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Hangzhou Steam Turbine Co., Ltd.

Auditors’ Report 2017

Auditors' Report

Tian Jian Shen No.〔2018〕1268

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. KeyAudit 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 Huangzhou 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

In RMB

Items	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

In RMB

Items	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
（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 a ssets		

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 fir 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 rending 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 n central bank and brother company		
Cash paid for original contract claim		
Cash paid for interest, processing fee and commission		
Cash paid for policy dividend		
Cash paid to staffs or paid for staffs	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 rending 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: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit		
		preferred stock											
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: preferred stock	Other Equity instrument: Sustainable debt	Other Equity instrument: Other	Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Common risk provision	Attributable profit	Minor shareholders' equity	Total of owners' equity
I.Balance at the end of last year	754,010,400.00				139,590,345.09		-852,752.00	31,764,920.51	621,112,807.78		2,673,711,591.42	369,799,705.35	4,589,137,018.15
Add: Change of accounting policy													
Correcting of previous errors													
Merger of entities under common control													
Other													
II.Balance at the beginning of current year	754,010,400.00				139,590,345.09		-852,752.00	31,764,920.51	621,112,807.78		2,673,711,591.42	369,799,705.35	4,589,137,018.15
III.Changed in the current year							2,138,272,051.84	-4,218,567.14			31,955,445.73	-9,523,278.06	2,156,485,652.37
（1）Total comprehensive income							2,138,272,051.84				31,955,445.73	35,592,294.71	2,205,819,792.28
（II）Investment or decreasing of													

capital by owners													
1．Ordinary Shares invested by Shereholders													
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
		preferred stock	Sustainable debt	Other							
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 instrument s 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
		preferred stock	Sustainable debt	Other							
I.Balance at the end of last year	754,010,400.00				138,953,250.09			13,098,989.67	602,356,402.65	2,201,224,089.10	3,709,643,131.51
Add: Change of accounting policy											
Correcting of previous errors											
Other											
II.Balance at the beginning of current year	754,010,400.00				138,953,250.09			13,098,989.67	602,356,402.65	2,201,224,089.10	3,709,643,131.51
III.Changed in the current year							2,137,800,156.80	-2,224,955.82		42,075,038.98	2,177,650,239.96
（I）Total comprehensive income							2,137,800,156.80			42,075,038.98	2,179,875,195.78
(II) Investment or decreasing of capital by owners											
1．Ordinary Shares invested by shareholders											

2． Holders of other equity instruments invested capital											
3.Amount of shares paid and accounted as owners’ equity											
4．Other											
（III）Profit allotment											
1.Providing of surplus reserves											
2．Allotment to the owners (or shareholders)											
3．Other											
(IV)Internal transferring of owners’ equity											
1. Capitalizing of capital reserves (or to capital shares)											
2. Capitalizing of surplus reserves (or to capital shares)											
3．Making up losses by surplus reserves.											
4. Other											
(V) Special reserves								-2,224,955.82			-2,224,955.82
1. Provided this year											
2．Used this term								-2,224,955.82			-2,224,955.82
（VI）Other											
IV. Balance at the end of this term	754,010,400.00				138,953,250.09		2,137,800,156.80	10,874,033.85	602,356,402.65	2,243,299,128.08	5,887,293,371.47

Legal Representative: Zheng Bin Person in charge of accounting：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 polices and estimations on providing of bad debt provisions, fixed asset depreciation, intangible asset amortization, recognition of revenue, and so forth, according to its business practices.

1. Statement of compliance to the Enterprise Accounting Standard

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

2. Fiscal year

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

3. Operational period

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

4. Standard currency for bookkeeping

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

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

1. Treatment of entities under common control

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

2. Treatment of entities under different control

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

6. Method for preparing the consolidated financial statements

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

7. Recognition of cash and cash equivalents

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

8. Foreign currency trade and translation of foreign currencies

1. Translation of foreign currency

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

2. Translation of foreign currency financial statements

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

9. Financial instruments

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

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

2. Basis of recognition and accounting of finance asset and finance debt When the Company is one part of the finance instrument contract, one finance asset or debt is recognized. When on recognizing initially finance asset or debt, it is measured by fair value, for the finance asset or debt which appointed to be measured at fair value with their changes are accounted into current gain/loss accounts, the related transaction expenses are directly accounted into current gain and loss; for other finance asset and debt, the related transaction expenses accounted into the initial recognition account. The Company future measures finance asset by fair value without deducting future possible transaction fee but with exception: (1) Due investment, debt and account receivable are measured by

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

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

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

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

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

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

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

3. Basis of recognition and accounting of financial asset transferring

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

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

4. Recognition of fair value of financial assets and liabilities

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

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

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

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

5. Impairment test and impairment reserves plan

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

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

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

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

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

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

10. Receivable accounts

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

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

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

Name of the Group	Basis of bad debt provision
Group by age analysis	Age analysis method
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 profisions are provided on age analyze basis in the protfolio

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

Bad debt provisions are provided on percentage basis in the portfolio

Not applicable

Bad debt provisions are provided on other basis in the portfolio

Not applicable

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

Basis of providing bad debt individually	When there is significant difference between the current value of future cash flow of the receivable account and the current value of future cash flow of the group

Basis of bad debt provision	Impairment test performed individually, bad debt provision will be provided at the difference of expected cash flow lower than the book value.

11.Inventories

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

No

(1) Inventory classification

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

(2) Pricing of inventory to be delivered

Pricing basis:

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

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

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

(4) Inventory system

Inventory system: perpetual inventory system

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

1.Low price consumable

Basis of amortizing: one-off

2.Packaging materials

Basis of amortizing: one-off

12. Long-term equity investment

1. Recognition of common control and substantial influence

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

2. Recognition of initial investment costs

(1) For the long-term equity investment formed by corporate merger under common control, if it is the long-term equity investment obtained from the corporate merger by paying cash, transferring non-cash asset, bear liability and issuing equity securities, the share of book value of owner's equity of the merged party on the merger date shall be taken as the initial investment cost. The asset reserve is adjusted according to the difference between the initial investment cost of long-term equity investment and the book value of paid combined consideration or

issued securities; if the capital is not enough for deduction, the remain earnings are adjusted.
Recognition of "one-off" trade when long-term equity investment is composed by merger of entities under common control by multiple steps.
Transactions under an "one-off" trade are accounted as a common trade of ownership.
Transactions which are not "one-off" trades are recognized for their initial investment cost basing on the share of book value of net asset in the consolidated financial statement of the entities acquired. Balance between the initial investment cost and the book value of the long-term equity investment before merger and the premium paid for the new shares after merger, is adjusted to capital reserves; when the capital reserve is not enough to offset, retained profit shall be adjusted thereof.
(2) For the long-term equity investments formed by merger of enterprises under different control, the initial investment cost is recognized by the fair value of combined consideration on purchasing day and related expenses.
Long-term equity investment formed by acquisition of entities under different control by trade in multiple stages are accounted separately in the financial statements and consolidated financial statements.
1) In individual financial account, the sum of book value of original equity investment plus new investment cost is recognized as the initial investment cost on cost basis.
2) Recognition of "one-off" trade in consolidated financial statements
Transactions under an "one-off" trade are accounted as a common trade of ownership. Transactions which are not "one-off" trades are re-measured for their fair value at the day of acquisition. Balance between the fair value and the book value of the long-term equity investment is adjusted to current investment gains; other gains from equity on equity basis before the acquisition day are written over to current gains of at the day of acquisition, but not the gains from re-calculating of changes in net liability or asset by the invested entity.
(3) Formed by means other than entity merger:
Acquired by cash payment – initial investment cost is the actual amount of payment;
Acquired by issuing of equity certificates – initial investment cost is the fair value of equity certificate issued;
Acquired by debtor restructuring – initial cost recognized as according to the Enterprise Accounting Standard No.12 – Debtor restructuring;
Acquired by trading of non-monetary asset - initial cost recognized as according to the Enterprise Accounting Standard No.7 – Trade of non-monetary assets;
3. Subsequent measurement and recognition of gain/loss
Cost basis is adopted in accounting of long-term equity investment in entities under substantial control of the Company; while equity basis is adopted in accounting of investment in affiliates and joint-ventures.
4. Treatment of disposal of subsidiaries by stages till losing of control power
(1) Individual account
At disposal of equity shares, the balance between book value and actual consideration received is recorded to current gain/loss account.
When the retained share equity is composing major influence or joint control with other parties on the invested entity, accounting will be on equity basis;
When none of substantial control, joint control, or major influence on the entity, it will be recognized as sellable financial asset and accounted on fair value.
(2) Basis of Consolidated Financial Statements
1) Losing of controlling power on a subsidiary through disposal of equity by multiple trades, and not recognized as "one-off" trade:
Before losing of control power, the balance of disposal consideration and the share of net asset attributable to the Company on continued basis since purchasing or merger, is adjusted to capital reserves (capital premium), whereas if the capital premium is not enough to offset the amount, retained profit will be offset at corresponding amount.

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

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

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

13. Fixed assets

1. Conditions for fixed asset recognition

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

2. Depreciation

Categories	Basis of depreciation	Depreciation age (year)	Retain value rate	Annual depreciation ratio
Houses & buildings	Straight average 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 leasee, the amount is recorded to asset cost or recognized as gain/loss of current period on straight basis to the periods of lease. Initial direct expenses are accounted into current gain/loss. Contingent

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

25.Other important accounting policies and accounting estimates

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. – subsidies 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– subsidies 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
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 preriod -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
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.,	Goods	760,000.00	Uncollectible	The examined and adopted to	No

Ltd.			amount	Board of directors	
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 colleted 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 receivalbe	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 vair 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-begin	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 ofthe 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('0000)	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 Construction				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 Construction				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

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	Reaseon
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	Reaseon
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	--

(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 paren 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	3,927,952.52	

investment		
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	Whhether special	Amount of current	Amount of previous period	Assets-related/income –related

				subsidies on the current profit and loss	subsidies	period		
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	237,658,831.07	

compensation		
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 assets	76,555,538.97	82,918,520.91
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 Trubine 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 Trubine Packaged Technologies Development Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	70.86%		Incorporation
Hangzhou Zhongneng Steam Turbine Power Co., Ltd. (Zhongneng Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	60.83%		Incorporation
Hangzhou Steam Turbine Casting Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	51.00%		Incorporation
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	52.00%		Incorporation
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. (Auxiliary Machinery Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	87.53%		Incorporation

Zhejiang Turbine Import & Export Co., Ltd. (Turbine Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Commerce	100.00%		Incorporation
Hangzhou Steam Turbine Heavy Industry Co., Ltd.	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 trubine Packaged Technology Development 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 Turbine	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

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 Co., Ltd.	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

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 milllion	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 Industrical 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

Ralated parties	Content of related transaction	Amount of current period	Amount of previous period	Over the trading limit or not?	Amount of last period
Hangzhou Steam turbine Automobile sales service Co., Ltd.	Transportation , repair , etc.	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	Infornation 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 Receiviable 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 tarrif 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 Equipment Co., Ltd.	43,741,785.00		21,515,346.37	
	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. Enents 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.

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 cridit 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)

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 inocme	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 loess（while closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard）	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

Hangzhou Steam Turbine Co., Ltd.

March 28, 2018