

Stock Code: 200771 Stock ID: Hangqilun B Announcement No. 2018-13

Hangzhou Steam Turbine Co., Ltd.

Annual Report 2017



March 2018

I.Important Remarks, Table of Contents, and Definitions

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

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

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

This Report contains prospective descriptions, which doesn't constitute substantial commitment to investors.

Investors are requested to be aware of the risks attached to their investment decisions.

The profit distribution proposal reviewed and approved by the boarding meeting was summarized as follows:
754,010,400 for the base, the Company would distribute cash dividend to all the shareholders at the rate of CNY 0.5 for every 10 shares (with tax inclusive) , 0 bonus shares(including tax)and no reserve would be converted into share capital.

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Definition

Terms to be defined	Refers to	Definition
Company, the Company	Defined as	Hangzhou Steam Turbine Co., Ltd.
The Group, Hangqi Group	Defined as	Hangzhou Steam Turbine Power Group Co., Ltd.
the report period, the current period, the current year	Defined as	January 1 – December 31 2017
Zhongneng Co.	Refers to	Hangzhou Zhongneng Steam Turbine Power Co., Ltd. – the holding subsidiary of the Company
Casting Co.	Defined as	Hangzhou Steam Turbine Casting Co., Ltd. – the holding subsidiary of the Company
Packaged Tech. Co.	Defined as	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd. – the holding subsidiary of the Company
Machinery Co.	Defined as	Hangzhou Steam Turbine Machinery Equipment Co., Ltd. - the holding subsidiary of the Company
Auxiliary Machine Co.	Defined as	Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. - the holding subsidiary of the Company
Turbine Co.	Refers to	Zhejiang Turbine Import & Export Co., Ltd. – the holding subsidiary of the Company
Heavy Industry Co.	Defined as	Hangzhou Steam Turbine Heavy Industry Co., Ltd. - the holding subsidiary of the Company
The Board of Directors	Defined as	The Board of Directors of Hangzhou Steam Turbine Co., Ltd.
The Supervisory Committee	Defined as	The Supervisory Committee of Hangzhou Steam Turbine Co., Ltd.
The Shareholders' Meeting	Defined as	The Board of Directors of Hangzhou Steam Turbine Co., Ltd.
RMB, RMB0'000, RMB000'000'000	Refers to	RMB Yuan, RMB10 thousand Yuan, RMB100 million Yuan
MW	Defined as	Unit of power: 1000KW
PLM	Defined as	Product life circle management information system
BFPT	Defined as	Boiler Feeding Pump Turbine
MES	Defined as	Manufacturing execution system

Prompt of Risks

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

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

II. Basic Information of the Company and Financial index

I. Basic Information

Stock ID	Hangqilun B	Stock Code	200771
Stock Exchange Listed in	Shenzhen Stock Exchange		
Company Name in Chinese	杭州汽轮机股份有限公司		
Short form of Company Name in Chinese	杭汽轮		
Name in English	HANGZHOU STEAM TURBINE CO.,LTD		
Abbreviation in English	HTC		
Legal representative:	Zheng Bin		
Reg. Add.	No. 357 Shiqiao Rd. Hangzhou		
Post Code	310022		
Office address	No. 357 Shiqiao Rd. Hangzhou		
Post Code:	310022		
Web Address	www.htc.cn		
Email.	wg@htc.net.cn		

II. Contacts

	Secretary of the Board	Representative of Stock Affairs
Name	Wang Gang	Wang Caihua
Address	No. 357 Shiqiao Rd. Hangzhou	No. 357 Shiqiao Rd. Hangzhou
Tel.	0571-85780198	0571-85780438
Fax.	0571-85780433	0571-85780433
Email.	wg@htc.cn	wangch@htc.cn

III. Place for information disclosure

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

IV. Change of Business Registration

Organization code	913300007042026204
Change of main business since listed	The original scope of main businesses of the Company: The design and manufacturing of steam turbine, gas turbine, other rotating and to-and-fro machinery and auxiliary equipment, and spare parts and components, sales of self-manufactured products and the providing of relevant after-sales service and import & export service. In July 2008, the business scope was modified to: Design and manufacturing of steam turbine, gas turbine, other rotating and to-and-fro machinery and auxiliary equipment, and

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

V. Miscellaneous information

CPA hired by the Company

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

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

Not applicable

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

Not applicable

VI.Summary of Accounting data and Financial index

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

No

	2017	2016	Changed over last year (%)	2015
Operating Gross income (RMB)	3,447,142,669.49	3,235,303,379.24	6.55%	2,600,072,151.63
Net profit attributable to the shareholders of the listed company (RMB)	68,753,250.90	31,955,445.73	115.15%	-162,809,311.79
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of	-1,460,504.46	-8,366,688.71	82.54%	-196,163,971.66

listed company (RMB)				
Cash flow generated by business operation, net (RMB)	205,302,791.77	506,159,428.42	-59.44%	355,677,773.05
Basic earning per share(RMB/Share)	0.09	0.04	125.00%	-0.22
Diluted gains per share(RMB/Share)(RMB/Share)	0.09	0.04	125.00%	-0.22
Net asset earning ratio (%)	1.12%	0.60%	0.52%	-3.77%
	End of 2017	End of 2016	Changed over last year (%)	End of 2015
Gross assets (RMB)	10,830,597,182.38	10,550,899,708.34	2.65%	7,683,777,005.63
Net assets attributable to shareholders of the listed company (RMB)	5,884,816,809.55	6,385,346,243.23	-7.84%	4,219,337,312.80

VII.The differences between domestic and international accounting standards

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

Nil

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

Nil

VIII.Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	748,344,237.44	915,380,464.82	925,501,518.37	857,916,448.86
Net profit attributable to the shareholders of the listed company	16,752,601.64	27,243,202.74	19,997,776.79	4,759,669.73
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	-15,980,860.17	19,541,078.56	9,699,270.59	-14,719,993.44
Net Cash flow generated by business operation	-200,738,208.12	190,427,852.54	210,235,136.96	5,378,010.39

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

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

In RMB

Items	Amount (2017)	Amount (2016)	Amount (2015)	Notes
Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is made)	6,608,574.41	326,453.30	-441,916.66	
Tax refund, deduction and exemption that is examined and approved by authority exceeding or has no official approval document.	1,250,418.38			
Governmental Subsidy accounted as current gain/loss, except for those subsidies at with amount or quantity fixed by the national government and closely related to the Company's business operation.	8,945,252.87	16,968,792.22	15,752,977.27	
In addition to normal business with the company effective hedging related business, holders of tradable financial assets, transactions and financial liabilities arising from changes in fair value gains and losses, as well as the disposal of trading of financial assets, trading financial liabilities and available-for-sale financial assets gains return on investment;	62,623,000.27	28,548,677.87	19,624,429.30	
Other non-operating income and expenditure beside for the above items	6,505,882.53	7,345,994.24	12,164,381.63	
Less: Influenced amount of income tax	11,777,992.62	8,701,193.64	8,553,255.35	
Amount of influence of minority interests (After tax)	3,941,380.48	4,166,589.55	5,191,956.32	
Total	70,213,755.36	40,322,134.44	33,354,659.87	--

None of Non-recurring gain /loss items recognized as recurring gain /loss/items as defined by the information disclosure explanatory Announcement No.1- Non –recurring gain/loss in the report period.

III. Outline of Company Business

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

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

No

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

Industrial steam turbines use the steam featuring high temperature and high pressure as their working medium so as to convert the thermal energy into mechanical energy to drive various industrial equipments through the rotating steam turbines. As for different objects driven by industrial steam turbines, the steam turbines could be divided into industrial driving steam turbines and industrial power-generation steam turbines. Mainly driving rotating machines like compressors, air blowers, pumps and squeezers, industrial driving steam turbines, as the core power part in numerous large-scale industrial equipments, are always introduced into some industries like oil refining, chemical engineering, chemical fertilizer, building materials, metallurgy, electric power, light industry and environmental production. The industrial power-generation steam turbines, mainly utilized to drive electric generators and provide thermal energy, are mainly adopted in private stations, regional projects of combined heat and power generation, power generation by recycling waste heat in industrial production, urban waster power plants and gas-steam combined cyclepower stations in various industrial sectors. The gas turbines produced by our company are mainly used by metallurgical industry to recycle the waste heat from the blast furnace exhaust to generate power.

In the gas turbine business, the Company has cooperated with Siemens on the advanced natural gas turbine SGT-800 model-with features of high efficiency, high reliability and low emission, thus to enter the distributed natural gas field. As the general whole-set maker of SGT-800 in China, the company has launched the gas turbine business in respect of the project procurement and the integrated implementation. Hangzhou Steam Turbine has the type selection ability for the distributed energy combined cycle project, has established a complete system of supporting standard and material system, and it can complete the independent processing or matching work for the equipment besides the gas turbine body. In the industrial fields including the cogeneration /combined cycle power plant and the oil & gas project with distributed energy projects that adopt the small and medium gas turbines, the Company not only can provide gas turbine equipment for customers, but also can provide customers with

complete sets of equipment for gas turbine power plant and the efficient integrated solutions. Especially, it can provide customers with operational support services throughout the product life, and this service model is conducive for the establishment of long-term business cooperation relationships between the company and its customers.

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

1. On the basis of market demands. The relevant market demands fluctuate differently due to various business condition and investment cycles in different industrial fields. The company further made more specified positions toward the market for the products, implemented the differentiated marketing strategy, and integrated the business sectors and tapped into the potential. During the reporting period, the domestic oil refining and chemical investment projects started at multiple points and drove the demand for related equipment manufacturing. The company grasped the growth opportunities in the petrochemical sector, and formulated the flexible price strategies for the fields of low-end and mid-end drive, ensured the market share and continuously consolidated and strengthened the existing market advantages. Adhering to the "Go global" strategy, the Company continued to expand the overseas markets, establish overseas offices and increase its market influence.

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

Our company continuously improves product technical performance and tackles hard issues in the scientific researches of product structure, core parts, basic design, manufacturing technology, material technology, etc. In addition, basing on clients' demands, our company launches the study "The Demonstration and Application Project for Packaging Technology of Steam Turbine" to push forward the intelligence of our products and the development of the integration technology. Meantime, the company cooperated with universities, scientific research institutes to build the technological exchange and cooperation platform.

3. Upgrading and transformation of industrial structure transformation.

The company jointed with Siemens to enter the distributed energy market and enhance the development and utilization of natural gas distributed energy. In the industrial fields including the cogeneration /combined cycle power plant and the oil & gas project with distributed energy projects that adopt the small and medium gas turbines, the Company not only can provide gas turbine equipment for customers, but also can provide customers with complete sets of equipment for gas turbine power plant and the efficient integrated solutions.

4. Brand and market position. The company's products have a good reputation and extensive brand influence in the domestic market, The company has maintained a leading market share in the domestic industrial drive. The company's products have a high reputation and brand influence in the domestic market.

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

6. Emphasis on quality engineering and services: promote the key project management, meticulously plan key projects, implement dynamic quality supervision; attach importance to products' after-sales service market, integrate existing resources to increase after-sales service initiative, extend product value chain, and promote the company's transformation from manufacturing to service.

II. Major Changes in Main Assets

1. Major Changes in Main Assets

Main assets	Major changes
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Equity assets	Mainly caused by the volatility in share price of Hangzhou Bank with the Company's investment and participation
Fixed assets	No major changes
Intangible assets	No major changes
Construction in progress	Mainly caused by the new investment at the current period which resulted from the parent company's scientific research building and from the promotion of the progress of steam turbine project

2. Main Conditions of Overseas Assets

Not applicable

III. Analysis On core Competitiveness

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

No

Firstly. A complete technical innovation system was established. The Company has under its possession of national, provincial, and municipal grade technical centers, a doctoral workstation, and an academician workstation. Close co-operations were carried out with institutions and universities from throughout the country. As the main drafter of national standard on industrial steam turbine, the Company has the newest technical trend under its close observation. The Company is now providing nearly 600 different models of steam turbines to the customers and hold the newest technical system covering the product lines up to 150 MW. Cooperating with SIEMENS in the field of gas turbine, our company has been capable of selecting the model of the combined recycling project of distributed energy. In addition, our company has also been able to finish the independent processing or supporting work which doesn't need to depend on the gas turbine machine.

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

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

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

Fifthly, the Company has cultivated a significant advantage in human resources. Great importance has been attached to construction of work teams with collection of high-end workforce in the areas of research & development, At the same time, our company values the cooperation with universities. "Zhejiang Technical Association for Gas Turbines in Equipment Manufacturing Industry" was officially founded jointly by our company and Zhejiang University and other scientific research institutions to build a new platform for integration

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

IV. Management's Discussion and Analysis

I. General

In 2017, the world economy showed a clear momentum of recovery. China's supply-side structural reforms continued to deepen, the "Three cuts, one reduction, one subsidy" work was steadily promoted, and the policy dividends continued to be released, hence the effectiveness of policies gradually became apparent and the Chinese economy maintained a steady and positive trend.

The company actively seized the development opportunities of the gradual recovery of end demand, and promoted the implementation of the company's "13th Five-Year Plan" strategy in accordance with the annual work principle of "steadily advancing, continuous innovation, deeply plowing the market, lean management and enhancing risk control": increased technological innovation and enhanced the company's core competitiveness; actively explored new markets and actively grabbed market orders; promoted the "lean production" and "integrated management"; strengthened the prevention and control of major risks in key business areas, and enhanced the business efficiency of enterprises, thus successfully realized the company's annual business goal. Under the background of the decline in the operating income of the overall domestic steam turbine industry, the company's operating income realized the counter-trend growth, with the rank of total profit returned to the forefront.

For the report period, the Company has realized turnover of RMB 3447.1427 million, a increase of 6.55%; Total profit of RMB132.6561 million, a increase of 71.35%, net profit attributable to owners of the parent company of RMB68.7533 million, a increase of 115.15%%.

Operating quality was well enhanced. During the reporting period, the company's total profit, net profit attributable to the shareholders of the listed company, the amount of new orders, the amount of export contract orders and so forth all showed significant growth. The indicators including the company's main business income, product output value and product market share increased slightly, and the accounts receivable and finished goods inventory had been controlled well, showing that the company's sustainable development quality has been further strengthened. In order to realize the transformation and upgrading of the company, during the reporting period, the company continued to promote the construction of two projects of steam turbine heavy industry and scientific research building, creating a good environment for the company's development.

Shengeng market obtained good results. During the reporting period, the company's major target market was significantly differentiated. Facing the complicate situation with the strong rebound in investment in refining and chemical industry, the rapid growth of thermoelectricity industry and some chemical industries and a slow decline in the power industry, the company has seized the opportunities and has realized the contract of 281sets /3.865 billion yuan (including tax, similarly hereinafter) in the whole year, reached the second highest level in the company's historical contract amount. Thereinto, the total contract amount of steam turbine was RMB 3.281 billion, which exceeded the RMB 3.269 billion in 2011 and hit the historical high. In particular, the company competed against the international industry giants at the same price level for the same project, and successfully obtained two mega-projects-namely Dalian Hengli project and Zhejiang Petrochemical project-with a total of 94 sets and the amount of RMB1.13 billion, and the company obtained a number of orders of excellent projects including Yantai Wanhua 1 million tons ethylene project, Zhongke Zhanjiang 10 million tons oil refining and 0.8 million tons ethylene project and Changshu Pufa garbage power plant (15MW+30MW), as well as the Company

concluded and signed contract for four sets of SGT-800 gas turbine unit, which fully demonstrated the excellent technological ability and good reputation of the company in the high-end market of the industry.

During the reporting period, the company's "going out" strategy took new steps. The 120,000 air-to-air combined cycle unit of the Iranian Cavi Group smoothly connected to the grid, enabling the company to once again qualify as a major Iranian supplier to customers; the establishment of an office in Thailand expanded the company's influence in the power generation market in Southeast Asia, and played an active market fulcrum. Features. Strengthen communication with overseas customers in overseas power generation market, closely contact with domestic general contractors, and expand the company's overseas influence by "borrowing to sea"

The awareness of risk control has increased significantly. During the reporting period, the company further perfected the "Detailed Rules for Internal Control of Steam Turbine Business Contracts in Foreign Trade" and "Detailed Rules for Internal Control of Steam Turbine Business Contracts in the Industry-Drive Industry", and the working mechanism of accounts receivable regular meetings and risk control regular meetings was effectively operated, which focused on contract review and legal proceedings, key project contract execution, inventory unit disposal, large parts delivery specifications, compressor project disposal, long aging accounts receivable processing and other issues, carried out the risk point identification and preplan assessment, and paid attention to the completeness of contract performance, thus evidently improved the company's management ability to deal with business risks.

Continuous breakthroughs in technological innovation. During the reporting period, the company continued to increase its efforts in scientific research and achieved important breakthroughs in the development of the efficient blade type and high-efficiency models. The new straight blade T8/T9 type has fully entered the stage of promotion for popularized use, and the newly-developed high-efficiency GK2.1 and GK1.3 twisted-blade blades have once again successfully improved the overall performance of the steam turbine, as well as there were a number of new product development projects such as "Development of NK63 /2.2 Low-Pressure Residual-Heat Efficient Condensing Steam Turbine and "Development of NK80/2.8 Low-Pressure Residual-Heat Efficient Condensing Steam Turbine", thus further ensured the Company's technological superiority in the market competition. Relying on large projects, the achievement of integrated assemble technology has been further applied. PLM (Product Life Cycle Management) Phase II, MES (Production Execution System) Phase I Project, and Smart Manufacturing Demonstration Project achieved substantive results. The company and its 5 holding subsidiaries have passed the review for the qualification of national high-tech enterprise. The company's major technology research project "Key Technology Development and Application of 1000MW Grade Power Station Boiler Feed Pump Turbine" won the Second Prize of Science and Technology of China Machinery Industry Federation and the first prize of Zhejiang Science and Technology Progress Award, and the "Key Technology Research and Application of Low Pressure Long Blade for Industrial Steam Turbine " won the first prize of Science and Technology of China Machinery Industry Federation. The company took the lead in setting up the Zhejiang Steam Turbine & Gas Turbine Machinery Innovation Center. In 2017, the company obtained 12 invention patents, 17 utility model patents and 5 software copyrights; in 2017, it applied for 3 invention patents and 9 utility models.

Steady improvement in manufacturing capabilities. During the reporting period, in the face of new blowout pressures of new orders in a stage, the company adhered to the concept of market-oriented and customer supremacy, adopted the lean production and sales routes, coordinated the internal and external resource allocation, expanded manufacturing capabilities, and spared no efforts to cope with the short product delivery cycle and the large fluctuations in production capacity demand. The company optimized the production planning management, rationally allocated the scheduling of unit production, set up safety stocks for key parts, ensured that the key outsourcing kits and imported parts were put in place in a timely manner, so that there was smooth connection of production and sales and the company maximumly met the customers' requirements of delivery dates, product

quality, and service response.

Substantive achievements in management enhancement. During the reporting period, the company, through optimizing the organization of production line, almost fully established the production mode of steam turbine heavy industry after relocation and reconstructing. The company launched the implementation of an integrated management system project to create a process-oriented organization and initiated a lean production project to create great profitable tools in the meager profit-making era, resulting in a number of outstanding management innovations and: “Big data platform project for construction process of discrete manufacturing industry” won the second prize of National Advanced Productivity Outstanding Contribution, and that project and the “Carrying out craftsman training project to shape the great quality of heavy equipment in the country” respectively won the first and second prizes of the modernization and innovation of enterprise management in Zhejiang and Hangzhou, and the three projects namely “The first set of exquisite projects” and “Risk control system construction” and “Construction of management platform for flexible installation for steam turbines” respectively won the second and third prizes of the modernization and innovation of Hangzhou Enterprise Management. According to the requirements of the higher authorities, the company sorts out the "small and weak" holding subsidiaries, reduces the company's management level, writes off some subsidiaries, and improves asset quality.

II. Main business analysis

1. General

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

2. Revenue and cost

(1)Component of Business Income

In RMB

	2017		2016		2015
	Amount	Proportion	Amount	Proportion	
Total operating revenue	3,447,142,669.49	100%	3,235,303,379.24	100%	6.55%
Industry					
Boiler and power machine manufacture	3,030,946,418.89	87.93%	3,028,204,569.52	93.60%	0.09%
Nonferrous metal alloy manufacture	91,384,682.32	2.65%	53,823,584.94	1.66%	69.79%
Other	324,811,568.28	9.42%	153,275,224.78	4.74%	111.91%
On Products					
Industrial steam turbine	2,692,843,753.69	78.12%	2,760,361,876.91	85.32%	-2.45%
Casting products	91,384,682.32	2.65%	53,823,584.94	1.66%	69.79%
Auxiliary machinery	118,292,027.16	3.43%	39,019,819.50	1.21%	203.16%
Part	219,810,638.04	6.38%	228,822,873.11	7.07%	-3.94%
Other	324,811,568.28	9.42%	153,275,224.78	4.74%	111.91%

District					
Domestic	3,240,202,391.60	94.00%	2,862,034,367.48	88.46%	13.21%
Overseas	206,940,277.89	6.00%	373,269,011.76	11.54%	-44.56%

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

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

No

In RMB						
	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of the previous year(%)	Increase/decrease of business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
On Industries						
Boiler and power machine manufacture	3,030,946,418.89	2,195,702,974.74	27.56%	-2.56%	5.18%	-3.50%
On Products						
Industrial steam turbine	2,692,843,753.69	1,989,579,236.24	26.12%	-2.45%	2.69%	-3.70%
District						

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

Not applicable

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

Business categories	Items	Unit	2017	2016	Change over same period last year
Steam turbine	Sales	Set/package	388	391	-0.77%
	Output	Set/package	361	425	-15.06%
	Inventory	Set/package	171	198	-13.64%
Gas turbine, compressor	Sales	Set/package	3	0	
	Output	Set/package	4	2	100.00%
	Inventory	Set/package	9	8	12.50%

Statement on change of amounts for over 30% YoY.

Not Applicable

(4) Major orders in hand.

Not Applicable

(5) Component of business cost

Product category

In RMB

Category	Items	2017		2016		Increase/Decrease (%)
		Amount	Proportion in the operating costs (%)	Amount	Proportion in the operating costs (%)	
Industrial steam turbine		1,989,579,236.24	81.19%	1,937,421,703.51	87.88%	2.69%
Casting		68,739,724.43	2.81%	40,832,489.79	1.85%	68.35%
Auxiliary machinery		91,269,179.11	3.72%	30,795,266.61	1.40%	196.37%
Part		114,854,559.39	4.69%	119,437,803.71	5.42%	-3.84%
Other		186,144,626.62	7.59%	76,091,517.45	3.45%	144.63%
Subtotal		2,450,587,325.79	100.00%	2,204,578,781.07	100.00%	11.16%

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

The number of subsidiaries included in the scope of the consolidated financial statements for the reporting year was reduced by five.

In which ,1. Due to the cancellation of Zhejiang Runhong Gas Turbine Engineering Co., Ltd, its holding equity of its subsidiary Zhejiang Zhongrun Gas Turbine Technology Co., Ltd (10 million yuan) was transferred to Zhejiang Touping Import & Export Trade Co., Ltd (a wholly-owned subsidiary to the company) and Ningbo Daxie Development Zone Huashun Industry & Trade Co., Ltd. After the equity disposal was completed, Zhejiang Turbine Import & Export Co., Ltd. held 32.22% stake of Zhejiang Zhongrun Gas Turbine Technology Co., Ltd, so the company lost the control right of Zhejiang Zhongrun Gas Turbine Technology Co., Ltd, and thus it was no longer included in the consolidation scope.

2.The other four subsidiaries were not included because of the liquidation and cancellation

In RMB

Name	Way of Equity Disposition	Time Point of Equity Disposition	Net Assets on the Date of Disposition	Net Profits from the Beginning of the Period to the Date of Disposition
Xinjiang Taifeng Hangzhou Steam Turbine Complete Technology Development Co., Ltd.	Chearing	April 25,2017	17,061,690.18	181,238.78
Hangzhou steam turbine Boiler Co.,Ltd.	Chearing	April 27,2017	19,665,256.43	1,130,995.08
Hangzhou Pangtong Electromechanical Equipment Co., Ltd.	Chearing	December 21,2017	1,086,391.89	-115,873.20
Zhejiang Runhong Gas Turbine Engineering Co., Ltd.	Chearing	December 22,2017	34,953,788.30	2,813,561.91

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

Not applicable

(8) Situation of Main Customers and Main Supplier
Information of Main customers

Total sales amount to top 5 customers (RMB)	710,056,597.98
Proportion of sales to top 5 customers in the annual sales(%)	20.60%
Proportion of the sales volume to the top five customers in the total sales to the related parties in the year	2.24%

Information of the Company's top 5 customers

No	Name	Amount (RMB)	Proportion
1	Customer 1	272,232,507.66	7.90%
2	Customer 2	241,504,273.56	7.01%
3	Customer 3	77,325,688.70	2.24%
4	Customer 4	62,222,222.10	1.81%
5	Customer 5	56,771,905.96	1.65%
Total	--	710,056,597.98	20.60%

Notes

Not applicable

Principal suppliers

Total purchase of top 5 Suppliers (RMB)	615,931,510.28
Percentage of total purchase of top 5 suppliers In total annual purchase(%)	22.00%
Proportion of purchase amount from the top 5 suppliers in the total purchase amount from the related parties in the year	6.70%

Information about the top 5 suppliers

No	Name	Amount (RMB)	Proportion
1	Supplier 1	276,866,634.17	9.89%
2	Supplier 2	137,886,068.57	4.92%
3	Supplier 3	87,273,378.38	3.12%
4	Supplier 4	64,306,092.35	2.30%
5	Supplier 5	49,599,336.81	1.77%
Total	--	615,931,510.28	22.00%

Notes

Not applicable

3. Expenses

In RMB

	2017	2016	Increase/Decrease(%)	Notes
Sale expenses	169,520,147.67	164,610,410.65	2.98%	
Administration expenses	644,178,931.78	623,684,537.46	3.29%	
Financial expenses	24,287,127.82	-14,837,853.07	263.68%	Mainly due to exchange rate fluctuations in the current period

4. Research and Development

In 2017, the company continued to increase the efforts in R&D, developed a series of new products and made major achievements in new technologies. The new straight blade T8/T9 type has fully entered the stage of promotion for popularized use, and the newly-developed high-efficiency GK2.1 and GK1.3 twisted-blade blades have once again successfully improved the overall performance of the steam turbine, as well as there were a number of new product development projects such as “Development of NK63 /2.2 Low-Pressure Residual-Heat Efficient Condensing Steam Turbine and “Development of NK80/2.8 Low-Pressure Residual-Heat Efficient Condensing Steam Turbine”, thus further ensured the Company's technological superiority in the market competition. Relying on large projects, the achievement of integrated assemble technology has been further applied. PLM (Product Life Cycle Management) Phase II, MES (Production Execution System) Phase I Project, and Smart Manufacturing Demonstration Project achieved substantive results. The development and application and the promotion for wide use of the above new products and new technologies will further consolidate the company's leading position and competitive advantages in the industry.

R & D investment situation

	2017	2016	Increase/Decrease(%)
Number of Research and Development persons (persons)	887	899	-1.33%
Proportion of Research and Development persons	24.43%	23.97%	0.46%
Amount of Research and Development Investment (In RMB)	211,027,767.11	197,406,076.77	6.90%
Proportion of Research and Development Investment of Operation Revenue	6.12%	6.10%	0.02%
Amount of Research and Development Investment Capitalization (In RMB)	0.00	0.00	
Proportion of Capitalization Research and Development Investment of Research and Development Investment	0.00%	0.00%	

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

Not applicable

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

Not applicable

5.Cash Flow

In RMB

Items	2017	2016	Increase/Decrease(%)
Subtotal of cash inflow received from operation activities	3,645,358,287.67	3,163,744,261.15	15.22%
Subtotal of cash outflow received from operation activities	3,440,055,495.90	2,657,584,832.73	29.44%
Net cash flow arising from operating activities	205,302,791.77	506,159,428.42	-59.44%
Subtotal of cash inflow received from investing activities	4,340,596,720.83	1,802,162,475.79	140.85%
Subtotal of cash outflow for investment activities	4,183,532,647.57	2,316,529,187.90	80.59%
Net cash flow arising from investment activities	157,064,073.26	-514,366,712.11	130.54%
Subtotal cash inflow received from financing activities	232,500,000.00	410,000,000.00	-43.29%
Subtotal cash outflow for financing activities	281,399,925.68	268,017,075.65	4.99%
Net cash flow arising from financing activities	-48,899,925.68	141,982,924.35	-134.44%
Net increase in cash and cash equivalents	306,255,849.98	142,012,322.32	115.65%

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

Items	2017	2016	Proportion %	Reason
Net cash flow arising from operating activities	205,302,791.77	506,159,428.42	-59.44%	Mainly caused by the year-on-year increase in the amount of cash payment for goods purchase at the current period
Net cash flow arising from investment activities	157,064,073.26	-514,366,712.11	130.54%	Mainly caused by the decrease in the net expenditure of financial products at the current period, as well as the relocation compensation received
Net cash flow arising from financing activities	-48,899,925.68	141,982,924.35	-134.44%	Mainly caused by RMB208 million of sum invested by the China Development Bank for the subsidiary's steam turbine last year.

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

Not applicable

III. Analysis of Non-core Business

In RMB

	Amount	Proportion in total profit	Explanation of cause	Sustainable (yes or no)
Investment income	120,565,851.26	90.89%	Mainly for the dividend of this year of Hangzhou Bank, the disposal for Hangzhou Changti Equidi Investment Partnership (Limited Partnership) and the investment income of financing products	
Changes in fair value gains and losses	-566,887,547.71	-427.34%	Mainly caused by the volatility in share price of Hangzhou Bank with the Company's investment and participation	
Impairment of assets	134,633,599.80	101.49%	It is mainly due to the provision for bad debts of accounts receivable with relatively long aging. In addition, it is mainly for the falling price reserves of corresponding withdrawal which is resulted from that the inventory cost occurred is higher than net realizable value due to the termination of partial projects	
Non-operating income	8,075,659.19	6.09%	Mainly for the income from the contract compensation	
Non-operating expenses	1,635,679.94	1.23%	Mainly for the expenditure of the contract compensation	

IV. Condition of Asset and Liabilities

1. Condition of Asset Causing Significant Change

In RMB

	End of 2017		End of 2016		Proportion increase/decrease	Notes to the significant change
	Amount	Proportion in the total assets(%)	Amount	Proportion in the total assets(%)		
Monetary fund	1,222,677,495.94	11.29%	895,037,559.34	8.48%	2.81%	
Accounts receivable	1,695,217,448.46	15.65%	1,870,173,348.32	17.73%	-2.08%	
Inventories	2,092,575,691.92	19.32%	1,901,544,358.26	18.02%	1.30%	
Long-term equity investment	5,800,000.00	0.05%			0.05%	

Fixed assets	566,710,937.10	5.23%	615,922,109.91	5.84%	-0.61%	
Construction in process	255,921,660.09	2.36%	153,743,889.41	1.46%	0.90%	
Short-term loans	115,500,000.00	1.07%	173,000,000.00	1.64%	-0.57%	
Long-term loans	100,000,000.00	0.92%	4,900,000.00	0.05%	0.87%	

2.Asset and Liabilities Measured by Fair Value

In RMB

Items	Opening balance	Profit/loss on fair value changes in this reporting period	Cumulative fairvalue changes charged to equity	Impairment provided in this Reporting period	Purchased in this reporting period	Sold in this reporting period	Closing balance
Financial assets							
3.Available-for-sale financial assets	2,906,013,048.00	-666,926,526.72					2,239,086,521.28
Total of the above	2,906,013,048.00	-666,926,526.72					2,239,086,521.28
Financial Liabilities	2,906,013,048.00	-666,926,526.72					2,239,086,521.28

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

No

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

Items	End of Book value	Reason
Monetary fund	85,184,661.11	Utilized for issuing bank acceptance bill, L/C and L/G.
Bill receivable	40,000,000.00	Utilized for issuing bank acceptance bill
Dividend receivable	6,900,000.00	Utilized for guaranteeing to obtain bank loan
Available for sale financial assets	371,266,000.00	Utilized for guaranteeing the investment loan for China Development Funds
Fixed assets	112,955,316.32	Utilized for guaranteeing to obtain bank loan
Invisible assets	87,909,828.11	Utilized for pledging to obtain the bank loan and guaranteeing the investment loan for China Development Funds
Total	704,215,805.54	

V.Investment situation

1. General

Investment Amount in 2017(RMB)	Investment Amount in 2016(RMB)	Change rate
102,400,000.00	39,442,786.76	159.62%

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

Not applicable

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

Not applicable

4.Investment of Financial Asset

(1) Securities investment

Nil.

(2) Investment in Derivatives

Nil.

5.Application of the raised capital

Nil

VI. Significant Asset and Right Offering

1. Situation of Significant Asset Sale

Counterparty	Equity interest disposed of	Disposal date	Transaction consideration(RMB'0000)	Net profit contribution to the Company from the beginning of the period up to the disposal date(RMB'0000)	Effect of disposal on the Company (Notes3)	Ratio of the net profit contribution to the Company of disposal of equity interest over total net profit(%)	Pricing basis of disposal of equity interest	Related party transaction or not	Relationship with counterparty	Relevant equity interest fully transferred or not	Relevant debt fully transferred or not	Carried out on schedule or not if not, the reasons and measures taken by the company	Disclosure date	Disclosure index
Zhejiang Juqing Investment Co., Ltd.	Hangzhou Changdi Equity Investment Partnership (LP)	January 3, 2017	7,368	2,512.16	It optimized the company's asset structure, so as to meet the company's operating capital needs. Not having an adverse impact	42.06%	Not less than the evaluation value confirmed by the state-owned assets	Yes	Not applicable	Yes	Yes	Yes	January 12, 2017	Securities Times, Shanghai Securities Daily, and http://www.cninfo.com.cn (Announcement)

					on the company's production and operation and after the sale, it would achieve the investment income and have a positive impact on the company's financial situation and operating results.		supervision department's file-record									nt No.:2017-01)
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2.Sales of major equity

Not applicable

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

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

In RMB

Name	Company type	Sectors engaged in	Registered capital	Total assets	Net assets	Turnover	Operating profit	Net Profit
Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Subsidiaries	Trade of packadged	51,000,000.00	243,667,362.78	83,092,449.10	241,699,214.69	11,901,757.68	10,676,500.39
Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Subsidiaries	Manufacturing	92,500,000.00	1,112,564,074.22	339,924,011.43	833,201,191.68	25,031,034.68	25,173,217.92
Hangzhou Steam Turbine Casting Co., Ltd.	Subsidiaries	Casting	22,000,000.00	489,452,244.02	173,136,786.15	357,558,102.11	32,043,541.11	27,727,923.66
Hangzhou Steam Turbine Machinery & Equipment Co., Ltd.	Subsidiaries	Manufacturing	30,000,000.00	226,945,835.71	148,459,289.75	220,887,783.34	56,520,499.10	46,032,691.93
Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Subsidiaries	Manufacturing	80,000,000.00	663,561,134.43	235,212,755.23	394,136,946.17	43,466,840.02	36,761,943.86
Zhejiang Turbine Import & Export Co., Ltd.	Subsidiaries	Commerce & trade	20,000,000.00	201,206,819.10	45,595,009.59	96,577,693.72	-7,303,705.73	-5,928,245.25
Hangzhou Steam Turbine Heavy Industry Co., Ltd.	Subsidiaries	Manufacturing	558,966,865.00	593,199,894.85	583,870,247.69	0.00	2,621,277.68	1,944,162.19

Subsidiaries obtained or disposed in the reporting period

Name	Acquisition and disposal of subsidiaries during the reporting period	Influence
Xinjiang Taifeng Hangzhou Steam turbine complete technology development Co., Ltd.	Write off	Nil
Hangzhou Hangqi Boiler Co., Ltd	Write off	Nil
Hangzhou Pangtong Electromechanical Equipment Co., Ltd.	Write off	Nil
Zhejiang Runhong Gas turbine Engineering Co., Ltd.	Write off	Nil

VIII.Special purpose vehicle controlled by the Company

Not applicable

IX. Development prospect

(I) Development and competition of the whole industry

The company, which is a leading domestic industrial turbomachinery equipment and service provider, mainly designs, manufactures and sells rotary industrial turbines such as industrial steam turbines and gas turbines. From the perspective of the development of the machinery industry in recent years in our country, the entire industry still has the problem of insufficient and imbalance development and is still in the tough period of transition and upgrading. According to the exchange data of the Steam Turbine Industry Association, in 2017 China's steam turbine industry achieved a total industrial output value of 31.54 billion yuan, an decrease of 8.6% year-on-year, and achieved the operating income of 33.63 billion yuan, a year-on-year decrease of 2.2%, and achieved the total profit of 330 million yuan, an increase of 114.3% year-on-year, indicating that the industry is in the trend of recovery.

For 2018, as the country will continue to deepen the reform of de-capacity, deleveraging and destocking, industrial consolidation will further be intensified. The industries related to the application of the company's products are mainly distributed in the fields of energy, chemical engineering and power generation. In the segments market, the petrochemical sector is thriving, and the recovery of coal chemical industry, oil refining, metallurgy, nitric acid, and PTA shows an obvious trend. However, with the development of the new energy industry revolution and the continuous advancement of the national energy strategy for clean production and energy conservation and emission reduction policies, the stopped construction and the suspended or postponed construction of the country's large-scale thermal power projects and the investment in the traditional power generation market will continue to be sluggish. Constrained by unfavorable factors such as the continuous rise in the international crude oil prices, adjustments in production capacity in the domestic energy industry and overcapacity in the overall industry, it remains to be seen whether the positive situation driving the segment market will continue.

Currently, the company faces competition not only from domestic manufacturers such as Dongfang Turbine Co., Ltd, Shanghai Steam Turbine Works, Harbin Steam Turbine Works and Nanjing Turbine & Motor Co., Ltd, but also from international giants such as Siemens, GE, MITSUBISHI (Mitsubishi), MAN (Man Turbo), etc.

With the continued advancement of strategic orientations such as the "Energy Development Strategic Action Plan (2014-2020)" and "Made in China 2025", the new market demand will continue to emerge. Only by speeding up the transformation and upgrading, increasing efforts in technological innovation, accelerating the market development and expanding the cooperation in the field of distributed energy of gas turbines, promoting the industrialization of intelligent manufacturing and manufacturing services and making high-quality products and building up brand advantages, the company can become a world-class provider for turbo machinery and services.

(II) Development strategy

The core of the company's "13th Five-Year Plan" development strategy is to speed up the transformation of the company and, in overall, to achieve the technological model innovation and business model innovation.

In the technological model innovation, the company will further increase the strength of innovation-driven, combine independent innovation and technology introduction and advance in multiple lines in industrial turbines, gas turbines, distributed energy, and nuclear power fields, and the company will actively capture the market demand and strive to realize the major technology and market breakthroughs in the fields of gas turbines and nuclear power.

In terms of business model innovation, the company will realize the extension from the enterprise value management process to the customer value creation process and realize the transition from production-oriented manufacturing to service-oriented manufacturing, and upgrade the company to become a whole-set equipment

manufacturer and a system operator from the single product manufacturer, thus to finally shape the ability of providing and implementing the comprehensive overall solutions.

On the basis of consolidating the position in the industrial steam turbine market, the Company will accelerate the gas turbine business, strengthen the nuclear power business, expand the service and engineering business, and form four major business sectors. At the same time, the company will rely on the five major supporting projects namely the quality project, the resource integration, process reengineering, management improvement and informatization project to shape the company's new core competitiveness.

(III) Business plan

The year of 2018 is a key year for the company to implement the “13th Five-Year Plan” strategy. The company will be guided by its strategic development plan and adhere to the principle of “Continuous Innovation, collaborative advancement, cultural guidance, and preeminent management”, stick to the technological innovation and independent research and development, strive to develop the market and actively fight for orders, well plan and coordinate to ensure the smooth relocation and production, fully promote and implement the company's various management measures, thus to steadily improve each business indicator in 2018 and achieve the growth both in the company's operating income and profits.

1. Innovation-driven transformation and upgrading

The company will adhere to the continuous technological innovation and independent research and development, constantly improve the production process and improve the typical models of high-efficiency condensing power generation series and twisted blades, spare no efforts to do a good work in the design, manufacturing and the follow-up technical services for the units of the key projects including Dalian Hengli, Zhejiang Petrochemical, and Zhongkong Solar Energy project, actively promote the finalized development of gas-turbine combined cycle turbine type and strive to enhance the competitiveness of gas-turbine combined cycle projects.

Seize the opportunity of the “Phoenix Action Plan” of the Zhejiang Provincial Government, actively participate in industry consolidation and reorganization, and take the market as the orientation to promote the development of holding subsidiaries. Strengthen its ability to independently undertake the market business, consolidate and develop its core business competitiveness, improve internal incentive mechanisms and enhance the company's innovation dynamics to become a giant one in the industry.

2. Implement the relocation and ensure the production

In 2018, the company will start the relocation and construction work, fully promote the construction of steam turbine heavy engineering projects, ensure the construction progress and construction quality, and achieve the completion acceptance of the research building construction projects.

In order to reduce the adverse impact of the relocation of the company on production, the company will expand the scale of outsourcing production, rationally balance production and sales, and maximumly satisfy customers' requirements on delivery time.

Plus, the company will strengthen the company's supply chain management, improve the supplier system, deepen the centralized procurement management, explore and establish a strategic procurement negotiation mechanism, increase the scope of product procurement bidding and reduce the company's production and procurement costs.

3. Enhance marketing and build up brand

By upgrading the marketing strategic thinking and carrying out more specified market analysis, the company will strengthen the study and judgement for the competitors and end users, and implement the differentiated precision marketing strategies. In addition, the company will speed up the integration of domestic and foreign trade teams to actively adapt to the requirements of joint sales for power generation drive.

Furthermore, the company will continuously consolidate the domestic market position, strive to achieve

breakthroughs in the new energy market, closely follow the national strategic layout, strengthen the attention of countries along the “Belt and Road”, promote cooperation with foreign OEMs, and use the company’s brand advantages and product performance advantages to expand the company’s influence in the international market.

By strengthening the breadth and depth of cooperation with Siemens in the field of gas turbines distributed energy, the company will strive for more orders for distributed energy. And the company will actively follow up the GCL gas turbine project and win more gas turbine contracts, as well as the company will continue to tap into the market opportunities in the western region, the Yangtze River Delta region and the southeastern coastal area.

4. Refine the culture and cohere people’s hearts

Adhering to the “people-oriented” concept, the company will promote the full development of employees. Also, the company will constantly enrich the connotation of corporate culture, use corporate culture to cohere people's hearts, and build a harmonious relationship between the company and its employees.

Taking the 60th anniversary of the founding of the company and the 20th anniversary of being publicly listed as the opportunity, the company will vigorously promote the “artful, exquisite and fine” craftsman spirit of Hangzhou Steam Turbine’s characteristic culture in the new era with being “respecting the market, respecting customers, respecting rules, and be the enterprise and employees respected by the society”.

5. Deeply enhance the management and enhance the risk prevention and control

The company will continue to promote innovation in management processes, improve the company’s management efficiency, and build a complete, scientific, standardized, and effective management system. Also, it will promote management integration projects, optimize organizational systems and business processes, and improve the company’s operating efficiency.

Furthermore, the company will comprehensively enhance the risk prevention and control management, strengthen front-end review of sales and procurement contracts, explore accounts receivable risk management mechanism, pay close attention to the progress of contract projects, take timely measures to reduce and activate inventory, and effectively reduce business risks.

(IV) Risks analysis

1. Market Risks

As the investment demand in domestic heavy chemical industry declines and the demand for the steam turbine in the market of drive field is insipid, the market competition will be further intensified and the company’s product sales will be further impacted. Relying on technological innovation, the company will actively highlight the core technology advantages, expand the marketing channels, improve the product quality, enhance the end service capabilities, continuously increase the added-value of products and vigorously tap into the potential demands to positively respond to the market and defuse the market risks.

2. Contract execution risk

As the market volatility becomes more intensified, there are more frequent changes in the contract during the execution of the contract for the company, and delays and suspensions of the project schedule happen from time to time, which will have a large impact on the internal realization process of production of the company, and meanwhile it also increases the cost of the company’s contract performance and the contract risk. The company will further strengthen the connection between production and sales, improve the speed and level of the company's response to the market, and well control the contract execution risk.

3. Accounts receivable risk

With the increasing risk in the business downturns and investment projects in some customers of the downstream industry, the company's receivables recovery has more risk, and the average age of accounts tends to increase, which will have a large impact on the company's operating results. The company will implement the customer credit management, strengthen the contract signing and perform the risk control, increase the

assessment of accounts receivable, and reduce the adverse impact of overdue receivables.

4. Exchange rate risk

The expansion of the company's international procurement and international sales business will cause the company's international balance of payments to be affected by exchange rate fluctuations, and there is a certain risk of exchange loss. With the increase in the two-way volatility of the RMB exchange rate, the uncertainty of foreign exchange gains and losses has been increased. The company will refer to the exchange rate volatility cycle and adopt appropriate exchange rate risk management tools to minimize exchange loss.

5. The company's profitability decline risk

As the market structure has undergone adjustments and changes, the company's product structure has undergone major changes in 2017, and the proportion of products with low gross profit margins has increased significantly, which will have an adverse effect on the overall gross profit margin of the company's products. At the same time, due to the fierce market competition, the product prices continued to decline, and the company's sales profit rate also showed a downward trend. However, the Company will strive to improve the internal management, reduce the operating costs and increase the operational efficiency to resolve the risk of declining profitability.

6. Overseas market risk

During the "Thirteenth Five-Year Plan" period, the company will vigorously implement the "go global" strategy, further expand overseas target markets, and increase the company's share and influence in the international market. However, at present, the overseas target market is affected by geopolitical conflicts, unpredictable changes of internal political and economic situation and trade barrier policies in the region, thus there is great uncertainty in the implementation of overseas market strategies. The company will increase market research efforts, actively demonstrate countermeasures, and explore the development path of business localization.

7. Operating environment change risk

In 2018, the company will fully initiate the relocation project, and the company will implement the overall planning and coordination for the production tasks of 2018, with the holding subsidiaries and strategic cooperation companies or units making good cooperation in the relocation and construction work, thus to minimize the impact of the early relocation on production. Although the company will formulate the plans of relocation safety, security and emergency countermeasures to avoid various issues arising from the equipment disassembly, cargo transportation and storage, turnover and so on, the possibility of various types of personnel injuries, loss of goods and instability incidents will still exist in the relocation process. Therefore, the company will ensure the smooth and orderly implementation of all aspects of comprehensive security, safety production and logistical support in the relocation and reconstruction process.

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

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

Reception time	Way of reception	Types of visitors	Basic index
June 20, 2017	Onsite investigation	Organization	Details are the relevant information disclosure (http://www.cninfo.com.cn/)
June 27, 2017	Onsite investigation	Organization	Details are the relevant information disclosure (http://www.cninfo.com.cn/)

August 31,2017	Onsite investigation	Individual	Details are the relevant information disclosure (http://www.cninfo.com.cn/)
Reception times			3
Reception agency amount			2
Reception personal number			1
Others			0
Whether to disclose, reveal or disclose non-public material information			No

V. Important Events

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

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

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

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

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

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

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

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

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

Special cash dividend policy description	
Whether meets the requirements of the provisions of the articles of association or shareholders' meeting resolutions:	Yes
Whether dividends standard and proportion are clear	Yes
Whether decision making and supervision mechanism for profit distribution are completed	Yes

Whether independent directors perform their duties responsibly and play its due role:	Yes
Whether the Minority shareholders have adequate opportunity to express their views and aspirations and Their legitimate rights and interests have been fully protected	Yes
Whether the Cash dividend policy to adjust or change the conditions and procedures are compliant and transparent	Yes

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

The dividend plan for year 2017 was basing on the total capital share of 754,010,400, RMB 0.5 and 0 bonus share will be distributed to each 10 shares. No capitalization of common reserves will be carried out. Totally RMB37,700,520.00 will be distributed.

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

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

Dividend distribution of the latest three years

In RMB

Year	Cash dividend (Including Tax)	Net profit attributable to the over of the parent company in the consolidated financial statements	Ratio in net profit attributable to the parent company in the consolidated financial statements	Amount of cash dividends from cash offer to repurchase shares of the funds	Proportion of cash dividends from cash offer to repurchase shares of the funds
2017	37,700,520.00	68,753,250.90	54.83%	0.00	0.00%
2016	0.00	31,955,445.73	0.00%	0.00	0.00%
2015	0.00	-162,809,311.79	0.00%	0.00	0.00%

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

Not applicable

II. Profit distribution for the report period.

Bonus shares for every ten shares(Shares)	NoN
Cash dividend for every ten shares (Yuan)(Tax-included)	0.5
Distribute additional (shares)for 10 shares	0
A total number of shares as the distribution basis(shares)	754,010,400
Total cash dividend (Yuan)(Tax-included)	37,700,520.00
Profit dividend (Yuan)	2,298,641,960.41

Proportion of cash dividend in the distributable profit (%)	100%
Cash dividend distribution policy	
Where the distribution of profits is carried out in the company's development stage that belongs to a mature stage and there is significant capital expenditure arrangement, the proportion of cash dividends in this profit distribution shall be at least 40%.	
Details of profit distribution or reserve capitalization plan	
Not applicable	

III. Commitments to fulfill the situation

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

Nil

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

Not applicable

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

Nil

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

Not applicable

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

1. Since May 28, 2017, the company has implemented the "No. 42 Accounting Standards for Business Enterprises-Non-current assets for Sale, disposal Group, and termination of operation" formulated by the Ministry of Finance, and since June 12, 2017, the company has implemented the revised "No. 16 Accounting Standards for Enterprises-Government Grants". The change of accounting policy is handled by the future applicable method.

2. The Company implemented the "Notice on the Issuance of the Revised Format of Financial Statements for General Enterprises (Caihui [2017] No. 30)" in the preparation of the 2017 annual statement, so that the gains and losses on the disposal of non-current assets and the gains and losses of non-monetary asset exchange previously stated in "Non-operating income" and "Non-operating expenses" were presented in the "Assets disposal income". This change in accounting policy adopted the retrospective adjustment method, which reduced the 2016 non-operating income by RMB 387,292.53 and increased the asset disposal income by RMB 387,292.53.

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

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

The number of subsidiaries included in the scope of the consolidated financial statements for the reporting year was reduced by five.

In which, 1. Due to the cancellation of Zhejiang Runhong Gas Turbine Engineering Co., Ltd, its holding equity of its subsidiary Zhejiang Zhongrun Gas Turbine Technology Co., Ltd (10 million yuan) was transferred to Zhejiang Touping Import & Export Trade Co., Ltd (a wholly-owned subsidiary to the company) and Ningbo Daxie Development Zone Huashun Industry & Trade Co., Ltd. After the equity disposal was completed, Zhejiang Turbine Import & Export Co., Ltd. held 32.22% stake of Zhejiang Zhongrun Gas Turbine Technology Co., Ltd, so the company lost the control right of Zhejiang Zhongrun Gas Turbine Technology Co., Ltd, and thus it was no longer included in the consolidation scope.

2. The other four subsidiaries were not included because of the liquidation and cancellation.

In RMB				
Company Name	Way of Equity Disposition	Time Point of Equity Disposition	Net Assets on the Date of Disposition	Net Profits from the Beginning of the Period to the Date of Disposition
Xinjiang Taifeng Hangzhou Steam Turbine Complete Technology Development Co., Ltd.	Chearing	April 25,2017	17,061,690.18	181,238.78
Hangzhou Steam Turbine Boiler Co.,Ltd.	Chearing	April 27,2017	19,665,256.43	1,130,995.08
Hangzhou Pangtong Electromechanical Equipment Co., Ltd.	Chearing	December 21,2017	1,086,391.89	-115,873.20
Zhejiang Runhong Gas Turbine Engineering Co., Ltd.	Chearing	December 22,2017	34,953,788.30	2,813,561.91

IX. Engagement/Disengagement of CPAs

CPAs currently engaged

Name of the domestic CPAs	Pan-China Certified Public Accountants (Special common partnership)
Remuneration for domestic accounting firm (RMB'0000)	116
Successive years of the domestic CPAs offering auditing services	19
Names of the certified public accountants from the domestic CPAs	Jiang Xiaodong , Ye Xiaobin
Name of the Overseas CPAs (If any)	Nil
Remuneration for overseas accounting firm (RMB'0000)(If any)	0
Successive years of the overseas CPAs offering auditing services	Nil

Names of the certified public accountants from the overseas CPAs	Nil
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Has the CPAs been changed in the current period

No

Engaging of CPA for internal auditing, financial consultants or sponsors

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

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

Not applicable

XI. Receivership and bankruptcy

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

XII. Major lawsuits and arbitrations

Nil

XIII. Punishment and improvement

Nil

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

Nil

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

Other Employee Incentive Measures

Nil

XVI. Material related transactions

1. Related transactions in connection with daily operation

Related parties	Relationship	Type of trade	Subjects of the related transactions	Principle of pricing the related transactions	Price of trade	Amount of trade RMB0'000	Ratio in similar trades	Trading limit approved (RMB'0000)	Whether over the approved limited or not (Y/N)	Way of payment	Market price of similar trade available	Date of disclosure	Index of information disclosure
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Affiliate of the Group	Accept labor	freight, repairing fee	Fair and just	Market price	5,418.86		6,790	No	Bank transfer	5500	January 26,2018	2018-06
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Affiliate of the Group	Purchase of goods	Generators	Fair and just	Market price	13,788.61		14,100	No	Bank transfer	Not applicable	January 26,2018	2018-06
Hangzhou Steam Turbine Engineering Co., Ltd.	Affiliate of the Group	Sale goods	SteamTurbine	Fair and just	Market price	7,732.57		4,200	Yes	Bank transfer	Not applicable	January 26,2018	2018-06
Total				--	--	26,940.04	--	25,090	--	--	--	--	--
Details of any sales return of a large amount				Nil									
Give the actual situation in the report period where a forecast had been made for the total amounts of routine related-party transactions by type to occur in the current period(if any)				Pursuant to the "Stock Listing Rules", as the actual controller of the related party is the same that is Hangzhou Steam Turbine Power Group Co., Ltd, the estimate is combined based on the same actual controller. Although the total actually-occurred amount of routine related party transactions in 2017 exceeded the estimated amount of 2017, the exceeding part did not reach the par. , Refer to the announcement of the http://www.cninfo.com.cn disclosure on January 27, 2018(Accouncement No.:2018-06)									
Reason for any significant difference between the transaction price and the market reference price (if applicable)				Nil									

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

The related party	Relationship	Related party transaction type	Related party transaction content	Pricing principle	Book value of assets transferred (RMB'0000)	Valuation of transferred assets (RMB'0000)	Transfer price (RMB'0000)	Transaction settlement method	Gains and losses on transaction(RMB'0000)	Date of disclosure	Index of Disclosure
Hangzhou Steam Turbine Power Group Co., Ltd	Parent company	Transfer of R & D project	R&D Project of 50MW Power Grade Gas Turbine	Impartial, fair	5603.06	6131.29	6131.29	Payment through transfer of accounts	14.74	August 18, 2017	2017-62
Zhejiang Juqin Investment	The subsidiary enterprise of Hangzhou steam turbine group	Outward investment transfer	full equity of Hangzhou Changdi equity investment partnership (limited partnership)	Impartial, fair	4,855.84	7,368	7,368	Payment through transfer of accounts	2,512.16	January 17, 2017	2017-01
Reasons for large differences between transfer price and book value or valuation value (if any)				Nil							
Impact on the company's operating results and financial situation				Increase the company's profits							
Achievement of performance during the reporting period if the relevant transaction involves performance agreement				Nil							

3. Related transactions in term of collective external investment

Co – investor	Related Relationship	The name of the investee	The main business of the invested enterprise	The registered capital of the invested enterprise	Total assets of the invested enterprise (RMB'0000)	Net assets of the invested enterprise (RMB'0000)	Net profit of the invested enterprise (RMB'0000)
Hangzhou Steam Turbine	The controlling	Hangzhou Jushi Investment	Services: investment management,	310 (million)	18,252.81	18,193.71	-1.71

Power Group Co., Ltd	shareholder of the company	Partnership (Limited partnership)	industrial investment, investment advice (except securities, futures)				
Progress of major construction projects under construction (if any)		Nil					

4. Debts and credits with related parties

Nil

5. Other material related transactions

Nil

XVII. Material contracts and execution

1. Entrustment, contracting, and leasing issues

(1) Trusteeship

No trusteeship in the report period.

(2) Contracting

No contracting in the report period.

(3) Leasing

No Leasing in the report period.

2. Guarantees

(1) Guarantees

In RMB'0000

Outward guarantees offered by the Company and its subsidiaries (Excluding guarantee to the subsidiaries)								
Guarantee provided to	Amount of guarantee and date of disclosure	Amount of the guarantee	Actual date of occurring (signing date of agreements	Actual amount of guarantee	Type of guarantee	Term	Completed or not	Related guarantee
Hangzhou Steam Turbine Power Group Co., Ltd.	October 22,2016	20,800	October 28,2016	20,800	Mortgage,	Two years from the date of expiration of the principal debt	No	Yes
Total amount of outward guarantee approved in the report period (A1)		0		Total amount of outward guarantee actually incurred in the report period (A2)		20,800		
Total of external guarantee approved at Period-end(A3)		20,800		Total balance of actual external guarantee at Period-end(A4)		20,800		
Guarantee of the subsidiaries for the controlling subsidiaries								
Name of the Company guaranteed	Relevant disclosure date/No. of the guaranteed amount	Amount of guarantee	Date of happening (Date of signing agreement)	Actual amount of guarantee	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for associated parties (Yes or no)
Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.	January 21,2017	2,000	January 20,2017	2,000	Joint liability guaranty	1 year	Yes	No
Hangzhou Steam Turbine Casting Co., Ltd.	July 15,2017	3,000	November 16,2017	3,000	Joint liability guaranty	1 year	No	No
Total of guarantee for subsidiaries approved in the Period (B1)		5,000		Total of actual guarantee for subsidiaries in the Period (B2)		5,000		
Total of guarantee for subsidiaries approved at Period-end (B3)		5,000		Total of actual guarantee for subsidiaries at Period-end (B4)		5,000		
Guarantee of the subsidiaries for the controlling subsidiaries								

Name of the Company guaranteed	Relevant disclosure date/No. of the guaranteed amount	Amount of guarantee	Date of happening (Date of signing agreement)	Actual amount of guarantee	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for associated parties (Yes or no)
Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.	January 21,2017	5,000	January 20,2017	3,779.55	Joint liability guaranty	1 year	Yes	No
Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.	April 26,2017	10,000	April 26,2017	4,520.05	Joint liability guaranty	1 year	No	No
Total guarantee quota to the subsidiaries approved in the reporting period (C1)		15,000		Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)		8,299.6		
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)		15,000		Total balance of actual guarantee to the subsidiaries at the end of the reporting period (C4)		8,299.6		
Total of Company's guarantee (namely total of the large three aforementioned)								
Total of guarantee in the Period (A1+B1+C1)		20,000		Total of actual guarantee in the Period (A2+B2+C2)		34,099.6		
Total of guarantee at Period-end (A3+B3+C3)		40,800		Total of actual guarantee at Period-end (A4+B4+C4)		34,099.6		
The proportion of the total amount of actually guarantee in the net assets of the company(A4+B4+C4)				5.79%				
Including :								
Amount of guarantee for shareholders, actual controller and its associated parties (D)						20,800		
The debts guarantee amount provided for the Guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly (E)						0		
Proportion of total amount of guarantee in net assets of the company exceed 50% (F)						0		
Total guarantee Amount of the abovementioned guarantees (D+E+F)						20,800		
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (If any)						Nil		
Explanations on external guarantee against regulated procedures(If any)						Nil		

Description of the guarantee with complex method

(Hangzhou Heavy Machinery Co., Ltd, which is the company's subsidiary, had made an application of special construction funds of RMB 0.208 billion to China Development Fund Co.,Ltd, and it has signed the four-party China Development Fund Investment Contract with China Development Fund ,the company and Hangzhou Steam Turbine Group Co.,Ltd. In order to ensure the performance of the "Investment contract" by Hangzhou steam group, the company and the Heavy Machinery Co., Ltd provide guarantee for Hangzhou Steam Group in the forms of pledge and mortgage. The contents is detailed in the Announcement on External Guarantee of Hangzhou Steam Turbine Co., Ltd. announced on October 22, 2016 at the website designated by the Shenzhen Stock Exchange ([http // www.cninfo.com.cn](http://www.cninfo.com.cn)). (Announcement No. 2016-75)

(2) Illegal providing of external guarantees

No illegal providing of external guarantees in the report period.

3.Situation of Entrusting Others for Managing Spot Asset

(1)Situation of Entrusted Finance

In RMB'0000

Type	Source	Amount	Unexpired balance	Overdue amount
Bank financing product	Idle own funds	100,955	76,657	0
Trust financing product	Idle own funds	32,876.73	12,016.23	0
Total		133,831.73	88,673.23	0

Specific Circumstance of Trust Investment which is large in single amount, low in security, poor in liquidity or unguaranteed in high risk

In RMB'0000

Name of Trustees (or Entrustees)	Type of Trustees (or Entrustees)	Type of Production	Amount	Source	Date of Beginning	Date of Expiry	Capital Investment Orientation	Way of Confirming Rewards	Referential Annualized Yield Rate	Prospective Yield (if any)	Actual profit or loss for the reporting period	Actual recovery of profits and losses during the reporting period	Provision for impairment (if any)	Whether or not due process has been followed	Is there a commission plan in the future	Summary of matters and related query Index (if any)
Hengtian Weath	Investment management company	Trust	3,000	Disposal of own capital	September 16, 2016	March 21, 2017	This trust is invested for Zhongyuan-Chuangyuan No.4 Special Asset Management Plan	Floating profit	7.20%	110.07	110.07	110.07		Yes	No	
Hengtian Weath	Investment management company	Trust	5,000	Disposal of own capital	October 25, 2016	January 24, 2017	Invested for bond assets such as government bond, enterprise bond, asset management plan; cash assets such as cash deposit, bank deposit, bond reserve repo; equity assets such as privately-raising equity investment fund, equity of non-listed company	Floating profit	6.30%	78.63	78.63	78.63		Yes	No	
Hengtian Weath	Investment management company	Trust	3,000	Disposal of own capital	December 1, 2016	March 8, 2017	This trust will be specially used for the production scale expansion of Shenzhen Qianhai Yuhai Building Eco-technology Co., Ltd.	Floating profit	6.70%	53.42	53.42	53.42		Yes	No	
Changan Trust	Investment management company	Trust	5,000	Disposal of own capital	November 22, 2016	May 11, 2017	The orientation of this trust investment is centered on liquid assets and earning assets	Floating profit	5.10%	127.5	118.77	118.77		Yes	No	
Zhongrong Trust	Investment management company	Trust	5,000	Disposal of own capital	June 16, 2016	June 16, 2017	The trust capital will be invested for the contribution for Shanghai Jin Mu Yuan Investment Partnership(Limited Partnership), contributing the partnership shares of priority to become the partnership of priority of Shanghai Jin Mu Yuan Investment	Floating profit	6.30%	315	315	315.00		Yes	No	
HT Cathay Rock	Investment management company	Trust	5,000	Disposal of own capital	January 25, 2017	April 25, 2017	Invested for bond assets such as government bond, enterprise bond, asset management plan; cash assets	Floating profit	6.70%	83.76	83.76	83.76		Yes	No	

							such as cash deposit, bank deposit, bond reserve repo; equity assets such as privately-raising equity investment fund, equity of non-listed company									
Hangzhou Industrial&Commercial Trust	Investment management company	Trust	5,000	Disposal of own capital	July 6,2017	March 20,2018	Trust Funds with dispersed investment will be invested for real estate claims,other claims;publicly-raising bond, privately-raising bond;debt funds; publicly-raising equity instrument, privately-raising equity instrument; short-term debt instrument , high-liquidity debt instrument	Floating profit	6.50%	228.8	0	0		Yes	Yes	
Zhongrong Trust	Investment management company	Trust	5,000	Disposal of own capital	June 22,2017	June 22,2018	The trust capital will be invested for the contribution for Shanghai Jin Mu Yuan Investment Partnership(Limited Partnership), contributing the partnership shares of priority to become the partnership of priority of Shanghai Jin Mu Yuan Investment	Floating profit	7.20%	360	0	0		Yes	No	
CITIC Bank	Bank	Financing	7,000	Disposal of own capital	August 25,2017	February 23,2018	Money market, fixed income, non-standardized creditor's assets and other categories	Floating profit	4.90%	171	0	0		Yes	Yes	
Hengtian Weath	Investment management company	Trust	5,000	Disposal of own capital	May 11,2016	March 11,2017	Invested for 1.beneficial rights of trust plan, income right of equity, income right of assets, income right of claims and entrusted loans which are held by the plan of asset management or the third party (including other funds managed by the managers) 2.bank deposit, money market funds and bank financing plans as well as the low-risk and high-liquidity financial products which are approved by CSRC or are filed by SAC	Floating profit	8.50%	360.07	359.79	359.79		Yes	No	

Total	48,000	--	--	--	--	--	--	1,888.25	1,119.44	--		--	--	--
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Situation with the appearance of principals which can not be recovered expectedly or other existing situations which may lead to impairment

Not applicable

(2)Situation of Entrusted Loans

Nil

4. Other significant contract

Nil

XVIII. Social responsibility

1. Execution of social responsibility

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

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

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

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

5. The company actively promoted the vocational development for employees, constantly improved the vocational environment for employees and well protected the physical and mental health of employees. The company has national technical experts and a number of high skilled talents proved by province-or-city level competitions. Besides, the company has established a number of skilled Master Studios in the manufacturing sites and promoted to build a golden blue team of modern manufacturing. The company further raised the medical expenses subsidies for employees and made the employees have the critical illness insurance and anti-cancer insurance. The company used the labor dispatch service with strictly in accordance with the national provisions and regulations, and the company had signed the "Special collective wage contract" and "Special collective contract for labor safety and health" with the union. Besides, the company established the "three-dimensional and one-whole" safety production management system. In addition, the company carried out many mass cultural activities throughout the year, implemented the expansion work for staffs' sports venues, supported the employees to create various types of cultural organizations and created a vibrant business atmosphere.

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

7. The company continues to support and carry out public welfare undertakings. The company organized employees to participate in voluntary blood donation activities. The “Spring Breeze Action” donation and the visit of the Panan Jieye to the elderly showed that the company valued and supported the social public welfare undertaking while pursuing the business development of the company.

2.Implementation of the social responsibility of precise poverty relief

(1) Precision poverty alleviation planning

The company participates in the “Lianxiangjiecun” helping and supporting activities in Hangzhou, from 2017 to 2021 for 5 years, with an annual funding of RMB 150,000 to assist Zitong Township in Chun’an County.

(2) Annual Precision Poverty Alleviation Summary

Under the leadership of the Hangzhou CPPCC, the company went to Wutong Town, Pan’an County, from December 23 to 24 to launch the “Send Education, Send Health, Send Culture, Send Science,” to the countryside and help the villagers in the village of Lianxiang. In conjunction with the Wutong Town Calligraphy and Culture Festival, experts in organizational education, health care, culture, and science popularization launched the “Four Gets Sending” event to listen to reports on the progress of assisting work in Lianxiangjie Village in 2016, and assisted the 2017 project. Conduct research.

(3) Precision poverty alleviation effect

Index	Measurement unit	Quantity / Status
I. General situation	——	——
Thereinto: 1.Capital	RMB’0000	15
II. Itemized input	——	——
8. Social poverty alleviation	——	——
8.2 Amount invested in targeted poverty alleviation work	RMB’0000	15

(4) Subsequent targeted poverty alleviation program

The follow-up plan of the company will follow up the “Lianxiangjie Village” assistance activities as planned. The next year will continue to implement accurate poverty alleviation in the form of 150,000 cash grants at Wutong Town, Pan’an County.

3.Environmental protection

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

No

Neither the company nor its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department. The company has formulated and perfected the environmental management systems and control procedures for various types of waste water, waste gas, waste slag, and noise in accordance with relevant environmental laws and regulations and relevant standards promulgated by the national and local governments. The company has imported ISO14001 environmental management system since 2006 and the system has been operated effectively for more than ten years. Currently, the company has adopted the clean production management and launched the clean production audits, which not only reduces consumption and increases efficiency, but also reduces the pressure and cost of end-of-pipe management. In terms of environmental greening, after years of meticulous maintenance, the company has become a garden-style enterprise.

The company's environmental management system has been in operation for many years, and it has been strictly abiding by the relevant laws and regulations of the state and the principle of continuous improvement. Each year, the company formulates the annual environmental protection goals and formulates the environmental management plans. The company also has a complete and effective management system for waste water, waste gas, waste residue and noise and other waste management. Over the years, there has been no incident of environmental pollution and emissions exceeding the standard.

XIX. Explanation on other significant events

1. Matters concerning starting the relocation work of Hangzhou Steam Turbine Plant Area

Hangzhou Municipal Government will include the Steam Turbine Shiqiao Road plant area and its surrounding areas into the reconstruction and development scope of Lighthouse Unit City of Xiacheng District of Hangzhou City, and the company will start the relocation of the Shiqiao Road plant area according to relevant requirements. As for the compensation for the relocation of Hangzhou Steam Turbine Shiqiao Road factory area, the government of Xiacheng District of Hangzhou City is responsible for paying the compensation for the relocation to Hangzhou Steam Turbine Group, which will be taken as the compensation for the whole relocation of Hangzhou Steam Turbine Shiqiao Road factory area. The complete report is available as Announcement 2017-31 and Announcement 2017-54 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated April 21, 2017, and August 7, 2017.

2. The Matter-that the company has been recognized as the high-tech enterprise

The company has been listed in the “List of the first batch of High-tech Companies in Zhejiang Province in 2017”, and the company will enjoy the preferential policies for high-tech enterprises from 2017 to 2019, that is to pay corporate income tax at the rate of 15%. The complete report is available as Announcement 2017-76 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated December 28, 2017.

3. Matters concerning the change of directors, supervisors and senior management personnel of the company

Mr. Yu Changquan resigned from the company's deputy general manager and secretary of the Board of Directors due to approaching the statutory retirement age. The Company held the meeting of the Board of Directors, which passed the appointment of Mr. Wang Zhengrong as the deputy general manager of the company and the appointment of Mr. Wang Gang as the secretary of the seventh Board of Directors of the Company. The complete report is available as Announcement 2017-41 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated June 10, 2017.

Mr. Liu Guoqiang resigned from the company's director post due to approaching the statutory retirement age. The Company held the meeting of the Board of Directors, which passed the appointment of Mr. Wang Gang as the non-independent director of the company's seventh Board of Directors, and that had been submitted to the 2016 annual general meeting of shareholders for deliberation with an approval result. The complete report is available as Announcement 2017-48 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated June 30, 2017.

Mr. Zhang Yougen resigned from the company's supervisor post due to approaching the statutory retirement age. The Company held the meeting of the Board of supervisors, which passed the appointment of Mr. Liu Zhiyong as supervisor of the company's seventh Board of supervisors, and that had been submitted to the 2016 annual general meeting of shareholders for deliberation with an approval result. The complete report is available as Announcement 2017-48 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated June 30, 2017.

Mr. Nie Zhonghai resigned from the company's director post due to approaching the statutory retirement age. The complete report is available as Announcement 2017-65 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated June 30, 2017.

Ms. Pu Yangshuo submitted her resignation to the company due to personal reasons and resigned from the position of deputy general manager and chief accountant of the company. The Company held the meeting of the Board of Directors, which passed the appointment of Mr. Zhao Jiamao as the deputy general manager and chief accountant of the company, with the term starting from January 1, 2018. The complete report is available as Announcement 2017-78 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated December 30, 2017.

4. Matters concerning the revision of the "Articles of Association of the Company"

In order to thoroughly implement the spirit of the important speeches of the Sixth Central Committee of the 18th CPC Central Committee and General Secretary Xi Jinping's party building work conference on state-owned enterprises, and to integrate the party's leadership into all aspects of corporate governance, embed the party organization into the corporate governance structure and to specify and implement the statutory status of the party organization in the corporate legal person governance structure, the company had proposed amendments to the contents of the "Articles of Association of the Company" and submitted it to the 2016 Annual general meeting of shareholders for deliberation with an approval result. The complete report is available as Announcement 2017-48 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated June 30, 2017.

5. Matters of the Company's signing of important project contracts

At the beginning of the year, the company and Hengli Petrochemical (Dalian) Refining and Chemical Co., Ltd signed a contract of steam turbines generator sets and drive compressor and steam turbines for feed pump in connection to the 20 million tons refinery-chemical integration project. At the end of the year, the company won the big contract of steam turbines for the Phase I project of the 40-million-ton/year refinery project of Zhejiang Petrochemical. The signing of the two major orders further consolidated the company's domestic leading position in the industry. The complete report is available as Announcement 2017-26, 2017-75 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated March 31, 2017 and December 7, 2017.

XX. Material issues of the subsidiaries

1. Matters of the Company's Holding Subsidiaries recognized as High-tech Enterprises

The company's holding subsidiary Hangzhou Steam Turbine Casting Co., Ltd was re-reviewed and recognized as one of the first batch of high-tech enterprises in Zhejiang province in 2016, and the company's holding subsidiaries Zhejiang Steam Turbine Whole-set Technology Development Co., Ltd, Hangzhou Zhongneng Steam Turbine Power Co., Ltd, Zhejiang Huayuan Steam Turbine Machinery Equipment Co., Ltd and Hangzhou Guoneng Steam Turbine Engineering Co., Ltd were included in the "List of the first batch of High-tech Enterprises in Zhejiang Province in 2017". The afore-said five companies will enjoy the preferential policies for high-tech enterprises from 2017 to 2019, that is, they will pay the corporate income tax at the rate of 15%. The complete report is available as Announcement 2017-04, 2017-76 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated March 1, 2017 and December 28, 2017.

VI. Change of share capital and shareholding of Principal Shareholders

1.Changes in share capital

In shares

	Before the change		Increase/decrease (+, -)					After the Change	
	Amount	Proportion	Share allotment	Bonus shares	Capitalization of common reserve fund	Other	Subtotal	Quantity	Proportion
I. Shares with trade restriction conditions	479,944,281	63.65%	0	0	0	16,344	16,344	479,960,625	63.65%
2. State-owned shares	479,824,800	63.64%	0	0	0	0	0	479,824,800	63.64%
3. Other domestic shares	119,481	0.01%	0	0	0	16,344	16,344	135,825	0.01%
Domestic natural person shares	119,481	0.01%	0	0	0	16,344	16,344	135,825	0.01%
II. Shares without trading limited conditions	274,066,119	36.35%	0	0	0	-16,344	-16,344	274,049,775	36.35%
2. Foreign invested shares listed in Mainland China	274,066,119	36.35%	0	0	0	-16,344	-16,344	274,049,775	36.35%
III. Total of capital shares	754,010,400	100.00%	0	0	0	0	0	754,010,400	100.00%

Causes of Change of shares

Not applicable

Approval of change of the shares

Not applicable

Transfer in change of shares

Not applicable

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

Not applicable

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

Not applicable

2. Change of Restricted Shares

Not applicable

II. Securities issue and listing

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

Not applicable

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

Not applicable

3.About the existing employees' shares

Not applicable

III. Particulars about the shareholders and substantial controller

1. Amount of shareholders and their shareholding position

in shares

Total number of common shareholders at the end of the reporting period	14,748	Total shareholders at the end of the month from the date of disclosing the annual report	14,551	The total number of preferred shareholders voting rights restored at period-end	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Shareholders	Nature of shareholder	Proportion of shares held(%)	Number of shares held at period -end	Changes in reporting period	Amount of restricted shares held	Amount of un-restricted shares held	Number or share pledged/frozen	
							State of share	Amount
Hangzhou Steam Turbine Power Group Co., Ltd.	State-owned legal person	63.64%	479,824,800	0	479,824,800	0		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.63%	4,722,804	0	0	4,722,804		
NORGES BANK	Foreign legal person	0.57%	4,303,675	0	0	4,303,675		
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	Foreign legal person	0.46%	3,454,046	83900	0	3,454,046		
ISHARES CORE MSCI EMERGING MARKETS ETF	Foreign legal person	0.36%	2,745,901	933,501	0	2,745,901		
Zhou Jie	Domestic Natural person	0.35%	2,676,000	2,366,000	0	2,676,000		
GUOTAIJUNANSECURITIES(HONGKONG) LIMITED	Foreign legal person	0.33%	2,461,880	-1,522,288	0	2,461,880		
China Merchants Secutities(HK)Co., Ltd.	State-owned	0.32%	2,400,149	258,169	0	2,400,149		

	legal person							
Xia Zulin	Domestic Natural person	0.29%	2,190,000	90,000	0	2,190,000		
CREDIT SUISSE AG HONG KONG BRANCH	Foreign legal person	0.23%	1,729,759	0	0	1,729,759		
Particulars about strategic investors or general corporations becoming among the top 10 shareholders due to share placing		Not applicable						
Explanation on associated relationship among the aforesaid shareholders		(1) Hangzhou Steam Turbine Power Group Co., Ltd. is the holder of state-shares of the Company, all other shareholders' are holders of domestic listed foreign shares (B shares) (2) There is no relationship between Hangzhou Steam Turbine Power Group Co., Ltd. and other shareholders; (3) Hangzhou Steam Turbine Power Group Co., Ltd. is not an “action-in-concert” party with any of other shareholders as described by the “Administration Rules of Informational Disclosure about Change of Shareholding Statues of PLCs”.						
Top 10 holders of shares without trading limited conditions								
Name of the shareholder		Amount of unconditional shares held at end of period		Category of shares				
				Category of shares			Amount	
VANGUARD EMERGING MARKETS STOCK INDEX FUND		4,722,804		Foreign shares placed in domestic exchange			4,722,804	
NORGES BANK		4,303,675		Foreign shares placed in domestic exchange			4,303,675	
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND		3,454,046		Foreign shares placed in domestic exchange			3,454,046	
ISHARES CORE MSCI EMERGING MARKETS ETF		2,745,901		Foreign shares placed in domestic exchange			2,745,901	
Zhou Jie		2,676,000		Foreign shares placed in domestic exchange			2,676,000	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED		2,461,880		Foreign shares placed in domestic exchange			2,461,880	
China Merchants Secutities(HK)Co., Ltd.		2,400,149		Foreign shares placed in domestic exchange			2,400,149	
Xia Zulin		2,190,000		Foreign shares placed in domestic exchange			2,190,000	
CREDIT SUISSE AG HONG KONG BRANCH		1,729,759		Foreign shares placed in domestic exchange			1,729,759	
Shanwan Hongyuan Securities (HK) Co.,Ltd.		1,368,900		Foreign shares placed in domestic exchange			1,368,900	
Explanation on associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders		1) It is unknown to the Company if there is any relationship among the top 10 common share holders without restriction; (2) Hangzhou Steam Turbine Group Co., Ltd. is not an action-in-concert” party with any of other shareholders as described by the “Administration Rules of Informational Disclosure about Change of Shareholding Statues of PLCs”.						
Notes to the shareholders involved in financing securities (if any)(See Notes 4)		Not applicable						

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

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

2. Controlling shareholder

Nature of Controlling Shareholders: Local state holding

Type of Controlling Shareholders: Legal person

Name of the holding shareholder	Legal representative	Incorporated in	Organization code	Registered capital
Hangzhou Steam Turbine Power Group Co., Ltd.	Zheng Bin	Dec 14, 1992	91330100143071842L	Business scope: Manufacturing and processing: textile machinery, Manufacturing machines, paper-making machinery, pump, casting products, electrical tools, gear box, thermal transmitter, digital controlling device, and spare parts of the above (limited to the subsidiaries); Contracting of domestic and overseas machinery engineering projects, export of above equipments and materials, provide labor services for above overseas projects. Thermal power plant project and equipment engineering; wholesale and retail: products and spare parts manufactured by members of the group, and technical research, consulting, and service of above products; Provide materials, equipments, and spare parts to members of the Group, water and power supply (other than installation and maintaining of power supply equipment); Including the business scope of subsidiaries.
Shareholding status of the holding shareholder in other PLCs in the country and abroad during the report period	Nil			

Change of holding shareholder

No change of holding shareholder in the report period.

3. Information about the controlling shareholder of the Company

Actual controller nature: Local state owned Assets Management

Actual controller type: Legal person

Name of the substantial controller	Legal representative	Date of incorporation	Organization code	Principal business activities
State-owned Assets Supervision and Administration Commission of Hangzhou Municipal Government	Wang Xi		776637527	In the light of the municipal government authorization, perform the investor's responsibilities, supervise the municipal operational state-owned assets and strengthen the management of state-owned assets in accordance with the laws and regulations of Corporate Law of the People's Republic of China , Enterprise State-Owned Assets Law of the People's Republic of China . (II) Execute the laws, regulations and policies of the management of state-owned assets; be entrusted with drafting local regulations regarding the management of state-owned assets, and enact relevant rules and regulations, supervise and examine the implementation; guide and supervise the management of the state-owned assets at the district, county (city) level pursuant to the laws. (III) Make proposals regarding the municipal state-owned economic layout and strategic adjustment to promote the strategic adjustment of the municipal state-owned economic structure and layout; guide and propel the reform and restructuring of state-owned enterprises; instruct and promote the construction of modern enterprise system in state-owned enterprises, consummate the corporate governance structure, and form a governance mechanism characterized by clear duty, well-coordination and effective balances. (IV) Pursuant to the provisions of the relevant documents of the municipal Party committee, investigate, appoint and remove the supervised principles of enterprises according to the legal procedures; establish a employment mechanism that is in line with the socialist market economic system and the requirements of modern enterprise system, consummate the incentive and restraint system for the operators; assess the

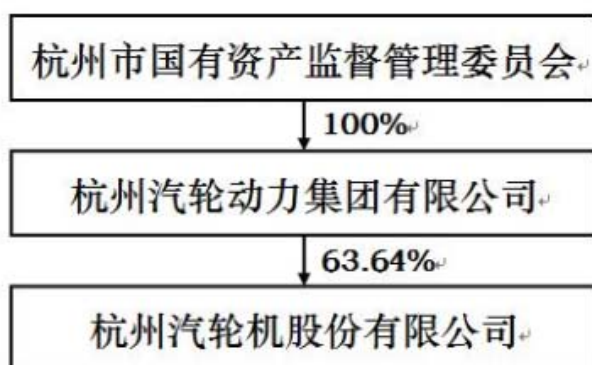
				business performance of the principles of the enterprises that are supervised and implement the rewards and penalties system. Take charge of the management and building work of the Party organization of the supervised enterprises. (V) Dispatch directors, supervisors or CFO to the supervised enterprises on behalf of the municipal government; and take charge of the daily management of directors, supervisors or CFO. (VI) Take charge of organizing the supervised enterprises to turn over the state-owned capital gains; participate in enacting management system and solutions for the state-owned capital operating budget; take charge of the preparation and implementation of the state-owned operating budget of the supervised enterprises. Take charge of the comprehensive budget management of the supervised enterprises. (VII) Establish and consummate the preservation and appreciation index system of the state-owned assets, and develop the assessment criteria; take charge of the supervision and assessment of the preservation and appreciation of the state-owned assets; enact and organize the implementation of the income distribution policy of the supervised enterprises and state-owned enterprises. Take charge of the fundamental management work, namely, the authentication of property rights, registration of property rights, asset evaluation monitoring, property liquidation and verification, asset statistics, comprehensive evaluation; safeguard rights and interests of the investors of state-owned assets (VIII) Take charge of directing and supervising the implementation of national and provincial and municipal safety laws, regulations, rules and standards, etc. (IX) Undertake other matters assigned by the municipal Party committee and government.
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The equity of the controlling shareholder in other domestic and foreign listed companies held or partly held by it in the report period	Until the end period of the reporting, Hangyang Co., Ltd.(SZ.002430) held 61.49% shares, and Hangzhou Jiebai (SH.600814) held 68.03% shares until the end period of the reporting.
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Change of the actual controller in the reporting period

Nil

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



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

Not applicable

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

Not applicable

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

Not applicable

VII. Situation of the Preferred Shares

No preference shares in the Company.

VIII. Information about Directors, Supervisors and Senior Executives

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

Name	Positions	Office status	Sex	Age	Starting date of tenure	Expiry date of tenure	Shares held at the year-begin(share)	Amount of shares increased at the reporting period(share)	Amount of shares decreased at the reporting period(share)	Other changes increase/decrease	Shares held at the year-begin(share)
Zhen Bin	Chairman	In office	Male	53	December 5,2014	May 18,2019	0	0	0	0	0
Yan Jinhua	Vice Chairman	In office	Male	59	June 24,2013	May 18,2019	0	0	0	0	0
Yang Yongming	Vice Chairman	In office	Male	53	June 24,2013	May 18,2019	0	0	0	0	0
Ye Zhong	Director, GM	In office	Male	49	June 25,2001	May 18,2019	0	0	0	0	0
Wang Gang	Director, secretary of the board	In office	Male	45	June 30,2017	May 18,2019	0	0	0	0	0
Kong Jianqiang	Director, Deputy General Director, Chief engineer	In office	Male	47	June 24,2013	May 18,2019	0	0	0	0	0
Gu Xinjian	Independent Director	In office	Male	Male	May 18,2016	May 18,2019	0	0	0	0	0
Ma Lihong	Independent Director	In office	Male	64	May 18,2016	May 18,2019	0	0	0	0	0
Zhang Xiaoyan	Independent Director	In office	Female	45	December 4,2015	May 18,2019	0	0	0	0	0
Chen Danhong	Independent Director	In office	Female	53	May 18,2016	May 18,2019	0	0	0	0	0

Li Shijie	Chairman of the Supervisory Committee	In office	Male	48	June 24,2013	May 18,2019	0	0	0	0	0
Wang Xiaohui	Supervisor	In office	Male	50	June 24,2013	May 18,2019	70,076	27,500	0	0	97,576
Liu Zhiyong	Supervisor	In office	Male	57	June 30,2017	May 18,2019	15,400	1,200	0	0	16,600
Lu Jianhua	Employee Supervisor	In office	Male	56	August 15,2004	May 18,2019	0	0	0	0	0
Fang Yin	Employee Supervisor	In office	Male	55	February 16,2012	May 18,2019	0	0	0	0	0
Zhang Shutan	Deputy General Manager	In office	Male	59	February 16,2009	May 18,2019	66,924	0	0	0	66,924
Zhao Jiamao	Deputy General Manger, Chief accountant	In office	Male	42	January 1,2018	May 18,2019	0	0	0	0	0
Li Jiansheng	Deputy General Manger	In office	Male	54	December 5,2014	May 18,2019	0	0	0	0	0
Wang Zhengrong	Deputy General Manger	In office	Male	47	June 9,2017	May 18,2019	0	0	0	0	0
Liu Guoqiang	Director	Dimission	Male	60	June 24,2013	June 9,2017	0	0	0	0	0
Zhang Yougen	Supervisor	Dimission	Male	60	June 19,2004	June 9,2017	0	0	0	0	0
Yu Changquan	Deputy General Manger, secretary of the board	Dimission	Male	60	June 25,2001	June 9,2017	0	0	0	0	0
Nie Zhonghai	Director	Dimission	Male	60	June 19,2004	October 21,2017	0	0	0	0	0
Pu Yangshuo	Deputy General Manager,Chief, accountant	Dimission	Female	42	June 3,2013	December 28,2017	0	0	0	0	0
Total	--	--	--	--	--	--	152,400	28,700	0	0	181,100

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

Name	Positions	Types	Date	Reason
Liu Guoqiang	Director	Dismissio n	June 8,2017	Due to the legal retirement age, apply for resignation of director.
Yu Changquan	Deputy General Manger, secretary of the board	Dismissio n	June 8,2017	Due to the legal retirement age, apply for resignation of Deputy General Manager and secretary of the board
Zhang Yougen	Supervisor	Dismissio n	June 8,2017	Due to the legal retirement age, apply for resignation of Supervisor.
Nie Zhonghai	Director	Dismissio n	October 20,2017	Due to the legal retirement age, apply for resignation of director.
Pu Yangshuo	Deputy General Manager,Chief, accountant	Resignat ion	December 28,2017	For personal reason, I will voluntarily resign from the post of deputy general manager and the chief accountant.

III. Posts holding

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

(1) Director

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

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

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

Mr. Ye Zhong: born in April 1968, CCP member; bachelor degree; professor and senior engineer. Started working in July 1990. he was the director of the 2nd term of Board, Chief Engineer; director of the 3rd term of Board, Vice General Manager; Director of the 4th and 5th terms of Board, Vice General Manager, and Chief Engineer. He's the Standing Vice General Manager, director and Chief Engineer of the 6th term of Board of the

Company, and General Manager of the 4 Company since December 2014. He was elected as director and Deputy General Manager of the 7th term of board of directors on May 18, 2016.

Mr. Wang Gang, born in February 1972, member of the Communist Party of China, postgraduate degree, Zhejiang University MBA, senior engineer. In 1993 the company entered the company, served as the company organization personnel, a steam shop, security, securities laws and regulations, operation and management department and other department heads. The current party secretary of the party committee, discipline appoint secretary, trade union chairman. He passed the qualification certificate of the board of directors of Shenzhen Stock Exchange in June 2009 and obtained the certificate of secretary of the board of directors. From July 2009 to April 2016, He served as the representative of securities affairs of the Company. He was engaged the secretary of the board of the Company on June 10, 2017. He was elected as director of the 7th term of board of directors on June 30, 2017.

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

Ms Zhang Xiaoyan, was born in March 1973. Since 1994, she successively worked in Zhejiang Securities Co., Ltd, Zhejiang Senhe Seed Co., Ltd, Shanghai AllBright Law Offices (Hangzhou), Beijing Gaopeng & Partners Hangzhou Office, Beijing Kangda Law Firm (Hangzhou). She currently holds the post of the partner of Beijing Kangda (Hangzhou) Law Firm. Not only being skilled at reformation, listing, floatation, m&a and refinancing for listed company, but also at venture capital, industrial fund, shares incentive, shares option including its contract's negotiation, signing and litigation, etc. Currently he's the independent director of the 6th term of Board. He was elected as Independent director of the 7th term of board of directors on May 18, 2016.

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

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

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

(II) The Supervisors

Mr. Li Shijie, born in July 1969, CCP member, university graduate, certified senior engineer. head of supplying department of the Company, general manager and chief secretary of CCP committee of Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. Currently he's the vice chief secretary of CCP committee and chief secretary of

discipline committee of Hangzhou Steam Turbine Power Group Co., Ltd. Currently he's the Chairman of the 6th term of Supervisory Committee. He was elected as Chairman of the 7th term of Supervisory Committee on May 18, 2016.

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

Mr. Liu Zhiyong, born in January 1960, member of the Communist Party of China, university degree, senior engineer, deputy secretary of the company Commission for Discipline Inspection. He served as Director of the Office of the Chief Engineer of the Company, Deputy Director of the Second Automobile Workshop, Director of the Integrated Management Department and Secretary of the Comprehensive Party Branch. June 2014 as the company blade factory director, leaf party branch secretary. He was elected as supervisor of the 7th term of Supervisory Committee on June 30, 2017.

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

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

(III) Senior Executives

Profiles of General Manager Ye Zhong, secretary of the board Wang Gang and Deputy General Manager ,Chief Engineer are available among the directors above.

Mr. Zhang Shutan, born in March 1959, CCP member, bachelor's degree, certified senior engineer. In 1979 to enter the company work, Once he was the teacher of HSTG Education Center, salesman of export division, vice director of export division, director of export division and assistant to general manager. He was engaged the vice general manager on February 2009.

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

Mr. Wang Zhengrong, born in October 1970, member of the Communist Party of China, university degree, Bachelor of Engineering, Zhejiang University, senior engineer. In 1992 to enter the company work, served as deputy director of the company sales, director, marketing party branch secretary. Since March 2010, he has been a member of the Party Committee of the Company. He has been Assistant General Manager of the Company and Director of Steam Turbine Marketing since June 2015. Mr. Wang was engaged the Deputy general manager of the Company since June 2017.

Mr. Zhao Jiamao, born in March 1975, member of the Communist Party of China, university degree, certified public accountant and senior accountant. He joined Hangzhou Steam Turbine Power Group Co., Ltd. Finance Office in 1995 and was once the Vice Minister of Finance of Hangzhou Steam Turbine Power Group Co., Ltd., Chief Accountant, Deputy General Manager and General Manager of Hangzhou Steam Turbine Power Technology Co., Ltd. In December 2014, he was the Deputy Chief Accountant and Chief Financial Officer of the Company. Since March 2016, he has been the General Manager Assistant, the Director of Asset Management Department and the Finance Department and the Contract Department. Mr. Zhao was engaged the Deputy general manager and Chief accountang of the Company since January 2018.

Jobs taken in shareholding parties

Names	Name of the shareholder	Job taken	Job started	Job ended	Take remunerations from the shareholding party
Zhen Bin	Hangzhou Steam Turbine Power Group Co., Ltd.	Chief secretary of CCP, Chairman, Legal Representative	September 28,2017		
Yan Jianhua	Hangzhou Steam Turbine Power Group Co., Ltd.	Commissioner of CCP, Vice Chairman, GM	May 1,2013		Yes
Yang Yongming	Hangzhou Steam Turbine Power Group Co., Ltd.	Commissioner of CCP, Vice GM	May 1,2013		Yes
Ye Zhong	Hangzhou Steam Turbine Power Group Co., Ltd.	CCP Commissioner, director	May 1,2001		No
Li Shijie	Hangzhou Steam Turbine Power Group Co., Ltd.	Vice Secretary of CCP Commission, Secretary of Discipline Committee, Vice Chairman of Supervisory Committee, Chairman of Trade Union	May 1,2013		Yes
Wang Xiaohui	Hangzhou Steam Turbine Power Group Co., Ltd.	Director of financial department	September 22,2014		Yes

Jobs taken in other parties

Names	Name of the parties	Positions	Job started	Job ended	Take remunerations from the party
Zheng Bin	Hangzhou Relian Group Co., Ltd.	Chairman, Legal representative	September 28,2017		No
Zheng Bin	Bank of Hangzhou Co., Ltd.	Director	February 10,2017		No
Yan Jianhua	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Chairman, Legal representative	November 1,2013		No
Yan Jianhua	Hangzhou Steam Turbine Compressor Co., Ltd.	Chairman, Legal representative	June 1,2014		No
Yang Yongming	Hangzhou Relian Group Co., Ltd.	Director	May 1,2013		No
Yang Yongming	Hangzhou Steam Turbine Auto Sales service Co., Ltd.	Chairman, Legal representative	June 29,2017		No
Yang Yongming	Guangdong Huaxing Bank Co., Ltd.	Director	September 28,2017		No
Ye Zhong	Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Chairman, Legal representative	February 1,2010		No
Ye Zhong	Hangzhou Steam Turbine Engineering Co., Ltd.	Chairman, Legal representative	December 23,2014		No
Wang Gang	Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Supervisor	June 21,2017		No
Wang Gang	Hangzhou Steam Turbine Casting Co.,Ltd.	Director	June 21,2017		No
Wang	Hangzhou Kaineng Casting Co., Ltd.	Director	June 21,2017		No

Gang					
Kong Jianqiang	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Chairman, Legal representative	June 21,2017		No
Kong Jianqiang	Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Chairman, Legal representative	June 21,2017		No
Kong Jianqiang	Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.	Chairman, Legal representative	June 21,2017		No
Chen Danhong	Tianma Bearing Group Co., Ltd.	Independent director	March 2,2015		Yes
Chen Danhong	Zheshang Zhongtong Co., Ltd.	Independent director	April 29,2016		Yes
Chen Danhong	Huijishan Shaoxing Wine Co., Ltd.	Independent director	September 27,2016		Yes
Chen Danhong	Hangzhou Electric Cable Co., Ltd.	Independent director	April 19,2017		Yes
Gu Xinjian	Zhejiang University. Institute of modern manufacturing engineering	Professor, Supervisor of a ph.D Student	December 1,1999		Yes
Zhang Xiaoyan	Beijing Kangda (Hangzhou) Law Firm	Partner	May 1,2012		Yes
Li Shijie	Hangzhou Relian Group Co., Ltd.	Chairman of the Supervisory Committee	May 1,2013		No
Wang Xiaohui	Hangzhou Nanfangtongda Gears Co., Ltd.	Supervisor	April 1,2009		No
Wang Xiaohui	Hangzhou Xiangjiang Technology Co.,Ltd.	Supervisor	June 29,2017		No
Wang Xiaohui	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Supervisor	January 1,2015		No
Liu Zhiyong	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Supervisor	June 21,2017		No
Liu Zhiyong	Hangzhou Steam Turbine Heavy Industry Co., Ltd.	Supervisor	June 21,2017		No
Zhang Shutan	(India) Gelin Shaoer Power Installation Privately Co., Ltd.	Director	November 1,2009		No
Zhang Shutan	Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Director	October 1,2004		No
Li	Hangzhou Steam Turbine Auxiliary Machine Co.,	Director	April 3,2014		No

Jianshang	Ltd.				
Li Jiansheng	Hangzhou Steam Turbine Casting Co., Ltd.	Director	July 15,2014		No
Li Jiansheng	Hangzhou Steam Turbine Heavy Industry Co., Ltd.	Legal representative, executive director	June 21,2017		No
Wang Zhengrong	Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Director	July 1,2013		No
Wang Zhengrong	Zhejiang Turbine Import & Export Co., Ltd.	Legal representative, executive director	April 3,2014		No
Wang Zhengrong	Hangzhou Steam Turbine Machinery & Equipment Co., Ltd.	Chairman, Legal representative	June 21,2017		
Zhao Jiamao	Hangzhou Steam Turbine Machinery & Equipment Co., Ltd.	Supervisor	April 15,2015		No
Zhao Jiamao	Hangzhou Steam Turbine Casting Co., Ltd.	Director	June 21,2017		No
Zhao Jiamao	Hangzhou Kaineng Casting Co., ltd.	Director	June 21,2017		No

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

Not applicable

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

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

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

The 3rd meeting of the 7th Remuneration Committee was held on March 16, 2018. The remuneration plan for directors and executives was examined at the meeting. The Remuneration and Assessment Committee of the Board conducted assessment on the performances of the directors and executives, and the remuneration plan was produced according to the Administration Rules of Remuneration and Assessment of Directors of the 7th Term of Board and Executives(2016-2018). The plan is subject to examination of the 20th meeting of the 7th term of Board.

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

2. Actual payment

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

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

Name	Position	Sex	Age	Statue of duty	In RMB'0000	
					Total of reward from the Company(Pre-tax)	Actual reward in total at end of report term
Zheng Bin	Chairman	Male	53	In Office	67.5	Yes
Yan Jianhua	Vice Chairman	Male	59	In Office	0	Yes
Yang Yongming	Vice Chairman	Male	53	In Office	0	Yes
Ye Zhong	Director, GM	Male	48	In Office	80.08	No
Wang Gang	Director, secretary of the board	Male	45	In Office	51.05	No
Kong Jianqiang	Director, Deputy GM, Chief engineer	Male	47	In Office	68.82	No
Ma Lihong	Independent Director	Male	64	In Office	5.00	No
Gu Xinjian	Independent Director	Male	61	In Office	15.00	No
Chen Danhong	Independent Director	Male	53	In Office	15.00	No
Zhang Xiaoyan	Independent Director	Female	45	In Office	15.00	No
Li Shijie	Chairman of the Supervisory Committee	Male	48	In Office	0	Yes
Wang Xiaohui	Supervisor	Male	50	In Office	0	Yes
Liu Zhiyong	Supervisor	Male	57	In Office	37.53	No
Lu Jianhua	Employee Supervisor	Male	56	In Office	31.85	No

Fang Yin	Employee Supervisor	Male	55	In Office	36.30	No
Zhang Shutan	Deputy GM	Male	59	In Office	69.04	No
Li Jiansheng	Deputy GM	Male	54	In Office	68.96	No
Wang Zhengrong	Deputy GM,	Male	47	In Office	55.40	No
Liu Guoqiang	Director	Male	60	Dimission	43.80	No
Zhang Yougen	Supervisor	Male	60	Dimission	34.35	No
Yu Changquan	Deputy GM, secretary of the board	Male	60	Dimission	47.85	No
Nie Zhonghai	Director	Male	60	Dimission	0	Yes
Pu Yangshuo	Deputy GM,Chief accountant	Female	42	Dimission	68.92	No

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

Not applicable

V. Particulars about employees.

1.Number of staff, professional structure and educational background

Number of in-service staff of the parent company(person)	2,279
Number of in-service staff of the main subsidiaries(person)	1,352
The total number of the in-service staff(person)	3,631
The total number of staff receiving remuneration in the current period(person)	3,631
Retired staff with charges paid by the parent company and main subsidiaries (person)	0
Professional	
Category	Number of persons (person)
Production	2,112
Sales	396
Tech	652
Finance	67
Administration	404
Total	3,631
Education	
Category	Number of persons (person)
Master's Degree	190
Bachelor	1,181
College diploma	663
High school and below	1, 597

Total	3,631
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2. Particulars about the employees:

Under the premise of considering the annual benefit, with the level of competition, the ability to pay of enterprises, price levels and other factors, in 2017 the company adequate remuneration be adjusted according to the value of the unpaid position, according to the performance of the performance fee, adhere to labor distribution, taking into account efficiency and equity, the maximum level of protection of the interests of employees, to achieve a win-win business and employees. Company on a monthly basis, full and timely payment of wages, overtime pay in accordance with national regulations, on a monthly basis.

3. Educational training for employees:

In 2017, the staff education and training work strived for realize the goal of “Talents invigorate enterprises”, and set the work objectives of training and optimizing the “the three teams namely the management team, the professional and technical personnel team and the high-skilled personnel team”, and upon combining with the company’s strategic goals and the departmental performance targets and the employees’ development goals, it well did the annual training work, formulated the “2017 Company Education and training Plan”, implemented various training programs in an orderly manner as required, continuously improved the staff’s business level and comprehensive capabilities and made contributions to the company’s stable operation. In terms of the funding, the company drew 2% of the total salary as the staff education fund, which effectively guaranteed the expenditure of the training program. According to statistics, 151 training classes were held in 2017, the person-time of staff received trainings reached 5,687. For 2018, the company plans to carry out 141 training programs in aspects of management, engineering technology, operation skills, quality, environment and safety education.

4. Outsourcing situation

Total hours of labor outsourcing (hours)	1,228,525.02
Total remuneration paid for service outsourcing (yuan)	9,828,200.16

IX. Administrative structure

I. General situation

(1) Standardized operation of corporate governance structure

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

2. Effectiveness of organization

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

3. Basis for material decisions

The Company has setup practical rules for all material aspects of management, including but not limited to, external investment, trusteeship, related transactions, information disclosure, investors' relationship, information insider, executive shares, and management of controlled subsidiaries. These documents of rules were constantly revised and improved to maintain effectiveness upon changing situation. During the report period, The company revised the "external guarantee system" to strengthen the external guarantee process. Meanwhile, The company added "The Party Committee" section in the company's articles of association to clarify and implement the statutory status of the party organization in the corporate governance structure of the legal person.

4. Establishing of internal control system

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

5. Corporate Information Disclosure and Transparency

The company attaches great importance to the information disclosure and the investor relations management, and it has designated Securities Times, Hong Kong Commercial Daily and

<http://www.cninfo.com.cn> as its statutory information disclosure media and website. With fair treatment to all investors, the company in a timely manner discloses the information with truthfulness, accuracy and completeness, which well ensures the transparency of the company and the legitimate rights and interests of all shareholders.

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

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

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

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

1. On business operations

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

2. On personnel management

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

3. On capital operation

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

4. On organization structure

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

5. On accounting management

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

6. In legal aspect

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

III. Competition situations of the industry

Not applicable

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

1. Annual General Meeting

Sessions	Type	Investor participation ratio	Meeting Date	Disclosure date	Disclosure index
2016 Shareholders' general meeting	Annual Shareholders' General Meeting	69.41%	June 30, 2017	July 1, 2017	Resolutions of the Shareholders' Annual Meeting 2016 (Announcement No. 2017-48) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and Http://www.cninfo.com.cn

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

Not applicable

V. Responsibility performance of independent directors in report period

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

The attending of independent directors							
Independent Directors	Number of Board meetings necessary to be attended in the reporting period	Number of spot attendances	Number of meetings attended by Communication	Number of attendances by representative	Number of absence	Failure to personally attend board meetings successively twice (Yes/No)	Number of attendance at general meetings of shareholders

Zhang Xiaoyan	12	4	8	0	0	No	1
Ma Lihong	12	4	8	0	0	No	1
Gu Xinjian	12	4	8	0	0	No	1
Chen Danhong	12	4	8	0	0	No	1

Notes to failure to personally attend Board Meetings Successively Twice

Not applicable

2. Objection of independent directors on some relevant issues

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

3. Other instructions for independent directors to perform their duties

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

(1) The independent directors briefed the managers about the business condition in 2016, and suggested the Company to enhance communication with government sectors and to obtain government subsidy support from the research and development of products. Under a circumstance where the economic environment is gradually in downturn, the independent directors suggested the Company to coordinate the product structure and constantly improve the gas turbine business, to seize the market strategic position and actively expand the international market, to control the risk in contracts and intensify the collection for receivables, to strengthen the salary management and performance assessment as well as enhancing staffs and administrators' initiative, and to lay a foundation to seek for long-term development at the beginning year of the Thirteen-Five Year Plan

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

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

(4) In the second meeting of the seventh Remuneration Committee, taking into account that under the severe situation in the industry in 2016, the company's management led all employees in solidly implementing of the major measures for transformation and upgrading and the "Thirteenth Five-Year Plan" achieved a good start and the operating result turned losses into gains, which was not an easy to come result, so it's advised the board of directors of the company to raise the bonuses from the basis of management's 2016 salary, thus to better reflect the incentive effect of salary assessment.

The management accepted the above suggestions.

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

(I) The Auditing Committee

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

the Auditing Committee and its members in the report period, and the main works performed by the Auditing Committee were:

1. To call the 1st meeting of the 7th term of Auditing Committee at which the annual auditing work was discussed and suggestions were provided on problems in the auditing process.
2. The 1st meeting of the 7th term of Auditing Committee was held to examine the Annual Report 2015, the General Manager's Report, Financial Report, Dividend Plan, Proposal of Routine Related Transactions, Providing of Inventory Provision and Bad Debt Provision, Internal Control Manual, Internal Control Introspective Report, Internal Control Annual Report and Plan. Statements and were provided on the auditing works of the CPA, and opinions were issued about extending of the CPA's service. Improvement suggestions were provided on internal control. Opinions were provided on the Annual Report and Financial Report which were about to be submitted to the Board.

(II) The Remuneration and Assessment Committee

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

1. The 2nd meeting of the 7th term of Remuneration and Assessment Committee was held to examine the assessment outcome of the directors and executives for year 2016, and produced the remuneration plan for the examination of the Board.

(IV) The Nomination Committee

The Nomination Committee was established to provide suggestions to the Board on the composition of the Board, and to examine the qualifications of candidates for directors and executives. In the report period, Some directors and senior executives of the 7th Board of Directors have improved their corporate governance structure to ensure the smooth development of the company's business decision-making, and the nomination committee has nominated the list of candidates for directors and senior managers from the company due to the approaching statutory retirement age. During the reporting period, the company made adjustments to members of the Nomination Committee and members of the working group based on changes in the board of directors. In the report period, the relevant work of transition carried out by the nomination committee was as follow:

1. The 2nd meeting of the 7th nomination committed was convened , As some of the directors and senior executives approached the statutory retirement age, the nomination committee submitted the list of candidates for directors, deputy general manager, secretary of the board of directors and senior executives to the company, and that was submitted to the board of directors for deliberation.

The company held the third meeting of the seventh Nomination Committee, which nominated the candidates and submitted the list of candidates for deputy general manager and chief accountant to the company.

VII. Fulfilling of duties of the Supervisory Committee

Is there any risk in the supervisory activities of the board of supervisors during the reporting period

Nil

VIII. Assessment and incentive Mechanism for Senior executives

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

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

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

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

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

IX. Internal control situations

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

2. Self-evaluation report on internal control

Disclosure date of appraisal report on internal control		March 28,2018
Disclosure index of appraisal report on internal control		Disclosed by http://www.cninfo.com.cn dated March 28, 2018 (Announcement 2018-25)
Proportion of total unit assets covered by appraisal in the total assets of the consolidated financial statements of the company		100.00%
Proportion of total unit incomes covered by appraisal in the total business incomes of the consolidated financial statements of the company		100.00%
Standards of Defects Evaluation		
Type	Financial Report	Non-financial Report
Standard	Deficiency characterized as below will be treated as fatal defects: To correct the fatal errors already published in the financial report （except for the retrospection and adjustments of previous years because of policies changing and other objective factors changing);fatal errors already discovered by auditor, unidentified in the current financial report; any fraud among top management; invalid monitoring to the financial report from audit committee and internal audit department.	(1) Punishment received by governments below provincial level (including provincial level) but no negative effects for our company’s periodic report disclosure will be considered as a general deficiency; (2) or punishments from national governments above provincial level but no negative effects for our company’s periodic report disclosure will be considered as a significant deficiency; (3) external official disclosure has been already carried out and brought certain negative effects to our company’s periodic report disclosure will be considered as a fatal deficiency.
Standards of Quantization	In accordance with the degree of importance of	1) Losses < consolidating 3% of pre-tax

	deficiency that may cause financial report errors, our company defined quantitative identification standard of financial report internal deficiency control as per the average of the last three-year total profit. (1) errors reported indicator < 3% of total profit, will be asserted as general deficiencies; (2) 3% of total profit ≤ errors reported indicator < 5% of total profit, will be asserted as significant deficiencies; (3) errors reported indicator ≥ 5% of total profit, will be asserted as fatal deficiencies.	profit, will be asserted as general deficiencies; (2) 3% of combined pre-tax profit ≤ losses < 5% of combined pre-tax profit, will be asserted as significant deficiencies; (3) losses ≥ 5% of combined pre-tax profit, will be asserted as fatal deficiencies.
Number of major defects in financial reporting (a)		0
Number of major defects in non financial reporting (a)		0
Number of important defects in financial reporting (a)		0
Number of important defects in non financial reporting (a)		0

X. Internal Control audit report

Review opinions in the internal control audit report	
As far as our best understanding, Hangzhou Steam Turbine Co., Ltd. has been conducting effective internal control over its financial reporting system in all material aspects we observed as of December 31, 2017, and has been following with the Enterprise Internal Control Criteria.	
Disclosure of internal audit report	Disclosure
Disclosure date of audit report of internal control (full-text)	March 28,2018
Index of audit report of internal control (full-text)	Disclosed by http://www.cninfo.com.cn dated March 18, 2018 (Announcement No. 2018-25)
Internal audit report's opinion	Unqualified audit opinion
Non-financial reporting the existence of significant deficiencies	No

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

No

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

Yes ☐ No

X. Corporation bonds

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

No

XI. Financial Report

1. Auditors' Report

Type of auditing opinion	Standard report without qualified opinion
Date of issue of the Auditors' Report	March 26, 2018
Name of the CPA	Pan-China Certified Public Accountants (Special common partnership)
Ref. No. of the Auditors' Report	TIANJIANSHEN (2018) No.1268
Name of the certified accountants	Jiang Xiaodong, Ye Xianbin

Auditors' Report

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

I. Opinion

We have audited the financial statements of Hangzhou Steam Turbine Co., Ltd.. (hereinafter referred to as "the Company"), which comprise the balance sheet as at December 31, 2017, and the income statement, the statement of cash flows and the statement of changes in owners' equity for the year then ended and notes to the financial statements.

In our opinion, the attached financial statements are prepared, in all material respects, in accordance with Accounting Standards for Business Enterprises and present fairly the financial position of the Company as at December 31, 2017 and its operating results and cash flows for the year then ended.

II. Basis for Our Opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants in China. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. According to the Code of Ethics for Chinese CPA, we are independent of the Company in accordance with the Code of Ethics for Chinese CPA and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(I) Bad debt provision for accounts receivable

1. Description of the matter

See Note 3 (X) and Note 5 (I) 3 of the financial report. As of December 31, 2017, the book balance of accounts receivable in the consolidated financial statements of Hangzhou Steam Turbine Co., Ltd. was RMB 2,725,387,736.93 and the balance of bad debt provisions was RMB 1,030,170,288.47. The management conducts the individual impairment test to the accounts receivable with a single significant amount and the accounts receivable with not significant amount but with objective-evidence demonstrated impairment, and the provision for bad debt is made according to the difference of the present value of the future cash flow lower than its book value; In addition to the receivables that have been separately accrued for bad debt provision, the accrued provision for bad debts shall, based on the actual loss rate of the same or similar receivables with similar credit risk characteristics in previous years, be determined by combining with the consideration of the current situation. The calculation of the recoverable amount of accounts receivable requires management's judgment and estimation. If there are bad debts caused by the accounts receivable that cannot be recovered on time or are unable to be recovered, then there will be a great impact on the financial report. Therefore, we make the bad debt provision for accounts receivable as a key audit matter.

2. Countermeasures in the audit

(1) Evaluate and test the design and operation effectiveness of the internal control related to the credit policy

and accounts receivable management of Hangzhou Steam Turbine Co., Ltd;

(2) Analyze the reasonableness of the accounting estimates for bad debts provision of accounts receivable of Hangzhou Steam Turbine Co., Ltd, including the judging of significant amount and the judgment of separate provision for bad debts;

(3) Through the analysis of the aging of accounts receivable of Hangzhou Steam Turbine Co., Ltd and the creditworthiness of customers and by the implementation of confirmation procedure for accounts receivable and the examination of the information of collection after the period, to assess the reasonableness of the bad debt provision for accounts receivable;

(4) Analyze and calculate the ratio of bad debt provision amount and the balance of accounts receivable on the balance sheet date of Hangzhou Steam Turbine Co., Ltd, compare the provision amount for bad debt and the actual occurrences in the previous period, and analyze whether the provision for bad debts of accounts receivable is sufficient;

(5) Acquire the statement of bad debts provision of Hangzhou Steam Turbine Co., Ltd and check whether the accrual method is implemented according to the bad debt policy and recalculate whether the amount of the provision for bad debt is accurate.

(II) Inventory falling prices

1. Description of the matter

See Note 3 (XI) and Note 5 (I) 7 to the financial report. As of December 31, 2017, the book value of inventories in the consolidated financial statements was RMB 2,092,575,691.92, and the provision for the inventory falling prices after deducting the already-accrued was RMB 113,473,653.11. The provision for inventory falling prices is determined based on the net realizable value of inventories, and for the suspended or postponed project requiring the possibility of termination of estimates, the recovered compensation for the terminated project is determined as the basis of net realizable value. The significant accounting estimates and judgments on the afore-said net realizable value will affect the book value of inventories. In view of that the determination of the book value of inventories at the end of the year requires the management to identify the items and objective evidence that have been impaired and assess the expected future cash flows available and determine its present value-which involves the significant accounting estimates and judgments by the management, therefore, we make the provision for inventory falling prices as a key audit matter.

2. Countermeasures in the audit

(1) Understand the progress of each project, and understand product characteristics, production and processing, warehousing, sales and delivery;

(2) Evaluate and test the effectiveness of the design and operation of internal controls related to the inventory management of Hangzhou Steam Turbine Co., Ltd.;

(3) Analyze the reasonableness of the accounting estimates of provision for the inventory falling prices of Hangzhou Steam Turbine Co., Ltd, including the judgments of the depreciation items and the determination of the net realizable value;

(4) Perform the inventory overseeing and inventory age analysis for the inventory at the end of the period, understand the progress and status of the project, and evaluate the reasonableness of the provision for inventory falling prices by taking into account the collection status of the project after the period;

(5) Acquire the list and basis for the provision for inventory falling price for the item of the company of each year, and review and recalculate the provision for inventory falling prices according to the accounting policy for the provision for inventory falling prices.

(III) Recognition of income

1. Description of the matter

See Note 3 (XXI), Note 5 (II) 1. The main business of Hangzhou Steam Turbine Co., Ltd is the production and sales of industrial steam turbines and other products. The operating income for 2017 was RMB 3,447,142,669.49. The identification for the transfer of the main risk and reward of the commodity ownership shall be at the time when the income from domestic sales products obtains the signing receipt confirmed by the purchaser and when the income of the exported products obtains the customs declaration or bill of lading. As the income is one of the key performance indicators of the Hangzhou Steam Turbine Co., Ltd, thus there is inherent risk that the management will manipulate the timing of income recognition in order to achieve specific goals or expectations. Therefore, we recognize the income recognition of the Hangzhou Steam Turbine Co., Ltd as a key audit matter.

2. Countermeasures in the audit

Our audit procedures for the above key audit matter related to the income recognition mainly include:

(1) Evaluate and test the effectiveness of the design and operation of internal control related to income recognition of Hangzhou Steam Turbine Co., Ltd;

(2) Analyze the income and gross profit information according to the product type and sales quantity, and judge whether there is any abnormal fluctuation in the income amount in the current period;

(3) Select samples from the accounting records and shipment records of sales income, cross-check the sales-related contracts, invoices, and receipts, customs declarations, and bills of lading confirmed by the purchaser, and pay particular attention to whether the samples before and after the balance sheet date are included in the correct accounting period;

(4) The income certification process is implemented to evaluate the reasonableness of the timing of revenue recognition.

IV. Other information

The management of the Company is responsible for the other information. The other information comprises information of the Company's annual report in 2017, but excludes the financial statements and our auditor's report. Our opinion on the financial statements does not cover the other information and we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard

V. Responsibilities of Management and Those Charged with Governance for the Financial Statements

The Company's management is responsible for preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation, and for designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

In preparing the financial statements, management of the Company is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the audit standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management of the Company.

(4) Conclude on the appropriateness of using the going concern assumption by the management of the Company, and conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude

that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements and bear all liability for the opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit matters, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

II. The Financial Statements

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

1. Consolidated Balance Sheet

Prepared by: Hangzhou Steam Turbine Co., Ltd

December 31, 2017

In RMB

Items	At the end of term	Beginning of term
Current asset:		
Monetary fund	1,222,677,495.94	895,037,559.34
Settlement provision		
Outgoing call loan		
Financial assets measured at fair value with variations accounted into current income account		
Derivative financial assets		
Bill receivable	715,410,887.68	479,716,321.62
Account receivable	1,695,217,448.46	1,870,173,348.32
Prepayments	446,166,710.77	202,184,858.83
Insurance receivable		
Reinsurance receivable		
Provisions of Reinsurance contracts receivable		
Interest receivable		
Dividend receivable	6,900,000.00	
Other account receivable	16,905,005.57	31,024,707.72
Repurchasing of financial assets		
Inventories	2,092,575,691.92	1,901,544,358.26

Assets held for sales		
Non-current asset due in 1 year		
Other current asset	904,426,265.79	863,018,479.59
Total of current assets	7,100,279,506.13	6,242,699,633.68
Non-current assets:		
Loans and payment on other's behalf disbursed		
Disposable financial asset	2,417,780,984.08	3,060,865,862.60
Expired investment in possess		
Long-term receivable		
Long term share equity investment	5,800,000.00	
Property investment		
Fixed assets	566,710,937.10	615,922,109.91
Construction in progress	255,921,660.09	153,743,889.41
Engineering material		
Fixed asset disposal		
Production physical assets		
Gas & petrol		
Intangible assets	285,670,638.55	297,405,434.08
R & D petrol		
Goodwill		
Long-germ expenses to be amortized	253,886.90	1,430,968.81
Deferred income tax asset	198,179,569.53	178,831,809.85
Other non-current asset		
Total of non-current assets	3,730,317,676.25	4,308,200,074.66
Total of assets	10,830,597,182.38	10,550,899,708.34
Current liabilities		
Short-term loans	115,500,000.00	173,000,000.00
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	215,409,958.92	143,007,715.10
Account payable	882,715,465.65	853,452,589.51
Advance payment	2,419,751,405.08	1,827,959,793.62
Selling of repurchased financial assets		
Fees and commissions receivable		
Employees' wage payable	79,525,773.69	71,224,634.03
Tax payable	34,920,073.37	90,239,673.16
Interest payable	268,860.77	134,376.32
Dividend payable		
Other account payable	27,859,617.33	30,820,980.80
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	4,900,000.00	18,500,000.00
Other current liability		
Total of current liability	3,780,851,154.81	3,208,339,762.54
Non-current liabilities:		
Long-term loan	100,000,000.00	4,900,000.00
Bond payable		
Including: preferred stock		
Sustainable debt		
Long-term payable	209,633,466.66	208,357,733.33
Long-term payable employees's remuneration		
Special payable	237,658,831.07	
Expected liabilities		
Deferred income	4,063,615.00	5,422,895.00
Deferred income tax liability	278,217,667.94	378,256,646.95
Other non-current liabilities		
Total non-current liabilities	829,573,580.67	596,937,275.28
Total of liability	4,610,424,735.48	3,805,277,037.82
Owners' equity		
Share capital	754,010,400.00	754,010,400.00
Other equity instrument		
Including: preferred stock		
Sustainable debt		
Capital reserves	139,545,089.02	139,590,345.09
Less: Shares in stock		
Other comprehensive income	1,570,358,510.09	2,137,419,299.84
Special reserves	25,369,714.61	27,546,353.37
Surplus reserves	621,112,807.78	621,112,807.78
Common risk provision		
Undistributed profit	2,774,420,288.05	2,705,667,037.15
Total of owner's equity belong to the parent company	5,884,816,809.55	6,385,346,243.23
Minority shareholders' equity	335,355,637.35	360,276,427.29
Total of owners' equity	6,220,172,446.90	6,745,622,670.52
Total of liabilities and owners' equity	10,830,597,182.38	10,550,899,708.34

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Zhao Jiamao

2.Parent Company Balance Sheet

Items	In RMB	
	At the end of term	Beginning of term
Current asset:		
Monetary fund	654,407,180.33	293,454,126.93
Financial assets measured at fair value with variations accounted into current income account		
Derivative financial assets		
Bill receivable	357,644,500.75	269,527,716.22
Account receivable	1,195,950,107.32	1,424,950,696.58
Prepayments	163,701,036.86	115,383,408.34
Interest receivable		
Dividend receivable	6,900,000.00	
Other account receivable	4,311,538.86	68,004,706.24
Inventories	1,598,522,597.27	1,446,652,799.71
Assets held for sales		
Non-current asset due in 1 year		
Other current asset	737,474,571.12	600,000,000.00
Total of current assets	4,718,911,532.51	4,217,973,454.02
Non-current assets:		
Disposable financial asset	2,377,021,294.50	3,020,106,173.02
Expired investment in possess		
Long-term receivable		
Long term share equity investment	502,919,378.03	502,919,378.03
Property investment		
Fixed assets	265,423,321.11	315,900,380.66
Construction in progress	151,569,540.89	94,170,909.99
Engineering material		
Fixed asset disposal		
Production physical assets		
Gas & petrol		
Intangible assets	169,780,320.65	173,826,293.57
R & D petrol		
Goodwill		
Long-germ expenses to be amortized	253,886.90	507,773.78
Deferred income tax asset	146,802,178.11	133,581,773.70
Other non-current asset		
Total of non-current assets	3,613,769,920.19	4,241,012,682.75
Total of assets	8,332,681,452.70	8,458,986,136.77
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	5,400,000.00	
Account payable	457,304,271.86	486,810,046.42
Advance payment	1,817,869,660.07	1,476,780,338.78
Employees' wage payable	42,770,536.86	44,035,408.19
Tax payable	3,918,864.69	64,247,326.24
Interest payable	112,597.22	
Dividend payable		
Other account payable	15,515,940.17	21,562,998.72
Classified as held for sale debt		
Non-current liability due in 1 year		
Other current liability		
Total of current liability	2,342,891,870.87	2,193,436,118.35
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	237,067,491.46	
Expected liabilities		
Deferred income		
Deferred income tax liability	278,217,667.94	378,256,646.95
Other non-current liabilities		
Total of Non-current liabilities	615,285,159.40	378,256,646.95
Total of liability	2,958,177,030.27	2,571,692,765.30
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	1,570,912,609.09	2,137,800,156.80
Special reserves	9,629,800.19	10,874,033.85
Surplus reserves	602,356,402.65	602,356,402.65
Undistributed profit	2,298,641,960.41	2,243,299,128.08
Total of owners' equity	5,374,504,422.43	5,887,293,371.47
Total of liabilities and owners' equity	8,332,681,452.70	8,458,986,136.77

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

3.Consolidated Income statement

Items	In RMB	
	Report period	Same period of the previous year
I. Income from the key business	3,447,142,669.49	3,235,303,379.24
Incl: Business income	3,447,142,669.49	3,235,303,379.24
Interest income		
Insurance fee earned		
Fee and commission received		
II. Total business cost	3,454,428,905.88	3,211,913,936.08
Incl: Business cost	2,450,587,325.79	2,204,578,781.07
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	31,221,773.02	32,563,426.16
Sales expense	169,520,147.67	164,610,410.65
Administrative expense	644,178,931.78	623,684,537.46
Financial expenses	24,287,127.82	-14,837,853.07
Asset impairment loss	134,633,599.80	201,314,633.81
Add: Gains from change of fir value (“-”for loss)		
Investment gain (“-”for loss)	120,565,851.26	32,136,337.57
Incl: investment gains from affiliates		
Gains from currency exchange (“-”for loss)		
Assets disposal income	2,740,865.13	387,292.53
Other income	10,195,671.25	
III. Operational profit (“-”for loss)	126,216,151.25	55,913,073.26
Add : Non-operational income	8,075,659.19	25,780,924.16
Less: Non business expenses	1,635,679.94	4,274,955.35
IV.Total profit(“-”for loss)	132,656,130.50	77,419,042.07
Less: Income tax expenses	10,835,754.48	10,507,672.15
V. Net profit	121,820,376.02	66,911,369.92
(1) Categorized by going concern	121,820,376.02	66,911,369.92
(2) Termination of operating net profit		
Net profit attributable to the owners of parent company	68,753,250.90	31,955,445.73
Minority shareholders' equity	53,067,125.12	34,955,924.19
VI. Other comprehensive income	-567,294,413.99	2,138,908,422.36
Net of profit of other comprehensive income attributable to owners of the parent company.	-567,060,789.75	2,138,272,051.84
(1) 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.	-567,060,789.75	2,138,272,051.84
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	-566,887,547.71	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	-173,242.04	471,895.04
6.Other		
Net of profit of other comprehensive income attributable to Minority shareholders' equity	-233,624.24	636,370.52
VII. Total comprehensive income	-445,474,037.97	2,205,819,792.28
Total comprehensive income attributable to the owner of the parent company	-498,307,538.85	2,170,227,497.57
Total comprehensive income attributable minority shareholders	52,833,500.88	35,592,294.71
VIII. Earnings per share		
(I) Basic earnings per share	0.09	0.04
(II) Diluted earnings per share	0.09	0.04

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Zhao Jiamao

4. Income statement of the Parent Company

In RMB		
Items	Report period	Same period of the previous year
I. Income from the key business	2,196,716,474.74	2,143,474,150.58
Less: Business cost	1,694,306,219.84	1,556,832,738.33
Business tax and surcharge	10,973,986.81	19,958,750.71
Sales expense	105,694,953.84	104,810,547.64
Administrative expense	409,162,136.78	387,271,046.69
Financial expenses	13,375,506.45	-12,303,571.04
Asset impairment loss	97,887,620.88	171,652,812.43
Add: Gains from change of fair value (“-”for loss)		
Investment gain (“-”for loss)	167,830,820.86	102,446,490.02
Incl: investment gains from affiliates		
Assets disposal income	2,555,740.94	353,762.44
Other income	3,890,400.53	
II. Operational profit (“-”for loss)	39,593,012.47	18,052,078.28
Add : Non-operational income	4,030,380.36	13,150,650.34
Less: Non business expenses	1,307,587.69	1,957,148.79
III. Total profit (“-”for loss)	42,315,805.14	29,245,579.83
Less: Income tax expenses	-13,027,027.19	-12,829,459.15
IV. Net profit	55,342,832.33	42,075,038.98
(1) Categorized by going concern	55,342,832.33	42,075,038.98
(2) Termination of operating net profit		
V. Net of profit of other comprehensive income	-566,887,547.71	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.	-566,887,547.71	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	-566,887,547.71	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	-511,544,715.38	2,179,875,195.78
VII. Earnings per share:		

(I) Basic earnings per share	0.07	0.06
(II) Diluted earnings per share	0.07	0.06

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Zhao Jiamao

5. Consolidated Cash flow statement

In RMB

Items	Report period	Same period of the previous year
I.Cash flows from operating activities		
Cash received from sales of goods or rendering of services	3,494,692,256.02	3,117,828,975.19
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	13,672,821.64	9,575,551.67
Other cash received from business operation	136,993,210.01	36,339,734.29
Sub-total of cash inflow	3,645,358,287.67	3,163,744,261.15
Cash paid for purchasing of merchandise and services	2,188,106,830.33	1,592,178,163.15
Net increase of client trade and advance		
Net increase of savings in central bank and brother company		
Cash paid for original contract claim		
Cash paid for interest, processing fee and commission		
Cash paid for policy dividend		
Cash paid to staffs or paid for staffs	675,225,336.13	660,847,474.75
Taxes paid	237,999,779.64	186,151,888.55
Other cash paid for business activities	338,723,549.80	218,407,306.28
Sub-total of cash outflow from business activities	3,440,055,495.90	2,657,584,832.73
Cash flow generated by business operation, net	205,302,791.77	506,159,428.42
II.Cash flow generated by investing		
Cash received from investment retrieving	103,680,000.00	3,045,673.93
Cash received as investment gains	84,616,250.54	32,136,337.57
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	16,494,301.22	1,047,802.29
Net cash received from disposal of subsidiaries or other operational units		
Other investment-related cash received	4,135,806,169.07	1,765,932,662.00

Sub-total of cash inflow due to investment activities	4,340,596,720.83	1,802,162,475.79
Cash paid for construction of fixed assets, intangible assets and other long-term assets	149,836,385.82	83,386,401.14
Cash paid as investment	102,400,000.00	39,442,786.76
Net increase of loan against pledge		
Net cash received from subsidiaries and other operational units		
Other cash paid for investment activities	3,931,296,261.75	2,193,700,000.00
Sub-total of cash outflow due to investment activities	4,183,532,647.57	2,316,529,187.90
Net cash flow generated by investment	157,064,073.26	-514,366,712.11
III.Cash flow generated by financing		
Cash received as investment		
Incl: Cash received as investment from minor shareholders		
Cash received as loans	232,500,000.00	202,000,000.00
Cash received from bond placing		
Other financing –related ash received		208,000,000.00
Sub-total of cash inflow from financing activities	232,500,000.00	410,000,000.00
Cash to repay debts	208,500,000.00	214,650,000.00
Cash paid as dividend, profit, or interests	49,845,493.76	53,367,075.65
Incl: Dividend and profit paid by subsidiaries to minor shareholders	41,161,592.50	44,221,187.50
Other cash paid for financing activities	23,054,431.92	
Sub-total of cash outflow due to financing activities	281,399,925.68	268,017,075.65
Net cash flow generated by financing	-48,899,925.68	141,982,924.35
IV. Influence of exchange rate alternation on cash and cash equivalents	-7,211,089.37	8,236,681.66
V.Net increase of cash and cash equivalents	306,255,849.98	142,012,322.32
Add: balance of cash and cash equivalents at the beginning of term	831,236,984.85	689,224,662.53
VI .Balance of cash and cash equivalents at the end of term	1,137,492,834.83	831,236,984.85

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Zhao Jiamao

6. Cash Flow Statement of the Parent Company

In RMB

Items	Amount in this period	Amount in last period
I.Cash flows from operating activities		
Cash received from sales of goods or rendering of services	2,123,033,690.29	1,692,166,949.58
Tax returned	1,250,418.38	2,971,055.45
Other cash received from business operation	20,481,813.79	14,110,015.18
Sub-total of cash inflow	2,144,765,922.46	1,709,248,020.21
Cash paid for purchasing of merchandise and services	1,199,591,051.02	757,987,965.11
Cash paid to staffs or paid for staffs	457,506,060.50	450,219,508.05
Taxes paid	106,962,139.60	62,701,978.23
Other cash paid for business activities	123,920,412.74	112,929,726.69
Sub-total of cash outflow from business activities	1,887,979,663.86	1,383,839,178.08
Cash flow generated by business operation, net	256,786,258.60	325,408,842.13
II.Cash flow generated by investing		
Cash received from investment retrieving	103,680,000.00	
Cash received as investment gains	135,809,172.66	102,446,490.02
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	16,038,777.07	47,893,364.87
Net cash received from disposal of subsidiaries or other operational units		
Other investment-related cash received	2,713,003,714.00	980,000,000.00
Sub-total of cash inflow due to investment activities	2,968,531,663.73	1,130,339,854.89
Cash paid for construction of fixed assets, intangible assets and other long-term assets	70,439,655.26	53,123,444.54
Cash paid as investment	102,400,000.00	39,442,786.76
Net cash received from subsidiaries and other operational units		
Other cash paid for investment activities	2,676,530,440.00	1,470,000,000.00
Sub-total of cash outflow due to investment activities	2,849,370,095.26	1,562,566,231.30
Net cash flow generated by investment	119,161,568.47	-432,226,376.41
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	3,406,763.88	3,448,007.34
Other cash paid for financing activities		
Sub-total of cash outflow due to financing activities	103,406,763.88	103,448,007.34
Net cash flow generated by financing	-3,406,763.88	-3,448,007.34
IV. Influence of exchange rate alternation on cash and cash equivalents	-5,925,130.42	6,279,861.59
V.Net increase of cash and cash equivalents	366,615,932.77	-103,985,680.03
Add: balance of cash and cash equivalents at the beginning of term	283,930,522.76	387,916,202.79
VI ..Balance of cash and cash equivalents at the end of term	650,546,455.53	283,930,522.76

Legal Representative: Zheng Bin Person in charge of accounting: Zhao Jiamao 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 : Shar es in stoc k	Other Comprehensive Income	Specialized reserve	Surplus reserves	Com mon risk prov ision			Attributable profit
pre ferred stoc k													
I.Balance at the end of last year	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
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		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
III.Changed in the current year					-45,256.07		-567,060,789.75	-2,176,638.76			68,753,250.90	-24,920,789.94	-525,450,223.62
（1） Total comprehensive income							-567,060,789.75				68,753,250.90	52,833,500.88	-445,474,037.97
（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												-41,161,592.50	-41,161,592.50
1. Providing of surplus reserves													
2. Providing of common risk provisions													
3. Allotment to the owners (or shareholders)												-41,161,592.50	-41,161,592.50
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								-2,176,638.76				-378,458.25	-2,555,097.01
1. Provided this year													
2. Used this term								-2,176,638.76				-378,458.25	-2,555,097.01

(VI) Other					-45,256.07							-36,214,240.07	-36,259,496.14
IV. Balance at the end of this term	754,010,400.00				139,545,089.02		1,570,358,510.09	25,369,714.61	621,112,807.78		2,774,420,288.05	335,355,637.35	6,220,172,446.90

Legal Representative: Zheng Bin Person in charge of accounting: Zhao Jiamao 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	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit	Minor shareholders' equity	Total of owners' equity
		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

(I) 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. Allotment to the owners (or shareholders)												
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: Zhao Jiamao 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
		preferr ed stock	Sustai nable debt	Othe r							
I.Balance at the end of last year	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
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		2,137,800,156.80	10,874,033.85	602,356,402.65	2,243,299,128.08	5,887,293,371.47

III.Changed in the current year							-566,887,547.71	-1,244,233.66		55,342,832.33	-512,788,949.04
(I) Total comprehensive income							-566,887,547.71			55,342,832.33	-511,544,715.38
(II) Investment or decreasing of capital by owners											
1. Ordinary Shares invested by share holders											
2. Holders of other equity instruments invested capital											
3.Amount of shares paid and accounted as owners' equity											
4. Other											
(III) Profit allotment											
1.Providing of surplus reserves											
2. Allotment to the owners (or shareholders)											
3. Other											
(IV) Internal transferring of owners' equity											
1. Capitalizing of capital reserves (or to capital shares)											
2. Capitalizing of surplus reserves (or to capital shares)											
3. Making up losses by surplus reserves.											
4. Other											

(V). Special reserves								-1,244,233.66			-1,244,233.66
1. Provided this year											
2. Used this term								-1,244,233.66			-1,244,233.66
(VI) Other											
IV. Balance at the end of this term	754,010,400.00				138,953,250.09		1,570,912,609.09	9,629,800.19	602,356,402.65	2,298,641,960.41	5,374,504,422.43

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

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
		preferr ed stock	Sustai nable debt	Othe r							
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: Zhao Jiamao

Accounting Dept Leader: Zhao Jiamao

III. Company Profile

Hangzhou Steam Turbine Co., Ltd. (the Company) was incorporated as a joint stock limited company exclusively promoted by Hangzhou Steam Turbine & Power Group Company Limited (“HSTG”) approved by the Securities Regulatory Commission of the State Council with the Document SRC [1998] No. 8 by offering domestically listed foreign currency ordinary shares (B Shares), with registration date: April 23, 1998, Headquartered in Hangzhou, Zhejiang Province. The company now holds a unified social credit code for the 913300007042026204 business license, The Company’s registered capital is increased to RMB754.0104 million with total capital share of 754.0104 million shares (face value RMB1.00). Among which state-owned legal person shares were 479.8248 million shares and 274.1856 million shares of current B shares. The shares were issued and listed for trading in Shenzhen Stock Exchange on April 28, 1998.

The design, manufacturing, Main Business Activities: R&D, Production and Sales of Industrial Steam Turbine.
Main Products: Industrial Steam Turbine

These Financial Statements are released upon approval at the 20th meeting of the 7th term of Board held on March 26, 2018.

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

IV. Basis of compiling the finance report

(1) Basis of compiling

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

(II) Assessment on perpetuation

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

V. Principal Accounting Policies and Estimations

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

No

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

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

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

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

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

3. Basis of recognition and accounting of financial asset transferring

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

The Company measured the surplus between the following two values for the transferred finance assets which fulfill the stop recognition requirements into current gain or loss: (1) Account value of the transferred finance asset; (2) Consideration plus the accumulated fair value changes which were accounted directed into ownership rights. For the transferred finance assets which partly fulfill the stop recognition requirements the Company

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

4. Recognition of fair value of financial assets and liabilities

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

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

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

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

5. Impairment test and impairment reserves plan

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

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

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

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

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

value of the predictable future cash flow upon current market gain rate, is recognized as impairment loss and recorded to current gain/loss account. It will not be written back in subsequent years.

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

10. Receivable accounts

(1) Recognition and providing of bad debt provision on individual receivable account with large amount

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

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

Name of the Group	Basis of bad debt provision
Group by age analysis	Age analysis method
The association unit within the scope of the merger is a credit risk feature that is matched against the income from the related transactions.	Impairment test performed individually, bad debt provision will be provided at the difference of expected cash flow lower than the book value.

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

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

Bad debt provisions are provided on percentage basis in the portfolio

Not applicable

Bad debt provisions are provided on other basis in the portfolio

Not applicable

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

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

11. Inventories

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

No

(1) Inventory classification

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

(2) Pricing of inventory to be delivered

Pricing basis:

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

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

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

(4) Inventory system

Inventory system: perpetual inventory system

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

1. Low price consumable

Basis of amortizing: one-off

2. Packaging materials

Basis of amortizing: one-off

12. Long-term equity investment

1. Recognition of common control and substantial influence

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

2. Recognition of initial investment costs

(1) For the long-term equity investment formed by corporate merger under common control, if it is the long-term

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

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

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

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

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

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

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

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

(3) Formed by means other than entity merger:

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

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

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

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

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

No

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

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

15. Loan expenses

1. Capitalizing of loan expenses

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

2. Capitalization period of loan expenses

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

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

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

3. Rates and amounts of loan expense capitalization

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

16. Intangible assets

(1) Pricing Method, service life and impairment test

1. Intangible assets are land using rights, patents, and non-patent technologies, which are measured at cost basis.
2. For intangible assets with limited useful life, during the use life it is amortized according to the anticipating implementation method of the economic benefit of the intangible asset systematically and reasonably. If can't recognize the anticipating implementation method, the straight basis is deployed.

Items	Amortiing years
Land use right	50
Patent and Special technology	5-20
Unpatent technology	10
Softward	5

(2) Accounting policy for internal research and development expenditure

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

17. Impairment of partial long-term assets

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

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

18. Long-term amortizable expenses

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

19. Employees' wage

1. Accounting of short-term wages

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

2. Accounting of stipulated beneficiary plan is on following steps:

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

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

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

3. Accounting of dismissing welfare

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

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

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

4. Accounting of other long-term employees' welfares

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

20. Expected liabilities

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

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

21.Revenue

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

No

1. Recognizing of revenue

(1) Sales of goods

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

(2) Providing of services

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

(3) Giving of asset using rights

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

(4) Construction contracts

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

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

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

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

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

2. Practical basis for recognition of revenue

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

22. Government subsidy

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

Government subsidies to the Company for purchasing or acquiring by other means of long-term asset are asset-related government subsidies. For government subsidies related to assets, the book value of the relevant assets is deducted or the deferred income is recognized. Where such subsidies are recognized as deferred income, the relevant assets shall, within the useful life of the relevant assets, be reasonably recognized, The method of the system shall be recorded into profit and loss by stages. The government subsidy measured according to the nominal amount shall be directly accounted for in the profits and losses of the current period. Where the relevant assets are sold, transferred, scrapped or damaged before the end of their useful life, Transfer the undistributed balance of deferred income to the current profit or loss of asset disposal.

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

A government subsidy other than an asset-related government subsidy is divided into profit-related government subsidies. It is difficult to distinguish between asset-related and revenue-related government subsidies that include both asset-related and revenue-related components. Overall classification as government subvention related to income. 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

(1) Accounting of operational lease

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

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

25. Other important accounting policies and accounting estimates

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.

26. Significant accounting policy and changes in accounting estimates

(1) Significant accounting policy changes

1. Since May 28, 2017, the company has implemented the "No. 42 Accounting Standards for Business Enterprises-Non-current assets for Sale, disposal Group, and termination of operation" formulated by the Ministry of Finance, and since June 12, 2017, the company has implemented the revised "No. 16 Accounting Standards for Enterprises-Government Grants". The change of accounting policy is handled by the future applicable method.

2. The Company implemented the "Notice on the Issuance of the Revised Format of Financial Statements for General Enterprises (Caihui [2017] No. 30)" in the preparation of the 2017 annual statement, so that the gains and losses on the disposal of non-current assets and the gains and losses of non-monetary asset exchange previously stated in "Non-operating income" and "Non-operating expenses" were presented in the "Assets disposal income". This change in accounting policy adopted the retrospective adjustment method, which reduced the 2016 non-operating income by RMB 387,292.53 and increased the asset disposal income by RMB 387,292.53.

(2) Significant accounting estimates change

Not applicable

VI. Taxation

1. Main categories and rates of taxes

Category of taxes	Tax base	Tax rate
VAT	Sales of goods or providing of taxable labor service	17%
City maintenance and construction tax	Turnover tax payable	5%、7%
Enterprise income tax	Amount of income taxable	15%、25%
Educational surcharge	Turnover tax payable	3%
Local education additional	Turnover tax payable	2%
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%

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

Name	Income tax rate
The Company , Zhongneng Company, Packaged Tech. Company,Casting Company, Zhejiang Huayuan Steam Turbine Machinery Co.,Ltd. and Hangzhou Guoneng Steam Turbine Engineering Co.,Ltd.	15%
Hangzhou Zhongneng Steam Turbine Power (Indonesia) Co., Ltd.	Hangzhou Zhongneng Steam Turbine Power (Indonesia) Co., Ltd. registered in Indonesia overseas subsidiaries, the applicable local relevant tax laws and regulations
Other Subsidiary (Domestic)	25%

2. Preferential tax

1. According to the document “Notice for Qualification of High-tech Enterprises” (GKHZD(2017)No.201) issued by Department of Science and Technology High-tech Development Center, the Company along with Hangzhou Zhongneng Steam Turbine Power Co., Ltd. ,Zhejiang Packaged Technologies Development Co., Ltd., Zhejiang Huayuan Steam Turbine Machinery Co.,Ltd. and Hangzhou Guoneng Steam Turbine Engineering Co.,Ltd. – subsidiaries of the Company, were qualified as high-tech enterprises for term of three years. Therefore they enjoy 15% of tax for 2017.

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– subsidiaries of the Company, were qualified as high-tech enterprises for term of three years. Therefore they enjoy 15% of tax for 2017.

VII. Notes to the Consolidated Financial Statements

1.Monetary Capital

In RMB

Items	End of term	Beginning of term
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Cash in stock	208,763.32	326,226.09
Bank deposit	1,137,284,071.51	830,910,758.76
Other monetary fund	85,184,661.11	63,800,574.49
Total	1,222,677,495.94	895,037,559.34
Incl: Total of accounts saved overseas	3,770,731.56	4,796,746.67

Other notes:

Other monetary fund composes of RMB74,446,322.46 of security for bank acceptance notes RMB3,860,724.80 of security for Letter of credit, RMB6,877,613.85 of security for bank guarantee letter. Both under limitation of using.

2. Bills receivable

(1) Notes receivable listed by category

In RMB

Items	End of term	Beginning of term
Bank acceptance	691,199,387.68	424,613,558.62
Commercial acceptance	24,211,500.00	55,102,763.00
Total	715,410,887.68	479,716,321.62

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

In RMB

Items	Amount on pledge
Bank acceptance	40,000,000.00
Total	40,000,000.00

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

In RMB

Items	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period -end
Bank acceptance	490,980,239.67	
Total	490,980,239.67	

(4) Bills transferred to accounts receivable because drawer of the Bills fails to execute the contract or agreement, and undue Bills endorsed to other parties at the end of the period.

In RMB

Items	End of the period amounts derecognizing
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Trade acceptance	3,200,000.00
Total	3,200,000.00

3. Account receivable

(1) Detailed categories

In RMB

Category	End of term					Beginning of term				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion		Amount	Proportion	Amount	Proportion	
Account receivables provided bad debt provision in credit risk groups	2,695,568,129.24	98.91%	1,000,350,680.78	37.11%	1,695,217,448.46	2,812,043,945.50	98.95%	941,870,597.18	33.49%	1,870,173,348.32
Accounts receivable of individually withdrawing bad debt provision with non-significant individual amount	29,819,607.69	1.09%	29,819,607.69	100.00%		29,819,607.69	1.05%	29,819,607.69	100.00%	
Total	2,725,387,736.93	100.00%	1,030,170,288.47	37.80%	1,695,217,448.46	2,841,863,553.19	100.00%	971,690,204.87	34.19%	1,870,173,348.32

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

Not applicable

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

√ Applicable □ Not applicable

In RMB

Age	End of term		
	Book balance	Bad debt provision	Proportion
Subitem Within 1 year			
Subtotal within 1 year	819,351,925.82	40,967,596.30	5.00%
1-2 years	537,175,692.05	53,717,569.20	10.00%
2-3 years	359,554,782.76	107,866,434.84	30.00%
Over 3 years	979,485,728.61	797,799,080.44	
3-4 years	322,567,118.79	193,540,271.27	60.00%
4-5 years	263,299,003.24	210,639,202.59	80.00%
Over 5 years	393,619,606.58	393,619,606.58	100.00%
Total	2,695,568,129.24	1,000,350,680.78	37.11%

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

Not applicable

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

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

The current amount of provision for bad debts is RMB68,484,778.81; recovery or payback for bad debts Amount is RMB0.00.

(3) The current accounts receivable write-offs situation

In RMB

Items	Amount
Uncollectible amount	10,004,695.21

Of which the significant actual write-off accounts receivable:

In RMB

Name	Nature of account receivable	Amount written off	Reason for written off	Verification procedures	Arising from related transactions (Y/N)
Shenyang Touping Mechanical Co., Ltd.	Goods	3,301,440.00	Uncollectible amount	The examined and adopted to Board of directors	No
China Air Separation Engineering Co., Ltd.	Goods	1,674,643.00	Uncollectible amount	The examined and adopted to Board of directors	No

Huaneng Energy saving Powergeneration Co., Ltd.	Goods	760,000.00	Uncollectible amount	The examined and adopted to Board of directors	No
China Metallurgical Sadie Engineering & Technology Co., Ltd.	Goods	758,160.00	Uncollectible amount	The examined and adopted to Board of directors	No
Hebei Iron and Steel Group Yanshan Iron and Steel Co., Ltd.	Goods	623,280.00	Uncollectible amount	The examined and adopted to Board of directors	No
Nei Monggol Runbang Biotechnology Co., Ltd.	Goods	620,000.00	Uncollectible amount	The examined and adopted to Board of directors	No
Other	Goods	2,267,172.21	Uncollectible amount	The examined and adopted to Board of directors	No
Total	--	10,004,695.21	--	--	--

(4) Receivables account of the top five parties

Name	Amount	Proportion(%)	Bad debt provision
Client 1	644,733,586.92	23.66	316,242,613.17
Client 2	280,098,730.82	10.28	191,312,225.82
Client 3	60,048,003.87	2.20	12,214,467.99
Client 4	46,363,500.00	1.70	2,318,175.00
Client 5	43,680,000.00	1.60	2,184,000.00
Subtotal	1,074,923,821.61	39.44	524,271,481.98

4. Prepayments

(1) Age analysis

In RMB

Age	Balance in year-end		Balance in year-begin	
	Book balance	Proportion(%)	Book balance	Proportion(%)
Within 1 year	414,480,174.64	92.90%	169,302,923.28	83.74%
1-2 years	10,312,288.25	2.31%	10,874,142.27	5.38%
2-3 years	4,033,538.38	0.90%	17,195,603.48	8.50%
Over 3 years	17,340,709.50	3.89%	4,812,189.80	2.38%
Total	446,166,710.77	--	202,184,858.83	--

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

Name	Amount	Proportion(%)
Xingji Aosen Iron & Steel Co., Ltd.	141,645,000.00	31.75
Hangzhou Hangfa Power generation Equipment Co., ltd.	43,741,785.00	9.80
Jinling International Co., Ltd.	34,540,113.23	7.74
Siemens Industrial Turbomachinery AB	23,853,360.13	5.35
Yizheng Haitian Aluminum co., Ltd.	12,566,426.27	2.82
Subtotal	256,346,684.63	57.46

5.Dividend receivable

(1) Dividend receivabl

In RMB

Items	Balance in year-end	Balance in year-begin
Hangzhou Bank	6,900,000.00	
Total	6,900,000.00	

6. Other account receivable

1) Detailed categories

In RMB

Category	End of term					Beginning of term				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion %	Amount	Proportion %		Amount	Proportion %	Amount	Proportion %	
Other Accounts receivable portfolio subject to impairment by credit risk	28,165,573.86	100.00%	11,260,568.29	39.98%	16,905,005.57	42,152,338.08	100.00%	11,127,630.36	26.40%	31,024,707.72
Total	28,165,573.86	100.00%	11,260,568.29	39.98%	16,905,005.57	42,152,338.08	100.00%	11,127,630.36	26.40%	31,024,707.72

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

Not applicable

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

In RMB

Aging	Closing balance		
	Other receivable	Bad debt provision	Proportion
Subitem within 1 year			
Subtotal within 1 year	10,792,930.67	539,646.56	5.00%
1-2 years	2,584,741.62	258,474.15	10.00%
2-3 years	3,363,340.73	1,009,002.22	30.00%
Over 3 years	11,424,560.84	9,453,445.36	

3-4 years	2,947,427.90	1,768,456.74	60.00%
4-5 years	3,960,721.60	3,168,577.28	80.00%
Over 5 years	4,516,411.34	4,516,411.34	100.00%
Total	28,165,573.86	11,260,568.29	39.98%

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

Not applicable

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

Not applicable

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

The withdrawal amount of the bad debt provision during the reporting period was of RMB136,024.61; the amount of the reversed or collected part during the reporting period was of RMB 0.00.

(3)The current accounts receivable write-offs situation

Items	Amount
Deposit	3,000.00

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

In RMB

Nature	Closing book balance	Opening book balance
Export tax refund receivable	465,230.69	13,234,170.89
Deposit	16,917,313.03	19,810,421.19
Provisional payment receivable	5,232,037.20	4,957,646.21
Petty cash	2,803,540.63	1,156,796.99
Other	2,747,452.31	2,993,302.80
Total	28,165,573.86	42,152,338.08

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

In RMB

Name of the company	Account property	Book balance	Age	Percentage in total other receivable %	Bad debt provision
Shanghai Customs Waigaoqiao Office	Deposit	3,710,320.94	Over 5 years	13.17%	3,710,320.94
Investment from Indonesia Company receivable	Investment	3,267,100.00	4-5 years	11.60%	2,613,680.00
Guoxin Bidding Group Co.,Ltd.	Bidding deposit	800,000.00	2-3 years	2.84%	240,000.00
Guodian Trust Bidding Co., Ltd.	Deposit	800,000.00	Within 1 year	2.84%	40,000.00
Shanghai Pujiang customs	Deposit	767,197.78	Within 1 year	2.72%	38,359.89
Total	--	9,344,618.72	--	33.17%	6,642,360.83

7. Inventories

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

No

(1) Details

In RMB

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Raw materials	522,590,238.59	309,803.19	522,280,435.40	568,639,726.41	309,803.19	568,329,923.22
Product in process	584,647,307.67	15,617,324.99	569,029,982.68	400,195,046.11	10,345,866.48	389,849,179.63
Products in stock	1,098,811,798.77	97,546,524.93	1,001,265,273.84	998,661,308.19	55,296,052.78	943,365,255.41
Total	2,206,049,345.03	113,473,653.11	2,092,575,691.92	1,967,496,080.71	65,951,722.45	1,901,544,358.26

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

No

(2) Inventory depreciation provision

In RMB

Items	Beginning of term	Increased this period		Decreased this period		End of term
		Provided	Others	Written back or off	Others	
Raw materials	309,803.19	309,803.19				309,803.19
Product in process	10,345,866.48	11,731,845.24		6,460,386.73		15,617,324.99
Products in stock	55,296,052.78	54,280,951.14		12,030,478.99		97,546,524.93
Total	65,951,722.45	66,012,796.38		18,490,865.72		113,473,653.11

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 18,490,865.72, which is the provision for the inventory depreciation reserve due to the use or sale of inventory.

(3) Statement of the capitalized amount of the borrowing costs included in the end of the inventory balance

Nil

8. Other current asset

In RMB

Items	End of term	Beginning of term
Bank financing products[Notes]	886,732,329.00	853,767,338.00

Input tax deductible	16,473,990.55	6,410,137.62
To verify the input tax	261,538.46	995,153.86
Prepaid income tax	354,357.59	1,845,850.11
Rent charge	604,050.19	
Total	904,426,265.79	863,018,479.59

Other notes:

[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.

9 Sellable financial asset

(1) Details

In RMB

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Available-for-sale equity instruments	2,417,780,984.08		2,417,780,984.08	3,060,865,862.60		3,060,865,862.60
Measured by fair value	2,239,086,521.28		2,239,086,521.28	2,906,013,048.00		2,906,013,048.00
Measured by cost	178,694,462.80		178,694,462.80	154,852,814.60		154,852,814.60
Total	2,417,780,984.08		2,417,780,984.08	3,060,865,862.60		3,060,865,862.60

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

In RMB

Type	Available-for-sale equity instruments	Available-for-sale Liabilities instruments		Total
Fair value	2,239,086,521.28			2,239,086,521.28

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

In RMB

Investee	Book balance				Impairment provision				Proportion %	Cash dividend
	Period-begin	Increase	Decrease	Period-end	Period-b egin	Increase	Decrease	Period-end		
Hangzhou Changdi Equity Investment Partnership(Limited liability)	48,558,351.80		48,558,351.80							
Hangzhou Jushi Investment Partnership (Limited partnership)	30,000,000.00	100,000,000.00	30,000,000.00	100,000,000.00					32.26%	9,810,990.23
Hangzhou Steam Turbine Engineering Co., Ltd.	30,000,000.00			30,000,000.00					15.00%	
Wuxi Xinchang Steel Bube Co., Ltd.	15,159,689.58			15,159,689.58					18.00%	
Zhejiang Zhongkong Solar Energy Technology Co., Ltd.	15,000,000.00			15,000,000.00					3.84%	
Zhejiang Tianhang Steam Turbine Auxiliary Machinery Co., Ltd.	10,000,000.00			10,000,000.00					33.33%	1,000,000.00
Greenesolpower systems PVT Ltd.	5,534,773.22			5,534,773.22					37.00%	1,590,356.24

Zhejiang Hangzhou Steam Turbine Gas turbine machinery innovation center		2,400,000.00		2,400,000.00					48.00%	
Zhejiang Sanxin AUTOMATION Engineering Co., Ltd.	600,000.00			600,000.00					6.00%	
Total	154,852,814.60	102,400,000.00	78,558,351.80	178,694,462.80					--	12,401,346.47

Other notes:

The company, as an investor, does not have the power to participate in the decision-making of financial and operational policies of the invested units including Hangzhou Jushi Investment Partnership (Limited Partnership), Zhejiang Tianhang Steam Turbine Auxiliary Machinery Co., Ltd, Greenesol power systems PVT Ltd. Therefore, the cost method is used to make the accounting treatment on this kind of equity investment, with in accordance with the criteria for the recognition and measurement of financial instruments.

10. Long-term equity investments

In RMB

Investees	Opening balance	Increase /decrease								Closing balance	Closing balance of impairment provision
		Additional investment	Decrease investment	Investment gains and losses recognized under the equity method	Adjustment of other comprehensive income	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
I. Joint venture											
2. Affiliated Company											
Zhejiang Zhongrun Gas			5,800,000.00							5,800,000.00	

turbine technology Co., Ltd.											
Subtotal			5,800,000 .00							5,800,000.00	
Total			5,800,000 .00							5,800,000.00	

11. Fixed assets

(1) Details

In RMB

Items	Houses & buildings	Machinery equipment	Transportation equipment	Office equipment	Total
I. Original price					
1. Balance at period-beginning	446,446,798.60	998,376,141.69	29,547,916.82	96,654,801.28	1,571,025,658.39
2. Increase in the current period	17,550,203.26	21,156,629.93	807,058.66	2,808,557.83	42,322,449.68
(1) Purchase		937,406.53	576,555.80	1,257,414.12	2,771,376.45
(2) Transferred from construction in progress	17,550,203.26	20,219,223.40	230,502.86	1,551,143.71	39,551,073.23
(3) Increased of Enterprise Combination					
3. Decreased amount of the period		16,831,238.90	1,699,402.00	1,140,893.23	19,671,534.13
(1) Dispose		15,546,510.00	1,699,402.00	975,491.78	18,221,403.78
(2) Other decrease		1,284,728.90		165,401.45	1,450,130.35
4. Balance at period-end	463,997,001.86	1,002,701,532.72	28,655,573.48	98,322,465.88	1,593,676,573.94
II. Accumulated amortization					
1. Opening balance	176,390,042.92	672,647,889.34	20,536,349.06	78,877,295.49	948,451,576.81
2. Increased amount of the period	14,488,022.18	55,469,475.82	1,830,809.30	4,767,231.67	76,555,538.97
(1) Withdrawal	14,488,022.18	55,469,475.82	1,830,809.30	4,767,231.67	76,555,538.97
3. Decrease in the reporting period		2,286,591.62	1,449,615.54	957,243.45	4,693,450.61
(1) Disposal		2,059,929.00	1,449,615.54	898,179.91	4,407,724.45
(2) Other decrease		226,662.62		59,063.54	285,726.16
4. Closing balance	190,878,065.10	725,830,773.54	20,917,542.82	82,687,283.71	1,020,313,665.17
III. Impairment provision					
1. Opening balance	1,504,928.24	4,033,520.42		1,113,523.01	6,651,971.67
2. Increase in the reporting period					

(1) Withdrawl					
3.Decrease the reporting period					
(1) Disposal					
4. Closing balance	1,504,928.24	4,033,520.42		1,113,523.01	6,651,971.67
IV. Book value					
1.Book value ofthe period-end	271,614,008.52	272,837,238.76	7,738,030.66	14,521,659.16	566,710,937.10
2.Book value of the period-begin	268,551,827.44	321,694,731.93	9,011,567.76	16,663,982.78	615,922,109.91

12. Construction in process

(1) Details

In RMB

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	151,569,540.89		151,569,540.89	94,170,909.99		94,170,909.99
Tangxi Workshop PhaseII, Gouneng Company	1,662,571.56		1,662,571.56	14,699,709.48		14,699,709.48
Project of steam turbine heavy industry	99,071,621.77		99,071,621.77	32,654,575.18		32,654,575.18
Casting companies to clean up cross project				5,011,998.64		5,011,998.64
Casting company networking system project	1,213,675.18		1,213,675.18	1,517,473.06		1,517,473.06
other project	3,285,135.25		3,285,135.25	1,547,268.67		1,547,268.67
Prepayment for equipment or projects	781,687.00		781,687.00	4,141,954.39		4,141,954.39
Total	255,921,660.09		255,921,660.09	153,743,889.41		153,743,889.41

(2) Changes of significant construction in progress

In RMB												
Name of project	Budget	Opening balance	Increase	Transferred to fixed assets	Other decrease	End balance	Proportion %	Project process	Capitalization of interest	Including: capitalization of interest this period	Capitalization of interest rate (%)	Source of funding
Construction in process of parent Company	19,237.54	83,608,096.30	67,961,444.59			151,569,540.89	78.79%	Under Construction				Other
Completed project of parent Company	1,261.92	10,562,813.69	2,056,403.18	12,619,216.87			100.00%	Completed				Other
Tangxi Workshop PhaseII, Gouneng Company	1,690.55	14,699,709.48	2,205,802.60	16,905,512.08			100.00%	Completed				Other
Project of steam turbine heavy industry	179,410.00	32,654,575.18	66,417,046.59			99,071,621.77	5.52%	Under Construction	1,904,690.41	1,904,690.41	1.20%	Other
Casting companies to clean up cross project	616.22	5,011,998.64	1,150,173.65	6,162,172.29			100.00%	Completed				Other
Casting company networking system project I	158.87	1,517,473.06	71,196.58		1,588,669.64		100.00%	Completed				Other
Casting company networking system project II	241.13		1,213,675.18			1,213,675.18	50.33%	Under Construction				Other

other project		1,547,268.67	4,884,848.571	3,146,981.99		3,285,135.25		Under Constr uction				Other
Prepayment for equipment or projects		4,141,954.39	1,506,687.00	717,190.00	4,149,764.39	781,687.00		Under Constr uction				Other
Total	202,616.23	153,743,889.41	147,467,277.94	39,551,073.23	5,738,434.03	255,921,660.09	--	--	1,904,690.41	1,904,690.41		--

13 Intangible assets

(1) Details

In RMB

Items	Landusing right	Patent	Non patent technology	Software	Total
I. Original price					
1. Balance at period-beginning	332,298,312.33	309, 433. 96	8, 000, 000. 00	228,376.07	340,836,122.36
2.Increase in the current period				1,750,966.04	1,750,966.04
(1) Purchase				162,296.40	162,296.40
(2)Internal Development					
(3)Increased of Enterprise Combination					
(4) Transferred from construction in progress				1,588,669.64	1,588,669.64
3.Decreased amount of the period			8, 000, 000. 00		8,000,000.00
(1) Disposal					
(2) Other decrease			8, 000, 000. 00		8,000,000.00
4.Closing balance	332,298,312.33	309, 433. 96		1,979,342.11	334,587,088.40
II.Accumulated amortization					
1.Opening balance	41,782,089.97	214, 000. 00	1, 266, 666. 71	167,931.60	43,430,688.28
2.Increased amount of the period	6,662,865.37	28, 000. 00	800, 000. 04	61,562.91	7,552,428.32
(1) Withdrawal	6,662,865.37	28, 000. 00	800, 000. 04	61,562.91	7,552,428.32
3.Decreased amount of the period			2, 066, 666. 75		2,066,666.75
(1) Disposal					
(2) Other decrease			2, 066, 666. 75		2,066,666.75
4.Closing balance	48,444,955.34	242, 000. 00		229,494.51	48,916,449.85
III. Impairment provision					

1. Opening balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4. Closing balance					
IV. Book value					
1. Closing book value	283,853,356.99	67,433.96		1,749,847.60	285,670,638.55
2. Opening book value	290,516,222.36	95,433.96	6,733,333.29	60,444.47	297,405,434.08

14 Long-term amortize expenses

In RMB

Items	Balance in year-begin	Increase in this period	Amortized expenses	Other loss	Balance in year-end
Redecoration	1,306,880.81		524,300.42	528,693.49	253,886.90
Afforestation fees	124,088.00		124,088.00		
Total	1,430,968.81		648,388.42	528,693.49	253,886.90

Other notes

Note: For RMB 528,693.49 of the long-term unamortized expenses transferred out at the end of period for no longer being consolidated with Zhejiang Zhongrun Gas Turbine Technology Co., Ltd.

15. Deferred income tax assets/deferred income tax liabilities

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

In RMB

Items	Balance in year-end		Balance in year-begin	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for Asset Impairment	1,160,614,665.91	179,875,205.01	1,053,944,950.81	164,268,265.49
Internal trade profit not realized	68,494,522.27	10,934,321.24	58,099,229.91	9,500,467.96
Deductible loss	46,151,636.66	6,922,745.50	30,002,132.26	4,500,319.84
Temporary difference such as	2,981,985.19	447,297.78	3,751,710.39	562,756.56

amortizing of software expense				
Total	1,278,242,810.03	198,179,569.53	1,145,798,023.37	178,831,809.85

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

In RMB

Items	Balance in year-end		Balance in year-begin	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Changes in fair value of tradable financial assets	1,848,132,481.28	277,219,872.19	2,515,059,008.00	377,258,851.20
Accumulated depreciation	6,651,971.67	997,795.75	6,651,971.67	997,795.75
Total	1,854,784,452.95	278,217,667.94	2,521,710,979.67	378,256,646.95

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

In RMB

Items	Deferred Income Tax Assets or Liabilities at the End of Report Period	Temporarily Deductable or Taxable Difference at the End of Report Period	Deferred Income Tax Assets or Liabilities at the Beginning of Report Period	Temporarily Deductable or Taxable Difference at the Beginning of Report Period
Deferred income tax assets		198,179,569.53		178,831,809.85
Deferred income tax liabilities		278,217,667.94		378,256,646.95

(4)Details of income tax assets not recognized

In RMB

Items	End of term	Beginning of term
Deductible provisional differences	941,815.63	1,476,578.54
Deductible losses	9,998,963.52	12,315,626.29
Subtotal	10,940,779.15	13,792,204.83

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

In RMB

Year	End of term	Beginning of term	Remark
2018		684,308.39	
2019		1,037,052.28	

2020	579,693.92	3,113,580.77	
2021	712,938.27	7,480,684.85	
2022	8,706,331.33		
Total	9,998,963.52	12,315,626.29	--

16.Short-term loans

(1) Category of short-term loans

In RMB

Items	Balance in year-end	Balance in year-begin
Mortgage loan	96,500,000.00	73,000,000.00
Guarantee loan	19,000,000.00	100,000,000.00
Total	115,500,000.00	173,000,000.00

17.Bill payable

In RMB

Items	End of term	Beginning of term
Bank acceptance	215,409,958.92	143,007,715.10
Total	215,409,958.92	143,007,715.10

18. Account payable

(1) Category of Account payable

In RMB

Items	End of term	Beginning of term
Goods	860,669,728.38	832,264,375.15
Equipment and projects	22,045,737.27	21,188,214.36
Total	882,715,465.65	853,452,589.51

19. Advances received

(1) Category of Advances received

In RMB

Items	End of term	Beginning of term
Goods	2,419,751,405.08	1,827,959,793.62
Total	2,419,751,405.08	1,827,959,793.62

20. Employees' wage payable

(1) Details

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term
I. Short-term wages	48,273,561.62	610,078,774.60	601,486,185.66	56,866,150.56
II. Welfare after leaving of position-fixed provision scheme	22,951,072.41	73,306,169.30	73,597,618.58	22,659,623.13
III. Termination benefits		115,910.73	115,910.73	
Total	71,224,634.03	683,500,854.63	675,199,714.97	79,525,773.69

(2) Details of short term wages

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term
1. Wage, bonus, allowance and subsidies	35,531,106.94	473,188,038.39	465,004,954.59	43,714,190.74
2. Employee welfare		32,560,347.49	32,560,347.49	
3. Social insurance	5,862,944.64	44,181,817.42	44,126,775.93	5,917,986.13
Incl. Medical insurance	5,423,894.94	38,852,729.35	38,770,773.50	5,505,850.79
Labor injury insurance	124,073.45	1,622,988.68	1,624,351.73	122,710.40
Maternity insurance	314,976.25	3,706,099.39	3,731,650.70	289,424.94
4. Housing fund	109,020.96	46,188,710.00	46,183,981.00	113,749.96
5. Labour union fee and employee education fee	6,770,489.08	13,959,861.30	13,610,126.65	7,120,223.73
Total	48,273,561.62	610,078,774.60	601,486,185.66	56,866,150.56

(3) Details of fixed provision scheme

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term
1. Basic pension insurance	4,430,334.68	52,193,407.26	52,638,210.18	3,985,531.76
2. Unemployment insurance	314,118.76	2,416,111.33	2,589,786.17	140,443.92
3. Enterprise annual fee	18,206,618.97	18,696,650.71	18,369,622.23	18,533,647.45
Total	22,951,072.41	73,306,169.30	73,597,618.58	22,659,623.13

21. Tax Payable

In RMB

Items	Balance in year-end	Balance in year-begin
VAT	10,970,877.80	59,676,617.21
Enterprise Income tax	14,396,733.29	16,338,759.59
Individual Income tax	2,150,480.36	2,035,807.07
City Construction tax	1,731,728.51	4,224,180.62
Property tax	2,123,319.46	

Land use tax	2,099,991.11	3,112,763.00
Education subjoin	745,239.69	1,822,362.43
Locality Education subjoin	496,821.48	1,202,457.87
Local water source foundation	172.38	1,767,814.88
Other	204,709.29	58,910.49
Total	34,920,073.37	90,239,673.16

22. Interest payable

In RMB

Items	End of term	Beginning of term
Long term interest on borrowings due in installments	121,172.22	41,750.63
Interest on short-term borrowings	147,688.55	92,625.69
Total	268,860.77	134,376.32

23. Other account payable

(1) Details

In RMB

Items	End of term	Beginning of term
Deposite	3,029,922.35	3,607,868.79
Provisional account payable	21,345,148.72	23,344,791.25
Other	3,484,546.26	3,868,320.76
Total	27,859,617.33	30,820,980.80

24. Non-current liabilities due within 1 year

In RMB

Items	End of term	Beginning of term
Long-term loans due within 1 year	4,900,000.00	18,500,000.00
Total	4,900,000.00	18,500,000.00

25.. Long-term loan

(1) Details

In RMB

Items	End of term	Beginning of term
Mortgage loan		4,900,000.00
Guarantee loan	100,000,000.00	

Total	100,000,000.00	4,900,000.00
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26..Long term account payable

(1) Details

In RMN

Items	End of term	Beginning of term
CDB investment fund	208,000,000.00	208,000,000.00
Income payable of CDB	1,303,466.66	27,733.33
Drawing in administrative restructuring	330,000.00	330,000.00
Total	209,633,466.66	208,357,733.33

Other notes:

According to the relevant agreement of the National Development Fund Investment Contract (hereinafter referred to as the Investment Contract) jointly signed by the Company, National Development Fund Co., Ltd. (hereinafter referred to as the NDF), Hangzhou Steam Turbine Industry Co., Ltd. and Hangzhou Steam Turbine Group, the NDF invested RMB 208,000,000.00 in Hangzhou Steam Turbine Industry Co., Ltd., the subsidiary, The NDF obtains 1.2% of the proceeds through dividends or repurchasing premium each year for the above investment; under the investment contract, Hangzhou Steam Turbine Group will transfer its shares of Steam Turbine Industry Co., Ltd from 2019 to the NDF by installment. Hangzhou Steam Turbine Industry Co., Ltd has received the above investment on December 27, 2016, according to the agreement of the investment contract on the relevant investment returns, The Company reports it as a long-term payables,the current accrued income is RMB2, 496, 000. 00. Cumulative recognized income payable is RMB 2,523,733.33 yuan

27.Special Payable

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term	Reason
Compensation for relocation of Shiqiao Road Factory area		237,658,831.07		237,658,831.07	
Total		237,658,831.07		237,658,831.07	—

Other notes:

The Company and its subsidiary the Machinery Company received the first amount of compensation for the relocation due to planning to relocate the entire production base to Qianjiang Economic Development Zone Yuhang District Hangzhou City according to the planning of the Hangzhou Municipal Government. For details, please refer to note 13 (II) 2 of this financial statement.

28. Deferred income

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term	Reason
Government Subsidy	5,422,895.00		1,359,280.00	4,063,615.00	Receive government subsidies

Total	5,422,895.00		1,359,280.00	4,063,615.00	--
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(2) Details of government subsidies

In RMB

Items	Beginning of term	New subsidy in current period	Amount transferred to non-operational income	Other changes	End of term	Asset-related or income-related
Financial support for industrial projects	287,800.00		28,780.00		259,020.00	Asset-related
Government subsidy for casting project	287,800.00		28,780.00		259,020.00	Asset-related
Circular economy financial subsidy	114,100.00		11,410.00		102,690.00	Asset-related
Projects of technological transformation	26,000.00		26,000.00			Asset-related
Subsidy for industrial upgrading by provincial government	480,000.00		160,000.00		320,000.00	Asset-related
Finance for casting project	3,906,405.00		997,380.00		2,909,025.00	Asset-related
Government subsidy for industrial entities from Yuhang District Government in the 2nd half of 2009	320,790.00		106,930.00		213,860.00	Asset-related
Total	5,422,895.00		1,359,280.00		4,063,615.00	--

Other notes:

Notes: Note: For the government subsidy of this period counted into the current profit and loss, see details at government subsidy statements at additional notes of project notes annotated under of this combined financial statement

29. Stock capital

In RMB

	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

30. Capital reserves

In RMB

Items	Year-beginning balance	Increase in the current period	Decrease in the current period	Year-end balance
Share premium	81,815,220.00		45,256.07	81,769,963.93
Other capital reserves	57,775,125.09			57,775,125.09
Total	139,590,345.09		45,256.07	139,545,089.02

Other notes:

The decrease occurred at this period was for the subsidiary Chinen Company acquired 40% of equity from minority shareholders of its subsidiary, Chengdu Hangzhou Chinen Science and Technology Co., Ltd, and the investment cost of the new long-term equity, counted according to new proportion of shareholding, shall be entitled to the balance among the fair value shares of this subsidiary's realizable net assets counted since date of purchase . When preparing the combined financial statement, share premium of RMB 45,265.07 in capital reserve was written down.

31. Other comprehensive income

In RMB

Items	Beginning of term	Occurred current term					End of term
		Amount occurred before income tax of the period	Less: accounted as other gains previously but transferred to gain/loss this period	Less: Income tax expenses	Attributable to the parent co. after tax	Attributable to minority shareholders after tax	
II. Other Comprehensive income that will be reclassified subsequently to profit or loss	2,137,419,299.84	-667,333,393.00		-100,038,979.01	-567,060,789.75	-233,624.24	1,570,358,510.09
Gains or losses on changes in fair value of available-for-sale financial assets	2,137,800,156.80	-666,926,526.72		-100,038,979.01	-566,887,547.71		1,570,912,609.09
Difference of translating of foreign currency accounts	-380,856.96	-406,866.28			-173,242.04	-233,624.24	-554,099.00
Total of other comprehensive income	2,137,419,299.84	-667,333,393.00		-100,038,979.01	-567,060,789.75	-233,624.24	1,570,358,510.09

32.Special reserves

In RMB

Items	Beginning of term	Increased this period	Decreased this period	End of term
Labor safety expenses	27,546,353.37		2,176,638.76	25,369,714.61
Total	27,546,353.37		2,176,638.76	25,369,714.61

Other notes:

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

33. Surplus reserves

In RMB

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

34. Retained profit

In RMB

Items	Current term	Same period of last term
Amount of retained profit at beginning of period	2,705,667,037.15	2,673,711,591.42
Add: Net profit attributable to owners of the parent company	68,753,250.90	31,955,445.73
Retained profit at the end of term	2,774,420,288.05	2,705,667,037.15

As regards the details of adjusted the beginning undistributed profits

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

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

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

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

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

35. Business income and Business cost

In RMB

Items	Occurred current term		Occurred in previous term	
	Income	Cost	Income	Cost
Main Business	3,309,136,671.06	2,358,901,850.83	3,230,906,525.12	2,203,424,343.46
Other	138,005,998.43	91,685,474.96	4,396,854.12	1,154,437.61
Total	3,447,142,669.49	2,450,587,325.79	3,235,303,379.24	2,204,578,781.07

36. Business tax and surcharge

In RMB

Items	Occurred current term	Occurred in previous term
City maintenance and construction tax	10,155,742.58	14,706,240.33
Education surtax	4,439,101.66	6,398,546.53
House tax	6,993,445.59	2,434,567.60
Land use tax	4,501,181.12	3,303,802.70
vehicle and vessel tax	68,067.25	43,113.80
Stamp tax	2,104,891.99	1,374,990.22
Locality Education surcharge	2,959,342.83	4,265,697.76
Business tax		36,467.22
Total	31,221,773.02	32,563,426.16

Other notes:

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

37. Sales expense

In RMB

Items	Amount of this period	Amount of last period
Employees' remunerations	63,636,827.69	55,699,101.44
Transportation	35,709,099.81	48,927,596.36
Business trips	29,740,328.24	26,265,496.47
Business reception expenses	6,357,490.28	6,849,411.37
Consulting service fee	15,791,855.22	13,131,824.03
Registration fee	3,319,154.10	2,108,171.81
Three charge	6,303,572.33	4,206,989.36
Advertising fee	2,096,391.38	2,306,256.87
Office expenses	1,138,787.78	525,955.82
Unit premium	912,304.99	363,654.18
Other	4,514,335.85	4,225,952.94
Total	169,520,147.67	164,610,410.65

38. Administrative expense

In RMB

Items	Amount of this period	Amount of last period
Employees' remunerations	317,730,349.96	307,082,891.10
R&D expenses	211,027,767.11	197,406,076.77
Asset depreciation and amortizing	18,290,071.64	23,492,146.53
Business reception expenses	13,882,376.16	14,669,707.28
Rental fee, House rental, property management, water and power	22,417,308.94	18,201,093.27
Traveling fees	9,341,935.98	8,907,858.29
Material, low-value-consumable	4,214,778.82	4,484,248.27
Office expenses	8,034,059.34	6,540,689.49
Repair expenses	4,889,036.67	3,447,185.46
Taxes	2,145,713.01	3,946,865.23
Other	32,205,534.15	35,505,775.77
Total	644,178,931.78	623,684,537.46

Other notes:

Note: See details at 2. Taxation Expense and Additional Statements at Part 2 of Note V in this financial statement

39. Financial expenses

In RMB

Items	Occurred current term	Occurred in previous term
Interest expense	9,972,261.98	9,308,017.80
Less: Incoming interests	8,249,739.28	5,744,431.75
Exchange gains/losses	19,433,536.68	-20,850,372.53
Commission	3,131,068.44	2,448,933.41
Total	24,287,127.82	-14,837,853.07

40. Asset impairment loss

In RMB

Items	Occurred current term	Occurred in previous term
I .Losses for bad debts	68,620,803.42	187,468,454.06
II.Losses for falling price of inventory	66,012,796.38	13,846,179.75
Total	134,633,599.80	201,314,633.81

41. Investment income

In RMB

Items	Occurred current term	Occurred in previous term
Investment income from disposal of Long-term equity investment	3,927,952.52	
Investment gains from holding of sellable financial assets	54,014,898.47	3,587,659.70
Investment income from disposal of available for sale financial assets	25,121,648.20	
Gains from financing products	37,501,352.07	28,548,677.87
Total	120,565,851.26	32,136,337.57

42.Assets disposal income

In RMB

Items	Occurred current term	Occurred in previous term
Income form disposal of fixed assets	2,752,651.04	387,292.53
Loss form disposal of fixed assets	-11,785.91	
Total	2,740,865.13	387,292.53

43.Other income

In RMB

Items	Occurred current term	Occurred in previous term
Government Subsidy	10,195,671.25	
Total	10,195,671.25	

44.Non-Operation income

In RMB

Items	Occurred current term	Occurred in previous term	Recorded in the amount of the non-recurring gains and losses
Government Subsidy		16,968,792.22	
Compensation income	7,101,662.20	7,706,669.41	7,101,662.20
Payment not to be paid	254,099.61	96,487.12	254,099.61
Others	719,897.38	1,008,975.41	719,897.38
Total	8,075,659.19	25,780,924.16	8,075,659.19

- Government subsidy reckoned into current gains/losses

In RMB

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

45. Non-operational expenditure

In RMB

Items	Current term	Same period of last term	Amount accounted into non-recurring gain/loss of current term
Donations	160,000.00	270,000.00	160,000.00
Penalty paid out	1,017,449.18	383,192.05	1,017,449.18
Local water source foundation	5,660.04	2,747,978.42	5,660.04
Penalties	386,417.98	343,895.38	386,417.98
Loss damage		196,627.26	
loss from disposal of non-current assets	60,243.24	60,839.23	60,243.24
Other	5,909.50	272,423.01	5,909.50
Total	1,635,679.94	4,274,955.35	1,630,019.90

46. Income tax expenses

(1) Details

In RMB

Items	Current term	Same period of last term
Income tax of current term	30,183,514.16	30,434,271.60
Deferred income tax	-19,347,759.68	-19,926,599.45
Total	10,835,754.48	10,507,672.15

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

In RMB

Items	Current term
Total profit	132,656,130.50
Income tax expense at statutory / applicable tax rates	19,898,419.58
Effect of different tax rates applicable to subsidiaries	2,362,974.46
Adjustment for income tax in prior year	498,194.56
Income not subject to tax	-6,730,586.23
Expenses not deductible for tax purposes	1,682,033.95
Changes in the balance of deferred income tax assets at the beginning of the tax rate adjustment	-499,495.29
Impact of deductible temporary difference of un-recognized deferred income tax asset of current period	2,896,366.84
Super deduction of R&D expenses	-7,868,394.27
Impact of additional deductions for persons with disabilities	-195,000.00

Consolidation of the effect of offset profits	-1,208,759.12
Income tax expenses	10,835,754.48

47. Other Comprehensive income

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

48. Notes Cash flow statement

(1) Other cash received from business operation

In RMB

Items	Occurred current term	Occurred in previous term
Deposit interest(Notes)	8,841,048.87	5,744,431.75
Government subsidies received	7,585,972.87	11,218,110.99
Deposit for bidding and other	117,753,826.61	16,391,878.63
Compensation income	2,004,464.28	789,904.00
Other	807,897.38	2,195,408.92
Total	136,993,210.01	36,339,734.29

Notes: Interest of deposit received from the sum invested of China Development Fund in the year of 2017 is included.

2. Other cash paid for business activities

In RMB

Items	Occurred current term	Occurred in previous term
Transportation	46,333,097.00	57,287,872.01
Travel expenses	31,479,265.23	28,307,013.51
Business trips	20,239,866.44	21,519,087.20
Maintaining	4,889,036.67	3,447,165.85
Property management and civil services	26,288,452.59	16,621,718.05
Deposit for bidding and others	128,402,810.43	23,512,159.15
Office expenses	8,538,814.87	7,066,554.79
Conferences	3,953,186.35	2,401,978.53
Consulting service fee	13,960,995.20	13,131,824.03
Transportation and vehicles	7,132,162.29	4,823,801.30
Other	47,505,862.73	40,288,131.86
Total	338,723,549.80	218,407,306.28

3. Other investment-related cash received

In RMB

Items	Occurred current term	Occurred in previous term
Repurchasing of trusteeship	3,898,147,338.00	1,765,932,662.00
Receipt of levy and relocation compensation	237,658,831.07	
Total	4,135,806,169.07	1,765,932,662.00

4. Other cash paid for investment activities

In RMB

Items	Current term	Same period of last term
Purchasing of financial products	3,931,112,329.00	2,193,700,000.00
Sales of subsidiary ending cash	183,932.75	
Total	3,931,296,261.75	2,193,700,000.00

5. Other financing-related cash received

In RMB

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

6. Other Cash payable related to financing activities

In RMB

Items	Occurred current term	Occurred in previous term
Return of minority investment funds to subsidiaries	21,591,054.08	
Payment of CDB investment interest	1,220,266.67	
Purchase of minority shareholders	243,111.17	
Total	23,054,431.92	

49. Supplementary data of cash flow statement

(1) Supplementary data of cash flow statement

In RMB

Supplementary Info.	Amount of the Current Term	Amount of the Previous Term
I. Adjusting net profit to cash flow from operating activities	--	--
Net profit	121,820,376.02	66,911,369.92
Add: Impairment loss provision of assets	134,633,599.80	201,314,633.81
Depreciation of fixed assets, oil and gas assets and consumable biological	76,555,538.97	82,918,520.91

assets		
Amortization of intangible assets	7,552,428.32	7,553,207.06
Amortization of Long-term deferred expenses	648,388.42	653,180.10
Loss on disposal of fixed assets, intangible assets and other long-term deferred assets	-2,740,865.13	-326,453.30
Loss on scrap of fixed assets	60,243.24	
Financial cost	28,843,231.98	936,959.82
Loss on investment	-120,565,851.26	-32,136,337.57
Decrease of deferred income tax assets	-19,347,759.68	-19,906,922.15
Increased of deferred income tax liabilities		-19,677.30
Decrease of inventories	-257,216,765.22	-89,815,466.67
Decease of operating receivables	-411,587,570.47	118,336,896.84
Increased of operating Payable	649,202,893.79	174,852,469.36
Other	-2,555,097.01	-5,112,952.41
Net cash flows arising from operating activities	205,302,791.77	506,159,428.42
II. Significant investment and financing activities that without cash flows:	--	--
3. Movement of cash and cash equivalents:	--	--
Ending balance of cash	1,137,492,834.83	831,236,984.85
Less: Beginning balance of cash equivalents	831,236,984.85	689,224,662.53
Net increase of cash and cash equivalents	306,255,849.98	142,012,322.32

(2) Net Cash paid of obtaining the subsidiary

In RMB

	Amount
including:	--
Less: Cash and cash equivalents held by the company on the date of loss of control	183,932.75
Including:	--
Zhejiang ZhongrunGas turbine technology Co., Ltd.	183,932.75
Including:	--
Disposal of net cash received by subsidiaries	-183,932.75

Other notes:

Note: Cash amount reported for the payment for other related investment activities.

(3) Composition of cash and cash equivalents

In RMB

Items	End of term	Beginning of term
I. Cash	1,137,492,834.83	831,236,984.85
Of which: Cash in stock	208,763.32	326,226.09
Demand bank deposit	1,137,284,071.51	830,910,758.76
III. Balance of cash and cash equivalents at the period end	1,137,492,834.83	831,236,984.85

50. Assets with limitation on ownership or using rights

In RMB

Items	Closing book value	Causation o limitation
Monetary capital	85,184,661.11	Used as security for issuing of acceptance drafts and bill of guarantees
Bill receivable	40,000,000.00	Used as security for issuing of acceptance drafts
Fixed assets	112,955,316.32	Used to obtain bank loans
Intangible assets	87,909,828.11	Collateral for obtaining bank loans and investment funds from CDB
Dividend receivable	6,900,000.00	Investment funds for the development of the State Fund
Available for sale financial assets	371,266,000.00	Investment funds for the development of the State Fund
Total	704,215,805.54	--

51. Monetary items in foreign currencies

(1) Foreign currency monetary items

In RMB

Items	Balance at end of period	Exchange rate	Translated to RMB at end of period
Monetary capital	--	--	161,660,934.80
Incl: USD	24,019,443.75	6.5342	156,947,849.32
Euro	161,691.71	7.8023	1,261,567.23

HKD	5.51	0.83591	4.61
JPY	24,409,542.00	0.057883	1,412,897.52
Rupiah	4,229,494,022.10	0.000482	2,038,616.12
Account receivable	--	--	208,535,159.46
Incl: USD	28,063,668.87	6.5342	183,373,625.13
Euro	2,794,843.40	7.8023	21,806,206.66
Rupiah	6,477,751,550.00	0.000482	3,122,276.25
Singapore dollar	47,726.12	4.8831	233,051.42
Other receivable			3,556,660.53
Incl: USD	536,562.00	6.5342	3,506,003.42
JPY	1,500.00	0.057883	86.82
Won	388,000.00	0.006109	2,370.29
Rupiah	100,000,000.00	0.000482	48,200.00
Account receivable			7,323,197.63
Incl: USD	741,579.96	6.5342	4,845,631.77
Euro	177,440.86	7.8023	1,384,446.82
Rupiah	2,267,881,822.97	0.000482	1,093,119.04
Other payable			267,054.71
Incl: USD	40,870.30	6.5342	267,054.71

VIII.Changes of consolidation scope

1.Disposal of subsidiary

There is a single disposition to invest in the subsidiary that is the case of loss of control

In RMB

Name	Equity disposal price	Equity disposal ratio	Disposal of equity	Loss of control point	Determining the basis for the loss of control	The difference between the disposal price and the share of the subsidiary's net assets at the level of the consolidated financial statement corresponding to the disposal of the investment	Proportion of remaining stocks at the date of loss of control	The book value of the remaining equity at the date of loss of control	The fair value of the remaining equity at the date of loss of control	Regaining gains or losses arising from re-measurement of the remaining equity at fair value	Determination of the fair value of the remaining equity at the date of loss of control rights and its main assumptions	The amount of other comprehensive income related to the atomic company's equity investment transferred to investment profit and loss
Zhejiang Zhongrun Gas engine technology co., Ltd.	10,000,000.00	55.55%	Sell	October 26,2017	Complete business change registration	3,927,952.52						

Other notes:

Zhejiang Runhong Gas Turbine Project Co., Ltd.(hereinafter referred to as Run Hong Company), the original secondary subsidiary of the Company, disposed its holding equity of its subsidiary, Zhanjiang Zhongrun Gas Turbine Technology Co., Ltd. After the above-mentioned equity was done being disposed, Run Hong Company completed the liquidation cancellation on December 22, 2017.

Whether there is a case where the investment is made to the subsidiary and the loss of control in the current period

No

2. Other reasons for the merger scope change

Merger scope decrease

Name	Way of Equity Disposition	Time Point of Equity Disposition	Net Assets on the Date of Disposition	Net Profits from the Beginning of the Period to the Date of Disposition
Xinjiang TaiFeng Hangzhou Steam Turbine Complete Technology Development Co., Ltd.	Chearing	April 25, 2017	17,061,690.18	181,238.78
Hangzhou steam turbine Boiler Co., Ltd.	Chearing	April 27, 2017	19,665,256.43	1,130,995.08
Hangzhou Pangtong Electromechanical Equipment Co., Ltd.	Chearing	December 21, 2017	1,086,391.89	-115,873.20
Zhejiang Runhong Gas Turbine Engineering Co., Ltd.	Chearing	December 22, 2017	34,953,788.30	2,813,561.91

IX. Equities in Other Entities

(I) Equity in major subsidiaries

1. Composition of major subsidiaries

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

Zhejiang Turbine Import & Export Co., Ltd. (Turbine Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Commerce	100.00%		Incorporation
Hangzhou Steam Turbine Heavy Industry Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	100.00%		Incorporation

(2) Major non-fully-Owned subsidiaries

In RMB

Name of the subsidiaries	Share protion of minor shareholders	Gains/loss of the period attributable to minor shareholders	Dividend announced in the period to minor shareholders	Balance of eqiuty of minor shareholders at end of period
Zhejiang Steam Trubine Packaged Technologies Development Co., Ltd.	29.14%	3,174,590.24	2,229,592.50	24,217,276.70
Hangzhou Zhongneng Steam turbine PowerCo., Ltd.	39.17%	11,916,814.40	4,637,200.00	141,678,604.31
Hangzhou Steam Turbine Casting Co., Ltd.	49.00%	13,586,682.59	9,702,000.00	72,216,942.99
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	48.00%	22,095,692.13	21,600,000.00	71,260,459.07
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	12.47%	4,584,214.40	2,992,800.00	25,982,354.28

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

In RMB

Subsidiaries Name	End of term						Beginning of term					
	Current assets	Non-current assets	Total of assets	Current liabilities	Non-current liabilities	Total of liability	Current assets	Non-current assets	Total of assets	Current liabilities	Non-current liabilities	Total of liability
Zhejiang Steam turbine Packaged Technology Developmen t Co., Ltd.	219,292,216.34	24,375,146.44	243,667,362.78	160,574,913.68		160,574,913.68	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.	1,037,373,643.65	75,190,430.57	1,112,564,074.22	772,310,062.79	330,000.00	772,640,062.79	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.	304,833,240.88	184,619,003.14	489,452,244.02	312,465,702.87	3,849,755.00	316,315,457.87	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	205,163,731.11	21,782,104.60	226,945,835.71	77,895,206.35	591,339.61	78,486,545.96	200,333,215.84	22,497,721.65	222,830,937.49	75,404,339.67		75,404,339.67

Turbine Machinery Equipment Co., Ltd.												
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	548,200,286.67	115,360,847.76	663,561,134.43	428,134,519.20	213,860.00	428,348,379.20	432,548,733.64	115,456,043.82	548,004,777.46	324,598,336.06	320,790.00	324,919,126.06

In RMB

Subsidiaries Name	Amount of current period				Amount of previous period			
	Turnover	Net profit	Total Misc Gains	Cash flow for business activities	Turnover	Net profit	Total Misc Gains	Cash flow for business activities
Zhejiang Steam Turbine Packaged Technology Development Co., Ltd	241,699,214.69	10,676,500.39	10,676,500.39	-8,604,753.23	219,104,132.13	8,511,564.05	8,511,564.05	17,053,194.85
Hangzhou Zhongneng Steam turbine Power Co., Ltd.	833,201,191.68	25,173,217.92	24,766,351.64	24,579,646.69	726,019,174.47	9,061,166.79	10,169,432.35	57,021,017.72
Hangzhou Steam Turbine Casting	357,558,102.11	27,727,923.66	27,727,923.66	18,380,178.48	286,947,144.79	17,095,623.20	17,095,623.20	44,737,383.72

Co., Ltd.								
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	220,887,783.34	46,032,691.93	46,032,691.93	46,087,103.01	203,232,692.33	45,793,653.38	45,793,653.38	61,976,772.66
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	394,136,946.17	36,761,943.86	36,761,943.86	16,117,349.92	362,840,873.07	25,243,697.12	25,243,697.12	24,381,581.78

2. Rights and interests in joint venture arrangements or joint ventures

(1) Summary financial information of unimportant joint ventures and associated enterprises

In RMB

	Year-end balance/ Amount of current period	Year-beginning balance/ Amount of previous period
Joint ventures	--	--
Total book value of investments	5,800,000.00	
Total of the following by shareholding ratio	--	--
Associated enterprises	--	--
Total of the following by shareholding ratio	--	--

Other notes:

Zhejiang Runhong Gas Turbine Engineering Co., Ltd, which formerly was a second-tier holding subsidiary to the company, held 55.55% stake of its subsidiary-Zhejiang Zhongrun Gas Turbine Technology Co., Ltd. However, after the equity transfer, Runhong transferred all its holding stake of Zhongrun to Turbo Company and Ningbo Daxie Development Zone Huashun Industry & Trade Co., Ltd-respectively acquired 32.22% and 23.33% by them, and the industrial and commercial change registration and the transfer of property rights were completed on December 26, 2017. Therefore, Runhong Company is no longer included in the scope of the consolidated financial statements from November 2017, and it is changed to an associated enterprise to the company.

X. Risks related to financial instruments

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

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

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

(I) Credit risks

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

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

1. Bank deposit

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

2. Account receivable

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

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, 2017, the Company has a characteristic of specific credit risk concentration. 41.79% (December 31, 2016: 41.79%) 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	715,410,887.68				715,410,887.68
Subtotal	715,410,887.68				715,410,887.68

(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	479,716,321.62				479,716,321.62
Subtotal	479,716,321.62				479,716,321.62

(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
Short-term loans	115,500,000.00	117,664,804.32	117,664,804.32		
Notes payable	215,409,958.92	215,409,958.92	215,409,958.92		
Non-current liabilities due to 1 year	4,900,000.00	4,903,383.01	4,903,383.01		
Long-term loan	100,000,000.00	107,057,027.40	3,685,000.00	103,372,027.40	
Long-term payable	209,633,466.66	222,751,733.33		53,000,000.00	169,751,733.33
Account payable	882,715,465.65	882,715,465.65	882,715,465.65		
Other account payable	27,859,617.33	27,859,617.33	27,859,617.33		
Subtotal	1,556,018,508.56	1,578,361,989.96	1,252,238,229.23	156,372,027.40	169,751,733.33

(Continued)

Items	Beginning of term				
	Book value	Contract amount not discounted	within 1 year	1-3 years	Over 3 years
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

(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, 2017, the Company had raised RMB78,100,000.00 (Dec 31 2016: 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

XI.Fair value disclosure

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

In RMB

Items	December 31, 2017			
	Level 1	Level 2	Level 3	Total
I. Consistent fair value measurement	--	--	--	--

(II) Available-for-sale Financial Assets	2,239,086,521.28			2,239,086,521.28
(2) Equity instrument investment	2,239,086,521.28			2,239,086,521.28
II.Non-continuous measurement fair value	--	--	--	--

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

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

XII. Related parties and related transactions

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 million	63.64%	63.64%

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

2.Subsidiaries of the enterprise

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

3. Situation of joint ventures and associated enterprises

For details of the important joint venture or joint venture of the enterprise, see the description of the rights and interests in other parties in the notes

4. Other related parties

Name of the related parties	Relationship with the Company
Hangzhou Steam turbine Automobile sales service Co., Ltd.	Affiliate of the Group
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Affiliate of the Group
Hangzhou Nanfangtongda Gears Co., Ltd.	Affiliate of the Group
Hangzhou Nanhua Wooden Packaging Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Industrial Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Power Technologies Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Power Group Equipment Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Compressor Co., Ltd.	Affiliate of the Group
Hangzhou Wandong Electric Co., Ltd	Affiliate of the Group
China Electrical and Mechanical Institute-Hangzhou Turbine Group (Hangzhou) United Research Institute Co., Ltd.	Affiliate of the Group

Hangzhou Steam Turbine Industry & Trade Co., Ltd.	Affiliate of the Group
Zhejiang Juqing Investment Co., Ltd.	Affiliate of the Group
Greenesol power systems PVT Ltd.	Shareholding enterprise
Hangzhou Bank	Shareholding enterprise

4.Related transaction

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

Purchase of goods and service

In RMB

Related parties	Content of related transaction	Amount of current period	Amount of previous period	Over the trading limit or not?	Amount of last period
Hangzhou Steam turbine Automobile sales service Co., Ltd.	Transportation , repair , etc.	49,793,145.26	67,900,000.00	No	51,271,023.35
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Generators	137,886,068.57	141,000,000.00	No	140,548,615.67
Hangzhou Nanhua Wooden Packaging Co., Ltd.	Packaging	11,412,748.09	15,708,000.00	No	14,615,668.53
Hangzhou Nanfang Tongda Gears Co., Ltd.	Gear boxes	6,526,922.23	10,550,000.00	No	6,758,649.55
Hangzhou Steam Turbine Engineering Co., Ltd.	Technical service	5,815,284.38	6,000,000.00	No	6,539,280.97
Hangzhou Steam Turbine Industrial Co., Ltd.	Industrial cooperation	1,079,184.92	2,024,000.00	No	1,489,051.67
China Electrical and Mechanical Institute-Hangzhou Turbine Group (Hangzhou) United Research Institute Co., Ltd.	Development ,design	1,521,264.63	1,500,000.00	Yes	1,377,742.72
Hangzhou Wandong Electric Co., Ltd.					30,974.36
Greenesol power systems PVT Ltd.	Coupler	34,045.00			
Subtotal		214,068,663.08			222,631,006.82

Related transactions regarding sales of goods or providing of services

In RMB

Related parties	Subjects of the related transactions	Current term	Same period of last term
Hangzhou Steam Turbine Engineering Co., Ltd.	Steam turbine,compressor, Installation service	77,325,688.70	41,776,752.14

Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Cast parts	11,378,353.36	11,774,255.82
Hangzhou Steam Turbine Group	Information service	139,622.64	94,339.62
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Small amount materials	24,393.29	841.62
Greenesol power systems PVT Ltd.	Part	984,273.41	2,472,014.43
Hangzhou Steam Turbine Compressor Co., Ltd.	Part, Industrial cooperation	382,017.01	115,384.62
Subtotal		90,234,348.41	56,233,588.25

Notes

(2) Information of related lease

The Company was lessor

In RMB

Name of lessee	Category of lease assets	The lease income confirmed in this year	The lease income confirmed in last year
Hangzhou Steam Turbine Compressor Co., Ltd.	House and Building	88,000.00	

- The company was lessee:

In RMB

Lessor	Category of leased assets	The lease income confirmed in this year	Category of leased assets
HSTG	House and Building	3,725,637.47	3,394,797.92
HSTG	Engineering Equipment	1,760,683.76	1,760,683.76
HSTG	Land use right	3,194,406.31	3,194,406.32
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Site leasing	4,007,541.21	4,229,857.79
Subtotal		12,688,268.75	12,579,745.79

(3) Related-party guarantee

The Company was guarantor

In RMB

Guarantor	Guarantee amount	Start date	End date	Execution accomplished or not
HSTG	100,000,000.00	November 30,2017	November 30,2019	No

Notes

As stated in Note 5 (I) 26 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 32.2 million shares of Hangzhou Bank Co., Ltd. with book value of RMB 371,266,000.00, Dividend Receivable of RMB 6,900,000.00 and the land use right with book value of RMB68,149,728.77.

(4) Related party asset transfer and debt restructuring

In RMB

Related party	Content	Current term	Same period of last term
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Purchase fixed assets	307,094.02	

(5) Remunerations of key managements

In RMB

Items	Current term	Same period of last term
Remunerations of key managements	8,114,522.61	7,774,385.21

5. Other related transactions

(1) Service and power supply

(1)HSTG supplies water and power to the Company and some of the subsidiaries amounted to RMB13,218,180.11 this period.

(2)HSTG Group provided technical services to the company. The company paid technical service fees of RMB 1,099,056.6 in the current period

(3)HSTG. provides property management services for its subsidiary which is Complete Technology Corporation, of which the fee of this period incurred in the property management is RMB54,104.78.

(4) Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd. provided transportation to the Company's employees and RMB2,174,272.75 was paid this period.

(5) Hangzhou Steam Turbine Industry Co., Ltd. provided cleaning services to the Company and RMB1,100,628.92 was paid this period.

(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

1) During the current period, Hangzhou Steam Turbine Group advanced the payment of RMB 748,407.97 salaries for the company, and advanced the payment of RMB 2,250,793.32 for newspapers and magazines for the company.

2.Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd. paid RMB6,456,212.32 of tariff on behalf of Turbine Co. during the period.

(4) Transfer of research and development projects

For details, please refer to Note XIII and (II) 1 of explanation in this financial statement.

(5) Transfer of external investment

In January 2017, the Company and Zhejiang JuQing Investment Co., Ltd signed the "Transfer Agreement", that the company transferred its entire holding equity of Hangzhou Changdi Equity Investment Partnership (Limited Partnership) to Zhejiang Juqiang at the price of RMB 73,680,000.00. Investment Co., Ltd. The confirmed investment gain was RMB 25,121,648.20.

(6) Bank credit and entrusted wealth-management

1) In the current period, the company applied for a credit line of RMB 300 million from the Shiqiao Sub-branch of Hangzhou Bank Co., Ltd to conduct business. As of December 31, 2017, the loan balance under this credit was nil.

2) In the current period, the company commissioned the wealth-management of RMB 1,125,000,000.00 to Bank of Hangzhou Co., Ltd. As of December 31, 2017, the balance of such wealth-management was RMB 230,000,000.00.

6. Receivables and payables of related parties

(1) Receivables

In RMB

Name	Related party	End of term		Beginning of term	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Notes receivable	Hangzhou Steam Turbine Engineering Co., Ltd.	9,022,000.00		2,940,000.00	
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.			2,000,000.00	
Subtotal		9,022,000.00		4,940,000.00	
Account receivable	Hangzhou Steam Turbine Engineering Co., Ltd.	60,048,003.87	12,214,467.99	52,898,295.99	6,117,053.80
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	23,168,548.05	1,656,221.13	17,950,170.60	1,146,223.10
	Hangzhou Steam Turbine Power Group Complete Equipment Engineering Co., Ltd.	305,000.00	305,000.00	305,000.00	244,000.00
	Hangzhou Steam Turbine Compressor Co., Ltd.	59,000.00	17,700.00	59,000.00	5,900.00
	Hangzhou Steam Turbine Group	158,500.00	158,500.00	158,500.00	158,500.00
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.			544.67	27.23
	Greenesol power systems PVT Ltd.	13,825,933.72	13,825,933.72	15,642,523.36	12,514,018.69
Subtotal		97,564,985.64	28,177,822.84	87,014,034.62	20,185,722.82
Prepayment	Hangzhou Hangfa Power Generating	43,741,785.00		21,515,346.37	

	Equipment Co., Ltd.				
	Hangzhou Steam Turbine Engineering Co., Ltd.	2,022,000.00			
	Zhejiang Zongrun Gas turbine technology Co., Ltd.	715,000.00			
	Hangzhou Nanfang Tongda Gears Co., Ltd.	50,000.00			
Subtotal		46,528,785.00		21,515,346.37	
Other receivable	Hangzhou Steam Turbine Compressor Co., Ltd'	346,200.00	17,310.00		
	Hangzhou Steam Turbine Group	39,105.34	1,955.27		
Subtotal		385,305.34	19,265.27		

(2) Payables

In RMB

Name	Related party	Amount at year	Amount at year beginning
Notes Payable	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd	1,350,000.00	180,000.00
	Hangzhou Steam Turbine Engineering Co., Ltd.	180,000.00	
	Hangzhou Nanhua Wooden Packaging Co., Ltd.		100,000.00
Subtotal		1,530,000.00	280,000.00
Account payable	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	133,726,506.11	115,744,578.95
	Greenesol power systems PVT Ltd.	3,219,116.49	3,595,145.76
	Hangzhou Steam Turbine Group	79,982.49	3,395,546.79
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd	8,809,544.81	7,504,708.74
	Hangzhou Nanhua Wooden Packaging Co., Ltd.	1,667,167.51	963,509.03
	Hangzhou Steam Turbine Engineering Co., Ltd.	3,510,000.00	1,780,566.04
	HSTG (Hangzhou) United Institutes Co., Ltd.	542,775.00	597,075.00
	Hangzhou Nanfang Tongda Gears Co., Ltd.	1,147,694.00	2,464,950.00
	Hangzhou Steam Turbine Industrial Co., Ltd.	128,042.88	212,294.57
	Hangzhou Wandong Electric Co., Ltd.		20,640.00
Subtotal		152,830,829.29	136,279,014.88
Advances received	Hangzhou Steam Turbine Engineering Co., Ltd.	31,613,190.00	38,972,720.00
	Hangzhou Steam Turbine Compressor Co., Ltd'	14,190,000.00	14,190,000.00
	Greenesol power systems PVT Ltd.	51,968.30	
Subtotal		45,855,158.30	53,162,720.00
Other account payable	Hangzhou Steam Turbine Group	221,351.95	5,731,384.50

	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd	100,000.00	100,000.00
Subtotal		321,351.95	5,831,384.50

XIII. 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) 26 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 RMB627.9077 million.

2. Contingency

(1) Material or contingent matters that exist at the date of the balance sheet

For details of guarantees provided for related parties, please refer to the notes for related parties and related transactions in the notes to this financial statement.

XIV. Events after balance sheet date

(I) Important non-adjusting events

For details of that the company signed a relocation compensation agreement with Hangzhou Xiacheng District Urban Construction Investment Development Group Co., Ltd (hereinafter referred to as Xiacheng Urban Construction Investment Group) after the period, please refer to Note 13 (II) 2 of this financial statement.

(2) The Company have no significant contingency to disclose, also should be stated

1. Profit distribution

In RMB

Profit or dividend proposed to be distributed	Based on the 2017 profit distribution plan reviewed and passed at the 20th meeting of the 7th Board of Directors on March 26, 2018, and without drawing up statutory surplus reserves, the company used a total of 754,010,400 shares at the end of 2017 as the base to distribute cash to all shareholders for every 10 shares. The bonus is RMB 0.5 (including tax), and 0 bonus shares will be sent to the company. Don't convert the public reserve fund into share capital. The total profit distributed was RMB 37,700,520.00 this time. The remaining undistributed profit was RMB 2,260,941,440.41. The afore-said profit distribution plan still needs to be reviewed and approved by the shareholders' general meeting.
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XV.Other significant events

1.Information of Division

(1) The companies, which have no report divisions or can not disclose the total assets and total liabilities of all report divisions, shall give explanations.

The Company is single in its business, which is mainly for production and sales of steam turbines, gas turbines and auxiliary turbines. The company's management regard these businesses as a whole to implement management so as to evaluate the business performance, thus there will be no report divisions. According to the product classifications of main business income and main business cost, the Company will make details for them as follows:

Items	Main Business Income	Main Business Cost
Industrial Steam Turbine	2,692,843,753.69	1,989,579,236.24
Castings and Forging	91,384,682.32	68,739,724.43
Auxiliary Engines	118,292,027.16	91,269,179.11
Part	219,810,638.04	114,854,559.39
Other	186,805,569.85	94,459,151.66
Subtotal	3,309,136,671.06	2,358,901,850.83

2. Other Significant Transactions and Matters influencing the Investors' Decisions

1. Matter of Transferring Gas Turbine Research and Development Project

From September 1, 2014 and by August 11, 2017, the actual investment amount of up-front cost for distributed-resource gas turbine research and development was invested with RMB 61,312,900 by the Company. The above-mentioned situations had been in special audit, whose audit report, Special Audit Report on Up-front Cost for Distributed-resource Gas Turbine Research and Development of Hangzhou Turbine Co., Ltd. (Pan-China Audit (2017) No.7796), was issued by Pan-China Certified Public Accountant(special general partner) on August 12, 2017

In September 2017, the Company signed Agreement of Transfer of Up-front Cost for Distributed-Resource Gas Turbine Research and Development with Hangzhou Turbine Group, where the Company transferred Project of Research and Development for 50MW Gas Turbine to Hangzhou Turbine Group, of which the transfer price was RMB 61,312,900.00 including tax.

2.Matter of Relocation Compensation for Factories in Shiqiao Road of Hangzhou Turbine Group

According to the planning of the Hangzhou Municipal Government, the property right bodies of 6 companies including Hangzhou Steam Turbine Group and Hangzhou Steam Turbine Company within the plant area of Hangzhou Steam Shiqiao Road factory area were included in the scope of the Expropriation and Relocation Planning. According to the Hangzhou Municipal People's Government's Minutes (Hangfu Minutes [2016] No. 87) on the relevant issues concerning the compensation for the relocation of the Steam Turbine Shiqiao road plant area and the spirit of the minutes (Hangfu Minutes [2016] No. 47) of the special meeting of Hangzhou Municipal people's Government on the relevant issues concerning speeding up the relocation of the Shiqiao Road Factory area of Hangzhou Steam Turbine and the Construction of the Hangzhou Steam Turbine Heavy Industry Project, Hangzhou Municipal Government, in accordance with the principle of "one factory, one policy", determines that the compensation for the overall relocation of the plant area of Hangzhou Steam Turbine Shiqiao road plant is

RMB 1.815 billion, with the compensation contents include the compensation for physical assets such as buildings, structures, housing renovations, equipment, and land within the area of relocation, as well as personnel resettlement fees, compensation fees for shutdown loss and production stoppage loss and incentive fees, and the compensation agreement shall be signed by the Xiacheng Urban Construction Investment Group-the land-making main-body affiliated to Hangzhou Xiacheng District Municipal Government with each relocation unit. The property rights bodies within the scope of the relocation shall complete the relocation by December 31, 2019, and evacuate the houses and hand them over to the land-making main-body of the government, the houses shall not be demolished or damaged without authorization, and the residual value of the houses after the handing over shall be possessed by the Urban Construction Investment Group.

On March 21, 2018, based on the evaluation opinion of Kunyuan Assets Appraisal Co., Ltd (No. 606-2017 Kunnyuan Appraisal Report, No. 609-2017 Kunnyuan Appraisal Report, No. 18-2018 Kunnyuan Appraisal Report,), the company signed the “Relocation Compensation Agreement for Non-residential Buildings on State-owned Land” with Xiacheng Urban Construction Investment Group, and determined that Xiacheng Urban Construction Investment Group shall make full monetary relocation compensation for the Company and its subsidiary the Machinery Company, with the total amount of compensation for various physical assets and expenses is RMB 1,305,950,300.00 (Including the incentive fee of RMB 34,892,770.00), and this aforementioned compensation shall be firstly collected by Hangzhou Steam Turbine Group and then Hangzhou Steam Turbine Group pays such amount to the Company and the Machinery Company. The company and its subsidiary the Machinery Company received the first compensation of 237,658,831.07 transferred from Hangzhou Steam Turbine Group in December 2017, which was listed in the special account payable.

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

(I) Notes to items of parent company financial statements

1. Account receivable

(1) Detailed categories

In RMB

Category	End of term					Beginning of term				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion %	Amount	Proportion %		Amount	Proportion %	Amount	Proportion %	
Receivables provided bad debt provision in credit risk groups	1,975,235,478.30	98.51%	779,285,370.98	39.45%	1,195,950,107.32	2,177,424,114.16	98.65%	752,473,417.58	34.56%	1,424,950,696.58
Account receivable with Not minor individual amount but bad debt provision is provided	29,819,607.69	1.49%	29,819,607.69	100.00%		29,819,607.69	1.35%	29,819,607.69	100.00%	
Total	2,005,055,085.99	100.00%	809,104,978.67	40.35%	1,195,950,107.32	2,207,243,721.85	100.00%	782,293,025.27	35.44%	1,424,950,696.58

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

Not applicable

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

In RMB

Aging	End of term		
	Other receivable account	Bad debt provision	Proportion%
Subitem within 1 year			
Subtotal within 1 year	478,434,200.92	23,921,710.05	5.00%
1-2 years	374,762,394.59	37,476,239.46	10.00%
2-3 years	252,914,593.83	75,874,378.15	30.00%
Over 3 years	783,630,869.14	642,013,043.32	
3-4 years	233,487,435.34	140,092,461.20	60.00%
4-5 years	241,114,258.39	192,891,406.71	80.00%
Over 5 years	309,029,175.41	309,029,175.41	100.00%
Total	1,889,742,058.48	779,285,370.98	41.24%

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

Name	End of term		
	Book balance	Bad debt provision	Providing rate %
Combinations of related transactions in consolidation range	85,493,419.82		
Subtotal	85,493,419.82		

Remarks on deciding of combinations:

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

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

Not applicable

(2) Provision of allowance for doubtful debts within this year is RMB35,924,444.57 and no recovery or reversal of provision during the year.

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

In RMB

Items	Amount
Uncollectible amount	9,112,491.17

The significant actual write-off accounts receivable:

In RMB

Name	Nature of account receivable	Amount written off	Reason for written-off	Verification procedures	Arising from related transactions(Y/N)
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Shenyang Touping Machanical Co., Ltd.	Goods	3,301,440.00	Uncollectible amount	The examined and adopted to Board of directors	No
China Air Separation Engineering Co., Ltd.	Goods	1,674,643.00	Uncollectible amount	The examined and adopted to Board of directors	No
Huaneng Energy saving Powergeneration Co., Ltd.	Goods	760,000.00	Uncollectible amount	The examined and adopted to Board of directors	No
Zhongpye Saidi Engineering Technology Co., Ltd.	Goods	758,160.00	Uncollectible amount	The examined and adopted to Board of directors	No
Hebei Iron and steel Group Yanshan Steel Co., Ltd.	Goods	623,280.00	Uncollectible amount	The examined and adopted to Board of directors	No
Nei Monggol Runbang Biogechnology Co., Ltd.	Goods	620,000.00	Uncollectible amount	The examined and adopted to Board of directors	No
Other	Goods	1,374,968.17	Uncollectible amount	The examined and adopted to Board of directors	No
Total	--	9,112,491.17	--	--	--

(4) Receivables account of the top five parties

Name	Amount	Proportion(%)	Bad debt provision
Client 1	552,373,954.92	27.55	272,568,290.12
Client 2	278,524,230.82	13.89	190,839,875.82
Client 3	54,877,438.40	2.74	26,261,537.27
Client 4	46,363,500.00	2.31	2,318,175.00
Client 5	45,439,245.99	2.27	11,435,017.59
Subtotal	977,578,370.13	48.76	503,422,895.80

2. Other account receivable

(1) Chassification

In RMB

Category	End of term					Beginning of term				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Proportion %	Amount	Proportion %		Amount	Proportion %	Amount	Proportion %	
Other receivables provided bad debt provision in credit risk groups	9,976,732.52	100.00%	5,665,193.66	56.78%	4,311,538.86	74,189,903.93	100.00%	6,185,197.69	8.34%	68,004,706.24
Total	9,976,732.52	100.00%	5,665,193.66	56.78%	4,311,538.86	74,189,903.93	100.00%	6,185,197.69	8.34%	68,004,706.24

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

Not applicable

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

In RMB

Age	End of term		
	Other receivable account	Bad debt provision	Proportion%
Subitem within 1 year			
Subtotal within 1 year	1,930,445.58	96,522.28	5.00%
1-2 years	165,648.00	16,564.80	10.00%
2-3 years	937,097.00	281,129.10	30.00%
Over 3 years	5,982,942.24	5,270,977.48	
3-4 years	1,543,565.90	926,139.54	60.00%
4-5 years	472,692.00	378,153.60	80.00%

Over 5 years	3,966,684.34	3,966,684.34	100.00%
Total	9,016,132.82	5,665,193.66	62.83%

Notes:

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

Name	End of term		
	Book balance	Bad debt provision	Providing rate %
Combinations of related transactions in consolidation range	960,599.70		
Subtotal	960,599.70		

Remarks on deciding of combinations:

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

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

Not applicable

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

Not applicable

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

Provision of allowance for doubtful debts within this year is RMB -520,004.03 and no recovery or reversal of provision during the year.

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

In RMB

Nature	Closing book balance	Opening book balance
Related party funds		60,000,000.00
Deposit	8,081,489.08	13,039,563.14
Pretty cash	231,000.00	167,900.00
Provisional accounts receivable	1,006,799.70	982,440.79
Other	657,443.74	
Total	9,976,732.52	74,189,903.93

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

In RMB

Name of the company	Account property	Book balance	Age	Percentage in total other receivable %	Bad debt provision
Shanghai Customs Waigaoqiao Office	Deposit in custom	3,710,320.94	Over 5 years	37.19%	3,710,320.94
China Electric Power Complete Equipment Co., Ltd.	Deposit in custom	800,000.00	Within 1 year	8.02%	40,000.00

Guoxin Bidding Group Co., Ltd.	Deposit in custom	800,000.00	2-3 years	8.02%	240,000.00
Hangzhou Steam Turbine Casting Co., Ltd.	Related party funds	578,527.34	Within 1 year	5.80%	
Jian Group Co., Ltd.	Deposit in custom	500,000.00	3-4 years	5.01%	300,000.00
Total	--	6,388,848.28	--	64.04%	4,290,320.94

3. Long-term share equity investment

In RMB

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

(1) Investment on subsidiaries

In RMB

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

4. Business income and Business cost

In RMB

Items	Amount of current period		Amount of previous period	
	Income	Cost	Income	Cost
Main business	2,056,532,812.35	1,599,774,611.48	2,128,910,906.33	1,546,003,243.12
Other business	140,183,662.39	94,531,608.36	14,563,244.25	10,829,495.21
Total	2,196,716,474.74	1,694,306,219.84	2,143,474,150.58	1,556,832,738.33

5..Investment income

In RMB

Items	Amount of current period	Amount of previous period
Long-term equity investment income by Cost method	66,008,407.50	83,728,812.50
Investment income received from holding of available-for –sale financial assets	53,014,898.47	2,587,659.70
Investment income from disposal of available for sale financial assets	25,121,648.20	
Financing product investment income	23,685,866.69	16,130,017.82
Total	167,830,820.86	102,446,490.02

XVII. Supplementary Information

1. Particulars about current non-recurring gains and loss

In RMB

Items	Amount	Notes
Gains/losses from the disposal of non-current asset	6,608,574.41	
Tax refund, deduction and exemption that is examined and approved by authority exceeding or has no official approval document.	1,250,418.38	
Governmental subsidy calculated into current gains and losses (while closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard)	8,945,252.87	
Except the effective hedge business related to the normal operation business of the Company, the profit and loss in the changes of fair values caused by the holding of tradable financial assets and tradable financial liabilities as well as the investment returns in disposal of tradable financial assets, tradable financial liabilities and saleable financial assets	62,623,000.27	
Other non-business income and expenditures other than the above	6,505,882.53	
Less : Influenced amount of income tax	11,777,992.62	
Amount of influence of minority interests	3,941,380.48	
Total	70,213,755.36	--

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

Not applicable

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

Profit of the report period	Weighted average net income on asset %	Earnings per share (yuan/share)	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	1.12%	0.09	0.09
Net profit attributable to the common owners of the PLC after deducting of non-recurring gains/losses	-0.02%	-0.002	-0.002

XII. Documents available for inspection

- I. Annual Report 2017 with signature of the Chairman;
- II. Original copy of the Auditors' Report with the seals and signatures of the legal representative, CFO, Accounting Manager of the Company, and the Pan-China CPA and signed by certified accountants.
- III. All of the originals of the Company's documents and public notices publicized by the presses designated by China Securities Regulatory Commission in the report period;
- IV. Original copy of Resolutions of the 20th Meeting of the 7th Term of Board with signatures of directors.

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

March 28, 2018