

Stock Code: 200771

Stock ID: Hangqilun B

Announcement No.2019-18

Hangzhou Steam Turbine Co., Ltd.

2018 Annual Report

(Stock Code: 200771)



March 2019

I.Important Remarks, Table of Contents, and Definitions

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

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

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

Please refer to the prospects for the future development of the company in Section 4 for the risks in the company's operations. The company's designated information disclosure media are: Shanghai Securities News (Chinese), Securities Times (Chinese), Hong Kong Commercial Daily (English), <http://www.cninfo.com.cn> (In English and Chinese), all information of the company is subject to the information published in the above selected media. Investors are advised to pay attention to investment risks.

The profit distribution proposal reviewed and approved by the boarding meeting was summarized as follows: 754,010,400 for the base, the Company would distribute cash dividend to all the shareholders at the rate of CNY 2.00 for every 10 shares (with tax inclusive) , 0 bonus shares (including tax) and no reserve would be converted into share capital.

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Definition

Terms to be defined	Refers to	Definition
Company, the Company	Refers to	Hangzhou Steam Turbine Co., Ltd.
The Group, Hangqi Group	Refers to	Hangzhou Steam Turbine Power Group Co., Ltd.
The report period, the current period, the current year	Refers to	January 1 – December 31 2018
Zhongneng Co.	Refers to	Hangzhou Zhongneng Steam Turbine Power Co., Ltd. – the holding subsidiary of the Company
Casting Co.	Refers to	Hangzhou Steam Turbine Casting Co., Ltd. – the holding subsidiary of the Company
Packaged Tech. Co.	Refers to	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd. – the holding subsidiary of the Company
Machinery Co.	Refers to	Hangzhou Steam Turbine Machinery Equipment Co., Ltd. - the holding subsidiary of the Company
Auxiliary Machine Co.	Refers to	Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. - the holding subsidiary of the Company
Turbine Co.	Refers to	Zhejiang Turbine Import & Export Co., Ltd. – the holding subsidiary of the Company
Heavy Industry Co.	Refers to	Hangzhou Steam Turbine Heavy Industry Co., Ltd. - the holding subsidiary of the Company
The Board of Directors	Refers to	The Board of Directors of Hangzhou Steam Turbine Co., Ltd.
The Supervisory Committee	Refers to	The Supervisory Committee of Hangzhou Steam Turbine Co., Ltd.
The Shareholders' Meeting	Refers to	The Board of Directors of Hangzhou Steam Turbine Co., Ltd.
RMB, RMB0'000, RMB000'000'000	Refers to	RMB Yuan, RMB10 thousand Yuan, RMB100 million Yuan
MW	Refers to	Unit of power: 1000KW
PLM	Refers to	Product life circle management information system
MES	Refers to	Manufacturing execution system

II. Basic Information of the Company and Financial index

I. Basic Information

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

II. Contacts

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

III. Place for information disclosure

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

IV. Change of Business Registration

Organization code	913300007042026204
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Change of main business since listed	<p>The original scope of main businesses of the Company: The design and manufacturing of steam turbine, gas turbine, other rotating and to-and-fro machinery and auxiliary equipment, and spare parts and components, sales of self-manufactured products and the providing of relevant after-sales service and import & export service.</p> <p>In July 2008, the business scope was modified to: Design and manufacturing of steam turbine, gas turbine, other rotating and to-and-fro machinery and auxiliary equipment, and spare parts and components, sales of self-manufactured products and the providing of relevant after-sales service; sales and import & export of power plant, industrial driving, industrial turbine equipment and complete equipment. For those involve in quota or licensing shall follow legal procedures.</p> <p>In March 2009, the business scope was modified to: Design and manufacturing of steam turbine, gas turbine, other rotating and to-and-fro machinery and auxiliary equipment, and spare parts and components, sales of self-manufactured products and the providing of relevant after-sales service; sales and import & export of power plant, industrial driving, industrial turbine equipment and complete equipment.</p> <p>In December 2016, the business scope was modified to: Design and manufacturing of steam turbine, gas turbine, other rotating and to-and-fro machinery and auxiliary equipment, and spare parts and components, sales of self-manufactured products and the providing of relevant after-sales service; sales and import & export of power plant, industrial driving, industrial turbine equipment ,complete equipment and Energy conservation and environmental protection projects.</p>
Change of holding shareholder (if any)	No change

V. Miscellaneous information

CPA hired by the Company

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

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

Not applicable

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

Not applicable

VI.Summary of Accounting data and Financial index

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

No

	2018	2017	Changed over last	2016
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			year (%)	
Operating revenue (Yuan)	4,642,807,589.69	3,447,142,669.49	34.69%	3,235,303,379.24
Net profit attributable to the shareholders of the listed company (Yuan)	345,824,339.47	68,753,250.90	402.99%	31,955,445.73
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company (Yuan)	280,075,101.48	-1,460,504.46	19, 276.60%	-8,366,688.71
Cash flow generated by business operation, net (Yuan)	644,433,167.20	205,302,791.77	213.89%	506,159,428.42
Basic earning per share(Yuan/Share)	0.46	0.09	411.11%	0.04
Diluted gains per share(Yuan/Share)	0.46	0.09	411.11%	0.04
Net asset earning ratio (%)	5.82%	1.12%	4.70%	0.60%
	End of 2018	End of 2017	Changed over last year (%)	End of 2016
Gross assets (Yuan)	11,569,169,903.81	10,830,597,182.38	6.82%	10,550,899,708.34
Net assets attributable to shareholders of the listed company (Yuan)	6,007,540,929.16	5,884,816,809.55	2.09%	6,385,346,243.23

VII.The differences between domestic and international accounting standards

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

No difference in the reporting period.

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

No difference in the reporting period.

VIII.Main Financial Index by Quarters

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating revenue	962,078,793.39	1,322,052,188.74	1,108,687,686.30	1,249,988,921.26
Net profit attributable to the shareholders of the listed company	39,042,232.50	89,468,361.51	163,313,243.33	54,000,502.13
Net profit after deducting of non-recurring gain/loss attributable to the shareholders of listed company	28,469,122.60	61,001,604.12	144,020,340.79	46,584,033.97
Net Cash flow generated by business operation	126,725,248.14	431,061,942.59	42,274,340.29	44,371,636.18

Any material difference between the financial indicators above or their summations and those which have been disclosed in quarterly or semi-annual reports?

No

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

In RMB

Items	Amount (2018)	Amount (2017)	Amount (2016)	Notes
Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is made)	-40,478.16	6,608,574.41	326,453.30	
Tax refund, deduction and exemption that is examined and approved by authority exceeding or has no official approval document.	2,140,524.49	1,250,418.38		
Governmental Subsidy accounted as current gain/loss, except for those subsidies at with amount or quantity fixed by the national government and closely related to the Company's business operation.	23,300,479.35	8,945,252.87	16,968,792.22	
Debt restructuring profit or loss	7,064,832.00			
In addition to normal business with the company effective hedging related business, holders of tradable financial assets, transactions and financial liabilities arising from changes in fair value gains and losses, as well as the disposal of trading of financial assets, trading financial liabilities and available-for-sale financial assets gains return on investment	48,433,535.22	62,623,000.27	28,548,677.87	
Other non-operating income and expenditure beside for the above items	-1,703,546.21	6,505,882.53	7,345,994.24	
Less: Influenced amount of income tax	11,452,856.21	11,777,992.62	8,701,193.64	
Amount of influence of minority interests (After tax)	1,993,252.49	3,941,380.48	4,166,589.55	
Total	65,749,237.99	70,213,755.36	40,322,134.44	--

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

Not applicable

III. Outline of Company Business

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

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

No

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

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

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

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

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

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

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

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

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

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

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

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

II. Major Changes in Main Assets

1. Major Changes in Main Assets

Main assets	Major changes
Equity assets	Mainly caused by the volatility in share price of Hangzhou Bank with the Company's investment and participation
Fixed assets	Mainly caused by the Completion of the company's Steam turbine Bulding transferred to fixed assets
Intangible assets	No major changes
Construction in progress	Mainly caused by the new investment in the current period of the steam turbine Heavy industry project with the progress of the project

2. Main Conditions of Overseas Assets

Not applicable

III. Analysis On core Competitiveness

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

No

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

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

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

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

Fifthly, the Company has cultivated a significant advantage in human resources. Great importance has been attached to construction of work teams with collection of high-end workforce in the areas of research & development, At the same time, our company values the cooperation with universities. "Zhejiang Technical Association for Gas Turbines in Equipment Manufacturing Industry" was officially founded jointly by our company and Zhejiang University and other scientific research institutions to build a new platform for integration of production and research in terms of gas turbine technology. The Company has cultivated a significant advantage in human resources. Great importance has been attached to construction of work teams with collection of high-end workforce in the areas of research & development, designing, technique, testing, and quality control. An excellent workforce provides a sound foundation to lift quality and services.

IV. Management's Discussion and Analysis

I. General

Within the report period, facing the intricate situations at home and abroad, the Company has steadily promoted the implementation of the "13th Five-Year" strategic plan, adhered to the economic policies of "innovation persisting, coordinated advance, culture leading and management strengthening" to insist on the technical innovation of products and accelerate the transformation and upgrading of the Company, orderly carried out the relocation to ensure the production schedule of products, seized the high-end market segments to enhance the Company's industrial position, started the enterprise culture construction to increase the cohesion and converge the talents, and constantly improved the enterprise management to effectively prevent the enterprise risks. After the joint efforts of all employees, the Company has realized turnover of RMB 4642.8076 million, an increase of 34.69%; Total profit of RMB470.0691 million, an increase of 254.35%, net profit attributable to owners of the parent company of RMB345.8243 million, an increase of 402.99% the annual operation target in 2018 has been successfully completed.

I. Insist on technical innovation of products to speed up the transformation and upgrading of the Company

Within the report period, the Company has developed 21 new products and completed 16 scientific research projects. Among them, the successful development of the turbine used in the HNKS63/112-type 80,000 cubic-level air separation units has enabled the Company with the complete product and technology system in the large air separation field. The smooth test run and delivery of the double-cylinder double-speed 50 MW steam turbine sets in the central solar project have indicated the technology and market breakthroughs of the Company in the photo-thermal field.

The company's "Key Technology and Application of Steam Turbine Series Damping Damping Blade Design" jointly developed by the company and Xijiao University won the second prize of National Science and Technology Progress Award in 2018. The Company's project of "Key Technologies and Applications of Energy Field Compound Laser Surface Modification" has been awarded with the First Prize of the China Mechanical Industry Science and Technology Award. The project of "R& D of Key Technologies and Industrial Applications for Long Twisted Vanes of Industrial Steam Turbines" has been awarded with the Second Prize of the Science and Technology Award of China Machinery Industry Federation. The project of "Domestic Industrial Steam Turbines for 100,000 m³ Air Separation Units" has been awarded with the First Prize of the Zhejiang Mechanical Industry Technology Award. In 2018, the Company has obtained 32 authorized patents, including that the project of "Design Methods for Gas Flow Bending Stress of Self-locking Damping Blade Based on Fluid-solid Coupling" has been awarded with the Zhejiang Patent Gold Award.

The successful acceptance of the Company's provincial intelligent manufacturing demonstration project "Study on Discrete Intelligent Manufacturing Modes and Digital Workshop Construction" has provided the preliminary exploration and path plan for the intelligent manufacturing construction of the Company's new plant. The new remote product monitoring service released by the Company through the service big data platform has extended the

intelligent manufacturing to the product service end and also an important step for the transformation of the Company to the service-oriented manufacturing enterprise.

II. Orderly carry out the relocation to ensure the production schedule of products

Within the report period, the Company's "Steam Turbine Power Building" has been delivered as a whole, and the main project of Steam turbine heavy industry and large equipment foundation construction have been started comprehensively. As the "spearhead", the painting workshop of the Company was relocated into the new plant in October 2018.

In 2018, almost 200 devices were purchased for the new plant of the Company with the fixed asset investment exceeding RMB 300 million. In order to ensure the success of the Company's comprehensive relocation, the dedicated working group has been established in the Company to formulate the relocation plan, issue the related systems and sufficiently guarantee the comprehensive relocation of the Company.

In the report period, the Company has fully explored the capacity resources, intensified the capability construction of supply chain, continued the dynamic optimization of operation plan, conquered such adverse factors as short production cycle and many changes in the contract execution and broken the historical records of steam turbine set manufacturing. The product container technology self-researched by the Company has enabled the overall assembly, overall delivery and transport and overall installation by users on site to extremely improve the product quality and user experience.

III. Seize the high-end market segments to enhance the Company's industrial position

In the report period, the domestic industry-driven market has continuously shown the exuberant market demand after being driven by the petroleum refining investment and construction.

In the dragging market, the 1,500,000t/a ethylene unit ethylene project signed between the Company and Dalian Hengli is the largest domestic single-wire ethylene unit around the world. The Company has successfully won the bidding of this project after the competition with such international famous manufacturers as GM, Siemens, Elliott and Mitsubishi and taken the international position for the Company's products, technologies and market competitiveness. The Company has obtained the orders for the 2,200,000t/a coal-to-methanol project and 105,000 Nm³/a air separation unit turbines of Ningxia Baofeng Energy and the low-pressure driven steam turbine set for the PX Phase II project of Sinopec Hainan Refining & Chemical, and broken the monopoly of foreign counterparts. The order for the 1,250,000t ethylene project of Zhejiang Satellite Energy undertaken by the Company is the first ethane-to-ethylene unit above the 1,000,000-level in China. The Company has successfully realized the cooperation between the compressors of Elliott and the turbines of the Company again to make new contributions to the expansion of the cooperation mode of the imported compressors + HTC's turbines in the driven core fields like ethylene.

In the generator sets, the condensate pumping steam turbine sets for the 2*100MW combined cycle power generation project of China Power (Changshu) supplied by the Company are the performance in the domestic 100MW combined cycle power generation projects for the first time, with greater demonstration significance for the

subsequent supporting steam turbine market of 100MW combined cycle units in Jiangsu Province and even the whole country.

In the gas turbines, the Company has actively expanded the cooperating projects in the fields relating to such industrial chains as small and medium-sized gas turbines and distributed energy resources and successfully signed the contract with Huafeng regarding the microfiber gas turbine combined cycle project to realize the expansion from gas turbine products to gas turbine projects and from the cooperated manufacturing to gas turbine project services. The Company has undertaken the gas turbine after-sales service contracts of RMB 80 million hitting a new high again.

IV. Start the enterprise culture construction to increase the cohesion and converge the talents

Within the report period, the Company has commenced the enterprise culture construction project with the themes of "spiritual motivation and future winning", and elected the enterprise culture ambassador, aiming at agglomerating the consensus of all employees in the Company and simulating the impetus that employees actively participate in the enterprise change to promote the transformation and upgrading.

A series of enterprise culture activities has been carried out by the Company combining the 60 anniversaries of plant establishment and 20 anniversaries of listing, and further firmly built the era responsibility of the pillars of a great power for all employees by a review of enterprise development. The HTC's spirit of originality has been presented to users and suppliers after the Company held the "20 Anniversaries of Listing and Turbine Power High-end Development Forum" to transfer the ideas of "driving the industrial civilization and sustaining China's momentum" to show the latest technical innovation and development trend of HTC. The unique industrial position of the listed company has been shown to institutional and individual investors by holding the open day activities of "Enter HTC" for investors.

The Company has actively promoted the talent construction, and improved the reserve cadres election mechanism to cultivate and store the preeminent talented managers. After the organization of skill master studio for foreign exchange and learning activities, the Company has applied for the "Millions of Talents" in Zhejiang Province, prepared the supporting scheme for highly skilled leading talents in the 10,000 talent plan of Zhejiang Province, constantly appraised and elected the "shining turbine worker", first elected the "craftsman of HTC" and cultivated the backbone elites in all fields and all departments of the Company.

V. Constantly improved the enterprise management to effectively prevent the enterprise risks

Within the report period, the Company has unceasingly improved the governance structure of subsidiaries and strengthened the management and control for subsidiaries by assigning directors and supervisors to them to ensure their standard governance with the operation and development consistent with the Company's strategic goals.

With the further implementation of the Company's management system integration project and the parallel promotion of lean production project in all workshops, the annual key management tasks have been fulfilled. The Construction of Digitized, Visual and Lean Production Quality Project for Discrete Manufacturing by MES System of the Company has been awarded with the First Prize of the provincial and municipal enterprise management

modern innovation achievements.

Based on the big data analysis, the research on the product costs and earnings has been advanced by the Company to explore the sales pricing reform of products and constantly update and improve the Company's sale price system. The list of qualified suppliers has been complemented by the Company with the sufficient use of outsourcing resources to save the purchasing costs of the Company by such means as open tender, centralized ordering, price comparison and forcing the prices down. Through the formulation of Standard Text of Equipment Procurement Contract in Large Supporting Field and the Review Specifications for Equipment Procurement Contract in Large Supporting Field by the Company, the review for the prices, quality and delivery dates of supporting product parts has been strengthened, to ensure that the Company's products and the supporting parts purchased meet the users' requirements.

After the preparation of the risk management implementation plan, the Company has carried out the risk evaluation for key risk aspects of the Company to prevent and control the enterprise system risk. The Company has strengthened the legal means to professionally support the business and suitably solved the contract disputes with effective recovery of long aging overdue receivables.

II. Main business analysis

1. General

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

2. Revenue and cost

(1)Component of Business Income

In RMB

	2018		2017		Changed over last year (%)
	Amount	Proportion	Amount	Proportion	
Total operating revenue	4,642,807,589.69	100%	3,447,142,669.49	100%	34.69%
On Industries					
Boiler and power machine manufacture	4,170,860,461.92	89.83%	3,030,946,418.89	87.93%	37.61%
Nonferrous metal alloy manufacture	133,291,110.39	2.87%	91,384,682.32	2.65%	45.86%
Other	338,656,017.38	7.30%	324,811,568.28	9.42%	4.26%
On Products					
Industrial steam turbine	3,745,445,441.72	80.67%	2,692,843,753.69	78.12%	39.09%
Casting products	133,291,110.39	2.87%	91,384,682.32	2.65%	45.86%
Auxiliary machinery	248,879,821.14	5.36%	118,292,027.16	3.43%	110.39%

Part	176,535,199.06	3.80%	219,810,638.04	6.38%	-19.69%
Other	338,656,017.38	7.30%	324,811,568.28	9.42%	4.26%
District					
Domestic	4,493,091,404.24	96.78%	3,240,202,391.60	94.00%	38.67%
Overseas	149,716,185.45	3.22%	206,940,277.89	6.00%	-27.65%

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

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

No

In RMB

	Turnover	Operation cost	Gross profit rate(%)	Increase/decrease of revenue in the same period of the previous year(%)	Increase/decrease of business cost over the same period of previous year (%)	Increase/decrease of gross profit rate over the same period of the previous year (%)
On Industries						
Boiler and power machine manufacture	4,170,860,461.92	2,883,329,426.80	30.87%	37.61%	31.32%	3.31%
On Products						
Industrial steam turbine	3,745,445,441.72	2,584,502,463.97	31.00%	39.09%	29.90%	4.88%

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

Not applicable

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

Business categories	Items	Unit	2018	2017	Change over same period last year
Steam turbine	Sales	Set/package	442	388	13.92%
	Output	Set/package	451	361	24.93%
	Inventory	Set/package	180	171	5.26%
Gas turbine, compressor	Sales	Set/package	4	3	33.33%
	Output	Set/package	2	4	-50.00%
	Inventory	Set/package	7	9	-22.22%

Statement on change of amounts for over 30% YoY.

The gas turbine and compressor products have a small output and a low proportion in the total products of our Company. Therefore, the slight change in the absolute production and sales and stock in the period caused a

large fluctuation in its relative increase and decrease.

(4)Major orders in hand.

Not Applicable

(5)Component of business cost

Product category

In RMB

Category	Items	2018		2017		Increase/Decrease (%)
		Amount	Proportion in the operating costs (%)	Amount	Proportion in the operating costs (%)	
Industrial steam turbine		2,584,502,463.97	80.26%	1,989,579,236.24	81.19%	29.90%
Casting		109,373,524.81	3.40%	68,739,724.43	2.81%	59.11%
Auxiliary machinery		220,254,043.83	6.84%	91,269,179.11	3.72%	141.32%
Part		78,572,919.00	2.44%	114,854,559.39	4.69%	-31.59%
Other		227,318,868.30	7.06%	186,144,626.62	7.59%	22.12%
Subtotal		3,220,021,819.91	100.00%	2,450,587,325.79	100.00%	31.40%

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

No

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

Not applicable

(8)Situation of Main Sales Customers and Main Supplier

Information of Main sales customers

Total sales amount to top 5 customers (Yuan)	1,624,183,928.81
Proportion of sales to top 5 customers in the annual sales(%)	34.98%
Proportion of the sales volume to the top five customers in the total sales to the related parties in the year	0.00%

Information of the Company's top 5 customers

No	Name	Amount (RMB)	Proportion
1	Customer 1	616,115,825.66	13.27%
2	Customer 2	529,146,968.53	11.40%
3	Customer 3	239,149,941.00	5.15%
4	Customer 4	122,103,261.39	2.63%
5	Customer 5	117,667,932.23	2.53%
Total	--	1,624,183,928.81	34.98%

Notes

Not applicable

Principal suppliers

Total purchase of top 5 Suppliers (Yuan)	757,749,294.63
Percentage of total purchase of top 5 suppliers In total annual purchase(%)	23.98%
Proportion of purchase amount from the top 5 suppliers in the total purchase amount from the related parties in the year	5.49%

Information about the top 5 suppliers

No	Name	Amount (RMB)	Proportion
1	Supplier 1	267,961,237.04	8.48%
2	Supplier 2	173,472,628.12	5.49%
3	Supplier 3	121,761,368.52	3.85%
4	Supplier 4	106,361,550.64	3.37%
5	Supplier 5	88,192,510.31	2.79%
Total	--	757,749,294.63	23.98%

Notes

Not applicable

3. Expenses

In RMB

	2018	2017	Increase/Decrease (%)	Notes
Sale expenses	174,205,763.02	169,520,147.67	2.76%	
Administration expenses	453,278,171.52	433,151,164.67	4.65%	
Financial expenses	-17,422,889.91	24,287,127.82	-171.74%	Mainly due to the increase in interest income and exchange gains during the period
R & D cost	264,643,888.76	211,027,767.11	25.41%	Mainly due to the increase in R&D investment in the current period

4. Research and Development

In 2018, the Company's total investment in R & D was RMB 264,643,888.76, accounting for 5.7% of the operation revenue. In the industrial steam turbines, the successful project approval and development of such new products as the largest steam turbine for 1,500,000t/a ethylene unit in the world, methyl alcohol synthesis gas EHNS50/50 high rotation speed steam turbine of China National Coal (Erdos) and axial exhaust NKS71/2.8 steam turbine for PTA waste heat utilization have guaranteed the competitive advantages of the Company's leading

products in the international market. In the information-oriented development and application, the MES system has been on line for operation formally, and the industrial Internet application service platform has been constructed. The deep integration of informatization and industrialization has been accelerated continuously.

R & D investment situation

	2018	2017	Increase/Decrease (%)
Number of Research and Development persons (persons)	912	887	2.82%
Proportion of Research and Development persons	26.41%	24.43%	1.98%
Amount of Research and Development Investment (In RMB)	264,643,888.76	211,027,767.11	25.41%
Proportion of Research and Development Investment of Operation Revenue	5.70%	6.12%	-0.42%
Amount of Research and Development Investment Capitalization (In RMB)	0.00	0.00	
Proportion of Capitalization Research and Development Investment of Research and Development Investment	0.00%	0.00%	

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

Not applicable

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

Not applicable

5.Cash Flow

In RMB

Items	2018	2017	Increase/Decrease (%)
Subtotal of cash inflow received from operation activities	4,382,919,022.39	3,645,358,287.67	20.23%
Subtotal of cash outflow received from operation activities	3,738,485,855.19	3,440,055,495.90	8.68%
Net cash flow arising from operating activities	644,433,167.20	205,302,791.77	213.89%
Subtotal of cash inflow received from investing activities	4,717,583,835.95	4,340,596,720.83	8.69%
Subtotal of cash outflow for investment activities	5,257,955,267.16	4,183,532,647.57	25.68%
Net cash flow arising from investment activities	-540,371,431.21	157,064,073.26	-444.05%
Subtotal cash inflow received from financing activities	246,875,000.00	232,500,000.00	6.18%

Subtotal cash outflow for financing activities	233,036,102.69	281,399,925.68	-17.19%
Net cash flow arising from financing activities	13,838,897.31	-48,899,925.68	128.30%
Net increase in cash and cash equivalents	124,693,982.37	306,255,849.98	-59.28%

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

Items	2018	2017	Proportion %	Reason
Net cash flow arising from operating activities	644,433,167.20	205,302,791.77	213.89%	Mainly due to the increase in sales volume and the increase in cash received from sales of goods during the period.
Net cash flow arising from investment activities	-540,371,431.21	157,064,073.26	-444.05%	Mainly due to the increase in net expenditure on wealth management products and the increase in cash paid for purchase and construction of projects.
Net cash flow arising from financing activities	13,838,897.31	-48,899,925.68	128.30%	Mainly due to the increase in cash received by the casting company in the current period by absorption of capital increase from minority shareholders

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

Not applicable

III. Analysis of Non-core Business

In RMB

	Amount	Proportion in total profit	Explanation of cause	Sustainable (yes or no)
Investment income	117,535,765.44	25.00%	Mainly due to the investment income of wealth management products and dividends of Hangzhou Bank this year	
Impairment of assets	184,355,819.30	39.22%	Mainly due to the provision for inventory falling price and the provision for bad debts based on the aging analysis method of receivables for various types of raw materials, self-made semi-finished products, work-in-progress products, and finished goods whose estimated net realizable value is lower than the corresponding book value.	
Non-operating income	12,138,431.92	2.58%	Mainly due to contract compensation	

			income and purchase debt restructuring and reduction of accounts payable	
Non-operating expenses	7,169,435.39	1.53%	Mainly due to contract compensation expenses	

IV. Condition of Asset and Liabilities

1. Condition of Asset Causing Significant Change

In RMB

	End of 2018		End of 2017		Proportion on increase/decrease	Notes to the significant change
	Amount	Proportion in the total assets(%)	Amount	Proportion in the total assets(%)		
Monetary fund	1,382,392,009.59	11.95%	1,222,677,495.94	11.29%	0.66%	
Accounts receivable	1,940,798,255.26	16.78%	1,695,217,448.46	15.65%	1.13%	
Inventories	2,188,121,342.87	18.91%	2,092,575,691.92	19.32%	-0.41%	
Long-term equity investment	8,221,439.29	0.07%	5,800,000.00	0.05%	0.02%	
Fixed assets	783,740,928.49	6.77%	566,710,937.10	5.23%	1.54%	
Construction in process	454,767,328.93	3.93%	255,921,660.09	2.36%	1.57%	
Short-term loans	139,600,000.00	1.21%	115,500,000.00	1.07%	0.14%	
Long-term loans	22,700,000.00	0.20%	100,000,000.00	0.92%	-0.72%	

2. Asset and Liabilities Measured by Fair Value

In RMB

Items	Opening balance	Profit/loss on fair value changes in this reporting period	Cumulative fair value changes charged to equity	Impairment provided in this reporting period	Purchased in this reporting period	Sold in this reporting period	Closing balance
Financial assets							
3. Available-for-sale financial assets	2,239,086,521.28	-227,209,996.88	1,620,922,484.40				2,011,876,524.40
Total of the above	2,239,086,521.28	-227,209,996.88	1,620,922,484.40				2,011,876,524.40
Financial Liabilities	0.00	0.00	0				0.00

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

No

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

Items	End of Book value	Reason
Monetary fund	120,205,192.39	Utilized for issuing bank acceptance bill, L/C , L/G and Court freezing payment
Notes receivable	88,112,807.60	Utilized for issuing bank acceptance bill
Dividend receivable	16,557,292.60	Utilized for guaranteeing the investment loan for China Development Funds
Available for sale financial assets	333,592,000.00	Utilized for guaranteeing the investment loan for China Development Funds
Fixed assets	121,500,420.99	Utilized for pledging to obtain the bank loan and guaranteeing the investment loan for China Development Funds
Construction in process	293,963,202.50	Utilized for guaranteeing the investment loan for China Development Funds
Invisible assets	85,918,827.81	Utilized for pledging to obtain the bank loan and guaranteeing the investment loan for China Development Funds
Total	1,059,849,743.89	

V. Investment situation

1. General

Investment Amount in 2018(Yuan)	Investment Amount in 2017(Yuan)	Change rate
555,376,162.93	249,867,277.94	122.27%

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

Not applicable

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

In RMB

Project name	Investment method	Fixed investment or not	Industry involved in investment projects	Investment amount in this reporting period	Accrued Investment up to the End of Reporting Period	Actual Amount	Capital Source	Project schedule	Anticipated income	Accrued Realized Income up to the End of Reporting Period	Reasons for not Reaching the Planned Schedule and Anticipated Income	Disclosure date	Disclosure Index
Steam turbine building	Self-built	Yes	General equipment manufacturing	109,994,014.28	231,425,262.04	Self funds	100.00%				No		
Turbine heavy industry	Self-built	Yes	General equipment manufacturing	362,129,955.27	482,532,051.84	Self funds	27.84%				No		
Total	--	--	--	472,123,969.55	713,957,313.88	--	--	0.00	0.00	--	--	--	--

4. Investment of Financial Asset

(1) Securities investment

In RMB

Security category	Security code	Stock Abbreviation:	Initial investment cost	Mode of accounting measurement	Book value balance at the beginning of the reporting period	Changes in fair value of the this period	Cumulative fair value changes in equity	Purchase amount in the this period	Sale amount in the this period	Gain/losses of the reporting period	Book value balance at the end of the reporting period	Accounting items	Source of the shares
Domestic and foreign stocks	600926	Hangzhou Bank	390,954,040.00	FVM	2,239,086,521.28	-227,209,996.88	1,377,784,111.74				2,011,876,524.40	Financial assets available for sale	Self funds
Total			390,954,040.00	--	2,239,086,521.28	-227,209,996.88	1,377,784,111.74	0.00	0.00	0.00	2,011,876,524.40	--	--
Disclosure Date of Announcement on Securities Investment Approved by the Board of Directors													
Disclosure Date of Announcement on Securities Investment Approved by the Shareholders Meeting(If any)													

(2) Investment in Derivatives

The Company had no investment in derivatives in the reporting period.

5.Application of the raised capital

Nil

VI. Significant Asset and Right Offering

1. Situation of Significant Asset Sale

Nil

2. Sales of major equity

Not applicable

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

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

In RMB

Name	Company type	Sectors engaged in	Registered capital	Total assets	Net assets	Turnover	Operating profit	Net Profit
Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Subsidiaries	Trade of packadged	51,000,000.00	272,775,507.88	89,106,117.14	220,230,100.85	12,599,099.02	11,113,668.04
Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Subsidiaries	Manufacturing	92,500,000.00	1,177,919,594.93	358,370,751.87	988,083,271.30	79,280,956.58	70,253,285.20
Hangzhou Steam Turbine Casting Co., Ltd.	Subsidiaries	Casting	29,500,000.00	613,474,956.73	244,452,732.22	446,900,632.40	13,365,680.61	12,800,550.85
Hangzhou Steam Turbine Machinery & Equipment Co., Ltd.	Subsidiaries	Manufacturing	30,000,000.00	253,677,936.65	154,002,383.08	242,356,767.43	65,994,727.07	50,543,093.33
Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Subsidiaries	Manufacturing	80,000,000.00	752,951,907.69	203,604,911.49	568,575,713.37	567,875.91	1,087,673.40
Zhejiang Turbine Import & Export Co., Ltd.	Subsidiaries	Commerce & trade	20,000,000.00	201,437,840.18	50,430,712.02	150,756,529.28	4,239,419.26	3,869,102.43
Hangzhou Steam Turbine Heavy Industry Co., Ltd.	Subsidiaries	Manufacturing	558,966,865.00	601,979,851.73	586,469,638.31	124,421,761.96	3,514,934.14	2,599,390.62

Subsidiaries obtained or disposed in the reporting period

Not applicable

VIII. Special purpose vehicle controlled by the Company

Not applicable

IX. Development prospect

(I) Development and competition of the whole industry

The company, which is a leading domestic industrial turbomachinery equipment and service provider, mainly designs, manufactures and sells rotary industrial turbines such as industrial steam turbines and gas turbines. Its business activities are closely related to the macroeconomic situation, fiscal and monetary policies, industrial investment scale and the economic prosperity of the industry.

Recently, in the context of rapid scientific and technological progress, the global industrial revolution has accelerated the expansion of new energy applications, and the global energy structure is experiencing the unprecedented profound changes. Simultaneously, the Sino-US trade friction, Brexit, interest rate increase by FED and the intensified geopolitical conflicts in the Middle East, Latin America, etc. have largely raised the uncertainties of international trade and investment market, and the risk aversion of investors has flown high, resulting in a turbulent situation in the course of economic development for lots of economic entities, which have caused the complicated external environmental influence faced by the industrial development.

At present, our national economy are still in the key phase to promote the high-quality development relying on structural adjustment, transformation and upgrading. Under the effect of a series of national policies to reduction taxes, stabilize the growth and promote the real economy development, the basic energy, chemical engineering, metallurgy, power, building materials and other industries have gradually risen from the valley bottom. With the new industrial investments poured in and the obvious investment recovery particularly in such fields as coal chemical industry, oil refining, photovoltaic power generation and ethylene, excellent market opportunities have been brought to the main business development of the Company. The Company has successively obtained the orders for the 10,000,000t oil refining projects of Dalian Hengli, Zhejiang Petrochemical, Zhongke Zhanjiang, etc. and for 1,000,000t ethylene projects of Yantai Wanhua and Satellite Petrochemical with lots of benefits. However, it remains doubtful for the "small spring" for the construction investments in the petrochemical engineering and coal chemical industry, and the excess production capacity of the steam turbine industry in China and even the world is still severe. After the comprehensive suspension of domestic large-scale thermal power construction, the large machine plants at home and abroad have entered the small machine market one after another, and the all-out price war among foreign companies and us are getting worse. The future market competition will be more cruel certainly.

With the continuous promotion of such strategies as the Belt and Road Initiative, Strategic Action Plan for Energy Development (2014-2020), the enhancement in the demands for solar thermal power generation, nuclear power, biomass power generation, coal-to-liquids, coal gas, integrated utilization of waste heat and waste gas and distributed energy resources has brought giant industrial opportunities, and the new market demands are emerging constantly. The competition among domestic backbone steam turbine manufacturers and international giants is getting more and more intense. The Company will rank as one of the world-class turbine machinery and service suppliers only by speeding up the enterprise transformation and upgrading, intensifying the technological

innovation and independent research and development, accelerating the market development and cooperation in the gas turbine distributed energy field, promoting the intelligent manufacturing and industrialization of manufacturing services, making high-end competitive products and building the brand advantages.

(II) Development strategy

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

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

In terms of business model innovation, the company will realize the extension from the enterprise value management process to the customer value creation process and realize the transition from production-oriented manufacturing to service-oriented manufacturing, and upgrade the company to become a whole-set equipment manufacturer and a system operator from the single product manufacturer, thus to finally shape the ability of providing and implementing the comprehensive overall solutions.

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

(III) Business plan

2019 is the 70th anniversary of the founding of New China, and it's a decisive year for the Company's relocation and construction, as well as is a key year for the Company to implement transformation and upgrading. The company will adopt the "cohesive strategy, comprehensive relocation, deepening management, and thickly cultivated culture" as its annual work policy, adhere to the strategy as the key point, stick to cultural leadership and innovation driven, continuously perfect the management and persist in transformation and upgrading to promote development.

The company will adhere to the "13th Five-Year Plan" as the development guiding principle, explore ways to change corporate systems and mechanisms, and accelerate the implementation of transformation and upgrading to promote development.

Also, it will actively explore the complete set of business, extend the industrial layout, advance to the high-end of the industrial chain, and gradually realize the transformation from production-oriented manufacturing to service-oriented manufacturing, and become a service-oriented manufacturing enterprise integrating product manufacturing, engineering complete sets and overall solutions.

2. Comprehensive Relocation

The company will follow the planning and coordination of the relocation and construction work directed by the higher-level government departments, organize the construction and relocation work in an orderly manner, and ensure that the relocation and construction will be completed smoothly and orderly. It will coordinate the relationship between relocation and production capacity to ensure the successful completion of contracted product tasks, do a good job in the selection and procurement of new equipment, further improve the installation and

commissioning plan for newly-added and relocated equipment, obtain all the resources needed for installation and relocation, thus to ensure that the steam turbine heavy machine company will be put into operation as soon as possible.

Plus, it will strengthen the connection between production and marketing, improve the supply chain support capability, balance the internal and external supply capacity, and strengthen the supply chain process management and quality control.

Further adjust and improve the integration of production line organization and function, gradually build a manufacturing and production organization framework compatible with the new production organization of the new plant after relocation, optimize the operation process, strengthen the integration of the manufacturing process, and improve the agility and efficiency of manufacturing and improve the rapid response ability.

3. Innovation Driven

According to the product technology development strategy, the Company will focus on the research & development and service of Dalian Hengli 1.5 million tons/year ethylene unit; promote the landing and development of the first subcritical unit; promote the one-button start-stop, digital delivery, and improve the assembly technology including the engineering materials, packaging and transportation, installation and use of software and the specifications; vigorously carry out remote operation and maintenance service system and roll out the industrial interconnection service application projects; carry out the product quality big data work, improve the inspection technical specifications; and actively explore the technical research for gas turbine parts.

4. Consolidating the Market

The Company will increase the research efforts focusing on key areas, key customers and key projects, strengthen the integration work of marketing and branding, continuously improve the project execution level and innovate the marketing model. It will continuously expand the product application areas and seek more development opportunities in energy-saving applications and new energy fields.

5. Deepening the Management

Deeply promote the three management projects of “lean production”, “management integration” and “key management tasks of the year”, and further strengthen the precision management ability on marketing, technology, technical process, manufacturing, functional management and other processes.

Continue to promote the construction of ERP, PLM, MES, industrial Internet of Things and other informatization projects, explore 5G applications, deepen MES applications and the second-phase development, actively carry out the ERP solution planning, promote the Company's hybrid cloud planning program and advance the supplying code program of purchased parts, guiding the Company's transition from traditional manufacturing to smart manufacturing.

Drive the improvement of the Company's accounts receivable management model, focus on the recovery of long-aged receivables, and pay attention to the control and professional role of financial and legal solution in overdue accounts receivable.

6. Thickly-cultivated Culture

Adhere to the innovation driven, promote the cultural construction and brand creation in the new era for Hangzhou Steam Turbine, systematically strengthen the construction and management of the talent team, further

improve the assessment and incentive system, and achieve business empowerment, brand enhancement, and talent advancement.

Enhance the depth and thickness of the culture, and by centering on the relocation and construction of the new plant and the strategic transformation of the “13th Five-Year Plan”, continue to promote the corporate culture construction project, deepen and refine the core cultural values of the enterprise, establish a scientific corporate culture management system with continuous reviewing and continuous improvement, promote the Company's brand building, establish a unified, standardized and unique corporate image, cultivate the employees' sense of identity, pride and belonging, create a trustworthy brand image and promote the business development.

(IV) Risks analysis

1. Market Risks

In view of distinct excess production capacity of domestic turbines, the market competition will be further intensified, and the product distribution of the Company will be further impacted. Relying on technological innovation, the company will actively highlight the core technology advantages, expand the marketing channels, improve the product quality, enhance the end service capabilities, continuously increase the added-value of products and vigorously tap into the potential demands to positively respond to the market and defuse the market risks.

2. Contract execution risk

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

3. Accounts receivable risk

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

4. Exchange rate risk

In 2018, the Sino-US trade friction was continuously upgraded. In 2019, the international markets remain volatile. The expansion of the company's international procurement and international sales business will cause the company's international balance of payments to be affected by exchange rate fluctuations, and there is a certain risk of exchange loss. With the increase in the two-way volatility of the RMB exchange rate, the uncertainty of foreign exchange gains and losses has been increased. The company will refer to the exchange rate volatility cycle and adopt appropriate exchange rate risk management tools to minimize exchange loss.

5. The company's profitability decline risk

With the adjustment and changes in the market structure, the product structure of the Company in 2019 has been changed compared with that in 2018. There is a risk that the Company's operating sales will decline in 2019 with fluctuation in the profitability of products at the same time. The Company will strive to improve the internal management, reduce the operating costs and increase the operational efficiency to resolve the risk of declining

profitability.

6. Overseas market risk

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

7. Operating environment change risk

The plant will be comprehensively relocated in 2019 for the Company with inevitable large impact and influence on the manufacturing. Although the company will formulate the plans of relocation safety, security and emergency countermeasures to avoid various issues arising from the equipment disassembly, cargo transportation and storage, turnover and so on, the possibility of various types of personnel injuries, loss of goods and instability incidents will still exist in the relocation process. Therefore, the company will ensure the smooth and orderly implementation of all aspects of comprehensive security, safety production and logistical support in the relocation and reconstruction process.

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

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

Reception time	Way of reception	Types of visitors	Basic index
April 26,2018	Onsite investigation	Organization	Details are the relevant information disclosure (http://www.cninfo.com.cn/)
June 13,2018	Onsite investigation	Organization	Details are the relevant information disclosure (http://www.cninfo.com.cn/)
June 27,2018	Onsite investigation	Organization	Details are the relevant information disclosure (http://www.cninfo.com.cn/)
July 13,2018	Onsite investigation	Individual	Details are the relevant information disclosure (http://www.cninfo.com.cn/)
Reception times			4
Reception agency amount			3
Reception personal number			1
Others			0
Whether to disclose, reveal or disclose non-public material information			No

V. Important Events

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

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

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

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

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

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

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

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

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

Special cash dividend policy description	
Whether meets the requirements of the provisions of the articles of association or shareholders' meeting resolutions:	Yes
Whether dividends standard and proportion are clear	Yes
Whether decision making and supervision mechanism for profit distribution are completed	Yes
Whether independent directors perform their duties responsibly and play its due role:	Yes

Whether the Minority shareholders have adequate opportunity to express their views and aspirations and Their legitimate rights and interests have been fully protected	Yes
Whether the Cash dividend policy to adjust or change the conditions and procedures are compliant and transparent	Yes

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

The dividend plan for year 2018 was basing on the total capital share of 754,010,400, RMB 2.00 and 0 bonus share will be distributed to each 10 shares. No capitalization of common reserves will be carried out. Totally RMB150,802,080.00(tax included) will be distributed.

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

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

Dividend distribution of the latest three years

In RMB

Year	Amount for cash bonus (tax included)	Net profit attributable to the over of the parent company in the consolidated financial statements	Ratio in net profit attributable to the parent company in the consolidated financial statements	Amount of cash dividends from cash offer to repurchase shares of the funds	Proportion of cash dividends from cash offer to repurchase shares of the funds	Amount for cash bonus (tax included)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement
2018	150,802,080.00	345,824,339.47	43.61%	0.00	0.00%	150,802,080.00	43.61%
2017	37,700,520.00	68,753,250.90	54.83%	0.00	0.00%	37,700,520.00	54.83%
2016	0.00	31,955,445.73	0.00%	0.00	0.00%	0.00	0.00%

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

Not applicable

II. Profit distribution for the report period.

Bonus shares distributed at the rate of _(share)for every 10 shares	0
Dividend distributed at the rate of CNY___ for every 10 shares (with tax inclusive)	2.00

Number of shares converted for every 10 shares (shares)	0
Share capital base for the dividend distribution preplan (shares)	754,010,400
Total cash dividend distributed (with tax inclusive)	150,802,080.00
Amount of cash dividend distributed in other way(s) (such as shares repurchased)	0.00
Total amount of cash dividend (including other way(s))	150,802,080.00
Profit available for distribution (CNY)	2,602,026,967.56
Proportion of the cash dividend in the total profit available for distribution (%)	100%
Cash dividend distribution policy	
Where the distribution of profits is carried out in the company's development stage that belongs to a mature stage and there is significant capital expenditure arrangement, the proportion of cash dividends in this profit distribution shall be at least 40%.	
Details of profit distribution or reserve capitalization plan	
Not applicable	

III. Commitments to fulfill the situation

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

Nil

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

Not applicable

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

Nil

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

Not applicable

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

1. The Company has prepared the 2018 financial statements as required in the Notice of the Ministry of Finance on Revising and Issuing the Format of 2018 General Enterprise Financial Statements (CK [2018] No. 15) and its interpretation as well as the Accounting Standards for Business Enterprises, and the retroactive adjustment approach has been applied in the changes in accounting policies. The report items and amounts in 2017 financial statements subject to great influence are listed below:

In RMB

Items and amounts of the original statements		Items and amounts of the new statements	
Notes receivable	715,410,887.68	Notes receivable % Account receivable	2,410,628,336.14
Account receivable	1,695,217,448.46		
Dividend receivable	6,900,000.00	Other receivable	23,805,005.57
Other receivable	16,905,005.57		
Notes payable	215,409,958.92	Notes payable & account payable	1,098,125,424.57
Account payable	882,715,465.65		
Interest payable	268,860.77	Other payable	28,128,478.10
Other payable	27,859,617.33		
Long-term payable	209,633,466.66	Long-term payable	447,292,297.73
Special payable	237,658,831.07		
Administration expenses	644,178,931.78	Administration expenses	433,151,164.67
		R & D cost	211,027,767.11

2. The Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 9 - Accounting Treatment of Net Investment Losses Under Equity Method, Interpretation of Accounting Standards for Business Enterprises No. 10 - Depreciation Method Based on Income from Use of Fixed Assets, Interpretation of Accounting Standards for Business Enterprises No. 11 - Amortization Method Based on Income from Use of Intangible Assets and Interpretation of Accounting Standards for Business Enterprises No. 12 - Whether the Provider and Receiver of Key Manager Services Are Related Parties in 2017. Since January 1, 2018, the Company has executed the above interpretations of the Accounting Standards for Business Enterprises without any influence on the initial financial data of the Company.

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

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

IX. Engagement/Disengagement of CPAs

CPAs currently engaged

Name of the domestic CPAs	Pan-China Certified Public Accountants (Special common partnership)
Remuneration for domestic accounting firm (In RMB 10,000)	116
Successive years of the domestic CPAs offering auditing services	20
Names of the certified public accountants from the domestic CPAs	Jiang Xiaodong , Ye Xiaobin
Successive years of the domestic CPAs offering auditing services	2
Name of the Overseas CPAs	No

Remuneration for overseas accounting firm (Ten thousands)	0
Successive years of the overseas CPAs offering auditing services	No
Names of the certified public accountants from the overseas CPAs	No
Successive years of the overseas CPAs offering auditing services	No

Has the CPAs been changed in the current period

No

Engaging of CPA for internal auditing, financial consultants or sponsors

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

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

Not applicable

XI. Receivership and bankruptcy

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

XII. Major lawsuits and arbitrations

Till the end of the report period, the Company's sum involved in other proceedings that did not hit the standard for disclosure of major proceedings was RMB 57.5385 million .

XIII. Punishment and improvement

Nil

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

Nil

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

Other Employee Incentive Measures

Nil

XVI. Material related transactions

1. Related transactions in connection with daily operation

Related parties	Relationship	Type of trade	Subjects of the related transactions	Principle of pricing the related transactions	Price of trade	Amount of trade RMB0'000	Ratio in similar trades	Trading limit approved (RMB10,000)	Whether over the approved limited or not (Y/N)	Way of payment	Market price of similar trade available	Date of disclosure	Index of information disclosure
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Affiliate of the Group	Purchase of goods	Generator	Fair and just	Market price	17,347.26		16,375.19	Yes	Bank transfer	Not applicable	January 29,2019	2019-08
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Affiliate of the Group	Labor services	Freight, repair cost, Rental fee	Fair and just	Market price	5,589.24		5,567.18	Yes	Bank transfer	Not applicable	January 29,2019	2019-08
Hangzhou Steam Turbine Engineering Co., Ltd.	Affiliate of the Group	Labor services/selling goods	SteamTurbine, parts, compressor, Installation services	Fair and just	Market price	5,089.19		5,089.19	No	Bank transfer	Not applicable	January 29,2019	2019-08
Total				--	--	28,025.69	--	27,031.56	--	--	--	--	--
Details of any sales return of a large amount				No									
Give the actual situation in the report period where a forecast had been made for the total amounts of routine related-party				No									

transactions by type to occur in the current period(if any)	
Reason for any significant difference between the transaction price and the market reference price (if applicable)	No

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

Not applicable

3. Related transactions in term of collective external investment

Not applicable

4. Debts and credits with related parties

Nil

5. Other material related transactions

1.The company and Hangzhou Steam Turbine Power Group Co., Ltd. and Shanghai Relian Steel Trading Co., Ltd. jointly invested Hangzhou Juyuan Asset Management Co., Ltd., signed the "Jianyuan Xinxing No.9 Private Equity Fund" fund contract, and used its own funds to subscribe the fund-share of Jianyuan Xinxing No.9 Private Equity Fund.

The website to disclose the interim announcements on significant related-party transactions

Inquiry on the website for disclosing the provisional report concerning significant related transactions

Inquiry on the website for disclosing the provisional report concerning significant related transactions	Date of disclosure	Disclosure website
Announcement on Overseas Investment Subscription Contract	April 26,2018	(www.cninfo.com.cn) (Announcement No.2018-35)
Fund and Related Transactions	May 23,2018	(www.cninfo.com.cn) (Announcement No.2018-41)

XVII. Material contracts and execution

1. Entrustment, contracting, and leasing issues

(1) Trusteeship

No trusteeship in the report period.

(2) Contracting

No contracting in the report period.

(3) Leasing

No Leasing in the report period.

2.Guarantees

(1) Guarantees

In RMB 10,000

Outward guarantees offered by the Company and its subsidiaries (Excluding guarantee to the subsidiaries)								
Guarantee provided to	Amount of guarantee and date of disclosure	Amount of the guarantee	Actual date of occurring (signing date of agreements)	Actual amount of guarantee	Type of guarantee	Term	Completed or not	Related guarantee
Hangzhou Steam Turbine Power Group Co., Ltd.	October 22,2016	20,800	December 28,2016	20,800	Mortgage,	Two years from the date of expiration of the principal debt	No	Yes

Total amount of outward guarantee approved in the report period (A1)		0		Total amount of outward guarantee approved in the report period (A1)		20,800		
Total of external guarantee approved at Period-end(A3)		20,800		Total of external guarantee approved at Period-end(A3)		20,800		
Guarantee of the Company for the controlling subsidiaries								
Name of the Company guaranteed	Relevant disclosure date/No. of the guaranteed amount	Amount of guarantee	Date of happening (Date o signing agreement)	Actual mount of guarantee	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for associated parties (Yes or no)
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd	January 27,2018	2,000	January 29,2018	1,900	The joint liability guaranty	Two years from the date after the expiration of the loan period under the main contract	No	No
Hangzhou Steam Turbine Casting Co., Ltd.	June 26,2018	3,000	April 4,2018	3,000	The joint liability guaranty	Two years from the date of expiration of the principal debt	No	No
Hangzhou Steam Turbine Casting Co., Ltd.	June 26,2018	2,000	June 29,2018	1870	The joint liability guaranty	Two years from the date of expiration of the principal debt	No	No
Total of guarantee for subsidiaries approved in the Period (B1)		7,000		Total of actual guarantee for subsidiaries in the Period (B2)		6,770		
Total of guarantee for subsidiaries approved at Period-end (B3)		7,000		Total of actual guarantee for subsidiaries at Period-end (B4)		6,770		
Guarantee of the subsidiaries for the controlling subsidiaries								
Name of the Company guaranteed	Relevant disclosure date/No. of the guaranteed amount	Amount of guarantee	Date of happening (Date o signing agreement)	Actual mount of guarantee	Guarantee type	Guarantee term	Complete implementation or not	Guarantee for associated parties (Yes or no)
Hangzhou Guoneng Steam	June 12,2018	7,000	March 28,2018	4,561.54	Joint liability guaranty	Two years from the date of	No	No

Turbine Engineering Co., Ltd.						expiration of the principal debt		
Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.	June 12,2018	10,000	May 23,2018	6, 326. 06	Joint liability guaranty	Two years from the date after the expiration of the loan period under the main contract	No	No
Total guarantee quota to the subsidiaries approved in the reporting period (C1)		17,000	Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)					10,887.59
Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)		17,000	Total balance of actual guarantee to the subsidiaries at the end of the reporting period (C4)					10,887.59
Total of Company's guarantee (namely total of the large three aforementioned)								
Total of guarantee in the Period (A1+B1+C1)		24,000	Total of actual guarantee in the Period (A2+B2+C2)					17,657.59
Total of guarantee at Period-end (A3+B3+C3)		44,800	Total of actual guarantee at Period-end (A4+B4+C4)					38,457.59
The proportion of the total amount of actually guarantee in the net assets of the company(A4+B4+C4)								6.4%
Including :								
Amount of guarantee for shareholders, actual controller and its associated parties (D)								20,800
The debts guarantee amount provided for the Guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly (E)								10,887.59
Proportion of total amount of guarantee in net assets of the company exceed 50% (F)								0
Total guarantee Amount of the abovementioned guarantees (D+E+F)								31,687.59
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (If any)								No
Explanations on external guarantee against regulated procedures(If any)								No

Description of the guarantee with complex method

Hangzhou Heavy Machinery Co., Ltd, which is the company's subsidiary, had made an application of special construction funds of 208 million to China Development Fund Co.,Ltd, and it has signed the four-party China Development Fund Investment Contract with China Development Fund ,the company and Hangzhou Steam Turbine Group Co.,Ltd. In order to ensure the performance of the "Investment contract" by Hangzhou steam group, the company and the Heavy Machinery Co., Ltd provide guarantee for Hangzhou Steam Group in the forms of pledge and mortgage. The contents is detailed in the Announcement on External Guarantee of Hangzhou Steam Turbine Co., Ltd. announced on October 22, 2016 at the website designated by the Shenzhen Stock Exchange ([http // www.cninfo.com.cn](http://www.cninfo.com.cn)). (Announcement No. 2016-75)

(2) Illegal providing of external guarantees

No illegal providing of external guarantees in the report period.

3. Situation of Entrusting Others for Managing Spot Asset

(1) Situation of Entrusted Finance

In RMB 10,000

Type	Source	Amount	Unexpired balance	Overdue amount
Bank financing product	Idle own funds	110,756.8	91,567.0	
Trust financing product	Idle own funds	28,620	24,120.0	
Total		139,376.8	115,687.0	

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

In RMB 10,000

Name of Trustees (or Entrustees)	Type of Trustees (or Entrustees)	Type of Production	Amount	Source	Date of Beginning	Date of Expiry	Capital Investment Orientation	Way of Confirming Rewards	Referential Annualized Yield Rate	Prospective Yield (if any)	Actual profit or loss for the reporting period	Actual recovery of profits and losses during the reporting period	Provision for impairment (if any)	Whether or not due process has been followed	Is there a commission plan in the future	Summary of matters and related query Index (if any)
Hangzhou Industrial & Commercial Trust	Investment management company	Trust	5,000	Disposal of own capital	July 6, 2017	March 20, 2018	Trust Funds with dispersed investment will be invested for real estate claims, other claims; publicly-raising bond, privately-raising bond; debt funds; publicly-raising equity instrument, privately-raising equity instrument; short-term debt instrument, high-liquidity debt instrument	Floating profit	6.50%	228.84	229.95	229.95		Yes	No	

Zhongrong Trust	Investment management company	Trust	5,000	Disposal of own capital	June 22, 2017	June 22, 2018	The trust capital will be invested for the contribution for Shanghai Jin Mu Yuan Investment Partnership (Limited Partnership), contributing the partnership shares of priority to become the partnership of priority of Shanghai Jin Mu Yuan Investment	Floating profit	7.20%	360	360	360.00		Yes	No	
Hangzhou Industrial & Commercial Trust	Investment management company	Trust	10,000	Disposal of own capital	March 30, 2018	March 20, 2019	Trust Funds with dispersed investment will be invested for real estate claims, other claims; publicly-raising bond, privately-raising bond; debt funds; publicly-raising equity instrument, privately-raising equity instrument; short-term debt instrument, high-liquidity debt instrument	Floating profit	7.50%	729.45	0	0		No	No	
Zhongrong Trust	Investment management company	Trust	5,000	Disposal of own capital	February 24, 2018	April 24, 2019	Mainly through equity investment and right of return on equity among other methods, trust funds are invested in good enterprises and projects in minerals, energy, and policies and countermeasures for people's livelihood and as funds are idled, trust funds can be used through claims, convertible bonds, and investment in the beneficiary right of trust.	Floating profit	7.60%	380	0	0		Yes	No	
CITIC Bank	Bank	Financing	7,000	Disposal of own capital	August 25, 2017	February 23, 2018	Money market, fixed income, non-standardized creditor's assets and other categories	Floating profit	4.90%	171.03	171.03	171.03		Yes	No	
Hangzhou Bank	Bank	Financing	8,000	Disposal of own capital	December 18, 2017	March 8, 2018	Highly liquid assets, bond assets and Equity assets	Floating profit	4.90%	96.66	96.66	96.66		Yes	No	
Everbright Bank	Bank	Financing	10,000	Disposal of own capital	January 5, 2018	April 9, 2018	Financial instruments with a sound return and liquidity include bank deposits, monetary market instruments,	Floating profit	5.10%	131.34	131.34	131.34		Yes	No	

							bond products, other income assets and initial public offerings among others										
Everbright Bank	Bank	Financing	10,000	Disposal of own capital	March 2, 2018	June 4, 2018	Financial instruments with a sound return and liquidity include bank deposits, monetary market instruments, bond products, other income assets and initial public offerings among others	Floating profit	5.10%	131.34	131.34	131.34		Yes	No		
Hangzhou Bank	Bank	Financing	10,000	Disposal of own capital	March 7, 2018	June 6, 2018	Highly liquid assets, bond assets and Equity assets	Floating profit	5.25%	130.89	130.89	130.89		Yes	No		
Everbright Bank	Bank	Financing	10,000	Disposal of own capital	March 13, 2018	June 13, 2018	Financial instruments with a sound return and liquidity include bank deposits, monetary market instruments, bond products, other income assets and initial public offerings among others	Floating profit	5.10%	128.55	128.55	128.55		Yes	No		
Hangzhou Bank	Bank	Financing	9,000	Disposal of own capital	March 14, 2018	June 13, 2018	Highly liquid assets, bond assets and Equity assets	Floating profit	5.20%	116.68	116.68	116.68		Yes	No		
Everbright Bank	Bank	Financing	10,000	Disposal of own capital	April 10, 2018	July 10, 2018	Financial instruments with a sound return and liquidity include bank deposits, monetary market instruments, bond products, other income assets and initial public offerings among others	Floating profit	5.10%	127.15	127.15	127.15		Yes	No		
Hangzhou Bank	Bank	Financing	7,000	Disposal of own capital	December 28, 2018	March 29, 2019	Highly liquid assets, bond assets and Equity assets	Floating profit	4.35%	75.92	0	0		Yes	No		
CZB	Bank	Financing	7,000	Disposal of own capital	November 20, 2018	November 18, 2019	Bonds, monetary market instruments, interbank deposits, trust plans in compliance with requirements of regulators, rights of return on assets, monetary market funds, bond funds and	Floating profit	4.85%	337.64	0	0		No	No		

							other fixed income instruments, asset securitization products, asset management plans matching the above orientations of investment and other financial instruments for investment allowed by policies and regulations										
Total			113,000	--	--	--	--	--	--	3,145.49	1,623.59	--	0	--	--	--	--

Situation with the appearance of principals which can not be recovered expectedly or other existing situations which may lead to impairment

Not applicable

(2) Situation of Entrusted Loans

Nil

4. Other significant contract

Nil

XVIII. Social responsibility

1. Execution of social responsibility

The Company has disclosed the full text of the social responsibility report, as detailed in (www.cninfo.com.cn) (Announcement No.:2019-).

2. Implementation of the social responsibility of precise poverty relief

(1) Precision poverty alleviation planning

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

(2) Annual Precision Poverty Alleviation Summary

In 2018, the Company funded RMB 150,000/year in the support and relief activity for Zitong Town, Chun'an County again to implement targeted poverty alleviation in the method of cash relief.

(3) Precision poverty alleviation effect

Index	Measurement unit	Quantity / Status
I. General situation	——	——
Thereinto: 1.Capital	In RMB 10,000	15
II. Itemized input	——	——
8. Social poverty alleviation	——	——
8.2 Amount invested in targeted poverty alleviation work	Ten thousands	15

(4) Subsequent targeted poverty alleviation program

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

3.Environmental protection

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

No

Neither the company nor its subsidiaries belong to the key pollutant discharge units announced by the environmental protection department. The company has formulated and perfected the environmental management systems and control procedures for various types of waste water, waste gas, waste slag, and noise in accordance with relevant environmental laws and regulations and relevant standards promulgated by the national and local governments. The company has imported ISO14001 environmental management system since 2006 and the

system has been operated effectively for more than ten years. Currently, the company has adopted the clean production management and launched the clean production audits, which not only reduces consumption and increases efficiency, but also reduces the pressure and cost of end-of-pipe management. In terms of environmental greening, after years of meticulous maintenance, the company has become a garden-style enterprise.

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

XIX. Explanation on other significant events

1. Follow-up progress of the relocation of land in Hangzhou Steam Turbine Plant Area

The company signed the "Compensation Agreement for the Relocation of Non-residential Houses on State-owned Land" with Hangzhou Xiacheng City Construction Investment Development Group Co., Ltd. The company received a total of RMB 1,299,324,850 for relocation compensation; the company's holding subsidiary Hangzhou Steam Turbine Machinery Equipment Co., Ltd. received a total of compensation of RMB 6,625,450. The complete report is available as Announcement No.2018-1, Announcement No.2018-10 and Announcement 2018-57 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated January 4, 2018, March 21, 2018 and August 7, 2018.

2. The company waived the preemptive right of the capital contribution in the capital increase of the casting company.

The casting company, a holding subsidiary to the company, planned to increase the registered capital from 22 million yuan to 29.50 million yuan. The company waived the preemptive right of the capital contribution in the capital increase. The complete report is available as Announcement 2018-05 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated May 26, 2018.

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

(1) The company recently signed an annual contract for producing 1.5 million tons of ethylene steam turbine units with Hengli Petrochemical (Dalian) Refining & Chemical Co., Ltd., and is currently the largest single-line ethylene plant in China; (2) Hangzhou Steam Turbine Co., Ltd. recently signed a contract of 3.2 million tons/year light hydrocarbon comprehensive processing and utilization project with Lianyungang Petrochemical Co., Ltd. The signing of the two major project contracts has enhanced the competitiveness of the company in the ethylene market. The complete report is available as Announcement No.2018-42 and Announcement 2018-72 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated May 26, 2018 and November 1, 2018.

4. Matters concerning changes in the company's directors, supervisors and senior management personnel

Mr. Zhang Shutan resigned as the deputy general manager of the company due to the legal retirement age. The complete report is available as Announcement 2018-53 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated July 21, 2018.

Mr. Yan Jianhua applied for resignation from the company's vice chairman and the related duties in the special committee of the board of directors due to reaching his legal retirement age. The complete report is available as Announcement 2018-73 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated November 20, 2018.

XX. Material issues of the subsidiaries

1.The matter of intending to increase capital and expand shares by the holding subsidiary

The casting & forging company, a company's holding subsidiary, is affected by the overall sluggish market situation of the equipment manufacturing industry and the intensified market competition, therefore it will not have sufficient profitability in the future. The casting & forging company plans to increase its capital and expand its shares and introduce new strategic investors to upgrade its production capacity and enhance its comprehensive competitiveness. The complete report is available as Announcement 2018-05 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at www.cninfo.com.cn dated May 26, 2018.

VI. Change of share capital and shareholding of Principal Shareholders

1.Changes in share capital

1.Changes in share capital

In shares

	Before the change		Increase/decrease (+, -)					After the Change	
	Amount	Proportion	Share allotment	Bonus shares	Capitalization of common reserve fund	Other	Subtotal	Quantity	Proportion
I. Unlisted shares	479,824,800	63.64%	0	0	0	0	0	479,824,800	63.64%
1. Founder's stock	479,824,800	63.64%	0	0	0	0	0	479,824,800	63.64%
Including: State-owned shares	479,824,800	63.64%	0	0	0	0	0	479,824,800	63.64%
Domestic Legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
Overseas legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
Other	0	0.00%	0	0	0	0	0	0	0.00%
2.Raising legal person shares	0	0.00%	0	0	0	0	0	0	0.00%
3.Internal staff shares	0	0.00%	0	0	0	0	0	0	0.00%
4.Preferred shares and other	0	0.00%	0	0	0	0	0	0	0.00%
II.Non-restricted shares	274,185,600	36.36%	0	0	0	0	0	274,185,600	36.36%
1.RMB common shares	0	0.00%	0	0	0	0	0	0	0.00%
2.Domestically listed foreign shares	274,185,600	36.36%	0	0	0	0	0	274,185,600	36.36%
3.Overseas listed foreign shares	0	0.00%	0	0	0	0	0	0	0.00%
4.Other	0	0.00%	0	0	0	0	0	0	0.00%
III. Total of capital shares	754,010,400	100.00%	0	0	0	0	0	754,010,400	100.00%

Causes of Change of shares

Not applicable

Approval of change of the shares

Not applicable

Transfer in change of shares

Not applicable

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

Not applicable

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

Not applicable

2. Change of Restricted Shares

Not applicable

II. Securities issue and listing

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

Not applicable

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

Not applicable

3.About the existing employees' shares

Not applicable

III. Particulars about the shareholders and substantial controller

1. Amount of shareholders and their shareholding position

In shares

Total number of common shareholders at the end of the reporting period	14,270	Total shareholders at the end of the month from the date of disclosing the annual report	14,157	The total number of preferred shareholders voting rights restored at period-end	0	Total preferred shareholders at the end of the month from the date of disclosing the annual report	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Shareholders	Nature of shareholder	Proportion of shares held(%)	Number of shares held at period -end	Changes in reporting period	Amount of restricted shares held	Amount of un-restricted shares held	Number or share pledged/frozen	
							State of share	Amount
Hangzhou Steam Turbine Power Group Co., Ltd.	State-owned legal person	63.64%	479,824,800	0	479,824,800	0		
VANGUARD EMERGING MARKETS STOCK INDEX FUND	Foreign legal person	0.63%	4,722,804	0	0	4,722,804		
Zhou Jie	Domestic Natural person	0.56%	4,200,000	1,524,000	0	4,200,000		
ISHARES CORE MSCI EMERGING MARKETS ETF	Foreign legal person	0.50%	3,779,554	1,033,653	0	3,779,554		

VANGUARD INTERNATIONAL STOCK INDEX FUND	TOTAL STOCK	Foreign legal person	0.46%	3,499,046	45,000	0	3,499,046		
China Merchants Secutities(HK)Co., Ltd.		State-owned legal person	0.44%	3,319,441	919,292	0	3,319,441		
GUOTAIJUNANSECURITIES(HONGKONG) LIMITED		Foreign legal person	0.36%	2,693,363	231,483	0	2,693,363		
NORGES BANK		Foreign legal person	0.33%	2,514,529	-1,789,146	0	2,514,529		
Xia Zulin		Domestic Natural person	0.30%	2,280,000	90,000	0	2,280,000		
Wang Yihu		Domestic Natural person	0.19%	1,441,324	109,000	0	1,441,324		
Particulars about strategic investors or general corporations becoming among the top 10 shareholders due to share placing			Not applicable						
Explanation on associated relationship among the aforesaid shareholders			(1) Hangzhou Steam Turbine Power Group Co., Ltd. is the holder of state-shares of the Company, all other shareholders' are holders of domestic listed foreign shares (B shares)						
			(2) There is no relationship between Hangzhou Steam Turbine Power Group Co., Ltd. and other shareholders;						
			(3) Hangzhou Steam Turbine Power Group Co., Ltd. is not an “action-in-concert” party with any of other shareholders as described by the “Administration Rules of Informational Disclosure about Change of Shareholding Statues of PLCs”.						
Top 10 holders of shares without trading limited conditions									
Name of the shareholder					Amount of unconditional shares held at end of period	Category of shares			
						Category		Amount	
VANGUARD EMERGING MARKETS STOCK INDEX FUND					4,722,804	Foreign shares placed in domestic exchange		4,722,804	
Zhou Jie					4,200,000	Foreign shares placed in domestic exchange		4,200,000	
ISHARES CORE MSCI EMERGING MARKETS ETF					3,779,554	Foreign shares placed in domestic exchange		3,779,554	
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND					3,499,046	Foreign shares placed in domestic exchange		3,499,046	
China Merchants Secutities(HK)Co., Ltd.					3,319,441	Foreign shares placed in domestic exchange		3,319,441	
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED					2,693,363	Foreign shares placed in domestic exchange		2,693,363	
NORGES BANK					2,514,529	Foreign shares placed in domestic exchange		2,514,529	
Xia Zulin					2,280,000	Foreign shares placed in domestic exchange		2,280,000	

Wang Yihu	1,441,324	Foreign shares placed in domestic exchange	1,441,324
Haitong International Securities Company Limited-Account Client	1,320,496	Foreign shares placed in domestic exchange	1,320,496
Explanation on associated relationship or consistent action among the top 10 shareholders of non-restricted negotiable shares and that between the top 10 shareholders of non-restricted negotiable shares and top 10 shareholders	1) It is unknown to the Company if there is any relationship among the top 10 common share holders without restriction; (2) Hangzhou Steam Turbine Group Co., Ltd. is not an action-in-concert” party with any of other shareholders as described by the “Administration Rules of Informational Disclosure about Change of Shareholding Statues of PLCs”.		
Notes to the shareholders involved in financing securities (if any)(See Notes 4)	Not applicable		

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

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

2. Controlling shareholder

Nature of Controlling Shareholders: Local state holding

Type of Controlling Shareholders: Legal person

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

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

Change of holding shareholder

No change of holding shareholder in the report period.

3. Information about the controlling shareholder of the Company

Actual controller nature: Local state owned Assets Management

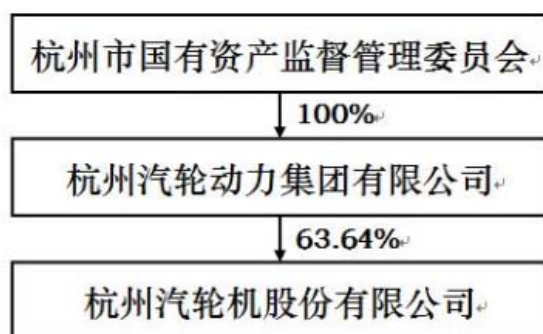
Actual controller type: Legal person

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

				<p>economic structure and layout; guide and propel the reform and restructuring of state-owned enterprises; instruct and promote the construction of modern enterprise system in state-owned enterprises, consummate the corporate governance structure, and form a governance mechanism characterized by clear duty, well-coordination and effective balances.</p> <p>(IV) Pursuant to the provisions of the relevant documents of the municipal Party committee, investigate, appoint and remove the supervised principles of enterprises according to the legal procedures; establish a employment mechanism that is in line with the socialist market economic system and the requirements of modern enterprise system, consummate the incentive and restraint system for the operators; assess the business performance of the principles of the enterprises that are supervised and implement the rewards and penalties system. Take charge of the management and building work of the Party organization of the supervised enterprises.</p> <p>(V) Dispatch directors, supervisors or CFO to the supervised enterprises on behalf of the municipal government; and take charge of the daily management of directors, supervisors or CFO.</p> <p>(VI) Take charge of organizing the supervised enterprises to turn over the state-owned capital gains; participate in enacting management system and solutions for the state-owned capital operating budget; take charge of the preparation and implementation of the state-owned operating budget of the supervised enterprises. Take charge of the comprehensive budget management of the supervised enterprises.</p> <p>(VII) Establish and consummate the preservation and appreciation index system of the state-owned assets, and develop the assessment criteria; take charge of the supervision and assessment of the preservation and appreciation of the state-owned assets; enact and organize the implementation of the income distribution policy of the supervised enterprises and state-owned enterprises. Take charge of the fundamental management work, namely, the authentication of property rights, registration of property rights, asset</p>
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				<p>evaluation monitoring, property liquidation and verification, asset statistics, comprehensive evaluation; safeguard rights and interests of the investors of state-owned assets</p> <p>(VIII) Take charge of directing and supervising the implementation of national and provincial and municipal safety laws, regulations, rules and standards, etc.</p> <p>(IX) Undertake other matters assigned by the municipal Party committee and government.</p>
The equity of the controlling shareholder in other domestic and foreign listed companies held or partly held by it in the report period	<p>Hangyang Co., Ltd.(SZ.002430) held 54.4% shares, Hangzhou Jiebai (SH.600814) held 68.26% shares and Digital Source Technology Co., Ltd. (SZ.000909) held 45.33% .</p>			

Change of the actual controller in the reporting period
Nil



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

Not applicable

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

Not applicable

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

Not applicable

VII. Situation of the Preferred Shares

No preference shares in the Company.

VIII. Information about Directors, Supervisors and Senior Executives

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

Name	Positions	Office status	Sex	Age	Starting date of tenure	Expiry date of tenure	Shares held at the year-begin (share)	Amount of shares increased at the reporting period (share)	Amount of shares decreased at the reporting period (share)	Other changes/increase/decrease	Shares held at the year-end (share)
Zheng Bin	Chairman	In office	Male	54	December 5, 2014	May 18, 2019	0	0	0	0	0
Yang Yongming	Vice Chairman	In office	Male	54	June 24, 2013	May 18, 2019	0	0	0	0	0
Ye Zhong	Director, GM	In office	Male	50	June 25, 2001	May 18, 2019	0	0	0	0	0
Wang Gang	Director, secretary of the board	In office	Male	46	June 30, 2017	May 18, 2019	0	0	0	0	0
Kong Jianqiang	Director, Deputy General Director, Chief engineer	In office	Male	47	June 24, 2013	May 18, 2019	0	0	0	0	0
Gu Xinjian	Independent Director	In office	Male	62	May 18, 2016	May 18, 2019	0	0	0	0	0
Ma Lihong	Independent Director	In office	Male	65	May 18, 2016	May 18, 2019	0	0	0	0	0
Zhang Xiaoyan	Independent Director	In office	Female	46	December 4, 2015	May 18, 2019	0	0	0	0	0
Chen Danhong	Independent Director	In office	Female	54	May 18, 2016	May 18, 2019	0	0	0	0	0
Li Shijie	Chairman of the Supervisory Committee	In office	Male	49	June 24, 2013	May 18, 2019	0	0	0	0	0
Wang Xiaohui	Supervisor	In office	Male	51	June 24, 2013	May 18, 2019	97,576	3,100	0	0	100,676
Liu Zhiyong	Supervisor	In office	Male	59	June 30, 2017	May 18, 2019	16,600	0	0	0	16,600
Lu	Employee Supervisor	In office	Male	57	August 15, 2004	May 18, 2019	0	0	0	0	0

Jianhua											
Fang Yin	Employee Supervisor	In office	Male	56	February 16,2012	May 18,2019	0	0	0	0	0
Zhao Jiamao	Deputy General Manger, Chief accounantant	In office	Male	43	January 1,2018	May 18,2019	0	0	0	0	0
Li Jiansheng	Deputy General Manger	In office	Male	55	December 5,2014	May 18,2019	0	0	0	0	0
Wang Zhengrong	Deputy General Manger	In office	Male	48	June 9,2017	May 18,2019	0	0	0	0	0
Li Guiwen	Director	In office	Female	48	January 9,2019	May 18,2019	0	0	0	0	0
Yan Jianhua	Vice Chairman	Dimission	Male	60	June 24,2013	November 20,2018	0	0	0	0	0
Zhang Shutan	Deputy General Manager	Dimission	Male	60	February 16,2009	July 20,2018	66,924	0	0	0	66,924
Total	--	--	--	--	--	--	181,100	3,100	0	0	184,200

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

Name	Positions	Types	Date	Reason
Zhang Shutan	Deputy General Manager	Dimission	July 20,2018	Due to reaching legal age, applied for resignation from the company's Deputy General Manager.
Yan Jianhua	Vice Chairman	Dimission	November 20,2018	Due to reaching legal age, applied for resignation from the company's vice chairman and the related duties in the special committee of the board of directors.

III. Posts holding

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

(1) Director

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

Mr. Yang Yongming, born in November 1964, CCP member, university graduate, certified senior economist. Currently he's the vice general manager of Hangzhou Steam Turbine Power Group Co., Ltd. He used to be the

vice director and director of Sales Administration Departments of the Company; Since 2013, he served as vice general manager, general manager, and vice chairman of Hangzhou Dongfeng Shipyard Ltd. Currently he's the vice general manager of Hangzhou Steam Turbine Power Group Co., Ltd. and the Vice Chairman of the 6th term of Board of the Company. He was elected as Vice Chairman of the 7th term of board of directors on May 18, 2016.

Ms. Li Guiwen, born in September 1970, member of the Communist Party of China, postgraduate degree, senior engineer. In 1992 the company entered the company, She served as Deputy director General office and Deputy Minister of Economic Management of Hangzhou Steam turbine Power Group, Since August 2007, She Served as Minister of Strategic Development of Hangzhou Steam turbine Power Group, Since November 2017, She served as Secretary of the Board of Directors and Minister of Strategic Development of Hangzhou Steam turbine Power Group. Since January 2019, She served as Director of the Company.

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

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

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

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

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

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

seventh Board of Directors Independent Director of the company.

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

(II) The Supervisors

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

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

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

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

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

(III) Senior Executives

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

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

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

Director of Steam Turbine Marketing since June 2015. Mr. Wang was engaged the Deputy general manager of the Company since June 2017.

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

Jobs taken in shareholding parties

Names	Name of the shareholder	Job taken	Job started	Job ended	Take remunerations from the shareholding party
Zheng Bin	Hangzhou Steam Turbine Power Group Co., Ltd.	Chief secretary of CCP, Chairman, Legal Representative	September 28,2017		Yes
Yang Yongming	Hangzhou Steam Turbine Power Group Co., Ltd.	Commissioner of CCP, Vice GM	May 1,2013		Yes
Li Guiwen	Hangzhou Steam Turbine Power Group Co., Ltd.	Secretary of the Board of directors, Director of staff, Director of strategic Development Dept.	August 1,2007		Yes
Ye Zhong	Hangzhou Steam Turbine Power Group Co., Ltd.	CCP Commissioner, director	May 1,2001		No
Li Shijie	Hangzhou Steam Turbine Power Group Co., Ltd.	Vice Secretary of CCP Commission, Secretary of Discipline Committee, Vice Chairman of Supervisory Committee, Chairman of Trade Union	May 1,2013		Yes
Wang Xiaohui	Hangzhou Steam Turbine Power Group Co., Ltd.	Director of financial department	September 22,2014		Yes

Jobs taken in other parties

Names	Name of the parties	Positions	Job started	Job ended	Take remunerations from the party
Zheng Bin	Hangzhou Relian Group Co., Ltd.	Chairman, Legal representative	September 28,2017	February 18,2019	No
Zheng Bin	Bank of Hangzhou Co., Ltd.	Director	February 10,2017		No
Yang Yongming	Hangzhou Relian Group Co., Ltd.	Director	May 1,2013	February 18,2019	No
Yang Yongming	Hangzhou Steam Turbine Auto Sales service Co., Ltd.	Chairman, Legal representative	June 29,2017		No
Yang Yongming	Guangdong Huaxing Bank Co., Ltd.	Director	September 28,2017		No

Li Guiwen	Hangzhou Wandong Electronics Co., Ltd.	Chairman, Legal representative	December 1,2014		No
Li Guiwen	Hangzhou Steam Turbine Engineering Co., Ltd.	Director	September 1,2009		No
Li Guiwen	Hangzhou Steam Turbine Investment Co., Ltd.	Chairman	December 1,2014	February 18,2019	No
Li Guiwen	Hangzhou Relian Group Co., Ltd.	Director	May 1,2015	February 18,2019	No
Ye Zhong	Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Chairman, Legal representative	February 1,2010		No
Ye Zhong	Hangzhou Steam Turbine Engineering Co., Ltd.	Chairman, Legal representative	December 23,2014		No
Wang Gang	Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Supervisor	June 21,2017		No
Wang Gang	Hangzhou Steam Turbine Casting Co.,Ltd.	Director	June 21,2017		No
Kong Jianqiang	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Chairman, Legal representative	June 21,2017		No
Kong Jianqiang	Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Chairman, Legal representative	June 21,2017		No
Kong Jianqiang	Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.	Chairman, Legal representative	June 21,2017		No
Chen Danhong	Zheshang Development Co., Ltd.	Independent director	April 29,2016		Yes
Chen Danhong	Huijishan Shaoxing Wine Co., Ltd.	Independent director	September 27,2016		Yes
Chen Danhong	Hangzhou Electric Cable Co., Ltd.	Independent director	April 19,2017		Yes
Gu Xinjian	Zhejiang University. Institute of modern manufacturing engineering	Professor, Supervisor of a ph.D Student	December 1,1999		Yes
Zhang Xiaoyan	Beijing Kangda (Hangzhou) Law Firm	Partner	May 1,2012		Yes
Li Shijie	Hangzhou Relian Group Co., Ltd.	Chairman of the Supervisory Committee	May 1,2013	February 18,2019	No
Wang Xiaohui	Hangzhou Nanfangtongda Gears Co., Ltd.	Supervisor	April 1,2009	April 17,2018	No
Wang Xiaohui	Hangzhou Xiangjiang Technology Co.,Ltd.	Supervisor	June 29,2017		No

Wang Xiaohui	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Supervisor	January 1,2015		No
Liu Zhiyong	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Supervisor	June 21,2017		No
Liu Zhiyong	Hangzhou Steam Turbine Heavy Industry Co., Ltd.	Supervisor	June 21,2017		No
Li Jianshang	Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.	Director	April 3,2014		No
Li Jiansheng	Hangzhou Steam Turbine Casting Co., Ltd.	Director	July 15,2014		No
Li Jiansheng	Hangzhou Steam Turbine Heavy Industry Co., Ltd.	Legal representative, executive director	June 21,2017		No
Wang Zhengrong	Hangzhou Steam Turbine Machinery & Equipment Co., Ltd.	Chairman, Legal representative	June 21,2017		No
Wang Zhengrong	Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Director	July 1,2013		No
Wang Zhengrong	Zhejiang Turbine Import & Export Co., Ltd.	Legal representative, executive director	April 3,2014		No
Zhao Jiamao	Zhejiang Steam Turbine Packaged Technology Development Co., Ltd.	Director	March 12,2018		No
Zhao Jiamao	Hangzhou Steam Turbine Casting Co., Ltd.	Director	June 21,2017		No
Zhao Jiamao	Hangzhou Zhongneng Steam Turbine Power Co., Ltd.	Director	March 12,2018		No
Zhao Jiamao	(India) Gelin Shaoer Power Installation Privately Co., Ltd.	Director	March 12,2018		No

Punishments to the current and leaving board directors, supervisors and senior managers during the report period by securities regulators in the recent three years
Not applicable

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

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

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

The 4th meeting of the 7th Remuneration Committee was held on March 18, 2019. The remuneration plan for directors and executives was examined at the meeting. The Remuneration and Assessment Committee of the Board conducted assessment on the performances of the directors and executives, and the remuneration plan was produced according to the Administration Rules of Remuneration and Assessment of Directors of the 7th Term of Board and Executives (2016-2018) . The plan is subject to examination of the 31th meeting of the 7th term of Board.

Allowances for independent directors and supervisors are subject to approval by the Board and the Shareholders' Meeting thereafter. The proposal of allowances for the 7th term of independent directors and supervisors was adopted at the 1st Provisional Shareholders' Meeting held on December 28, 2016, and the allowance for independent directors is RMB150 thousand (tax included) per year, while it is RMB36,000 for supervisors for the period of three years (tax included). Non employee supervisors do not enjoy the allowance

2. Actual payment

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

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

In RMB 10,000

Name	Position	Sex	Age	Statue of duty	Total of reward from the Company(Pre-tax)	Actual reward in total at end of report term
Zheng Bin	Chairman	Male	54	In Office	0	Yes
Yang Yongming	Vice Chairman	Male	54	In Office	0	Yes
Ye Zhong	Director, GM	Male	50	In Office	118.09	No
Wang Gang	Director, secretary of the board	Male	46	In Office	78.17	No
Kong Jianqiang	Director, Deputy GM, Chief engineer	Male	48	In Office	82.02	No
Ma Lihong	Independent Director	Male	65	In Office	0	No
Gu Xinjian	Independent Director	Male	62	In Office	15	No
Chen Danhong	Independent Director	Male	54	In Office	15	No
Zhang Xiaoyan	Independent Director	Female	46	In Office	15	No
Li Shijie	Chairman of the Supervisory Committee	Male	48	In Office	0	Yes
Wang Xiaohui	Supervisor	Male	51	In Office	0	Yes
Liu Zhiyong	Supervisor	Male	58	In Office	59.55	No

Lu Jianhua	Employee Supervisor	Male	57	In Office	36.34	No
Fang Yin	Employee Supervisor	Male	56	In Office	31.34	No
Li Jiansheng	Deputy GM	Male	55	In Office	81.43	No
Wang Zhengrong	Deputy GM,	Male	48	In Office	77.01	No
Zhao Jiamao	Deputy General Manger, Chief accountant	Male	44	In Office	70.21	No
Yan Jinhua	Vice Chairman	Male	60	Dimission		Yes
Zhang Shutan	Deputy General Manager	Male	60	Dimission	60.18	No
Total	--	--	--	--	739.34	--

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

Not applicable

V. Particulars about employees.

1.Number of staff, professional structure and educational background

Number of in-service staff of the parent company(person)	2,270
Number of in-service staff of the main subsidiaries(person)	1,393
The total number of the in-service staff(person)	3,663
The total number of staff receiving remuneration in the current period(person)	3,663
Retired staff with charges paid by the parent company and main subsidiaries (person)	0
Professional	
Category	Number of persons (person)
Production	2,070
Sales	434
Tech	650
Finance	64
Administration	445
Total	3,663
Education	
Category	Number of persons (person)
Master's Degree	204
Bachelor	1,224
College diploma	688
High school and below	1,547
Total	3,663

2.Particulars about the employees:

Under the premise of considering the annual benefit, with the level of competition, the ability to pay of enterprises, price levels and other factors, in 2018 the company adequate remuneration be adjusted according to the value of the unpaid position, according to the performance of the performance fee, adhere to labor distribution, taking into account efficiency and equity, the maximum level of protection of the interests of employees, to achieve a win-win business and employees. Company on a monthly basis, full and timely payment of wages, overtime pay in accordance with national regulations, on a monthly basis.

3. Educational training for employees:

In 2018, the staff education and training work strived for realize the goal of “Talents invigorate enterprises”, and set the work objectives of training and optimizing the “the three teams namely the management team, the professional and technical personnel team and the high-skilled personnel team”, and upon combining with the company’s strategic goals and the departmental performance targets and the employees’ development goals, it well did the annual training work, formulated the “2018 Company Education and training Plan”, implemented various training programs in an orderly manner as required, continuously improved the staff’s business level and comprehensive capabilities and made contributions to the company’s stable operation. In terms of the funding, the company drew 2.5% of the total salary as the staff education fund, which effectively guaranteed the expenditure of the training program. According to statistics, 169 training classes were held in 2018, the person-time of staff received trainings reached 5,170. For 2019, the company plans to carry out 151 training programs in aspects of management, engineering technology, operation skills, quality, environment and safety education.

4. Outsourcing situation

Not applicable

IX. Administrative structure

I. General situation

1. Standardized operation of corporate governance structure

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

2. Effectiveness of organization

The Board of Directors is the executive body of the decisions made by the Shareholders' Meeting. The Board is also responsible to establish and improve the internal control system of the Company, and make it works effectively. Chairman of the Board is the caller of the Board. Strategy, Investment, Remuneration, and Auditing Committees were established within the Board, and were supporting the decision-making of the Board. The Supervisory Committee is responsible to report to the Shareholders' Meeting and supervise the legal performance of duties of directors, managers, and executives. The management is responsible to the Board, and take charge of daily operation of the Company. Functional departments were deployed according to the needs of business with clear responsibilities.

3. Basis for material decisions

The Company has setup practical rules for all material aspects of management, including but not limited to, external investment, trusteeship, related transactions, information disclosure, investors' relationship, information insider, executive shares, and management of controlled subsidiaries. These documents of rules were constantly revised and improved to maintain effectiveness upon changing situation.

In the report period, the Company adjusted the limit of authorization for financial management delegated by the Board of Directors and General Meeting of Shareholders and revised relevant terms in Financial Management Agent Management System (revised in 2016) to further meet the need for efficiency of use of funds while giving a consideration to the need for risk control in asset management to ensure that incomes and risks are under control. In the corresponding period, Measures for Management of Share Holding of Directors, Supervisors and Senior Executives and Variation (revised in 2018) was revised subject to Company Law, Securities Law, Rules for Management of Directors, Supervisors and Senior Executives of Listed Companies Holding Shares of Their Own Companies and Variation of China Securities Regulatory Commission (hereinafter referred to as CSRC), Some Regulations on Directors, Supervisors and Senior Executives of Listed Companies Reducing Shares of CSRC, Rules for Implementation of Shareholders, Directors, Supervisors and Senior Executives of Listed Companies Reducing Shares of Shenzhen Stock Exchange, Business Guide to Management of Share Holding of Directors, Supervisors and Senior Executives of Listed Companies and Variation of Shenzhen Stock Exchange and other laws,

regulations departmental regulations and regulatory documents and in conjunction with Company's Articles of Association and relevant provisions of the Company to tighten management of directors, supervisors and senior executives of the Company holding shares of the Company and variation, standardize directors and supervisors buying and selling shares of the Company and derivative products at a high price and further give a clarity to operating procedures and liabilities for violation.

4. Establishing of internal control system

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

5. Corporate Information Disclosure and Transparency

The company attaches great importance to the information disclosure and the investor relations management, and it has designated Securities Times, Hong Kong Commercial Daily and <http://www.cninfo.com.cn> as its statutory information disclosure media and website. With fair treatment to all investors, the company in a timely manner discloses the information with truthfulness, accuracy and completeness, which well ensures the transparency of the company and the legitimate rights and interests of all shareholders.

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

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

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

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

1. On business operations

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

2. On personnel management

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

3. On capital operation

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

4. On organization structure

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

5. On accounting management

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

6. In legal aspect

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

III. Competition situations of the industry

Not applicable

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

1. Annual General Meeting

Sessions	Type	Investor participation ratio	Meeting Date	Disclosure date	Disclosure index
2017 Shareholders' general meeting	Shareholders' Meetin	69.46%	April 26,2018	April 27,2018	Resolutions of the Shareholders' Annual Meeting 2017 (Announcement No. 2018-36) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and Http://www.cninfo.com.cn

1st Provisional Shareholders' Meeting 2018	Provisional Shareholders' Meetin	72.34%	July 20,2018	July 21,2018	Resolutions of the 1 st Provisional Shareholders' Annual Meeting 2018 (Announcement No. 2018-54) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and Http://www.cninfo.com.cn
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2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Not applicable

V. Responsibility performance of independent directors in report period

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

The attending of independent directors							
Independent Directors	Number of Board meetings necessary to be attended in the reporting period	Number of spot attendances	Number of meetings attended by Communication	Number of attendances by representative	Number of absence	Failure to personally attend board meetings successively twice (Yes/No)	Number of attendance at general meetings of shareholders
Zhang Xiaoyan	10	4	6	0	0	No	2
Ma Lihong	10	4	6	0	0	No	2
Gu Xinjian	10	4	6	0	0	No	2
Chen Danhong	10	4	6	0	0	No	2

2.Objection of independent directors on some relevant issues

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

3. Other statement for performance of independent directors

Adoption of suggestion proposed by independent directors

Yes

Statement for suggestion adopted or not by the Company

(1) The independent directors briefed the managers about the business condition in 2017, and suggested the Company to enhance communication with government sectors and to obtain government subsidy support from the research and development of products. the independent directors suggested the Company to coordinate the product structure and constantly improve the gas turbine business, to seize the market strategic position and actively expand the international market, to control the risk in contracts and intensify the collection for receivables, to strengthen the salary management and performance assessment as well as enhancing staffs and administrators'

initiative.

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

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

(4) It was recognized at the third meeting of the seventh Compensation Committee that the Company's directors and senior executives performed their duties diligently and made significant contribution to the Company's business development during their tenure, hence greater compensation assessment incentive should be given and compensation should be increased to create an effective incentive. Since the State-owned Assets Supervision and Administration Commission has restrictions on compensation assessment on directors and senior executives of state-owned enterprises, an adjustment shall be done to the compensation proposal for directors and senior executives of the Company subject to corresponding reference standards.

(5) At the meeting of the Board of Directors on deliberation of routine related transactions of the Company, independent directors advised the Company to sort out related transactions and enhance communication with minority shareholders for holding that the Company has legitimate deliberation procedures for deliberation of routine related transactions.

The management accepted the above suggestions.

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

(I) The Auditing Committee

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

1. To call the 3rd meeting of the 7th term of Auditing Committee at which the annual auditing work was discussed and suggestions were provided on problems in the auditing process.
2. The 4th meeting of the 7th term of Auditing Committee was held to examine the Annual Report 2017, the General Manager's Report, Financial Report, Dividend Plan, Proposal of Routine Related Transactions, Providing of Inventory Provision and Bad Debt Provision, Internal Control Manual, Internal Control Introspective Report, Internal Control Annual Report and Plan. Statements and were provided on the auditing works of the CPA, and opinions were issued about extending of the CPA's service. Improvement suggestions were provided on internal control. Opinions were provided on the Annual Report and Financial Report which were about to be submitted to the Board.

(II) The Remuneration and Assessment Committee

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

1. The 3rd meeting of the 7th term of Remuneration and Assessment Committee was held to examine the assessment outcome of the directors and executives for year 2017, and produced the remuneration plan for the examination of the Board.

VII. Fulfilling of duties of the Supervisory Committee

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

No

No disagreement with supervisory issues by the Supervisory Committee during the report period.

VIII. Assessment and incentive Mechanism for Senior executives

The Company adopts the annual remuneration scheme for directors (excluding independent directors) and senior executives (including Chairman of the Supervisory Committee) which is a combination of basic wages and performance wages. According to the “Remuneration and Assessment Scheme for the 5th term of the 7th term of Board and the 1st shareholders’ provisional meeting 2016(2016-2018), the Remuneration & Assessment Committee is responsible to assess the performances of the directors and senior executives according to stipulated procedures. Directors and senior executives are scored and assessed one after another and comes out with a plan subject to approval of the Board and the Shareholders’ Meeting. Basic wages are distributed on monthly basis and the overall remunerations are paid upon completion of the annual assessment.

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

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

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

IX. Internal control situations

1. Major problems in internal control discovered in the report period

No

2. Self-evaluation report on internal control

Disclosure date of appraisal report on internal control	March 29, 2019
Disclosure index of appraisal report on internal control	Disclosed by http://www.cninfo.com.cn dated March 29, 2019 (Announcement 2019-)

Proportion of total unit assets covered by appraisal in the total assets of the consolidated financial statements of the company	100.00%	
Proportion of total unit incomes covered by appraisal in the total business incomes of the consolidated financial statements of the company	100.00%	
Standards of Defects Evaluation		
Type	Financial Report	Non-financial Report
Standard	Deficiency characterized as below will be treated as fatal defects: To correct the fatal errors already published in the financial report（except for the retrospection and adjustments of previous years because of policies changing and other objective factors changing);fatal errors already discovered by auditor, unidentified in the current financial report; any fraud among top management; invalid monitoring to the financial report from audit committee and internal audit department.	(1) Punishment received by governments below provincial level (including provincial level) but no negative effects for our company’s periodic report disclosure will be considered as a general deficiency; (2) or punishments from national governments above provincial level but no negative effects for our company’s periodic report disclosure will be considered as a significant deficiency; (3) external official disclosure has been already carried out and brought certain negative effects to our company’s periodic report disclosure will be considered as a fatal deficiency.
Standards of Quantization	In accordance with the degree of importance of deficiency that may cause financial report errors, our company defined quantitative identification standard of financial report internal deficiency control as per the average of the last three-year total profit. (1) errors reported indicator < 3% of total profit, will be asserted as general deficiencies; (2) 3% of total profit ≤ errors reported indicator < 5% of total profit, will be asserted as significant deficiencies; (3) errors reported indicator ≥ 5% of total profit, will be asserted as fatal deficiencies.	1) Losses < consolidating 3% of pre-tax profit, will be asserted as general deficiencies; (2) 3% of combined pre-tax profit ≤ losses < 5% of combined pre-tax profit, will be asserted as significant deficiencies; (3) losses ≥5% of combined pre-tax profit, will be asserted as fatal deficiencies.
Number of major defects in financial reporting（a）	0	
Number of major defects in non financial reporting (a)	0	
Number of important defects in financial reporting（a）	0	
Number of important defects in non financial reporting（a）	0	

X. Internal Control audit report

Review opinions in the internal control audit report	
As far as our best understanding, Hangzhou Steam Turbine Co., Ltd. has been conducting effective internal control over its financial reporting system in all material aspects we observed as of December 31, 2018, and has been following with the Enterprise Internal Control Criteria.	
Disclosure of internal audit report	Disclosure
Disclosure date of audit report of internal control (full-text)	March 29,2019
Index of audit report of internal control (full-text)	Disclosed by http://www.cninfo.com.cn dated March 29, 2019 (Announcement No. 2019-22)
Internal audit report's opinion	Unqualified audit opinion
Non-financial reporting the existence of significant deficiencies	No

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

No

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

Yes

X. Corporation bonds

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

No

XI. Financial Report

I. Audit report

Type of audit opinion	Standard Unqualified opinion
Date of signing this report	March 27,2019
Name of audit firm	Pan-China Certified Public Accountants (Special common partnership)
Reference number of auditor's report	Tian Jian Shen No. [2019] 1468
Name of the certified public accounts	Jiang Xiaodong ,Ye Xianbin

Auditors' Report

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

I. Opinion

We have audited the financial statements of Hangzhou Steam Turbine Co., Ltd.(hereinafter referred to as "the Company"), which comprise the balance sheet as at December 31, 2018, 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, 2018 and its operating results and cash flows for the year then ended.

II. Basis for Our Opinion

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

III. Key Audit Matters

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

(1) Recognition of income

Description of the matter

For details of the relevant information disclosure, please refer to Note III (21), Note V (2) 1 and Note XII (1) in the financial statements.

The operating income of Hangzhou Steam Turbine Co., Ltd. mainly comes from the production and sales of industrial steam turbines and other products. In 2018, the amount of operating income items shown in the consolidated financial statements of Hangzhou Steam Turbine Co., Ltd. was RMB 4,642,807,589.69, of which the operating income of the industrial steam turbine business was RMB 3,745,445,441.72, accounting for 80.67% of the operating income.

According to the sales contract of Hangzhou Steam Turbine Co., Ltd. and its customers, where the domestic-sales products have been delivered and the receipts confirmed by the purchaser have been obtained, and where the related products for export have been declared for export and the export goods declaration and freight bill of lading have been obtained treated as the major risk and reward transfer timing point of the ownership of the goods, and where the economic benefits related to the transaction are likely to flow into the Company with the relevant costs can be reliably measured, then the realization of income is recognized.

As the operating income is one of the key performance indicators of Hangzhou Steam Turbine Co., there may be inherent risks that management may achieve a specific goal or expectation through inappropriate revenue recognition. Therefore, we identify the revenue recognition as a key audit matter.

2. Audit Countermeasures

For revenue recognition, the audit procedures we have implemented mainly include:

(1) Understand key internal controls related to revenue recognition, evaluate the design of these controls, determine whether they are implemented, and test the operational effectiveness of relevant internal controls;

(2) Examine the main sales contracts, identify the terms related to the main risks and rewards of transfer of ownership of the goods, and evaluate whether the revenue recognition policies are in compliance with the Accounting Standards for Business Enterprises;

(3) Implementing substantive analysis procedures for operating income and gross profit margin according to products and customers to identify whether there are material or abnormal fluctuations, and to identify the causes of such fluctuations;

(4) For domestic sales income, by sampling method check the supporting documents related to revenue recognition, including sales contracts, sales invoices, shipment bills and receipts; for export income, by sampling method check the supporting documents including sales contracts, export declarations, freight bills of lading and sales invoices;

(5) In conjunction with the letter confirmation of accounts receivable, the sales amount of the current period for major customers are letter confirmed by sampling method;

(6) By sampling method check the support documents including the invoices, receipts, and bills of lading corresponding to the operating income confirmed before and after the balance sheet date, and evaluate whether the operating income is recognized during the appropriate period;

(7) Check that the information related to the operating income whether has been properly presented and disclosed in the financial statements.

(II) Impairment of accounts receivable

1. Description of the matter

For related information disclosure, please refer to Note III (10) and Note V (1) 2 (3) of the financial statements.

As of December 31, 2018, the book balance of accounts receivable items shown in the consolidated financial statements of Hangzhou Steam Turbine Co., Ltd. was RMB 3,012,706,824.47, the bad debt provision was RMB 1,071,908,569.21, and the book value was RMB 1,940,798,255.26.

For accounts receivable that are individually tested for impairment, when there is objective evidence that it is impaired, the management considers the debtor's industry status, operating conditions, financial status, lawsuits involvements, repayment records and so on to estimate the present value of future cash flows and determine the provision for bad debts that should be accrued; for accounts receivable that are tested for impairment using a combination method, the management divides the combination according to the age of the accounts and adjusts

based on a historical loss rate of a similar combination with the similar credit risk characteristics and the actual situation to estimate the present value of future cash flow and determine the provision for bad debts that should be accrued.

Due to the significant amount of accounts receivable and the impairment test of accounts receivable involving significant management judgment, we determine the impairment of accounts receivable as a key audit matter.

2. Audit Countermeasures

For the impairment of accounts receivable, the audit procedures we have implemented mainly include:

(1) Understand the key internal controls related to the impairment of accounts receivable, evaluate the design of these controls, determine whether they have been implemented, and test the operational effectiveness of the relevant internal controls;

(2) Review the subsequent actual write-off or reversal of accounts receivable with provision for bad debts in previous years, and evaluate the accuracy of the management's past forecasts;

(3) Review the management's relevant considerations and the objective evidence for the impairment test of the accounts receivable, and evaluate whether the management fully recognizes the accounts receivable that have been impaired;

(4) For accounts receivable that are individually tested for impairment, obtain and examine the management's forecast on the present value of future cash flows, evaluate the rationality of the key assumptions and the accuracy of the data used in the forecast, and verify with the external evidence obtained;

(5) For the accounts receivable that are tested for impairment using the combination method, evaluate the rationality of the management's combination dividing according to the credit risk characteristics; based on the historical loss rate of a combination with similar credit risk characteristics and the relevant observable data reflecting the current situation and so on to evaluate the rationality of the management's impairment test method (including the proportion of the provision for bad debts of each combination); test the accuracy and completeness of the data used by the management (including the accounts receivable combination with aging as the risk characteristics, checking the accuracy of the ageing of accounts receivable by sampling method) and test whether the calculation of the corresponding provision for bad debts is accurate;

(6) Checking the post-payments of accounts receivable and evaluating the reasonableness of the management's provision for bad debts of accounts receivable;

(7) Check whether the information related to the impairment of accounts receivable has been properly presented and disclosed in the financial statements.

(III) Net realizable value of inventories

1. Description of the matter

For details of relevant information disclosure, please refer to Note III (11) and Note V (1) 5 of the financial statements.

As of December 31, 2018, the book balance of the inventory items shown in the consolidated financial statements of Hangzhou Steam Turbine Co., Ltd. was RMB 2,411,100,538.02, the provision for price falling was RMB 222,979,195.15, and the book value was RMB 2,188,121,342.87.

On the balance sheet date, the inventories are measured at the lower of the cost and net realizable value, and the provision for inventory falling price is made based on the difference that the cost of a single inventory exceeding the net realizable value. On the basis of considering the purpose of holding the inventory, the management determines the estimated selling price according to the contract price, the market price of the same or similar products, the advance receipt, the estimated disposal income, etc., and determines the net realizable value of the inventory by the estimated sales price subtracting the estimated occurrence cost will be happened at the time of completion and subtracting the estimated sales expenses and related taxes and fees

Due to the significant amount of inventories and the determination of the net realizable value of inventories involving significant management judgment, we determine the net realizable value of inventories as a key audit item.

2. Audit Countermeasures

For the net realizable value of inventories, the audit procedures we have implemented mainly include:

(1) Understand the key internal controls related to the net realizable value of inventory, evaluate the design of these controls, determine whether they have been implemented, and test the operational effectiveness of the relevant internal controls;

(2) Review management's forecast of the net realizable value of inventory and the actual operating results in previous years, and evaluate the accuracy of management's past forecasts;

(3) by sampling method review the management's forecast of the estimated selling price of the inventory, and compare the estimated selling price with the post-event situation, the contracted selling price, the advance receipt,

and the valuation value;

(4) evaluate the management's reasonableness for the estimation on the costs, sales expenses and related taxes and fees that will occur from the inventory to its completion sales;

(5) test the accuracy of the management's calculation on the net realizable value of inventory;

(6) In combination with the inventory monitoring, check whether the ending inventory has long storage age, obsolete models, project suspension or termination situation, and evaluate whether the management has reasonably estimated the net realizable value;

(7) Check whether the information related to the net realizable value of the inventory has been properly presented and disclosed in the financial statements.

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, 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, 2018

Items	In RMB	
	At the end of term	Beginning of term
Current asset:		
Monetary fund	1,382,392,009.59	1,222,677,495.94
Settlement provision		
Outgoing call loan		
Financial assets measured at fair value with variations accounted into current income account		
Derivative financial assets		
Notes receivable & Account receivable	2,535,887,430.48	2,410,628,336.14
Including: Notes receivable	595,089,175.22	715,410,887.68
Account receivable	1,940,798,255.26	1,695,217,448.46
Prepayments	370,958,990.74	446,166,710.77
Insurance receivable		
Reinsurance receivable		
Provisions of Reinsurance contracts receivable		
Other account receivable	32,552,458.76	23,805,005.57
Including: Interest receivable		
Dividend receivable	16,557,292.60	6,900,000.00
Repurchasing of financial assets		
Inventories	2,188,121,342.87	2,092,575,691.92
Assets held for sales		
Non-current asset due within 1 year		

Other current asset	1,188,747,955.74	904,426,265.79
Total of current assets	7,698,660,188.18	7,100,279,506.13
Non-current assets:		
Loans and payment on other's behalf disbursed		
Available-for-sale financial assets	2,130,076,555.20	2,417,780,984.08
Held-to-maturity investments		
Long-term receivable		
Long term share equity investment	8,221,439.29	5,800,000.00
Property investment		
Fixed assets	783,740,928.49	566,710,937.10
Construction in progress	454,767,328.93	255,921,660.09
Productive biological assets		
Oil and natural gas assets		
Intangible assets	279,740,756.49	285,670,638.55
R & D costs		
Goodwill		
Long-term expenses to be amortized		253,886.90
Deferred tax assets	213,962,707.23	198,179,569.53
Other non-current asset		
Total of non-current assets	3,870,509,715.63	3,730,317,676.25
Total of assets	11,569,169,903.81	10,830,597,182.38
Current liabilities		
Short-term loans	139,600,000.00	115,500,000.00
Loan from Central Bank		
Deposit received and hold for others		
Borrowingf funds		
Financial liabilities measured at fair value with variations accounted into current income account		
Derivative financial liabilities		
Notes payable & account payable	1,350,583,381.53	1,098,125,424.57
Advance payment	2,582,234,158.36	2,419,751,405.08
Selling of repurchased financial assets		
Fees and commissions receivable		
Employees' wage payable	86,390,955.29	79,525,773.69
Tax payable	62,405,200.62	34,920,073.37
Other account payable	36,904,303.01	28,128,478.10
Including: Interest payable	437,314.72	268,860.77
Dividend payable		
Reinsurance fee payable		
Insurance contract provision		
Entrusted trading of securities		
Entrusted selling of securities		
Liabilities held for sales		
Non-current liability due within 1 year	100,100,000.00	4,900,000.00
Other current liability		
Total of current liability	4,358,217,998.81	3,780,851,154.81
Non-current liabilities:		
Long-term loan	22,700,000.00	100,000,000.00
Bond payable		
Including: preferred stock		
Sustainable debt		
Long-term payable	474,876,451.26	447,292,297.73
Long-term payable employees's remuneration		
Expected liabilities		

Deferred income	44,675,128.30	4,063,615.00
Deferred income tax liability	244,169,946.57	278,217,667.94
Other non-current liabilities		
Total non-current liabilities	786,421,526.13	829,573,580.67
Total of liability	5,144,639,524.94	4,610,424,735.48
Owners' equity		
Share capital	754,010,400.00	754,010,400.00
Other equity instruments		
Including: preferred stock		
Sustainable debt		
Capital reserves	151,684,419.65	139,545,089.02
Less: Shares in stock		
Other comprehensive income	1,377,168,522.74	1,570,358,510.09
Special reserves	21,020,671.47	25,369,714.61
Surplus reserves	621,112,807.78	621,112,807.78
Common risk provision		
Retained profit	3,082,544,107.52	2,774,420,288.05
Total of owner's equity belong to the parent company	6,007,540,929.16	5,884,816,809.55
Minority shareholders' equity	416,989,449.71	335,355,637.35
Total of owners' equity	6,424,530,378.87	6,220,172,446.90
Total of liabilities and owners' equity	11,569,169,903.81	10,830,597,182.38

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Can

2.Parent Company Balance Sheet

Items	In RMB	
	At the end of term	Beginning of term
Current asset:		
Monetary fund	877,357,020.98	654,407,180.33
Financial assets measured at fair value with variations accounted into current income account		
Derivative financial assets		
Notes receivable & Account receivable	1,676,913,196.88	1,553,594,608.07
Including: Notes receivable	302,284,986.43	357,644,500.75
Account receivable	1,374,628,210.45	1,195,950,107.32
Prepayments	208,498,421.20	163,701,036.86
Other account receivable	19,984,760.06	11,211,538.86
Including: Interest receivable		
Dividend receivable	16,557,292.60	6,900,000.00
Inventories	1,584,030,951.83	1,598,522,597.27
Assets held for sales		
Non-current asset due within 1 year		
Other current asset	890,000,000.00	737,474,571.12
Total of current assets	5,256,784,350.95	4,718,911,532.51
Non-current assets:		
Available-for-sale financial assets	2,090,631,297.62	2,377,021,294.50
Held-to-maturity investments		
Long-term receivable		
Long term share equity investment	502,919,378.03	502,919,378.03
Property investment		
Fixed assets	448,890,495.75	265,423,321.11
Construction in progress	142,310,055.48	151,569,540.89
Productive biological assets		
Oil and natural gas assets		
Intangible assets	165,734,347.73	169,780,320.65
R & D costs		
Goodwill		
Long-germ expenses to be amortized		253,886.90
Deferred tax assets	163,871,631.81	146,802,178.11
Other non-current asset		
Total of non-current assets	3,514,357,206.42	3,613,769,920.19
Total of assets	8,771,141,557.37	8,332,681,452.70
Current liabilities		

Short-term loans		
Financial liabilities measured at fair value with variations accounted into current income account		
Derivative financial liabilities		
Notes payable and account payable	654,853,099.86	462,704,271.86
Advance payment	1,877,069,335.29	1,817,869,660.07
Employees' wage payable	43,332,523.01	42,770,536.86
Tax payable	37,809,874.53	3,918,864.69
Other account payable	24,708,959.22	15,628,537.39
Including: Interest payable	212,010.69	112,597.22
Dividend payable		
Liabilities held for sales		
Non-current liability due within 1 year	100,000,000.00	
Other current liability		
Total of current liability	2,737,773,791.91	2,342,891,870.87
Non-current liabilities:		
Long-term loan		100,000,000.00
Bond payable		
Including: preferred stock		
Sustainable debt		
Long-term payable	264,512,388.24	237,067,491.46
Employees' wage payable		
Expected liabilities		
Deferred income	41,944,793.30	
Deferred income tax liability	244,169,946.57	278,217,667.94
Other non-current liabilities		
Total of Non-current liabilities	550,627,128.11	615,285,159.40
Total of liability	3,288,400,920.02	2,958,177,030.27
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	1,377,784,111.74	1,570,912,609.09
Special reserves	7,609,505.31	9,629,800.19
Surplus reserves	602,356,402.65	602,356,402.65
Retained profit	2,602,026,967.56	2,298,641,960.41
Total of owners' equity	5,482,740,637.35	5,374,504,422.43
Total of liabilities and owners' equity	8,771,141,557.37	8,332,681,452.70

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Can

3.Consolidated Income statement

In RMB

Items	Report period	Same period of the previous year
I. Income from the key business	4,642,807,589.69	3,447,142,669.49
Incl: Business income	4,642,807,589.69	3,447,142,669.49
Interest income		
Insurance fee earned		
Fee and commission received		
II. Total business cost	4,321,036,104.54	3,454,428,905.88
Incl: Business cost	3,220,021,819.91	2,450,587,325.79
Interest expense		
Fee and commission paid		
Insurance discharge payment		
Net claim amount paid		
Net amount of withdrawal of insurance contract reserve		
Insurance policy dividend paid		
Reinsurance expenses		
Business tax and surcharge	41,953,531.94	31,221,773.02
Sales expense	174,205,763.02	169,520,147.67
Administrative expense	453,278,171.52	433,151,164.67
R & D costs	264,643,888.76	211,027,767.11
Financial expenses	-17,422,889.91	24,287,127.82
Including: Interest expense	13,540,383.97	9,972,261.98
Interest income	16,327,538.73	8,249,739.28
Asset impairment loss	184,355,819.30	134,633,599.80
Add: Other income	25,802,658.17	10,195,671.25
Investment gain ("-"for loss)	117,535,765.44	120,565,851.26
Incl: investment gains from affiliates	-585,160.71	
Changing income of fair value		
Gains from currency exchange		
Income on disposal of assets	-9,843.23	2,740,865.13
III. Operational profit ("-"for loss)	465,100,065.53	126,216,151.25
Add : Non-operational income	12,138,431.92	8,075,659.19
Less: Non-operating expense	7,169,435.39	1,635,679.94
IV.Total profit("-"for loss)	470,069,062.06	132,656,130.50
Less: Income tax expenses	55,928,956.18	10,835,754.48
V. Net profit	414,140,105.88	121,820,376.02
1.Net continuing operating profit	414,140,105.88	121,820,376.02
2.Termination of operating net profit		
Net profit attributable to the owners of parent company	345,824,339.47	68,753,250.90
Minority shareholders' equity	68,315,766.41	53,067,125.12
VI. Net after-tax of other comprehensive income	-193,272,909.22	-567,294,413.99
Net of profit of other comprehensive income attributable to owners of the parent company.	-193,189,987.35	-567,060,789.75
(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.	-193,189,987.35	-567,060,789.75
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	-193,128,497.35	-566,887,547.71
3.Held-to-maturity investments reclassified to gains and losses of available for sale financial assets		

re sale financial assets		
4.The effective portion of cash flow hedges and losses		
5.Translation differences in currency financial statements	-61,490.00	-173,242.04
6.Other		
Net of profit of other comprehensive income attributable to Minority shareholders' equity	-82,921.87	-233,624.24
VII. Total comprehensive income	220,867,196.66	-445,474,037.97
Total comprehensive income attributable to the owner of the parent company	152,634,352.12	-498,307,538.85
Total comprehensive income attributable minority shareholders	68,232,844.54	52,833,500.88
VIII. Earnings per share		
(I) Basic earnings per share	0.46	0.09
(II)Diluted earnings per share	0.46	0.09

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Can

4. Income statement of the Parent Company

In RMB

Items	Report period	Same period of the previous year
I. Income from the key business	2,929,805,668.71	2,196,716,474.74
Incl: Business cost	2,071,053,547.88	1,694,306,219.84
Business tax and surcharge	24,329,202.98	10,973,986.81
Sales expense	103,094,916.72	105,694,953.84
Administrative expense	282,726,613.74	275,760,628.45
R & D costs	166,413,462.10	133,401,508.33
Financial expenses	-16,013,179.60	13,375,506.45
Including: Interest expenses	4,888,997.17	3,519,361.10
Interest income	11,240,684.14	5,138,097.48
Asset impairment loss	163,896,062.98	97,887,620.88
Add: Other income	21,212,334.73	3,890,400.53
Investment gain (“-”for loss)	205,883,243.16	167,830,820.86
Incl: investment gains from affiliates		
Gains from change of fair value (“-”for loss)		
Assets disposal income		2,555,740.94
II. Operational profit (“-”for loss)	361,400,619.80	39,593,012.47
Add : Non-operational income	11,384,845.48	4,030,380.36
Less: Non business expenses	5,376,965.13	1,307,587.69
III.Total profit(“-”for loss)	367,408,500.15	42,315,805.14
Less: Income tax expenses	26,322,973.00	-13,027,027.19
IV. Net profit	341,085,527.15	55,342,832.33
1.Net continuing operating profit	341,085,527.15	55,342,832.33
2.Termination of operating net profit		
V. Net after-tax of other comprehensive income	-193,128,497.35	-566,887,547.71
(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.	-193,128,497.35	-566,887,547.71
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	-193,128,497.35	-566,887,547.71
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	147,957,029.80	-511,544,715.38

VII. Earnings per share		
(I) Basic earnings per share	0.45	0.07
(II) Diluted earnings per share	0.45	0.07

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Can

5. Consolidated Cash flow statement

In RMB

Items	Report period	Same period of the previous year
I. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	4,150,843,538.52	3,494,692,256.02
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 amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of inter-bank fund received		
Net increase of repurchasing business		
Tax returned	8,126,697.11	13,672,821.64
Other cash received from business operation	223,948,786.76	136,993,210.01
Sub-total of cash inflow	4,382,919,022.39	3,645,358,287.67
Cash paid for purchasing of merchandise and services	2,317,958,643.70	2,188,106,830.33
Net increase of client trade and advance		
Net increase of savings in central bank and brother company		
Cash paid for original contract claim		
Cash paid for interest, processing fee and commission		
Cash paid for policy dividend		
Cash paid to staffs or paid for staffs	709,795,993.52	675,225,336.13
Taxes paid	330,799,484.51	237,999,779.64

Other cash paid for business activities	379,931,733.46	338,723,549.80
Sub-total of cash outflow from business activities	3,738,485,855.19	3,440,055,495.90
Cash flow generated by business operation, net	644,433,167.20	205,302,791.77
II.Cash flow generated by investing		
Cash received from investment retrieving	101,314,432.00	103,680,000.00
Cash received as investment gains	108,463,633.55	84,616,250.54
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	136,785.20	16,494,301.22
Net cash received from disposal of subsidiaries or other operational units		
Other investment-related cash received	4,507,668,985.20	4,135,806,169.07
Sub-total of cash inflow due to investment activities	4,717,583,835.95	4,340,596,720.83
Cash paid for construction of fixed assets, intangible assets and other long-term assets	482,008,267.16	149,836,385.82
Cash paid as investment	68,040,000.00	102,400,000.00
Net increase of loan against pledge		
Net cash received from subsidiaries and other operational units		
Other cash paid for investment activities	4,707,907,000.00	3,931,296,261.75
Sub-total of cash outflow due to investment activities	5,257,955,267.16	4,183,532,647.57
Net cash flow generated by investment	-540,371,431.21	157,064,073.26
III.Cash flow generated by financing		
Cash received as investment	84,075,000.00	
Incl: Cash received as investment from minor shareholders	84,075,000.00	
Cash received as loans	162,800,000.00	232,500,000.00
Cash received from bond placing		
Other financing –related cash received		
Sub-total of cash inflow from financing activities	246,875,000.00	232,500,000.00
Cash to repay debts	120,800,000.00	208,500,000.00
Cash paid as dividend, profit, or interests	109,705,436.02	49,845,493.76
Incl: Dividend and profit paid by subsidiaries to minor shareholders	60,092,795.00	41,161,592.50
Other cash paid for financing activities	2,530,666.67	23,054,431.92
Sub-total of cash outflow due to financing activities	233,036,102.69	281,399,925.68
Net cash flow generated by financing	13,838,897.31	-48,899,925.68
IV. Influence of exchange rate alternation on cash and cash equivalents	6,793,349.07	-7,211,089.37
V.Net increase of cash and cash equivalents	124,693,982.37	306,255,849.98
Add: balance of cash and cash equivalents at the beginning of term	1,137,492,834.83	831,236,984.85
VI ..Balance of cash and cash equivalents at the end of term	1,262,186,817.20	1,137,492,834.83

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Can

6. Cash Flow Statement of the Parent Company

In RMB

Items	Amount in this period	Amount in last period
I.Cash flows from operating activities		
Cash received from sales of goods or rendering of services	2,201,529,921.02	2,123,033,690.29
Tax returned	1,879,838.88	1,250,418.38
Other cash received from business operation	39,876,451.63	20,481,813.79
Sub-total of cash inflow	2,243,286,211.53	2,144,765,922.46
Cash paid for purchasing of merchandise and services	1,148,104,039.15	1,199,591,051.02
Cash paid to staffs or paid for staffs	464,351,072.55	457,506,060.50
Taxes paid	187,542,833.21	106,962,139.60
Other cash paid for business activities	161,062,408.27	123,920,412.74
Sub-total of cash outflow from business activities	1,961,060,353.18	1,887,979,663.86
Cash flow generated by business operation, net	282,225,858.35	256,786,258.60
II.Cash flow generated by investing		
Cash received from investment retrieving	100,000,000.00	103,680,000.00
Cash received as investment gains	196,225,950.56	135,809,172.66
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets		16,038,777.07
Net cash received from disposal of subsidiaries or other operational units		
Other investment-related cash received	2,979,772,279.69	2,713,003,714.00
Sub-total of cash inflow due to investment activities	3,275,998,230.25	2,968,531,663.73
Cash paid for construction of fixed assets, intangible assets and other long-term assets	192,468,557.01	70,439,655.26
Cash paid as investment	66,000,000.00	102,400,000.00
Net cash received from subsidiaries and other operational units		
Other cash paid for investment activities	3,070,000,000.00	2,676,530,440.00
Sub-total of cash outflow due to investment activities	3,328,468,557.01	2,849,370,095.26
Net cash flow generated by investment	-52,470,326.76	119,161,568.47
III.Cash flow generated by financing		
Cash received as investment		
Cash received as loans		100,000,000.00
Cash received from bond placing		
Other financing –related cash received		
Sub-total of cash inflow from financing activities		100,000,000.00
Cash to repay debts		100,000,000.00
Cash paid as dividend, profit, or interests	42,490,103.70	3,406,763.88
Other cash paid for financing activities		
Sub-total of cash outflow due to financing activities	42,490,103.70	103,406,763.88
Net cash flow generated by financing	-42,490,103.70	-3,406,763.88
IV. Influence of exchange rate alternation on cash and cash equivalents	4,535,234.41	-5,925,130.42
V.Net increase of cash and cash equivalents	191,800,662.30	366,615,932.77
Add: balance of cash and cash equivalents at the beginning of term	650,546,455.53	283,930,522.76
VI ..Balance of cash and cash equivalents at the end of term	842,347,117.83	650,546,455.53

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Can

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	Retained profit		
preferr ed stock		Sustaina ble debt	Other										
I.Balance at the end of last year	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
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				139,545,089.02		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
III.Changed in the current year					12,139,330.63		-193,189,987.35	-4,349,043.14			308,123,819.47	81,633,812.36	204,357,931.97
(1) Total comprehensive income							-193,189,987.35				345,824,339.47	68,232,844.54	220,867,196.66
(II)Investment or decreasing of capital by owners												84,795,000.00	84,795,000.00
1. Ordinary Shares invested												84,795,000.00	84,795,000.00

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											-37,700,520.00	-60,812,795.00	-98,513,315.00
1.Providing of surplus reserves													
2.Providing of common risk provisions													
3. Allotment to the owners (or shareholders)											-37,700,520.00	-60,812,795.00	-98,513,315.00
4. Other													
(IV) Internal transferring of owners' equity													
1. Capitalizing of capital reserves (or to capital shares)													
2. Capitalizing of surplus reserves (or to capital shares)													
3. Making up losses by surplus reserves.													
4.Change amount of defined benefit plans that carry forward													

Retained earnings													
5. Other													
(V). Special reserves								-3,207,751.26				-549,798.43	-3,757,549.69
1. Provided this year													
2. Used this term								-3,207,751.26				-549,798.43	-3,757,549.69
(VI) Other					12,139,330.63			-1,141,291.88				-10,031,438.75	966,600.00
IV. Balance at the end of this term	754,010,400.00				151,684,419.65		1,377,168,522.74	21,020,671.47	621,112,807.78		3,082,544,107.52	416,989,449.71	6,424,530,378.87

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Can

Amount in last year

In RMB

Items	Amount in last year												
	Owner’s equity Attributable to the Parent Company											Minor shareholders’ equity	Total of owners’ equity
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Common risk provision	Retained profit		
		preferr ed stock	Sust aina ble debt	Other									
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. Change amount of defined benefit plans that carry forward													
Retained earnings													
5. 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: Jin Can

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	Specialized reserve	Surplus reserves	Retained profit	Total of owners' equity
		preferr ed stock	Sust aina ble debt	Other							
I.Balance at the end of last year	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
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		1,570,912,609.09	9,629,800.19	602,356,402.65	2,298,641,960.41	5,374,504,422.43
III.Changed in the current year							-193,128,497.35	-2,020,294.88		303,385,007.15	108,236,214.92
(I) Total comprehensive income							-193,128,497.35			341,085,527.15	147,957,029.80
(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										-37,700,520.00	-37,700,520.00
1.Providing of surplus reserves											
2. Allotment to the owners (or shareholders)										-37,700,520.00	-37,700,520.00
3. Other											
(IV) Internal transferring of owners' equity											
1. Capitalizing of capital reserves (or to capital shares)											
2. Capitalizing of surplus reserves (or to capital shares)											
3. Making up losses by surplus reserves.											
4.Change amount of defined benefit plans that carry forward Retained earnings											
5. Other											
(V) Special reserves								-2,020,294.88			-2,020,294.88
1. Provided this year											
2. Used this term								-2,020,294.88			-2,020,294.88
(VI) Other											
IV. Balance at the end of this term	754,010,400.00				138,953,250.09		1,377,784,111.74	7,609,505.31	602,356,402.65	2,602,026,967.56	5,482,740,637.35

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Can

Amount in last year

In RMB

Items	Amount in last year										
	Share Capital	Other Equity instrument			Capital reserves	Less: Shares in stock	Other Comprehensive Income	Specialized reserve	Surplus reserves	Retained 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.Change amount of defined benefit plans that carry forward Retained earnings											
5. 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				138,953,2		1,570,912,609	9,629,800.19	602,356,402.65	2,298,641,960.41	5,374,504,422.4

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Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Can

Hangzhou Steam Turbine Co.,Ltd.

Notes to Financial Statement

Year 2018

I. Company Profile

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

The 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 31st meeting of the 7th term of Board held on March 27, 2019.

19 subsidiaries including Zhejiang Steam Turbine Packaged Technologies Co., Ltd., Hangzhou Zhongneng Steam Turbine Power Co., Ltd., Hangzhou Steam Turbine Casting Co.,Ltd. Hangzhou Steam Turbine Auxiliary Co., Ltd., Hangzhou Steam Turbine Machinery & Equipment Co., Ltd., Zhejiang Turbine Import & Export Co., Ltd., and Hangzhou Steam Turbine Heavy Industry Co., Ltd., were consolidated to the Financial Statements. For details Notes of equity in other subjects of this annual report

II. Basis of compiling the financial statement

(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.

III. Principal Accounting Policies and Estimations

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

1. Statement of compliance to the Enterprise Accounting Standard

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

2. Fiscal year

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

3. Operational period

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

4. Standard currency for bookkeeping

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

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

1. Treatment of entities under common control

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

2. Treatment of entities under different control

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

6. Method for preparing the consolidated financial statements

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

7. Recognition of cash and cash equivalents

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

8. Foreign currency trade and translation of foreign currencies

1. Translation of foreign currency

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

2. Translation of foreign currency financial statements

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

9. Financial instruments

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

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

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

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

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

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

(1) Gain or loss from fluctuation of fair value of financial assets or liabilities and accounted into current gain/loss account, are accounted into gain/loss of fluctuation of fair value. Interests or cash dividend received in the period of holding these assets are recognized as investment gains. When

they are disposed, the difference between the amount actually received and initially booked value is recognized as investment gains, and adjust the gain/loss from fair value fluctuation.

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

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

3. Basis of recognition and accounting of financial asset transferring

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

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

4. Recognition of fair value of financial assets and liabilities

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

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

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

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

5. Impairment test and impairment reserves plan

(1) The Company conduct impairment test to the finance asset other than which appointed to be

measured at fair value with their changes are accounted into current gain/loss accounts on balance sheet day. Impairment provision is provided as long as evidence showing that impairment has happened to the financial asset.

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

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

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

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

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

10. Receivable accounts

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

Basis of recognition or standard amount of individual account with large amount	Accounts take over 10% of the book balance of receivable accounts
Provision method for account receivable with major individual amount and bad debt provision provided individually	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

(1) The specific combination and providing basis of bad debt reserves

Recognition and providing of bad debt provisions on groups

Group by age analysis	Age analysis method
Combination of associated transactions within the scope of consolidation	Impairment test performed individually, bad debt provision will be provided at the difference of expected cash flow lower than the book value.

(2) Age analysis method

Age	Rate of provision on receivable account	Rate of provision on other receivable account
Within 1 year(included)	5	5
1—2 years	10	10
2—3 years	30	30
3—4 years	60	60
4—5 years	80	80
Over 5 years	100	100

3.Receivables with not major individual amount and bad debt provision 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.

Provision for bad debt shall be withdrawn for notes receivable, interests receivable, long-term receivables and other receivables subject to the balance between the present value and book value of their future cash flow.

11.Inventories

(1) Inventory classification

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

(2) Pricing of inventory to be delivered

Pricing basis:

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

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

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

(4) Inventory system

Inventory system: perpetual inventory system

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

1.Low price consumable

Basis of amortizing: one-off

2.Packaging materials

Basis of amortizing: one-off

12. Long-term equity investment

1. Recognition of common control and substantial influence

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

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	Amortizing years(Year)
Land use right	50
Patent and Special technology	5-20
Software	5

(2) Accounting policy for internal research and development expenditure

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

17. Impairment of partial long-term assets

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

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

18. Long-term amortizable expenses

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

19. Employees' wage

1. Employee compensation comprises short-term compensation, post-service benefit, resignation benefit and other long-term employee benefits.

2. Accounting of short-term wages

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

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

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

discount is performed on the liabilities from stipulated beneficiary plan to recognize the current value and service cost of the liabilities from the stipulated beneficiary plan.

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

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

4. Accounting of dismissing welfare

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

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

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

5. Accounting of other long-term employees' welfares

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

20. Expected liabilities

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

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

21. Revenue

1. Recognizing of revenue

(1) Sales of goods

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

(2) Providing of services

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

(3) Giving of asset using rights

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

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. Government subsidies are recognized while they meet the following conditions at the same time:

(1) the Company can meet the conditions attached to the government subsidies; (2) the Company can receive government subsidies. Where government subsidies are monetary assets, they shall be measured by the amount received or receivable. Where government subsidies are non-monetary assets, they shall be measured by the fair value; if the fair value cannot be reliably obtained, they shall be measured by the nominal amount.

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

Government subsidies used for formation of long-term assets through purchase, construction or any other method as stipulated by government documents fall into the category of asset-related government subsidies. If government subsidies are not defined in the government documents, a judgment shall be made on the ground of essential conditions for obtaining the subsidies, among which, ones with an essential condition of formation of long-term assets through purchase, construction or any other method shall be 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.

3. 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.

4. Government subsidies related to routine business activities of the Company shall be included into other incomes or offset relevant costs and expenses by nature of economic business. Government subsidies irrelevant to routine activities of the Company shall be included into the non-operating receipt and disbursement.

5. Accounting treatment method for interest subsidies for policy-based preferential loans

(1) If the finance allocates interest subsidy funds to a lending banks that serves a loan to the Company at a policy-based preferential rate, the actual debit amount received shall be seen as the entry value of loan and relevant loan costs shall be worked out pursuant to the loan principal and the policy-based preferential rate.

(2) If the finance directly allocates interest subsidy funds to the Company, corresponding interest subsidies shall offset relevant loan costs.

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

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

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

25. Work safety costs

The Company withdraws and includes work safety costs into relevant product costs or current profits and loss and the subject of "special reserve" as per Measures for Management of Enterprise Withdrawal and Use of Work Safety Costs (Cai Qi [2012] No.16) jointly promulgated by Ministry of Finance and State Administration of Work Safety. As work safety costs withdrawn are used, ones attributable to the cost disbursement shall directly offset special reserve. To form fixed assets, the disbursement incurred for inclusion into the subject of "construction in progress" shall be recognized as fixed assets when safety projects are completed and available for use as expected; meanwhile, costs for forming fixed assets shall offset special reserve, cumulative depreciation in the corresponding amount shall be recognized and depreciation shall no longer be withdrawn for the fixed assets in the following period.

26. Significant accounting policy changes

1. The Company has prepared the 2018 financial statements as required in the Notice of the Ministry of Finance on Revising and Issuing the Format of 2018 General Enterprise Financial Statements (CK [2018] No. 15) and its interpretation as well as the Accounting Standards for Business Enterprises, and the retroactive adjustment approach has been applied in the changes in accounting policies. The report items and amounts in 2017 financial statements subject to great influence are listed below:

Items and amounts of the original statements		Items and amounts of the new statements	
Notes receivable	715,410,887.68	Notes receivable & Account receivable	2,410,628,336.14
Account receivable	1,695,217,448.46		
Dividend receivable	6,900,000.00	Other receivable	23,805,005.57
Other receivable	16,905,005.57		
Notes payable	215,409,958.92	Notes payable & Account payable	1,098,125,424.57
Account payable	882,715,465.65		
Interest payable	268,860.77	Other payable	28,128,478.10
Other payable	27,859,617.33		
Long-term payable	209,633,466.66	Long-term payable	447,292,297.73

Special payalbe	237,658,831.07		
Management expenses	644,178,931.78	Management expenses	433,151,164.67
		R & D expenses	211,027,767.11

2. The Ministry of Finance issued the Interpretation of Accounting Standards for Business Enterprises No. 9 - Accounting Treatment of Net Investment Losses Under Equity Method, Interpretation of Accounting Standards for Business Enterprises No. 10 - Depreciation Method Based on Income from Use of Fixed Assets, Interpretation of Accounting Standards for Business Enterprises No. 11 - Amortization Method Based on Income from Use of Intangible Assets and Interpretation of Accounting Standards for Business Enterprises No. 12 - Whether the Provider and Receiver of Key Manager Services Are Related Parties in 2017. Since January 1, 2018, the Company has executed the above interpretations of the Accounting Standards for Business Enterprises without any influence on the initial financial data of the Company.

IV. Taxation

1. Main categories and rates of taxes

Category of taxes	Tax base	Tax rate
VAT	Sales of goods or providing of taxable labor service	17%、16%、6%
House tax	For those on price basis, taxes are paid at 1.2% of the balance of original value of the property after deducting of 30%; for those on rental basis, taxes are paid at 12% of the rental.	1.2%、12%
City maintenance and construction tax	Turnover tax payable	5%、7%
Educational surcharge	Turnover tax payable	3%
Local education additional	Turnover tax payable	2%
Enterprise income tax	Amount of income taxable	15%、25%

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.	[Note]
Other Subsidiary (Domestic)	25%

Note :Hangzhou Zhongneng Steam Turbine Power (Indonesia) Co., Ltd. registered in

Indonesia overseas subsidiaries, the applicable local relevant tax laws and regulations.

2. Preferential tax

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

2. According to the document “Notice for Qualification of High-tech Enterprises” (GKHZD [2016] No.149) issued by Department of Science and Technology High-tech Development Center, Hangzhou Steam Turbine Casting Co., Ltd– subsidiaries of the Company, were qualified as high-tech enterprises for term of three years. Therefore they enjoy 15% of tax for 2018.

V. Notes to the Consolidated Financial Statements

(I) Notes to the Consolidated Financial Statements

1.Monetary Capital

(1)The detail situation

Items	End of term	Beginning of term
Cash in stock	128,198.82	208,763.32
Bank deposit	1,297,059,605.97	1,137,284,071.51
Other monetary fund	85,204,204.80	85,184,661.11
Total	1,382,392,009.59	1,222,677,495.94
Incl:Total of accounts saved overseas	4,535,870.05	3,770,731.56

Other notes:

The ending bank deposits include a court-blocked deposit with a restricted usage of RMB 35,000,000.00, ETC margin of RMB 2,000.00 ; Other monetary fund composes of RMB74,201,389.54 of security for bank acceptance notes RMB10,683,802.85 of security for Letter of credit, RMB318,000.00 of security for bank guarantee letter and refundable deposit without a restricted usage of RMB 1,012.41.

2.Notes receivable & Account receivable

(1)The detail situation

Items	End of term	Beginning of term
Notes receivable	595,089,175.22	715,410,887.68

Account receivable	1,940,798,255.26	1,695,217,448.46
Total	2,535,887,430.48	2,410,628,336.14

(2) Notes receivable

1)The detail situation

Items	End of term			Beginning of term		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Bank acceptance	574,532,175.22		574,532,175.22	691,199,387.68		691,199,387.68
Commercial acceptance	20,557,000.00		20,557,000.00	24,211,500.00		24,211,500.00
Total	595,089,175.22		595,089,175.22	715,410,887.68		715,410,887.68

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

Items	Amount on pledge
Bank acceptance	88,112,807.60
Total	88,112,807.60

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

Items	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period -end
Bank acceptance	607,704,623.69	
Total	607,704,623.69	

The acceptor of the bank acceptance bill is a commercial bank, because the commercial bank has high credit, the possibility of the bank acceptance bill not being paid at maturity is low, so the company has endorsed or discounted the bank acceptance bill to terminate the confirmation. However, if the bill is not paid at maturity, the company shall remain jointly and severally liable to the holder under the provisions of the bill act.

3. Account receivable

(1)The detail situation

①Detailed categories

Category	End of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion	
Account receivables provided bad debt provision in credit risk groups	2,982,887,216.78	99.01	1,042,088,961.52	34.94	1,940,798,255.26
Accounts receivable of individually withdrawing bad debt provision with non-significant individual amount	29,819,607.69	0.99	29,819,607.69	100.00	
Total	3,012,706,824.47	100.00	1,071,908,569.21	35.58	1,940,798,255.26

(Continued)

Category	Beginning of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion	
Account receivables provided bad debt provision in credit risk groups	2,695,568,129.24	98.91	1,000,350,680.78	37.11	1,695,217,448.46
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	
Total	2,725,387,736.93	100.00	1,030,170,288.47	37.80	1,695,217,448.46

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

Aging	End of term		
	Book balance	Bad debt provision	Proportion
Within 1 year	1,277,800,662.60	63,890,033.12	5.00
1-2 years	418,616,365.94	41,861,636.59	10.00
2-3 years	306,732,722.96	92,019,816.90	30.00
3-4 years	223,862,853.79	134,317,712.27	60.00
4-5 years	229,374,244.26	183,499,395.41	80.00
Over 5 years	526,500,367.23	526,500,367.23	100.00
Total	2,982,887,216.78	1,042,088,961.52	34.94

2) The current amount of provision for bad debts is RMB42, 755, 890. 74; recovery or payback for bad debts Amount is RMB0.00.

(3)The current accounts receivable write-offs situation

①Actual write-off of accounts receivable for the current period is RMB 1,017,610.00.

② The significant actual write-off accounts receivable for the current period

Name	Nature of account receivable	Amount written off	Reason for written off	Verification procedures	Arising from related transactions (Y/N)
Guangxi Ningming Fenghao Sugar Technology Co., ltd.	Goods	399,206.80	Uncollectible amount	The examined and adopted to General Manager Office	No
Chengdu Haote New Energy Co.,Ltd.	Goods	225,000.00	Uncollectible amount	The examined and adopted to General Manager Office	No
Tangshan Jianlong Iron & Steel Co., Ltd.	Goods	362,000.00	Uncollectible amount	The examined and adopted to General Manager Office	No
Yangpu Chutian Technology Development Co., Ltd.	Goods	31,403.20	Uncollectible amount	The examined and adopted to General Manager Office	No
Subtotal		1,017,610.00			

(4) Receivables account of the top five parties

Name	Amount	Proportion(%)	Bad debt provision
Client 1	664,163,157.69	22.05	320,289,498.85

Client 2	244,356,995.05	8.11	176,039,745.72
Client 3	179,184,689.73	5.95	8,959,234.49
Client 4	63,427,500.00	2.11	3,171,375.00
Client 5	56,048,293.87	1.86	23,796,436.58
Subtotal	1,207,180,636.34	40.08	532,256,290.64

4. Prepayments

(1) Age analysis

1)The detail situation

Age	Balance in year-end				Balance in year-begin			
	Book balance	Proportion(%)	Provision for bad debt	Book value	Book balance	Proportion(%)	Provision for bad debt	Book value
Within 1 year	339,805,990.35	91.60		339,805,990.35	414,480,174.64	92.90		414,480,174.64
1-2 years	22,067,247.82	5.95		22,067,247.82	10,312,288.25	2.31		10,312,288.25
2-3 years	1,208,614.00	0.33		1,208,614.00	4,033,538.38	0.90		4,033,538.38
Over 3 years	7,877,138.57	2.12		7,877,138.57	17,340,709.50	3.89		17,340,709.50
Total	370,958,990.74	100.00		370,958,990.74	446,166,710.77	100.00		446,166,710.77

(2) Top 5 of the prepayment amount

Name	Amount	Proportion(%)
Hangzhou Hangfa Power generation Equipment Co., ltd.	51,691,853.97	13.93
Jinling International Co., Ltd.	40,361,122.85	10.88
Shanghai pujiang customs of the People's Republic of China	17,050,557.25	4.60
FORMOSA ELECTRIC POWER SYSTEM CO.,LTD.	16,711,942.43	4.51
Kailuowen thermal Power technology (jiangsu) Co., Ltd.	16,609,627.00	4.48

Subtotal	142,425,103.50	38.40
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4. Other account receivable

1) The detail situation

Items	End of term	Beginning of term
Dividend receivable	16,557,292.60	6,900,000.00
Other receivable	15,995,166.16	16,905,005.57
Total	32,552,458.76	23,805,005.57

(2) Dividend receivable

1) The detail situation

Items	End of term	Beginning of term
Hangzhou Bank	16,557,292.60	6,900,000.00
Subtotal	16,557,292.60	6,900,000.00

2) Important dividend receivable over 1 year of age

Items	End of term	Age	Reasons for not repossessing	Whether the impairment occurs and its judgment basis
Hangzhou Bank	6,900,000.00	1-2 years	Stock right pledge	No
Subtotal	6,900,000.00			

(3) Other receivable

1) The detail situation

① Detailed categories

Category	End of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion %	Amount	Proportion %	
Other Accounts receivable portfolio subject to impairment by credit risk	29,400,276.21	100.00	13,405,110.05	45.60	15,995,166.16
Total	29,400,276.21	100.00	13,405,110.05	45.60	15,995,166.16

(Continued)

Category	Beginning of term			
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	Book balance		Bad debt provision		Book value
	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
Total	28,165,573.86	100.00	11,260,568.29	39.98	16,905,005.57

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

Aging	End of term		
	Other receivable	Bad debt provision	Proportion
Within 1 year	11,640,599.16	582,029.96	5.00
1-2 years	2,978,522.14	297,852.21	10.00
2-3 years	1,127,566.07	338,269.82	30.00
3-4 years	2,525,398.00	1,515,238.80	60.00
4-5 years	2,282,357.90	1,825,886.32	80.00
Over 5 years	8,845,832.94	8,845,832.94	100.00
Total	29,400,276.21	13,405,110.05	45.60

2) The withdrawal amount of the bad debt provision during the reporting period was of RMB2,144,541.76; the amount of the reversed or collected part during the reporting period was of RMB 0.00.

3) No write-off of other receivables for the current period

4) Other accounts receivable classified by the nature of accounts

Nature	Closing book balance	Opening book balance
Export tax refund receivable	2,153,878.45	465,230.69
Deposit	16,937,448.95	16,917,313.03
Provisional payment receivable	5,251,040.00	5,232,037.20
Petty cash	1,327,534.34	2,803,540.63
Other	3,730,374.47	2,747,452.31
Total	29,400,276.21	28,165,573.86

5) Top 5 of Other accounts receivable

Name of the company	Account property	Book balance	Age	Proportion(%)	Bad debt provision	Whether it is a related party
Shanghai Customs Waigaoqiao Office	Deposit	3,710,320.94	Over 5 years	12.62	3,710,320.94	No
Investment from Indonesia Company receivable	Investment	3,431,600.00	Over 5 years	11.67	3,431,600.00	No
Export rebate receivable	The export tax rebate	2,153,878.45	Within 1 year	7.33	107,693.92	No
Lianyungang Petrochemical Co., Ltd.	Deposit	1,200,000.00	Within 1 year	4.08	60,000.00	No
Shanghai pujiang customs of the People's Republic of China	Deposit	979,061.42	Within 1 year	3.33	48,953.07	No
Subtotal		11,474,860.81		39.03	7,358,567.93	

5. Inventories

(1) Details

Items	End of term			Beginning of term		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Raw materials	585,528,478.85	53,187,189.03	532,341,289.82	522,590,238.59	309,803.19	522,280,435.40
Product in process	731,748,385.18	25,188,298.67	706,560,086.51	584,647,307.67	15,617,324.99	569,029,982.68
Products in stock	1,093,823,673.99	144,603,707.45	949,219,966.54	1,098,811,798.77	97,546,524.93	1,001,265,273.84
Total	2,411,100,538.02	222,979,195.15	2,188,121,342.87	2,206,049,345.03	113,473,653.11	2,092,575,691.92

(2) Inventory depreciation provision

1) Details

Items	Beginning of term	Increased this period		Decreased this period		End of term
		Provided	Others	Written	Others	
Raw materials	309,803.19	53,187,189.03		309,803.19		53,187,189.03
Product in	15,617,324.99	9,570,973.68				25,188,298.67

process						
Products in stock	97,546,524.93	51,517,224.09		4,460,041.57		144,603,707.45
Total	113,473,653.11	114,275,386.80		4,769,844.76		222,979,195.15

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

Items	Specific basis for recognition of net realizable value	Current write-off Reason for provision for inventory
Raw materials	The net realizable value shall be recognized by the amount of the estimated selling prices minus the estimated selling costs and relevant taxes and dues	Used for current production and use
Goods in process and commodity stocks	The net realizable value shall be recognized by the amount of the estimated selling prices minus the estimated selling costs and relevant taxes and dues, wherein regarding suspended projects expected not to be recovered or projects whose sales agreements are released, the net realizable value shall be recognized by the expected recoverable compensation	Current realized sales

6. Other current asset

Items	End of term	Beginning of term
Bank financing products[Notes]	1,156,870,000.00	886,732,329.00
Input tax deductible	28,260,278.71	16,473,990.55
To verify the input tax		261,538.46
Prepaid income tax	2,804,366.47	354,357.59
Rent charge	813,310.56	604,050.19
Total	1,188,747,955.74	904,426,265.79

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

7. Available for sale of financial assets

(1) Detail

Items	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value

Available-for-sale equity instruments						
Including : Measured by fair value	2,011,876,524.40		2,011,876,524.40	2,239,086,521.28		2,239,086,521.28
Measured by cost	143,380,030.80	25,180,000.00	118,200,030.80	178,694,462.80		178,694,462.80
Total	2,155,256,555.20	25,180,000.00	2,130,076,555.20	2,417,780,984.08		2,417,780,984.08

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

Type	Available-for-sale equity instruments
Equity instruments cost	390,954,040.00
Fair value	2,011,876,524.40
The amount of change in the fair value that is accumulated into other comprehensive income	1,620,922,484.40

Note: Shares of Bank of Hangzhou Co., Ltd. held by the Company.

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

Investee	Book balance			
	Period-begin	Increase	Decrease	Period-end
Hangzhou Jushi Investment Partnership (Limited partnership)	100,000,000.00	50,000,000.00	100,000,000.00	50,000,000.00
Hangzhou Steam Turbine Engineering Co., Ltd.	30,000,000.00			30,000,000.00
Wuxi Xinchang Steel Bube Co., Ltd.	15,159,689.58		1,314,432.00	13,845,257.58
Zhejiang Zhongkong Solar Energy Technology Co., Ltd.	15,000,000.00			15,000,000.00
Zhejiang Tianhang Steam Turbine Auxiliary Machinery Co., Ltd.	10,000,000.00			10,000,000.00
Greenesol power systems PVT Ltd.	5,534,773.22			5,534,773.22
Zhejiang Hangzhou Steam Turbine Gas turbine machinery innovation center	2,400,000.00			2,400,000.00
Zhejiang Sanxin Automation Engineering Co., Ltd.	600,000.00			600,000.00
Juyuan Xinxing No.9 Private Funds		16,000,000.00		16,000,000.00
Subtotal	178,694,462.80	66,000,000.00	101,314,432.00	143,380,030.80

(Continued)

Investee	Impairment provision	Proportion %	Cash dividend
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	Period-begin	Increase	Decrease	Period-end		
Hangzhou Jushi Investment Partnership (Limited partnership)					82.64	10,428,418.13
Hangzhou Steam Turbine Engineering Co., Ltd.		25,180,000.00		25,180,000.00	15.00	
Wuxi Xinchang Steel Bube Co., ltd.					18.00	
Zhejiang Zhongkong Solar Energy Technology Co., Ltd.					3.84	
Zhejiang Tianhang Steam Turbine Auxiliary Machinery Co., Ltd.					33.33	1,000,000.00
Greenesol power systems PVT Ltd.					35.62	
Zhejiang Hangzhou Steam Turbine Gas turbine machinery innovation center					48.00	
Zhejiang Sanxin Automation Engineering Co., ltd.					6.00	
Juyuan Xinxing No.9 Private Funds					-	
Subtotal		25,180,000.00		25,180,000.00		11,428,418.13

(4) Other note

1) 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, Zhejiang Gas Turbine & Turbomachinery Innovation Center, 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.

2) According to the agreement made by and between the subsidiary Auxiliary Machinery Company and Wuxi Xinchang Steel Pipe Co., Ltd. (hereinafter referred to as Wuxi Xinchang Company), if Wuxi Xinchang Company fails to realize the expected profit, it shall give a cash compensation to Auxiliary Machinery Company. Since Wuxi Xinchang Company failed to realize the expected profit in 2016, it should give a cash compensation of RMB 3,930,471.59 to Auxiliary Machinery Company. Auxiliary Machinery Company received the first sum of cash compensation of RMB 1,314,432.00 in the current period and is expected to receive the remaining compensation in the following two years.

8. Long-term equity investments

(1) Classification

Investees	End of term			Beginning of term		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Joint venture investment	8,221,439.29		8,221,439.29	5,800,000.00		5,800,000.00
Total	8,221,439.29		8,221,439.29	5,800,000.00		5,800,000.00

(2) Detail

Investees	Opening balance	Increase /decrease			
		Additional investment	Decrease investment	Investment gains and losses recognized under the equity method	Adjustment of other comprehensive income
Affiliated Company					
Zhejiang Zhongrun Gas turbine technology Co., Ltd.	5,800,000.00	2,040,000.00		-585,160.71	
Total	5,800,000.00	2,040,000.00		-585,160.71	

(Continued)

Investees	Increase /decrease				Closing balance	Closing balance of impairment provision
	Changes of other equity	Cash bonus or profits announced to issue	Withdrawal of impairment provision	Other		
Affiliated Company						
Zhejiang Zhongrun Gas turbine technology Co., Ltd.	966,600.00				8,221,439.29	
Total	966,600.00				8,221,439.29	

9. Fixed assets

(1) Details

Items	Houses & buildings	Machinery equipment	Transportation equipment	Office equipment	Total
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I. Original price					
1. Balance at period-beginning	463,997,001.86	1,002,701,532.72	28,655,573.48	98,322,465.88	1,593,676,573.94
2. Increase in the current period	268,381,842.95	20,361,089.24	425,491.38	2,794,017.10	291,962,440.67
(1) Purchase		1,374,467.79	425,491.38	815,748.09	2,615,707.26
(2) Transferred from construction in progress	268,381,842.95	18,986,621.45		1,978,269.01	289,346,733.41
Decreased amount of the period		160,528.75	1,146,300.81	446,325.21	1,753,154.77
Dispose		160,528.75	1,146,300.81	446,325.21	1,753,154.77
Balance at period-end	732,378,844.81	1,022,902,093.21	27,934,764.05	100,670,157.77	1,883,885,859.84
II. Accumulated amortization					
1. Opening balance	190,878,065.10	725,830,773.54	20,917,542.82	82,687,283.71	1,020,313,665.17
2. Increased amount of the period	14,866,607.64	56,231,871.20	1,795,896.84	1,860,964.61	74,755,340.29
(1) Withdrawal	14,866,607.64	56,231,871.20	1,795,896.84	1,860,964.61	74,755,340.29
3. Decrease in the reporting period		60,834.96	1,087,023.72	428,187.10	1,576,045.78
(1) Disposal		60,834.96	1,087,023.72	428,187.10	1,576,045.78
4. Closing balance	205,744,672.74	782,001,809.78	21,626,415.94	84,120,061.22	1,093,492,959.68
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					
3. Decrease the reporting period					
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 of the period-end	525,129,243.83	236,866,763.01	6,308,348.11	15,436,573.54	783,740,928.49
2. Book value of the period-begin	271,614,008.52	272,837,238.76	7,738,030.66	14,521,659.16	566,710,937.10

(2) Details of fixed assets failed to accomplish certification of property

Items	Book value	Reason
Steam turbine power Building	222,083,722.00	In process
Complete sets of factory	41,944,793.30	In process
Subtotal	264,028,515.30	

10. Construction in process

(1) Details

Items	End of term			Beginning of term		
	Boook balance	Impairment sion	Book value	Boook balance	Impairment sion	Book value
New Plant project	429,609,053.59		429,609,053.59	120,402,096.57		120,402,096.57
Steam turbine power Building				121,431,247.76		121,431,247.76
Software project	7,779,939.24		7,779,939.24	4,788,559.92		4,788,559.92
Casting company networking system project				1,213,675.18		1,213,675.18
Other project	8,457,875.95		8,457,875.95	4,609,323.41		4,609,323.41
Prepayment for equipment or projects	8,920,460.15		8,920,460.15	3,476,757.25		3,476,757.25
Total	454,767,328.93		454,767,328.93	255,921,660.09		255,921,660.09

(1) Changes of significant construction in progress

Name of project	Budget(In RMB 10,000)	Opening balance	Increase	Transferred to fixed assets(Note)	Other decrease	End balance
New Plant project	173,328.76	120,402,096.57	362,129,955.27	52,922,998.25		429,609,053.59
Steam turbine power Building	23,142.53	121,431,247.76	109,994,014.28	231,425,262.04		
Software project	797.00	4,788,559.92	2,991,379.32			7,779,939.24
Casting company networking system project	170.35	1,213,675.18	489,783.64	519,698.14	1,183,760.68	
Other project		4,609,323.41	7,626,368.59	3,777,816.05		8,457,875.95
Prepayment for equipment or projects		3,476,757.25	6,144,661.83	700,958.93		8,920,460.15
Subtotal	197,438.64	255,921,660.09	489,376,162.93	289,346,733.41	1,183,760.68	454,767,328.93

(Continued)

Name of project	Proportion %	Project process	Capitaliz ation of interest	Includin g: capitaliz	Capitaliz ation of interest	Source of funding
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				ation of interest this period	rate (%)	
New Plant project	27.84	Under Construction	4,171,926.54	2,267,236.13	1.20	Other
Steam turbine power Building	100.00	Completed				Other
Software project	97.62	Under Construction				Other
Casting company networking system project	100.00	Completed				Other
Other project		Under Construction				Other
Prepayment for equipment or projects		Under Construction				Other
Total			4,171,926.54	2,267,236.13		

Note: Other reduction refers to the original value of intangible assets transferred from the completion of the current period to 1,183,760.68 yuan

11. Intangible assets

(1) Details

Items	Landusing right	Patent	Software	Total
I. Original price				
1. Balance at period-beginning	332,298,312.33	309,433.96	1,979,342.11	334,587,088.40
2. Increase in the current period			1,260,683.76	1,260,683.76
(1) Purchase			76,923.08	76,923.08
2) Transferred from construction in progress			1,183,760.68	1,183,760.68
Decreased amount of the period				
4. Closing balance	332,298,312.33	309,433.96	3,240,025.87	335,847,772.16
II. Accumulated amortization				
1. Opening balance	48,444,955.34	242,000.00	229,494.51	48,916,449.85

2.Increased amount of the period	6,661,885.22	16,450.38	512,230.22	7,190,565.82
(1) Withdrawal	6,661,885.22	16,450.38	512,230.22	7,190,565.82
3.Decreased amount of the period				
4.Closing balance	55,106,840.56	258,450.38	741,724.73	56,107,015.67
III. Impairment provision				
1.Opening balance				
2.Increased amount of the period				
3.Decreased amount of the period				
4.Closing balance				
IV. Book value				
1.Closing book value	277,191,471.77	50,983.58	2,498,301.14	279,740,756.49
2.Opening book value	283,853,356.99	67,433.96	1,749,847.60	285,670,638.55

12. Long-term amortize expenses

	Balance in year-begin	Increase in this period	Amortized expenses	Other loss	Balance in year-end
Redecoration	253,886.90		253,886.90		
Total	253,886.90		253,886.90		

13. Deferred income tax assets/deferred income tax liabilities

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

Items	Balance in year-end		Balance in year-begin	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for Asset Impairment	1,339,474,275.36	207,199,125.83	1,160,614,665.91	179,875,205.01
Internal trade profit not realized	41,572,138.74	6,430,832.03	68,494,522.27	10,934,321.24
Deductible loss			46,151,636.66	6,922,745.50
Temporary difference such as amortizing of	2,218,329.11	332,749.37	2,981,985.19	447,297.78

software expense				
Total	1,383,264,743.21	213,962,707.23	1,278,242,810.03	198,179,569.53

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

Items	Balance in year-end		Balance in year-begin	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Changes in fair value of tradable financial assets	1,620,922,484.40	243,138,372.66	1,848,132,481.28	277,219,872.19
Accumulated depreciation	6,651,971.67	997,795.75	6,651,971.67	997,795.75
Deferred income	225,187.70	33,778.16		
Total	1,627,799,643.77	244,169,946.57	1,854,784,452.95	278,217,667.94

(3)Details of income tax assets not recognized

Items	End of term	Beginning of term
Deductible provisional differences	650, 570. 73	941, 815. 63
Deductible losses	25, 565, 760. 83	9, 998, 963. 52
Subtotal	26, 216, 331. 56	10, 940, 779. 15

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

Year	End of term	Beginning of term
2020	439, 625. 66	579, 693. 92
2021	712, 938. 27	712, 938. 27
2022	5, 953, 854. 74	8, 706, 331. 33
2023	18, 459, 342. 16	
Subtotal	25, 565, 760. 83	9, 998, 963. 52

14.Short-term loans

Items	Balance in year-end	Balance in year-begin
Mortgage loan	47,900,000.00	96,500,000.00
Guarantee loan	37,700,000.00	19,000,000.00
Mortgage loan & Guarantee loan	54,000,000.00	

Total	139,600,000.00	115,500,000.00
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15. Notes payable & Account payable

(1) Detail

Items	Balance in year-end	Balance in year-begin
Notes payable	263,897,462.79	215,409,958.92
Account payable	1,086,685,918.74	882,715,465.65
Total	1,350,583,381.53	1,098,125,424.57

(2) Notes payable

Items	Balance in year-end	Balance in year-begin
Bank acceptance	263,897,462.79	215,409,958.92
Subtotal	263,897,462.79	215,409,958.92

(3) Account payable

Items	Balance in year-end	Balance in year-begin
Goods	1,009,733,728.93	848,717,013.62
Equipment and projects	60,410,063.35	22,045,737.27
Other	16,542,126.46	11,952,714.76
Subtotal	1,086,685,918.74	882,715,465.65

16. Advances received

Items	Balance in year-end	Balance in year-begin
Goods	2,582,234,158.36	2,419,751,405.08
Total	2,582,234,158.36	2,419,751,405.08

17. Employees' wage payable

(1) Details

Items	Beginning of term	Increased this period	Decreased this period	End of term
I. Short-term wages	56,866,150.55	639,945,732.82	633,388,551.78	63,423,331.59
II. Welfare after leaving of position-fixed provision scheme	22,659,623.14	75,563,470.81	75,255,470.25	22,967,623.70
III. Termination benefits		44,974.70	44,974.70	
Total	79,525,773.69	715,554,178.33	708,688,996.73	86,390,955.29

(2) Details of short term wages

Items	Beginning of term	Increased this period	Decreased this period	End of term
1. Wage, bonus, allowance and subsidies	43,714,190.74	499,302,495.69	494,857,626.94	48,159,059.49
2. Employee welfare		32,400,702.76	32,400,702.76	
3. Social insurance	5,917,986.12	47,730,355.04	46,786,785.87	6,861,555.29
Incl. Medical insurance	5,505,850.79	41,755,844.73	40,854,799.89	6,406,895.63
Labor injury insurance	122,710.40	1,435,735.69	1,462,058.18	96,387.91
Maternity insurance	289,424.93	4,538,774.62	4,469,927.80	358,271.75
4. Housing fund	113,749.96	47,542,992.00	47,545,320.00	111,421.96
5. Labour union fee and employee education fee	7,120,223.73	12,969,187.33	11,798,116.21	8,291,294.85
Subtotal	56,866,150.55	639,945,732.82	633,388,551.78	63,423,331.59

(3) Details of fixed provision scheme

Items	Beginning of term	Increased this period	Decreased this period	End of term
1. Basic pension insurance	3,985,531.77	54,744,525.50	54,649,668.61	4,080,388.66
2. Unemployment insurance	140,443.92	1,962,993.27	1,957,498.92	145,938.27
3. Enterprise annual fee	18,533,647.45	18,855,952.04	18,648,302.72	18,741,296.77
Subtotal	22,659,623.14	75,563,470.81	75,255,470.25	22,967,623.70

18. Tax Payable

Items	Balance in year-end	Balance in year-begin
VAT	29,776,940.88	10,970,877.80
Enterprise Income tax	23,909,724.68	14,396,733.29
Individual Income tax	1,043,483.57	2,150,480.36
City Construction tax	2,366,801.27	1,731,728.51
Property tax	1,520,839.72	2,123,319.46
Land use tax	1,654,687.31	2,099,991.11
Education subjoin	1,014,509.41	745,239.69

Locality Education subjoin	676,339.74	496,821.48
Local water source foundation		172.38
Other	441,874.04	204,709.29
Total	62,405,200.62	34,920,073.37

19. Other account payable

(1) Details

Items	End of term	Beginning of term
Interest payable	437,314.72	268,860.77
Other payable	36,466,988.29	27,859,617.33
Total	36,904,303.01	28,128,478.10

(2) Interest payable

Items	End of term	Beginning of term
Long term interest on borrowings due in installments	245,102.36	121,172.22
Interest on short-term borrowings	192,212.36	147,688.55
Subtotal	437,314.72	268,860.77

(3) Other payable

Items	End of term	Beginning of term
Deposite	12,075,403.25	3,029,922.35
Provisional account payable	22,537,821.34	21,345,148.72
Other	1,853,763.70	3,484,546.26
Subtotal	36,466,988.29	27,859,617.33

20. Non-current liabilities due within 1 year

Items	End of term	Beginning of term
Long-term loans due within 1 year	100,100,000.00	4,900,000.00
Total	100,100,000.00	4,900,000.00

21. Long-term loan

Items	End of term	Beginning of term
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Mortgage loan	12,700,000.00	
Guarantee loan		100,000,000.00
Mortgage loan & Guarantee loan	10,000,000.00	
Total	22,700,000.00	100,000,000.00

22. Long term account payable

(1) Details

Items	End of term	Beginning of term
Long term account payable	209,598,799.99	209,633,466.66
Special Payable	265,277,651.27	237,658,831.07
Total	474,876,451.26	447,292,297.73

(2) Long term account payable

(1) Details

Items	End of term	Beginning of term
CDB investment fund	208,000,000.00	208,000,000.00
Income payable of CDB	1,268,799.99	1,303,466.66
Drawing in administrative restructuring	330,000.00	330,000.00
Subtotal	209,598,799.99	209,633,466.66

2) Other note

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 5,019,733.33.

(3) Special Payable

1) Detail

Items	Beginning of term	Increased this period	Decreased this	End of term
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			period	
Compensation for relocation	237,658,831.07	69,899,656.20	42,280,836.00	265,277,651.27
Subtotal	237,658,831.07	69,899,656.20	42,280,836.00	265,277,651.27

2) Other note

The current increase is attributable to the second sum of land requisition and demolishing compensation received by the Company subject to the overall removal plan of Hangzhou Municipal Government; the current decrease includes the Company's current removal cost of RMB 110,855.00 transferred to other incomes and complete plant cost of RMB 42,169,981.00 paid to Steam Turbine Heavy Industry Company upon the current construction and conversion to fixed assets and transferred to the deferred income. For details, please refer to note XII 2 of this financial statement.

23. Deferred income

Items	Beginning of term	Increased this period	Decreased this period	End of term	Reason
Government Subsidy	4,063,615.00	42,169,981.00	1,558,467.70	44,675,128.30	收到政府补助
Total	4,063,615.00	42,169,981.00	1,558,467.70	44,675,128.30	

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

24. Stock capital

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

25. Capital reserves

(1) Detail

Items	Year-beginning	Increase in the	Decrease in the	Year-end balance
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	balance	current period	current period	
Share premium	81,769,963.93	12,139,330.63		93,909,294.56
Other capital reserves	57,775,125.09			57,775,125.09
Total	139,545,089.02	12,139,330.63		151,684,419.65

(2) Other note

1) In September 2018, the subsidiary Touping Company increased capital of its affiliated joint venture Zhejiang Zhongrun Turbine Technology Co., Ltd., leading to a balance of RMB 966,600.00 between the due fair value share of recognizable net assets of invested organizations calculated by the former shareholding ratio and the former book value of investment, which is recognized by the subsidiary as capital reserve-capital stock premium.

2) In December 2018, minority shareholders of the subsidiary Casting & Forging Company unilaterally increased capital in the premium, leading to an increase of RMB 11,172,730.63 in the due equity of the Company, which is recognized as capital reserve-capital stock premium at the level of consolidated financial statements.

26. Other comprehensive income

Items	Beginning of term	Occurred current term	
		Amount occurred before income tax of the period	Less: accounted as other gains previously but transferred to gain/loss this period
Other Comprehensive income that will be reclassified subsequently to profit or loss	1,570,358,510.09	-227,354,408.75	
Gains or losses on changes in fair value of available-for-sale financial assets	1,570,912,609.09	-227,209,996.88	
Difference of translating of foreign currency accounts	-554,099.00	-144,411.87	
Total of other comprehensive income	1,570,358,510.09	-227,354,408.75	

(Continued)

Items	Occurred current term			End of term
	Less: Income tax expenses	Attributable to the parent co. after tax	Attributable to minority shareholders after tax	
Other Comprehensive income that will be reclassified subsequently to profit or loss	-34,081,499.53	-193,189,987.35	-82,921.87	1,377,168,522.74
Gains or losses on changes in fair value of available-for-sale financial assets	-34,081,499.53	-193,128,497.35		1,377,784,111.74
Difference of translating of foreign currency accounts		-61,490.00	-82,921.87	-615,589.00
Total of other comprehensive income	-34,081,499.53	-193,189,987.35	-82,921.87	1,377,168,522.74

27. Special reserves

(1) Detail

Items	Beginning of term	Increased this period	Decreased this period(Note)	End of term
Labor safety expenses	25,369,714.61		4,349,043.14	21,020,671.47
Total	25,369,714.61		4,349,043.14	21,020,671.47

Note: The current decrease covers the work safety costs paid by the Company for buying safety protection articles and equipment and the work safety costs of RMB 1,141,291.88 offsetting the decrease of special reserve of the subsidiary entitled to the Company caused by unilateral capital increase of minority shareholders of the subsidiary Casting Company.

(2) Other note

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.

28. Surplus reserves

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

29. Retained profit

Items	Current term	Same period of last term
Amount of retained profit at beginning of period	2,774,420,288.05	2,705,667,037.15
Add: Net profit attributable to owners of the parent company	345,824,339.47	68,753,250.90
Less: Common stock dividend payable	37,700,520.00	
Retained profit at the end of term	3,082,544,107.52	2,774,420,288.05

(II) Notes to items in the consolidated income statement

1. Business income and Business cost

Items	Occurred current term		Occurred in previous term	
	Income	Cost	Income	Cost
Main Business	4,506,238,820.34	3,090,243,038.00	3,309,136,671.06	2,358,901,850.83
Other	136,568,769.35	129,778,781.91	138,005,998.43	91,685,474.96
Total	4,642,807,589.69	3,220,021,819.91	3,447,142,669.49	2,450,587,325.79

2. Business tax and surcharge

Items	Occurred current term	Occurred in previous term
City maintenance and construction tax	18,079,695.53	10,155,742.58
Education surtax	7,861,289.45	4,439,101.66
Locality Education surcharge	5,239,921.16	2,959,342.83
Stamp tax	1,952,496.87	2,104,891.99
House tax	4,944,097.41	6,993,445.59
Land use tax	3,811,689.17	4,501,181.12
vehicle and vessel tax	64,342.35	68,067.25
Total	41,953,531.94	31,221,773.02

3. Sales expense

Items	Amount of this period	Amount of last period
Employees' remunerations	67,589,535.09	63,636,827.69
Transportation	40,177,043.84	35,709,099.81
Business trips	25,828,561.22	29,740,328.24
Business reception expenses	8,954,165.29	6,357,490.28
Consulting service fee	17,644,059.53	15,791,855.22
Registration fee	2,677,505.58	3,319,154.10
Three charge	3,572,369.51	6,303,572.33
Advertising fee	2,119,639.04	2,096,391.38
Office expenses	1,006,512.46	1,138,787.78
Unit premium	599,743.29	912,304.99
Other	4,036,628.17	4,514,335.85
Total	174,205,763.02	169,520,147.67

4. Administrative expense

Items	Amount of this period	Amount of last period
Employees' remunerations	337,675,591.39	317,730,349.96
Asset depreciation and amortizing	18,248,724.80	18,290,071.64
Business reception expenses	8,088,099.28	13,882,376.16
Rental fee, House rental, property management, water and power	26,203,998.25	22,417,308.94
Traveling fees	9,677,236.03	9,341,935.98
Material, low-value-consumable	3,945,766.48	4,214,778.82
Office expenses	8,815,990.20	8,034,059.34
Repair expenses	2,792,473.27	4,889,036.67
Other	37,830,291.82	34,351,247.16
Total	453,278,171.52	433,151,164.67

5. R & D cost

Items	Amount of this period	Amount of last period
Labor cost	106,515,148.37	95,809,297.53

Direct materials	134,162,422.65	83,796,667.73
Depreciation expenses	13,280,416.04	16,147,252.46
Test and inspection fee	5,920,537.16	6,779,917.21
Commissioned research & development	2,084,603.76	4,392,904.15
Other	2,680,760.78	4,101,728.03
Total	264,643,888.76	211,027,767.11

6. Financial expenses

Items	Amount of this period	Amount of last period
Interest expense	13,540,383.97	9,972,261.98
Less: Incoming interests	16,327,538.73	8,249,739.28
Exchange gains/losses	-16,756,166.26	19,433,536.68
Commission	2,120,431.11	3,131,068.44
Total	-17,422,889.91	24,287,127.82

7. Asset impairment loss

Items	Amount of this period	Amount of last period
Losses for bad debts	44,900,432.50	68,620,803.42
Losses for falling price of inventory	114,275,386.80	66,012,796.38
Impairment losses on financial assets available for sale	25,180,000.00	
Total	184,355,819.30	134,633,599.80

8. Other income

Items	Amount of this period	Amount of last period	The amount included in the current non-recurring profit and loss
Government subsidies related to assets	1,558,467.70	1,359,280.00	1,558,467.70
Government subsidies related to income	23,882,536.14	8,836,391.25	23,882,536.14
Individual tax commission refunds	361,654.33		361,654.33
Total	25,802,658.17	10,195,671.25	25,802,658.17

Refer to Notes of the Financial Statements in conjunction with notes of the consolidated financial statements-others-government subsidies for current government subsidies included into

other incomes.

9. Investment income

Items	Amount of this period	Amount of last period
Long-term equity investment income by equity method	-585,160.71	
Investment income from disposal of Long-term equity investment		3,927,952.52
Investment gains from holding of sellable financial assets	69,687,390.93	54,014,898.47
Investment income from disposal of available for sale financial assets		25,121,648.20
Gains from financing products	48,433,535.22	37,501,352.07
Total	117,535,765.44	120,565,851.26

10. Assets disposal income

Items	Amount of this period	Amount of last period	Recorded in the amount of the non-recurring gains and losses
Income form disposal of fixed assets	-9,843.23	2,740,865.13	-9,843.23
Total	-9,843.23	2,740,865.13	-9,843.23

11. Non-Operation income

Items	Amount of this period	Amount of last period	Recorded in the amount of the non-recurring gains and losses
Loss of non-current assets: obsolescence gain	2,798.00		2,798.00
Compensation income	4,697,324.21	7,101,662.20	4,697,324.21
Payment not to be paid		254,099.61	
Gains from debt restructuring	7,064,832.00		7,064,832.00
Other	373,477.71	719,897.38	373,477.71
Total	12,138,431.92	8,075,659.19	12,138,431.92

12. Non-operational expenditure

Items	Amount of this period	Amount of last period	Recorded in the amount of the non-recurring gains and losses
Non-current assets scrapping loss	33,432.93	60,243.24	33,432.93
Donations	170,000.00	160,000.00	170,000.00
Penalty paid out	6,179,774.33	1,017,449.18	6,179,774.33
Local water source foundation		5,660.04	
Fine, late payment	217,852.65	386,417.98	217,852.65
Other	568,375.48	5,909.50	568,375.48
Total	7,169,435.39	1,635,679.94	7,169,435.39

13. Income tax expenses

(1) Details

Items	Amount of this period	Amount of last period
Income tax of current term	71,678,315.72	30,183,514.16
Deferred income tax	-15,749,359.54	-19,347,759.68
Total	55,928,956.18	10,835,754.48

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

Items	Amount of this period	Amount of last period
Total profit	470,069,062.06	132,656,130.50
Income tax expense at statutory / applicable tax rates	68,651,882.72	19,898,419.58
Effect of different tax rates applicable to subsidiaries	6,032,485.73	2,362,974.46
Adjustment for income tax in prior year	2,838,746.17	498,194.56
Income not subject to tax	-9,270,055.74	-6,730,586.23
Expenses not deductible for tax purposes	1,213,881.52	1,682,033.95
Super deduction of R&D expenses	-15,405,319.57	-7,868,394.27
Impact of additional deductions for persons with disabilities	-188,829.45	-195,000.00
Changes in the balance of deferred income tax assets at the	52,453.21	

beginning of the tax rate adjustment		
Affect the use of deferred tax assets early unconfirmed deductible losses	-732,453.30	-499,495.29
The current period does not affect the deferred tax assets recognized deductible temporary differences or deductible loss	2,736,164.89	2,896,366.84
Consolidation of the effect of offset profits		-1,208,759.12
Income tax expenses	55,928,956.18	10,835,754.48

14. Other Comprehensive income

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

(III) Notes to consolidated cash flow statement items

(1) Other cash received from operating activities

Items	Amount of this period	Amount of last period
Deposit interest(Notes)	16,437,522.61	8,841,048.87
Government subsidies received	4,920,547.56	7,585,972.87
Recovery of operating bank deposits	195,099,239.74	117,753,826.61
Compensation income	17,968.60	2,004,464.28
Receipt of operating current account	6,617,872.95	
Other	855,635.30	807,897.38
Total	223,948,786.76	136,993,210.01

Notes: Interest of deposit received from the sum invested of China Development Fund in the year of 2018 is included.

2. Other cash paid for Operating activities

Items	Amount of this period	Amount of last period
Payment cash sales expenses	102,943,029.61	101,809,501.01
Payment cash Management expenses	90,399,413.49	87,677,458.56
Payment cash R & D cost	10,685,901.70	12,591,241.82
Payment cash financial expenses	2,120,431.11	3,150,789.33
Payment of operational bank deposits	136,776,129.79	128,402,810.43
Court freezes deposits	35,000,000.00	
Payment of business transactions	970,622.48	4,387,075.08
Other	1,036,205.28	704,673.57

Total	379,931,733.46	338,723,549.80
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3. Other investment-related cash received

Items	Amount of this period	Amount of last period
Repurchasing of trusteeship	4,437,769,329.00	3,898,147,338.00
Receipt of levy and relocation compensation	69,899,656.20	237,658,831.07
Total	4,507,668,985.20	4,135,806,169.07

4. Other cash paid for investment activities

Items	Amount of this period	Amount of last period
Purchasing of financial products	4,707,907,000.00	3,931,112,329.00
Sales of subsidiary ending cash		183,932.75
Total	4,707,907,000.00	3,931,296,261.75

5. Other financing-related cash received

Items	Amount of this period	Amount of last period
Return the investment fund to minority shareholders of the subsidiary		21,591,054.08
Payment of CDB investment interest	2,530,666.67	1,220,266.67
The purchase of minority equity in a subsidiary		243,111.17
Total	2,530,666.67	23,054,431.92

6. Supplement Information for cash flow statement

(1) Supplement Information for cash flow statement

Supplement Information	Amount of this period	Amount of last period
I. Adjusting net profit to cash flow from operating activities		
Net profit	414,140,105.88	121,820,376.02
Add: Impairment loss provision of assets	184,355,819.30	134,633,599.80
Depreciation of fixed assets, oil and gas assets and consumable biological assets	74,755,340.29	76,555,538.97
Amortization of intangible assets	7,190,565.82	7,552,428.32
Amortization of Long-term deferred expenses	253,886.90	648,388.42
Loss on disposal of fixed assets, intangible assets and other long-term deferred assets	9,843.23	-2,740,865.13

Loss on scrap of fixed assets	30,634.93	60,243.24
Loss to changes in fair value		
Financial cost	-4,446,827.42	28,843,231.98
Loss on investment	-117,535,765.44	-120,565,851.26
Decrease of deferred income tax assets	-15,783,137.70	-19,347,759.68
Increased of deferred income tax liabilities	33,778.16	
Decrease of inventories	-209,828,327.48	-257,216,765.22
Decrease of operating receivables	-137,083,068.76	-411,587,570.47
Increased of operating Payable	452,097,869.18	649,202,893.79
Other [Note]	-3,757,549.69	-2,555,097.01
Net cash flows arising from operating activities	644,433,167.20	205,302,791.77
II. Significant investment and financing activities that without cash flows:		
Debts converted to capital		
Convertible debts mature within one year		
Fixed assets acquired under finance leases		
III. Net changes in cash and cash equivalents:		
Cash at end of year	1,262,186,817.20	1,137,492,834.83
Less: cash at beginning of year	1,137,492,834.83	831,236,984.85
Add: cash equivalents at end of year		
Less: cash equivalents at beginning of year		
Net increase of cash and cash equivalents	124,693,982.37	306,255,849.98

Note: It is special reserve current period net add amount

(2) Composition of cash and cash equivalents

Items	Balance in year-end	Balance in year-Beginning
	1,262,186,817.2	1,137,492,834.8
I. Cash	0	3
Of which: Cash in stock	128,198.82	208,763.32

Bank savings could be used at any time	1,262,057,605.9 7	1,137,284,071.5 1
Other monetary capital could be used at any time	1,012.41	
A central bank deposit available for payment		
Deposit of inter-bank funds		
Debit and release of interbank money		
2) Cash equivalents		
Including: Bond investment due in three months		
III. Balance of cash and cash equivalents at the period end	1,262,186,817.2 0	1,137,492,834.8 3
Including : Use of restricted cash and cash equivalents by parent or group subsidiaries		

(3) Monetary funds other than cash and cash equivalents

Items	Balance in year-end	Balance in year-Beginning
Bank acceptance margin	74,201,389.54	74,446,322.46
L/C security	10,683,802.85	3,860,724.80
Court freezes deposits	35,000,000.00	
Guarantee	318,000.00	6,877,613.85
ETC service	2,000.00	
Subtotal	120,205,192.39	85,184,661.11

(4) Amount of transfer by endorsement of commercial bills not related to cash receipt and disbursement

Items	Balance in year-end	Balance in year-Beginning
Amount of commercial bills with transfer by endorsement	1,334,082,169.12	1,065,580,557.09
Including: payment for goods	1,331,582,169.12	1,062,372,164.09
Paid sum for purchase of fixed assets and other long-term assets	1,700,000.00	3,208,393.00
Paid compensation for release of contracts	800,000.00	

(IV)Other

1. Assets with limitation on ownership or using rights

Items	Closing book value	Causation o limitation
Monetary funds	120,205,192.39	Used as security for issuing of acceptance drafts and bill of guarantees and court freeze funds
Notes receivable	88,112,807.60	Used as security for issuing of acceptance drafts
Dividend receivable	16,557,292.60	Collateral for obtaining bank loans and investment funds from CDB
Available for sale financial assets	333,592,000.00	Collateral for obtaining bank loans and investment funds from CDB
Fixed assets	121,500,420.99	Used for mortgage to obtain bank loan and guarantee investment fund for CDB
Construction in process	293,963,202.50	Collateral for obtaining bank loans and investment funds from CDB
Intangible assets	85,918,827.81	Used for mortgage to obtain bank loan and guarantee investment fund for CDB
Total	1,059,849,743.89	

2. Monetary items in foreign currencies

Items	Balance at end of period	Exchange rate	Translated to RMB at end of period
Monetary Funds			151,728,476.35
Incl: USD	21,453,930.49	6.8632	147,242,615.73
Euro	134,543.67	7.8473	1,055,804.54
HKD	5.51	0.8762	4.83
JPY	30,055.00	0.061887	1,860.01
Rupiah	7,247,761,625.85	0.000473	3,428,191.24
Notes receivable & account receivable			211,549,864.77
Incl: USD	29,160,574.90	6.8632	200,134,857.68
Euro	550,828.43	7.8473	4,322,515.95
Rupiah	14,489,565,804.00	0.000473	6,853,564.63

SGD	47,726.12	5.0062	238,926.51
Other receivable			3,443,370.95
Incl: USD	500,000.00	6.8632	3,431,600.00
Euro	1,500.00	7.8473	11,770.95
Note payable & account payable			7,142,807.78
Incl: USD	570,979.96	6.8632	3,918,749.66
Euro	22,100.86	7.8473	173,432.07
Rupiah	6,449,526,536.00	0.000473	3,050,626.05

3. Government subsidy

(1) Detail

1) Government subsidies related to assets

Items	Beginning of term	New subsidy in current period	Amortization for the current period	End of term	Asset-related or income-related
Financial support for industrial projects	259,020.00		28,780.00	230,240.00	Other income
Government subsidy for casting project	259,020.00		28,780.00	230,240.00	Other income
Circular economy financial subsidy	102,690.00		11,410.00	91,280.00	Other income
Subsidy for industrial upgrading by provincial government	320,000.00		160,000.00	160,000.00	Other income
Finance for casting project	2,909,025.00		997,380.00	1,911,645.00	Other income
Government subsidy for industrial entities from	213,860.00		106,930.00	106,930.00	Other income

Yuhang District Government in the 2nd half of 2009					
Compensation for requisition - new complete plant		42,169,981.00	225,187.70	41,944,793.30	Other income
Subtotal	4,063,615.00	42,169,981.00	1,558,467.70	44,675,128.30	

2) Income-related government subsidies used for compensation of relevant costs and expenses or losses incurred in the Company

Items	Amount	Item presentation
Value-added tax exemption for military projects	16,710,609.09	Other income
Subsidy for enterprise investment in research and development	2,207,200.00	Other income
Social insurance subsidy for post stabilization and employment	1,694,108.44	Other income
Refund for property tax	1,512,446.88	Other income
Refund for land use tax	628,077.61	Other income
Special fund for economic development	344,300.00	Other income
Incentive for scientific and technological innovation	298,610.24	Other income
Subsidy for patent projects	272,500.00	Other income
Land requisition and demolishing compensation-removal cost	110,855.00	Other income
Other incidental government subsidies	103,828.88	Other income
Subtotal	23,882,536.14	

(2)The current amount of government subsidies included into the current profits and loss is RMB 25,441,003.84.

VI. Equities in Other Entities

(I) Equity in major subsidiaries

1. Composition of major subsidiaries

(1) Basic situation

Name of the subsidiaries	Main business location	Reg. Add.	Business property	Share proportion %		Way of obtain
				Direct	Indirect	
Zhejiang Steam Turbine Packaged Technologies Development Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	70.86		Incorporation
Hangzhou Zhongneng Steam Turbine Power Co., Ltd. (Zhongneng Co.)	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	60.83		Incorporation
Hangzhou Steam Turbine Casting Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	38.03		Incorporation
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	52.00		Incorporation
Hangzhou Steam Turbine Auxiliary	Hangzhou Zhejiang	Hangzhou Zhejiang	Manufacturing	87.53		Incorporation

Machinery Co., Ltd. (Auxiliary Machinery Co.)	ng	ng				
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) Basis for holding 50% or less than 50% of the voting power but still controlling the invested organizations

In December 2018, the subsidiary Casting Company introduced external strategic investors, leading to a decrease in the shareholding ratio of the Company from 51% to 38.03%. Since the Company still held more than 1/3 of shares and took four seats in the board of seven directors, it still had power of control over the Casting & Forging Company.

2. Major non-fully-Owned subsidiaries

(1) Detail

Name of the subsidiaries	Share proportion of minor shareholders	Gains/loss of the period attributable to minor shareholders	Dividend announced in the period to minor shareholders	Balance of equity of minor shareholders at end of period
Zhejiang Steam Turbine Packaged Technologies Development Co., Ltd.				

Hangzhou Zhongneng Steam turbine PowerCo., Ltd.	39.17%	29,643,193.06	21,486,000.00	150,284,014.40
Hangzhou Steam Turbine Casting Co., Ltd.	61.97%	6,272,269.92	12,250,000.00	143,226,125.70
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	48.00%	24,260,684.80	21,600,000.00	73,921,143.87
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	12.47%	135,632.87	3,990,400.00	23,588,205.49

(2) Description of difference between the shareholding ratio and voting power of minority shareholders of subsidiaries

Refer to the current notes to financial statements-VI (I) 1(2) description.

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

(1) Assets and liabilities

Subsidiaries Name	End of term					
	Current assets	Non-current assets	Total of assets	Current liabilities	Non-current liabilities	Total of liability
Zhejiang Steam turbine Packaged Technology Development Co., Ltd.	248,134,781.83	24,640,726.05	272,775,507.88	183,669,390.74		183,669,390.74
Hangzhou Zhongneng Steam turbine PowerCo., Ltd.	1,105,955,992.17	71,963,602.76	1,177,919,594.93	819,218,843.06	330,000.00	819,548,843.06
Hangzhou Steam	441,396,913.82	172,078,042.91	613,474,956.73	343,698,819.51	25,323,405.00	369,022,224.51

Turbine Casting Co., Ltd.						
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	232,419,338.54	21,258,598.11	253,677,936.65	98,910,290.54	765,263.03	99,675,553.57
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	642,467,713.41	110,484,194.28	752,951,907.69	549,240,066.20	106,930.00	549,346,996.20

(Continued)

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

Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	205,163,731.11	21,782,104.60	226,945,835.71	77,895,206.35	591,339.61	78,486,545.96
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

(2) Profit and loss and cash flow

Subsidiaries Name	Amount of current period			
	Turnover	Net profit	Total Misc Gains	Cash flow for business activities
Zhejiang Steam Turbine Packaged Technology Development Co., Ltd	220,230,100.85	11,113,668.04	11,113,668.04	-9,991,503.09
Hangzhou Zhongneng Steam turbine Power Co., Ltd.	988,083,271.30	70,253,285.20	70,108,873.33	126,794,159.56
Hangzhou Steam Turbine Casting Co., Ltd.	446,900,632.40	12,800,550.85	12,800,550.85	-18,672,949.72
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	242,356,767.43	50,543,093.33	50,543,093.33	71,811,506.52
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	568,575,713.37	1,087,673.40	1,087,673.40	44,200,815.32

(Continued)

Subsidiaries Name	Amount of previous period			
	Turnover	Net profit	Total Misc Gains	Cash flow for business activities
Zhejiang Steam Turbine Packaged	241,699,214.69	10,676,500.39	10,676,500.39	-8,604,753.23

Technology Development Co., Ltd				
Hangzhou Zhongneng Steam turbine Power Co., Ltd.	833,201,191.68	25,173,217.92	24,766,351.64	24,579,646.69
Hangzhou Steam Turbine Casting Co., Ltd.	357,558,102.11	27,727,923.66	27,727,923.66	18,380,178.48
Hangzhou Steam Turbine Machinery Equipment Co., Ltd.	220,887,783.34	46,032,691.93	46,032,691.93	46,087,103.01
Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd.	394,136,946.17	36,761,943.86	36,761,943.86	16,117,349.92

(II) Transactions where the Company sustains a variation of share of owners' equity in subsidiaries but still controls the subsidiaries

1. Description of variation in the share of owners' equity of subsidiaries

Subsidiary	Variation	Shareholding ratio before variation	Shareholding ratio after variation
Casting Company	2018.12.29	51.00%	38.03%

2. Effects of transactions on minority shareholders' equity attributable to owners' equity of the parent company

Items	Casting Company
Disposal of consideration [Note]	
Less: share of net assets of the subsidiary calculated by the disposed shareholding ratio	11,172,730.63
Balance	-11,172,730.63
Including: adjustment of capital reserve	-11,172,730.63

Note: increase of the share of equity entitled to the Company caused by the unilateral capital increase of minority shareholders of the subsidiary Casting Company.

(III) Equity in the joint venture

Insignificant financial information of Associated Enterprises

Items	Ending amount/current amount	Beginning amount/amount in the corresponding period of
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		the prior year
Associated Enterprises		
Total book value of investment	8,221,439.29	5,800,000.00
Totals calculated by shareholding ratio are as follows	-585,160.71	
Net profit	-585,160.71	
Total comprehensive income	-585,160.71	

VII. Risks related to financial instruments

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

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

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

(I) Credit risks

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

The credit risks of the Company are mainly composed by bank savings and receivable accounts.

Following measurements are adopted to control these risks:

1. Bank deposit

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

2. Account receivable

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

As the Company only does business with recognized and reputable third parties, so no collateral is needed. Credit risks are centralized managed in accordance with customers. As of December 31, 2018, the Company has a characteristic of specific credit risk concentration. 40.08% (December 31, 2017: 39.44%) 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	
Notes receivable	595,089,175.22				595,089,175.22
Subtotal	595,089,175.22				595,089,175.22

(Continued)

Items	Beginning of term				
	Not overdue and not impaired	Overdue but not impaired			Total
		Within 1 year	1-2 years	Over 2 years	
Notes receivable	715,410,887.68				715,410,887.68
Subtotal	715,410,887.68				715,410,887.68

(2) Refer to Notes of the Financial Statements in conjunction with notes of the consolidated financial statements-accounts receivable for individual accounts receivable with provision for impairment.

(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	139,600,000.00	141,968,522.53	141,968,522.53		
Notes payable & Account payable	1,350,583,381.53	1,350,583,381.53	1,350,583,381.53		
Non-current liabilities due to 1 year	100,100,000.00	103,512,427.64	103,512,427.64		
Long-term loan	22,700,000.00	25,297,942.57		25,297,942.57	

Long-term payable(Note)	209,598,799.99	220,248,799.99	29,764,799.99	58,044,000.00	132,440,000.00
Other account payable	36,904,303.01	36,904,303.01	36,904,303.01		
Subtotal	1,859,486,484.53	1,878,515,377.27	1,662,733,434.70	83,341,942.57	132,440,000.00

(Continued)

Items	Beginning 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 & Account payable	1,098,125,424.57	1,098,125,424.57	1,098,125,424.57		
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(Note)	209,633,466.66	222,751,733.33		53,000,000.00	169,751,733.33
Other account payable	28,128,478.10	28,128,478.10	28,128,478.10		
Subtotal	1,556,287,369.33	1,578,630,850.73	1,252,507,090.00	156,372,027.40	169,751,733.33

Note: Exclusive of special accounts receivable-land requisition and demolishing compensation cost.

(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, 2018, the Company had raised RMB19,000,000.00 (Dec 31 2017: RMB0.00) on floating interest rates. In case of other variables remain unchanged, if the interest rates change, reasonably and possibly, for 50% of the benchmark, the total profit and shareholders' equity will be free of major impact.

2. Foreign currency risks

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

VIII. Fair value disclosure

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

Items	Closing fair value			
	(II) Available-for-sale Financial Assets	Level 2	Level 3	Total
Consistent fair value measurement	(2) Equity instrument investment			
Available-for-sale Financial Assets	2,011,876,524.40			2,011,876,524.40
Equity instrument investment	2,011,876,524.40			2,011,876,524.40
Total of Consistent fair value measurement	2,011,876,524.40			2,011,876,524.40

(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-party transactions

(I) Related parties

1. Parent company information of the enterprise

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. %
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Hangzhou Steam Turbine Group	Hangzhou China	Manufacturing	RMB 800 million	63.64%	63.64%
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(2) 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.(Note)	Affiliate of the Group
Hangzhou Nanhua Wooden Packaging Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Industrial Co., Ltd.	Affiliate of the Group
Hangzhou Steam Turbine Engineering 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
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
Shanghai Relian steel Trade Co., Ltd.	Affiliate of the Group
Greenesol power systems PVT Ltd.	Shareholding enterprise
Hangzhou Bank	Shareholding enterprise

Note: It has been no longer a related party to the Company as of the equity transfer in June 2018.

(II) Related transaction

1. Sale of goods/rendering of labor services/labor service offering

(1) Purchase of goods and service

Related parties	Content of related transaction	Amount of current period	Amount of previous period
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Generators	173,472,628.12	137,886,068.57
Hangzhou Steam turbine Automobile sales service Co., Ltd.	Transportation , repair , etc.	49,397,713.70	49,793,145.26

Hangzhou Nanhua Wooden Packaging Co., Ltd.	Packaging	17,204,942.74	11,412,748.09
Hangzhou Nanfang Tongda Gears Co., Ltd.	Gear boxes	1,863,034.17	6,526,922.23
China Electrical and Mechanical Institute-Hangzhou Turbine Group (Hangzhou) United Research Institute Co., Ltd.	Development ,design	1,468,929.24	1,521,264.63
Hangzhou Steam Turbine Industry & Trade Co., Ltd.	Grind fee	1,096,475.08	
Hangzhou Steam Turbine Industrial Co., Ltd.	Raw materials, processing fees	983,861.03	1,079,184.92
Zhejiang Zhongrun Gas Turbine Technology Co., Ltd.	Part	940,170.90	
Hangzhou Steam Turbine Engineering Co., Ltd.	Raw material,Technical service	833,010.81	5,815,284.38
Hangzhou Steam turbine Compressor Co., Ltd.	Service	339,622.64	
Greenesol power systems PVT Ltd.	Coupler		34,045.00
Subtotal		247,600,388.43	214,068,663.08

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

Related parties	Subjects of the related transactions	Current term	Same period of last term
Hangzhou Steam Turbine Engineering Co., Ltd.	Steam turbine,compressor, Installation service	50,891,902.45	77,325,688.70
Hangzhou Hangfa Power Generating Equipment Co., Ltd.	Cast parts	12,803,285.29	11,378,353.36
Greenesol power systems PVT Ltd.	Part	806,596.80	984,273.41
Hangzhou Steam Turbine Group	Information service	28,674.03	139,622.64
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Small amount materials	803.44	24,393.29
Hangzhou Steam Turbine Compressor Co.,	Part, Industrial cooperation		382,017.01

Ltd.			
Subtotal		64,531,262.01	90,234,348.41

2.Information of related lease

(1)The Company was lessor

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

(2) The company was lessee:

Lessor	Category of leased assets	The lease income confirmed in this year	Category of leased assets
HSTG	House and Building	3,926,912.32	3,725,637.47
HSTG	Engineering Equipment	1,775,862.07	1,760,683.76
HSTG	Land use right	4,835,169.55	3,194,406.31
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Site leasing	4,148,921.29	4,007,541.21
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Car rental	245,172.41	
Hangzhou Steam Turbine Industry & Trade Co., Ltd.	House & Building	476,525.45	
Subtotal		15,408,563.09	12,688,268.75

3. Related-party guarantee

(1) The company and its subsidiaries as guarantors

As stated in Note 5 (I) 22 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 45.08 million shares of Hangzhou Bank Co., Ltd. with book value of RMB 333,592,000.00, Dividend Receivable of RMB16,557,292.60, Steam Turbine heavy Industry Co., Ltd. mortgaged the book value of 66,668,212.97 yuan of land use rights and book value of 41,944,793.30 yuan of fixed assets and book value of 293,963,202.50

yuan of construction in progress to the National Development Fund.

(2) The company and its subsidiaries are the guaranteed parties

Guarantor	Guarantee amount	Start date	End date	Execution accomplished or not
Hangzhou Steam Turbine Group	100,000,000.00	November 30,2017	December 30,2019	No

4.Related party asset transfer

Related party	Content	Current term	Same period of last term
Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.	Purchase fixed assets	77,413.79	307,094.02

5. Remunerations of key managements

Items	Current term	Same period of last term
Remunerations of key managements	8,133,290.02	8,114,522.61

6. Other related transactions

(1) Service and power supply

(1)HSTG supplies water and power to the Company and some of the subsidiaries amounted to RMB14,664,638.25 this period.

2) 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 RMB42,083.06.

3) Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd. provided transportation to the Company's employees and RMB2,100,564.00 was paid this period.

4) Hangzhou Steam Turbine Industry Co., Ltd. provided cleaning services to the Company and RMB1,265,723.28 was paid this period.

(2) Using of trademark

The Company pays RMB1,698,113.21 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

574,972.41 salaries for the company.

(4) Bank credit and entrusted wealth-management

1) The Company applied for a line of credit of RMB 300 million to Shiqiao Sub-branch, Bank of Hangzhou Co., Ltd. in 2017 and till December 31, 2018, the balance of loan under the line of credit was still RMB 0.

2) The Company entered into a financial management agent contract with Bank of Hangzhou Co., Ltd. in the cumulative amount of financial management of RMB 1,490,000,000.00 and till December 31, 2018, the balance of the financial management was RMB 470,000,000.00.

(5) Subscription of the Fund

In the period, the Company, together with Hangzhou Steam Turbine Group and Shanghai Relian Steel Trading Co., Ltd. contributed funds to subscribe the shares of Juyuan Xinxing No. 9 Private Equity Fund, and they signed the contract with Hangzhou Juyuan Asset Management Co., Ltd. respectively. The Company made the share subscription of 16 million yuan.

(III) Receivables and payables of related parties

(1) Receivables

Name	Related party	End of term		Beginning of term	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Notes receivable	Hangzhou Steam Turbine Engineering Co., Ltd.	1,033,180.00		9,022,000.00	
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	4,000,000.00			
Subtotal		5,033,180.00		9,022,000.00	
Account receivable	Hangzhou Steam Turbine Engineering Co., Ltd.	56,048,293.87	23,796,436.58	60,048,003.87	12,214,467.99
	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	18,739,908.99	1,269,459.57	23,168,548.05	1,656,221.13
	Greenesol power systems PVT Ltd.	14,522,075.90	14,522,075.90	13,825,933.72	13,825,933.72
	Hangzhou Steam Turbine Group	158,500.00	158,500.00	158,500.00	158,500.00
	Hangzhou Steam Turbine Compressor Co., Ltd.	59,000.00	35,400.00	59,000.00	17,700.00

	Hangzhou Steam Turbine Power Group Complete Equipment Engineering Co., Ltd.			305,000.00	305,000.00
Subtotal		89,527,778.76	39,781,872.05	97,564,985.64	28,177,822.84
Prepayment	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	51,691,853.97		43,741,785.00	
	Hangzhou Steam Turbine Engineering Co., Ltd.	5,820,000.00		2,022,000.00	
	Zhejiang Zongrun Gas turbine technology Co., Ltd.	792,022.20		715,000.00	
	Hangzhou Steam Turbine Industrial Co., Ltd.	8,514.00		50,000.00	
Subtotal		58,312,390.17		46,528,785.00	
Other account payable	Hangzhou Steam Turbine Compressor Co., Ltd'	300,000.00	30,000.00	346,200.00	17,310.00
	Hangzhou Steam Turbine Group	39,105.34	3,910.53	39,105.34	1,955.27
Subtotal		339,105.34	33,910.53	385,305.34	19,265.27

2. Payables

Name	Related party	Amount at year	Amount at year beginning
Notes payable	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	11,500,000.00	
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd	1,650,000.00	1,350,000.00
	Hangzhou Nanhua Wooden Packaging Co., Ltd.	1,660,000.00	
	Hangzhou Steam Turbine Engineering Co., Ltd.		180,000.00
Subtotal		14,810,000.00	1,530,000.00
Account payable	Hangzhou Hangfa Power Generating Equipment Co., Ltd.	116,462,941.48	133,726,506.11
	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd	11,934,956.54	8,809,544.81
	Greenesol power systems PVT Ltd.	3,381,200.50	3,219,116.49
	Hangzhou Steam Turbine Engineering Co., Ltd.	2,040,000.00	3,510,000.00

	Hangzhou Nanhua Wooden Packaging Co., Ltd.	1,851,121.07	1,667,167.51
	Hangzhou Nanfang Tongda Gears Co., Ltd.		1,147,694.00
	Hangzhou Steam Turbine Group	1,652,987.82	79,982.49
	Hangzhou Steam Turbine Industrial Co., Ltd.	537,981.70	128,042.88
	China Electrical and Mechanical Institute-Hangzhou Turbine Group (Hangzhou) United Research Institute Co., Ltd.	427,500.00	542,775.00
	Hangzhou Steam Turbine Industries & Trade Co., Ltd.	476,525.45	
Subtotal		138,765,214.56	152,830,829.29
Advances received	Hangzhou Steam Turbine Compressor Co., Ltd'	14,190,000.00	14,190,000.00
	Hangzhou Steam Turbine Engineering Co., Ltd.	10,543,300.00	31,613,190.00
	Greenesol power systems PVT Ltd.	103,764.63	51,968.30
Subtotal		24,837,064.63	45,855,158.30
Other account payable	Hangzhou Steam Turbine Automobile Sales Service Co., Ltd	100,000.00	100,000.00
	Hangzhou Steam Turbine Group	87,736.60	221,351.95
Subtotal		187,736.60	321,351.95

X. Commitment and Contingency Issues

(I) Material commitment issues

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

As stated in Note 5 (I) 22 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

As of December 31, 2018, Construction contracts and contracts which are performed or ready for being performed by the Company and its subsidiaries for the sake of plant construction are valued about RMB 361,730,600.

3. With regard to bank letters of credit opened by the Company and its subsidiaries, the outstanding balance till December 31, 2018 is as follows:

Name	Bank	Currency	Amount	Way of guarantee

The Company	ICBC Hangzhou Branch	Euro	9,098,660.00	Credit
The Company	ICBC Hangzhou Branch	USD	579,338.00	Credit
The Company	Bank of China Zhejiang Branch	Euro	254,378.00	Credit
The Company	Bank of China Zhejiang Branch	USD	510,000.00	Credit
The Company	China CITIC Bank Hangzhou Branch	Euro	7,784,600.00	Credit
Turbine Company	China CITIC Bank Hangzhou Branch	Swing franc	1,368,448.68	Guarantee

4. With regard to bank letters of Guarantee opened by the Company and its subsidiaries, the outstanding balance till December 31, 2018 is as follows:

Name	Bank	Currency	Amount	Way of guarantee
The Company	Bank of China Zhejiang Branch	USD	8,504,725.00	Credit
The Company	Bank of China Zhejiang Branch	RMB	65,196,937.00	Credit
The Company	ICBC Hangzhou Branch	RMB	254,865,231.05	Credit
The Company	Everbright Bank Hangzhou Qianjiang Branch	RMB	24,528,000.00	Credit
The Company	China CITIC Bank Hangzhou Branch	RMB	26,345,021.00	Credit
Machinery Co.	ICBC Banshan Branch	RMB	4,963,506.60	Credit
Auxiliary Company	ICBC Banshan Branch	RMB	37,815,900.00	Credit
Turbine Co.	ICBC Branch business department	RMB	55,812.80	Credit
Turbine Co.	China CITIC Bank Hangzhou Branch	RMB	800,000.00	Credit
Zhongneng Company	Bank of China Economic Development Zone Branch	RMB	45,485,531.25	Credit
Packaged Company	ICBC Wulin Branch	RMB	1,140,000.00	Guarantee

(II). Contingency

(1) 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.

(2) Litigation matters

(1) On September 5, 2018, Henan Junhua Development Co., Ltd. sued the Company, Xi'an Shaangu Power Co., Ltd. and the third party, China General Mechanical Engineering Co., Ltd. to request the Company and Xi'an Shaangu Power Co., Ltd. to compensate the loss of RMB 44 million, the equipment repair expense of RMB 2.2 million, all legal fares including the court acceptance fee and property preservation fee of this case and other expenses for the plaintiff to realize the creditor's rights to Henan Junhua Development Co., Ltd. The case is still pending up to the approval date of the financial statements.

(2) On September 13, 2018, the subsidiary, Zhongneng Company sued China Machinery Industry Construction Group Inc. failing to pay the commissioning amount and quality guarantee deposit as agreed in the contract as scheduled and pay the expenses for the additional equipment parts after purchasing the turbines and supporting equipment of spontaneous power plant from Zhongneng Company. Zhongneng Company requested China Machinery Industry Construction Group Inc. to pay the price of goods worth RMB 8.6813 million, Payment overdue is about 643,900 yuan . The case is still pending up to the approval date of the financial statements.

XI. Events after balance sheet date

(I) Important non-adjusting events

1. The Company subsequently subscribed capital of RMB 11.40 million to found Zhejiang Ranchuang Touting Machinery Co., Ltd. (hereinafter referred to as Ranchuang Company) and on February 28, 2019, Ranchuang Company completed industrial and commercial registration procedures and obtained the *Business License* issued by Hangzhou Municipal Administration for Market Regulation. The equity structure of Ranchuang Company is as follows:

Shareholder	Amount of subscribed capital (RMB 10,000)	Shareholding ratio
Hangzhou Steam Turbine Co., Ltd.	1,140.00	45.60%

Hangzhou Steam Turbine Power Group Co., Ltd.	1,000.00	40.00%
Hunan Chongde Industry Technology Co., Ltd.	100.00	4.00%
Hengfeng Tools Co., Ltd.	85.00	3.40%
Chinese mechanical academy of sciences zhejiang branch	75.00	3.00%
Hangzhou bohua laser technology Co., Ltd.	50.00	2.00%
Zhejiang Hengying Power Technology Co., Ltd.	50.00	2.00%
Total	2,500.00	100.00%

2. According to the resolution of the shareholders meeting of Hangzhou Guoneng Steam Turbine Engineering Co., Ltd-a subsidiary to the Auxiliary Machinery Co., Ltd-on Dec 21, 2018, Hong Kong Ruiyun Enterprise Co., Ltd., a shareholder of Guoneng Steam Turbine Co., Ltd., transferred a 25% equity held by the company to the Auxiliary Machinery Co., Ltd in a total of 10 million yuan. The business registration change procedure for the above-mentioned equity transfer had been completed on January 10, 2019.

3. On November 20, 2018, the Company signed the “Debtor’s Right and Debt Transfer Agreement” with Shenyang Turbo Machinery Co., Ltd., Ningxia Baofeng Energy Group Co., Ltd. and Ningxia Baofeng Real Estate Development Co., Ltd., and meanwhile signed the Agreement of Compensation Using Building for Repaying Debt with Baofeng Real Estate. Shenyang Turbo Company agreed to transfer some of its creditor’s rights on Baofeng Group of RMB 13,581,513.00 to the Company, and Baofeng Group transferred the afore-said debts to Baofeng Real Estate synchronously. Baofeng Real Estate uses the 13 houses, underground parking spaces and storage rooms located in Lanxigu Community, Lijing North Street, Yinchuan City-the disposal rights of which was owned by Baofeng-as the compensation for transferring the debt to the Company. Where the Company fails to obtain the “Certificate of immovable property right” for all or part of the aforesaid real estate within 6 months from the date of signing the agreement due to the reasons of the Company, Shenyang Turbo Company shall assume the repayment responsibility for the part of the above repayable amount that the Company fails to obtain the real estate compensation. The Company has obtained the “Certificate of immovable property right” related to the above-mentioned debt-compensation assets on March 21, 2019. So far, the creditor-debt relationship of the amount of RMB 13,581,513.00 among the Company, Shenyang Turbo Machinery and Baofeng Group has been settled as agreed upon.

(II) Profit distribution

Profit or dividend proposed to be distributed	Based on the 2018 profit distribution plan reviewed and passed at the 31st meeting of the 7th Board of Directors on March 27, 2018, and without drawing up statutory surplus reserves, the company used a total of 754,010,400 shares at the end of 2018 as the base to distribute cash to all shareholders for every 10 shares. The bonus is RMB 2.00 (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
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	distributed was RMB 150,802,080.00 this time. The afore-said profit distribution plan still needs to be reviewed and approved by the shareholders' general meeting.
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XII. 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	3,745,445,441.72	2,584,502,463.97
Castings and Forging	133,291,110.39	109,373,524.81
Auxiliary Engines	248,879,821.14	220,254,043.83
Part	176,535,199.06	78,572,919.00
Other	202,087,248.03	97,540,086.39
Subtotal	4,506,238,820.34	3,090,243,038.00

(II) Other

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.

As of December 31, 2018, the Company had received the second relocation compensation of 69,899,656.20 yuan. Together with the first compensation, the Company and its subsidiaries have received the compensation for relocation compensation of 307,558,487.27 yuan, all of which are accounted for by special payables. The relocation expenses incurred by the Company in the current period amounted to RMB 110,855.00. The subsidiary company Steam Turbine Heavy Industries Co., Ltd. incurred a total of RMB 42,169,981.00 for the purchase and construction of complete sets of plants in the current period, which correspondingly wrote off the special payables- the relocation compensation amount of RMB 42,280,836.00, respectively transferred to other income of RMB 110,855.00 and transferred into the deferred income of RMB 42,169,981.00. At the end of the period, there was still a balance of unused relocation compensation of RMB 265,277,651.27.

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

(I) Notes to items of parent company financial statements

1. Notes receivable & Account receivable

(1) Detail

Items	End of term	Beginning of term
Notes receivable	302,284,986.43	357,644,500.75
Account receivable	1,374,628,210.45	1,195,950,107.32
Total	1,676,913,196.88	1,553,594,608.07

(2)Notes receivable

1) Detail

Items	End of term			Beginning of term		
	Book balance	Bad debt	Book value	Book balance	Bad debt	Book value

		sion			sion	
Bank acceptance	284,664,986.43		284,664,986.43	338,420,500.75		338,420,500.75
Commercial acceptance	17,620,000.00		17,620,000.00	19,224,000.00		19,224,000.00
Subtotal	302,284,986.43		302,284,986.43	357,644,500.75		357,644,500.75

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

Items	Amount on pledge
Bank acceptance	24,530,000.00
Total	24,530,000.00

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

Items	Amount of recognition termination at the period-end	Amount of not terminated recognition at the period -end
Bank acceptance	443,200,690.70	
Total	443,200,690.70	

The acceptor of the bank acceptance bill is a commercial bank, because the commercial bank has high credit, the possibility of the bank acceptance bill not being paid at maturity is low, so the company has endorsed or discounted the bank acceptance bill to terminate the confirmation. However, if the bill is not paid at maturity, the company shall remain jointly and severally liable to the holder under the provisions of the bill act.

3. Account receivable

(1)The detail situation

①Detailed categories

Category	End of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion	
Account receivables provided bad debt provision in credit risk groups	2,189,901,288.35	98.66	815,273,077.90	37.23	1,374,628,210.45
Accounts receivable of individually withdrawing bad debt provision with non-significant	29,819,607.69	1.34	29,819,607.69	100.00	

individual amount					
Total	2,219,720,896.04	100.00	845,092,685.59	38.07	1,374,628,210.45

(Continued)

Category	Beginning of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Proportion	
Account receivables provided bad debt provision in credit risk groups	1,975,235,478.30	98.51	779,285,370.98	39.45	1,195,950,107.32
Accounts receivable of individually withdrawing bad debt provision with non-significant individual amount	29,819,607.69	1.49	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 Receivable accounts in the group on which bad debt provisions are provided on age basis

Aging	End of term		
	Book balance	Bad debt provision	Proportion
Within 1 year	833,000,869.78	41,650,043.49	5.00
1-2 years	277,900,524.80	27,790,052.48	10.00
2-3 years	228,058,731.55	68,417,619.47	30.00
3-4 years	173,910,129.12	104,346,077.47	60.00
4-5 years	167,207,350.44	133,765,880.35	80.00
Over 5 years	439,303,404.64	439,303,404.64	100.00
Total	2,119,381,010.33	815,273,077.90	38.47

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

Name	End of term		
	Book balance	Bad debt provision	Proportion
Association current combination within the scope of consolidation [Note]	70,520,278.02		

Subtotal	70,520,278.02		
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Note: At the end of period, the Company did a separate impairment test on the portfolio and found no impairment incurred, hence no withdrawal of provision for bad debt was needed.

2) The current amount of provision for bad debts is RMB35,987,706.92; recovery or payback for bad debts Amount is RMB0.00.

3) There is no write-off of accounts receivable in the current period

4) Receivables account of the top five parties

Name	Amount	Proportion(%)	Bad debt provision
Client 1	592,784,981.17	26.71	279,081,699.58
Client 2	242,067,374.85	10.91	175,925,264.71
Client 3	112,363,538.46	5.06	5,618,176.92
Client 4	63,427,500.00	2.86	3,171,375.00
Client 5	52,129,523.04	2.35	2,606,476.15
Subtotal	1,062,772,917.52	47.89	466,402,992.36

2. Other account receivable

1)Detail

Items	End of term	Beginning of term
Dividend receivable	16,557,292.60	6,900,000.00
Other receivable	3,427,467.46	4,311,538.86
Total	19,984,760.06	11,211,538.86

(2) Dividend receivable

1) Detail

Items	End of term	Beginning of term
Hangzhou Bank	16,557,292.60	6,900,000.00
Subtotal	16,557,292.60	6,900,000.00

2) Important dividend receivable over 1 year of age

Items	End of term	Age	Reasons for not repossessing	Whether the impairment occurs and its judgment basis

Hangzhou Bank	6,900,000.00	1-2 years	Stock right pledge	No
Subtotal	6,900,000.00			

(3) Other receivable

1) The detail situation

① Detailed categories

Category	End of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion %	Amount	Proportion %	
Other Accounts receivable portfolio subject to impairment by credit risk	8,826,485.18	100.00	5,399,017.72	61.17	3,427,467.46
Total	8,826,485.18	100.00	5,399,017.72	61.17	3,427,467.46

(Continued)

Category	Beginning of term				
	Book balance		Bad debt provision		Book value
	Amount	Proportion %	Amount	Amount	
Other Accounts receivable portfolio subject to impairment by credit risk	9,976,732.52	100.00	5,665,193.66	56.78	4,311,538.86
Total	9,976,732.52	100.00	5,665,193.66	56.78	4,311,538.86

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

Aging	End of term		
	Other receivable	Bad debt provision	Proportion
Within 1 year	1,767,885.91	88,394.30	5.00
1-2 years	167,447.59	16,744.76	10.00
2-3 years	158,158.00	47,447.40	30.00
3-4 years	827,097.00	496,258.20	60.00
4-5 years	943,495.90	754,796.72	80.00
Over 5 years	3,995,376.34	3,995,376.34	100.00
Total	7,859,460.74	5,399,017.72	68.69

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

Name	End of term		
	Book balance	Bad debt provision	Proportion
Association current combination within the scope of consolidation [Note]	967,024.44		
Subtotal	967,024.44		

Note: At the end of period, the Company did a separate impairment test on the portfolio and found no impairment incurred, hence no withdrawal of provision for bad debt was needed.

2) The withdrawal amount of the bad debt provision during the reporting period is RMB-266,175.94; the amount of the reversed or collected part during the reporting period was of RMB 0.00.

3) No write-off of other receivables for the current period

4) Other accounts receivable classified by the nature of accounts

Nature	Closing book balance	Opening book balance
Deposit	6,547,501.35	8,081,489.08
Petty cash		231,000.00
Provisional payment receivable	967,024.44	1,006,799.70
Other	1,311,959.39	657,443.74
Total	8,826,485.18	9,976,732.52

5) Top 5 of Other accounts receivable

Name of the company	Account property	Book balance	Age	Proportion(%)	Bad debt provision	Whether it is a related party
Shanghai Customs Waigaoqiao Office	Deposit	3,710,320.94	Over 5 years	42.04	3,710,320.94	No
Guoxin Bidding Group Co., Ltd.	Deposit	800,000.00	3-4 years	9.06	480,000.00	No
Shanghai pujiang customs of the People's Republic of China	Deposit	632,983.48	Within 1 year	7.17	31,649.17	No
Hangzhou Steam Turbine Casting Co., Ltd.	Provisional payment	630,148.55	Within 1 year	7.14		Yes

	receivable					
Jian Group Co., Ltd.	Deposit	500,000.00	4-5 years	5.66	400,000.00	No
Subtotal		6,273,452.97		71.07	4,621,970.11	

3. Long-term share equity investment

(1) Detail

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

(2) Investment on subsidiaries

Company invested	Beginning of term	Increase	decrease	End of term	Provided current term impairment provision	Impairment provision end of term
Touping Company	20,000,000.00			20,000,000.00		
Hangzhou Heavy Industry	360,000,000.00			360,000,000.00		
Hangzhou Auxiliary Machine Co.	46,286,513.41			46,286,513.41		
Zhejiang Turbine Packaged Co.	29,800,389.56			29,800,389.56		
Zhongneng Co.	27,644,475.06			27,644,475.06		
Machinery Co.	7,968,000.00			7,968,000.00		
Casting Co.	11,220,000.00			11,220,000.00		
Subtotal	502,919,378.03			502,919,378.03		

(II) Notes to items in the parent company income statement

1. Business income and Business cost

Items	Occurred current term		Occurred in previous term	
	Income	Cost	Income	Cost

Main Business	2,915,241,196.80	2,059,290,820.18	2,056,532,812.35	1,599,774,611.48
Other	14,564,471.91	11,762,727.70	140,183,662.39	94,531,608.36
Total	2,929,805,668.71	2,071,053,547.88	2,196,716,474.74	1,694,306,219.84

2. R & D cost

Items	Amount of this period	Amount of last period
Labor cost	72,790,629.36	61,634,982.15
Direct materials	79,835,016.55	52,086,212.81
Depreciation expenses	10,463,642.38	13,361,072.71
Test and inspection fee		13,723.80
Commissioned research & development	1,944,603.76	3,614,875.06
Other	1,379,570.05	2,690,641.81
Total	166,413,462.10	133,401,508.33

3. Investment income

Items	Amount of this period	Amount of last period
Long-term equity investment income by Cost method	98,187,205.00	66,008,407.50
Investment gains from holding of sellable financial assets	68,687,390.93	53,014,898.47
Investment income from disposal of available for sale financial assets		25,121,648.20
Gains from financing products	39,008,647.23	23,685,866.69
Total	205,883,243.16	167,830,820.86

XIV. Other Supplementary Information

1. Non-recurring gains and loss

Items	Amount
Gains/losses from the disposal of non-current asset	-40,478.16
Tax refund, deduction and exemption that is examined and approved by authority exceeding or has no official approval document.	2,140,524.49

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)	23,300,479.35
Capital occupation fee collected from non-financial organizations and accounted as current gain/loss.	
Income from the exceeding part between investment cost of the Company paid for obtaining subsidiaries, associates and joint-ventures and recognizable net assets fair value attributable to the Company when acquiring the investment	
Gains and losses from exchange of non-monetary assets	
Gains and losses from assets under trusted investment or Management	
Asset impairment provisions for force major such as natural disasters	
Gain/loss from debt reorganization	7,064,832.00
Enterprise reorganization expenses, such as payment to stuff placement and consolidation expenses	
Gain/loss from trades obviously departed from fair value	
Net gain/loss of current term from consolidation of subsidiaries under common control from beginning of term to the consolidation date	
Gain/loss from debt for casting without connection to the main business operation	
In addition to normal business with the company effective hedging related business, holders of tradable financial assets, transactions and financial liabilities arising from changes in fair value gains and losses, as well as the disposal of trading of financial assets, trading financial liabilities and available-for-sale financial assets gains return on investment;	48,433,535.22
Single impairment test for impairment of receivables transferred back to preparation	
Gains and losses obtained from external trusted loans	
The use of fair value measurement model of follow-up to the fair value of real estate investment gains and losses arising from changes	
According to tax, accounting and other laws, regulations, the requirements of the current Gain/loss for a one-time adjustment of the impact of the current Gain/loss;	
Entrusted with the operating of the trust to obtain fee income	
Net amount of non-operating income and expense except the aforesaid items	-1, 703, 546. 21
Other non-recurring Gains/loss items	
Subtotal	79, 195, 346. 69

Less: Amount of influence of income tax	11,452,856.21
Less: Amount of influence of minority interests	1,993,252.49
Attributable to shareholders of the parent company total non-current gains and losses	65,749,237.99

(II) Return on equity (ROE) and earnings per share (EPS)

1. Detail

Profit as of reporting period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted
Net profit attributable to common shareholders of the Company	5.82	0.46	0.46
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	4.72	0.37	0.37

2. Calculation of rate of return on weighted average net assets

Items		No	Current amount
Net profit attributable to common shareholders of the Company		A	345,824,339.47
Non-recurring profit and loss		B	65,749,237.99
Net profit attributable to common shareholders of the Company upon deduction of non-recurring profit and loss		C=A-B	280,075,101.48
Beginning net assets attributable to common shareholders of the Company		D	5,884,816,809.55
Net assets increased and attributable to common shareholders of the Company due to issue of new shares or debt-to-equity swap		E	
Cumulative months from the month following the increase of net assets to the end of the report period		F	
Net assets decreased and attributable to common shareholders of the Company due to repo or cash bonus		G	37,700,520.00
Cumulative months from the month following the decrease of net assets to the end of the report period		H	7
Other	Variation of other comprehensive incomes	I1	-193,189,987.35
	Cumulative months from the month following the increase/decrease of net assets to the end of the report period	J1	6
	Variation of special reserve	I2	-3,207,751.26
	Cumulative months from the month following the increase/decrease of net assets to the end of the report period	J2	6

Variation of consolidated capital reserve caused by unilateral capital increase done by minority shareholders of the subsidiary Casting Company	I3	11,172,730.63
Cumulative months from the month following the increase/decrease of net assets to the end of the report period	J3	0
Variation of consolidated special reserve caused by unilateral capital increase done by minority shareholders of the subsidiary Casting Company	I4	-1,141,291.88
Cumulative months from the month following the increase/decrease of net assets to the end of the report period	J4	0
Variation of capital reserve caused by capital increase of the joint venture Zhejiang Zhongrun Turbine Technology Co., Ltd.	I5	966,600.00
Cumulative months from the month following the increase/decrease of net assets to the end of the report period	J5	3
Months in the report period	K	12
Weighted average net assets	$L = \frac{D+A/2+E \times F/K - G \times H/K \pm I \times J}{K}$	5,937,779,789.98
Rate of return on weighted average net assets	$M = A/L$	5.82%
Rate of return on weighted average net assets upon deduction of non-recurring profit and loss	$N = C/L$	4.72%

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

(1) Calculation of basic earnings per share

Items	No	Current amount
Net profit attributable to common shareholders of the Company	A	345,824,339.47
Non-recurring profit and loss	B	65,749,237.99
Net profit attributable to common shareholders of the Company upon deduction of non-recurring profit and loss	C=A-B	280,075,101.48
Beginning total shares	D	754,010,400.00
Increased shares caused by increase of capital stock transferred from accumulation fund or allocation of stock dividend	E	
Increased shares caused by issue of new shares or debt-to-equity swap	F	
Cumulative months from the month following the increase of shares to the end of the report period	G	
Decreased shares caused by repo	H	

Cumulative months from the month following the decrease of shares to the end of the report period	I	
Decreased shares in the report period	J	
Months in the report period	K	12
Weighted average of outstanding common shares	$L = D + E + F \times G / K - H \times I / K - J$	754,010,400.00
Basic earnings per share	$M = A / L$	0.46
Basic earnings per share upon deduction of non-recurring profit and loss	$N = C / L$	0.37

(2) Calculation of diluted earnings per share

Diluted earnings per share are calculated in the same method as that of basic earnings per share.

XII. Documents for Reference

- I. Annual Report 2018 with signature of the Chairman;
- II. Original copy of the Auditors' Report with the seals and signatures of the legal representative, CFO, Accounting Manager of the Company, and the Pan-China CPA and signed by certified accountants.
- III. All of the originals of the Company's documents and public notices publicized by the presses designated by China Securities Regulatory Commission in the report period;
- IV. Original copy of Resolutions of the 31st Meeting of the 7th Term of Board with signatures of directors.

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

March 29, 2019