Stock Code: 200771 **Stock ID: Hangqilun B** **Announcement No. 2017-09**

Hangzhou Steam Turbine Co., Ltd.

Auditors' Report 2016

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Auditors' Report

Tian Jian Shen No.〔2017〕1028

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.

Pan-China Certified Public Accountants (Special common partnership)   CPA China :

Zhu Guogang

Hangzhou China   CPA China : Jiang Xiaodong

March 16, 2017

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: preferred stock	Other Equity instrument: Sustainable debt	Other Equity instrument: Other	Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit		
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 Shereholders												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

Hangzhou Steam Turbine Co., Ltd.

Notes to the Financial Statements
Year 2016

In RMB

I.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.

II. Basis of compiling the finance report

(I) 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.

III. Principal Accounting Policies and Estimations

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

1. Statement of compliance to the Enterprise Accounting Standard

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

2. Fiscal year

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

3. Operational period

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

4. Standard currency for bookkeeping

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

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

1. Treatment of entities under common control

Assets and liabilities acquired in merger of entities are measured at book values at the date of merger. The difference between the net book value of asset and the offered price (or total of face value of shares issued) will be adjusted into capital reserves; when the capital reserves is not enough to reduce, it will be adjusted into retained profit.

2. Treatment of entities under different control

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

6. Method for preparing the consolidated financial statements

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

7. Recognition of cash and cash equivalents

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

8. Foreign currency trade and translation of foreign currencies

1. Translation of foreign currency

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

2. Translation of foreign currency financial statements

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

9. Financial instruments

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

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

2. Basis of recognition and accounting of finance asset and finance debt When the Company is one part of the finance instrument contract, one finance asset or debt is recognized. When on recognizing initially finance asset or debt, it is measured by fair value, for the finance asset or debt which appointed to be measured at fair value with their changes are accounted into current gain/loss accounts, the related transaction expenses are directly accounted into current gain and loss; for other finance asset and debt, the related transaction expenses accounted into the initial recognition account. The Company future measures finance asset by fair value without deducting future possible transaction fee but with exception: (1) Due investment, debt and account receivable are measured by actual interest rate according to the amortized costs. (2) Equity instrument investment which have no quote in active market and which fair value can't be measured reliably, and its derived finance assets which are connected with the equity instrument and which are summarized through the equity instrument, are measured by cost.

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	For the inclusion of the company's consolidated financial statements within the scope of the company's accounts receivable and other receivables separately for the impairment test, if the combination of the impairment test, no impairment, not to mention the provision for bad debts

Age analyze basis

Age	Rate of provision on receivable account	Rate of provision on other receivable account
Within 1 year)included)	5	5
1—2 years	10	10
2—3 years	30	30

3—4 years	60	60
4—5 years	80	80
Over 5 years	100	100

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.

For the receivables, interest receivables, long-term receivables and other receivables, according to its future cash flow present value is lower than its book value of the difference between collective bad debt provision.

11.Inventories

(1) Inventory classification

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

(2) Pricing of inventory to be delivered

Pricing basis:

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

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

At the balance sheet day, inventories are measured at the lower of costs and cashable net values, the individual difference between the cashable net value and cost are provided as inventory impairment provision. For finished product, merchandise, saleable material and other saleable merchandise inventory, their cashable net values are recognized by their estimated sale price in normal operation deducting estimated sale expenses and related taxes; for material inventory which need processing, 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 on period	20-30	4	4.8-3.2
Equipment & machinery	Straight average on period	8-15	4	12-6.4
Transportation equipment	Straight average on period	4-8	4	24-12
Office equipment	Straight average on period	5	4	19.2

14. Construction in process

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

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

15. Loan expenses

1. Capitalizing of loan expenses

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

2. Capitalization period of loan expenses

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

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

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

3. Rates and amounts of loan expense capitalization

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

16. Intangible assets

（1）Pricing Method, service life and impairment test

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

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

Items	Amortiing years
Land using right	50
Patents and Proprietary technology	5-20
Software	5

(2) Accounting policy for internal research and development expenditure

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

17. Impairment of partial long-term assets

For those long-term assets such as equity investment, fixed assets measured on cost basis, construction-in-process, intangible assets with limited service life, their recoverable amount shall be evaluated as soon as there was evidence indicating impairment at the balance sheet day. For intangible assets such as goodwill from merger or intangible assets with uncertain service lives, impairment test is performed each year whatever there is evidence of impairment or not. Impairment test on goodwill is performed on combination of related assets.

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

18. Long-term amortizable expenses

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

19. Employees' wage

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

2. Accounting of short-term wages

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

3.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.

4. 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.

5. Accounting of other long-term employees' welfares

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

20. Expected liabilities

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

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

21.Revenue

1. Recognizing of revenue

(1) Sales of goods

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

(2) Providing of services

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

(3) Giving of asset using rights

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

(4) Construction contracts

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

2) When all of the following conditions were satisfied, the result of a fix-amount contract is regarded as can be evaluated reliably: the total income of the contract may be measured reliably,

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

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

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

2. Practical basis for recognition of revenue

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

IV. 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%
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%
City maintenance and construction tax	Turnover tax payable	7%

Educational surcharge	Turnover tax payable	3%
Local education additional	Turnover tax payable	2%
Enterprise income tax	Amount of income taxable	15%、25%[Notes]

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

The Company and its subsidiaries Hangzhou Zhongneng Steam Turbine Power Co., Ltd., Zhejiang Packaged Technologies Development Co., Ltd., Hangzhou Steam Turbine Casting Co., Ltd.,Zhejiang Huayuan Steam Turbine Mechinery Co., Ltd., Hangzhou Guoneng Steam Tubine Engineering Co., Ltd., at 15% Payment, other subsidiaries (territory) at 25% tax rate.

(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.

V. Notes to the Consolidated Financial Statements

(1)Notes to the Consolidated Balance sheet

1.Monetary Capital

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

Items	End of term			Beginning of term		
	Book balance	ad debt provision	Book value	Book balance	Bad debt sion	Book value
Bank acceptance	424,613,558.62		424,613,558.62	637,528,943.49		637,528,943.49
Commercial acceptance	55,102,763.00		55,102,763.00	42,990,000.00		42,990,000.00
Total	479,716,321.62		479,716,321.62	680,518,943.49		680,518,943.49

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

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

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	

Bank acceptance bill acceptor is a commercial bank, because commercial banks with higher credit, bank acceptance bill is not paid due the possibility is low, so the company will have the endorsement or discounted bank acceptance bill shall terminate confirmation. But if the maturity is not paid, on the basis of negotiable instruments law , Ltd. will be jointly and severally liable to the holder.

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

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

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
Subtoal	2,812,043,945.50	941,870,597.18	33.49

(2) Provision of allowance for doubtful debts within this year is RMB 184,594,273.47 and no recovery or reversal of provision during the year.

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

1. The current accounts receivable write-offs was RMB 7,683,219.41.

2) 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			

（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(%)	Bad debt provision	Book value	Book balance	Proportion(%)	Bad debt provision	Book value
Within 1 year	169,302,923.28	83.74		169,302,923.28	107,708,874.45	77.34		107,708,874.45
1-2 years	10,874,142.27	5.38		10,874,142.27	25,792,370.60	18.52		25,792,370.60
2-3 years	17,195,603.48	8.50		17,195,603.48	2,763,347.80	1.98		2,763,347.80
Over 3 years	4,812,189.80	2.38		4,812,189.80	3,002,731.80	2.16		3,002,731.80
Total	202,184,858.83	100.00		202,184,858.83	139,267,324.65	100.00		139,267,324.65

(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

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

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

Age	End of term		
	Book balance	Bad debt provision	Providing rate %
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
Subtotal	42,152,338.08	11,127,630.36	26.40

(2) The current amount of provision for bad debts is 2,874,180.59, and no recovery or reversal of provision during the year.

(3) Other receivables not written off this period.

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

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	2,571,442.2
Total	42,152,338.08	33,827,507.06

(5) Top 5 of of the other accounts receivable

Name	Nature	Book balance	Age	Proportion(%)	Bad debt provision	Whether the related party
Export drawback receivable	Export Rebates	13,234,170.89	Within 1 year	31.40	661,708.54	No
Shanghai Customs Waigaoqiao Office	Currrent account	3,710,320.94	Over 5 years	8.80	3,710,320.94	No
Investment from Indonesia Company receivable	Investment	3,468,500.00	3-4 years	8.23	2,081,100.00	No
Guoxin Bidding Group Co.,Ltd.	Bidding deposit	1,485,788.00	[Notes]	3.52	193,128.80	No
Guodian Trust Bidding Co., Ltd.	Bidding deposit	1,294,500.00	[Notes]	3.07	439,725.00	No

Subtoal		23,193,279.83		55.02	7,085,983.28	

Notes: Detailed

Name	Within 1 year	1-2 years	4-5 years	Over 5 years
Guoxin Bidding Group Co.,Ltd.		1,436,288.00		49,500.00
Guodian Trust Bidding Co., Ltd.	794,500.00		500,000.00	

6. Inventories

(1) Details

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

(2) Inventory depreciation provision

(1) Details

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

(2)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

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

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments						
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

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
Subtotal	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			Period-end		
Bank of Hangzhou Co.,Ltd.					5.30	
Hangzhou Changdi Equity Investment Partnership(Limited liability)					2.97	2,587,659.70
Hangzhou Steam Turbine Engineering Co., Ltd.					15.00	
Hangzhou Jushi Investment Partnership（ Limited					33.33	

partnership）						
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	
Subtotal						3,587,659.70

(4) Other Notes

1) As the Hangzhou Bank Co., Ltd. was listed on October 27, 2016, the shares of Hangzhou Bank Co., Ltd. held by the Company at the end of the period are shifted from cost measurement to fair value measurement.

2) According to the agreement signed by Hangzhou Steam Turbine Auxiliary Equipment Co., Ltd. and Wuxi Xinchang Steel Pipe Co., Ltd., if the later one fails to realize the expected profits, it shall make the cash compensation for the former one. In 2015 Wuxi Xinchang Steel Pipe Co., Ltd. failed to achieve the expected profits, so Hangzhou Steam Turbine Auxiliary Co., Ltd. received cash compensation of RMB 3,045,673.93 for the current period.

9. Fixed assets

Items	Houses & buildings	Machinery equipment	Transportation equipment	Office equipment	Total
1. Original book value					
1.Beginning of term	430,839,912.93	969,905,790.70	29,785,975.08	99,549,945.71	1,530,081,624.42
2.Increased currentperiod	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）Transferredinfrom construction in process	15,606,885.67	15,170,861.11	97,435.90	3,643,175.22	34,518,357.90
Decreased currentperiod		7,315,351.22	565,800.00	8,581,158.28	16,462,309.50

（1）Disposal		7,315,351.22	565,800.00	8,581,158.28	16,462,309.50
End of term	446,446,798.60	998,985,150.60	29,749,331.84	95,844,377.35	1,571,025,658.39
Accumulated depreciation					
Beginning of term	163,529,319.75	620,466,561.64	18,904,719.96	78,242,233.07	881,142,834.42
Increased currentof term	12,860,723.17	59,783,374.43	2,083,099.74	8,191,323.57	82,918,520.91
1) Provision	12,860,723.17	59,783,374.43	2,083,099.74	8,191,323.57	82,918,520.91
Decreased current 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
End of term	176,390,042.92	673,282,598.59	20,553,828.14	78,225,107.16	948,451,576.81
Impairment provision					
Beginning of term	1,504,928.24	4,074,858.43		1,203,366.99	6,783,153.66
Increased current period					
Decreased current period		41,338.01		89,843.98	131,181.99
End of term	1,504,928.24	4,033,520.42		1,113,523.01	6,651,971.67
Book value					
Closing book value	268,551,827.44	321,669,031.59	9,195,503.70	16,505,747.18	615,922,109.91
Opening book value	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

Project	Budget RMB x10000	Beginning of term	Increased this period	Transferred into fixed assets	Other decreases	End of term
Construction in process of parent Company	13,497.14	61,381,905.79	32,789,004.20			94,170,909.99
Completed project of parent Company	2,935.06	18,600,645.55	2,359,855.40	20,960,500.95		
Tangxi Workshop PhaseII, Gouneng Company	3,000.00	19,540,353.62	8,043,587.43	11,336,962.90		16,246,978.15
Project of steam turbine heavy industry	179,410.00	18,177,025.86	14,477,549.32			32,654,575.18
Casting companies to	1,000.00		4,870,579.64			4,870,579.64

clean up cross project						
Casting carbon arc gouging and darkroom	133.60		1,335,964.05	1,335,964.05		
Casting company networking system project	400.00		1,517,473.06			1,517,473.06
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

(Continued)

Project	Accumulate investment Proportion(%)	Progress(%)	Accumulate of interest capitalized	Interest capitalized this term	Ratio of interest capitalizing this term %	Fund recourse
Construction in process of parent Company	69.77	Under Construction				Self
Completed project of parent Company	71.41	Completed				Self
Tangxi Workshop PhaseII, Gouneng Company	91.95	Under Construction				Self
Project of steam turbine heavy industry	1.82	Under Construction				Self
Casting companies to clean up cross project	48.71	Under Construction				Self
Casting carbon arc gouging and darkroom	100.00	Completed				Self
Casting company	37.94	Under				Self

networking system project		Construction				
Minor purchasing of equipment by subsidiaries		Completed				Self
Prepayment for equipment or projects		Under Construction				Self
Subtotal						

11. Intangible assets

Items	Land using right	Patent	Software	Total
Original price				
Opening balance	332,298,312.33	8,200,000.00	328,376.07	340,826,688.40
Increased amount ofthe period		9,433.96		9,433.96
1) Purchase		9,433.96		9,433.96
Decreased amount of the period				
1) Disposal				
Closing balance	332,298,312.33	8,209,433.96	328,376.07	340,836,122.36
Accumulated amortization				
Opening balance	35,119,224.60	552,666.67	205,589.95	35,877,481.22
Increased amount of the period	6,662,865.37	828,000.04	62,341.65	7,553,207.06
1) Withdrawal	6,662,865.37	828,000.04	62,341.65	7,553,207.06
Decreased amount of the period				
1) Disposal				
Closing balance	41,782,089.97	1,380,666.71	267,931.60	43,430,688.28
Impairment provision				
Opening balance				

Increased amount of the period				
1) Withdrawal				
Decreased amount of the period				
1) Disposal				
Closing balance				
Book value				
Closing book value	290,516,222.36	6,828,767.25	60,444.47	297,405,434.08
Opening book value	297,179,087.73	7,647,333.33	122,786.12	304,949,207.18

12. Long-term amortize expenses

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

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

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) Details of income tax assets not recognized

Items	End of term	Beginning of term
Deductible provisional differences	1,476,578.54	137,939.89
Recoverable losses	12,315,626.29	5,606,704.52
Subtotal	13,792,204.83	5,744,644.41

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

Year	End of term	Beginning of term
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	
Subtotal	12,315,626.29	5,606,704.52

14.Short-term loans

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

15.Bill payable

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

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

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

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

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
Subtotal	46,643,490.68	587,817,273.45	586,187,202.51	48,273,561.62

(3) Details of fixed provision scheme

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

Items	End of term	Beginning of term
VAT	59,676,617.21	14,415,685.85
Operational tax		26,734.00
Enterprise income tax	16,338,759.59	13,503,170.56
Individual income tax	2,035,807.07	2,576,708.03

City maintenance and construction tax	4,224,180.62	1,039,687.83
Education surtax	1,822,362.43	453,914.47
Locality Education subjoin	1,202,457.87	303,713.60
Property tax		39,647.76
Stamp tax	56,823.07	19,236.84
Local water source foundation	1,767,814.88	2,382,364.75
Land use tax	3,112,763.00	1,245,105.20
Disabled security fund	2,087.42	2,140.20
Total	90,239,673.16	36,008,109.09

20. Interest payable

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

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

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

22. Long-term loan

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

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

（2）Other notes

According to the relevant agreement of the National Development Fund Investment Contract (hereinafter referred to as the *I*nvestment 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

(1) Details

Items	Beginning of term	Increased this period	Decreased this period	End of term	Reason
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	

(2) Details of government subsidies

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

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

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

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	-852,752.00	2,516,167,273.56		377,258,851.20	2,138,272,051.84	636,370.52	2,137,419,

income							299.84

29.Special reserves

(1) Details

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

(2) 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

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

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

(II)Consolidated income statement

1. Business income and Business cost

(1) Details

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

(2)Main Business income/Main Business cost(Product)

Name	Occurred current term		Occurred in previous term	
	Income	Cost	Income	Cost
Industrial steam turbine	2,760,361,876.91	1,937,421,703.51	2,135,628,506.22	1,551,730,293.95
Casting	53,823,584.94	40,832,489.79	63,703,960.06	52,584,471.30
Auxiliary	39,019,819.50	30,795,266.61	76,766,636.28	59,872,907.95
Spare part	228,822,873.11	119,437,803.71	172,137,117.89	77,526,212.60
Other	148,878,370.66	74,937,079.84	142,704,013.87	59,853,031.92
Subtotal	3,230,906,525.12	2,203,424,343.46	2,590,940,234.32	1,801,566,917.72

2. Business tax and surcharge

（1） Details

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
Local education surcharges	4,265,697.76	2,013,702.28
Business tax	36,467.22	168,455.47
House tax	2,434,567.60	
Land use tax	3,303,802.70	
Stamp tax	1,374,990.22	
vehicle and vessel tax	43,113.80	
Total	32,563,426.16	12,014,265.08

(2) 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".

3. Sales expense

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

4. Administrative expense

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

5. Financial expenses

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

6. Asset impairment loss

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

7. Investment income

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

8. Non-operational income

（1） Details

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	387,292.53
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

(2) Government subsidy Details

1)Year 2016

Subsidy items	Amount of this period	Asset-related or income-related
Transferred from deferred income	1,381,530.00	Asset-related
Stable employment social security subsidies	6,208,662.99	Income related
2016 provincial industrial and information technology development special funds	3,000,000.00	Income related
Water Funds returned	2,853,493.64	Income related
Property tax return	1,362,413.59	Income related
Enterprise R & D investment subsidy	714,200.00	Income related
Hangzhou "115" in 1995 to introduce foreign intelligence program	600,000.00	Income related
Financial subsidy	366,930.00	Income related
Land use tax refund	153,244.00	Income related
Quality Award Financial Award	131,600.00	Income related
Training subsidy	100,608.00	Income related
Other small amount subsidies	96,110.00	Income related
Total	16,968,792.22	

1) Year 2015

Subsidy items	Amount of this period	Asset-related or income-related
Transferred from deferrecd income	1,448,280.00	Asset-related
Coal chemical industry, iron and steel industry COGEN 50MW steam turbine series development level	5,060,000.00	Income related
Enterprise Funding by Hangzhou Economy & Technology Development Zone Finance office	1,330,900.00	Income related

Refunding of property tax	1,253,825.27	Income related
Award for Enterprise R&D Investment 2013	971,000.00	Income related
Land use tax return	868,205.00	Income related
Water fund return	786,093.91	Income related
Science and technology overall plan fund robot project	635,000.00	Income related
Financial support fund	635,000.00	Income related
2015 FINANCIAL Subsidy	500,000.00	Income related
Hangzhou Industrial and fiscal 2015 financial information development funding	500,000.00	Income related
2015 Quality and Technical Supervision grant funds	300,000.00	Income related
Yuhang District 2013 annual enterprise training the first batch of financial support fund	287,700.00	Income related
Quality award financial incentives	200,000.00	Income related
2013 second batch of quality and technical supervision grants	120,000.00	Income related
Stable employment social securitysubsidies	116,589.42	Income related
Financial support for production safety	100,000.00	Income related
Production safety standards of financial reward fund	100,000.00	Income related
2014 The first safety standardization standards (re-evaluation) enterprise financial assistance	100,000.00	Income related
Other small amount subsidies	440,383.67	Income related
Subtotal	15,752,977.27	

9. Non-operational expenditure

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

10. Income tax expenses

(1) Details

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

Items	Current term	Same period of last term
Total profit	77,419,042.07	-148,188,507.04
Income tax expenses calculated at parent Company tax rate	11,612,856.31	-22,228,276.06
Impact from tax preferential rate	1,915,035.40	3,160,197.56
Adjustment for income tax in prior year	1,830,003.86	1,235,288.54
Income not subject to tax	-638,148.95	-4,411,355.20
Expenses not deductible for tax purposes	1,248,605.91	2,978,439.52
Super deduction of R&D expenses	-7,523,630.14	-5,665,533.49
Changes in the balance of deferred income tax assets at the beginning of the tax rate adjustment	19,042.97	
Taxation influence by using unrecognized deductible loss and deductible temporary difference of prior periods		-4,905.28
Taxation influence of unrecognized deductible loss and deductible temporary difference	-26,533.82	-116,838.71
Impact of deductible temporary difference of un-recognized deferred income tax asset of current period	2,070,440.61	895,204.27

Income tax expenses	10,507,672.15	-24,157,778.85

11.Other Comprehensive income

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

3. Notes Cash flow statement

(1) Other cash received from business operation

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

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

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

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

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

6. Supplementary data of cash flow statement

(1) Supplementary data of cash flow statement

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 consumable biological assets	82,918,520.91	85,829,041.11
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
Losson fair value changes		
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:		
Debt-to-capital conversion		
Convertible loan due within 1 year		
Fixed assets acquired under fianancial lease		
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
Add：Ending balance of cash equivalents		
Less: Beginning balance of cash equivalents		
Net increase of cash and cash equivalents	142,012,322.32	126,461,101.03

（2）Composition of cash and cash equivalents

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
Demand other monetary funds		
Demanddeposit in the Central Bank		
II. Cash equivalents		

Including：Debt instrument maturedwithin three months		
III. Balance of cash and cash equivalents at the period end	831,236,984.85	689,224,662.53

(3) Monetary capital not categorized as cash or cash equivalents

Items	End of term	Begubbubg if tern
Bank acceptance bond	52,821,970.32	59,872,133.71
LC	9,823,604.17	
Guarantee bond	1,145,000.00	
bid bond	10,000.00	2,500,000.00
Subtotal	63,800,574.49	62,372,133.71

4. Other

1. Assets with limitation on ownership or using rights

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	

2. Monetary items in foreign currencies

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
Indonesia rubi	8,917,385,752.00	0.000516	4,601,371.05
Singapore dollar	47,726.12	4.7995	229,061.51
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

VI. 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 Packaged Technologies Development Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	70.86		Incorporation
Hangzhou Zhongneng Steam Turbine Power Co., Ltd. (Zhongneng Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	60.83		Incorporation

Hangzhou Steam Turbine Casting Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	51.00		Incorporation
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	52.00		Incorporation
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. (Auxiliary Machinery Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	87.53		Incorporation
Zhejiang Turbine Import & Export Co., Ltd. (Turbine Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Commerce	100.00		Incorporation
Hangzhou Steam Turbine Heavy Industry Co., Ltd. (Steam Turbine Heavy Industry)	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	100.00		Incorporation

（2）Major non-fully-Owned subsidiaries

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 Power Co., 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 Machinery Equipment Co., Ltd.	48.00%	21,980,953.62	21,600,000.00	70,764,766.94
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	12.47%	3,147,889.03	4,988,000.00	25,063,433.88

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

(1) Assets and liabilities

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 liabilities	Total of liability
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	223,797,190.85	199,438,595.78	423,235,786.63	224,664,623.52	29,754,455.00	254,419,078.52

Co., Ltd.						
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

(2) Income and cash flow statement

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 Turbine Casting Co., Ltd.	286,947,144.79	17,095,623.20	17,095,623.20	44,737,383.72
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	24,381,581.78

(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

VII. 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

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

VIII.Fair value disclosure

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

Items	December 31, 2016			
	Level 1	Level 2	Level 3	Total
Assets measured at fair valueon a continued basis				
Available for sale financialassets financial product	2,906,013,048.00			2,906,013,048.00
Equity instrument investment	2,906,013,048.00			2,906,013,048.00
Assets measured at fair valueon	2,906,013,048.00			2,906,013,048.00

(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.

IX. 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., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Electronic Valve Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Compressor Co., Ltd.	Affiliate of the Group
HSTG(Hangzhou)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

2..Related transaction

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

Purchase of goods and service

Ralated parties	Content	Reporting period	Prior period
Hangzhou Steam turbine Automobile sales service Co., Ltd.	Transportation , repair , etc.	51,271,023.35	58,984,034.85
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Generators	140,548,615.67	126,685,952.21
Hangzhou Nanhua Wooden Packaging Co., Ltd.	Packaging	14,615,668.53	11,948,339.94
Hangzhou Nanfang Tongda Gears Co., Ltd.	Gear boxes	6,758,649.55	5,421,380.35
Hangzhou Steam Turbine Industrial Co., Ltd.	Raw materials processing , cleaning fees, etc.	1,489,051.67	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	1,538,461.54
Hangzhou Steam Turbine Electronic Tube Co., Ltd.	Law material		770,000.03
Hangzhou Wandong Electric Co., Ltd.	Industrial cooperation	30,974.36	13,743.59
Subtotal		222,631,006.82	233,121,195.54

(2)Related transactions regarding sales of goods or providing of services

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

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
Subtotal		12,579,745.79	14,012,045.14

（3）Related-party guarantee

The Company was guarantor

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.

3. Guarantees among the related parties

The Company as the provider

The beneficiary	Amount guaranteed	Guarantee Start date	Guarantee Expired on	Completed or not
Hangzhou Steam Turbine Group	100,000,000.00	2017/12/18	2019/12/18	No

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.

Hangzhou Steam Turbine Power Group Co., Ltd. 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.

3. Receivables and payables of related parties

（1）Receivables

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

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

X. 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.

XI. 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.

2.Profit distribution after balance sheet date

Proposed profits or dividends	According to the 2016 Annual Profit Distribution Plan adopted by the 7th session of the 7th meeting of the Board of Directors of the Company on March 16, 2017, the statutory surplus reserve was RMB 0.00, and no cash distribution was made. No bonus shares were paid and no share capital was transferred. The above profit distribution plan has yet to be approved by the shareholders' meeting.

XII. Other Material Issues

Segment information

1. Recognition of segments and accounting policies

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

(1) Generate revenue and expenses in daily operations;

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

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

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

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

XIII. 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	29,819,607.69	1.35	29,819,607.69	100.00	

but bad debt provision is provided					
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

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

Age	End of term		
	Book balance	Bad debt provision	Providing rate%
Within 1 year	570,847,123.01	28,542,356.15	5.00
1-2 years	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
Subtotal	2,069,864,027.75	752,473,417.58	36.35

3) 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	107,560,086.41		

in consolidation range			
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.

(2) Provision of allowance for doubtful debts within this year is RMB 159,377,571.21 and no recovery or reversal of provision during the year.

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

1. The current accounts receivable write-offs was RMB 6,336,279.86.

2) 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 ToupingMachanical 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

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

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

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

Age	End of term		
	Book balance	Bad debt provision	Proportion%
Within 1 year	3,212,874.29	160,643.72	5.00

1-2 years	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
Subtotal	13,207,463.14	6,185,197.69	46.83

3) 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

(2) Provision of allowance for doubtful debts within this year is RMB 329,688.47 and no recovery or reversal of provision during the year.

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

(4) Combination of other receivable accounts

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

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

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

[Notes]：Detail

Name	Within 1 year	1-2 years	4-5 years	Over 5 years
Guoxin Bidding Group Co., Ltd.		1,436,288.00		49,500.00
Guodian Trust Bidding Co., Ltd.	794,500.00		500,000.00	

3. Long-term share equity investment

(1) Detail

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

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 Packaged Co.	29,800,389.56			29,800,389.56		
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		

(II) Notes to the Income Statements of the Parent Co.

1. Business income and Business cost

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

2. Administrative expense

Items	Occurred current term	Occurred in previous term
Employees' remunerations	194,189,438.91	205,449,114.96
R&D expenses	121,876,226.43	110,790,297.26

Asset depreciation and amortizing	13,401,410.62	11,717,101.72
Business reception expenses	9,158,551.99	9,245,985.13
House rental, property management, water and power	12,469,375.11	8,274,504.84
Material, low-value-consumable	4,202,771.54	3,985,084.75
Traveling fees	3,361,181.43	3,195,892.22
Maintaining	2,335,774.67	1,453,825.77
Taxes	1,221,352.11	3,579,237.74
Office expenses	242,336.21	195,374.66
Other	24,812,627.67	23,310,774.80
Total	387,271,046.69	381,197,193.85

3..Investment income

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

XIV. Other Supplementary Information

(I) Non-recurring gain/loss

Items	Amount
Gain/loss from disposal of non-working capital, including the neutralized part of the impairment provision provided already	326, 453. 30
Refunding and exemption of taxes in excess of authority or without official approval documents	
Government subsidies accounted into current income account (except for those government subsidies closely related to the Company’s business,	16, 968, 792. 22

and received at national statutory standard and amount)	
Capital adoption fee collected from non-financial organizations and accounted into current gain/loss	
Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries , associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment	
Gains and losses from exchange of non-monetary assets	
Gains and losses from assets under trusted investment or management	
Various provision for impairment of assets withdrew duetoact of God, such as nutural disaster	
Gains and losses from debt restructuring	
Enterprise reorganization expense(eg.expenditure of staffreplacement and integration change)	
Gains and losses of the part arising from transaction in which price is not fair and exceeding fair value	
Current net gains and losses occurred from period-begin tocombination day by subsidiaries resulting from business combination under common control	
Gains and losses arising from contingent proceedings irrelevant to normal operation of the Company	
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
Switch-back of provision of impairment of account receivable which are treated with separate depreciation test	
Gains and losses obtained from external trusted loans	
Gains and losses arising from change of fair value of investment real estate whose follow-up measurement are conducted according to fair value pattern.	
Affect on current gains and losses after an one-time adjustment	

according to requirements of laws and regulations regarding to taxation and accounting	
Trust fee obtained from trust operation	
Other non-operating income and expenditure except for the aforementioned items	7, 345, 994. 24
Other non-business income and expenditures other than the above	
Subtotal	53, 189, 917. 63
Less: Influenced amount of income tax	8, 701, 193. 64
Amount of influence of minority interests(after tax)	4, 166, 589. 55
Net profit attributable to owners of the parent company	40, 322, 134. 44

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

1. Details

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

2. Calculation process of weighted average net income on asset

Items	No.	Current term
Net profit attributable to common shareholders of the Company	A	31, 955, 445. 73
Non-recurring gain/loss	B	40, 322, 134. 44
Net profit attributable to common shareholders of the Company after deducting of non-recurring gain/loss	C=A-B	-8, 366, 688. 71
Net asset attributable to the common shareholders of the Company at beginning of term	D	4, 219, 337, 312. 80
Net asset increased by issuing of new shares or converting of debt to shares, and attributable to the common shareholders of the Company	E	

Total number of months from the next month of when the asset was newly added to the end of report term		F	
Net asset decreased by repurchasing or cash dividend and attributable to common shareholders of the Company		G	
Total number of months from the next month of when the asset is decreased to the end of report term		H	
Others	Change of other misc. gains	I1	2, 138, 272, 051. 84
	Accumulative number of months from the next month when the change of net asset to the end of report term	J1	6
	Change of special reserves	I2	-4, 218, 567. 14
	Accumulative number of months from the next month when the change of net asset to the end of report term	J2	6
Number of months in the report term		K	12
Weighted average net asset		L= D+A/2+ E×F/K-G×H/K±I×J/K	5, 302, 341, 778. 02
Net income on asset, weighted		M=A/L	0. 60
Weighted average net income on asset after deducting of non-recurring gain/loss		N=C/L	-0. 16

3. Calculation formula of basic earnings per share and diluted earnings per share

(1) Calculation process of basic earning per share

Items	No.	Current term
Net profit attributable to common shareholders of the Company	A	31,955,445.73
Non-recurring gain/loss	B	40,322,134.44
Net profit attributable to common shareholders of the Company after deducting of non-recurring gain/loss	C=A-B	-8,366,688.71
Total of shares at beginning of shares	D	754,010,400.00
Shares increased due to capitalizing of reserves or share dividend	E	
Increasing of shares by issuing of new shares or converting of debt to shares	F	
Total number of months from the next month of when the shares are increased to the end of report term	G	
Decrease of shares caused by repurchasing	H	

Total number of months from the next month of when the shares are decreased to the end of report term	I	
Amount of shares reduced	J	
Number of months in the report term	K	12
Weighted average of common shares issued to the outside	L=D+E+F×G/K-H×I/K-J	754,010,400.00
Basic earnings per share	M=A/L	0.04
Basic earning per share after deducting of non-recurring gain/loss	N=C/L	-0.01

(2) Calculation process of diluted earnings per share is the same as that of the earnings per share

Hangzhou Steam Turbine Co., Ltd.

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