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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)

**PRELIMINARY ANNOUNCEMENT OF
2015 INTERIM RESULTS**

RESULTS HIGHLIGHTS

Total revenue from operations of the Group in the first half of 2015 amounted to RMB18,200 million, representing a decrease of 4.10% compared with the same period last year;

Net profit attributable to shareholders of the Group in the first half of 2015 amounted to RMB168 million, representing a decrease of 79.94% compared with the same period last year;

Earnings per share of the Group in the first half of 2015 amounted to RMB0.08, as compared with RMB0.42 for the same period last year; and

New orders of the Group in the first half of 2015 amounted to RMB21,600 million.

The board (the “**Board**”) of directors (the “**Directors**”) of Dongfang Electric Corporation Limited (the “**Company**”) is pleased to announce the unaudited interim results of the Company and its subsidiaries (the “**Group**”) for the six months ended 30 June 2015 (the “**Period**”) prepared in accordance with the China Accounting Standards for Business Enterprises. The interim results have been reviewed by the audit committee of the Company.

I. FINANCIAL INFORMATION

Consolidated Balance Sheet

At 30 June 2015

Unit: RMB

Item	Notes	Amount at the end of the period	Amount at the beginning of the year
Current assets:			
Monetary fund		16,307,394,924.46	17,822,818,071.65
Balances with clearing companies			
Placements with banks and other financial institutions			
Changes in financial assets at fair value through profit or loss		8,320,230.50	56,547,665.82
Financial derivative assets			
Bills receivable		3,414,738,241.41	2,626,992,774.70
Trade receivables	2	16,268,078,743.60	17,698,467,285.71
Prepayments		4,009,446,444.58	4,210,529,353.01
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance contracts			
Interest receivable		242,228,919.03	153,964,346.27
Dividends receivable		5,226,852.72	
Other receivables		337,460,657.14	282,414,587.72
Repurchases of sold financial assets			
Inventories		29,900,149,271.57	29,640,990,594.62
Held-for-sale assets			
Non-current assets due within one year			
Other current assets		1,063,719.60	
Total Current Assets		70,494,108,004.61	72,492,724,679.50

Item	<i>Notes</i>	Amount at the end of the period	Amount at the beginning of the year
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets		15,335,232.75	11,835,232.75
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		1,000,141,026.28	974,911,045.43
Investment properties		72,220,354.07	74,061,743.59
Fixed assets		8,121,145,632.13	8,537,913,652.38
Projects under construction		866,511,498.11	818,328,683.80
Construction materials		113,464.96	113,464.96
Disposal of fixed assets		10,657.36	9,546.86
Productive biological assets			
Oil and gas assets			
Intangible assets		959,477,232.08	988,752,792.34
Development expenses			
Goodwill			
Long-term deferred expenditures		400,750.20	475,500.18
Deferred income tax assets		1,344,360,822.64	1,331,043,153.07
Other non-current assets			
Total non-current assets		12,379,716,670.58	12,737,444,815.36
Total assets		82,873,824,675.19	85,230,169,494.86

Item	Notes	Amount at the end of the period	Amount at the beginning of the year
Current liabilities:			
Short-term borrowings		2,542,000,000.00	2,534,000,000.00
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		4,663,091,728.55	5,275,895,399.74
Trade payables	3	18,237,342,672.72	15,893,241,172.06
Receipts in advance		29,083,228,147.32	33,384,928,229.93
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable		359,926,307.39	339,885,075.65
Taxes payable		-128,214,073.37	-172,896,861.70
Interest payable			13,317,579.91
Dividends payable		212,985,155.21	3,143,316.82
Other payables		1,756,842,879.57	1,738,314,628.62
Reinsurance accounts payable			
Deposits for insurance contracts			
Brokerage fees for securities trading			
Brokerage fees for underwriting			
Held-for-sale liabilities			
Non-current liabilities due within one year		16,320,000.00	3,256,860,290.35
Other current liabilities		109,814,293.18	128,543,364.04
Total current liabilities		56,853,337,110.57	62,395,232,195.42

Item	Notes	Amount at the end of the period	Amount at the beginning of the year
Non-current liabilities:			
Long-term borrowings		245,220,000.00	545,620,000.00
Debentures payable			
Including: preference shares			
Perpetual bond			
Long-term payables		685,252.84	685,252.84
Long-term staff remuneration payable		129,098,807.75	63,585,273.19
Special payables		67,395,463.96	58,042,614.63
Estimated liabilities		1,391,011,580.76	1,228,921,362.78
Deferred income		466,281,721.17	466,149,584.34
Deferred income tax liabilities		2,650,637.58	2,667,580.34
Other non-current liabilities			
Total non-current liabilities		2,302,343,464.06	2,365,671,668.12
Total liabilities		59,155,680,574.63	64,760,903,863.54
Shareholders' equity:			
Share capital		2,336,900,368.00	2,003,860,000.00
Other equity instruments			
Including: preference shares			
Perpetual bond			
Capital reserve		8,828,539,327.93	5,895,507,792.32
Less: Treasury shares			
Other comprehensive income		-37,696,839.88	-35,879,992.16
Special reserve		37,571,874.15	22,258,212.85
Surplus reserve		674,102,684.70	674,102,684.70
Provision for general risks			
Undistributed profit	4	10,942,290,717.30	10,984,243,829.02
Total equity attributable to the shareholders of the Company		22,781,708,132.20	19,544,092,526.73
Minority Interests		936,435,968.36	925,173,104.59
Total shareholders' equity		23,718,144,100.56	20,469,265,631.32
Total liabilities and shareholders' equity		82,873,824,675.19	85,230,169,494.86

Consolidated Income Statement
January – June 2015

Unit: RMB

Item	Note	Amount for the Period	Amount for the same period last year
I. Total revenue from operations		18,204,942,335.15	18,984,168,298.81
Including: Revenue from operations	5	18,204,942,335.15	18,984,168,298.81
Interest income			
Premiums earned			
Income from fees and commissions			
II. Total cost of operations		17,996,770,209.86	18,069,976,218.98
Including: Cost of operations	5	16,035,352,153.72	15,959,657,175.55
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		146,127,592.03	114,238,005.20
Selling expenses		344,053,310.62	312,608,613.19
Administrative expenses		1,445,572,025.99	1,450,255,930.65
Finance costs		-92,120,758.21	-105,785,546.50
Impairments loss of assets		117,785,885.71	339,002,040.89
Add: Gain from changes in fair value (loss is represented by “-”)		-107,382.61	-581,709.63
Gain from investment (loss is represented by “-”)		53,752,865.84	46,468,285.97
Including: Gain from investment in associates and joint ventures		30,456,833.57	44,007,465.77
Exchange gain (loss is represented by “-”)			

Item	Note	Amount for the Period	Amount for the same period last year
III. Profit from operations			
(loss is represented by “-”)		261,817,608.52	960,078,656.17
Add: Non-operating income		47,503,584.30	46,048,632.81
Including: Gain from disposal of non-current assets		2,604,584.31	975,473.07
Less: Non-operating expenses		47,942,547.51	2,903,050.22
Including: Loss on disposal of non-current assets		3,512,621.42	1,488,576.57
IV. Total profit (total loss is represented by “-”)		261,378,645.31	1,003,224,238.76
Less: Income tax expenses	6	73,841,548.87	134,457,344.74
V. Net profit (net loss is represented by “-”)		187,537,096.44	868,766,894.02
Net profit attributable to the shareholders of the Company		168,367,921.40	839,294,368.43
Minority interests		19,169,175.04	29,472,525.59
VI. Other comprehensive income (net of tax)		-1,816,847.72	24,911,954.31
Other comprehensive income (net of tax) attributable to the owners of the Parent Company		-1,816,847.72	24,911,954.31
(1) Other comprehensive income not to be re-categorized subsequently into profit and loss			
1. Changes arising from the re-measurement 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			

Item	Note	Amount for the Period	Amount for the same period last year
(2) Other comprehensive income to be re-categorized into profit and loss		-1,816,847.72	24,911,954.31
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 financial assets at fair value through profit or loss			
3. Held-to maturity investments reclassified into available- for-sale financial assets through profit or loss			20,738,553.30
4. Effective portion of cash flow hedge through profit or loss			
5. Exchange differences on translation of financial statements denominated in foreign currencies		-1,816,847.72	4,173,401.01
6. Others			
Other comprehensive income (net of tax) attributable to minority interests			
VII. Total comprehensive income		185,720,248.72	893,678,848.33
Total comprehensive income attributable to the shareholders of the Parent Company		166,551,073.68	864,206,322.74
Total comprehensive income attributable to minority interests		19,169,175.04	29,472,525.59
VIII. Earnings per share:	7		
(1) Basic earnings per share		0.08	0.42
(2) Diluted earnings per share		0.08	0.42

NOTES TO FINANCIAL STATEMENTS

For the six months ended 30 June 2015

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 (CSRC), 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 by the Company.

2. TRADE RECEIVABLES

Unit: RMB

Item	Closing balance	Opening balance
Trade receivables	21,088,360,275.72	22,759,621,224.33
Less: provision for bad debts	4,820,281,532.12	5,061,153,938.62
Net Amount	<u>16,268,078,743.60</u>	<u>17,698,467,285.71</u>

(1) Ageing analysis of trade receivables

Unit: RMB

Age	Closing balance	Opening balance
Within one year	7,720,510,166.04	8,931,240,317.98
One to two years	3,992,166,434.27	4,370,979,214.25
Two to three years	2,549,623,458.90	2,270,756,892.38
Three to four years	1,058,724,300.23	1,463,943,053.32
Four to five years	947,054,384.16	661,547,807.78
Net Amount	<u>16,268,078,743.60</u>	<u>17,698,467,285.71</u>

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

Unit: RMB

Item	Closing balance	Opening balance
Within one year	14,619,671,807.49	12,977,628,977.72
One to two years	1,814,042,912.19	1,264,207,705.15
Two to three years	547,439,310.98	506,798,306.37
Over three years	<u>1,256,188,642.06</u>	<u>1,144,606,182.82</u>
Total	<u><u>18,237,342,672.72</u></u>	<u><u>15,893,241,172.06</u></u>

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

Unit: RMB

Item	Amount	Proportion of appropriation or distribution
Closing balance of the previous year	10,984,243,829.02	
Opening balance of this period	10,984,243,829.02	
Add: Net profit attributable to share holders of the Parent Company for this period	168,367,921.40	
Less: appropriations to the statutory surplus reserve		10%
Dividends payable on ordinary shares	<u>210,321,033.12</u>	
Closing balance of this period	<u>10,942,290,717.30</u>	

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 2014 approved at the 2014 annual general meeting of the Company held on 26 June 2015, namely, a cash dividend for the year of 2014 of RMB0.09 (tax inclusive) for each share to each shareholder, totaling RMB210,321,033.12 (tax inclusive), as calculated based on the Company's total share capital of 2,336,900,368 as at the end of 2014.

5. REVENUE FROM OPERATIONS AND COST OF OPERATIONS

Unit: RMB

Item	Amount for the current period		Amount for the previous period	
	Revenue	Cost	Revenue	Cost
Principal operations	17,833,091,716.52	15,708,841,895.17	18,837,757,392.66	15,883,965,022.38
Other operations	371,850,618.63	326,510,258.55	146,410,906.15	75,692,153.17
Total	18,204,942,335.15	16,035,352,153.72	18,984,168,298.81	15,959,657,175.55

6. INCOME TAX EXPENSES

Unit: RMB

(1) Income Tax Expenses

Item	Amount for the current period	Amount for the previous period
Income tax for this period	58,531,250.00	110,043,846.58
Including: PRC	58,531,250.00	110,043,846.58
India		
Hong Kong		
Other regions		
Deferred income tax	15,310,298.87	24,413,498.16
Total	73,841,548.87	134,457,344.74

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

7. EARNINGS PER SHARE

Unit: RMB

(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.

Procedures for calculating weighted average number of ordinary shares:

Item	The current period	The previous period
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 period	<u>2,336,900,368.00</u>	<u>2,003,860,000.00</u>

(2) Diluted earnings per share

Since there was no dilution effect on the share equity during the Period (no dilution effect during the same period of the previous year), the diluted earnings per share equals to the basic earnings per share.

8. SEGMENT INFORMATION

Unit: RMB

Reportable segments for the current period

Item	High-efficiency clean power generation equipments	New energy	Hydropower and environmental equipments	Engineering and services	Others	Write-off	Total
Revenue from operations	17,919,606,714.16	3,365,931,864.67	1,033,841,313.24	2,787,929,630.55	371,850,618.63	7,274,217,806.10	18,204,942,335.15
Including: Revenue from external transactions	12,093,664,187.86	1,877,141,546.71	1,033,841,313.24	2,828,444,668.71	371,850,618.63		18,204,942,335.15
Revenue from inter-segment transactions	5,825,942,526.30	1,488,790,317.96		-40,515,038.16		7,274,217,806.10	-
Costs of operations	16,235,996,186.05	3,163,294,548.59	931,763,996.02	2,440,398,004.10	326,510,258.55	7,062,610,839.59	16,035,352,153.72
Write off of costs	5,465,081,032.87	1,501,381,093.66		96,148,713.06		7,062,610,839.59	-
Period costs					1,929,569,170.12	21,796,597.21	1,907,772,572.91
Profit (Loss) from operations	1,683,610,528.11	202,637,316.08	102,077,317.22	347,531,626.45	-1,884,228,810.04	189,810,369.30	261,817,608.52
Total assets					124,417,696,745.36	41,543,872,070.17	82,873,824,675.19
Including: amount of the substantial impairment loss on a single asset							-
Total liabilities					90,770,681,599.51	31,615,001,024.88	59,155,680,574.63
Supplemental information							-
Capital expenditure							-
Recognized impairment loss of the period					284,948,345.68	167,162,459.97	117,785,885.71
Including: amortisation of impairment of goodwill							-
Depreciation and amortization					572,056,541.34		572,056,541.34
Non-cash expenses other than impairment loss, depreciation and amortisation							-

Reportable segments for the same period of the previous year

Item	High-efficiency clean power generation equipments	New energy	Hydropower and environmental equipments	Engineering and services	Others	Write-off	Total
Revenue from operations	16,696,619,809.19	2,637,774,035.41	2,132,210,284.63	2,729,331,109.11	146,410,906.15	5,358,177,845.68	18,984,168,298.81
Including: Revenue from external transactions	11,887,442,477.01	2,160,256,146.00	1,976,227,988.71	2,813,830,780.94	146,410,906.15		18,984,168,298.81
Revenue from inter-segment	4,809,177,332.18	477,517,889.41	155,982,295.92	-84,499,671.83		5,358,177,845.68	-
Costs of operations	14,577,216,285.97	2,366,044,765.55	1,832,223,066.30	2,466,356,503.30	75,692,153.17	5,357,875,598.74	15,959,657,175.55
Write off of costs	4,722,795,167.93	477,573,444.97	140,878,462.78	16,628,523.06		5,357,875,598.74	-
Period costs					2,089,614,411.54	25,181,944.45	2,064,432,467.09
Profit (Loss) from operations	2,119,403,523.22	271,729,269.86	299,987,218.33	262,974,605.81	-2,018,895,658.56	-24,879,697.51	960,078,656.17
Total assets					115,824,547,089.29	36,992,245,784.96	78,832,301,304.33
Including: amount of the substantial impairment loss on a single asset							-
Total liabilities					87,218,066,120.60	27,518,213,205.81	59,699,852,914.79
Supplemental information							-
Capital expenditure							-
Recognized impairment loss of the period					459,380,690.64	120,378,649.75	339,002,040.89
Including: amortisation of impairment of goodwill							-
Depreciation and amortization					599,906,839.72		599,906,839.72
Non-cash expenses other than impairment loss, depreciation and amortisation							-

9. GAIN FROM INVESTMENT IN ASSOCIATES AND JOINT VENTURES:

Unit: RMB

No.	Investee	Balance at the beginning of the year	Balance of impairment provision at the beginning of the period	Additional investment	Reduction in investment	Changes during the period			Announcement on the distribution of cash dividends or profit	Provision for impairment	Others	Balance at the end of the period
						Losses/gains from investment based on the equity method	Adjustment on other comprehensive income	Changes in other equity				
I.	Joint ventures	412,942,724.55				24,747,871.00			5,226,852.72			432,463,742.83
1.	Eastern Areva Nuclear Pump Co., Ltd. (東方阿海法核泵有限 責任公司)	246,171,180.71				20,097,507.36						266,268,688.07
2.	MHPS Dongfang Boiler Co., Ltd. (東 方菱日鍋爐有限公司)	166,771,543.84				4,650,363.64			5,226,852.72			166,195,054.76
II.	Associates	561,968,320.88				5,708,962.57						567,677,283.45
1.	Mitsubishi Heavy Industries Gas Turbine Co., Ltd. (三菱重工東方 燃氣輪機有限公司)	418,128,267.03				305,862.68						418,434,129.71
2.	Leshan Swing Co., Ltd. (樂山市 東樂大件吊運有限公司)	24,820,088.02				706,549.31						25,526,637.33
3.	Sichuan Nengtou Wind Power Development Co., Ltd. (四川省 能投風電開發有限公司)	99,019,965.83				4,503,968.99						103,523,934.82
4.	Huadian Longkou Wind Power Co., Ltd. (華電龍口風電有限公司)	20,000,000.00				192,581.59						20,192,581.59
Total		974,911,045.43				30,456,833.57			5,226,852.72			1,000,141,026.28

10. NET CURRENT ASSETS

Unit: RMB

Item	Closing balance	Opening balance
Current assets	70,494,108,004.61	72,492,724,679.50
Less: current liabilities	<u>56,853,337,110.57</u>	<u>62,395,232,195.42</u>
Net current assets	<u>13,640,770,894.04</u>	<u>10,097,492,484.08</u>

11. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB

Item	Closing balance	Opening balance
Total assets	82,873,824,675.19	85,230,169,494.86
Less: current liabilities	<u>56,853,337,110.57</u>	<u>62,395,232,195.42</u>
Total assets less current liabilities	<u>26,020,487,564.62</u>	<u>22,834,937,299.44</u>

12. DIVIDENDS

The Board does not recommend the payment of interim dividends for 2015.
(Interim dividend for the same period in 2014: Nil.)

II. MANAGEMENT DISCUSSION AND ANALYSIS

Review of the Overall Operation during the Reporting Period

During the reporting period, confronted with the severe situation of manufacturing and operation, the Company proactively carried out various manufacturing and operation activities and achieved the production target of completing half of the production volume. However, due to the continuous slow growth of the domestic electricity market, intensive over-capacity of power generation equipment and extremely intense market competition, the sales prices of the products generating revenues dropped during the period, resulting in the sharp decreases in gross profit margin of products and the Company's profits as compared to the same period last year.

Completion of Operation Indicators

During the reporting period, in accordance with the PRC Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB18,205 million, representing a decrease of 4.10% over the same period last year; net profit attributable to shareholders of the Company of RMB168 million, representing a decrease of 79.94% over the same period last year; earnings per share of RMB0.08; and gross profit margin for principal operations was 11.91%, representing a decrease of 3.77 percentage points over the same period last year.

Capacity of Power Generation Equipments

During the reporting period, the Company produced power generation equipments with total capacity of 18,895MW, up 5.7% year on year, fulfilling the production target of completing half of the production volume with a half year. These equipment included 13 hydro-electric turbine generator sets (1,439MW), down 38.6% year on year; 36 steam turbine generators (16,735MW), up 10.6% year on year; and 403 wind turbine generator sets (721MW), up 82.8% year on year; 35 power station boilers (16,092MW), up 51.2% year on year; and 52 power station steam turbines (16,254MW), up 2.3% year on year.

Market Orders

In the first half of this year, affected by the overseas and domestic economy and industry development, the demand in the electricity equipment industry was continuously low. Confronted with severe market situation, all of the staff of the Company endeavored to make some progress in an active manner through its unremitting efforts to ensure the market shares in hydroelectric, utility boiler, and gas turbine markets. In addition, the Company made good performance in power plant services and overseas markets.

The Company's new orders amounted to RMB21.6 billion, of which export orders amounted to approximately RMB4,700 million, accounting for 21.9%. Among the new orders during the first half of the year, 42.1% of the new orders was attributable to high-efficiency clean energy, 18.5% to new energy, 24.5% to water energy and environmental protection, and 14.9% to engineering and services.

As at 30 June 2015, the Company had orders in hand of RMB124.1 billion, among which high-efficiency clean energy accounted for 62.9%, new energy accounted for 14.8%, water energy and environmental protection accounted for 6.7%, and engineering and services accounted for 15.6%. Export orders accounted for 11.7% of all of the orders in hand.

Production and Project Construction

In the first half of the year, 1# and 2# Hohhot Pumped Storage Generation Units with the installed capacity of 300MW each successfully completed the double-machine load test. Reformed efficient 1,000MW Thermal-Shenhua Wanzhou 1# Generation Unit, the first one of DEC, and 1# Generation Unit of Huaneng Anyuan Power Plant, the first 660MW ultra-supercritical two-stage reheat power generation unit in the PRC, have passed the 168-hour pilot run. Fangjiashan No. 2, Yangjiang No. 2, Ningde No. 3 Generation Units and Hongyanhe No. 3 Generation Unit have been equipped with the commercial operation conditions. The equipment of Hongyanhe No. 4 Generation Unit has been installed, and the unit awaits carrying forward. The Company completed the delivery of equipment of Dongshan, Qishuyan Gas Turbine Projects. In addition, we also achieved the timely output of a series of key wind power projects, including Huaneng Sichuan Butuobuer, CECEP Mazongshan and Bracken, Sweden.

The engineering construction has been carried out as planned. Nos. 2 and 3 gas turbines of the Nandipur Project in Pakistan passed the 14-successive-day feasibility operation test and realized the first combined cycle grid-connected power generation. Bracken Wind Power Project Phase III in Sweden has delivered all of its equipment, and completed the pre-installation of 26 units and the main installation of 2 units.

Enhancement of Internal Management, Improvement of Quality Development

The Company deeply carried out the work of “energy saving, potential digging and efficiency enhancing” (“節約、挖潛、增效”). During the first half of the year, the total amount of five categories of expenses, including travel expenses and administrative expenses, decreased year on year obviously. Due to strengthening of recovery of payment of goods and intensification of inventory management, the balance of receivables decreased year on year in the first half of year. Furthermore, the Company further reinforced the centralized procurement, standardized the procurement management behaviors and improved the management efficiency through further optimisation of resource allocation. In the first half of the year, Dongfang Electric Wind Power Co., Ltd. (東方電氣風電有限公司) was officially established, which achieved the all-round integration of the market, technique, manufacturing and services of the wind power business of the Company. The completion of conversion of RMB4 billion convertible corporate bonds facilitated the stable development of the corporate.

OUTLOOK FOR THE SECOND HALF

In the second half of 2015, under the heavy pressure of downward trend of domestic economy and the slow growth of domestic electricity demand, the demand on electricity equipment will continue to maintained at a low level. The restart of nuclear power industry will carry out steadily, the demand of thermal power tends to remain stable and so does the demand on wind power. However, the demand on hydroelectricity will begin to drop and the demand on turbines will remain at a low level. The power plant services and environmental protection business will keep a continuous development momentum. In respect of the international market, new development opportunities will come up as a result of the policy of “One Belt, One Road” which the state endeavors to promote. Meanwhile, the market competition will intensify continuously.

Facing the severe domestic and overseas market conditions and the downturn of corporate business performance, the Company will spare effort in expanding the domestic and overseas markets. Through accelerating the technical upgrade, we will improve the technical level of principal products to enhance their competitiveness. Moreover, the Company will further reinforce internal management and deepen the reform to establish and optimise the corporate mechanisms and systems, for the purpose of improving the quality development. Aiming to realize cost decreasing and benefit increasing, we will strengthen the management and control of each cost to steadily promote the centralized procurement. By virtue of enhancing project management and the all-round control over products, the Company will enhance the re-collection of payment of goods and control the operation risks in order to achieve the steady development of the Company.

(I) Analysis of Principal Operations

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

Unit : RMB

Item	Amount for the Period	Amount for the same period of the previous year	Change (%)
Operating revenue	18,204,942,335.15	18,984,168,298.81	-4.10
Operating cost	16,035,352,153.72	15,959,657,175.55	0.47
Selling expenses	344,053,310.62	312,608,613.19	10.06
Administrative expenses	1,445,572,025.99	1,450,255,930.65	-0.32
Finance costs	-92,120,758.21	-105,785,546.50	12.92
Net cash flows from operating activities	-996,341,998.43	131,877,492.15	-855.51
Net cash flows from investing activities	-130,422,026.36	-451,631,145.18	71.12
Net cash flows from financing activities	-380,750,913.92	-891,801,628.25	57.31
Research and development expenses	364,958,228.29	378,657,576.57	-3.62

2. Top five sales customers and suppliers

(1) Major sales customers

During the reporting period, the Company's revenue from operation derived from its top five customers amounted to RMB3,791 million, accounting for 20.82% of the Group's total revenue from operation.

(2) Major suppliers

During the reporting period, the Company's procurement from its top five suppliers amounted to RMB1,344 million, accounting for 10.29% of the Group's total procurement.

3. Cash flows

Unit : RMB

Item	Amount for the Period	Amount for the same period of the previous year	Change (%)
Net cash flows from operating activities	-996,341,998.43	131,877,492.15	-855.51
Cash received from disposal of investments	79,781,534.98	39,013,662.90	104.50
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets	189,572,332.34	443,198,750.89	-57.23
Cash paid for investment	23,627,240.00	51,000,000.00	-53.67
Cash paid for distribution of dividends or profits and for interest expense	71,854,115.04	432,298,790.37	-83.38

- (1) Net cash inflows from operating activities decreased by 855.51% year-on-year, mainly due to the decrease in payments received by the Company for products sold during the period.
- (2) Cash received from disposal of investments increased by RMB41 million year-on-year, mainly due to the cash received from disposal of investments in stocks during the period.
- (3) Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets decreased by 57.23% year-on-year, mainly due to the decrease in expenses for investment in currencies resulted from the strict control over the investment scale in fixed assets of the Company.
- (4) Cash paid for investment decreased by 53.67% year-on-year, mainly due to the reduction in external equity interest investment projects of the Company during the period.
- (5) Cash paid for distribution of dividends or profits and for interest expense decreased by 83.38% year-on-year, mainly because the Company has not paid the cash dividend for the previous year during the period.

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

1. Principal operations by industry and product

Unit: RMB

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 (percentage point)
Clean high efficiency power generation equipments	12,093,664,187.86	10,770,915,153.18	10.94	1.73	9.30	-6.16
New energy	1,877,141,546.71	1,661,913,454.93	11.47	-13.11	-12.00	-1.11
Water energy and environmental equipments	1,033,841,313.24	931,763,996.02	9.87	-47.69	-44.91	-4.55
Engineering and services	2,828,444,668.71	2,344,249,291.04	17.12	0.52	-4.31	4.18
Total	17,833,091,716.52	15,708,841,895.17	11.91	-5.33	-1.10	-3.77

- (1) The Company maintained the momentum of steady development in the period. Affected by the revenue from new energy, water energy and environmental equipment, sales revenue for the period from principal operations slightly decreased by 5.33% as compared with the same period of the previous year.
- (2) During the period, the operating revenue from clean high-efficiency power generation equipments increased by 1.73% as compared with the same period last year, mainly due to an increase of 5.56% in revenue from thermal power. The gross profit margin of clean high-efficiency power generation equipments decreased by 6.16 percentage points as compared with the same period last year, and the gross profit margins of thermal power, nuclear power conventional island and turbine decreased to different extent respectively.
- (3) The revenue from the new energy decreased by 13.11% as compared with the same period last year, mainly due to the decrease of 23.95% in sales of the wind power projects during the period.

- (4) The revenue from water energy and environmental equipments decrease by 47.69% as compared with the same period last year, mainly due to the decrease of 44.53% in sales of water energy projects. Meanwhile, the gross profit margin of water energy and environmental equipments declined by 4.55 percentage points, the gross profit margins of water energy and environmental equipments decreased to different extent respectively.
- (5) The gross profit margin of engineering and services increased by 4.18 percentage points as compared with the same period last year, mainly due to the increase in gross profit margin of engineering during the period.

2. *Principal operations by region*

Unit: RMB

Region	Operating revenue	Year-on-year increase/decrease in operating revenue (%)
PRC	14,214,594,386.07	-2.15
Overseas	<u>3,618,497,330.45</u>	<u>-16.05</u>
Total	<u><u>17,833,091,716.52</u></u>	<u><u>-5.33</u></u>

(III) Analysis of Major Subsidiaries and Investees

Unit: RMB'00 million

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 equipments, wind generating sets , solar and renewable energy; industrial control and automation; the research, design, in-stallation, alteration and maintenance services of the power stations and the corresponding equipments; mechanical equipment and accessories as well as the related import and export business	18.46	364.17	35.14	70.07	0.32	-0.08
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipments, generators, AC and DC motors; the design manufacturing and sales of control equipments; the trans-formation of power stations, the installation of power station equipments	20.00	143.72	41.12	25.35	0.04	0.10
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station auxiliary equipments, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste, treatment etc.)	16.06	226.25	51.58	64.89	1.35	1.30
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd	65.1813%	The enterprise cannot produce and deal in the products prohibited by national laws and regulations; projects which are subject to special approval are prohibited without approval; other projects are free to run.	11.51	36.25	15.81	6.77	0.50	0.42
Dongfang Electric Wind Power Co., Ltd. (東方電氣風電有限公司)	100%	Design, manufacturing, sales and service of wind power generation units, and the technology import, development and application; construction and operation of wind power plants, manufacturing and sales of wind power generation unit accessories; technical services and technical consultancy in relation to wind turbine manufacturing and the construction and operation of wind power plants; import and export business of wind power generation units and its accessories as well as the relevant techniques	8.20	39.74	7.28	3.99	0.08	0.05

(IV) 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 Period	Amount for the same period of the previous year	Year-on-year increase/decrease (%)
Operating revenue	18,204,942,335.15	18,984,168,298.81	-4.10
Selling expenses	344,053,310.62	312,608,613.19	10.06
Administrative expenses	1,445,572,025.99	1,450,255,930.65	-0.32
Finance costs	-92,120,758.21	-105,785,546.50	12.92
Impairment loss of assets	117,785,885.71	339,002,040.89	-65.26
Total profit	261,378,645.31	1,003,224,238.76	-73.95
Income tax expenses	73,841,548.87	134,457,344.74	-45.08
Net profit	187,537,096.44	868,766,894.02	-78.41
Net profit attributable to shareholders of the Company	168,367,921.40	839,294,368.43	-79.94

- (1) The revenue from operations of the Company remained at the same level to that for the same period last year, with sales revenue decreased by 4.10% as compared with the same period last year.
- (2) Selling expenses for the period increased by 10.06% as compared with the same period last year, mainly due to the increase in actual costs in product quality warranty expenses of the Company during the period.
- (3) Administrative expenses for the period decreased by 0.32% as compared with the same period last year, mainly due to a year-on-year decrease of 3.62% in the research and development expenses, a year-on-year decrease of 51.51% in the business entertainment expenses and a year-on-year decrease of 11.17% in tax during the period.
- (4) Finance costs of the Company for the period increased by 12.92% as compared with the same period last year, mainly due to the impact of changes in exchange rates on profit and loss.

- (5) Total profit and net profit attributable to shareholders of the Company for the period decreased by 73.95% and 79.94% as compared with the same period last year, respectively, mainly due to revenue of the Company for the period recorded a year-on-year decrease, and the sales gross profit margin of principal operations witnessed a year-on-year decrease of 3.77 percentage points at the same time.

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

As at the end of the reporting period, the Company's total assets amounted to RMB82,874 million, decreased by 2.76% as compared with the beginning of the year, mainly attributable to a 8.50% decrease in monetary capital and a 8.08% decrease in account receivables; total liabilities amounted to RMB59,156 million, decreased by 8.66% as compared with the beginning of the year; and shareholders' equity amounted to RMB23,718 million, up by 15.87% as compared with the beginning of the year, mainly attributable to a 49.75% increase in capital reserve after the convertible bonds converted into shares of the Company in the period.

3. *Gearing ratio*

Gearing ratio = total liabilities/total assets × 100%

Item	As at the end of the period	As at the beginning of the period	Year-on-year increase/decrease (percentage points)
Gearing ratio (%)	71.38	75.98	-4.6

The Company's gearing ratio as at the end of the period was 71.38%, representing a decrease of 4.60 percentage point as compared with the beginning of the year. The financial position of the Company was further optimized and improved.

4. *Bank borrowings*

As at 30 June 2015, the Company had financial institution borrowings of RMB2,542 million due within one year and RMB245 million due beyond one year. The Company's borrowings and cash and cash equivalents are dominated in RMB. In particular, RMB2,787 million were fixed-rate borrowings. The Company has maintained favorable credit rating with banks and 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 adopts exchange rate hedging instruments including forward exchange settlement for hedging purpose to limit the risks arising from exchange rate fluctuations.

6. *Pledge of assets*

At the end of the Period, the Company had pledged borrowings of RMB144 million, which were the borrowings from Dongfang Electric Finance Company Limited by pledging fixed assets and intangible assets from the Group.

(V) Material Events

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

III. OTHER MATTERS

(I) PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

The "Resolution in respect of the Conditional Redemption of Dongfang Convertible Bonds" was considered and approved at the twentieth meeting of the seventh session of the Board of the Company. The Company has exercised its right of conditional redemption for Dongfang Convertible Bonds to redeem all outstanding Dongfang Convertible Bonds which appear on the register of bonds on 16 February 2015. A total of RMB3,996,503,000 of A share convertible bonds has been converted to A shares of the Company, with the aggregate number of converted shares amounts to 333,040,368 shares from the conversion beginning date (12 January 2015) to the "redemption record date" (16 February 2015). The remaining of RMB3,497,000 A share convertible bonds have been redeemed on 17 February 2015. Since 17 February 2015, trading and conversion of "Dongfang Convertible Bonds" has been suspended. Starting from 27 February 2015, "Dongfang Convertible Bonds" has been delisted from the Shanghai Stock Exchange. For details, please refer to the announcement of the Company dated 24 February 2015.

Save as the redemption of “Dongfang Convertible Bonds”, during the Period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company’s listed securities.

(II) MATERIAL ACQUISITION AND DISPOSAL OF SUBSIDIARIES AND ASSOCIATES

For the six months ended 30 June 2015, there was no major acquisition or disposal of subsidiary or associate.

(III) EXTERNAL GUARANTEE AND PERFORMANCE

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

(IV) MATERIAL LITIGATION, ARBITRATION AND MATTERS COMMONLY QUESTIONED BY THE MEDIA

The Company was not involved in any material litigation, arbitration or matters commonly questioned by the media during the Period.

(V) EMPLOYEES

As at 30 June 2015, the Company had 24,658 employees. The Company carried out remuneration management in accordance with management rules for total remuneration, employee salary and labour employees and other relevant systems.

(VI) CORPORATE GOVERNANCE CODE

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

(VII) 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 as at 30 June 2015, 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.

(VIII) AUDIT COMMITTEE

The Board has set up an audit committee comprising three independent non-executive Directors, namely, Mr. Chen Zhangwu, Mr. Gu Dake and Mr. Xu Haihe. Mr. Xu Haihe, the independent non-executive Director holds the post of the chairman. The audit committee has reviewed the interim results of the Company for the Period, and agreed with the accounting treatment method adopted by the Company.

(IX) INFORMATION DISCLOSURE

This announcement will be published on the website of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>). The interim report of the Company for the period ended 30 June 2015, 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
28 August 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: *Chen Zhangwu, Gu Dake and Xu Haihe*