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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)

RESULTS ANNOUNCEMENT FOR THE YEAR 2018

FINANCIAL HIGHLIGHTS

- Total operating revenue of the Company in 2018 amounted to RMB30.706 billion (the total restated operating revenue of the Company in 2017 amounted to RMB33.430 billion), representing a decrease 8.15% as compared with the total restated operating revenue of the Company in 2017;

- Net profit attributable to the shareholders of the Company in 2018 amounted to RMB1.129 billion (restated net profit attributable to the shareholders of the Company in 2017 amounted to RMB1.057 billion), representing an increase of 6.77% as compared with restated net profit attributable to the shareholders of the Company in 2017;

- Earnings per share of the Company in 2018 were RMB0.37;

- New orders of the Company in 2018 were approximately RMB34.93 billion;

- The Board has proposed the payment of a cash 2018 final dividend of RMB1.10 for every 10 shares (before tax), subject to Shareholders' approval.

The board of directors (the "**Board**") of Dongfang Electric Corporation Limited (the "**Company**") announces that the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2018 (the "**Reporting Period**") prepared in accordance with the China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

Consolidated Statement of Financial Position

31 December 2018

Unit: Yuan Currency: RMB

Item	*Notes*	**31 December 2018**	**1 January 2018 (Restated) *Note (3a & 3b)***	31 December 2017 (Restated) *Note (3a)*
Current Assets:				
Cash and cash equivalents		**29,346,448,438.05**	**30,609,842,597.19**	30,609,842,597.19
Clearing provision		**–**	**–**	–
Funds for lending		**300,000,000.00**	**–**	–
Held-for-trading financial assets		**3,122,839,818.04**	**2,305,996,477.96**	–
Financial asset at fair value through profit or loss		**–**	**–**	356,894,260.52
Derivative financial assets		**–**	**–**	–
Notes and accounts receivable	4	**11,664,574,744.54**	**13,925,937,220.63**	19,278,666,973.18
Prepayments		**1,913,342,742.55**	**2,443,615,454.54**	2,443,615,454.54
Premiums receivable		**–**	**–**	–
Amounts receivable under reinsurance contracts		**–**	**–**	–
Reinsurer's share of insurance contract reserves		**–**	**–**	–
Other receivable	5	**535,465,160.58**	**516,091,579.92**	516,091,579.92
Financial assets purchased under resale agreements		**1,744,127,000.00**	**2,999,617,000.00**	2,999,617,000.00
Inventories		**13,873,986,465.23**	**17,182,011,008.94**	18,959,975,214.67
Contract assets		**10,187,971,672.86**	**10,029,782,106.34**	–
Assets as held for sale		**–**	**–**	–
Non-current assets due within one year		**396,500,000.00**	**680,000,000.00**	680,000,000.00
Other current assets		**470,439,698.83**	**477,465,818.30**	477,465,818.30
Total Current Assets		**73,555,695,740.68**	**81,170,359,263.82**	76,322,168,898.32

Item	*Notes*	**31 December 2018**	**1 January 2018 (Restated) *Note (3a & 3b)***	31 December 2017 (Restated) *Note (3a)*
Non-current Assets:				
Loans and advances		**430,663,941.00**	**690,200,000.00**	690,200,000.00
Debt investments		**4,922,529,793.75**	**807,536,793.75**	–
Financial assets available-for-sale		**–**	**–**	720,507,847.74
Held-to-maturity investments		**–**	**–**	2,043,786,793.75
Long-term receivables		**13,775,453.41**	**38,459,549.69**	38,459,549.69
Long-term equity investments	11	**1,516,634,253.84**	**1,407,679,377.51**	1,407,679,377.51
Other investments in equity instruments		**4,989,859.48**	**27,111,774.30**	–
Other non-current financial assets		**–**	**–**	–
Investment properties		**153,816,742.24**	**177,835,892.21**	177,835,892.21
Fixed assets		**5,902,438,578.09**	**6,628,978,365.26**	6,628,978,365.26
Constructions in process		**188,792,238.53**	**216,488,145.32**	216,488,145.32
Productive biological assets		**–**	**–**	–
Oil and gas assets		**–**	**–**	–
Intangible assets		**1,681,044,339.19**	**1,549,411,174.36**	1,549,411,174.36
Development expenditure		**–**	**–**	–
Goodwill		**–**	**–**	–
Long-term deferred expenses		**51,778,532.60**	**590,304.64**	590,304.64
Deferred tax assets		**2,897,188,154.97**	**2,581,411,680.80**	2,574,878,912.95
Other non-current assets		**3,981,790.00**	**4,931,790.00**	4,931,790.00
Total Non-current Assets:		**17,767,633,677.10**	**14,130,634,847.84**	16,053,748,153.43
TOTAL ASSETS		**91,323,329,417.78**	**95,300,994,111.66**	92,375,917,051.75

Item	*Notes*	**31 December 2018**	**1 January 2018 (Restated) *Note (3a & 3b)***	31 December 2017 (Restated) *Note (3a)*
Current Liabilities				
Short-term Loans		**245,566,000.00**	**88,194,570.50**	88,194,570.50
Loans from the central bank		**–**	**–**	–
Taking from banks and other financial institutions		**–**	**–**	–
Held-for-trading financial liabilities		**–**	**–**	–
Financial liability at fair value through profit or loss		**–**	**–**	–
Derivative financial liabilities		**–**	**–**	–
Notes and accounts payable	*6*	**15,092,950,990.47**	**18,443,495,371.64**	18,443,495,371.64
Receipts in advance		**–**	**–**	32,208,115,796.89
Financial assets sold under repurchase agreements		**–**	**–**	–
Customer deposits and deposits from banks and other financial institutions		**4,793,625,912.49**	**4,539,497,293.27**	4,539,497,293.27
Funds from securities trading agency		**–**	**–**	–
Funds from underwriting securities agency		**–**	**–**	–
Employee benefits payable		**772,584,805.65**	**660,360,561.04**	660,360,561.04
Taxes payable		**461,097,975.94**	**380,570,418.48**	361,876,261.06
Other payables		**1,749,869,606.78**	**2,455,995,343.75**	2,455,995,343.75
Fees and commissions payable		**–**	**–**	–
Amounts payable under insurance contracts		**–**	**–**	–
Contract liabilities		**29,460,944,098.28**	**33,219,379,473.54**	–
Liabilities as held for sale		**–**	**–**	–
Non-current liabilities due within one year		**16,320,000.00**	**528,320,000.00**	528,320,000.00
Other current liabilities		**103,588,912.65**	**66,593,071.87**	66,593,071.87
Total Current Liabilities		**52,696,548,302.26**	**60,382,406,104.09**	**59,352,448,270.02**

Item	*Notes*	**31 December 2018**	**1 January 2018 (Restated) *Note (3a & 3b)***	31 December 2017 (Restated) *Note (3a)*
Non-current Liabilities:				
Insurance contract reserves		**–**	**–**	–
Long-term borrowings		**462,864,840.00**	**456,634,990.00**	456,634,990.00
Bonds payable		**–**	**–**	–
Including: Preferred stock		**–**	**–**	–
Perpetual capital securities		**–**	**–**	–
Long-term payables		**26,340,460.52**	**58,302,614.63**	58,302,614.63
Long-term accrued payroll		**837,303,270.07**	**700,024,168.29**	700,024,168.29
Provisions		**6,136,106,066.37**	**4,588,348,076.44**	2,776,014,026.92
Deferred income		**444,014,801.58**	**663,257,499.10**	663,257,499.10
Deferred tax liabilities		**26,243,061.77**	**21,466,268.20**	42,262,367.54
Other non-current liabilities		**–**	**–**	–
Total Non-current Liabilities		**7,932,872,500.31**	**6,488,033,616.66**	4,696,495,666.48
TOTAL LIABILITIES		**60,629,420,802.57**	**66,870,439,720.75**	64,048,943,936.50

Item	*Notes*	**31 December 2018**	**1 January 2018 (Restated) *Note (3a & 3b)***	31 December 2017 (Restated) *Note (3a)*
OWNERS' EQUITY:				
Paid-up capital (or share capital)		**3,090,803,431.00**	**2,336,900,368.00**	2,336,900,368.00
Other equity instruments		**–**	**–**	–
Including: Preferred stock		**–**	**–**	–
Perpetual capital securities		**–**	**–**	–
Capital reserves		**11,251,874,281.59**	**11,884,507,974.98**	11,884,507,974.98
Less: Treasury shares				
Other comprehensive income		**-33,400,468.00**	**-45,720,693.54**	41,972,904.52
Special reserves		**79,395,179.18**	**75,418,562.02**	75,418,562.02
Surplus reserves		**871,273,166.80**	**774,913,922.16**	774,913,922.16
General risk reserves		**–**	**–**	–
Retained profits	7	**13,324,105,405.23**	**12,291,630,413.36**	12,096,965,958.72
Total owners' equity attributable to equity holders of the parent company		**28,584,050,995.80**	**27,317,650,546.98**	27,210,679,690.40
Non-controlling Shareholders' equity		**2,109,857,619.41**	**1,112,903,843.93**	1,116,293,424.85
Total owners' equity (or shareholder's equity)		**30,693,908,615.21**	**28,430,554,390.91**	28,326,973,115.25
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDER'S EQUITY)		**91,323,329,417.78**	**95,300,994,111.66**	92,375,917,051.75

Consolidated Income Statement

January to December 2018

Unit: Yuan Currency: RMB0'000

Item	*Notes*	**Amount for current period**	Amount for last period (Restated) *Note (3a & 3b)*
I. Total revenue		**30,706,145,358.82**	33,430,264,831.72
Including: Operating income	8	**29,729,655,571.73**	32,772,718,802.40
Interest income	8	**969,278,602.81**	644,916,410.43
Premium earned	8	**–**	–
Fee and commission income	8	**7,211,184.28**	12,629,618.89
II. Total operating costs		**29,926,691,686.43**	32,757,821,720.23
Including: Operating costs	8	**23,568,286,522.07**	26,387,532,586.33
Interest expenses	8	**75,134,577.37**	80,113,525.65
Fee and commission expenses	8	**966,188.86**	894,329.04
Surrenders		**–**	–
Claims and policyholder 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		**334,517,433.51**	343,711,346.65
Sales expenses		**1,357,972,140.61**	916,848,038.02
Administrative expenses		**2,501,402,084.71**	2,619,871,898.04
R&D expenditure		**1,689,014,827.23**	1,435,218,361.18
Financial expenses		**-380,542,905.59**	160,390,303.32
Including: Interest expenses		**37,439,485.33**	54,964,669.16
Interest income		**149,395,707.65**	323,783,916.11
Impairment loss of assets		**524,002,955.35**	813,241,332.00
Credit impairment loss		**255,937,862.31**	–

Item	*Notes*	**Amount for current period**	Amount for last period (Restated) *Note (3a & 3b)*
Add: Other gains		**111,127,012.38**	134,054,952.27
Investment income (Loss is indicated by "-")		**245,947,029.53**	279,969,914.30
Including: Income from investments in associates and joint ventures		**132,557,375.04**	177,430,326.44
Foreign exchange gains (Losses are indicated by ("–")		**1,112,082.95**	992,296.30
Gains from net exposure hedges (losses are indicated by "–")		**–**	–
Add: Gains from changes in fair values (losses are indicated by "–")		**83,645,380.11**	-18,025,163.90
Gains from disposal of assets (losses are indicated by "–")		**17,421,655.84**	17,037,125.83
III. Operating profit (Loss is indicated by "-")		**1,238,706,833.20**	1,086,472,236.29
Add: Non-operating income		**163,286,246.15**	235,833,974.57
Less: Non-operating expenses		**126,523,356.02**	305,027,372.36
IV. Total profit (Total loss is indicated by "-")		**1,275,469,723.33**	1,017,278,838.50
Less: Income tax expenses	9	**117,204,032.48**	-62,262,599.30
		1,158,265,690.85	1,079,541,437.80

Item	Notes	Amount for current period	Amount for last period (Restated) *Note (3a & 3b)*
V. Net profit (net loss is indicated by "-")			
(I). Classified by continuing operations			
1. Net profit from continuing operations (net loss indicated by "-")		**1,158,265,690.85**	1,079,541,437.80
2. Net profit from discontinued operations (net loss indicated by "-")			
(II). Classified by ownership			
(1) Profit or loss attributable to non-controlling Shareholders		**29,431,454.34**	22,237,870.58
(2) Net profit attributable to shareholders of parent company (net loss indicated by "-")		**1,128,834,236.51**	1,057,303,567.22
VI. Other comprehensive income ("OCI") (net of tax)		**15,816,290.45**	-12,796,145.34
Net OCI attributable to owners of the parent company		**12,320,225.54**	-15,258,614.02
(I). OCI that will not be reclassified to profit and loss		**-81,914.82**	–
1. Changes arising from defined benefit plans recognized		**–**	–
2. Shares of OCI by equity method that will not be reclassified to profit and loss		**–**	–
3. Changes in fair value of investment in other equity instruments		**-81,914.82**	–
4. Changes in fair value of the Company's own credit risks		**–**	–

Item	*Notes*	**Amount for current period**	Amount for last period (Restated) *Note (3a & 3b)*
(II) OCI that will be reclassified to profit and loss		**12,402,140.36**	-15,258,614.02
1. OCI by equity method that will be reclassified to profit and loss		**–**	–
2. Changes in fair value of other debt investment		**–**	–
3. Gain/loss on fair value of available-for-sale financial assets		**–**	–
4. The amount of financial assets reclassified into OCI		**–**	–
5. Gain/loss on reclassifying of investment held-to-maturity into available for-sale financial assets		**–**	–
6. Credit impairment provisions for other debt investment		**–**	–
7. Gains and losses on cash flow hedges derivatives (only for effective cash flow hedge derivatives portions)		**–**	–
8. Foreign currency translation differences-foreign operation		**12,402,140.36**	-15,258,614.02
9. Others		**–**	–
OCI attributable to non-controlling interest, (net of tax)		**3,496,064.91**	2,462,468.68

Item	*Notes*	**Amount for current period**	Amount for last period (Restated) *Note (3a & 3b)*
VII. Consolidated income		**1,174,081,981.30**	1,066,745,292.46
Consolidated income attributable to owners of parent company		**1,141,154,462.05**	1,042,044,953.20
Consolidated income attributable to non-controlling Shareholders		**32,927,519.25**	24,700,339.26
VIII. Earnings per share			
(1) Basic earnings per share *(RMB/share)*	10	**0.37**	0.34
(2) Diluted earnings per share *(RMB/share)*		**0.37**	0.34

In case of business combination under common control, net profit realized by the combinee before the combination in the period was RMB63,301,136.44; net profit realized by the combinee in the previous period was RMB396,471,738.34. The accompanying notes to the financial statements are constituent parts of the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2018

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

1. Basis of Preparation

The Company's financial statements have been prepared on a going concern basis, and based on the actual transactions and matters incurred, in accordance with "Accounting Standards for Business Enterprises–Basic Standards" issued by Ministry of Finance and the relevant specific accounting standards, Application Guidance for Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant requirements (collectively, the "**Accounting Standards for Business Enterprises**"), as well as the disclosure requirements under *Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15—General Provisions on Financial Reporting* issued by 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.

2. Going Concern

The Company had a history in making profits and getting all necessary financial support. Accordingly, the Company considers that it's reasonable to prepare the financial statements on a going concern basis.

3. The reasons of retrospective adjustment of the financial statement of the Company

The following disclosures have covered the specific accounting policies and estimates formulated by the Company according to its actual production and operation features.

a) The details of business combination under common control:

The Company has signed an equity acquisition agreement with its parent company, Dongfang Electric Corporation (hereinafter referred to as "Dongfang Electric Corporation"), and has agreed to acquire the DEC International Cooperation Limited, Dongfang Electric Finance Co., Ltd., DEC Chengdu Clean Energy Co., Ltd. , DEC Chengdu Smart Energy Co., Ltd. , DEC Bulk Logistic Co., Ltd., Dongfang Electric Group (Sichuan) Materials Co. Ltd., Sichuan Dongfang Electric Automatic Control Engineering Co., Ltd. and Dongfang Hitachi

Electronic Control Equipment Co., Ltd.(hereinafter referred to as the "DEC International Cooperation", "Dongfang Electric Finance", "DEC Clean Energy", "DEC Smart Energy", "DEC Bulk Logistic", "DEC Materials", "Automatic Control Engineering" and "Dongfang Hitachi") from Dongfang Electric Corporation by issuance of A shares. The Company has completed the mergers of the above eight companies on the closing date on 31 March 2018.

The Company's subsidiary DEC Dongfang Electric Machinery Co., Ltd. (hereinafter referred to as the "DFEM") has signed an equity acquisition agreement with Dongfang Electric Corporation, and has agreed to acquire the Dongfang Electrical Machinery Works (hereinafter referred to as the "DE Plant") from Dongfang Electric Corporation by issuance of A shares. The Company has completed the mergers of the DE Plant on the closing date on 31 March 2018.

The Company's subsidiary DEC Dongfang Turbine Co, Ltd. (hereinafter referred to as the "Dongfang Turbine Company") has signed an equity acquisition agreement with Dongfang Electric Corporation, and has agreed to acquire the DEC Dongqi Investment Development Co., Ltd. (hereinafter referred to as the "Dongqi Investment Development") and its subsidiary Deyang Dongfang Abele Pipe System Co., Ltd. (hereinafter referred to as "Dongfang Abele") from Dongfang Electric Corporation by issuance of A shares. The Company has completed the mergers of the Dongqi Investment Development on the closing date on 31 December 2018 and Dongfang Abele on the closing date on 31 December 2018.

Since the Company and the above mentioned twelve companies (including DEC International Cooperation, Dongfang Electric Finance, DEC Clean Energy, DEC Smart Energy, DEC Bulk Logistic, DEC Materials, Automatic Control Engineering, Dongfang Hitachi, DE Plant, Dongqi Investment Development and Dongfang Abele), are ultimately controlled by Dongfang Electric Corporation before and after the mergers and that control is not transitory. Therefore, the mergers of the twelve companies by the Company should be regarded as the business combination under common control. Dongfang Electric Corporation Limited adjusted the comparative statements according to the accounting standards of enterprises for the business combination under common control.

According to the relevant provisions of ASBE No. 2 – Long-term Equity Investment (Amendment) and ASBE No. 20 – Business Combinations promulgated by the Ministry of Finance of the PRC in 2014 and China Accounting Standards (2010) , for the reporting subject composed of the parent and subsidiary companies formed after the merger shall continue to calculate whether its assets scale or its operating results are obtained. When preparing the consolidated financial statements, the consolidated profit statement and the consolidated cash flow statement reflect the profits and losses realized by the reporting subject composed of the parent and subsidiary companies from the beginning of the current period to the date of the merger, regardless of the time at which the merger occurs during the reporting period. Correspondingly, the retained income items of the consolidated balance sheet should reflect the surplus reserve and retained profits that the parent and subsidiary companies should achieve if they have been running as a whole until the date of combination; in respect of consolidation of shareholding under common control, when preparing the consolidated financial statements in the consolidated period, the initial number of the consolidated balance sheet should be adjusted. Meanwhile, we should adjust the related items of the comparative statements, as if the reporting subject after the combination has existed in the previous period.

b) Changes in significant accounting policies:

(i) On 15 June 2018, the Ministry of Finance issued the Notice on Revising and Issuing the 2018 Financial Statements Format for General Corporate (Cai Kuai [2018] No. 15) and Explanation of Issues relating to the 2018 Financial Statements Format for General Corporate, which revised the financial statements format of general corporate. In addition to the implementation of the new financial instrument criteria and the presentation changes resulting from the new income standards, the Group reclassified "notes receivable" and "accounts receivable" as the new "notes and accounts receivable"; reclassified" interest receivable ", "dividends receivable" as "other receivables"; reclassified "fixed assets disposal" as "fixed assets"; reclassified "engineering materials" as "construction in progress"; reclassified "notes payable" and "accounts payable" as the new "notes and accounts payable"; reclassified "interest payable" and "dividend payable" as "other payables"; reclassified "special payables" into "long-term payables"; separate "R&D expenditure" under "administrative expenses" in the profit statement; separate the "interest expense" and "interest income" under the financial expense item; the corporate adopted the retrospective adjustment method according to relevant regulations, and adjusted the comparative data of the comparable accounting period accordingly.

Item names and adjustment amounts in the current and each previous period of the reporting financial statements (combination) affected by the execution of Cai Kuai [2018] No. 15

		Consolidated Statement of Financial Position			
Number	Item	31 December 2017	Reclassified amount	Remeasurement and adjustment amount	1 January 2018 (Restated)
1	Notes and receivable	5,883,127,546.12	-5,883,127,546.12	–	–
2	Accounts receivable	13,395,539,427.06	-13,395,539,427.06	–	–
3	Notes and accounts receivable		19,278,666,973.18	–	19,278,666,973.18
4	Interest receivable	169,882,340.48	-169,882,340.48	–	–
5	Dividend receivable	43,923,557.40	-43,923,557.40	–	–
6	Other receivables	302,285,682.04	213,805,897.88	–	516,091,579.92
7	Fixed assets	6,628,836,307.86	142,057.40	–	6,628,978,365.26
8	Fixed assets disposal	142,057.40	-142,057.40	–	–
9	Constructions in process	216,374,680.36	113,464.96	–	216,488,145.32
10	Construction materials	113,464.96	-113,464.96	–	–
11	Notes payable	3,627,922,679.01	-3,627,922,679.01	–	–
12	Accounts payable	14,815,572,692.63	-14,815,572,692.63	–	–
13	Notes and accounts payable		18,443,495,371.64	–	18,443,495,371.64
14	Dividend payable	32,569,004.03	-32,569,004.03	–	–
15	Interest payable	51,774,673.87	-51,774,673.87	–	–
16	Other payables	2,371,651,665.85	84,343,677.90	–	2,455,995,343.75
17	Special payables	58,302,614.63	-58,302,614.63	–	–
18	Long-term payables		58,302,614.63	–	58,302,614.63

		Consolidated Income Statement (2017)			
Number	Item	Before adjustment	Reclassified amount	Remeasurement and adjustment amount	After adjustment
19	Administrative expense	4,055,090,259.22	-1,435,218,361.18		2,619,871,898.04
20	R&D Expenditure		1,435,218,361.18		1,435,218,361.18

On 12 June 2017, the Ministry of Finance issued the Corporation Accounting Standards Bulletin No.9 – Accounting of Net Investment Losses under Equity Method, Corporation Accounting Standards Bulletin No.10 – Applying Revenue-based Depreciation Method on Fixed Assets, Corporation Accounting Standards Bulletin No.11 – Applying Revenue-based Amortisation Method on Intangible Assets and Corporation Accounting Standards Bulletin No.12 – Determination of Whether the Provider and Receiver of Key Management Personnel Services are Related Parties and according to the bulletins of the four accounting standards, since 1 January 2018, in addition to the retrospective adjustment of the bulletin No. 9, there is no need for the retrospective adjustment of the comparative data.

In 2017, the Ministry of Finance revised the Corporation Accounting Standards No.22 – Financial Instruments: Recognition and Measurement, Corporation Accounting Standards No.23 – Transfer of Financial Assets, Corporation Accounting Standards No.24 – Hedge Accounting and Corporation Accounting Standards No.37 – Presentation and Disclosures of Financial Instruments. The above revised standards were implemented since 1 January 2018. According to the standards, for the financial instruments that have not been derecognised on the date of implementation, if the previous recognition and measurement are inconsistent with the revised standards, they shall be retrospectively adjusted. If the data relating to the comparative financial statements in the previous period are inconsistent with the revised standards, no adjustment is required. On 1 January 2018, the Company adjusted the retained earnings and other comprehensive income on 1 January 2018 due to the cumulative impact of retrospective adjustment. The main impacts of implementing the above standards on the consolidated statements are as follows:

Changes in accounting policies and reasons	Approval	Items and amounts affected
(1) "Financial assets at fair value through profit or loss" were reclassified as "held-for-trading financial assets" due to change in the name of item	Approved by the Board	Financial assets at fair value through profit or loss, held for- trading financial assets: Decreased by RMB356,894,260.52; Held-for trading financial assets: Increased by RMB356,894,260.52.

Changes in accounting policies and reasons	Approval	Items and amounts affected
(2) Investments in available-for-sale equity instruments were reclassified as "held-for-trading financial assets", other investments in equity instruments.	Approved by the Board	Held-for-trading financial assets: Increased by RMB106,931,273.44; Financial assets available- for- sale: Decreased by RMB134,043,047.74 Other investments in equity instruments: Increased by RMB27,111,774.30; Other comprehensive income: Decreased by RMB87,693,598.06; Retained earnings: Increased by RMB108,489,697.40; Deferred income tax assets: Decreased by RMB20,796,099.34.
(3) Investments in available-for-sale debt Instrument were reclassified as "held-for-trading financial assets".	Approved by the Board	Financial assets available for- Sale: Decreased by RMB586,464,800.00; Held-for-trading financial assets: Increased by RMB592,170,944.00; Retained earnings: Increased by RMB4,279,608.00; Deferred income tax assets: Decreased by RMB1,426,536.00.

Changes in accounting policies and reasons	Approval	Items and amounts affected
(4) Held-to-maturity Investments were reclassified as "financial assets measured at amortized cost", "debt investments","held-for-trading financial assets"	Approved by the Board	Held-to-maturity Investments: Decreased by RMB2,043,786,793.75; Debt investments: Increased by RMB807,536,793.75; Held-for-trading financial assets: Increased by RMB1,250,000,000.00; Retained profit: Increased by RMB10,312,500.00; Deferred tax liability: Decreased by3,437,500.00.
(5) Investments in available-for-sale debt Instrument were reclassified as "financial assets measured at amortized cost".	Not involved	Not involved

Changes in accounting policies and reasons	Approval	Items and amounts affected
(6) Held-to-maturity Investments were reclassified as "financial assets measured at amortized cost","debt investments", "other current assets", "held-for-trading financial assets"	Not involved	Not involved
(7) For"financial assets measured at amortized cost" and"financial asset (debt instrument) at fair value through other comprehensive income", provision for expected credit loss.	Not involved	Not involved

(iii) In 2017, the Ministry of Finance revised the Corporation Accounting Standards No.22 – Revenue. The revised standard stipulates that the initial implementation of the standard should adjust the retained earnings and other related items in the financial statements on 1 January 2018 based on the cumulative impact, and the information for the comparable period will not be adjusted. According to the standard, the Company only adjusts the cumulative impact of contracts that have not been completed on the date of initial implementation. The main impacts of the implementation of the standard on the consolidated statements are as follows:

Changes in accounting policies and reasons	Approval	Items and amounts affected
(1) Adjust only the cumulative effects of the uncompleted contracts	Approved by the Board	Accounts receivable: Decreased RMB97,680,847.50; Inventories: Increased RMB1,318,877,469.41; Deferred tax assets: Increased RMB11,396,803.85; Contract liabiliteis: Increased RMB1,181,753,696.85; Tax payable: Increased RMB18,694,157.42; Provisions: Decreased RMB9,206,098.81; Retained profits: Increased RMB44,741,251.22; Non-controlling Shareholders: Decreased RMB3,389,580.92.

Changes in accounting policies and reasons	Approval	Items and amounts affected
(2) For certain sales of goods belongs to performance of obligations within a period of time, the amount of revenue increase was recognized.	Approved by the Board	Accounts receivable: Increased RMB43,281,738.94; Inventories: Decreased RMB185,876,557.77; Contract assets: Decreased RMB1,053,803.35; Receipts in advance: Decreased RMB170,490,020.00; Retained profits: Increased RMB:26,841,398.00；
(3) The sales commission incurred for obtaining a contract, is expected to be recoverable and recognized as an asset as contract cost.	Approved by the Board	Not involved
(4) Added contract assets and liabilities items in the statement of financial position.	Approved by the Board	Accounts receivable: Decreased RMB5,298,330,643.99; Inventories: Decreased RMB2,910,965,117.37; Contract assets: Increased RMB10,030,835,909.69; Receipts in advance: Decreased RMB32,037,625,776.69; Contract liabilities: Increased RMB32,037,625,776.69; Provisions: Increased RMB1,821,540,148.33.

4. Notes Receivable Accounts Receivable

Unit: Yuan Currency: RMB

Item	**31 December 2018**	1 January 2018 (Restated)
Notes receivable	**5,109,357,725.63**	5,883,127,546.12
Accounts receivable	**11,182,150,912.50**	11,122,453,539.52
Less: Provision for bad debts	**(4,626,933,893.59)**	(3,079,643,865.01)
Net accounts receivable	**6,555,217,018.91**	8,042,809,674.51
Notes and accounts receivable	**11,664,574,744.54**	13,925,937,220.63

(4a) Aging analysis of accounts receivable

Unit: Yuan Currency: RMB

Aging	**31 December 2018**	1 January 2018 (Restated)
Within 1 year	**3,401,976,725.46**	5,674,614,165.90
1–2 years	**1,339,701,149.02**	1,213,594,177.32
2–3 years	**997,427,780.57**	561,013,184.46
3–4 years	**516,399,547.88**	365,755,645.28
4–5 years	**299,711,815.98**	227,832,501.55
Over 5 years	**–**	–
Total	**6,555,217,018.91**	8,042,809,674.51

Remark: Ageing analysis about accounts receivable was carried out by the Group based on the time shown on relevant invoices, documents of settlement, etc

5. Other Receivables

Unit: Yuan Currency: RMB

Item	**31 December 2018**	1 January 2018 (Restated)
Interest receivable	**297,649,175.14**	169,882,340.48
Dividends receivable	**6,597,000.00**	43,923,557.40
Other receivables	**1,526,165,981.41**	1,617,555,892.76
Less: Provision for bad debts	**(1,294,946,995.97)**	(1,315,270,210.72)
Other net receivables *(5a)*	**231,218,985.44**	302,285,682.04
Total	**535,465,160.58**	516,091,579.92

(5a) Aging analysis of other receivables

Unit: Yuan Currency: RMB

Aging	**31 December 2018**	1 January 2018 (Restated)
Within 1 year	**113,004,205.60**	125,034,498.50
1-2 years	**34,659,081.15**	46,570,560.43
2-3 years	**23,277,010.19**	69,528,608.93
3-4 years	**35,560,289.15**	8,817,535.92
4-5 years	**6,410,137.01**	18,929,944.54
Over 5 years	**18,308,262.34**	33,404,533.72
Total	**231,218,985.44**	302,285,682.04

6. Notes and Accounts Payable

Unit: Yuan Currency: RMB

Item	**31 December 2018**	1 January 2018 (Restated)
Notes payable	**3,552,762,831.53**	3,627,922,679.01
Accounts payable	**11,540,188,158.94**	14,815,572,692.63
Total	**15,092,950,990.47**	18,443,495,371.64

Aging	**31 December 2018**	1 January 2018 (Restated)
Within one year	**9,264,318,072.00**	12,917,063,534.53
1–2 years	**955,206,459.17**	378,071,556.78
2–3 years	**338,384,404.48**	450,356,271.05
Over 3 years	**982,279,223.29**	1,070,081,330.27
Total	**11,540,188,158.94**	14,815,572,692.63

Note: The aging analysis is carried out by the Group based on the date of relevant invoice, settlement notes and other materials used to confirm the accounts payable.

7. Retained Profits

Unit: Yuan Currency: RMB

Item	**Current period**	Last period (Restated)
Balance before adjustment at the end of preceding period	**12,096,965,958.72**	9,193,484,301.02
Total opening balance adjusted (Increase+, Decrease-)		
Opening balance after adjustment	**194,664,454.64**	1,851,999,015.08
Add: Net profit attributable to owners of the parent company	**12,291,630,413.36**	11,045,483,316.10
Less: Appropriation of statutory surplus reserve	**1,128,834,236.51**	1,057,303,567.22
Appropriation of discretionary surplus reserve	**96,359,244.64**	5,820,924.60
Appropriation of general risk reserve	–	–
Dividend payable on ordinary shares	–	–
Dividend on ordinary share converted to share capital	–	–
Other decrease	–	–
	–	–
Closing balance	**13,324,105,405.23**	12,096,965,958.72

Remark:

1. Due to the changes in accounting policies, the affected amount of retained profits as at the beginning of the year increased by RMB194,664,454.64.

2. Due to the changes in the scope of combination under common control, the affected amount of retained profits at the beginning of the year of the previous year increased by RMB1,851,999,015.08.

8. Income and Cost

Unit: Yuan Currency: RMB

Item	Amount for current period Revenue	Amount for current period Cost/ interest expenses/ fee and commission expenses	Amount for last period Revenue (Restated)	Amount for last period Cost/ interest expenses/ fee and commission expenses (Restated)
1. Principal operation	**29,304,835,008.49**	**23,289,238,168.72**	32,447,059,041.44	26,152,605,879.43
2. Other operations	**424,820,563.24**	**279,048,353.35**	325,659,760.96	234,926,706.90
3. Interest income	**969,278,602.81**	**75,134,577.37**	644,916,410.43	80,113,525.65
4. Fee and commission income	**7,211,184.28**	**966,188.86**	12,629,618.89	894,329.04
Total	**30,706,145,358.82**	**23,644,387,288.30**	33,430,264,831.72	26,468,540,441.02

9. Income Tax Expense

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for last period (Restated)
Income tax expense for current period	**432,953,201.71**	650,196,037.65
Deferred income tax expense	**-315,749,169.23**	-712,458,636.95
Total	**117,204,032.48**	-62,262,599.30

10. Earnings Per Share

(a) 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 outstanding ordinary shares.

Unit: Yuan Currency: RMB

Item	Current period	Last period (Restated)
Combined net profit attributable to parent company's shareholders of ordinary shares	**1,128,834,236.51**	1,057,303,567.22
Combined net profit attributable to parent company's shareholders of ordinary shares (after deducting non-recurring profit or loss)	**782,305,816.90**	491,803,164.84
Weighted average number of outstanding ordinary shares of parent company	**3,090,803,431.00**	3,090,803,431.00
Basic earnings per share	**0.37**	0.34
Basic earnings per share (after deducting non-recurring profit or loss)	**0.25**	0.16

(b) The Calculation process of the weighted average number of ordinary shares:

Item	No.	Current period	Last period (Restated)
Number of outstanding ordinary shares at the beginning of the year	1	**3,090,803,431.00**	3,090,803,431.00
Number of shares increased as a result of the issuance of new shares or conversion of a debt instrument (II)	2	**–**	–
Accumulated number of months from the next month of increase in shares (II) to the end of the year	3	**–**	–
Number of months of the reporting period	4	**12**	12
Weighted average number of outstanding ordinary shares	5=1+2*3/12	**3,090,803,431.00**	3,090,803,431.00

Remark: The issue of shares in the current period to purchase the equity of the 8 companies held by the parent company constitutes a business combination under the same control. According to the regulations, for the business combination under the same control, the number of ordinary shares issued as consideration shall be included in the weighted average of ordinary shares in each of the reporting period.

(c) 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 is equal to the basic earnings per share.

11. Segment Information

According to the Company's internal organization structure, management requirement and internal reporting system, the Company's operating business are divided into five reportable segments，which are determined on the basis of the internal organization structure, management requirement and internal reporting system. The Company's management regularly evaluates the operating results of these reportable segments to determine the allocation of resources and assess its performance. Main products and labor services provided by each reportable segment of the Company are respectively as follows: high-efficient clean energy equipment, renewable energy equipment, engineering and trade, modern manufacturing services, and emerging growth business.

Information on segment reporting are disclosed according to the accounting policies and measurement standards adopted by each segment to report to the management, which are consistent with the accounting and measurement basis adopted when the financial statements are prepared.

Segment information of 2018

Unit: Yuan Currency: RMB

Item	High-efficient clean energy equipment	Renewable energy equipment	Engineering and trade	Modern manufacturing services business	Emerging growth business	Summary	Write-off	Total
Operating income	27,190,068,579.15	5,719,768,945.12	3,792,186,225.92	4,234,068,411.71	3,073,740,148.86	44,009,832,310.76	13,303,686,951.94	30,706,145,358.82
Including: External transaction income	17,078,555,594.72	4,008,421,728.16	3,480,960,491.64	3,403,983,277.54	2,734,224,266.76	30,706,145,358.82	-	30,706,145,358.82
Inter-segment transaction income	10,111,512,984.43	1,711,347,216.96	311,225,734.28	830,085,134.17	339,515,882.10	13,303,686,951.94	13,303,686,951.94	-
Operating cost	23,709,309,183.84	5,286,691,890.07	3,497,537,826.07	2,852,241,291.21	2,346,077,565.42	37,691,857,756.61	14,047,470,468.31	23,644,387,288.30
Cost written off	10,061,185,493.00	1,768,391,955.22	617,351,684.84	1,335,734,016.55	264,807,318.70	14,047,470,468.31	14,047,470,468.31	-
Expenses for the period						4,654,692,803.11	-513,153,343.85	5,167,846,146.96
Operating profit (loss)	3,480,759,395.31	433,077,055.05	294,648,399.85	1,381,827,120.50	727,662,583.44	1,663,281,751.04	424,574,917.84	1,238,706,833.20
Total assets						162,054,245,157.55	70,730,915,739.77	91,323,329,417.78
Including: Amount of substantial impairment loss on a single asset								
Total liabilities						112,442,176,581.32	51,812,755,778.75	60,629,420,802.57
Supplemental information								
Capital expenditure								
Recognized impairment loss of the current period						1,091,028,958.01	311,088,140.35	779,940,817.66
Including: Amortization of impairment of goodwill								
Depreciation and amortization expenses						987,143,591.16	-	987,143,591.16
Non-cash expenses other than impairment loss, depreciation and amortization						-	-	-

Segment information of 2017 (restated)

Item	High-efficient cleaning energy equipment	Renewable energy equipment	Engineering and trade	Modern manufacturing services business	Emerging growth business	Summary	Write-off	Total
Operating income	33,835,747,373.04	5,641,338,778.56	4,040,892,326.51	3,310,695,603.55	2,949,415,030.49	49,778,089,112.15	16,347,824,280.43	33,430,264,831.72
Including: External transaction income	20,757,610,423.20	3,844,852,269.35	3,677,603,328.19	2,490,115,380.01	2,660,083,430.97	33,430,264,831.72	–	33,430,264,831.72
Inter-segment transaction income	13,078,136,949.84	1,796,486,509.21	363,288,998.32	820,580,223.54	289,331,599.52	16,347,824,280.43	16,347,824,280.43	–
Operating cost	29,872,086,777.44	5,153,035,757.55	3,503,163,276.90	2,452,208,847.53	2,072,692,118.75	43,053,186,778.17	16,584,646,337.15	26,468,540,441.02
Cost written off	13,020,877,668.22	1,806,452,727.50	444,259,956.07	1,115,620,215.46	197,435,769.90	16,584,646,337.15	16,584,646,337.15	–
Expenses for the period						4,826,669,167.05	-305,659,433.51	5,132,328,600.56
Operating profit (loss)	3,963,660,595.60	488,303,021.01	537,729,049.61	858,486,756.02	876,722,911.74	1,898,233,166.93	811,760,930.64	1,086,472,236.29
Total assets						148,226,696,300.96	52,925,702,189.30	95,300,994,111.66
Including: amount of substantial impairment loss on a single asset								
Total liabilities						108,613,607,790.59	41,743,168,069.84	66,870,439,720.75
Supplemental information								
Capital expenditure								
Recognized impairment loss of the current period						1,131,691,049.06	318,449,717.06	813,241,332.00
including: amortization of goodwill impairment								
Depreciation and amortization expenses						1,041,763,521.20	–	1,041,763,521.20
Non-cash expenses other than impairment loss, depreciation and amortization						–	–	–

12. Long-Term Equity Investments

i. Investment in Associated Companies, Joint Ventures

Unit: Yuan Currency: RMB

Invested companies	Balance as at 1 January 2018	Provision for impairment balance as at 31 December 2018	Increase/decrease in the Period: Follow-on investment	Reduced investment	Recognized investment loss /gain by equity method	Adjustment to other comprehensive income	Changes in other equity	Announcement of distribution of cash dividends or profit	Others	Balance as at 31 December 2018	Provision for impairment for the current period	Provision for impairment Balance as at 31 December 2018
1. Investment in subsidiaries												
Dongfang Electric New Energy Equipment (Hangzhou) Co., Ltd.	409,363,000.00	409,363,000.00								409,363,000.00		409,363,000.00
Dongfang Electric (Tongliao) Wind Power Engineering Technology Co.,Ltd.									30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
Dongfang Electric (Jiuquan) New Energy Co., Ltd.									30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
Dongfang Electric (Hulun Buir) New Energy Co., Ltd.									30,000,000.00	30,000,000.00	30,000,000.00	30,000,000.00
Sub-total	409,363,000.00	409,363,000.00							90,000,000.00	499,363,000.00	90,000,000.00	499,363,000.00
2. Joint ventures												
Dongfang Areva Nuclear Pump Co., Ltd	191,665,265.04				11,622,472.14		523,922.38	3,959,973.64		199,851,685.92		
MHPS Dongfang Boiler Co., Ltd.	209,622,279.90				33,464,862.16					243,087,142.06		
Sub-total	401,287,544.94				45,087,334.30		523,922.38	3,959,973.64		442,938,827.98		
3. Associated companies												
Deyang Dongqi Property Co.,Ltd.	2,347,114.95			2,347,114.95								
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd	582,849,570.13				23,625,312.87			95,026,513.00	-6,064,056.70	505,384,313.30		
Leshan city Dongle Heavy Piece Handling Co., Ltd.	27,803,700.96				455,341.79			798,700.00		27,460,342.75		
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd	1,996,884.48				4,548.22					2,001,432.70		
Sichuan Wind Power Industry Investment Co., Ltd	255,556,481.06				46,448,585.46			17,930,062.80		284,075,003.72		
Huadian Longkou Wind Power Co., Ltd	50,459,812.07				8,974,701.95					59,434,514.02		
Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	19,846,957.02				2,463,325.19					22,310,282.21		
CLP Combined Heavy Gas Turbine Technology Co., Ltd.	11,672,017.69		102,000,000.00		23,761.67					113,695,779.36		
Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	18,537,039.00				1,307,551.30					19,844,590.30		
Inner Mongolia Mengneng Wulan New Energy Co., Ltd.	35,322,255.21				4,166,912.29					39,489,167.50		
Sub-total	1,006,391,832.57		102,000,000.00	2,347,114.95	87,470,040.74			113,755,275.80	-6,064,056.70	1,073,695,425.86		
Total	1,817,042,377.51	409,363,000.00	102,000,000.00	2,347,114.95	132,557,375.04	–	523,922.38	117,715,249.44	83,935,943.3	2,015,997,253.84	90,000,000.00	499,363,000.00

13. Net Current Assets

Unit: Yuan   Currency: RMB

Item	31 December 2018	1 January 2018 (Restated)
Current assets	**73,555,695,740.68**	81,170,359,263.82
Less: current liabilities	**52,696,548,302.26**	60,382,406,104.09
Net current assets	**20,859,147,438.42**	20,787,953,159.73

14. Total Assets Less Current Liabilities

Unit: Yuan   Currency: RMB

Item	31 December 2018	1 January 2018 (Restated)
Total assets	**91,323,329,417.78**	95,300,994,111.66
Less: current liabilities	**52,696,548,302.26**	60,382,406,104.09
Total assets less current liabilities	**38,626,781,115.52**	34,918,588,007.57

15. Dividends

The Board has proposed the payment of a cash 2018 final dividend of RMB1.10 for every 10 shares (before tax) totalling a cash distribution of RMB339,988,377.41 (before tax) (2017: nil),subject to shareholders' approval at the 2018 annual general meeting. If approved, the 2018 final dividend is expected to be distributed to the shareholders on 26 August 2019.

1. MANAGEMENT DISCUSSION AND ANALYSIS

1. Review on the Overall Operation During the Reporting Period

The Company is engaged in power equipment manufacturing industry. By adhering to the objective of "to create value and to enjoy fruits together (共創價值、共享成功)", the Company committed to becoming a world leading manufacturer of major technology and equipment and service provider with international competitiveness, and to supplying its customers with large-scale power generation equipment of clean and efficient power such as hydropower, thermal power, nuclear power, wind power and steam power, solar thermal and engineering contracting and services.

During the Reporting Period, the Company acquired assets from the Group by issuance of shares. As a result, the Company's business scope was further expanded to include power electronics and control, finance, logistics, trade, new energy, industrial and intelligent equipment, etc. Dongfang Electric further perfected its industrial system for power generation equipment manufacturing, improved the quality and efficiency of its operations in core industries related to power generation equipment, and further increased the synergy effect among different segments of its business.

The global energy demand will see a slowdown against the backdrop of slow global economy. However, due to the increasing demand in the world power equipment market, especially the rigid demand for electricity of developing countries persisting for a long time, the proportion of renewable energy will increase significantly. In domestic market, the slowdown in electricity consumption has eased the overall electricity supply, and the overcapacity of traditional power generation equipment such as coal power in domestic power generation equipment enterprises has become apparent resulting in an increasingly fierce market competition. The development of power generation equipment towards"clean, low-carbon, high-efficiency, intelligence, economy, and security" has raised higher requirements for enterprises to improve their market competitiveness and transformation and upgrading.Across the globe, rapid advances in renewable energy technologies have led to a significant reduction in costs, making them increasingly important in global energy use. It is expected that renewable energy will become a key area of energy investment. This, while bringing new development opportunities for the Company, also sets a higher bar for the Company's market competitiveness.

2. Operation Overview During the Reporting Period

In 2018, the net profit attributable to owners of the parent company was RMB1,129 million, up 67.71% from the previous year; RMB34,930 million of new orders, an increase of 8.7% from the previous year; an operating income of RMB30,706 million was realized. The Company produced power generation equipment with a total capacity of 22.7602 million KW, including 22 hydroelectric generating units with a total capacity of 1.4902 million KW, 87 steam turbine generator with a total capacity of/20.736 million KW (including nuclear power generators and gas turbine generators), wind 225 turbine generators with a total capacity of 534,000 KW, 50 power station boilers with a total capacity of 21.32 million KW, and 110 power station steam turbines with a total capacity of 23.33 million KW (including gas turbines).

During the Reporting Period, the Company completed the acquisition of assets from Dongfang Electric Corporation by issuance of shares, further consolidating and enhancing the Company's core competitiveness. After the transaction, the Company's business scope will be expanded to include power electronics and control, finance, logistics, trade, new energy, industrial and intelligent equipment, etc.; the Company will further perfect its industrial system for power generation equipment manufacturing, and improve the quality and efficiency of its operations in core industries related to power generation equipment. Meanwhile, through the transaction, the Company will receive a major boost in terms of industry-finance integration and international operations. The Company is expected to cultivate future growth points through new business, improve its profitability and risk resistance capacity and enhance its comprehensive competitiveness.

As one of the largest R&D and manufacturing bases for power equipment and the largest power station project contracting enterprises in China, the Company possesses a relatively strong international competitiveness, especially in techniques, brand and manufacturing ability. The core competitiveness of the Company mainly shows as below:

1. Possessing excellent product technology and innovative capability.

2. Possessing comprehensive product structure and service ability.

3. Possessing first-rate manufacturing capability.

4. Possessing good market expansion capability.

5. Possessing strong brand influence.

Focused efforts on making steady progress with the Three Critical Missions

The Company carried out the Three Critical Missions of the rejuvenation of the wind power industry, the expansion of the modern service industry and the strengthening of international business. The Company succeeded in the first mission of the rejuvenation of the wind power industry by successfully reversing losses. The Company made breakthroughs in new product development, obtained design certification for 7MW and 10MW offshore units, completing the completed construction design for 8MW offshore units of 8MW offshore units, put into operation the first intelligent wind farm system and secured bulk orders for both 4MW onshore wind turbines and 5MW offshore units. The volume of orders taking effect and awarded in 2018 increased by 67.7% and 113.9% from the previous year. The Company made a breakthrough the expansion of the modern service industry and reinvented its service model. The Company deployed customer service managers to 675 power plants at home and abroad, set up regional customer service centers in Xinjiang, Tianjin, Inner Mongolia, etc., and established an online service platform and the Oriental e-Purchasing Spare Parts Mall to enable rapid response; the Company incorporated intelligence into its services, with its remote diagnosis system put into operation in Wanzhou and Hengshan power plants; the Company vigorously expanded its footprint in the power station modification and spare parts markets. In 2018, the Company entered into contracts worth RMB4.16 billion for its power station service business, representing a year-on-year increase of 30%.The mission of the strengthening of international business gained momentum. The Company integrated its international business, adjusted the deployment of overseas resources, further diversified its business, and signed contracts on major projects such as power plant reconstruction in Hanlavin, Egypt, and Slavyansk, Ukraine.

Made efforts to secure a bountiful harvest of orders

In 2018, the domestic electricity mix continued to evolve, with demand for coal-fired power continuing to decline, and demand for hydropower, wind power, nuclear power and gas-fired power rising modestly but steadily. In the face of a grim and complex market situation and fierce competition, the Company capitalized on the advantages afforded by its two-tier marketing system, deepened its presence in key markets, and consolidated and enhanced its market position. The Company received RMB34.93 billion of new orders throughout the year, USD1.01 billion, accounted for 19.0%.

Equipment used to capture energy from clean energy sources efficiently accounted for 46% of the new orders, equipment used to capture energy from renewable energy sources accounted for 20%, engineering and trade accounted for 8%, modern manufacturing services accounted for 13%, and emerging growth business accounted for 13%. As of the end of 2018, the Company had orders RMB86.4 billion of orders in hand, of which equipment used to capture energy from clean energy sources efficiently accounted for 63%, equipment used to capture energy from renewable energy sources accounted for 19%, engineering and trade accounted for 9%, modern manufacturing services accounted for 2%, and emerging growth business accounted for 7%. Of the orders in hand, export orders accounted for approximately 15%.

Achieved success in transformation and upgrading and high quality development

The Company highlighted high-quality development in all aspects of its work, and achieved initial success in transformation and upgrading. The proportion of coal-fired power in its operating income decreased from 44.2% at the end of 12th Five-Year to 42.1%, the proportion of new energy rose from 9.7% to 13.1%, and the proportion of power station services increased from 3.7% to 6.0%. RMB1.66 billion worth of contracts for small units with a capacity of 100MW or below, a new bright spot in growth, took effect in 2018, realizing RMB1.53 billion in operating income, up 35.9% from the previous year; RMB550 million worth of contracts for new materials took effect, realizing RMB450 million in operating income, up 30.8% from the previous year. Hydrogen fuel cell buses with independent intellectual property were put into service in Sichuan province. The buses chalked up a total of nearly 280,000 kilometers, with one bus accomplishing a maximum of 40,000 kilometers. The buses have served a passenger volume of 400,000 person-times.

Made remarkable achievements in scientific research driven by an urge to innovate

The Company deepened reform of the Central Research Institute, relied on the Science and Technology Development Strategy Advisory Committee to strengthen top-level design, improved the two-tier R&D system, increased R&D investment, and applied itself to making breakthroughs in key and core technologies. The Company won the first prize and second prize of the National Award for Science and Technology Progress and the grand prize and first prize of the Sichuan Provincial Award for Science and Technology Progress; the Company made a series of breakthroughs in major equipment and key and core technologies, completed construction design for million-KW 630 ℃ modules with ultra-supercritical double reheat features for the demonstration project with the highest parameters in China, completed the building of the world's first million-kilowatt-class high-quality turbine runner independently developed by it in Baihetan, and successfully commissioned its independently developed 50MW heavy-duty F-class gas turbine compressor and burner; the Company accelerated the pace of industrialization of scientific and technological achievements, succeeded in the demonstration and promotion of specialized robots for nuclear waste disposal, and made smooth progress in the smart power generation equipment demonstration project.

Deepened reform and steadily solidified its base of development

The Company promoted asset securitization and expanded its business scope to include power electronics and control, finance, logistics, trade, new energy, industrial and intelligent equipment, etc. As a power generation equipment manufacturer, the Company will further perfect its industrial chain and improve its capabilities in core industries related to power generation equipment. The Company flattened its management hierarchy in an effort to reduce management layers and get lean and fit. In response to the adjustment of the energy mix, the Company eliminated inefficient and unproductive production capacity, streamlined its organizational structure, and made proper arrangements for the reassignment and placement of personnel working in traditional industries who had been made redundant. The Company strengthened the construction of a performance-oriented incentive mechanism, completed the reform of remuneration allocation for employees at the functional departments of the headquarters, and experimented with the market-oriented and contract-based management of enterprise leaders at some enterprises.

3. ANALYSIS OF PRINCIPAL BUSINESS

During the Reporting Period, in accordance with the China Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB30,706 million; net profit attributable to the shareholders of the Company of RMB1,129 million, representing an increase of 6.77% as compared with the corresponding period last year; net profit attributable to the shareholders of the Company after non-recurring profit or loss amounted to RMB782 million; earnings per share of RMB0.37; and gross profit margin of 23.00%, representing an increase of 2.18 percentage points as compared with last year.

Main reasons for the significant year-on-year increase in net profit attributable to shareholders of the listed company after non-recurring profit or loss during the reporting period:

(1) Impact of main business: In 2018, aiming to achieve its strategic objectives and driven by an urge to innovate, the Company made vigorous efforts to improve its management, boosting the profitability of its main business. The Company responded in an orderly manner to the impact of the elimination of excessive coal-fired power capacity, and remained operationally steady and robust; the Company addressed its weaknesses, consolidated its base and pushed for transformation with a focus on wind power, services and international business; in the face of a grim and complex market situation, the Company deepened its presence in key markets, and consolidated and enhanced its market position; the Company implemented the requirements for supply-side structural reform and shed development burdens to add new momentum to its development; the Company worked hard towards "Three Reduce's and Two Increase's" and tapped into its potential to improve operational quality.

(2) Impact of acquired assets: The Company completed the acquisition of assets from Dongfang Electric Corporation by issuance of shares. On the one hand, due to the integration of the assets acquired from the target into the listed company, its profitability was enhanced, increasing the net profit attributable to its shareholders. The net profit attributable to shareholders of the listed company derived from the acquired assets from the beginning of the period to the date of merger was reported under "non-recurring gains and losses". On the other hand, the acquisition increased the Company's foreign currency assets, which coupled with exchange rate fluctuations led to a decrease in its financial expenses.

(3) Impact of accounting treatment: The Company's acquisition of the target's assets in 2018 fell under the category of mergers of enterprises under common control, so prior period financial statements were restated, and all the restated figures were figures for non-recurring gains and losses in 2017.

4. ANALYSIS OF CHANGES IN CERTAIN ITEMS IN THE INCOME STATEMENT AND CASH FLOW STATEMENT

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for last period (Restated)	Change (%)
Total Operating revenue	**30,706,145,358.82**	33,430,264,831.72	-8.15
Operating cost	**23,568,286,522.07**	26,387,532,586.33	-10.68
Selling expenses	**1,357,972,140.61**	916,848,038.02	48.11
Administrative expenses	**2,501,402,084.71**	2,619,841,898.04	-4.52
Finance costs	**-380,542,905.59**	160,390,303.32	-337.26
R&D expenditure	**1,689,014,827.23**	1,435,218,361.18	17.68
Net cash flows from operating activities	**-551,780,305.01**	1,838,566,815.40	-130.01
Net cash flows from investing activities	**-425,086,996.58**	-1,114,198,039.45	61.85
Net cash flows from financing activities	**-1,253,630,591.83**	-649,902,337.84	-92.90

5. ANALYSIS OF REVENUE AND COST

(1) Total operating revenue by industry, product and region

Unit: Yuan Currency: RMB

By industry						
Industry	**Operating revenue**	**Operating costs**	**Gross profit margin** *(%)*	**Year-on-year increase/ decrease in operating revenue** *(%)*	**Year-on-year increase/ decrease in operating costs** *(%)*	**Year-on-year increase/ decrease in gross profit margin** *(%)*
Power generation equipment industry	30,706,145,358.82	23,644,387,288.30	23.00	-8.15	-10.67	Increased 2.18 percentage points

By product

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 (%)
High-efficient clean energy equipment	17,078,555,594.72	13,648,123,690.84	20.09	-17.72	-19.01	Increased 1.27 percentage points
Renewable energy equipment	4,008,421,728.16	3,518,299,934.85	12.23	4.25	5.13	Decreased 0.73 percentage points
Engineering and trade	3,480,960,491.64	2,880,186,141.23	17.26	-5.35	-5.84	Increased 0.44 percentage points
Modern manufacturing services business	3,403,983,277.54	1,516,507,274.66	55.45	36.70	13.46	Increased 9.13 percentage points
Emerging growth business	2,734,224,266.76	2,081,270,246.72	23.88	2.79	10.99	Decreased 5.62 percentage points

Operations by region

Region	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 (%)
Domestic	24,772,582,111.74	18,758,306,012.94	24.28	-10.62	-14.26	Increased 3.22 percentage points
Overseas	5,933,563,247.08	4,886,081,275.36	17.65	3.86	6.47	Decreased 2.02 percentage points

i. During the year, the Company intensified structural adjustment, transformation and upgrading. The revenues of modern manufacturing services and emerging growth business increased by 36.70% and 2.79% respectively comparing with the same period of last year. However, due to the influence of domestic and international industry trends, the revenues of clean and efficient energy equipment and the project and trade segments declined to a certain extent, resulting in a decrease of 8.15% in the annual revenue year on year. The Company continued to reduce costs and increase efficiency, with the operating gross margin rate increased by 2.18% over the same period last year.

ii. Renewable energy equipment revenue increased by 4.25% year-on-year, mainly attributed to the hydropower business revenue increased by 28.15% year-on-year.

iii. Engineering and trade revenue decreased by 5.35% year on year, and the revenue from major project contracting and trade decreased to varying degrees.

iv. Revenue of modern manufacturing services increased by 36.70% year on year, and gross margin rate increased by 9.13%, mainly attributed to the large increase in revenues of power station services and financial services year on year, in which, the revenue from power station service increased by 29.22% year on year, and the gross margin rate increased by 11.6%; revenue from financial service increased by 48.51% year on year, and the gross margin rate increased by 4.53 percentage points.

Major products	**Capacity (MW)**	**Sales (MW)**	**Inventory (MW)**	**Capacity increase/ decrease from the previous year** *(%)*	**Sales increase/ decrease from the previous year** *(%)*	**Inventory increase/ decrease from the previous year** *(%)*
Hydro-generating Unit	1,490	1,751	1,254	-35.61%	19.05%	-17.20%
Steam turbine generators	20,736	20,906	16,120	-24.55%	-21.21%	-1.04%
Wind power units	534	484	158	-21.47%	-15.46%	46.51%
Power station steam turbines	23,330	29,966	10,814	-2.66%	31.28%	-38.03%
Power station boilers	21,320	21,320	0	-8.47%	-8.47%	–

Details of the production and sales

In 2018, the state strictly controlled coal-fired generation, which slowed down the progress of projects including hydropower, nuclear power and gas turbine. As a results, the output schedule was delayed, and the Company’s production failed to meet the annual plan. This further affected the completion of the annual targets including the power generation equipment output and the revenue.

(2) Cost analysis

Unit: 10,000 yuan Currency : RMB

By industry

Industry	Cost composition	Amount for current period	As a percentage in total costs for current period for 2018 (%)	Amount for the last period (restated)	Percentage in total costs the corresponding period last year (%)	Year-on-year increase/decrease (%)	Remark
Power generation equipment manufacturing	Raw materials and purchased parts	1,812,875.27	76.68	2,075,270.33	78.40	-12.64	
Power generation equipment manufacturing	Direct labour costs	93,981.12	3.97	105,327.81	3.98	-10.77	
Power generation equipment manufacturing	Other costs	457,582.34	19.35	466,255.90	17.62	-1.86	
Power generation equipment manufacturing	Total	2,364,438.73	100	2,646,854.04	100	-10.67	

6. MAJOR CUSTOMERS IN SALES

The Company's sales from its top five customers amounted to RMB4,223 million, accounting for 13.75% of the total sales for the year, among which, sales to connected parties was nil, accounted for 0% of the total sales for the year.

7. MAJOR SUPPLIERS

The Company's procurement from its top five suppliers amounted to RMB1,401 million, accounting for 5.94% of the total procurement for the year, among which, the procurement from connected parties was RMB552 million, representing 2.34% of the total procurement for the Year.

8. EXPENSES

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for last period (restated)	Change *(%)*
Selling expenses	**1,357,972,140.61**	916,848,038.02	48.11
Administrative expenses	**2,501,402,084.71**	2,619,871,898.04	-4.52
R&D expenditure	**1,689,014,827.23**	1,435,218,361.18	17.68
Finance costs	**-380,542,905.59**	160,390,303.32	-337.26
Income tax expenses	**117,204,032.48**	-62,262,599.30	288.24

9. R&D EXPENDITURE

Unit: Yuan Currency: RMB

	Amount for current period
Expensed R&D expenditure for the period	**1,689,014,827.23**
Capitalized R&D expenditure for the period	**0**
Total R&D expenditure	**1,689,014,827.23**
Percentage of total R&D expenditure over revenue *(%)*	**5.68%**
Number of R&D staff	**3,754**
Percentage of R&D staff over the total staffs *(%)*	**21.32%**
Percentage of R&D expenditure capitalization *(%)*	**0**

10. FINANCIAL POSITION AND OPERATING RESULTS OF THE COMPANY DURING THE REPORTING PERIOD

(1). Analysis of operating results

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for last period (restated)	Year-on-year increase/ decrease *(%)*
Total operating revenue	**30,706,145,358.82**	33,430,264,831.72	-8.15
Selling expenditure	**1,357,972,140.61**	916,848,038.02	48.11
Administrative expenses	**2,501,402,084.71**	2,619,871,898.04	-4,52
R&D expenditure	**1,689,014,827.23**	1,435,218,361.18	17.68
Finance costs	**-380,542,905.59**	160,390,303.32	-337.26
Operating profit	**1,238,706,833.20**	1,086,472,236.29	14.01
Total profit	**1,275,469,723.33**	1,017,278,838.50	25.38
Income tax expenses	**117,204,032.48**	-62,262,599.30	288.24
Net profit	**1,158,265,690.85**	1,079,541,437.80	7.29
Net profit attributable to shareholders of the parent company	**1,128,834,236.51**	1,057,303,567.22	6.77

i. During the year, the Company enhanced structure adjustment and transformation and upgrade. The revenue form modern services business and emerging growth business increased year-on-year by 36.70% and 2.79%, respectively. The operating revenue of the Company deceased year-on-year by 8.15% under the effect of macro-economic environment, and the decreased revenue from high-efficient clean energy equipment and engineering and trade segments.

ii The selling expenses of the Company increased year-on-year by 48.11%, mainly due to the increase in sales services fees as a result of the extension in warranty period and operating and maintenance fees.

iii The finance costs of the Company decreased year-on-year by 337.26%, mainly due to changes in net exchange gains and losses, the net exchange gains for the year was RMB220 million.

iv The income tax expenses increased year-on-year by 288.24%, mainly due to the increase in profit during period.

11. ANALYSIS OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

At the end of the year, the Company's total assets amounted to RMB91.323 billion, representing a decrease of 4.17% as compared with the beginning of the year, among which, a decrease of 19.25% and 18.50% were recorded in inventory and accounts receivable, respectively. Meanwhile, total liabilities amounted to RMB60.629 billion, representing a decrease of 9.33% as compared with the beginning of the year, mainly attributable to a decrease of 22.11% in accounts payable. Shareholders' equity amounted to RMB30.694 billion in total, representing an increase of 7.96% as compared with the beginning of the year, mainly attributable to the increase in profit during the year.

12. GEARING RATIO

Item	Current period	Last period (restated)	Year-on-year increase/ decrease (percentage point)
Gearing ratio *(%)*	**66.39**	70.17	-3.78

Note: Gearing ratio = Total liabilities/ Total assets x 100%

Gearing ratio of the Company was 66.39% at the end of the year, representing a decrease of 3.78 percentage points as compared with the beginning of the year. The Company's assets structure risk is controllable.

13. BANK BORROWINGS

As at 31 December 2018, the Company had borrowings from financial institutions (banks) of RMB223 million due within one year and had no bank borrowings of RMB446 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB669 million were fixed-rate loans. The Company has maintained a favorable credit rating with banks and a sound financing capacity.

14. 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 reducing 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.

15. PLEDGE OF ASSETS

As at 31 December 2018, the Company had pledged borrowings of RMB446 million (2017: RMB417 million), which were related to borrowings from financial institutions secured by concession. As at 31 December 2018, net concession value amounted to RMB 570 million (2017: RMB571 million). As at the end of the year, this part of borrowings was not mature and repayable.

16. MAIN SOURCES AND USES OF FUNDS

(1) Cash flows from operating activities

During the year, the Company had cash inflows generated from operating activities of RMB35.956 billion, mainly due to the recovery of payments for sales of products; net cash outflows generated from cash received from RMB36.508 billion, mainly due to the payments for purchase of raw materials; and net cash flows generated from operating activities of negative RMB552 million, representing a year-on-year decrease of 130.01%.

(2) Cash flows from investing activities

During the year, the Company had cash inflows generated from investing activities of RMB3,075 million, mainly due to the recovery of partial profit-making investments and dividends paid by associates; cash outflows generated from investing activities of RMB3,500 million, mainly due to the payment for the investment of the Company and deposits in other companies in the same industry; and net cash flows generated from investing activities of RMB-425 million, representing a year-on-year decrease of 61.85%.

(3) Cash flows from financing activities

During the year, the Company had cash inflows generated from financing activities of RMB553 million, mainly due to the receipt of cash from borrowings of RMB470 million; cash outflows generated from financing activities of RMB1,806 million, mainly due to the repayment for transferring profit or loss amount of RMB945 million to the group company to Dongfang Turbine and Dongfang Boiler during the transferring period; and net cash flows generated from financing activities of negative RMB1,253 million.

2. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

I. Development strategy of the Company

Guided by socialism with Chinese characteristics in the new era of Xi Jinping, the Company fully implements the spirit of the 19th National Congress of the Communist Party of China. Adhering to the new development concept, the Company implements the new "12345" development strategy to achieve the goal of high-quality development. For this regard, the Company will concentrate on one vision and achieve the Chinese dream of manufacturing energy equipment. At the same time, the Company will realize a leap in both development model and development size, and secure a victory in revitalization of wind power industry, expansion of modern services industry and strengthening of international business. Moreover, the Company will develop the four industries including "renewable energy, international business, modern services business and emerging growth business", and implement the five projects of "deepen reformation, scientific and technological innovation, quality improvement, costs reduction and management enhancement".

The Company implemented the "12345" development strategy

1 **Concentrating on one vision and achieving the Chinese dream of manufacturing energy equipment.** The Company will build a "GE in China", aiming to become a world-class enterprise with global competition, realizing the dream of manufacturing energy equipment in China, so as to provide power to the world and bring light to the human.

2 **Realizing two leaps.** The Company will achieve the leap of development from high-speed growth to high-quality development, and the leap of the scale of development.

3 **Securing a victory in the "three critical missions".** The Company will secure a victory in revitalization of wind power industry, in expansion of modern services industry and strengthening of international business. and the international business is a strong attack.

4 **Developing the four 10-billion business segments.** Develop the four growth 10-billion business segments including "new energy business, international business, modern services business and emerging growth business".

5 **Implementing five project.** Conduct the projects of "deepen reformation, scientific and technological innovation, quality improvement, costs reduction and management enhancement".

(II) Business plan

In 2019, the Company faces a more complex development environment, more risks and challenges and greater uncertainty, but China's development is still in an important period of strategic opportunity. The Company will take the initiative to serve and implement national strategies, adhere to the general work guideline of making progress while maintaining stability, secure a comprehensive victory in the "Three Critical Missions" of the rejuvenation of the wind power industry, the expansion of the modern service industry and the strengthening of international business, and actively develop emerging growth business ; The Company plans to manufacture power generation equipment with a total capacity of 21 million KW throughout the year to ensure a steady increase in operating income and total profits. The Company will pursue high quality development.

Secure further victories in the "Three Critical Missions":

The first is to commit to the revitalization of the wind power business. We shall put into operation 7MW and 8–10MW offshore wind turbine prototypes, open up new markets by accelerating business model innovation, and inject more capital into the wind power company to increase its capital strength. The second is to commit to the expansion of modern services business. We shall grab market share and orders by highlighting our leadership in technology, further expand our intelligent service business by highlighting our leadership in transformation, create more value for customers and ensure a continued increase in power station service orders by highlighting our leadership in quality. The third is to commit to the strengthening of the international business. We shall focus on new development opportunities presented by the "Belt and Road" Initiative, work with our partners to develop third-party markets, further expand our range of industrial projects, diversify our operations in power transmission and distribution and other related industries, and accelerate the implementation of projects in hand.

Focus on "five major tasks":

First, deepen reform and stimulate vitality. In 2019, we shall concentrate our efforts on making breakthroughs in key areas of reform with a focus on the reform of the three systems, create a market-oriented operation mechanism, and actively pursue the mixed ownership reform.

Second, carry out an innovation-driven strategy and scale new heights. We shall step up efforts to tackle challenges encountered in major scientific and technological projects to achieve breakthroughs in key and core technologies; strengthen forward-looking technology research, carry out research on intelligent power plants, intelligent equipment, and distributed energy, and actively follow up on technologies such as biomass energy and geothermal energy; speed up the industrialization of scientific and technological achievements such as hydrogen energy fuel cells and actively undertake key national science and technology projects.

Third, build our business on quality and strictly observe the red lines. We shall continue to improve the quality of our products and services to establish Dongfang Electric's brand as an epitome of quality excellence; continue to improve the effectiveness of the quality management system; continue to tighten quality accountability and implement the "one-vote veto" system for quality responsibility; continue to do a good job in the construction of a quality culture, and significantly improve the quality awareness and literacy of our staff.

Fourth, improve efficiency through cost leadership. Strengthen target cost management, and bring down costs down in line with market price; do a better job in the work of "Three Reduce's and Two Increase's", enrich the work content, and improve the work mechanism; do a better job in analyzing enterprises' operations and providing early warning of major operational deviations.

Fifth, improve management and seek practical results. We shall further improve the corporate governance structure of enterprises, and allow enterprises the right to manage their business on their own to improve their responsiveness to the market; continue to optimize the operation system built around "collectivized operation, industrialized management and lean management"; strengthen risk prevention and control, and hold fast to the bottom line that no major risks should occur; further advance comprehensive budget management.

(III) Possible Risks

1. Risks Involved in Project Implementation

At present, domestic power enterprises are generally facing a tough operational environment. There are certain risks exposed to the implementation of the Company's projects in hand, especially coal-fired power and wind power projects. Overseas engineering projects are also faced with risks in relation to collection of payments, exchange rate volatility in international markets intensified, which pose risks to project implementation. The Company will strengthen project risk management and control, strengthen projects evaluation, schedule production and delivery according to customers' financial status and progress in the collection of payments from customers; for risky projects, we will timely stop or slow down the input of resources and project implementation, and prepare and plan to protect our legal rights to reduce the Company's operating risk.

2. Risk relating to market orders

With the gear of Chinese economic growth shifting to medium-to-high speed, there is less demand for electricity and additional power generating equipment. The new power generation equipment market faces sharp downturn and uncertainties increase for concluded contracts due to further control to be imposed by the National Energy Administration on the capacity of on 13th five-year coal-fired power. All of these factors bring about great pressure and risks to orders of enterprises. The Company will spare no effort to expand the target market. We will strive for the sustainable increase in orders by tapping into the traditional market, fully developing the renewable energy market, vigorously developing the services market and steadily developing international business, thus laying a solid foundation for leapfrog development.

3. Risk relating to recovery of receivables

Since the progress of construction of some power stations is slowing down, the Company is facing the risk arising from the increasing account receivables and more difficulties in recovery of such payments. As a result, the cash flow generated from operating activities such as the recovery of receivables decreased. In order to ensure the normal operation of the Company's capital chain to satisfy the capital demand for production and operation, the Company will strengthen fund management to prevent fund risk, and make more efforts on recovering the account receivables.

III. OTHER EVENTS

1. Progress of the Acquisition of Shares by Issuance of Shares

The Company entered into the proposed Assets Transfer Agreement, Compensation Agreement and related Supplemental Compensation Agreement with DEC on 7 March 2017 and 31 August 2017, respectively, pursuant to which the Company has conditionally agreed to acquire the target assets, including:(i) 100% equity interest in DEC Materials;(ii) 100% equity interest in DEC Bulk Logistic;(iii) 95% equity interest in DEC Finance;(iv) 100% equity interest in DEC International Cooperation;(v) 100% equity interest in DEC Automatic Control;(vi) 41.24% equity interest in DEC Hitachi;(vii) 100% equity interest in DEC Clean Energy;(viii) 100% equity interest in Chengdu Dongfang Electric Smart Energy Co., Ltd.) ;(ix) certain equipment and intangible, including 833 equipment (including 407 mechanical equipment, and 426 electronic equipment) and 472 intangible assets (including 63 software, 14 computer software copyrights, and 395 patents).The registration of changes in ownership of all intangible assets and the transfer of the assets have been completed during the year.

According to the filed valuation results on target assets issued by the State-owned Assets Supervision and Administration Commission of the State Council, the Company will pay the total consideration of target assets by issuing approximately 753,903,063 Consideration Shares of A Share to Dongfang Electric Corporation at an issuance price of RMB9.01 per Consideration share. On 13 June 2018, the Company has received the Certificate of Amendment Registration of the securities from the Shanghai branch of China Securities Depositary and Clearing Corporation Limited (中國證券登記結算有限責任公司上海分公司) and confirmed that the registration procedures of such shares at the consideration have been completed on 12 June 2018.

2. Capital Structure

For the year ended 31 December 2018, total share capital of the Company amounted to RMB3,090,803,431, divided into 2,750,803,431 A shares of RMB1.00 per share and 340,000,000 H shares of RMB1.00 per share. The capital structure of the Company is as follows:

	Current period		Last period	
Class of shares	**Amount of shares**	**% of total amount of share capital issued**	Number of shares	% of total number of share capital issued
A share	**2,750,803,431**	**89.00%**	1,996,900,368	85.45%
H share	**340,000,000**	**11.00%**	340,000,000	14.55%
Total	**3,090,803,431**	**100%**	2,336,900,368	100%

3. Major Acquisition and Disposal of Subsidiaries and Associates

Mergers of Dongfang Investment Development and DE Plant

On 30 October 2018, the subsidiaries of the Company, Dongfang Turbine Company and Dongfang Electric Machinery Company entered into the Dongfang Investment Development Merger Agreement and DE Plant Merger Agreement with the subsidiaries of Dongfang Electric Corporation, Dongfang Investment Development and DE Plant, respectively. According to the Merger Agreements, Dongfang Turbine Company will merge with Dongfang Investment Development and Dongfang Electric Machinery Company will merge with DE Plant. Dongfang Turbine Company and Dongfang Electric Machinery Company will be the surviving companies after the completion of Merger and inherit all the assets, liabilities, business, personnel, contracts and all other rights and obligations of Dongfang Investment Development and DE Plant, respectively, and Dongfang Investment Development and DE Plant will cancel their legal status. Upon the completion of Mergers, Dongfang Turbine Company and Dongfang Electric Machinery Company are no longer wholly-owned subsidiaries of the Company, the Company will hold 95.45% and 92.23% interests of Dongfang Turbine Company and Dongfang Electric Machinery Company, respectively (hereinafter referred to as the "Mergers of Dongfang Investment Development and DE Plant".)

The registered capital of Dongfang Turbine Company as a surviving company after the completion of merger of Dongfang Investment Development is RMB4,176,000,000, based on the sum of the registered capital of Dongfang Turbine Company and Dongfang Investment Development prior to the Merger. The proportion of capital contribution of the Company and Dongfang Electric Coporation after merger of Dongfang Investment Development is determined by reference to the proportion of capital contribution of Dongfang Investment Development and DE Plant prior to their mergers.

The proportion of capital contribution is determined by re-proportionally evaluating the appraised net assets value of Dongfang Turbine Company and Dongfang Investment Development according to the Independent Valuer with 31 May 2018 as the valuation benchmark date. According to Dongfang Turbine Company Valuation Report and Dongfang Investment Development Valuation Report, the appraised net assets value of Dongfang Turbine Company and Dongfang Investment Development was RMB8,428,284,000 and RMB401,775,400 as at 31 May 2018, respectively. The amount and proportion of capital contribution of the Company and Dongfang Electric Corporation are RMB3,985,992,000 and RMB190,008,000, and 95.45% and 4.55% respectively.

Upon the Completion of DE Plant Merger, the registered capital of Dongfang Electric Machinery Company as a surviving company will be the sum of the registered capital of Dongfang Electric Machinery Company and DE Plant prior to the Merger, i.e. RMB2,194,920,000. The proportion of the capital contribution of the Company and Dongfang Electric Corporation after the Completion of DE Plant Merger is based on the proportion of the capital contribution of Dongfang Electric Machinery Company and DE Plant prior to the Merger.

The proportion of capital contribution is determined by re-proportionally evaluating the net assets of Dongfang Electric Machinery Company and DE Plant according to the Independent Valuer with 31 August 2018 as the valuation benchmark date. According to the Dongfang Electric Machinery Company Valuation Report and DE Plant Valuation Report, the appraised net assets value of Dongfang Electric Machinery Company and DE Plant was RMB4,403,977,400 and RMB370,908,300 as at 31 August 2018, respectively. The amount and proportion of capital contribution of the Company and Dongfang Electric Corporation are RMB2,024,370,000 and RMB170,550,000, and 92.23% and 7.77%, respectively.

On 31 August 2017, DEC and DEC Group entered into the Profit Forecast Supplemental Agreement, for which 31 March 2018 was deemed to be the closing date for relevant equity interest and assets.

Saved as disclosed above, there were no other major acquisition and disposal of subsidiaries and associates during the year ended 31 December 2018.

4. Purchase, sales or redemption of listed securities of the Company

During the Reporting Period, the Company did not purchase, sell or redeem any listed securities of the Company.

5. Capital expenditure commitments and utilization

1. Significant commitment events as at the balance sheet date

(1) Capital expense commitment of the Company as at 31 December 2018

Unit: 10,000 yuan Currency : RMB

Item	**31 December 2018**	1 January 2018 (restated)
Capital construction	**13,933.45**	14,670.22
Equipment	**42,762.25**	20,513.64
Total	**56,695.70**	35,183.86

As at 31 December 2018, the Company as the following significant external investment expenditure of RMB58.2201 million in total. Details are as follows:

Unit: 10,000 yuan Currency : RMB

Commitment entity	**Name of invest project**	**Contract investment amount**	**Amount paid**	**Amount unpaid**	**Expected investment period**
The Company and its subsidiaries	Capital Construction	2,173.60	757.47	1,416.13	2019
The Company and its subsidiaries	Equipment	16,412.55	12,006.67	4,405.88	2019
Total		18,586.15	12,764.14	5,822.01	

(2) Lease contracts and financial impact of the contacts signed or to be performed.

As at 31 December 2018, the Company as a lessee had irrevocable minimum future rent payable for the following periods under the operating lease.

Unit: yuan Currency : RMB

Period	Amount for current year	Amount for last year (restated)
Within 1 year	**12,761,198.28**	31,683,464.28
1–2 yeas	**2,414,055.99**	18,992,841.04
2–3 years	**2,110,672.88**	2,029,479.99
Over 3 years	**1,188,335.93**	3,299,008.81
Total	**18,474,263.08**	56,004,794.12

6. Guarantee and performance thereof

During the Reporting Period, 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 in each of above three companies amounting to RMB68 million. The guarantees shall be valid from the effective date of the equity pledge agreement until all debts under the financial leasing contract being repaid.

DEC Dongfang Steam Turbine Co., Ltd., a wholly owned subsidiary of the Company, provided payment and performance guarantee in an amount of RMB24.5 million for Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd..

At the end of the reporting period, the aggregate guarantee of the Company amounted to RMB92.5 million, representing 0.30% of the net assets of the Company.

7. Contingent liabilities

As at 31 December 2018 and 31 December 2017, the Company does not have any contingent liabilities.

8. Material Litigation and Arbitration

During the year ended 31 December 2018 up to the date of the announcement, no member of the Company was engaged in any litigation or arbitration of material importance and, to the best knowledge of our Directors, no litigation or claim of material importance is pending or threatened by or against the Company.

9. Employees and Remuneration Policy

As at 31 December 2018, the Company had 17,608 employees who were remunerated on a pay system linking wages with personal performance and achievements.

During the reporting period, the Company continued to optimize and adjust the the corporate gross payroll regulation rules. Adhering to the principle of "performance determines the increase or decrease in remuneration", the Company implemented the classification management of gross payroll by distinguishing different enterprises. The Company implemented a regulation approach of "the two-dimensional (total payroll, per capita salary) and three categories (increase/decrease of profits, turn from deficits to profit/change from profit to loss, reducing/increasing losses)", exploring the synergies among the assessment score of the operating performance, the per capita performance indicators, and gross payroll. Combined with their actual reform and development conditions, each subsidiary of the Company insisted on the performance-oriented distribution, continuously optimizing the internal work performance linkage assessment mechanism. As a result, these efforts strongly motivated the dynamics of each business segment bring results. At the same time, the Company made a breakthrough in remuneration distribution reform in functional departments of the headquarters, pushing forward a new round of income distribution reform. Therefore, the Company achieved the expected reform goals of a more reasonable remuneration package through reform, all-round smooth of remuneration position and file levels, more transparent remuneration management process, and overall controlled reform cost. Certain affiliated enterprises actively optimized or reconstructed the remuneration management system. Through taking various measures including market benchmarking, mandatory application of performance and fixing remuneration by post, such enterprises solved the problem of unbalanced or unfair remuneration for some positions, and widened the income gap among the employees. Hence, preliminary results have been achieved on market-oriented management of employee remuneration.

During the reporting period, the Company continued to promote the optimization and adjustment of the staff training system from both online and offline aspects. The construction plan and key project implementation plan of the online and offline staff training system for the parent company have been established. Online training has entered the pre-bidding stage and will step into the specific implementation stage in the first half of 2019. The Company has further strengthened the management of training plans, improved the preparation and implementation of training plans at all levels and categories, and strictly evaluated the 2018 unified training plan and expertise training plan of the management academy, as well as the staff training plan of the headquarters, with emphasis on strengthening the supervision and inspection of plan implementation. The Company also communicated with the government on overseas training grants, intensified the focus on the overseas training of technical and expertise talents, a total of 22 outstanding skilled talents were selected and recommended to participate in totally 8 overseas training programs organized by Ministry of Industry and Information Technology, State-owned Assets Supervision and Administration Commission and other state organizations. All the affiliates closely focused on the needs of talent training, and constantly enriched the training forms. Some enterprises have made remarkable achievements in building excellent training programs, promoted the overall improvement of the ability and quality of the staff, and provided guarantee in talents pooling for the sustainable development of the enterprise.

10. Events Subsequent to the Reporting Period

Nil

11. Code on Corporate Governance Practices

The Company was in full compliance with all code provisions of the Code on Corporate Governance Practices contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited during the Reporting Period.

12. 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 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.

13. 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. Lin Dengqing. The audit committee has reviewed the annual results of the Company for the Period, and agreed to the accounting treatments adopted by the Company.

14. Information Disclosure

This 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 2018, which contains all information as proposed in the Disclosure of Financial Information set out in Appendix 16 to the Listing Rules, 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.

This announcement is prepared in both Chinese and English by the Company. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

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

Chengdu, Sichuan Province, PRC
29 March 2019

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

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