

Stock Code: 200771 Stock ID: Hangqilun B Announcement No. 2016-62



# 二零一六年半年度报告

## SEMIANNUAL REPORT 2016

**Hangzhou Steam Turbine Co., Ltd.**

**August 13,2016**

## **I. Important Remarks, Table of Contents, and Definitions**

The Board of Directors, the Supervisory Committee, the directors, the supervisors, and executives of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

All of the directors attended the board meeting on which this report was examined.

The Company will not distribute cash dividend or bonus shares, neither capitalizing of common reserves for the report period.

Chairman Mr. Zheng Bin, Chief Financial Officer Pu Yangshuo, and the Chief of Accounting Department Mr. Zhao Jiamao hereby declare: the Financial Statement in the report is guaranteed to be truthful and complete.

This Annual Report contains prospective descriptions, which doesn't constitute substantial commitment to investors. Investors are requested to be aware of the risks attached to their investment decisions.

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## Definition

Terms to be defined	Defined as	Definition
Company, the Company	Defined as	Hangzhou Steam Turbine Co., Ltd.
The Group, Hangqi Group	Defined as	Hangzhou Steam Turbine Power Group Co., Ltd.
The report period, In the report period	Defined as	January 1, 2016-June 30, 2016
Zhongneng Co.	Defined as	Hangzhou Zhongneng Steam Turbine Power Co., Ltd. – the holding subsidiary of the Company
Casting Co.	Defined as	Hangzhou Steam Turbine Casting Co., Ltd. – the holding subsidiary of the Company
Packaged Tech. Co.	Defined as	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd. – the holding subsidiary of the Company
Machinery Co.	Defined as	Hangzhou Steam Turbine Machinery Equipment Co., Ltd. - the holding subsidiary of the Company
Auxiliary Machine Co.	Defined as	Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. - the holding subsidiary of the Company
Turbine Co.	Defined as	Zhejiang Turbine Import & Export Co., Ltd. – the holding subsidiary of the Company
Heavy Industry Co.	Defined as	Hangzhou Steam Turbine Heavy Industry Co., Ltd. - the holding subsidiary of the Company
The Board of Directors	Defined as	The Board of Directors of Hangzhou Steam Turbine Co., Ltd.
The Supervisory Committee	Defined as	The Board of Directors of Hangzhou Steam Turbine Co., Ltd.
The Shareholders' Meeting	Defined as	The Board of Directors of Hangzhou Steam Turbine Co., Ltd.
RMB, RMB0'000, RMB000'000'000	Defined as	RMB Yuan, RMB10 thousand Yuan, RMB100 million Yuan
MW	Defined as	Unit of power: 1000KW
PLM	Defined as	Product life circle management information system
BFPT	Defined	Boiler Feeding Pump Turbine

	as	
PTA	Defined as	Pure Terephthalic Acid
MES	Defined as	Manufacturing Execution System

## II. Basic Information of the Company

### 1. Company Information

Stock ID	Hangqilun B	Stock Code	200771
Stock Exchange Listed in	Shenzhen Stock Exchange		
Company Name in Chinese	杭州汽轮机股份有限公司		
Short form of Company Name in Chinese	杭汽轮		
Name in English(if any)	HANGZHOU STEAM TURBINE CO.,LTD.		
Abbreviation in English(if any)	HTC		
Legal representative:	Zheng Bin		

### II. Contacts

	Secretary of the Board	Representative of Stock Affairs
Name	Yu Changquan	Wang Caihua
Address	No. 357 Shiqiao Rd. Hangzhou	No. 357 Shiqiao Rd. Hangzhou
Tel.	0571-85780432	0571-85784758
Fax.	0571-85780433	0571-85780433
Email.	yqh@htc.cn	wangch@htc.cn

### III. Other info.

#### 1. Contacts

No change to the registered address, office address, postal code, official website, and email address of the Company. For details please find the Annual Report 2015.

#### 2. Information inquiry

None of the official presses, website, and place of enquiry has been changed in the semi report period. For details please find the Annual Report 2015.

#### 3. Change of business registration

Whether the registration has changed during the report period

Applicable

	Registration date	Registration place	Business license No.	Tax registration No.	Organization Code
Registration at the beginning of the period	April 23, 1998	No. 357 Shiqiao Rd. Hangzhou	330000400001023	330165704202620	704202620
Registration at the	May 5, 2016	No. 357 Shiqiao Rd.	913300007042026204	913300007042026204	913300007042026204

end of the period		Hangzhou			
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### III. Summary of Accounting Data and Financial Index

#### I. Main accounting data and index

Are there any retrospective adjustment or restatement of financial information of previous year due to change of accounting policies or correcting of accounting errors?

No

	This report term	Same period last year	Increase/decrease (%)
Turnover (RMB)	1,367,423,771.88	1,054,996,326.24	29.61%
Net profit attributable to shareholders of the listed company (yuan)	-31,252,238.19	-10,282,333.32	-203.94%
Net profit attributable to the shareholders of the listed company and after deducting of non-recurring gain/loss(RMB)	-43,478,314.33	-22,164,040.35	-96.17%
Net Cash flow generated by business operation (RMB)	214,699,052.95	101,821,573.29	110.86%
Basic earnings per share (Yuan/share)	-0.04	-0.01	-300.00%
Diluted earnings per share (Yuan/share)	-0.04	-0.01	-300.00%
Net income on asset, weighted	-0.74%	-0.23%	-0.51%
	As at the end of the reporting period	As at the end of last year	YoY+/- (%)
Gross assets (RMB)	8,117,183,672.84	7,683,777,005.63	5.64%
Shareholders' equity attributable to shareholders of the listed company (RMB)	4,188,280,702.81	4,219,337,312.80	-0.74%

#### II. The differences between domestic and international accounting standards

1. Differences between the net profit and net asset in the financial reports prepared under IAS and Chinese Accounting Standard

Not applicable

2. Differences between the net profit and net asset in the financial reports prepared under IAS and Chinese Accounting Standard

Not applicable

#### III. Non-recurring gain/loss items and amounts

Applicable

In RMB

Items	Amount	Remarks
Gain/loss from disposal of non-current assets (includes the recovered part of asset impairment provision already provided)	-163,899.82	
Gains and losses included in the current period of government subsidies, excluding those government grants which are closely related to normal business and in line with national	318,530.00	



policy , or in accordance with fixed standards or quantities		
Gain/loss from change of fair value of transactional asset and liabilities, and investment gains from disposal of transactional financial assets and liabilities and sellable financial assets, other than valid period value instruments related to the Company' s common businesses	11,457,674.92	
Other non-business income and expenditures other than the above	6,338,781.73	
Less: Influenced amount of income tax	3,485,076.88	
Influence on minority shareholders' equity (after tax)	2,239,933.81	
Total	12,226,076.14	--

None of non-recurring gain/loss items recognized as recurring gain/loss items as defined by the Information Disclosure Explanatory Announcement No.1 – Non-recurring gain/loss in the report period.

#### IV. Board of Directors' Report

##### I. Business overview

During the report period, as the economic development in China entered a new normal and economic growth gradually slowed down, the economy still faced relatively huge downward pressure. Driven by the technical progress and supply-side structural reform (with its emphasis put on removing capacity, inventory and leverage), the global energy structure witnessed profound changes. Under this background, industries closely related to the company's main business, such as oil refining, chemical engineering, metallurgy, thermal power and building material, were undergoing profound adjustments, and fixed asset investment in relevant fields continued to slow down. The overcapacity, low demand and increasingly fierce market competition in the domestic turbine industry still prevailed, and the whole industry generally faced huge operating pressure.

Faced with the aforementioned economic situation, the company set out the annual economic work guideline—"Deepening Reform, Driving Innovation, Expanding market and Intensifying Risk Control". On the one hand, it intensified the management by making more efforts to reform the internal management, strengthened the cost control for all parts included in the business process, accelerated the application of information technology and kept the company standing at a leading position in the industrial turbine market by many measures, such as product management, management innovation, market exploitation, resource integration and risk control; on the other hand, through external cooperation, the company entered the natural gas application market, expanded its cooperation with other fields both in width and depth, and further extended its industry chain.

In the report period, the Company's operating income of RMB 1,367,423,771.88, which Increased by 29.61% year on year. Operating profit, total profit, net profit and the net profit for its shareholders were respectively RMB -33,998,228.28, RMB -29,111,160.91, RMB -26,277,229.57 and RMB -31,252,238.19 , , which respectively decreased by 331.34 %, 254.65% , 448.78 % and 203.94% year on year. Corporate profits dropped significantly mainly due to the increase in impairment losses , long aging accounts receivable increased bad debt led to a substantial increase .

## II. Analysis of main business

### Year-on-year changes in major financial statistics

In RMB

	This report term	Same period last year	Change over same period last year	Cause of change
Turnover	1,367,423,771.88	1,054,996,326.24	29.61%	Mainly due to the current foreign trade unit sales grew
Operation cost	850,937,906.04	662,509,347.18	28.44%	Mainly due to increased revenue shares headquarters corresponding increase
Sales expense	75,867,593.98	67,934,574.09	11.68%	Mainly due to maintain the company's main market , stable sales efforts
Administrative expense	355,106,918.55	315,169,862.90	12.67%	Mainly due to Research and Development expenses increased
Financial expenses	512,029.17	4,932,440.34	-89.62%	Mainly due to the exchange gain increases caused by the dollar appreciation
Income tax expenses	-2,833,931.34	11,290,456.20	-125.10%	Mainly due to income tax expenses accordingly reduced caused by current profit decline and impairment of the deferred income tax expenses increased
Input to R&D	138,018,919.01	107,033,616.25	28.95%	Mainly due to the increase research investment for the company maintaining the competitiveness of their products.
Cash flow generated by business operation, net	214,699,052.95	101,821,573.29	110.86%	Mainly due to the cash receipts in this period by selling goods collection rate increased
Net cash flow generated by investment	-160,303,138.04	-35,593,758.80	-350.37%	Mainly due to current spending on net wealth management products increases
Net cash flow generated by financing	-41,830,084.28	-124,431,470.02	66.38%	Mainly due to the company dividend over the same period last year, this year has not issued
Net increasing of cash and cash equivalents	16,763,311.05	-57,390,220.73	129.21%	

Asset impairment loss	125,619,636.17	22,650,560.50	454.60%	Mainly due to the aging of accounts receivable increases, the corresponding provision for bad loans increase
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Major changes in profit composition or sources during the report period.

No change in profit composition or sources in the report period.

Delay of future development and plan disclosed in the Company's IPO prospectus, fund raising prospectus and capital reorganization report into this report period.

No future development and plan disclosed in the Company's IPO prospectus, fund raising prospectus and capital reorganization report into this report period.

#### **Implementation of business plans disclosed in previous periods in this period.**

2016 is the first year of the company's "the 13<sup>th</sup> Five-Year Strategic Plan", and also a key year for the company for adapt to the new normal, boost transformation and upgrading and strive to turn losses into gains. During the report period, with its focus on promoting the execution of the 13<sup>th</sup> Five-Year Strategic Plan, the company made more efforts to expand the market, continued to carry out management innovation, constantly put more investment in R&D, actively planned the market transformation and industry transformation, strictly controlled the operation risk, attached importance to brand culture construction and actively fostered its competitive edge in high-end equipment and service.

(1) With a development-first idea, boost the execution of the 13<sup>th</sup> Five-Year Strategic Plan. During the report period, the board of directors in the company reviewed and passed the 13<sup>th</sup> Five-Year Strategic Plan, and defined the company's transformation direction, business layout and capability construction in the upcoming 5 years. To ensure the strategic orientation of the company's business activities, the company further strengthened the strategy implementation and management, combined the medium and long-term planning target closely with short-term business plan and focused on the operability and measurability for executing key strategic measures.

(2) Adjust the organization to ensure the guarantee by the management organization. During the report period, the company adjusted and reorganized the management organization, set up an operation management department and capital & material management department, reinforced the management of external investment, cooperation and capital operation, intensified internal strategy management, risk control and budget management, and constructed a high-efficient functional management mode that adapts to the extension of industry chain in the company.

(3) Plan the market transformation and make a new breakthrough in gas turbine field. During the report period, subject to the influence of the national industry regulatory policies, the feed pump contract decreased sharply and the drive market continued to be sluggish. Comparatively speaking, the thermoelectricity market was still robust and the nuclear power market has lived up to expectation. The company further deepened its cooperation with Siemens in gas turbine market. To be specific, in May, 2016, the company and Siemens united and won the bidding for the GCL's distributed energy project. On July 5, on the China Gas Distributed Generation Forum, the company signed a memorandum of understanding for strategic cooperation with GCL and joined hands to enter the distributed energy market and strengthened the development and application of natural gas-fuelled distributed energy. At the same time, the company won a long-term contract in natural gas turbine field for the first time.

(4) Insist on technological innovation and improve its core competitiveness. During the report period, the company continued to make more scientific breakthroughs by improving the technical performance of products from various aspects, including structure, core part, basic design, manufacturing process, material, technology, etc. On the other hand, targeted at the customers' demand, the company made a study of turbine packaging technology demonstration application project and promoted the development of intelligent, integrated product technologies. In May, 2016, Zhejiang Equipment Manufacturing Industry & Gas Turbine Machinery Technology Alliance,

which was built by the company in conjunction with Zhejiang University and other R&D institutes, was formally set up, which served as the new platform for university-industry-research cooperation of turbine technology. Under the development tendency of "Made in China 2025", the company accelerated the application of information technology, advanced the construction of intelligent and digitized workshops, and set up many scientific research subjects, such as discrete intelligent manufacturing mode research and digitized workshop construction, PLM system research and execution phase II project and MES phase I project. The key technology development and application project for 1000MW boiler feed pump turbine, a project developed the company, passed the sci-tech achievement evaluation hosted by China Machinery Industry Federation. The industrial steam turbine for the ancillary feed water pump of 1 Million KW pressurized water reactor, a key project in Hangzhou city, successfully passed the acceptance inspection. During the report period, the company acquired 2 authorized invention patents and 3 utility model patents.

(5) Manage and control operational risk and improve its management constantly. Faced with the severe market environment, the company set up its business principle of "Risk Control First, Profit Second and Scale Third". The company held risk management committee meetings on a regular basis, paid close attention to three risk factors, such as accounts receivable, inventory and articles being processed, managed and controlled the major operational risk through multiple channels and aspects, improved the asset turnover ratio and controlled the non-performing asset. Besides, the company constantly advanced quality projects and lean manufacturing, strengthened budget management and process control and deepened excellent performance management mode. Moreover, it constantly improved the supply chain management, gradually increased the bid-invitation-based purchasing and strove to revitalize overstocked products.

(6) Innovate the platform and strengthen the corporate brand culture propaganda. The company further enhanced its corporate culture construction and brand construction and improved its corporate image. Besides, it further gave play to the edges of many channels, such as network, wechat, situation briefing and broadcast, and put its emphasis on the thematic propaganda, such as a series of propaganda for model worker in the company; it also organized and carried out the appraisal of "Excellent Turbine Worker", further carried forward its enterprise spirit in the company, propagandized the outstanding workers, and guided workers to work hard to realize their own values and shape a correct cognition of public opinion and values.

### III. Main business composition

In RMB

	Turnover	Operation cost	Gross profit ratio %	Change in turnover YoY	Change in operation cost YoY	Change in gross profit YoY
On Industries						
Boiler and power machine manufacture	1,156,542,146.25	740,395,471.03	35.98%	46.26%	45.34%	0.41%
Casting	26,873,817.30	19,508,748.47	27.41%	-28.42%	-37.77%	10.91%
Petrochemical and other special machineries	17,869,999.23	13,916,569.28	22.12%	-68.33%	-66.24%	-4.83%
Complete	23,473,643.80	18,107,692.25	22.86%	100.00%	100.00%	
Spare parts	132,412,284.33	55,591,848.74	58.02%	-12.83%	-20.12%	3.83%
Other	10,251,880.97	3,417,576.28	66.66%	-31.77%	-66.26%	12.48%
Subtotal	1,367,423,771.88	850,937,906.04	37.77%	29.61%	28.44%	0.57%

<b>On Products</b>						
Industrial steam turbine	1,156,542,146.25	740,395,471.03	35.98%	46.26%	45.34%	0.41%
Casting products	26,873,817.30	19,508,748.47	27.41%	-28.42%	-37.77%	10.91%
Auxiliary machinery	17,869,999.23	13,916,569.28	22.12%	-68.33%	-66.24%	-4.83%
Complete	23,473,643.80	18,107,692.25	22.86%	100.00%	100.00%	
Spare parts	132,412,284.33	55,591,848.74	58.02%	-12.83%	-20.12%	3.83%
Other	10,251,880.97	3,417,576.28	66.66%	-31.77%	-66.26%	12.48%
Subtotal	1,367,423,771.88	850,937,906.04	37.77%	29.61%	28.44%	0.57%
<b>District</b>						
Domestic	1,139,012,321.23	690,161,502.25	39.41%	19.20%	19.63%	-0.22%
Overseas	228,411,450.65	160,776,403.79	29.61%	137.62%	89.57%	17.84%
Subtotal	1,367,423,771.88	850,937,906.04	37.77%	29.61%	28.44%	0.57%

#### IV. Analyze of competitive edge

As the largest developing and manufacturing base of industrial steam turbine throughout the country, the Company has been in the territory with years of experiences, which provided obvious advantages from technical research to production, from marketing to customer services.

First, A complete technical innovation system was established. The Company has under its possession of national, provincial, and municipal grade technical centers, a doctoral workstation, and an academician workstation. Close co-operations were carried out with institutions and universities from throughout the country. As the main drafter of national standard on industrial steam turbine, the Company has the newest technical trend under its close observation. The Company is now providing nearly 600 different models of steam turbines to the customers and hold the newest technical system covering the product lines up to 150 MW.

Secondly, the company production model of modular design, concurrent engineering, enabled the company to balance the production cost, delivery date and customer demands.

Thirdly, the Company has established strategic co-operations with main customers in the country. Further marketing approaches were carried on by involving itself in the customers' value. A sound and steady image has been set up in the domestic steam turbine market. In the global market, the Company has acquired multiple important certifications and has established a primary global recognition.

Fourthly, the Company has its complete service providing system. The Company is not only capable to provide onsite 24-hour service for the Company's own products, but also accumulated rich experiences in technical maintenance and reengineering of other manufacturers' products.

Fifthly, the Company has cultivated a significant advantage in human resources. Great importance has been attached to construction of work teams with collection of high-end workforce in the areas of research & development, designing, technique, testing, and quality control. An excellent workforce provides a sound foundation to lift quality and services.

#### V. Analyzing of investment position

##### 1. External equity investment

##### (1) External investment

The Company made no external investment in the report period.

## (2) Shareholding in financial enterprises

Name of companies	Type of company	Original investment cost (RMB)	Opening amount of shares	Shareholding percentage at beginning	Shares held at the end of term (shares)	Shareholding percentage at closing	Close balance of book value (RMB)	Gain/loss in report period (RMB)	Accounting subject	Source of shares
Bank of Hangzhou	Commercial Bank	390,954,040.00	138,711,840	6.92%	138,711,840	5.89%	390,954,040.00	0.00	Sellable financial asset	Own capital
Total		390,954,040.00	138,711,840	--	138,711,840	--	390,954,040.00	0.00	--	--

## (3) Securities investment

No securities investment in the report period.

## (4) Statement of holding equities in other PLCs

The Company was not holding shares of any other PLC as of the end of report period.

## 2. Trusted financing, derivate instruments, and trusted loans

## (1) Trusted financing

In RMB'0000

Title of entrusted	Relationship	Related transaction or not	Type of product	Amount entrusted	Started on	Expired on	Mean of reward	Principal retrieved this period	Impairment provision provided (if any)	Predicted income	Actual gain/loss of the period
Hangzhou Industrial & commercial Trust Co., Ltd.	Non-related	No	Trust	5,300			-	3,000		123.54	123.54
Hangzhou Bank	Non-related	No	Financing	15,000			-	7,000		200.47	41.58
China Everbright Bank	Non-related	No	Financing	9,000			-	6,000		76.36	32.86
CITIC Bank Co., Ltd.	Non-related	No	Financing	18,000			-	10,000		119.59	55.15
Changan International Trust Co., Ltd.	Non-related	No	Trust	17,000			-	12,000		825.7	638.47
Zhongrong International Trust Co., Ltd.	Non-related	No	Trust	15,000			-	5,000		765.55	140.55

Zhongrong International Trust Co., Ltd.	Non-related	No	Financing	17,600			-	17,100		19.92	19.92
Hangzhou Union Bank	Non-related	No	Financing	4,000			-	2,000		234.78	2.78
ICBC	Non-related	No	Financing	10,815			-	10,815		56.57	56.57
Shenzhen Sidao Technology Investment Co., Ltd.	Non-related	No	Trust	770			-	300		7.8	7.8
Shanghai Bank	Non-related	No	Financing	2,000			-	2,000		6.48	6.48
Bank of China	Non-related	No	Financing	6,000			-	4,000		8.9	8.9
Beijing Hengtian Wealth Investment Management Co., Ltd.	Non-related	No	Financing	13,000			-	2,000		509.92	11.17
Caitong Securities Co., Ltd.	Non-related	No	Financing	3,000			-			108.85	
Total				136,485	--	--	--	81,215		3,064.43	1,145.77
Source of fund	Self fund										
Principal and return due but not covered	0										
Lawsuit (If any)	Not applicable										
Disclosure date of approval announcement (If any)	Not applicable										
Disclosure date of shareholders' Meeting approval announcement (If any)	Not applicable										

## (2) Derivate instrument investment

No derivate instrument investment in the report period.

## (3) Trusted loans

No trusted loans in the report period.

## 3. Using of proceeds from share placing.

No using of capital from public financing in the report period.

## 4. Analyze of main subsidiaries and affiliates

Profiles of main subsidiaries and affiliates

In RMB

Name of companies	Type of business	Industry	Major products or service	Registered capital	Gross Assets	Net asset	Turnover	Operation profit	Net profit
Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Subsidiaries	Trade of packaged equipment	Technological development of automatic control and instrument control	51,000,000.00	288,396,304.92	83,688,542.71	83,612,988.73	4,600,270.43	3,773,929.86
Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Subsidiaries	Manufacturing	Designing and manufacturing of steam turbines	92,500,000.00	920,205,596.88	321,789,963.99	341,837,358.58	-11,211,943.14	-5,746,192.61
Hangzhou Steam Turbine Casting Co., Ltd.	Subsidiaries	Casting	Iron and steel casting	22,000,000.00	439,132,668.34	171,713,876.07	154,101,020.08	3,413,049.84	3,014,779.43
Hangzhou Steam Turbine Machinery & Equipment Co., Ltd.	Subsidiaries	Manufacturing	Producing and processing of steam turbine parts	30,000,000.00	210,380,678.77	123,210,489.03	87,048,057.73	25,335,397.84	20,374,232.88
Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Subsidiaries	Manufacturing	Manufacturing of steam turbine auxiliary machines	80,000,000.00	508,485,936.00	210,447,796.30	170,532,221.25	14,154,979.95	12,008,146.90
Zhejiang Turbine Import & Export Co., Ltd.	Subsidiaries	Commerce & trade	International trade	20,000,000.00	243,159,491.62	65,231,602.15	69,164,118.54	-1,521,133.74	-1,782,986.07
Hangzhou Steam Turbine Heavy Industry Co., Ltd.	Subsidiaries	Manufacturing	Designing and manufacturing of steam turbines	360,000,000.00	378,307,416.93	376,449,204.19	0.00	6,020,665.55	4,515,497.91

## 5. Major projects using non-raised capital

N/A

## VI. Prospectus of business performance of January – September 2016

Prediction: Loss

Category of prediction data: periodic data

	From the beginning of year to the end of next report period			Same period last year	Changed by			
Predicted number of accumulative net profit (RMB0,000)	-5,800	--	-3,800	-6,706	Increase	13.51%	--	43.33%
Basic earnings per share (Yuan/share)	-0.09	--	-0.06	-0.1	Increase	10.00%	--	40.00%
Remarks on the prediction	Although long-term accounts receivable increased, but the company completed sales units increased over the same period last year, thereby reducing the amount of loss.							



VII. Statement of the Board and Supervisory Committee on the “Non-standard auditors’ report” issued by the CPA on the current report period

Not applicable

VIII. Statement of the Board on the “Non-standard auditors’ report” of previous report period

Not applicable

IX. Profit distribution carried out in the report period

The Company will distribute no cash dividends or bonus shares and has no reserve capitalization plan.

X. Profit distribution for the report period.

None of cash dividend, bonus shares, or capitalizing of common reserves will be carried out for the first half of year.

XI. Reception of investigations, communications, or interviews

The Company has no reception of research, communication and interview occurred in the Period.

## V. Important Events

### I. Administrative Position

For the report period, the Company's actual administration practices were complying with the requirements of the Company Law and CSRC without any differences.

### II. Material lawsuit

In the report period, the Company had no material lawsuits or arbitrations.

#### Other lawsuit

Basic situation of litigation (arbitration)	Involved amount (RMB'0000)	Whether to form expected liability	Progress of the litigation(arbitration(arbitration))	The outcome and effects of litigation(arbitration)	Execution of litigation (arbitration)judgement	Date of disclosure	Index of disclosure
lodged a complaint against Yanshan Tangshan Iron& Steel Co., Ltd. defaulting on loans	626	No	Tangshan Intermediate People's Court had made the final verdict, with the case number being No.341 of TMSZ(2015).	The court made a verdict that the defendant should pay the accuser the payment for the goods 6,260,000 yuan and pay the interest as well in accordance with the interest rate of the loan at the same period of People's Bank of China.	The company had applied for compulsory execution, but the defendant hadn't paid yet.		
The Company lodged a complaint against Luan Tianji Shanxi Chemical Co. , Ltd .defaulting on loans	287.15	No	Both sides reached a conciliation and People's Court of Hangzhou Xiacheng District issued the mediation document, with the case number being No. 2192 of HXSCZ(2014).	The defendant paid the accuser 2,871,500 yuan by installment before the end of July, 2015.	The defendant paid the accuser 200,000 yuan, with 2,671,500 yuan yet to be paid. The company had applied for compulsory execution and the defendant hadn't paid yet.		
The Company lodged a complaint against Qilianshan Gansu Pharmaceutical Co. , Ltd .defaulting on loans	6.2	No	The People's Court of Suzhou District, Jiuquan, Gansu province had made the final verdict, with the case number being No.2192	The court made a verdict that the defendant should pay the accuser 31,000 yuan first, with the rest 31,000 yuan to be paid later.	The defendant had paid the accuser 31,000 yuan, but the rest 31,000 yuan wasn't paid yet.		

			of JGMYCZ(2014).				
The Company lodged a complaint against Shenyang Pump Co., Ltd defaulting on loans	69.8	No	Both sides reached a conciliation.	The defendant should pay the accuser by installments before the end of September, 2016.	The defendant hadn't paid yet (not due).		
The company appealed to the arbitration, requesting Bengang Steel Plates Co., Ltd. To perform the contract and make the payment.	12.18	No	Benxi Arbitration Committee made its verdict, with the written award number being No.11 document of BZCZ.	Bengang Steel plates should pay the company before March 20, 2016.	The company had applied for compulsory execution, Benggang Steel plates hadn't paid yet.		
Tangshan Yanshan Steel Co., Ltd. (accuser) sued the company (defendant) for delaying the delivery of goods.	246.67	No	The final verdict hadn't been made yet.	The final verdict hadn't been made yet.	The final verdict hadn't been made yet.		

### **III. Questioning by the media**

No media queries raised in the report period.

### **IV. Bankruptcy and reconstruction**

No bankruptcy or capital reorganizing issues occurred in the report period.

### **V. Asset transactions**

#### 1. Asset acquisition

No asset acquisition occurred in the report period.

#### 2. Disposal of assets

No disposal of assets in the report period.

#### 3. Merger of entities

No merger of entities occurred in the report period.

### **VI. Implementing of share incentive scheme and influence to the Company**

No share incentive scheme was implemented in the report period

## VII. Material related transactions

### 1. Related transactions related to daily operation

Related parties	Relationship	Type of trade	Subjects of the related transactions	Principle of pricing the related transactions	Price of trade	Amount of trade RMB0'000	Ratio in similar trades	Trading limit approved (RMB'0000)	Whether over the approved limited or not (Y/N)	Way of payment	Market price of similar trade available	Date of disclosure	Index of information disclosure
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Affiliate of the Group	Accept labor	Freight, repairing, etc.	Fair and just	Market price	2,202.5		7,500	No	Bank transfer	2300.00	March 19,2016	2016-25
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Affiliate of the Group	Purchase of goods	Generators	Fair and just	Market price	6,662		14,000	No	Bank transfer	6700.00	March 19,2016	2016-25
Total				--	--	8,864.5	--	21,500	--	--	--	--	--
Details of any sales return of a large amount				N/A									
Give the actual situation in the report period where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period(if any)				No more than expected									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				N/A									

### 2. Related transactions in terms of acquisition or disposal of assets:

No related transaction regarding asset purchase or disposal up to the end of report period.

### 3. Related transactions in term of collective external investment

No related transaction of joint external investment in the report period.

## 4. Debts and credits with related parties

Related	Relationship	Causes	Whether has non-business capital occupying or not	Balance at period-begin (RMB'0000)	Current newly added (RMB'0000)	Current recovery (RMB'0000)	Interest rate	Current interest (RMB'0000)	Balance at period-end (RMB'0000)
Hangzhou Steam Turbine Casting Co., Ltd.	Controlled subsidiaries	Disbursement	Yes	0	3,000	3,000	4.79%	37.08	0
Influence on business performance and financial status of the Company from related liabilities		N/A							

## 5. Other material related transactions

No other material related transactions.

**VIII. Non-operational capital appropriation by holding shareholder and related parties**

No non-operational capital appropriation by holding shareholder or related parties occurred in the report period.

**IX. Material contracts and execution**

## 1. Entrustment, contracting, and leasing issues

## (1) Entrustment

No entrustment in the report period.

## (2) Contracting

No contracting in the report period.

## (3) Leasing

No leasing in the report period.

## 2. Guarantees

In RMB'0000

External Guarantee (Exclude controlled subsidiaries)								
Guarantee provided to	Amount of guarantee and date of disclosure	Amount of the guarantee	Actual date of occurring (signing date of agreements)	Actual amount of guarantee	Type of guarantee	Term	Completed or not	Related guarantee
Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.	April 7,2016	10,000	April 1,2016	10,000	Joint liability guaranty	1 year	No	No
Total guarantee quota to the subsidiaries approved in the reporting period (C1)		10,000		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)		8,660		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)		10,000		) Total balance of actual guarantee to the subsidiaries at the end of the reporting period (C4)		8,660		
The Company's total guarantee(i.e.total of the first three main items)								
Total guarantee quota approved in the reporting period (A1+B1+C1)		10,000		Total amount of guarantee actually incurred in the reporting period (A2+B2+C2)		8,660		
Total guarantee quota already approved at the end of the reporting period (A3+B3+C3)		10,000		Total balance of the actual guarantee at the end of the reporting period (A4+B4+C4)		8,660		
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+B4+C4) %				2.07%				
Including:								
Amount of guarantee for shareholders, actual controller and its related parties(D)				0				
The debts guarantee amount provided for the guaranteed partieswhoseassets-liability ratio exceed 70% directly or indirectly (E)				0				
Proportion of total amount of guarantee in net assets of the Company exceed 50%(F)				0				
Total amount of the aforesaid three guarantees (D+E+F)				0				
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees ( If any)				N/A				

Explanations on external guarantee against regulated procedures(If any)	N/A
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(1) Illegal providing of external guarantees

No illegal providing of external guarantees in the report period.

3. Other material contracts

No other material contract in the report period.

4. Other material trades

No other material trade in the report period.

#### **X. Commitment issues by shareholders with 5% or over of shares in the report period or carried over to the report period from previous periods**

No commitment issues by shareholders with 5% or over of shares in the report period or carried over to the report period from previous periods

#### **XI. Engaging and dismissing of CPAs**

The semi-annual financial report has not been audited.

#### **XII. Punishment and improvement**

No punishment or improving approach in the report period.

#### **XIII. Disclosure of illegal action causing risk of delisting.**

No such illegal action causes risk of delisting.

#### **XIV. Statement on other material issues**

1. According to the announcement listed on the website of China Securities Regulatory Commission, the IPO of Bank of Hangzhou Joint Stock Co., Ltd., with some of shares held the company, was passed the review by the Main Board Issuance Examination Commission of China Securities Regulatory Committee on the 215<sup>th</sup> meeting in 2015(Announcement No:2016-01).

2. The Company shares Resumption : The Company since the controlling shareholders Hangzhou Steam Turbine Power Group Co., Ltd. According to the unified plan of the state-owned assets supervision and administration of Hangzhou , Planning to the reform of steam Turbine group mixed ownership, apply to the Shenzhen stock exchange to suspend company's shares since May 29, 2015, On March 4, 2016, the company apply the company stock resumption based on the shareholders meeting. During the suspension period, the Company will fulfill the obligation of disclosing information according to the progress of the issue and relevant provisions. The Company disclosed progress on major issues of stock Resumption Announcement (Announcement No: 2016-11) .



3. On March 30, 2016, the company received the controlling shareholder Hangzhou Turbine Group's written notice on Planning the Progress of Major Events, which clarified that the Turbine Group's mixed ownership reform was suspended(Announcement No:2016-42).

4. The general election for the board of directors and board of supervisors: the company held the annual general meeting of stockholders 2015 on May 18, 2016 to select the members for the 7<sup>th</sup> board of directors and 7<sup>th</sup> board of supervisors, as can be seen in the Notice on the Resolutions of Shareholders' Meeting 2015(Announcement No:2016-54).

**XV. Issuance of corporate bonds**

Whether the company has corporate bonds that have been publicly issued and listed on the stock exchange, and not yet due or due but not fully cashed on the approval date of annual report

No.

## VI. Change of share capital and shareholding of Principal Shareholders

### 1.Changes in share capital

In shares

	Before the change		Increase/decrease (+, -)					After the Change	
	Amount	Proportion	Share allotment	Bonus shares	Capitalization of common reserve fund	Other	Subtotal	Quantity	Proportion
I. Shares with trade restriction conditions	479,936,841	63.65%	0	0	0	0	0	479,936,841	63.65%
1. State-owned shares	479,824,800	63.64%	0	0	0	0	0	479,824,800	63.64%
2. Other domestic shares	112,041	0.01%	0	0	0	0	0	112,041	0.01%
Domestic natural person shares	112,041	0.01%	0	0	0	0	0	112,041	0.01%
II. Shares without trading limited conditions	274,073,559	36.35%	0	0	0	0	0	274,073,559	36.35%
Foreign shares listed at home	274,073,559	36.35%	0	0	0	0	0	274,073,559	36.35%
III. Total of capital shares	754,010,400	100.00%	0	0	0	0	0	754,010,400	100.00%

Causes of Change of shares

Not applicable

Approval of change of the shares

Not applicable

Transfer in change of shares

Not applicable

Influence of the change of the shares upon such financial indicators as the basic EPS and diluted EPS, net asset value per share attributable to the common stockholders in the past year and the latest period

Not applicable

Other information the Company considers it necessary or required by the securities regulatory authority to be disclosed

Not applicable

### II. Number of shareholders and shareholding positions

In shares

Total common shareholders at the end of the report period	16,158	Total number of preferred shareholders that had restored the voting right at the end of the reporting period (if any)	0				
Shareholding of shareholders holding more than 5% shares							
Shareholders	Nature of	Proportion of shares held	Number of shares held at	Changes in reporting	Amount of restricted	Amount of un-restricted	Number of

share  
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	shareholder	(%)	period -end	period	shares held	shares held	pledged/frozen	
							State of share	Amount
Hangzhou Steam Turbine Power Group Co., Ltd.	State-owned legal person	63.64%	479,824,800	0	479,824,800	0		
GUOTAIJUNANSECURITIES(HONG KONG) LIMITED	Foreign legal person	0.65%	4,909,489	-9374988	0	4,909,489		
NORGES BANK	Foreign legal person	0.57%	4,303,675	0	0	4,303,675		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.44%	3,308,246	1021910	0	3,308,246		
Shanwan Hongyuan Securities (HK) Co.,Ltd.	Foreign legal person	0.39%	2,924,322	2390687	0	2,924,322		
China Merchants Securities(HK)Co., Ltd.	State-owned legal person	0.33%	2,468,865	848115	0	2,468,865		
AUSTRALIANSUPER PTY LTD	Foreign legal person	0.28%	2,108,321	0	0	2,108,321		
Xia Zulin	Domestic Natural person	0.28%	2,100,000	0	0	2,100,000		
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	Foreign legal person	0.27%	2,046,860	-1019908	0	2,046,860		
CREDIT SUISSE (HONG KONG) LIMITED	Foreign legal person	0.27%	2,033,703	998562	0	2,033,703		
Particulars about strategic investors or general corporations becoming among the top 10 shareholders due to share placing (if any)	Not applicable							
Explanation on associated relationship among the aforesaid shareholders	<p>(1) Hangzhou Steam Turbine Power Group Co., Ltd. is the holder of state-shares of the Company, all other shareholders' are holders of domestic listed foreign shares (B shares)</p> <p>(2) There is no relationship between Hangzhou Steam Turbine Power Group Co., Ltd. and other shareholders;</p> <p>(3) Hangzhou Steam Turbine Group Co., Ltd. is not an "action-in-concert" party with any of other shareholders as described by the "Administration Rules of Informational Disclosure about Change of Shareholding Statues of PLCs".</p>							
Top 10 holders of shares without trading limited conditions								
Name of the shareholder	Amount of unconditional shares held at end of period	Category of shares						
		Category of shares	Amount					
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,909,489	Foreign shares placed in domestic exchange	4,909,489					
NORGES BANK	4,303,675	Foreign shares placed in domestic	4,909,489					

		exchange	
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	3,308,246	Foreign shares placed in domestic exchange	3,308,246
Shanwan Hongyuan Securities (HK) Co.,Ltd.	2,924,322	Foreign shares placed in domestic exchange	2,924,322
China Merchants Securities(HK)Co., Ltd.	2,468,865	Foreign shares placed in domestic exchange	2,468,865
AUSTRALIANSUPER PTY LTD	2,108,321	Foreign shares placed in domestic exchange	2,108,321
Xia Zulin	2,100,000	Foreign shares placed in domestic exchange	2,100,000
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	2,046,860	Foreign shares placed in domestic exchange	2,046,860
CREDIT SUISSE (HONG KONG) LIMITED	2,033,703	Foreign shares placed in domestic exchange	2,033,703
First Shanghai Securities Co., Ltd.	1,878,322	Foreign shares placed in domestic exchange	1,878,322
Explanation on associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders	<p>1) It is unknown to the Company if there is any relationship among the top 10 common share holders without restriction;</p> <p>(2) Hangzhou Steam Turbine Group Co., Ltd. is not an action-in-concert” party with any of other shareholders as described by the “Administration Rules of Informational Disclosure about Change of Shareholding Statues of PLCs”.</p>		
Notes to the shareholders involved in financing securities (if any)	Not applicable		

The top ten common shareholders or top ten common shareholders with un-restrict shares held of the Company have no buy –back agreement dealing in reporting period.

### III. Change of the controlling shareholder in the Reporting Period.

There was no any change of the controlling shareholder of the Company in the report period.

Change of the actual controller in the report period.

There was no any change of the actual controller of the Company in the Reporting Period.

**IV. Proposals raised by the shareholders or their action-in-concert parties about increasing of shareholding**

To the knowledge of the Company, there is not any proposal raised by the shareholders or their action-in-concert parties about increasing of shareholding.

**VII. Situation of the Preferred Shares**

No issue regarding preference shares in the report period.

## VIII. Information about Directors, Supervisors and Senior Executives

### I. Change of shareholding of directors, supervisors and senior executives

Share held by directors, supervisors and senior executive of the Company had no changes, more details can be seen in annual report 2015.

### II. Changes of directors, supervisors and senior executive

Name	Title	Type	Date	Reasons
Xu Yongbin	Independent Director	Office leaving	May 18,2016	Office leaving, The board of director changed .
Zhang Hejie	Independent Director	Office leaving	May 18,2016	Office leaving, The board of director changed .
Tan Jianrong	Independent Director	Office leaving	May 18,2016	Office leaving, The board of director changed .
Ma Lihong	Independent Director	Be elected	May 18,2016	The board of director changed .New has been elected.
Chen Danhong	Independent Director	Be elected	May 18,2016	The board of director changed .New has been elected.
Gu Xinjian	Independent Director	Be elected	May 18,2016	The board of director changed .New has been elected.

## IX. Financial Report

### I. Auditors' Report

The Semi-annual Financial Report is not audited.

### II. The Financial Statements

All figures in the Notes to the Financial Statements are in RMB.

#### 1. Consolidated Balance Sheet

Prepared by: Hangzhou Steam Turbine Co., Ltd

June 30,2016

In RMB

Items	At the end of term	Beginning of term
Current asset:		
Monetary fund	794,767,589.76	751,596,796.24
Settlement provision		
Outgoing call loan		
Financial assets measured at fair value with variations accounted into current income account		
Derivative financial assets		
Bill receivable	545,123,313.54	680,518,943.49
Account receivable	1,926,721,216.38	2,096,090,157.61
Prepayments	241,112,284.16	139,267,324.65
Insurance receivable		
Reinsurance receivable		
Provisions of Reinsurance contracts receivable		
Interest receivable		
Dividend receivable		
Other account receivable	27,087,825.30	25,574,057.29
Repurchasing of financial assets		
Inventories	2,235,683,051.12	1,826,869,838.60
Assets held for sales		
Non-current asset due in 1 year		
Other current asset	567,415,616.85	427,203,835.44
Total of current assets	6,337,910,897.11	5,947,120,953.32
Non-current assets :		
Loans and payment on other's behalf disbursed		
Disposable financial asset	509,409,741.77	509,409,741.77
Expired investment in possess		
Long-term receivable		
Long term share equity investment		
Property investment		

Fixed assets	620,876,192.67	642,155,636.34
Construction in progress	173,392,716.87	119,187,107.52
Engineering material		
Fixed asset disposal		
Production physical assets		
Gas & petrol		
Intangible assets	300,895,138.55	304,949,207.18
R & D petrol		
Goodwill		
Long-germ expenses to be amortized	1,824,637.17	2,029,471.80
Deferred income tax asset	172,874,348.70	158,924,887.70
Other non-current asset		
Total of non-current assets	1,779,272,775.73	1,736,656,052.31
Total of assets	8,117,183,672.84	7,683,777,005.63
Current liabilities		
Short-term loans	81,250,000.00	85,350,000.00
Loan from Central Bank		
Deposit received and hold for others		
Call loan received		
Financial liabilities measured at fair value with variations accounted into current income account		
Derivative financial liabilities		
Bill payable	198,065,752.08	194,226,049.73
Account payable	1,059,189,681.62	810,420,381.45
Advance payment	2,015,952,250.97	1,736,820,949.19
Selling of repurchased financial assets		
Fees and commissions receivable		
Employees' wage payable	52,279,831.19	70,257,474.46
Tax payable	21,050,931.67	36,008,109.09
Interest payable		
Dividend payable		
Other account payable	24,853,931.26	29,705,125.51
Reinsurance fee payable		
Insurance contract provision		
Entrusted trading of securities		
Entrusted selling of securities		
Liabilities held for sales		
Non-current liability due in 1 year	200,000.00	300,000.00
Other current liability		
Total of current liability	3,452,842,378.79	2,963,088,089.43
Non-current liabilities :		
Long-term loan	123,400,000.00	123,400,000.00
Bond payable		
Including: preferred stock		



Sustainable debt		
Long-term payable	330,000.00	330,000.00
Long-term payable employees's remuneration		
Special payable		
Expected liabilities		
Deferred income	10,114,606.23	6,804,425.00
Deferred income tax liability	1,017,473.05	1,017,473.05
Other non-current liabilities		
Total non-current liabilities	134,862,079.28	131,551,898.05
Total of liability	3,587,704,458.07	3,094,639,987.48
Owners' equity		
Share capital	754,010,400.00	754,010,400.00
Other equity instrument		
Including: preferred stock		
Sustainable debt		
Capital reserves	139,590,345.09	139,590,345.09
Less : Shares in stock		
Other comprehensive income	-477,425.64	-852,752.00
Special reserves	31,585,222.35	31,764,920.51
Surplus reserves	621,112,807.78	621,112,807.78
Common risk provision		
Undistributed profit	2,642,459,353.23	2,673,711,591.42
Total of owner's equity belong to the parent company	4,188,280,702.81	4,219,337,312.80
Minority shareholders' equity	341,198,511.96	369,799,705.35
Total of owners' equity	4,529,479,214.77	4,589,137,018.15
Total of liabilities and owners' equity	8,117,183,672.84	7,683,777,005.63

Legal Representative: Zheng Bin

Person in charge of accounting: Pu Yangshuo

Accounting Dept Leader: Zhao Jiamao

## 2. Parent Company Balance Sheet

In RMB

Items	At the end of term	Beginning of term
Current asset :		
Monetary fund	409,876,902.54	387,916,202.79
Financial assets measured at fair value with variations accounted into current income account		
Derivative financial assets		
Bill receivable	239,273,049.00	365,504,827.88
Account receivable	1,471,822,789.50	1,637,391,672.98
Prepayments	141,635,500.72	53,440,645.95
Interest receivable		
Dividend receivable		
Other account receivable	7,483,761.06	12,245,371.97
Inventories	1,810,124,761.92	1,454,420,457.64
Assets held for sales		
Non-current asset due in 1 year		
Other current asset	438,733,569.03	170,653,680.58
Total of current assets	4,518,950,333.77	4,081,572,859.79
Non-current assets :		
Disposable financial asset	465,604,378.26	465,604,378.26
Expired investment in possess		
Long-term receivable		
Long term share equity investment	502,919,378.03	502,919,378.03
Property investment		
Fixed assets	311,612,630.28	334,677,256.20
Construction in progress	86,034,126.55	79,982,551.34
Engineering material		
Fixed asset disposal		
Production physical assets		
Gas & petrol		
Intangible assets	175,849,280.03	177,872,266.49
R & D petrol		
Goodwill		
Long-germ expenses to be amortized	761,660.66	761,660.66
Deferred income tax asset	130,206,012.12	120,771,991.85
Other non-current asset		
Total of non-current assets	1,672,987,465.93	1,682,589,482.83
Total of assets	6,191,937,799.70	5,764,162,342.62
Current liabilities		
Short-term loans		

Financial liabilities measured at fair value with variations accounted into current income account		
Derivative financial liabilities		
Bill payable		13,500,000.00
Account payable	673,453,072.14	436,004,535.90
Advance payment	1,636,815,174.84	1,428,724,224.76
Employees' wage payable	24,010,757.66	51,373,858.57
Tax payable	4,696,110.56	3,538,126.39
Interest payable		
Dividend payable		
Other account payable	16,405,085.64	20,338,742.44
Classified as held for sale debt		
Non-current liability due in 1 year		
Other current liability		
Total of current liability	2,355,380,200.84	1,953,479,488.06
Non-current liabilities :		
Long-term loan	100,000,000.00	100,000,000.00
Bond payable		
Including: preferred stock		
Sustainable debt		
Long-term payable		
Long-term payable to employees		
Special payable		
Expected liabilities		
Deferred income	3,332,431.23	22,250.00
Deferred income tax liability	1,017,473.05	1,017,473.05
Other non-current liabilities		
Total of Non-current liabilities	104,349,904.28	101,039,723.05
Total of liability	2,459,730,105.12	2,054,519,211.11
Owners' equity		
Share capital	754,010,400.00	754,010,400.00
Other equity instrument		
Including: preferred stock		
Sustainable debt		
Capital reserves	138,953,250.09	138,953,250.09
Less : Shares in stock		
Other comprehensive income		
Special reserves	13,098,989.67	13,098,989.67
Surplus reserves	602,356,402.65	602,356,402.65
Undistributed profit	2,223,788,652.17	2,201,224,089.10
Total of owners' equity	3,732,207,694.58	3,709,643,131.51

Total of liabilities and owners' equity	6,191,937,799.70	5,764,162,342.62
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Legal Representative: Zheng Bin      Person in charge of accounting: Pu Yangshuo      Accounting Dept Leader: Zhao Jiamao

### 3.Consolidated Income statement

In RMB

Items	Report period	Same period of the previous year
I. Income from the key business	1,367,423,771.88	1,054,996,326.24
Incl : Business income	1,367,423,771.88	1,054,996,326.24
Interest income		
Insurance fee earned		
Fee and commission received		
II. Total business cost	1,416,467,334.78	1,079,531,378.43
Incl : Business cost	850,937,906.04	662,509,347.18
Interest expense		
Fee and commission paid		
Insurance discharge payment		
Net claim amount paid		
Insurance policy dividend paid		
Insurance policy dividend paid		
Reinsurance expenses		
Business tax and surcharge	8,423,250.87	6,334,593.42
Sales expense	75,867,593.98	67,934,574.09
Administrative expense	355,106,918.55	315,169,862.90
Financial expenses	512,029.17	4,932,440.34
Asset impairment loss	125,619,636.17	22,650,560.50
Add : Gains from change of fir value ( “-”for loss )		
Investment gain ( “-”for loss )	15,045,334.62	39,231,462.05
Incl: investment gains from affiliates		
Gains from currency exchange ( “-”for loss )		
III. Operational profit ( “-”for loss )	-33,998,228.28	14,696,409.86
Add : Non-operational income	6,844,762.02	6,285,206.55
Including: Income from disposal of non-current assets	17,299.04	29,583.00
Less : Non business expenses	1,957,694.65	2,157,162.89
Incl : Loss from disposal of non-current assets	181,198.86	303,677.88
IV.Total profit(“-”for loss)	-29,111,160.91	18,824,453.52
Less : Income tax expenses	-2,833,931.34	11,290,456.20
V. Net profit	-26,277,229.57	7,533,997.32
Net profit attributable to the owners of parent company	-31,252,238.19	-10,282,333.32
Minority shareholders' equity	4,975,008.62	17,816,330.64
VI. Other comprehensive income	881,469.91	-373,143.88
Net of profit of other comprehensive income attributable to owners of the parent company.	375,326.36	-158,883.17

(I) Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period		
1.Re-measurement of defined benefit plans of changes in net debt or net assets		
2.Other comprehensive income under the equity method investee can not be reclassified into profit or loss.		
(II) Other comprehensive income that will be reclassified into profit or loss.	375,326.36	-158,883.17
1.Other comprehensive income under the equity method investee can be reclassified into profit or loss.		
2.Gains and losses from changes in fair value available for sale financial assets		
3.Held-to-maturity investments reclassified to gains and losses of available for sale financial assets		
4.The effective portion of cash flow hedges and losses		
5.Translation differences in currency financial statements	375,326.36	-158,883.17
6.Other		
Net of profit of other comprehensive income attributable to Minority shareholders' equity	506,143.55	-214,260.71
VII. Total comprehensive income	-25,395,759.66	7,160,853.44
Total comprehensive income attributable to the owner of the parent company	-30,876,911.83	-10,441,216.49
Total comprehensive income attributable minority shareholders	5,481,152.17	17,602,069.93
VIII. Earnings per share		
( I ) Basic earnings per share	-0.04	-0.01
(II)Diluted earnings per share	-0.04	-0.01

If there are entities merged under common control, their net profit realized before the merger were totaled to RMB\*\*\*. While it was RMB\*\*\* previous period.

Legal Representative: Zheng Bin    Person in charge of accounting: Pu Yangshuo    Accounting Dept Leader: Zhao Jiamao

## 4. Income statement of the Parent Company

In RMB

Items	Report period	Same period of the previous year
I. Income from the key business	873,700,389.36	620,574,048.28
Incl : Business cost	546,117,341.96	425,237,391.19
Business tax and surcharge	4,800,667.41	1,398,211.91
Sales expense	47,863,806.18	45,577,385.16
Administrative expense	229,290,837.78	203,813,839.11
Financial expenses	-1,442,851.52	4,831,005.55
Asset impairment loss	112,015,979.74	25,190,173.12
Add : Gains from change of fir value ( “-”for loss )		
Investment gain ( “-”for loss )	78,813,819.71	146,889,193.96
Incl: investment gains from affiliates		
II. Operational profit ( “-”for loss )	13,868,427.52	61,415,236.20
Add : Non-operational income	17,813.04	2,885,613.95
Including: Income from disposal of non-current assets	17,299.04	
Less : Non business expenses	755,697.76	704,659.95
Incl : Loss from disposal of non-current assets	10,000.00	
III. Total profit(“-”for loss)	13,130,542.80	63,596,190.20
Less : Income tax expenses	-9,434,020.27	-3,648,682.83
IV. Net profit ( “-”for net loss )	22,564,563.07	67,244,873.03
V. Net of profit of other comprehensive income		
(I) Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period		
1. Re-measurement of defined benefit plans of changes in net debt or net assets		
2. Other comprehensive income under the equity method investee can not be reclassified into profit or loss.		
( II )		
Other comprehensive income that will be reclassified into profit or loss.		
1. Other comprehensive income under the equity method investee can be reclassified into profit or loss.		
2. Gains and losses from changes in fair value available for sale financial assets		
3. Held-to-maturity investments reclassified to gains and losses of available for sale financial assets		
4. The effective portion of cash flow hedges and losses		
5. Translation differences in currency financial statements		
6. Other		

VI. Total comprehensive income	22,564,563.07	67,244,873.03
VII. Earnings per share :		
( I ) Basic earnings per share	0.03	0.09
(II)Diluted earnings per share	0.03	0.09

Legal Representative: Zheng Bin      Person in charge of accounting: Pu Yangshuo      Accounting Dept Leader: Zhao Jiamao



## 5. Consolidated Cash flow statement

In RMB

Items	Report period	Same period of the previous year
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	1,473,696,926.54	1,221,502,011.12
Net increase of customer deposits and capital kept for brother company		
Net increase of loans from central bank		
Net increase of inter-bank loans from other financial bodies		
Cash received against original insurance contract		
Net cash received from reinsurance business		
Net increase of client deposit and investment		
Net increase of trade financial asset disposal		
Cash received as interest, processing fee and commission		
Net increase of inter-bank fund received		
Net increase of repurchasing business		
Tax returned	3,966,504.78	2,774,168.11
Other cash received from business operation	6,687,244.05	11,618,304.30
Sub-total of cash inflow	1,484,350,675.37	1,235,894,483.53
Cash paid for purchasing of merchandise and services	734,853,982.91	532,710,262.96
Net increase of client trade and advance		
Net increase of savings in central bank and brother company		
Cash paid for original contract claim		
Cash paid for interest, processing fee and commission		
Cash paid for policy dividend		
Cash paid to staffs or paid for staffs	359,098,202.15	354,148,818.72
Taxes paid	96,854,083.68	179,449,049.67
Other cash paid for business activities	78,845,353.68	67,764,778.89
Sub-total of cash outflow from business activities	1,269,651,622.42	1,134,072,910.24
Cash flow generated by business operation, net	214,699,052.95	101,821,573.29
II. Cash flow generated by investing		
Cash received from investment retrieving		
Cash received as investment gains	15,045,334.62	39,231,462.05
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	16,900.00	147,758.20
Net cash received from disposal of subsidiaries or other operational units		

Other investment-related cash received	812,150,000.00	718,855,999.95
Sub-total of cash inflow due to investment activities	827,212,234.62	758,235,220.20
Cash paid for construction of fixed assets, intangible assets and other long-term assets	48,665,372.66	33,297,388.80
Cash paid as investment		5,975,590.25
Net increase of loan against pledge		
Net cash received from subsidiaries and other operational units		
Other cash paid for investment activities	938,850,000.00	754,555,999.95
Sub-total of cash outflow due to investment activities	987,515,372.66	793,828,979.00
Net cash flow generated by investment	-160,303,138.04	-35,593,758.80
III. Cash flow generated by financing		
Cash received as investment	706,350.00	11,340,000.00
Incl: Cash received as investment from minor shareholders		
Cash received as loans	69,000,000.00	75,400,000.00
Cash received from bond placing		
Other financing –related ash received		
Sub-total of cash inflow from financing activities	69,706,350.00	86,740,000.00
Cash to repay debts	73,200,000.00	75,500,000.00
Cash paid as dividend, profit, or interests	38,336,434.28	135,671,470.02
Incl: Dividend and profit paid by subsidiaries to minor shareholders		
Other cash paid for financing activities		
Sub-total of cash outflow due to financing activities	111,536,434.28	211,171,470.02
Net cash flow generated by financing	-41,830,084.28	-124,431,470.02
IV. Influence of exchange rate alternation on cash and cash equivalents	4,197,480.42	813,434.80
V. Net increase of cash and cash equivalents	16,763,311.05	-57,390,220.73
Add: balance of cash and cash equivalents at the beginning of term	751,596,796.24	613,958,063.91
VI ..Balance of cash and cash equivalents at the end of term	768,360,107.29	556,567,843.18

Legal Representative: Zheng Bin      Person in charge of accounting: Pu Yangshuo      Accounting Dept Leader: Zhao Jiamao

## 6. Cash Flow Statement of the Parent Company

In RMB

Items	Amount in this period	Amount in last period
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	956,195,266.24	802,001,490.60
Tax returned	359,071.25	2,122,030.27
Other cash received from business operation	4,624,232.32	1,160,090.01
Sub-total of cash inflow	961,178,569.81	805,283,610.88
Cash paid for purchasing of merchandise and services	421,216,904.08	421,933,411.17
Cash paid to staffs or paid for staffs	252,191,310.76	247,730,407.99
Taxes paid	30,208,059.26	95,021,306.39
Other cash paid for business activities	21,407,844.59	16,133,251.46
Sub-total of cash outflow from business activities	725,024,118.69	780,818,377.01
Cash flow generated by business operation, net	236,154,451.12	24,465,233.87
II. Cash flow generated by investing		
Cash received from investment retrieving		
Cash received as investment gains	78,813,819.71	146,889,193.96
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	16,900.00	564.00
Net cash received from disposal of subsidiaries or other operational units		
Other investment-related cash received	383,150,000.00	60,000,000.00
Sub-total of cash inflow due to investment activities	461,980,719.71	206,889,757.96
Cash paid for construction of fixed assets, intangible assets and other long-term assets	33,856,128.76	20,231,766.66
Cash paid as investment		5,975,590.25
Net cash received from subsidiaries and other operational units		
Other cash paid for investment activities	643,150,000.00	120,000,000.00
Sub-total of cash outflow due to investment activities	677,006,128.76	146,207,356.91
Net cash flow generated by investment	-215,025,409.05	60,682,401.05
III. Cash flow generated by financing		
Cash received as investment		
Cash received as loans		
Cash received from bond placing		
Other financing-related cash received		
Sub-total of cash inflow from financing activities		
Cash to repay debts		
Cash paid as dividend, profit, or interests	1,702,916.67	76,551,039.99
Other cash paid for financing activities		
Sub-total of cash outflow due to financing activities	1,702,916.67	76,551,039.99
Net cash flow generated by financing	-1,702,916.67	-76,551,039.99
IV. Influence of exchange rate alternation on cash and cash equivalents	2,534,574.35	109,733.33
V. Net increase of cash and cash equivalents	21,960,699.75	8,706,328.26

Add: balance of cash and cash equivalents at the beginning of term	387,916,202.79	248,509,410.84
VI .Balance of cash and cash equivalents at the end of term	409,876,902.54	257,215,739.10

Legal Representative: Zheng Bin

Person in charge of accounting: Pu Yangshuo

Accounting Dept Leader: Zhao Jiamao

7. Consolidated Statement on Change in Owners' Equity  
Amount in this period

In RMB

Items	Amount in this period												
	Owner's equity Attributable to the Parent Company										Minor shareholders' equity	Total of owners' equity	
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Common risk provision			Attributable profit
	preferred stock	Sustainable debt	Other										
I. Balance at the end of last year	754,010,400.00				139,590,345.09		-852,752.00	31,764,920.51	621,112,807.78		2,673,711,591.42	369,799,705.35	4,589,137,018.15
Add: Change of accounting policy													
Correcting of previous errors													
Merger of entities under common control													
Other													
II. Balance at the beginning of current year	754,010,400.00				139,590,345.09		-852,752.00	31,764,920.51	621,112,807.78		2,673,711,591.42	369,799,705.35	4,589,137,018.15
III. Changed in the current year							375,326.36	-179,698.16			-31,252,238.19	-28,601,193.39	-59,657,803.38
(1) Total comprehensive income							375,326.36				-31,252,238.19	5,481,152.16	-25,395,759.67
(II) Investment or decreasing of capital by owners													
1. Ordinary Shares invested by Shareholders													
2. Holders of other equity instruments invested capital													
3. Amount of shares paid and accounted as owners' equity													
4. Other													
(III) Profit allotment												-34,421,187.50	-34,421,187.

													50
1. Providing of surplus reserves													
2. Providing of common risk provisions													
3 . Allotment to the owners (or shareholders)												-34,421,187.50	-34,421,187.50
4. Other													
(IV) Internal transferring of owners' equity													
1. Capitalizing of capital reserves (or to capital shares)													
2. Capitalizing of surplus reserves (or to capital shares)													
3 . Making up losses by surplus reserves.													
4. Other													
(V). Special reserves								-179,698.16				338,841.95	159,143.79
1. Provided this year								1,168,964.22				570,903.32	1,739,867.54
2 . Used this term								1,348,662.38				232,061.37	1,580,723.75
(VI) Other													
IV. Balance at the end of this term	754,010,400.00				139,590,345.09		-477,425.64	31,585,222.35	621,112,807.78		2,642,459,353.23	341,198,511.96	4,529,479,214.77

Legal Representative: Zheng Bin

Person in charge of accounting: Pu Yangshuo

Accounting Dept Leader: Zhao Jiamao

Amount in last year

In RMB

Items	Amount in last year												
	Owner's equity Attributable to the Parent Company											Minor shareholders' equity	Total of owners' equity
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit		
preferred stock		Sustainable debt	Other										
I. Balance at the end of last year	754,010,400.00				139,590,345.09		-640,401.72	24,603,149.96	621,112,807.78		2,911,921,943.21	364,813,287.98	4,815,411,532.30
Add: Change of accounting policy													
Correcting of previous errors													
Merger of entities under common control													
Other													
II. Balance at the beginning of current year	754,010,400.00				139,590,345.09		-640,401.72	24,603,149.96	621,112,807.78		2,911,921,943.21	364,813,287.98	4,815,411,532.30
III. Changed in the current year							-158,883.17	350,952.04			-85,683,373.32	-18,226,294.80	-103,717,599.25
(1) Total comprehensive income							-158,883.17				-10,282,333.32	17,602,069.94	7,160,853.45
(II) Investment or decreasing of capital by owners												19,340,000.00	19,340,000.00
1. Ordinary Shares invested by Shareholders												19,340,000.00	19,340,000.00
2. Holders of other equity instruments invested capital													
3. Allotment to the owners (or shareholders)													
4. Other													
(III) Profit allotment											-75,401,	-55,591,585.00	-130,992,625.



										040.00		00
1. Providing of surplus reserves												
2. Providing of common risk provisions												
3 . Allotment to the owners (or shareholders)										-75,401,040.00	-55,591,585.00	-130,992,625.00
4. Other												
(IV) Internal transferring of owners' equity												
1. Capitalizing of capital reserves (or to capital shares)												
2. Capitalizing of surplus reserves (or to capital shares)												
3 . Making up losses by surplus reserves.												
4. Other												
(V). Special reserves							350,952.04				423,220.26	774,172.30
1. Provided this year							1,239,471.57				572,847.25	1,812,318.82
2 . Used this term							888,519.53				149,626.99	1,038,146.52
(VI) Other												
IV. Balance at the end of this term	754,010,400.00			139,590,345.09	-799,284.89	24,954,102.00	621,112,807.78			2,826,238,569.89	346,586,993.18	4,711,693,933.05

Legal Representative: Zheng Bin

Person in charge of accounting: Pu Yangshuo

Accounting Dept Leader: Zhao Jiamao

## 8. Statement of change in owner's Equity of the Parent Company

Amount in this period

In RMB

Items	Amount in this period										
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Surplus reserves	Common risk provision	Attributable profit	Total of owners' equity
		prefer red stock	Sustai nable debt	Other							
I. Balance at the end of last year	754,010,400.00				138,953,250.09			13,098,989.67	602,356,402.65	2,201,224,089.10	3,709,643,131.51
Add: Change of accounting policy											
Correcting of previous errors											
Other											
II. Balance at the beginning of current year	754,010,400.00				138,953,250.09			13,098,989.67	602,356,402.65	2,201,224,089.10	3,709,643,131.51
III. Changed in the current year										22,564,563.07	22,564,563.07
(I) Total comprehensive income										22,564,563.07	22,564,563.07
(II) Investment or decreasing of capital by owners											
1. Ordinary Shares invested by shareholders											
2. Holders of other equity instruments invested capital											
3. Amount of shares paid and accounted as owners' equity											
4. Other											
( III ) Profit allotment											
1. Providing of surplus reserves											

2 . Allotment to the owners (or shareholders)											
3. Other											
(IV) Internal transferring of owners' equity											
1. Capitalizing of capital reserves (or to capital shares)											
2. Capitalizing of surplus reserves (or to capital shares)											
3 . Making up losses by surplus reserves.											
4. Other											
(V). Special reserves											
1. Provided this year								549,654.39			549,654.39
2 . Used this term								549,654.39			549,654.39
(VI) Other											
IV. Balance at the end of this term	754,010,400.00				138,953,250.09			13,098,989.67	602,356,402.65	2,223,788,652.17	3,732,207,694.58

Legal Representative: Zheng Bin

Person in charge of accounting: Pu Yangshuo

Accounting Dept Leader: Zhao Jiamao

Amount in last year

In RMB

Items	Amount in last year										
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Surplus reserves	Common risk provision	Attributable profit	Total of owners' equity
		preferred stock	Sustainable debt	Other							
I. Balance at the end of last year	754,010,400.00				138,953,250.09			10,511,915.73	602,356,402.65	2,390,313,324.89	3,896,145,293.36
Add: Change of accounting policy											
Correcting of previous errors											
Other											
II. Balance at the beginning of current year	754,010,400.00				138,953,250.09			10,511,915.73	602,356,402.65	2,390,313,324.89	3,896,145,293.36
III. Changed in the current year										-8,156,166.97	-8,156,166.97
(I) Total comprehensive income										67,244,873.03	67,244,873.03
(II) Investment or decreasing of capital by owners											
1. Ordinary Shares invested by shareholders											
2. Holders of other equity instruments invested capital											
3. Amount of shares paid and accounted as owners' equity											
4. Other											

( III ) Profit allotment										-75,401,040.00	-75,401,040.00
1.Providing of surplus reserves											
2. Allotment to the owners (or shareholders)										-75,401,040.00	-75,401,040.00
3. Other											
(IV)Internal transferring of owners' equity											
1. Capitalizing of capital reserves (or to capital shares)											
2. Capitalizing of surplus reserves (or to capital shares)											
3 . Making up losses by surplus reserves.											
4. Other											
(V) Special reserves											
1. Provided this year								618,887.05			618,887.05
2 . Used this term								618,887.05			618,887.05
(VI) Other											
IV. Balance at the end of this term	754,010,400.00				138,953,250.09			10,511,915.73	602,356,402.65	2,382,157,157.92	3,887,989,126.39

Legal Representative: Zheng Bin

Person in charge of accounting: Pu Yangshuo

Accounting Dept Leader: Zhao Jiama

### III. Company Profile

Hangzhou Steam Turbine Co., Ltd. (the Company) was incorporated as a joint stock limited company exclusively promoted by Hangzhou Steam Turbine & Power Group Company Limited (“HSTG”) approved by the Securities Regulatory Commission of the State Council with the Document SRC [1998] No. 8 by offering domestically listed foreign currency ordinary shares (B Shares), with registration date: April 23, 1998, Registered address: No.357 Shiqiao Road, Hangzhou City, Zhejiang. The number of Business License was changed to 330000400001023 on May 6, 2009. The Company’s registered capital is now increased to RMB754.0104 million with total capital share of 754.0104 million shares (face value RMB1.00). Among which state-owned legal person shares were 479.8248 million shares and 274.1856 million shares of current B shares. The shares were issued and listed for trading in Shenzhen Stock Exchange on April 28, 1998.

The scope of main businesses of the Company: The design, manufacturing, and service of steam turbine, gas turbine, other rotating and reciprocate machinery and auxiliary equipment, and spare parts and components. Wholesale, import & export, and service of packaged equipment in electric power supply, industrial driving, and industrial turbine.

These Financial Statements are released upon approval at the 3rd meeting of the 7th term of Board held on August 12, 2016.

24 subsidiaries including Zhejiang Steam Turbine Packaged Technologies Co., Ltd., Hangzhou Zhongneng Steam Turbine Power Co., Ltd., Hangzhou Steam Turbine Casting Co., Hangzhou Steam Turbine Auxiliary Co., Ltd., Hangzhou Steam Turbine Machinery & Equipment Co., Ltd., Zhejiang Turbine Import & Export Co., Ltd., and Hangzhou Steam Turbine Industry Co., Ltd., were consolidated to the Financial Statements. For details of changing consolidation range and equity position please go to the Notes to the Financial Statements.

### IV. Basis of compiling the finance report

#### (1) Basis of compiling

The Company adopts perpetual operation as the basis of financial statements.

#### (II) Assessment on perpetuation

No issue or situation, in 12 months since the end of report period, composes major doubt on the perpetuation assumption of the Company.

#### V. Principal Accounting Policies and Estimations

Important prompt: The Company utilized detailed accounting polices and estimations on providing of bad debt provisions, fixed asset depreciation, intangible asset amortization, recognition of revenue, and so forth, according to its business practices.

##### 1. Statement of compliance to the Enterprise Accounting Standard

The finance report produced by the Company is accordance with the Enterprise Accounting Standard, and reflects the Company’s financial state, business performance and cash flow frankly and completely.

##### 2. Fiscal year

The Company uses the calendar year for its fiscal year. A fiscal year is from January 1 to December 31.

##### 3. Operational period

The Company’s relatively shorter operational period, which is 12 months, and is used as division of liquidity of assets and liabilities.

##### 4. Standard currency for bookkeeping

The Company uses Renminbi (RMB) as the standard currency for book keeping.

##### 5. Accounting treatment of the entities under common control and different control

###### 1. Treatment of entities under common control

Assets and liabilities acquired in merger of entities are measured at book values at the date of merger. The difference between the net book value of asset and the offered price (or total of face value of shares issued) will be

adjusted into capital reserves; when the capital reserves is not enough to reduce, it will be adjusted into retained profit.

## 2. Treatment of entities under different control

The difference of takeover cost over the fair value of recognizable net asset of the acquired entity is recognized as goodwill at the day of takeover; in case the takeover cost is lower than the fair value of recognizable net asset of the acquired entity, the measuring process over the recognizable asset, liabilities, contingent liabilities, and takeover cost, shall be repeated, if comes out the same result, the difference shall be recorded into current income account.

## 6. Method for preparing the consolidated financial statements

The parent company puts all of its subsidiaries under its control into the consolidated financial statements. The consolidated financial statements are prepared according to the “Enterprise Accounting Standard No. 33 – Consolidated Financial Statements”, basing on the accounts of the parent company and the subsidiaries, and after adjusting the long-term investment equity in the subsidiary on equity basis.

## 7. Recognition of cash and cash equivalents

Cash equivalent refers to the investment held by the Company with short term, strong liquidity and lower risk of value fluctuation that is easy to be converted into cash of known amount.

## 8. Foreign currency trade and translation of foreign currencies

### 1. Translation of foreign currency

Foreign currency trades are translated into RMB at the rate of the day when the trades are made. Those balances of foreign currencies and monetary items in foreign currencies are accounted at the exchange rate of the balance sheet date. Exchange differences, other than special loans satisfying the conditions of capitalization, are accounted into current income account. Non-monetary items in foreign currencies and on historical cost are translated at the rate of the trade day. Non-monetary items in foreign currencies and on fair value are translated at the rate of the day when the fair value is recognized, where the differences are accounted as gain/loss from change of fair value.

### 2. Translation of foreign currency financial statements

Asset and liability items in the balance sheet are translated basing on the exchange rate of the balance sheet date; Owners’ equities other than Retained Profit are translated at the exchange rate of the date when the trade happened. Income and expense items in the income statement are translated at the similar rate of the date when the trade happened. Differences generated by the above translating of foreign currencies are demonstrated separately under the owners’ equity in the balance sheet.

## 9. Financial instruments

1. Type of finance asset and finance debt Finance assets fall into four categories at initial recognition: financial asset appointed to be measured at fair value with their changes are accounted into current gain/loss accounts(including transactional finance asset and financial asset appointed to be measured at fair value with their changes are accounted into current gain/loss accounts), transactional financial assets, debt and account receivable, finance asset saleable.

Finance debts fall into two types at initial recognition: financial debt appointed to be measured at fair value with their changes are accounted into current gain/loss accounts(including transactional finance debt and financial debt appointed to be measured at fair value with their changes are accounted into current gain/loss accounts), other finance debt.

2. Basis of recognition and accounting of finance asset and finance debt When the Company is one part of the finance instrument contract, one finance asset or debt is recognized. When on recognizing initially finance asset or debt, it is measured by fair value, for the finance asset or debt which appointed to be measured at fair value with their changes are accounted into current gain/loss accounts, the related transaction expenses are directly accounted into current gain and loss; for other finance asset and debt, the related transaction expenses accounted into the initial recognition account. The Company future measures finance asset by fair value without deducting future

possible transaction fee but with exception: (1) Due investment, debt and account receivable are measured by actual interest rate according to the amortized costs. (2) Equity instrument investment which have no quote in active market and which fair value can't be measured reliably, and its derived finance assets which are connected with the equity instrument and which are summarized through the equity instrument, are measured by cost.

The Company conduct successive measure of finance debt according to amortized cost by actual interest rate with exception as following: (1) finance debt which appointed to be measured at fair value with their changes are accounted into current gain/loss accounts, is measured at fair value without deducting possible future transactional fee at settlement; (2) Equity instrument investment which have no quote in active market and which fair value can't be measured reliably, and its derived finance assets which are connected with the equity instrument and which are closed off through the equity instrument, are measured by cost. (3) finance debt sponsorship contracts which are not appointed to be measured at fair value with their changes are accounted into current gain/loss accounts, or debt agreements at rate lower than market rate and which are not appointed to be measured at fair value with their changes are accounted into current gain/loss accounts, are measured at the higher value between the optimal estimated value payable according to current obligations and the surplus value from which the initial recognition value deduct the accumulated amortized amount according to the actual interest rate.

Gain or loss from fluctuation of financial assets or liabilities are handled at the following ways, except for relating to hedge instrument.

(1) Gain or loss from fluctuation of fair value of financial assets or liabilities and accounted into current gain/loss account, are accounted into gain/loss of fluctuation of fair value. Interests or cash dividend received in the period of holding these assets are recognized as investment gains. When they are disposed, the difference between the amount actually received and initially booked value is recognized as investment gains, and adjust the gain/loss from fair value fluctuation.

(2) Fluctuation of fair value of sellable financial assets accounted into capital reserves; interests gained at actual interest rate are accounting into investment gains; the cash dividend received from sellable instrument investment, are accounted into investment gains when distributed; At disposal of these investment, the difference between actual amount received and book value are recognized as investment gains after deducting of accumulated change of fair value which are originally accounted into capital reserves.

As soon as the contract rights of acquiring the cash flow of particular financial asset have been terminated or almost all of the risks and rewards attached to the financial asset have been transferred, recognition of the financial asset is terminated; as soon as the current liabilities attached to the financial liability have been completely or partially relieved, recognition of the financial liability or part of is terminated.

### 3. Basis of recognition and accounting of financial asset transferring

The Company stop recognizing the finance asset which risks and remuneration of ownership are transferred to the receiver; and continue to recognize the transferred finance asset which risks and remuneration of ownership are kept, and recognize the value as one finance debt. For the finance assets which risks and remuneration of ownership are not transferred or kept, the Company recognize them as following: (1) stop recognizing the finance asset which are given up the control; (2) continue to recognize the finance asset and related finance debt according to the extend which involved into the transferred finance asset for the finance asset which are not given up control.

The Company measured the surplus between the following two values for the transferred finance assets which fulfill the stop recognition requirements into current gain or loss: (1) Account value of the transferred finance asset; (2) Consideration plus the accumulated fair value changes which were accounted directed into ownership rights. For the transferred finance assets which partly fulfill the stop recognition requirements the Company amortized the stopped recognition part and the not-stopped recognition part of the account value of the whole transferred finance asset, and account the surplus between the following two values into current gain or loss: (1) Account value of the stopped recognition part; (2) consideration plus the corresponding stopped recognition part of the accumulated fair value changes which were accounted directed into ownership rights.

### 4. Recognition of fair value of financial assets and liabilities

The Company utilizes evaluation technologies supported by sufficient data and information to recognize the fair values of financial assets and liabilities. Values inputted to the evaluation technology are divided into following levels and used in sequence:

(1) Level 1 input: unadjusted quotations obtained from an active market of the similar asset or liability at the date of measurement;



(2) Level 2 input: values of the asset or liability observable, directly or indirectly, other than level 1 input, including: quotation of similar asset or liability in an active market; quotation of similar asset or liability in a non-active market; other observable value other than quotations, i.e. observable interest or gain curves in normal intervals of quotations.

(3) Level 3 input: non-observable input value of the asset or liability, including interest rates which are not observable or not testified by observable market data, fluctuation of stock prices, future cash flow of disposal liabilities undertaken from merger of entities, or financial predictions upon data itself.

#### 5. Impairment test and impairment reserves plan

(1) The Company conduct impairment test to the finance asset other than which appointed to be measured at fair value with their changes are accounted into current gain/loss accounts on balance sheet day. Impairment provision is provided as long as evidence showing that impairment has happened to the financial asset.

(2) In dealing with major financial assets such as investment hold-to-mature, loans, and receivables, the Company conduct independently impairment test for single finance asset. Impairment tests are conducted with those of the finance asset composition which have similar credit risk characteristics; for the non impairment assets which are tested independently, the Company conduct the impairment test with those of the finance asset composition which have similar credit risk characteristics. The balance of book value over current value of expected future cash flow is recognized as impairment loss.

(3) Objective evidences of impairment on sellable financial assets 1) Objective evidences supporting the impairment of investment on sellable liability instruments are: a. Material financial dilemma with the debtor; b. Violating of the contract by the debtor, e.g. overdue of payment for interests or principal; c. Compromise made to the debtor who is in financial crisis with consideration of financial or legal factors; d. Possible bankruptcy or financial restructuring of the debtor; e. The liability instrument is not able to be traded in an active market for the debtor is in material financial dilemma; f. Other circumstances that are showing that impairment has already occurred.

2) Objective evidence showing that impairment has already occurred on sellable equity instruments are: significant or non-temporary fall of fair value, the invested entities suffers from material negative situations in aspects of technical, market, economy, or legislation environment. The Company performs tests on investments on sellable equity instruments individually on the balance sheet day. For investment on equity instruments measured on fair value, if the fair value on the balance sheet day is lower than the cost by 50% (included), or lower than the costs for successively 12 months (included), impairment is recognized; If the fair value is lower than the cost by more than 20% (included), but higher than 50%, or lower than the cost for successively 6 months (included) but not more than 12 months, the Company will determine if impairment occurred with consideration of other factors, e.g. fluctuation of prices. For those equity instruments on cost basis, the Company will decided about impairment with consideration of the invested entities' situations in aspects of technical, market, economy, or legislation environment.

When impairment occurred with a sellable financial asset, the accumulated losses caused by decreasing of fair value which have originally been written into owners' equity shall be carried over to current gain/loss account. If practical evidence showing that the value of a particular financial asset has recovered in value after a impairment loss has been recognized and practically related to the issues occurred after recognition of the loss, the impairment loss recognized shall be restored and accounted into current gain/loss. Impairment loss of sellable equity investment instrument will be restored to owners' equity when the fair value has increased afterward. When impairment occurs on sellable equity instrument on cost basis, the balance between its book value and the current value of the predictable future cash flow upon current market gain rate, is recognized as impairment loss and recorded to current gain/loss account. It will not be written back in subsequent years.

When impairment occurred with a sellable financial asset, the accumulated losses caused by decreasing of fair value which have originally been written into owners' equity shall be carried over to current gain/loss account. If practical evidence showing that the value of a particular financial asset has recovered in value after a impairment loss has been recognized and practically related to the issues occurred after recognition of the loss, the impairment loss recognized shall be restored and accounted into current gain/loss. Impairment loss of sellable equity investment instrument will be restored to owners' equity when the fair value has increased afterward.

## 10. Receivable accounts

## 1. Recognition and providing of bad debt provision on individual receivable account with large amount

Basis of recognition or standard amount of individual account with large amount	Accounts take over 10% of the book balance of receivable accounts
Basis of bad debt provision	Impairment test performed individually, bad debt provision will be provided at the difference of expected cash flow lower than the book value.

## 2. Recognition and providing basis of bad debt reserves for group of receivable accounts with similar characteristics of credit risks

Name of the Group	Basis of bad debt provision
Group by age analysis	Age analysis method
Combined range of association	Other method

Bad debt provisions are provided on age analyze basis in the group

Applicable  Not applicable

Age	Rate of provision on receivable account	Rate of provision on other receivable account
Within 1 year(included)	5.00%	5.00%
1—2 years	10.00%	10.00%
2—3 years	30.00%	30.00%
3—4 years	60.00%	60.00%
4—5 years	80.00%	80.00%
Over 5 years	100.00%	100.00%

Bad debt provisions are provided on percentage basis in the group

Applicable  Not applicable

Bad debt provisions are provided on other basis in the group

Applicable  Not applicable

## (3) Receivable accounts with minor amount but bad debt provisions are provided individually

Basis of providing bad debt individually	When there is significant difference between the current value of future cash flow of the receivable account and the current value of future cash flow of the group
Basis of bad debt provision	Impairment test performed individually, bad debt provision will be provided at the difference of expected cash flow lower than the book value.

## 11. Inventories

## (1) Inventory classification

Inventories include saleable finished goods or merchandise, product-in-process, consumption material and goods in manufacturing procedure or working procedure.

## (2) Pricing of inventory to be delivered

Pricing basis:

Delivered out materials are accounted by weighted average method, issued out finished products are accounted at

individual price.

### (3) Recognition of realizable net value of inventory and providing of inventory impairment provision

At the balance sheet day, inventories are measured at the lower of costs and cashable net values, the individual difference between the cashable net value and cost are provided as inventory impairment provision. For finished product, merchandise, saleable material and other saleable merchandise inventory, their cashable net values are recognized by their estimated sale price in normal operation deducting estimated sale expenses and related taxes; for material inventory which need processing, its cashable net value are recognized by the estimated sale prices of its finished products in normal operation deducting the estimated cost, sale expenses and related taxes due to the end of processing; At the balance sheet day, for inventory item which part has contract price and part has no contract price, the cashable net value is accounted separately, and recognize the inventory impairment provision or returnable cash.

### (4) Inventory system

Inventory system: perpetual inventory system

### (5) Amortization of low-value consumables and packaging materials

#### 1. Low price consumable

Basis of amortizing: one-off

#### 2. Packaging materials

Basis of amortizing: one-off

### 12. Long-term equity investment

#### 1. Recognition of common control and substantial influence

According to the contract, if the invested enterprise's main finance and operation policy need to be agreed by the other investing party, the investment is common control investment; if only have participating decision rights in invested enterprise's main finance and operation policy but have no own control or common control with other investing party, the investment is investment with substantial influence.

#### 2. Recognition of initial investment costs

(1) For the long-term equity investment formed by corporate merger under common control, if it is the long-term equity investment obtained from the corporate merger by paying cash, transferring non-cash asset, bear liability and issuing equity securities, the share of book value of owner's equity of the merged party on the merger date shall be taken as the initial investment cost. The asset reserve is adjusted according to the difference between the initial investment cost of long-term equity investment and the book value of paid combined consideration or issued securities; if the capital is not enough for deduction, the remain earnings are adjusted.

Recognition of "one-off" trade when long-term equity investment is composed by merger of entities under common control by multiple steps.

Transactions under an "one-off" trade are accounted as a common trade of ownership.

Transactions which are not "one-off" trades are recognized for their initial investment cost basing on the share of book value of net asset in the consolidated financial statement of the entities acquired. Balance between the initial investment cost and the book value of the long-term equity investment before merger and the premium paid for the new shares after merger, is adjusted to capital reserves; when the capital reserve is not enough to offset, retained profit shall be adjusted thereof.

(2) For the long-term equity investments formed by merger of enterprises under different control, the initial investment cost is recognized by the fair value of combined consideration on purchasing day and related expenses. Long-term equity investment formed by acquisition of entities under different control by trade in multiple stages are accounted separately in the financial statements and consolidated financial statements.

1) In individual financial account, the sum of book value of original equity investment plus new investment cost is recognized as the initial investment cost on cost basis.

#### 2) Recognition of "one-off" trade in consolidated financial statements

Transactions under an "one-off" trade are accounted as a common trade of ownership. Transactions which are not "one-off" trades are re-measured for their fair value at the day of acquisition. Balance between the fair value and the book value of the long-term equity investment is adjusted to current investment gains; other gains from equity on equity basis before the acquisition day are written over to current gains of at the day of acquisition, but not the gains from re-calculating of changes in net liability or asset by the invested entity.

(3) Formed by means other than entity merger:

Acquired by cash payment – initial investment cost is the actual amount of payment;

Acquired by issuing of equity certificates – initial investment cost is the fair value of equity certificate issued;

Acquired by debtor restructuring – initial cost recognized as according to the Enterprise Accounting Standard No.12 – Debtor restructuring;

Acquired by trading of non-monetary asset - initial cost recognized as according to the Enterprise Accounting Standard No.12 – Trade of non-monetary assets;

3. Subsequent measurement and recognition of gain/loss

Cost basis is adopted in accounting of long-term equity investment in entities under substantial control of the Company; while equity basis is adopted in accounting of investment in affiliates and joint-ventures.

4. Treatment of disposal of subsidiaries by stages till losing of control power

(1) Individual account

At disposal of equity shares, the balance between book value and actual consideration received is recorded to current gain/loss account.

When the retained share equity is composing major influence or joint control with other parties on the invested entity, accounting will be on equity basis;

When none of substantial control, joint control, or major influence on the entity, it will be recognized as sellable financial asset and accounted on fair value.

(2) Basis of Consolidated Financial Statements

1) Losing of controlling power on a subsidiary through disposal of equity by multiple trades, and not recognized as “one-off” trade:

Before losing of control power, the balance of disposal consideration and the share of net asset attributable to the Company on continuous basis since purchasing or merger, is adjusted to capital reserves (capital premium), whereas if the capital premium is not enough to offset the amount, retained profit will be offset at corresponding amount.

At losing of control power over a former subsidiary, the retained equity shares shall be re-calculated according to the fair value at the day of losing power. Sum of the consideration obtained from disposal and fair value of the retained equity shares, less the share of net asset attributable to the Company on continuous basis since purchasing or merger, is accounted into investment gains of the period when the control power is disposed, and goodwill shall be offset meanwhile. Other gains related to the equities in formal subsidiary shall be written over to current investment gains at the period when control power was disposed.

2) Losing of controlling power on a subsidiary through disposal of equity by multiple trades, and recognized as “one-off” trade:

The multiple trades are treated as one trade that causes losing of control power on a subsidiary. However, the balance between the consideration received from each trade and corresponding share of net asset is recognized as other gains in the consolidated accounts, and transferred collectively to gain/loss account of the period in which the control power was lost.

13. Fixed assets

1. Conditions for fixed asset recognition

Fixed assets is defined as the tangible assets which are held for the purpose of producing goods, providing services, lease or for operation & management, and have more than one year of service life. Fixed assets are recognized at satisfying of great possibility of benefit inflow and costs are accountable.

2. Depreciation

Categories	Basis of depreciation	Depreciation age (year)	Retain value rate	Annual depreciation ratio
Houses & buildings	Straight average on period	20-30	4%	4.8%-3.2%
Equipment & machinery	Straight average on period	8-15	4%	12%-6.4%
Transportation equipment	Straight average on period	4-8	4%	24%-12%
Office equipment	Straight average on	5	4%	19.2%

	period			
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#### 14. Construction in process

1. Construction in process is recognized on the basis of characteristics: very possible economic benefit flow in, cost can be measured reliably. Since the date when the construction in process reaches its useful status as expected, the construction in process is measured by the happened cost. Since the date when the construction in process reaches its useful status as expected.

2. When the construction in process reaches its useful status as expected, it is transferred into fixed asset at actual cost. If the construction in process has reached useful status but with completion of project settlement process, it is transferred to fixed asset at the value estimated, and adjustment will happen after completion of project settlement process but no adjustment on depreciation provided previously.

#### 15. Loan expenses

##### 1. Capitalizing of loan expenses

Loan expenses occurred in the Company, which can be categorized to purchasing or construction of assets satisfying the conditions of capitalization, shall be capitalized and accounted into capital costs; while other loan expenses are recognized as expenses and recorded into current income account.

##### 2. Capitalization period of loan expenses

(1) Capitalization started as soon as all of these conditions are satisfied: 1) Capital expenditures have occurred; 2) Loan expenses have occurred; 3) Necessary purchasing or construction processes have been started to make the asset usable or sellable.

(2) If irregular interruption occurred in the purchasing or construction process of the assets satisfying the capitalizing conditions, and suspended for over successive three months, capitalizing of loan expenses is suspended; loan expenses occurred during the suspension period are recognized as current expenses until the purchasing or construction process resumes.

(3) Capitalizing of loan expenses is terminated as soon as the asset satisfying the capitalizing conditions reaches the state of usable or sellable as expected.

##### 3. Rates and amounts of loan expense capitalization

Special loans raised for purchasing or construction of assets satisfying the conditions of capitalization, interest to be capitalized will be the actual interest expenses occurred in the current period of loan (including the discount, premium, or amortizing decided on actual interest rate basis), less the interest income from the unused loans in bank account or provisional investment gains; common loans used for purchasing or construction of assets satisfying the conditions of capitalization, the interest to be capitalized will be the weighted average of balance over special loans multiply capitalization rate of common loans.

#### 16. Intangible assets

##### (1) Pricing Method, service life and impairment test

1. Intangible assets are land using rights, patents, and non-patent technologies, which are measured at cost basis.

2. For intangible assets with limited useful life, during the use life it is amortized according to the anticipating implementation method of the economic benefit of the intangible asset systematically and reasonably. If can't recognize the anticipating implementation method, the straight basis is deployed.

Items	Amortizing years
Land using right	50
Other	5

##### (2) Accounting policy for internal research and development expenditure

Expenditures of internal researching projects are accounted into current term gain and loss when happens. The development period expenditures are recognized as intangible assets when fulfill following conditions: (1) The intangible asset is completed and technically possible to be used or sold; (2) With intention to complete the intangible asset for purpose of use or sale; (3) Evidence showing that there are markets or the products produced with using of the intangible asset, or markets of the intangible asset itself, by which the intangible asset may produce financial benefits. Intangible assets used inside the Company must be approved for their usable characters. (4) Developing of the intangible assets are supported by sufficient technical, financial, and other resources, and the intangible assets can be used or sold. (5) Expenditures occurred in developing of the intangible asset may be reliably measured.

#### 17. Impairment of partial long-term assets

For those long-term assets such as equity investment, fixed assets measured on cost basis, construction-in-process, intangible assets with limited service life, their recoverable amount shall be evaluated as soon as there was

evidence indicating impairment at the balance sheet day. For intangible assets such as goodwill from merger or intangible assets with uncertain service lives, impairment test is performed each year whatever there is evidence of impairment or not. Impairment test on goodwill is performed on combination of related assets.

When the result of prediction shows that the recoverable amount is lower than its book value, the balance shall be provided impairment provision and accounted into current gain/loss.

#### 18. Long-term amortizable expenses

Long-term amortizable expenses which have been paid but with amortizing period over 1 year (not included). Long-term amortizable expenses are recorded at actual amount occurred, and straight amortized to stipulated periods. In case a long-term expense was not benefiting the succeeding periods, then the balance of the account shall be transferred over to current income account.

#### 19. Employees' wage

1. Employees' wage composes of short-term wages, after-job welfare, dismiss welfare, and other long-term welfares.

##### 2. Accounting of short-term wages

In the fiscal period when an employee is providing services, short-term wages actually occurred is recognized as liability, and recorded into current gain/loss account or cost of related asset.

(1) In the fiscal period when an employee is providing service, the payable amount calculated by the stipulated saving plan is recognized as liability and recorded into current gain/loss or cost of related asset.

(2) Accounting of stipulated beneficiary plan is on following steps:

1) On basis of expected accumulation of welfare, estimations on population variables and financial variables, calculating of liabilities from stipulated beneficiary plan, and recognition of the period of related liabilities, are performed on basis of non-bias and accordance actuary. Meanwhile, discount is performed on the liabilities from stipulated beneficiary plan to recognize the current value and service cost of the liabilities from the stipulated beneficiary plan.

2) When there is asset involved in the stipulated beneficiary asset, the deficit or premium from the balance of the current value of liabilities of stipulated beneficiary plan over their fair values is recognized as its net liability or net asset. When there is a premium with a stipulated beneficiary plan, the lower one between the premium and the upper limit of the asset is recognized as the net asset of such stipulated beneficiary asset;

3) At end of period, employees' wages from stipulated beneficiary plan are recognized by three parts including service cost, net interest of net liability or net asset, and recalculated net asset or liability variation. The first two are recorded into current gain/loss or related asset cost, the third is recorded to other gains, which will not be written back to gain/loss in successive fiscal periods, but the amount can be transferred with the range of equity.

##### 3. Accounting of dismissing welfare

Welfares for employees who are dismissed, the earlier one of the following is recognized as employee wage liability, and recorded to current gain /loss:

(1) When the Company cannot, on its own call only, retrieve the dismissing welfare provided by dismissing of service plan or suggestion;

(2) When the costs or expenses related to restructuring involved in the dismissing welfare are recognized by the Company.

##### 4. Accounting of other long-term employees' welfares

As of long-term welfares provided to the employees, those which satisfy conditions of the stipulated saving plan are treated according to related regulations of stipulated saving plan; those which other than the aforesaid, are treated according to the stipulated beneficiary plan. In viewing of simplifying accounting treatment, employee wage costs are recognized as service costs, the net amounts of interests of other long-term welfare net liability or asset, along with recalculated variations of the both are recorded to the related gain/loss or cost of related asset.

#### 20. Expected liabilities

(1) When it is very much likely to cause economic interests which can be reliably calculated outflow from the company to fulfill the obligation which is due to giving security outside, contentious matter, quality guarantee of products, onerous contract and other contingency, the company will regard the obligation as anticipation liabilities.

(2) The company will make an initial measurement of anticipation liabilities according to needed expense of best estimation when fulfilling related obligations and check the book value of anticipation liabilities on the balance sheet date.

#### 21. Revenue

##### 1. Recognizing of revenue

(1) Sales of goods

Sales income is recognized when all of these conditions are satisfied: (1) Major risks and rewards attached to the goods have been transferred to the purchaser; (2) The Company holds neither successive management power which is normally attached to ownership, nor effective control, over the goods which have been sold out; (4) Amount of income may be reliably measured; (5) when the costs, occurred or will occur, may be measured reliably.

#### (2) Providing of services

At balance sheet day, those service trades (simultaneously satisfying the requirements of those: income can be measured reliably, related economic benefit will flow in very possibly, transaction procedure can be confirmed reliably, happened and happening cost can be measured reliably) which can be reliably estimated are recognized at the percentage of completion, and progress of completion of service is decided by the portion of costs occurred over the estimated total costs. At balance sheet day, those service trades which can not be reliably estimated, if the happened services cost will be compensated, the services income are recognized according to happened service cost and transited to service cost according to same amount; if the happened services cost will not be compensated, the happened services cost are accounted into current term's gain or loss and the services income will not be recognized.

#### (3) Giving of asset using rights

Income from giving of assets is recognized when satisfying requirements: related economic benefit flows in very possibly, income can be measured reliably. Amount of interest income is calculated according to the time and actual interest rate of the monetary capital is used by other party. Income of using fee is calculated upon the charge period and calculation provided by the related contract or agreement.

#### (4) Construction contracts

1) When the result of the construction contract is able to be evaluated reliably at the balance sheet date, the income and cost of the contract are recognized on completion percentage basis. If the result of the construction contract is not able to be evaluated reliably, but the contract cost may be recovered, the income is recognized at the cost actually recovered, and the cost of the contract is recognized as contract expenses of the current period when it is occurred.

2) When all of the following conditions were satisfied, the result of a fix-amount contract is regarded as can be evaluated reliably: the total income of the contract may be measured reliably, there is great possibility that the financial benefit in relation with the contract will inflow, the actual contract costs may be identified and measured clearly and reliably, the construction progress and the cost to occur are able to be measured reliably. When all of the following conditions are satisfied, the result of a cost-plus-commission contract is regarded as can be evaluated reliably: there is great possibility that the financial benefit in relation with the contract will inflow, the actual costs may be identified and measured clearly and reliably.

3) Contract progress is recognized at the ratio of accumulative actual cost on the predicted complete cost.

4) In case the expected total cost is greater than the total income, the expected loss will be recognized as expense of the current period. If the construction is in process, the balance is accounted as inventory impairment provision; if the contract is not executed, the balance is accounted as expected liability.

#### 2. Practical basis for recognition of revenue

Particular methods for recognition of revenue. The Company is mainly engaged in designing, manufacturing, sales, and service of steam turbines and gas turbines falling in the range of rotating and reciprocating machinery, and parts. Recognition of sales in the country shall satisfy: products had been delivered to the buyer and the amount had been fixed. Payment was received or documents received with great possibility of cash inflow. And the cost of the products is able to be measured appropriately. Recognition of sales outside the country shall satisfy: The goods had been filed by the custom and departed with bill of lading obtained. The amount had been fixed, and payment was received or documents received with great possibility of cash inflow. And the cost of the products is able to be measured appropriately.

#### 22. Government subsidy

##### 1. Recognition basis and accounting of asset-related government subsidy

Government subsidies to the Company for purchasing or acquiring by other means of long-term asset are asset-related government subsidies. They are recognized as deferred income and amortized straightly to their service lives and accounted in current gain/loss. Whereas government subsidy measured by nominal amount are recorded to current gain/loss account.

##### 2. Recognition basis and accounting of income-related government subsidy

Government subsidies other than asset-related subsidies are recognized as income-related government subsidies. Those, which are used to cover costs or losses in subsequent periods, are recognized as deferred income and accounted to current gain/loss to the periods of related expenses. Those, which are used to makeup expenses or

losses already occurred, are recorded to current gain/loss account.

### 23. Deferred income tax assets/ deferred income tax liabilities

1. Deferred income tax liabilities or assets are recognized at proper rate in the term of retrieving the assets or paying the liabilities according to difference (for not recognized assets and liabilities which tax basis can be recognized, the difference is between the tax basis and the book value) between book value of the assets or liabilities and the tax basis.

2. Deferred income tax assets are recognized limitedly by the income tax which very possibly deduct deductible temporary difference. At balance sheet day, the not-yet recognized deferred income tax assets in previous fiscal term are recognized if have evidence to prove there is enough income tax very possibly to deduct deductible temporary difference.

3. At the balance sheet day, verification will be performed on the book value of differed income tax assets. If it is not possible to obtain enough taxable income to neutralize the benefit of differed income tax assets, then the book value of the differed income tax assets shall be reduced. Whenever obtaining of taxable income became possible, the reduced amount shall be restored.

4. Current income tax and differed income tax are accounted into current gain/loss account as income tax expenditures or gains, but exclude the following income taxes: (1) Merger of enterprises; (2) Transactions or events recognized directly in owners' equity.

### 24. Lease

#### Accounting of operational lease

When the Company is the lessee, the amount is recorded to asset cost or recognized as gain/loss of current period on straight basis to the periods of lease. Initial direct expenses are accounted into current gain/loss. Contingent rentals are recorded to current gain/loss at actual occurrence.

When the Company is the lessor, the amount is recorded to current gain/loss at straight basis to the periods of lease. Initial direct expenses are recorded to current gain/loss other than those with greater amount which are capitalized and recorded to gain/loss of different periods. Contingent rentals are recorded to current gain/loss at actual occurrence.

### 25. Other important accounting policies and accounting estimates

According to document CQ (2012) No. 16 issued by National Department of Finance and National Safety Inspection Bureau General, the Company was categorized as machinery production enterprise. Providing of workplace safety funds are to be provided on monthly basis according to the following schedule: 2% provided on the turnover less than RMB10 million; 1% on the amount over RMB10 million and less than RMB100 million; 0.2% on the amount over RMB100 million and less than RMB1 billion; 0.1% on the amount over RMB1 billion and less than RMB5 billion; 0.05% on the amount over RMB5 billion.

The above safety expenses are drawn according to national regulations and accounted to costs of related products and recorded to "special reserves" at the same time. At providing of safety expenses, expense-related costs are deducted from the special reserves. When a safety fund was drawn and composes part of a fixed asset, they are collected under construction-in-process, and recognized to fixed asset when the asset reaches usable status. Meanwhile, the special reserve is deducted by the costs which compose part of the fixed asset, and accumulative depreciation is recognized at the same amount. This fixed asset is not subject to depreciation in successive periods.

## VI. Taxation

### 1. Main categories and rates of taxes

Category of taxes	Tax base	Tax rate
VAT	Sales of goods or providing of taxable labor service	17%
Operational tax	Taxable turnover	5%
City maintenance and construction tax	Turnover tax payable	7%
Enterprise income tax	Amount of income taxable	15%、25%
House tax	For those on price basis, taxes are paid at 1.2% of the balance of original value of the	1.2%、12%



	property after deducting of 30%; for those on rental basis, taxes are paid at 12% of the rental.	
Educational surcharge	Taxable turnover	3%
Local education additional	Taxable turnover	2%

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

Name	Income tax rate
The company and the subsidiary of Hangzhou Zhongneng Steam Turbine Power Co., Ltd., Zhejiang Steam Turbine Packaged Technology Development Co., Ltd., Hangzhou Steam Turbine Casting Co., Ltd., Zhejiang Huayuan Steam Turbine Machinery Co.,Ltd. and Hangzhou Guoneng Steam Turbine Engineering Co.,Ltd.	15%
Other Subsidiary (Domestic)	25%

#### (II) Preferential tax

1. According to the document “Notice for Qualification of High-tech Enterprises” (GKHZD (2015) No.29) issued by Department of Science and Technology High-tech Development Center, the Company along with Hangzhou Zhongneng Steam Turbine Power Co., Ltd. and Zhejiang Packaged Technologies Development Co., Ltd. – subsidiaries of the Company, were qualified as high-tech enterprises for term of three years. Therefore they enjoy 15% of tax for 2014-2016.

2. According to the document ZKFGD (2013) No.294 titled “Notice for Recognition of 491 High-tech Enterprises” issued jointly by Zhejiang Bureau of Science and Technology, Zhejiang Bureau of Finance, Zhejiang National Tax Bureau, and Zhenjiang Local Tax Bureau, Hangzhou Steam Turbine Casting Co., Ltd. was recognized as a High-Tech Enterprise, therefore enjoys 15% of income tax rate from 2013 to 2015.

3. According to the document “Notice for Qualification of High-tech Enterprises” (GKHZD (2015) No.36) issued by Department of Science and Technology High-tech Development Center, Zhejiang Huayuan Steam Turbine Machinery Co., Ltd. and Hangzhou Guoneng Steam Turbine Engineering Co., Ltd. – subsidiaries of the Company, were renewed or their qualifications as high-tech enterprises. Therefore they enjoy 15% of tax for 2014-2016.

#### 3.Other

Hangzhou Zhongneng Steam Turbine Power (Indonesia) Co., Ltd. registered in Indonesia overseas subsidiaries, the applicable local relevant tax laws and regulations.

### VII. Notes to the Consolidated Financial Statements

#### 1. Monetary capital

In RMB

Items	End of term	Beginning of term
Cash in stock	313,693.52	391,106.17
Bank deposit	768,046,413.77	688,833,556.36
Other monetary fund	26,407,482.47	62,372,133.71
Total	794,767,589.76	751,596,796.24
Incl:Total of accounts saved overseas	7,337,985.88	9,182,145.32

#### (2) Other statements

Other monetary fund composes of RMB25,755,592.47 of security for bank acceptance notes and RMB641,890.00 of security for bank guarantee letter. Other of RMB 10000.00.Both under limitation of using.

## 2. Bills receivable

## (1) Notes receivable listed by category

In RMB

Items	End of term	Beginning of term
Bank acceptance	502,979,313.54	637,528,943.49
Commercial acceptance	42,144,000.00	42,990,000.00
Total	545,123,313.54	680,518,943.49

## (2) Notes receivable pledged by the Company at the period-end

In RMB

Items	Amount on pledge
Bank acceptance	69,210,000.00
Total	69,210,000.00

(3) Notes receivable which had endorsed by the Company or had discounted and had not due on the balance sheet date at the period-end

In RMB

Items	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period -end
Bank acceptance	145,548,135.52	
Total	145,548,135.52	

## 3. Account receivable

## (1) Detailed categories

In RMB

Category	End of term					Beginning of term				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Account receivables provided bad debt provision in credit risk groups	2,816,587,421.03	98.95%	889,866,204.65	31.59%	1,926,721,216.38	2,861,049,700.73	98.97%	764,959,543.12	26.74%	2,096,090,157.61
Account receivable with minor individual amount but bad debt provision is provided	29,819,607.69	1.05%	29,819,607.69	100.00%		29,819,607.69	1.03%	29,819,607.69	100.00%	
Total	2,846,407,028.72	100.00%	919,685,812.34	32.31%	1,926,721,216.38	2,890,869,308.42	100.00%	794,779,150.81	27.49%	2,096,090,157.61

Receivables with individually significant amount and provision for bad and doubtful debts individually provided at the end of the reporting period.

Applicable  Not applicable

Receivable accounts in the group on which bad debt provisions are provided on age basis

Applicable  Not applicable

In RMB

Age	End of term		
	Other receivable account	Bad debt provision	Proportion%
Subitem within 1 year			
Within 1 year	839,983,392.07	42,040,985.31	5.00%
Subtotal within 1 year	839,983,392.07	42,040,985.31	5.00%
1-2 years	582,897,134.47	58,289,713.46	10.00%
2-3 years	606,296,568.64	181,888,970.62	30.00%
Over 3 years	787,410,325.85	607,646,535.26	77.17%
3-4 years	306,686,159.94	184,011,695.96	60.00%
4-5 years	285,446,633.00	228,357,306.39	80.00%
Over 5 years	195,277,532.91	195,277,532.91	100.00%
Total	2,816,587,421.03	889,866,204.65	

Notes:

Receivables with provision for bad and doubtful debts based on the balance percentage method in the portfolio

Applicable  Not applicable

Receivables with provision for bad and doubtful debts based on the other method in the portfolio

(2) The ending balance of receivables owed by the imputation of the top five parties

Name	Amount	Proportion(%)	Bad debt provision
Client 1	731,099,586.92	25.68%	248,033,881.74
Client 2	348,865,840.80	12.26%	155,544,016.80
Client 3	38,934,865.99	1.37%	2,179,009.80
Client 4	35,773,604.12	1.26%	1,788,680.21
Client 5	34,982,213.00	1.23%	3,302,601.05
Subtotal	1,189,656,110.83	41.80%	410,848,189.59

#### 4. Prepayments

(1) Age analysis

In RMB

Age	Balance in year-end		Balance in year-begin	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	209,505,588.85	86.89%	107,708,874.45	77.34%
1-2 years	17,312,679.02	7.18%	25,792,370.60	18.52%
2-3 years	819,746.06	0.34%	2,763,347.80	1.98%
Over 3 years	13,474,270.23	5.59%	3,002,731.80	2.16%
Total	241,112,284.16	--	139,267,324.65	---

Notes of the reasons of the prepayment ages over 1 year with significant amount but failed settled in time:

## (2) Top 5 of the closing balance of the prepayment collected according to the prepayment target

Name	Amount	Proportion(%)
Simemens Industrial Turbomachinery AB	13,104,732.53	5.44%
GOTE BORG ELECTRICAL AND MECHANICAL ENGINEERING FAR EAST LIMITED	11,313,321.30	4.69%
Zhenjiang Xinhua Group Co., Ltd.	7,176,000.00	2.98%
Qingdao Shengdaxin Electric power Technology Co., Ltd.	6,336,000.00	2.63%
Hangzhou Boiler Group Co., Ltd.	5,393,500.00	2.24%
Total	43,323,553.83	17.97%

Other notes:

## 5. Other account receivable

## (1) Detailed categories

In RMB

Category	End of term					Beginning of term				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Other Accounts receivable portfolio subject to impairment by credit risk	32,205,360.49	89.67%	5,117,535.19	15.89%	27,087,825.30	30,117,186.12	89.03%	4,543,128.83	15.08%	25,574,057.29
Other Accounts receivable with minor individual amount and bad debt provision provided	3,710,320.94	10.33%	3,710,320.94	100.00%		3,710,320.94	10.97%	3,710,320.94	100.00%	
Total	35,915,681.43	100.00%	8,827,856.13	24.58%	27,087,825.30	33,827,507.06	100.00%	8,253,449.77	24.40%	25,574,057.29

Other receivable accounts in the group on which bad debt provisions are provided on age basis

√ Applicable □ Not applicable

In RMB

Age	End of term		
	Other receivable account	Bad debt provision	Proportion%
Within 1 year			
Subtotal within 1 year	15,425,864.79	771,202.79	5.00%
Subtotal within 1 year	15,425,864.79	771,202.79	5.00%

1-2 years	9,025,838.98	902,583.90	10.00%
2-3 years	5,631,234.32	1,689,370.30	30.00%
Over 3 years	2,122,422.40	1,754,378.20	82.66%
3-4 years	499,392.00	299,635.20	60.00%
4-5 years	841,737.00	673,389.60	80.00%
Over 5 years	781,293.40	781,353.40	100.00%
Total	32,205,360.49	5,117,535.19	

Notes :

Other receivables with provision for bad and doubtful debts based on the balance percentage method in the portfolio

Applicable  Not applicable

Other receivables with provision for bad and doubtful debts based on the other method in the portfolio

Applicable  Not applicable

(2) Other accounts receivable classified by the nature of accounts

In RMB

Nature	Closing book balance	Opening book balance
Deposit	13,816,415.30	21,439,653.49
Provisional payment receivable	5,900,249.47	5,862,759.48
Petty cash	7,236,680.11	1,371,901.86
Other	8,962,336.55	5,153,192.23
Total	35,915,681.43	33,827,507.06

(3) Top 5 of the closing balance of Other accounts receivable collated according to the arrears party

In RMB

Name of the company	Account property	Book balance	Age	Percentage in total other receivable %	Bad debt provision
Shanghai Customs Waigaoqiao Office	Import CNC lathe	3,710,320.94	Over 5 years	10.33%	3,710,320.94
Investment from Indonesia Company receivable	Investment	3,246,800.00	2-3 years	9.04%	974,040.00
Export drawback receivable	Export Rebates	2,732,899.36	Within 1 year	7.61%	136,644.97
Shanghai Huiyi International Freight Agency Co., Ltd.	Payment of customs duties and VAT	2,132,201.18	Within 1 year	5.94%	106,610.06

Jiangxi Baohuashan Group Ningdu Hengfeng Mining Co., Ltd.	Bidding deposit	650,000.00	1-2 years	1.81%	65,000.00
<b>Total</b>	--	12,472,221.48	--	34.73%	4,992,615.97

## 6. Inventories

## (1) Details

In RMB

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Raw materials	401,944,097.21		401,944,097.21	458,779,130.89		458,779,130.89
Product in process	722,446,356.62		722,446,356.62	564,392,004.76		564,392,004.76
Products in stock	1,163,561,254.53	52,268,657.24	1,111,292,597.29	856,686,717.61	52,988,014.66	803,698,702.95
<b>Total</b>	2,287,951,708.36	52,268,657.24	2,235,683,051.12	1,879,857,853.26	52,988,014.66	1,826,869,838.60

## (2) Inventory depreciation provision

In RMB

Items	Beginning of term	Increased this period		Decreased this period		End of term
		Provided	Others	Written back or off	Others	
Products in stock	52,988,014.66			719,357.42		52,268,657.24
<b>Total</b>	52,988,014.66			719,357.42		52,268,657.24

## 7. Other current asset

In RMB

Items	End of term	Beginning of term
Bank financing products	552,700,000.00	426,000,000.00
Input tax deductible	9,655,533.03	1,089,566.15
Prepaid income tax	68,658.61	113,279.98
Prepayment of other tax	4,991,425.21	989.31
<b>Total</b>	567,415,616.85	427,203,835.44

Other notes:

## 8. Sellable financial asset

## (1) Details

In RMB

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	509,409,741.77		509,409,741.77	509,409,741.77		509,409,741.77
On cost basis	509,409,741.77		509,409,741.77	509,409,741.77		509,409,741.77
Total	509,409,741.77		509,409,741.77	509,409,741.77		509,409,741.77

## (2) Sellable financial assets on cost basis

In RMB

Company invested in	Book balance				Impairment provision				Shareholding proportion among the investees	Cash bonus of the reporting period
	Beginning of term	Increased this period	Decreased this period	End of term	Beginning of term	Increased this period	Decreased this period	End of term		
Bank of Hangzhou Co.,Ltd.	390,954,040.00			390,954,040.00					5.89%	
Greenesol Co.(India)	5,534,773.22			5,534,773.22					37.00%	
Hangzhou Changdi Equity Investment Partnership(Limited liability)	39,115,565.04			39,115,565.04					2.97%	
Hangzhou Steam Turbine Engineering Co., Ltd.	30,000,000.00			30,000,000.00					15.00%	
Zhejiang Sanxin Automatic Engineering Co., Ltd.	600,000.00			600,000.00					6.00%	
Zhejiang Zhongkon	15,000,000.00			15,000,000.00					5.27%	

g Solar Energy Technology Co., Ltd.										
Zhejiang Tianhang Steam Turbine Auxiliary Machinery Co., Ltd.	10,000,000.00			10,000,000.00					33.33%	
Wuxi Xinchang Steel Tube Co., Ltd.	18,205,363.51			18,205,363.51					18.00%	
Total	509,409,741.77			509,409,741.77					--	

## 9. Fixed assets

## (1) Details

In RMB

Items	Houses & buildings	Machinery equipment	Transportation equipment	Office equipment	Total
I. Original value					
1. Opening balance	430,839,912.93	969,905,790.70	29,785,975.08	99,549,945.71	1,530,081,624.42
2. Increased amount of the period	11,336,962.90	5,214,475.58	70,997.00	3,172,297.96	19,794,733.44
(1) Outsourcing		3,492,019.44	70,997.00	831,250.73	4,394,267.17
(2) Inventory, Fixed assets and Construction project into	11,336,962.90	1,722,456.14		2,341,047.23	15,400,466.27
(3) Enterprise consolidation					
3. Decreased amount of the		44,945.00		260,336.00	305,281.00



period					
(1) Disposal		44,945.00			44,945.00
				260,336.00	260,336.00
4.Closing balance	442,176,875.83	975,075,321.28	29,856,972.08	102,461,907.67	1,549,571,076.86
II. Accumulated depreciation accumulated amortization					
1.Opening balance	163,529,319.75	620,466,561.64	18,904,719.96	78,242,233.07	881,142,834.42
2.Increased amount of the period	5,920,011.61	30,129,079.27	1,024,167.64	3,985,087.10	41,058,345.62
(1) Withdrawal	5,920,011.61	30,129,079.27	1,024,167.64	3,985,087.10	41,058,345.62
3.Decreased amount of the period		39,526.95		249,922.56	289,449.51
(1) Disposal		39,526.95			39,526.95
				249,922.56	249,922.56
4.Closing balance	169,449,331.36	650,556,113.96	19,928,887.60	81,977,397.61	921,911,730.53
III. Impairment provision					
1.Opening balance	1,504,928.24	4,074,858.43		1,203,366.99	6,783,153.66
2.Increased amount of the period					
(1) Withdrawal					
3.Decreased amount of the period					
3.Decreased amount of the period					
(1) Disposal					
4.Closing balance	1,504,928.24	4,074,858.43		1,203,366.99	6,783,153.66

IV. Book value					
1. Closing book value	271,222,616.23	320,444,348.89	9,928,084.48	19,281,143.07	620,876,192.67
2. Opening book	265,805,664.94	345,364,370.63	10,881,255.12	20,104,345.65	642,155,636.34

## 10. Project under construction

## (1) Project under construction

In RMB

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Construction in process of parent Company ( 113 projects )	86,034,126.55		86,034,126.55	79,982,551.34		79,982,551.34
Tangxi Workshop PhaseII, Gouneng Company	14,592,961.69		14,592,961.69	19,540,353.62		19,540,353.62
Project of steam turbine heavy industry	69,422,380.30		69,422,380.30	18,177,025.86		18,177,025.86
Minor purchasing of equipment by subsidiaries	3,343,248.33		3,343,248.33			
Prepayment for equipment or projects				1,487,176.70		1,487,176.70
Total	173,392,716.87		173,392,716.87	119,187,107.52		119,187,107.52

## (2) Changes of significant construction in progress

In RMB

Project	Budget	Beginning of term	Increase this period	Transferred fixed assets	Other decreases	End of term	Accumulated input on budget %	Progress	Accumulate of interest capitalized	Interest capitalized this term	Ratio of interest capitalizing this term %	Fund recourse
Construction in process of parent	208,385,880.00	76,494,825.13	9,539,301.42			86,034,126.55	41.29%	Under Construction				

Company ( 113 projects)												
Completed project of parent Company ( 55 projects)	5,071,100.00	3,487,726.21	575,543.70	4,063,269.91				Completed				
Tangxi Workshop PhaseII, Gouneng Company	29,510,000.00	19,540,353.62	6,389,570.97	11,336,962.90		14,592,961.69	49.45%	Under Construction				
Project of steam turbine heavy industry	1,794,100,000.00	18,177,025.86	51,245,354.44			69,422,380.30	3.87%	Under Construction				
Minor purchasing of equipment by subsidiaries	8,343,248.33		3,343,248.33			3,343,248.33	40.07%	Under Construction				
Prepayment for equipment or projects	2,604,195.84	1,487,176.70			1,487,176.70			Completed				
Total	2,048,014,424.17	119,187,107.52	71,093,018.86	15,400,232.81	1,487,176.70	173,392,716.87	--	--				--

## 11. Intangible assets

## (1) Details

In RMB

Items	Land using right	Patent	Non-patent right	Other	Total
I. Original price					

1. Opening balance	332,298,312.33	200,000.00	8,000,000.00	328,376.07	340,826,688.40
2. Increased amount of the period		9,433.96			9,433.96
(1) Purchase		9,433.96			9,433.96
(2) Internal Development					
(3) Increased of Enterprise Combination					
3. Decreased amount of the period					
(1) Disposal					
4. Closing balance	332,298,312.33	209,433.96	8,000,000.00	328,376.07	340,836,122.36
II. Accumulated amortization					
1. Opening balance	35,119,224.60	86,000.00	466,666.67	205,589.95	35,877,481.22
2. Increased amount of the period	3,586,665.01	37,999.96	400,000.02	38,837.60	4,063,502.59
(1) Withdrawal	3,586,665.01	37,999.96	400,000.02	38,837.60	4,063,502.59
3. Decreased amount of the period					
(1) Disposal					
4. Closing balance	38,705,889.61	123,999.96	866,666.69	244,427.55	39,940,983.81
III. Impairment provision					
1. Opening balance					

2.Increased amount of the period					
(1) Withdrawal					
3.Decreased amount of the period					
(1) Disposal					
4.Closing balance					
IV. Book value					
1.Closing book value	293,592,422.72	85,434.00	7,133,333.31	83,948.52	300,895,138.55
2.Opening book value	297,179,087.73	114,000.00	7,533,333.33	122,786.12	304,949,207.18

The intangible assets by the end of the formation of the company's internal R & D accounted for 0.00% of the proportion of the balance of intangible assets

#### 12. Long-term amortize expenses

In RMB

Items	Balance in year-begin	Increase in this period	Amortized expenses	Other loss	Balance in year-end
Redecoration	1,781,295.80	51,377.11	132,123.74		1,700,549.17
Afforestation fees	248,176.00		124,088.00		124,088.00
Total	2,029,471.80	51,377.11	256,211.74		1,824,637.17

Other notes

#### 13. Deferred income tax assets/deferred income tax liabilities

##### (1) Deferred income tax assets had not been off-set

In RMB

Items	Balance in year-end			Balance in year-begin		
	Deductible difference	temporary	Deferred income tax assets	Deductible difference	temporary	Deferred income tax assets
Provision for Asset Impairment	988,021,920.95		153,518,142.89	862,665,829.01		134,087,883.30
Internal trade profit not realized	64,032,268.73		9,604,840.31	51,540,875.71		7,731,131.35
Deductible loss	60,288,265.27		9,073,150.16	109,318,315.61		16,427,657.71
Temporary difference	4,521,435.59		678,215.34	4,521,435.59		678,215.34

such as amortizing of software expense				
<b>Total</b>	1,116,863,890.54	172,874,348.70	1,028,046,455.92	158,924,887.70

## (2) Deferred income tax liabilities had not been off-set

In RMB

Items	Balance in year-end			Balance in year-begin		
	Deductible difference	temporary	Deferred income tax liabilities	Deductible difference	temporary	Deferred income tax liabilities
Accumulated depreciation:	6,783,153.66		1,017,473.05	6,783,153.66		1,017,473.05
<b>Total</b>	6,783,153.66		1,017,473.05	6,783,153.66		1,017,473.05

## (3) Details of the un-recognized deferred income tax assets

In RMB

Items	Balance in year-end	Balance in year-begin
Deductible provisional differences	262,915.84	137,939.89
Deductible loss	8,569,983.75	5,606,704.52
<b>Total</b>	8,832,899.59	5,744,644.41

## (4) Deductible losses of the un-recognized deferred income tax asset will expire in the following years

In RMB

Year	Balance in year-end	Balance in year-begin	Remark
2018	1,088,275.32	1,088,275.32	
2019	903,272.74	903,272.74	
2020	3,615,156.46	3,615,156.46	
2021	2,963,279.23		
<b>Total</b>	8,569,983.75	5,606,704.52	--

Other notes:

## 14.Short-term loans

## (1) Category of short-term loans

In RMB

Items	Balance in year-end	Balance in year-begin
Loan by pledge	10,000,000.00	10,000,000.00
<b>Mortgage loan</b>	71,250,000.00	75,350,000.00

Total	81,250,000.00	85,350,000.00
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Notes:

## 15. Notes payable

In RMB

Category	Balance in year-end	Balance in year-begin
Bank acceptance	198,065,752.08	194,226,049.73
Total	198,065,752.08	194,226,049.73

The amount payable at the end of this term is RMB 0.00.

## 16. Account payable

(1) Details

In RMB

Items	End of term	Beginning of term
Goods	1,050,191,962.10	796,106,637.10
Payment for equipment and projects	8,997,719.52	14,313,744.35
Total	1,059,189,681.62	810,420,381.45

## 17. Advances received

(1) Details

In RMB

Items	End of term	Beginning of term
Goods	2,015,952,250.97	1,736,820,949.19
Total	2,015,952,250.97	1,736,820,949.19

## 18. Employees' wage payable

(1) Details

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term
I. Short-term wages	46,643,490.67	277,164,866.72	284,685,461.96	39,122,895.43
II. Welfare after leaving of position-fixed provision scheme	23,613,983.79	36,622,933.27	47,079,981.30	13,156,935.76
Total	70,257,474.46	313,787,799.99	331,765,443.26	52,279,831.19

(2) Details of short term wages

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term
1. Wage, bonus, allowance and subsidies	34,671,757.54	196,907,397.75	216,190,193.64	15,388,961.65
2. Employee welfare		26,083,209.59	16,941,272.87	9,141,936.72
3. Social insurance	5,385,672.93	22,815,971.83	23,444,293.77	4,757,350.99

Incl. Medical insurance	4,746,884.21	20,247,907.48	20,621,235.24	4,373,556.45
Labor injury insurance	219,035.19	786,430.24	888,552.97	116,912.46
Maternity insurance	419,753.53	1,781,634.11	1,934,505.56	266,882.08
4. Housing fund	110,894.96	22,484,107.00	22,481,321.00	113,680.96
5. Labour union fee and employee education fee	6,475,165.24	8,682,347.22	5,436,547.35	9,720,965.11
7.Short-term profit sharing scheme		191,833.33	191,833.33	
Total	46,643,490.67	277,164,866.72	284,685,461.96	39,122,895.43

## (3) Details of fixed provision scheme

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term
1.Basic pension insurance	4,967,070.01	24,462,875.84	25,663,360.42	3,766,585.43
2. Unemployment insurance	532,115.91	2,330,359.71	2,582,745.30	279,730.32
3. Enterprise annual fee	18,114,797.87	9,829,697.72	18,833,875.58	9,110,620.01
Total	23,613,983.79	36,622,933.27	47,079,981.30	13,156,935.76

Other notes:

## 19. Tax Payable

In RMB

Items	Balance in year-end	Balance in year-begin
VAT	8,708,538.56	14,415,685.85
Business Tax	14,341.11	26,734.00
Enterprise Income tax	6,014,563.60	13,503,170.56
Individual Income tax	1,714,381.25	2,576,708.03
City Construction tax	941,556.39	1,039,687.83
Land use tax	918,480.00	1,245,105.20
Property tax		39,647.76
Education subjoin	416,322.64	453,914.47
Locality Education subjoin	277,543.45	303,713.60
Stamp tax	13,402.28	19,236.84
Local water source foundation	2,029,462.39	2,382,364.75
Disabled security fund		2,140.20
Vehicles use fee	2,340.00	



Total	21,050,931.67	36,008,109.09
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Other notes:

## 20. Other account payable

### (1) Other accounts payable listed by nature of the account

In RMB

Items	End of term	Beginning of term
Deposit	1,074,845.10	1,462,038.45
Provisional account payable	8,917,962.69	22,729,311.10
Other	14,861,123.47	5,513,775.96
Total	24,853,931.26	29,705,125.51

## 21. Non-current liabilities due within 1 year

In RMB

Items	End of term	Beginning of term
Long-term loans due within 1 year	200,000.00	300,000.00
Total	200,000.00	300,000.00

Other notes:

## 22. Long-term loan

### (1) Category of long-term loan

In RMB

Items	End of term	Beginning of term
Mortgage loan	23,400,000.00	23,400,000.00
Guaranteed loans	100,000,000.00	100,000,000.00
Total	123,400,000.00	123,400,000.00

Notes :

Other notes, Include interest rate range:

## 23. Deferred income

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term	Cause
Government subsidy	6,804,425.00	3,310,181.23		10,114,606.23	
Total	6,804,425.00	3,310,181.23		10,114,606.23	--

## Details of government subsidies

In RMB

Items	Beginning of term	New subsidy in current period	Amount transferred to non-operational income	Other changes	End of term	Asset-related or income-related
Financial allocation of advance manufacturing base	52,000.00				52,000.00	Asset-related
Financial subsidy for Provincial industrial transformation and upgrading	125,510.00				125,510.00	Asset-related
Government subsidy for industrial entities from Yuhang District Government in the 2 <sup>nd</sup> half of 2009	427,720.00				427,720.00	Asset-related
Government finance for industrial project in the 2nd half of 2006	4,903,785.00				4,903,785.00	Asset-related
Finance for casting project	640,000.00				640,000.00	Asset-related
Government subsidy for recycling economy	316,580.00				316,580.00	Asset-related
10K ton casting line enlarging project	316,580.00				316,580.00	Asset-related
Government fund for advanced manufacturing enterprise	22,250.00				22,250.00	Asset-related
Enterprise stable job subsidies		3,210,181.23			3,210,181.23	Asset-related
MPT spectrometer for the first time in the application of the project funding for the maintenance of the apparent condition of the steam turbine 2013YQ47078106		100,000.00			100,000.00	Asset-related
Total	6,804,425.00	3,310,181.23			10,114,606.23	--

Other notes:

## 24. Stock capital

In RMB

Balance Year-beginning	Increase/decrease this time (+, -)					Subtotal	Balance year-end
	Issuing of new share	Bonus shares	Transferred from reserves	Other			

Total of capital shares	754,010,400.00						754,010,400.00
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Other notes:

## 25. Capital reserves

In RMB

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
Share premium	81,815,220.00			81,815,220.00
Other capital reserves	57,775,125.09			57,775,125.09
Total	139,590,345.09			139,590,345.09

Notes:

## 26. Other comprehensive income

In RMB

Items	Beginning of term	Occurred current term					End of term
		Amount occurred before income tax of the period	Less: accounted as other gains previously but transferred to gain/loss this period	Less: Income tax expenses	Attributable to the parent co. after tax	Attributable to minority shareholders after tax	
II. Other Comprehensive income that will be reclassified subsequently to profit or loss	-852,752.00	881,469.91			375,326.36	506,143.55	-477,425.64
Translation differences of financial statements denominated in foreign currencies	-852,752.00	881,469.91			375,326.36	506,143.55	-477,425.64
Total	-852,752.00	881,469.91			375,326.36	506,143.55	-477,425.64

Notes:

## 28. Surplus reserve

In RMB

Items	Year-beginning balance	Increase in the current	Decrease in the current	Year-end balance
-------	------------------------	-------------------------	-------------------------	------------------

		period	period	
Labor safety expenses	31,764,920.51	1,168,964.22	1,348,662.38	31,585,222.35
<b>Total</b>	31,764,920.51	1,168,964.22	1,348,662.38	31,585,222.35

Other notes, including changes and reason of change:

## 28. Surplus reserves

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term
Statutory surplus reserves	621,112,807.78			621,112,807.78
<b>Total</b>	621,112,807.78			621,112,807.78

Statement on surplus reserves. Please state the related resolutions of the Board on capitalizing of reserves, making up losses, and dividends:

## 29. Retained profits

In RMB

Items	Amount of this period	Amount of last period
Adjustment on retained profit at end of previous term	2,673,711,591.42	2,911,921,943.21
Plus: Net profit attributable to owners of the parent company	-31,252,238.19	-10,282,333.32
Common share dividend payable		75,401,040.00
<b>Retained profit at the end of term</b>	<b>2,642,459,353.23</b>	<b>2,826,238,569.89</b>

As regards the details of adjusted the beginning undistributed profits

(1) As the retroactive adjustment on Enterprise Accounting Standards and its related new regulations, the affected beginning undistributed profits are RMB 0.00.

(2) As the change of the accounting policy, the affected beginning undistributed profits are RMB 0.00.

(3) As the correction of significant accounting error, the affected beginning undistributed profits are RMB 0.00.

(4) As the change of consolidation scope caused by the same control, the affected beginning undistributed profits are RMB 0.00.

(5) Other adjustment of the total affected beginning undistributed profits are RMB 0.00.

## 30. Business income and Business cost

In RMB

Items	Occurred current term	Occurred in previous term
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	Income	Cost	Income	Cost
Main Business	1,362,270,491.45	848,808,322.11	1,051,651,934.26	661,731,977.04
Other	5,153,280.43	2,129,583.93	3,344,391.98	777,370.14
Total	1,367,423,771.88	850,937,906.04	1,054,996,326.24	662,509,347.18

## 31. Business tax and surcharge

In RMB

Items	Occurred current term	Occurred in previous term
Business tax	36,467.22	76,064.57
City maintenance and construction tax	4,848,384.15	3,597,396.78
Education surtax	2,123,039.65	1,596,580.15
Local education surcharges	1,415,359.85	1,064,551.92
Total	8,423,250.87	6,334,593.42

Other notes:

## 32. Sales expenses

In RMB

Items	Occurred current term	Occurred in previous term
Employees' remunerations	24,144,838.68	27,276,709.31
Transportation	22,067,695.57	17,125,216.83
Business trips	9,321,130.31	8,118,609.81
Business reception expenses	3,856,181.75	3,388,749.62
Conferences	762,768.90	1,233,208.24
Consulting service fee	7,376,359.34	5,715,017.95
Insurance for turbine unit	115,012.33	132,272.45
Warranty expense	1,360,196.29	907,943.92
Product exhibition	879,035.70	475,420.96
Office expenses	290,453.85	398,913.10
Others	5,693,921.26	3,162,511.90
Total	75,867,593.98	67,934,574.09

Other notes:

## 33. Administrative expense

In RMB

Items	Occurred current term	Occurred in previous term
Employees' remunerations	154,766,064.42	150,393,259.60
R&D expenses	138,018,919.01	107,033,616.25

Asset depreciation and amortizing	10,600,496.96	10,524,580.76
Business reception expenses	6,075,008.72	6,689,781.94
House rental, property management, water and power	3,912,114.29	6,764,416.69
Traveling fees	3,693,110.12	2,928,486.47
Taxes	5,995,092.98	1,819,584.25
Material, low-value-consumable	1,179,867.75	1,517,319.57
Office expenses	1,529,414.33	1,867,126.81
Maintaining	1,393,232.10	1,516,499.13
Other	27,943,597.87	24,115,191.43
<b>Total</b>	<b>355,106,918.55</b>	<b>315,169,862.90</b>

Other notes:

#### 34. Financial expenses

In RMB

Items	Occurred current term	Occurred in previous term
Interest expense	4,856,082.74	6,368,172.77
Less: Incoming interests	2,276,735.92	3,258,526.77
Exchange gains/losses	-3,218,647.71	600,522.74
Commission	1,004,308.45	1,185,235.00
Other	147,021.61	37,036.60
<b>Total</b>	<b>512,029.17</b>	<b>4,932,440.34</b>

Other notes:

#### 35. Asset impairment loss

In RMB

Items	Occurred current term	Occurred in previous term
I.Losses for bad debts	125,619,636.17	22,650,560.50
<b>Total</b>	<b>125,619,636.17</b>	<b>22,650,560.50</b>

Other notes:

#### 36. Investment income

In RMB

Items	Occurred current term	Occurred in previous term
-------	-----------------------	---------------------------

Investment income gain from available for sale financial assets	3,587,659.70	28,742,368.00
Reverse repurchase treasury investment income	11,457,674.92	10,489,094.05
Total	15,045,334.62	39,231,462.05

Other notes:

### 37. Non-Operation income

In RMB

Items	Occurred current term	Occurred in previous term	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	17,299.04	29,583.00	17,299.04
Including: Gains from disposal of fixed assets	17,299.04	29,583.00	17,299.04
Government Subsidy	318,530.00	3,309,950.00	318,530.00
Compensation income	6,372,280.92	2,763,960.00	6,372,280.92
Other	136,652.06	181,713.55	136,652.06
Total	6,844,762.02	6,285,206.55	6,844,762.02

Government subsidy reckoned into current gains/losses

In RMB

Subsidy items	Issuing subject	Release cause	Type	Whether the impact of subsidies on the current profit and loss	Whether special subsidies	Amount of this period	Amount of last period	Asset-related or income-related
Transferred from deferred income				No	No		1,252,350.00	Assets related
Other sporadic government subsidies				No	No			Income related
2014 Provincial				No	No	4,000.00		Income related

Patent Grant/Hangzhou Yuhang District Science & Technology Bureau								
Award for Enterprise R&D Investment 2014				No	No	314,200.00		Income related
Transfer tax service fee				No	No	330.00		Income related
Hangzhou Xihu Production Promotion Center Patent Grant				No	No		5,000.00	Income related
Baiyang street Labor grant				No	No		5,600.00	Income related
Award for Enterprise R&D Investment 2013				No			971,000.00	Income related
2014 financial grants on intellectual property right				No	No		16,000.00	Income related
2014 Yuhang industrial risk-pooling funds				No	No		635,000.00	Income related
2014 Hangzhou city grants on safety production standardizati				No	No		100,000.00	Income related



on								
2014 Yuhang District grants on Quality Awards				No	No		200,000.00	Income related
Xiacheng District financial subsidies granted for safety production financial subsidies				No	No		100,000.00	Income related
Grants on Deqing Finance Bureau upgrading				No	No		25,000.00	Income related
<b>Total</b>	--	--	--	--	--	318,530.00	3,309,950.00	--

Other notes:

### 38. Non-operational expenditure

In RMB

Items	Current term	Same period of last term	Amount accounted into non-recurring gain/loss of current term
Total of loss from disposal of non-current assets	181,198.86	303,677.88	
Incl. Loss from disposal of fixed assets	181,198.86	303,677.88	181,198.86
Donations		110,000.00	
Penalty paid out	121,140.00	72,168.36	121,140.00
<b>Local water source foundation</b>	1,606,344.54	1,509,082.13	
<b>Penalties</b>	4,129.58	100.00	4,129.58
Other	44,881.67	162,134.52	44,973.39
<b>Total</b>	1,957,694.65	2,157,162.89	351,441.83

Other notes:

### 39. Income tax expenses

**(1) Details**

In RMB

Items	Current term	Same period of last term
Income tax of current term	10,258,830.52	15,455,703.13
<b>Deferred income tax</b>	-13,092,761.86	-4,165,246.93
Total	-2,833,931.34	11,290,456.20

**(2) Adjustment process of accounting profit and income tax expenses**

In RMB

Items	Current term
Total profit	-29,111,160.91
Income tax expenses calculated on legal / applicable tax rate	-4,366,674.14
Impact of different tax rates of subsidiaries	-1,276,970.54
Impact of income tax adjustment in previous periods	791,497.21
Impact of non-taxable income	-288,155.00
Impact of un-deductible costs, expenses or losses	163,875.18
Impact of deductible temporary difference of un-recognized deferred income tax asset of current period	2,142,495.94
Income tax expenses	-2,833,931.34

Other notes

## 40. Other Comprehensive income

Please find the statement in the notes of consolidated balance sheet.

## 41. Notes Cash flow statement

**(1) Other cash received from business operation**

In RMB

Items	Occurred current term	Occurred in previous term
Deposit interest	2,276,884.34	2,932,337.44
Government subsidies received	3,628,381.23	7,253,115.90
Deposit for bidding and other	-50,000.00	382,225.60
Compensation income	163,534.00	
Other	668,444.48	1,050,625.36
Total	6,687,244.05	11,618,304.30

Notes :

## 2. Other cash paid for business activities

In RMB

Items	Occurred current term	Occurred in previous term
Travel expenses	16,226,976.75	11,117,335.44
Transportation	3,272,653.84	2,241,434.65
Business trips	10,323,734.57	10,258,389.65
Maintaining	609,448.28	794,837.37
Property management and civil services	3,269,592.99	3,437,124.78
Deposit for bidding and others	3,788,086.28	6,037,215.36
Office expenses	2,915,351.76	3,460,947.30
Conferences	1,286,764.88	1,491,417.75
Consulting service fee	7,080,357.89	5,690,876.65
Transportation and vehicles	2,377,922.97	2,541,010.58
External donation		100,000.00
Other	27,694,463.47	20,594,189.36
<b>Total</b>	<b>78,845,353.68</b>	<b>67,764,778.89</b>

Notes:

## 3. Other investment-related cash received

In RMB

Items	Occurred current term	Occurred in previous term
Repurchasing of trusteeship	812,150,000.00	718,855,999.95
<b>Total</b>	<b>812,150,000.00</b>	<b>718,855,999.95</b>

Notes :

## 4. Other cash paid for investment activities

In RMB

Items	Current term	Same period of last term
Purchasing of financial products	938,850,000.00	754,555,999.95
<b>Total</b>	<b>938,850,000.00</b>	<b>754,555,999.95</b>

Notes :

## 42. Supplementary data of cash flow statement

## (1) Supplementary data of cash flow statement

In RMB

Supplementary Info.	Amount of the Current Term	Amount of the Previous Term
I. Adjusting net profit to cash flow from operating activities	---	---
Net profit	-26,277,229.57	7,533,997.32
Add: Impairment loss provision of assets	125,619,636.17	22,650,560.50

Depreciation of fixed assets, oil and gas assets and consumable biological assets	41,159,790.67	43,264,971.82
Amortization of intangible assets	3,663,502.57	3,660,084.07
Loss on disposal of fixed assets, intangible assets and other long-term deferred assets	5,418.05	17,462.55
Loss on scrap of fixed assets		286,215.33
Financial cost	9,053,563.16	7,181,607.57
Loss on investment	-15,045,334.62	-39,231,462.05
Decrease of deferred income tax assets	-13,949,461.00	-4,165,246.93
Decrease of deferred income tax Liabilities	0.00	
Decrease of inventories	-408,813,212.52	-462,624,380.00
Decrease of operating receivables	62,274,426.08	199,800,810.01
Increased of operating Payable	437,007,953.96	322,672,780.80
Other		774,172.30
Net cash flows arising from operating activities	214,699,052.95	101,821,573.29
II. Significant investment and financing activities that without cash flows:	--	--
3. Movement of cash and cash equivalents:	--	--
Ending balance of cash	768,360,107.29	556,567,843.18
Less: Beginning balance of cash equivalents	751,596,796.24	613,958,063.91
Net increase of cash and cash equivalents	16,763,311.05	-57,390,220.73

## (2) Composition of cash and cash equivalents

In RMB

Items	End of term	Beginning of term
1) Cash	768,360,107.29	751,596,796.24
<b>Incl: Cash in stock</b>	313,693.52	330,003.92
Bank savings could be used at any time	768,046,413.77	546,521,114.46
other monetary funds could be used at any time	26,407,482.47	9,716,724.80
3) Balance of cash and cash equivalents at end of term、	768,360,107.29	751,596,796.24

Other notes:

43. Foreign currency monetary items

(1) Foreign currency monetary items

In RMB

Items	Balance at end of period	Exchange rate	Translated to RMB at end of period
Monetary capital	--	--	147,859,399.00
Incl: USD	21,033,721.82	6.6312	139,478,816.13
Euro	141,207.74	7.3750	1,041,407.08
HKD	5.51	0.8547	4.71
JPY	9,031.00	0.0645	582.42
Rupiah	14,559,495,790.69	0.0005	7,337,985.88
Ruble	4,750.00	0.1269	602.78
Account receivable	--	--	209,639,064.80
Incl: USD	24,202,627.39	6.6312	160,492,462.75
Euro	6,577,007.51	7.3750	48,505,430.39
Rupiah	1,272,165,995.09	0.0005	641,171.66
Account payable			11,138,861.03
Incl: USD	1,483,436.06	6.6312	9,836,961.20
Euro	34,265.14	7.3750	252,705.41
Rupiah	2,081,734,963.57	0.0005	1,049,194.42

Other notes:

(2) Note to overseas operating entities, including important overseas operating entities, which should be disclosed about its principal business place, function currency for bookkeeping and basis for the choice. In case of any change in function currency, the cause should be disclosed.

√ Applicable  Not applicable

Hangzhou Zhongneng Steam Turbine Power (Indonesia) Co., Ltd. has its business located in Indonesia Rupee is the pricing and booking currency of business operation.

## VIII. Equities in Other Entities

### (I) Equity in major subsidiaries

#### 1. Composition of major subsidiaries

Name of the subsidiaries	Main business location	Reg. Add.	Business property	Share proportion %		Way of obtain
				Direct	Indirect	
Zhejiang Steam Turbine Packaged Technologies Development Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	70.86%		Incorporation
Hangzhou Zhongneng Steam Turbine Power Co., Ltd. (Zhongneng Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	60.83%		Incorporation
Hangzhou Steam Turbine Casting Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	51.00%		Incorporation
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	52.00%		Incorporation
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. (Auxiliary Machinery Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	87.53%		Incorporation
Zhejiang Turbine Import & Export Co., Ltd. (Turbine Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Commerce	100.00%		Incorporation
Hangzhou Steam Turbine Heavy Industry Co., Ltd. (Steam Turbine Heavy Industry)	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	100.00%		Incorporation
Zhejiang Huayuan Steam Turbine Machinery Co., Ltd. (Huayuan Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing		75.00%	Incorporation
Hangzhou Guoneng Steam Turbine	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing		75.00%	Incorporation

Engineering Co., Ltd. (Guoneng Co.)						
Xinjiang Taifeng Hangzhou Steam Turbine Packaged Technology Development Co., Ltd.	Xinjiang	Xinjiang	Manufacturing		51.00%	Incorporation
Hangzhou Bypass Mechanical & Electrical Equipment Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing		70.00%	Incorporation
Shijiazhuang Hangneng Steam Turbine Technology Service Co., Ltd.	Shijiazhuang Hebei	Shijiazhuang Hebei	Service		60.00%	Incorporation
Kunming Hangzhong Steam Turbine Technology Sevrvice Co., Ltd.	Kunming Yunnan	Kunming Yunnan	Service		60.00%	Incorporation
Wulumuqi Hangzhongneng Steam Turbine Technology Sevrvice Co., Ltd.	Qulumuqi Xingjiang	Qulumuqi Xingjiang	Service		60.00%	Incorporation
Tangshan Hangneng Steam turbine Technology Sevrvice Co., Ltd.	Tangshan Hebei	Tangshan Hebei	Service		60.00%	Incorporation
Jilin Hangzhongneng Steam turbine Technology	Jilin	Jilin	Service		60.00%	Incorporation

Seervice Co., Ltd.						
Guangxi Hangzhongneng Steam turbine Technology Seervice Co., Ltd.	Nanning Guangxi	Nanning Guangxi	Service		60.00%	Incorporation
Chengdu Hangzhongneng Steam turbine Technology Seervice Co., Ltd.	Chengdu Sichuan	Chengdu Sichuan	Service		60.00%	Incorporation
Luoyang Hangzhongneng Steam turbine Technology Seervice Co., Ltd.	Luoyang Henan	Luoyang Henan	Service		60.00%	Incorporation
Hangzhou Steam turbine Boiler Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing		50.00%	Incorporation
Hangzhou Zhongneng Steam turbine (Indonesia) Co., Ltd.	Indonesia	Indonesia	Manufacturing		70.00%	Incorporation
Hangzhou Kaineng Casting Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing		100.00%	Incorporation
Zhejiang Runhong Burning Machine Engineering Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing		58.00%	Incorporation
Zhejiang Zhongrun Burning machine Technology Co., Ltd.	Huzhou Zhejiang	Huzhou Zhejiang	Manufacturing		55.55%	Incorporation

Notes:



According to the articles of association of Huayuan Co., Hong Kong Ruiyun Enterprise Co., Ltd. – the overseas investor – will no longer enjoy the equity of the joint-venture as soon as the return reaches RMB10.50 million. As of December 31, 2012, Hong Kong Ruiyun Enterprise Co., Ltd. had received RMB10.50 million of dividend, therefore the minority shareholder's equity is neutralized to zero.

According to the articles of association of Guoneng Co., Hong Kong Ruiyun Enterprise Co., Ltd. – the overseas investor – will no longer enjoy the equity of the joint-venture as soon as the return reaches RMB20 million. As of December 31, 2011, Hong Kong Ruiyun Enterprise Co., Ltd. had received RMB20 million of dividend, therefore the minority shareholder's equity is neutralized to zero.

Basis for holding half or less than half of the voting rights but still controlling the invested unit and basis for holding more than half of the voting rights but failing to control the invested unit:

Basis for control over the important structured entity incorporated in the merger scope:

Basis for determining whether the Company is an agent or a client:

(2) Major non-fully-Owned subsidiaries

In RMB

Name of the subsidiaries	Share portion of minor shareholders	Gains/loss of the period attributable to minor shareholders	Dividend announced in the period to minor shareholders	Balance of equity of minor shareholders at end of period
Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	29.14%	962,856.79	3,715,987.50	30,269,113.29
Hangzhou Zhongneng Steam turbine Power Co., Ltd.	39.17%	-2,615,428.57	3,917,200.00	139,259,317.27
Hangzhou Steam Turbine Casting Co., Ltd.	49.00%	1,477,241.92		84,139,799.27
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	48.00%	9,779,631.78	21,600,000.00	59,141,034.73
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	12.47%	1,497,543.74	4,988,000.00	26,242,968.02

Notes: According to the articles of association of Huayuan Co., Hong Kong Ruiyun Enterprise Co., Ltd. – the overseas investor – will no longer enjoy the equity of the joint-venture as soon as the return reaches RMB10.50 million. As of December 31, 2012, Hong Kong Ruiyun Enterprise Co., Ltd. had received RMB10.50 million of dividend, therefore the minority shareholder's equity is neutralized to zero.

According to the articles of association of Guoneng Co., Hong Kong Ruiyun Enterprise Co., Ltd. – the overseas investor – will no longer enjoy the equity of the joint-venture as soon as the return reaches RMB20 million. As of December 31, 2011, Hong Kong Ruiyun Enterprise Co., Ltd. had received RMB20 million of dividend, therefore the minority shareholder's equity is neutralized to zero.

## (3 Material financial information of major non-fully-owned subsidiaries

In RMB

Subsidiaries Name	End of term						Beginning of term					
	Current assets	Non-current assets	Total of assets	Current liabilities	Non-current liabilities	Total of liability	Current assets	Non-current assets	Total of assets	Current liabilities	Non-current liabilities	Total of liability
Zhejiang Steam Turbine Package Technology Development Co., Ltd.	265,814,174.33	22,582,130.59	288,396,304.92	204,707,762.21		204,707,762.21	260,227,660.63	22,709,089.71	282,936,750.34	190,272,137.49		190,272,137.49
Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	841,582,345.96	78,623,250.92	920,205,596.88	598,085,632.89	330,000.00	598,415,632.89	804,557,533.77	81,590,268.49	886,147,802.26	548,736,452.55	330,000.00	549,066,452.55
Hangzhou Steam Turbine Casting Co., Ltd.	244,312,746.07	194,819,922.27	439,132,668.34	237,664,337.27	29,754,455.00	267,418,792.27	223,797,190.85	199,438,595.78	423,235,786.63	224,664,623.52	29,754,455.00	254,419,078.52
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	189,742,963.43	20,637,715.34	210,380,678.77	87,170,189.74		87,170,189.74	185,381,983.06	21,333,275.97	206,715,259.03	59,276,595.83		59,276,595.83
Hangzhou Steam Turbine Auxiliary	390,104,636.87	118,381,299.13	508,485,936.00	297,610,419.70	427,720.00	298,038,139.70	400,114,948.24	112,067,629.68	512,182,577.92	272,629,536.63	427,720.00	273,057,256.63

Machine ry Co., Ltd.											
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In RMB

Subsidiaries Name	Amount of current period				Amount of previous period				
	Turnover	Net profit	Total Gains	Misc Cash flow for business activities	Turnover	Net profit	Total Gains	Misc Cash flow for business activities	
Zhejiang Steam Turbine Packaged Technology Development Co., Ltd	83,612,988.7 3	3,773,929.86	3,773,929.86	16,927,682.5 6	87,432,537.3 3	10,039,415.1 9	10,039,415.1 9		26,392,803.8 9
Hangzhou Zhongneng Steam turbine Power Co., Ltd.	341,837,358. 58	-5,746,192.61	-5,746,192.61	24,130,671.6 9	250,704,039. 65	5,081,221.70	5,081,221.70		26,860,273.9 7
Hangzhou Steam Turbine Casting Co., Ltd.	154,101,020. 08	3,014,779.43	3,014,779.43	-7,002,715.11	130,950,701. 52	-1,208,396.38	-1,208,396.38		29,891,575.9 7
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	87,048,057.7 3	20,374,232.8 8	20,374,232.8 8	20,967,344.3 3	91,266,078.2 2	22,850,938.2 8	22,850,938.2 8		4,760,780.86
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	170,532,221. 25	12,008,146.9 0	12,008,146.9 0	20,063,610.0 4	198,271,553. 26	23,144,009.0 0	23,144,009.0 0		8,070,920.62

Notes:

IX. Risks related to financial instruments

X. Risks related to financial instruments

The objective of the Company's risk management is to achieve a balance between the risk and gains. Constrain

the negative influence on business operation to the lowest limit, and maximum the interests of shareholders and other equity holders. With regard to this target, the basic policies of the Company are; locate and analyse the risks, set appropriate bottom line for risks, and manage and monitor on each risk and constrain them in a certain extent.

Risks attached to financial instruments are mainly credit risks, liquidity risks, and market risks.

The following risk managing policies have been examined and approved by the management:

(I) Credit risks

Credit risks are introduced when one party of the financial instrument failed to exercise its liabilities and then caused financial loss to another.

The credit risks of the Company are mainly composed by bank savings and receivable accounts. Following measurements are adopted to control these risks:

1. Bank deposit

The Company puts its bank savings in financial institutions with higher credit ranks, therefore with lower risks.

2. Account receivable

The Company performs credit assessment on the clients on periodic and constant basis. Results suggested by the assessment are used by the Company to determine clients with higher ranks and to overlook the rest. This was conducted to avoid risks brought by material bad debts.

(1) Keep constant awareness on risks and supervising receivable accounts.

(2) Keep tracking every detail of business and accounting practices. Trade payment records are maintained as important references to the ranking of client credit. Dynamic management is performed on the clients latest situation and policies are made relatively.

(3) Keep on with direct sales and ensure every contract is followed by corresponding personnel.

For the Company only trade with parties with good credit ranks, no security property is needed. As of June 30, 2016, the credit risks feature collectiveness within the Company. 41.80% of the receivable accounts were attributable to top 5 clients. The Company holds no property as pledge or other credit ranking up.

Analyzing of receivable accounts neither due nor impaired, and those have due but not impaired:

Items	End of term				
	Not overdue and not impaired	Overdue but not impaired			Total
		Within 1 year	1-2 years	Over 2 years	
Bill receivable	545,123,313.54				545,123,313.54
Subtotal	545,123,313.54				545,123,313.54
(Continue)					
Items	Beginning of term				
		Overdue but not impaired			Total
		Within 1 year	1-2 years	Over 2 years	
Bill receivable	680,518,943.49				680,518,943.49
Subtotal	680,518,943.49				680,518,943.49

Categorizing of financial liabilities on remained period to due

Items	Beginning of term
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	Book value	Contract amount not discounted	within 1 year	1-3 years	Over 3 years
Financial liabilities	81,				
Short-term loans	81,250,000.00	84,615,643.58	84,615,643.58		
Notes payable	198,065,752.08	198,065,752.08	198,065,752.08		
Non-current liabilities due within one year	200,000.00	204,158.00	204,158.00		
Long-term loans	123,400,000.00	131,010,268.00	211,718.00	130,798,550.00	
Account payable	1,059,189,681.62	1,059,189,681.62	1,059,189,681.62		
Other account payable	24,571,382.36	24,571,382.36	24,571,382.36		
Sub-total	1,486,676,816.06	1,497,656,885.64	1,366,858,335.64	130,798,550.00	

(Continue)

Items	Beginning of term				
	Book value	Contract amount not discounted	within 1 year	1-3 years	Over 3 years
Financial liabilities					
Short-term loans	85,350,000.00	89,602,537.84	89,602,537.84		
Notes payable	194,226,049.73	194,226,049.73	194,226,049.73		
Non-current liabilities due within one year	300,000.00	331,550.05	331,550.05		
Long-term loans	123,400,000.00	142,672,805.36		142,672,805.36	
Account payable	810,420,381.45	810,420,381.45	810,420,381.45		
Other account payable	29,705,125.51	29,705,125.51	29,705,125.51		
Sub-total	1,243,401,556.69	1,266,958,449.94	1,124,285,644.58	142,672,805.36	

**(II) Liquidation risks**

Liquidation risks are the possibilities of short in cash at fulfilling liabilities of payment or settlement for financial assets. They may be caused by failing to cash financial assets at fair value instantly; debtors' failing of paying debts due; debts due before schedule; or failing of generating expected cash flow.

To handle these risks, the Company adopted multiple measures such as note clearance and bank loans. Long-term and short-term financing approaches were used to maintain balance between constancy and flexibility. The Company has obtained credit from multiple banks to satisfy the needs of business operation and capital

output.

Categorizing of financial liabilities on remained period to due

### (III) Market risks

Market risks are those brought by change of fair value or expectable cash flow of financial instruments due to change of market prices, mainly interest risks and exchange rate risks.

#### 1. Interest risks

Interest risks are those brought by change of fair value or expectable cash flow of financial instruments due to change of interest rates, mainly regards the loans at floating interest rates.

#### 2. Foreign currency risks

Foreign currency risks (exchange rate risks) are those caused by change of fair value or expectable cash flow of financial instruments due to fluctuation of exchange rates. These risks are mainly related to foreign currency assets and liabilities. The Company operates in mainland China and mostly uses RMB as standard currency, therefore no major risks regarding exchange rates.

For details of foreign currency assets and liabilities, please go to the descriptions in the notes to the consolidated financial statements.

## X. Related parties and related transactions

### 1. Parent company of the Company

Name of the parent Company	Reg.Add	Business property	Registered capital	Shareholding of the parent company	Voting rights of the parent Company %
Hangzhou Steam Turbine Group	Hangzhou China	Manufacturing	RMB 800 million	63.64%	63.64%

### Notes

#### (1) Place of registration, organizational form and address of headquarters.

Hangzhou Steam Turbine Power Group Co. Ltd., is a solely state-owned limited liability company approved by Hangzhou government. It was registered in Hangzhou administrative bureau for industry and commerce on May 7, 1998, with the License of The Business Corporation now numbered 330100000031779. Place of registration: Hangzhou. Legal representative: Zhonghai Nie. Registered capital of the company is 800 million Yuan, fully contributed by State-owned Assets Supervision and Administration Commission of Hangzhou government.

The predecessor of Hangzhou Steam Turbine Power Group Co. Ltd., is turbine factory, and it was built to be Hangzhou Steam Turbine Group Power Co. Ltd., on Dec. 14, 1992, officially replied and approved by files numbered [1992]68 by Hangzhou Commission for Structural Reforms, numbered [1992]883 by Hangzhou planning commission and numbered [1992]705 by Hangzhou economic committee. In June, 1995, Hangzhou Steam Turbine (Group) corporation reorganized to be Hangzhou Steam Turbine Group Co. Ltd., according to file No. [1995]61 published by Hangzhou government and file No.[1995]112 published by the government of Zhejiang province and state economic and trade commission, becoming solely state-owned corporation with registered capital 156.85 million authorized by Hangzhou government. In Jan. 2008, according to decisions of the second-session 32nd board meeting and the brief response note of the official document processing issued by the Hangzhou government State-owned Assets Supervision and Administration Commission “SASACJF [2008] No. 2 ”, and respond opinion and revised regulation of No.4 Hangzhou government State-owned Assets Supervision and Administration Commission, the registered capital of the Group increased by 343.15 million. In Feb. 2008,

the Group completed industrial and commercial change procedure, with registered capital 500 million after change. In Sept. 2012, according to the Group's board decision and the brief response note of the official document processing issued by and revised regulation received from the Hangzhou government State-owned Assets Supervision and Administration Commission "SASACJF [2008] No. 33", the Group increased by 300 million in registered capital. In Nov. 2012, the Group settled the industry and commercial change procedure, with registered capital of 800 million after change.

## (2) Nature of business and main business scope

Hangzhou Steam Turbine Group is a group company, whose business covers manufacture, process and textile machine, paper manufacturing machine, pump, casting, electric tool, variable gear devices, heat exchanger, numerical control and digital display devices and spare part of above equipment. It undertakes overseas machinery industry and domestic international bidding projects and equipment, material export, appointing contract workers needed by above foreign projects. It also involves thermoelectric project contracting and whole set of equipment, wholesale and retail products, spare parts and technology development, consulting, service of products mentioned above produced by group member enterprises. It provides raw materials, equipment, spare parts needed by group member enterprises for production and water, electricity and gas supply for subordinate companies.

Hangzhou Municipal Government State-owned Asset Supervisory Committee is the ultimate controller of the Company.

Other notes:

## 2. Subsidiaries

For details of subsidiaries please go to the statement of equities in other entities.

## 3. Other related parties

Name of the related parties	Relationship with the Company
Hangzhou Steam turbine Automobile sales service Co., Ltd.	Affiliate of the Group
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Affiliate of the Group
Hangzhou Nanfangtongda Gears Co., Ltd.	Affiliate of the Group
Hangzhou Nanhua Wooden Packaging Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Industrial Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Power Technologies Co., Ltd.	Affiliate of the Group
HSTG Technology Association	Affiliate of the Group
Hangzhou Steam Turbine Engineering Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Power Group Complete Equipment Engineering Co., Ltd.	Affiliate of the Group
Hangzhou Relian Group Co., Ltd.	Affiliate of the Group
Zhejiang Hanglian Steel & Iron Co., Ltd	Affiliate of the Group
Hangzhou Steam Turbine Electronic Valve Co., Ltd	Affiliate of the Group
Hangzhou Steam Turbine Compressor Co., Ltd.	Affiliate of the Group
HSTG(Hangzhou) United Institutes Co., Ltd.	Affiliate of the Group
Hangzhou Wandong Electric Co., Ltd	Affiliate of the Group

Greenesol Co.(India)	Affiliates of the auxiliary Co
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Notes

## 4.Related transaction

## (1) Sale of goods/rendering of labor services/labor service offering

## Purchase of goods and service

In RMB

Related parties	Content	Reporting period	Trading limit approved	Over the trading limit or not	Prior period
Hangzhou Steam turbine Automobile sales service Co., Ltd.	Transportation , repair , etc.	22,025,165.68	22,025,165.68	No	26,837,296.97
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Generators	66,620,352.11	66,620,352.11	No	38,940,170.91
Hangzhou Nanhua Wooden Packaging Co., Ltd.	Packaging	7,597,558.46	7,597,558.46	No	4,800,810.58
Hangzhou Nanfang Tongda Gears Co., Ltd.	Gear boxes	1,806,463.25	1,806,463.25	No	1,046,126.50
Hangzhou Steam Turbine Industrial Co., Ltd.	Law material, Industrial cooperation	640,102.34	640,102.34	No	973,521.04
Hangzhou Steam Turbine Group Co., Ltd.	Water and electricity	6,699,607.87	6,699,607.87	No	6,473,823.78
HSTG Technology Association	Industrial cooperation				169,230.76
Greenesol Co.(India)	Generators				25,380,594.36
HSTG (Hangzhou) United Institutes Co., Ltd.	Technical service	277,500.00	277,500.00	No	
Hangzhou Steam Turbine Engineering Co., Ltd	Project design fee	2,420,773.08	2,420,773.08	No	
Hangzhou Steam Turbine Electronic	Law material				770,000.00



Tube Co., Ltd					
Hangzhou Wandong Electric Co., Ltd	Industrial cooperation	13,333.33	13,333.33	No	
Subtotal		108,100,856.11	108,100,856.11		105,391,574.90

Related transactions regarding sales of goods or providing of services

In RMB

Related parties	Subjects of the related transactions	Current term	Same period of last term
Hangzhou Hangfa Power Generating Equipment Co.,Ltd.	Cast part, industrial cooperation	5,447,419.07	6,359,396.39
Hangzhou Steam Turbine Engineering Co., Ltd.	Steam turbine	136,752.14	3,447,863.25
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Small amount materials	376.09	250.03
Hangzhou Nanhua Wooden Packaging Co., Ltd	Small amount materials		854.70
Greenesol Co.(India)	Steam turbine	1,664,712.44	1,101,423.11
Hangzhou Steam Turbine Compressor Co., Ltd.	Compressor, Industrial cooperation	76,923.08	70,050.00
HSTG Technology Association	Industrial cooperation		136,923.08
Hangzhou Steam Turbine Power Group Complete Equipment Engineering Co., Ltd.	Steam Turbine		-531,623.94
Subtotal		7,326,182.82	10,585,136.62

Notes

(2) Information of related lease

The Company was lessor

In RMB

Name of lessee	Category of lease assets	The lease income confirmed in this year	The lease income confirmed in last year
Hangzhou Steam Turbine Compressor Co., Ltd.	Office		70,050.00

The company was lessee

In RMB

Lessor	Category of leased assets	The lease income confirmed in this year	Category of leased assets
Hangzhou Steam Turbine Power Group Co., Ltd.	House and Building	474,116.80	989,013.38
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Site leasing	782,514.62	3,611,046.39
Subtotal		1,256,631.42	4,600,059.77

Notes

### (3) Related-party guarantee

The Company was secured party

In RMB

The Company was secured party	Guarantee amount	Start date	End date	Execution accomplished or not

The Company was guarantor

In RMB

The Guarantor	Guarantee amount	Start date	End date	Execution accomplished or not
Hangzhou Steam Turbine Group	100,000,000.00	December 18,2015	December 17,2017	No

Notes

### (4) Remunerations of key managements

In RMB

Items	Current term	Same period of last term
Remunerations of key managements	2,269,038.36	2,819,750.04

### (5) Other related transactions

#### (1) Service and power supply

HSTG supplies water and power to the Company and some of the subsidiaries amounted to RMB6,699,607.87 this period. Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd. provided transportation to the Company's employees and RMB1,163,700 was paid this period. Hangzhou Steam Turbine Industry Co., Ltd. provided cleaning services to the Company and RMB649,999 was paid this period.

#### (2) Expenses paid on behalf the Company

Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd. paid RMB3,273,754.06 of tariff on behalf of Turbine Co. during the period.

### 5. Receivables and payables of related parties

## (1) Receivables

In RMB

Name	Related party	End of term		Beginning of term	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Account receivable	Hangzhou Steam Turbine Engineering Co., Ltd.	49,443,305.99	4,645,744.80	49,710,305.99	3,657,185.10
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	18,158,771.60	1,219,227.16	16,174,291.35	972,428.47
	Hangzhou Steam Turbine Power Group Complete Equipment Engineering Co., Ltd.	310,060.00	186,036.00	310,060.00	186,036.00
	Hangzhou Steam Turbine Compressor Co., Ltd.	59,000.00	2,950.00	236,000.00	11,800.00
	Hangzhou Steam Turbine Power Group Co., Ltd.	158,500.00	158,500.00	258,500.00	163,500.00
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.			16.48	0.82
	Greenesol Co.(India)	9,787,366.91	1,317,871.44	14,642,682.67	8,785,609.60
Subtotal		77,917,004.50	7,530,329.40	81,331,356.49	13,776,059.99
Prepayment	Hangzhou Steam Turbine Engineering Co., Ltd.	2,340,000.00		2,270,000.00	
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	23,444,325.00		26,834,825.00	
	Hangzhou Nanfang Tongda Gears Co., Ltd.	89,200.00			
Subtotal		25,873,525.00		29,104,825.00	

## (2) Payables

In RMB

Name	Related party	Amount at year	Amount at year beginning
Account payable	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	110,977,555.02	100,434,643.05
	Greenesol Co.(India)	9,059,276.95	8,495,882.02
	Hangzhou Steam Turbine Power Group Co., Ltd.	1,740,622.57	5,251,995.90
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd	895,770.30	2,737,416.93
	Hangzhou Nanhua Wooden Packaging Co., Ltd.	1,983,010.17	404,433.00
	Hangzhou Steam Turbine Engineering Co., Ltd.	1,860,000.00	380,000.00
	HSTG (Hangzhou) United Institutes Co., Ltd.	101,175.00	153,000.00
	Hangzhou Nanfang Tongda Gears Co., Ltd.	1,704,800.00	112,273.00
	Hangzhou Steam Turbine Industrial Co., Ltd.	252,316.50	8,440.00
Subtotal		128,574,526.51	117,978,083.90
Advances received	Hangzhou Steam Turbine Engineering Co., Ltd.	65,967,420.00	55,573,740.00
	Hangzhou Steam Turbine Compressor Co., Ltd.	14,190,000.00	14,235,000.00
	Greenesol Co.(India)	582,415.04	
Subtotal		80,739,835.04	69,808,740.00
Other account payable	Hangzhou Steam Turbine Group	6,828,737.55	6,050,024.82
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	100,000.00	
Subtotal		6,928,737.55	6,050,024.82

## XI. Other Material Issues

### Segment information

#### 1. Recognition of segments and accounting policies

Business segments are determined according to the administration structure, management requirement, and internal reporting mechanism. Segments are parts of the Company's business satisfying all of the following conditions:

- (1) Generate revenue and expenses in daily operations;

(2) Operational results can be assessed by the management to decide the resources to be allocated;

(3) Financial position, business results, and cash flow of the part is accessible through analyzing.

## 2. Reasons of not being able to report about the segments

The Company's business range is relatively narrow and mainly involved in producing and selling of steam turbines, gas turbines and auxiliary machinery and parts. It is regarded as an integral business by the management. Therefore segment report is not included in this report.

## 2..Other important impact on investor decision-making transactions and events

## XII. Notes to the Financial Statements of the Parent Co.

### 1. Account receivable

#### (1) Detailed categories

In RMB

Category	End of term					Beginning of term				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Account receivables provided bad debt provision in credit risk groups	2,183,248,730.63	98.65%	711,425,941.13	32.59%	1,471,822,789.50	2,236,823,799.21	98.68%	599,432,126.23	26.80%	1,637,391,672.98
Account receivable with minor individual amount but bad debt provision is provided	29,819,607.69	1.35%	29,819,607.69	100.00%		29,819,607.69	1.32%	29,819,607.69	100.00%	
Total	2,213,068,338.32	100.00%	741,245,548.82	33.49%	1,471,822,789.50	2,266,643,406.90	100.00%	629,251,733.92	27.76%	1,637,391,672.98

Receivables with individually significant amount and provision for bad and doubtful debts individually provided at the end of the reporting period.

Applicable  Not applicable

Receivable accounts in the group on which bad debt provisions are provided on age basis

Applicable  Not applicable

In RMB

Aging	End of term		
	Other receivable account	Bad debt provision	Proportion%
Subitem within 1 year			
Within 1 year	527,743,846.17	26,387,192.31	5.00%
Subtotal within 1 year	527,743,846.17	26,387,192.31	5.00%
1-2 years	406,874,447.40	40,687,444.74	10.00%
2-3 years	474,080,455.10	142,224,136.53	30.00%
Over 3 years	638,497,510.07	502,127,167.55	78.64%

3-4 years	221,636,315.11	132,981,789.07	60.00%
4-5 years	238,579,082.35	190,863,265.87	80.00%
Over 5 years	178,282,112.61	178,282,112.61	100.00%
Total	2,047,196,258.74	711,425,941.13	

## Receivable accounts combined within consolidating range for providing of bad debt provisions

Name	End of term		
	Book balance	Bad debt provision	Providing rate %
Combinations of related transactions in consolidation range	136,052,471.89		
Subtotal	136,052,471.89		

Remarks on deciding of combinations:

Receivable accounts and other receivable accounts within the consolidation range are tested for impairment individually. No bad debt provision is provided in case there is no impairment occurred.

Receivables with provision for bad and doubtful debts based on the balance percentage method in the portfolio

Not applicable

Receivables with provision for bad and doubtful debts based on the other method in the portfolio

(2) Top 5 of the closing balance of the accounts receivable collated according to the arrears party

Name	Nature	Book balance	Aging	Proportion%	Provision for bad debts
Clients 1	Goods	731,099,586.92	1-9 years	33.02%	248,033,881.74
Clients 2	Goods	348,865,840.80	1-9 years	15.76%	155,544,016.8
Clients 3	Goods	38,934,865.99	1-3 years	1.76%	2,179,9.80
Clients 4	Goods	35,773,604.12	1 year	1.62%	1,788,680.21
Clients 5	Goods	19,379,54.30	1 year	0.88%	968,975.22
Total		1,174,053,42.13		53.03%	408,514,563.75

## 2. Other account receivable

## (1) Detailed categories

In RMB

Category	End of term					Beginning of term				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Other receivables provided bad debt provision in credit risk groups	9,558,653.28	72.04%	2,074,892.22	21.71%	7,483,761.06	14,390,560.25	79.50%	2,145,188.28	14.91%	12,245,371.97
Other account receivable with	3,710,32	27.96%	3,710,32	100.00%		3,710,3	20.50%	3,710,320	100.00%	

minor individual amount but bad debt provision is provided	0.94		0.94			20.94		.94		
Total	13,268,974.22	100.00%	5,785,213.16	43.60%	7,483,761.06	18,100,881.19	100.00%	5,855,509.22	32.35%	12,245,371.97

Other receivables with individually significant amount and provision for bad and doubtful debts individually provided at the end of the reporting period.

Not applicable

Other receivable accounts in the group on which bad debt provisions are provided on age basis

In RMB

Age	End of term		
	Other receivable account	Bad debt provision	Proportion%
Subitem within 1 year			
Within 1 year	2,726,390.34	136,319.51	5.00%
Subtotal within 1 year	2,726,390.34	136,319.51	5.00%
1-2 years	2,785,526.90	278,552.69	10.00%
2-3 years	1,439,004.72	431,701.42	30.00%
Over 3 years	1,518,355.40	1,228,318.60	80.90%
3-4 years	428,692.00	257,215.20	60.00%
4-5 years	592,800.00	474,240.00	80.00%
Over 5 years	496,863.40	496,863.40	100.00%
Total	8,469,277.36	2,074,892.22	

Receivable accounts combined within consolidating range for providing of bad debt provisions

Name	End of term		
	Book balance	Bad debt provision	Providing rate %
Combinations of related transactions in consolidation range	1,089,375.92		
Subtotal	1,089,375.92		

Remarks on deciding of combinations:

Receivable accounts and other receivable accounts within the consolidation range are tested for impairment individually. No bad debt provision is provided in case there is no impairment occurred.

Other receivables with provision for bad and doubtful debts based on the balance percentage method in the portfolio

Not applicable

Other receivables with provision for bad and doubtful debts based on the other method in the portfolio

Not applicable

(2) Combination of other receivable accounts

In RMB

Account property	End of term	Beginning of term
Deposit	6,671,833.00	10,737,764.50
Provisional payment receivable	5,939,471.74	7,281,453.09
Petty cash	479,000.00	66,000.00
Other	178,669.48	15,663.60
<b>Total</b>	<b>13,268,974.22</b>	<b>18,100,881.19</b>

(3) Top 5 of the closing balance of Other accounts receivable collated according to the arrears party

In RMB

Name of the company	Account property	Book balance	Age	Percentage in total other receivable %	Bad debt provision
Shanghai Customs Waigaoqiao Office	Import CNC lathe	3,710,320.94	Over 5 years	27.96%	3,710,320.94
Guodian Trust Bidding Co., Ltd.	Back pressure turbine project of Datang International Zhangjiakou power plant	500,017.00	1 year	3.77%	25,000.85
Beijing Guodian Engineering Bidding Co., Ltd.	Taizhou Project	500,000.00	5 years	3.77%	400,000.00
Guodian Longyuan Power Technology Engineering Co., Ltd.	Inner Mongolia Wusitai Thermal Power project	500,000.00	3 years	3.77%	150,000.00
Jian Group Co., Ltd.	Jian2*50MWsteam Turbine Project	500,000.00	2 years	3.77%	50,000.00
<b>Total</b>	--	<b>5,710,337.94</b>	--	<b>43.04%</b>	<b>4,335,321.79</b>

## 3. Long-term share equity investment

In RMB

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment on subsidiaries	502,919,378.03		502,919,378.03	502,919,378.03		502,919,378.03
<b>Total</b>	<b>502,919,378.03</b>		<b>502,919,378.03</b>	<b>502,919,378.03</b>		<b>502,919,378.03</b>

(1) Investment to the subsidiary

In RMB



Name	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the reporting period	Closing balance of impairment provision
Touping Imports & Exports Co.	20,000,000.00			20,000,000.00		
Heavy Industry Co.	360,000,000.00			360,000,000.00		
Auxiliary Machine Co	46,286,513.41			46,286,513.41		
Packaged Co.	29,800,389.56			29,800,389.56		
Zhogneng Co.	27,644,475.06			27,644,475.06		
Machinery Co.	7,968,000.00			7,968,000.00		
Casting Co.	11,220,000.00			11,220,000.00		
Total	502,919,378.03			502,919,378.03		

## 4. Business income and Business cost

In RMB

Items	Amount of current period		Amount of previous period	
	Revenue	Cost	Revenue	Cost
Main business	865,641,911.52	540,221,337.74	605,562,263.07	411,394,602.32
Other business	8,058,477.84	5,896,004.22	15,011,785.21	13,842,788.87
Total	873,700,389.36	546,117,341.96	620,574,048.28	425,237,391.19

Other notes:

## 5. Investment income

In RMB

Items	Amount of current period	Amount of previous period
Investment income from holding available-for-sale equity instrument	2,587,659.70	
Long-term equity investment income by Cost method	73,528,812.50	146,450,783.00
Investment income of financial products	2,697,347.51	438,410.96
Total	78,813,819.71	146,889,193.96

## 6. Other

## XIII. Supplement information

## 1. Particulars about current non-recurring gains and loss

In RMB

Items	Amount	Notes
Gains/losses from the disposal of non-current asset	-163,899.82	
Governmental subsidy calculated into current gains and loss (while closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard)	318,530.00	
Gains and losses from change of fair values of held-for-transaction financial assets and financial liabilities except for the effective hedge business related to normal business of the Company, and investment income from disposal of transactional financial assets and liabilities and financial assets available for sale	11,457,674.92	
Other non-business income and expenditures other than the above	6,338,781.73	
Less: Influenced amount of income tax	3,485,076.88	
Amount of influence of minority interests	2,239,933.81	
Total	12,226,076.14	--

For the Company's non-recurring gain/loss items as defined in the Explanatory Announcement No.1 on information disclosure for Companies Offering their Securities to the Public-Non-recurring Gains and Losses and its non-recurring gain/loss items as illustrated in the Explanatory Announcement No.1 on information Disclosure for Companies offering their securities to the public-non-recurring Gains and losses which have been defined as recurring gains and losses, it is necessary to explain the reason.

Not applicable

## 2. Return on equity (ROE) and earnings per share (EPS)

Profit as of reporting period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	-0.74%	-0.04	-0.04
Net profit attributable to common	-1.03%	-0.060	-0.060

shareholders of the Company after deduction of non-recurring profit and loss			
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3.The differences between domestic and international accounting standards

(1) Differences between the net profit and net asset in the financial reports prepared under IAS and Chinese Accounting Standard

Not applicable

(2) Differences between the net profit and net asset in the financial reports prepared under IAS and Chinese Accounting Standard

Not applicable

4.Other

**X. Documents for Reference**

- (I) Financial Statements signed and sealed by the Chairman of the Board , chief accountant and director of the financial division;
- (II) All the originals of the Company's documents and public notices disclosed in the newspapers designated by China Securities Regulatory Commission in the report period;
- (III) Original copy of Resolutions of the 3rd Meeting of the 7<sup>th</sup> Term of Board.

Hangzhou Steam Turbine Co., Ltd.  
Chairman of the Board: Zheng Bin

August 13, 2016