東方電氣股份有限公司
DONGFANG ELECTRIC CO., LTD.

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

(Stock Code: 1072)

PRELIMINARY ANNOUNCEMENT OF 2018 INTERIM RESULTS

RESULTS HIGHLIGHTS

Total operating revenue of the Group in the first half of 2018 amounted to RMB16,542 million, representing an increase of 7.57% compared with the same period of the previous year;

Net profit attributable to shareholders of the Company in the first half of 2018 amounted to RMB514 million, representing an increase of 5.81% compared with the same period of the previous year;

Earnings per share of the Group in the first half of 2018 amounted to RMB0.17, as compared with RMB0.16 for the same period of the previous year; and

New orders of the Group in the first half of 2018 amounted to RMB16,962 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 (collectively, the "**Group**") for the six months ended 30 June 2018 (the "**Period**" or "**Reporting 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 Statement of Financial Position

30 June 2018

Unit: RMB

Item	*Notes*	**Closing balance**	Opening balance (Restated)
Current Assets:			
Cash and cash equivalents		**32,163,988,640.93**	30,606,779,529.80
Clearing provision			
Funds for lending			
Held-for-trading financial assets		**219,828,387.48**	354,810,227.98
Derivative financial assets			2,084,032.54
Notes and accounts receivable	3	**17,092,092,134.33**	18,555,262,886.51
Prepayments		**1,466,505,722.69**	2,429,212,457.56
Premiums receivable			
Amounts receivable under reinsurance contracts			
Reinsurer's share of insurance contract reserves			
Other receivables		**547,949,166.04**	479,128,079.20
Financial assets purchased under resale agreements		**2,371,767,100.00**	2,999,617,000.00
Inventories		**13,115,953,069.95**	14,629,649,582.45
Contract assets		**4,435,922,195.56**	3,813,124,661.16
Assets held for sale			
Non-current assets due within one year			
Other current assets		**1,939,007,641.93**	2,571,486,529.46
Total Current Assets		**73,353,014,058.91**	76,441,154,986.66

Item	*Notes*	**Closing balance**	Opening balance (Restated)
Non-current Assets:			
Loans and advances		**175,675,000.00**	690,200,000.00
Debt investments		**426,457,735.75**	604,843,393.75
Other investments in debt instruments		**584,798,875.00**	586,464,800.00
Long-term receivables		**25,144,414.18**	38,459,549.69
Long-term equity investments		**1,580,985,875.99**	1,405,332,262.56
Other investments in equity instruments		**104,893,165.36**	112,931,647.74
Other non-current financial assets			
Investment properties		**156,652,419.80**	164,237,508.09
Fixed assets		**6,286,893,804.48**	6,576,305,922.94
Constructions in process		**215,838,622.95**	206,421,148.09
Productive biological assets			
Oil and gas assets			
Intangible assets		**1,654,199,989.34**	1,470,333,738.04
Development expenditure		**1,884,624.21**	
Goodwill			
Long-term deferred expenses		**555,304.66**	590,304.64
Deferred tax assets		**2,628,427,198.89**	2,560,844,949.31
Other non-current assets		**2,299,701.58**	
Total Non-current Assets		**13,844,706,732.19**	14,416,965,224.85
TOTAL ASSETS		**87,197,720,791.10**	90,858,120,211.51

Item	*Notes*	**Closing balance**	Opening balance (Restated)
Current Liabilities:			
Short-term loans		**27,999,000.00**	65,627,570.50
Loans from the central bank		**1,150,000.00**	
Customer deposits and deposits from banks and other financial institutions		**4,353,362,132.54**	4,766,493,832.34
Taking from banks and other financial institutions			
Held-for-trading financial liabilities			
Derivative financial liabilities			
Notes and accounts payable	4	**16,436,703,646.33**	17,498,210,334.70
Receipts in advance			
Contract liabilities		**29,259,069,016.45**	32,215,266,411.83
Financial assets sold under repurchase agreements			
Fees and commissions payable			
Employee benefits payable		**610,708,423.62**	599,952,791.45
Taxes payable		**226,529,425.78**	354,600,911.20
Other payables		**2,745,817,088.25**	2,650,624,931.30
Amounts payable under reinsurance contracts			
Insurance contract reserves			
Funds from securities trading agency			
Funds from underwriting securities agency			
Liabilities held for sale			
Non-current liabilities due within one year		**53,260,000.00**	528,320,000.00
Other current liabilities		**55,360,862.60**	66,449,505.32
Total Current Liabilities		**53,769,959,595.57**	58,745,546,288.64

Item	*Notes*	**Closing balance**	Opening balance (Restated)
Non-current Liabilities:			
Long-term borrowing		**636,568,170.00**	456,634,990.00
Bonds payable			
Including: Preferred stock			
Perpetual capital securities			
Long-term payables		**58,062,614.63**	58,062,614.63
Long-term accrued payroll		**770,864,843.76**	700,024,168.29
Provisions		**2,966,847,401.48**	2,775,450,524.36
Deferred income		**426,914,130.21**	436,940,043.82
Deferred tax liabilities		**38,783,193.67**	42,262,367.54
Other non-current liabilities			
Total Non-current Liabilities		**4,898,040,353.75**	4,469,374,708.64
TOTAL LIABILITIES		**58,667,999,949.32**	63,214,920,997.28
OWNERS' EQUITY:			
Share capital		**3,090,803,431.00**	2,336,900,368.00
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital reserve		**11,175,215,118.80**	11,643,808,679.91
Less: Treasury shares			
Other comprehensive income		**34,513,325.85**	41,972,904.52
Special reserve		**86,480,881.54**	72,836,252.85
Surplus reserve		**774,913,922.16**	774,913,922.16
General risk reserve		**195,263,000.00**	195,263,000.00
Retained profits	5	**11,963,765,709.51**	11,378,034,055.43
Total owner's equity attributable to equity holders of Parent Company		**27,320,955,388.86**	26,443,729,182.87
Minority shareholders' equity		**1,208,765,452.92**	1,199,470,031.36
Total owners' equity attributable to equity holders of the Parent Company		**28,529,720,841.78**	27,643,199,214.23
TOTAL LIABILITIES AND OWNERS' EQUITY		**87,197,720,791.10**	90,858,120,211.51

Consolidated Income Statement

January–June 2018

Unit: RMB

Item		Notes	Amount for the Period	Amount for the same period of the previous year (Restated)
I.	**Total operating revenue**		**16,541,974,640.71**	15,378,356,331.50
	Including: Operating income	6	**16,098,917,937.35**	15,063,913,342.05
	Interest income		**435,851,468.51**	301,829,563.43
	Premium earned			
	Fee and commission income		**7,205,234.85**	12,613,426.02
II.	**Total operating costs**		**16,044,745,057.80**	14,925,574,886.33
	Including: Operating costs	6	**13,505,501,267.05**	12,385,092,437.95
	Fee and commission expenses		**39,242,419.76**	53,549,791.01
	Surrenders		**599,613.51**	443,612.28
	Claims and policy holder benefits (net of amounts recoverable from reinsurers)			
	Changes in insurance contract reserves (net of reinsurers' share)			
	Insurance policyholder dividends			
	Expenses for reinsurance accepted			
	Business tax and levies		**174,496,575.22**	174,051,157.68
	Sales expenses		**451,729,348.43**	563,294,938.12
	Administrative expenses		**1,148,593,077.32**	1,188,592,554.99
	R&D expenses		**431,544,259.78**	355,339,465.96
	Financial expenses		**-155,029,790.74**	-45,019,443.15
	Including: Interest expenses		**18,107,992.68**	23,444,956.38
	Interest income		**80,338,028.75**	149,129,312.26
	Impairment loss of assets		**448,068,287.47**	250,230,371.49
	Credit impairment loss			

Item	*Notes*	**Amount for the Period**	Amount for the same period of the previous year (Restated)
Add: Other gains		**25,489,408.15**	39,548,092.14
Investment income (Loss is indicated by "-")		**143,263,356.29**	91,665,809.57
Including: Income from investments in associates and joint ventures		**76,237,199.14**	28,124,322.76
Gains from net exposure hedges (losses are indicated by "-")			
Gains from changes in fair values (losses are indicated by "-")		**-8,276,082.08**	-16,922,662.85
Gains from disposal of assets (losses are indicated by "-")		**779,505.43**	16,132,068.20
Foreign exchange gains (losses are indicated by "-")		**468,880.04**	538,762.09
III. Operating profit (Loss is indicated by "-")		**658,954,650.74**	583,743,514.32
Add: Non-operating income		**29,620,461.43**	155,834,789.46
Less: Non-operating expenses		**76,417,939.55**	144,558,611.30
IV. Total profit (Total loss is indicated by "-")		**612,157,172.62**	595,019,692.48
Less: Income tax expenses	7	**78,252,390.90**	58,451,909.30
V. Net profit (Net loss is indicated by "-")		**533,904,781.72**	536,567,783.18
Net profit attributable to shareholders of Parent Company		**514,298,835.52**	486,037,837.74
Profit or loss attributable to minority interests		**19,605,946.20**	50,529,945.44
Net profit from continuing operations (net loss is indicated by "-")		**533,904,781.72**	536,567,783.18
Net profit of discontinued operations (net loss is indicated by "-")			

Item	*Notes*	**Amount for the Period**	Amount for the same period of the previous year (Restated)
VI. Other comprehensive income (OCI), (net of tax)		**-7,637,161.58**	-10,345,336.94
Net OCI attributable to owners of the Company		**-7,459,578.67**	-8,787,111.94
(I) OCI that will not be reclassified to profit or loss		**-5,727,418.69**	
1. Change in fair value of other investments in equity instruments		**-5,727,418.69**	
(II) OCI that will be reclassified to profit or loss		**-1,732,159.98**	-8,787,111.94
1. Gain or loss from change in fair value of available-for-sale financial assets			-4,164,817.29
2. Exchange difference from translation of financial statements of foreign operations		**-1,732,159.98**	-4,622,294.65
Net OCI attribute to minority shareholders		**-177,582.91**	-1,558,225.00
VII. Consolidated income		**526,267,620.14**	526,222,446.24
Consolidated income attributable to owners of Parent Company		**506,839,256.85**	477,250,725.80
Consolidated income attributable to minority interests		**19,428,363.29**	48,971,720.44
VIII. Earnings per share:	8		
(1) Basic earnings per share *(RMB/share)*		**0.17**	0.16
(2) Diluted earnings per share *(RMB/share)*		**0.17**	0.16

NOTES TO THE FINANCIAL STATEMENTS

For the six months ended 30 June 2018

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Based on the going-concern assumption and transactions and events actually incurred, the financial statements have been prepared by the Company in accordance with the Accounting Standards for Business Enterprises and specific accounting standards , the Accounting Standards for Business Enterprises– Application Guide, interpretations to the Accounting Standards for Business Enterprises and the other related provisions (hereafter collectively referred to as "ASBEs") by the Ministry of Finance of the PRC, No. 15 Information Disclosures Regulations for Companies Offering Shares in Public – General Rules of Preparing Financial Reports issued by China Securities Regulatory Commission (CSRC), and disclosure requirements under Rules Governing the Listing of Securities on The Stock Exchanges of Hong Kong Limited and "Hong Kong Companies Ordinance".

The "ASBE No. 33 – Consolidated Financial Statements" stipulates that "where there is subsidiary or business newly established due to combination of entities under common control in the reporting period, when preparing the consolidated statement of financial position, the parent company shall adjust the opening balance in the consolidated statement of financial position and make corresponding adjustments to relevant items of the comparative statements as if the reporting entity after consolidation had been in existence since the ultimate controlling party started to exercise effective control". As the Company acquired such assets as set forth in details under "(II) Major Acquisition and Disposal of Subsidiaries and Associates" of "III. OTHER EVENTS" in this announcement, the Company prepared the consolidated statement of financial position based thereupon.

2. SIGNIFICANT CHANGES IN ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(I) Significant changes in accounting policies

(i) Adopting ASBE No. 22–Financial Instruments: Recognition and Measurement, ASBE No. 23–Transfer of Financial Assets, ASBE No. 24–Hedge Accounting and ASBE No. 37–Financial Instruments: Presentation and Reporting

In 2017, Ministry of Finance revised the ASBE No. 22–Financial Instruments: Recognition and Measurement, ASBE No. 23–Transfer of Financial Assets, ASBE No. 24–Hedge Accounting and ASBE No. 37–Financial Instruments: Presentation and Reporting. Such revised standards shall be implemented from 1 January 2018. According to the standards, for financial instruments which have not been derecognised on the implementation date, retroactive adjustments shall be made to those applied recognition and measurement requirements different from the requirements under the revised standards. Adjustments have been made to the comparative figures in financial statements of prior period prepared in accordance with requirements different from those under the revised standards. On 1 January 2018, the Company adjusted the opening balance of retained earnings and other comprehensive income based on the cumulative effects of retroactive adjustment. Major effects of adopting the above standards are as follows:

	Changes in accounting policies and reasons	Items affected	Amounts affected
(1)	"Financial asset at fair value through profit or loss" is reclassified as "held-for-trading financial assets" due to change in the name of item	financial asset at fair value through profit or loss, held-for-trading financial assets	Consolidated statement: at the end of the Period, financial assets at fair value through profit or loss decreased by RMB219,828,387.48, held-for-trading financial assets increased by RMB219,828,387.48; at the beginning of the Period, financial asset at fair value through profit or loss decreased by RMB356,894,260.52, held-for-trading financial assets increased by RMB354,810,227.98, and derivative financial assets increased by RMB2,084,032.54.
(2)	"Held-to-maturity investments" is reclassified as "Debt investments" due to change in the name of item.	held-to-maturity investments, debt investments	Consolidated statement: at the end of the Period, held-to-maturity investments decreased by RMB426,457,735.75, debt investments increased by RMB426,457,735.75; at the beginning of the Period, held-to-maturity investments decreased by RMB604,843,393.75, debt investments increased by RMB604,843,393.75.
(3)	Non-trading investments in available-for-sale equity instruments is designated as "financial asset at fair value through other comprehensive income"; investments in available-for-sale debt instrument is designated as "financial assets at fair value through other comprehensive income".	financial assets available-for-sale, other investments in equity instruments, other investments in debt instruments	Consolidated statement: at the end of the Period, financial assets available-for-sale decreased by RMB689,692,040.36, other investments in equity instruments increased by RMB104,893,165.36, other investments in debt instruments increased by RMB584,798,875.00; at the beginning of the Period, financial assets available-for-sale decreased by RMB699,396,447.74, other investments in equity instruments increased by RMB112,931,647.74, other investments in debt instruments increased by RMB586,464,800.00.

(ii) Adopting ASBE No. 14–Revenue

In 2017, Ministry of Finance revised ASBE No. 14–Revenue (2017 revision). Pursuant to the requirements of the standard, enterprises that implement this standard for the first time shall adjust the retained earnings and the amount of other related items in the financial statements at the beginning of the year based on the cumulative effects, whereby the information related to the corresponding period shall not be adjusted. Pursuant to the requirements of the standard, the Company may adjust only the cumulative effects of the contracts that were not yet completed as at the date of initial adoption. Major effects of adopting the above standard are as follows:

Changes in accounting policies and reasons	Items affected	Amounts affected
"Contract assets" and "Contract liabilities" are included in statement of financial position.	inventories, contract assets, receipts in advance, contract liabilities	Consolidated statement: at the end of the Period, inventories decreased by RMB4,435,922,195.56, contract assets increased by RMB4,435,922,195.56, receipts in advance decreased by RMB29,259,069,016.45, contract liabilities increased by RMB29,259,069,016.45. At the beginning of the Period, inventories decreased by RMB3,813,124,661.16, contract assets increased by RMB3,813,124,661.16, receipts in advance decreased by RMB32,215,266,411.83, contract liabilities increased by RMB32,215,266,411.83.

(iii) On 15 June 2018, Ministry of Finance issued the "Notice of Ministry of Finance Concerning the Revision of the Financial Statements Format for General Business Enterprises in 2018" (Cai Kuai [2018] No. 15) (《財政部關於修訂印發2018年度一般企業財務報表格式的通知》(財會(2018)15號)) which revised the financial statements format for general business enterprises. Major effects of adopting the above standard are as follows:

Changes in accounting policies and reasons	Items affected	Amounts affected
(1) "Notes receivable" and "Accounts receivable" in the statement of financial position are consolidated as "Notes and accounts receivable";	notes receivable, accounts receivable, notes and accounts receivable, notes payable, accounts payable, notes and accounts payable, interest receivable, dividends receivable, other receivables, interest payable, dividends payable, other payables, fixed assets on disposal, fixed assets, construction materials, constructions in process, special payables, long-term payables, administrative expenses, R&D expenses	(1) "Notes receivable" and "Accounts receivable" were consolidated as "Notes and accounts receivable", the amount of which was RMB17,092,092,134.33 at the end of the Period and RMB18,555,262,886.51 at the beginning of the Period;
(2) "Notes payable" and "Accounts payable" are consolidated as "Notes and accounts payable";		(2) "Notes payable" and "Accounts payable" were consolidated as "Notes and accounts payable", the amount of which was RMB16,436,703,646.33 at the end of the Period and RMB17,498,210,334.70 at the beginning of the Period;
(3) "Interest receivable" and "Dividends receivable" are consolidated into "Other receivables";		(3) "Other receivables" increased by RMB251,233,573.25 at the end of the Period and RMB228,823,949.29 at the beginning of the Period;
(4) "Interest payable" and "Dividends payable" are consolidated into "Other payables";		(4) "Other payables" increased by RMB73,928,496.69 at the end of the Period and RMB87,690,288.34 at the beginning of the Period;
(5) "Disposal of fixed assets" is consolidated into "Fixed assets";		(5) "Fixed assets" increased by RMB151,325.59 at the end of the Period and RMB145,517.40 at the beginning of the Period;
(6) "Construction materials" is consolidated into "Constructions in process";		(6) "Constructions in process" increased by RMB161,328.21 at the end of the Period and RMB113,464.96 at the beginning of the Period;

Changes in accounting policies and reasons	Items affected	Amounts affected
(7) "Special payables" is consolidated into "Long-term payables". Comparative figures are adjusted accordingly;		(7) "Long-term payables" increased by RMB58,062,614.63 at the end of the Period and RMB58,062,614.63 at the beginning of the Period;
(8) "R&D expenses" is included in the income statement; R&D expenses in "Administrative expenses" was reclassified into "R&D expenses" and presented separately.		(8) "R&D expenses" increased by RMB431,544,259.78 during the Period and RMB355,339,465.96 during the last period; "Administrative expenses" decreased by RMB431,544,259.78 during the Period and RMB355,339,465.96 during the last corresponding period.

(II) Changes in major accounting estimates

There were no change in the Company's major accounting estimates during the Reporting Period.

3. NOTES AND ACCOUNTS RECEIVABLE

Unit: RMB

Item	Balance at the end of the Period	Balance at the beginning of the Period (Restated)
Notes receivable	**3,820,528,246.63**	4,877,181,249.21
Accounts receivable	**13,271,563,887.70**	13,678,081,637.30
Total	**17,092,092,134.33**	18,555,262,886.51

(1) **Notes receivable by category**

Item	As at 30 June 2018	As at 31 December 2017 (Restated)
Bank acceptances	**3,639,281,785.60**	4,753,466,445.11
Trade acceptances	**181,246,461.03**	123,714,804.10
Total	**3,820,528,246.63**	4,877,181,249.21

(2) **Notes receivable endorsed or discounted but not yet due as at the balance sheet date**

Item	Amount derecognized at the end of the Period	Amount not derecognized at the end of the Period
Bank acceptances	**627,633,460.38**	
Trade acceptances	**39,453,500.00**	
Total	**667,086,960.38**	

(3) **Accounts receivable**

Item	Balance at the end of the Period	Balance at the beginning of the Period (Restated)
Accounts receivable	**19,089,899,935.95**	19,307,533,539.50
Less: Provision for bad debts	**5,818,336,048.25**	5,629,451,902.20
Net amount	**13,271,563,887.70**	13,678,081,637.30

(4) Analysis of accounts receivable

Aging	**Balance at the end of the Period**	Balance at the beginning of the Period (Restated)
Within 1 year	**6,244,915,442.96**	6,814,523,367.26
1–2 yeas	**3,524,821,634.43**	3,222,775,246.54
2–3 years	**2,203,620,674.00**	2,157,679,661.90
3–4 years	**728,642,151.73**	983,903,099.47
4–5 yeas	**569,563,984.58**	499,200,262.13
Net amount	**13,271,563,887.70**	13,678,081,637.30

The Company conducted the aging analysis for accounts receivable based on the dates of relevant invoices and settlement statements.

4. NOTES AND ACCOUNTS PAYABLE

Unit: RMB

Category	**Balance at the end of the Period**	Balance at the beginning of the Period (Restated)
Notes payable	**1,767,393,859.36**	2,693,749,788.39
Accounts payable	**14,669,309,786.97**	14,804,460,546.31
Total	**16,436,703,646.33**	17,498,210,334.70

(1) Notes payable

Category	**Balance at the end of the Period**	Balance at the beginning of the Period (Restated)
Bank acceptances	**190,085,370.63**	190,197,628.91
Trade acceptances	**1,577,308,488.73**	2,503,552,159.48
Total	**1,767,393,859.36**	2,693,749,788.39

The notes payable due but outstanding at the end of the Period amounted to RMB0.00, and all the above notes will be due within one year.

(2) Accounts payable

Aging	**Balance at the end of the Period**	Balance at the beginning of the Period (Restated)
Within 1 year	**10,441,714,417.00**	11,810,689,070.25
1–2 yeas	**1,367,014,439.85**	389,803,314.67
2–3 years	**789,445,584.77**	1,525,921,288.97
Over 3 years	**2,071,135,345.35**	1,078,046,872.42
Total	**14,669,309,786.97**	14,804,460,546.31

The Company conducted the aging analysis for accounts payable based on the dates of relevant invoices and settlement statements.

5. RETAINED PROFITS

Unit: RMB

Item	**Amount**	**Proportion of appropriation or distribution**
Amount at the end of the previous period (restated)	**11,378,034,055.43**	
Amount at the beginning of the Period (restated)	**11,378,034,055.43**	
Add: Net profits attributable to shareholders of Parent Company for the Period	**514,298,835.52**	
Others	**71,432,818.56**	
Less: Appropriation of statutory surplus reserves		
Dividends payable on ordinary shares		
Amount at the end of the Period	**11,963,765,709.51**	

6. TOTAL OPERATING REVENUE AND OPERATING COST

Unit: RMB

Item	Amount for the Period Revenue	Amount for the Period Cost	Amount for the same period of the previous year Revenue	Amount for the same period of the previous year Cost
Subtotal of principal operations	**15,932,954,317.19**	**13,430,274,274.18**	14,935,440,425.87	12,301,555,562.59
Subtotal of other operations	**165,963,620.16**	**75,226,992.87**	128,472,916.18	83,536,875.36
Interest income/ expenses	**435,851,468.51**	**39,242,419.76**	301,829,563.43	53,549,791.01
Fee and commission income/expenses	**7,205,234.85**	**599,613.51**	12,613,426.02	443,612.28
Total	**16,541,974,640.71**	**13,545,343,300.32**	15,378,356,331.50	12,439,085,841.24

7. INCOME TAX EXPENSES

Unit: RMB

Item	**Amount for the Period**	Amount for the same period of the previous year (Restated)
Income tax expenses for current period	**137,378,993.47**	142,199,124.90
Including: China	**137,368,897.18**	134,308,277.45
India		
Other regions	**10,096.29**	7,890,847.45
Deferred income tax	**-59,126,602.57**	-83,747,215.60
Total	**78,252,390.90**	58,451,909.30

Except for four overseas subsidiaries of the Company, namely 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), Dongfang Electric Machinery Venezuela Co., Ltd. (東方電機委內瑞拉有限責任公司) and Laos Nam Mang Power Company Limited (老撾南芒河電力有限公司), which are subject to corporate income tax as stipulated by their respective local law and certain other subsidiaries which enjoy a preferential tax rate of 15%, the remaining subsidiaries of the Company are subject to corporate income tax at a rate of 25%.

8. EARNINGS PER SHARE

Unit: RMB

(1) Basic earnings per share

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

Item	This Period	Last Period (Restated)
Combined net profit attributable to Parent Company's shareholders of ordinary shares	**514,298,835.52**	486,037,837.74
Combined net profit attributable to Parent Company's shareholders of ordinary shares (after deducting non–recurring profit or loss)	**465,268,804.22**	328,316,124.81
Weighted average number of outstanding ordinary shares of Parent Company	**3,090,803,431.00**	3,090,803,431.00
Basic earnings per share *(RMB per share)*	**0.17**	0.16
Basic earnings per share *(RMB per share)* (after deducting non–recurring profit or loss)	**0.15**	0.11

Process for calculating the weighted average number of ordinary shares:

Item	This Period	Last Period (Restated)
Number of outstanding ordinary shares at the beginning of the period	**3,090,803,431.00**	3,090,803,431.00
Weighted average number of outstanding ordinary shares	**3,090,803,431.00**	3,090,803,431.00

(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.

9. SEGMENT INFORMATION

Unit: RMB

Reportable segments for the first half of 2018

Item	High-efficiency clean energy equipment	Renewable energy equipment	Modern services business	Power electronics and intelligent control	Ecological and environmental protection and others	Others	Write-off	Total
Operating income	14,966,382,886.47	3,085,808,987.83	3,534,368,039.96	650,034,929.64	1,142,595,534.32		6,837,215,737.51	16,541,974,640.71
Including: External transactions income	9,618,155,077.54	2,159,800,691.78	3,388,409,928.86	650,034,929.64	725,574,012.89			16,541,974,640.71
Inter-segment transactions income	5,348,227,808.93	926,008,296.05	145,958,111.10	0.00	417,021,521.43		6,837,215,737.51	
Operating cost	13,438,368,741.71	2,682,231,046.26	2,721,691,909.88	477,929,403.08	903,503,654.20		6,678,381,454.81	13,545,343,300.32
Cost written off	5,301,344,249.97	804,392,084.12	188,453,276.16	0.00	384,191,844.56		6,678,381,454.81	
Expenses for the period						2,160,189,219.58	-177,487,470.07	2,337,676,689.65
Operating profit (loss)	1,528,014,144.76	403,577,941.57	812,676,130.08	172,105,526.56	239,091,880.12	-2,160,189,219.58	336,321,752.77	658,954,650.74
Total assets						152,744,141,223.94	65,546,420,432.84	87,197,720,791.10
Including: Amount of substantial impairment loss on a single asset								
Total liabilities						107,845,837,496.89	49,177,837,547.57	58,667,999,949.32
Supplemental information								
Capital expenditure								
Recognized impairment loss of the current period						434,802,989.89	-13,265,297.58	448,068,287.47
Including: Amortization of impairment of goodwill								
Depreciation and amortization expenses						483,965,701.10		483,965,701.10
Non-cash expenses other than impairment loss, depreciation and amortization								

Reportable segments for the same period of the previous year (restated)

Item	High-efficiency clean energy equipment	Renewable energy equipment	Modern service business	Power electronics and intelligent control	Ecological and environmental protection and others	Others	Write-off	Total
Operating income	16,507,925,374.55	2,136,607,073.29	3,048,009,351.35	657,977,947.18	1,232,254,718.72		8,204,418,133.59	15,378,356,331.50
Including: External transactions income	10,092,882,568.64	1,193,063,894.37	2,761,643,868.61	657,977,947.18	672,788,052.70			15,378,356,331.50
Inter-segment transactions income	6,415,042,805.91	943,543,178.92	286,365,482.74		559,466,666.02		8,204,418,133.59	
Operating cost	14,729,519,935.55	1,972,164,895.97	2,405,267,816.58	482,458,194.90	1,020,116,094.37		8,170,441,096.13	12,439,085,841.24
Cost written off	6,376,690,005.78	838,579,744.85	470,599,174.00		484,572,171.50		8,170,441,096.13	0.00
Expenses for the period						2,158,041,503.89	-197,485,472.05	2,355,526,975.94
Operating profit (loss)	1,778,405,439.00	164,442,177.32	642,741,534.77	175,519,752.28	212,138,624.35	-2,158,041,503.89	231,462,509.51	583,743,514.32
Total assets						149,771,285,342.04	55,955,472,931.46	93,815,812,410.58
Including: Amount of substantial impairment loss on a single asset								
Total liabilities						113,505,564,531.31	47,146,795,799.07	66,358,768,732.24
Supplemental information								
Capital expenditure								
Recognized impairment loss of the current period						236,536,995.13	-13,693,376.36	250,230,371.49
Including: Amortization of impairment of goodwill								
Depreciation and amortization expenses						499,321,547.83		499,321,547.83
Non-cash expenses other than impairment loss, depreciation and amortization								

10. INVESTMENT IN ASSOCIATED COMPANIES AND JOINT VENTURES

Unit: RMB

		Increase/decrease for the Period									
Investee companies	Balance at the beginning of the year (Restated)	**Follow-on investment**	**Decrease in investment**	**Recognized investment loss/gain by equity method**	**Adjustment to other comprehensive income**	**Other change in equity**	**Announcement of distribution of cash dividends or profit**	**Others**	**Balance at the end of the Period**	**Provision for impairment made in the Period**	**Balance of provision for impairment at the end of the Period**
1. Joint ventures											
MHPS Dongfang Boiler Co., Ltd	191,665,265.04			7,006,552.73					**198,671,817.77**		
Dongfang Areva Nuclear Pump Co., Ltd	209,622,279.90			15,252,926.53					**224,875,206.43**		
2. Associated companies											
Mitsubishi Heavy Industries Dongfang Gas Turbine Co., Ltd.	582,849,570.13			12,691,417.33				-2,583,585.71	**592,957,401.75**		
Leshan city Dongle Heavy Piece Handling Co., Ltd.	27,803,700.96			176,187.86					**27,979,888.82**		
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd.	1,996,884.48								**1,996,884.48**		
Sichuan Wind Power Industry Investment Co., Ltd.	255,556,481.06			30,946,894.69					**286,503,375.75**		
Huadian Longkou Wind Power Co., Ltd.	50,459,812.07			7,582,843.76					**58,042,655.83**		
Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	19,846,957.02			1,398,137.86					**21,245,094.88**		
CLP Combined Heavy Gas Turbine Technology Co., Ltd.	11,672,017.69	102,000,000.00		-155,689.18					**113,516,328.51**		
Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	18,537,039.00			1,337,927.56					**19,874,966.56**		
Inner Mongolia Mengneng Wulan New Energy Co., Ltd.	35,322,255.21								**35,322,255.21**		
Total	1,405,332,262.56	102,000,000.00		76,237,199.14				-2,583,585.71	**1,580,985,875.99**		

11. NET CURRENT ASSETS

Unit: RMB

Item	**Balance at the end of the Period**	Balance at the beginning of the Period (Restated)
Current assets	**73,353,014,058.91**	76,441,154,986.66
Less: current liabilities	**53,769,959,595.57**	58,745,546,288.64
Net current assets	**19,583,054,463.34**	17,695,608,698.02

12. TOTAL ASSETS LESS CURRENT LIABILITIES

Unit: RMB

Item	**Balance at the end of the Period**	Balance at the beginning of the Period (Restated)
Total assets	**87,197,720,791.10**	90,858,120,211.51
Less: current liabilities	**53,769,959,595.57**	58,745,546,288.64
Total assets less current liabilities	**33,427,761,195.53**	32,112,573,922.87

13. DIVIDENDS

The Board does not recommend the payment of interim dividend for the six months ended 30 June 2018. (Interim dividend for the same period in 2017: Nil)

II. MANAGEMENT DISCUSSION AND ANALYSIS

Overall Business Review

Upon completion of the issuance of shares for purchase of assets and the connected transactions in the first half of 2018, the business scope of the Company will be expanded to include power electronics and control, finance, logistics, trade, new energy, intelligent industrial equipment, etc., and the industrial chain of the Company as a power generation equipment manufacturer will be further improved and the core business capacity of power generation equipment will see enhancement. So far, the Company's existing industries are divided into: high-efficiency cleaning energy equipment (including coal-fired power, nuclear power, gas turbines), renewable energy equipment (including hydropower, wind power, solar power), modern services business (including engineering, trade, finance, power station services, logistics), power electronics and intelligent control, ecological environmental protection and others (including hydrogen energy, water affairs, environmental production, industrial turbines, AC and DC motors, petrochemical containers and others).

In the transaction, the Company acquired the 95% equity interest in DEC Finance Co., Ltd., 100% equity interest in DEC International Cooperation Limited, 100% equity interest in Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd., 41.24% equity interest in Dongfang Hitachi Electronic Control Equipment Co., Ltd., 100% equity interest in Dongfang Electric (Sichuan) Materials Co., Ltd., 100% equity interest in DEC Bulk Logistic Co., Ltd., 100% equity interest in Chengdu Dongfang Electric Clean Energy Co., Ltd. and 100% equity interest in Chengdu Dongfang Electric Smart Energy Co., Ltd. held by DEC Group as well as the 833 equipment assets and 472 intangible assets of DEC Group from DEC Group by issuance of A shares at a total consideration of RMB6,793 million. With 31 March 2018 as the audit base date for the completion of this transaction, the Company has completed the industrial and commercial registration of changes therefor. On 12 June 2018, the registration and listing of the 753,903,063 new A shares were completed at China Securities Depository and Clearing Corporation Limited Shanghai Branch. For details, please refer to the overseas regulatory announcements dated 14 June 2018 and 9 June 2018, published on the website of the Hong Kong Stock Exchange, respectively.

After the transaction, the core competitiveness of the Company will further consolidated and enhanced and the business scope of the Company will be expanded to include power electronics and control, finance, logistics, trade, new energy, intelligent industrial equipment, etc., and the industrial chain of the Company as a power generation equipment manufacturer will be further improved and the core business of power generation equipment will see quality and efficiency enhancement. Furthermore, through the transaction, the Company will be greatly promoted in terms of integration of industry and finance and international operation and is expected to foster new drivers for growth of results by virtue of the new businesses and gain better profitability and anti-risk capability as well as enhanced overall competitiveness.

Discussion and Analysis of Operations

During the Reporting Period, in response to the complicated and changing environment, the Company centered on growing bigger, stronger and better, and strove to secure victories in the "three critical missions" of revitalizing wind power business, expanding modern services business and bolstering international business and fulfill the "five major tasks" in a bid to enhance its development quality and efficiency, thereby maintaining steady growth of operating results.

Completion of Operation Indicators

During the Reporting Period, under the China Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB16,542 million, representing an increase of 7.57% over the same period of the previous year; net profit attributable to shareholders of the Company of RMB514 million, representing an increase of 5.81% over the same period of the previous year; and earnings per share of RMB0.17. Consolidated gross profit margin was 18.12%, representing a decrease of 0.99 percentage points over the same period of the previous year.

Capacity of Power Generation Equipment

During the Reporting Period, the Company produced power generation equipment with total capacity of 11,780.1 MW, representing a decrease of 29.3% as compared with the same period of the previous year. The equipment included 9 hydro-electric turbine generator units (373.6 MW), down by 60.0% as compared with the same period of the previous year; 47 steam turbine generators (11,185 MW), down by 27.3% as compared with the same period of the previous year; 94 wind turbine generator sets (221.5 MW), down by 38.0% as compared with the same period of the previous year; 25 power station boilers (10,470 MW), down by 7.6% as compared with the same period of the previous year; and 53 power station steam turbines (12,423 MW), up by 20.9% as compared with the same period of the previous year.

Market Expansion

During the Reporting Period, in response to the falling market prices amid a general decline in market demand, the staff of the Company worked in concert to expand market and made new progress and breakthroughs in certain areas. In terms of hydropower, the Company won the bid for the pumped storage projects in Yongtai, Fujian and Panlong, Chongqing, thus taking up 100% market share and continuing the leading position in the industry. In terms of coal-fired power, it won the bid for the master equipment of Yanchang Petroleum, HECIC Changtan Power Station and Nangang Thermal of Tianjin Huadian, with over 40% of the market share in the grasp. In terms of nuclear power, the Company secured supply contracts from Hinkley Point C Nuclear Power Plant to provide steam turbine low pressure tank for regular nuclear island and heavy-duty support equipment for nuclear island, marking breakthrough in respect of the "going global" of the Company's nuclear power equipment. In terms of gas-fueled power, it won the bid for Huadian Qingdao and Qingyuan projects, maintaining the 50% market share. During the Reporting Period, the Company's new orders amounted to RMB16,962 million, of which export orders amounted to US$510 million, accounting for 19.1% of the new orders. Among the new orders, 35.5% was attributable to high-efficiency clean energy, 25.4% to renewable energy, 21.8% to modern services business, 6% to power electronics and intelligent control and 11.2% to ecological and environmental protection equipment and others. As at 30 June 2018, the Company had orders in hand of RMB84,800 million, of which high-efficiency clean energy accounted for 65.4%, renewable energy accounted for 18.6%, modern services business accounted for 12.4%, power electronics and intelligent control accounted for 1.1%, and ecological and environmental protection equipment and others accounted for 2.5%.

Securing new victories in the "three critical missions"

Initial success was achieved in the revitalization of the wind power business. The Company won the bid for the 60,000 KW offshore wind power project of China Three Gorges Corporation in Xinghua Bay in Fujian, securing its first order for offshore wind power farms. The number of orders on overseas wind power projects continued to increase. In particular, the orders for the Aysha project in Ethiopia and Herradura project (Phase II) in Cuba came into effect, and the owner of the Ulyanovsk project in Russia issued the equipment transfer certificate. Further, a substantial progress was made in the research and development of new wind power products. The 5MW offshore wind power turbines obtained model accreditation and first batch of orders, the research and development of the 8MW offshore wind power turbines progressed on schedule, and the construction design of the 3.XMW onshore grand wind power turbines was completed with phase design getting certificated.

Modern services business gathered momentum for further development. The customer service manager system was implemented throughout the Group and customer service managers were appointed and designated for domestic and overseas power plants. Drawing upon Internet Plus and Industrial Internet, the Group strove to provide whole-process lifetime service solutions for customers. The main functions of the online intelligent power station service platform have been basically completed, creating conditions for further enhancing service quality and competitiveness. The online spare parts mall has been fundamentally completed.

The consolidation of international business resources created synergies. DEC International Cooperation Limited achieved integration of its international operations through the consolidation of its international business resources, and the synergies gradually revealed. In the first half of the year, DEC International Cooperation Limited saw a rebound in its international operations, with contracts awarded for overseas projects reaching RMB17.8 billion. DEC International Cooperation Limited received the notification of award for oversea projects including the Hamrawien project in Egypt, setting new records of the maximum unit capacity and total capacity of power equipment for export in China. In addition, breakthrough was made in regional development of market. The Company set its presence in the new markets in Papua New Guinea, Uzbekistan, Mali in Africa and other countries, and made further achievements in diversified operations by entering into a batch of new contracts and letters of intent in the fields of power transmission and transformation, rail traffic and diesel power generation.

Delivering phased results in respect of the "five major tasks":

First, reform was deepened in a fast and steady way. 36 key reform tasks were put forward, and the focus was placed on optimizing management and control systems, streamlining structures, three-system reforms, project organization, equity diversification and mixed ownership reform. Milestone progress was made in key areas and critical aspects. The industrialized operation system and the "one horizontal and one vertical" management and control systems were further improved, making resources allocation more scientific and efficient.

Second, fruitful results were achieved in scientific and technological innovation. With the establishment of mechanisms for facilitating scientific and technological innovation, six major scientific and technological projects were steadily advanced. The 630ºC ultra-supercritical reheat demonstration project entered into the stage of performance design and construction design in full swing; the technical specifications for prototype fast reactor steam generator passed the expert review; Dongfang Electric Machinery made breakthroughs in the development and manufacturing of 1000MW large hydraulic generating units for Baihetan Power Station, enabling the successful development and operation of the first sophisticated bottom ring, which was praised as the "best sophisticated bottom ring" by the owner; buses powered by hydrogen fuel cells of which by the Company owns proprietary intellectual property rights were put into service in Pidu District, Chengdu, and Dongfang Electric was awarded a demonstration project of 50 hydrogen fuel cell-powered buses of Sichuan Province, which signaled that commercialization of hydrogen fuel cells was under full progress.

Third, quality-focused development was constantly deepened. Taking a problem-solving approach, the Company incessantly carried out the quality promotion campaigns, devoted intensified efforts on product quality and service quality, and recorded nil material quality issue as a result. It published the quality culture construction outline, thus kicking off new tasks for quality culture construction in the new era.

Fourth, cost competitiveness took shape. While continuously advancing "Three Reductions and Two Improvements", the Company proceeded with the three key tasks of financial management, adopted special measures for loss-making enterprises and carried out special control over asset-liability ratios, resulting in significant improvement in the quality of operations.

Fifth, management improvement progressed steadily. Targeting at the overall goal of "implementing lean production, improving lean management and building lean companies", the Company launched lean management in an all-round way and released the action plan for promoting lean management. In addition, the Company proactively promoted the centralized procurement of general bulk materials and further optimized the procurement management system.

(I) Analysis of Principal Business

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

Unit: RMB

Item	**Amount for the Period**	Amount for the same period of the previous year (Restated)	Change *(%)*
Operating revenue	**16,098,917,937.35**	15,063,913,342.05	6.87
Operating cost	**13,505,501,267.05**	12,385,092,437.95	9.05
Selling expenses	**451,729,348.43**	563,294,938.12	-19.81
Administrative expenses	**1,148,593,077.32**	1,188,592,554.99	-3.37
R&D expenses	**431,544,259.78**	355,339,465.96	21.45
Finance costs	**-155,029,790.74**	-45,019,443.15	N/A
Net cash flows from operating activities	**740,356,448.15**	-949,017,670.67	N/A
Net cash flows from investing activities	**679,271,047.99**	44,439,564.95	1428.53
Net cash flows from financing activities	**-365,682,891.00**	-388,321,232.02	N/A

2. Top five customers and suppliers

(1) Major customers

During the Reporting Period, the Group's operating revenue from its top five customers amounted to RMB2,855 million, accounting for 17.73% of its total operating revenue.

(2) Major suppliers

During the Reporting Period, the Group's procurement from its top five suppliers amounted to RMB761 million, accounting for 7.36% of its total procurement.

3. Cash flows

Unit: RMB

Item	**Amount for the Period**	Amount for the same period of the previous year (Restated)	Change *(%)*
Other cash received from operating activities	**1,617,500,517.71**	764,393,219.30	111.61
Cash received from disposal of investments	**1,541,257,569.04**	1,045,582,203.18	47.41
Cash received from return on investments	**58,847,793.56**	150,957,701.16	-61.02
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	**57,722,172.50**	2,847,639.02	1,927.02

(1) Other cash received from operating activities increased by 111.61% year-on-year, mainly due to the substantial year-on-year increase in the proceeds received by DEC Finance Co., Ltd. from disposal of financial assets purchased under resale agreements during the Period.

(2) Cash received from disposal of investments increased by 47.41% year-on-year, mainly due to disposal of investment in equity and debt instruments.

(3) Cash received from return on investments decreased by 61.02% year-on-year, mainly due to the decreases in dividends from joint ventures and return on investments from DEC Finance Co., Ltd. in the Period.

(4) Net cash received from disposal of fixed assets, intangible assets and other long-term assets increased substantially year-on-year, mainly due to the increase in disposal of assets in the Period.

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

1. Total operating revenue by industry and product

Unit: RMB

Product	Operating revenue	Operating cost	Gross profit margin (%)	Year-on-year increase/ decrease in operating revenue (%)	Year-on-year increase/ decrease in operating cost (%)	Year-on-year increase/ decrease in gross profit margin *(percentage point)*
Operations by industry						
Power generation equipment manufacturing	16,541,974,640.71	13,545,343,300.32	18.12	7.57	8.89	-0.99
Operations by product						
High-efficiency clean energy equipment	9,618,155,077.54	8,137,024,491.74	15.40	-4.70	-2.58	-1.84
Renewable energy equipment	2,159,800,691.78	1,877,838,962.14	13.05	81.03	65.65	8.06
Modern services business	3,388,409,928.86	2,533,238,633.72	25.24	22.70	30.94	-4.71
Power electronics and intelligent control	650,034,929.64	477,929,403.08	26.48	-1.21	-0.94	-0.20
Ecological and environmental protection equipment and others	725,574,012.89	519,311,809.64	28.43	7.85	-3.03	8.03

(1) The Company sought for restructuring and upgrading proactively during the Period. While focused on its main businesses, it optimized the allocation of resources and improved its quality control continuously, realizing varying degrees of income growth in thermal power, wind power and engineering segments. Total operating revenue increased year-on-year by 7.57% during the Period.

(2) The operating revenue from high-efficiency clean energy equipment decreased year-on-year by 4.70%, mainly due to a decrease in the scale of sales of gas turbine products during the Period. The gross profit margin of high-efficiency clean energy equipment decreased year-on-year by 1.84 percentage points, mainly due to the decreased proportion of higher profitability gas turbine products in the high-efficiency clean energy equipment during the Period.

(3) The revenue from renewable energy equipment increased year-on-year by 81.03%, mainly due to the year-on-year increase of 126.39% in revenue of the wind power products during the Period. The gross profit margin of the renewable energy equipment increased year-on-year by 8.06 percentage points, which was primarily resulted from the turnaround from loss for hydro power products.

(4) Revenue from modern services business increased year-on-year by 22.70% during the Period, mainly due to the year-on-year increase in the revenue from engineering products. The gross profit margin of modern services business decreased year-on-year by 4.71 percentage points due to the declined gross profit margin of engineering products.

(5) The revenue from power electronics and intelligent control decreased year-on-year by 1.21%, mainly due to the slight year-on-year decrease in the revenue from automatic control products. The gross profit margin of this segment remained almost flat year-on-year.

2. *Total operating revenue by region*

Unit: RMB

Region	**Operating revenue**	**Year-on-year increase/decrease in operating revenue** *(%)*
PRC	14,999,462,158.63	10.67
Overseas	1,542,512,482.08	-15.50
Total	16,541,974,640.71	7.57

(III) Analysis of Major Subsidiaries and Investees

Company name	Equity interest held by the Company	Main products or services	Paid-up 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 turbines, gas turbines, compressors, fans, pumps and renewable energy; industrial control and automation; the research, design, installation, commissioning, alteration and maintenance services of the power stations and the corresponding equipment; mechanical equipment and its accessories as well as the related import and export business	41.56	247.11	40.64	50.17	0.70	0.60
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipment, turbonators, AC and DC motors; the design, manufacturing and sales of control equipment; the transformation of power stations and the installation of power station equipment	20.67	141.57	40.28	25.23	0.86	0.83
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	213.40	55.03	52.35	1.49	1.29
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd.	65.1813%	Any business prohibited by national laws and regulations shall not be operated; any business which is subject to special approval shall be operated upon approval; and other businesses can be independently organized and operated	11.51	36.94	17.25	5.76	0.38	0.35
Dongfang Electric Wind Power Co., Ltd.	100%	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 wind-mill generators and their components and parts; technical services 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, their components and parts and associated technologies	12.33	55.36	3.06	18.79	0.65	0.01

Company name	Equity interest held by the Company	Main products or services	Paid-up capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC International Cooperation Limited	100%	Contracting overseas engineering projects, dispatch of workers required for the implementation of the aforesaid oversea engineering projects (The scope and term of the aforesaid items are subject to the licenses). General business (the following items exclude pre-licensing projects and the operation of post-licensing projects shall be subject to licenses or approval documents): research and development and sales of general equipment, electric machinery and equipment; provision of professional technical services; technology promotion and application services; and import and export business. The company is principally engaged in contracting overseas power station projects and exporting complete sets of large-scale power station equipment. In addition, the company is also engaged in the export of domestic manufactured automotive vehicles and trucks in large quantities in recent years	7.64	54.60	16.52	7.96	2.00	2.02
DEC Finance Co., Ltd.	95%	provision of financial services, financial consultancy, credit verification and related advisory, and agency services to group entities; assisting group entities to settle payments; provision of guarantees to group entities; provision of entrusted loans and entrusted investment among group entities; provision of bill acceptance and discounting among group entities; provision of internal account settlement and clearing among group entities; accept of deposits from group entities; provision of loans and finance leasing; provision of intercompany borrowings; provision of short-term life and health insurance, provision of motor vehicles insurance and corporate property insurance agency services; provision of underwriting services of corporate bonds for group entities; provision of equity investments in financial institutions; provision of buyer's credit and finance lease for group entities' products; investments in securities (including securities); forward settlement and sale of foreign exchange (basic). (The scope and term of the aforesaid items are subject to permitted or approved licenses)	20.95	295.31	31.19	4.73	2.04	1.63

Company name	Equity interest held by the Company	Main products or services	Paid-up capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd.	100%	R&D, manufacturing, integration and sales of regulating, protection, monitoring, hydraulic pressure, instrument, and electric control system for power generation equipment and turbines; R&D of wind power control system, sea water desalination control system, water treatment equipment control system and PV generating equipment, research, system integration and sales of distributed energy stations and smart grid technology, and power station project general contracting; R&D, system integration, installation, and sales of power plants and substation distributed control system, industrial control equipment, power plant simulation system, electric system and charging system of electric vehicles, electric system of locomotive, small and medium-sized wind power generation equipment, energy storage, power generation and thermal energy utilization system, wave control device, magnetic control device, industrial wireless communication and other automatic control equipment; development, production, commissioning, sales and maintenance services of computer software and hardware; technical consultation services; relevant import and export business; sales of electric machinery and equipment, electronic components, household appliances, building electric equipment, air conditioning equipment, valves, pumps, semiconductor materials, mineral products (except for items restricted by the state), construction materials, general contracting for power construction project (the operation of the aforesaid items shall be conducted with valid licenses)	2.27	8.12	3.49	2.61	0.16	0.13

(IV) Financial Position and Operating Results 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 (Restated)	Year-on-year increase/decrease *(%)*
Operating revenue	**16,098,917,937.35**	15,063,913,342.05	6.87
Selling expenses	**451,729,348.43**	563,294,938.12	-19.81
Administrative expenses	**1,148,593,077.32**	1,188,592,554.99	-3.37
R&D expenses	**431,544,259.78**	355,339,465.96	21.45
Finance costs	**-155,029,790.74**	-45,019,443.15	N/A
Impairment loss of assets	**448,068,287.47**	250,230,371.49	79.06
Operating profit	**658,954,650.74**	583,743,514.32	12.88
Total profit	**612,157,172.62**	595,019,692.48	2.88
Income tax expenses	**78,252,390.90**	58,451,909.30	33.87
Net profit	**533,904,781.72**	536,567,783.18	-0.50
Net profit attributable to owners of the Company	**514,298,835.52**	486,037,837.74	5.81

(1) The Company sought for restructuring and upgrading proactively in the Period. While focused on its main businesses, it optimized the allocation of resources and improved its quality control continuously, leading to a 6.87% year-on-year increase in operating revenue during the Period.

(2) The selling expenses of the Company decreased year-on-year by 19.81% during the Period, which was mainly due to a year-on-year decrease of the product quality service fees incurred in the Period.

(3) The R&D expenses of the Company increased by 21.45% year-on-year during the Period, which was mainly due to the year-on-year increase in R&D input.

(4) The finance costs of the Company decreased during the Period, which was mainly due to the recognition of exchange gain resulting from fluctuations in RMB exchange rates during the Period.

(5) The impairment loss on assets of the Company increased 79.06% year-on-year during the Period, which was mainly due to the increase in provision for bad loans made in the Period as a result of the aging of accounts receivable.

(6) The operating profit of the Company increased year-on-year by 12.88%, total profit increased year-on-year by 2.88%, and net profit basically remained flat year-on-year, which was mainly due to the year-on-year increase in operating revenue and the year-on-year decrease in both selling expenses and finance costs.

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

As at the end of the Period, the Company's total assets amounted to RMB87,198 million, decreasing by 4.03% as compared with the beginning of the year, among which sharp decreases were recorded in notes and accounts receivable, prepayments and inventories, with decreases of 7.89%, 39.63% and 10.35% respectively. Total liabilities amounted to RMB58,668 million, down by 7.19% as compared with the beginning of the year, mainly attributable to the decrease of 6.07% in notes and accounts payable and the decrease of 9.18% in contract liabilities. Total shareholders' equity amounted to RMB28,530 million, up by 3.21% as compared with the beginning of the year, mainly attributable to the operating profit for the Period.

3. Gearing ratio

Gearing ratio = total liabilities/total assets × 100%

Item	**At the end of the Period**	At the beginning of the year (Restated)	Year-on-year increase/ decrease *(percentage point)*
Gearing ratio *(%)*	**67.28**	69.58	-2.30

The gearing ratio of the Company was 67.28% at the end of the Period, representing a decrease of 2.30 percentage points as compared with the beginning of the year. The risk relating to the asset structure of the Company is in a controllable state.

4. Bank borrowings

As at 30 June 2018, the Company had financial institution (bank) borrowings of RMB81 million due within one year and bank borrowings of RMB637 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly denominated in RMB. In particular, RMB702 million were fixed-rate loans. The Company has maintained a favorable 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

The Company did not have any pledged borrowings as at the end of the Period.

(V) Material Events

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

(VI) Prospect for the Second Half of 2018

The Company will proactively cope with the unfavorable environment and secure victories in the "three critical missions" of rejuvenating wind power business, expanding modern services business and bolstering international presence, thereby ensuring year-on-year increases in operating revenue and total profit. The Company plans to produce power generation equipment with a total capacity of 27,000MW for the whole year of 2018, and push forward quality-focused development.

III. OTHER EVENTS

(I) Purchase, Sales or Redemption of Listed Securities of the Company

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any listed securities of the Company during the Period.

(II) Major Acquisition and Disposal of Subsidiaries and Associates

During the Reporting Period, the Company acquired the 95% equity interest in DEC Finance Co., Ltd., 100% equity interest in DEC International Cooperation Limited, 100% equity interest in Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd., 41.24% equity interest in Dongfang Hitachi Electronic Control Equipment Co., Ltd., 100% equity interest in Dongfang Electric (Sichuan) Materials Co., Ltd., 100% equity interest in DEC Bulk Logistic Co., Ltd., 100% equity interest in Chengdu Dongfang Electric Clean Energy Co., Ltd. and 100% equity interest in Chengdu Dongfang Electric Smart Energy Co., Ltd. held by DEC Group as well as the 833 equipment assets and 472 intangible assets of DEC Group from DEC Group by issuance of A shares. For details, please refer to the "Report on Acquisition of Assets by Dongfang Electric Corporation Limited by Issuance of Shares and Related Party Transactions" (東方電氣股份有限公司發行股份購買資產暨關聯交易報告書) published on the Shanghai Stock Exchange and the Hong Kong Stock Exchange on 2 March 2018.

(III) External Guarantee and Performance

Unit: RMB

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

Guarantor	Relationship between guarantor and listed company	Guaranteed parties	Guaranteed amount	Date of guarantee (execution date of agreement)	Commencement date of guarantee	Expiry date of guarantee	Type of guarantee	Is the guarantee fully fulfilled	Is the guarantee overdue	Amount overdue	Any default on guarantee	Is the guarantee provided to related party	Related party relationship
Dongfang Electric Co., Ltd.	Headquarters of the Company	Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	16,000,000	19 January 2016	19 January 2016	19 January 2026	General pledge	No	No	0	No	No	Other
Dongfang Electric Co., Ltd.	Headquarters of the Company	Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	16,000,000	29 June 2016	29 June 2016	29 June 2026	General pledge	No	No	0	No	No	Other
Dongfang Electric Co., Ltd.	Headquarters of the Company	Inner Mongolia Wulan New Energy Co., Ltd.	36,000,000	27 October 2016	27 October 2016	27 October 2026	General pledge	No	No	0	No	No	Other
DEC Dongfang Steam Turbine Co., Ltd.	Wholly-owned subsidiary	Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd.	24,500,000	22 September 2016	22 September 2016	30 April 2025	General pledge	No	No	0	Yes	No	Other

Total guarantee incurred during the Reporting Period (excluding those provided to subsidiaries)	92,500,000
Total balance of guarantee as at the end of the Reporting Period (A) (excluding those provided to subsidiaries)	92,500,000
Guarantee provided by the Company to its subsidiaries	
Total guarantee to subsidiaries incurred during the Reporting Period	0
Total balance of guarantee to subsidiaries as at the end of the Reporting Period (B)	0
Aggregate guarantee of the Company (including those to subsidiaries)	
Aggregate guarantee (A+B)	92,500,000
Percentage of aggregate guarantee to net assets of the Company (%)	0.42
Representing:	
Amount of guarantee provided for shareholders, controlling shareholders and their related parties (C)	0
Balance of debts guarantee directly or indirectly provided to guaranteed parties with gearing ratio over 70% (D)	0
Excess amount of aggregate guarantee over 50% of net assets (E)	0
Aggregate amount of the above three items (C+D+E)	0
Statement on the contingent joint and several liability in connection with unexpired guarantee	The Company provided financing guarantees for Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd., Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd. and Inner Mongolia Mengneng Wulan New Energy Co., Ltd. with its 20% equity interests and derivative interests in the above three companies. The guarantees shall be valid from the effective date of the equity pledge agreement until all debts under the financial leasing contract are being repaid. The guarantee provided by DEC Dongfang Steam Turbine Co., Ltd. for Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd. constitutes a continuous security of payment and performance of obligations. The guarantor's obligations under the guarantee should not exceed and should be limited to the scope of obligations and liabilities to be assumed by the vendor pursuant to the contract.
Statement on guarantee	For details on the above guarantees, please refer to the announcements on financial leasing guarantee issued the Company on the website of Shanghai Stock Exchange on 9 January 2016, 28 June 2016 and 26 August 2016, respectively.

(IV) Material Litigation, Arbitration and Matters Commonly Questioned by the Media

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

(V) Employees

As at 30 June 2018, the Company had 19,631 employees. The Company carried out remuneration management in accordance with management rules for total remuneration, employee salary and dispatched workers 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 2018, 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. Gu Dake, Mr. Xu Haihe and Mr. Liu Dengqing. 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 results announcement will be available on the websites of Hong Kong Stock Exchange (http://www.hkexnews.hk) and the Company (http://dfem.wsfg.hk). The interim report of the Company for the period ended 30 June 2018, which contains all information as proposed in the Disclosure of Financial Information set out in Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, will be dispatched to shareholders of the Company and published on the websites of Hong Kong Stock Exchange and the Company in due course.

By Order of the Board
Dongfang Electric Corporation Limited
Zou Lei
Chairman

Chengdu, Sichuan, the People's Republic of China
30 August 2018

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

Directors:	*Zou Lei, Zhang Xiaolun, Huang Wei, Xu Peng and Zhang Jilie*
Independent Non-executive Directors:	*Gu Dake, Xu Haihe and Liu Dengqing*