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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)

RESULTS ANNOUNCEMENT FOR THE YEAR 2015

FINANCIAL HIGHLIGHTS

- Total operating revenue of the Company in 2015 amounted to RMB36.018 billion, representing a decrease of 7.73% as compared with the corresponding period of 2014;
- Net profit attributable to the shareholders of the Company in 2015 amounted to RMB439 million, representing a decrease of 65.65% as compared with the corresponding period of 2014;
- Earnings per share of the Company in 2015 were RMB0.19;
- New orders of the Company in 2015 were approximately RMB37 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 2015 (the “**Reporting Period**”) prepared in accordance with the China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

Consolidated Balance Sheet

31 December 2015

Unit: RMB

Item	Note	Year Ending balance	Year Beginning balance
Current Assets:			
Monetary fund		21,087,539,125.49	17,822,818,071.65
Clearing provision			
Funds for lending			
Financial assets at fair value through profit or loss		36,079,098.10	56,547,665.82
Derivative financial assets			
Bills receivable		4,340,955,431.92	2,626,992,774.70
Accounts receivable	2	17,290,192,715.92	17,698,467,285.71
Prepayments		3,299,961,538.85	4,210,529,353.01
Premium receivable			
Reinsurance accounts receivable			
Provision for reinsurance contract receivable			
Interests receivable		297,206,934.58	153,964,346.27
Dividends receivable			
Other receivables		366,296,279.41	282,414,587.72
Purchase redeemable financial assets			
Inventories		26,899,590,387.82	29,640,990,594.62
Assets classified as held-for-sale			
Non-current assets due within one year			
Other current assets		335,373,683.92	612,453,891.64
Total Current Assets		73,953,195,196.01	73,105,178,571.14

Unit: RMB

Item	Note	Year Ending balance	Year Beginning balance
Non-current Assets:			
Issued loans and advances			
Available-for-sale financial assets		3,100,000.00	11,835,232.75
Held-to-maturity investments			
Long-term receivable			
Long-term equity investment		1,066,013,723.84	974,911,045.43
Investment properties		70,560,947.99	74,061,743.59
Fixed assets		8,099,246,237.21	8,537,913,652.38
Construction in progress		447,801,742.11	818,328,683.80
Construction materials		113,464.96	113,464.96
Disposal of fixed assets		24,979.33	9,546.86
Productive biological assets			
Oil and gas assets			
Intangible assets		946,229,278.85	988,752,792.34
Development expenditure			
Goodwill			
Long-term deferred expenses		344,000.22	475,500.18
Deferred income tax assets		1,547,269,129.51	1,331,043,153.07
Other non-current assets		524,564.64	
Total Non-current Assets		12,181,228,068.66	12,737,444,815.36
Total Assets		86,134,423,264.67	85,842,623,386.50

Unit: RMB

Item	Note	Year Ending balance	Year Beginning balance
Current Liabilities:			
Short-term loans		1,642,000,000.00	2,534,000,000.00
Borrowings from Central Bank			
Absorbed deposits and interbank deposits			
Borrowing funds			
Financial liabilities at fair value through profit or loss		5,853,124.58	
Derivative financial liabilities			
Bills payable		4,657,772,328.81	5,275,895,399.74
Accounts payable	3	15,179,533,382.72	15,893,241,172.06
Receipts in advance		34,846,467,692.38	33,384,928,229.93
Funds arising from selling repo financial assets			
Commission and fees payable			
Staff remuneration payable		396,074,204.46	339,885,075.65
Taxes payable		518,222,871.19	439,557,029.94
Interests payable		1,776,111.10	13,317,579.91
Dividends payable		3,144,122.09	3,143,316.82
Other payables		1,774,765,747.04	1,738,314,628.62
Reinsurance accounts payable			
Provision for insurance contract			
Funds arising from acting trading of securities			
Funds arising from acting underwriting of securities			
Liabilities classified as held-for-sale			
Non-current liabilities due within one year		354,320,000.00	3,256,860,290.35
Other current liabilities		103,512,042.66	128,543,364.04
Total Current Liabilities		59,483,441,627.03	63,007,686,087.06

Unit: RMB

Item	Note	Year Ending balance	Year Beginning balance
Non-Current Liabilities:			
Long-term borrowings		718,820,000.00	545,620,000.00
Debtentures payable			
Including: Preferred shares			
Perpetual liabilities			
Long-term payable			685,252.84
Long-term remuneration payable		142,868,920.51	63,585,273.19
Specified payable		58,062,614.63	58,042,614.63
Estimated liabilities		1,330,193,012.30	1,228,921,362.78
Deferred income		408,634,664.10	466,149,584.34
Deferred income tax liabilities		14,813,276.16	2,667,580.34
Other non-current liabilities			
Total Non-current Liabilities		2,673,392,487.70	2,365,671,668.12
Total Liabilities		62,156,834,114.73	65,373,357,755.18
Shareholders' Equity:			
Share capital		2,336,900,368.00	2,003,860,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual liabilities			
Capital reserves		8,828,516,983.85	5,895,507,792.32
Less: Treasury shares			
Other Comprehensive income		-34,093,733.04	-35,879,992.16
Special reserves		33,167,401.60	22,258,212.85
Surplus reserves		730,751,423.51	674,102,684.70
Provision for general risk			
Undistributed profit	4	11,156,346,701.91	10,984,243,829.02
Total equity attributable to shareholders of the Parent Company		23,051,589,145.83	19,544,092,526.73
Non-controlling interests		926,000,004.11	925,173,104.59
Total Shareholders' Equity		23,977,589,149.94	20,469,265,631.32
Total Liabilities and Shareholders' Equity		86,134,423,264.67	85,842,623,386.50

Consolidated Income Statement
31 December 2015

Unit: RMB

Item	Note	Amount for the year	Amount for last year
I. Total revenue from operations		36,017,943,700.32	39,036,164,758.11
Including: Revenue from operations	5	36,017,943,700.32	39,036,164,758.11
Interest income			
Insurance premiums earned			
Income from fees and commissions			
II. Total cost of operations		35,804,857,985.80	37,955,204,556.76
Including: Cost of operations	5	29,959,761,391.90	32,495,805,650.91
Interest expenditure			
Fee and commission expenses			
Surrender expenditure			
Net expenditure for compensation payments			
Net provision for insurance contracts			
Expenditures for insurance policy dividend			
Reinsurance costs			
Business taxes and surtaxs		330,076,838.27	237,862,591.50
Selling expenses		964,883,532.33	891,929,315.24
Administrative expense		3,361,762,730.46	3,609,660,296.95
Financial costs		-477,001,415.20	-181,276,960.93
Impairments loss of assets		1,665,374,908.04	901,223,663.09
Add: Gains from change in fair value			
("-" means losses)		-20,939,890.13	32,613,219.56
Gain from investment ("-" means losses)		191,836,520.22	212,025,971.91
Including: Gains from investment in associates and joint ventures		165,611,516.59	224,899,720.65
Exchange gain ("-" means losses)			
III. Operating profit ("-" means losses)		383,982,344.61	1,325,599,392.82
Add: Non-operating Income		227,912,649.23	204,916,321.37
Including: Gain from disposal of non-current assets		17,450,857.66	1,795,668.59
Less: Non-operating expense		78,995,557.02	28,173,377.79
Including: Loss from disposal of non-current assets		4,044,719.71	3,705,605.38

Unit: RMB

Item	Note	Amount for the year	Amount for last year
IV. Total Profit (“-” means losses)		532,899,436.82	1,502,342,336.40
Less: Income tax expense	6	73,401,825.32	181,725,615.62
V. Net Profit (“-” means losses)		459,497,611.50	1,320,616,720.78
Net profit attributable to the shareholders of the Parent Company		439,072,644.82	1,278,258,405.62
Gains/losses on minority shareholders’ equity		20,424,966.68	42,358,315.16
VI. Net amount of other comprehensive income, net of tax		1,786,267.55	122,704,970.98
Other comprehensive income attributable to shareholders of the Parent Company, net of tax		1,786,259.12	122,704,970.98
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss			
1. Changes of net liabilities or net assets arising from the re-measurement of defined benefit plans			
2. Share of other comprehensive income (that will not be reclassified subsequently to profit or loss) of investees accounted for using equity method			
(II) Other comprehensive income that may be reclassified subsequently to profit or loss		1,786,259.12	122,704,970.98
1. Share of other comprehensive income of the investees which can be reclassified into profit or loss under equity method subsequently			
2. Profit or loss from changes in fair value of available-for-sale financial assets			122,732,584.60
3. Profit or loss from held-to-maturity investment reclassified as available-for-sale financial assets			
4. Effective portion of profit or loss from cash flows hedges			
5. Exchange differences from translation of financial statements		1,786,259.12	-27,613.62
6. Others			
Other comprehensive income attributable to minority shareholders, net		8.43	
VII. Total comprehensive income		461,283,879.05	1,443,321,691.76
Total comprehensive income attributable to the shareholders of the parent company		440,858,903.94	1,400,963,376.60
Total comprehensive income attributable to minority shareholders		20,424,975.11	42,358,315.16
VIII. Earnings per share:	7		
(I) Basic earnings per share		0.19	0.64
(II) Diluted earnings per share		0.19	0.59

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2015

I. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements have been prepared on a going concern basis, in accordance with Accounting Standards for Business Enterprises and the relevant requirements (collectively, the “**Accounting Standards for Business Enterprises**”) issued by the Ministry of Finance of the PRC and the disclosure requirements under Rules No.15 for Information Disclosure by Companies Offering Securities to the Public - General Provisions on Financial Statements (Revised 2014) of the China Securities Regulatory Commission, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Hong Kong Companies Ordinance based on the accounting policies and accounting estimates as implemented by the Company.

2. Going concern

The Group considers that it is reasonable to prepare the financial statements on a going concern basis given the recent profit-making history and sourced financial support of the Group.

2. ACCOUNTS RECEIVABLE

Unit: RMB

Item	Amount at the end of the year	Amount at the beginning of the year
Accounts receivable	22,651,799,981.91	22,759,621,224.33
Less: provision for bad debts	5,361,607,265.99	5,061,153,938.62
Net amount	<u>17,290,192,715.92</u>	<u>17,698,467,285.71</u>

(1) Ageing analysis of accounts receivable

Unit: RMB

Age	Amount at the end of the year	Amount at the beginning of the year
Within 1 year	8,618,798,739.75	8,931,240,317.98
1- 2 years	4,652,766,404.57	4,370,979,214.25
2-3 years	2,305,625,401.90	2,270,756,892.38
3 – 4 years	924,611,128.94	1,463,943,053.32
4 -5 years	788,391,040.76	661,547,807.78
Net amount	17,290,192,715.92	17,698,467,285.71

The Group's revenue from construction contract is settled in accordance with terms of relevant contracts, and the Group offers credit terms of two to three years to large or long-established customers with good repayment history.

For sales of products, settlement is made in accordance with terms of relevant contracts. A credit period of one year is generally granted to large or long-established customers with good repayment history. Revenue from small, newly established or short-term customers is normally expected to be settled 180 days after provision of services or delivery of goods.

3. ACCOUNTS PAYABLE

Unit: RMB

Item	Amount at the end of the year	Amount at the beginning of the year
Within 1 year	11,461,962,902.40	12,977,628,977.72
1- 2 years	2,080,214,592.88	1,264,207,705.15
2-3 years	644,858,826.54	506,798,306.37
Over 3 years	992,497,060.90	1,144,606,182.82
Total	15,179,533,382.72	15,893,241,172.06

The average credit period of the Group for procurement is 180 days. The Group has financial risk management policies in place to ensure all accounts payable are settled within credit period.

4. UNDISTRIBUTED PROFITS

(1) Amount of this year

Unit: RMB

Item	Amount	The proportion of appropriation or allocation
Amount at the end of last year	10,984,243,829.02	
Amount at the beginning of the year	10,984,243,829.02	
Add: Net profits attributable to shareholders of Parent Company	439,072,644.82	
Less: Appropriation to statutory surplus reserve	56,648,738.81	10%
Dividends payable on ordinary shares	210,321,033.12	
Amount at the end of the year	11,156,346,701.91	

The dividends on ordinary shares distributed by the Company to shareholders this year represented the dividends distributed under the Proposal for the distribution of profits after tax of the Company for the year 2014 as considered passed at the 2014 annual general meeting of the Company held on 26 June 2015. The cash dividends of RMB0.90 (tax inclusive) for every ten shares for the year 2014 were distributed to all shareholders based on the 2,336,900,368 shares in the total share capital of the Company at the end of 2014, totaling RMB210,321,033.12 (tax inclusive).

(2) Amount for last year

Item	Amount	The proportion of appropriation or allocation
Amount at the end of previous year	10,162,309,001.98	
Amount at the beginning of the year	10,162,309,001.98	
Add: Net profits attributable to shareholders of Parent Company	1,278,258,405.62	
Less: Appropriation to statutory surplus reserve	95,628,778.58	10%
Dividends payable on ordinary shares	360,694,800.00	
Amount at the end of last year	10,984,243,829.02	

5. OPERATING REVENUE AND OPERATING COST

Unit: RMB

Item	Amount for the year		Amount for the last year	
	Revenue	Cost	Revenue	Cost
Principal operations	35,769,640,560.14	29,793,106,793.86	38,673,692,007.13	32,259,290,882.02
Other operations	248,303,140.18	166,654,598.04	362,472,750.98	236,514,768.89
Total	36,017,943,700.32	29,959,761,391.90	39,036,164,758.11	32,495,805,650.91

6. INCOME TAX EXPENSE

Unit: RMB

Item	Amount for the year	Amount for last year
Income tax expense for current year	277,481,212.67	252,605,607.41
Of which: China	265,683,870.51	246,363,574.39
India	1,982,297.75	1,399,368.76
Other regions	9,815,044.41	4,842,664.26
Deferred income tax	-204,079,387.35	-70,879,991.79
Total	73,401,825.32	181,725,615.62

As far as corporate income tax rate is concerned, Dongfang Electric (India) Private Limited (東方電氣(印度)有限公司), Dongfang Electric (Indonesia) Private Limited (東方電氣(印尼)有限公司) and Dongfang Electric Machinery Venezuela Co., Ltd. (東方電機委內瑞拉有限責任公司), three overseas subsidiaries of the Company are subject to corporate income tax as stipulated by the local law, partial subsidiaries enjoy a preferential rate of 15%, and the rest of the subsidiaries are subject to 25%.

7. EARNINGS PER SHARE

(1) Basic earnings per share

Basic earnings per share are computed by dividing the combined net profit attributable to Parent Company's shareholders of ordinary shares by the weighted average number of Parent Company's ordinary shares outstanding

Unit: RMB

Item	This year	Last year
Combined net profit attributable to Parent Company's shareholders of ordinary shares	439,072,644.82	1,278,258,405.62
Combined net profit attributable to Parent Company's shareholders of ordinary shares(after deducting non-recurring profit and loss)	316,317,054.25	1,162,491,531.20
Weighted average number of Parent Company's ordinary shares outstanding	2,281,393,640.00	2,003,860,000.00
Basic earnings per share (<i>Yuan/share</i>)	0.19	0.64
Basic earnings per share (<i>Yuan/share</i>) (after deducting non-recurring profit and loss)	0.14	0.58

Process of calculating the weighted average number of ordinary shares:

Item	No.	This year	Last year
Number of ordinary shares outstanding at the beginning of the year	1	2,003,860,000.00	2,003,860,000.00
Ordinary shares increased as a result of the issuance of new shares or conversion of a debt instrument (II)	2	333,040,368.00	
Accumulated number of months from the next month of increase in shares (II) to the end of the year	3	10	
Number of months of the reporting period	4	12	12
Weighted average number of ordinary shares outstanding at the end of the year	5=1+2*3/12	2,281,393,640.00	2,003,860,000.00

(2) Diluted Earnings per Share

Unit: RMB

Item	2015	2014
Combined net profit attributable to Parent Company's shareholders of ordinary shares after adjustment	439,072,644.82	1,347,227,350.64
Combined net profit attributable to Parent Company's shareholders of ordinary shares after adjustment (after deducting non-recurring profit and loss)	316,317,054.25	1,231,460,476.22
Weighted average number of Parent Company's ordinary shares outstanding after adjustment	2,281,393,640.00	2,283,086,222.00
Diluted earnings per share (Yuan/share)	0.19	0.59
Diluted earnings per share (Yuan/share) (after deducting non-recurring profits and loss)	0.14	0.54

8. SEGMENT INFORMATION

2015 Report Segment

Unit: RMB

Item	Clean and highly effective power generating equipment	New energy	Hydroenergy and environmental equipment	Engineering and service	Others	Write-off	Total
Operating income	36,747,792,392.77	8,343,765,495.20	2,637,076,415.89	5,456,573,022.52	633,486,210.09	17,800,749,836.15	36,017,943,700.32
Include: External transaction income	23,032,374,907.06	4,585,390,915.67	2,629,283,402.23	5,522,591,335.18	248,303,140.18		36,017,943,700.32
Inter-segment transaction income	13,715,417,485.71	3,758,374,579.53	7,793,013.66	-66,018,312.66	385,183,069.91	17,800,749,836.15	
Operating cost	32,642,695,966.15	7,953,587,813.05	2,045,667,926.36	4,598,600,586.07	487,079,307.09	17,767,870,206.82	29,959,761,391.90
Cost written off	13,323,799,146.68	3,945,551,856.28	9,729,685.75	168,364,809.06	320,424,709.05	17,767,870,206.82	
Period expenses					3,835,091,795.58	-14,553,052.01	3,849,644,847.59
Operating profit (loss)	4,105,096,426.62	390,177,682.15	591,408,489.53	857,972,436.45	-3,688,684,892.58	1,871,987,797.56	383,982,344.61
Total asset					125,221,798,242.11	39,087,374,977.44	86,134,423,264.67
Include: amount of substantial impairment loss on a single asset							
Total liabilities					91,577,901,360.94	29,421,067,246.21	62,156,834,114.73
Supplemental information							
Capital expenditure							
Recognized impairment loss of the current period					1,713,583,836.80	48,208,928.76	1,665,374,908.04
Including: amortisation of impairment of goodwill							
Depreciation and amortization expenses					1,141,058,685.62		1,141,058,685.62
Non-cash expenses other than impairment loss, depreciation and amortisation							

2014 Report Segment

Unit: RMB

Item	Clean and highly effective power generating equipment	New energy	Hydroenergy and environmental equipment	Engineering and service	Others	Write-off	Total
Operating income	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
Include: External transaction income	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
Inter-segment transaction income	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	
Operating cost	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
Cost written off	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 expenses					4,374,789,505.05	54,476,853.79	4,320,266,358.84
Operating profit (loss)	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 asset					123,773,801,137.60	37,967,551,873.65	85,842,623,386.50
Include: amount of substantial impairment loss on a single asset							
Total liabilities					94,135,793,183.61	28,798,809,550.98	65,373,357,755.18
Supplemental information							
Capital expenditure							
Recognized impairment loss of the current period					1,235,585,510.90	334,361,847.81	901,223,663.09
Including: amortisation of impairment of goodwill							
Depreciation and amortization expenses					1,209,240,454.50		1,209,240,454.50
Non-cash expenses other than impairment loss, depreciation and amortisation							

9. INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

Unit: RMB

Investee companies	Balance at the beginning of the year	Increase/decrease for the current year				Provision for impairment	Others	Balance at the end of the year	Balance provided for impairment at the end of the period
		Follow-on investment	Deducted investment	Recognised investment loss/gain by equity method	Adjustment to other comprehensive income	Changes in other equity	Announcement of delivery of cash dividends or profit		
I. Joint ventures									
1. MHPS Dongfang Boiler Co., Ltd.	166,771,543.84			14,963,693.59		-22,419.16	5,226,852.72	176,485,965.55	
2. Dongfang Areva Nuclear Pump Co., Ltd.	246,171,180.71			61,516,646.03			76,925,274.15	230,762,552.59	
II. Associated companies									
1. Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	418,128,267.03			70,946,870.55			34,347,289.00	15,237,996.85	469,965,845.43
2. Leshan Dongyue Heavy Piece Hoisting and Transport Co., Ltd.	24,820,088.02			1,668,513.36			1,225,000.00	25,265,601.38	
3. Sichuan Nengtou Wind Power Development Co., Ltd.	99,019,965.83			11,984,502.27				111,004,468.10	
4. Huadian Longkou Wind Power Co., Ltd.	20,000,000.00			4,514,859.54				24,514,859.54	
5. Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	16,000,000.00							16,000,000.00	
6. CLP Combined Heavy Gas Turbine Technology Co., Ltd.	12,000,000.00			16,431.25				12,016,431.25	
Total	974,911,045.43	28,000,000.00		165,611,516.59		-22,419.16	117,724,415.87	15,237,996.85	1,066,013,723.84

10. NET CURRENT ASSETS

Unit: RMB

Item	Amount at the end of the year	Amount at the beginning of the year
Current assets	73,953,195,196.01	73,105,178,571.14
Less: current liabilities	59,483,441,627.03	63,007,686,087.06
Net current assets	<u>14,469,753,568.98</u>	<u>10,097,492,484.08</u>

11. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB

Item	Amount at the end of the year	Amount at the beginning of the year
Total assets	86,134,423,264.67	85,842,623,386.50
Less: current liabilities	59,483,441,627.03	63,007,686,087.06
Total assets less current liabilities	<u>26,650,981,637.64</u>	<u>22,834,937,299.44</u>

12. DIVIDENDS

The Board proposes to declare a final cash dividend of RMB0.06 per share (tax inclusive) for the year 2015, totalling RMB140,214,022.08. The dividend distribution proposal is subject to the approval by the shareholders at the 2015 annual general meeting (to be convened on 24 May 2016) and expects to be distributed to the shareholders on 22 July 2016. The Company will announce details of the 2015 annual general meeting in due course.

II. MANAGEMENT DISCUSSION AND ANALYSIS

1. Review on the Overall Operation During the Reporting Period

In 2015, confronted with the severe situation in the market, the Company continued to put forward the “three changes” and achieved the production target of the Company through cooperation and unwavering and tenacious hard work. However, due to the slowdown of the macro-economic growth, the decrease in the power generation equipment market demand and the price drop on products, resulting in the decreases in the gross profit margin and the increase in the provision for contract losses as well as the sharp decrease in the Company’s profits for the Reporting Period as compared with the same period last year.

Capacity of power generation equipment

In 2015, the Company produced power generation equipment with total capacity of 28,172.5MW, representing a year-on-year growth of 4.3% when compared with the power generation equipment with total planned capacity of 27,000MW as disclosed in the 2014 Annual Report. The equipment included 20 hydro-electric turbine generating units (2,415MW); 54 steam turbine generators (24,160MW); and 868 wind turbine generator sets (1,597.5MW); 51 power station boilers (23,145MW); and 91 power station steam turbines (26,379MW).

Domestic and International Market Expansion

In 2015, affected by the overseas and domestic economy and industry development, the demand in the electricity equipment industry remained continuously low. Confronted with the severe market situation, all the staff of the Company went all out and endeavored to make progress. The Company’s new orders for the year amounted to RMB37.0 billion, of which the export orders amounted to USD1.441 billion, accounting for 24.2% of the new orders. Among the new orders, 43% was attributable to high-efficiency clean energy, 20% to new energy, 16% to hydropower and environmental protection, and 21% to engineering and services. As at the end of 2015, the Company had orders in hand of RMB118.0 billion, among which high-efficiency clean energy accounted for 57%, new energy 18%, hydropower and environmental protection 7%, engineering and services 18%. Export orders accounted for approximately 15.7% of all of the orders in hand.

Remarkable achievements were made in domestic market. The market share was kept stable as a whole in thermal power market, acquiring 1,000MW ultra-supercritical two-time reheat generating boiler and other major projects. The market share continued to lead in the domestic nuclear power market, receiving orders for of such as Hualong No. 1 steam generator, coolant pump and other principal devices. Phase III of the Gaobeidian Project was won as a base project for F5 thermal power generating units with higher efficiency. Moreover, the Company has obtained two ultra-high water head pumped-storage hydroelectricity projects, namely: Jixi project and Dunhua project and won the bid for the construction of the Baihetan 1,000 MW mega hydro power generating units equipped with the largest unit capacity in the world. Breakthroughs were also achieved in the bulk orders for 116-type 2 MW and direct-driven 121-type 2.5 MW doubly-fed wind-power generation units. The parameter modification project order for the first domestic 600MW and 300 MW supercritical generation units was obtained, taking the lead in the modification technology of domestic power stations.

The international market was explored steadily. The Group entered into Contracts for the Banovic Single Unit 350,000 KW Thermal Power EPC Project in Bosnia and Herzegovina and 22.5 MW Wind Power Supply for Bracken Project Phase IV in Sweden successively. The orders for exporting a million KW thermal power boilers were acquired for the first time, further consolidating the Company's market position in Europe, Asia and other regions. By actively participating in the construction part of "One Belt One Road", the Company has made initial success in exploration in international market. In the beginning of 2016, the Company acquired EPC orders from Egypt and Turkey in succession.

Production and Engineering Construction

The Company strived to ensure product delivery as scheduled by strengthening prediction for production, allocating materials reasonably and overcoming the challenges of severe imbalance in production arrangement. All of the four generator units in Hohhot Pumped Storage Power Station were put into operation, making record in commissioning and quality of pumped storage generator units domestically. New generation of thermal power generator units in Wanzhou and Anyuan passed 168-hour pilot run in succession. New achievement was made in commissioning of gas turbine: 12 units passed 168-hour commissioning. Nuclear projects, such as Fangjiashan No.2, Ningde No.3, Hongyanhe No.3, and Fuqing No.2 were put into commercial operation, and Fangchenggang generator unit No. 1 was connected to the grid successfully. The warrant period of 816 generator units in 25 wind power projects expired.

New progress was made in project schedule management. The generator unit No. 2 of Coastal Project Phase I in Vietnam completed operation test, sustaining excellent performance of the Company in the power market of Vietnam. Take-over certificates for 3 gas turbines in the Nandipur Combined Cycle Project in Pakistan were acquired. The Stanari Project in Bosnia and Herzegovina is about to be grid-connected for power generation. The wind turbines of Bracken Wind Power Project Phase III in Sweden were put into commissioning.

Innovation-Driven Capacity Further Enhanced

Huaneng Anyuan 660,000 KW secondary reheat unit with maximum parameters in the world, and Jiaozuo 660,000 KW and Wanzhou 1,000,000 KW ultra-supercritical units were put into commercial operation. Retrofit to flow passage for Sanhe 300,000 KW steam turbines succeeded, and ultra-low emission technology was applied successfully in the 300,000 KW units of Tianfunan Power Plant. Breakthrough was made in the R&D of runner technology for 700m-high water head pumped storage unit. The third generation of nuclear Hualong No. 1, CAP1400 nuclear island, and master equipment of conventional island with proprietary technologies were well into the development stage. The pressure vessel and evaporator for AP1000 reactor were developed as scheduled. The self-development of 50,000 KW gas turbine progressed smoothly. The self-developed 2 MW low wind speed wind turbines in Sichuan Damianshan Project were put into mass operation.

Enhancement of Internal Management for the Improvement of Quality

Annual fees were reduced remarkably by strengthening financial management and enhancing cost saving and efficiency improving. Great efforts were made to recover payments and inventory management was enhanced. Centralized procurement was carried out in an all-round way, and the bidding amount for centralized procurement was increased remarkably year-on-year. Risk control was strengthened and the risk prevention system based on internal control and integrating business and management was perfected. The reform on three-system was further carried out to control total labor input strictly. Resources allocation was further optimized and management efficiency was improved. During the year, Dongfang Electric Wind Power Co., Ltd., a wholly-owned subsidiary of the Company, was incorporated, realizing professional operation and management of wind power industry. The completion of conversion of RMB4 billion convertible corporate bonds facilitated the stable development of the Company.

2. Analysis of Principal Business

I. Completion of operation indicators during the Reporting Period

During the Reporting Period, in accordance with the China Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB36,018 million, representing a decrease of 7.73% over the same period last year; net profit attributable to the shareholders of the Company of RMB439 million, representing a decrease of 65.65% over the same period last year; earnings per share of RMB0.19; and the consolidated gross profit margin for principal operations was 16.71%, representing an increase of 0.12 percentage points compared with last year.

For the year ended 31 December 2015, to the best of the directors' knowledge, the Company has been complying applicable laws and regulations in business operating activities, including the Company Law of the People's Republic of China and the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("**Listing Rule**").

(I) Analysis of Principal Business

Analysis of changes in certain items in the income statement and cash flow statement

Unit: RMB

Item	Amount for the year	Amount for last year	Change (%)
Operating revenue	36,017,943,700.32	39,036,164,758.11	-7.73
Operating cost	29,959,761,391.90	32,495,805,650.91	-7.80
Selling expenses	964,883,532.33	891,929,315.24	8.18
Administrative expenses	3,361,762,730.46	3,609,660,296.95	-6.87
Finance costs	-477,001,415.20	-181,276,960.93	-163.13
Net cash flows from operating activities	4,155,867,579.48	2,832,630,323.09	46.71
Net cash flows from investing activities	-257,589,010.85	-196,004,577.79	-31.42
Net cash flows from financing activities	-706,185,646.29	3,083,937,938.11	-122.90
Research and development expenses	1,252,235,199.43	1,242,475,321.94	0.79

1. Analysis of revenue and cost

(1) Principal operations by industry, product and region

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	23,032,374,907.06	19,318,896,819.47	16.12	-4.77	-5.75	0.87
New energy	4,585,390,915.67	4,008,035,956.77	12.59	-6.42	-6.55	0.12
Hydropower and environmental equipments	2,629,283,402.23	2,035,938,240.61	22.57	-38.75	-42.99	5.76
Engineering and services	5,522,591,335.18	4,430,235,777.01	19.78	4.31	13.54	-6.52
Total	<u>35,769,640,560.14</u>	<u>29,793,106,793.86</u>	<u>16.71</u>	<u>-7.51</u>	<u>-7.64</u>	<u>0.12</u>

- (1) In general, the Company operated stably this year. However, under the effect of macro-economy, the revenue of all sectors (except for slight growth in engineering and services sector) decreased inordinately. The revenue of principal activities this year decreased year-on-year by 7.51%.

- (2) The operating revenue from clean high-efficiency power generation equipments during the year increased by 4.77% as compared with the same period last year, mainly due to inordinate decrease in thermal power, gas turbine and nuclear power conventional island products. The gross profit margin of clean high-efficiency power generation equipments during the year was flat as compared with that of last year.
- (3) The revenue from the new energy during the year decreased by 6.42% as compared with the same period last year, mainly due to the decrease of 8.09% in sales revenue of the wind power projects. The gross profit margin of the new energy was flat as compared with that of last year.
- (4) The revenue from hydropower and environmental equipments decrease by 38.75% as compared with the same period last year, mainly due to the decrease of 40.61% in sales of hydropower projects. Meanwhile, the sales revenue of environmental equipments declined by 36.50%, the gross profit margins of hydropower and environmental equipments increased by 5.76 percentage points, mainly due to gross profit margin of mixed-flow and pumped storage generator unit in the hydro-power products higher than that of the last year.
- (5) Revenue from engineering and services for the year increased 4.31% as compared with the same period last year, mainly due to the year-on-year increase of 1.48% and 20.04% in income from construction contract and power station services respectively. The integrated gross profit margin of the projects this year was lower than that of the last year, resulting in the sector's decrease of 6.52 percentage points on year-on-year basis.

Principal operations by region

Unit: RMB

Region	Operating revenue	Year-on-year increase/ decrease in operating revenue (%)
PRC	30,878,161,681.08	-5.25
Overseas	4,891,478,879.06	-19.61
Total	<u>35,769,640,560.14</u>	<u>-7.51</u>

(2) Analysis on Production and Sales

Product	Production	Sales	Inventory	Increase/ decrease in production compared to the last year (%)	Increase/ decrease in sales compared to the last year (%)	In-crease/ decrease in inventory compared to the last year (%)
Production of power generating equipment	28,172.5MW	RMB36.018 billion	RMB23.671 billion	4.3	-7.73%	-5.72%

(3) 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	23,425,851,299.72	78.63	25,321,329,115.13	78.49	-7.49	
Power generation equipment manufacturing and services	Direct labor costs	1,679,340,924.73	5.64	1,834,732,023.08	5.69	-8.47	
Power generation equipment manufacturing and services	Manufacturing costs	4,687,914,569.41	15.73	5,103,229,743.81	15.82	-8.14	
Power generation equipment manufacturing and services	Total	29,793,106,793.86	100.00	32,259,290,882.02	100.00	-7.64	

(4) Major customers in sales

During the Reporting Period, the Company's operating revenue from its top five customers amounted to RMB7,246 million, accounting for 20.12% of the Company's total operating revenue, which is lower than 30% of the Company's total operating revenue.

(5) Major suppliers

During the Reporting Period, the Company's procurement from its top five suppliers amounted to RMB1,836 million, accounting for 7.21% of the Company's total procurement, which is lower than 30% of the Company's total procurement.

2. Expenses

Unit: RMB

Item	Amount for the year	Amount for last year	Change (%)
Selling expenses	964,883,532.33	891,929,315.24	8.18
Administrative expenses	3,361,762,730.46	3,609,660,296.95	-6.87
Finance costs	-477,001,415.20	-181,276,960.93	-163.13
Income tax expenses	73,401,825.32	181,725,615.62	-59.61

3. Analysis of Major Controlling Subsidiaries and Investees

Unit: RMB100 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 equipment, wind turbine generator units, 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	341.10	35.46	139.72	-0.40	0.39
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	144.65	41.01	50.16	-0.51	-0.03
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	227.98	52.81	126.02	2.63	2.65
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	35.99	16.27	14.02	0.80	0.88
Dongfang Electric Wind Power Co., Ltd.	100.00%	Design, production, sales and service of wind turbine generator units and introduction, development and application of associated technology; construction and operation of wind farms, manufacturing and sales of components and parts of wind-mill generators; technical service and technical consultation related to manufacturing of fans as well as construction and operation of wind farms; and import and export of wind turbine generator units, components and parts and associated technologies	8.20	47.91	5.13	14.53	-2.24	-2.50

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

1. Analysis of operating results

Unit: RMB

Item	Amount for the year	Amount for last year	Year-on-year increase/ decrease (%)
Operating revenue	36,017,943,700.32	39,036,164,758.11	-7.73
Selling expenses	964,883,532.33	891,929,315.24	8.18
Administrative expenses	3,361,762,730.46	3,609,660,296.95	-6.87
Finance costs	-477,001,415.20	-181,276,960.93	-163.13
Impairment loss of assets	1,665,374,908.04	901,223,663.09	84.79
Operating profit	383,982,344.61	1,325,599,392.82	-71.03
Total profit	532,899,436.82	1,502,342,336.40	-64.53
Income tax expenses	73,401,825.32	181,725,615.62	-59.61
Net profit	459,497,611.50	1,320,616,720.78	-65.21
Net profit attributable to shareholders of the Parent Company	439,072,644.82	1,278,258,405.62	-65.65

- (1) The Company made great efforts to production, operation and project management this year, but the operating revenue still deceased by 7.73% compared with the last year under the effect of macro economy.
- (2) The financial expenses decreased by 163.13% compared with the last year mainly due to increase of interest income for sustained optimization of deposit structure and considerable increase of exchange gain under the effect of change in exchange rate.
- (3) The asset impairment loss increased by 84.79% compared with the last year mainly due to fiercer completion in the market, reduction of product price, increase of predicted contract loss, the increase of the provision for bad debts as a result of ageing of accounts receivable.
- (4) The operating profit decreased by 71.03% compared with the last year, total profit decreased by 64.53% compared with the last year, and net profit decreased by 65.21% mainly for the following reasons: In the context of slowdown of macro-economy growth, the demand was decreased in the power generation equipment market and product price and sale also dropped, resulting in decrease of operating revenue and gross profit margin this year; the profitability of this year decreased significantly due to multiple reasons, such as increase of asset impairment loss.

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

At the end of the year, the Company's total assets amounted to RMB86,135 million. The assets scale had no significant increase and remained at the same level to that for the beginning of the year. Among which, the items with a sharp increase were monetary fund, up 18.32% and bills receivable, up 65.24%. Meanwhile, Accounts receivable and inventories that accounted for a higher proportion of assets decreased by 2.31% and 9.25% as compared with the beginning of the year; total liabilities amounted to RMB62,157 million, down 4.92% as compared with the beginning of the year, mainly attributable to the decrease in short-term borrowings amounting to RMB892 million, down 35.20%; the shareholders' equity amounted to RMB23,978 million, up 17.14% as compared with the beginning of the year, mainly attributable to a 16.62% increase of capital stock and a 49.75% increase in capital reserve after the convertible bonds converted into shares of the Company in the year.

3. *Gearing ratio*

Gearing ratio = total liabilities/total assets×100%

Item	As at the end of 2015	As at the end of 2014	Year-on- year increase/ decrease (percentage point)
Gearing ratio (%)	72.16	76.15	-3.99

Gearing ratio of the Company was 72.16% at the end of the period, a decrease of 3.99 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 2015, the Company had bank borrowings of RMB1,980 million due within one year and RMB719 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB1,899 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 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 this year, the Company acquired a pledged loan of RMB10 million, which was acquired by a subsidiary from Dongfang Electric Corporation Finance Company through discounting an unmatured commercial acceptance bill attached with recourse. As at the end of the year, the Company had pledged borrowings of RMB142 million, 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.

(III) Main Sources and Uses of Funds

1. *Cash flows from operating activities*

During the year, the Company's cash inflows from operating activities amounted to RMB38,091 million, mainly attributable to cash received from goods sold by the Company; cash outflows from operating activities amounted to RMB33,935 million, mainly attributable to payment for procurement of raw materials; net cash flows from operating activities amounted to RMB4,156 million. The net cash inflows from operating activities increased by 46.71% year-on-year.

2. *Cash flows from investing activities*

During the year, the Company's cash inflows from investing activities amounted to RMB242 million, mainly attributable to the retrieval of investments from the disposal of a portion of the shares; cash outflows from investing activities amounted to RMB499 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-258 million. The cash flows from investing activities decreased by 31.42% as compared with the same period last year.

3. Cash flows from financing activities

During the year, the Company's cash inflows from financing activities amounted to RMB3,074 million, representing a decrease of 56.49%, mainly attributable to the issue of convertible corporate bonds of RMB4,000 million by the Company in the previous year; cash outflows from financing activities amounted to RMB3,780 million, mainly attributable to the re-payment of borrowings due and the payment for interest accrued thereon by the Company, as well as the distribution of 2014 cash dividends of RMB210 million to the shareholders of the Company; net cash flows from financing activities amounted to RMB706 million. The effect of issuance of convertible bonds the last year was reflected as net inflow of RMB3,084 million.

3. Discussion and Analysis on Future Development

(I) Competition pattern and development trend of the industry

Looking into the future, the world economy is still in the transition and adjustment stage and the economy at home enters a new normality. From the perspective of industry, further adjustment will be made in national power structure in the "13th Five-Year Plan", posing more severe challenges for the conventional power generation equipment manufacturing industry. The demand in thermal power and other fossil energy markets will decrease considerably. The development amount of hydro power resource will decrease and market competition will become more intense, driving the prices of hydro and thermal power generation equipment further down. On the other hand, during "The Thirteenth Five" period, energy structure will be adjusted and new energy development will be speed up, creating new opportunities for development of nuclear power, wind power and solar power. New national requirements will be proposed in respect of economy, reliability, energy conservation and environmental-friendliness of generator units, bringing room for new market growth in reformation on energy conservation and emissions reduction, technical innovation for parameters upgrade, and power plant maintenance and operation.

In the respect of international market, the implementation of "One Belt One Road" and capacity cooperation internationally will bring new development opportunities. However, market channels response, risk prevention, cost control and resource deployment in the international market and other international operation requirements also bring about new challenges.

In the new circumstance, the demand for power generation equipment will grow slowly and competition in domestic power market will become more intense in the "13th Five-Year Plan" period. It has become a problem for power generation equipment enterprises to have to resolve to increase market competitiveness and expanding market share through technology, quality, service and cost control.

(II) Development strategy of the Company

Facing the macroeconomic environment at home and abroad and under the circumstance of power generation equipment industry, the Company will practice the development concepts of “innovation, coordination, greenness, openness and sharing” and increase core competitiveness by centering around five key points of “improving quality and efficiency to achieve steady growth, accelerating structural adjustment to promote transition and upgrade, focusing on innovation to strengthen development motive, paying close attention to international operations to allocate resources globally, deepening reform to stimulate energy for development” so as to build the Company into an “internationally competitive first-class heavy energy and power equipment enterprise”.

(III) Business plan of the Company

In 2016, the Company will implement the spirit of the Fifth Plenary Session of the 18th CPC Central (「十八屆五次全會」) in an all-round way and adapt to new normality economy with improving development and quality as goals, market demand as orientation, reform and innovation as means and by hard work, cooperation, overcoming difficulties and challenges, speeding up transformation and upgrade and increasing core competitiveness to lay a solid foundation for achieving the development goals of the “13th Five-Year Plan”.

In 2016, the power generation equipment industry will be adjusted further and market competition will be more intense. In such new economy normality, the Company will seek sustainable development under adjustment, with over-capacity and inventory reduction, cost saving and restructuring as guiding thoughts and by speeding up transition and upgrade. The Company has planned annual production of power generation equipment of 27 million KW and operating revenue maintained relatively stable. However, the planned production may be lowered with the adjustment of national industry policies. Moreover, in view of the continuing decline of product prices, product gross profit margin will keep falling; in addition to reasons such as increased costs brought on from over-capacity and inventory reduction, the Company will still face with decline in profit and the possibility of losses in 2016. Therefore, the Company will take the following measures to ensure sustainable and stable development:

Expansion of Market with Meticulous Planning and Best Efforts

Best effect to expand international market. The operation mode shall be innovated to improve operation of EPC plus investment and financing projects and acquire more orders. Stationing in countries and regions along the “One Belt One Road” shall be strengthened. The development of new energy projects shall be strengthened to expand engineering contract scope. Deep cooperation with business partners shall be enhanced to enrich exploration means of international market.

Domestic market share shall be expanded and consolidated. The planning for such key projects as 1,000,000 KW thermal generator unit, hydropower generator unit, the third generation nuclear power generator unit, gas turbine, wind power generator unit shall be well made to consolidate the position of main products in the market at home. The thermal power retrofit (such as parameter upgrade and retrofit to flow passage) market shall explored with great effort. Excellent product life cycle service shall be provided to drive increase of technology and service level.

Taking Initiative in adapting to New Economy Normality and speeding up transition and upgrade

Under the main principle of “high end and high quality”, the Company will: make great efforts to promote optimization and upgrade of large, high-efficient and environmental-friendly power generation equipment to increase product competitiveness; grasp the strategic opportunities of implementation of “One Belt One Road” and international capacity cooperation to explore overseas operation modes including BOT, BOO, further improve capability in power plant project contract and international trade; speed up development of power plant service industry and research and promote the development of modern financial industry.

Driving Innovation and Increasing Competitiveness of Main Products

Major scientific and technologic projects shall be promoted and the supporting role of technical innovation in competition on the market shall be given full play. The thermal power generator unit shall be further upgraded to reach internationally advanced level. The optimized design of 1,000,000 KW hydro power generator unit shall be conducted. The development of the third generation of nuclear power generation master equipment such as Hualong No. 1, CAP1400 and AP1000 shall be promoted. The development of 50,000 KW gas turbine shall be carried out. The existing double-fed and direct-drive wind turbine shall be optimized. The market application of 5 MW offshore wind turbine shall be promoted.

Exploring Potential and Improving Efficiency and Profits

The Company will optimize overall budgeting management incessantly to curb declining of profits. Target cost management shall be carried out in an all-round way to ensure gross profit margin of principal activities slightly higher than predicted and year-on-year decrease of sale and management expenses. Centralized bidding and procurement shall be carried out to ensure year-on-year decrease of annual procurement cost. The management on accounts receivable and inventory shall be strengthened to improve asset quality.

Implementing Standard Management Strictly and Increasing risk Resistance Capacity

Close attention shall be paid to the risks in project implementation, funds and investment. Under the guiding principle of “risk control”, the Company will strengthen communication with the employers to have knowledge of their financial conditions and real requirements for reasonable production arrangement so to prevent project risks. Focusing on increase matchup of product, production and technology preparation shall be made as scheduled to complete production tasks with product quantity and quality guaranteed and smooth progression of the project.

Deepening Reform and Stimulating Development Vitality

The Company will further carry out reform unswervingly. The industry “slimming” will be carried out by retreat from low-efficient capacity and strengthening over-capacity and inventory reduction and restructuring. The reform on “three system” will be further carried out to reduce labor cost whiling controlling total input. Great efforts will be made to building a streamline, high-efficient and energetic staff team. The strategy of enterprise thriving relying on talents will be followed and construction of human resources will be strengthened to stimulating development vitality and lay a solid foundation for sustainable and sound development of the Company.

(IV) Probable Risks

1. Market Orders Risk:

In 2016, the Chinese economy is still under downturn pressure. Reform on supply side and power systems reform exerted relatively great effect on domestic power demand. The new power generation equipment market faces sharp downturn and uncertainties increases for concluded contracts. All of these factors bring about great pressure and risks for orders of enterprises.

Aimed at demands in the target market, the Company will strengthen market planning and improve quick and efficient market response mechanism to deal with market changes, and further optimize allocation of internal resources to promote transition and upgrade and satisfy market demands.

2. Project Execution Risk:

The domestic projects currently in the hands of the Company are subject to the impact of slowdown in the construction of the power infrastructure 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, quality and exchange rate will, in turn, give rise to the project execution risk.

By promoting the establishment of internal control system, the Company increased 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.

3. *Risk of Recovering Payment for Goods:*

Since 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 products 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.

4. *Risk of Profit Decline:*

Contraction of demand of the domestic power market, over-capacity of power generation equipment, extremely fierce market competition as well as cost increased from over-capacity and inventory reduction led to continuous decrease in products' prices and declining of product gross profit margin. As a result, the Company may be subject to the risk of considerable drop of profit and loss in 2016.

In 2016, the Company will implement the principle of "energy saving, potential digging and efficiency enhancing" throughout the entire year. In addition, it will strengthen budget management and examination and will strictly control various costs. It will strengthen the accounts receivable and inventory management, improve the operating performance examining system and enhance the incentive and restrictive effect of the appraisal of operating performance.

4. Significant Events

During the Reporting Period, no event that had material impact on the Company and its subsidiaries occurred.

III. OTHER EVENTS

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

The Resolution in relation to Conditional Redemption of Dongfang Convertible Bonds was approved at the 20th meeting of the seventh session of the Board of the Company, and the Company had exercised the conditional redemption rights of the Dongfang Convertible Bonds to redeem the registered Dongfang Convertible Bonds in full. For A shares convertible bonds, accumulative 333,040,368 shares equivalent to RMB3,996,503,000 had been converted from commencing date of conversion (12 January 2015) to “redemption record date” (16 February 2015). The rest of A shares convertible bonds equivalent to RMB3,497,000 was redeemed on 17 February 2015. The Dongfang Convertible Bonds were ceased trading and conversion on 17 February 2015, and were delisted from Shanghai Stock Exchange on 27 February 2015. For details, please refer to the announcement of the Company dated 24 February 2015.

2. Major Acquisition and Disposal of Subsidiaries and Associates

During the year ended 31 December 2015, neither the Company’s subsidiaries nor its associates was purchased or sold.

3. Guarantee and Performance thereof

During the year, the Company did not give any guarantee to external parties.

4. Material Litigation and Arbitration

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

5. Adjustments to Amounts at the Beginning of the Reporting Period

During the year, input value-added tax credits and taxes prepaid reported under “Tax payables” in previous years were reclassified into the “Other current assets” by the Company in accordance with the Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statement and the Regulations on Accounting Treatment for Trial Replacement of Business Tax with VAT by Relevant Enterprises (Cai Kuai [2012] No. 13) (《營業稅改徵增值稅試點有關企業會計處理規定》(財會[2012]13號)). As approved by the meeting of the Board held on 29 March 2016, other current assets and tax payables as at 31 December 2014 were increased by RMB612,453,891.64 upon adjustment by the Company, for details please refer to overseas regulatory announcement of the Company dated 29 March 2016.

6. Events after the Balance Sheet Date

1. *Equity Pledge*

As passed at the fifth meeting of the eighth session of the Board on 8 January 2016, the Company provided guarantee with its 20% equity in Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd. for Hongnijing leasing relevant equipment from Dao Sheng International Financial Leasing Company Limited. The total estimated rent of the leasing business is RMB342,337,300.

The guarantee scope of the Company mainly includes pre-leasing interest, rent (including rent in advance), overdue interest, compensation paid in advance (if any), default fine, compensation for damage, agreed compensation for damages, retention rate, other payables, expenses paid by the lessor for creditor's rights and/or mortgage (including but not limited to legal fare, arbitration fees, execution fees, notary fees, announcement fees, attorney fees, travel expenses and the fees for auction, assessment, transportation, keeping, maintenance and other costs after retrieval of the leased items under the master contract) and other payables under the financial leasing contract as well as other obligations of the lessee other than the aforesaid payment or compensation obligation under the master contract. In case of non-conclusion, being inoperative, invalidity, partial invalidity, cancellation or termination of the master contract, the guarantee scope shall also include the liabilities of the lessee arising from returning the property to the lessor or indemnifying the lessor.

The guarantee term of the Company is from the effective date of the Equity Pledge Agreement to the date when all liabilities under the Financial Leasing Contract are repaid. For details, please refer the Company's overseas regulatory announcement dated 8 January 2016.

2. *Profit distribution*

	RMB
Proposed distribution of profits or dividends	140,214,022.08
Declared distribution of profits or dividends after consideration and approval	140,214,022.08

7. Employees

As of 31 December 2015, the Company had 23,931 employees in total. The Company followed the remuneration policy in respect of post, performance and wage-based and paid the employees in accordance with their individual performance.

8. 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 Reporting Period.

9. 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, for the year ended 31 December 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.

10. 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. The audit committee has reviewed the annual results of the Company for the Reporting Period, and agreed with the accounting treatment method adopted by the Company.

11. Information Disclosure

This results announcement will be available on the websites of The Stock Exchange of Hong Kong Limited (<http://www.hkexnews.hk>). The annual report of the Company for the year ended 31 December 2015, which contains all information as proposed in the Disclosure of Financial Information set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, will be dispatched to shareholders of the Company and published on the websites of 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 Province, PRC
29 March 2016

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