information**

**16.1 Breakdown of non-recurring profit or loss in the current period**

Item	Amount	Remarks
Profit or loss from disposal of non-current assets	4,221,277.89	
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)	55,908,175.35	
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		

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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	16,866.66	
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	-106,522,889.72	
Reversal of provision for impairment of receivables and contract assets subject to separate impairment test	48,959,771.48	
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	-34,899,922.63	
Other items of gains and losses subject to the definition of non-recurring gains and losses		
Sub-total	-32,316,720.97	
Affected amount of income tax	4,907,507.48	
Affected amount of minority equity (after tax)	-717,359.44	
Total	-28,126,572.93	

**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	3.19	0.31	0.31
Net profit attributable to ordinary shareholders of the Company after deducting the non-recurring gains and losses	3.28	0.32	0.32

**Dongfang Electric Corporation Limited**

**August 27, 2020**