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 2019

FINANCIAL HIGHLIGHTS

- Total operating revenue of the Company in 2019 amounted to RMB32.840 billion (2018: RMB30.706 billion), representing an increase of 6.95% YoY;
- Net profit attributable to the shareholders of the Company in 2019 amounted to RMB1.278 billion (2018: RMB1.129 billion), representing an increase of 13.19% YoY;
- Basic earnings per share of the Company in 2019 were RMB0.41 (2018: RMB0.37);
- New orders of the Company in 2019 were approximately RMB40.184 billion;
- The Board has proposed the payment of a 2019 cash dividend of RMB2.05 for every 10 shares (before tax), subject to Shareholders' approval.

The board of directors (the "**Board**") of Dongfang Electric Corporation Limited (the "**Company**") announces the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2019 (the "**Reporting Period**") prepared in accordance with the China Accounting Standards for Business Enterprises.

I. FINANCIAL INFORMATION

Consolidated Statement of Financial Position

31 December 2019

Unit: Yuan Currency: RMB

Item	*Notes*	**31 December 2019**	31 December 2018
Current Assets:			
Cash and cash equivalents		**30,479,728,679.02**	29,346,448,438.05
Clearing provision		**–**	–
Funds for lending		**469,762,000.00**	300,000,000.00
Held-for-trading financial assets		**1,606,664,199.35**	3,122,839,818.04
Derivative financial assets		**–**	–
Notes receivable	3	**1,518,715,778.12**	5,109,357,725.63
Accounts receivable	3	**6,215,286,948.87**	6,555,217,018.91
Accounts receivable financing		**1,816,408,795.25**	–
Prepayments		**2,467,333,662.69**	1,913,342,742.55
Premiums receivable		**–**	–
Amounts receivable under reinsurance contracts		**–**	–
Reinsurer's share of insurance contract reserves		**–**	–
Other receivable	4	**989,033,924,05**	535,465,160.58
Financial assets purchased under resale agreements		**2,490,000,000.00**	1,744,127,000.00
Inventories		**13,142,022,679.41**	13,873,986,465.23
Contract assets		**7,290,368,005.89**	10,187,971,672.86
Assets as held for sale		**–**	–
Non-current assets due within one year		**–**	396,500,000.00
Other current assets		**913,567,655.40**	470,439,698.83
Total Current Assets		**69,398,892,328.05**	73,555,695,740.68

Item	*Notes*	**31 December 2019**	31 December 2018
Non-current Assets:			
Loans and advances		**1,025,152,847.76**	430,663,941.00
Debt investments		**3,756,152,435.75**	4,922,529,793.75
Other debt investments		**–**	–
Long-term receivables		**390,738,271.80**	13,775,453.41
Long-term equity investments	11	**1,717,650,083.08**	1,516,634,253.84
Other investments in equity instruments		**4,889,859.48**	4,989,859.48
Other non-current financial assets		**–**	–
Investment properties		**175,495,834.49**	153,816,742.24
Fixed assets		**5,279,930,962.85**	5,902,438,578.09
Constructions in process		**382,771,135.73**	188,792,238.53
Productive biological assets		**–**	–
Oil and gas assets		**–**	–
Right-of-use assets		**291,388,386.25**	–
Intangible assets		**1,632,833,016.54**	1,681,044,339.19
Development expenditure		**–**	–
Goodwill		**–**	–
Long-term deferred expenses		**50,792,966.40**	51,778,532.60
Deferred tax assets		**2,892,961,105.86**	2,897,188,154.97
Other non-current assets		**2,619,316,321.68**	3,981,790.00
Total Non-current Assets		**20,220,073,227.67**	17,767,633,677.10
TOTAL ASSETS		**89,618,965,555.72**	91,323,329,417.78

Item	*Notes*	**31 December 2019**	31 December 2018
Current Liabilities:			
Short-term Loans		**13,850,000.00**	245,566,000.00
Loans from the central bank		**–**	–
Taking from banks and other financial institutions		**–**	–
Held-for-trading financial liabilities		**–**	–
Derivative financial liabilities		**–**	–
Notes payable	5	**3,650,947,932.56**	3,552,762,831.53
Accounts payable	5	**11,833,812,175.96**	11,540,188,158.94
Receipts in advance		**28,000,000.00**	–
Contract liabilities		**25,873,464,019.06**	29,460,944,098.28
Financial assets sold under repurchase agreements		**–**	–
Customer deposits and deposits from banks and other financial institutions		**4,999,411,987.90**	4,793,625,912.49
Funds from securities trading agency		**–**	–
Funds from underwriting securities agency		**–**	–
Employee benefits payable		**780,900,223.52**	772,584,805.65
Taxes payable		**261,045,191.58**	461,097,975.94
Other payables		**1,770,776,404.82**	1,749,869,606.78
Fees and commissions payable		**–**	–
Amounts payable under insurance contracts		**–**	–
Liabilities as held for sale		**–**	–
Non-current liabilities due within one year		**154,232,008.74**	16,320,000.00
Other current liabilities		**87,375,624.68**	103,588,912.65
Total Current Liabilities		**49,453,815,568.82**	52,696,548,302.26

Item	*Notes*	**31 December 2019**	31 December 2018
Non-current Liabilities:			
Insurance contract reserves		**–**	–
Long-term borrowings		**627,019,323.12**	462,864,840.00
Bonds payable		**–**	–
Including: Preferred stock		**–**	–
Perpetual capital securities		**–**	–
Lease liabilities		**156,664,637.27**	–
Long-term payables		**9,600,357.51**	26,340,460.52
Long-term accrued payroll		**784,413,550.52**	837,303,270.07
Provisions		**6,280,380,090.91**	6,136,106,066.37
Deferred income		**470,607,566.07**	444,014,801.58
Deferred tax liabilities		**38,031,490.91**	26,243,061.77
Other non-current liabilities		**–**	–
Total Non-current Liabilities		**8,366,717,016.31**	7,932,872,500.31
TOTAL LIABILITIES		**57,820,532,585.13**	60,629,420,802.57

Item	*Notes*	**31 December 2019**	31 December 2018
OWNERS' EQUITY (OR SHAREHOLDER'S EQUITY)			
Share capital		**3,090,803,431.00**	3,090,803,431.00
Other equity instruments		**–**	–
Including: Preferred stock		**–**	–
Perpetual capital securities		**–**	–
Capital reserves		**11,345,339,174.91**	11,251,874,281.59
Less: Treasury shares		**165,972,988.00**	
Other comprehensive income		**-24,418,047.58**	-33,400,468.00
Special reserves		**76,102,748.09**	79,395,179.18
Surplus reserves		**907,174,974.45**	871,273,166.80
General risk reserves		**–**	–
Retained profits	6	**14,225,616,456.64**	13,324,105,405.23
Total owners' equity (or shareholder's equity) attributable to equity holders of the parent company		**29,454,645,749.51**	28,584,050,995.80
Non-controlling shareholders' equity		**2,343,787,221.08**	2,109,857,619.41
Total owners' equity (or shareholder's equity)		**31,798,432,970.59**	30,693,908,615.21
TOTAL LIABILITIES AND OWNERS' EQUITY (OR SHAREHOLDER'S EQUITY)		**89,618,965,555.72**	91,323,329,417.78

Consolidated Income Statement
January to December 2019

Unit: Yuan   Currency: RMB

Item	*Notes*	**2019**	2018
I. Total revenue		**32,840,321,080.22**	30,706,145,358.82
Including: Operating income	7	**31,777,585,757.68**	29,729,655,571.73
Interest income	7	**1,062,215,899.11**	969,278,602.81
Premium earned	7	**–**	–
Fee and commission income	7	**519,423.43**	7,211,184.28
II. Total operating costs		**30,697,953.151.01**	29,146,750,868.77
Including: Operating costs	7	**24,938,437,889.53**	23,568,286,522.07
Interest expenses	7	**81,498,284.37**	75,134,577.37
Fee and commission expenses	7	**165,136.20**	966,188.86
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		**240,099,288.59**	334,517,433.51
Sales expenses		**1,308,499,758.09**	1,357,972,140.61
Administrative expenses		**2,380,523,760.63**	2,501,402,084.71
R&D expenditure		**1,888,388,724.59**	1,689,014,827.23
Financial expenses		**-139,659,690.99**	-380,542,905.59
Including: Interest expenses		**49,431,576.08**	37,439,485.33
Interest income		**83,050,317.66**	149,395,707.65

Item	Notes	2019	2018
Add: Other gains		**139,844,440.55**	111,127,012.38
Investment income (Loss is indicated by “-”)		**377,935,987.09**	245,947,029.53
Including: Income from investments in associates and joint ventures		**203,802,439.98**	132,557,375.04
Income from derecognition of financial assets measured at amortized cost		**–**	–
Foreign exchange gains (Losses are indicated by (“-”)		**872,319.89**	1,112,082.95
Gains from net exposure hedges (losses are indicated by “-”)		**–**	–
Gains from changes in fair values (losses are indicated by “-”)		**-126,073,198.44**	83,645,380.11
Credit impairment loss		**-25,782,025.30**	-255,937,862.31
Impairment loss of assets		**-896,326,277.66**	-524,002,955.35
Gains from disposal of assets (losses are indicated by “-”)		**9,424,700.01**	17,421,655.84
III. Operating profit (Loss is indicated by “-”)		**1,622,263,875.35**	1,238,706,833.20
Add: Non-operating income		**104,192,017.32**	163,286,246.15
Less: Non-operating expenses		**147,871,972.61**	126,523,356.02
IV. Total profit (Total loss is indicated by”-”)		**1,578,583,920.06**	1,275,469,723.33
Less: Income tax expenses	8	**197,712,209.73**	117,204,032.48

Item	*Notes*	**2019**	2018
V. Net profit (net loss is indicated by "-")		**1,380,871,710.33**	1,158,265,690.85
(I) Classified by continuing operations			
1. Net profit from continuing operations (net loss indicated by "-")		**1,380,871,710.33**	1,158,265,690.85
2. Net profit from discontinued operations (net loss indicated by "-")			
(II) Classified by ownership			
1. Net profit attributable to shareholders of parent company (net loss indicated by "-")		**1,277,671,818.13**	1,128,834,236.51
2. Profit or loss attributable to non-controlling Shareholders (net loss indicated by "-")		**103,199,892.20**	29,431,454.34
VI. Other comprehensive income ("OCI") (net of tax)		**10,537,271.19**	15,816,290.45
Net OCI attributable to owners of the parent company		**8,939,920.42**	12,320,225.54
(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*	**2019**	2018
(II) OCI that will be reclassified to profit and loss		**8,939,920.42**	12,402,140.36
1. OCI by equity method that will be reclassified to profit and loss		**1,791,356.58**	–
2. Changes in fair value of other debt investment		**–**	–
3. The amount of financial assets reclassified into OCI		**–**	–
4. Credit impairment provisions for other debt investment		**–**	–
5. Gains and losses on cash flow hedges derivatives		**–**	–
6. Foreign currency translation differences-foreign operation		**7,148,563.84**	12,402,140.36
7. Others		**–**	–
OCI attributable to non-controlling interest (net of tax)		**1,597,350.77**	3,496,064.91
VII. Consolidated income		**1,391,408,981.52**	1,174,081,981.30
Consolidated income attributable to owners of parent company		**1,286,611,738.55**	1,141,154,462.05
Consolidated income attributable to non-controlling Shareholders		**104,797,242.97**	32,927,519.25
VIII. Earnings per share:	9		
(i) Basic earnings per share *(RMB/share)*		**0.41**	0.37
(ii) Diluted earnings per share *(RMB/share)*		**0.41**	0.37

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 31 December 2019

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of Preparation

The Company's financial statements have been prepared on a going concern basis, based on the actual transactions and matters incurred, and in accordance with the "Accounting Standards for Business Enterprises–Basic Standards" issued by the 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. CHANGES OF ACCOUNTING POLICIES

(2.1) Implementation of the Notice from the Ministry of Finance on Revising and Issuing the 2019 Financial Statements Format for General Enterprises (《財政部關於修訂印發2019年度一般企業財務報表格式的通知》) and the Notice on Revising and Issuing the 2019 Consolidated Financial Statements Format (《關於修訂印發合併財務報表格式(2019版)的通知》)

The Ministry of Finance issued the Notice on Revising and Issuing the 2019 Financial Statements Format for General Enterprises (Cai Kuai (2019) No. 6) and the Notice on Revising and Issuing the 2019 Consolidated Financial Statements Format (Cai Kuai (2019) No. 16) on 30 April 2019 and 19 September 2019, respectively, which have revised the financial statements format for general enterprises.

"Notes and accounts receivable" is divided into "notes receivable" and "accounts receivable", and the balances of "notes receivable" and "accounts receivable" were RMB5,109,357,725.63 and RMB6,555,217,018.91, respectively, as at the end of the preceding year.

"Notes and accounts payable" is divided into "notes payable" and "accounts payable", and the balances of "notes payable" and "accounts payable" were RMB3,552,762,831.53 and RMB11,540,188,158.94, respectively, as at the end of the preceding year.

(2.2) Implementation of the Accounting Standards for Business Enterprises No. 21 – Leases (Revised at 2018)(《企業會計準則第21號–租賃》(2018年修訂))

The Ministry of Finance revised in Accounting Standards for Business Enterprises No. 21 – Leases (the "New Lease Standard"). The revised standards took effect from 1 January 2019, and in accordance with the requirements, for a contract that had already existed prior to the initial application date (i.e. 1 January 2019), the Company has elected not to reassess whether such contract is, or contains a lease on the initial application date.

- ***The Company as a lessee***

  The Company has elected to recognize the cumulative effect of initial application of the New Lease Standard as an adjustment to the opening balance of retained earnings and the amount of other relevant items in the financial statements in the year of initial application of the New Lease Standard, without any adjustments to the information of the comparative period.

For the operating leases existing before the initial application date, the lease liabilities are measured at the present value of the remaining lease payments at the initial application date, discounted at the Company's incremental borrowing rate at the initial application date, and the right-of-use assets are measured using the following two methods:

– Assuming that the carrying amount measured in accordance with the New Lease Standard is adopted from the beginning of the lease period, the incremental borrowing rate of the Company on the initial application date shall be taken as the discount rate. The Company adopts this method for immovable property leases;

– The amounts equal to lease liabilities are subject to necessary adjustments based on prepaid rental. The Company adopts this method for all other leases.

For the operating leases prior to the initial application date, the Company adopts one or more of the following simplified treatments for each lease while applying the above methods:

(1) Accounting for leases for which the lease term ends within 12 months from the initial application date in the same way as short-term leases;

(2) Applying the same discount rate to leases with reasonably similar characteristics when measuring the lease liabilities;

(3) Excluding initial direct costs for the measurement of the right-of-use assets;

(4) Using hindsight in determining the lease term if the contract contains options to extend or terminate the lease;

(5) Assessing whether the contracts with leases are onerous before the initial application date according to the Accounting Standards for Business Enterprises No. 13 – Contingencies and adjusts the right-of-use assets based on the provision for loss made in the balance sheet before the initial application date as an alternative to performing an impairment test on the right-of-use assets;

(6) For lease changes that occurred prior to the beginning of the first year implementing the New Lease Standard, no retrospective adjustments will be made, and will be accounted in accordance with the New Lease Standard based on the final arrangement for the lease changes.

When measuring lease liabilities, the Company discounts the lease payments using the benchmark interest rate of three-year loans of 4.75% on 1 January 2019, which matches the lease term.

Unit: Yuan Currency: RMB

Unpaid minimum lease payments for major operating leases disclosed in the consolidated financial statements dated 31 December 2018 *(Yuan)*	422,526,229.84
Present value discounted at the incremental borrowing rate of the Company on 1 January 2019 *(Yuan)*	392,267,874.44
Lease liabilities under the New Lease Standard on 1 January 2019 *(Yuan)*	392,267,874.44
Difference between the above present value after discounting and lease liabilities *(Yuan)*	

For the operating leases existing before the initial application date, the Company measures the right-of-use assets and lease liabilities at the original carrying amounts of the assets under finance lease and the finance lease payables on the initial application date, respectively.

- ***The Company as a lessor***

For subleases that were classified as operating leases before the initial application date and are ongoing after the date of initial application, the Group reassesses the subleases on the basis of the remaining contractual terms and provisions of the original leases and subleases at the initial application date and classifies in accordance with the requirements of the New Lease Standard. For subleases that were classified as finance leases, the Company accounts for the sublease as a new finance lease.

Except for subleases, there is no need for the Company to make any adjustment to the leases in which the Company is a lessor according to the New Lease Standard. The Company accounts for the leases in accordance with the requirements of the New Lease Standard from the initial application date.

- ***Major impacts of the Company's implementation of the New Lease Standard on the financial statements***

  Right-of-use assets increased by RMB391,820,655.50, Lease liabilities increased by RMB392,267,874.44, among which non-current liabilities due within one year increased by RMB124,718,906.50, retained profits decreased RMB228,081.66, and non-controlling Shareholders' equity decreased by RMB219,137.28.

(2.3) Implementation of the Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets (Revised in 2019)(《企業會計準則第7號–非貨幣性資產交換》(2019修訂))

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 7 – Exchange of Non-monetary Assets (Revised in 2019) (Cai Kuai [2019] No. 8) on 9 May 2019, and the revised standard has been in effect since 10 June 2019. The exchanges of non-monetary assets occurred between the period from 1 January 2019 to the date that the standard took effect shall be adjusted in accordance with the standard. No retrospective adjustment under the standard is required for the exchange of non-monetary assets conducted before 1 January 2019. There was no material impact on the Company from the implementation of the abovementioned standard during the Reporting Period.

(2.4) Implementation of Accounting Standards for Business Enterprises No. 12 – Debt Restructuring (Revised at 2019) (《企業會計準則第12號–債務重組》(2019修訂))

The Ministry of Finance issued the Accounting Standards for Business Enterprises No. 12 – Debt Restructuring (Revised at 2019) (Cai Kuai [2019] No. 9) on 16 May 2019, and the revised standard has been in effect since 17 June 2019. The debt restructuring occurred between the period from 1 January 2019 to the date that the standard took effect shall be adjusted in accordance with the standard. The main revisions of the new standards for debt restructuring of the Ministry of Finance include: (1) the definition revised from "an event in which the settlement of a debt is arrived in as a result of a mutual agreement. No retrospective adjustment under the standard is required for the debt restructuring occurred before 1 January 2019. There was no material impact on the Company from implementation of the abovementioned standard during the Reporting Period.

3. NOTES RECEIVABLE ACCOUNTS RECEIVABLE

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Notes receivable	**1,518,715,778.12**	5,109,357,725.63
Accounts receivable	**10,477,791,761.13**	11,182,150,912.50
Less: Provision for bad debts	**(4,262,504,812.26)**	(4,626,933,893.59)
Net accounts receivable	**6,215,286,948.87**	6,555,217,018.91
Notes and accounts receivable	**7,734,002,726.99**	11,664,574,744.54

Aging analysis of accounts receivable

Unit: Yuan Currency: RMB

Aging	31 December 2019	31 December 2018
Within 1 year	**3,403,803,378.54**	3,401,976,725.46
1–2 years	**1,016,148,420.23**	1,339,701,149.02
2–3 years	**892,454,878.90**	997,427,780.57
3–4 years	**555,785,882.77**	516,399,547.88
4–5 years	**347,094,388.43**	299,711,815.98
Over 5 years	**–**	–
Total	**6,215,286,948.87**	6,555,217,018.91

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

4. OTHER RECEIVABLES

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Interest receivable	**416,416,397.66**	297,649,175.14
Dividends receivable	**37,002,845.36**	6,597,000.00
Other receivables	**1,808,986,601.80**	1,526,165,981.41
Less: Provision for bad debts	**(1,273,371,920.77)**	(1,294,946,995.97)
Other net receivables *(5a)*	**535,614,681.03**	231,218,985.44
Total	**989,033,924.05**	535,465,160.58

Aging analysis of other receivables

Unit: Yuan Currency: RMB

Aging	31 December 2019	31 December 2018
Within 1 year	**454,209,207.76**	113,004,205.60
1–2 years	**39,996,224.70**	34,659,081.15
2–3 years	**12,507,105.09**	23,277,010.19
3–4 years	**5,237,716.38**	35,560,289.15
4–5 years	**4,451,120.87**	6,410,137.01
Over 5 years	**19,123,306.23**	18,308,262.34
Total	**535,614,681.03**	231,218,985.44

5. NOTES AND ACCOUNTS PAYABLE

Unit: Yuan Currency: RMB

Item	31 December 2019	31 December 2018
Notes payable	**3,650,947,932.56**	3,552,762,831.53
Accounts payable	**11,833,812,175.96**	11,540,188,158.94
Total	**15,484,760,108.52**	15,092,950,990.47

Aging analysis of accounts payable	31 December 2019	31 December 2018
Within one year (inclusive)	**9,606,589,127.35**	9,264,318,072.00
1–2 years (inclusive)	**803,022,569.41**	955,206,459.17
2–3 years (inclusive)	**501,740,777.39**	338,384,404.48
Over 3 years	**922,459,701.81**	982,279,223.29
Total	**11,833,812,175.96**	11,540,188,158.94

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.

6. RETAINED PROFITS

Unit: Yuan Currency: RMB

Item	Current period	Last period
Balance before adjustment at the end of preceding period	**13,324,105,405.23**	12,096,965,958.72
Total opening balance adjusted (Increase+, Decrease-)	**-228,081.66**	194,664,454.64
Opening balance after adjustment	**13,323,877,323.57**	12,291,630,413.36
Add: Net profit attributable to owners of the parent company	**1,277,671,818.13**	1,128,834,236.51
Less: Appropriation of statutory surplus reserve	**35,901,807.65**	96,359,244.64
Appropriation of discretionary surplus reserve	**–**	–
Appropriation of general risk reserve	**–**	–
Dividend payable on ordinary shares	**339,988,377.41**	–
Dividend on ordinary share converted to share capital	**–**	–
Other comprehensive income carried over to retained earnings	**42,500.00**	–
Closing balance	**14,225,616,456.64**	13,324,105,405.23

Remark:

1. Due to the implementation of the New Lease Standard during the Reporting Period, retained profits at the beginning of the year decreased by RMB228,081.66 based on changes in accounting policies.

7. INCOME AND COST

Unit: Yuan Currency: RMB

Item	Amount for current period		Amount for last period	
	Revenue	**Cost/interest expenses/fee and commission expenses**	Revenue	Cost/interest expenses/fee and commission expenses
1. Principal operation	**31,269,847,147.78**	**24,559,343,836.65**	**29,304,835,008.49**	**23,289,238,168.72**
2. Other operations	**507,738,609.90**	**379,094,052.88**	**424,820,563.24**	**279,048,353.35**
3. Interest income	**1,062,215,899.11**	**81,498,284.37**	**969,278,602.81**	**75,134,577.37**
4. Fee and commission income	**519,423.43**	**165,136.20**	**7,211,184.28**	**966,188.86**
Total	**32,840,321,080.22**	**25,020,101,310.10**	**30,706,145,358.82**	**23,644,387,288.30**

8. INCOME TAX EXPENSE

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for last period
Income tax expense for current period	**181,696,731.48**	432,953,201.71
Deferred income tax expense	**16,015,478.25**	-315,749,169.23
Total	**197,712,209.73**	117,204,032.48

9. 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
Combined net profit attributable to parent company's shareholders of ordinary shares	**1,277,671,818.13**	1,128,834,236.51
Weighted average number of outstanding ordinary shares of the Company	**3,090,803,431.00**	3,090,803,431.00
Basic earnings per share	**0.41**	0.37
Basic earnings per share from continuing operations	**0.41**	0.37

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

Item	No.	Current period	Last period
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

(c) Diluted earnings per share

Earnings per share after dilution on the share equity during the Period is RMB0.41 (no dilution effect during the same period of the previous year), the diluted earnings per share is equal to the basic earnings per share.

10. 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 2019

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	25,717,015,292.60	7,546,273,108.24	4,849,216,487.01	4,739,997,637.34	3,829,695,024.89	46,682,197,550.08	13,841,876,469.86	32,840,321,080.22
Including: External transaction income	15,511,358,033.23	5,921,352,862.59	4,430,612,539.73	3,876,251,271.37	3,100,746,373.30	32,840,321,080.22	-	32,840,321,080.22
Inter-segment transaction income	10,205,657,259.37	1,624,920,245.65	418,603,947.28	863,746,365.97	728,948,651.59	13,841,876,469.86	13,841,876,469.86	-
Operating cost	21,866,585,340.00	6,856,213,784.92	4,194,573,904.10	3,275,138,606.29	3,276,915,839.92	39,469,427,475.23	14,449,326,165.13	25,020,101,310.10
Cost written off	10,139,674,344.99	1,645,241,506.56	666,413,738.02	1,393,423,438.48	604,573,137.08	14,449,326,165.13	14,449,326,165.13	-
Expenses for the period						4,906,101,391.84	-531,651,160.50	5,437,752,552.32
Operating profit (loss)	3,784,447,038.22	710,380,584.23	902,452,373.65	1,994,536,103.56	428,403,670.46	2,456,696,729.83	834,432,854.48	1,622,263,875.35
Total assets						162,039,943,325.15	72,420,977,769.43	89,618,965,555.72
Including: Amount of substantial impairment loss on a single asset								
Total liabilities						109,791,079,903.37	51,970,547,318.24	57,820,532,585.13
Supplemental information								
Capital expenditure								
Recognized impairment loss of the current period						442,839,662.05	-479,268,640.91	922,108,302.96
Including: Amortization of impairment of goodwill								
Depreciation and amortization expenses						1,043,837,728.30	-	1,043,837,728.30
Non-cash expenses other than impairment loss, depreciation and amortization						-	-	-

Segment information of 2018

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	-513,153,343.48	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						–	–	–

11. LONG-TERM EQUITY INVESTMENTS

i. Investment in Associated Companies, Joint Ventures

Invested companies	Balance as at 1 January 2019	Provision for impairment balance as at 1 January	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 2019	Provision for impairment for the current period	Provision for impairment Balance as at 31 December 2019
1. Joint ventures												
MHPS Dongfang Boiler Co., Ltd.	199,851,685.92	–	–	–	5,501,926.82	–	546,054.89	4,159,621.670	–	201,740,045.96	–	–
Dongfang Framatome Nuclear Pump Co., Ltd	243,087,142.06	–	–	–	21,673,913.60	–	–	67,077,814.34	–	197,683,241.32	–	–
Dongfang Electric (Xichang) Hydrogen Energy Co.,Ltd.	–	–	6,600,000	–	197,753.04	–	–	–	–	6,797,753.04	–	–
Sub-total	442,938,827.98	–	6,600,000	–	27,373,593.46	–	546,054.89	71,237,436.01	–	406,221,040.32	–	–
2. Associated companies												
Sichuan Wind Power Industry Investment Co., Ltd	284,075,003.72	–	33,800,000.00	–	68,162,980.42	–	–	9,000,000.00	–	377,037,984.14	–	–
Huadian Longkou Wind Power Co., Ltd	59,434,514.02	–	–	–	9,976,926.88	–	–	–	–	69,411,440.90	–	–
Inner Mongolia Energy Power Hongnijing Wind Power Co., Ltd.	22,310,282.21	–	–	–	1,779,476.40	–	–	–	–	24,089,758.61	–	–
CLP Combined Heavy Gas Turbine Technology Co., Ltd.	113,695,779.36	–	18,000,000.00	–	32,208.05	–	–	–	–	131,727,987.41	–	–
Inner Mongolia Mengneng Sanshengtai Wind Power Co., Ltd.	19,844,590.30	–	–	–	662,803.69	–	–	–	–	20,507,393.99	–	–
Inner Mongolia Mengneng Wulan New Energy Co., Ltd.	39,489,167.50	–	–	–	4,066,312.69	–	–	–	–	43,555,480.19	–	–
Mitsubishi Heavy Industries Dongfang Gas Turbine (Guangzhou) Co., Ltd	505,384,313.30	–	–	–	88,822,555.223	–	–	84,985,968.00	-7,699,578.83	501,521,321.70	–	–
Sichuan Dongshu New Material Co., Ltd.	–	–	–	–	–	–	–	–	138,140,317.21	138,140,317.21	–	–
Leshan City Dongle Heavy Piece Handling Co., Ltd.	27,460,342.75	–	–	–	2,904,640.89	–	–	26,950,000.00	–	3,414,983.64	–	–
Liangshan Fengguang New Energy Operation and Maintenance Co., Ltd	2,001,432.70	–	–	–	20,942.27	–	–	–	–	2,022,374.97	–	–
Sub-total	1,073,695,425.86	–	51,800,000.00	–	176,428,846.52	–	–	120,935,968.00	130,440,738.38	1,311,429,042.76	–	–
Total	1,516,634,253.84	–	58,400,000.00	–	203,802,439.98	–	546,054.89	192,173,404.01	130,440,738.38	1,717,650,083.08	–	–

12. DIVIDENDS

Based on 3,118,792,130 shares in the share capital as at the disclosure date of this announcement, the Board has proposed the payment of dividend on 2019 of RMB2.05 for every 10 shares (before tax) totalling a cash distribution of RMB639,352,386.65 (before tax) (2018: cash dividend of RMB1.10 for every 10 shares (before tax)),subject to shareholders' approval at the general meeting on 2019. If approved, the 2019 final dividend is expected to be distributed to the shareholders on 24 August 2020.

I. MANAGEMENT DISCUSSION AND ANALYSIS

1. Review on the Overall Operation During the Reporting Period

The Company is engaged in energy equipment manufacturing industry. By following the development philosophy of "Innovation, Harmony, Greenness, Openness and Sharing"(創新、協調、綠色、開放、共享) and adhering to the objective of "to create value and to enjoy fruits together (共創價值、共享成功)", the Company vigorously develops the industries of clean and efficient energy and renewable energy, committed to becoming a world leading manufacturer of major technology, energy and equipment and service provider with international competitiveness, and to supplying its customers with large-scale power generation equipment such as hydropower, thermal power, nuclear power, wind power and steam power, solar power generation and engineering contracting and services.

The Company's main products include 50,000–1.35 million kilowatt-class hydropower units, 50,000–1 million kilowatt-class thermal power generating units, 1–1.75 million kilowatt-class nuclear power units, heavy-duty gas turbine equipment, 1.5–10 megawatt-class wind power equipment and large chemical containers, environmental protection and water treatment equipment, power electronics and control system, new energy batteries and energy storage system and intelligent equipment. The Company has created a product Structure where six power generations, namely "hydropower, thermal power, nuclear power, wind power, steam power, and solar thermal power generation" are simultaneously developed in a coordinated way.

The Company is mainly engaged in development, designing, manufacturing and selling large, advanced sets of equipment for the generation of hydropower, thermal power, nuclear power, wind power, gas power and solar thermal. The Group is also engaged in such related business as providing global energy operators with construction contracting and services. As one of the largest R&D and manufacturing bases of power generation equipment and one of the mega enterprises for power-plant project contracting in globe. With its power generation equipment and service business covering nearly 80 countries and regions, the Company is highly competitive and influential in the field of power generation equipment.

2. Operation Overview During the Reporting Period

In 2019, facing the complicated and severe situation at home and abroad and focusing on the production and operation as well as the transformation and development, the Company has struck a new way under frustrations and hardships, adapted to the changing circumstances swiftly and creatively and kept working hard to give rise to the consolidation and deepening of the positive growth of the innovation and development, which significantly improved operation and enhanced development momentum. In 2019, the Company recorded total profit of RMB1,579 million and total operating income of RMB32,840 million, representing a year-on-year increase of 23.76% and 6.95% respectively; and was awarded new effective contracts of RMB40.184 billion, representing a year-on-year increase of 15.03%. The gearing ratio decreased to 64.52%, reaching the expected annual goal and the best level of the Company's development strategy plan.

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.

Breakthroughs on Three Critical Missions

In 2019, the Company continuously 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 recorded great achievements in the mission of the rejuvenation of the wind power industry, recorded operating income of RMB3,561 million with a year-on-year increase of 43.07% and the value of new bidding contracts hit a record over RMB20 billion. Also, the Company entered into large-scale orders, such as the million-KW order in Ulanqab with SPIC and the million-KW order in Hinggan League with CGN, with its market share rising to 10% from 3% in 2018. Significant progresses were recorded in the research and development of new wind power products. The first 4MW module in China was successfully put into mass production and operation with leading performance among the peers. Types of products with advanced performance such as 3MW direct-drive modules have been successfully commissioned, laying a solid foundation for the market expansion. The new bidding products in the market accounted for over 70% in 2019. The Company recorded progressive achievement in the mission of expanding modern manufacturing service business, and the power station service business has comprehensively reached the annual goal, realizing new effective contracts of RMB5.55 billion. Leveraging on the integration of the trading and logistic resources and continuous enhancement of the capacity in financial services business, all service industry platforms got constant improvement, and modern manufacturing services including power plant services, logistics services and financial services recorded operating income of RMB3,876 million in the year, representing a year-on-year increase of 13.87%. The mission of the strengthening of international business was carried forward in a stable manner, which further strengthened the arrangement and management for the international businesses; the direct and indirect foreign trading business both ran smoothly. Also, we were awarded the first oversea order of solid waste gasification and power generation, making breakthroughs in the industry.

Market expansion efforts continue to increase

In 2019, the domestic electricity mix continued to evolve, with demand for coal-fired power continuing to decline, demand for hydropower decreasing slightly, demand for nuclear power and gas-fired power rising modestly but steadily, while demand for wind power rising significantly. The Company seized opportunities by deepening its presence in key markets, receiving RMB40.184 billion of new orders throughout the year, USD306 million, accounted for 5.39%. Equipment used to capture energy from clean energy sources efficiently accounted for 34% of the new orders, equipment used to capture energy from renewable energy sources accounted for 23%, engineering and trade accounted for 10%, modern manufacturing services accounted for 14%, and emerging growth business accounted for 19%. As of the end of 2019, the Company had RMB83.478 billion of orders in hand, of which equipment used to capture energy from clean energy sources efficiently accounted for 60.7%, equipment used to capture energy from renewable energy sources accounted for 20.5%, engineering and trade accounted for 5%, modern manufacturing services accounted for 3%, and emerging growth business accounted for 10.8%. Of the orders in hand, export projects accounted for approximately 10.3%.

In terms of thermal power, the Company's market share of large and medium-sized thermal power continues to lead the domestic market, acquiring mechanical and electrical equipment from the SIGC Qingshuichuan (陝投清水川) 2×1,000 MW project, and boiler equipment from the Huadian Pingjiang 2×1,000 MW project, and taking a lead in China for million-kilowatt-class units. For small and medium-sized units, the accumulated orders have exceeded RMB5 billion. In terms of nuclear power, we obtained the first nuclear steam supply system equipment manufacturing license in China, becoming the first domestic equipment manufacturing group qualified for supplying complete sets of nuclear steam supply system equipment, and obtained a Equipment Supply Contract for supplying equipment to the steam turbine generator project of Cangnan Nuclear Power. Our market share for nuclear power equipment was over 35%. In terms of gas power, the market share of F-class gas turbines continued to maintain its leading position in the industry, and won the projects such as the second-phase of Dongguan Zhongtang Gas Cogeneration Project (東莞市中堂燃氣熱電聯產項). In terms of wind power, the domestic market share was 10%, achieving significant breakthrough in the onshore and offshore markets, and was awarded new effective contracts of RMB6,016 million with cumulative bid amount exceeded RMB20 billion. In terms of service industry, orders taking effect maintained a rapid growth, reaching RMB5.5 billion, and we were awarded the first 1,000 MW ultra-supercritical unit in China that undergoes flow-through reconstruct, i.e. Huadian Zouxian large-scale through-flow reconstruct project (華電鄒縣大型通流改造項目). In terms of overseas markets, we won a series of major projects along the Belt and Road. In terms of hydrogen energy, batch orders for 90 fuel cell engines have been successfully delivered. The growing industry has achieved new development, and the operating income of energy-saving and environmental protection industries and the new effective contracts have achieved substantial growth.

The development of new industry is accelerating

The hydrogen energy industry continues to exert its strength. The first batch production line for hydrogen and fuel cell in the west has been successfully put into operation. The development of hydrogen intercity buses and logistics vehicle prototypes has been completed. And the 1st Chengdu International Hydrogen and Fuel Cell Industry Conference has been successfully held with industry influence constantly improving.

Innovation-driven efforts continue to increase

Breakthroughs have been made in key core technologies for major equipment. A number of major scientific and technological projects have achieved major results, such as the first domestic F-class 50MW heavy-duty gas turbine, the Baihetan 1000MW hydropower units with the world's No.1 unit capacity, the Changlongshan superhigh water head pumped-storage unit, the million-KW 630℃ modules with ultra-supercritical double reheat features, and the 10MW offshore wind turbine with the No.1 unit capacity in Asia-Pacific. New batches of major scientific and technological projects have been steadily advancing, such as integrated cleaning and efficient treatment systems for municipal solid waste. We also took the lead in the establishment of the first industrial control network security engineering laboratory in the energy equipment field of China, actively created new opportunities for development and laid a solid foundation.

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 RMB32,840 million; net profit attributable to the shareholders of the Company of RMB1,278 million, representing an increase of 13.19% as compared with the corresponding period last year; net profit attributable to the shareholders of the Company's after non-recurring profit or loss amounted to RMB1,058 million, representing an increase of 35.24% YoY; achieved earnings per share of RMB0.41; and gross profit margin of 23.81%, representing an increase of 0.81 percentage point as compared with last year.

(3.1) 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	Change *(%)*
Total operating income	**32,840,321,080.22**	30,726,145,358.82	6.95
Operating income	**31,777,585,757.68**	29,729,655,571.73	6.89
Operating costs	**24,938,437,889.53**	23,568,286,522.07	5.81
Sales expenses	**1,308,499,758.09**	1,357,972,140.61	-3.64
Administrative expenses	**2,380,523,760.63**	2,501,402,084.71	-4.83
R&D expenditure	**1,888,388,724.59**	1,689,014,827.23	11.80
Financial expenses	**-139,659,690.99**	-380,542,905.59	N/A
Net cash flows from operating activities	**202,244,625.11**	-551,780,305.01	N/A
Net cash flows from investing activities	**1,370,233,737.29**	-425,086,996.58	N/A
Net cash flows from financing activities	**–104,540,674.57**	-1,253,630,591.83	N/A

(3.2) Analysis of Revenue and Cost

(1) Operations by industry, product and region

Unit: Yuan Currency: RMB

By industry

Industry	**Total operating revenue**	**Operating costs/ interest expenses/ fee and commission expenses**	**Gross profit margin** *(%)*	**Year-on-year increase/ decrease in operating revenue** *(%)*	**Year-on-year increase/ decrease in operating costs** *(%)*	**Year-on-year increase/decrease in gross profit margin** *(%)*
Power generation equipment manufacturing industry	32,840,321,080.22	25,020,101,310.10	23.81	6.95	5.82	Increased 0.81 percentage point

By product

Product	**Total operating revenue**	**Operating costs/ interest expenses/ fee and commission expenses**	**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	15,511,358,033.23	11,726,910,995.01	24.40	-9.18	-14.08	Increased 4.31 percentage points
Renewable energy equipment	5,921,352,862.59	5,210,972,278.36	12.00	47.72	48.11	Decreased 0.23 percentage point
Engineering and trade	4,430,612,539.73	3,528,160,166.08	20.37	27.28	22.50	Increased 3.11 percentage points
Modern manufacturing services business	3,876,251,271.37	1,881,715,167.81	51.46	13.87	24.08	Decreased 3.99 percentage points
Emerging growth business	3,100,746,373.30	2,672,342,702.84	13.82	13.40	28.40	Decreased 10.06 percentage points

By region

Region	Operating revenue	Operating costs/ Interest expenses/ Fee and commission expenses	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	28,519,300,050.31	21,024,317,764.96	26.28	15.12	12.08	Increased 2.00 percentage points
Overseas	4,321,021,029.91	3,995,783,545.14	7.53	-27.18	-18.22	Decreased 10.13 percentage points

i. During the year, the Company continued to speed up its structural adjustment, and total operating revenue increased by 6.95% comparing with last year. Revenue generated from other segments increased year-on-year except for the segment of high-efficient clean energy equipment.

ii. Renewable energy equipment revenue increased by 47.72% year on year, primarily attributable to the hydropower business revenue increased by 62.41% year on year and wind power business revenue increased by 43.07% year on year.

iii. Engineering and trade revenue increased by 27.28% year-on-year.

Capacity and sales analysis table

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	4,124	1,751	3,662	176.27	-2.02	192.02
Steam turbine generators	13,960	17,270	12,810	-32.68	-17.39	-20.53
Wind power units	1,003	948	213	87.73	95.76	34.92
Power station steam turbines	15,272	13,025	13,061	-34.54	-56.53	20.77
Power station boilers	15,051	15,051	0	-29.4	-29.4	–

Details of the production and sales

In 2019, the progress of coal-fired power, hydropower, nuclear power and gas turbine projects slowed down. As a result, 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 operating revenue.

(2) Cost analysis

Unit: 0'000 yuan Currency: RMB

By industry

Industry	**Cost composition**	**Amount for current period**	**Percentage in total costs for current period** *(%)*	**Amount for the last period/same period**	**Percentage in total costs the corresponding period last year** *(%)*	**Year-on-year increase/ decrease** *(%)*	**Remark**
Power generation equipment manufacturing	Raw materials	1,996,519.26	79.80	1,812,875.27	76.68	10.13	
Power generation equipment manufacturing	Labour costs	97,065.95	3.88	93,981.12	3.97	3.28	
Power generation equipment manufacturing	Other costs	408,352.93	16.32	457,582.34	19.35	-10.76	
Power generation equipment manufacturing	Total	2,502,010.14	100	2,364,438.73	100	5.82	

(3.3) Major Customers in Sales

The Company's sales to its top five customers amounted to approximately RMB3,785 million, accounting for 11.91% of the total sales for the year, among which, sales to related parties was nil, accounting for 0% of the total sales for the year.

(3.4) Major Suppliers

The Company's procurement from its top five suppliers amounted to approximately RMB2,583 million, accounting for 10.36% of the total procurement for the year, among which, the procurement from related parties was approximately RMB734 million, representing 2.94% of the total procurement for the year.

(3.5) Expenses

Unit: Yuan Currency: RMB

Item	**Amount for current period**	Amount for last period	Change *(%)*
Selling expenses	**1,308,499,758.09**	1,357,972,140.61	-3.64
Administrative expenses	**2,380,523,760.63**	2,501,402,084.71	-4.83
R&D expenditure	**1,888,388,724.59**	1,689,014,827.23	11.80
Finance costs	**-139,659,690.99**	-380,542,905.59	N/A
Income tax expenses	**197,712,209.73**	117,204,032.48	68.69

(3.6) R&D Expenditure

Unit: Yuan Currency: RMB

	Amount for current period
Expensed R&D expenditure for the period	**1,888,388,724.59**
Capitalized R&D expenditure for the period	**–**
Total R&D expenditure	**1,888,388,724.59**
Percentage of total R&D expenditure over revenue *(%)*	**5.94**
Number of R&D staffs	**4,093**
Percentage of R&D staff over the total staffs *(%)*	**23.58**
Percentage of R&D expenditure capitalization *(%)*	**0**

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

(4.1) Analysis of operating results

Unit: Yuan Currency: RMB

Item	Amount for current period	Amount for last period	Year-on-year increase/ decrease (%)
Total operating income	**32,840,321,080.22**	30,706,145,358.82	6.95
Selling expenditure	**1,308,499,758.09**	1,357,972,140.61	-3.64
Administrative expenses	**2,380,523,760.63**	2,501,402,084.71	-4.83
R&D expenditure	**1,888,388,724.59**	1,689,014,827.23	11.80
Finance costs	**-139,659,690.99**	-380,542,905.59	N/A
Operating profit	**1,622,263,875.35**	1,238,706,833.20	30.96
Total profit	**1,578,583,920.06**	1,275,469,723.33	23.76
Income tax expenses	**197,712,209.73**	117,204,032.48	68.69
Net profit	**1,380,871,710.33**	1,158,265,690.85	19.22
Net profit attributable to shareholders of the parent company	**1,277,671,818.13**	1,128,834,236.51	13.19

i. The selling expenses of the Company decreased year-on-year by 3.64%, mainly due to the year-on-year decrease of sales service charges during the Period.

ii. The finance costs of the Company increased year-on-year, mainly due to the year-on-year decrease of foreign exchange gains during the Period.

iii The operating profit increased year-on-year by 30.96%, mainly due to the year-on-year increase of gross profit margin by 0.81 percentage point during the Period.

iv. The income tax expenses increased year-on-year by 68.69%, mainly due to the year-on-year increase of deferred income tax expense during the Period.

5. ANALYSIS OF ASSETS, LIABILITIES AND SHAREHOLDERS' EQUITY

At the end of the year, the Company's total assets amounted to RMB89,619 million, representing a decrease of 1.87% as compared with the beginning of the year, among which, a decrease of 5.28% and 5.19% were recorded in inventory and accounts receivable, respectively. Meanwhile, total liabilities amounted to RMB57,821 million, representing a decrease of 4.63% as compared with the beginning of the year, attributable to an increase of 2.54% in accounts payable and a decrease of 12.18% in contract liabilities. Shareholders' equity amounted to RMB31,798 million in total, representing an increase of 3.60% as compared with the beginning of the year, mainly attributable to the increase in profit during the year.

6. GEARING RATIO

Item	Current period	Last period	Year-on-year decrease (percentage point)
Gearing ratio *(%)*	**64.52**	66.39	-1.87

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

Gearing ratio of the Company was 64.52% at the end of the year, representing a decrease of 1.87 percentage points as compared with the beginning of the year. The Company's assets structure risk is controllable.

7. BANK BORROWINGS

As at 31 December 2019, the Company had borrowings from financial institutions (banks) of RMB31 million due within one year and had bank borrowings of RMB627 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB658 million were fixed-rate loans. The Company has maintained a favorable credit rating with banks and a sound financing capacity.

8. 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.

9. PLEDGE OF ASSETS

As at 31 December 2019, the Company had pledged borrowings of RMB432 million (2018: RMB446 million), which were related to borrowings from financial institutions secured by concession. As at 31 December 2019, net concession value amounted to RMB585 million (2018: RMB570 million). As at the end of the year, this part of borrowings was not mature and repayable.

10. MAIN SOURCES AND USES OF FUNDS

(10.1) Cash flows from operating activities

During the year, the Group had cash inflows generated from operating activities of RMB36,437 million (2018: RMB35,956 million), representing an increase of 1.34% year-on-year, which was mainly due to cash received for sales of products of RMB30,551 million (2018:29,596 million), representing an increase of 3.23% as compared with last year.

On the other hand, the Group had other cash received from operating activities of RMB5,528 million (2018: RMB3,427 million), representing an increase of 61.29% year-on-year, which was mainly due to the recovery of interbank deposit receipts at maturity during the year.

During the year, cash outflows generated from operating activities amounted to RMB36,235 million (2018: RMB36,508 million), representing a decrease of 0.75% year-on-year.

Net cash flows from operating activities amounted to RMB202 million (2018: RMB-552 million), representing an increase of RMB754 million year-on-year.

(10.2) Cash flows from investing activities

During the year, net cash flows from investing activities amounted to RMB1,370 million (2018: RMB-425 million).

During the year, the Group had cash inflows generated from investing activities of RMB2,976 million (2018: RMB3,075 million), representing a decrease of 3.22% year-on-year, mainly due to the cash received from disposal of investments of RMB2,706 million (2018: RMB2,888 million), representing a decrease of 6.29% year-on-year.

Under the circumstance that the Group has increased cash received from return on investments, the above-mentioned impacts were mitigated. During the year, the Group had cash received from return on investments of RMB259 million (2018: RMB163 million), representing an increase of 59.44% as compared with the same period of last year, primarily due to dividends received from joint ventures and associates increased year-on-year.

During the year, the increase in net cash flows from investing activities was mainly due to the increase in purchase of fixed assets, intangible assets and other assets and decrease in cash paid for investment.

Cash paid for investment amounted to RMB877 million (2018: RMB3,307 million), representing a decrease of 73.49% year-on-year, mainly due to the decrease in purchase of investment products by DEC Finance, a non-wholly owned subsidiary of the Company. On the other hand, cash paid for purchase of fixed assets, intangible assets and other assets increased from RMB185 million of last year to RMB642 million this year, representing an increase of 247.18% year-on-year, mainly due to the increase in construction of intelligently manufactured digital workshops on this year.

(10.3) Cash flows from financing activities

During the year, the Group had net cash flows generated from financing activities of RMB-105 million (2018: RMB-1,254 million), representing an increase of RMB1,149 million year-on-year.

During the year, the Group had cash paid for repayment of debts of RMB259 million (2018: RMB797 million), representing a decrease of 67.48% year-on-year.

During the year, the Group had dividends paid, profit distributed or interest paid of RMB417 million (2018: RMB64 million), representing an increase of 554.19% year-on-year, primarily due to the payment of cash dividends for 2018 on this year.

The foregoing led to the significant decrease in outflows from financing activities. The Group had cash outflows from financing activities of RMB699 million (2018: RMB1,806 million), representing a decrease of 61.33% year-on-year.

During the year, the Group had cash received from financing activities of RMB392 million (2018: RMB50 million), representing an increase of 692.58% year-on-year, primarily due to amounts received from purchase of restricted shares by employees on this year and increase of financing activities conducted by subsidiaries. On the other hand, the Group had received cash from borrowings of RMB202 million (2018: RMB470 million), representing a decrease of 57.07% year-on-year. In relation to the details of the grant of the Restricted Shares of the Restricted A Share Incentive Scheme in 2019, please refer to the Company's announcements dated 5 September 2019, 27 September 2019, 1 November 2019, 8 November 2019, 20 November 2019, 22 November 2019 and 9 January 2020, respectively and the circular dated 1 November 2019.

The foregoing led to the increase of cash inflows generated from financing activities of the Group. During the year, cash inflows generated from financing activities amounted to RMB594 million (2018: RMB553 million), representing an increase of 7.50% year-on-year.

II. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

(I) Development strategy of the Company

Under the guidance of Xi Jinping Thought on Socialism with Chinese Characteristics for a New Era, the Company will firmly establishes and practices the new development concept, adheres to the general tone of seeking progress in stability, and the principle that development is the first priority, talent is the first resource, innovation is the first driving force. We will strive to pursue supply-side structural reform as our main task, and work hard for better quality, higher efficiency with an aim to develop into a world-class enterprise. By further emancipating the mind and seeking higher growth rate, we will continue to implement the "12345" new development strategy with the goal of "refining the main business operations and developing new business operations", and continue to fight against "Three Critical Missions" to rejuvenate the wind power industry, expand modern manufacturing services, and strengthen international business. We strive to create a good industry development pattern where "six types of energy sources are developed simultaneously and five lines of business are coordinated". We will unswervingly strengthen, optimize and expand our business, continuously enhance the vitality, core competitiveness, value creation ability and industry influence of the Company, and comprehensively promote the Company's high-quality development.

The Company will implement the "12345" development strategy

1. **Concentrating on one vision and achieving the Chinese dream of manufacturing energy equipment.** The Company aims to become China's GE and become a world-class enterprise with global competitiveness, realizing the Chinese dream for the manufacturing energy equipment industry, so as to provide power to the world and bring light to the people.

2. **Realizing two leaps.** The Company aims to realize the change of its development model from high-speed growth to high-quality development, and to realize the leapfrogging 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.

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

5. **Implementing five major campaigns.** The Company will launch campaigns in relation to the deepening of reform, scientific and technological innovation, quality improvement, costs reduction and management enhancement".

(II) Business plan

In 2019, the Company realized a year-on-year increase in total profit and revenue compared with 2018. However, due to the increase of downward pressure on the economy, the strengthened energy structure adjustment, and the decline in demand for coal-fired power, the capacity of power generating equipment completed during the year was 18.83 million KW. In 2020, the Company will implement the "12345" new development strategy under the development direction of "refining the main business operations and developing new business operations", and optimize the industry development pattern where "six types of energy sources are developed simultaneously and five lines of business are coordinated". We will continue to strengthen, optimize and expand our business, ensure growth, promote reform, strengthen innovation, exercise internal strength, and prevent risks, further enhance competitiveness, creativity, control, influence, and ability to resist risks, and promote high-quality development. In 2020, the Company will made all-around efforts to pursue various tasks including achieve the production target of power generating equipment with a total capacity of 20 million KW to achieve steady growth in revenue and continuous improvement in total profit.

Solidly promoting quality and efficiency improvement

In the new era of development of "overcoming challenges, aiming high and looking far", we will carry out in-depth works of "Three Reduction and Two Improvement" to reduce costs, account receivables and inventories as well as liabilities and to increase the profit margin and improve labor productivity.

"Three critical battles"made new achievements

By proactively expanding the markets of import and export, complete plants of industrial equipment, engineering contracting and other fields, we will make our international business stronger, and strengthened the cooperation with internationally renowned companies to jointly develop third-party markets, thereby keeping the profit margin of relevant projects remained at a relatively high level. We will expand the modern manufacturing services, putting forward a full-cycle smart service plan that target smart power plants, strengthened the role of customer service managers, and give full play to the functions of financial services and supply chain services. We revitalized the wind power industry, enhance risk prevention and control when speeding up development to stabilize the developing momentum, and resolutely prevent the technological risks, quality risks and delivery risks of wind power.

Making progress in key projects under the "refining principal business and prospering new business" strategy

As for refining the principal business, we will focus on equipment manufacturing and take the high-end areas as our target, comprehensively improving core competitiveness and building up differentiated competitive advantages, with priorities being given to development of the 50MW heavy-duty gas turbines generator and the Baihetan 1,000MW mixed-flow generator and other major technical equipment. As for prospering the new business, we will innovate business models to strengthen capital operation, and optimize industrial layout and will accelerate the development of new technologies and introduction of new products, by continuously enhancing the development dynamics of emerging growth business, and giving top priorities to the key development projects of four new industry, namely, the chemical equipment industry, environmental protection industry, energy storage industry and hydrogen energy industry.

Further deepening comprehensive reforms

We will earnestly implement the three-year action plan for state-owned enterprise reform issued by the SASAC and deepen the reform of the "three systems" to fully stimulate the vitality of the Company. We did a good job to ensure the launch of comprehensive reform pilots, advancing the reform of the pilot enterprises and enterprises with mixed ownership included in the "Double Hundred Actions" plan. We will push forward the supply-side structural reforms, comprehensively identify inefficient and redundant production links of subsidiaries and seek orderly exit, promoting further optimization of resource allocation.

Further strengthening scientific and technological innovation

We will take steps to achieve breakthroughs in core technologies for key fields, so as to better our service for the overall development of the country. We will conscientiously implement product innovation and optimization projects and continuously improve product performance and stability. We aim to make solid progress in the smart manufacture transformation project, and thus boosting the technological change and optimization and upgrading of production links. We will effectively upgrade scientific and technological innovation mechanisms, thereby constructing collaborative innovation with more efficiency.

Made solid effort to level up corporate management

We accelerated the development of information-based management, integrating information-based human resources throughout the Company, building an independent platform, and establishing a number of independent and controllable company-level management information systems. We made further progress in lean management. By building an evaluation system for lean management and issuing and modifying lean management promotion guidelines and other guidance documents, our corporate management was further improved. With comprehensive budget management as the starting point, we perfected the management and control system of corporate operations. Greater efforts were made to bring into effect result orientation, anomalies control and implementation promotion. We paid closed attention to the dynamic corporate operation, spotted abnormal indicators and risks in a timely manner, and supervised and guided the fully implementation of objectives and tasks. We strengthened our market value management. On the basis of value creation, we made value operation as the core and value realization as the goal, enhancing the interaction between the industry and the finance industry, vigorously manage our market value in a legal and compliant manner. We made solid progress in quality management, put into effect the effectiveness evaluation of the quality management system, implemented quality accountability mechanism, thereby enhancing the quality awareness of all employees. We strengthened industrial benchmarking, effectively identified quality weakness and earnestly facilitated quality improvement at all levels. As we optimized the statistics analysis of the quality data taken from production process, and collected feedbacks concerning quality experience, the construction of information-based quality management was augmented. We resolutely manage safety and environmental protection. Gaining a strong understanding of safety, we took the safety management system and production safety standards as our focus to guard against and solve all kinds of safety risks. In addition, we also strengthened source control to advance overall conservation of energy and resources, intensified the investigation of environmental pollution risks and speeded up pollution prevention and treatment. And a long-term mechanism for the prevention and control of environmental pollution risks had been established on this regard.

Comprehensively improved market development capabilities

We enhanced market research and planning and improved market development and overall planning capabilities. We promoted innovation on marketing models to expand market while maintained the existing market shares. We managed customer resources as a whole and improved customer management to understand their needs, so as to improve our services.

Effectively prevented major risks

On the basis of improving the compliance management system, strengthening internal control supervision and management, and strengthening audit work, the risk prevention and control system is further strengthened. Continuous optimization of the process of identifying and controlling major risks, has helped improve the risk management and control. And the perfected early risk warning system can fully assess the risks of the Company brought by changes in domestic and foreign environments, thus made sure that the management and control measures was in place, and that the bottom line that no major risks was preserved.

(III) Possible Risks

1. Risks caused by the COVID-19 epidemic

From the beginning of 2020, the pneumonia epidemic caused by the novel coronavirus is becoming more and more severe, which has adversely affected the production and operation of the Company. In response, the company will fully study and judge the impact of the epidemic, take active and strict measures to scientifically prevent and control the spread of the epidemic, and coordinate the work of prevention and control of the epidemic and the production and operation and reform of the Company as a whole.

2. Risks caused by changes in industrial environment

As the hydropower, wind power, and solar power industries are faced with more competition, and the uncertainty of the power equipment industry will further increase. At the same time, emerging growing industries such as hydrogen energy and offshore wind power will encounter the risk of subsidy reduction. The Company will intensify the research on the industry to adapt to policy adjustments, seize market opportunities to accelerate the business structure transformation.

3. Risk relating to recovery of receivables

Since the progress of construction of some power stations project is slowing down, the Company is facing the risk arising from 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. Capital Structure

For the year ended 31 December 2019, 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	**Number of shares**	**% of total number of share capital issued**	Number of shares	% of total number of share capital issued
A share	**2,750,803,431**	**89.00%**	2,750,803,431	89.00%
H share	**340,000,000**	**11.00%**	340,000,000	11.00%
Total	**3,090,803,431**	**100.00%**	3,090,803,431	100.00%

2. Major Acquisition and Disposal of Subsidiaries and Associates

Deemed Disposal of Dongshu New Material

On 18 June 2019, Dongfang Electric Corporation ("DEC", being the controlling shareholder of the Company) entered into the capital increase agreement with DEC Dongfang Steam Turbine Co., Ltd. ("Dongfang Turbine Company"), pursuant to which DEC agreed to make a capital contribution to Sichuan Dongshu New Material Co., Ltd. ("Dongshu New Material") in an amount of RMB150 million in cash. After completion of the capital increase, the proportion of shareholders' equity interests in Dongshu New Material of DEC and Dongfang Turbine Company were 52.46% and 47.54%, respectively. The relevant dilution was deemed as a disposal of equity interest in an indirect subsidiary under Rule 14.29 of the Listing Rules.

Dongshu New Material ceased to be an indirect subsidiary of the Company. Upon completion of the capital increase, the assets, liabilities and financial results of such company will no longer be consolidated into the consolidated financial statements of the Company.

Saved as disclosed above, there were no other major acquisition and disposal of subsidiaries and associates during the year ended 31 December 2019.

3. 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.

4. 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 2019

Unit: 10,000 yuan Currency: RMB

Item	**31 December 2019**	31 December 2018
Capital construction	**12,416.57**	13,933.45
Equipment	**12,559.94**	42,762.25
Total	**24,976.51**	56,695.70

As at 31 December 2019, the Company as the following significant external investment expenditure of RMB51,207,600 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	4,420.55	1,460.76	2,959.79	2020
The Company and its subsidiaries	Equipment	3,943.82	1,782.84	2,160.97	2020
Total		8,364.37	3,243.60	5,120.76	

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

As at 31 December 2019, 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 2019**	Amount for 2018
Within 1 year	**160,655,855.87**	12,761,198.28
1–2 yeas	**175,168,573.58**	2,414,055.99
2–3 years	**6,678,365.93**	2,110,672.88
Over 3 years	**5,490,030.00**	1,188,335.93
Total	**347,992,825.38**	18,474,263.08

5. 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 controlling subsidiary of the Company, provided 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 0.29% of the net assets of the Company.

6. Employees and Remuneration Policy

As at 31 December 2019, the Company had 17,360 employees (2018: 17,608) who were remunerated on a pay system linking wages with personal performance and achievements.

During the Reporting Period, oriented by "enhancing positive incentives" and "rectifying the mismatch of remuneration resources", the Company promoted and achieved new breakthroughs in the income distribution reform. We reconstructed the mechanism for determining total wages, optimized and adjusted the rules for regulation and control of total wages of our Company, implemented classified management on total wages by differentiating enterprises, highlighted the orientation towards economic benefits, labor cost efficiency and work efficiency, and improved deployment on the Company's benefits and efficiency and allocation of resources. We probed into diversification on the salary incentives for R&D employees, set up a total payroll filing system for key research teams, introduced special incentives for the commercialization of research findings and government-sponsored projects for the first time, and established a special incentive mechanism for tackling shortcomings in key and core technologies. The Company reconstructed the assessment and distribution system for salaries of executives, improved the incentive and restraint mechanism for the same, further intensified the incentives for responsible executives with outperformance, and explored ways to enter into covenants with executives in respect of their terms of office. We comprehensively paved path for medium- and long-term incentives, and formulated, printed and distributed the Management Measures for Medium- and Long-Term Incentives to provide policy support thereon.

In addition, for the sake of further improvement on the Company's medium- and long-term incentive and constraint mechanism to stimulate and constrain directors, senior management, middle-level management, and backbone on the front-line (incentive objects) of the Company, its branches and subsidiaries, and integrate their interests with the long-term development of the Company to a greater extent, fully mobilize their enthusiasm and creativity, so as to promote the Company's sustainable development with high quality, the Company implemented Restricted A Shares Incentive Scheme for 2019 (incentive scheme)(2019年A股限制性股票激勵計劃(激勵計劃)). 780 people received incentive of 27,988,699 shares under the first grant. The Company has completed the registration of the first granted restricted shares at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 7 January 2020.

During the Reporting Period, the Company strengthened management on training plans, and, for the first time, systematically formulated 71 annual plans for education and training targeted at key talent groups of the Group under the guidance of serving the strategies and driving business development of the Company. We strengthened training on backbone personnels among three teams and key personnel training programs came into effect. The Company meticulously planned, organized and smoothly completed the First Training Session for Top-notch Youth Personnel in Science and Technology (首期青年科技拔尖人才調訓班), the First Training Session for Youth Management Backbone (首期青年管理骨幹人才調訓 班), the First Improvement Training Session for Highly-skilled Talents (首期高技能人才提升培訓班), Special Training for Lean Talents (精益人才專項培訓) and Unified Induction Training for College Graduates on 2019(2019年入職高校畢業生統一培訓), etc. The Company's affiliated enterprises continuously diversified the forms of training with demand for talent cultivation top of mind, with some enterprises achieving remarkable results in creating quality training programmes. By doing so, the Company's affiliated enterprises have improved the competence and quality of their workforce as a whole to secure the talents needed to sustain their development. The Company improved the training management mechanism by setting up information management platform on training, continuously optimizing and adjusting the employee training system both online and offline and completing the construction of online study training platform, therefore achieved whole-process training information management covering releasing of the training plan, downloading training course material and effect evaluation after implementation of training, etc.

7. Events Subsequent to the Reporting Period

The Company has adopted the Restricted A Share Incentive Scheme for 2019 and granted restricted A shares to the Participants on 22 November 2019. The 27,988,699 Restricted Shares were granted under the First Grant. The Company completed the registration of Restricted Shares under the First Grant at the Shanghai Branch of China Securities Depository and Clearing Corporation Limited on 7 January 2020.

For details, please refer to the announcement dated 5 September 2019, 27 September 2019, 1 November 2019, 8 November 2019, 20 November 2019 22 November 2019, and 9 January 2020 and the circular dated on 1 November 2019.

8. Corporate Governance Code

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

9. Model Code for Securities Transactions

The Company has adopted a code of conduct regarding securities transactions by Directors and supervisors of the Company on the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited. Having made specific enquiry to all Directors and supervisors of the Company, the Company confirms that, for the year ended 31 December 2019, the Directors and supervisors of the Company had complied with the provisions regarding the securities transactions by Directors and supervisors as set out in the Model Code.

10. Audit Committee

The Board has set up an audit committee comprising three independent non-executive Directors, namely, Mr. Gu Dake, Mr. Xu Haihe and Mr. Liu 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.

11. 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 2019, 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
27 March 2020

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

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