東方電氣股份有限公司
Dongfang Electric Corporation Limited

(A joint stock limited company incorporated in the People's Republic of China)

(Stock Code: 1072)

RESULTS ANNOUNCEMENT FOR THE YEAR 2014

RESULTS HIGHLIGHTS

- Total operating revenue of the Company in 2014 amounted to RMB39.0 billion, representing a decrease of 7.91% as compared with the same period of 2013;
- The Company's net profit attributable to the Parent Company in 2014 amounted to RMB1.278 billion, representing a decrease of 45.59% as compared with the same period of 2014;
- Earnings per share of the Company amounted to RMB0.64 in 2014;
- New orders of the Company in 2014 amounted to RMB38.2 billion.

The board of directors (the "**Board**") of Dongfang Electric Corporation Limited (the "**Company**") is pleased to announce that the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2014 (the "**Reporting Period**") prepared in accordance with the China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

Consolidated Balance Sheet
At 31 December 2014

Unit: RMB

Item	*Note*	Closing balance	Opening balance
Current assets:			
Cash and cash equivalents		**17,822,818,071.65**	12,131,648,112.18
Balances with clearing companies			
Placements with banks and other financial institutions			
Changes in financial assets at fair value through profit or loss		**56,547,665.82**	26,608,362.14
Financial derivative assets			
Bills receivable		**2,626,992,774.70**	2,784,861,591.44
Trade receivables	2	**17,698,467,285.71**	17,032,484,330.47
Prepayments		**4,210,529,353.01**	4,716,518,840.61
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance contracts			
Interest receivable		**153,964,346.27**	101,620,018.51
Dividends receivable			39,087.80
Other receivables		**282,414,587.72**	352,960,215.57
Repurchases of sold financial assets			
Inventories		**29,640,990,594.62**	27,301,842,960.20
Held-for-sale assets			
Non-current assets due within one year			
Other current assets			
Total Current Assets		**72,492,724,679.50**	64,448,583,518.92

Item	*Note*	**Closing balance**	Opening balance
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets		**11,835,232.75**	306,816,665.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		**974,911,045.43**	784,129,880.78
Investment properties		**74,061,743.59**	72,798,574.45
Fixed assets		**8,537,913,652.38**	9,243,610,975.06
Projects under construction		**818,328,683.80**	685,790,408.06
Construction materials		**113,464.96**	113,464.96
Disposal of fixed assets		**9,546.86**	11,958.08
Productive biological assets			
Oil and gas assets			
Intangible assets		**988,752,792.34**	1,013,339,900.46
Development expenses			
Goodwill			
Long-term deferred expenditures		**475,500.18**	509,000.14
Deferred income tax assets		**1,331,043,153.07**	1,280,998,708.21
Other non-current assets			
Total non-current assets		**12,737,444,815.36**	13,388,119,535.20
Total assets		**85,230,169,494.86**	77,836,703,054.12

Unit: RMB

Item	*Note*	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		**2,534,000,000.00**	3,453,072,066.14
Borrowings from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Changes in financial liabilities at fair value through profit or loss			
Financial derivative liabilities			
Bills payable		**5,275,895,399.74**	4,865,094,372.76
Trade payables	3	**15,893,241,172.06**	14,224,698,923.21
Receipts in advance		**33,384,928,229.93**	32,284,212,140.25
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable		**339,885,075.65**	358,333,377.43
Taxes payable		**-172,896,861.70**	53,907,111.62
Interest payable		**13,317,579.91**	
Dividends payable		**3,143,316.82**	3,389,732.02
Other payables		**1,738,314,628.62**	1,805,192,953.82
Reinsurance accounts payable			
Deposits for insurance contracts			
Brokerage fees for securities trading			
Brokerage fees for underwriting			
Held-for-sale liabilities			
Nnon-current liabilities due within one year		**3,256,860,290.35**	86,320,000.00
Other current liabilities		**128,543,364.04**	79,943,075.58
Total current liabilities		**62,395,232,195.42**	57,214,163,752.83

Item	*Note*	**Closing balance**	Opening balance
Non-current liabilities:			
Long-term borrowings		**545,620,000.00**	39,400,000.00
Debentures payable			
Including: preference shares			
Perpetual bond			
Long-term payables		**685,252.84**	685,252.84
Long-term staff remuneration payable		**63,585,273.19**	36,278,343.40
Special payables		**58,042,614.63**	58,042,614.63
Estimated liabilities		**1,228,921,362.78**	1,392,616,607.65
Deferred income		**466,149,584.34**	500,287,825.52
Deferred income tax liabilities		**2,667,580.34**	1,838,036.52
Other non-current liabilities			
Total non-current liabilities		**2,365,671,668.12**	2,029,148,680.56
Total liabilities		**64,760,903,863.54**	59,243,312,433.39
Shareholders' equity:			
Share capital		**2,003,860,000.00**	2,003,860,000.00
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserve		**5,895,507,792.32**	5,092,026,632.65
Less: Treasury shares			
Other comprehensive income		**-35,879,992.16**	-158,584,963.14
Special reserve		**22,258,212.85**	15,684,408.62
Surplus reserve		**674,102,684.70**	578,473,906.12
Provision for general risks			
Undistributed profit	4	**10,984,243,829.02**	10,162,309,001.98
Total equity attributable to the shareholders of the Company		**19,544,092,526.73**	17,693,768,986.23
Minority Interests		**925,173,104.59**	899,621,634.50
Total shareholders' equity		**20,469,265,631.32**	18,593,390,620.73
Total liabilities and shareholders' equity		**85,230,169,494.86**	77,836,703,054.12

Consolidated Income Statement
For the year 2014

Unit: RMB

Item	*Note*	**Closing balance**	Opening balance
I. Total revenue from operations		**39,036,164,758.11**	42,390,796,682.51
Including: Revenue from operations	5	**39,036,164,758.11**	42,390,796,682.51
Interest income			
Premiums earned			
Income from fees and commissions			
II. Total cost of operations		**37,955,204,556.76**	39,862,595,263.78
Including: Cost of operations	5	**32,495,805,650.91**	33,742,866,666.50
Interest expenses			
Fees and commission expenses			
Surrender payment			
Net expenditure for compensation			
Net provision for insurance contracts			
Expenditure for insurance policy dividend			
Reinsurance costs			
Business tax and surcharges		**237,862,591.50**	302,467,748.87
Selling expenses		**891,929,315.24**	960,628,219.47
Administrative expenses		**3,609,660,296.95**	3,728,793,794.04
Finance costs		**-181,276,960.93**	-133,572,268.04
Impairments loss of assets		**901,223,663.09**	1,261,411,102.94
Add: Gain from changes in fair value (loss is represented by "–")		**32,613,219.56**	22,172,268.47
Gain from investment (loss is represented by "–")		**212,025,971.91**	226,558,409.16
Including: Gain from investment in associates and joint ventures		**224,899,720.65**	213,174,501.29
Exchange gain (loss is represented by "–")			
III. Profit from operations (loss is represented by "–")		**1,325,599,392.82**	2,776,932,096.36
Add: Non-operating income		**204,916,321.37**	206,483,785.28
Including: Gain from disposal of non-current assets		**1,795,668.59**	6,525,418.48
Less: Non-operating expenses		**28,173,377.79**	195,923,788.17
Including: Loss on disposal of non-current assets		**3,705,605.38**	2,484,243.37

Item	Note	Closing balance	Opening balance
IV. Total profit (total loss is represented by "–")		**1,502,342,336.40**	2,787,492,093.47
Less: Income tax expenses	6	**181,725,615.62**	388,089,412.34
V. Net profit (net loss is represented by "–")		**1,320,616,720.78**	2,399,402,681.13
Net profit attributable to the shareholders of the Company		**1,278,258,405.62**	2,349,431,591.08
Minority interests		**42,358,315.16**	49,971,090.05
VI. Other comprehensive income (net of tax)		**122,704,970.98**	-120,831,579.85
Other comprehensive income (net of tax) attributable to the shareholders of the Parent Company		**122,704,970.98**	-120,831,579.85
(1) Other comprehensive income not to be re-categorized subsequently into profit and loss		**–**	–
1. Changes arising from the remeasurement of the net liabilities or net assets from the defined benefit plan			
2. Share of other comprehensive income not to be reclassified to profit or loss of investees accounted for using equity method			
(2) Other comprehensive income to be re-categorized into profit and loss		**122,704,970.98**	-120,831,579.85
1. Share of other comprehensive income to be reclassified subsequently into profit or loss of investees accounted for using equity method			
2. Changes in the available-for-sale finacnial assets at fair value through profit or loss		**122,732,584.60**	-104,802,528.20
3. Held-to maturity investments reclassified into available-for-sale financial assets through profit or loss			
4. Effective portion of cash flow hedge through profit or loss			
5. Exchange differences on translation of financial statements denominated in foreign currencies		**-27,613.62**	-16,029,051.65
6. Others			
Other comprehensive income (net of tax) attributable to minority interests			

Item		*Note*	**Closing balance**	Opening balance
VII.	**Total comprehensive income**		**1,443,321,691.76**	2,278,571,101.28
	Total comprehensive income attributable to the shareholders of the Parent Company		**1,400,963,376.60**	2,228,600,011.23
	Total comprehensive income attributable to minority interests		**42,358,315.16**	49,971,090.05
VIII.	**Earnings per share:**	7		
	(1) Basic earnings per share		**0.64**	1.17
	(2) Diluted earnings per share		**0.59**	1.02

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements were prepared on a going concern basis, based on the transactions and matters that had actually taken place and in accordance with Accounting Standards for Business Enterprises and relevant requirements (together referred to as "**Accounting Standards for Business Enterprises**") issued by the Ministry of Finance of the PRC. These financial statements were also prepared in pursuant to the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 — General Provisions on Financial Reporting (Revised in 2014) issued by China Securities Regulatory Commission, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the disclosure provisions of the Companies Ordinance of Hong Kong and on the basis of the accounting policies and accounting estimates set out in the note to the financial statements headed "IV. Significant Accounting Policies and Accounting Estimates"

2. TRADE RECEIVABLES

(1) Overall analysis of trade receivables

Unit: RMB

Item	**Closing balance**	Opening balance
Trade receivables	**22,759,621,224.33**	21,913,469,989.32
Less: provision for bad debts	**5,061,153,938.62**	4,880,985,658.85
Net Amount	**17,698,467,285.71**	17,032,484,330.47

(2) Ageing analysis of trade receivables

Unit: RMB

Age	**Closing balance**	Opening balance
Within one year	**8,931,240,317.98**	8,508,565,946.15
One to two years	**4,370,979,214.25**	4,004,341,460.79
Two to three years	**2,270,756,892.38**	2,635,166,251.83
Three to four years	**1,463,943,053.32**	1,270,709,529.45
Four to five years	**661,547,807.78**	613,701,142.25
Net Amount	**17,698,467,285.71**	17,032,484,330.47

The Group's revenue from construction contracts was settled in accordance with the terms specified in the contracts. A longer credit period (such as two to three years) may be given to relatively large-scale or long-established customers with good repayment history.

For revenue from sales of products, settlement was made in accordance with the terms specified in the contracts. A credit period normally at one year may be granted to relatively large-scale or long-established customers with good repayment history. Revenue from smaller, new or short-term customers was generally settled 180 days upon the provision of services or delivery of goods by the Group.

3. TRADE PAYABLES

Currency: RMB Unit: Yuan

Item	Closing balance	Opening balance
Within one year	**12,977,628,977.72**	10,781,307,023.02
One to two years	**1,264,207,705.15**	1,044,275,359.05
Two to three years	**506,798,306.37**	943,654,519.10
Over three years	**1,144,606,182.82**	1,455,462,022.04
Total	**15,893,241,172.06**	14,224,698,923.21

The average credit period for payment of goods purchased was 180 days. The Group has implemented financial risk management policies to ensure that all payables are settled within the credit timeframe.

4. UNDISTRIBUTED PROFIT

Currency: RMB Unit: Yuan

(1) For the year

Item	Amount	Proportion of appropriation or distribution
Closing balance of the previous year	**10,162,309,001.98**	
Opening balance of the year	**10,162,309,001.98**	
Add: Net profit attributable to shareholders of the Parent Company for the year	**1,278,258,405.62**	
Less: appropriations to the statutory surplus reserve	**95,628,778.58**	10%
Dividends payable on ordinary shares	**360,694,800.00**	
Closing balance of the year	**10,984,243,829.02**	

The distribution of dividends on ordinary shares to shareholders of the Company was made according to the resolution for the distribution of profits after tax for 2013 approved at the 2013 annual general meeting of the Company held on 29 April 2014, namely, a cash dividend of RMB1.80 (tax inclusive) for every ten shares to each shareholder, totaling RMB360,694,800.00 (tax inclusive), as calculated based on the Company's total share capital of 2,003,860,000 as at the end of 2013.

(2) For the previous year

Item	Amount	Proportion of appropriation or distribution
Closing balance of the previous year	**8,158,283,796.26**	
Opening balance of the year	**8,158,283,796.26**	
Add: Net profit attributable to shareholders of the Parent Company for the year	**2,349,431,591.08**	
Less: appropriations to the statutory surplus reserve	**124,981,785.36**	10%
Dividends payable on ordinary shares	**220,424,600.00**	
Closing balance of the year	**10,162,309,001.98**	

5. REVENUE FROM OPERATIONS AND COST OF OPERATIONS

Unit: RMB

Item	Amount for the current year		Amount for the previous year	
	Revenue	Cost	Revenue	Cost
Principal operations	**38,673,692,007.13**	**32,259,290,882.02**	42,026,282,530.50	33,579,114,682.24
Other operations	**362,472,750.98**	**236,514,768.89**	364,514,152.01	163,751,984.26
Total	**39,036,164,758.11**	**32,495,805,650.91**	42,390,796,682.51	33,742,866,666.50

6. INCOME TAX EXPENSES

Unit: RMB

Item	Amount for the year	Amount for the previous year
Income tax for the year	**252,605,607.41**	575,760,802.32
Including: PRC	**246,363,574.39**	570,143,069.15
India	**1,399,368.76**	1,767,733.17
Hong Kong		
Other regions	**4,842,664.26**	3,850,000.00
Deferred income tax	**-70,879,991.79**	-187,671,389.98
Total	**181,725,615.62**	388,089,412.34

Except for the company in India which was taxed at 32.445% and certain subsidiaries which were entitled to a preferential rate of 15% for enterprise income tax, all other subsidiaries were subject to the enterprise income tax at a rate of 25%.

7. EARNINGS PER SHARE

Currency: RMB Unit: Yuan

(1) Basic earnings per share

Basic earnings per share are calculated by dividing the consolidated net profit attributable to the ordinary shareholders of the Parent Company by the weighted average number of ordinary shares in issue.

Item	The current year	The previous year
The consolidated net profit attributable to the ordinary shareholders of the Parent Company	**1,278,258,405.62**	2,349,431,591.08
The consolidated net profit attributable to the ordinary shareholders of the Parent Company after deducting extraordinary items	**1,162,491,531.20**	2,240,521,098.43
Weighted average number of ordinary shares of the Parent Company in issue	**2,003,860,000.00**	2,003,860,000.00
Basic earnings per share (RMB/Share)	**0.64**	1.17
Basic earnings per share (RMB/Share) after deducting extraordinary items	**0.58**	1.12

Procedures for calculating weighted average number of ordinary shares:

Item	The current year	The previous year
The number of ordinary shares in issue at the beginning of the year	**2,003,860,000.00**	2,003,860,000.00
The number of ordinary shares in issue at the end of the year	**2,003,860,000.00**	2,003,860,000.00

(2) Diluted earnings per share

Diluted earnings per share are calculated by dividing the adjusted consolidated net profit attributable to ordinary shareholders by the adjusted weighted number of ordinary shares in issue in accordance with the dilutive potential ordinary shares.

Factors contributing to the adjustment to the consolidated net profit attributable to the ordinary shareholders of the Parent Company are the potential diluted dividends of ordinary shares recognized as expense, income or expense resulting from the conversion of dilutive potential ordinary shares and the relevant impacts of income tax. The factor contributing to the adjustment to the weighted average number of ordinary shares of the Company in issue is the increased weighted average number of shares after the conversion of the dilutive potential ordinary shares into ordinary shares.

Item	**2014**	2013
The adjusted consolidated net profit attributable to ordinary shareholders of the Parent Company	**1,347,227,350.64**	2,329,929,346.33
The adjusted consolidated net profit attributable to ordinary shareholders of the Parent Company after deducting extraordinary items	**1,231,460,476.22**	2,221,018,853.68
The adjusted weighted number of ordinary shares of the Company in issue	**2,283,086,222.00**	2,283,086,222.00
Diluted earnings per share (RMB/Share)	**0.59**	1.02
Diluted earnings per share (RMB/Share) after deducting extraordinary items	**0.54**	0.97

8. SEGMENT INFORMATION

Reportable segments for 2014

Unit: RMB

Item	High-efficiency clean power generation equipments	New energy	Hydropower and environmental equipments	Engineering and services	Others	Write-off	Total
Revenue from operations	36,222,720,350.67	7,256,982,450.59	4,327,289,677.15	5,378,856,689.08	378,484,441.37	14,528,168,850.75	39,036,164,758.11
Including: Revenue from external transactions	24,186,867,168.78	4,899,767,519.03	4,292,532,022.51	5,294,525,296.81	362,472,750.98		39,036,164,758.11
Revenue from inter-segment transactions	12,035,853,181.89	2,357,214,931.56	34,757,654.64	84,331,392.27	16,011,690.39	14,528,168,850.75	
Costs of operations	32,047,541,462.70	6,656,840,006.13	3,601,732,654.03	4,621,612,098.13	636,246,271.05	14,173,719,778.01	33,390,252,714.03
Write off of costs	11,550,211,947.41	2,367,847,973.81	30,573,058.29	719,802,359.46	15,555.56	14,668,450,894.53	
Period costs					4,374,789,505.05	54,476,853.79	4,320,312,651.26
Profit (Loss) from operations	4,175,178,887.97	600,142,444.46	725,557,023.12	757,244,590.95	-4,632,551,334.73	-5,958,150,727.55	1,325,599,392.82
Total assets					123,197,721,368.51	37,967,551,873.65	85,230,169,494.86
Including: amount of the substantial impairment loss on a single asset							
Total liabilities					93,559,713,414.52	28,798,809,550.98	64,760,903,863.54
Supplemental information							
Capital expenditure							
Recognized impairment loss of the period					1,235,585,510.90	334,361,847.81	901,223,663.09
Including: amortisation of impairment of goodwill							
Depreciation and amortization					1,209,240,454.50		1,209,240,454.50
Non-cash expenses other than impairment loss, depreciation and amortisation							

Reportable segments for 2013

Unit: RMB

Item	High-efficiency clean power generation equipments	New energy	Hydropower and environmental equipments	Engineering and services	Others	Write-off	Total
Revenue from operations	32,387,547,331.22	7,716,879,769.73	4,770,573,934.54	8,367,410,303.61	371,356,725.45	11,222,971,382.04	42,390,796,682.51
Including: Revenue from external transactions	23,331,142,988.95	6,671,766,164.23	4,727,844,703.30	7,295,528,674.02	364,514,152.01		42,390,796,682.51
Revenue from inter-segment transactions	9,056,404,342.27	1,045,113,605.50	42,729,231.24	1,071,881,629.59	6,842,573.44	11,222,971,382.04	
Costs of operations	27,486,733,761.33	6,538,331,971.65	3,606,309,067.34	7,060,286,893.79	922,903,228.11	10,556,550,081.54	35,058,014,840.68
Write off of costs	8,787,781,743.31	1,056,128,017.40	37,176,461.75	1,231,460,789.41	2,480,721.57	11,115,027,733.44	
Period costs					4,588,801,476.82	32,951,731.35	4,555,849,745.47
Profit (Loss) from operations	4,900,813,569.89	1,178,547,798.08	1,164,264,867.20	1,307,123,409.82	-5,140,347,979.48	633,469,569.15	2,776,932,096.36
Total assets					111,833,353,292.88	33,996,650,238.76	77,836,703,054.12
Including: amount of the substantial impairment loss on a single asset							
Total liabilities					83,688,334,026.59	24,445,021,593.20	59,243,312,433.39
Supplemental information							
Capital expenditure							
Recognized impairment loss of the period					1,496,733,037.66	235,321,934.72	1,261,411,102.94
Including: amortisation of impairment of goodwill							
Depreciation and amortization					1,274,332,960.20		1,274,332,960.20
Non-cash expenses other than impairment loss, depreciation and amortisation							

9. GAINS FROM INVESTMENT IN ASSOCIATES AND JOINT VENTURES

Unit: RMB

		Increase/decrease change for the year									
Investee	**Opening balance**	**Follow-on investment**	**Investment reduction**	**Investment profits and loss under equity method**	**Adjustment for other comprehensive income**	**Other equity change**	**Declare the distribution of cash dividends or profit**	**Provision for impairment**	**Others**	**Closing balance**	**Provision for impairment of balance at the end of the year**
I. Joint ventures											
i. Dongfang Hitachi Boiler Co., Ltd	151,171,142.17			17,733,964.59		696,676.10	2,830,239.02			166,771,543.84	
ii. Dongfang AREVA	256,259,237.03			60,665,653.68			70,753,710.00			246,171,180.71	
II. Associates											
i. Mitsubish Heavy Industries Dongfang gas Turbine (Guangzhou) Co., Ltd.	304,552,794.51			139,259,231.20			13,189,086.00		12,494,672.68	418,128,267.03	
ii. Leshan East Lok bulky Co., Ltd.	22,861,398.02			4,408,690.00			2,450,000.00			24,820,088.02	
iii. Sichuan Wind Power Industry Investment Co., Ltd.	44,285,309.05	52,000,000.00		2,734,656.78						99,019,965.83	
iv. Huadian Longkou Wind Power Co., Ltd	5,000,000.00	15,000,000.00								20,000,000.00	
Total	784,129,880.78	67,000,000.00		224,802,196.25		696,676.10	89,223,035.02		12,494,672.68	974,911,045.43	

10. NET CURRENT ASSETS

Unit: RMB

Item	**Closing balance**	Opening balance
Current assets	**72,492,724,679.50**	64,448,583,518.92
Less: current liabilities	**62,395,232,195.42**	57,214,163,752.83
Net current assets	**10,097,492,484.08**	7,234,419,766.09

11. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB

Item	**Closing balance**	Opening balance
Total assets	**85,230,169,494.86**	77,836,703,054.12
Less: current liabilities	**62,395,232,195.42**	57,214,163,752.83
Total assets less current liabilities	**22,834,937,299.44**	20,622,539,301.29

12. DIVIDENDS

The Board proposes to distribute a final cash dividend of RMB0.09 (tax inclusive) per share for the year 2014, totaling RMB210,321,033.12, which is pending the approval by General Meeting.

II. MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

Overall Operations During the Reporting Period

In 2014, with the new trends in economic development both domestically and internationally, the Company was also facing the fierce market competition in the power generation equipment industry. Under these circumstances, the Company strictly adhered to the "three changes" (change from emphasizing scale expansion to efficiency and profit growth, change from emphasizing capacity expansion to technical upgrading, and change from emphasizing manufacturing-based operations to manufacturing- and service-based operations) and accomplished the annual target of the Company through cooperation, unwavering and tenacious hard work, and pragmatic aggressiveness, thereby maintaining a sustainable development momentum for the enterprise.

Completion of operation indicators

During the Reporting Period, under the PRC Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB39,000 million, representing a year-on-year decrease of 7.91%; net profit attributable to shareholders of the Company of RMB1,278 million, representing a year-on-year decrease of 45.59%; earnings per share of RMB0.64; and gross profit margin for principal operations of 16.59%, representing a year-on-year decrease of 3.51 percentage points.

Capacity of power generation equipment

In 2014, the Company produced 34,455MW, representing a year-on-year growth of approximately 4% when compared with the power generation equipment with total planned capacity of 33,000MW as disclosed in the 2013 Annual Report, including hydro-electric turbine generator sets with total capacity of 3,434.5MW, steam turbine generators with total capacity of 29,960MW; wind turbine generator sets with total capacity of 1,060.5MW. In addition, the Company produced power station boilers with total capacity of 23,010MW; power station steam turbines with total capacity of 31,294MW.

Domestic and International Market Expansion

In 2014, facing the market trend which tended to be more and more highly competitive, the Company endeavoured greater efforts to coordinate and actively developed and explored both domestic and international markets. The Company's new orders for the year amounted to RMB38.2 billion, of which exports accounted for RMB1.8 billion or approximately 5%. Among the new orders, 58% was attributable to high-efficiency clean energy, 16% to new energy, 5% to hydropower and environmental protection, and 21% to engineering and services. As at the end of 2014, the Company had orders in hand of RMB126.7 billion, among which high-efficiency clean energy accounted for 64%, new energy 16%, hydropower and environmental protection 4%, engineering and services 16%. Exports accounted for approximately 13% of the Company's orders in hand.

Several major projects were executed in domestic market. The order of Huilai (惠來) Phase III 2×1000MW project was obtained. The general engineering contracting contract regarding 2×660MW ultra supercritical mine-mouth power plant in Xukuang Xinjiang Kuche (徐礦新疆庫車) was signed and executed. It acquired the contract of the first domestic 1,000 MW nuclear power host machine transformation. It made a 3–5 years plan for future layout of the heavy thermal power generators and would launch F5 and J-type of new thermal power generating units; volume contract of the Direct Drive DF120-2500 type (直驅DF121-2500機型) was acquired. The operation of the new double-fed FD116-2000 type (新型雙饋FD116-2000機型) commenced and its orders placed increased steadily. The order of the first 600MW circulating transformation project was acquired. The Company and China Datang Corporation entered into a contract for the transformation of generating units.

The Company actively contended for the international market and bulk exports of wind power products were made to Sweden. In addition, the Company entered into the "Contract Regarding the Transformation of Generating Units of Guli Power Station in Venezula" (委內瑞拉古裡電站機組改造合同) and such Contract was the largest project regarding the transformation of a power station acquired by a PRC enterprise through overseas open bidding.

Production and Engineering Construction

The Company strengthened coordination and communication, strengthened on-site service and ensured that key projects and new products would be delivered pursuant to the schedule. Gerry 75MW×7 hydropower units in Brazil and Jinping I 600MW×6 hydropower station on Yalong River were all successfully put into commercial operation. Thermal power generating units created a record of operation: 15 thermal power generating units and 168×12 generating units as in that year. Nuclear power generating units of Ningde No. 2 (寧德2號), Hong Yanhe No. 2 (紅沿河2號) and others were smoothly put into commercial operation. Fuqing No. 1 (福清1號) and Fangjiashan No. 1 (方家山1號) were successfully grid-connected. A total of 24 wind power projects with a total of 793 wind power generating units were beyond life of quality assurance. The first domestic 1,050MW ultra supercritical Chongqing Shenhua Wanzhou Power Station No. 1 Generating Units with one-time reheat super clean discharge passed the 168-hour operation in one time. Engineering projects were promoted in orderly manner. Key goals were basically achieved. The Saudi Rabigh generating units and other generating units were completed and passed examination. The coastal phase one 2×622MW project of No. 1 generating units in Vietnam was grid-connected for the first time after overcoming unfavorable impacts.

Innovation-Driven Capacity Enhanced Steadily

Optimized ultra-supercritical 1,000MW gas turbine was in successful operation. Such new generation of highly efficient ultra-supercritical generating units succeeded in rolling with optimized function indicator and significant effect. The Company's first 600MW supercritical gas turbine transformation project was completed and the running effect was very good, further laying a solid and sound foundation for opening up the market for transformation of large-capacity generating units. "Near-zero discharge transformation project" of No. 9 generating units of Hengyun Power Plant (恒運電廠) was completed. The Company's near-zero discharge technology was recognized by the market. Research on the 1,000MW giant hydro power generating units achieved good results. Research on 400MW pumped-storage hydroelectricity generating units was completed and the stage of installation had commenced: the third-generation nuclear generating units, represented by Shidaowan (石島灣) project, Hualong No. 1 Fuqing (華龍1號福清) project and Xudabao (徐大堡) project, were entering into the stage of construction design and key research; research on 50MW heavy power generating units were actively promoted.

Effect Observed for Facilitating Delicacy Management

The Company established a complete KPI measuring system and strictly implemented the examination. By establishing and improving a complete budget management system, the goal for budgeting of cost and expenses was strictly formulated. As of the end of 2014, the Company's administrative expenses had a year-on-year decrease of 3.19%; the selling expenses had a year-on-year decrease of 7.15%. The Company optimized the allocation of internal resources, facilitated the integration of wind power business, established a centralized purchase centre, promoted the centralized purchase of heavy commodities and others, and implemented reasonable utilization of the resources of the enterprise.

Outstanding Operating Performance on Capital Market

In July 2014, for purposes of facilitating the establishment of overseas EPC and BTG projects and the enhancement in the capability in research and development, the Company succeeded in launching the public issuance of RMB4 billion A share convertible bonds, for resisting the operating risk for the Company and providing the powerful support for continuous development of the Company. The Company continued to carry out the management of investor relation in good manner. In December 2014, the Company's resolutions regarding the continuing connected transactions during 2015–2017 was approved by the General Meeting. The Company was also awarded the award of "2014 Top 100 Listed Companies Most Respected by Investors" (「2014年度最受投資者尊重的百強上市公司」) and others.

2. Analysis of Principal Business

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

Unit: RMB

Item	**Amount for the year**	Amount for the same period last year	Change (%)
Operating revenue	**39,036,164,758.11**	42,390,796,682.51	-7.91
Operating cost	**32,495,805,650.91**	33,742,866,666.50	-3.70
Selling expenses	**891,929,315.24**	960,628,219.47	-7.15
Administrative expenses	**3,609,660,296.95**	3,728,793,794.04	-3.19
Finance costs	**-181,276,960.93**	-133,572,268.04	35.71
Net cash flows from operating activities	**2,832,630,323.09**	3,003,616,665.66	-5.69
Net cash flows from investing activities	**-196,004,577.79**	-733,738,304.89	-73.29
Net cash flows from financing activities	**3,083,937,938.11**	996,656,326.74	209.43
Research and development expenses	**1,242,475,321.94**	1,272,269,052.57	-2.34

2. Revenue

(1) Analysis on the factors that drove the changes in business revenue

During the Reporting Period, the Company's operating revenue amounted to RMB39.0 billion, representing a year-on-year decrease of 7.91%. This was mainly due to the significant year-on-year decrease in the operating revenue of the Company's business of new energy, engineering and services during the Reporting Period.

(2) Analysis on the factors that impact the income of selling the Company's products in form of real objects.

During the Reporting Period, the drop in the selling prices of thermal power and hydropower products of the Company resulted in the corresponding decrease in the Company's business revenue.

(3) Major sales customers

During the Reporting Period, the Company's revenue from operation derived from its top five customers amounted to RMB6,345 million, accounting for 16.25% of the Company's total revenue from operation, which is lower than 30% of the Company's total revenue from operation.

3. Cost

(1) Cost analysis

Unit: RMB

By industry

By industry	Cost composition	Amount for the period	As a percentage in total costs for the period (%)	Amount for the last year	As a percentage in total costs for last year (%)	Year-on-year increase/ decrease (%)	Remark
Power generation equipment manufacturing and services	Raw materials and purchased parts	**25,321,329,115.13**	**78.49**	26,577,848,849.30	79.15	-4.73	
Power generation equipment manufacturing and services	Direct labor costs	**1,834,732,023.08**	**5.69**	1,910,056,988.64	5.69	-3.94	
Power generation equipment manufacturing and services	Manufacturing costs	**5,103,229,743.81**	**15.82**	5,091,208,844.30	15.16	0.24	
Power generation equipment manufacturing and services	Total	**32,259,290,882.02**	**100.00**	33,579,114,682.24	100.00	-3.93	

(2) Major suppliers

During the Reporting Period, the Company's procurement from its top five suppliers amounted to RMB2,046 million, accounting for 5.79% of the Company's total procurement, which is lower than 30% of the Company's total procurement.

4. Expenses

Unit: RMB

Item	**Amount for the period**	Amount for the same period last year	Change *(%)*
Selling expenses	**891,929,315.24**	960,628,219.47	-7.15
Administrative expenses	**3,609,660,296.95**	3,728,793,794.04	-3.19
Finance costs	**-181,276,960.93**	-133,572,268.04	35.71
Income tax expenses	**181,725,615.62**	388,089,412.34	-53.17

3. Analysis of Operations by Industry, Product or Region

1. Principal operations by industry and product

Unit: RMB

Principal operations by industry

By industry	**Operating revenue**	**Operating costs**	**Gross profit margin** *(%)*	**Year-on-year increase/ decrease in operating revenue** *(%)*	**Year-on-year increase/ decrease in operating costs** *(%)*	**Year-on-year increase/ decrease in gross profit margin** *(%)*
Power generation equipment manufacturing	38,673,692,007.13	32,259,290,882.02	16.59	-7.98	-3.93	Decreased by 3.51 percentage points

Principal operations by product

By product	Operating revenue	Operating costs	Gross profit margin (%)	Year-on-year increase/ decrease in operating revenue (%)	Year-on-year increase/ decrease in operating costs (%)	Year-on-year increase/ decrease in gross profit margin (%)
Clean high efficiency power generation equipment	24,186,867,168.78	20,497,329,515.29	15.25	3.67	9.62	-4.60
New energy	4,899,767,519.03	4,288,992,032.32	12.47	-26.56	-21.77	-5.36
Water energy and environmental equipment	4,292,532,022.51	3,571,159,595.74	16.81	-9.21	0.06	-7.70
Engineering and services	5,294,525,296.81	3,901,809,738.67	26.30	-27.43	-33.06	6.20

(1) During the Reporting Period, the Company reinforced the production and operation and project management to meet the customers' needs with a year-on-year decrease of 7.98% in revenue from operation.

(2) Revenue from operation of clean high efficient power generation equipment for the year increased by 3.67% on a year-on-year basis, mainly due to an increase of 129.10% in revenue from gas turbines. Gross profit margin of clean high efficient power generation equipment for the year decreased by 4.60 percentage points, mainly due to the decrease in selling price of thermal power products for the period.

(3) Revenue from new energy products for the year decreased by 26.56%, mainly due to a year-on-year decrease of 38.07% in revenue from wind power products. Gross profit margin of new energy products decreased by 5.36 percentage points, mainly due to decrease in gross profit margin of 8.84 percentage points of wind power products.

(4) Revenue from hydro-energy and environmental equipment for the year decreased by 9.21% on a year-on-year basis, mainly due to the decrease of 27.82% in revenue from selling hydro-power products. Gross profit margin of hydro-power products decreased by 14.75 percentage points, mainly due to the decrease in selling price of hydro-power products for the period.

(5) Revenue from engineering and services for the year decreased by 27.43% on a year-on-year basis, mainly due to year-on-year decrease of 36.31% in income from construction contract.

2. Principal operations by region

Unit: RMB

Region	Operating revenue	Year-on-year increase/decrease in operating revenue *(%)*
PRC	32,589,111,470.12	-0.24
Overseas	6,084,580,537.01	-34.98

4. Analysis of Major Subsidiaries and Investees

Unit: One hundred million RMB

Company name	Equity interest held by the Company	Main products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Steam Turbine Co., Ltd.	100%	Production, processing and sales of steam turbines, water turbine, gas turbines, compressors, fans, pumps and auxiliary equipment, wind generating sets, solar and renewable energy; industrial control and automation; the research, design installation, alteration and maintenance services of the power stations and the corresponding equipment; mechanical equipment and accessories as well as the related import and export business	18.46	380.11	36.08	148.85	–3.18	–2.12
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipment, generators, AC and DC motors; the design manufacturing and sales of control equipment; the transformation of power stations, the installation of power station equipment	20.00	141.14	42.07	68.23	2.63	2.67
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station auxiliary equipment, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste treatment etc.)	16.06	240.12	52.84	122.41	6.44	6.09
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd	65.1813%	The enterprise cannot deal in the products prohibited by national laws and regulations; operation of projects which are subject to special approval are prohibited without approval; other projects are free to run	11.51	36.67	15.60	13.17	0.70	0.83

5. Analysis of Financial Position and Operating Results of the Company during the Reporting Period

1. *Analysis of operating results*

Unit: RMB

Item	Amount for the year	Amount for the same period of last year	Year-on-year in-crease/ decrease *(%)*
Operating revenue	**39,036,164,758.11**	42,390,796,682.51	-7.91
Selling expenses	**891,929,315.24**	960,628,219.47	-7.15
Administrative expenses	**3,609,660,296.95**	3,728,793,794.04	-3.19
Finance costs	**-181,276,960.93**	-133,572,268.04	35.71
Impairment loss of assets	**901,223,663.09**	1,261,411,102.94	-28.55
Total profit	**1,502,342,336.40**	2,787,492,093.47	-46.10
Income tax expenses	**181,725,615.62**	388,089,412.34	-53.17
Net profit	**1,320,616,720.78**	2,399,402,681.13	-44.96
Net profit attributable to shareholders of the Company	**1,278,258,405.62**	2,349,431,591.08	-45.59

(1) During the period, the company made great efforts on production and operation and project management to meet the customers' needs with a year-on-year decrease of 7.91% in revenue from operation.

(2) Selling expenses of the Company for the period recorded a year-on-year decrease of 7.15%, mainly due to a year-on-year decrease in provisions made for product quality warranty for the year according to relevant accounting policies.

(3) Administration expenses of the Company for the period recorded a year-on-year decrease of 3.19%, mainly due to a year-on-year decrease in litigation costs, research and development expenses, business entertainment expenses and business travel expenses.

(4) Financial costs of the Company for the period recorded a year-on-year decrease of 35.71%, mainly due to a year-on-year increase in interest income.

(5) Impairment loss on assets of the Company for the period recorded a year-on-year decrease of 28.55%, mainly due to the year-on-year decrease in provision for bad debts in the period.

(6) Total profits of the Company recorded a year-on-year decrease of 46.10% and net profit attributable to shareholders of the Company recorded a year-on-year decrease of 45.59%, mainly due to the year-on-year decrease of sales income and gross profit margin achieved by the Company during the year.

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

At the end of the Reporting Period, the Company's total assets amounted to RMB85,230 million, up 9.50% as compared with the beginning of the year, mainly attributable to a 46.91% increase in cash and cash equivalents and an 8.57% increase in inventories; total liabilities amounted to RMB64,761 million, up 9.31% as compared with the beginning of the year, mainly attributable to the increase in non-current liabilities due within one year amounting to RMB3,171 million and the varied degrees of rise in trade payables and receipts in advance at the same time; the total equity amounted to RMB20,469 million, up 10.09% as compared with the beginning of the year, mainly attributable to a 8.09% increase in undistributed profit, and the 15.78% increase in the capital reserve.

3 *Gearing ratio*

Gearing ratio = total liabilities/total assets×100%

Item	**As at the end of 2014**	As at the end of 2013	Year-on-year increase/ decrease (percentage point)
Gearing ratio *(%)*	**75.98**	76.11	-0.13

Gearing ratio of the Company was 75.98% at the end of the period, a decrease of 0.13 percentage points as compared with the beginning of the year. Financial position of the Company was further optimised and improved.

4 *Bank borrowings*

As at 31 December 2014, the Company had bank borrowings of RMB2,534 million due within one year and RMB546 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB2,534 million were fixed-rate loans. The Company has maintained a favourable credit rating with banks and a sound financing capacity.

5 *Exchange risk management*

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

6 *Pledge of assets*

The Company mortgaged borrowings of RMB209 million as at the end of the period, which were related to borrowings from financial institutions secured by machinery, equipment, properties and land use rights. As at the end of the Reporting Period, this part of borrowings was not mature and repayable.

6. Main Sources and Uses of Funds

1 Cash flows from operating activities

During the Reporting Period, the Company's cash inflows from operating activities amounted to RMB40,767 million, mainly attributable to cash received from goods sold by the Company; cash outflows from operating activities amounted to RMB37,934 million, mainly attributable to payment for procurement of raw materials; net cash flows from operating activities amounted to RMB2,833 million.

2 Cash flows from investing activities

During the Reporting Period, the Company's cash inflows from investing activities amounted to RMB538 million, mainly attributable to the retrieval of investments from the disposal of the shares of Huadian Inner Mongolia and Guodian Power; cash outflows from investing activities amounted to RMB734 million, mainly attributable to investment expenditures for purchase and construction of fixed assets and investment in shares of other enterprises by the Company; net cash flows from investing activities amounted to RMB-196 million. The net cash outflows from investing activities decreased by 73.29% as compared with the same period last year.

3 Cash flows from financing activities

During the Reporting Period, the Company's cash inflows from financing activities amounted to RMB7,065 million, mainly attributable to the issuance of convertible corporate bonds amounting to RMB4 billion and the short-term borrowings from financial institutions; cash outflows from financing activities amounted to RMB3,981 million, mainly attributable to the repayment of borrowings due and the payment for interest accrued thereon by the Company, as well as the distribution of 2013 cash dividends of RMB361 million to the shareholders of the Company; net cash flows from financing activities amounted to RMB3,084 million. The net cash flows from financing activities increased by RMB2,087 million as compared with the same period last year.

7. Discussion and Analysis on Future Development

(I) Competition pattern and development trend of the industry

In 2015, power generation equipment industry is also facing new opportunities and challenges. Firstly, the world is experiencing energy crisis and climate crisis, which are double challenges, and there is greater demand for developing new energy including nuclear power, wind power and solar power to replace the traditional energy. Secondly, new changes are found in the market demand of the domestic power generation equipment industry. In such regard, active development of the natural gas, nuclear power and other clean energy, reduction in the ratio of coal consumption, and facilitating the continuous optimization of energy structure have become the main reform topics in respect of the State's energy production and consumption pattern, for a period of time in the future. Thirdly, following that the economy of China has entered into the "new normality", the economic growth is rapidly slowed now and the issue of over-capacity of power generation equipment will become more prominent. For a while in the future, the space for the development of traditional energy and thermal power will further be shrunken while the industry involving renewable energy, energy-saving and environment protection industry and the power station service will encounter with new opportunities. On the other hand, however, the competition between and among enterprises will become more and more fierce.

Under the impact of international and domestic economy and industrial development, the overall demand for power generation equipment is declining while the market competition will become more fierce and the core of competition will be reflected in product quality, functional specifications and cost. The future development of the Company will face quite some challenges including over-capacity, greater demand for properties of product and reduction in product price. In 2015, the demand for hydropower was significantly decreasing as for the domestic market. The demand for thermal power continued to decline. Yet, there is still room for the market regarding trans-regional power transmission project, coal power base project and cogeneration project within the region. Construction of nuclear power projects will gradually resume. The demand for combustion engine is generally slowed down. The demand for wind power is regaining the increase. The power station service and energy-saving and environment protection industry will maintain sustainable development. As for the international market, new development opportunities are brought by the strategy of "One Belt and One Road"(「一帶一路」) as facilitated by the State while the market competition continues to be fierce.

(II) Development strategy of the Company

The Company takes the initiative to adapt itself to such challenges and opportunities brought by the "New Normality" and is committed to reform, taking the whole situation into account. Taking economic benefits as the core and being oriented by market demand and supported by technological renovation, the Company can solidify the management basis, strengthen the risk management and enhance the quality for development. The Company will continue to be doing fine in power generation equipment manufacturing industry and to become stronger in the industry so as to strive for an increase in the market share steadily. Focusing on the general contracting for engineering and power station transformation, the Company endeavours its best efforts to develop engineering service and power station service industry and to increase the space for development of the enterprise. It actively explores and develops the energy-saving and environment protection market and implements the sustainable development of the Company.

(III) Business plan of the Company

The Company has prudently formulated 2015 operating plan by focusing on benefits, transformation, risk control and guarantee of sustainable development. The Company plans to complete a total of capacity of 27,000MW power generation equipment. Since the market competition has been fierce, the sales income and profits are in a declining trend. The Company intends to adopt the following measures for completely accomplishing the goals for the year:

Exploring the Market and Facilitating the Continuous Development of the Enterprise

The Company is endeavouring its best efforts to develop the domestic market and enhance the market share of large and medium thermal power. It actively develops the domestic general contracting business, continues to grasp the new opportunity when the State is greatly developing the pumped-storage hydroelectricity generating units and strives to acquire more orders to be placed. The Company further practically explores and develops key nuclear power projects, strives to acquire orders for new F-Class combustion engines to get a breakthrough, continues to increase the market share of wind power, and continuously expands the market share in respect of the power station service and energy-saving and environmental protection.

The Company strives to explore and develop the international market. By grasping the historical opportunity of the State's "One Road One Belt", it endeavours its best efforts to obtain more room in the market and more sources for the projects. It continues to improve the internationalized network layout, strengthens the development of new regions and new energy projects. It also improves the investment and financing systems, renovation financing mode and the measures used to enrich and explore the market.

Scientific Organization and Ensuring the Project to be Under Control

In 2015, all of the production missions of the Company will still be at the high level. The Company will strengthen the internal communication and coordination and by focusing the enhancement of auxiliary products, it will coordinate and arrange for reasonable scheduled production, and ensure the progress, key points, quality and security. It will also strengthen the control of internal and external resources and the control of the process quality and will increase the level of project management. It strengthens coordination, organizes on-site service in an orderly manner and ensures the progress of engineering construction.

Being Driven by Innovation and Facilitating the Transformation and Upgrading of the Enterprise

Targeted at the international advanced level, the Company accelerates its progress in technological renovation and continues to enhance the technical level of the major products. It also sets a three-year goal for thermal power generating units wherein such goal needs to be achieved in accelerating manner. It continues to enhance the functions of gas turbines, endeavours great efforts to promote quality enhancement and efficiency increase for the old generating units and the near zero discharge transformation work. It conducts research on 660MW and 1,000MW ultra-supercritical two-time reheat generating units; develops research and design for 1,000MW hydro turbine generating units and the research on the process and technology, conducts research and development for large and high water head pumped-storage hydroelectricity units and adjustable-speed pumped storage units; develops research on the major equipment for third-generation nuclear power CAP1400, Longhua No.1 and AP1000 nuclear island, and regular islands; completely promotes the research on 50MW gas turbines; enhances the technical level of wind power generating units and the utilization rate, and improves the double-fed direct-driven wind power generating units and product series.

Continuing to Improve and Focusing on the Enhancement of Management Level

The Company insists on the concept of delicacy management and of being benefit-oriented and develops, in depth, analysis and control of cost and expenses in full value chains, full course and full items. It actively adopts measures to reduce production cost and expenses, and strengthens accounts receivable and inventory management. The Company solidifies its goal of establishing an internationally top-notched quality brand name, strengthens the control of product quality and enhances the quality of on-site service.

Being Committed to Reform and Stimulate the Energy of Operation and Management

The Company consolidates the advantageous resources, withdraws from low-efficient capacity, implements the reform on the system and mechanism, furthers stimulates the energy and promotes the development of core business. Besides, the Company further intensifies the reform on the three systems and implements simplification and high efficiency. It optimizes the organizational structure and enhance the management efficiency.

(IV) Capital Need Required for Maintaining the Company's Existing Business and Completing Investment Projects Under Construction

In 2015, the Company expects that the cash flow generated from its operating activities will basically make a balance between revenue and expenditure and that there will be greater cash flow-out for investing activities. For purposes of effectively diminishing the stress due to insufficient fund, the Company will raise funds by maintaining appropriate balance for loans regarding the working capital and other means.

(V) Risk that May Probably Be Faced

1. Market Exploration Risk:

In presence of the domestic over-capacity is too serious to be fully digested. Moreover, the growth in power demand will probably decline further. The competition in the market of power equipment is fierce, causing exploration of market by the Company being more difficult.

Focusing the demand of the target market, the Company strengthens market strategy and continues to improve the rapid and effective market reaction mechanism for coping with the market changes. Meanwhile, the Company will further optimize the allocation of internal resources, promote the transformation and upgrading, and satisfy the market needs.

2. Risk of Recovering Payment for Goods:

Since there has been some dynamic adjustment made to the State's finance and financial policies from macroscopic view, and the progress of construction of some power stations is being slowed down, the Company is facing the risk of lengthening the time required for the recovery of payment for goods and of the difficulty in obtaining such recovery. As a result, the recovered payment for goods and cash flow generated from operating activities are decreased.

The Company is strengthening fund management, preventing fund risk, endeavouring more efforts to recover the payment for goods, ensuring that the Company's capital chain will operate normally and guaranteeing that the capital demand for production and operation will be met.

3. Project Execution Risk:

Such domestic projects currently in the hands of the Company are subject to greater impact of the economic situation and thus may probably bring with some project execution risk. The influence caused by the politics in the country where such overseas project is located, its economy, safety, policies and project schedules and quality will, in turn, give rise to the project execution risk.

By promoting the establishment of internal control system, the Company endeavours more efforts to investigation and examination of project contracts and simultaneously accelerates to facilitate the implementation of the proposal of resources integration for overseas market. In so doing, a uniform platform is formed and the resultant force is formed, resulting into the promotion of exploring the international market and enhancing the capability of preventing project risk.

4. *Risk of Benefits Decline:*

Since the growth of the domestic power market is slowed down, the following were resulted: over-capacity of power generation equipment, extremely fierce market competition, and continuously decreasing selling prices of the products. As a result, the Company's operating benefits may be subject to the risk of a significant decline.

In 2015, the Company will implement the principle of "energy saving, potential digging and efficiency enhancing"(「節約、挖潛、增效」) throughout the entire year. In addition, it will strengthen budget management and examination and will strictly control various cost items. It will strengthen the accounts receivable and inventory management, improve the operating performance examining system and enhance the incentive and bidding effect on the examination of operating performance.

5. *Material Events*

There has been no event since the end of the Period which materially affected the Company and its subsidiaries.

III. OTHER MATTERS

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

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

2. Material Acquisition and Disposal of Subsidiaries and Associates

For the year ended 31 December 2014, there was no material acquisition and disposal of subsidiary and associate.

3. External Guarantee and Performance

During the period, the Company was not involved in any external guarantee or performance of any guarantee.

4. Material Litigation and Arbitration

1. ***During the period, the Company was not involved in any material litigation or arbitration.***

2. *Other issues*

Commencing from the 2010 Annual Report and until the 2013 Annual Report, the Company disclosed the arbitration case over the technology contract disputes with US-based Foster Wheeler under "Contingent Liabilities" in all Annual Reports and Interim Reports. Such arbitration case was also disclosed under "Important Matters" in 2014 Interim Report. On 21 May 2014, Dongfang Boiler Group Co. Ltd. (東鍋股份公司), Dongfang Electric Corporation ("DEC") and US-based Foster Wheeler reached an agreement concerning that case and entered into a memorandum of understanding, whereby both parties might mutually recognized the completeness of the other party's technology for circulating fluidized-bed boilers, and any party might participate in the market competition without being restricted and within the scope of the world, so as to entirely solve all the disputes and discrepancy arising from under the licensing agreement. Such resolution for the case has not produced any impact on the Company's operating performance for the year.

5. Events after the Balance Sheet Date

(1) The "Resolution Regarding the Conditional Redemption of 'Dongfang Convertible Bonds'" (《關於有條件贖回「東方轉債」的議案》) was considered and approved on the 20th meeting of the Company's Seventh Session Board. The Company has exercised the right to conditionally redeem Dongfang Convertible Bonds and made full redemption of Dongfang Convertible Bonds registered on the register on 16 February 2015. On 17 February 2015, Dongfang Convertible Bonds were suspended for trading and transfer. On 27 February 2015, Dongfang Convertible Bonds were delisted from Shanghai Stock Exchange. For details, please refer to the Company's Announcement dated 24 February 2015.

(2) Damage claims for the delay of the Rabigh Project

In July 2009, the Company and Saudi Arabia-based Rabigh Electricity Company (沙特拉比格電力公司) entered into an independent power project (IPP) contracting contract in form of joint operations whereby the Company was committed to provide major generating units and the relevant technical services. Owing to some problems with the equipment, the generating units failed to commence commercial operation per the schedule.

Upon consultation between the Company and the Saudi Arabia owner, the Company rectified and improved the relevant equipment after the completion of the peak season for power generation in the summer of 2012. On 14 June 2013, both generating unit 1# and generating unit 2# obtained certificates for preliminary acceptance upon examination. The owner confirmed that generating unit 1# commenced the commercial operation on 14 December 2012 and that generating unit 2# commenced the commercial operation on 28 January 2013 and correspondingly, such units entered into the life of quality assurance.

In January 2015, the Company entered into an agreement with the relevant party on matters such as the improvement fees of the project and the compensation for the delay thereof. Pursuant to the agreement, the Company shall pay USD55 million in total for project improvement fees and compensation for the delay of the project. The Company had already made a reasonable estimation regarding the expense in this regard pursuant to the prudence principle in the early stage of the project. The settlement of this matter shall thus not have any impact on the operating results of the Company in 2015.

6. Employees

As at 31 December 2014, the Company had 21,379 employees. The Company adopted a remuneration system linked with performance and paid the employees in accordance with their individual performance.

7. Corporate Governance Code

The Company was in full compliance with all the code provisions under the Corporate Governance Code as set out in Appendix 14 of the Rules Governing the Listing of Securiites on the Stock Exchange of Hong Kong Limited during the period, except for the deviations from code provision A.5.6 as explained below. Code Provision A.5.6 in the Corporate Governance Code with effective from 1 September 2013 stipulates that the Nomination Committee (or the Board) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report. In order to comply with the new Code Provision A.5.6, the Board has authorized the Nomination Committee to formulate a series of diversified standards including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, and to review and supervise the effects of diversity of Board members. The Board has adopted the policy concerning diversity of Board members at the Board meeting convened on 29 April 2014.

8. Model Code for Securities Transactions

The Company has adopted 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 as the model code for the directors and supervisors. Having made specific enquiry to all directors and supervisors of the Company, the Company confirmed that as at 31 December 2014, 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.

9. Audit Committee

The Audit Committee is established under the Board of the Company and consists of three independent non-executive directors, namely, Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing. The Audit Committee has reviewed the annual results of the Company for the period, and agreed on the accounting methods adopted by the Company.

10. Information Disclosure

This announcement will be published on the website of the Stock Exchange of Hong Kong Limited (http://www.hkexnews.hk). The annual report of the Company for the year ended 31 December 2014, which contains all information as proposed in the Disclosure of Financial Information set out in the 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 the Stock Exchange of Hong Kong Limited and the Company (http://dfem.wsfg.hk) in due course.

By order of the Board
Dongfang Electric Corporation Limited
Si Zefu
Chairman

Chengdu, Sichuan, the People's Republic of China
27 March 2015

As at the date of this announcement, the Directors of the Company are as follows:

Directors:	*Si Zefu, Zhang Xiaolun, Wen Shugang, Huang Wei, Zhu Yuanchao and Zhang Jilie*
Independent non-executive Directors:	*Li Yanmeng, Zhao Chunjun and Peng Shaobing*