東方電氣股份有限公司

Dongfang Electric Corporation Limited

(A joint stock limited company incorporated in t[redacted]*public of China)*

(Stock Code: 1072)

RESULTS ANNOUNCEMENT FOR THE YEAR 2013

RESULTS HIGHLIGHTS

- Total operating revenue of the Company in 2013 amounted to RMB42,400 million, representing an increase of 11.32% as compared with the same period of 2012;
- Net profit attributable to the Company in 2013 amounted to RMB2,349 million, representing an increase of 7.22% as compared with the same period of 2012;
- Earnings per share of the Company amounted to RMB1.17 in 2013;
- New orders of the Company in 2013 amounted to RMB40,200 million.

The board of directors (the "**Board**") of Dongfang Electric Corporation Limited (the "**Company**") is pleased to announce that the audited annual results of the Company and its subsidiaries (the "**Group**") for the year ended 31 December 2013 (the "**Reporting Period**") prepared in accordance with the China Accounting Standards for Business Enterprises:

I. FINANCIAL INFORMATION

Consolidated Balance Sheet
At 31 December 2013

Currency: RMB Unit: Yuan

Item	*Note*	**Closing balance**	Opening balance
Current assets:			
Cash and cash equivalents		**12,131,648,112.18**	8,960,708,524.63
Balances with clearing companies			
Placements with banks and other financial institutions			
Held-for-trading financial assets		**26,608,362.14**	30,311,323.96
Bills receivable		**2,784,861,591.44**	2,568,756,924.94
Trade receivables	2	**17,032,484,330.47**	14,991,233,562.34
Prepayments		**4,716,518,840.61**	5,784,631,010.52
Premiums receivable			
Reinsurance accounts receivable			
Deposits receivable from reinsurance treaty			
Interest receivable		**101,620,018.51**	61,740,939.07
Dividends receivable		**39,087.80**	136,612.20
Other receivables		**352,960,215.57**	325,693,411.09
Purchases of resold financial assets			
Inventories		**27,301,842,960.20**	31,901,091,912.16
Non-current assets due within one year			
Other current assets			
Total current assets		**64,448,583,518.92**	64,624,304,220.91

Item	*Note*	**Closing balance**	Opening balance
Non-current assets:			
Loans and advances granted			
Available-for-sale financial assets		**289,716,665.00**	413,013,757.00
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments		**801,229,880.78**	590,419,356.09
Investment properties		**72,798,574.45**	27,479,503.13
Fixed assets		**9,243,610,975.06**	9,873,036,157.62
Construction in progress		**685,790,408.06**	723,924,491.91
Construction materials		**113,464.96**	113,464.96
Disposal of fixed assets		**11,958.08**	
Productive biological assets			
Oil and gas assets			
Intangible assets		**1,013,339,900.46**	997,185,846.76
Development expenses			
Goodwill			
Long-term deferred expenditures		**509,000.14**	615,000.10
Deferred income tax assets		**1,280,998,708.21**	1,076,964,799.34
Other non-current assets			
Total non-current assets		**13,388,119,535.20**	13,702,752,376.91
Total assets		**77,836,703,054.12**	78,327,056,597.82

Item	Note	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		**3,453,072,066.14**	2,118,520,012.90
Borrowings from central bank			
Deposit taking and deposit in inter-bank market			
Placements from banks and other financial institutions			
Held-for-trading financial liabilities			25,830,967.05
Bills payable		**4,865,094,372.76**	4,107,094,766.78
Trade payables	3	**14,224,698,923.21**	13,385,150,089.62
Receipts in advance		**32,284,212,140.25**	37,594,148,516.54
Disposal of repurchased financial assets			
Handling charges and commissions payable			
Staff remuneration payable		**394,611,720.83**	398,694,229.45
Taxes payable		**53,907,111.62**	251,202,094.65
Interest payable			
Dividends payable		**3,389,732.02**	2,008,723.98
Other payables		**1,805,192,953.82**	2,027,341,175.03
Reinsurance accounts payable			
Deposits for insurance contracts			
Customer deposits for trading in securities			
Amounts due to issuer for securities underwriting			
Non-current liabilities due within one year		**86,320,000.00**	54,320,000.00
Other current liabilities		**79,943,075.58**	80,844,288.14
Total current liabilities		**57,250,442,096.23**	60,045,154,864.14

Item	*Note*	**Closing balance**	Opening balance
Non-current liabilities:			
Long-term borrowings		**39,400,000.00**	125,827,585.21
Debentures payable			
Long-term payables		**685,252.84**	685,252.84
Special payables		**58,042,614.63**	
Estimated liabilities		**1,392,616,607.65**	1,064,299,498.92
Deferred income tax liabilities		**1,838,036.52**	3,932,355.83
Other non-current liabilities		**500,287,825.52**	539,641,886.45
Total non-current liabilities		**1,992,870,337.16**	1,734,386,579.25
Total liabilities		**59,243,312,433.39**	61,779,541,443.39
Shareholders' equity:			
Share capital		**2,003,860,000.00**	2,003,860,000.00
Capital reserve		**4,969,294,048.05**	5,074,096,576.25
Less: Treasury shares			
Special reserve		**15,684,408.62**	8,196,251.24
Surplus reserve		**578,473,906.12**	453,492,120.76
General risk provision			
Undistributed profit	4	**10,162,309,001.98**	8,158,283,796.26
Difference arising from translation of foreign currency financial statements		**–35,852,378.54**	–19,823,326.89
Total equity attributable to shareholders of the Company		**17,693,768,986.23**	15,678,105,417.62
Minority interests		**899,621,634.50**	869,409,736.81
Total shareholders' equity		**18,593,390,620.73**	16,547,515,154.43
Total liabilities and shareholders' equity		**77,836,703,054.12**	78,327,056,597.82

Consolidated Income Statement

For the year ended 31 December 2013

Currency: RMB Unit: Yuan

Item			Note	2013	2012
I.	**Total revenue from operations**			**42,390,796,682.51**	38,079,202,510.13
	Including:	Revenue from operations	5	**42,390,796,682.51**	38,079,202,510.13
		Interest income			
		Premiums earned			
		Income from fees and commissions			
II.	**Total cost of operations**			**39,862,595,263.78**	35,746,806,430.03
	Including:	Cost of operations	5	**33,742,866,666.50**	30,001,922,705.62
		Interest expenses			
		Fee and commission expenses			
		Surrender payment			
		Net expenditure for compensation			
		Net provision for insurance contracts			
		Expenditures for insurance policy dividend			
		Reinsurance costs			
		Business tax and surcharges		**302,467,748.87**	284,805,579.01
		Selling expenses		**960,628,219.47**	850,521,579.71
		Administrative expenses		**3,728,793,794.04**	3,578,333,642.91
		Finance costs		**–133,572,268.04**	–84,629,161.74
		Impairments loss of assets		**1,261,411,102.94**	1,115,852,084.52
	Add:	Gain from change in fair value (loss is represented by "–")		**22,172,268.47**	–29,846,034.79
	Gain from investment (loss is represented by "–")			**226,558,409.16**	179,665,206.21
	Including:	Gains from investment in associates and joint ventures		**213,174,501.29**	170,903,239.91
	Exchange gain (loss is represented by "–")				

III. Profit from operations (loss is represented by "–")		**2,776,932,096.36**	2,482,215,251.52
Add: Non-operating income		**206,483,785.28**	233,888,232.18
Less: Non-operating expenses		**195,923,788.17**	97,444,860.68
Including: Loss on disposal of non-current assets		**2,484,243.37**	2,925,418.52
IV. Total profit (total loss is represented by "–")		**2,787,492,093.47**	2,618,658,623.02
Less: Income tax expenses	6	**388,089,412.34**	364,937,341.51
V. Net profit (net loss is represented by "–")		**2,399,402,681.13**	2,253,721,281.51
Net profit attributable to the shareholders of the Company		**2,349,431,591.08**	2,191,129,345.43
Minority interests		**49,971,090.05**	62,591,936.08
VI. Earnings per share:			
(I) Basic earnings per share	7	**1.17**	1.09
(II) Diluted earnings per share	7	**1.17**	1.09
VII. Other comprehensive income		**–120,831,579.85**	–5,702,488.72
Including: Items not to be re-categorized into profit and loss			
Items to be re-categorized into profit and loss when satisfied the stipulated conditions in the subsequent accounting period		**–120,831,579.85**	–5,702,488.72
VIII. Total comprehensive income		**2,278,571,101.28**	2,248,018,792.79
Total comprehensive income attributable to the shareholders of the Company		**2,228,600,011.23**	2,185,426,856.71
Total comprehensive income attributable to minority interests		**49,971,090.05**	62,591,936.08

1. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

These financial statements are prepared on a going concern basis and in accordance with the existing Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC (including the Accounting Standards for Business Enterprises and the revisions issued by the Ministry of Finance of the PRC in 2014 which the Group had executed, the relevant information of which are set out in the significant changes in the accounting policies and accounting estimate as follows). Meanwhile, these financial statements disclose relevant information pursuant to the provisions of the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 15 - General Provisions on Financial Reporting (Revised in 2010) issued by China Securities Regulatory Commission, the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and the Companies Ordinance of Hong Kong.

Significant changes in the accounting policies, accounting estimate

In these financial statements, the Group has adopted "Accounting Standards for Business Enterprises No. 9 — Employee Benefits" (Revised) (《企業會計準則第9號—— 職工薪酬》（修訂）), "Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements" (Revised) (《企業會計準則第30號——財務報表列報》（修訂）), "Accounting Standards for Business Enterprises No. 39 — Fair Value Measurement" (《企業會計準則第39號——公允價值計量》), "Accounting Standards for Business Enterprises No. 40 — Joint Arrangements" (《企業會計準則第40號——合營安排》) and "Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements" (Revised) (《企業會計準則第33號——合併財務報表》（修訂）).

“Accounting Standards for Business Enterprises No. 9 — Employee Benefits” (Revised)

Pursuant to “Accounting Standards for Business Enterprises No. 9 — Employee Benefits” (Revised), the Group divided the retirement benefit plan into defined contribution scheme and defined benefit scheme. Defined contribution scheme refers to the retirement benefit plan in which the Group would no longer undertake further payment responsibility after the payment of fixed charges to an independent fund; while the defined benefit scheme refers to the the retirement benefit plan other than the defined contribution scheme. During the accounting period when the staff provides service, the Group calculated the amount payable according to the defined contribution scheme and confirmed the liabilities, and the liabilities would be calculated into current profits and loss or assets. In respect of the defined benefit scheme, the Group calculated the responsibilities generated from the defined contribution scheme using the projected unit credit method and appropriate actuarial assumptions, and attributed the generated welfare responsibilities to the service period of the staff pursuant to the

“Accounting Standards for Business Enterprises No. 39 — Fair Value Measurement”

Pursuant to the provisions of “Accounting Standards for Business Enterprises No. 39 — Fair Value Measurement”, the calculated fair value of the Group refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. The annual financial statements of the Group for the year disclosed the information about the fair value in material aspects in accordance with the provisions of the standards. The adoption of the standards had no material effect on the confirmation and calculation of the relevant items in the 2013 annual financial statements of the Group.

“Accounting Standards for Business Enterprises No. 40 — Joint Arrangements”

Pursuant to the provisions of “Accounting Standards for Business Enterprises No. 40 — Joint Arrangements”, the Group categorized a joint arrangement jointly controlled by (more than) two parties and conducted corresponding accounting treatments to different categories. The adoption of the standards had no material effect on the 2013 annual financial statements of the Group.

“Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements” (Revised)

Pursuant to the provisions of “Accounting Standards for Business Enterprises No. 33 — Consolidated Financial Statements” (Revised), the scope of the Group’s consolidated financial statements as consolidated by the Group would still be based on control. The standard to determine control is: the Group has power over the investee and is entitled to variable returns through the participation in the relevant activities of the investee. In addition, the Group has the ability to affect the amount of returns by using its power over the investee. The adoption of the revised standards had no material effect on the 2013 annual financial statements of the Group.

On 17 January 2014, the Ministry of Finance issued "Accounting Standards for Business Enterprises Interpretation No. 6" (《企業會計準則解釋第6號》), which had taken effect since the publishing date. The Board of the Company considered that the effectiveness of this Interpretation had no material effect on the financial situations and operation performance of the Group.

2. TRADE RECEIVABLES

(1) Overall analysis of trade receivables

Currency: RMB Unit: Yuan

Item	Closing balance	Opening balance
Trade receivables	**21,913,469,989.32**	19,025,831,908.38
Less: Provision for bad debts	**4,880,985,658.85**	4,034,598,346.04
Net amount	**17,032,484,330.47**	14,991,233,562.34

(2) Ageing analysis of trade receivables

Currency: RMB Unit: Yuan

Age	Closing balance	Opening balance
Within one year	**8,508,565,946.15**	7,236,756,539.25
One to two years	**4,004,341,460.79**	4,027,312,887.90
Two to three years	**2,635,166,251.83**	2,234,117,651.98
Three to four years	**1,270,709,529.45**	990,630,771.02
Four to five years	**613,701,142.25**	502,415,712.19
Net amount	**17,032,484,330.47**	14,991,233,562.34

The part of the Group's revenue from construction contracts are settled in accordance with the terms specified in the contracts. A longer credit period (such as two to three years) may be given to relatively large or long-established customers with good repayment history.

For the part of revenue from sales of products, settlement is made in accordance with the terms specified in the contracts. A credit period normally at one year may be granted to relatively large or long-established customers with good repayment history. Revenue from smaller, new or short-term customers is normally expected to be settled 180 days after provision of services or delivery of goods by the Group.

3. TRADE PAYABLES

Currency: RMB Unit: Yuan

Item	Closing balance	Opening balance
Within one year	**10,781,307,023.02**	9,578,267,258.07
One to two years	**1,044,275,359.05**	1,876,094,829.84
Two to three years	**943,654,519.10**	1,044,970,982.43
Above three years	**1,455,462,022.04**	885,817,019.28
Total	**14,224,698,923.21**	13,385,150,089.62

The average credit period for payment of goods purchased is 180 days. The Group has financial risk management policies to ensure that all payables are settled within the credit timeframe.

4. UNDISTRIBUTED PROFIT

Currency: RMB Unit: Yuan

Item	**Amount for the year**	Amount for last year
At 31 December 2011	**8,158,283,796.26**	6,421,629,656.29
At 1 January 2012	**8,158,283,796.26**	6,421,629,656.29
Add: Net profit attributable to shareholders of the Company for the year	**2,349,431,591.08**	2,191,129,345.43
Less: Transfers to statutory surplus reserves	**124,981,785.36**	133,857,605.46
Dividends payable on ordinary shares	**220,424,600.00**	320,617,600.00
At 31 December 2012	**10,162,309,001.98**	8,158,283,796.26

The distribution of dividends on ordinary shares to shareholders of the Company was made according to the plan for distribution of profits after tax for 2012 approved at the 2012 annual general meeting of the Company held on 24 May 2013, namely, a cash dividend of RMB1.10 (tax inclusive) for every ten shares to each shareholder, totaling RMB220,424,600.00 (tax inclusive), as calculated based on the Company's total issued share capital of 2,003,860,000 as at the end of 2012.

5. REVENUE FROM OPERATIONS AND COST OF OPERATIONS

Currency: RMB Unit: Yuan

Item	2013	2012
Revenue from principal operations	**42,026,282,530.50**	37,739,345,699.73
Revenue from other operations	**364,514,152.01**	339,856,810.40
Total revenue from operations	**42,390,796,682.51**	38,079,202,510.13
Cost of principal operations	**33,579,114,682.24**	29,873,907,510.09
Cost of other operations	**163,751,984.26**	128,015,195.53
Total cost of operations	**33,742,866,666.50**	30,001,922,705.62
Gross profit of principal operations	**8,447,167,848.26**	7,865,438,189.64
Gross profit of other operations	**200,762,167.75**	211,841,614.87
Total gross profit of operations	**8,647,930,016.01**	8,077,279,804.51

6. INCOME TAX EXPENSES

Currency: RMB Unit: Yuan

Item	2013	2012
Income tax for the year	**575,760,802.32**	497,032,102.95
Including: PRC	**570,143,069.15**	495,166,410.67
India	**1,767,733.17**	1,865,692.28
Hong Kong		
Other areas	**3,850,000.00**	
Deferred income tax	**–187,671,389.98**	–132,094,761.44
Total	**388,089,412.34**	364,937,341.51

For the Company, except that Dongfang Electric (India) Private Limited which was taxed at 33.2175% and certain subsidiaries entitled to a preferential rate of 15% for enterprise income tax, all other subsidiaries were subject to enterprise income tax at a rate of 25%.

7. EARNINGS PER SHARE

Currency: RMB Unit: Yuan

Item	**2013**	2012
Net profit attributable to shareholders of the Company	**2,349,431,591.08**	2,191,129,345.43
Extraordinary items attributable to the Company	**108,910,492.65**	166,809,638.76
Net profit attributable to shareholders of the Company after deducting extraordinary items	**2,240,521,098.43**	2,024,319,706.67
Total number of shares at 1 January	**2,003,860,000.00**	2,003,860,000.00
Number of shares increased by transferring common reserve to share capital or appropriation of dividends (I)		
Number of shares increased by issuing new shares or shares converted from debentures (II)		
Share increased (II) number of months from next month to the end of the reporting period		
Number of shares decreased by buyback		
Share decreased number of months from next month to the end of the reporting period		
Number of shares decreased by shrinking		
Number of months in the reporting period	**12**	12
Weighted average number of ordinary shares in issue	**2,003,860,000.00**	2,003,860,000.00
Basic earnings per share (I)	**1.17**	1.09
Basic earnings per share (II)	**1.12**	1.01

Diluted earnings per share was the same as basic earnings per share for the period as there were no diluting events (For the 12 months ended 31 December 2012: nil) during the Reporting Period.

8. SEGMENT INFORMATION

Reporting segments for 2013

Currency: RMB   Unit: Yuan

Item	Clean high-efficiency power generation equipments	New energy	Water energy and environmental equipments	Engineering and services	Unallocated	Eliminations	Total
Revenue from operations	32,387,547,331.22	7,716,879,769.73	4,770,573,934.54	8,367,410,303.61	371,356,725.45	11,222,971,382.04	42,390,796,682.51
Including: Revenue from external transactions	23,331,142,988.95	6,671,766,164.23	4,727,844,703.30	7,295,528,674.02	364,514,152.01		42,390,796,682.51
Inter-segment transactions	9,056,404,342.27	1,045,113,605.50	42,729,231.24	1,071,881,629.59	6,842,573.44	11,222,971,382.04	
Operating expenses	27,486,733,761.33	6,538,331,971.65	3,606,309,067.34	7,060,286,893.79	5,511,704,704.93	10,589,501,812.89	39,613,864,586.15
Operating profit (losses)	4,900,813,569.89	1,178,547,798.08	1,164,264,867.20	1,307,123,409.82	–5,140,347,979.48	633,469,569.15	2,776,932,096.36
Total assets					111,833,353,292.88	33,996,650,238.76	77,836,703,054.12
Total liabilities					83,688,334,026.59	24,445,021,593.20	59,243,312,433.39
Supplemental information							
Depreciation and amortization expenses					1,274,332,960.20		1,274,332,960.20
Capital expenditure							
Non-cash expenses other than depreciation and amortization							

Reporting segments for 2012

Currency: RMB Unit: Yuan

Item	Clean high-efficiency power generation equipments	New energy	Water energy and environmental equipments	Engineering and services	Unallocated	Eliminations	Total
Revenue from operations	28,004,533,259.15	8,976,729,291.99	4,577,778,275.07	5,713,939,724.49	368,404,850.83	9,562,182,891.40	38,079,202,510.13
Including: Revenue from external transactions	20,200,166,742.82	7,664,847,200.75	4,528,310,383.48	5,346,021,372.68	339,856,810.40		38,079,202,510.13
Inter-segment transactions	7,804,366,516.33	1,311,882,091.24	49,467,891.59	367,918,351.81	28,548,040.43	9,562,182,891.40	
Operating expenses	23,319,370,885.11	7,708,074,838.08	3,333,968,739.63	4,907,160,632.99	4,967,372,915.54	8,638,960,752.74	35,596,987,258.61
Operating profit (losses)	4,685,162,374.04	1,268,654,453.91	1,243,809,535.44	806,779,091.50	–4,598,968,064.71	923,222,138.66	2,482,215,251.52
Total assets					108,548,772,886.39	30,221,716,288.57	78,327,056,597.82
Total liabilities					82,387,757,805.86	20,608,216,362.47	61,779,541,443.39
Supplemental information							
Depreciation and amortization expenses					1,299,963,209.48		1,299,963,209.48
Capital expenditure							
Non-cash expenses other than depreciation and amortization							

9. NET CURRENT ASSETS

Currency: RMB   Unit: Yuan

Item	Closing balance	Opening balance
Current assets	**64,448,583,518.92**	64,624,304,220.91
Less: Current liabilities	**57,250,442,096.23**	60,045,154,864.14
Net current assets	**7,198,141,422.69**	4,579,149,356.77

10. TOTAL ASSETS LESS CURRENT LIABILITIES

Currency: RMB   Unit: Yuan

Item	Closing balance	Opening balance
Total assets	**77,836,703,054.12**	78,327,056,597.82
Less: current liabilities	**57,250,442,096.23**	60,045,154,864.14
Total assets less current liabilities	**20,586,260,957.89**	18,281,901,733.68

11. DIVIDENDS

The Board proposes to pay a final cash dividend of RMB0.18 (tax inclusive) per share for year 2013, totalling RMB360,694,800.

Subject to the approval of shareholders at the 2013 annual general meeting, the dividend will be paid to holders of H shares whose names appear on the register of members of the Company on 5 May 2014.

II. MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review

Overall Operations

Both the domestic and international situations remained tough in 2013. Under this circumstance, the Company adhered to the "three changes" (change from emphasizing scale expansion to efficiency and profit growth, change from emphasizing capacity expansion to technical upgrading, and change from emphasizing manufacturing-based operations to manufacturing- and service-based operations) and accomplished the annual target of the Company through unwavering, tenacious hard work and pragmatic aggressiveness, thereby maintaining a sustainable development momentum for the enterprise.

Operations during the Reporting Period

Completion of operation indicators

During the Reporting Period, under the PRC Accounting Standards for Business Enterprises, the Company recorded a total operating revenue of RMB42,400 million, representing a year-on-year increase of 11.32%; net profit attributable to shareholders of the Company of RMB2,349 million, representing a year-on-year increase of 7.22%; earnings per share of RMB1.17; and gross profit margin for principal operations of 20.10%, basically on a par with the same period last year.

Capacity of power generation equipment

During the Reporting Period, the Company produced power generation equipment with total capacity of 34,735.5MW, representing a year-on-year growth of 6.5%, including hydro-electric turbine generator sets with total capacity of 6,965MW, representing an increase of 4.2% as compared with the same period last year; steam turbine generators with total capacity of 27,041MW, representing an increase of 6.5% as compared with the same period last year; and wind turbine generator sets with total capacity of 729.5MW, representing an increase of 32.5% as compared with the same period last year. In addition, the Company produced power station boilers with total capacity of 21,084MW and power station steam turbines with total capacity of 30,693MW, representing an increase of 2.1% and 18.3% respectively as compared with the same period last year.

Comprehensive advancement in market expansion

In 2013, the Company went all out to grab market share through further enhancement in planning and coordination. The Company's new orders for the year amounted to RMB40.2 billion, of which exports accounted for 9% or RMB3.7 billion. Among the new orders, 71% was attributable to high-efficiency clean energy, 7% to new energy, 6% to water energy and environmental protection, and 16% to engineering and services.

By the end of 2013, the Company had orders in hand of RMB137 billion, among which high-efficiency clean energy accounted for 64%, new energy 13%, water energy and environmental protection 6%, engineering and services 17%. Exports accounted for 16% of the Company's orders in hand.

The Company explored domestic market in an active and effective manner by leveraging the recovery of thermal power and nuclear power markets to actively organise a variety of project introductions such as exchange events on new products and technologies, which harvested great results. It entered into a contract in respect of 660MW high coal capacity air-cooled units and 150MW high coal capacity circulating fluidized bed boiler, laying a foundation for the market expansion in Xinjiang; units with capacity under 600MW continued to occupy one-third of the market share while proportion taken by the high efficient 1000MW boilers still dominated the market; the Company obtained the majority of new orders of nuclear power project in the tender procedure with full participation in the supply of master equipment for the AP1000 project; the market shares of the F-class heavy gas turbines continued to lead the peers in the industry; the contract for the 4×300MW water turbine units of pumped-storage project in Shenzhen was engaged, marking the Company's entry into the market of pumped-storage power with high water head and capacity; the proportion of wind turbines with a capacity of 2MW or above were gradually increasing while the market of direct-drive wind turbines was expanding step by step; the project construction contract for the Tianyi flue gas denitrator of 600MW thermal power generating units in Nanyang was signed, which consolidated our existing share in the environmental protection market.

The layout of our overseas network in the key markets was enhanced to strengthen and improve the competitiveness of overseas traditional market. The Company obtained main units supply contract for coastal phase III 2×622 MW project in Vietnam. Via Balkhash boiler island project, the 660 MW-class supercritical boiler was introduced into Kazakhstan for the first time. By entering into unit contract for Cilacap phase II 660 MW project in Indonesia, high-moisture supercritical lignite boiler achieved a breakthrough from zero.

Effective project management

Against the problems such as the concentration of delivery, new products and cost-reduced and efficiency-improved projects as well as severe conflict between production resources and demand for project construction at different phases, the Company intensified project process control, strengthened supporting resources and technology services, gave full play to synergy effects and balanced production resources to achieve bulk delivery of products such as gas turbine, environmental protection projects and so forth as well as smooth operation of key projects. The construction of engineering projects was orderly pushed forward, as 19 projects (including 4 EPC projects) were under construction with the total units capacity amounting to 14,518 MW and key project plans were basically achieved. Two units of the Saudi Rabigh project obtained certificates for primary delivery. The annual objective of the foundation works for the Company's first coal power EPC project in Europe, the Stanari project in Bosnia-Herzegovina, was fulfilled.

Remarkable innovation results of principal products

The world's first 600MW supercritical circulating fluidized bed boilers with the largest individual capacity, Xiluodu 770 MW hydropower units and the world's first and largest bulb turbine units, Gerry 75MW hydropower units in Brazil, were all successfully put into commercial operation. The optimised ultra-supercritical 1000 MW generating units were developed successfully. 300 MW F4-class gas turbines were put into mass-production and successively came into service for power plants in Gaobeidian and Shaoxing. Currently, the first domestic EPR of the third generation nuclear power in China with the world's largest individuated capcity, Taishan 1,750 MW nuclear power turbine, generator, moisture separator reheater and steam generator were completed development and put into installation in power plants. The third generation nuclear power CAP1400 units and Fuqing ACP1000 units with independent technology as well as the the introduction of Xudabao AP1000 units entered into the stage of development. 2.5 MW permanent-magnet direct drive wind generator units passed the GL certification test. The prototype of the first 5.5MW offshore wind generator units was put into operation in full load. The performance and reliability of wind power products were under gradual improvement and enhancement.

Consistent optimsation of resources allocation

The Company established wind power business department and primarily achieved integration of certain resources such as marketing, technology planning and so forth of wind power industry to lay a foundation for the increase in competitiveness in wind power industry. The Company adjusted management mode in India and Indonesia markets, gave play to market information sharing, resources sharing and previous and current business connection through centralised management, achieved integrated window and platform to build an external image as a whole and improve the efficiency for the use of resources.

Active improvement of management

Focused on the aim of "attach importance to executions, responsibilities and efficiencies" in terms of quality, the Company continuously carried out regulation on "common problems and frequent-occurring problems", improved quality with the emphasis on rectification of violation of rules and regulations, and further set a solid stage for quality management. The Company strengthened risk prevention in production and operation as well as technology introduction to make risk control system run efficiently. The Company accelerated comprehensive budget management, strengthened cost and expense management and improved financial management level of the Company.

2. Analysis of Principal Business

1 *Analysis of operating results*

Currency: RMB Unit: Yuan

Item	Amount for the year	Amount for the last year	Year-on-year increase/decrease (%)
Operating revenue	**42,390,796,682.51**	38,079,202,510.13	11.32
Selling expenses	**960,628,219.47**	850,521,579.71	12.95
Administrative expenses	**3,728,793,794.04**	3,578,333,642.91	4.20
Finance costs	**-133,572,268.04**	-84,629,161.74	57.83
Impairment loss of assets	**1,261,411,102.94**	1,115,852,084.52	13.04
Total profit	**2,787,492,093.47**	2,618,658,623.02	6.45
Income tax expenses	**388,089,412.34**	364,937,341.51	6.34
Net profit	**2,399,402,681.13**	2,253,721,281.51	6.46
Net profit attributable to shareholders of the Company	**2,349,431,591.08**	2,191,129,345.43	7.22

(1) During the Reporting Period, the Company reinforced the production and operation management to ensure the accomplishment of various tasks with a year-on-year growth of 11.32% in revenue from operation.

(2) Selling expenses of the Company for the period increased by 12.95% on a year-on-year basis, mainly due to an increase in provisions made for product quality warranty in the year according to the accounting policies.

(3) Administrative expenses of the Company for the period increased by 4.20% on a year-on-year basis, mainly due to a year-on-year increase in staff remuneration and depreciation expense.

(4) Finance costs of the Company for the period decreased by 57.83% on a year-on-year basis, mainly due to a year-on-year increase in interest income and a year-on-year decrease in interest expenses.

(5) Impairment loss of assets of the Company for the period increased by 13.04% on a year-on-year basis, mainly due to a year-on-year increase in impairment provision made for the inventory for the period.

(6) Total profit of the Company for the period increased by 6.45% on a year-on-year basis and net profit attributable to shareholders of the Company increased by 7.22% on a year-on-year basis, mainly due to a year-on-year increase in sales revenue achieved by the Company in the year.

Revenue

(1) Analysis of factors affecting revenue from business

During the Reporting Period, the Company reinforced the production and operation management to ensure the accomplishment of various tasks. During the Reporting Period, the Company achieved revenue from operations amounting to RMB42,400 million, representing an increase of 11.32% as compared with the same period last year, mainly due to an increase in clean high efficient power generation equipment, water energy and environmental protection as well as engineering and services businesses of the Company, resulting in the increase in revenue from operation of the Company.

(2) Analysis of factors affecting product revenue (mainly from physical sales)

The Company continued to maintain a higher share of China's market in the year, occupying 40% of the domestic large- and medium-sized hydropower market and approximately 30% of the domestic thermal power market as well as maintaining a leading position in the domestic nuclear power and gas turbine market.

During the Reporting Period, the Company completed the production of 34,735.5MW of power generation equipment, representing a year-on-year increase of 6.5%. During the Reporting Period, the increase in output of thermal power, gas turbines and environmental products led an increase in revenue from operation of the Company.

(3) Major sales customers

During the Reporting Period, the Company's revenue from operation derived from its top five customers amounted to RMB7,766 million, accounting for 18.32% of the Company's total revenue from operation, which is lower than 30% of the Company's total revenue from operation.

Cost

(1) Cost analysis

Currency: RMB Unit: Yuan

By business	Cost composition	Amount for the year	As a percentage in total costs for the year (%)	Amount for the last year	As a percentage in total costs for last year (%)	Year-on-year increase/ decrease (%)
Power generation equipment manufacturing and services	Raw materials and purchased parts	26,577,848,849.30	79.15	24,687,005,205.21	82.64	7.66
	Direct labor costs	1,910,056,988.64	5.69	2,016,113,552.54	6.75	-5.26
	Manufacturing costs	5,091,208,844.30	15.16	3,170,788,752.34	10.61	60.57
	Total	33,579,114,682.24	100.00	29,873,907,510.09	100.00	12.40

(2) Major suppliers

During the Reporting Period, the Company's procurement from its top five suppliers amounted to RMB2,572 million, accounting for 15.19% of the Company's total procurement, which is lower than 30% of the Company's total procurement.

Expenses

Currency: RMB Unit: Yuan

Item	Amount for the period	Amount for the same period last year	Change (%)
Selling expenses	960,628,219.47	850,521,579.71	12.95
Administrative expenses	3,728,793,794.04	3,578,333,642.91	4.20
Finance costs	–133,572,268.04	–84,629,161.74	57.83
Income tax	388,089,412.34	364,937,341.51	6.34

3. Analysis of Operations by Industry, Product or Region

Principal operations by industry and product

Currency: RMB Unit: Yuan

Principal operations by industry

By 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 manufacturing	42,026,282,530.50	33,579,114,682.24	20.10	11.36	12.40	Decreased by 0.74 percentage point

Principal operations by product

By sector	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 (%)
Clean high efficiency power generation equipments	23,331,142,988.95	18,698,952,018.02	19.85	15.50	18.72	Decreased by 2.18 percentage points
New energy	6,671,766,164.23	5,482,203,954.25	17.83	–12.96	–14.32	Increased by 1.31 percentage points
Water energy and environmental equipments	4,727,844,703.30	3,569,132,605.59	24.51	4.41	8.19	Decreased by 2.64 percentage points
Engineering and services	7,295,528,674.02	5,828,826,104.38	20.10	36.47	31.69	Increased by 2.90 percentage points

(1) During the Reporting Period, the Company reinforced the production and operation management to ensure the accomplishment of various tasks with a year-on-year growth of 11.36% in revenue from operation.

(2) Revenue from operation of clean high efficient power generation equipment for the year increased by 15.50% on a year-on-year basis, mainly due to an increase of 14.79% in revenue from thermal power products and an increase of 71.14% in revenue from gas turbines. Gross profit margin of thermal power products for the year decreased by 2.18 percentage points, mainly due to the decrease in selling price of thermal power products for the period.

(3) Revenue from new energy products for the year decreased by 12.96%, mainly due to a year-on-year decrease of 10.94% in revenue from wind power products.

(4) Revenue from hydro-energy and environmental equipment for the year increased by 4.41% on a year-on-year basis, mainly due to the increase of 81.63% in revenue from selling environmental equipment. Gross profit margin of environmental equipment decreased by 14.31 percentage points, mainly due to the decrease in selling price of environmental equipment for the period.

(5) Revenue from engineering and services for the year increased by 36.47% on a year-on-year basis, mainly due to the acceleration of construction schedule reflected on construction contract.

Principal operations by region

Currency: RMB Unit: Yuan

Region	**Operating revenue**	**Year-on-year increase/decrease in operating revenue** *(%)*
PRC	32,668,494,599.67	12.42
Overseas	9,357,787,930.83	7.81

4. Analysis of Major Subsidiaries and Investees

Unit: RMB100 million

Company name	Equity interest held by the Company	Main products or services	Registered capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit
DEC Dongfang Steam Turbine Co., Ltd.	100%	Production, processing and marketing of steam turbines, water turbine, gas turbines, compressors, fans, pumps and auxiliary equipment, wind generating sets, solar and renewable energy; industrial control and automation; the research, design installation, alteration and maintenance services of the power stations and the corresponding equipment; mechanical equipment and accessories as well as the related import and export business	18.46	363.27	40.79	175.40	6.25	5.71
DEC Dongfang Electric Machinery Co., Ltd.	100%	Design, manufacturing and sales of complete sets of power generation equipment, generators, AC and DC motors; the design manufacturing and sales of control equipment; the transformation of power stations, the installation of power station equipment	20.00	135.00	41.18	71.38	4.67	4.14
DEC Dongfang Boiler Group Co., Ltd.	99.67%	Development, design, manufacturing, and sales of power station boilers, power station auxiliary equipment, industrial boilers, power station valves, petrochemical vessels, nuclear reaction equipment and environmental equipment, (desulfurisation, denitrification, wastewater and solid waste treatment etc.)	16.06	219.04	50.05	121.09	9.64	7.53
Dongfang Electric (Guangzhou) Heavy Duty Machinery Co., Ltd	65.18%	The enterprise cannot deal in the products prohibited by national laws and regulations; operation of projects which are subject to special approval are prohibited without approval; other projects are free to run.	11.51	36.25	14.98	10.53	0.82	0.75

5. Financial Position of the Company during the Reporting Period

Analysis of assets, liabilities and shareholders' equity

At the end of the Reporting Period, the Company's total assets amounted to RMB77,837 million, down by 0.63% as compared with the beginning of the year, mainly attributable to a 18.46% decrease in prepayments and a 14.42% decrease in inventories; total liabilities amounted to RMB59,243 million, down by 4.11% as compared with the beginning of the year, mainly attributable to 14.12% and 78.54% decreases in receipts in advance and taxes payable, respectively; and shareholders' equity amounted to RMB18,593 million, up by 12.36% as compared with the beginning of the year, mainly attributable to a 24.56% increase in undistributed profit.

Gearing ratio

Gearing ratio of the Company was 76.11% at the end of the period, decreased by 2.76 percentage points as compared with the beginning of the year. Financial position of the Company was further optimised and improved.

Bank borrowings

As at 31 December 2013, the Company had bank borrowings of RMB3,523 million due within one year and RMB39 million due beyond one year. The Company's borrowings and cash and cash equivalents are mainly dominated in RMB. In particular, RMB3,523 million were fixed-rate loans. The Company has maintained a favourable credit rating with banks and a sound financing capacity.

Exchange risk management

With the increasing scale of the international operations of the Company, foreign exchange rate risk has become a more important element that affects the Company's operating results. With a view to effectively reduce the impact of fluctuations in foreign currency exchange rates on the Company's financial position and operating results, the Company prudently adopted exchange rate hedging instruments including forward exchange settlement for hedging purpose to limit the risks arising from exchange rate fluctuations.

Pledge of assets

The Company had pledged borrowings of RMB115 million, which were related to the commercial acceptance bills that the Company applied to financial institutions for discounting. As at the end of the Reporting period, RMB55 million was due. The Company mortgaged borrowings of RMB206 million as at the end of the period, which were related to borrowings from financial institutions secured by machines and equipment as well as buildings. As at the end of the Reporting Period, this part of borrowings was not mature and repayable.

Contingent liabilities

(1) Possible commercial risks in relation to the Saudi Rabigh project:

In July 2009, the consortium including the Company entered into an EPC contract for an independent power generation project with Saudi Arabia-based Rabigh Electricity Company (沙特拉比格電力公司). Pursuant to the contract, the Company undertook the supply of two major equipment and provision of the relevant technical services. Due to problems of certain equipment and so on, the generating units were not put into commercial operation as scheduled.

After negotiations with the project owners from Saudi Arabia, the Company carried out rectification and improvement works after the end of 2012 summer-peak season for power generation. On 14 June 2013, both No. 1 and No. 2 generating units obtained the preliminary receiving certificates. The project owners confirmed that No. 1 and No 2 generating units were put into commercial operation on 14 December 2012 and 28 January 2013, respectively, and accordingly entered the quality guarantee period.

Currently, the Company is in the process of negotiation with related parties in respect of the compensation for prolongation and settlement of the project.

(2) Arbitration over technology contract disputes with US-based Foster Wheeler:

In March 1994, Dongfang Electric Corporation ("DEC"), Dongfang Boiler Factory (東方鍋爐廠) and US-based Foster Wheeler entered into a licensing agreement, whereby DEC and Dongfang Boiler Factory imported from Foster Wheeler the technology for 50MW and 100MW non-reheat circulating fluidized-bed boilers. In January 1999, Dongfang Boiler Factory transferred its rights and obligations stipulated under the licensing agreement to Dongfang Boiler Group Co. Ltd. ("Dongfang Boiler").

In January 2009, US-based Foster Wheeler filed an arbitration claim with the Chamber of Commerce of Stockholm, Sweden, against DEC, Dongfang Boiler Factory and Dongfang Boiler as respondents. US-based Foster Wheeler alleged that DEC, Dongfang Boiler Factory and Dongfang Boiler had used its technology on 135MW and 300MW boilers in violation of provisions of the licensing agreement, and claimed compensation for its losses.

On 20 October 2011, the Chamber of Commerce of Stockholm, Sweden delivered a verdict in respect of the four claims filed by US-based Foster Wheeler, requiring Dongfang Boiler to pay to US-based Foster Wheeler nominal royalties of US$4,815,000 and unpaid royalties of US$1,520,000 and the interest accrued thereon, and the US-based Foster Wheeler has to return the technology licensing fees of US$1,117,000 to Dongfang Boiler. Dongfang Boiler and DEC disagreed with the ruling and appealed to the Svea Court of Appeal, Sweden (瑞典斯維亞法院) to revoke the ruling on 30 December 2011. In 2012, according to the ruling of the arbitration court of the Chamber of Commerce of Stockholm, Sweden, made on 20 October 2011, Dongfang Boiler recognised estimated liabilities for the year of RMB53,197,144.96 (including interest expenses of RMB20,399,405.96) based on the Accounting Standards for Business enterprises. On 20 June 2013, the Svea Court of Appeal, Sweden rejected the appeal of revoking the ruling made by Dongfang Boiler and DEC.

On 18 February 2013, US-based Foster Wheeler filed a claim for compensation with the arbitration court of the Chamber of Commerce of Stockholm, Sweden, in respect of other 14 projects. The arbitration court of the Chamber of Commerce of Stockholm, Sweden rendered a verdict for the second stage on 12 July 2013, pursuant to which, Dongfang Boiler and DEC undertook joint and several responsibilities for the payment of nominal royalties of US16.50 million and the interest accrued thereon to US-based Foster Wheeler. Dongfang Boiler and DEC disagreed with the ruling and have appealed to the Svea Court of Appeal, Sweden to revoke the ruling on 15 October 2013.

At as the date of the financial report, the Svea Court of Appeal, Sweden has not yet rendered a verdict. Dongfang Boiler recognised estimated liabilities for the year of RMB172,484,022.13 based on the Accounting Standards for Business Enterprises.

6. Main Sources and Uses of Funds

Cash flows from operating activities

During the Reporting Period, the Company's cash inflows from operating activities amounted to RMB37,432 million, mainly attributable to cash received from goods sold by the Company; cash outflows from operating activities amounted to RMB34,428 million, mainly attributable to payment for procurement of raw materials; net cash flows from operating activities amounted to RMB3,004 million. The net cash inflows from operating activities increased by RMB3,182 million as compared with the same period last year, mainly due to the increase in cash received from sales of goods by RMB2,713 million as a result of increased efforts in collection of funds by the Company in the year.

Cash flows from investing activities

During the Reporting Period, the Company's cash inflows from investing activities amounted to RMB74 million, mainly attributable to the dividends received from joint ventures by the Company; cash outflows from investing activities amounted to RMB807 million, mainly attributable to investment expenditures for purchase and construction of fixed assets and investment in shares of other enterprises by the Company; net cash flows from investing activities amounted to RMB-734 million. The net cash outflows from investing activities decreased by 41.11% as compared with the same period last year, mainly due to a year-on-year decrease in investment in fixed assets in the year.

Cash flows from financing activities

During the Reporting Period, the Company's cash inflows from financing activities amounted to RMB3,779 million, mainly attributable to short-term borrowings from financial institutions; cash outflows from financing activities amounted to RMB2,782 million, mainly attributable to the repayment of borrowings due and the payment for interest accrued thereon by the Company, as well as the distribution of 2012 cash dividends of RMB220 million to the shareholders of the Company; net cash flows from financing activities amounted to RMB997 million. The net cash flows from financing activities increased by RMB971 million as compared with the same period last year, mainly attributable to the increase in the Company's borrowings from financial institutions in the year.

7. DISCUSSION AND ANALYSIS ON FUTURE DEVELOPMENT

Competition pattern and development trend of the industry

In 2014, the world economy will maintain sluggish recovery and the Chinese economy will experience progress and improvement accompanied with worries and risks while stabilizing. The domestic power generation equipment market is still in correction and steady progress. The demand for hydropower will see a climax of development as the construction of a batch of major hydropower projects has successively commenced; the demand for thermal power will still decline; the construction of nuclear power projects will gradually resume, and the nuclear power industry is likely to maintain stable and sustained development; some projects in the gas turbine industry will slow down due to the impact of gas price, etc. while the industry will still maintain sound development; the demand for wind power will grow orderly on the premise of effectively solving the problem of "abandoning wind power" and grid curtailment; the power station service and energy-saving and environment protection industry will maintain sustainable development. The expansion of overseas markets still remains a great challenge due to the impact of economy, policy, law, etc..

Development strategy of the Company

By taking up the mission of reinvigorating the major technical equipment industry of China, and centering on the "three shifts", the Company, always driven by market demands, will particularly develop and enhance its principal business of power generation equipment, continuously raise its independent innovation capability, effectively allocate internal resources, and boost development quality. The Company will fully utilize its leading advantages in nuclear power, hydropower and other industries, vigorously develop clean energy and renewable energy, and continue to enhance its business of power generation equipment manufacturing; endeavor to develop engineering services and power station service industry and improve corporate profitability; and stably increase the market share of energy-saving and environment protection industry, so as to build the Company into a world-leading manufacturer of major energy and power equipment with international competitiveness.

Business plan

As there are uncertainty in both domestic and overseas environment, the Company has prudently formulated the business plan for 2014, with focus placed on transformation, risk control and sustainable development. The Company expects the total capacity of power generation equipment upon completion of construction to reach 33,000MW. Major measures to be taken to achieve the target for the year include:

(1) Strengthen confidence in deepening reform

In accordance with the principles of "scientific management, streamlined structure and high efficiency, highlighting effectiveness and stimulating vitality", centering on the basic gold of "establishing scientific management and control system and achieving optimization of resources allocation, improvement of efficiency and effectiveness and constantly innovation of development", we will emancipate our minds to set out plan for reform, transform inefficient production capacity, deepen mechanism innovation, motivate development activity, so as to promote the Company's development into a new stage.

(2) Overcome all difficulties to expend the market

We will spare no effort to focus on market, keeping the leading position in the markets of nuclear power and gas turbine ; seize the opportunity for development of hydropower to increase market share, pay close attention to the key markets, customers and projects of thermal power and wind power, actively promote applications of new products and new technologies in the market, and constantly increase the market share of large-capacity thermal power units; and steadily expand the market share of power station service and energy-saving and environmental protection.

(3) Constantly improve international operation

We will innovate the mode of international operation and accelerate the implementation of market resources integration plan in markets such as India and Indonesia. We will strengthen our cooperation with international renowned companies to reinforce the local operations and global sourcing and effectively reduce the costs and improve the competitiveness of projects, expand overseas business model to promote overseas markets and strengthen the training of international professionals to promote the Company's internationalization capacity.

(4) Call forth all energy to guarantee delivery

In 2014, as its products manufacturing tasks still remains at a high level, the Company will keep to enhance project management, do well in project planning and in key periodic assessment, strengthen the control of project process and call froth all energy to meet the market demand, reasonably deploy powers, carry out a good job in on-site installation and commissioning services of finished products and safeguard the smooth delivery and operation of key projects.

(5) Constantly improve management

We will build our brand by high quality, upholding the idea of "safety first, quality first", and adhering to the quality policy of "focus on execution, perform due responsibilities, achieve sound success" to enhance quality control and further improve the quality of products; further improve the management and control system and strengthen risk prevention, optimize resources allocation and improve the internal management efficiency and promote sustainable development of the Company.

Capital demand for maintaining the existing business and completing the construction of the investment project company

In 2014, the Company will resolve the issue of capital sources by way of internal resources, bank financing, bond financing and other means, based on its actual business needs.

Potential risks

(1) Market risk:

The investment demand in the industry of manufacturing power generating equipments is closely linked to the national macro economic cycle and macro-policy. In the future, the Company may face the challenge of weaken power demand due to the slow-down macro-economy. At the same time, the continuous decline in products sales price as well as the intensified market competition will result in more difficulties and risks for the market expansion of the Company.

The Company will step up marketing efforts based on the demand of target markets, continuously improve a fast and effective market response mechanism. Meanwhile, the Company will further optimize the allocation of internal resources, and push forward transformation and upgrade to satisfy market demands.

(2) Risk associated with project implementation:

The secured domestic projects of the Company are more susceptible to economic conditions, and may pose certain risk associated with project implementation. The same is true with overseas projects, which are subject to the influence of politics, economy, safety and policies of host countries, as well as the construction period and quality of projects.

By pressing ahead with the construction of the internal control system, reinforcing inspection over project contracts, and accelerating the implementation of the resource consolidation plan in overseas markets, the Company will establish a unified platform with effective synergy, promote the expansion of international markets, and enhance its capability in preventing project risks.

(3) Fluctuation risk of exchange rate:

With the continuous expansion of international operation scale of the Company, and given to the uncertainty of the two-way fluctuation of RMB against the US dollar, the exchange rate risk the Company faced may increase.

The Company proactively researched and paid close attention to the movements in foreign exchange market. The Company, on one hand, initiatively considered some exchange rate risks in tender offers, and on the other hand, appropriately took tools for avoiding exchange rate risk during the implementation process of the contract, so as to control the exchange rate risk.

III. OTHER MATTERS

1. PURCHASE, SALES OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the period, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

2. EXTERNAL GUARANTEE AND PERFORMANCE

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

3. MATERIAL LITIGATION AND ARBITRATION

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

4. EMPLOYEES

As at 31 December 2013, the Company had 21,201 employees. The Company adopted a remuneration system linked with performance and paid the employees in accordance with their individual performance.

5. CORPORATE GOVERNANCE CODE

The Company was in full compliance with all the code provisions under the **Corporate Governance Code** as set out in Appendix 14 of the **Listing Rules** during the period, except for the deviations from code provision A.5.6 as explained below.

Code Provision A.5.6 in the Corporate Governance Code with effective from 1 September 2013 stipulates that the Nomination Committee (or the Board) should have a policy concerning diversity of Board members, and should disclose the policy or a summary of the policy in the corporate governance report.

In order to comply with the new Code Provision A.5.6, the Board has authorized the Nomination Committee to formulate a series of diversified standards including, but not limited to, gender, age, cultural and educational background, professional experience, skills, knowledge and term of office, and to review and supervise the effects of diversity of Board members. The Board will adopt the policy concerning diversity of Board members at the Board meeting to be convened in April 2014.

6. MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 to the Listing Rules as the model code for the directors and supervisors. Having made specific enquiry to all directors and supervisors of the Company, the Company confirmed that as at 31 December 2013, 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.

7. AUDIT COMMITTEE

Under the Board of the Company is set an audit committee, which consists of three independent non-executive directors, namely Mr. Li Yanmeng, Mr. Zhao Chunjun and Mr. Peng Shaobing. The audit committee has reviewed the annual results of the Company for the period, and agreed on the accounting methods adopted by the Company.

8. CLOSURE OF REGISTER OF MEMBERS

The register of members of H shares ("H Shares") of the Company will be closed from Saturday, 29 March 2014 to Tuesday, 29 April 2014 (both days inclusive) during which period no transfer of shares will be registered. In order to be entitled to attend and vote at the forthcoming annual general meeting, all duly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar in respect of the Company's H Shares, namely, Hong Kong Registrars Limited at Rooms 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not later than 4:30 p.m. on Friday, 28 March 2014.

9. INFORMATION DISCLOSURE

This announcement will be published on the website of the Stock Exchange of Hong Kong Limited (http: //www. hkexnews.hk). The annual report of the Company for the year ended 31 December 2013, which contains all information as proposed in the Disclosure of Financial Information set out in the 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.

By order of the Board
Dongfang Electric Corporation Limited
Si Zefu
Chairman

Chengdu, Sichuan, the People's Republic of China
11 March 2014

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

Directors:	Si Zefu, Zhang Xiaolun, Wen Shugang, Huang Wei, Zhu Yuanchao and Zhang Jilie
Independent non-executive Directors:	Li Yanmeng, Zhao Chunjun and Peng Shaobing