Stock Code: 200771 Stock ID: Hangqilun B Announcement No. 2017-07

Hangzhou Steam Turbine Co., Ltd.

Annual Report 2016

Announcement on March 18,2017

I.Important Remarks, Table of Contents, and Definitions

The Board of Directors, The Supervisory Committee, the supervisors and the directors 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.

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.

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

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.

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

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Definition

Terms to be defined	Refers to	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, the current period, the current year	Defined as	January 1 – December 31 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 Supervisory Committee 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 as	Boiler Feeding Pump Turbine
MES	Defined as	Manufacturing execution system

Prompt of Risks

Risks in the Company's business operation are described in the Directors' Report in Chapter IV.

The Company's official disclosure presses: Hong Kong Commercial Daily (English), Shanghai Securities Daily (Chinese), Securities Times (Chinese), and http://www.cninfo.com.cn (Chinese & English). Please refer to these medias for the official disclosure of the Company and be aware of investment risks.

II. Basic Information of the Company and Financial index

I. Basic 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	HANGZHOU STEAM TURBINE CO.,LTD		
Abbreviation in English	HTC		
Legal representative:	Zheng Bin		
Reg. Add.	No. 357 Shiqiao Rd. Hangzhou		
Post Code	310022		
Office address	No. 357 Shiqiao Rd. Hangzhou		
Post Code:	310022		
Web Address	www.htc.cn		
Email.	ychq@htc.cn		

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	0571-85780438
Fax.	0571-85780433	0571-85780433
Email.	ychq@htc.cn	wangch@htc.cn

III. Place for information disclosure

Press media for information disclosure	Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily
Web address for the annual report as assigned by CSRC.	http://www.cninfo.com.cn
Place for inquiry of the annual report	The Board of Directors' Office of Hangzhou Steam Turbine Co., Ltd.

IV. Change of Business Registration

Organization code	913300007042026204
Change of main business since listed	The original scope of main businesses of the Company: The design and manufacturing of steam turbine, gas turbine, other rotating and to-and-fro machinery and auxiliary equipment, and spare parts and components, sales of self-manufactured products and the

	providing of relevant after-sales service and import & export service. In July 2008, the business scope was modified to: Design and manufacturing of steam turbine, gas turbine, other rotating and to-and-fro machinery and auxiliary equipment, and spare parts and components, sales of self-manufactured products and the providing of relevant after-sales service; sales and import & export of power plant, industrial driving, industrial turbine equipment and complete equipment. For those involve in quota or licensing shall follow legal procedures. In March 2009, the business scope was modified to: Design and manufacturing of steam turbine, gas turbine, other rotating and to-and-fro machinery and auxiliary equipment, and spare parts and components, sales of self-manufactured products and the providing of relevant after-sales service; sales and import & export of power plant, industrial driving, industrial turbine equipment and complete equipment. In December 2016, the business scope was modified to: Design and manufacturing of steam turbine, gas turbine, other rotating and to-and-fro machinery and auxiliary equipment, and spare parts and components, sales of self-manufactured products and the providing of relevant after-sales service; sales and import & export of power plant, industrial driving, industrial turbine equipment ,complete equipment and Energy conservation and environmental protection projects.
Change of holding shareholder (if any)	No change

V. Miscellaneous information

CPA hired by the Company

Name of the CPA	Pan-China Certified Public Accountants (Special general partnership)
Address of the CPA	B Unit, Huarun Building, No.1366, Qianjiang Road, Jianggan District Hangzhou
Name of CPA signed on the auditors' report	Jiang Xiaodong, Zhu Guogang

The sponsor performing persist ant supervision duties engaged by the Company in the reporting period.

Not applicable

The Financial advisor performing persist ant supervision duties engaged by the Company in the reporting period

Not applicable

VI.Summary of Accounting data and Financial index

May the Company make retroactive adjustment or restatement of the accounting data of the previous years due to change of the accounting policy and correction of accounting errors.

No

	2016	2015	Changed over last year （%）	2014
Operating Gross income（RMB）	3,235,303,379.24	2,600,072,151.63	24.43%	3,722,331,920.13
Net profit attributable to the shareholders of the listed company（RMB）	31,955,445.73	-162,809,311.79	119.63%	352,077,352.23

Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company（RMB）	**-8,366,688.71**	**-196,163,971.66**	**95.73%**	322,785,643.46
Cash flow generated by business operation, net（RMB）	506,159,428.42	355,677,773.05	42.31%	283,728,971.92
Basic earning per share(RMB/Share)	0.04	-0.22	**118.18%**	0.47
Diluted gains per share(RMB/Share)(RMB/Share)	0.04	-0.22	**118.18%**	0.47
Net asset earning ratio（%）	0.60%	-3.77%	4.37%	8.12%
	End of 2016	End of 2015	Changed over last year（%）	End of 2014
Gross assets（RMB）	10,550,899,708.34	7,683,777,005.63	37.31%	7,552,058,947.02
Net assets attributable to shareholders of the listed company（RMB）	6,385,346,243.23	4,219,337,312.80	51.34%	4,450,598,244.32

VII.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

Nil

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

Nil

VIII.Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	687,834,749.02	679,589,022.86	874,410,620.01	993,468,987.35
Net profit attributable to the shareholders of the listed company	6,620,245.62	-37,872,483.81	-29,088,489.63	92,296,173.55
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	2,908,791.39	-46,387,105.72	-36,516,519.69	**71,628,145.31**
Net Cash flow generated by business operation	18,550,921.62	196,148,131.33	146,361,357.75	**145,099,017.72**

Not exist between the above financial index or the index with its sum and the financial index of the quarterly report as well as semi-annual report index disclosed by the Company.

IX.Items and amount of non-current gains and losses

In RMB

Items	Amount (2016)	Amount (2015)	Amount (2014)	Notes
Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is made)	326,453.30	-441,916.66	83,044.88	
Government subsidies recognized in current gain and loss(excluding those closely related to the Company's business and granted under the state's policies)	16,968,792.22	15,752,977.27	12,268,275.22	
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	28,548,677.87	19,624,429.30	20,631,255.58	
Other non-operating income and expenditure beside for the above items	7,345,994.24	12,164,381.63	7,401,855.41	
Less: Influenced amount of income tax	8,701,193.64	8,553,255.35	8,283,775.86	
Amount of influence of minority interests（After tax）	4,166,589.55	5,191,956.32	2,808,946.46	
Total	40,322,134.44	33,354,659.87	29,291,708.77	--

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.

III. Outline of Company Business

I. Main Business the Company is Engaged in During the Report Period

The company does not need to comply with the disclosure requirements of the special industry

As the leading provider of turbo machinery equipment and relevant service in China, our company is mainly famous for designing and producing rotating turbo machinery like industrial steam turbines and gas turbines. Our company, one of the major companies drafting the industrial standard in Chinese domestic industry of industrial steam turbine, has developed into the biggest base to research, develop and produce industrial steam turbines in China and ranks first among industrial steam turbine producers in terms of the market occupancy. Holding the principle "our products should be based on clients' demands" as our business mode and characteristic, our company designs and produces in accordance with every client's personal demands so as to meet personalized needs in engineering projects to the utmost. To realize the fast research and development of our products, our company has adopted the advanced modular design technique and, on the other hand, introduces information technique to assist the collaborative production to achieve the resource saving and flexible production. In addition, our company also provides our clients with relevant service such as engineering programs, general engineering contracting, operation and maintenance of our products as well as remote control and so on.

Industrial steam turbines use the steam featuring high temperature and high pressure as their working medium so as to convert the thermal energy into mechanical energy to drive various industrial equipments through the rotating steam turbines. As for different objects driven by industrial steam turbines, the steam turbines could be divided into industrial driving steam turbines and industrial power-generation steam turbines. Mainly driving rotating machines like compressors, air blowers, pumps and squeezers, industrial driving steam turbines, as the core power part in numerous large-scale industrial equipments, are always introduced into some industries like oil refining, chemical engineering, chemical fertilizer, building materials, metallurgy, electric power, light industry and environmental production. The industrial power-generation steam turbines, mainly utilized to drive electric generators and provide thermal energy, are mainly adopted in private stations, regional projects of combined heat and power generation, power generation by recycling waste heat in industrial production, urban waster power plants and gas-steam combined cyclepower stations in various industrial sectors. The gas turbines produced by our company are mainly used by metallurgical industry to recycle the waste heat from the blast furnace exhaust to generate power. The mode of independent sales and cooperative productions is adopted in the sector of gas turbine business. We win our orders by participating in bidding for engineering equipments needed in new or reconstruction projects in domestic large-scale metallurgical industry. Our design for products is provided by technical partner, major parts of our products are systematically produced and purchased in China and some parts are imported overseas. In the report period, our company cooperating with SIEMENS in the field of distributed energy of gas has started our gas turbine business as the purchaser and implementor of integration of the project. Our company provides life-long operation guarantee service for our clients who have purchased our gas turbines, which has brought long-term business cooperation between our company and our clients.

As the major producer of industrial equipments in China during the report period, our company is mainly benefited from the following factors in terms of the elements driving our business performance:

1. On the basis of market demands. The relevant market demands fluctuate differently due to various business condition and investment cycles in different industrial fields. The sector of energy efficiency and environmental protection maintains its growth by increasingly deepening the structural adjustment of our providers and ceaselessly implementing the policy of "Address Overcapacity, Reduce Inventory, Deleverage, Lower Costs, and Bolster Areas of Weakness", even though the growth of market demands of industrial steam turbine should be encouraged. On the basis of further market segment, our company implements the differential marketing strategy, strengthens and expands advantages of our original market, further broadens our overseas market and insists on the strategy of "Go out."

2. Innovation and further reform in difficult areas of product technology.

Our company continuously improves product technical performance and tackles hard issues in the scientific researches of product structure, core parts, basic design, manufacturing technology, material technology, etc. In addition, basing on clients' demands, our company launches the study "The Demonstration and Application Project for Packaging Technology of Steam Turbine" to push forward the intelligence of our products and the development of the integration technology. In May 2016, "Zhejiang Technical Association for Gas Turbines in Equipment Manufacturing Industry" was officially founded jointly by our company and Zhejiang University and other scientific research institutions to build a new platform for integration of production and research in terms of gas turbine technology.

3. Upgrading and transformation of industrial structure transformation.

In July 2016, our company signed a strategic cooperation memorandum of understanding with SIEMENS and Xiexin and jointly entered the market of distributed energy resources to strengthen the development and utilization of natural gas distributed energy, which helped our company transformed from the business of gas turbine to the market of gas distributed energy resources. On the basis of the cooperative sales of gas turbine, our company can provide not only gas turbine equipment but also complete sets of gas turbine power station as well as effective overall solutions.

4. Brand and market position. The company's products have a good reputation and extensive brand influence in the domestic market, but in the international market, comparing with the international well-known enterprises, the company is far behind.

5.Cost controlling level. As domestic labor costs continue to rise and the price of industrial products continue to decline, the product profitability is facing a severe test. In recent years, the company continuously improves the level of costs controlling by improving the organizational structure, optimizing business processes, enhancing the supply chain controlling, strengthening risk management, raising the efficiency of all the staff and so on.

II. Major Changes in Main Assets

1.Major Changes in Main Assets

Main assets	Major changes
Equity assets	Mainly caused for that Hangzhou Bank invested and participated by the Company listed in October 2016 and the holding share was calculated according to fair value at the end of the year.
Fixed assets	No major changes
Intangible assets	No major changes
Construction in progress	No major changes

2. Main Conditions of Overseas Assets

Not applicable

III. Analysis On core Competitiveness

The company does not need to comply with the disclosure requirements of the special industry

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.

Firstly. A complete technical innovation system was established. The Company has under its possession of national, provincial, and municipal grade technical centers, a doctorial 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.

Cooperating with SIEMENS in the field of gas turbine, our company has been capable of selecting the model of the combined recycling project of distributed energy. In addition, our company has also been able to finish the independent processing or supporting work which doesn’t need to depend on the gas turbine machine. Our company has applied for 23 patents for invention and 22 patents for utility models and has gained 11 patents for inventions authorized by Patent Office and 18 patents for utility models in the whole year. Moreover, the casting forging company, our constituent company, has successfully passed the reexamination for new high-tech enterprises in 2016. The project “Development and Application of the Core Technology of the 1000MW Boiler Feed Pump Steam Turbine” launched by our company has passed the evaluation of the scientific and technological achievements held by Zhejiang Engineering Industry Association. The major special project “Industrial Steam Turbine as Steam-Driven Pump Assisting to Supply Water for Million Kilowatt Pressurized Water Reactor Power Plant” in Hangzhou has met the standard and adopted by relevant department.

Secondly .The advantages of solutions. The modular design of industrial steam turbine and the production pattern featuring parallelization production enable our company to give considerations to the cost, date of delivery and clients’ demands in the process of production in accordance with clients’ personalized designs, thereby making our company capable of advancing with the development trend of individual requirements. Our company has always been devoting to the localization in terms of the gas turbine business so as to achieve the localized one-stop service step by step including the sale, production, installation, debugging, operation, training and after-sale service. Our company has always been striving to provide clients with the complete equipment of gas turbine power station and the efficient total solutions.

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, At the same time, our company values the cooperation with universities. "Zhejiang Technical Association for Gas Turbines in Equipment Manufacturing Industry" was officially founded jointly by our company and Zhejiang University and other scientific research institutions to build a new platform for integration of production and research in terms of gas turbine technology.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.

IV. Management's Discussion and Analysis

I. General

Global economy was troubled by the complicated and rigorous situation in 2016 when developed countries suffered from obvious slackness of economic growth and economic resurgence. Generally speaking, the falling tendency of growth rate suffered by emerging economies hasn't been effectively controlled. New contradictions and risk points increasingly appeared in the process of addressing overcapacity, deleverage and restructuring in view of Chinese economic development in 2016. Chinese domestic real economy hasn't been fully revitalized, the steam turbine industry was challenged by the overcapacity and domestic market was in downturn and faced fiercer competition. In short, many enterprises faced difficulties in business operation.

Faced with the complicated international and domestic economic environment, our company formulated the annual economic working policy featured by "Deepening the management, innovation-oriented, opening up the market and strengthening the risk control". To be specific, we take the 13th Five Year Plan as our guiding principle and stick to the innovation-oriented path with active exploration of product service fields. Moreover, focusing on the key management work, we comprehensively control the risks of operation, pay much attention to the construction of brand culture and become competitive in high-end equipment products and services to realize the goal of reversing loss.

For the report period, the Company has realized turnover of RMB 3,235,303,379.24, a increase of 24.43%; Buinsess profit of RMB55,525,780.73 , a increase of 132.28%,total profit of RMB77,419,042.07, a increase of 152.24%%, Net profit of RMB66,911,369.92, a increase of 153.95%, net profit attributable to owners of the parent company of RMB31,955,445.73, a increase of 119.63%%.

(I) Adhere to Strategic Drive, Forcing Transformation and Upgrading

During the report period, the company released "Thirteen-Five" strategic development plan to build development vision of "creating an internationally renowned brand, and achieving globalization of industrial turbine business", established 3 strategic directions, namely, "market transformation", "business transformation" and "innovation drive", made it clear to consolidate steam turbine market, to develop combustion turbine business, to expand nuclear power business, and to improve products and engineering service capabilities, innovated business models, and achieved transformation from manufacturing enterprise to service-oriented manufacturing enterprise.

The company analyzed and executed assessment of "Thirteen-Five" strategic planning implementation, and made clear development path of various business, based on various strategic goals as guides, to ensure that "Thirteen-Five" strategic plan of the company was implemented. During the report period, the company implemented and adjusted organizational structure, established operations management platforms and risk management platforms, significantly adjusted production structure based on advanced manufacturing mode, and further integrated manufacturing systems resources, to promote development of "intelligent manufacturing" and "quality project".

During the report period, according to product transition goals of "Thirteen-Five" plan, the company focused on developing new businesses and products services businesses of combustion turbine. The company and Siemens held press conference in Distributed Energy International Exhibition held in Beijing, and officially announced that the two parties first cooperated in field of gas turbines, then, both sides jointly hosted 2016 China Gas Distributed Energy Generation Forum. By deeply digging current client resources of both sides, and through combining users, engineering companies, design institutes and other partners, both sides expanded marketing channels of new round of gas turbine distributed energy projects. In annual 2016, the company undertook an order of 4 GCL distribution energy combustion turbine units with RMB 516.75 million, becoming the company's first combustion turbine order.

During the report period, the company pushed construction of turbo heavy industry and scientific research building, and scientific research building now is finished. To solve fund demand of major construction projects, the company applied for special construction funds using "annual production 450 sets industrial steam turbines, combustion turbines, compressors and high-tech engineering supporting base construction project" of steamer heavy industry. China Development Bank used CDB Capital to buy share of steamer heavy industry, to implement national policy, and had been injected RMB 208 million special construction funds to steamer heavy industry.

(II) Dealing with Fierce Competition, Consolidating Market Position

During the report period, affected by overcapacity, low oil prices, energy-saving and environmental protection, industrial fierce competition and other factors, the company coal chemical-driven field orders were reduced, resulting into lower gross profit margins in pump power market. By deeply digging clients, in 2016, the company sold 391 units of steam turbines.

Facing difficult market situation, the company will continuously keep dominant position in petrochemical industry, coal chemical and other markets. Although in the reporting period, signed projects were reduced, the company will actively track potential and major investment projects, and provide personalized services in the early, creating favorable conditions for future market recovery. Overseas driven markets showed good situation, and the company successively got projects in Iran, Brunei, Kazakhstan and other emerging markets.

In domestic industrial power generation, the company continued to consolidate occupation ratio in Jiangsu, Zhejiang, Shandong, and other traditional superiority areas, actively developed its markets in North China, Northeast China and other regions, to expand market share, and sought breakthrough in solar thermal, combined cycle, waste power generation field; expanded products influence in bulk parameters with low heat, power generation, chemicals power station field; actively seized market of high capacity feed water pump and steam turbine, and consolidated leading position in induced draft fan and steam turbine. In overseas power generation field, the company successively undertook projects in Pakistan, Vietnam, India and other markets. |In nuclear power business fields, orders of the company were increased.

The company with Siemens explored domestic field of natural gas distributed energy, and successfully signed long-term service contracts of combustion turbine with users, to add new models of achieving service-oriented manufacturing strategy, realizing new breakthrough in the market area.

Subsidiaries of the company, focused on changes pattern, actively developed new markets. China energy company realized major breakthroughs in the areas of ultra high pressure, high pressure reheat unit, skid mounted units, biomass and garbage power; auxiliary engine company made breakthroughs in air cooler field, and annual contract amount of self-undertaken air cooler was RMB 70 million, and successfully undertook first overseas set of process air cooling project. Casting and forging company had gained 4 major certifications of classification society and pressure vessels, opening up new market space; machinery and equipment company successfully used laser cladding technology to repair steam turbine of user; complete set companies actively developed solar thermal power generation markets. Turbine companies strengthened and expanded overseas spare parts sales, overseas technology services, overseas users training, and other service services as well as actively explored complete set projects of overseas power station.

(III) Focused on High-End Manufacturing, Promoting Quality Project

In the reporting period, focusing on quality engineering, intelligent product, extension of industry chains, prospective technologies, the company continued to increase investment in research and development, to keep leading edge in core product technology areas. Many technology research and development projects aimed at hot spot applications in markets, such as "developing 25MW level high efficiency condenser shaping power steam turbine", "developing subcritical parameter steam turbine", "developing, designing and manufacturing sample machine of emergency steam turbine generator unit with LLS system in nuclear power station" and "industrialization application of high performance blade". For implementing technology development strategy of "efficient, intelligent, integration, lightweight", the company studied container technology of steam turbine unit, and successfully applied them in actual products. The company initiated to establish design and development system of combustion turbine, and had already initial capacity in gas turbine design and analysis methods. To better gather technological innovation resources, the company combined Zhejiang University and Zhejiang University of Technology to jointly initiate and establish "technical union in combustion gas turbine machinery industry of equipment manufacturing industry in Zhejiang Province", laying good foundation for the company to develop technical exchange and cooperation.

In the reporting period, special financing project of major science and technology in Hangzhou City, that is, "industrial steam turbine of auxiliary feed water pumps for pressurized water reactor nuclear power plant with million kilowatt levels", successfully passed acceptance. "100,000 m3/h ASP matching steam turbines" won the China's first set demonstration project of major technological equipment in the 12th China Industrial Forum in Annual 2015; "BFPT project development (WK71/2.1) of full capacity hydro cooling in million level" was jointly affirmed as 2016 "Zhejiang Manufacturing Quality" by Zhejiang Province Economic and Information Commission, Zhejiang Provincial Development and Reform Commission, and Zhejiang Provincial Department of Finance; the company was awarded as "key enterprise of high-end equipment manufacturing industry in Zhejiang Province" by Zhejiang Province Economic and Information Commission. The company yearly applied for 23 invention patents and 22 utility model patents, and gained 11 authorized invention patents and 18 utility model patents. In terms of information construction, the company focused on intelligent manufacturing, finished product warehouse updates, phase II of PLM system, pushing MES project, master data management, finance and business integration projects, developing and optimizing construction platform of business management. Aimed at business model (including personalized demands, differential design, small batch and many varieties) in discrete equipment manufacturing industry of the company, the company launched intelligent manufacturing project, namely, "discrete intelligent manufacturing and digital plant construction", and researched key technology in design and simulation, digital and automatic manufacturing, and intelligent remote services for users.

(IV) Deepen Digging Management Potential, Strengthening Development Foundation

In the reporting period, the company had established and improved its operational risk control system, and comprehensively controlled and managed areas having significant impact on its business, such as contract sign and review, contract execution, inventory of products being processed, finished goods inventory, and purchase prices. The company strengthened budget management, improved asset turnover rate, improved asset quality, cleaned up non-performing assets and bring them back into active use, to effectively prevent and control operational risk of the company. The company enhanced collection ability of overdue accounts receivable, and improved quantity and structure of accounts receivable by services, legal collection and debt restructuring, etc.

The company enhanced response ability of frequent changes in market needs, increased cohesion ability between production and sales, made full use of manufacturing resources, and improved agile manufacturing capabilities. In 2016, production rate of the company was substantially increased, Inventory turnover to further improve. The company continued to improve supply chain construction, established evaluation system of qualified supplier, held suppliers meeting, praised outstanding suppliers, and improved competition level of supply chain. The company gradually expanded operations ranges of procurement tendering and bidding, and specified related transactions, to further reduce procurement costs.

The company enhanced works in foreign investment and cooperation, capital operation and management after investment. In 2016, capital investment went ups and downs, and the company invested and took part in establishing Hangzhou Jushi Investment Partnership Enterprises (Limited Partnership), and listed for selling property share of Hangzhou Changdi Investment Partnership Enterprises (Limited Partnership). Hangzhou Bank invested as shares by the company went on the market in Shanghai Stock Exchange in October, 2016. During the report period, according to related policy guidelines and regarding improved capital efficiency as goal, the company conducted assessment liquidation and planned to cancel partial holding subsidiaries.

In the reporting period, the company successfully completed leadership transition of the company Board of Directors, Board of Supervisors, organized and hosted the 1st Board of Directors in seventh session to appoint General Manager, Deputy General Manager, Chief Engineer, Chief Accountant, Secretary of the Board of Directors, and other senior management personnel, and formed professional committees of the seventh Board of Directors.

(V) Planting Deep Corporate Culture, Transmitting Brand Value

During the report period, the company strengthened brand building to improve corporate image, and propagated mission, vision and values of "Thirteen-Five" strategic plan of the company through a variety of ways. In the staffs, the company held series of publicity, such as company model selection, "artisan spirit" and "Flash Turbo man", to promote enterprise spirit and guide employees to achieve personal values. The company won Hangzhou City "exemplary collective", its staffs respectively gained Hangzhou City "May 1st Labor Medal", Zhejiang Province "May 1st Labor Medal", China "May 1st Labor Medal", Hangzhou City "model worker", "top 10 craftsmen", and other honors, and General Manager of the company won the 4th Award for Outstanding Talent in Hangzhou City. The Xia Guoxing Numerical Control and Milling Machine Operator and Skill Master Workshop of the company won excellent award in Hangzhou City evaluation.

II. Main business analysis

1. General

Refer to relevant contents of "1.Summarization" in "Discussion and Analysis of Management".

2. Revenue and cost

(1)Component of Business Income

In RMB

	2016		2015		Increase /decrease
	Amount	Proportion	Amount	Proportion	
Total operating revenue	3,235,303,379.24	100%	2,600,072,151.63	100%	24.43%
Industry					
Boiler and power machine manufacture	2,989,184,750.02	92.39%	2,307,765,624.11	88.76%	29.53%

Casting	53,823,584.94	1.66%	63,703,960.06	2.45%	-15.51%
Petrochemical and other special machineries	39,019,819.50	1.21%	76,766,636.28	2.95%	-49.17%
Other	153,275,224.78	4.74%	151,835,931.18	5.84%	0.95%
On Products					
Industrial steam turbine	2,760,361,876.91	85.32%	2,135,628,506.22	82.14%	29.25%
Casting products	53,823,584.94	1.66%	63,703,960.06	2.45%	-15.51%
Auxiliary machinery	39,019,819.50	1.21%	76,766,636.28	2.95%	-49.17%
Part	228,822,873.11	7.07%	172,137,117.89	6.62%	32.93%
Other	153,275,224.78	4.74%	151,835,931.18	5.84%	0.95%
District					
Domestic	2,862,034,367.48	88.46%	2,341,939,139.05	90.07%	22.21%
Overseas	373,269,011.76	11.54%	258,133,012.58	9.93%	44.60%

(2)Situation of Industry, Product and District Occupying the Company's Business Income and Operating Profit with Profit over 10%

The company does not need to comply with the disclosure requirements of the special industry

In RMB

	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of the previous year(%)	Increase/decrease of business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
On Industries						
Boiler and power machine manufacture	2,989,184,750.02	2,056,859,507.22	31.19%	29.53%	26.25%	1.79%
On Products						
Industrial steam turbine	2,760,361,876.91	1,937,421,703.51	29.81%	29.25%	24.86%	2.47%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest on year's scope of period-end.

Not applicable

(3)Whether the Company's Physical Sales Income Exceeded Service Income

Business categories	Items	Unit	2016	2015	Change over same period last year
Steam turbine	Sales	Set/package	391	275	42.18%
	Output	Set/package	425	351	21.08%
	Inventory	Set/package	198	164	20.73%

Gas turbine, compressor	Sales	Set/package	0	2	-100.00%
	Output	Set/package	2	3	-33.33%
	Inventory	Set/package	8	6	33.33%

Statement on change of amounts for over 30% YoY.

Not Applicable

(4)Major orders in hand.

Not applicable

(5)Component of business cost

Product category

In RMB

Category	Items	2016		2015		Increase/Decrease (%)
		Amount	Proportion in the operating costs (%)	Amount	Proportion in the operating costs (%)	
Industrial steam turbine		1,937,421,703.51	87.88%	1,551,730,293.95	85.92%	24.86%
Casting		40,832,489.79	1.85%	52,584,471.30	2.91%	-22.35%
Auxiliary machinery		30,795,266.61	1.40%	59,872,907.95	3.32%	-48.57%
Part		119,437,803.71	5.42%	77,526,212.60	4.29%	54.06%
Other		76,091,517.45	3.45%	64,227,636.97	3.56%	18.47%
Subtotal		2,204,578,781.07	100.00%	1,805,941,522.77	100.00%	22.07%

(6)Whether Changes Occurred in Consolidation Scope in the Report Period

No

(7)Relevant Situation of Significant Changes or Adjustment of the Business, Product or Service in the Company's Report Period

Not applicable

(8)Situation of Main Customers and Main Supplier

Information of the Company's top 5 customers

Total sales amount to top 5 customers (RMB)	840,744,045.99
Proportion of sales to top 5 customers in the annual sales(%)	25.99%
Proportion of the sales volume to the top five customers in the total sales to the related parties in the year	0.00%

Information of the Company's top 5 customers

No	Name	Amount（RMB）	Proportion
1	Customer 1	499,856,794.83	15.45%

2	Customer 2	101,766,891.87	3.15%
3	Customer 3	100,905,889.00	3.12%
4	Customer 4	78,641,820.69	2.43%
5	Customer 5	59,572,649.60	1.84%
Total	--	840,744,045.99	25.99%

Notes

Not applicable

Principal suppliers

Total purchase of top 5 Suppliers（RMB）	357,314,060.86
Percentage of total purchase of top 5 suppliers In total annual purchase(%)	15.77%
Proportion of purchase amount from the top 5 suppliers in the total purchase amount from the related parties in the year	9.04%

Information about the top 5 suppliers

No	Name	Amount（RMB）	Proportion
1	Supplier 1	140,548,615.67	6.20%
2	Supplier 2	64,245,738.46	2.84%
3	Supplier 3	56,424,092.80	2.49%
4	Supplier 4	52,922,608.61	2.34%
5	Supplier 5	43,173,005.32	1.91%
Total	--	357,314,060.86	15.77%

Notes

Not applicable

3.Expenses

In RMB

	2016	2015	Increase/Decrease(%)	Notes
Sale expenses	164,610,410.65	156,702,806.61	5.05%	
Administration expenses	623,684,537.46	608,221,129.48	2.54%	
Financial expenses	-14,837,853.07	-7,563,749.45	-96.52%	Mainly due to the increase in exchange gains arising from the appreciation of foreign currency during the period

4. Research and Development

In 2016, the Company continued to intensify the technological breakthrough in scientific research and formed a series of achievements in it. As for development in new product, the Company completed the auxiliary feed pumps' installation and operation at the nuclear island of the megawatt nuclear power plant in Fuqing Nuclear Power Plant, completed the national acceptance and installing debugging of the turbines with air separation equipment of 100,000 m3/h, which is the major special projects of domestication and completed the installation and operation of HNG90/80, the first set of large back pressure turbine. As for development and application in new technology, the Company completed the development of Vane 5.0 and new straight vanes, a breakthrough in large high-efficiency vanes, completed the demonstration and application of packaging technique, completed the development of gas turbine's overall structure, completed the starting of the intelligent manufacturing and digitalized workshop. The development and application of the new products and new technology above are predicted to meet the demand of the future market in the coming 4 to 5 years, and it will further strengthen the Company's position and competitive advantage in this industry and guarantee a sound development for the national industry as well as the national security.

R & D investment situation

	2016	2015	Increase/Decrease(%)
Number of Research and Development persons (persons)	899	882	1.93%
Proportion of Research and Development persons	23.97%	22.92%	1.05%
Amount of Research and Development Investment (In RMB)	197,406,076.77	179,039,951.91	10.26%
Proportion of Research and Development Investment of Operation Revenue	6.10%	6.89%	-0.79%
Amount of Research and Development Investment Capitalization (In RMB)	0.00	0.00	0.00%
Proportion of Capitalization Research and Development Investment of Research and Development Investment	0.00%	0.00%	0.00%

The Reason of the Prominent Change in Total Amount of Research and Development Input Occupying the Business Income Year on Year

Not applicable

Explanation of the Reason for Substantial Changes in the Research and Development Input's Capitalization Rate and Its Reasonableness

Not applicable

5.Cash Flow

In RMB

Items	2016	2015	Increase/Decrease(%)

Subtotal of cash inflow received from operation activities	3,163,744,261.15	2,673,056,979.69	18.36%
Subtotal of cash outflow received from operation activities	2,657,584,832.73	2,317,379,206.64	14.68%
Net cash flow arising from operating activities	506,159,428.42	355,677,773.05	42.31%
Subtotal of cash inflow received from investing activities	1,802,162,475.79	1,794,826,065.94	0.41%
Subtotal of cash outflow for investment activities	2,316,529,187.90	1,890,836,013.04	22.51%
Net cash flow arising from investment activities	-514,366,712.11	-96,009,947.10	-435.74%
Subtotal cash inflow received from financing activities	410,000,000.00	212,390,000.00	93.04%
Subtotal cash outflow for financing activities	268,017,075.65	352,165,665.55	-23.89%
Net cash flow arising from financing activities	141,982,924.35	-139,775,665.55	201.58%
Net increase in cash and cash equivalents	142,012,322.32	126,461,101.03	12.30%

Notes to the year-on-year change of the relevant data

Items	2016	2015	Proportion %	Reason
Net cash flow arising from operating activities	506,159,428.42	355,677,773.05	42.31%	Mainly in the current period of sales of goods in the proportion of cash receipts increased year on year
Net cash flow arising from investment activities	-514,366,712.11	-96,009,947.10	-435.74%	Mainly due to the increase in net expenditure on financial products in the current period
Net cash flow arising from financing activities	141,982,924.35	-139,775,665.65	201.58%	Mainly due to the current round of steam turbine to receive funding from the country

Notes to the big difference between cash flow from operating activities and net profit in the reporting year

Large differences have existed between the net cash flow generated by the Company's current business activities and the net profit of this year,of which the reason was mainly caused by the confirmed huge losses in impairment of asset and decreases in receivables and prepayment at the current period, which increased receivables and prepayment.

III.Analysis of Non-core Business

In RMB

	Amount	Proportion in total profit	Explanation of cause	Sustainable (yes or no)

Investment income	32,136,337.57	41.51%	Mainly for the increase in the investment earnings of the financial products this year	
Changes in fair value gains and losses	2,137,800,156.80	2,761.34%	Mainly caused for that Hangzhou Bank invested and participated by the Company listed in October 2016 and the holding share was calculated according to fair value at the end of the year	
Impairment of assets	201,314,633.81	260.03%	Mainly for the increase in receivables with long aging, which resulted in increase in bad-debt provision with corresponding withdrawal; Otherwise, falling price reserves resulted from the reason of the termination of partial projects, where inventory cost was higher than net realizable value, which resulted in corresponding withdrawal.	
Non-operating income	26,168,216.69	33.80%	Mainly for the received government subsidy and contract compensation	
Non-operating expenses	4,274,955.35	5.52%	Mainly for the water conservancy construction fund with withdrawal	

IV.Condition of Asset and Liabilities

1.Condition of Asset Causing Significant Change

In RMB

	End of 2016		End of 2015		Proportion increase/decrease	Notes to the significant change
	Amount	Proportion in the total assets(%)				
Monetary fund	895,037,559.34	8.48%	751,596,796.24	9.78%	-1.30%	
Accounts receivable	1,870,173,348.32	17.73%	2,096,090,157.61	27.28%	-9.55%	
Inventories	1,901,544,358.26	18.02%	1,826,869,838.60	23.78%	-5.76%	
Fixed assets	615,922,109.91	5.84%	642,155,636.34	8.36%	-2.52%	
Construction in process	153,743,889.41	1.46%	119,187,107.52	1.55%	-0.09%	
Short-term loans	173,000,000.00	1.64%	85,350,000.00	1.11%	0.53%	
Long-term loans	4,900,000.00	0.05%	123,400,000.00	1.61%	-1.56%	

2.Asset and Liabilities Measured by Fair Value

In RMB

Items	Opening balance	Profit/losson fair value changes in this reporting period	Cumulative fairvalue changes charged to equity	Impairment provided in this Reporting period	Purchased in this reporting period	Sold inthis reporting period	Closing balance
Financial assets							
3.Available-for –sale financial assets	390,954,040.00		2,515,059,008.00				2,906,013,048.00
Subtotal of fainancial assets	390,954,040.00		2,515,059,008.00				2,906,013,048.00
Total of the above	390,954,040.00		2,515,059,008.00				2,906,013,048.00
Financial Liabilities	0.00		0.00				0.00

Significant changes in the measurement attributes of the main assets in this Reporting Period

No

3. Restricted asset rights as of the end of this Reporting Period

Assets under ownership or use rights

Items	End of Book value	Reason
Monetary fund	63,800,574.49	Utilized for issuing bank acceptance bill, L/C and L/G.
Bill receivable	24,402,755.20	Utilized for issuing bank acceptance bill
Fixed assets	127,364,125.62	Utilized for guaranteeing to obtain bank loan
Invisible assets	94,361,034.82	Utilized for pledging to obtain the bank loan and guaranteeing the investment loan for China Development Funds
Available for salefinancial assets	481,850,000.00	Utilized for guaranteeing the investment loan for China Development Funds
Total	791,778,490.13	

V.Investment situation

1. General

Investment Amount in 2016(RMB)	Investment Amount in 2015(RMB)	Change rate
39,442,786.76	11，593，515.32	240.21%

2.Condition of Acquiring Significant Share Right Investment during the Report Period

Not applicable

3.Situation of the Significant Non-equity Investment Undergoing in the Report Period

Not applicable

4.Investment of Financial Asset

（1）Securities investment

Nil.

（2）Investment in Derivatives

Nil.

5.Application of the raised capital

Nil

VI.Significant Asset and Right Offering

1.Situation of Significant Asset Sale

Nil

2.Situation of Substantial Stake Sale

Not applicable

VII.Analysis of the Main Share Holding Companies and Share Participating Companies

Situation of Main Subsidiaries and the Joint-stock Company with over 10% net profit influencing to the Company

In RMB

Name	Company type	Sectors engaged in	Registered capital	Total assets	Net assets	Turnover	Operating profit	Net Profit
Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Subsidiaries	Automatic control technology development	**51,000,000.00**	**279,877,771.07**	**88,426,176.90**	**219,104,132.13**	**9,502,506.99**	**8,511,564.05**
Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Subsidiaries	Turbine design and manufacture	92,500,000.00	**960,130,000.99**	**336,604,486.89**	**726,019,174.47**	**3,127,597.96**	**9,061,166.79**
Hangzhou Steam Turbine Casting Co., Ltd.	Subsidiaries	Cast steel, cast iron manufacturing	22,000,000.00	**406,270,109.45**	**165,559,715.66**	**286,947,144.79**	**17,925,093.55**	**17,095,623.20**
Hangzhou Steam Turbine Machinery & Equipment Co., Ltd.	Subsidiaries	Manufacturing, processing turbine parts	30,000,000.00	**222,830,937.49**	**147,426,597.82**	**203,232,692.33**	**57,157,427.94**	**45,793,653.38**
Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Subsidiaries	Steam turbine auxiliary equipment manufacturing	80,000,000.00	**548,004,777.46**	**223,085,651.40**	**362,840,873.07**	**28,159,075.22**	**25,243,697.12**
Hangzhou Steam Turbine Import & export trade Co., Ltd.	Subsidiaries	Import and export trade	20,000,000.00	**227,358,939.18**	**69,020,865.84**	**221,985,886.49**	**4,303,474.15**	**2,006,277.62**
Hangzhou Steam Turbine Heavy Industry Co., Ltd.	Subsidiaries	Turbine design and manufacture	558,966,865.00	**588,830,924.78**	**581,926,085.50**		**2,749,091.31**	**2,020,112.55**

Particulars about acquiring and disposal of subsidiaries

Not applicable

VIII.Special purpose vehicle controlled by the Company

Not applicable

IX. Development prospect

(I) Development and competition of the whole industry

In recent years, the technological advance and industrial revolution have pushed the alternative energy and energy storage technology to develop rapidly, which also sped up the expansion of new-energy application fields, meanwhile the world's major economies mostly entered the economic adjustment cycle and the global energy structure is undergoing profound and unprecedented changes. Under this background, China's economic development has entered a new economic norm, and its economic growth continued to fall. As the gradual implementation of the structural reform of supply-side with keys of “Cut capacity, cut inventory and reduce leverage”, the company’s main business related industries such as oil refining, chemical industry, metallurgy, power, building materials have entered the deep adjustment, with the basic construction scale of the related fields shrinking rapidly, thus the effective demand in the steam turbine industry was seriously affected and the idle capacity is a very common phenomenon. According to the preliminary statistics of the exchange data of the industry, in 2016 China's turbine industry realized the total industrial output value of RMB 31.13 billion-a decrease of 6.2% from the last year, realized operating income of RMB 35.49 billion-a decrease of 1.9% from the last year, realized the total profit of RMB -1.25 billion-a decrease of 205.6% from the last year, and the whole industry was in a state of losing money.

The Brexit and the U.S. presidential election and so forth political events indicated that there was a rise of International trade protectionism for anti-globalization, which apparently increased the instability of the global financial market, with the whirling commodity price movements, so the international investors have a strong risk-aversion sentiment, yet all of those will bring a great uncertainty for the global economic recovery process.

At present, China's national economy is still in a key stage of development depending on structural adjustment and transformation and upgrading. Under a series of macroeconomic policy centering on structural adjustment and steady growth targets and under the impact of industrial policies, China's industrial economic operation began to show a gradual stabilization, but new contradictions and risks have been continuously emerged, and the situation of weak-confidence in industrial investment and weak-demand of industrial equipment has not been significantly improved. Meanwhile, the industrial overcapacity and the sluggish market demand forced enterprises to accelerate the transformation, and the low-end market is in serious homogenous competition while the price competition of domestic suppliers is fierce, but in the high-end market, internationally renowned enterprises continue to expand market layout upon their advantages in technology, brand and costs, so the steam turbine industry pattern may have significant changes.

On the one hand, the Chinese government strongly supports the equipment manufacturing industry as a pillar industry of the national economy, focusing on revitalizing the real economy. The “Made in China 2025” issued by State Council pointed out that the current global industry competition pattern is undergoing a major adjustment, and China needs to form a new driving force of economic growth, yet shaping new advantages of international competition should rely on Chinese equipment and Chinese brands, thus making transformation from China manufacturing to China-created and transformation from China-speed to China-quality and transformation from Chinese products to Chinese brands. With the progress of the national strategies such as “One belt one road”, “Made in China 2025”. “Beautiful China” and Civil-Military Industrial Integration, there will be a huge demand for infrastructure and basic industries from the related developing countries and emerging economies, which will provide a great market opportunity for the Chinese steam turbine industry’s "going out". The companies that have technology, brand and market advantages will lead the pace of industrial transformation and upgrading.

On the other hand, keep up with the trend of energy structure revolution and continuously promote technological progress upon innovation-driven. With the acceleration of new industrialization and urbanization, the social demand for clean and efficient energy is also increasing. The use of natural gas, photovoltaic distributed energy, industrial waste heat and the efficient use of biomass resources and the nuclear power market development will bring a rare opportunity for the development of the steam turbine industry. So the company shall put more efforts for innovation, break through the technological bottleneck of gas turbine and promote the products to better meet the requirements of high power, high efficiency, large capacity and being intelligent and environmental-friendly, thus to create the technology, brand and market advantages of Chinese gas turbines and steam turbines in the high-end market.

(II) Development strategy

In 2016, the company actively adapted to the new normal economic development, firmly grasped the major strategic opportunities of becoming a powerful manufacturing country set up by “Made in China 2025”, timely promoted the industrial transformation and upgrading, timely compiled the company’s development strategy planning of the "13th Five-Year" and further clarified the mission of development.

The core of the company’s development strategy of the "13th Five-Year" is to speed up the company’s transformation and upgrading and achieve the overall technological model innovation and business model innovation. The business model innovation means the realization of extending the enterprise’s value realization process to the customer value-creation process and the realization of transformation from product-manufacturing to service-manufacturing, as well as the realization of upgrading from the manufacturer to equipment-supplier and business operator, finally shaping the ability of providing and implementing the overall solution. For the technological model innovation, the company shall further increase the efforts for innovation-driven, combine the independent innovation and technology introduction and make progresses in industrial steam turbine, gas turbine field, distributed energy and nuclear power field, thus to grasp the current market demand to realize the major technology and market breakthroughs in the fields of gas turbines and nuclear power. On the basis of consolidating the market position of industrial steam turbine, speed up the gas turbine business, strengthen the nuclear power business and expand services and engineering business, thus forming four backbone business segments. At the same time, the company will exploit the five safeguard projects of high-quality project, resources-integration, process reengineering, management enhancement and informationization to shape the company’s new core competitiveness.。

(III) Business plan

For the year of 2017, it’s expected that the global economic will still slowly recover, while the trend of further adjustment of Chinese economic structure will be far from the end. To the company, the year of 2017 will be a year having great operation pressure: the market demand will continue to be weak and the homogenous competition will be intensified; the contract structure is unfavorable for profitability to be increasingly weak; the unbalanced production scheduling and the production organization will be very difficult; the technology research and development will be more difficult to cater for the market changes; there will be high inventory and accounts receivable risks attacking from both sides. The company will face the difficulties bravely and the company proposed the annual work policy of “Advancing strategy, continuous innovation, deeply exploring market, lean management and enhancing the risk-control”. The company will firmly push forward every major measure to upgrade, and upon the premise of full completion of the business plan, the company will strive to make the company continue to gain profit in 2017.

1. Advancing Strategy. It’s to maintain strategic concentration, continuously promote the implementation of the company’s "13th Five-Year" development strategy, further enhance the dynamic management of the middle-and-long-term strategy and speed up the establishment of strategic performance evaluation mechanism and strategic evaluation normalization mechanism. Continue to build the strategic business platform, adjust and optimize the organizational structure and strengthen the brand building. Promote the construction of the scientific research building and the steam turbine project in a high-quality way, thus to make a better preparation for the

company's future work of carrying out relocation.

2. Continuous innovation. Speed up the application of high-efficient blade for steam turbine, accelerate the developing of steam turbine series for thermoelectric field, promote the application of subcritical technology, continue to carry out research and technology promotion for the project of steam turbine assemble for the high-end market, and carry out the preliminary research on the steam turbo generator for small nuclear reactor. Through the combination of independent research and cooperative development, the company will speed up the research and development of the core components and the technology of gas turbine. Speed up informatization and the construction of the demonstration project of intelligent manufacturing, and promote the implementation of MES Manufacturing Execution System.

3. Deeply exploring market. Centered on Customers and upon market-oriented and based on the key supporting of large petrochemical projects, the company will actively seek new market breakthroughs to revitalize the market leading position. Continue to consolidate and expand the thermoelectric market, and constantly improve the company's influence in the field of thermoelectric. Accelerate the implementation of "going out" strategy and elaborately carry out overseas markets layout. Fully exert the function of the cooperative turbine platform with foreign companies, strive to expand the company's turbine market share and brand value. Explore business model innovation, deeply tap into the customer needs and constantly expand the service value of the business chain.

4. Lean management. Upon the goal of improving the labor efficiency, equipment and capital utilization and material turnover, promote the implementation of the lean production mode and rationally carry out pilot work centered on the production process reengineering. Continue to promote the enterprise management reform, integrate the company's internal management system, set up the process control and improve management efficiency. Further well manage the production and marketing balance and promote the "destocking" work by plans. Strengthen costs control and stick to carry out the work of costs reducing and efficiency improvement.

5. Enhancing the risk-control. Further improve the risk control mechanism, shift the focus from the risk-prevention to risk management, strengthen the implementation of the contract risk identification and control, continue to focus on risk management of accounts receivable, inventory and other key areas, implement accounts receivable management standards and evaluation mechanism, enhance the products and raw materials risk management and optimize inventory structure and enhance the quality of assets.

(IV) Financial arrangement

To achieve the business objectives of 2017, the Company will constantly enrich financing channels by formulating reasonable finance and capital plans, which utilizes self-raised funds, debt financing as well as other various available methods to meet the fund demands of self-operation development and project investment.

(V) Risks

1. Market risks

With the decreasing demands for domestic heavy industry investment, the turbine market demands in dive area are under weak boost，More competition and decreasing of gross profit ratio are expectable, and will bring certain pressure to the Company's market share and competition. However the Company will do all its best in aspects of technical innovation, market exploring, quality lifting, service upgrading, and value adding, to neutralize the negative impact of the market.

2. Risks of contract fulfilling

With the aggravation of market fluctuations and during the process of contract execution, frequent changes in the contracts, delay and pause in project progress occurred occasionally, which brought huge impacts and influences to the Company's internal product implementation process. Meanwhile, market fluctuations also increased the cost and risk for fulfilling the Company's contracts. The Company will further strengthen the marketability and improve the speed and level of corporate response to the market to control the risk of contract execution.

（3）Account receivable risks

With declines in operation of partial downstream clients and increases in risk of investment project, risks increased continuously in the Company's receivables, of which the average aging tends to increase, which will bring huge impacts to the Company's business performance. The Company will implement customer credit management, strengthening the contract signing and controlling the fulfillment risk to intensify the examination for receivables and reduce the adverse effect of overdue account receivables.

（4）Exchange rate risks

Increasing expanding of international purchase and international marketing entails the internal payments to be influenced by exchange rate fluctuations. So, exchange loss will be suffered to some extent. As two-way volatility of the RMB exchange rate is changing sharply, profit or loss on exchange becomes more uncertain. We are attempting to refer to the fluctuation cycle of exchange rate and take appropriate risk-management tools to cut down the loss maximally.

（5）Corporate earnings decline risks

To adapt to the adjustment and changes on the market structure, In 2017,we made considerable alteration on the product mix. Orders received from high-end markets like oil and gas are declined sharply, while low-profit products are substantially ascending, bringing about adverse impact on the overall gross margin. On the other hand, drastic market competition forces the sales price to keep falling. So it is natural that the return on sales is going down. Faced with this phenomenon, more efforts will be paid to upgrade internal management, lower operation cost and enhance operating efficiency, based on which, the risk of profitability downturn will be mitigated.

（6）Technology innovation risks

We will practice the spirit of "13th five-year strategy" to invest more on independent technology of researching gas turbine. Given poor domestic technology, long-range of technology development, enormous funding, uncertainty from development to application and greater risk of technology, we are planning to accelerate R&D building, intensify cooperation with research institutions at home and abroad, launch study of new technology in a scientific and scrupulous manner and reduce the risk of technical innovation.

（7）Overseas market risks

During implementation of "13th five-year strategy", we are intending to devote major efforts to "going global" strategy to further open up oversea targeted markets where we will gain more international market shares and improve our influence. However, influenced by geopolitical conflict, volatile political and economic situation and trade barriers in the overseas markets, the strategy of expanding overseas market becomes more uncertain. In view of this, we will reinforce market investigation, validate solutions and figure out development way for the localized business.

X. Particulars about researches, visits and interviews received in this reporting period

1.Particulars about researches, visits and interviews received in this reporting period

Reception time	Way of	Types of visitors	Basic index

	reception		
March 25,2016	Onsite investigation	Organization	Details are the relevant information disclosure （http://www.cninfo.com.cn/）

Reception times	1
Reception agency amount	1
Reception personal number	0
Others	0
Whether to disclose, reveal or disclose non-public material information	No

V. Important Events

I. Specification of profit distribution of common shares and capitalizing of common reserves

Formulation, implementation and adjustment of profit distribution policy of common shares especially cash dividend policy during the reporting period

1. [Dividend sharing principle]: Keep profit distribution policy continuous and stable, pay enough attention to the ROI of investors, and give reasonable consideration to our long-term profits, overall profits of all shareholders and sustainable development;

2. [Prioritized cash dividend]: Dividend can be allotted either in cash, stock or in combination of cash and stock, the precondition of which is the company is in profitable state, plentiful in cash flow, and sustaining operation and long-range development are well guaranteed;

3. [Solicit suggestions and demands of independent director and medium and small shareholders]: The board of directors will work out a specific dividend sharing plan by giving sufficient consideration to business operation, development stage, earning performance, cash flow and current capital requirements and taking medium and small shareholders' views into account. Later, the plan is submitted to the shareholders' general meeting for deliberation after listening to opinions of independent directors. The general meeting is supposed to take advantage of varieties of channels to contact and exchange ideas with shareholders, especially with medium and small shareholders, give ear to their suggestions and demands and get well prepared for answering the problems they are concerned about.

4. [Dividend sharing cycle]: Dividend is distributed among shareholders based on an annual cycle as a general rule. We will publish the dividend sharing plan within four months after accounting year and put the plan into practice within two months after deliberation of the shareholders meeting;

5. [Ration of dividend sharing]: The profits accumulated in cash in the last three years are not less than 30% of annual average distributable profits in the same year;

6. 【Decision-making procedure of dividend sharing】: In the light of Articles of Association, the dividend sharing plan is proposed by the board of directors, and submitted to the shareholders meeting for consideration after being deliberated and approved by the board of directors and commented by the independent directors;

7. 【Adjustment process of dividend policies】: For the profit distribution policies that need to be adjusted according to the business operation, investment planning and long-term development, the adjusted profit distribution policies shall not violate the relevant provisions of CSRC (China Securities Regulatory Commission) and the stock exchange. The proposals regarding the adjustment of profit distribution policies should seek advice from the independent directors and board of supervisors, and they shall be deliberated by the board of directors and then submitted to the general meetings. The proposals need to receive more than 2/3 of the voting rights held by the shareholders attending the general meetings before implementation.

Special cash dividend policy description	
Whether meets the requirements of the provisions of the articles of association or shareholders' meeting	Yes

resolutions:	
Whether dividends standard and proportion are clear	Yes
Whether decision making and supervision mechanism for profit distribution are completed	Yes
Whether independent directors perform their duties responsibly and play its due role:	Yes
Whether the Minority shareholders have adequate opportunity to express their views and aspirations and Their legitimate rights and interests have been fully protected	Yes
Whether the Cash dividend policy to adjust or change the conditions and procedures are compliant and transparent	Yes

The profit distribution preplan or proposal and the preplan or proposal of conversion of the capital reserve into share capital in the past three years(with the reporting period inclusive):

The dividend plan for year 2016 was basing on the total capital share of 754,010,400, RMB 0 and 0 bonus share(tax included) will be distributed to each 10 shares. No capitalization of common reserves will be carried out. Totally RMB0 will be distributed.

The dividend plan for year 2015 was basing on the total capital share of 754,010,400, RMB 0 and 0 bonus share(tax included) will be distributed to each 10 shares. No capitalization of common reserves will be carried out. Totally RMB0 will be distributed.

The dividend plan for year 2014 was basing on the total capital share of 754,010,400, RMB1.00 and 0 bonus share(tax included) were distributed to each 10 shares. No capitalization of common reserves will be carried out. Totally RMB75,401,040 was distributed.

Dividend distribution of the latest three years

In RMB

Year	Cash dividend (Including Tax)	Net profit attributable to the over of the parent company in the consolidated financial statements	Ratio in net profit attributable to the parent company in the consolidated financial statements	Amount of cash dividends from cash offer to repurchase shares of the funds	Proportion of cash dividends from cash offer to repurchase shares of the funds
2016	0.00	31,955,445.73	0.00%	0.00	0.00%
2015	0.00	-162,809,311.79	0.00%	0.00	0.00%
2014	75,401,040.00	352,077,352.23	21.42%	0.00	0.00%

In the reporting period, both the Company’s profit and the parent company’s retained earnings were positive however not cash dividend distribution proposal has been put forward.

Profit in the reporting period and the parentcompany for the distribution of profits of ordinary shareholders is positive but did not put forward the general ash dividend distribution plan reasons	The use of the company’s undistributed profits and the use of the plan
Protect the company's own capital adequacy, enhance the ability to resist risks, to achieve sustained, stable and healthy development, and better safeguard the long-term interests of all shareholders.	Retained in the company’s undistributed profit will be used to supplement working capital for company needs.

II. Profit distribution for the report period.

None of cash dividend, bonus shares, or capitalizing of common reserves will be carried out in this year.

III. Commitments to fulfill the situation

1.The fulfilled commitments in the reporting period and under-fulfillment commitments by the end of the reporting period made by the company, shareholder, actual controller, acquirer, director, supervisor, senior management personnel and other related parities.

Nil

2.The existence of the company's assets or projects earnings forecasts and earnings reporting period is still in the forecast period, the company has assets or projects meet the original profit forecast made and the reasons explained

Not applicable

IV.Particulars about the non-operating occupation of funds by the controlling shareholder

Nil

V.Explanation of the Supervisory Committee and Independent Directors (If applicable)on the Qualified Auditor's Report Issued by the CPAs.

Not applicable

VI.Explain change of the accounting policy, accounting estimate and measurement methods as compared with the financial reporting of last year.

Nil

VII.Explain retrospective restatement due to correction of significant accounting errors in the reporting period

Nil

VIII.Explain change of the consolidation scope as compared with the financial reporting of last year.

Nil

IX. Engagement/Disengagement of CPAs

CPAs currently engaged

Name of the domestic CPAs	Pan-China Certified Public Accountants (Special common partnership)
Remuneration for domestic accounting firm (RMB'0000)	116
Successive years of the domestic CPAs offering auditing services	18
Names of the certified public accountants from the domestic CPAs	Jiang Xiaodong , Zhu Guogang

Has the CPAs been changed in the current period

No

Engaging of CPA for internal auditing, financial consultants or sponsors

Pan-China Certified Public Accountants is engaged the auditor of internal control system for the current year. With payment of RMB 0.26 million for its service.

X.Situation of Facing Listing Suspension and Listing Termination after the Disclosure of the Yearly Report

Not applicable

XI. Receivership and bankruptcy

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

XII. Major lawsuits and arbitrations

As at the end of the reporting period, the total amount involved in the litigation project of the Company was RMB 6.651153 million and the amount of the Company's liabilities was 0.

XIII. Punishment and improvement

No punishment or improving approach in the report period.

XIV.Credit Condition of the Company and its Controlling Shareholders and Actual Controllers

Nil

XV. Implementation Situation of Stock Incentive Plan of the Company, Employee Stock Ownership Plan or Other Employee Incentive Measures

Nil

XVI. Material related transactions

1. Related transactions in connection with 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 fee	Fair and just	Market price	6,424.57		7,500	No	Bank transfer	6,500.00	March 18,2017	2017-21
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Affiliate of the Group	Purchase of goods	Generators	Fair and just	Market price	14,054.86		14,000	Yes	Bank transfer	15,000.00	March 18,2017	2017-21
Hangzhou Steam Turbine Engineering Co., Ltd.	Affiliate of the Group	Sale goods	SteamTurbine	Fair and just	Market price	4,177.68		6,000	No	Bank transfer	5,000.00	March 18,2017	2017-21
Total				——	--	24,657.11	--	27,500	——	——	——	——	——
Details of any sales return of a large amount				Nil									
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 refernce price (if applicable)				Nil									

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

Co – investor	Related Relrelationship	The name of the investee	The main business of the invested enterprise	The registered capital of the invested enterprise	Total assets of the invested enterprise （RMB’0000）	Net assets of the invested enterprise （RMB’0000）	**Net profit of the invested enterprise （RMB’0000）**
Hangzhou Steam Turbine Power Group Co., Ltd	The controlling shareholder of the company	Hangzhou Jushi Investment Partnership（Limited parnership）	Services: investment management, industrial investment, investment advice (except securities, futures)	90 million	9,000.52	9000.52	**-4.58**
Progress of major construction projects under construction (if any)		Nil					

4. Debts and credits with related parties

Nil

5. Other material related transactions

Nil

XVII. Material contracts and execution

1. Entrustment, contracting, and leasing issues

(1) Trusteeship

No trusteeship in the report period.

(2) Contracting

No contracting in the report period.

(3) Leasing

No Leasing in the report period.

2.Guarantees

（1）Guarantees

In RMB'0000

Outward guarantees offered by the Company and its subsidiaries (Excluding guarantee to the 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 Steam Turbine Power Group Co., Ltd.	October 22,2016	20,800	December 28,2016	20,800	Mortgage,	Two years from the date of expiration of the principal debt	No	Yes
Total amount of outward guaranteeapproved in the report period（A1）		20,800		Total amount ofoutward guarantee actuaily incurred in the report period（A2）		20,800		
Total of external guarantee approved at Period-end(A3)		20,800		Total balance of actual external guarantee at Period-end(A4)		**20,800**		

Guarantee of the subsidiaries for the controlling subsidiaries								
Name of the Company guaranteed	Relevant disclosure date/No. of the	Amount of guarantee	Date of happening (Date o signing	Actual mount of guarantee	Guarantee type	Guarantee term	Complete implementation	Guarantee for associate

	guaranteed amount		agreement)				or not	d parties (Yes or no)
Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.	April 7,2016	10,000	April 1,2016	10,000	Joint liability quaranty	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)		8,507		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)		10,000		)otal balance of actual guarantee to the subsidiaries at the end of the reporting period (C4)		8,507		

The Company’s total guarantee(i.e.total of the first three main items)			
Total guarantee quota approved in the reportingperiod（A1+B1+C1）	30,800	Total amount of guarantee actually incurred in the reporting period（A2+B2+C2）	29,307
Total guarantee quota already approved at theendof the reporting period（A3+B3+C3）	30,800	Total balance of the actual guarantee at the end of the reporting period（A4+B4+C4）	29,307
The proportion of the total amount of actually guarantee in the netassetsof the Company (that is A4+B4+C4）%		4.59%	
Including：			
Amount of guarantee for shareholders, actual controller and itsrelated parties(D)			20,800
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 Companyexceed 50%(F)			0
Total lamount of the aforesaid three guarantees （D+E+F）			20,800
Explanations on possibly bearing joint and several liquidatingresponsibilities for undue guarantees (If any)			No
Explanations on external guarantee against regulated procedures(Ifany)			No

Description of the guarantee with complex method

(1) Hangzhou Heavy Machinery Co., Ltd, which is the company's subsidiary, had made an application of special construction funds of RMB 208 million to China Development Fund Co.,Ltd, and it has signed the four-party China Development Fund Investment Contract with China Development Fund ,the company and Hangzhou Steam Turbine Group Co.,Ltd. In order to ensure the performance of the "Investment contract" by Hangzhou steam group, the company and the Heavy Machinery Co., Ltd provide guarantee for Hangzhou Steam Group in the forms of pledge and mortgage.

The contents is detailed in the Announcement on External Guarantee of Hangzhou Steam Turbine Co., Ltd. announced on October 22, 2016 at the website designated by the Shenzhen Stock Exchange (http // www.cninfo.com.cn). (Announcement No. 2016-75)

（2）Illegal external guarantee

Nil

3.Situation of Entrusting Others for Managing Spot Asset

(1)Situation of Entrusted Finance

In RMB’ 0000

Trustee	Is a related transaction or not	Kinds	Amount for trust financing	Start Date	Expiry	Determine way for remuneration	Principal actually recover in the period	Impairment provision(If any)	Antiecipated income	Actual gains/losses in period	Gains/losses actually recover in period
CAITONG securities	No	Trust products	3,000			-	3,000		91.13	91.13	91.13
Changan Trust	No	Trust products	10,000			-	17,000		639.9	835.66	835.66
ICBC	No	Financial instruments of banks	10,300			-	8,100		137.77	118.96	118.96
Everbright Bank	No	Financial instruments of banks	22,000			-	9,000		117.13	90.83	90.83
Hangzhou industrial and commercial trust Co., Ltd.	No	Trust products	1,000			-	4,093.26		179.29	179.29	179.29
Hangzhou Union Bank	No	Financial instruments of banks	2,000			-	4,000		23.49	23.49	23.49
Hangzhou Bank	No	Financial instruments of banks	48,970			-	30,800		101.56	335.47	335.47
Hengtian wealth	No	Trust products	30,000			-	11,000		804.81	340.06	340.06
Ping’an Bank	No	Financial instruments	13,600			-	13,600		22.4	22.4	22.4

		of banks									
Shanghai Bank	No	Financial instruments of banks				-	2,000		6.48	6.48	6.48
China of Bank	No	Financial instruments of banks	24,500			-	23,000		59.32	47.56	47.56
Zhongrong International Trust Co., Ltd.	No	Trust products	10,000			-	15,000		455.54	504.12	504.12
China Citic Bank	No	Financial instruments of banks	44,000			-	36,000		122.89	259.42	259.42
Total			219,370	--	--	--	176,593.26		2,761.71	2,854.87	--
Capital resources			Self								
Accumulated overdue uncollected principal and interest			0								
Lawsuit involved (if applicable)			Nil								
Disclosure date for the notice of approval by the board(if any)			March 19,2016								
Disclosure date for the notice of approval by shareholders' General Meeting (If any)			Nil								
Whether there is the trust financing in the future			Exist								

(2)Situation of Entrusted Loans

Nil.

4. Other significant contract

Nil

XVIII. Social responsibility

1. Execution of social responsibility of targeted poverty alleviation

Not applicable

2. Execution of other social responsibility

1.While committed to long-term development and the realization of shareholders' value, the company pays close attention to the natural environment and resources and assumes corresponding responsibilities in connection to relevant stakeholders such as shareholders, employees, customers, suppliers and the community, thus to achieve the company's sustainable, harmonious and united development with the society.

2. The company developed the "Social responsibility management standards", which specifies the company's responsibilities and regulatory requirements in terms of protection of shareholders and creditors' interests, safeguarding the interests of workers, production safety, environmental protection, energy saving and emission reduction and social welfare, as well as clarifies the importance of social responsibility.

3. During the reporting period, the company further strengthened the protection work for small investors, enhanced the management of investor relations and established multi communication channels. For the news which may have big impact on the company's stock price, the company actively checked and verified the contents and clarified with the real facts, even issued announcements when it's necessary, thus to soundly protect the legitimate rights and interests of small investors.

4. During the reporting period, the company honestly dealt with suppliers and customers and always maintained the good commercial credit and excellent contract performance level. The company built up strategic cooperative relationships with suppliers, established the convenient platform for information communication and continuously enhanced the level of cooperation. Moreover, the company provides customers with quality products and professional services and can offer individualized business solution to cater for different application environments, thus the company had received good comments from customers.

5. During the reporting period, the company actively promoted the vocational development for employees, constantly improved the vocational environment for employees and well protected the physical and mental health of employees. The company has national technical experts and a number of high skilled talents proved by province-or-city level competitions. Besides, the company has established a number of skilled Master Studios in the manufacturing sites and promoted to build a golden blue team of modern manufacturing. The company further raised the medical expenses subsidies for employees and made the employees have the critical illness insurance and anti-cancer insurance. The company used the labor dispatch service with strictly in accordance with the national provisions and regulations, and the company had signed the "Special collective wage contract" and "Special collective contract for labor safety and health" with the union. Besides, the company established the "three-dimensional and one-whole" safety production management system. In addition, the company carried out

many mass cultural activities throughout the year, implemented the expansion work for staffs' sports venues, supported the employees to create various types of cultural organizations and created a vibrant business atmosphere.

6. During the reporting period, the company valued the importance of environmental protection, energy-saving and emission-reduction. The company set up special assessment indicators and strictly regulated the company's various types of environmental behaviors during the operation process. Strengthened the management of hazardous waste and strictly control the transfer, storage and other processes of hazardous waste, thus the company's safe disposal rate of hazardous waste achieved 100%. During the reporting period, the company's whole-year emissions detection items including waste water, waste gas and noise were all in line with national standards. The company set up energy consumption indicators for each department and included the energy consumption indicators in the annual assessment system, greatly carried out the promotion of energy-saving, regularly organized the inspections for energy-saving and implemented a number of energy-saving projects, thus the total annual comprehensive energy-consumption decreased from the last year.

7. During the reporting period, the company continued to support and carry out public welfare undertakings. While pursuing the company's business development, the company paid much attention to and supported the social welfare undertakings. During the reporting period, the company made donations for the public welfare projects such as Zhejiang Industrial Polytechnic College Turbine Scholarship, Chunan Hope Primary School-Supporting the Poor, Xujia Village Zhong Zhou Town Chun'an County-the beautiful village, and the Spring Action. Besides, the company organized its employees to participate in voluntary blood donation activities.

8. Because the company gained "AA" grade in social responsibility evaluation in the corporate social responsibility reexamination carried out by the third party that's organized and commissioned by Hangzhou municipal government, so the company had obtained the exemption qualification for corporate social responsibility examination.

Listed company and its subsidiary belongs to the key pollution enterprise listed by Department of Environmental Protection

No

Enterprise's social responsibility report					
Enterprise property	Does it contain information concerning environment	Does it contain information concerning the society	Does it contain information conceding corporate governance	Report disclosure standards	
				Domestic standards	International standards
State-owned enterprise	Yes	Yes	Yes	The Shenzhen Stock Exchange listing Corporation "social responsibility guidelines"	

Notes to specific circumstances

1.Has the Company been certified for the Environment management System Certification（ISO14001）	Yes
2.Amount of investment in the environmental protection in the reporting year	137.64

（RMB’0000）	
3.Performances of the emission reduction of “waste gas, waste water and waste residue	All projects are in line with the state-level local relevant emission standards and no excessive emissions were found by the monitoring of Hangzhou Huaji Environment Detection Technology Co., Ltd. Chemical substances were reduced such as COD and ammonia nitrogen in discharged waste-water, xylene in emissions and sulfur dioxide and nitrogen oxides in the exhaust gas boilers.
4.Investment for improving employees’ personal knowledge and techniques so as to upgrade employees’ career development ability（RMB’0000）	220
5.Social Charitable donations (fund, goods and materials and free professional services)（RMB’0000）	27

XIX. Explanation on other significant events

（1） The Company shares Resumption

The Company since the controlling shareholders Hangzhou Steam Turbine Group According to the unified plan of the state-owned assets supervision and administration of Hangzhou , Planning to the reform of Hangzhou 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）.

1.Matters regarding Company issues resumption

Whereas the controlling shareholder Hangzhou Steam Turbine Co., Ltd. implemented the suspension of the state-owned enterprise mixing item subject to the uniform deployment of Hangzhou State-owned Assets Supervision and Administration Commission, the company shares trading was resumed on March 4, 2016 after the company applied from Shenzhen Stock Exchange. See the Company Announcement of Major Items Disclosure Progress and Shares Trading Resumption published on March 4, 2016 on Shanghai Securities News, Securities Times and cninfo.com (http://www.cninfo.com.cn) for specific details (2016-11).

2. Matters of forming the company’s seventh session board of directors and seventh session board of supervisors

The term of the company’s sixth session board of directors and board of supervisors has expired, and the company carried out the selection, nomination and examination of the candidates according to the relevant provisions of The Company Law and Articles of Association of the Company.

The company’s 28th meeting of the sixth session board of directors examined and approved the list of the company’s seventh session board directors and independent directors, which then was submitted to the 2015-annual general meeting of shareholders and was approved on May 18, 2016. The Content is available as The Announcement No. 2016-54 released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and http://www.cninfo.com.cn dated May 18, 2016.

3. Matters about the appointment of the company's senior management personnel

According to the resolution of the first meeting of the company's seventh session board of directors, the company engaged the general manager, deputy general manager, chief engineer, chief accountant and other senior management personnel; meanwhile the company formed each specially committee of the seventh board.

The Content is available as The Announcement No. 2016-55 released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and http://www.cninfo.com.cn dated May 18, 2016.

4. Matters about adjustment for the company's organizational structure

In order to implement the company's "13th Five-Year" strategic measures, integrate internal resources and enhance the efficiency of the internal organization, the adjustment scheme of organizational structure was deliberated, and the organizational structures of the company's management department and production department were adjusted. The Content is available as The Announcement No. 2016-55 and 2016-60 released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and http://www.cninfo.com.cn dated May 18, 2016 and August 12, 2016 respectively .

5. Matters about the Transfer of the Company's Share of Property of Changdi Equity Investment Partnership(Limited Partmership)

In order to accelerate the strategic transformation of the company, optimize the company's capital structure and meet the needs of the company's operating funds, the company made the transfer of the Company's Share of Property of Changdi Equity Investment. The Content is available as The Announcement No. 2016-76,2016-78 and 2016-89 released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and http://www.cninfo.com.cn dated Octber 23, 2016,November 17,2016 and December 26, 2016 respectively .

6. Matters about the company's share-participation company being listed

The company's share-participation company-Hangzhou Bank Co.,Ltd was formally listed on the Shanghai Stock Exchange on October 27, 2016, and its stock abbreviation is "Hangzhou Bank", with the stock code of "600926".

XX. Material issues of the subsidiaries

According to the relevant agreement of the National Development Fund Investment Contract (hereinafter referred to as the Investment Contract) jointly signed by the Company, National Development Fund Co., Ltd. (hereinafter referred to as the NDF), Hangzhou Steam Turbine Industry Co., Ltd. and Hangzhou Steam Turbine Group, the NDF invested RMB 208,000,000.00 in Hangzhou Steam Turbine Industry Co., Ltd., the subsidiary, in which: RMB 198,966,865.00 is included in the paid-up capital, RMB 9,033,135.00 is included in the capital reserve. The NDF obtains 1.2% of the proceeds through dividends or repurchasing premium each year for the above investment; under the investment contract, Hangzhou Steam Turbine Group will transfer its shares of Steam Turbine Industry Co., Ltd from 2019 to the NDF by installment. Hangzhou Steam Turbine Industry Co., Ltd has received the above investment on December 27, 2016, according to the agreement of the investment contract on the relevant investment returns, the current accrued income is RMB 27,733.33.

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	7,440	7,440	479,944,281	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	7,440	7,440	119,481	0.01%
Domestic natural person shares	112,041	63.64%	0	0	0	7,440	7,440	119,481	0.01%
II. Shares without trading limited conditions	274,073,559	36.35%	0	0	0	-7,440	-7,440	274,066,119	36.35%
2. Foreign invested shares listed in Mainland China	274,073,559	36.35%	0	0	0	-7,440	-7,440	274,066,119	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

2. Change of Restricted Shares

Not applicable

II. Securities issue and listing

1.Explanation of the Situation of the Security Issue(No Preferred Shares) in the Report Period

Not applicable

2.Change of asset and liability structure caused by change of total capital shares and structure

Not applicable

3.About the existing employees' shares

Not applicable

III. Particulars about the shareholders and substantial controller

1. Amount of shareholders and their shareholding position

in shares

Total number of common shareholders at the end of the reporting period	15,307	Total shareholders at the end of the month from the date of disclosing the annual report	15,314	The total number of preferred shareholders voting rights restored at period-end	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report	0

Particulars about shares held above 5% by shareholders or top ten shareholders

Shareholders	Nature of shareholder	Proportion of shares held(%)	Number of shares held at period -end	Changes in reporting period	Amount of restricted shares held	Amount of un-restricted shares held	Number or share 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		
Shanwan Hongyuan Securities (HK) Co.,Ltd.	Foreign legal person	0.69%	5,233,266	4,699,631	0	5,233,266		
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.63%	4,722,804	47,722,804	0	4,722,804		
NORGES BANK	Foreign legal person	0.57%	4,303,675	0	0	4,303,675		
GUOTAIJUNANSECURITIES(HONGKONG) LIMITED	Foreign legal person	0.53%	3,984,168	-10,300,309	0	3,984,168		
VANGUARDTOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.45%	3,370,146	1,083,810	0	3,370,146		
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	Foreign legal person	0.30%	2,275,960	-790,808	0	2,275,960		
China Merchants Secutities(HK)Co., Ltd.	State-owned legal person	0.28%	2,141,980	521,230	0	2,141,980		
Xia Zulin	Domestic Natural person	0.28%	2,100,000	0	0	2,100,000		
CREDIT SUISSE (HONG KONG) LIMITED	Foreign legal	0.27%	2,034,403	999,262	0	2,034,403		

	person							

Particulars about strategic investors or general corporations becoming among the top 10 shareholders due to share placing (if any) (See Note 3)	Not applicable
Explanation on associated relationship among the aforesaid shareholders	(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) (2) There is no relationship between Hangzhou Steam Turbine Power Group Co., Ltd. and other shareholders; (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".

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
Shanwan Hongyuan Securities (HK) Co.,Ltd.	5,233,266	Foreign shares placed in domestic exchange	5,233,266
BBH A/C VANGUARD EMERGING MARKETS STOCK INDEX FUND	4,722,804	Foreign shares placed in domestic exchange	4,722,804
NORGES BANK	4,303,675	Foreign shares placed in domestic exchange	4,303,675
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	3,984,168	Foreign shares placed in domestic exchange	3,984,168
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	3,370,146	Foreign shares placed in domestic exchange	3,370,146
CHINA INT'L CAPITAL CORP HONG KONG SECURITIES LTD	2,275,960	Foreign shares placed in domestic exchange	2,275,960
China Merchants Secutities(HK)Co., Ltd.	2,141,980	Foreign shares placed in domestic exchange	2,141,980
Xia Zulin	2,100,000	Foreign shares placed in domestic exchange	2,100,000
CREDIT SUISSE (HONG KONG) LIMITED	2,034,403	Foreign shares placed in domestic exchange	2,034,403

AUSTRALIANSUPER PTY LTD	1,991,321	Foreign shares placed in domestic exchange	1,991,321
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	1）It is unknown to the Company if there is any relationship among the top 10 common share holders without restriction; (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".		
Notes to the shareholders involved in financing securities (if any)(See Notes 4)	Not applicable		

Whether top ten common shareholders or top ten common shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period.

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.

2.Controlling shareholder

Nature of Controlling Shareholders: Local state holding

Type of Controlling Shareholders: Legal person

Name of the holding shareholder	Legal representative	Incorporated in	Organization code	Registered capital
Hangzhou Steam Turbine Power Group Co., Ltd.	Nie Zhonghai	Dec 14, 1992	91330100143071842L	Business scope: Manufacturing and processing: textile machinery, Manufacturing machines,paper-making machinery, pump, casting products, electrical tools, gear box, thermal transmitter, digital controlling device, and spare parts of the above (limited to the subsidiaries); Contracting of domestic and overseas machinery engineering projects, export of above equipments and materials, provide labor services for above overseas projects. Thermal power plant project and equipment engineering; wholesale and retail: products and spare parts manufactured by

				members of the group, and technical research, consulting, and service of above products; Provide materials, equipments, and spare parts to members of the Group, water and power supply (other than installation and maintaining of power supply equipment); Including the business scope of subsidiaries.
Shareholding status of the holding shareholder in other PLCs in the country and abroad during the report period	Nil			

Change of holding shareholder

No change of holding shareholder in the report period.

3．Information about the controlling shareholder of the Company

Actual controller nature：Local state owned Assets Management

Actual controller type：Legal person

Name of the substantial controller	Legal representative	Date of incorporation	Organization code	Principal business activitie
State-owned Assets Supervision and Administration Commission of Hangzhou Municipal Government	Tu Xingeng		776637527	In the light of the municipal government authorization, perform the investor's responsibilities, supervise the municipal operational state-owned assets and strengthen the management of state-owned assets in accordance with the laws and regulations of Corporate Law of the People's Republic of China , Enterprise State-Owned Assets Law of the People's Republic of China . (II) Execute the laws, regulations and policies of the management of state-owned assets; be entrusted with drafting local regulations regarding the management of state-owned assets, and enact relevant rules and regulations, supervise and examine the implementation; guide and supervise the management of the state-owned assets at the district, county (city) level pursuant to the

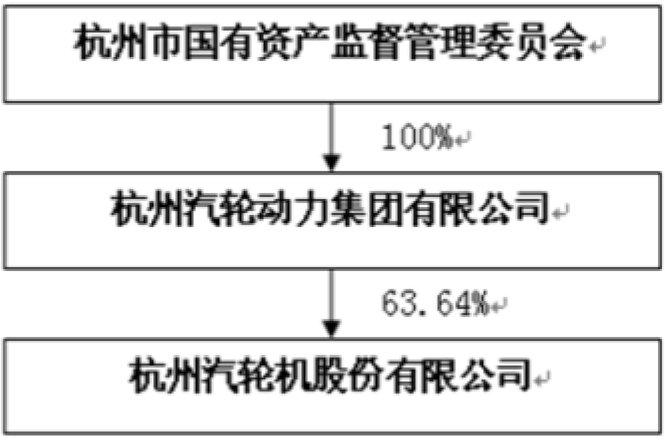
					laws.
				(III)	Make proposals regarding the municipal state-owned economic layout and strategic adjustment to promote the strategic adjustment of the municipal state-owned economic structure and layout; guide and propel the reform and restructuring of state-owned enterprises; instruct and promote the construction of modern enterprise system in state-owned enterprises, consummate the corporate governance structure, and form a governance mechanism characterized by clear duty, well-coordination and effective balances.
				(IV)	Pursuant to the provisions of the relevant documents of the municipal Party committee, investigate, appoint and remove the supervised principles of enterprises according to the legal procedures; establish a employment mechanism that is in line with the socialist market economic system and the requirements of modern enterprise system, consummate the incentive and restraint system for the operators; assess the business performance of the principles of the enterprises that are supervised and implement the rewards and penalties system. Take charge of the management and building work of the Party organization of the supervised enterprises.
				(V)	Dispatch directors, supervisors or CFO to the supervised enterprises on behalf of the municipal government; and take charge of the daily management of directors, supervisors or CFO.
				(VI)	Take charge of organizing the supervised enterprises to turn over the state-owned capital gains; participate in enacting management system and solutions for the state-owned capital operating budget; take charge of the preparation and implementation of the state-owned operating

				budget of the supervised enterprises. Take charge of the comprehensive budget management of the supervised enterprises. (VII) Establish and consummate the preservation and appreciation index system of the state-owned assets, and develop the assessment criteria; take charge of the supervision and assessment of the preservation and appreciation of the state-owned assets; enact and organize the implementation of the income distribution policy of the supervised enterprises and state-owned enterprises. Take charge of the fundamental management work, namely, the authentication of property rights, registration of property rights, asset evaluation monitoring, property liquidation and verification, asset statistics, comprehensive evaluation; safeguard rights and interests of the investors of state-owned assets (VIII) Take charge of directing and supervising the implementation of national and provincial and municipal safety laws, regulations, rules and standards, etc. (IX) Undertake other matters assigned by the municipal Party committee and government.
The equity of the controlling shareholder in other domestic and foreign listed companies held or partly held by it in the report period	Until the end period of the reporting, Hangyang Co., Ltd.(SZ.002430) held 61.49% shares, and Hangzhou Jiebai (SH.600814) held 68.03% shares until the end period of the reporting.			

Change of the actual controller in the reporting period

Nil

Block Diagram of the ownership and control relations between the company and the actual controller



The actual controller controls the company by means of trust or managing the assets in other way

Not applicable

4.Other corporate shareholder holding over 10% of the Company's shares

Not applicable

5.Situation of Share Limitation Reduction of Controlling Shareholders, Actual Controllers, Restructuring Party and Other Commitment Subjects

Not applicable

VII. Situation of the Preferred Shares

No preference shares in the Company.

VIII. Information about Directors, Supervisors and Senior Executives

I. Change in shares held by directors, supervisors and senior executives

Name	Positions	Office status	Sex	Age	Starting date of tenure	Expiry date of tenure	Shares held at the year-begin(share)	Amount of shares increased at the reporting period(share)	Amount of shares decreased at the reporting period(share)	Other changes increase/decrease	Shares held at the year-gegin(share)
Zhen Bin	Chairman	In office	Male	52	May 18,2016	May 18,2019	0	0	0	0	0
Yan Jinhua	Vice Chairman	In office	Male	58	May 18,2016	May 18,2019	0	0	0	0	0
Yang Yongming	Vice Chairman	In office	Male	52	May 18,2016	May 18,2019	0	0	0	0	0
Nie Zhonghai	Director	In office	Male	59	May 18,2016	May 18,2019	0	0	0	0	0
Ye Zhong	Director, GM	In office	Male	48	May 18,2016	May 18,2019	0	0	0	0	0
Liu Guoqiang	Director	In office	Male	59	May 18,2016	May 18,2019	0	0	0	0	0
Kong Jianqiang	Director, Engineer General	In office	Male	46	May 18,2016	May 18,2019	0	0	0	0	0
Gu Xinjian	Independent Director	In	Male	60	May 18,2016	May 18,2019	0	0	0	0	0

		office									
Ma Lihong	Independent Director	In office	Male	63	May 18,2016	May 18,2019	0	0	0	0	0
ZhangXiaoyan	Independent Director	In office	Female	44	May 18,2016	May 18,2019	0	0	0	0	0
Chen Danhong	Independent Director	In office	Female	52	May 18,2016	May 18,2019	0	0	0	0	0
Li Shijie	Chairman of the Supervisory Committee	In office	Male	47	May 18,2016	May 18,2019	0	0	0	0	0
Wang Xiaohui	Supervisor	In office	Male	49	May 18,2016	May 18,2019	61,156	8,920	0	0	70,076
Zhang Yougen	Supervisor	In office	Male	59	May 18,2016	May 18,2019	0	0	0	0	0
Lu Jianhua	Employee Supervisor	In office	Male	55	May 18,2016	May 18,2019	0	0	0	0	0
Fang Yin	Employee Supervisor	In office	Male	54	May 18,2016	May 18,2019	0	0	0	0	0
Yu Changquan	Vice GM, secretary of the board	In office	Male	59	May 18,2016	May 18,2019	0	0	0	0	0
Zhang Shutan	Vice General Manager	In office	Male	58	May 18,2016	May 18,2019	89,232	0	22,308	0	66,924
Pu Yangshuo	Vice General Manager, Chief Accountant	In office	Female	41	May 18,2016	May 18,2019	0	0	0	0	0
Li Jianshen	Vice General Manager	In office	Male	53	May 18,2016	May 18,2019	0	0	0	0	0

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Zhang Hejie	Independent Director	Dimission	Male	59	June 24,2013	May 18,2016	0	0	0	0	0
Xu Yongbin	Independent Director	Dimission	Male	54	June 24,2013	May 18,2016	0	0	0	0	0
Tan Jianrong	Independent Director	Dimission	Male	62	June 24,2013	May 18,2016	0	0	0	0	0
Total	--	--	--	--	--	--	150,388	8,920	22,308	0	137,000

II. Change in shares held by directors, supervisors and senior executives

Name	Positions	Types	Date	Reason
Zhang Hejie	Independent Director	Departure on his term	May 18,2016	Departure on his term
Tan Jianrong	Independent Director	Departure on his term	May 18,2016	Departure on his term
Xu Yongbin	Independent Director	Departure on his term	May 18,2016	Departure on his term

III.Posts holding

The professional background, working experience and main responsibilities of the current board members, supervisors and senior managers in the company

（1）Director

Mr. Zheng Bin, born in November 1964, CCP member, university graduate, senior economics professional certification. He served as vice chairman and Vice General Manager of Hangzhou Steam Turbine Power Group Co., Ltd. He used to be chairman and General Manager of Hangzhou Dongfeng Shipyard Co., Ltd. He was engaged the vice Chairman at the 4th term of Board on March 2009 ,Vice Chairman at the 5th term of Board on June 2010, He was engaged the Director and General Manager of the Company on June 2013, He was engaged the Chairman at the 6th term of Board on December 2014. He was elected as Chairman of the 7th term of board of directors on May 18, 2016.

Mr. Nie Zhonghai: Born in October 1957, CCP member; university graduate; certified senior economist, chief secretary of CCP Committee of the Company. In August 2003, Mr. Nie assumed Secretary of the Party and Chairman of the Board of Huangzhou Steam Turbine Power Group Co., Ltd. He was elected as Director and Chairman of the 2nd, 3rd, 4th, 5th, and 6th term of Board of the Company. He still take the position of director of the Company after resigning from the position of Chairman of Board of the Company since December 2014. He was elected as director of the 7th term of board of directors on May 18, 2016.

Mr. Yan Jianhua: born in September 1958, CCP member; college degree; Professorial Senior Engineer. He took the position of vice Chairman and General Manager of Hangzhou Steam Turbine Power Group Co., Ltd. When the Board of Directors changed on June 2001, Mr. Yan was elected as the Director of the 2nd term of Board and General Manager of the Company. Since then he has been the director of the 3rd, 4th, and 5th terms of the Board. Currently he's the Vice Chairman of the 6th term of Board of the Company. He was elected as Vice Chairman of the 7th term of board of directors on May 18, 2016.

Mr. Yang Yongming, born in November 1964, CCP member, university graduate, certified senior economist. Currently he's the vice general manager of Hangzhou Steam Turbine Power Group Co., Ltd. He used to be the vice director and director of Sales Administration Departments of the Company; Since 2013, he served as vice general manager, general manager, and vice chairman of Hangzhou Dongfeng Shipyard Ltd. Currently he's the vice general manager of Hangzhou Steam Turbine Power Group Co., Ltd . and the Vice Chairman of the 6th term of Board of the Company. He was elected as Vice Chairman of the 7th term of board of directors on May 18, 2016.

Mr. Ye Zhong: born in April 1968, CCP member; bachelor degree; professor and senior engineer. Started working in July 1990. he was the director of the 2nd term of Board, Chief Engineer; director of the 3rd term of Board, Vice General Manager; Director of the 4th and 5th terms of Board, Vice General Manager, and Chief Engineer. He's the Standing Vice General Manager, director and Chief Engineer of the 6th term of Board of the Company, and General Manager of the 4 Company since December 2014. He was elected as director and Deputy General Manager of the 7th term of board of directors on May 18, 2016.

Mr. Liu Guoqiang, born in June 1957, CCP member, university graduate, senior economist. Currently he's the vice chief secretary of CCP committee, the Discipline Committee, and Chairman of Trade Union. He used to be vice general manager of the Company from 2005 to 2009. In February 2009, he was elected director of the 4th term of Board, and successively director of the 5th term of Board. Currently he's the director of the 6th term of Board of the Company. He was elected as director of the 7th term of board of directors on May 18, 2016.

Mr. Kong Jianqiang, born in May 1970, CCP member, Master of Engineering, certified senior engineer. Started working in July 1992. He used to be technician, head of workshop, vice director, and director of Steam Turbine Institute of the company. He’s the director of the 6th term of Board since June 2013, and Engineer General of the Company since December 2014. He was elected as director of the 7th term of board of directors on May 18, 2016. Appointed as deputy general manager and Chief engineer of the company.

Ms Zhang Xiaoyan, was born in March 1973. Since 1994, she successively worked in Zhejiang Securities Co., Ltd, Zhejiang Senhe Seed Co., Ltd, Shanghai AllBright Law Offices (Hangzhou), Beijing Gaopeng & Partners Hangzhou Office, Beijing Kangda Law Firm (Hangzhou). She currently holds the post of the partner of Beijing Kangda (Hangzhou) Law FirmNot only being skilled at reformation, listing, floatation, m&a and refinancing for listed company, but also at venture capital, industrial fund, shares incentive, shares option including its contract’s negotiation,signing and litigation,etc. Currently he’s the independent director of the 6th term of Board. He was elected as Independent director of the 7th term of board of directors on May 18, 2016.

Ms Chen Danhong, born in October 1964, was graduated from Hangzhou Business College, majoring statistics. She was former assistant in Shanghai Economic Management College, section chief in accounting section of financial department from Zhejiang Gongshang University, General Manager in Planning and Finance Department and HR Manager of New China Life Insurance Co., Ltd.Zhejiang Branch, Executive Vice President of Zhejiang Zhongye Holdings Group Co., Ltd., CEO of Daodao Group Co., Ltd., and Deputy General Manager and Chief Financial Officer of Zhejiang Arch of Triumph Macao Doulao Holding Group Co., Ltd. She was special professional ethos supervisor in Zhejiang Provincial Office,SAT, CPPCC member in West Lake District, and Special Auditor of Audit Bureau in West Lake District. In April 1997, she obtained qualification of National Registered Accountant, and she was chosen as senior accountant by domestic Ministry of Trade in December, 1997. On May 18, 2016, she was elected as the seventh Board of Directors Independent Director of the company.

Mr Ma Lihong, born in October 1953, as professor, got management PhD from Fudan University. He worked in Hohhot No.3 Middle School in Inner Mongolia, county party committee propaganda department of huangyan in Zhejiang Province, and Zhejiang Administration College. He worked as the chief of teaching and research section in Zhejiang Administration College, Deputy Inspector in Party School of Zhejiang Provincial Committee of CPC, and Vice Dean of Zhejiang Administration College. He was Vice President of Zhejiang Social Science League, subject review group expert in National Social Science Fund, and he was approved to share special allowance of the State Council in 2010. He repeatedly was responsible to hold national social science fund project and important social sciences issues in Zhejiang Province. On May 18, 2016, she was elected as the seventh Board of Directors Independent Director of the company.

Mr Gu Xinjian, born in July 1956, was doctor of engineering, as a professor in Modern Manufacturing Technology Research Institute of Zhejiang University, and a doctoral supervisor. He was the Deputy Director in Center for Innovation Management and Sustainable Competitiveness of Zhejiang University, and Director of Patents And Standards Strategic Institute. He was as assistant engineer in Ministry of Electronics Industry 1051 Institute from January, 1982 to September, 1984. From August, 1987 until now, he devoted himself to research and education work in Mechanical Engineering Department of Zhejiang University, primarily engaged in researching manufacturing informatization, enterprise modeling, networked manufacturing, advanced manufacturing systems mode, and mechanical manufacturing systems engineering. On May 18, 2016, he was elected as the seventh Board of Directors Independent Director of the company.

(II) The Supervisors

Mr. Li Shijie, born in July 1969, CCP member, university graduate, certified senior engineer. head of supplying department of the Company, general manager and chief secretary of CCP committee of Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. Currently he’s the vice chief secretary of CCP committee and chief secretary of discipline committee of Hangzhou Steam Turbine Power Group Co., Ltd. Currently he’s the Chairman of the 6th term of Supervisory Committee. He was elected as Chairman of the 7th term of Supervisory Committee on May 18, 2016.

Mr. Zhang Yougen, born in July 1957, CCP member, university graduate, senior political profession. Vice secretary of Discipline Committee of the Company, office manager of the Party Office, supervisor of the 1st, 2nd, 3rd, 4th, and 5th term of Supervisory Committee. Currently he’s the supervisor of the 6th term of Supervisory Committee. He was elected as supervisor of the 7th term of Supervisory Committee on May 18, 2016.

Mr. Wang Xiaohui, born in December 1967, CCP member, university degree, certified senior accountant, certified taxation accountant, certified internal auditor. External Chief Finance Officer of Hangzhou State-owned Property; Chief Accountant and Director of Accounting Dept. of Hangzhou Dongfeng Shipyard Co., Ltd. Currently he's the vice director of Accounting Dept. of Hangzhou Steam Turbine Power Group Co., Ltd. Currently he's the supervisor of the 6th term of Supervisory Committee. She was elected as supervisor of the 7th term of Supervisory Committee on May 18, 2016.

Mr. Lu Jianhua, born in March 1962, CCP member, university graduate. Once he was the clerk and office manager of the Trade Union, elected vice chairman of the Trade Union and supervisor; He assumed employees' supervisor for the 3rd, 4th, and 5th term of the Supervisory Committee. He was elected as supervisor of the 7th term of Supervisory Committee on May 12, 2016.

Mr. Fang Yin, born in December 1962, CCP member, senior engineer, master degree. Graduated from Zhejiang University of Industry in February 1982, and started working in technical area in Hangzhou Steam Turbine Co., Ltd. (former Hangzhou Steam Turbine Factory); Since September 1988, he has been working on R&D in the Industrial Turbine Research Institute of the Company; Mr. Fang was elected supervisor of the 6th term of Supervisory Committee by the Employees' Congress on February 28, 2013. He was elected as supervisor of the 7th term of Supervisory Committee on May 12, 2016.

(III) Senior Executives

Profiles of General Manager Ye Zhong and Engineer General Kong Jianqiang are available among the directors above.

Mr. Yu Changquan, born in July 1957, CCP member, Bachelor's Degree, senior economics profession. Secretary of the Board. He was engaged the Deputy General Manager of the Company since January 2000, He was engaged the Secretary of the Board on June 2005. On February 2009 Mr. Yu was engaged the vice general manager and secretary of the Board, and was extended to the 6th term of Board on June 2013.

Mr. Zhang Shutan, born in March 1959, CCP member, bachelor's degree, certified senior engineer. Once he was the teacher of HSTG Education Center, salesman of export division, vice director of export division, director of export division and assistant to general manager. He was engaged the vice general manager on February 2009.When transition in May 2016, will be renewed for the company deputy general manager.

Ms. Pu Yangshuo, born in November 1975, master's degree, certified accountant, certified senior accountant. She once the auditor and senior project manager of Zhejiang Provincial Auditing Firm (Zhejiang Wanbang CPA); director and CFO of Astronautic Telecommunication Group Co., Ltd.; Traveling CFO sent by Hangzhou State-owned Asset Administration. At present she's the vice general accountant of HSTG. She was elected the supervisor of the 4th and 5th term Supervisory Committee of the Company at the shareholders' meeting held on May 2009. She was engaged the Vice General Manager and Chief Accountant of the Company on June 2013. When transition in May 2016, will be renewed for the company deputy general manager and chief accountant..

Mr. Li Jiansheng,born January 1963, CCP member, master of engineering, certified senior engineer of professor level.Mr. Li started working for the Company in February 1982. He has been in the positions of chief of No.4 section, vice head of the Institution, and vice head of the Industrial Turbine Institute. He has been the assistant of vice general manager and head of production unit of Hangzhou Steam Turbine Co., Ltd. Mr. Li was engaged the vice general manager of the Company since December 5, 2014. When transition in May 2016, will be renewed for the company deputy general manager..

Jobs taken in shareholding parties

Names	Name of the shareholder	Job taken	Job started	Job ended	Take remunerations from the shareholding party
Nie Zhonghai	Hangzhou Steam Turbine Power Group Co., Ltd.	Chief secretary of CCP, Chairman, Legal Representative	August 1,2003		Yes
Yan Jianhua	Hangzhou Steam Turbine Power Group Co., Ltd.	Commissioner of CCP, Vice Chairman, GM	May 1,2013		Yes
Zhen Bin	Hangzhou Steam Turbine Power Group Co., Ltd.	Commissioner of CCP, Vice Chairman, Vice GM	November 27,2014		No

Yang Yongming	Hangzhou Steam Turbine Power Group Co., Ltd.	Commissioner of CCP, Vice GM	May 1,2013		Yes
Ye Zhong	Hangzhou Steam Turbine Power Group Co., Ltd.	CCP Commissioner, director	May 1,2001		No
Li Shijie	Hangzhou Steam Turbine Power Group Co., Ltd.	Vice Secretary of CCP Commission, Secretary of Discipline Committee, Vice Chairman of Supervisory Committee, Chairman of Trade Union	May 1,2013		Yes
Wang Xiaohui	Hangzhou Steam Turbine Power Group Co., Ltd.	Director of financial department	September 22,2014		Yes

Jobs taken in other parties

Names	Name of the parties	Positions	Job started	Job ended	Take remunerations from the party
Nie Zhonghai	Hangzhou Relian Group Co., Ltd.	Chairman, Legal representative	May 1,2013		No
Nie Zhonghai	Bank of Hangzhou Co., Ltd.	Director	July 1,2006		No
Nie Zhonghai	Guangdong Huaxing Bank Co., Ltd.	Director	September 1,2011		No
Yan Jianhua	Hangzhou Steam Turbine Power Technologies Co., Ltd.	Chairman, Legal representative	May 1,2013		No
Yan Jianhua	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Chairman, Legal representative	November 1,2013		No
Yan Jianhua	Hangzhou Steam Turbine Compressor Co., Ltd.	Chairman, GM, Legal representative	June 1,2014		No
Zheng Bin	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Chairman, Legal representative	July 1,2013		No
Zheng Bin	Hangzhou Steam Turbine Machinery & Equipment Co., Ltd.	Chairman, Legal representative	July 1,2013		No
Yang Yongming	Hangzhou Relian Group Co., Ltd.	Director	May 1,2013		No
Yang Yongming	Lianyungang Steam Turbine Xiangyi Property Co., Ltd.	Chairman, Legal representative	November 1,2013		No
Ye Zhong	Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Chairman, Legal representative	February 1,2010		No
Ye Zhong	Hangzhou Steam Turbine Engineering Co., Ltd.	Chairman, Legal representative	December 23,2014		No
Liu Guoqiang	Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Supervisor	February 1,2010		No
Liu Guoqiang	Hangzhou Steam Turbine Casting Co., ltd.	Director	July 1,2013		No
Liu Guoqiang	Zhejiang Turbine Import & Export Co., Ltd.	Supervisor	November 1,2009		No
Kong Jianqiang	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Director	July 1,2013		No

Chen Danhong	Tianma Bearing Group Co., Ltd.	Independent director	March 2,2015		Yes
Chen Danhong	Wuchan Zhongtuo Co., Ltd.	Independent director	April 29,2016		Yes
Chen Danhong	Huijishan Shaoxing Wine Co., Ltd.	Independent director	September 27,2016		Yes
Gu Xinjian	Zhejiang University. Institute of modern manufacturing engineering	Professor, Supervisor of a ph.D Student	December 1,1999		Yes
Zhang Xiaoyan	Beijing Kangda（Hangzhou）Law Firm	Partner	May 1,2012		Yes
Li Shijie	Hangzhou Relian Group Co., Ltd.	Supervisor	May 1,2013		No
Li Shijie	Lianyungang Hangzhou Steam Turbine Xiangyi Property Co., Ltd.	Supervisor	May 1,2015		No
Wang Xiaohui	Hangzhou Nanfangtongda Gears Co., Ltd.	Supervisor	April 1,2009		No
Wang Xiaohui	Lianyungang Hangzhou Steam Turbine Xiangyi Property Co., Ltd.	CFO	September 1,2009		No
Wang Xiaohui	Hangzhou Dongfeng Shipyard Co., Ltd.	Supervisor	September 1,2009		No
Wang Xiaohui	Zhejiang Hangqilun Shipyard Industry Co., Ltd.	Supervisor	January 1,2015		No
Zhang Yougen	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Supervisor	March 1,2011		No
Yu Changquan	Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Legal representative, chairman	October 1,2004		No
Yu Changquan	Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.	Legal representative, chairman	December 1,2016		No
Yu Changquan	Hangzhou Steam Turbine Casting Co., Ltd.	Director	April 4,2014		No
Yu Changquan	Zhejiang Turbine Import & Export Co., Ltd.	Chairman, Legal representative	January 6,2015		No
Zhang Shutan	（India）Gelin Shaoer Power Installation Privately Co., Ltd.	Director	November 1,2009		No
Zhang Shutan	Zhejiang Turbine Import & Export Co., Ltd.	Director	November 1,2009		No
Zhang Shutan	Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Director	October 1,2004		No
Pu Yangshuo	（India）Gelin Shaoer Power Installation Privately Co., Ltd.	Director	July 1,2013		No
Pu Yangshuo	Zhejiang Steam Turbine Auxiliary Technology Development Co., Ltd.	Supervisor	July 1,2013		No
Pu Yangshuo	Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Director	April 3,2014		No
Pu Yangshuo	Zhejiang Turbine Import & Export Co., Ltd.	Director	July 1,2013		No
Li Jiansheng	Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Director	April 3,2014		No
Li	Hangzhou Steam Turbine Casting Co., Ltd.	Director	July 15,2014		No

Jiansheng					

Punishments to the current and leaving board directors, supervisors and senior managers during the report period by securities regulators in the recent three years

Not applicable

IV. Remuneration to directors, supervisors and senior executives in the reporting period

Decision-making procedures, basis for determination and actual payment of the remuneration to directors , supervisors and senior executives

1. Decision-making and basis of remunerations to directors, supervisors, and executives

The 2nd meeting of the 7th Remuneration Committee was held on March 6, 2017. The remuneration plan for directors and executives was examined at the meeting. The Remuneration and Assessment Committee of the Board conducted assessment on the performances of the directors and executives, and the remuneration plan was produced according to the Administration Rules of Remuneration and Assessment of Directors of the 7th Term of Board and Executives（2016-2018）. The plan is subject to examination of the 7th meeting of the 7th term of Board.

Allowances for independent directors and supervisors are subject to approval by the Board and the Shareholders' Meeting thereafter. The proposal of allowances for the 7th term of independent directors and supervisors was adopted at the 1st Provisional Shareholders' Meeting held on December 28, 2016, and the allowance for independent directors is RMB150 thousand (tax included) per year, while it is RMB36 thousand for supervisors for the period of three years (tax included). Non employee supervisors do not enjoy the allowance

2. Actual payment

Basic wages are prepaid on monthly basis and the overall remunerations are paid upon completion of the annual assessment. Allowances for independent directors and supervisors are paid according to the scheme approved by the Shareholders' Meeting.

Remuneration of directors, supervisors, and executives in the report period

In RMB'0000

Name	Position	Sex	Age	Statue of duty	Total of reward from the Company(Pre-tax)	Actual reward in total at end of report term
Zheng Bin	Chairman	Male	52	In Office	86. 27	No
Yan Jianhua	Vice Chairman	Male	58	In Office	0. 00	Yes
Yang Yongming	Vice Chairman	Male	52	In Office	0. 00	Yes
Nie Zhonghai	Director	Male	59	In Office	0. 00	No
Ye Zhong	Director, GM	Male	48	In Office	86. 39	No
Liu Guoqiang	Director	Male	59	In Office	70. 72	No
Kong Jianqiang	Director, Engineer General	Male	46	In Office	70. 73	No
Ma Lihong	Independent Director	Male	63	In Office	15. 00	No
Gu Xinjian	Independent Director	Male	60	In Office	15. 00	No
Chen Danhong	Independent Director	Male	52	In Office	15. 00	No
Zhang Xiaoyan	Independent Director	Female	44	In Office	15. 00	No
Li Shijie	Chairman of the Supervisory Committee	Male	47	In Office	0. 00	Yes
Wang	Supervisor	Male	49	In Office	0. 00	Yes

Xiaohui						
Zhang Yougen	Supervisor	Male	59	In Office	51.81	No
Lu Jianhua	Employee Supervisor	Male	55	In Office	31.43	No
Fang Yin	Employee Supervisor	Male	54	In Office	36.92	No
Yu Changquan	Vice GM, secretary of the board	Male	59	In Office	70.74	No
Zhang Shutan	Vice GM, secretary of the board	Male	58	In Office	70.84	No
Pu Yangshuo	Vice GM, General accountant	Female	41	In Office	70.72	No
Li Jiansheng	Vice GM,	Male	53	In Office	70.87	No
Zhang Hejie	Independent Director	Male	59	Dimission	0.00	No
Xu Yongbin	Independent Director	Male	54	Dimission	0.00	No
Tan Jianrong	Independent Director	Male	62	Dimission	0.00	No
Total					777.44	

Incentive equity to directors, supervisors or/and senior executives in the reporting period

Not applicable

V. Particulars about employees.

1.Number of staff, professional structure and educational background

Number of in-service staff of the parent company(person)	2,393
Number of in-service staff of the main subsidiaries(person)	1,357
The total number of the in-service staff(person)	3,750
The total number of staff receiving remuneration in the current period(person)	3,750
Retired staff with charges paid by the parent company and main subsidiaries (person)	0
Professional	
Category	Number of persons（person）
Production	2,227
Sales	425
Tech	616
Finance	67
Administration	415
Total	3,750

Education	
Category	Number of persons（person）
Doctorial degree	7
Master's Degree	210
Bachelor	1,109
College diploma	699
Below college diploma	1,725
Total	3,750

2.Particulars about the employees:

Under the premise of considering the annual benefit, with the level of competition, the ability to pay of enterprises, price levels and other factors, in 2016 the company adequate remuneration be adjusted according to the value of the unpaid position, according to the performance of the performance fee, adhere to labor distribution, taking into account efficiency and equity, the maximum level of protection of the interests of employees, to achieve a win-win business and employees. Company on a monthly basis, full and timely payment of wages, overtime pay in accordance with national regulations, on a monthly basis.

3. Educational training for employees: In 2016, the employee educational training work closely linked to the annual work target, focused on the "internal department business training", aimed at training and optimizing "three groups of talents of business management personnel, and professional technicians, and high skilled personnel" in 2016, and developed 2016 Corporation Educational Training Program, and required the implementation of each project and spared no effort to fully improve the career capacities and integrated qualities of all the employees. In terms of funding, the corporation extracted 2% from the payrolls as the staff education funds for effective protection of the expenses for the training program. Statistics show that147 training courses were held and 5776 employees attended the training program in 2016. In 2017, we plan to carry out 169 training programs in the fields of business management, engineering, technology, skills, quality and safety.

4. **Outsourcing situation**

Total hours of labor outsourcing (hours)	353,430
Total remuneration paid for service outsourcing (yuan)	3,825,353.00

IX. Administrative structure

I. General situation

(1) Standardized operation of corporate governance structure

In accordance with the "company law" provisions, The Company has its executive, decision making and supervisory bodies operated strictly according to the Articles of Association, Shareholders' Meeting Criteria, Board Meeting Criteria, and Supervisory Committee Criteria. Meetings were held by legal procedures, Corporate governance in accordance with the relevant provisions of the laws and regulations of China Securities Regulatory Commission and the Shenzhen Stock Exchange.

2. Effectiveness of organization

The Board of Directors is the executive body of the decisions made by the Shareholders' Meeting. The Board is also responsible to establish and improve the internal control system of the Company, and make it works effectively. Chairman of the Board is the caller of the Board. Strategy, Investment, Remuneration, and Auditing Committees were established within the Board, and were supporting the decision-making of the Board. The Supervisory Committee is responsible to report to the Shareholders' Meeting and supervise the legal performance of duties of directors, managers, and executives. The management is responsible to the Board, and take charge of daily operation of the Company. Functional departments were deployed according to the needs of business with clear responsibilities. In the report period, According to the strategic planning objectives and business transformation needs, the marketing organization to optimize and adjust, so that the organization of the company to run more scientific, efficient and standardized.

3. Basis for material decisions

The Company has setup practical rules for all material aspects of management, including but not limited to, external investment, trusteeship, related transactions, information disclosure, investors' relationship, information insider, executive shares, and management of controlled subsidiaries. These documents of rules were constantly revised and improved to maintain effectiveness upon changing situation. During the report period, the Company revised System of Entrusted Financial Planning to make a better utilization ratio in capital. Meanwhile, for the Company's development requirements, the Company made modifications in clauses related to business scope of the Company's articles.

4. Establishing of internal control system

The Company kept close observation on the whole business process identifying risk points according to Enterprise Internal Control Standards, Internal Control Guidelines, Internal Assessment Guidelines, and Internal Control Guidelines for PLCs issued by Shenzhen Stock Exchange. Effective mechanisms on risk control and internal auditing were conducted. The Auditing Committee of the Board was responsible to supervise the internal control practices.

Does there exist any difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC,

There exist no difference in compliance with the corporate governance , the PRC Company Law and the relevant provisions of CSRC.

II. Independence and Completeness in business, personnel , assets, organization and finance

The Company kept independence and separated with holding shareholders on the aspects of business, human resource, capital, organization, and accounting. And the Company established independent and complete business operating systems.

1. On business operations

The Company's majors of design, manufacture, sale business of industrial steam turbine was independent from the holding company (Hangzhou Steam Turbine Power Group). The controlling shareholder in the subsidiary engineering company to undertake the project in, Some of the holding subsidiaries of the Group are selling the Company's steam turbine products and spare parts, which are at market prices; The Company and the Group are not sharing any office site.

2. On personnel management

The Company kept independence with the holding shareholders on the aspects of human resource and remuneration management. Although the Company's chairman of the Board and the vice chairman of the Board were part-time by the parent company's (Hang Steam Turbine Group) chairman of the Board and the vice chairman of the Board; the Company's management was employed and gotten salary exclusively in the Company instead of any management duty in the holding-share share holders except the duty of chairman of the Board. The Company's accountant shad no part-time job in their parent company or related companies.

3. On capital operation

The property relationship between the Company and the holding-share shareholders was clear and explicit. The capital and business injected by the holding-share shareholders was independent and complete. And at the same time, the Company owned system of manufacturing and operation, sale, accessorial manufacturing and relevant equipments which independent from holding shareholder.

4. On organization structure

The Company kept total independence from the controlling shareholder on the organization configuration. The Company owned separate and independent manufacturing, supplying, and sales system, there was no horizontal competition with the controlling shareholder, and the Company owned independent management and operation systems. The Company signed related trading agreements with the subsidiaries of the share-holding company. The Company's intermediate managers are employed by the Company's executives, and was evaluated under the economic responsibility system.

5. On accounting management

The Company had independent accounting department, and established independent account re-calculation system and accounting system; the Company also had the regulated and independent finance management on the share-holding and subsidiaries; the Company had independent finance policies and bank account and its tax, there was no joint account with controlling shareholder.

6. In legal aspect

Department of Securities and Law – the special legal department was founded in the report term, and performs duties according to Administration Rules for Legal Consultancy to State-owned Enterprises. Along with Zhejiang Tianche Law Firm – the public legal consultancy employed by the Company, the Department aims to regulate the legal affairs and day-to-day administrations .

III. Competition situations of the industry

Not applicable

IV. Annual General Meeting and Extraordinary Shareholders' Meetings in the Reporting Period

1.Annual General Meeting

Sessions	Type	Investor participation ratio	Meeting Date	Disclosure date	Disclosure index
2015 Shareholders' general meeting	Annual Shareholders' General Meeting	66.06%	May 18,2016	May 18,2016	Resolutions of the Shareholders' Annual Meeting 2015 (Announcement No. 2016-54) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and Http://www.cninfo.com.cn
The First provisional shareholders' General meeting in 2016	Provisional shareholders' General meeting	69.04%	December 28,2016	December 28,2016	Resolutions of the First provisional Shareholders' Annual Meeting 2016 (Announcement No. 2016-90) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and Http://www.cninfo.com.cn.

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Not applicable

V. Responsibility performance of independent directors in report period

1. The attending of independent directors to board meetings and shareholders' general meeting

The attending of independent directors						
Independent Directors	Number of Board meetings necessary to be attended in the reporting period	Number of spot attendances	Number of meetings attended by Communication	Number of attendances by representative	Number of absence	Failure to personally attend board meetings successively twice (Yes/No)
Xu Yongbin	6	1	5	0	0	No
Zhang Hejie	6	1	5	0	0	No
Tan Jianrong	6	1	5	0	0	No
Zhang Xiaoyan	11	4	7	0	0	No
Ma Lihong	5	2	3	0	0	No
Gu Xinjian	5	2	3	0	0	No

Chen Danhong	5	2	3	0	0	No
Number of general meetings attended by independent directors as non-voting delegates	2					

Notes to failure to personally attend Board Meetings Successively Twice

Not applicable

2.Objection of independent directors on some relevant issues

Independent directors proposed no objection against the relevant matters in the reporting period.

3. Explanation of the Independent Directors to the Company on Adopted Advice and Unadopted Advice

(1) The independent directors debriefed the managers about the business condition in 2015, and suggested the Company to enhance communication with government sectors and to obtain government subsidy support from the research and development of products. Under a circumstance where the economic environment is gradually in downturn, the independent directors suggested the Company to coordinate the product structure and constantly improve the gas turbine business, to seize the market strategic position and actively expand the international market, to control the risk in contracts and intensify the collection for receivables, to strengthen the salary management and performance assessment as well as enhancing staffs and administrators' initiative, and to lay a foundation to seek for long-term development at the beginning year of the Thirteen-Five Year Plan

(2) At the 1st communication meeting between the independent directors and the accounting firm, the independent directors debriefed the accounting firm, and suggested the Company to attach importance to the recovery of receivables and the inventory of units to grasp risks.

(3)At the 2nd communication meeting between the independent directors and the accounting firm,the independent directors suggested the Company to confirm revenue recognition principle and keep the precautionary principle as always, to respond risks for partial suspended projects, to keep the the construction progress of important issues up with the market condition changes, and to actively disclose relevant information to minority shareholders and maintain their interests

The management accepted the above suggestions.

VI. Fulfilling of duties by the Special Committees under the Board of Directors

(I) The Auditing Committee

The Auditing Committee was performing its duties strictly according to the Working Criteria of Auditing Committee and was mainly in charge of supervising, verification and communication of internal and external auditing works. It was also performing the duties to satisfy the requirement of China Securities Regulatory Commission as well as Shenzhen Stock Exchange. In the report period, the Company adjusted the composition of the Auditing Committee and its members in the report period, and the main works performed by the Auditing Committee were:

1. To call the 5th meeting of the 6th term of Auditing Committee at which the annual auditing work was discussed and suggestions were provided on problems in the auditing process.

2. The 6th meeting of the 6th term of Auditing Committee was held to examine the Annual Report 2015, the General Manager's Report, Financial Report, Dividend Plan, Proposal of Routine Related Transactions, Providing of Inventory Provision and Bad Debt Provision, Internal Control Manual, Internal Control Introspective Report, Internal Control Annual Report and Plan. Statements and were provided on the auditing works of the CPA, and opinions were issued about extending of the CPA's service. Improvement suggestions were provided on internal

control. Opinions were provided on the Annual Report and Financial Report which were about to be submitted to the Board.

(II) The Strategy Committee

The Strategy Committee is established to provide opinions or suggestions for the Company's development and investment strategies.

During the report period, the 1st meeting of the 6th strategic committee of the board was convened, which was to put forward guidance for the Company's development plan in the Thirteenth Five-Year Plan and even the further one, and to submit the strategic planning report of the Thirteenth Five-Year Plan to the board of directors for deliberation.

(III) The Remuneration and Assessment Committee

The Remuneration and Assessment Committee was established to set up standard for assessing the performance and deciding the remuneration of the directors and executives. Detailed plans were produced and submitted to the Board. In the report period, the Board refined the composition of the Remuneration Committee according to the composition of the new term of Board. The Committee conducted the following works in the report period:

1.The 4th meeting of the 6th term of Remuneration and Assessment Committee was held to examine the assessment outcome of the directors and executives for year 2015, and produced the remuneration plan for the examination of the Board.

2.The 1st meeting of the 7th compensation and assessment committee of the board was convened. Aimed at the assessment of new directors and senior executives, it was to discuss about Regulation on the 7th Directors and the Senior Executives and Subsidy Measures on the 7th Directors and the Senior Executives, and to submit them to the board of directors for deliberation.

(IV) The Nomination Committee

The Nomination Committee was established to provide suggestions to the Board on the composition of the Board, and to examine the qualifications of candidates for directors and executives. In the report period, the Board refined the composition of the Nomination Committee according to the composition of the new term of Board.

During the report period, the tenure of the Company's 6th board of directors and supervisors came to expiration. According to relevant regulations of Company Law and Articles of Incorporation, the relevant work of transition carried out by the nomination committee was as follow:

1.The 4th meeting of the 6th nomination committed was convened , which was to examine the qualification of the non-independent director candidates and the independent ones recommended by the board of directors, and to nominate the list of candidates of the 7th board of directors to the Company's board of directors.

2. The 1st meeting of the 7th nomination committee was convened. According to the candidates of new board of directors, the committee conducted a candidate nomination to Company to employ the senior executives including the general manager, the vice general manager, the chief engineer, the Secretary of the board and the chief accountant, and it was submitted to the board of directors for deliberation.

VII. Fulfilling of duties of the Supervisory Committee

No. of meeting	Date of meeting	Supervisors at the meeting	Titles of proposals	Resolutions	Index of information disclosed at the official website	Date of disclosure of the resolutions
The 14th meeting of the 6th term of Committee	March 17,2016	Li Shijie, Wang Xiaohui,Zhang Yougen, Lu Jianhua and Fang Yin	Annual Report 2015 and Summary; 2015 Annual Report and Summary; Financial Report 2015; Dividend Plan 2015; Introspective Report of Internal Control System 2015; Report of Related Transactions in 2015 and Projected for Year 2016; Board of supervisors general motion; The company's 2015 annual asset impairment and provisioning Report The company's 2015 annual write off	Proposals adopted	(Announcement No. 2016-19) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and Http://www.cninfo.com.cn	March 18,2016
The 15th meeting of the 6th term of Committee	April 20,2016	Li Shijie, Wang Xiaohui,Zhang Yougen, Lu Jianhua and Fang Yin	The 1st Quarterly Report 2016, and summary	Proposals adopted	(Announcement No. 2016-50) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and Http://www.cninfo.com.cn	April 20,2016
The 1st meeting of the 7th term of Committee	May 18,2016	Li Shijie, Wang Xiaohui,Zhang Yougen, Lu Jianhua and Fang Yin	Election of Li Shijie as chairman of the seventh board of supervisors	Proposals adopted	(Announcement No. 2016-57) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and Http://www.cninfo.com.cn	March 18,2016
The 2nd meeting of the 7th term of Committee	August 12,2016	Li Shijie, Wang Xiaohui,Zhang Yougen, Lu Jianhua and Fang Yin	Interim Report 2016 and Summary	Proposals adopted	(Announcement No. 2016-61) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and Http://www.cninfo.com.cn	August 12,2016
The 3rd meeting of the	October 21,2016	Li Shijie, Wang	The 3rd Quarterly Report 2016, and Summary	Proposals adopted	(Announcement No. 2016-71) released	October 21,2016

7th term of Committee		Xiaohui,Zhang Yougen, Lu Jianhua and Fang Yin			by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and Http://www.cninfo.com.cn	

Brief opinion of the Supervisory Committee on risks of the Company

1. Supervisory Committee’s opinions on the Annual Report 2015

On March 17, 2016, the Committee examined the Annual Report 2015 and the summary version. All of the members considered the Annual Report 2015 is frankly and completely reflecting the financial situation and business performance in the report term (January 1 – December 31, 2015). They will assume joint and individual responsibilities for the accuracy, authentic, and completeness of the Report.

2. Supervisory Committee’s opinion on the Internal Control Introspection Report 2015

The Internal Control Introspection Report 2015 was reflecting the operation of the internal control system objectively, frankly, and completely.

3. Supervisory Committee’s opinions on the routine related transactions in 2015

The Committee verified the related transactions conducted in 2015 and deems: The related transactions was conducted strictly at the prices setout by the relative agreement approved by the Shareholders’ Meeting, and complying with the related regulations and legal procedures. Pricing of the related transactions was on fair and reasonable basis without illegal operation, and no harming on the interests of the Company or the shareholder, especially the mid-small shareholders.

4. Opinions of the supervisory Committee on the provision for impairment of assets for the year 2015

The board of supervision considered that the company has carried out the provision for impairment of assets of year 2015 by conforming to the Accounting Standards for Enterprises and relevant regulations, which conformed to the Company’s real situation and more fairly reflected the Company’s financial and asset situation. On account of the lawful and compliant examination procedure of this matter, The provision for impairment of assets was agreed.

5.Opinions of the supervisory Committee on the write-off of the Company’s asset

The Company’s board of directors considers that this write-offs asset complied with Accounting Standards for Business Enterprises and management system on the Company’s write-offs asset, which truly reflected the Company’s financial condition, where the write-offs basis is sufficient and which won’t involve with the Company’s relate party. Therefore,the Company’s board of directors agreed on this write-offs asset.

6. Supervisory Committee’s opinions on the 1st Quarterly Report 2016

The producing and examination procedures of the 1st quarterly report 2016 were legal and complying with the requirements of the CSRC. The Report is reflecting the financial position and business performance of the Company in the 1st quarter frankly and completely. There is no false record, misleading statement, or material omission in the report.

7. Supervisory Committee’s opinions on the Interim Report 2016

The producing and examination procedures on the interim Report 2016 were legal and complying with the requirements of the CSRC. The Report is reflecting the financial position and business performance of the Company in the Interim Report 2016 frankly and completely. There is no false record, misleading statement, or material omission in the report.

8. Supervisory Committee’s opinions on the 3rd Quarterly Report 2016

The Committee inspected and discussed on the 3rd Quarterly Report 2016. All of the members regard the report was frankly and completely reflecting the financial situation and business performance. They will assume joint and individual responsibilities for the accuracy, authentic, and completeness of the Report.

VIII. Assessment and incentive Mechanism for Senior executives

The Company adopts the annual remuneration scheme for directors (excluding independent directors) and senior executives (including Chairman of the Supervisory Committee) which is a combination of basic wages and performance wages. According to the “Remuneration and Assessment Scheme for the 5th term of the 7th term of

Board and the 1st shareholders' provisional meeting 2016(2016-2018), the Remuneration & Assessment Committee is responsible to assess the performances of the directors and senior executives according to stipulated procedures. Directors and senior executives are scored and assessed one after another and comes out with a plan subject to approval of the Board and the Shareholders' Meeting. Basic wages are distributed on monthly basis and the overall remunerations are paid upon completion of the annual assessment.

In the report term, the Directors (exclude independent directors) and senior executives (including the Chairman of Supervisory Committee) are scored and assessed one after another and comes out with a plan decided by the 2nd meeting of the 7th term of Remuneration Committee, which was subject to approval of the Board.

The Assessment and Remuneration Scheme was produced through legal procedures and has been monitoring and motivating the directors and senior executives.

The Company hadn't conducted any share incentive program to any directors or senior executives as of the end of report period.

IX. Internal control situations

1. Specific situations on major defects of internal control discovered during report period

□ Yes √ No

2. Self-evaluation report on internal control

Disclosure date of appraisal report on internal control	March 18,2017	
Disclosure index of appraisal report on internal control	Disclosed by http://www.cninfo.com.cn dated March 18, 2017 (Announcement 2017-24)	
Proportion of total unit assets covered by appraisal in the total assets of the consolidated financial statements of the company	100.00%	
Proportion of total unit incomes covered by appraisal in the total business incomes of the consolidated financial statements of the company	100.00%	
Standards of Defects Evaluation		
Type	Financial Report	Non-financial Report
Standard	Deficiency characterized as below will be treated as fatal defects: To correct the fatal errors already published in the financial report （except for the retrospection and adjustments of previous years because of policies changing and other objective factors changing);fatal errors already discovered by auditor, unidentified in the current financial report; any fraud among top management; invalid monitoring to the financial report from audit committee and internal audit department.	(1) Punishment received by governments below provincial level (including provincial level) but no negative effects for our company's periodic report disclosure will be considered as a general deficiency; (2) or punishments from national governments above provincial level but no negative effects for our company's periodic report disclosure will be considered as a significant deficiency; (3) external official disclosure has been already carried out and brought certain

		negative effects to our company's periodic report disclosure will be considered as a fatal deficiency.
Standards of Quantization	In accordance with the degree of importance of deficiency that may cause financial report errors, our company defined quantitative identification standard of financial report internal deficiency control as per the average of the last three-year total profit. (1) errors reported indicator < 3% of total profit, will be asserted as general deficiencies; (2) 3% of total profit ≤ errors reported indicator < 5% of total profit, will be asserted as significant deficiencies; (3) errors reported indicator ≥ 5% of total profit, will be asserted as fatal deficiencies.	1) Losses < consolidating 3% of pre-tax profit, will be asserted as general deficiencies; (2) 3% of combined pre-tax profit ≤ losses < 5% of combined pre-tax profit, will be asserted as significant deficiencies; (3) losses ≥5% of combined pre-tax profit, will be asserted as fatal deficiencies.
Number of major defects in financial reporting（a）	0	
Number of major defects in non financial reporting (a)	0	
Number of important defects in financial reporting（a）	0	
Number of important defects in non financial reporting（a）	0	

X. Internal Control audit report

Review opinions in the internal control audit report	
As far as our best understanding, Hangzhou Steam Turbine Co., Ltd. has been conducting effective internal control over its financial reporting system in all material aspects we observed as of December 31, 2016, and has been following with the Enterprise Internal Control Criteria.	
Disclosure of internal audit report	Disclosure
Disclosure date of audit report of internal control (full-text)	March 18，2017
Index of audit report of internal control (full-text)	Disclosed by http://www.cninfo.com.cn dated March 18, 2017 (Announcement No. 2017-17)
Internal audit report's opinion	Unqualified audit opinion
Non-financial reporting the existence of	No

significant deficiencies	

Has the CPAs issued a qualified auditor’s report of internal control .

□ Yes √No

Does the internal control audit report issued by the CPAs agree with the self-assessment report of the Board of Directors

√Yes □No

X. Corporation bonds

Whether or not the Company public offering corporation bonds in stock exchange, which undue or without payment in full at maturity on the approval date for annual report disclosed

No

XI.Financial Report

1.Auditors' Report

Type of auditing opinion	Standard report without qualified opinion
Date of issue of the Auditors' Report	March 16,2017
Name of the CPA	Pan-China Certified Public Accountants (Special common partnership)
Ref. No. of the Auditors' Report	TIANJIANSHEN〔2017〕No.1028
Name of the certified accountants	Jiang Xiaodong, Zhu Guogang

Auditors' Report

To the entire shareholders of Hangzhou Steam Turbine Co., Ltd.

We have audited the Financial Statements of Hangzhou Steam Turbine Co., Ltd. (the Company) attached hereafter, including the Balance Sheet and Consolidated Balance Sheet ended December 31, 2016, Income Statement and Consolidated Income Statement, Cash Flow Statement and Consolidated Cash Flow Statement, Statement of Change in Share Equities and Consolidated Statement of Change in Share Equities of year 2016, as well as the notes to the Financial Statements.

I. Executives' responsibilities on the Financial Statements

Preparing and appropriately presenting of the Financial Statements are the responsibilities of the management of The Company. This responsibilities are including: (1) Preparing the financial statements according to Enterprise Accounting Standards and make them reflecting a fair basis. (2) Design, implement and maintain the internal control system related to producing of the Financial Statements, to prevent the Financial Statements from major false presentation due to cheating or error.

II. Responsibilities of the CPA

Our responsibilities are to issue auditing opinions on the Financial Statements basing on the auditing works we've done on them. We carried out the auditing works with compliance to Chinese CPA Auditing Standard, which requires us to plan and implement our works on the basis of professional ethic standards, and obtain reasonable guarantee that the Financial Statements are free of major false statements.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the entity's preparation of financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting polices used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Auditors' Opinions

We believe that the Company has been following with the Enterprise Accounting Standard in preparing of the Financial Statements. The Financial Statements is reflecting, both of the Company and the consolidated, in all important aspects, the financial situation of Hangzhou Steam Turbine Co., Ltd. as of December 31, 2016 and the business performance and cash flow of year 2016 both of the Company and the consolidated.

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

In RMB

Items	At the end of term	Beginning of term
Current asset：		
Monetary fund	895,037,559.34	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	479,716,321.62	680,518,943.49
Account receivable	1,870,173,348.32	2,096,090,157.61
Prepayments	202,184,858.83	139,267,324.65
Insurance receivable		
Reinsurance receivable		
Provisions of Reinsurance contracts receivable		
Interest receivable		
Dividend receivable		
Other account receivable	31,024,707.72	25,574,057.29
Repurchasing of financial assets		
Inventories	1,901,544,358.26	1,826,869,838.60
Assets held for sales		
Non-current asset due in 1 year		
Other current asset	863,018,479.59	427,203,835.44
Total of current assets	6,242,699,633.68	5,947,120,953.32
Non-current assets：		
Loans and payment on other’s behalf disbursed		
Disposable financial asset	3,060,865,862.60	509,409,741.77
Expired investment in possess		
Long-term receivable		
Long term share equity investment		
Property investment		
Fixed assets	615,922,109.91	642,155,636.34
Construction in progress	153,743,889.41	119,187,107.52
Engineering material		
Fixed asset disposal		
Production physical assets		
Gas & petrol		
Intangible assets	297,405,434.08	304,949,207.18
R & D petrol		
Goodwill		
Long-germ expenses to be amortized	1,430,968.81	2,029,471.80

Deferred income tax asset	178,831,809.85	158,924,887.70
Other non-current asset		
Total of non-current assets	4,308,200,074.66	1,736,656,052.31
Total of assets	10,550,899,708.34	7,683,777,005.63
Current liabilities		
Short-term loans	173,000,000.00	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	143,007,715.10	194,226,049.73
Account payable	853,452,589.51	810,420,381.45
Advance payment	1,827,959,793.62	1,736,820,949.19
Selling of repurchased financial assets		
Fees and commissions receivable		
Employees' wage payable	71,224,634.03	70,257,474.46
Tax payable	90,239,673.16	36,008,109.09
Interest payable	134,376.32	
Dividend payable		
Other account payable	30,820,980.80	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	18,500,000.00	300,000.00
Other current liability		
Total of current liability	3,208,339,762.54	2,963,088,089.43
Non-current liabilities：		
Long-term loan	4,900,000.00	123,400,000.00
Bond payable		
Including：preferred stock		
Sustainable debt		
Long-term payable	208,357,733.33	330,000.00
Long-term payable employees's remuneration		
Special payable		
Expected liabilities		
Deferred income	5,422,895.00	6,804,425.00
Deferred income tax liability	378,256,646.95	1,017,473.05
Other non-current liabilities		
Total non-current liabilities	596,937,275.28	131,551,898.05
Total of liability	3,805,277,037.82	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	2,137,419,299.84	-852,752.00
Special reserves	27,546,353.37	31,764,920.51
Surplus reserves	621,112,807.78	621,112,807.78
Common risk provision		
Undistributed profit	2,705,667,037.15	2,673,711,591.42
Total of owner's equity belong to the parent company	6,385,346,243.23	4,219,337,312.80
Minority shareholders' equity	360,276,427.29	369,799,705.35
Total of owners' equity	6,745,622,670.52	4,589,137,018.15
Total of liabilities and owners' equity	10,550,899,708.34	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	293,454,126.93	387,916,202.79
Financial assets measured at fair value with variations accounted into current income account		
Derivative financial assets		
Bill receivable	269,527,716.22	365,504,827.88
Account receivable	1,424,950,696.58	1,637,391,672.98
Prepayments	115,383,408.34	53,440,645.95
Interest receivable		
Dividend receivable		
Other account receivable	68,004,706.24	12,245,371.97
Inventories	1,446,652,799.71	1,454,420,457.64
Assets held for sales		
Non-current asset due in 1 year		
Other current asset	600,000,000.00	170,653,680.58
Total of current assets	4,217,973,454.02	4,081,572,859.79
Non-current assets：		
Disposable financial asset	3,020,106,173.02	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	315,900,380.66	334,677,256.20
Construction in progress	94,170,909.99	79,982,551.34
Engineering material		
Fixed asset disposal		
Production physical assets		
Gas & petrol		
Intangible assets	173,826,293.57	177,872,266.49
R & D petrol		
Goodwill		
Long-germ expenses to be amortized	507,773.78	761,660.66
Deferred income tax asset	133,581,773.70	120,771,991.85
Other non-current asset		
Total of non-current assets	4,241,012,682.75	1,682,589,482.83
Total of assets	8,458,986,136.77	5,764,162,342.62
Current liabilities		
Short-term loans	100,000,000.00	

Financial liabilities measured at fair value with variations accounted into current income account		
Derivative financial liabilities		
Bill payable		13,500,000.00
Account payable	486,810,046.42	436,004,535.90
Advance payment	1,476,780,338.78	1,428,724,224.76
Employees' wage payable	44,035,408.19	51,373,858.57
Tax payable	64,247,326.24	3,538,126.39
Interest payable		
Dividend payable		
Other account payable	21,562,998.72	20,338,742.44
Classified as held for sale debt		
Non-current liability due in 1 year		
Other current liability		
Total of current liability	2,193,436,118.35	1,953,479,488.06
Non-current liabilities：		
Long-term loan		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		22,250.00
Deferred income tax liability	378,256,646.95	1,017,473.05
Other non-current liabilities		
Total of Non-current liabilities	378,256,646.95	101,039,723.05
Total of liability	2,571,692,765.30	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	2,137,800,156.80	
Special reserves	10,874,033.85	13,098,989.67
Surplus reserves	602,356,402.65	602,356,402.65
Undistributed profit	2,243,299,128.08	2,201,224,089.10
Total of owners' equity	5,887,293,371.47	3,709,643,131.51
Total of liabilities and owners' equity	8,458,986,136.77	5,764,162,342.62

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	3,235,303,379.24	2,600,072,151.63
Incl：Business income	3,235,303,379.24	2,600,072,151.63
Interest income		
Insurance fee earned		
Fee and commission received		
II. Total business cost	3,211,913,936.08	2,820,446,852.60
Incl：Business cost	2,204,578,781.07	1,805,941,522.77
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	32,563,426.16	12,014,265.08
Sales expense	164,610,410.65	156,702,806.61
Administrative expense	623,684,537.46	608,221,129.48
Financial expenses	-14,837,853.07	-7,563,749.45
Asset impairment loss	201,314,633.81	245,130,878.11
Add：Gains from change of fir value （“-”for loss）		
Investment gain（“-”for loss）	32,136,337.57	48,366,797.30
Incl: investment gains from affiliates		
Gains from currency exchange（“-”for loss）		
III. Operational profit（“-”for loss）	55,525,780.73	-172,007,903.67
Add ：Non-operational income	26,168,216.69	29,025,777.14
Including：Income from disposal of non-current assets	387,292.53	55,683.00
Less：Non business expenses	4,274,955.35	5,206,380.51
Incl：Loss from disposal of non-current assets	60,839.23	497,599.66
IV.Total profit(“-”for loss)	77,419,042.07	-148,188,507.04
Less：Income tax expenses	10,507,672.15	-24,157,778.85
V. Net profit	66,911,369.92	-124,030,728.19
Net profit attributable to the owners of parent company	31,955,445.73	-162,809,311.79
Minority shareholders' equity	34,955,924.19	38,778,583.60
VI. Other comprehensive income	2,138,908,422.36	**-498,713.66**
Net of profit of other comprehensive income attributable to owners of the parent company.	2,138,272,051.84	**-212,350.28**
（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.	2,138,272,051.84	**-212,350.28**
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	2,137,800,156.80	
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	471,895.04	-212,350.28
6.Other		
Net of profit of other comprehensive income attributable to Minority shareholders' equity	636,370.52	-286,363.38
VII. Total comprehensive income	2,205,819,792.28	-124, 529, 441. 85
Total comprehensive income attributable to the owner of the parent company	2,170,227,497.57	-163, 021, 662. 07
Total comprehensive income attributable minority shareholders	35,592,294.71	38,492,220.22
VIII. Earnings per share		
（I）Basic earnings per share	0.04	-0.22
(II)Diluted earnings per share	0.04	-0.22

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 rson in charge of accounting：Pu Yangshuo ccounting 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	2,143,474,150.58	1,555,496,371.53
Incl：Business cost	1,556,832,738.33	1,178,553,025.63
Business tax and surcharge	19,958,750.71	1,398,294.87
Sales expense	104,810,547.64	106,769,296.56
Administrative expense	387,271,046.69	381,197,193.85
Financial expenses	-12,303,571.04	-2,524,709.34
Asset impairment loss	171,652,812.43	210,969,678.28
Add：Gains from change of fir value （“-”for loss）		
Investment gain（“-”for loss）	102,446,490.02	149,604,635.99
Incl: investment gains from affiliates		
II. Operational profit（“-”for loss）	17,698,315.84	-171,261,772.33
Add ：Non-operational income	13,504,412.78	12,361,410.34
Including：Income from disposal of non-current assets	353,762.44	10,283.00
Less：Non business expenses	1,957,148.79	1,955,547.08
Incl：Loss from disposal of non-current assets		41,138.39

III.Total profit("-"for loss)	29,245,579.83	-160,855,909.07
Less：Income tax expenses	-12,829,459.15	-47,167,713.28
IV. Net profit（"-"for net loss）	42,075,038.98	-113,688,195.79
V.Net of profit of other comprehensive income	2,137,800,156.80	
（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.	2,137,800,156.80	
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	2,137,800,156.80	
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	2,179,875,195.78	-113,688,195.79
VII. Earnings per share：		
（I）Basic earnings per share	0.06	-0.15
(II)Diluted earnings per share	0.06	-0.15

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 rending of services	3,117,828,975.19	2,631,164,968.80
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	9,575,551.67	11,497,951.32
Other cash received from business operation	36,339,734.29	30,394,059.57
Sub-total of cash inflow	3,163,744,261.15	2,673,056,979.69
Cash paid for purchasing of merchandise and services	1,592,178,163.15	1,231,551,085.85
Net increase of client trade and advance		
Net increase of savings n 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	660,847,474.75	667,800,831.48
Taxes paid	186,151,888.55	235,921,800.21
Other cash paid for business activities	218,407,306.28	182,105,489.10
Sub-total of cash outflow from business activities	2,657,584,832.73	2,317,379,206.64
Cash flow generated by business operation, net	506,159,428.42	355,677,773.05
II.Cash flow generated by investing		
Cash received from investment retrieving	3,045,673.93	1,174,636.49
Cash received as investment gains	32,136,337.57	48,366,797.30
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	1,047,802.29	478,632.20
Net cash received from disposal of subsidiaries or other operational units		
Other investment-related cash received	1,765,932,662.00	1,744,805,999.95
Sub-total of cash inflow due to investment activities	1,802,162,475.79	1,794,826,065.94
Cash paid for construction of fixed assets, intangible assets and other long-term assets	83,386,401.14	87,236,497.77
Cash paid as investment	39,442,786.76	11,593,515.32
Net increase of loan against pledge		
Net cash received from subsidiaries and other operational units		
Other cash paid for investment activities	2,193,700,000.00	1,792,005,999.95
Sub-total of cash outflow due to investment activities	2,316,529,187.90	1,890,836,013.04
Net cash flow generated by investment	-514,366,712.11	-96,009,947.10

III.Cash flow generated by financing		
Cash received as investment		11,740,000.00
Incl: Cash received as investment from minor shareholders		11,740,000.00
Cash received as loans	202,000,000.00	200,650,000.00
Cash received from bond placing		
Other financing –related ash received	208,000,000.00	
Sub-total of cash inflow from financing activities	410,000,000.00	212,390,000.00
Cash to repay debts	214,650,000.00	208,700,000.00
Cash paid as dividend, profit, or interests	53,367,075.65	143,465,665.55
Incl: Dividend and profit paid by subsidiaries to minor shareholders	44,221,187.50	56,211,585.00
Other cash paid for financing activities		
Sub-total of cash outflow due to financing activities	268,017,075.65	352,165,665.55
Net cash flow generated by financing	141,982,924.35	-139,775,665.55
IV. Influence of exchange rate alternation on cash and cash equivalents	8,236,681.66	6,568,940.63
V.Net increase of cash and cash equivalents	142,012,322.32	126,461,101.03
Add: balance of cash and cash equivalents at the beginning of term	689,224,662.53	562,763,561.50
VI ..Balance of cash and cash equivalents at the end of term	831,236,984.85	689,224,662.53

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 rending of services	1,692,166,949.58	1,635,853,743.22
Tax returned	2,971,055.45	9,328,982.41
Other cash received from business operation	14,110,015.18	3,889,695.82
Sub-total of cash inflow	1,709,248,020.21	1,649,072,421.45
Cash paid for purchasing of merchandise and services	757,987,965.11	703,949,384.41
Cash paid to staffs or paid for staffs	450,219,508.05	458,460,020.00
Taxes paid	62,701,978.23	97,136,615.44
Other cash paid for business activities	112,929,726.69	113,710,360.58
Sub-total of cash outflow from business activities	1,383,839,178.08	1,373,256,380.43
Cash flow generated by business operation, net	325,408,842.13	275,816,041.02
II.Cash flow generated by investing		
Cash received from investment retrieving		
Cash received as investment gains	102,446,490.02	149,604,635.99
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	47,893,364.87	296,808.00
Net cash received from disposal of subsidiaries or other operational units		
Other investment-related cash received	980,000,000.00	440,000,000.00
Sub-total of cash inflow due to investment activities	1,130,339,854.89	589,901,443.99
Cash paid for construction of fixed assets, intangible assets and other long-term assets	53,123,444.54	58,565,139.10
Cash paid as investment	39,442,786.76	11,593,515.32
Net cash received from subsidiaries and other operational units		
Other cash paid for investment activities	1,410,000,000.00	580,000,000.00
Sub-total of cash outflow due to investment activities	1,502,566,231.30	650,158,654.42
Net cash flow generated by investment	-372,226,376.41	-60,257,210.43
III.Cash flow generated by financing		
Cash received as investment		
Cash received as loans	100,000,000.00	100,000,000.00
Cash received from bond placing		
Other financing –related ash received		

Sub-total of cash inflow from financing activities	100,000,000.00	100,000,000.00
Cash to repay debts	100,000,000.00	100,000,000.00
Cash paid as dividend, profit, or interests	3,448,007.34	80,041,734.46
Other cash paid for financing activities	60,000,000.00	
Sub-total of cash outflow due to financing activities	163,448,007.34	180,041,734.46
Net cash flow generated by financing	-63,448,007.34	-80,041,734.46
IV. Influence of exchange rate alternation on cash and cash equivalents	6,279,861.59	3,889,695.82
V.Net increase of cash and cash equivalents	-103,985,680.03	139,406,791.95
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	283,930,522.76	387,916,202.79

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							2,138,272,051.84	-4,218,567.14			31,955,445.73	-9,523,278.06	2,156,485,652.37
（1）Total comprehensive income							2,138,272,051.84				31,955,445.73	35,592,294.71	2,205,819,792.28
（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												-44,221,187.50	-44,221,187.50
1.Providing of surplus reserves													
2.Providing of common risk provisions													
3．Allotment to the owners (or shareholders)												-44,221,187.50	-44,221,187.50
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								-4,218,567.14				-894,385.27	-5,112,952.41
1. Provided this year								160,572.72				147,453.68	308,026.40
2．Used this term								-4, 379, 139. 86				-1, 041, 838. 95	-5, 420, 978. 81
（VI）Other													
IV. Balance at the end of this term	754,010,400.00				139,590,345.09		2,137,419,299.84	27,546,353.37	621,112,807.78		2,705,667,037.15	360,276,427.29	6,745,622,670.52

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							-212,350.28	7,161,770.55			-238,210,351.79	4,986,417.37	-226,274,514.15
（1）Total comprehensive income							-212,350.28				-162,809,311.79	38,492,220.22	-124,529,441.85
（II）Investment or decreasing of capital by owners												19,740,000.00	19,740,000.00
1．Ordinary Shares invested by SherehoIders												19,740,000.00	19,740,000.00
2．Holders of other equity instruments invested capital													
3．Allotment to the owners (or shareholders)													

4．Other													
（III）Profit allotment											-75,401,040.00	-56,211,585.00	-131,612,625.00
1.Providing of surplus reserves													
2.Providing of common risk provisions													
3．Allotment to the owners (or shareholders)											-75,401,040.00	-56,211,585.00	-131,612,625.00
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								7,161,770.55				2,965,782.15	10,127,552.70
1. Provided this year								10,038,758.63				3,591,976.18	13,630,734.81
2．Used this term								-2,876,988.08				-626,194.03	-3,503,182.11
（VI）Other													
IV. Balance at the end of this term	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

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
		preferred stock	Sustainable 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							2,137,800,156.80	-2,224,955.82		42,075,038.98	2,177,650,239.96
（I）Total comprehensive income							2,137,800,156.80			42,075,038.98	2,179,875,195.78
(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								-2,224,955.82			-2,224,955.82
1. Provided this year											
2．Used this term								-2, 224, 955. 82			-2, 224, 955. 82
（VI）Other											
IV. Balance at the end of this term	754,010,400.00				138,953,250.09		2,137,800,156.80	10,874,033.85	602,356,402.65	2,243,299,128.08	5,887,293,371.47

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								2,587,073.94		-189,089,235.79	-186,502,161.85
（I）Total comprehensive income										-113,688,195.79	-113,688,195.79
(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								2,587,073.94			2,587,073.94
1. Provided this year								4,484,209.97			4,484,209.97
2．Used this term								-1, 897, 136. 03			-1, 897, 136. 03
（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	2,201,224,089.10	3,709,643,131.51

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, Headquartered in Hangzhou, Zhejiang Province. The company now holds a unified social credit code for the 913300007042026204 business license, The Company's registered capital is 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, Energy Conservation and environmental protection project general contracting.

These Financial Statements are released upon approval at the 7th meeting of the 7th term of Board held on March 16, 2017.

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

Whether the company needs to comply with the disclosure requirements of the particular industry

No

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.

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 fir 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 an 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 profisions are provided on age analyze basis in the protfolio

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 portfolio

Not applicable

Bad debt provisions are provided on other basis in the portfolio

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

Whether the company needs to comply with the disclosure requirements of the particular industry

No

(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, it 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 part, 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.7 – 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 continued 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 continued 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	20-30	4	4.8-3.2

	on period			
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 period	5	4	19.2

14. Construction in process

Whether the company needs to comply with the disclosure requirements of the particular industry

No

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	Amortiing 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. 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.

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

Whether the company needs to comply with the disclosure requirements of the particular industry

No

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 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 leasee, 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 leaser, 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

Safety production cost

The safety production cost collected by the Company in accordance with the provisions of the Measures for the Administration of the Collection and Use of Enterprise Safety Production Cost (Accounting [2012] No.16) jointly issued by the Ministry of Finance (MOF) and the State Administration of Work Safety (SAWS), shall be included in the costs of the relevant products or the current profit and loss, and also be included in the "special reserve" item. The use of the collection of safety production cost, belonging to the cost of expenditure, should be directly included in the special reserves, that, belonging to the fixed assets, the expenditure incurred through the "construction in progress" item, when the safety project is completed and reaches the usable status, should be identified as fixed assets;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%
City maintenance and construction tax	Turnover tax payable	7%
Enterprise income tax	Amount of income taxable	15%、25%[Notes]
House tax	For those on price basis, taxes are paid at 1.2% of the balance of original value of the property after deducting of 30%; for those on rental basis, taxes are paid at 12% of the rental.	1.2%、12%
Educational surcharge	Turnover tax payable	3%
Local education	Turnover tax payable	2%

additional		

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

Name	Income tax rate
Hangzhou Zhongneng Steam Turbine Power(Indonesia)Co., Ltd.	Hangzhou Zhongneng Steam Turbine Power (Indonesia) Co., Ltd. registered in Indonesia overseas subsidiaries, the applicable local relevant tax laws and regulations.
Hangzhou Zhongneng Steam Turbine Co., Ltd.	15%
Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	15%
Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	15%
Hangzhou Steam Turbine Casting Co., Ltd.	15%
Zhejiang Huayuan Steam Turbine Machinery Co.,Ltd.	15%
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. – subsidies of the Company, were qualified as high-tech enterprises for term of three years. Therefore they enjoy 15% of tax for 2016.
2. According to the document "Notice for Qualification of High-tech Enterprises" (GKHZD〔2016〕No.149) issued by Department of Science and Technology High-tech Development Center, Hangzhou Steam Turbine Casting Co., Ltd– subsidies of the Company, were qualified as high-tech enterprises for term of three years. Therefore they enjoy 15% of tax for 2016.
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. – subsidies of the Company, were renewed or their qualifications as high-tech enterprises. Therefore they enjoy 15% of tax for 2016.

VII. Notes to the Consolidated Financial Statements

1.Monetary Capital

In RMB

Items	End of term	Beginning of term
Cash in stock	326,226.09	391,106.17
Bank deposit	830,910,758.76	688,833,556.36
Other monetary fund	63,800,574.49	62,372,133.71

Total	895,037,559.34	751,596,796.24
Incl:Total of accounts saved overseas	4,796,746.67	9,182,145.32

(2) Other statements

Other monetary fund composes of RMB52,821,970.32 of security for bank acceptance notes RMB9,823,604.17 of security for Letter of credit, RMB1,155,000.00 of security for bank guarantee letter. 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	424,613,558.62	637,528,943.49
Commercial acceptance	55,102,763.00	42,990,000.00
Total	479,716,321.62	680,518,943.49

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

In RMB

Items	Amount on pledge
Bank acceptance	24,402,755.20
Total	24,402,755.20

（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 preriod -end
Bank acceptance	444,091,600.64	
Total	444,091,600.64	

3. Account receivable

（1）Detailed categories

In RMB

Category	End of term

	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion	
Account receivables provided bad debt provision in credit risk groups	2,812,043,945.50	98.95%	941,870,597.18	33.49%	1,870,173,348.32
Account receivable with minor individual amount but bad debt provision is provided	29,819,607.69	1.05%	29,819,607.69	100.00%	
Total	2,841,863,553.19	100.00%	971,690,204.87	34.19%	1,870,173,348.32

(Continued)

Category	Beginning of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion	
Account receivables provided bad debt provision in credit risk groups	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	1.03%	29,819,607.69	100.00%	
Total	2,890,869,308.42	100.00%	794,779,150.81	27.49%	2,096,090,157.61

Receivable accounts with large amount individually and bad debt provisions were provided

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		
	Book balance	Bad debt provision	Proportion

Within 1 year	870,114,718.02	43,505,735.91	5.00
1-2 Years	517,044,063.12	51,704,406.34	10.00
2-3 years	515,824,115.01	154,747,234.51	30.00
3-4 years	420,175,308.23	252,105,184.94	60.00
4-5 years	245,388,528.28	196,310,822.64	80.00
Over 5 years	243,497,212.84	243,497,212.84	100.00
Toal	2,812,043,945.50	941,870,597.18	33.49

In the groups, accounts receivable adopting balance percentage method to withdraw bad debt provision：

Not applicable

In the groups, accounts receivable adopting other methods to accrue bad debt provision:：

（2）Accrual period, recovery or reversal of bad debts situation

The current amount of provision for bad debts is RMB184,594,273.47_; recovery or payback for bad debts Amount is RMB0.00.

(3)The current accounts receivable write-offs situation

In RMB

Items	Amount
Uncollectible amount	7,683,219.41

Of which the significant actual write-off accounts receivable:

Name	Nature of account receivable	Amount written off	Reason for written off	Verification procedures	Arising from related transactions (Y/N)
Shenyang Touping Mechanical Co., Ltd.	Goods	5,400,055.35	Difficult to recover	The examined and adopted to Board of directors	No
Hangzhou Steam Turbine Engineering Co., Ltd.	Goods	752,500.00	Difficult to recover	The examined and adopted to Board of directors	Yes
Jiaxing Ninjia Aisi Thermoelectric Co., Ltd.	Goods	485,000.00	Difficult to recover	The examined and adopted to Board of directors	No

Shaoxing Gaobu Thermoelectric Co., Ltd.	Goods	190,000.00	Difficult to recover	The examined and adopted to Board of directors	No
China Petrochemical Co.,Ltd.Jinling office	Goods	159,000.00	Difficult to recover	The examined and adopted to Board of directors	No
Shanghai Juannin Environmental Protection Equipment Engineering Co., Ltd.	Goods	150,000.00	Difficult to recover	The examined and adopted to Board of directors	No
Shenyang Pump Petrochemical Co., ltd.	Goods	122,050.00	Difficult to recover	The examined and adopted to Board of directors	No
Other	Goods	424,614.06	Difficult to recover	The examined and adopted to Board of directors	No
Subtotal		7,683,219.41			

Notes

（4）Receivables account of the top five parties

Name	Amount	Proportion(%)	Bad debt provision
Client 1	751,163,106.92	26.43	276,237,220.34
Client 2	309,742,954.20	10.90	161,262,818.92
Client 3	47,288,000.00	1.66	2,364,400.00
Client 4	52,898,295.99	1.86	6,117,053.80
Client 5	26,642,157.99	0.94	3,226,889.40
Subtotal	1,187,734,515.10	41.79	449,208,382.46

4. Prepayments

（1）Age analysis

In RMB

Age	Balance in year-end		Balance in year-begin	
	Book balance	Proportion(%)	Book balance	Proportion(%)

Within 1 year	169,302,923.28	83.74%	107,708,874.45	77.34%
1-2 years	10,874,142.27	5.38%	25,792,370.60	18.52%
2-3 years	17,195,603.48	8.50%	2,763,347.80	1.98%
Over 3 years	4,812,189.80	2.38%	3,002,731.80	2.16%
Total	202,184,858.83	--	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 colleted according to the prepayment target

Name	Amount	Proportion(%)
Siemens Industrial Turbomachinery AB	55,440,619.13	27.42
Hangzhou Boiler Group Co., Ltd.	13,815,500.00	6.83
Jinling International Co., Ltd.	11,200,460.78	5.54
GEA Batyneo Heat-energy Technology(Changshu) Co., Ltd.	9,297,000.00	4.60
Shanghai Lelu Technology Co., Ltd.	4,847,612.00	2.40
Subtotal	94,601,191.91	46.79

5. Other account receivable

1) Detailed categories

In RMB

Category	End of term				
	Book balance		**Bad debt provision**		Book value
	Amount	**Proportion %**	**Amount**	**Proportion %**	
Bad debt provision provided on risk groups	42,152,338.08	100.00	11,127,630.36	26.40	31,024,707.72
Total	42,152,338.08	100.00	11,127,630.36	26.40	31,024,707.72

(Continued)

Category	Beginning of term		
	Book balance	**Bad debt provision**	Book value

	Amount	**Proportion %**	**Amount**	**Proportion %**	
Major single amount and bad debt provision provided individually	3,710,320.94	10.97	3,710,320.94	100.00	
Bad debt provision provided on risk groups	30,117,186.12	89.03	4,543,128.83	15.08	25,574,057.29
Total	33,827,507.06	100.00	8,253,449.77	24.40	25,574,057.29

Other closing accounts receivable that is individually significant and provisions for bad debts individually.

Not applicable

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

In RMB

Aging	Closing balance		
	Other receivable	Bad debt provision	Proportion
Subitem within 1 year			
Within 1 year	21,187,112.25	1,059,355.63	5.00%
Subtotal within 1 year	21,187,112.25	1,059,355.63	5.00%
1-2 years	5,755,037.22	575,503.73	10.00%
2-3 years	5,402,955.67	1,620,886.70	30.00%
3-4 years	4,483,121.60	2,689,872.96	60.00%
4-5 years	710,500.00	568,400.00	80.00%
Over 5 years	4,613,611.34	4,613,611.34	100.00%
Total	42,152,338.08	11,127,630.36	26.41%

Other receivable account in Group on which bad debt provisions were provided on percentage basis：

Not applicable

Other Receivable accounts on which bad debt provisions are provided by other ways in the portfolio：

Not applicable

(2) Accounts receivable withdraw, reversed or collected during the reporting period

The withdrawal amount of the bad debt provision during the reporting period was of RMB 2,874,180.59; the amount of the reversed or collected part during the reporting period was of RMB 0.00.

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

In RMB

Nature	Closing book balance	Opening book balance
Export tax refund receivable	13,234,170.89	2,581,750.03
Deposit	19,810,421.19	21,439,653.49
Provisional payment receivalbe	4,957,646.21	5,862,759.48
Petty cash	1,156,796.99	1,371,901.86
Other	2,993,302.80	2,571,442.20
Total	42,152,338.08	33,827,507.06

(4) Top 5 of of the other accounts receivable

Name	Nature	Book balance	Age	Proportion(%)	Bad debt provision
Export drawback receivable	Export Rebates	13,234,170.89	Within 1 year	**31.40%**	661,708.54
Shanghai Customs Waigaoqiao Office	Currrent account	3,710,320.94	Over 5 years	**8.80%**	3,710,320.94
Investment from Indonesia Company receivable	Investment	3,468,500.00	3-4 years	**8.23%**	2,081,100.00
Guoxin Bidding Group Co.,Ltd.	Bidding deposit	1,485,788.00	1-6 years	**3.52%**	193,128.80
Guodian Trust Bidding Co., Ltd.	Bidding deposit	1,294,500.00	1-5 years	**3.07%**	439,725.00
Toal		23,193,279.83		**55.02%**	7,085,983.28

6. Inventories

Whether the company needs to comply with the disclosure requirements of the particular industry

No

(1) Details

In RMB

Items	End of term			Beginning of term		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Raw materials	568,639,726.41	309,803.19	568,329,923.22	458,779,130.89		458,779,130.89
Product in process	400,195,046.11	10,345,866.48	389,849,179.63	564,392,004.76		564,392,004.76
Products in stock	998,661,308.19	55,296,052.78	943,365,255.41	856,686,717.61	52,988,014.66	803,698,702.95
Total	1,967,496,080.71	65,951,722.45	1,901,544,358.26	1,879,857,853.26	52,988,014.66	1,826,869,838.60

Whether the company is required to comply with the "Shenzhen Stock Exchange Industry Information Disclosure Guidelines No. 4 - listed companies engaged in seed industry, planting business" disclosure requirements

No

(2) Inventory depreciation provision

In RMB

Items	Beginning of term	Increased this period		Decreased this period		End of term
		Provided	Others	Written back	Others	
Raw materials		309,803.19				309,803.19
Product in process		10,345,866.48				10,345,866.48
Products in stock	52,988,014.66	3,190,510.08		882,471.96		55,296,052.78
Total	52,988,014.66	13,846,179.75		882,471.96		65,951,722.45

The specific basis for determining the net realizable value, and the reasons for the reversal of the inventory depreciation reserve for the current period

At the end of the period, for the finished products which are directly to be sold and the raw materials that need further process, the estimated selling price of the finished products after the completion of the production reduces the expected cost incurring at the time of completion, the estimated selling expenses and the relevant taxes and fees, which determines the amount of net realizable value. According to the balance between the net realizable value and the cost of single inventory, the inventory depreciation reserve is extracted. The reduction of the inventory depreciation reserve for the current period is RMB 882,471.96, which is the provision for the inventory depreciation reserve due to the use or sale of inventory.

7. Other current asset

In RMB

Items	End of term	Beginning of term
Bank financing products[Notes]	853,767,338.00	426,000,000.00
Input tax deductible	6,410,137.62	1,089,566.15
To verify the input tax	995,153.86	
Prepaid income tax	1,845,850.11	113,279.98
Prepayment of other tax		989.31
Total	863,018,479.59	427,203,835.44

[Note]: Financial products are financial products and trust financial products, are in non-guaranteed floating-income short-term (or short-term redeemable) financial products, and no active market price.

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	3,060,865,862.60		3,060,865,862.60	509,409,741.77		509,409,741.77
Including: Measured by fair value	2,906,013,048.00		2,906,013,048.00			
Measured by cost	154,852,814.60		154,852,814.60	509,409,741.77		509,409,741.77
Total	3,060,865,862.60		3,060,865,862.60	509,409,741.77		509,409,741.77

(2) Available-for-sale financial assets measured by vair value at the period-end

Type	Available-for-sale equity instruments	Available-for –sale Liabilities instruments	Subtotal
Vair value	**2,906,013,048.00**		**2,906,013,048.00**

(3)Available-for-sale financial assets measured by cost at the period-end

In RMB

Investee	Book balance

	Period-begin	Increase	Decrease	Period-end
Bank of Hangzhou Co.,Ltd.	390,954,040.00		390,954,040.00	
Hangzhou Changdi Equity Investment Partnership(Limited liability)	39,115,565.04	9,442,786.76		48,558,351.80
Hangzhou Steam Turbine Engineering Co., Ltd.	30,000,000.00			30,000,000.00
Hangzhou Jushi Investment Partnership（Limited partnership）		30,000,000.00		30,000,000.00
Wuxi Xinchang Steel Bube Co., ltd.	18,205,363.51		3,045,673.93	15,159,689.58
Zhejiang Zhongkong Solar Energy Technology Co., Ltd.	15,000,000.00			15,000,000.00
Zhejiang Tianhang Steam Turbine Auxiliary Machinery Co., Ltd.	10,000,000.00			10,000,000.00
Greenesol Co.(India)	5,534,773.22			5,534,773.22
Zhejiang Sanxin Automatic Engineering Co., Ltd.	600,000.00			600,000.00
Total	509,409,741.77	39,442,786.76	393,999,713.93	154,852,814.60

(Continued)

Investee	Impairment provision				Shareholding proportion among the investees	Cash bonus of the reporting period
	Period-begin	Increase	Decrease	Period-end		
Bank of Hangzhou Co.,Ltd.					5.30%	
Hangzhou Changdi Equity Investment Partnership(Limited					2.97%	2,587,659.70

liability)						
Hangzhou Steam Turbine Engineering Co., Ltd.					15.00%	
Hangzhou Jushi Investment Partnership（Limited partnership）					33.33%	
Wuxi Xinchang Steel Bube Co., ltd.					18.00%	
Zhejiang Zhongkong Solar Energy Technology Co., Ltd.					5.27%	
Zhejiang Tianhang Steam Turbine Auxiliary Machinery Co., Ltd.					33.33%	1,000,000.00
Greenesol Co.(India)					37.00%	
Zhejiang Sanxin Automatic Engineering Co., Ltd.					6.00%	
Total					--	3,587,659.70

9. Fixed assets

(1) Details

In RMB

Items	Houses & buildings	Machinery equipment	Transportation equipment	Office equipment	Total
I. Original price					
1. Balance at period-beginning	430,839,912.93	969,905,790.70	29,785,975.08	99,549,945.71	1,530,081,624.42
2.Increase in the current period	15,606,885.67	36,394,711.12	529,156.76	4,875,589.92	57,406,343.47
(1) Purchase		21,223,850.01	431,720.86	1,232,414.70	22,887,985.57
（2）Inventory\Fixed assets\ Transferred from co	15,606,885.67	15,170,861.11	97,435.90	3,643,175.22	34,518,357.90

nstruction in progress					
(3)Increased of Enterprise Combination					
3.Decreased amount of the period		7,315,351.22	565,800.00	8,581,158.28	16,462,309.50
（1）Dispose		7,315,351.22	565,800.00	8,581,158.28	16,462,309.50
4. Balance at period-end	446,446,798.60	998,985,150.60	29,749,331.84	95,844,377.35	1,571,025,658.39
II.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 ofthe period	12,860,723.17	59,783,374.43	2,083,099.74	8,191,323.57	82,918,520.91
(1) Withdrawal	12,860,723.17	59,783,374.43	2,083,099.74	8,191,323.57	82,918,520.91
3.Decrease in the reporting period		6,967,337.48	433,991.56	8,208,449.48	15,609,778.52
（1）Disposal		6,967,337.48	433,991.56	8,208,449.48	15,609,778.52
4.Closing balance	176,390,042.92	673,282,598.59	20,553,828.14	78,225,107.16	948,451,576.81
III. Impairment provision					
1.Opening balance	1,504,928.24	4,074,858.43		1,203,366.99	6,783,153.66
2.Increase in the reporting period					
（1）Withdrawl					
3.Decrease i the reporting period		41,338.01		89,843.98	131,181.99
（1）Disposal					
4. Closing balance	1,504,928.24	4,033,520.42		1,113,523.01	6,651,971.67
IV. Book value					
1.Book value ofthe period-end	268,551,827.44	321,669,031.59	9,195,503.70	16,505,747.18	615,922,109.91
2.Book value of the period-begin	265,805,664.94	345,364,370.63	10,881,255.12	20,104,345.65	642,155,636.34

10. Construction in process

（1）Details

Items	End of term			Beginning of term		
	Boook balance	Impairment provision	Book value	Boook balance	Impairment provision	Book value
Construction in process of parent Company	94,170,909.99		94,170,909.99	79,982,551.34		79,982,551.34
Tangxi Workshop PhaseII, Gouneng Company	**16,246,978.15**		**16,246,978.15**	19,540,353.62		19,540,353.62
Project of steam turbine heavy industry	**32,654,575.18**		**32,654,575.18**	18,177,025.86		18,177,025.86
Casting companies to clean up cross project	**4,870,579.64**		**4,870,579.64**			
Casting company networking system project	**1,517,473.06**		**1,517,473.06**			
Prepayment for equipment or projects	**4,283,373.39**		**4,283,373.39**	**1,487,176.70**		**1,487,176.70**
Total	153,743,889.41		153,743,889.41	119,187,107.52		119,187,107.52

(2) Changes of significant construction in progress

Name of project	Budget	Opening balance	Increase	Transferred to fixed assets	Other decrease	End balance	Proportion %	Project process	Capitalization of interest	Including: capitalization of interest this period	Capitalization of interest rate (%)	Source of funding
Construction in process of parent Company	**13,497.14**	61,381,905.79	32,789,004.20			94,170,909.99	**69.77**	Under Construction				Other
Completed project of parent Company	**2,935.06**	18,600,645.55	2,359,855.40	20,960,500.95			**71.41**	Completed				Other
Tangxi Workshop PhaseII, Gouneng Company	**3,000.00**	19,540,353.62	8,043,587.43	11,336,962.90		16,246,978.15	**91.95**	Under Construction				Other
Project of steam turbine heavy industry	**179,410.00**	18,177,025.86	14,477,549.32			32,654,575.18	**1.82**	Under Construction				Other
Casting companies to clean up cross project	**1,000.00**		4,870,579.64			4,870,579.64	**48.71**	Under Construction				Other
Casting carbon arc gouging and darkroom	**133.60**		1,335,964.05	1,335,964.05			**100.00**	Completed				Other
Casting company networking	**400.00**		1,517,473.06			1,517,473.06	**37.94**	Under Constructio				Other

system project								n				
Prepayment for equipment or projects		**1,487,176.70**	**3,695,607.69**	**884,930.00**	**14,481.00**	**4,283,373.39**						
Subtotal	**200375.8**	119,187,107.52	69,089,620.79	34,518,357.90	14,481.00	153,743,889.41						

11. Intangible assets

（1）Details

In RMB

Items	Land using right	Patent Right	Non-patent Technology	Software	Total
I. Original price					
1. Balance at period-beginning	332,298,312.33	200,000.00	8,000,000.00	328,376.07	340,826,688.40
2.Increase in the current 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	6,662,865.37	28,000.00	800,000.04	62,341.65	7,553,207.06
(1) Withdrawal	6,662,865.37	28,000.00	800,000.04	62,341.65	7,553,207.06
3.Decreased amount of the period					
（1）Disposal					
4.Closing balance	41,782,089.97	114,000.00	1,266,666.71	267,931.60	43,430,688.28
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	290,516,222.36	95,433.96	6,733,333.29	60,444.47	297,405,434.08
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 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	54,677.11	529,092.10		1,306,880.81
Afforestation fees	248,176.00		124,088.00		124,088.00
Total	2,029,471.80	54,677.11	653,180.10		1,430,968.81

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 temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad debt provision	981,341,256.69	153,377,711.38	802,894,660.68	125,122,208.04
Inventory impairment provision	65,951,722.45	9,892,758.36	52,988,014.66	7,948,202.21
Fixed assets depreciation reserves	6,651,971.67	997,795.75	6,783,153.67	1,017,473.05

Unrealized profit of internal transaction	58,099,229.91	9,500,467.96	51,540,875.71	7,731,131.35
Temporary difference such as amortizing of software expense	3,751,710.39	562,756.56	4,521,435.59	678,215.34
Deductible loss	30,002,132.26	4,500,319.84	109,318,315.61	16,427,657.71
Total	1,145,798,023.37	178,831,809.85	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 temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Changes in fair value of tradable financial assets	2,515,059,008.00	377,258,851.20		
Accumulated depreciation	6,651,971.67	997,795.75	6,783,153.67	1,017,473.05
Total	2,521,710,979.67	378,256,646.95	6,783,153.67	1,017,473.05

（3）Deferred income tax assets and liabilities are presented as net amount after neutralization

In RMB

Items	Deferred Income Tax Assets or Liabilities at the End of Report Period	Temporarily Deductable or Taxable Difference at the End of Report Period	Deferred Income Tax Assets or Liabilities at the Beginning of Report Period	Temporarily Deductable or Taxable Difference at the Beginning of Report Period
Deferred income tax assets		178,831,809.85		158,924,887.70
Deferred income tax liabilities		378,256,646.95		1,017,473.05

(4)Details of income tax assets not recognized

In RMB

Items	End of term	Beginning of term

Deductible provisional differences	1,476,578.54	137,939.89
Deductible losses	12,315,626.29	5,606,704.52
Subtotal	13,792,204.83	5,744,644.41

(5) The un-recognized deductible losses of deferred income tax assets will due in the following years:

In RMB

Year	End of term	Beginning of term	Remark
2017			
2018	684,308.39	1,088,275.32	
2019	1,037,052.28	903,272.74	
2020	3,113,580.77	3,615,156.46	
2021	7,480,684.85		
Total	12,315,626.29	5,606,704.52	--

14.Short-term loans

In RMB

Items	End of term	Beginning of term
Loan by pledge		10,000,000.00
Mortgage loan	73,000,000.00	75,350,000.00
Guarantee loan	100,000,000.00	
Total	173,000,000.00	85,350,000.00

15.Bill payable

In RMB

Items	End of term	Beginning of term
Bank acceptance	143,007,715.10	194,226,049.73
Total	143,007,715.10	194,226,049.73

16. Account payable

(1）Details

In RMB

Items	End of term	Beginning of term
Goods	832,264,375.15	796,106,637.10
Payment for equipment and projects	21,188,214.36	14,313,744.35
Total	853,452,589.51	810,420,381.45

17. Advances received

（1）Details

In RMB

Items	End of term	Beginning of term
Goods	1,827,959,793.62	1,736,820,949.19
Total	1,827,959,793.62	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
Short-term wages	46,643,490.68	587,817,273.45	586,187,202.51	48,273,561.62
Welfare afterleaving of position-fixed provision scheme	23,613,983.78	73,456,459.91	74,119,371.28	22,951,072.41
Total	70,257,474.46	661,273,733.36	660,306,573.79	71,224,634.03

(2) Details of short term wages

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term
Wage, bonus, allowance and subsidies	34,671,757.54	451,536,325.41	450,676,976.01	35,531,106.94
Employee welfare		34,177,277.02	34,177,277.02	
Social insurance	5,385,672.94	44,335,865.97	43,858,594.27	5,862,944.64
Incl. Medical insurance	4,746,884.21	39,060,235.20	38,383,224.47	5,423,894.94
Labor injury insurance	219,035.19	1,596,147.51	1,691,109.25	124,073.45
Maternity insurance	419,753.54	3,679,483.26	3,784,260.55	314,976.25
Housing fund	110,894.96	46,000,781.00	46,002,655.00	109,020.96
Labour union fee and employee education fee	6,475,165.24	11,767,024.05	11,471,700.21	6,770,489.08
Total	46,643,490.68	587,817,273.45	586,187,202.51	48,273,561.62

(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	4,967,070.00	50,934,179.56	51,470,914.88	4,430,334.68

2. Unemployment insurance	532,115.91	4,189,113.10	4,407,110.25	314,118.76
3. Enterprise annual fee	18,114,797.87	18,333,167.25	18,241,346.15	18,206,618.97
Subtotal	23,613,983.78	73,456,459.91	74,119,371.28	22,951,072.41

19. Tax payable

In RMB

Items	End of term	Beginning of term
VAT	59,676,617.21	14,415,685.85
Operational tax	16,338,759.59	13,503,170.56
Enterprise income tax	2,035,807.07	2,576,708.03
Individual income tax	4,224,180.62	1,039,687.83
City maintenance and construction tax	1,822,362.43	453,914.47
Education surtax	1,202,457.87	303,713.60
Locality Education subjoin		39,647.76
Property tax	56,823.07	19,236.84
Stamp tax	1,767,814.88	2,382,364.75
Local water source foundation	3,112,763.00	1,245,105.20
Land use tax	2,087.42	2,140.20
Employment insurance for disabled persons		26,734.00
Total	90,239,673.16	36,008,109.09

20. Interest payable

In RMB

Items	End of term	Beginning of term
Long term interest on borrowings due in installments	41,750.63	
Interest on short-term borrowings	92,625.69	
Total	134,376.32	

21.Other account payable

(1) Details

In RMB

Items	End of term	Beginning of term
Deposite	3,607,868.79	1,462,038.45
Provisional account payable	23,344,791.25	22,729,311.10
Other	3,868,320.76	5,513,775.96
Total	30,820,980.80	29,705,125.51

22. Non-current liabilities due within 1 year

In RMB

Items	End of term	Beginning of term
Long-term loans due within 1 year	18,500,000.00	300,000.00
Total	18,500,000.00	300,000.00

23.. Long-term loan

(1) Details

In RMB

Items	End of term	Beginning of term
Mortgage loan	4,900,000.00	23,400,000.00
Guaranteed loans		100,000,000.00
Total	4,900,000.00	123,400,000.00

24.Long term account payable

(1) Details

In RMB

Items	End of term	Beginning of term
CDB investment fund	208,000,000.00	
Income payable of CDB	27,733.33	
Drawing in administrative restructuring	330,000.00	330,000.00
Total	208,357,733.33	330,000.00

Other notes

According to the relevant agreement of the National Development Fund Investment Contract (hereinafter referred to as the *Investment Contract*) jointly signed by the Company, National Development Fund Co., Ltd. (hereinafter referred to as the NDF), Hangzhou Steam Turbine Industry Co., Ltd. and Hangzhou Steam Turbine Group, the NDF invested RMB 208,000,000.00 in Hangzhou Steam Turbine Industry Co., Ltd., the subsidiary, The NDF obtains 1.2% of the proceeds through dividends or repurchasing premium each year for the above investment; under the investment contract, Hangzhou Steam Turbine Group will transfer its shares of Steam Turbine Industry Co., Ltd from 2019 to the NDF by installment. Hangzhou Steam Turbine Industry Co., Ltd has received the above investment on December 27, 2016, according to the agreement of the investment contract on the relevant investment returns, the current accrued income is RMB 27,733.33.

25. Deferred income

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term	Cause
Government subsidy	6,804,425.00		1,381,530.00	5,422,895.00	Government subsidy
Total	6,804,425.00		1,381,530.00	5,422,895.00	

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 support for industrial projects	316,580.00		28,780.00		287,800.00	Asset-related
Government subsidy for casting project	316,580.00		28,780.00		287,800.00	Asset-related
Circular economy financial subsidy	125,510.00		11,410.00		114,100.00	Asset-related
Projects of technological transformation	52,000.00		26,000.00		26,000.00	Asset-related

Subsidy for industrial upgrading by provincial government	640,000.00		160,000.00		480,000.00	Asset-related
Finance for casting project	4,903,785.00		997,380.00		3,906,405.00	Asset-related
Financial allocation of advanced manufacturing base	22,250.00		22,250.00			Asset-related
Government subsidy for industrial entities from Yuhang District Government in the 2nd half of 2009	427,720.00		106,930.00		320,790.00	Asset-related
Subtotal	6,804,425.00		1,381,530.00		5,422,895.00	

26. Stock capital

In RMB

Items	Balance Year-beginning	Increase/decrease this time (+ , -)					Balance year-end
		Issuing of new share	Bonus shares	Transferred from reserves	Other	Subtotal	
Total of capital shares	754,010,400.00						754,010,400.00

27. 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

28. 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	
Later reclassified in to profit and loss of other comprehensive income	-852,752.00	2,516,167,273.56		377,258,851.20	2,138,272,051.84	636,370.52	2,137,419,299.84
Gains or losses on changes in fair value of available-for-sale financial assets		2,515,059,008.00		377,258,851.20	2,137,800,156.80		2,137,800,156.80
Difference of translating of foreign currency accounts	-852,752.00	1,108,265.56			471,895.04	636,370.52	-380,856.96
Total of other comprehensive income	-852,752.00	2,516,167,273.56		377,258,851.20	2,138,272,051.84	636,370.52	2,137,419,299.84

29.Special reserves

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term
Labor safety expenses	31,764,920.51	160,572.72	4,379,139.86	27,546,353.37
Total	31,764,920.51	160,572.72	4,379,139.86	27,546,353.37

Notes :On December 5, 2016, Upon the application of the Company and the approval of Hangzhou Safety Production Supervision and Administration Bureau (HSPSAB), the minimum reserved amount for the collection and use of the safety production cost of the Company and its subsidiaries is RMB 20 million. If the safety production costs that have been withdrawn in previous years have exceeded the minimum reserved amount, it will no longer be reduced; if the safety production costs for the subsequent years are less than the above-mentioned minimum reserved amount, withdraw in the current year to compensate up to the minimum reserved amount.

30. 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
Total	621,112,807.78			621,112,807.78

31. Retained profit

In RMB

Items	Current term	Same period of last term
Amount of retained profit at beginning of period	2,673,711,591.42	2,911,921,943.21
Plus: Net profit attributable to owners of the parent company	31,955,445.73	-162,809,311.79
Common share dividend payable		75,401,040.00
Retained profit at the end of term	2,705,667,037.15	2,673,711,591.42

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 .

32. Business income and Business cost

In RMB

Items	Occurred current term	Occurred in previous term

	Income	Cost	Income	Cost
Main Business	3,230,906,525.12	2,203,424,343.46	2,590,940,234.32	1,801,566,917.72
Other	4,396,854.12	1,154,437.61	9,131,917.31	4,374,605.05
Total	3,235,303,379.24	2,204,578,781.07	2,600,072,151.63	1,805,941,522.77

33. Business tax and surcharge

In RMB

Items	Occurred current term	Occurred in previous term
City maintenance and construction tax	14,706,240.33	6,811,793.17
Education surtax	6,398,546.53	3,020,314.16
House tax	2,434,567.60	
Land use tax	3,303,802.70	
vehicle and vessel tax	43,113.80	
Stamp tax	1,374,990.22	
Locality Education surcharge	4,265,697.76	2,013,702.28
Business tax	36,467.22	168,455.47
Total	32,563,426.16	12,014,265.08

Other notes:

According to the interpretation on the accounting issues of the Value-added Tax Accounting Regulations (Accounting [2016] No. 22) and On the Value-added Tax Accounting Regulations of the Ministry of Finance, the amount of property tax, land use tax, stamp duty, and travel tax from May 1, 2016,, which are originally included in the management expense, are now listed and included in the "tax and additional tax", and the amount incurred before May 2016 is still listed and included in the "management expense".

34. Sales expense

In RMB

Items	Amount of this period	Amount of last period
Employees' remunerations	55,699,101.44	55,578,994.47
Transportation	48,927,596.36	46,831,719.53
Business trips	26,265,496.47	21,738,647.26
Business reception expenses	6,849,411.37	6,581,264.62
Consulting service fee	13,131,824.03	12,052,251.77
Registration fee	2,108,171.81	3,090,197.44
Three charge	4,206,989.36	3,092,751.43
Advertising fee	2,306,256.87	1,262,003.93
Office expenses	525,955.82	887,755.72
Unit premium	363,654.18	513,268.74
Other	4,225,952.94	5,073,951.70
Total	164,610,410.65	156,702,806.61

35. Administrative expense

In RMB

Items	Amount of this period	Amount of last period
Employees' remunerations	307,082,891.10	310,949,457.62
R&D expenses	197,406,076.77	179,039,951.91
Asset depreciation and amortizing	23,492,146.53	21,438,092.85
Business reception expenses	14,669,707.28	14,480,442.18
Rental fee, House rental, property management, water and power	18,201,093.27	14,901,746.04
Traveling fees	8,907,858.29	7,094,343.92
Material, low-value-consumable	4,484,248.27	4,181,569.01
Office expenses	6,540,689.49	4,877,897.81
Taxes	3,946,865.23	9,623,889.66
Warranty expense	3,447,185.46	2,811,447.33
Other	35,505,775.77	38,822,291.15
Total	623,684,537.46	608,221,129.48

36. Financial expenses

In RMB

Items	Amount of this period	Amount of last period
Interest expense	9,308,017.80	11,853,040.55
Less: Incoming interests	5,744,431.75	7,263,343.36
Exchange gains/losses	-20,850,372.53	-14,356,533.14
Commission	2,448,933.41	2,203,086.50
Total	-14,837,853.07	-7,563,749.45

37.Asset impairment loss

In RMB

Items	Amount of this period	Amount of last period
I.Losses for bad debts	187,468,454.06	190,102,123.40
II.Losses for falling price of inventory	13,846,179.75	55,028,754.71
Total	201,314,633.81	245,130,878.11

38. Investment income

In RMB

Items	Occurred current term	Occurred in previous term
Investment gains from holding of sellable financial assets	3,587,659.70	28,742,368.00
Gains from financing products	28,548,677.87	19,624,429.30
Total	32,136,337.57	48,366,797.30

39. Non-operational income

In RMB

Items	Current term	Same period of last term	Amount accounted into non-recurring gain/loss of current term
Total of gains from disposal of non-current assets	387,292.53	55,683.00	
Incl. Gains from disposal of fixed assets	387,292.53	55,683.00	387,292.53
Government subsidy	16,968,792.22	15,752,977.27	16,968,792.22
Compensation income	7,706,669.41	11,181,491.50	7,706,669.41
Payment not to be paid	96,487.12	1,462,564.00	96,487.12
Others	1,008,975.41	573,061.37	1,008,975.41
Total	26,168,216.69	29,025,777.14	26,168,216.69

- Government subsidy reckoned into current gains/losses

In RMB

Subsidy items	Whether the impact of subsidies on the current profit and loss	Whhether special subsidies	Amount of current period	Amount of previous period	Assets-related/income –related
Transferred from deferred income	No	No	1,381,530.00		Related to assets
Stable employment social security subsidies	No	No	6,208,662.99		Related to income

2016 provincial industrial and information technology development special funds	No	No	3,000,000.00		Related to income
Water Funds returned	No	No	2,853,493.64		Related to income
Property tax return	No	No	1,362,413.59		Related to income
Enterprise R & D investment subsidy	No	No	714,200.00		Related to income
Hangzhou "115" in 1995 to introduce foreign intelligence program	No	No	600,000.00		Related to income
Financial subsidy	No	No	366,930.00		Related to income
Land use tax refund	No	No	153,244.00		Related to income
Quality Award Financial Award	No	No	131,600.00		Related to income
Training subsidy	No	No	100,608.00		Related to income
Other small amount subsidies	No	No	96,110.00		Related to income
Transferred from deferred income	No	No		1,448,280.00	Related to assets
Coal chemical industry, iron and steel industry COGEN 50MW steam turbine series development level	No	No		5,060,000.00	Related to income
Enterprise Funding by Hangzhou Economy & Technology Development Zone Finance office	No	No		1,330,900.00	Related to income
Refunding of property tax	No	No		1,253,825.27	Related to income
Award for Enterprise R&D Investment 2013	No	No		971,000.00	Related to income
Land use tax return	No	No		868,205.00	Related to income

Water fund return	No	No		786,093.91	Related to income
Science and technology overall plan fund robot project	No	No		635,000.00	Related to income
Financial support fund	No	No		635,000.00	Related to income
2015 FINANCIAL Subsidy	No	No		500,000.00	Related to income
Hangzhou Industrial and fiscal 2015 financial information development funding	No	No		500,000.00	Related to income
2015 Quality and Technical Supervision grant funds	No	No		300,000.00	Related to income
Yuhang District 2013 annual enterprise training the first batch of financial support fund	No	No		287,700.00	Related to income
Quality award financial incentives	No	No		200,000.00	Related to income
2013 second batch of quality and technical supervision grants	No	No		120,000.00	Related to income
Stable employment social securitysubsidies	No	No		116,589.42	Related to income
Financial support for production safety	No	No		100,000.00	Related to income
Production safety standards of financial reward fund	No	No		100,000.00	Related to income
2014 The first safety standardization standards (re-evaluation) enterprise financial assistance	No	No		100,000.00	Related to income
Other small amount subsidies	No	No		440,383.67	Related to income
Total	--	--	16,968,792.22	15,752,977.27	--

Other notes

40. 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	60,839.23	497,599.66	60,839.23
Incl. Loss from disposal of fixed assets	60,839.23	497,599.66	60,839.23
Donations	270,000.00	370,000.00	270,000.00
Penalty paid out	383,192.05	506,973.23	383,192.05
Local water source foundation	2,747,978.42	3,656,045.61	
Penalties	343,895.38	37,457.69	343,895.38
Loss damage	196,627.26	138,304.32	196,627.26
Other	272,423.01		272,423.01
Total	4,274,955.35	5,206,380.51	1,526,976.93

41. Income tax expenses

(1) Details

In RMB

Items	**Current term**	**Same period of last term**
Income tax of current term	30,434,271.60	31,881,180.92
Deferred income tax	-19,926,599.45	-56,038,959.77
Total	10,507,672.15	-24,157,778.85

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

In RMB

Items	**Current term**
Total profit	77,419,042.07
Income tax expense at statutory / applicable tax rates	11,612,856.31
Effect of different tax rates applicable to subsidiaries	1,915,035.40
Adjustment for income tax in prior year	1,830,003.86
Income not subject to tax	-638,148.95
Expenses not deductible for tax purposes	1,248,605.91

Changes in the balance of deferred income tax assets at the beginning of the tax rate adjustment	-26,533.82
Impact of deductible temporary difference of un-recognized deferred income tax asset of current period	2,070,440.61
Super deduction of R&D expenses	-7,523,630.14
Taxation influence of unrecognized deductible loss and deductible temporary difference	19,042.97
Income tax expenses	10,507,672.15

42.Other Comprehensive income

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

43. Notes Cash flow statement

(1) Other cash received from business operation

In RMB

Items	Occurred current term	Occurred in previous term
Deposit interest	**5,744,431.75**	7,263,343.36
Government subsidies received	**11,218,110.99**	11,396,573.09
Deposit for bidding and other	**16,391,878.63**	9,164,486.54
Compensation income	**789,904.00**	204,038.50
Other	**2,195,408.92**	2,365,618.08
Total	**36,339,734.29**	30,394,059.57

2. Other cash paid for business activities

In RMB

Items	Occurred current term	Occurred in previous term
Transportation	**57,287,872.01**	48,696,007.83
Travel expenses	**28,307,013.51**	27,665,861.80
Business trips	**21,519,087.20**	21,637,189.33
Maintaining	**3,447,165.85**	2,824,225.05
Property management and civil services	**16,621,718.05**	15,113,839.76
Deposit for bidding and others	**23,512,159.15**	1,086,259.96
Office expenses	**7,066,554.79**	5,767,669.91

Conferences	**2,401,978.53**	3,308,152.54
Consulting service fee	**13,131,824.03**	12,970,940.60
Transportation and vehicles	**4,823,801.30**	7,467,278.69
Other	**40,288,131.86**	35,568,063.63
Total	**218,407,306.28**	182,105,489.10

3. Other investment-related cash received

In RMB

Items	Occurred current term	Occurred in previous term
Repurchasing of trusteeship	1,765,932,662.00	1,744,805,999.95
Total	1,765,932,662.00	1,744,805,999.95

4. Other cash paid for investment activities

In RMB

Items	Occurred current term	Occurred in previous term
Purchasing of financial products	2,193,700,000.00	1,792,005,999.95
Total	2,193,700,000.00	1,792,005,999.95

5. Other financing-related cash received

In RMB

Items	Occurred current term	Occurred in previous term
CDB investment fund	208,000,000.00	
Total	208,000,000.00	

44. 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	66,911,369.92	-124,030,728.19
Add: Impairment loss provision of assets	201,314,633.81	245,130,878.11
Depreciation of fixed assets, oil and gas assets and	82,918,520.91	85,829,041.11

consumable biological assets		
Amortization of intangible assets	7,553,207.06	7,219,788.66
Amortization of Long-term deferred expenses	653,180.10	434,759.72
Loss on disposal of fixed assets, intangible assets and other long-term deferred assets	-326,453.30	435,942.14
Loss on scrap of fixed assets		5,974.52
Financial cost	936,959.82	5,284,099.92
Loss on investment	-32,136,337.57	-48,366,797.30
Decrease of deferred income tax assets	-19,906,922.15	-56,038,959.77
Increased of deferred income tax liabilities	-19,677.30	
Decrease of inventories	-89,815,466.67	-287,824,364.62
Decease of operating receivables	118,336,896.84	135,158,915.99
Increased of operating Payable	174,852,469.36	382,311,670.05
Other	-5,112,952.41	10,127,552.71
Net cash flows arising from operating activities	506,159,428.42	355,677,773.05
II. Significant investment and financing activities that without cash flows:		
3．Movement of cash and cash equivalents：		
Ending balance of cash	831,236,984.85	689,224,662.53
Less: Beginning balance of cash equivalents	689,224,662.53	562,763,561.50
Net increase of cash and cash equivalents	142,012,322.32	126,461,101.03

（2）Composition of cash and cash equivalents

In RMB

Items	Amount of current period	Amount of previous period

I. Cash	831,236,984.85	689,224,662.53
Of which: Cash in stock	326,226.09	391,106.17
Demand bank deposit	830,910,758.76	688,833,556.36
III. Balance of cash and cash equivalents at the period end	831,236,984.85	689,224,662.53

45. Assets with limitation on ownership or using rights

In RMB

Items	Closing book value	Causation o limitation
Monetary capital	63,800,574.49	Used as security for issuing of acceptance drafts and bill of guarantees
Bill receivable	24,402,755.20	Used as security for issuing of acceptance drafts
Fixed assets	127,364,125.62	Used to obtain bank loans
Intangible assets	94,361,034.82	Collateral for obtaining bank loans and investment funds from CDB
Available for sale financial assets	481,850,000.00	Investment funds for the development of the State Fund
Total	791,778,490.13	

46. Monetary items in foreign currencies

In RMB

Items	Balance at end of period	Exchange rate	Translated to RMB at end of period
Monetary capital	--	--	**155,814,806.49**
Incl. USD	**20,461,011.98**	**6.9370**	**141,938,040.11**
EURO	**1,242,130.66**	**7.3068**	**9,076,000.31**
HKD	**5.51**	**0.8945**	**4.93**
JPY	**9,031.00**	**0.0596**	**538.25**
Buble	**10,650.00**	**0.1151**	**1,225.82**
Won	**388,000.00**	**0.0058**	**2,250.40**
Indonesia Rubi	9,296,020,689.00	0.000516	4,796,746.67
Account receibable	--	--	**230,028,793.81**

Incl：USD	**30,329,767.14**	**6.9370**	**210,397,594.65**
Euro	**2,025,615.40**	**7.3068**	**14,800,766.60**
HKD			
Indonesia rubi	**8,917,385,752.00**	**0.000516**	**4,601,371.05**
Singapore dollar	**47,726.12**	**4.7995**	**229,061.51**
Long –Term loans			
Incl：USD	518,256.56	6.9370	3,595,145.76
Euro	99,048.74	7.3068	723,729.33
HKD			
Account payable			**6,208,318.14**
Incl：USD	**518,256.56**	**6.9370**	**3,595,145.76**
Euro	**99,048.74**	**7.3068**	**723,729.33**
Indonesia rubi	**3,068,784,010.00**	**0.000516**	**1,583,492.55**
Swing franc	**45,000.00**	**6.7989**	**305,950.50**
Other receivable			**3,489,758.93**
Incl：USD	**500,000.00**	**6.9370**	**3,468,500.00**
Indonesia rubi	**41,199,474.00**	**0.000516**	**21,258.93**
Other payable			**1,541.42**
Indonesia rubi	**2,987,250.00**	**0.000516**	**1,541.42**

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 Trubine	Hangzhou	Hangzhou	Manufacturing	70.86		Incorporation

Packaged Technologies Development Co., Ltd.	Zhejiang	Zhejiang				
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

Notes: holding proportion in subsidiary different from voting proportion:

Basis of holding half or less voting rights but still been controlled investee and holding more than half of the voting rights not been controlled investee:

Significant structure entities and controlling basis in the scope of combination:

Basis of determine whether the Company is the agent or the principal:

（2） Major non-fully-Owned subsidiaries

In RMB

Name of the subsidiaries	Share protion of minor shareholders	Gains/loss of the period attributable to minor shareholders	Dividend announced in the period to minor shareholders	Balance of eqiuty of minor shareholders at end of period
Zhejiang Steam Trubine Packaged Technologies Development Co., Ltd.	29.14%	2,326,268.23	3,715,987.50	31,632,507.15
Hangzhou Zhongneng Steam turbine PowerCo., Ltd.	39.17%	3,197,452.17	4,117,200.00	145,116,390.68
Hangzhou Steam Turbine Casting Co., Ltd.	49.00%	8,376,855.37	9,800,000.00	71,024,830.88
Hangzhou Steam Turbine	48.00%	21,980,953.62	21,600,000.00	70,764,766.94

Machinery Equipment Co., Ltd.				
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	12.47%	3,147,889.03	4,988,000.00	25,063,433.88

Holding proportion of minority shareholder in subsidiary different from voting proportion:Nil

Other notes：

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

In RMB

Subsidiaries Name	End of term					
	Current assets	Non-current assets	Total of assets	Current liabilities	Non-current liabilities	Total of liability
Zhejiang Steam trubine Packaged Technology Development Co., Ltd.	255,821,238.00	24,056,533.07	279,877,771.07	191,451,594.17		191,451,594.17
Hangzhou Zhongneng Steam turbine PowerCo., Ltd.	884,998,690.44	75,131,310.55	960,130,000.99	623,195,514.10	330,000.00	623,525,514.10
Hangzhou Steam Turbine Casting Co., Ltd.	211,392,397.15	194,877,712.30	406,270,109.45	230,708,288.79	10,002,105.00	240,710,393.79
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	200,333,215.84	22,497,721.65	222,830,937.49	75,404,339.67		75,404,339.67
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	432,548,733.64	115,456,043.82	548,004,777.46	324,598,336.06	320,790.00	324,919,126.06

(Continued)

Subsidiaries Name	Beginning of term					
	Current assets	Non-current assets	Total of assets	Current liabilities	Non-current	Total of liability

					liabilities	
Zhejiang Steam trubine Packaged Technology Development Co., Ltd.	260,227,660.63	22,709,089.71	282,936,750.34	190,272,137.49		190,272,137.49
Hangzhou Zhongneng Steam turbine PowerCo., Ltd.	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.	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.	185,381,983.06	21,333,275.97	206,715,259.03	59,276,595.83		59,276,595.83
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	400,114,948.24	112,067,629.68	512,182,577.92	272,629,536.63	427,720.00	273,057,256.63

In RMB

Subsidiaries Name	Amount of current period			
	Turnover	Net profit	Total Misc Gains	Cash flow for business activities
Zhejiang Steam trubine Packaged Technology Development Co., Ltd.	219,104,132.13	8,511,564.05	8,511,564.05	17,053,194.85
Hangzhou Zhongneng Steam turbine PowerCo., Ltd.	726,019,174.47	9,061,166.79	10,169,432.35	57,021,017.72
Hangzhou Steam	286,947,144.79	17,095,623.20	17,095,623.20	44,737,403.72

Turbine Casting Co., Ltd.				
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	203,232,692.33	45,793,653.38	45,793,653.38	61,976,772.66
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	362,840,873.07	25,243,697.12	25,243,697.12	24,251,436.46

(Continued)

Subsidiaries Name	Amount of current period			
	Turnover	Net profit	Total Misc Gains	Cash flow for business activities
Zhejiang Steam trubine Packaged Technology Development Co., Ltd.	216,220,744.25	10,511,797.60	10,511,797.60	16,070,589.71
Hangzhou Zhongneng Steam turbine PowerCo., Ltd.	704,991,946.83	20,863,372.38	19,240,043.27	39,621,832.18
Hangzhou Steam Turbine Casting Co., Ltd.	293,407,553.21	5,944,783.76	5,944,783.76	36,007,460.88
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	190,469,672.28	47,834,255.49	47,834,255.49	26,726,329.69
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	393,879,695.72	33,520,334.09	33,520,334.09	78,733,368.09

Other notes:

IX. 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.

As the Company only does business with recognized and reputable third parties, so no collateral is needed. Credit risks are centralized managed in accordance with customers. As of December 31, 2016, the Company has a characteristic of specific credit risk concentration. 41.79% (December 31, 2015: 45.07%) of the Company's accounts receivable comes from the top five customers. The Company does not hold any collateral or other credit enhancement for the balance of accounts receivable.

(1) 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	479,716,321.62				479,716,321.62
Subtotal	479,716,321.62				479,716,321.62

(Continued)

Items	Beginning of term				
	Not overdue and not impaired	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

(2) See the accounts receivable of the individual impairment losses in the notes to the financial statement, the explanation for the accounts receivable of the financial statement item.

(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

Items	End of term				
	Book value	Contract amount not discounted	within 1 year	1-3 years	Over 3 years
Financial liabilities					
Short-term loans	173,000,000.00	177,681,933.75	177,681,933.75		
Notes payable	143,007,715.10	143,007,715.10	143,007,715.10		
Non-current liabilities due to 1 year	18,500,000.00	19,583,120.86	19,583,120.86		
Long-term loan	4,900,000.00	5,145,034.03		5,145,034.03	
Long-term payable	208,027,733.33	223,972,000.00		**26,000,000.00**	**197,972,000.00**
Account payable	853,452,589.51	853,452,589.51	853,452,589.51		
Other account payable	30,820,980.80	30,820,980.80	30,820,980.80		
Subtotal	1,431,709,018.74	1,453,663,374.05	1,224,546,340.02	**31,145,034.03**	**197,972,000.00**

(Continued)

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 to 1 year	300,000.00	331,550.05	331,550.05		
Long-term loan	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		
Subtotal	1,243,401,556.69	1,266,958,449.94	1,124,285,644.58	142,672,805.36	

(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.

As of December 31, 2016, the Company had raised RMB78,100,000.00 (Dec 31 2015: RMB83,850,000.00) on floating interest rates. In case of other variables remain unchanged, if the interest rates change, reasonably and possibly, for 50% of the benchmark, the total profit and shareholders' equity will be free of major impact.

2. Foreign currency risks

X.Fair value disclosure

(I)Closing balance of assets and liabilities measured at fair value

In RMB

Items	December 31, 2016			
	Level 1	Level 2	Level 3	Total

Assets measured at fair valueon a continued basis				
Non-continuous measurement fair value				

(II) Market price basis at fair value by level 1 on a continued and non-continued basis

The shares of Hangzhou Bank Co., Ltd. held by the Company have active market quotations, so it is measured in accordance with the first level of fair value.

XI. Related parties and related transactions

(I) Related parties

1. Parent company of the Company

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

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

2. 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 Industrical Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Power Technologies Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Engineering Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Power Group Equipment Co.,	Affiliate of the Group

Ltd.	
Hangzhou Steam Turbine Electronic Valve Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Compressor Co., Ltd.	Affiliate of the Group
HSTG(Hangzhou)Union Research Co., Ltd	Affiliate of the Group
Hangzhou Wandong Electric Co., Ltd	Affiliate of the Group
Greenesol Co.(India)	Affiliates of the auxiliary Co
Zhejiang Juqing Investment Co., Ltd.	Affiliate of the Group

4.Related transaction

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

Purchase of goods and service

In RMB

Ralated parties	Content of related transaction	Amount of current period	Amount of previous period	Over the trading limit or not?	Amount of last period
Hangzhou Steam turbine Automobile sales service Co., Ltd.	Transportation , repair , etc.	51,271,023.35	75,000,000.00	No	58,984,034.85
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Generators	140,548,615.67	140,000,000.00	Yes	126,685,952.21
Hangzhou Nanhua Wooden Packaging Co., Ltd.	Packaging	14,615,668.53	13,000,000.00	Yes	11,948,339.94
Hangzhou Nanfang Tongda Gears Co., Ltd.	Gear boxes	6,758,649.55	6,000,000.00	Yes	5,421,380.35
Hangzhou Steam Turbine Industrial Co., Ltd.	Raw materials processing , cleaning fees, etc.	1,489,051.67	1,400,000.00	Yes	1,286,863.61
Hangzhou Steam Turbine Group	Equipment maintenance				331,131.48
HSTG Technology Association	Industrial cooperation				16,923.08
Greenesol Co. (India)	Generators				25,924,364.86
HSTG (Hangzhou) United Institutes Co., Ltd.	Technical service	1,377,742.72			200,000.00
Hangzhou Steam Turbine Engineering Co., Ltd.	Law material	6,539,280.97	2,000,000.00	Yes	1,538,461.54
Hangzhou Steam Turbine Electronic	Law material				770,000.03

Tube Co., Ltd.					
Hangzhou Wandong Electric Co., Ltd.	Industrial cooperation	30,974.36			13,743.59
Subtotal		222,631,006.82			233,121,195.54

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 Steam Turbine Engineering Co., Ltd.	Steam turbine	41,776,752.14	188,034,438.04
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Cast parts, industrial co-operation	11,774,255.82	11,111,122.55
Hangzhou Steam Turbine Group	Industrial cooperation	94,339.62	94,339.62
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Small amount materials	841.62	408.87
Hangzhou Nanhua Wooden Packaging Co., Ltd.	Small amount materials		854.70
Greenesol Co.(India)	Steam turbine	2,472,014.43	1,885,925.23
Hangzhou Steam Turbine Compressor Co., Ltd.	Compressor,Industrial cooperation	115,384.62	620,733.76
Subtotal		56,233,588.25	201,747,822.77

（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
HSTG	House and Building	3,394,797.92	3,241,447.16
HSTG	Engineering Equipment	1,760,683.76	1,760,683.76
HSTG	Land use right	3,194,406.32	3,545,791.00
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Site leasing	4,229,857.79	5,464,123.22

（3）Related-party guarantee

The Company was guarantor

In RMB

Guarantor	Guarantee amount	Start date	End date	Execution accomplished or not
HSTG	**100,000,000.00**	**December 18,2017**	**December 18,2019**	**No**

As stated in Note 5 (I) 24 of the financial statement, in accordance with the *National* Development Fund Investment Contract, jointly signed by the Company, NDF, Turbine Industry Company and Hangzhou Steam Turbine Group, the investment of the NDF on Turbine Industry Company, RMB 208,000,000.00, is repurchased by the Hangzhou Steam Turbine Group, and the NDF asks the Company and Hangzhou Steam Turbine Group to provide guarantee for the fulfillment of Hangzhou Steam Turbine Group of the transferee equity obligations. The Company and Steam Turbine Company pledge to the NDF with a total of 23 million shares of Hangzhou Bank Co., Ltd. with book value of RMB 481,850,000.00 and the land use right with book value of RMB 69,631,244.57.

4. Remunerations of key managements

Items	Current term	Same period of last term
Remunerations of key managements	7, 774, 385. 21	7,621,482.40

5. Other related transactions

(1) Service and power supply

HSTG supplies water and power to the Company and some of the subsidiaries amounted to RMB13,281,760.66 this period.

Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd. provided transportation to the Company's employees and RMB2,288,645.00 was paid this period.

Hangzhou Steam Turbine Industry Co., Ltd. provided cleaning services to the Company and RMB1,239,620.99 was paid this period.

HSTG. provides property management services for its subsidiary which is Complete Technology Corporation, of which the fee of this period incurred in the property management is RMB43,050.22.

HSTC pay the wages on behalf of the company , this period occurred RMB 837,831.90; The company received the current HSTG issued a management innovation project award costs RMB 410,000.00 .

(2) Using of trademark

The Company pays RMB1,698,113.20 to HSTG for using of the registered trademark.

(3) Expenses paid on behalf the Company

Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd. paid RMB6,456,212.32 of tarrif 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.	52,898,295.99	6,117,053.80	49,710,305.99	3,657,185.10
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	17,950,170.60	1,146,223.10	16,174,291.35	972,428.47
	Hangzhou Steam Turbine Power Group Engineering Co., Ltd.	305,000.00	244,000.00	310,060.00	186,036.00
	Hangzhou Steam Turbine Compressor Co., Ltd'	59,000.00	5,900.00	236,000.00	11,800.00
	Hangzhou Steam Turbine Group	158,500.00	158,500.00	258,500.00	163,500.00
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	544.67	27.23	16.48	0.82
	Greenesol Co.(India)	15,642,523.36	12,514,018.69	14,642,682.67	8,785,609.60
Subtotal		87,014,034.62	20,185,722.82	81,331,856.49	13,776,559.99
Prepayment	Hangzhou Steam Turbine Engineering Co., Ltd.			2,270,000.00	
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	21,515,346.37		26,834,825.00	
Subtotal		21,515,346.37		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.	115, 744, 578. 95	100, 434, 643. 05
	Greenesol Co.(India)	3, 595, 145. 76	8, 495, 882. 02
	Hangzhou Steam Turbine Group	3, 395, 546. 79	5, 251, 995. 90
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd	7,504,708.74	2,737,416.93
	Hangzhou Nanhua Wooden Packaging Co., Ltd.	963,509.03	404,433.00
	Hangzhou Steam Turbine Engineering Co., Ltd.	1,780,566.04	380,000.00
	HSTG (Hangzhou) United Institutes Co., Ltd.	597,075.00	153,000.00
	Hangzhou Nanfang Tongda Gears Co., Ltd.	2,464,950.00	112,273.00
	Hangzhou Steam Turbine Industrial Co., Ltd.	212,294.57	8,440.00
	Hangzhou Wandong Electric Co., Ltd.	20,640.00	
Subtotal		136,279,014.88	117,978,083.90
Advances received	Hangzhou Steam Turbine Engineering Co., Ltd.	38,972,720.00	55,573,740.00
	Hangzhou Steam Turbine Compressor Co., Ltd.	14,190,000.00	14,235,000.00
Subtotal		53,162,720.00	69,808,740.00
Other account payable	Hangzhou Steam Turbine Group	5,731,384.50	6,050,024.82

	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	100,000.00	
Subtotal		5,831,384.50	6,050,024.82

XII. Commitment and Contingency Issues

(I) Material commitment issues

1. External investment contracts engaged but not exercised or not fully exercised and related financial outflow

As stated in Note 5 (I) 24 of the financial statement, Hangzhou Turbine Group will transfer its holding equity of Hangzhou Turbine Heavy Industry Co., Ltd. by stages to China Development Funds since 2019. After transfer, Hangzhou Turbine Group will transfer the transferred equity of Hangzhou Turbine Heavy Industry Co., Ltd to our Company at the same price.

2. Outsourcing contracts engaged with large amounts and are under processing or preparation

Capital commitment related to construction of workshops or purchasing of equipment by the Company or subsidiaries is amounted to RMB181.893 million.

XIII. Events after balance sheet datee

1.Major non adjusting events

According to relevant appointments of Transfer Agreement signed with Zhejiang Juqing Investment Co., Ltd. by the Company on January 3, 2017, the Company will transfer all its holding equity of Zhejiang Changti Equity Investment Partnership Enterprise(Limited Partnership) to Zhejiang Juqing Investment Co., Ltd. at 73,680,000 RMB. When completed, the Company will confirm to transfer the profit of investment at 25,121,648.20 RMB. Up to the date of issuing this financial report, the Company has received all the transfer amount of the equity.

XIV. Other Material Issues

(1)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

XV. Notes to the Financial Statements of the Parent Co.

(I) Notes to items of parent company financial statements

1. Account receivable

（1）Detailed categories

Category	End of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion %	Amount	Providing rate%	
Receivables provided bad debt provision in cridit risk groups	2,177,424,114.16	98.65%	752,473,417.58	34.56	1,424,950,696.58
Account receivable with minor individual amount but bad debt provision is provided	29,819,607.69	1.35%	29,819,607.69	100.00	
Total	2,207,243,721.85	100.00	782,293,025.27	35.44	1,424,950,696.58

(Continued)

Category	Beginning of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion %	Amount	Providing rate%	
Receivables provided bad debt provision in cridit risk groups	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	1.32	29,819,607.69	100.00	
Total	2,266,643,406.90	100．00	629,251,733.92	27.76	1,637,391,672.98

Accounts receivable of individual significance and subject to individual impairment assessment.

Not applicable

Account reveivable on which bad debt proisions are provided on age basis in the group

In RMB

Age	End of term		
	Book balance	Bad debt provision	Providing rate%
Subitem within 1 year			
Within 1 year	570,847,123.01	28,542,356.15	5.00%
Subtotal within 1 year	570,847,123.01	28,542,356.15	5.00%

1-2 year	364,721,608.35	36,472,160.84	10.00%
2-3 years	365,283,917.27	109,585,175.18	30.00%
3-4 years	389,669,764.35	233,801,858.61	60.00%
4-5 years	176,348,739.87	141,078,991.90	80.00%
Over 5 years	202,992,874.90	202,992,874.90	100.00%
Total	2,069,864,027.75	752,473,417.58	36.35%

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

Name	End of term		
	Book valance	Bad debt provision	Providing rate(%)
Combinations of related transactions in consolidation range	107,560,086.41		
Subtotal	107,560,086.41		

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.

Using percentage balance method of provision for bad debts of account receivable in group：

Not applicable

In the groups, accounts receivable adopting other methods to withdraw bad debt provision:

(2) Provision of allowance for doubtful debts within this year is RMB 159,377,571.21 , the amount of the reversed or collected part during the reporting period was of RMB 0.00.

(3) Receivable accounts actually written off in the report period

In RMB

Items	Amount
Uncollectible amount	6,336,279.86

The significant actual write-off accounts receivable:

In RMB

Name	Nature of account receivable	Amount written off	Reason for written-off	Verification procedures	Arising from related transactions(Y/N)
Shenyang Touping Machanical Co., Ltd.	Goods	5,400,055.35	Difficult to recover	The examined and adopted to General manager of the office meeting	No

Jiaxing Ninjia Aisi Thermoelectric Co., Ltd.	Goods	485,000.00	Difficult to recover	The examined and adopted to General manager of the office meeting	No
Shenyang Pump Petrochemical Co., ltd.	Goods	122,050.00	Difficult to recover	The examined and adopted to General manager of the office meeting	No
Other	Goods	329,174.51	Difficult to recover	The examined and adopted to General manager of the office meeting	No
Subtotal		6,336,279.86			

（4）Receivables account of the top five parties

In RMB

Name	Amount	Proportion(%)	Bad debt provision
Client 1	692,410,789.92	31.37	252,816,458.39
Client 2	309,742,954.20	14.03	161,262,818.92
Client 3	47,288,000.00	2.14	2,364,400.00
Client 4	46,629,245.99	2.11	4,464,018.80
Client 5	48,750,684.51	2.21	
Subtotal	1,144,821,674.62	51.86	420,907,696.11

2. Other account receivable

（1）Detailed categories

In RMB

Category	End of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion %	Amount	Providing rate%	
Other receivables provided bad debt provision in credit risk groups	74,189,903.93	100.00	6,185,197.69	8.34	68,004,706.24
Total	74,189,903.93	100.00	6,185,197.69	8.34	68,004,706.24

(Continued)

Category	Beginning of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion %	Amount	Providing rate%	
Other receivables provided bad debt provision in credit risk groups	14,390,560.25	79.50	2,145,188.28	14.91	12,245,371.97
Other account receivable with minor individual amount but bad debt provision is provided	3,710,320.94	20.50	3,710,320.94	100.00	
Total	18,100,881.19	100.00	5,855,509.22	32.35	12,245,371.97

Other Receivable accounts on which bad debt provisions are provided by other ways in the portfolio：

Not applicable

Other receivable accounts in Group on which bad debt provisions were provided on age analyze basis

In RMB

Age	End of term		
	Book balance	Bad debt provision	Proportion%
Subitem within 1 year			
Within 1 year	3,212,874.29	160,643.72	5.00%
Subtotal within 1 year	3,212,874.29	160,643.72	5.00%
1-2 year	2,081,346.61	208,134.66	10.00%
2-3 years	2,463,065.90	738,919.77	30.00%
3-4 years	681,692.00	409,015.20	60.00%
4-5 years	500,000.00	400,000.00	80.00%
Over 5 years	4,268,484.34	4,268,484.34	100.00%
Total	13,207,463.14	6,185,197.69	46.83%

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

Name	End of term		
	Book balance	Bad debt provision	Proportion%
Combinations of related transactions in consolidation range	60,982,440.79		

Subtotal	60,982,440.79		

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

Other receivable account in Group on which bad debt provisions were provided on percentage basis：

Not applicable

Other Receivable accounts on which bad debt provisions are provided by other ways in the portfolio

Not applicable

（2）Bad debt provision withdrawal, reversed or recovered in the report period.

Provision of allowance for doubtful debts within this year is RMB 329,688.47 , the amount of the reversed or collected part during the reporting period was of RMB 0.00.

Combination of other receivable accounts

In RMB

Property	End of term	Beginning of term
Related party funds	60,000,000.00	
Deposit	13,039,563.14	15,557,676.02
Petty cash	167,900.00	66,000.00
Provisional payment receivable	982,440.79	2,461,541.57
Other		15,663.60
Total	74,189,903.93	18,100,881.19

(4) Top 5 of the closing balance of Other accounts receivable

In RMB

Name of the company	Account property	Book balance	Age	Percentage in total other receivable %	Bad debt provision
Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.	Related party funds	50,000,000.00	Within 1 year	67.39	

Hangzhou Steam Turbine Casting Co., Ltd.	Related party funds	10,564,062.02	Within 1 year	14.24	
Shanghai Customs Waigaoqiao Office	Deposit in custom	3,710,320.94	Over 5 years	5.00	3,710,320.94
Guoxin Bidding Group Co., Ltd.	Deposit in custom	1,485,788.00	[Notes]	2.00	193,128.80
Guodian Trust Bidding Co., Ltd.	Deposit in custom	1,294,500.00	[Notes]	1.75	439,725.00
Subtotal		67,054,670.96		90.38	4,343,174.74

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
Total	502,919,378.03		502,919,378.03	502,919,378.03		502,919,378.03

(2) Investment on subsidiaries

In RMB

Company invested in	Beginning of term	Increased this period	Current term decrease	End of term	Provided current term Impairment provision	Impairment provision End of term
Touping Company	20,000,000.00			20,000,000.00		
Hangzhou Heavy Industry	360,000,000.00			360,000,000.00		
Hangzhou Auxiliary Machine Co.	46,286,513.41			46,286,513.41		
Zhejiang Turbine	29,800,389.56			29,800,389.56		

Packaged Co.						
Zhongneng 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		
Subtotal	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	
	Income	Cost	Income	Cost
Main business	2,128,910,906.33	1,546,003,243.12	1,530,893,344.10	1,156,064,562.33
Other business	14,563,244.25	10,829,495.21	24,603,027.43	22,488,463.30
Total	2,143,474,150.58	1,556,832,738.33	1,555,496,371.53	1,178,553,025.63

5..Investment income

In RMB

Items	Amount of current period	Amount of previous period
Long-term equity investment income by Cost method	83,728,812.50	118,708,415.00
Gains from financing products	16,130,017.82	3,153,852.99
Investment income received from holding of available-for –sale financial assets	2,587,659.70	27,742,368.00
Total	102,446,490.02	149,604,635.99

XVI. Supplementary Information

(I) Non-current g gain/loss

In RMB

Items	Amount	Notes
Gains/losses from the disposal of non-current asset	326,453.30	
Governmental subsidy calculated into current gains and loess（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）	16,968,792.22	
Except the effective hedge business related to the normal operation business of the Company, the profit and loss in the changes of fair values caused by the holding of tradable financial assets and tradable financial liabilities as well as the investment returns in disposal of tradable financial assets, tradable financial liabilities and saleable financial assets	28,548,677.87	
Other non-business income and expenditures other than the above	7,345,994.24	
Less ： Influenced amount of income tax	8,701,193.64	
Amount of influence of minority interests	4,166,589.55	
Total	40,322,134.44	--

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.

(II) Net income on asset ratio and earning per share

Profit of the report period	Weighted average net income on asset %	Earnings per share (yuan/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	0.60%	0.04	0.04
Net profit attributable to the common owners of the PLC after deducting of non-recurring gains/losses	-0.16%	-0.01	-0.01

XII.Documents for Reference

I. Annual Report 2016 with signature of the Chairman;

II. Original copy of the Auditors' Report with the seals and signatures of the legal representative, CFO, Accounting Manager of the Company, and the Pan-China CPA and signed by certified accountants.

III. All of the originals of the Company's documents and public notices publicized by the presses designated by China Securities Regulatory Commission in the report period;

IV.Original copy of Resolutions of the 7th Meeting of the 7th Term of Board with signatures of directors.

Hangzhou Steam Turbine Co., Ltd.

Chairman of the Board: Zheng Bin

March 18, 2017