

Stock Code: 200771    Stock ID: Hangqilun B    Announcement No. 2019-48

# **Hangzhou Steam Turbine Co., Ltd.**

## **SEMIANNUAL REPORT 2019**

(Stock Code: **200771**)



**August 2019**

## **I. Important Remarks, Table of Contents, and Definitions**

The Board of Directors, the Supervisory Committee, the directors, the supervisors, and executives 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 Chan 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 Company will not distribute cash dividend or bonus shares, neither capitalizing of common reserves for the report period.

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## Definition

| Terms to be defined                     | Defined as | Definition   |
|---|------------|--|
| Company, the Company                    | Defined as | Hangzhou Steam Turbine Co., Ltd.   |
| The Group, Hangqi Group                 | Defined as | Hangzhou Steam Turbine Power Group Co., Ltd.   |
| The report period, In the report period | Defined as | January 1,2019-June 30,2019  |
| Zhongneng Co.                           | Defined as | Hangzhou Zhongneng Steam Turbine Power Co., Ltd. – the holding subsidiary of the Company                 |
| Casting Co.                             | Defined as | Hangzhou Steam Turbine Casting Co., Ltd. – the holding subsidiary of the Company                         |
| Packaged Tech. Co.                      | Defined as | Zhejiang Steam Turbine Packaged Technology Development Co., Ltd. – the holding subsidiary of the Company |
| Machinery Co.                           | Defined as | Hangzhou Steam Turbine Machinery Equipment Co., Ltd. - the holding subsidiary of the Company             |
| Auxiliary Machine Co.                   | Defined as | Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. - the holding subsidiary of the Company             |
| Turbine Co.                             | Defined as | Zhejiang Turbine Import & Export Co., Ltd. – the holding subsidiary of the Company                       |
| Heavy Industry Co.                      | Defined as | Hangzhou Steam Turbine Heavy Industry Co., Ltd. - the holding subsidiary of the Company                  |
| The Board of Directors                  | Defined as | The Board of Directors of Hangzhou Steam Turbine Co., Ltd.   |
| The Supervisory Committee               | Defined as | The Board of Directors of Hangzhou Steam Turbine Co., Ltd.   |
| The Shareholders' Meeting               | Defined as | The Board of Directors of Hangzhou Steam Turbine Co., Ltd.   |
| RMB, RMB0'000, RMB000'000'000           | Defined as | RMB Yuan, RMB10 thousand Yuan, RMB100 million Yuan   |
| MW                                      | Defined as | Unit of power: 1000KW  |

## II. Corporate Profile and Key Financial Indicators

### I. Company Information

|                                       |                                |            |        |
|---------------------------------------|--------------------------------|------------|--------|
| Stock ID                              | Hangqilun B                    | Stock Code | 200771 |
| Stock Exchange Listed                 | 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(if any)               | HANGZHOU STEAM TURBINE CO.,LTD |            |        |
| Abbreviation in English(if any)       | HTC                            |            |        |
| Legal representative:                 | Zheng Bin                      |            |        |

### II. Contact person and contact manner

|         | 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. Other info.

#### 1. Contacts

No change to the registered address, office address, postal code, official website, and email address of the Company. For details please find the Annual Report 2018.

#### 2. Information inquiry

None of the official presses, website, and place of enquiry has been changed in the semi report period. For details please find the Annual Report 2018.

## IV. Summary of Accounting Data and Financial Index

Are there any retrospective adjustment or restatement of financial information of previous year due to change of accounting policies or correcting of accounting errors?

No

|  | This report term | Same period last year | Increase/decrease<br>(%) |
|--|------------------|-----------------------|--------------------------|
|--|------------------|-----------------------|--------------------------|

|  |                                       |                            |            |
|--|---------------------------------------|----------------------------|------------|
| Turnover (yuan)  | 1,920,181,703.03                      | 2,284,130,982.13           | -15.93%    |
| Net profit attributable to shareholders of the listed company (yuan)   | 160,325,133.00                        | 128,510,594.01             | 24.76%     |
| Net profit attributable to the shareholders of the listed company and after deducting of non-recurring gain/loss(yuan) | 131,574,189.68                        | 89,470,726.72              | 47.06%     |
| Net Cash flow generated by business operation (yuan)   | -9,340,596.37                         | 557,787,190.73             | -101.67%   |
| Basic earnings per share (Yuan/share)  | 0.21                                  | 0.17                       | 23.53%     |
| Diluted earnings per share (Yuan/share)  | 0.21                                  | 0.17                       | 23.53%     |
| Net income on asset, weighted  | 2.62%                                 | 2.18%                      | 0.44%      |
|  | As at the end of the reporting period | As at the end of last year | YoY+/- (%) |
| Gross assets (yuan)  | 12,064,555,379.75                     | 11,569,169,903.81          | 4.28%      |
| Shareholders' equity attributable to shareholders of the listed company (yuan)   | 6,231,429,574.36                      | 6,007,540,929.16           | 3.73%      |

#### V. 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

Not existent

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

Not existent

#### VI. Non-recurring gain/loss items and amounts

In RMB

| Items  | Amount        | Remarks |
|--|---------------|---------|
| Non-current asset disposal gain/loss(including the write-off part for which assets impairment provision is made)   | -498,756.38   |         |
| 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.   | 15,761,589.03 |         |
| Debt restructuring profit or loss  | -526,315.79   |         |
| 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 | 27,696,303.67 |         |
| Other non-operating income and expenditure beside for the above items  | -3,448,280.96 |         |
| Less: Influenced amount of income tax  | 6,575,512.32  |         |
| Amount of influence of minority interests (After tax)  | 3,658,083.93  |         |

|       |               |    |
|-------|---------------|----|
| Total | 28,750,943.32 | -- |
|-------|---------------|----|

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 cycle power 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 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             | No major changes   |
| 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

1. 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. Performance Discussion and Analysis

### 1. General

During the reporting period, the company focused on the annual work policy of "cohesion strategy, overall relocation, deepening management and rooted culture", increased technical investment, fight for market orders, orderly promoted heavy industry construction, actively planned relocation preparations, promoted key management work, and jointly created the core values of the enterprise. In the first half of 2019, the company realized operating income of 1,920,181,703.03 yuan, total profit of 221,442,313.03 yuan and net profit of 184,666,913.74 yuan, of which net profit attributable to shareholders of listed companies was 160,325,133.00 yuan. Compared with the same period of last year, the operating income decreased by 15.93% year on year, total profit increased by 15.13% year on year, net profit increased by 15.15% year on year, and net profit attributable to shareholders of listed companies increased by 24.76% year on year.

#### 1. Cohesion strategy

Under the guidance of the "13th Five-Year Plan" and the medium-term adjustment plan, the company has made every effort to push forward the strategic landing. It strengthens investment and cooperation management, studies and explores a new mode of cooperation in strategic suppliers. It pushes forward the construction of the "service big data" platform and put it into trial operation on key projects, laying a good foundation for the company to realize the transformation and upgrading of "manufacturing service".

#### 2. Overall relocation

The company pushed forward the construction of major projects as planned and made full preparations for the relocation. So far, the company's steam turbine power building has basically completed the renovation work and is expected to be put into full use before the end of the year.

The steam turbine heavy industry construction project continues to advance. At present, the installation of steel structures such as the assembly plant and the rotor plant has been basically completed, the construction of the main building of the joint station has been completed, and the construction of boiler foundation, water treatment equipment foundation and circulating water tank has been basically completed, which basically meets the requirements for equipment mobilization and installation. As of the reporting period, the company has received a total of 620,559,021.76 yuan in relocation compensation.

#### 3. Innovation driven

During the reporting period, the company continued to promote the development and design of new products and scientific research and technological research work, completing 4 new product development and 25 scientific research and technological research projects. The main new products and research and development projects completed include the development of NGS63/50 double-shaft high-speed back pressure turbine, the development

of 25MW 60HZ high-efficiency waste heat utilization turbine, the development of K5.6 axial and lower exhaust cylinders, the development of GK3.6A high-efficiency water-cooled low-pressure stage group, etc. From January to June 2019, the company applied for 6 invention patents, 3 utility model patents and 1 software copyright.

So far, Dalian Hengli Petrochemical, the world's largest industrial turbine with the largest power, has successfully tested the steam turbine used to drive the cracking gas compressor in an ethylene plant with an annual output of 1.5 million tons during the reporting period, which indicates that the design and manufacturing capacity of the domestic industrial drive steam turbine of Hangzhou Steam Turbine has reached the world's top level, and is also another major technological breakthrough in the localization of key equipment in the industrial plant of our country. Meanwhile, the subcritical parameter steam turbine has been steadily progressing with the trial production of the first set of new products, and the Qinghai central control solar Delingha photothermal project has been running smoothly at full capacity, which further improves the company's product market competitiveness.

During the reporting period, the company continued to carry out research on the company's intelligent manufacturing and digital workshop, and continuously explored new technical solutions according to the company's design and production characteristics, including design of equipment data collection, online testing, logistics storage center, intelligent extension of after-sales service, etc. In order to meet the company's need to transform and upgrade from manufacturing industry to manufacturing service industry and realize its strategic vision of "becoming a world-class industrial driving service provider", the company has jointly established 5G Intelligent Manufacturing Industrial Application Innovation Laboratory with China Mobile and Huawei, carried out research and development on blade scanning detection and cylinder body blank shape scanning forming projects, created an application demonstration of 5G discrete industrial intelligent manufacturing, and seized the historic opportunity of a new round of industrial digital transformation. In order to integrate core technologies in related fields of gas turbine machinery industry chain and drive the transformation and upgrading of high-end equipment manufacturing industry in Zhejiang province, the company led 7 gas turbine industry chain related enterprises to jointly invest in the establishment of Zhejiang Ranchuang Turbine Machinery Co., Ltd. and to build a joint research platform for gas turbine manufacturing and upstream and downstream technologies.

#### 4. Market consolidation

During the reporting period, affected by the policy adjustment of the national energy structure, the power industry formed a market environment of excess capacity. In the face of weak international oil prices and a sharp drop in orders in the coal chemical industry due to low investment, the company continued to consolidate the advantages of the share of reactive power generation back-pressure units in Jiangsu, Zhejiang and Shandong, smoothing the impact of the drop in coal chemical market demand on us.

During the reporting period, domestic oil refining investment continued to grow at a moderate rate, chemical industry, especially the one million ton ethylene project, emerged in a concentrated way, the company

implemented a precise marketing strategy, using the company's product advantages to focus on consolidating the market share in the petrochemical industry and obtaining orders for the key project of Gulei petrochemical refining integration, which is of far-reaching significance for promoting the deep integration of cross-strait petrochemical industries and promoting the peaceful development of the two straits. Meanwhile, around the national "the belt and road initiative" strategy, the company should "go out and welcome in", focus on the overall market situation, concentrate superior resources, and improve product technology and service level.

In the field of gas turbine, the company has been committed to becoming a full cycle service provider in the field of gas turbine. The company continues to increase the breadth and depth of cooperation with Siemens, to enhance the core competitiveness of gas turbine products according to market demand, and to further explore the deep cooperation between the two parties in the fields of gas turbine manufacturing, research and development, and after sales service, etc.

#### 5. Deepening management

The company orderly pushes forward the landing of the annual "Top Ten Key Management Tasks". It deepens the "lean production", formulates the Lean Production Management Measures, adjusts the lean production organization structure, and carries out the production line lean team building, creative kung fu and other lean on-site core basic work.

The company focuses on conducting special internal audit for the construction projects of steam turbine heavy industry and steam turbine power building. It increases efforts in bidding for the disposal of waste materials and standardize the cleaning of materials during the relocation of the company.

The company strengthens assessment management on personnel construction and training. It increases the training of young cadres and reserve cadres, revises the assessment management methods for middle-level cadres, and improves the cadre assessment mechanism. Meanwhile, the company pays attention to improving the pertinence of personnel training, vigorously promotes the spirit of craftsmen, and trains outstanding national, provincial and municipal craftsmen model workers; Optimizes the talent development environment and cultivates professional skilled talents through various vocational skills competitions. It strengthens the cultivation of lean talents, stimulates the innovative potential of talents, and make new contributions to the transformation and upgrading of enterprises.

#### 6. Rooted culture

During the reporting period, the company comprehensively promoted the corporate culture construction project with the theme of "focus on power to secure the future", and established the company's mission: to drive industrial civilization and sustainable China power, and the company's vision: to become a world-class industrial drive service provider. And around the core enterprise values of "customer first, pioneering and innovative, craftsman spirit, leading by example, team cooperation", the company continued to carry out corporate culture creation activities, conduct in-depth analysis of corporate mission, vision and core values based on the company's

long-term development, and jointly explore the company's new culture in the new era.

## 2. Main business analysis

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

Changes in the financial data

In RMB

|  | This report period | Same period last year | YOY change (%) | Cause change   |
|--|--------------------|-----------------------|----------------|--|
| Turnover                                       | 1,920,181,703.03   | 2,284,130,982.13      | -15.93%        |  |
| Operating cost                                 | 1,366,404,401.26   | 1,612,116,152.26      | -15.24%        |  |
| Sale expenses                                  | 86,895,939.32      | 77,008,302.22         | 12.84%         |  |
| Administrative expenses                        | 235,168,325.98     | 237,456,060.16        | -0.96%         |  |
| Financial expenses                             | -4,254,503.16      | 3,177.07              | -134,012.79%   | Mainly due to the increase in interest income and the decrease in exchange losses during the period  |
| Income tax expenses                            | 36,775,399.29      | 31,977,871.82         | 15.00%         |  |
| R & D Investment                               | 116,760,942.52     | 151,349,561.03        | -22.85%        |  |
| Cash flow generated by business operation, net | -9,340,596.37      | 557,787,190.73        | -101.67%       | It is mainly due to the decrease in cash receipts of goods sold in the current period compared with the same period last year.               |
| Net cash flow generated by investment          | 682,424,067.27     | -509,012,778.80       | 234.07%        | It is mainly due to the increase in redemption of financial products, the decrease in new purchases and the decrease in total holdings.      |
| Net cash flow generated by financing           | -248,157,520.13    | -30,496,335.59        | -713.73%       | It is mainly due to the increase in foreign dividends and the decrease in bank loans.  |
| Net increasing of cash and cash equivalents    | 424,218,280.91     | 17,761,752.63         | 2,288.38%      | In combination with the above reasons  |
| Taxes and surcharges                           | 13,458,140.99      | 29,819,229.04         | -54.87%        | It is mainly due to the year-on-year decrease in VAT paid in the current period.   |
| Investment income                              | 99,460,322.66      | 37,144,607.44         | 167.77%        | It is mainly due to the receipt of dividends from Hangzhou Bank.   |
| Fair value changes income                      | -1,474,755.34      |                       |                | It is mainly due to the adjustment of the reporting items of the new financial standards that began to be implemented in the current period. |
| Impairment loss of assets                      | 6,423,806.70       | -43,111,352.82        | 114.90%        | It is mainly due to the return of the original provision for impairment of assets resulted   |

|  |                  |                  |          |  |
|--|------------------|------------------|----------|--|
|  |                  |                  |          | from debt restructuring in the current period and recovery of long-term accounts receivable.   |
| Non-operating income                   | 744,839.16       | 4,189,726.48     | -82.22%  | It is mainly due to the decrease in the current supplier's liquidated damages and quality compensation income.                               |
| Non-operating expenses                 | 5,220,762.28     | 2,591,154.54     | 101.48%  | It is mainly due to the increase in compensation expenditure in the current period.  |
| Monetary funds                         | 1,819,859,022.91 | 1,382,392,009.59 | 31.65%   | It is mainly due to the decrease of financial investment in the current period and the receipt of compensation for demolition.               |
| Transactional financial assets         | 578,769,000.00   |                  |          | It is mainly due to the adjustment of the reporting items of the new financial standards that began to be implemented in the current period. |
| Dividend receivable                    | 84,526,094.10    | 16,557,292.60    | 410.51%  | It is mainly due to the announcement of dividends by Hangzhou Bank.  |
| Other current assets                   | 65,115,936.29    | 1,188,747,955.74 | -94.52%  | It is mainly due to the adjustment of the reporting items of the new financial standards that began to be implemented in the current period. |
| Available for sale of financial assets | 0.00             | 2,130,076,555.20 | -100.00% | It is mainly due to the adjustment of the reporting items of the new financial standards that began to be implemented in the current period. |
| Other equity Instrument investment     | 2,264,720,465.98 | 0.00             |          | It is mainly due to the adjustment of the reporting items of the new financial standards that began to be implemented in the current period. |
| Other non-current Financial assets     | 131,881,883.86   | 0.00             |          | It is mainly due to the adjustment of the reporting items of the new financial standards that began to be implemented in the current period. |
| Construction in process                | 659,588,447.28   | 454,767,328.93   | 45.04%   | It is mainly due to the continuous investment in the new factory construction project of heavy industry in the current period.               |

|                      |                |                |         |  |
|----------------------|----------------|----------------|---------|--|
| Short-term borrowing | 97,500,000.00  | 139,600,000.00 | -30.16% | It is mainly due to the reduction of short-term loans in the current period.   |
| Tax payable          | 22,926,791.79  | 62,405,200.62  | -63.26% | It is mainly due to the reduction of unpaid VAT and enterprise income tax at the end of the current period.                    |
| Interest payable     | 100,958.90     | 437,314.72     | -76.91% | It is mainly due to the decrease in bank loans in the current period and the corresponding decrease in interest paid on loans. |
| Long-term payable    | 785,666,859.28 | 474,876,451.26 | 65.45%  | It is mainly due to the demolition compensation received in the current period.  |

Significant changes in the profit structure or profit source of the Company during the reporting period

Nil

Main business composition

| 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       | 1,728,016,908.35 | 1,233,115,640.06 | 28.64%               | -15.35%   | -12.58%  | -2.26%   |
| Nonferrous metal alloy manufacture         | 84,257,416.72    | 66,391,765.42    | 21.20%               | 26.98%  | 27.88%   | -0.55%   |
| Other                                      | 107,907,377.96   | 66,896,995.78    | 38.01%               | -38.86%   | -55.32%  | 22.84%   |
| Subtotal                                   | 1,920,181,703.03 | 1,366,404,401.26 | 28.84%               | -15.93%   | -15.24%  | -0.58%   |
| On Products                                |                  |                  |                      |   |  |  |
| Industrial steam turbine                   | 1,465,469,922.92 | 1,047,420,373.19 | 28.53%               | -16.57%   | -13.97%  | -2.16%   |
| Casting products                           | 84,257,416.72    | 66,391,765.42    | 21.20%               | 26.98%  | 27.88%   | -0.55%   |
| Auxiliary machinery                        | 78,122,117.16    | 67,840,098.87    | 13.16%               | -3.21%  | -3.29%   | 0.08%  |
| Complete sets of waste heat power stations | 49,244,940.88    | 47,384,746.06    | 3.78%                | -8.72%  | 6.96%  | -14.10%  |
| Part                                       | 135,179,927.39   | 70,470,421.94    | 47.87%               | -9.96%  | -10.28%  | 0.19%  |
| Other                                      | 107,907,377.96   | 66,896,995.78    | 38.01%               | -38.86%   | -55.32%  | 22.84%   |



|          |                  |                  |        |         |         |        |
|----------|------------------|------------------|--------|---------|---------|--------|
| Subtotal | 1,920,181,703.03 | 1,366,404,401.26 | 28.84% | -15.93% | -15.24% | -0.58% |
| District |                  |                  |        |         |         |        |
| Domestic | 1,711,280,921.02 | 1,197,414,715.29 | 30.03% | -21.93% | -22.45% | 0.47%  |
| Overseas | 208,900,782.01   | 168,989,685.97   | 19.11% | 126.82% | 148.04% | -6.92% |
| Subtotal | 1,920,181,703.03 | 1,366,404,401.26 | 28.84% | -15.93% | -15.24% | -0.58% |

### 3.Non-core business analysis

In RMB

|                           | Amount        | Proportion in total profit | Explanation of cause   | Sustainable (yes or no) |
|---------------------------|---------------|----------------------------|--|-------------------------|
| Investment income         | 99,460,322.66 | 44.91%                     | Mainly due to the investment income of wealth management products and dividends of Hangzhou Bank this year |                         |
| Fair value changes income | -1,474,755.34 | -0.67%                     | It is mainly due to the change in fair value of the shares held in the current period.                     |                         |
| Impairment of assets      | -6,423,806.70 | -2.90%                     | It is mainly due to the reversal of bad debts originally accrued for current accounts receivable.          |                         |
| Non-operating income      | 744,839.16    | 0.34%                      | It is mainly due to the contract compensation paid by the supplier received in the current period.         |                         |
| Non-operating expenses    | 5,220,762.28  | 2.36%                      | It is mainly due to compensation and debt restructuring losses.  |                         |
| Other income              | 15,761,589.03 | 7.12%                      | This is mainly due to the social security refund obtained in the current period.                           |                         |

## IV. Condition of Asset and Liabilities

### 1.Condition of Asset Causing Significant Change

In RMB

|                     | End of Reporting period |                                    | End of same period of last year |                                    | Change in percentage(%) | Reason for significant change |
|---------------------|-------------------------|------------------------------------|---------------------------------|------------------------------------|-------------------------|-------------------------------|
|                     | Amount                  | As a percentage of total assets(%) | Amount                          | As a percentage of total assets(%) |                         |                               |
| Monetary fund       | 1,819,859,022.91        | 15.08%                             | 1,230,803,798.79                | 10.83%                             | 4.25%                   |                               |
| Accounts receivable | 2,060,368,351.36        | 17.08%                             | 1,921,794,558.44                | 16.91%                             | 0.17%                   |                               |
| Inventories         | 2,222,781,933.26        | 18.42%                             | 2,055,625,339.61                | 18.09%                             | 0.33%                   |                               |
| Long-term equity    | 10,261,439.29           | 0.09%                              | 5,800,000.00                    | 0.05%                              | 0.04%                   |                               |

|                         |                |       |                |       |        |  |
|-------------------------|----------------|-------|----------------|-------|--------|--|
| investment              |                |       |                |       |        |  |
| Fixed assets            | 761,603,992.58 | 6.31% | 540,574,836.70 | 4.76% | 1.55%  |  |
| Construction in process | 659,588,447.28 | 5.47% | 400,143,683.78 | 3.52% | 1.95%  |  |
| Short-term-Borrowing    | 97,500,000.00  | 0.81% | 140,000,000.00 | 1.23% | -0.42% |  |
| Long-term borrowing     | 22,600,000.00  | 0.19% | 122,800,000.00 | 1.08% | -0.89% |  |

## 2.Asset and Liabilities Measured by Fair Value

In RMB

| Financial assets                      | 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  |
|---------------------------------------|------------------|--|---|--|------------------------------------|-------------------------------|------------------|
| 3.Available-for-sale financial assets |                  |  |   |  |                                    |                               |                  |
| 1. Transactional financial assets     | 1,275,070,030.80 | -1,474,755.34  | 0.00  | 0.00   | 1,173,060,608.40                   | 1,736,005,000.00              | 710,650,883.86   |
| 4. Other equity Instrument investment | 2,011,876,524.40 | 252,843,941.58   | 1,873,766,425.98                                |  |                                    |                               | 2,264,720,465.98 |
| Subtotal of financial assets          | 3,286,946,555.20 | 251,369,186.24   | 1,873,766,425.98                                | 0.00   | 1,173,060,608.40                   | 1,736,005,000.00              | 2,975,371,349.84 |
| Total of the above                    | 3,286,946,555.20 | 251,369,186.24   | 1,873,766,425.98                                | 0.00   | 1,173,060,608.40                   | 1,736,005,000.00              | 2,975,371,349.84 |
| Financial Liabilities                 | 0.00             | 0.00   | 0.00  | 0.00   | 0.00                               | 0.00                          | 0.00             |

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

No

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

| Items           | End of Book value | Reason  |
|-----------------|-------------------|---|
| Monetary fund   | 133,453,924.80    | Utilized for issuing bank acceptance bill, L/C and L/G. |
| Note receivable | 62,824,000.00     | Utilized for issuing bank acceptance bill               |

|                                    |                  |  |
|------------------------------------|------------------|--|
| Fixed assets                       | 118,662,101.07   | Utilized for pledging to obtain the bank loan and guaranteeing the investment loan for China Development Funds |
| Invisible assets                   | 84,981,463.59    | Utilized for pledging to obtain the bank loan and guaranteeing the investment loan for China Development Funds |
| Construction in process            | 420,170,711.42   | Utilized for guaranteeing the investment loan for China Development Funds                                      |
| Dividend receivable                | 27,827,292.60    | Utilized for guaranteeing the investment loan for China Development Funds                                      |
| Other equity Instrument investment | 375,516,399.00   | Utilized for guaranteeing the investment loan for China Development Funds                                      |
| Total                              | 1,223,435,892.48 |  |

## V. Investment situation

### 1. General

| Investments made in the reporting period | Investments made in same period of last year | +/- %  |
|--|--|--------|
| 229,114,374.05                           | 167,348,162.00                               | 36.91% |

### 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 | Turbine heavy industry | Self-built | Yes | General equipment manufacturing | Accrued Investment up to the Reporting Period | Actual Amount End of Reporting Period | Capital Source | Project schedule | Anticipated income | Accrued Realized Income up to the End of Reporting | Reasons for not Reaching the Planned Schedule and Anticipated | Disclosure date | Disclosure Index |
|--------------|------------------------|------------|-----|---------------------------------|---|---------------------------------------|----------------|------------------|--------------------|--|---|-----------------|------------------|
|--------------|------------------------|------------|-----|---------------------------------|---|---------------------------------------|----------------|------------------|--------------------|--|---|-----------------|------------------|

|                        |            |     |                                 |                |                |      |        |      | Period | Income |    |    |
|------------------------|------------|-----|---------------------------------|----------------|----------------|------|--------|------|--------|--------|----|----|
| Turbine heavy industry | Self-built | Yes | General equipment manufacturing | 201,437,083.52 | 683,969,135.36 | Self | 39.46% |      |        | No     |    |    |
| Total                  | --         | --  | --                              | 201,437,083.52 | 683,969,135.36 | --   | --     | 0.00 | 0.00   | --     | -- | -- |

## 4. Investment of Financial Asset

## (1) Securities investment

| 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/loss of the reporting period | Book value balance at the end of the reporting period | Accounting items                    | Sauce of the shares |
|---|---------------|---------------------|-------------------------|--------------------------------|---|--|---|------------------------------------|--------------------------------|-----------------------------------|---|-------------------------------------|---------------------|
| Domestic and foreign stocks   | 600926        | Hangzhou Bank       | 390,954,040.00          | FVM                            | 2,011,876,524.40  | 252,843,941.58                           | 1,873,766,425.98                        |                                    |                                |                                   | 2,264,720,465.98                                      | Other equity Instrument investment  | Self funds          |
| Domestic and foreign stocks   | 000912        | LUTIANHU A          | 3,756,608.40            | FVM                            | 0.00  | -1,474,755.34                            |   | 3,756,608.40                       |                                |                                   | 2,281,853.06  | Financial assets available for sale | Debt instrument     |
| Total   |               |                     | 394,710,648.40          | --                             | 2,011,876,524.40  | 251,369,186.24                           | 1,873,766,425.98                        | 3,756,608.40                       | 0.00                           | 0.00                              | 2,267,002,319.04                                      | --                                  | --                  |
| Disclosure Date of Announcement on Securities Investment Approved by the Board of Directors |               |                     |                         |                                |   |  |   |                                    |                                |                                   |   |                                     |                     |
| Disclosure Date of  |               |                     |                         |                                |   |  |   |                                    |                                |                                   |   |                                     |                     |

|  |  |
|--|--|
| Announcement on Securities<br>Investment Approved by the<br>Shareholders Meeting(If any) |  |
|--|--|

The Lutianhua shares held by the Company are obtained by debt-paying by the customer.

## (2) Investment in Derivatives

☐ Applicable ☒ Not applicable

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

**VI. Sales of major assets and equity**

## 1. Sales of major assets

☐ Applicable ☒ Not applicable

The Company had no sales of major assets in the reporting period.

## 2. Sales of major equity

Not applicable

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

☒ Applicable ☐ Not applicable

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

In RMB

| Company Name   | Company type | Leading products and services | Registered capital | Total assets     | Net assets     | Operating Income | Operating profit | Net Profit    |
|--|--------------|-------------------------------|--------------------|------------------|----------------|------------------|------------------|---------------|
| Zhejiang Steam Turbine Packaged Technology Development Co., Ltd. | Subsidiaries | Trade of packaged equipment   | 51,000,000.00      | 285,022,490.11   | 93,676,646.83  | 132,931,775.76   | 17,507,093.76    | 14,770,529.69 |
| Hangzhou Zhongneng Steam Turbine Power Co., Ltd.                 | Subsidiaries | Manufacturing                 | 92,500,000.00      | 1,141,670,374.64 | 323,261,297.51 | 434,209,306.91   | 25,091,401.15    | 17,020,437.04 |
| Hangzhou Steam Turbine Casting Co., Ltd.                         | Subsidiaries | Casting                       | 29,500,000.00      | 517,297,871.18   | 239,359,212.84 | 201,953,546.36   | -4,818,441.91    | -4,923,525.49 |

|  |              |                  |                  |                |                |                |               |               |
|--|--------------|------------------|------------------|----------------|----------------|----------------|---------------|---------------|
| Hangzhou Steam Turbine Machinery & Equipment Co., Ltd. | Subsidiaries | Manufacturing    | 30,000,000.00    | 279,213,048.59 | 140,961,770.15 | 134,372,561.91 | 44,513,298.05 | 31,959,387.07 |
| Hangzhou Steam Turbine Auxiliary Machine Co., Ltd.     | Subsidiaries | Manufacturing    | 80,000,000.00    | 767,177,545.84 | 209,709,416.47 | 238,328,136.56 | 9,134,251.29  | 6,346,621.51  |
| Zhejiang Turbine Import & Export Co., Ltd.             | Subsidiaries | Commerce & trade | 20,000,000.00    | 220,674,703.32 | 50,481,849.46  | 58,411,432.33  | -3,559.66     | 51,137.44     |
| Hangzhou Steam Turbine Heavy Industry Co., Ltd.        | Subsidiaries | Manufacturing    | 1,000,000,000.00 | 961,405,332.32 | 947,308,770.53 | 3,211,258.48   | 4,102,620.76  | 3,026,188.63  |

Subsidiaries obtained or disposed in the reporting period

Not applicable

#### **VIII. Structured vehicle controlled by the Company**

Not applicable



## IX. Prediction of business performance for January -September 2019

Estimation of accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation of reason.

Not applicable

## X. Risks facing the Company and countermeasures

### 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 2019, 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.

## V. Important Events

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

#### 1. Annual General Meeting

| Meeting   | Type                                      | Investor participation ratio | Convened date    | Disclosure date  | Index to disclosed information   |
|---|---|------------------------------|------------------|------------------|--|
| First Provisional Shareholders' general meeting of 2019 | Provisional Shareholders' general meeting | 72.42%                       | January 29, 2019 | January 30, 2019 | Resolutions of the first provisional Shareholders' general Meeting of 2019 (Announcement No. 2019-08) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and <a href="http://www.cninfo.com.cn">Http://www.cninfo.com.cn</a> |
| 2018 Shareholders' general meeting                      | Annual Shareholders' General Meeting      | 66.98%                       | May 10, 2019     | May 10, 2019     | Resolutions of the Shareholders' Annual Meeting 2018 (Announcement No. 2019-41) released by Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily, and <a href="http://www.cninfo.com.cn">Http://www.cninfo.com.cn</a>                       |

2. Preferred stockholders restored voting rights to request to convene Provisional Shareholders' Meeting.

Not applicable

### II. Proposal for profit distribution and converting capital Reserve into share actual for the reporting period

For the reporting period, the Company plans not to distribute cash dividends or bonus shares or convert capital reserve into share capital.

### III. 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.

Not existent

**IV. Particulars about engagement and disengagement of CPAs firm**

Whether the semi-annual financial report had been audited?

The semi-annual report was not audited.

**V. Explanations given by board of directors and supervisory board regarding “ Modified auditor’s” Issued by CPAs firm for the reporting period**

Not applicable

**VI. Explanations given by Board of Directors regarding “ Modified auditor’s Report” Issued for last year**

Not applicable

**VII. Bankruptcy and restructuring**

No such cases in the reporting period.

**VIII. Lawsuit**

Significant lawsuits or arbitrations

☐ Applicable ☒ Not applicable

No such cases in the reporting period.

Other legal matters

| Basic conditions of litigation (arbitration)  | Amount involved (Ten thousand yuan ) | Forming of the predicted debt | Litigation (arbitration) progress   | Litigation (arbitration) judgement result and influence   | Litigation (arbitration) judgement execution condition   | Date of disclosure | Index of disclosure |
|---|--------------------------------------|-------------------------------|---|---|--|--------------------|---------------------|
| On September 5, 2018, Henan Junhua Development Co., Ltd (hereinafter referred to as Henan Junhua Company), on the ground of production equipment failure leading to production stoppage, sued the equipment supply and service general contractor-China General Mechanical Engineering Co., Ltd, the related equipment manufacturer Xi'an Shangu Power Co., Ltd (hereinafter referred to as Xi'an Shangu Company) and the Company, claiming the equipment | 3,220.25                             | No                            | On May 22, 2019, the Intermediate People's Court of Zhumadian City Henan Province made a first-instance civil judgment. | According to the civil judgment of the Intermediate People's Court of Zhumadian City Henan Province [No. 215 -(2018) Yu 17 Civil Action], it's ruled that Xi'an Shangu Company and the Company shall compensate 32,202,504.572 yuan to Henan Junhua Company within 15 days after the judgment came into effect, with rejecting Henan Junhua Company's other requests, and for the case acceptance fee of 272,800 yuan, Henan Junhua | The Company has appealed to the Higher People's Court of Henan Province, and presently the case has not yet been notified of the trial time. |                    |                     |

|   |  |  |  |  |  |  |  |
|---|--|--|--|--|--|--|--|
| manufacturer Xi'an Shangu Company and the Company to jointly compensate the production equipment stoppage loss of 44 million yuan and equipment repairing costs of 2.2 million yuan and other costs involved in the litigation. |  |  |  | Company shall bear 69,987 yuan and Xi'an Shangu Company and the Company shall bear 202,813 yuan, and Xi'an Shangu Company and the Company shall bear the preservation fee of 5,000 yuan. |  |  |  |
|---|--|--|--|--|--|--|--|

**IX. Punishments and rectifications**

Not existent

**X. Credit conditions of the Company as well as its Controlling shareholder and actual Controller**

Not existent

**XI. Equity incentive plans, employee stock ownership plans or other incentive measures for employees**

Not existent

## XII. 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 (Ten thousand) | Ratio in similar trades | Trading limit approved (Ten thousand) | 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                                | Generators                           | Fair and just                                 | Market price   | 8,097.96                       |                         | 17,672.41                             | No   | Bank transfer  | Not applicable                          | January 30,2019    | 2019-08                         |
| Hangzhou Steam Turbine Automobile Sales Service Co., Ltd.  | Affiliate of the Group | Related transactions to procure goods / services | freight, repairing fee               | Fair and just                                 | Market price   | 3,044.35                       |                         | 4,556.00                              | No   | Bank transfer  | Not applicable                          | January 30,2019    | 2019-08                         |
| Total  |                        |  |                                      | ---   | ---            | 11,142.31                      | --                      | 22,228.41                             | --   | --             |   | --                 | --                              |
| 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 transactions by type to occur in the current period(if any) |                        |  |                                      | No  |                |                                |                         |                                       |  |                |   |                    |                                 |
| Reason for any significant difference between the transaction price and the market reference price (if applicable)   |                        |  |                                      | No  |                |                                |                         |                                       |  |                |   |                    |                                 |

2. Related-party transactions arising from asset acquisition or sold

No such cases in the reporting period.

3. Related-party transitions with joint investments

For details, See 5, “other significant related transactions”.

## 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

1. In order to develop, drive and guide the development of core technologies in the relevant fields of the gas turbine machinery industry chain, and promote the transformation and upgrading of high-end equipment manufacturing industry in Zhejiang Province, the Company and Hangzhou Steam Turbine Power Group Co., Ltd. , Hunan Chongde Industrial Technology Co., Ltd., Hengfeng Tools Co., Ltd., Mechanical Science Research Institute Zhejiang Branch Co., Ltd., Hangzhou Bohua Laser Technology Co., Ltd and Zhejiang Hengying Power Technology Co., Ltd initiated the establishment of Zhejiang Ranchuang Turbine Machinery Co., Ltd.

| Description of provisional announcement   | Date of disclosing provisional announcement | Description of the website for disclosing provisional announcements |
|---|---|---|
| Announcement on Joint External Investment and Related Transactions with Related Parties | February 26,2019                            | www.cninfo.com.cn) ( Announcement No.:2019-11)                      |

### XIII. Particulars about the non-operating occupation of funds by the Controlling shareholder and other related parties of the Company

The company was not involved in the non-operating occupation of funds by the controlling shareholder and other related parties during the reporting period.

### XIV. Significant contracts and execution

#### 1.Entrustments, contracting and leasing

##### (1) Entrustment

No such cases in the reporting period.

##### (2) Contracting

No such cases in the reporting period.



## (3) Leasing

No such cases in the reporting period.

## 2. Significant guarantees

## (1) Guarantees

Ten thousand yuan

| External Guarantee (Exclude controlled subsidiaries)                 |   |                     |   |  |                              |   |                                |  |
|--|---|---------------------|---|--|------------------------------|---|--------------------------------|--|
| Name of the Company  | Relevant disclosure date/No. of the guaranteed amount | Amount of Guarantee | Date of happening (Date of signing agreement) | Actual amount of guarantee   | Guarantee type               | Guarantee term  | Complete implementation or not | Guarantee for associated parties (Yes or no) |
| Hangzhou 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 actually incurred in the report period（A2） |                              | 0   |                                |  |
| Total of external guarantee approved at Period-end(A3)               |   | 20,800              |   | Total balance of actual external guarantee at Period-end(A4)                 |                              | 20,800  |                                |  |
| Guarantee of the 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 of signing agreement) | Actual amount of guarantee   | Guarantee type               | Guarantee term  | Complete implementation or not | Guarantee for associated parties (Yes or no) |
| Hangzhou Steam Turbine Casting Co., Ltd.                             | May 18,2019   | 2,000               | June 13,2019                                  | 1,050  | The joint liability guaranty | Two years from the date of expiration of the principal debt | No                             | No   |
| Hangzhou Steam Turbine Casting Co., Ltd.                             | May 18,2019   | 3,000               | June 21,2019                                  | 820  | The joint liability guaranty | Two years from the date of expiration of                    | No                             | No   |

|   |   |                     |  |   |                              |   |                                 |  |
|---|---|---------------------|--|---|------------------------------|---|---------------------------------|--|
|   |   |                     |  |   |                              | the principal debt  |                                 |  |
| Total of guarantee for subsidiaries approved in the Period (B1)                                     |   | 5,000               |  | Total of actual guarantee for subsidiaries in the Period (B2)                                 |                              | 1,870   |                                 |  |
| Total of guarantee for subsidiaries approved at Period-end (B3)                                     |   | 5,000               |  | Total of actual guarantee for subsidiaries at Period-end (B4)                                 |                              | 1,870   |                                 |  |
| 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 amount of guarantee  | Guarantee type               | Guarantee term  | Complete implemen tation or not | Guarantee for associated parties (Yes or no) |
| Hangzhou Guoneng Steam Turbine Engineering Co., Ltd.  | June 25,2019  | 10,000              | June 20,2019                                 | 1,778.61  | The joint liability guaranty | Two years from the date of expiration of the principal debt | No                              | No   |
| Total guarantee quota to the subsidiaries approved in the reporting period (C1)                     |   | 10,000              |  | Total amount of guarantee to the subsidiaries actually incurred in the reporting period (C2)  |                              | 1,778.61  |                                 |  |
| Total guarantee quota to the subsidiaries approved at the end of the reporting period (C3)          |   | 10,000              |  | Total balance of actual guarantee to the subsidiaries at the end of the reporting period (C4) |                              | 1,778.61  |                                 |  |
| Total of Company’s guarantee（namely total of the large three aforementioned）                        |   |                     |  |   |                              |   |                                 |  |
| Total of guarantee in the Period（A1+B1+C1）  |   | 15,000              |  | Total of actual guarantee in the Period（A2+B2+C2）   |                              | 3,648.61  |                                 |  |
| Total of guarantee at Period-end（A3+B3+C3）  |   | 35,800              |  | Total of actual guarantee at Period-end（A4+B4+C4）   |                              | 24,448.61   |                                 |  |
| The proportion of the total amount of actually guarantee in the net assets of the company(A4+B4+C4) |   |                     |  | 3.92%   |                              |   |                                 |  |
| 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  |   |                     |  | 10,000  |                              |   |                                 |  |

|   |        |
|---|--------|
| 70% directly or indirectly (E)  |        |
| 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)   | 30,800 |
| Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (If any) | Nil    |
| Explanations on external guarantee against regulated procedures(If any)                                       | Nil    |

#### Description of the guarantee with complex method

Hangzhou Heavy Machinery Co., Ltd, which is the company's subsidiary, had made an application of special construction funds of 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. Other significant contracts

No such cases in the reporting period.

### XV.Social responsibilities

#### 1.Major 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.

## 2. Implementation of the social responsibility of precise poverty relief

### (1) Precision poverty alleviation planning

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

## **XVI. Other material events**

1. In order to meet the capital demand for the development of steam turbine heavy industry and promote the construction of steam turbine heavy industry projects, the Company increased the capital of 462,731,965 yuan to the Steam Turbine Heavy Machine. During the reporting period, the Steam Turbine Heavy Machine has increased its capital and changed its registered capital to 1 billion yuan. The complete report is available as Announcement 2019-34 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at [www.cninfo.com.cn](http://www.cninfo.com.cn) dated April 27, 2019.

2. The Company signed the “Compensation Agreement for the Relocation of Non-residential Houses on State-owned Land” with Hangzhou Xiacheng Urban Construction Investment Development Group Co., Ltd., 2. The Company will receive a compensation amount of RMB 1,299,324,850.00 for the completion of the relocation. As of the reporting period, the Company has received the accumulated compensation of 620,559,021.76 yuan for the relocation. The complete report is available as Announcement 2019-39 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at [www.cninfo.com.cn](http://www.cninfo.com.cn) dated April 27, 2019.

## **XVII. Material events of subsidiaries**

1. The Company's holding subsidiary, the Casting & Forging Company, increased its capital and expanded shares to introduce strategic investors, and completed the change of registered capital of industrial and commercial registration during the reporting period. The complete report is available as Announcement 2019-07 with Securities Times, Shanghai Securities Daily, Hong Kong Commercial Daily and at [www.cninfo.com.cn](http://www.cninfo.com.cn) dated January 11, 2019.

## VI. Change of share capital and shareholding of Principal Shareholders

### I.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 persons 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

Ownership transfer of share changes

Not applicable

Progress on any share repurchase:

☐ Applicable ☒ Not applicable

Progress on reducing the repurchased shares by means of centralized bidding:

☐ Applicable ☒ Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

☐ Applicable ☒ Not applicable

Other information necessary to disclose for the company or need to disclosed under requirement from security regulators

☐ Applicable ☒ Not applicable

## 2. Change of shares with limited sales condition

☐ Applicable ☒ Not applicable

## III. Shareholders and shareholding

In Shares

| Total number of common shareholders at the end of the reporting period         | 13,723                   | Total number of preferred shareholders that had restored the voting right at the end of the reporting period (if any) |                                      |                             |                                  |                                     | 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 TOTAL INTERNATIONAL STOCK INDEX FUND                                  | Foreign legal person     | 0.69%   | 5,203,236                            | 1,704,190                   | 0                                | 5,203,236                           |                                |        |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND                                     | Foreign legal person     | 0.63%   | 4,722,804                            | 0                           | 0                                | 4,722,804                           |                                |        |
| GUOTAI JUNAN   | Foreign legal            | 0.59%   | 4,479,485                            | 1,786,122                   | 0                                | 4,479,485                           |                                |        |

|   |                             |  |           |  |  |           |  |  |
|---|-----------------------------|--|-----------|--|--|-----------|--|--|
| SECURITIES(HONGKONG)<br>LIMITED   | person                      |  |           |  |  |           |  |  |
| Zhou Jie  | Domestic<br>Natural person  | 0.56%  | 4,200,000 | 0  | 0  | 4,200,000 |  |  |
| ISHARES CORE MSCI EMERGING<br>MARKETS ETF   | Foreign legal<br>person     | 0.48%  | 3,654,159 | -125,395   | 0  | 3,654,159 |  |  |
| China Merchants Securities (HK)Co.,<br>Ltd.   | State-owned<br>legal person | 0.47%  | 3,549,104 | 229,663  | 0  | 3,549,104 |  |  |
| NORGES BANK   | Foreign legal<br>person     | 0.33%  | 2,514,529 | 0  | 0  | 2,514,529 |  |  |
| Xia Zulin   | Domestic<br>Natural person  | 0.31%  | 2,301,000 | 21,000   | 0  | 2,301,000 |  |  |
| Wang Yihu   | Domestic<br>Natural person  | 0.20%  | 1,488,524 | 47,200   | 0  | 1,488,524 |  |  |
| 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)<br>(2) There is no relationship between Hangzhou Steam Turbine Power Group Co., Ltd. and other shareholders;<br>(3) Hangzhou Steam Turbine Power Group Co., Ltd. is not an “action-in-concert” party with any of other shareholders as described by the “Administration Rules of Informational Disclosure about Change of Shareholding Statues of PLCs”. |           |  |  |           |  |  |
| Top 10 holders of shares without trading limited conditions   |                             |  |           |  |  |           |  |  |
| Name of the shareholder   |                             |  |           | Amount of unconditional shares held at end of period | Category of shares                         |           |  |  |
|   |                             |  |           |  | Category of shares                         | Amount    |  |  |
| VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND   |                             |  |           | 5,203,236  | Foreign shares placed in domestic exchange | 5,203,236 |  |  |
| VANGUARD EMERGING MARKETS STOCK INDEX FUND  |                             |  |           | 4,722,804  | Foreign shares placed in domestic exchange | 4,722,804 |  |  |
| GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED   |                             |  |           | 4,479,485  | Foreign shares placed in domestic exchange | 4,479,485 |  |  |
| Zhou Jie  |                             |  |           | 4,200,000  | Foreign shares placed in domestic exchange | 4,200,000 |  |  |
| ISHARES CORE MSCI EMERGING MARKETS ETF  |                             |  |           | 3,654,159  | Foreign shares placed in domestic exchange | 3,654,159 |  |  |
| China Merchants Securities(HK)Co., Ltd.   |                             |  |           | 3,549,104  | Foreign shares placed in domestic exchange | 3,549,104 |  |  |

|  |  |  |           |
|--|--|--|-----------|
| NORGES BANK  | 2,514,529  | Foreign shares placed in domestic exchange | 2,514,529 |
| Xia Zulin  | 2,301,000  | Foreign shares placed in domestic exchange | 2,301,000 |
| Wang Yihu  | 1,488,524  | Foreign shares placed in domestic exchange | 1,488,524 |
| Haitong International Securities Company Limited-Account Client  | 1,378,796  | Foreign shares placed in domestic exchange | 1,378,796 |
| 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;<br>(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”. |  |           |
| Top ten ordinary shareholders conducting securities margin trading   | 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.

#### IV. Change of the controlling shareholder or the actual controller

Change of the controlling shareholder in the reporting period

There was no any change of the controlling shareholder of the Company in the reporting period.

Change of the actual controller in the reporting period

There was no any change of the actual controller of the Company in the reporting period.

#### VII. Situation of the Preferred Shares

The Company had no preferred shares in the reporting period



## VIII. Information about Directors, Supervisors and Senior Executives

### I. Change of shareholding of directors, supervisors and senior executives

Share held by directors, supervisors and senior executive of the Company had no changes, more details can be seen in annual report 2018.

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

| Name      | Positions | Types   | Date            | Reason   |
|-----------|-----------|---------|-----------------|--|
| Li Guiwen | Director  | Elected | January 29,2019 | Recommended by Hangzhou Steam Turbine Power Group Co., Ltd-the controlling shareholder, Ms. Li Guiwen was nominated as a non-independent director of the Company's board of directors. After the Company held the first provisional shareholders' general meeting in 2019, she was elected as the non-independent director of the seventh session board of directors of the Company. |

### **IX. Corporate Bond**

Whether the company has corporate bonds that have been publicly issued and listed on the stock exchange, and not yet due or due but not fully cashed on the approval date of the semi-annual report

No

## X. Financial Report

### I. Auditors' Report

The Semi-annual Financial Report is not audited.

### 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

June 30,2019

In RMB

| Items   | June 30,2019     | December 31,2018 |
|---|------------------|------------------|
| Current asset:  |                  |                  |
| Monetary fund   | 1,819,859,022.91 | 1,382,392,009.59 |
| Settlement provision  |                  |                  |
| Outgoing call loan  |                  |                  |
| Transactional financial assets  | 578,769,000.00   |                  |
| Financial assets measured at fair value with variations accounted into current income account |                  |                  |
| Derivative financial assets   |                  |                  |
| Notes receivable  | 480,606,384.84   | 595,089,175.22   |
| Account receivable  | 2,060,368,351.36 | 1,940,798,255.26 |
| Financing of receivables  |                  |                  |
| Prepayments   | 415,291,957.37   | 370,958,990.74   |
| Insurance receivable  |                  |                  |
| Reinsurance receivable  |                  |                  |
| Provisions of Reinsurance contracts receivable  |                  |                  |
| Other account receivable  | 102,819,441.41   | 32,552,458.76    |
| Including: Interest receivable  | 0.00             | 0.00             |
| Dividend receivable   | 84,526,094.10    | 16,557,292.60    |
| Repurchasing of financial assets  |                  |                  |
| Inventories   | 2,222,781,933.26 | 2,188,121,342.87 |
| Contract assets   |                  |                  |
| Assets held for sales   |                  |                  |
| Non-current asset due within 1 year   |                  |                  |
| Other current asset   | 65,115,936.29    | 1,188,747,955.74 |
| Total of current assets   | 7,745,612,027.44 | 7,698,660,188.18 |
| Non-current assets:   |                  |                  |
| Loans and payment on other's behalf disbursed   |                  |                  |

|  |                   |                   |
|--|-------------------|-------------------|
| Debt investment  |                   |                   |
| Available for sale of financial assets   | 0.00              | 2,130,076,555.20  |
| Other investment on bonds  |                   |                   |
| Expired investment in possess  |                   |                   |
| Long-term receivable   |                   |                   |
| Long term share equity investment  | 10,261,439.29     | 8,221,439.29      |
| Other equity instruments investment  | 2,264,720,465.98  | 0.00              |
| Other non-current financial assets   | 131,881,883.86    | 0.00              |
| Property investment  |                   |                   |
| Fixed assets   | 761,603,992.58    | 783,740,928.49    |
| Construction in progress   | 659,588,447.28    | 454,767,328.93    |
| Production physical assets   |                   |                   |
| Oil & gas assets   |                   |                   |
| Use right assets   |                   |                   |
| Intangible assets  | 276,098,586.15    | 279,740,756.49    |
| Development expenses   |                   |                   |
| Goodwill   |                   |                   |
| Long-germ expenses to be amortized   |                   |                   |
| Deferred income tax asset  | 214,788,537.17    | 213,962,707.23    |
| Other non-current asset  |                   |                   |
| Total of non-current assets  | 4,318,943,352.31  | 3,870,509,715.63  |
| Total of assets  | 12,064,555,379.75 | 11,569,169,903.81 |
| Current liabilities  |                   |                   |
| Short-term loans   | 97,500,000.00     | 139,600,000.00    |
| Loan from Central Bank   |                   |                   |
| Borrowing funds  |                   |                   |
| Transactional financial liabilities  |                   |                   |
| Financial liabilities measured at fair value with variations accounted into current income account |                   |                   |
| Derivative financial liabilities   |                   |                   |
| Notes payable  | 237,870,569.88    | 263,897,462.79    |
| Account payable  | 1,188,329,724.43  | 1,086,685,918.74  |
| Advance receipts   | 2,555,520,011.33  | 2,582,234,158.36  |
| Selling of repurchased financial assets  |                   |                   |
| Deposit taking and interbank deposit   |                   |                   |
| Entrusted trading of securities  |                   |                   |
| Entrusted selling of securities  |                   |                   |
| Employees' wage payable  | 65,138,079.59     | 86,390,955.29     |
| Tax payable  | 22,926,791.79     | 62,405,200.62     |
| Other account payable  | 37,609,410.52     | 36,904,303.01     |

|  |                  |                  |
|--|------------------|------------------|
| Including: Interest payable                          | 100,958.90       | 437,314.72       |
| Dividend payable                                     | 0.00             | 0.00             |
| Fees and commissions payable                         |                  |                  |
| Reinsurance fee payable                              |                  |                  |
| Contract Liabilities                                 |                  |                  |
| Liabilities held for sales                           |                  |                  |
| Non-current liability due within 1 year              | 100,100,000.00   | 100,100,000.00   |
| Other current liability                              |                  |                  |
| Total of current liability                           | 4,304,994,587.54 | 4,358,217,998.81 |
| Non-current liabilities:                             |                  |                  |
| Reserve fund for insurance contracts                 |                  |                  |
| Long-term loan                                       | 22,600,000.00    | 22,700,000.00    |
| Bond payable   |                  |                  |
| Including: preferred stock                           |                  |                  |
| Sustainable debt                                     |                  |                  |
| Lease liability                                      |                  |                  |
| Long-term payable                                    | 785,666,859.28   | 474,876,451.26   |
| Long-term remuneration payable to staff              |                  |                  |
| Expected liabilities                                 |                  |                  |
| Deferred income                                      | 42,773,215.20    | 44,675,128.30    |
| Deferred income tax liability                        | 282,127,222.10   | 244,169,946.57   |
| Other non-current liabilities                        |                  |                  |
| Total non-current liabilities                        | 1,133,167,296.58 | 786,421,526.13   |
| Total of liability                                   | 5,438,161,884.12 | 5,144,639,524.94 |
| 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   | 151,684,419.65   |
| Less: Shares in stock                                |                  |                  |
| Other comprehensive income                           | 1,592,318,152.64 | 1,377,168,522.74 |
| Special reserve                                      | 20,236,633.76    | 21,020,671.47    |
| Surplus reserves                                     | 621,112,807.78   | 621,112,807.78   |
| Common risk provision                                |                  |                  |
| Retained profit                                      | 3,092,067,160.53 | 3,082,544,107.52 |
| Total of owner's equity belong to the parent company | 6,231,429,574.36 | 6,007,540,929.16 |
| Minority shareholders' equity                        | 394,963,921.27   | 416,989,449.71   |
| Total of owners' equity                              | 6,626,393,495.63 | 6,424,530,378.87 |

|   |                   |                   |
|---|-------------------|-------------------|
| Total of liabilities and owners' equity | 12,064,555,379.75 | 11,569,169,903.81 |
|---|-------------------|-------------------|

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Chan

## 2. Parent Company Balance Sheet

| In RMB  |                  |                   |
|---|------------------|-------------------|
| Items   | June 30, 2019    | December 31, 2018 |
| Current asset:  |                  |                   |
| Monetary fund   | 1,186,805,183.26 | 877,357,020.98    |
| Transactional financial assets  | 270,000,000.00   |                   |
| Financial assets measured at fair value with variations accounted into current income account |                  |                   |
| Derivative financial assets   |                  |                   |
| Notes receivable  | 183,102,369.76   | 302,284,986.43    |
| Account receivable  | 1,518,779,763.11 | 1,374,628,210.45  |
| Financing of receivables  |                  |                   |
| Prepayments   | 209,504,216.64   | 208,498,421.20    |
| Other account receivable  | 89,097,232.56    | 19,984,760.06     |
| Including: Interest receivable  |                  |                   |
| Dividend receivable   | 84,526,094.10    | 16,557,292.60     |
| Inventories   | 1,555,631,232.70 | 1,584,030,951.83  |
| Contract assets   |                  |                   |
| Assets held for sales   |                  |                   |
| Non-current asset due within 1 year   |                  |                   |
| Other current asset   | 19,651,815.47    | 890,000,000.00    |
| Total of current assets   | 5,032,571,813.50 | 5,256,784,350.95  |
| Non-current assets:   |                  |                   |
| Debt investment   |                  |                   |
| Available for sale of financial assets  |                  | 2,090,631,297.62  |
| Other investment on bonds   |                  |                   |
| Expired investment in possess   |                  |                   |
| Long-term receivable  |                  |                   |
| Long term share equity investment   | 860,732,321.62   | 502,919,378.03    |
| Other equity instruments investment   | 2,264,720,465.98 |                   |
| Other non-current financial assets  | 92,436,626.28    |                   |
| Property investment   |                  |                   |
| Fixed assets  | 439,398,797.03   | 448,890,495.75    |
| Construction in progress  | 236,257,765.82   | 142,310,055.48    |
| Production physical assets  |                  |                   |
| Oil & gas assets  |                  |                   |
| Use right assets  |                  |                   |
| Intangible assets   | 163,711,361.27   | 165,734,347.73    |
| Development expenses  |                  |                   |
| Goodwill  |                  |                   |
| Long-germ expenses to be amortized  |                  |                   |
| Deferred income tax asset   | 163,692,893.96   | 163,871,631.81    |
| Other non-current asset   |                  |                   |

|  |                  |                  |
|--|------------------|------------------|
| Total of non-current assets  | 4,220,950,231.96 | 3,514,357,206.42 |
| Total of assets  | 9,253,522,045.46 | 8,771,141,557.37 |
| Current liabilities  |                  |                  |
| Short-term loans   |                  |                  |
| Transactional financial liabilities  |                  |                  |
| Financial liabilities measured at fair value with variations accounted into current income account |                  |                  |
| Derivative financial liabilities   |                  |                  |
| Notes payable  | 14,000,000.00    | 24,200,000.00    |
| Account payable  | 654,106,514.35   | 630,653,099.86   |
| Advance receipts   | 1,780,682,848.49 | 1,877,069,335.29 |
| Contract Liabilities   |                  |                  |
| Employees' wage payable  | 38,755,706.92    | 43,332,523.01    |
| Tax payable  | 480,555.24       | 37,809,874.53    |
| Other account payable  | 22,183,637.69    | 24,708,959.22    |
| Including: Interest payable  | 100,958.90       | 212,010.69       |
| Dividend payable   |                  |                  |
| Liabilities held for sales   |                  |                  |
| Non-current liability due within 1 year  | 100,000,000.00   | 100,000,000.00   |
| Other current liability  |                  |                  |
| Total of current liability   | 2,610,209,262.69 | 2,737,773,791.91 |
| Non-current liabilities:   |                  |                  |
| Long-term loan   |                  |                  |
| Bond payable   |                  |                  |
| Including: preferred stock   |                  |                  |
| Sustainable debt   |                  |                  |
| Lease liability  |                  |                  |
| Long-term payable  | 575,788,940.88   | 264,512,388.24   |
| Long-term remuneration payable to staff  |                  |                  |
| Expected liabilities   |                  |                  |
| Deferred income  | 41,269,230.20    | 41,944,793.30    |
| Deferred income tax liability  | 282,127,222.10   | 244,169,946.57   |
| Other non-current liabilities  |                  |                  |
| Total non-current liabilities  | 899,185,393.18   | 550,627,128.11   |
| Total of liability   | 3,509,394,655.87 | 3,288,400,920.02 |
| Owners' equity   |                  |                  |
| Share capital  | 754,010,400.00   | 754,010,400.00   |
| Other equity instruments   |                  |                  |
| Including: preferred stock   |                  |                  |
| Sustainable debt   |                  |                  |
| Capital reserves   | 138,953,250.09   | 138,953,250.09   |
| Less: Shares in stock  |                  |                  |
| Other comprehensive income   | 1,592,701,462.08 | 1,377,784,111.74 |
| Special reserve  | 7,391,229.80     | 7,609,505.31     |
| Surplus reserves   | 602,356,402.65   | 602,356,402.65   |



|   |                  |                  |
|---|------------------|------------------|
| Retained profit                         | 2,648,714,644.97 | 2,602,026,967.56 |
| Total of owners' equity                 | 5,744,127,389.59 | 5,482,740,637.35 |
| Total of liabilities and owners' equity | 9,253,522,045.46 | 8,771,141,557.37 |

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Chan

## 3.Consolidated Income Statement

In RMB

| Items  | Semi-annual of 2019 | Semi-annual of 2018 |
|--|---------------------|---------------------|
| I. Income from the key business  | 1,920,181,703.03    | 2,284,130,982.13    |
| Incl: Business income  | 1,920,181,703.03    | 2,284,130,982.13    |
| Interest income  |                     |                     |
| Insurance fee earned   |                     |                     |
| Fee and commission received  |                     |                     |
| II. Total business cost  | 1,814,433,246.91    | 2,107,752,481.78    |
| Incl: Business cost  | 1,366,404,401.26    | 1,612,116,152.26    |
| Interest expense   |                     |                     |
| Fee and commission paid  |                     |                     |
| Insurance discharge payment  |                     |                     |
| Net claim amount paid  |                     |                     |
| Insurance policy dividend paid   |                     |                     |
| Insurance policy dividend paid   |                     |                     |
| Reinsurance expenses   |                     |                     |
| Business tax and surcharge   | 13,458,140.99       | 29,819,229.04       |
| Sales expense  | 86,895,939.32       | 77,008,302.22       |
| Administrative expense   | 235,168,325.98      | 237,456,060.16      |
| R & D expense  | 116,760,942.52      | 151,349,561.03      |
| Financial expenses   | -4,254,503.16       | 3,177.07            |
| Including: Interest expense  | 7,163,329.72        | 5,903,346.62        |
| Interest income  | 13,686,150.29       | 6,286,823.72        |
| Add: Other income  | 15,761,589.03       | 20,337,694.45       |
| Investment gain (“-”for loss)  | 99,460,322.66       | 37,144,607.44       |
| Including: investment gains from affiliates                                  |                     |                     |
| Financial assets measured at amortized cost cease to be recognized as income |                     |                     |
| Gains from currency exchange   |                     |                     |
| Net exposure hedging income  |                     |                     |
| Changing income of fair value  | -1,474,755.34       |                     |
| Credit impairment loss   |                     |                     |
| Impairment loss of assets  | 6,423,806.70        | -43,111,352.82      |
| Assets disposal income   | -1,183.02           |                     |
| III. Operational profit (“-”for loss)  | 225,918,236.15      | 190,749,449.42      |
| Add : Non-operational income   | 744,839.16          | 4,189,726.48        |

|  |                |                |
|--|----------------|----------------|
| Less: Non-operating expense  | 5,220,762.28   | 2,591,154.54   |
| IV. Total profit("-"for loss)  | 221,442,313.03 | 192,348,021.36 |
| Less: Income tax expenses  | 36,775,399.29  | 31,977,871.82  |
| V. Net profit  | 184,666,913.74 | 160,370,149.54 |
| (I) Classification by business continuity  |                |                |
| 1.Net continuing operating profit  |                |                |
| 2.Termination of operating net profit  |                |                |
| (II) Classification by ownership   |                |                |
| 1.Net profit attributable to the owners of parent company  | 160,325,133.00 | 128,510,594.01 |
| 2.Minority shareholders' equity  | 24,341,780.74  | 31,859,555.53  |
| VI. Net after-tax of other comprehensive income  | 215,462,868.76 | -72,709,845.63 |
| Net of profit of other comprehensive income attributable to owners of the parent company.                                | 215,149,629.90 | -72,663,722.00 |
| (I) Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period | 214,917,350.34 | 0.00           |
| 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.               |                |                |
| 3. Changes in the fair value of investments in other equity instruments  | 214,917,350.34 |                |
| 4. Changes in the fair value of the company's credit risks   |                |                |
| 5.Other  |                |                |
| (II) Other comprehensive income that will be reclassified into profit or loss.   | 232,279.56     | -72,663,722.00 |
| 1.Other comprehensive income under the equity method investee can be reclassified into profit or loss.                   |                |                |
| 2. Changes in the fair value of investments in other debt obligations  |                |                |
| 3.Gains and losses from changes in fair value available for sale financial assets  |                | -72,629,519.42 |
| 4. Other comprehensive income arising from the reclassification of financial assets                                      |                |                |
| 5.Held-to-maturity investments reclassified to gains and losses of available for sale financial assets                   |                |                |
| 6. Allowance for credit impairments in investments in other debt obligations   |                |                |
| 7. Reserve for cash flow hedges  |                |                |
| 8. Translation differences in currency financial statements  | 232,279.56     | -34,202.58     |
| 9.Other  |                |                |
| Net of profit of other comprehensive income attributable to Minority shareholders' equity                                | 313,238.86     | -46,123.63     |
| VII. Total comprehensive income  | 400,129,782.50 | 87,660,303.91  |

|  |                |               |
|--|----------------|---------------|
| Total comprehensive income attributable to the owner of the parent company | 375,474,762.90 | 55,846,872.01 |
| Total comprehensive income attributable minority shareholders              | 24,655,019.60  | 31,813,431.90 |
| VIII. Earnings per share   |                |               |
| (I) Basic earnings per share   | 0.21           | 0.17          |
| (II) Diluted earnings per share  | 0.21           | 0.17          |

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Chan

## 4. Income statement of the Parent Company

| Items  | In RMB              |                     |
|--|---------------------|---------------------|
|  | Semi-annual of 2019 | Semi-annual of 2018 |
| I. Income from the key business  | 1,201,433,732.23    | 1,490,738,884.48    |
| Incl: Business cost  | 868,692,769.43      | 1,092,425,706.34    |
| Business tax and surcharge   | 6,969,423.29        | 19,980,875.77       |
| Sales expense  | 48,049,960.92       | 42,075,448.13       |
| Administrative expense   | 159,919,647.14      | 154,842,987.96      |
| R & D expense  | 72,044,163.87       | 112,115,169.45      |
| Financial expenses   | -7,258,639.20       | -1,279,101.79       |
| Including: Interest expenses   | 3,304,641.54        | 2,904,737.05        |
| Interest income  | 12,022,468.87       | 4,229,484.01        |
| Add: Other income  | 5,455,874.12        | 18,256,287.33       |
| Investment gain (“-”for loss)  | 152,548,740.20      | 97,645,790.91       |
| Including: investment gains from affiliates  |                     |                     |
| Financial assets measured at amortized cost cease to be recognized as income   |                     |                     |
| Net exposure hedging income  |                     |                     |
| Changing income of fair value  | -1,474,755.34       |                     |
| Credit impairment loss   |                     |                     |
| Impairment loss of assets  | -2,195,339.82       | 32,973,333.00       |
| Assets disposal income   |                     |                     |
| II. Operational profit (“-”for loss)   | 211,741,605.58      | 153,506,543.86      |
| Add : Non-operational income   | 631,962.46          | 4,125,525.27        |
| Less: Non -operational expenses  | 2,904,084.35        | 991,089.95          |
| III. Total profit (“-”for loss)  | 209,469,483.69      | 156,640,979.18      |
| Less: Income tax expenses  | 11,979,726.29       | 14,024,749.88       |
| IV. Net profit   | 197,489,757.40      | 142,616,229.30      |
| 1. Net continuing operating profit   | 197,489,757.40      | 142,616,229.30      |
| 2. Termination of operating net profit   |                     |                     |
| V. Net after-tax of other comprehensive income   | 214,917,350.34      | -72,629,519.42      |
| (I) Other comprehensive income items that will not be reclassified into gains/losses in the subsequent accounting period | 214,917,350.34      |                     |
| 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.              |                     |                     |
| 3. Changes in the fair value of investments in other equity instruments  | 214,917,350.34      |                     |
| 4. Changes in the fair value of the company’s credit risks   |                     |                     |
| 5. Other   |                     |                     |
| (II) Other comprehensive income that will be reclassified into profit or loss.   |                     | -72,629,519.42      |
| 1. Other comprehensive income under the equity method investee can be reclassified into profit or loss.                  |                     |                     |
| 2. Changes in the fair value of investments in other debt obligations  |                     |                     |
| 3. Gains and losses from changes in fair value available for sale financial assets                                       |                     | -72,629,519.42      |

|   |                |                |
|---|----------------|----------------|
| 4. Other comprehensive income arising from the reclassification of financial assets                     |                | -72,629,519.42 |
| 5. Held-to-maturity investments reclassified to gains and losses of available for sale financial assets |                |                |
| 6. Allowance for credit impairments in investments in other debt obligations                            |                |                |
| 7. Reserve for cash flow hedges   |                |                |
| 8. Translation differences in currency financial statements   |                |                |
| 9. Other  |                |                |
| VI. Total comprehensive income  | 412,407,107.74 | 69,986,709.88  |
| VII. Earnings per share   |                |                |
| (I) Basic earnings per share  | 0.26           | 0.19           |
| (II) Diluted earnings per share   | 0.26           | 0.19           |

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Chan

## 5. Consolidated Cash flow statement

| Items  | In RMB              |                     |
|--|---------------------|---------------------|
|  | Semi-annual of 2019 | Semi-annual of 2018 |
| I. Cash flows from operating activities                                |                     |                     |
| Cash received from sales of goods or rendering of services             | 1,518,810,866.20    | 1,990,685,784.21    |
| 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                          |                     |                     |
| Cash received from interest, commission charge and commission          |                     |                     |
| Net increase of inter-bank fund received                               |                     |                     |
| Net increase of repurchasing business                                  |                     |                     |
| Net cash received by agent in securities trading                       |                     |                     |
| Tax returned   | 5,744,179.17        | 2,343,735.23        |
| Other cash received from business operation                            | 26,127,131.84       | 21,813,193.03       |
| Sub-total of cash inflow   | 1,550,682,177.21    | 2,014,842,712.47    |
| Cash paid for purchasing of merchandise and services                   | 898,280,785.94      | 848,782,286.99      |
| Net increase of client trade and advance                               |                     |                     |
| Net increase of savings in central bank and brother company            |                     |                     |
| Cash paid for original contract claim                                  |                     |                     |
| Net increase in financial assets held for trading purposes             |                     |                     |
| Net increase for Outgoing call loan                                    |                     |                     |
| Cash paid for interest, processing fee and commission                  |                     |                     |
| Cash paid for policy dividend  |                     |                     |
| Cash paid to staffs or paid for staffs                                 | 379,575,581.35      | 354,090,861.86      |
| Taxes paid   | 180,054,533.44      | 170,805,653.61      |
| Other cash paid for business activities                                | 102,111,872.85      | 83,376,719.28       |
| Sub-total of cash outflow from business activities                     | 1,560,022,773.58    | 1,457,055,521.74    |
| Net cash generated from /used in operating activities                  | -9,340,596.37       | 557,787,190.73      |
| II. Cash flow generated by investing                                   |                     |                     |
| Cash received from investment retrieving                               | 0.00                | 100,000,000.00      |

|   |                  |                  |
|---|------------------|------------------|
| Cash received as investment gains   | 31,491,521.16    | 37,144,607.44    |
| Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets | 24,493.28        | 0.00             |
| Net cash received from disposal of subsidiaries or other operational units                      |                  |                  |
| Other investment-related cash received  | 2,050,778,164.28 | 2,054,176,329.00 |
| Sub-total of cash inflow due to investment activities   | 2,082,294,178.72 | 2,191,320,936.44 |
| Cash paid for construction of fixed assets, intangible assets and other long-term assets        | 228,526,111.45   | 207,219,715.24   |
| Cash paid as investment   | 13,440,000.00    | 16,000,000.00    |
| Net increase of loan against pledge   |                  |                  |
| Net cash received from subsidiaries and other operational units                                 |                  |                  |
| Other cash paid for investment activities   | 1,157,904,000.00 | 2,477,114,000.00 |
| Sub-total of cash outflow due to investment activities  | 1,399,870,111.45 | 2,700,333,715.24 |
| Net cash flow generated by investment   | 682,424,067.27   | -509,012,778.80  |
| III. Cash flow generated by financing   |                  |                  |
| Cash received as investment   | 0.00             | 0.00             |
| Including: Cash received as investment from minor shareholders                                  |                  |                  |
| Cash received as loans  | 77,700,000.00    | 115,000,000.00   |
| Cash received from bond placing   |                  |                  |
| Other financing –related cash received  | 0.00             | 0.00             |
| Sub-total of cash inflow from financing activities  | 77,700,000.00    | 115,000,000.00   |
| Cash to repay debts   | 119,900,000.00   | 72,600,000.00    |
| Cash paid as dividend, profit, or interests   | 203,426,853.46   | 70,365,668.92    |
| Including: Dividend and profit paid by subsidiaries to minor shareholders                       |                  |                  |
| Other cash paid for financing activities  | 2,530,666.67     | 2,530,666.67     |
| Sub-total of cash outflow due to financing activities   | 325,857,520.13   | 145,496,335.59   |
| Net cash flow generated by financing  | -248,157,520.13  | -30,496,335.59   |
| IV. Influence of exchange rate alternation on cash and cash equivalents                         | -707,669.86      | -516,323.71      |
| V. Net increase of cash and cash equivalents  | 424,218,280.91   | 17,761,752.63    |
| Add: balance of cash and cash equivalents at the beginning of term                              | 1,262,186,817.20 | 1,137,492,834.83 |
| VI ..Balance of cash and cash equivalents at the end of term                                    | 1,686,405,098.11 | 1,155,254,587.46 |

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Chan



## 6. Cash flow statement of the Parent Company

In RMB

| Items   | Semi-annual of 2019 | Semi-annual of 2018 |
|---|---------------------|---------------------|
| I. Cash flows from operating activities   |                     |                     |
| Cash received from sales of goods or rendering of services                                      | 771,903,511.87      | 1,092,421,368.98    |
| Tax returned  |                     |                     |
| Other cash received from business operation   | 13,952,892.56       | 5,955,302.39        |
| Sub-total of cash inflow  | 785,856,404.43      | 1,098,376,671.37    |
| Cash paid for purchasing of merchandise and services  | 469,234,191.52      | 437,942,428.63      |
| Cash paid to staffs or paid for staffs  | 246,224,211.20      | 227,570,629.51      |
| Taxes paid  | 109,451,334.92      | 90,652,184.51       |
| Other cash paid for business activities   | 43,083,180.34       | 26,292,496.98       |
| Sub-total of cash outflow from business activities  | 867,992,917.98      | 782,457,739.63      |
| Net cash generated from /used in operating activities   | -82,136,513.55      | 315,918,931.74      |
| II. Cash flow generated by investing  |                     |                     |
| Cash received from investment retrieving  |                     | 100,000,000.00      |
| Cash received as investment gains   | 84,579,938.70       | 97,645,790.91       |
| Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets |                     |                     |
| Net cash received from disposal of subsidiaries or other operational units                      |                     |                     |
| Other investment-related cash received  | 1,236,201,629.52    | 1,510,049,339.73    |
| Sub-total of cash inflow due to investment activities   | 1,320,781,568.22    | 1,707,695,130.64    |
| Cash paid for construction of fixed assets, intangible assets and other long-term assets        | 102,779,580.07      | 67,740,573.08       |
| Cash paid as investment   | 369,212,943.59      | 16,000,000.00       |
| Net cash received from subsidiaries and other operational units                                 |                     |                     |
| Other cash paid for investment activities   | 302,000,000.00      | 1,780,000,000.00    |
| Sub-total of cash outflow due to investment activities  | 773,992,523.66      | 1,863,740,573.08    |
| Net cash flow generated by investment   | 546,789,044.56      | -156,045,442.44     |
| III. Cash flow generated by financing   |                     |                     |
| Cash received as investment   |                     |                     |
| Cash received as loans  |                     |                     |
| Cash received from bond placing   |                     |                     |
| Other financing –related cash received  |                     |                     |
| Sub-total of cash inflow from financing activities  |                     |                     |
| Cash to repay debts   |                     |                     |
| Cash paid as dividend, profit, or interests   | 154,217,773.32      | 40,616,895.37       |
| Other cash paid for financing activities  |                     |                     |
| Sub-total of cash outflow due to financing activities   | 154,217,773.32      | 40,616,895.37       |
| Net cash flow generated by financing  | -154,217,773.32     | -40,616,895.37      |
| IV. Influence of exchange rate alternation on cash and cash equivalents                         | -976,692.26         | -333,572.64         |
| V. Net increase of cash and cash equivalents  | 309,458,065.43      | 118,923,021.29      |
| Add: balance of cash and cash equivalents at the beginning of term                              | 842,347,117.83      | 650,546,455.53      |

|   |                  |                |
|---|------------------|----------------|
| VI..Balance of cash and cash equivalents at the end of term | 1,151,805,183.26 | 769,469,476.82 |
|---|------------------|----------------|

Legal Representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept Leader: Jin Chan

## 7. Consolidated Statement on Change in Owners' Equity

Amount in this period

In RMB

| Items  | Semi-annual of 2019                               |                         |       |      |                  |                        |                            |                     |                  |                       |                  |       |                            |                         |                  |
|--|---|-------------------------|-------|------|------------------|------------------------|----------------------------|---------------------|------------------|-----------------------|------------------|-------|----------------------------|-------------------------|------------------|
|  | 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  | Other |                            |                         | Subtotal         |
| preferred stock                                      |   | Sustainable debt        | Other |      |                  |                        |                            |                     |                  |                       |                  |       |                            |                         |                  |
| I.Balance at the end of last year                    | 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 |       | 6,007,540,929.16           | 416,989,449.71          | 6,424,530,378.87 |
| Add: Change of accounting policy                     |   |                         |       |      |                  |                        |                            |                     |                  |                       |                  |       | 0.00                       |                         | 0.00             |
| Correcting of previous errors                        |   |                         |       |      |                  |                        |                            |                     |                  |                       |                  |       | 0.00                       |                         | 0.00             |
| Merger of entities under common control              |   |                         |       |      |                  |                        |                            |                     |                  |                       |                  |       | 0.00                       |                         | 0.00             |
| Other  |   |                         |       |      |                  |                        |                            |                     |                  |                       |                  |       | 0.00                       |                         | 0.00             |
| II.Balance at the beginning of current year          | 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 |       | 6,007,540,929.16           | 416,989,449.71          | 6,424,530,378.87 |
| III.Changed in the current year                      | 0.00  | 0.00                    | 0.00  | 0.00 | 0.00             | 0.00                   | 215,149,629.90             | -784,037.71         | 0.00             | 0.00                  | 9,523,053.01     | 0.00  | 223,888,645.20             | -22,025,528.44          | 201,863,116.76   |
| ( 1 ) Total comprehensive income                     |   |                         |       |      |                  |                        | 215,149,629.90             |                     |                  |                       | 160,325,133.00   |       | 375,474,762.90             | 24,655,019.60           | 400,129,782.50   |
| ( II ) Investment or decreasing of capital by owners |   |                         |       |      |                  |                        |                            |                     |                  |                       |                  |       | 0.00                       |                         | 0.00             |
| 1 . Ordinary Shares invested by s                    |   |                         |       |      |                  |                        |                            |                     |                  |                       |                  |       | 0.00                       |                         | 0.00             |

|  |  |  |  |  |  |  |  |  |  |  |                 |  |                 |                |                 |
|--|--|--|--|--|--|--|--|--|--|--|-----------------|--|-----------------|----------------|-----------------|
| hareholders  |  |  |  |  |  |  |  |  |  |  |                 |  |                 |                |                 |
| 2. Holders of other equity instruments invested capital                        |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| 3. Amount of shares paid and accounted as owners' equity                       |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| 4. Other   |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| (III) Profit allotment   |  |  |  |  |  |  |  |  |  |  | -150,802,079.99 |  | -150,802,079.99 | -46,358,790.00 | -197,160,869.99 |
| 1. Providing of surplus reserves   |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| 2. Providing of common risk provisions   |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| 3. Allotment to the owners (or shareholders)                                   |  |  |  |  |  |  |  |  |  |  | -150,802,079.99 |  | -150,802,079.99 | -46,358,790.00 | -197,160,869.99 |
| 4. Other   |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| (IV) Internal transferring of owners' equity                                   |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| 1. Capitalizing of capital reserves (or to capital shares)                     |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| 2. Capitalizing of surplus reserves (or to capital shares)                     |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| 3. Making up losses by surplus reserves.                                       |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| 4. Change amount of defined benefit plans that carry forward Retained earnings |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |
| 5. Other comprehensive income  |  |  |  |  |  |  |  |  |  |  |                 |  | 0.00            |                | 0.00            |

|                                     |                |      |      |      |                |      |                  |               |                |      |                  |      |                  |                |                  |
|-------------------------------------|----------------|------|------|------|----------------|------|------------------|---------------|----------------|------|------------------|------|------------------|----------------|------------------|
| carry-over retained earnings        |                |      |      |      |                |      |                  |               |                |      |                  |      |                  |                |                  |
| 6. Other                            |                |      |      |      |                |      |                  |               |                |      |                  |      | 0.00             |                | 0.00             |
| (V). Special reserves               |                |      |      |      |                |      |                  | -784,037.71   |                |      |                  |      | -784,037.71      | -321,758.04    | -1,105,795.75    |
| 1. Provided this year               |                |      |      |      |                |      |                  | 434,456.69    |                |      |                  |      | 434,456.69       |                | 434,456.69       |
| 2. Used this term                   |                |      |      |      |                |      |                  | 1,218,494.40  |                |      |                  |      | 1,218,494.40     | 321,758.04     | 1,540,252.44     |
| (VI) Other                          |                |      |      |      |                |      |                  |               |                |      |                  |      | 0.00             |                | 0.00             |
| IV. Balance at the end of this term | 754,010,400.00 | 0.00 | 0.00 | 0.00 | 151,684,419.65 | 0.00 | 1,592,318,152.64 | 20,236,633.76 | 621,112,807.78 | 0.00 | 3,092,067,160.53 | 0.00 | 6,231,429,574.36 | 394,963,921.27 | 6,626,393,495.63 |

Legal representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept: Jin Chan

Amount in last year

In RMB

| Items                                       | Semi-annual of 2018                               |                         |                  |       |                  |                       |                            |                     |                  |                       |                  |       |                  |                | Minor shareholders' equity | Total of owners' equity |
|---|---|-------------------------|------------------|-------|------------------|-----------------------|----------------------------|---------------------|------------------|-----------------------|------------------|-------|------------------|----------------|----------------------------|-------------------------|
|   | Owner's equity Attributable to the Parent Company |                         |                  |       |                  |                       |                            |                     |                  |                       |                  |       |                  |                |                            |                         |
|   | share Capital                                     | Other Equity instrument |                  |       | Capital reserves | Less: Shares in stock | Other Comprehensive Income | Specialized reserve | Surplus reserves | Common risk provision | Retained profit  | Other | Subtotal         |                |                            |                         |
|   |   | preferred stock         | Sustainable 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 |       | 5,884,816,809.55 | 335,355,637.35 | 6,220,172,446.90           |                         |
| Add: Change of accounting policy            |   |                         |                  |       |                  |                       |                            |                     |                  |                       |                  |       | 0.00             |                | 0.00                       |                         |
| Correcting of previous errors               |   |                         |                  |       |                  |                       |                            |                     |                  |                       |                  |       | 0.00             |                | 0.00                       |                         |
| Merger of entities under common control     |   |                         |                  |       |                  |                       |                            |                     |                  |                       |                  |       | 0.00             |                | 0.00                       |                         |
| Other                                       |   |                         |                  |       |                  |                       |                            |                     |                  |                       |                  |       | 0.00             |                | 0.00                       |                         |
| 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 |       | 5,884,816,809.55 | 335,355,637.35 | 6,220,172,446.90           |                         |
| III.Changed in the current year             | 0.00  | 0.00                    | 0.00             | 0.00  | 12,139,330.63    | 0.00                  | -193,189,987.35            | -4,349,043.14       | 0.00             | 0.00                  | 308,123,819.47   | 0.00  | 122,724,119.61   | 81,633,812.36  | 204,357,931.97             |                         |

|  |  |  |  |  |               |  |                 |  |  |  |  |                |  |                |                |                |
|--|--|--|--|--|---------------|--|-----------------|--|--|--|--|----------------|--|----------------|----------------|----------------|
| (I) Total comprehensive income                               |  |  |  |  |               |  | -193,189,987.35 |  |  |  |  | 345,824,339.47 |  | 152,634,352.12 | 68,232,844.54  | 220,867,196.66 |
| (II) Investment or decreasing of capital by owners           |  |  |  |  | 12,139,330.63 |  |                 |  |  |  |  |                |  | 12,139,330.63  | 74,763,561.25  | 86,902,891.88  |
| 1. Ordinary Shares invested by shareholders                  |  |  |  |  | 12,139,330.63 |  |                 |  |  |  |  |                |  | 12,139,330.63  | 74,763,561.25  | 86,902,891.88  |
| 2. Holders of other equity instruments in vested capital     |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |
| 3. Amount of shares paid and accounted as owners' equity     |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |
| 4. Other   |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |
| (III) Profit allotment                                       |  |  |  |  |               |  |                 |  |  |  |  | -37,700,520.00 |  | -37,700,520.00 | -60,812,795.00 | -98,513,315.00 |
| 1. Providing of surplus reserves                             |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |
| 2. Providing of common risk provisions                       |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |
| 3. Allotment to the owners (or shareholders)                 |  |  |  |  |               |  |                 |  |  |  |  | -37,700,520.00 |  | -37,700,520.00 | -60,812,795.00 | -98,513,315.00 |
| 4. Other   |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |
| (IV) Internal transferring of owners' equity                 |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |
| 1. Capitalizing of capital reserves (or to capital shares)   |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |
| 2. Capitalizing of surplus reserves (or to capital shares)   |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |
| 3. Making up losses by surplus reserves.                     |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |
| 4. Change amount of defined benefit plans that carry forward |  |  |  |  |               |  |                 |  |  |  |  |                |  | 0.00           |                | 0.00           |

|  |                |      |      |      |                |      |                  |               |                |      |                  |      |                  |                |                  |
|--|----------------|------|------|------|----------------|------|------------------|---------------|----------------|------|------------------|------|------------------|----------------|------------------|
| Retained earnings  |                |      |      |      |                |      |                  |               |                |      |                  |      |                  |                |                  |
| 5. Other comprehensive income carry-over retained earnings |                |      |      |      |                |      |                  |               |                |      |                  |      | 0.00             |                | 0.00             |
| 6. Other   |                |      |      |      |                |      |                  |               |                |      |                  |      | 0.00             |                | 0.00             |
| (V). Special reserves                                      |                |      |      |      |                |      |                  | -4,349,043.14 |                |      |                  |      | -4,349,043.14    | -549,798.43    | -4,898,841.57    |
| 1. Provided this year                                      |                |      |      |      |                |      |                  | -1,141,291.88 |                |      |                  |      | -1,141,291.88    | 0.00           | -1,141,291.88    |
| 2. Used this term  |                |      |      |      |                |      |                  | 3,207,751.26  |                |      |                  |      | 3,207,751.26     | 549,798.43     | 3,757,549.69     |
| (VI) Other   |                |      |      |      |                |      |                  |               |                |      |                  |      | 0.00             |                | 0.00             |
| IV. Balance at the end of this term                        | 754,010,400.00 | 0.00 | 0.00 | 0.00 | 151,684,419.65 | 0.00 | 1,377,168,522.74 | 21,020,671.47 | 621,112,807.78 | 0.00 | 3,082,544,107.52 | 0.00 | 6,007,540,929.16 | 416,989,449.71 | 6,424,530,378.87 |

Legal representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept: Jin Chan

## 8. Statement of change in owner's Equity of the Parent Company

Amount in this period

In RMB

| Items                             | Semi-annual of 2019 |                         |                         |       |                  |                             |                                  |                        |                  |                  |               |                            |
|-----------------------------------|---------------------|-------------------------|-------------------------|-------|------------------|-----------------------------|----------------------------------|------------------------|------------------|------------------|---------------|----------------------------|
|                                   | Share capital       | Other Equity instrument |                         |       | Capital reserves | Less:<br>Shares<br>in stock | Other<br>Comprehensive<br>Income | Specialized<br>reserve | Surplus reserves | Retained profit  | Ot<br>he<br>r | Total of owners’<br>equity |
|                                   |                     | preferr<br>ed<br>stock  | Sustai<br>nable<br>debt | Other |                  |                             |                                  |                        |                  |                  |               |                            |
| I.Balance at the end of last year | 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           |
| 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 |  | 1,377,784,111.74 | 7,609,505.31 | 602,356,402.65 | 2,602,026,967.56 |  | 5,482,740,637.35 |
| III.Changed in the current year                            |                |  |  |  |                |  | 214,917,350.34   | -218,275.51  |                | 46,687,677.41    |  | 261,386,752.24   |
| (I) Total comprehensive income                             |                |  |  |  |                |  | 214,917,350.34   |              |                | 197,489,757.40   |  | 412,407,107.74   |
| (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                                     |                |  |  |  |                |  |                  |              |                | -150,802,079.99  |  | -150,802,079.99  |
| 1.Providing of surplus reserves                            |                |  |  |  |                |  |                  |              |                |                  |  |                  |
| 2. Allotment to the owners (or shareholders)               |                |  |  |  |                |  |                  |              |                | -150,802,079.99  |  | -150,802,079.99  |
| 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 comprehensive income carry-over retained earnings   |                |  |  |  |                |  |                  |              |                |                  |  |                  |
| 6. Other   |                |  |  |  |                |  |                  |              |                |                  |  |                  |
| (V) Special reserves   |                |  |  |  |                |  |                  | -218,275.51  |                |                  |  | -218,275.51      |
| 1. Provided this year  |                |  |  |  |                |  |                  | 434,456.69   |                |                  |  | 434,456.69       |
| 2. Used this term  |                |  |  |  |                |  |                  | 652,732.20   |                |                  |  | 652,732.20       |
| (VI) Other   |                |  |  |  |                |  |                  |              |                |                  |  |                  |
| IV. Balance at the end of this term                          | 754,010,400.00 |  |  |  | 138,953,250.09 |  | 1,592,701,462.08 | 7,391,229.80 | 602,356,402.65 | 2,648,714,644.97 |  | 5,744,127,389.59 |

Legal representative: Zheng Bin    Person in charge of accounting: Zhao Jiamao    Accounting Dept: Jin Chan

Amount in last year

In RMB

| Items                             | Semi-annual of 2018 |                         |                     |       |                  |                                |                               |                        |                  |                  |       |                            |
|-----------------------------------|---------------------|-------------------------|---------------------|-------|------------------|--------------------------------|-------------------------------|------------------------|------------------|------------------|-------|----------------------------|
|                                   | Share Capital       | Other Equity instrument |                     |       | Capital reserves | Less:<br>Shares<br>in<br>stock | Other Comprehensive<br>Income | Specialized<br>reserve | Surplus reserves | Retained profit  | Other | Total of owners'<br>equity |
|                                   |                     | preferred<br>stock      | Sustainable<br>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                           |                |  |  |  |                |  | -72,629,519.42   | -207,180.79  |                | 104,915,709.30   |  | 32,079,009.09    |
| (I) Total comprehensive income                             |                |  |  |  |                |  | -72,629,519.42   |              |                | 142,616,229.30   |  | 69,986,709.88    |
| (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 comprehensive income carry-over retained earnings                     |                |  |  |  |                |  |                  |              |                |                  |  |                  |
| 6. Other   |                |  |  |  |                |  |                  |              |                |                  |  |                  |
| (V) Special reserves   |                |  |  |  |                |  |                  | -207,180.79  |                |                  |  | -207,180.79      |
| 1. Provided this year  |                |  |  |  |                |  |                  | 706,095.97   |                |                  |  | 706,095.97       |
| 2. Used this term  |                |  |  |  |                |  |                  | 913,276.76   |                |                  |  | 913,276.76       |
| (VI) Other   |                |  |  |  |                |  |                  |              |                |                  |  |                  |
| IV. Balance at the end of this term  | 754,010,400.00 |  |  |  | 138,953,250.09 |  | 1,498,283,089.67 | 9,422,619.40 | 602,356,402.65 | 2,403,557,669.71 |  | 5,406,583,431.52 |

Legal representative: Zheng Bin

Person in charge of accounting: Zhao Jiamao

Accounting Dept: Jin Chan

### III. Company Profile

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

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

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

### IV. Basis of compiling the finance report

#### (I) Basis of compiling

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

#### (II) Assessment on perpetuation

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

### V. Principal Accounting Policies and Estimations

#### 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

#### 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. Joint venture arrangements classification and Co-operation accounting treatment

Nil

#### 8. 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.

#### 9. 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.

## 10. Financial instruments

### (1) Classification of financial assets and financial liabilities

Financial assets are divided into the following three categories upon initial recognition: 1) Financial assets measured in amortized cost; 2) Financial assets measured at fair value, whose changes are included in other comprehensive income; 3) Financial assets measured at fair value, whose changes are included in current profits and losses.

Financial liabilities are divided into the following four categories upon initial recognition: 1) Financial liabilities measured at fair value, whose changes are included in current profits and losses; 2) Financial liabilities resulting from the transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets; 3) Financial guarantee contracts that do not belong to the above 1) or 2), and loan commitments that do not belong to the above 1) and lend at a lower than market interest rate; 4) Financial liabilities measured in amortized cost.

(2) Recognition basis, measurement methods and conditions for derecognition of financial assets and financial liabilities

However, if the accounts receivable initially recognized by the company do not contain significant financing components or the company does not consider the financing components in the contract for less than one year, the initial measurement shall be made according to the transaction price.

### 2) Subsequent measurement methods of financial assets

#### ① Financial assets measured at amortized cost

The actual interest rate method is adopted for subsequent measurement according to amortized cost. Gains or losses arising from financial assets measured in amortized cost that are not part of any hedging relationship are included in current profits and losses when derecognition, reclassification, amortization according to the effective interest rate method, or impairment recognition.

② Debt instruments investment measured at fair value, whose changes are included in other comprehensive income

Fair value is adopted for subsequent measurement. Interest, impairment losses or gains and exchange gains and losses calculated by the effective interest rate method are included in the current profits and losses, while other gains or losses are included in other comprehensive income. Upon termination of recognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in current profits and losses.

③ Equity instrument investments measured at fair value, whose changes are included in other

comprehensive income

Fair value is adopted for subsequent measurement. Dividends received (except those that belong to the part of investment cost recovery) are included in current profits and losses, and other gains or losses are included in other comprehensive income. Upon termination of recognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in retained income.

④ Financial assets measured at fair value and changes included in current profits and losses

The fair value is adopted for subsequent measurement, and the resulting gains or losses (including interest and dividend income) are included in the current profits and losses unless the financial asset is part of the hedging relationship.

3) Subsequent measurement methods of financial liabilities

① Financial liabilities measured at fair value, whose changes are included in current profits and losses

Such financial liabilities include transactional financial liabilities (including derivatives of financial liabilities) and financial liabilities designated to be measured at fair value, whose changes are included in current profits and losses. Such financial liabilities are subsequently measured at fair value. Changes in the fair value of financial liabilities designated to be measured at fair value, whose changes are included in the profits and losses of the current period due to changes in the company's own credit risk are included in other comprehensive income, unless such treatment will cause or expand accounting mismatch in profits and losses. Other gains or losses arising from such financial liabilities (including interest expenses and changes in fair value except for changes in the company's own credit risk) are included in the current profits and losses unless the financial liabilities are part of the hedging relationship. Upon termination of recognition, the accumulated gains or losses previously included in other comprehensive income shall be transferred out of other comprehensive income and included in retained income.

② Financial liabilities resulting from the transfer of financial assets that do not meet the conditions for derecognition or continue to be involved in the transferred financial assets

Measurement is conducted in accordance with the relevant provisions of the Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets.

③ Financial guarantee contracts that do not belong to the case of ① or ② above, and loan commitments that do not belong to ① above and lend at below market interest rates

After initial recognition, subsequent measurement shall be made according to the higher of the following two amounts: A. Loss reserve amount determined according to the impairment provisions of financial instruments; B. The balance of the initial recognized amount after deducting the accumulated amortization amount determined in accordance with relevant regulations.

④ Financial liabilities measured in amortized cost

The real interest rate method is adopted to measure in amortized cost. Gains or losses arising from financial liabilities measured in amortized cost that are not part of any hedging relationship are included in current profits and losses when derecognized and amortized according to the effective interest rate method.

#### 4) Termination of recognition of financial assets and financial liabilities

① Financial assets are derecognized when one of the following conditions is met:

A. The contractual right to receive cash flow from the financial asset is terminated;

B. Financial assets have been transferred, and the transfer meets the provisions of the Accounting Standards for Business Enterprises No.23-Transfer of Financial Assets on the derecognition of financial assets.

② When the current obligation of a financial liability (or part thereof) has been discharged, the financial liability (or part thereof) shall be derecognized accordingly.

#### (3) Recognition basis and measurement method of financial asset transfer

If the company has transferred almost all risks and rewards in the ownership of financial assets, it shall terminate the recognition of the financial assets and separately recognize the rights and obligations arising from or retained in the transfer as assets or liabilities; If almost all risks and rewards on the ownership of financial assets are retained, the transferred financial assets shall continue to be recognized. If the company neither transfers nor retains almost all risks and rewards in the ownership of the financial asset, the following situations shall be handled respectively: 1) If the control over the financial asset is not retained, the recognition of the financial asset shall be terminated, and the rights and obligations generated or retained in the transfer shall be separately recognized as assets or liabilities; 2) If the control over the financial assets is retained, the relevant financial assets shall be recognized according to the extent of continuing involvement in the transferred financial assets, and the relevant liabilities shall be recognized accordingly.

If the overall transfer of financial assets meets the conditions for derecognition, the difference between the following two amounts shall be included in the current profits and losses: 1) The book value of the transferred financial assets on the derecognition date; 2) The sum of the consideration received for the transfer of financial assets and the amount of the corresponding derecognized portion of the accumulated amount of changes in fair value originally directly included in other comprehensive income (the financial assets involved in the transfer are debt instrument investments measured at fair value, whose changes are included in other comprehensive income). If a part of the financial asset is transferred and the transferred part meets the conditions for derecognition as a whole, the book value of the financial asset before transfer shall be apportioned between the derecognition part and the continuing recognition part according to their respective relative fair values on the transfer date, and the difference between the following two amounts shall be included in the current profits and losses: 1) The book value of the derecognition part; 2) The sum of the consideration of the derecognized portion and the amount of the corresponding derecognized portion of the cumulative amount of changes in fair value originally directly included in other comprehensive income (financial assets involved in transfer are debt instrument investments measured at



fair value, whose changes are included in other comprehensive income).

#### (5) Impairment of financial instruments

##### 1) Impairment measurement and accounting treatment of financial instruments

On the basis of expected credit losses, the company carries out impairment treatment on financial assets measured at amortized cost, debt instrument investments measured at fair value whose changes are included in other comprehensive income, lease receivables, loan commitments other than financial liabilities classified as financial liabilities measured at fair value, whose changes are included in current profits and losses, financial liabilities not measured at fair value, whose changes are included in current profits and losses, or financial guarantee contracts that are not financial asset transfers which do not meet the conditions for derecognition or which continue to be involved in financial liabilities formed by transferred financial assets, and recognize loss provisions.

Expected credit loss refers to the weighted average of the credit losses of financial instruments weighted by the risk of default. Credit loss refers to the difference between the cash flow of all contracts discounted according to the original real interest rate and the expected cash flow of all contracts receivable according to the contract, that is, the present value of all cash shortages. Among them, the Company discounts the financial assets purchased or originated with credit impairment at the actual interest rate adjusted by credit.

For financial assets purchased or originated that have suffered credit impairment, the company will only recognize the accumulated changes in expected credit losses during the entire duration since initial recognition as loss reserves on the balance sheet date.

For accounts receivable that do not contain significant financing components or that the company does not consider financing components in contracts of not more than one year, the company uses simplified measurement methods to measure the loss reserve according to the expected credit loss amount equivalent to the entire duration.

For lease receivables and receivables containing significant financing components, the company uses simplified measurement methods to measure the loss reserve according to the expected credit loss amount equivalent to the entire duration.

For financial assets other than the above measurement methods, the company evaluates whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has increased significantly since the initial recognition, the company shall measure the loss reserve according to the amount of expected credit loss during the whole duration. If the credit risk has not increased significantly since the initial recognition, the company shall measure the loss reserve according to the expected credit loss amount of the financial instrument within the next 12 months.

The company uses the available reasonable and reliable information, including forward-looking information, to determine whether the credit risk of financial instruments has increased significantly since the initial recognition by comparing the risk of default on the balance sheet date with the risk of default on the initial

recognition date.

On the balance sheet date, if the company judges that the financial instrument is with only low credit risk, it is assumed that the credit risk of the financial instrument has not increased significantly since the initial recognition.

The company considers the following factors when evaluating whether the credit risk has increased significantly:

① Whether the contract payment is overdue for more than (including) 30 days. If the overdue period exceeds 30 days, the company confirms that the credit risk of financial instruments has increased significantly. Unless the company can obtain reasonable and reliable information without paying too much cost or effort, which proves that although the payment period stipulated in the contract is over 30 days, the credit risk has not increased significantly since the initial recognition.

② Whether the company's credit management methods for financial instruments have changed.

③ Whether the debtor's expected performance and repayment behavior have changed significantly.

④ Whether the actual or expected operating results of the debtor have changed significantly.

⑤ Whether there has been any significant adverse change in the regulatory, economic or technological environment for the debtor.

⑥ Whether there are adverse changes in business, financial or economic conditions that are expected to lead to significant changes in the debtor's ability to fulfill its debt-paying obligations.

⑦ Whether the internal price index has changed significantly due to changes in credit risk.

⑧ If an existing financial instrument is originated or issued as a new financial instrument on the reporting date, whether the interest rate or other terms of the financial instrument change significantly.

⑨ Whether the external market indicators of credit risks of the same financial instrument or similar financial instruments with the same expected duration have changed significantly. These indicators include: credit spreads, the price of credit default swaps for borrowers, the duration and extent that the fair value of financial assets is less than its amortized cost, and other market information related to borrowers (such as price changes of borrowers' debt instruments or equity instruments).

⑩ Whether the actual or expected external credit rating of financial instruments has changed significantly.

Whether the actual or expected internal credit rating of the debtor is lowered.

Whether the credit risks of other financial instruments issued by the same debtor have increased significantly.

Whether there has been any significant change in the value of collateral used as debt collateral or the quality of guarantee or credit enhancement provided by a third party.

Whether the expected borrower's economic motivation to repay the loan within the time limit stipulated in the contract has changed significantly.

Anticipated changes to the loan contract include whether the anticipatory breach of contract may result in exemption or revision of contractual obligations, granting of interest-free period, sharp increase of interest rate, demand for additional collateral or guarantees, or other changes to the contractual framework of financial instruments.

The company evaluates expected credit risks and measures expected credit losses on the basis of individual financial instruments or combinations of financial instruments. When based on the combination of financial instruments, the company divides financial instruments into different combinations based on common risk characteristics.

The company remeasures the expected credit loss on each balance sheet date, and the increase or reversal amount of the loss reserve thus formed shall be included in the current profits and losses as impairment loss or profit. For financial assets measured in amortized cost, the loss reserve shall be offset against the book value of the financial assets listed in the balance sheet; For creditor's rights investments measured at fair value, whose changes are included in other comprehensive income, the company recognizes its loss reserve in other comprehensive income, which does not offset the book value of the financial asset.

## 2) Accounts receivable for expected credit losses measured by individual item

|   |   |
|---|---|
| Judgment basis for individual measurement of expected credit loss | Receivables with obvious characteristics of single credit risk with evidence or can be judged based on common sense   |
| Methods of measuring expected credit loss                         | Considering the reasonable and reliable information about past events, current situation and future economic situation forecast, it shall estimate the expected cash flow, and determine the provision for bad debt to be accrued accordingly |

## 3) Accounts receivable for expected credit losses measured by combination

### ① Methods of specific combination and measurement of expected credit loss

| Items           | Basis for determining combination                                      | Methods of measuring expected credit loss  |
|-----------------|--|--|
| Aging portfolio | With aging as credit risk characteristic, the receivables are combined | Referring to historical credit loss experience and adjusting according to forward-looking estimation, a comparison table between the aging of receivables and loss given default is prepared to determine the provision for bad debt to be accrued |

② Bill receivable with expected credit loss measured by combination-comparison table of aging of commercial acceptance bill, accounts receivable and other receivables and expected credit loss rate for the whole duration

| Aging | Commercial acceptance bills receivable | Receivables<br>Expected credit loss rate (%) | Other receivables<br>Expected credit loss rate (%) |
|-------|--|--|--|
|-------|--|--|--|

|   | Expected credit loss rate (%) |     |     |
|---|-------------------------------|-----|-----|
| Within 1 year (inclusive, the same below) | 5                             | 5   | 5   |
| 1-2 years                                 | 10                            | 10  | 10  |
| 2-3 years                                 | 20                            | 20  | 20  |
| 3-4 years                                 | 30                            | 30  | 30  |
| 4-5 years                                 | 50                            | 50  | 50  |
| Over 5 years                              | 100                           | 100 | 100 |

## (6) Setoff of Financial Assets and Liabilities

The financial assets and liabilities of the company are shown separately in the balance sheet which do not offset each other. However, when the following conditions are met at the same time, the net amount after mutual offset is shown on the balance sheet. 1. The company has the legal right to offset the recognized amount, and this legal right is currently enforceable. 2. The company plans to settle the financial assets or liquidate the financial liabilities at the same time for netting settlement.

If the transfer of financial assets does not meet the conditions for the termination of recognition, the company shall not set off the transferred financial assets and related liabilities.

## 11. Notes receivable

For details, please refer to Section X V-10 of this report.

## 12. Account receivable

For details, please refer to Section X V-10 of this report.

## 13. Financing of receivables

Nil

## 14. Other account receivable

For details, please refer to Section X V-10 of this report.

## 15. Inventories

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

No

## (1) Inventory classification

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

## (2) Pricing of inventory to be delivered

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

#### 16.Contract assets

Nil

#### 17.Construct cost

Nil

#### 18.Held-for-sale asset

Nil

#### 19.Creditor's rights investment

Nil

#### 20.Other Creditor's rights investment

Nil

#### 21.Long-term account receivable

Nil

### 22. 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

The difference between the book value and the actual purchase price of the disposed equity is recorded into the current profit and loss. With regard to the remaining equity, which still has a significant impact on the invested

entity or exercises joint control with other parties, it shall be converted to equity accounting; if the entity under investment can no longer be controlled, jointly controlled or significantly affected, it shall be recognized as a financial asset, Accounting shall be carried out in accordance with the relevant provisions of Accounting Standards for Enterprises No. 22-recognition and Measurement of Financial Instruments.

## (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.

## 23. Investment property

The measurement mode of investment property

Not applicable

## 24. Fixed assets

### 1. Conditions for fixed asset recognition

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

### 2. Depreciation

| Categories               | Basis of depreciation      | Depreciation age (year) | Retain value rate | Annual depreciation ratio |
|--------------------------|----------------------------|-------------------------|-------------------|---------------------------|
| Houses & buildings       | Straight average on period | 20-30                   | 4                 | 4.8-3.2                   |
| Equipment & machinery    | Straight average on period | 8-15                    | 4                 | 12-6.4                    |
| Transportation equipment | Straight average on period | 4-8                     | 4                 | 24-12                     |
| Office equipment         | Straight average on        | 5                       | 4                 | 19.2                      |

|  |        |  |  |  |
|--|--------|--|--|--|
|  | period |  |  |  |
|--|--------|--|--|--|

(3) Recognition basis, valuation and depreciation method for financing leased fixed assets

Nil

25. Construction in process

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

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

26. 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.



## 27. Biological assets

Nil

## 28. Oil-gas assets

Nil

## 29. Assets of the right to use

Nil

## 30. 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            | Amorting years |
|------------------|----------------|
| Land using right | 50             |
| Patent           | 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.

## 31. 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.

## 32. 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.

### 33. Constract Liabilities

Nil

### 34. 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.

#### 3. Accounting of dismissing welfare

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

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

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

#### 4. Accounting of other long-term employees' welfares

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

## 35. Lease liabilities

Nil

## 36. 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.

## 37.Share-based Payment

Nil

## 38 . Other financial instruments such as preferred shares and perpetual capital securities

Nil

## 39.Revenues

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

No

Whether implemented new revenue guidelines?

No

## 1. Recognizing of revenue

## (1) Sales of goods

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

## (2) Providing of services

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

### (3) Giving of asset using rights

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

### 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.

### 40. 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.

#### 41. 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.

#### 42. Lease

##### (1) Accounting of operational lease

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

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

##### (2) Accounting Method for Financing Leases

Nil

#### 43. Other significant accounting policies and estimates

Nil

#### 44. Change of main accounting policies and estimations

##### (1) Change of main accounting policies

√Applicable ☐ Not applicable

| The content and reason for change of accounting policy  | Approval process  | Remark                  |
|---|---|-------------------------|
| In 2017, the Ministry of Finance of the People's Republic of China issued the revised "No. 22 Accounting Standards for Business Enterprises-Recognition and Measurement of Financial Instruments", "No. 23 Accounting Standards for Business Enterprises-Transfer of Financial Assets", "No. 24 Accounting Standards for Business Enterprises-Hedge Accounting, and "No. 37 Accounting Standards for Business Enterprises-Financial Instruments Presentation", and it required the domestic listed companies to implement the afore-said accounting standards from January 1, 2019. | On March 27, 2019, the Company held the 31st meeting of the seventh Board of Directors and the 14th meeting of the seventh Board of Supervisors, in which the "Proposal on Change in Accounting Policy" was reviewed and approved, and this change of accounting policy did not need to be submitted to the shareholders' general meeting for deliberation. | Announcement No.2019-24 |

## (2) Change of main accounting estimations

Not applicable

## (3) Adjustments to the Financial Statements at the Beginning of the First Execution Year of any New Standards Governing Financial Instruments, Revenue or Leases

√Applicable ☐ Not applicable

## Consolidated balance sheet

In RMB

| Items   | December 21,2018 | January 1,2019   | Adjustment amount |
|---|------------------|------------------|-------------------|
| Current asset:  |                  |                  |                   |
| Monetary fund   | 1,382,392,009.59 | 1,382,392,009.59 |                   |
| Settlement provision  |                  |                  |                   |
| Outgoing call loan  |                  |                  |                   |
| Transactional financial assets  |                  | 1,156,870,000.00 | 1,156,870,000.00  |
| Financial assets measured at fair value with variations accounted into current income account |                  |                  |                   |

|  |                  |                  |                   |
|--|------------------|------------------|-------------------|
| Derivative financial assets                    |                  |                  |                   |
| Notes receivable                               | 595,089,175.22   | 595,089,175.22   |                   |
| Account receivable                             | 1,940,798,255.26 | 1,940,798,255.26 |                   |
| Financing of receivables                       |                  |                  |                   |
| Prepayments                                    | 370,958,990.74   | 370,958,990.74   |                   |
| Insurance receivable                           |                  |                  |                   |
| Reinsurance receivable                         |                  |                  |                   |
| Provisions of Reinsurance contracts receivable |                  |                  |                   |
| Other account receivable                       | 32,552,458.76    | 32,552,458.76    |                   |
| Including: Interest receivable                 | 0.00             |                  |                   |
| Dividend receivable                            | 16,557,292.60    | 16,557,292.60    |                   |
| Repurchasing of financial assets               |                  |                  |                   |
| Inventories                                    | 2,188,121,342.87 | 2,188,121,342.87 |                   |
| Contract assets                                |                  |                  |                   |
| Assets held for sales                          |                  |                  |                   |
| Non-current asset due within 1 year            |                  |                  |                   |
| Other current asset                            | 1,188,747,955.74 | 31,877,955.74    | -1,156,870,000.00 |
| Total of current assets                        | 7,698,660,188.18 | 7,698,660,188.18 |                   |
| Non-current assets:                            |                  |                  |                   |
| Loans and payment on other's behalf disbursed  |                  |                  |                   |
| Debt investment                                |                  |                  |                   |
| Available for sale of financial assets         | 2,130,076,555.20 |                  | -2,130,076,555.20 |
| Other investment on bonds                      |                  |                  |                   |
| Expired investment in possess                  |                  |                  |                   |
| Long-term receivable                           |                  |                  |                   |
| Long term share equity investment              | 8,221,439.29     | 8,221,439.29     |                   |
| Other equity instruments investment            | 0.00             | 2,011,876,524.40 | 2,011,876,524.40  |
| Other non-current financial assets             | 0.00             | 118,200,030.80   | 118,200,030.80    |
| Property investment                            |                  |                  |                   |
| Fixed assets                                   | 783,740,928.49   | 783,740,928.49   |                   |
| Construction in progress                       | 454,767,328.93   | 454,767,328.93   |                   |
| Production physical assets                     |                  |                  |                   |
| Oil & gas assets                               |                  |                  |                   |

|  |                   |                   |  |
|--|-------------------|-------------------|--|
| Use right assets   |                   |                   |  |
| Intangible assets  | 279,740,756.49    | 279,740,756.49    |  |
| Development expenses   |                   |                   |  |
| Goodwill   |                   |                   |  |
| Long-germ expenses to be amortized   |                   |                   |  |
| Deferred income tax asset  | 213,962,707.23    | 213,962,707.23    |  |
| Other non-current asset  |                   |                   |  |
| Total of non-current assets  | 3,870,509,715.63  | 3,870,509,715.63  |  |
| Total of assets  | 11,569,169,903.81 | 11,569,169,903.81 |  |
| Current liabilities  |                   |                   |  |
| Short-term loans   | 139,600,000.00    | 139,600,000.00    |  |
| Loan from Central Bank   |                   |                   |  |
| Borrowing funds  |                   |                   |  |
| Transactional financial liabilities  |                   |                   |  |
| Financial liabilities measured at fair value with variations accounted into current income account |                   |                   |  |
| Derivative financial liabilities   |                   |                   |  |
| Notes payable  | 263,897,462.79    | 263,897,462.79    |  |
| Account payable  | 1,086,685,918.74  | 1,086,685,918.74  |  |
| Advance receipts   | 2,582,234,158.36  | 2,582,234,158.36  |  |
| Selling of repurchased financial assets  |                   |                   |  |
| Deposit taking and interbank deposit   |                   |                   |  |
| Entrusted trading of securities  |                   |                   |  |
| Entrusted selling of securities  |                   |                   |  |
| Employees' wage payable  | 86,390,955.29     | 86,390,955.29     |  |
| Tax payable  | 62,405,200.62     | 62,405,200.62     |  |
| Other account payable  | 36,904,303.01     | 36,904,303.01     |  |
| Including: Interest payable  | 437,314.72        | 437,314.72        |  |
| Dividend payable   | 0.00              | 0                 |  |
| Fees and commissions payable   |                   |                   |  |
| Reinsurance fee payable  |                   |                   |  |
| Contract Liabilities   |                   |                   |  |
| Liabilities held for sales   |                   |                   |  |
| Non-current liability due within 1 year  | 100,100,000.00    | 100,100,000.00    |  |



|  |                   |                   |  |
|--|-------------------|-------------------|--|
| Other current liability                              |                   |                   |  |
| Total of current liability                           | 4,358,217,998.81  | 4,358,217,998.81  |  |
| Non-current liabilities:                             |                   |                   |  |
| Reserve fund for insurance contracts                 |                   |                   |  |
| Long-term loan                                       | 22,700,000.00     | 22,700,000.00     |  |
| Bond payable   |                   |                   |  |
| Including: preferred stock                           |                   |                   |  |
| Sustainable debt                                     |                   |                   |  |
| Lease liability                                      |                   |                   |  |
| Long-term payable                                    | 474,876,451.26    | 474,876,451.26    |  |
| Long-term remuneration payable to staff              |                   |                   |  |
| Expected liabilities                                 |                   |                   |  |
| Deferred income                                      | 44,675,128.30     | 44,675,128.30     |  |
| Deferred income tax liability                        | 244,169,946.57    | 244,169,946.57    |  |
| Other non-current liabilities                        |                   |                   |  |
| Total non-current liabilities                        | 786,421,526.13    | 786,421,526.13    |  |
| Total of liability                                   | 5,144,639,524.94  | 5,144,639,524.94  |  |
| 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    | 151,684,419.65    |  |
| Less: Shares in stock                                |                   |                   |  |
| Other comprehensive income                           | 1,377,168,522.74  | 1,377,168,522.74  |  |
| Special reserve                                      | 21,020,671.47     | 21,020,671.47     |  |
| Surplus reserves                                     | 621,112,807.78    | 621,112,807.78    |  |
| Common risk provision                                |                   |                   |  |
| Retained profit                                      | 3,082,544,107.52  | 3,082,544,107.52  |  |
| Total of owner's equity belong to the parent company | 6,007,540,929.16  | 6,007,540,929.16  |  |
| Minority shareholders' equity                        | 416,989,449.71    | 416,989,449.71    |  |
| Total of owners' equity                              | 6,424,530,378.87  | 6,424,530,378.87  |  |
| Total of liabilities and owners' equity              | 11,569,169,903.81 | 11,569,169,903.81 |  |

## Notes

## Balance sheet of Parent Company

In RMB

| Items   | December 31,2018 | January 1,2019   | Adjustment amount |
|---|------------------|------------------|-------------------|
| Current asset:  |                  |                  |                   |
| Monetary fund   | 877,357,020.98   | 877,357,020.98   |                   |
| Transactional financial assets  |                  | 890,000,000.00   | 890,000,000.00    |
| Financial assets measured at fair value with variations accounted into current income account |                  |                  |                   |
| Derivative financial assets   |                  |                  |                   |
| Notes receivable  | 302,284,986.43   | 302,284,986.4    |                   |
| Account receivable  | 1,374,628,210.45 | 1,374,628,210.45 |                   |
| Financing of receivables  |                  |                  |                   |
| Prepayments   | 208,498,421.20   | 208,498,421.20   |                   |
| Other account receivable  | 19,984,760.06    | 19,984,760.06    |                   |
| Including: Interest receivable  |                  |                  |                   |
| Dividend receivable   | 16,557,292.60    | 16,557,292.60    |                   |
| Inventories   | 1,584,030,951.83 | 1,584,030,951.83 |                   |
| Contract assets   |                  |                  |                   |
| Assets held for sales   |                  |                  |                   |
| Non-current asset due within 1 year   |                  |                  |                   |
| Other current asset   | 890,000,000.00   |                  | -890,000,000.00   |
| Total of current assets   | 5,256,784,350.95 | 5,256,784,350.95 |                   |
| Non-current assets:   |                  |                  |                   |
| Debt investment   |                  |                  |                   |
| Available for sale of financial assets  | 2,090,631,297.62 |                  | -2,090,631,298.00 |
| Other investment on bonds   |                  |                  |                   |
| Expired investment in possess   |                  |                  |                   |
| Long-term receivable  |                  |                  |                   |
| Long term share equity investment   | 502,919,378.03   | 502,919,378.03   |                   |
| Other equity instruments investment   |                  | 2,011,876,524.40 | 2,011,876,524.40  |
| Other non-current financial assets  |                  | 78,754,773.22    | 78,754,773.22     |
| Property investment   |                  |                  |                   |

|  |                  |                  |  |
|--|------------------|------------------|--|
| Fixed assets   | 448,890,495.75   | 448,890,495.75   |  |
| Construction in progress   | 142,310,055.48   | 142,310,055.48   |  |
| Production physical assets   |                  |                  |  |
| Oil & gas assets   |                  |                  |  |
| Use right assets   |                  |                  |  |
| Intangible assets  | 165,734,347.73   | 165,734,347.73   |  |
| Development expenses   |                  |                  |  |
| Goodwill   |                  |                  |  |
| Long-germ expenses to be amortized   |                  |                  |  |
| Deferred income tax asset  | 163,871,631.81   | 163,871,631.81   |  |
| Other non-current asset  |                  |                  |  |
| Total of non-current assets  | 3,514,357,206.42 | 3,514,357,206.42 |  |
| Total of assets  | 8,771,141,557.37 | 8,771,141,557.37 |  |
| Current liabilities  |                  |                  |  |
| Short-term loans   |                  |                  |  |
| Transactional financial liabilities  |                  |                  |  |
| Financial liabilities measured at fair value with variations accounted into current income account |                  |                  |  |
| Derivative financial liabilities   |                  |                  |  |
| Notes payable  | 24,200,000.00    | 24,200,000.00    |  |
| Account payable  | 630,653,099.86   | 630,653,099.86   |  |
| Advance receipts   | 1,877,069,335.29 | 1,877,069,335.29 |  |
| Contract Liabilities   |                  |                  |  |
| Employees' wage payable  | 43,332,523.01    | 43,332,523.01    |  |
| Tax payable  | 37,809,874.53    | 37,809,874.53    |  |
| Other account payable  | 24,708,959.22    | 24,708,959.22    |  |
| Including: Interest payable  | 212,010.69       | 212,010.69       |  |
| Dividend payable   |                  |                  |  |
| Liabilities held for sales   |                  |                  |  |
| Non-current liability due within 1 year  | 100,000,000.00   | 100,000,000.00   |  |
| Other current liability  |                  |                  |  |
| Total of current liability   | 2,737,773,791.91 | 2,737,773,791.91 |  |
| Non-current liabilities:   |                  |                  |  |
| Long-term loan   |                  |                  |  |

|   |                  |                  |  |
|---|------------------|------------------|--|
| Bond payable                            |                  |                  |  |
| Including: preferred stock              |                  |                  |  |
| Sustainable debt                        |                  |                  |  |
| Lease liability                         |                  |                  |  |
| Long-term payable                       | 264,512,388.24   | 264,512,388.24   |  |
| Long-term remuneration payable to staff |                  |                  |  |
| Expected liabilities                    |                  |                  |  |
| Deferred income                         | 41,944,793.30    | 41,944,793.30    |  |
| Deferred income tax liability           | 244,169,946.57   | 244,169,946.57   |  |
| Other non-current liabilities           |                  |                  |  |
| Total non-current liabilities           | 550,627,128.11   | 550,627,128.11   |  |
| Total of liability                      | 3,288,400,920.02 | 3,288,400,920.02 |  |
| Owners' equity                          |                  |                  |  |
| Share capital                           | 754,010,400.00   | 754,010,400.00   |  |
| Other equity instruments                |                  |                  |  |
| 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 | 1,377,784,111.74 |  |
| Special reserve                         | 7,609,505.31     | 7,609,505.31     |  |
| Surplus reserves                        | 602,356,402.65   | 602,356,402.65   |  |
| Retained profit                         | 2,602,026,967.56 | 2,602,026,967.56 |  |
| Total of owners' equity                 | 5,482,740,637.35 | 5,482,740,637.35 |  |
| Total of liabilities and owners' equity | 8,771,141,557.37 | 8,771,141,557.37 |  |

Notes

(4) Retrospective Restatement of Previous Comparative Data due to the First Execution of any New Standards Governing Financial Instruments or Leases

Not applicable

45.Other

## VI. Taxation

### 1. Main categories and rates of taxes

| Category of taxes                     | Tax base  | Tax rate   |
|---------------------------------------|---|------------|
| VAT                                   | Sales of goods or providing of taxable labor service  | 16%,13%,6% |
| City maintenance and construction tax | Turnover tax payable  | 5%,7%      |
| Enterprise income tax                 | Amount of income taxable  | 15%,25%    |
| Educational surcharge                 | Turnover tax payable  | 3%         |
| Local education additional            | Turnover tax payable  | 2%         |
| House tax                             | For those on price basis, taxes are paid at 1.2% of the balance of original value of the property after deducting of 30%; for those on rental basis, taxes are paid at 12% of the rental. | 1.2%,12%   |

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

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

## 2. Preferential tax

1. According to the document “Notice for Qualification of High-tech Enterprises” (GKHZD(2017)No.201) issued by Department of Science and Technology High-tech Development Center, the Company along with Hangzhou Zhongneng Steam Turbine Power Co., Ltd. ,Zhejiang Packaged Technologies Development Co., Ltd., Zhejiang Huayuan Steam Turbine Machinery Co.,Ltd. and Hangzhou Guoneng Steam Turbine Engineering Co.,Ltd. – subsidiaries of the Company, were qualified as high-tech enterprises for term of three years. Therefore they enjoy 15% of tax for 2018.

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 2016-2018.

## 3.Other

## VII. Notes to the Consolidated Financial Statements

## 1.Monetary Capital

In RMB

| Items                                  | End of term      | Beginning of term |
|--|------------------|-------------------|
| Cash in stock                          | 132,336.73       | 128,198.82        |
| Bank deposit                           | 1,721,272,261.33 | 1,297,059,605.97  |
| Other monetary fund                    | 98,454,424.85    | 85,204,204.80     |
| Total                                  | 1,819,859,022.91 | 1,382,392,009.59  |
| Incl: Total of accounts saved overseas | 5,188,570.66     | 4,535,870.05      |

Other notes:

The ending bank deposits include a court-blocked deposit with a restricted usage of RMB 35,000,000.00; Other monetary fund composes , Security for bank acceptance notes RMB 98,363,924.80 of security for Letter of credit, RMB90,000.00 of security for bank guarantee letter and refundable deposit without a restricted usage of RMB 500.56.

## 2. Transactional financial assets

In RMB

| Items  | End of term    | Beginning of term |
|--|----------------|-------------------|
| Financial assets measured at fair value through profit or loss | 578,769,000.00 | 1,156,870,000.00  |
| Of which :   |                |                   |
| Of which:  |                |                   |
| Total  | 578,769,000.00 | 1,156,870,000.00  |

## 3. Derivative financial assets

Nil

## 4. Notes receivable

## (1) Notes receivable listed by category

In RMB

| Items                 | End of term    | Beginning of term |
|-----------------------|----------------|-------------------|
| Bank acceptance bill  | 471,996,506.16 | 574,782,175.22    |
| Trade acceptance bill | 8,609,878.68   | 20,307,000.00     |
| Total                 | 480,606,384.84 | 595,089,175.22    |

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

Nil

## (3) Notes receivable pledged by the Company at the end of the period

In RMB

| Items                | Pledged amount |
|----------------------|----------------|
| Bank acceptance bill | 62,824,000.00  |
| Total                | 62,824,000.00  |

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

In RMB

| Items                 | Amount of recognition termination at the period-end | Amount of not terminated recognition at the period-end |
|-----------------------|---|--|
| Bank acceptance bill  | 715,062,076.86                                      |  |
| Trade acceptance bill | 2,542,730.25  |  |
| Total                 | 717,604,807.11                                      |  |

## (5) Notes transferred to accounts receivable because drawer of the notes fails to executed the contract or agreement

## (6) The actual write-off accounts receivable

Nil

## 5. Accounts receivable

## (1) Accounts receivable disclosed by category

In RMB

| Category                                     | End of term      |              |                    |              |                  | Beginning of term |              |                    |              |                  |
|--|------------------|--------------|--------------------|--------------|------------------|-------------------|--------------|--------------------|--------------|------------------|
|  | Book balance     |              | Bad debt provision |              | Book value       | Book balance      |              | Bad debt provision |              | Book value       |
|  | Amount           | Proportion % | Amount             | Proportion % |                  | Amount            | Proportion % | Amount             | Proportion % |                  |
| Accrual of bad debt provision by single item | 29,819,607.69    | 0.95%        | 29,819,607.69      | 100.00%      | 0.00             | 29,819,607.69     | 0.99%        | 29,819,607.69      | 100.00%      |                  |
| Including:                                   |                  |              |                    |              |                  |                   |              |                    |              |                  |
| Accrual of bad debt provision by portfolio   | 3,096,045,722.22 | 99.05%       | 1,035,677,370.86   | 33.45%       | 2,060,368,351.36 | 2,982,887,216.78  | 99.01%       | 1,042,088,961.52   | 34.94%       | 1,940,798,255.26 |
| Including:                                   |                  |              |                    |              |                  |                   |              |                    |              |                  |
| Total  | 3,125,865,329.91 | 100.00%      | 1,065,496,978.55   | 34.09%       | 2,060,368,351.36 | 3,012,706,824.47  | 100.00%      | 1,071,908,569.21   | 35.58%       | 1,940,798,255.26 |

Accrual of bad debt provision by single item:29,819,607.69 yuan

In RMB

| Name | End of term              |                    |             |        |
|------|--------------------------|--------------------|-------------|--------|
|      | Other receivable account | Bad debt provision | Proportion% | Reason |



|   |               |               |         |   |
|---|---------------|---------------|---------|---|
| Accrual of bad debt provision by single item: | 29,819,607.69 | 29,819,607.69 | 100.00% | There are evidences or receivables based on common sense that the credit risk is significantly higher or lower. |
| Total   | 29,819,607.69 | 29,819,607.69 | --      | --  |

Accrual of bad debt provision by portfolio:1,035,677,370.86 yuan

In RMB

| Name                             | Closing balance  |                    |            |
|----------------------------------|------------------|--------------------|------------|
|                                  | Book balance     | Bad debt provision | Proportion |
| Within 1 year (Including 1 year) | 1,207,787,957.34 | 60,389,397.94      | 5.00%      |
| 1-2 years                        | 624,005,759.19   | 62,400,575.84      | 10.00%     |
| 2-3 years                        | 328,553,152.78   | 98,565,945.84      | 30.00%     |
| 3-4 years                        | 208,046,764.12   | 124,828,058.47     | 60.00%     |
| 4-5 years                        | 190,793,480.12   | 152,634,784.10     | 80.00%     |
| Over 5 years                     | 536,858,608.67   | 536,858,608.67     | 100.00%    |
| Total                            | 3,096,045,722.22 | 1,035,677,370.86   | --         |

Relevant information of the provision for bad debts will be disclosed with reference to the disclosure method of other receivables if the provision for bad debts of bills receivable is accrued according to the general model of expected credit loss:

Disclosure by aging

In RMB

| Aging                            | Closing balance  |
|----------------------------------|------------------|
| Within 1 year (Including 1 year) | 1,147,398,559.40 |
| 1-2 years                        | 561,605,183.35   |
| 2-3 years                        | 229,987,206.94   |
| Over 5 years                     | 121,377,401.67   |
| 3-4 years                        | 83,218,705.65    |
| 4-5 years                        | 38,158,696.02    |
| Over 5 years                     | 0.00             |
| Total                            | 2,060,368,351.36 |

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

The withdrawal amount of the bad debt provision:

In RMB

| Category                                     | Opening balance | Amount of change in the current period |                              |           | Closing balance |
|--|-----------------|--|------------------------------|-----------|-----------------|
|  |                 | Accrual                                | Reversed or collected amount | Write-off |                 |
| Accrual of bad debt provision by single item | 29,819,607.69   |  |                              |           | 29,819,607.69   |

|  |                  |               |  |  |                  |
|--|------------------|---------------|--|--|------------------|
| Accrual of bad debt provision by portfolio | 1,042,088,961.52 | -6,411,590.66 |  |  | 1,035,677,370.86 |
| Total                                      | 1,071,908,569.21 | -6,411,590.66 |  |  | 1,065,496,978.55 |

## (3) The actual write-off accounts receivable

In RMB

| Items                | Amount |
|----------------------|--------|
| Uncollectible amount | 0.00   |

The significant actual write-off accounts receivable:

## (4) The ending balance of account receivables owed by the imputation of the top five parties

| Name     | Amount           | Proportion(%) | Bad debt provision |
|----------|------------------|---------------|--------------------|
| Client 1 | 670,859,810.45   | 21.46%        | 300,449,816.90     |
| Client 2 | 240,631,511.27   | 7.70%         | 163,538,638.03     |
| Client 3 | 161,326,729.06   | 5.16%         | 9,871,314.19       |
| Client 4 | 63,427,500.00    | 2.03%         | 6,342,750.00       |
| Client 5 | 53,953,673.36    | 1.73%         | 2,697,683.67       |
| Subtotal | 1,190,199,224.14 | 38.08%        | 482,900,202.79     |

## (5) Account receivable which terminate the recognition owing to the transfer of the financial assets

Nil

(6) The amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable

Nil

## 6. Financing of receivables

Nil

## 7. Prepayments

## (1) Age analysis

In RMB

| Age | End of term | Beginning of term |
|-----|-------------|-------------------|
|-----|-------------|-------------------|

|               | Book balance   | Proportion(%) | Book balance   | Proportion(%) |
|---------------|----------------|---------------|----------------|---------------|
| Within 1 year | 387,035,194.27 | 93.20%        | 339,805,990.35 | 91.60%        |
| 1-2 years     | 15,114,713.00  | 3.64%         | 22,067,247.82  | 5.95%         |
| 2-3 years     | 4,009,227.00   | 0.97%         | 1,208,614.00   | 0.33%         |
| Over 3 years  | 9,132,823.10   | 2.20%         | 7,877,138.57   | 2.12%         |
| Total         | 415,291,957.37 | --            | 370,958,990.74 | --            |

Notes:

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

| Name  | Amount         | Proportion(%) |
|---|----------------|---------------|
| Hangzhou Hangfa generation Equipment Co., Ltd.  | 41,416,785.00  | 9.97          |
| Jinling International Co., Ltd.                 | 35,654,354.43  | 8.59          |
| Siemens Industrial Turbomachinery AB            | 31,279,682.87  | 7.53          |
| Wuhan Baiya Electric power Technology Co., Ltd. | 21,154,000.00  | 5.09%         |
| FORMOSA ELECTRIC POWER SYSTEM CO.,LTD.          | 20,954,980.57  | 5.05%         |
| Subtotal  | 150,459,802.87 | 36.23         |

Other notes:

#### 8. Other account receivable

In RMB

| Nature              | Closing balance | Opening balance |
|---------------------|-----------------|-----------------|
| Interest receivable | 0.00            |                 |
| Dividend receivable | 84,526,094.10   | 16,557,292.60   |
| Other               | 18,293,347.31   | 15,995,166.16   |
| Total               | 102,819,441.41  | 32,552,458.76   |

(1) Interest receivable : Nil

(2) Dividend receivable

(1) Dividend receivable

In RMB

| Items         | End of term   | Beginning of term |
|---------------|---------------|-------------------|
| Hangzhou Bank | 84,526,094.10 | 16,557,292.60     |
| Total         | 84,526,094.10 | 16,557,292.60     |

## 2) Significant dividend receivable aged over 1 year

In RMB

| Items         | Closing balance | Aging     | Reason        | Whether occurred impairment and its judgment basis |
|---------------|-----------------|-----------|---------------|--|
| Hangzhou Bank | 9,657,292.60    | 1-2 years | Equity pledge | No   |
| Hangzhou Bank | 6,900,000.00    | 2-3 years | Equity pledge | No   |
| Total         | 16,557,292.60   | --        | --            | --   |

## 3) Bad-debt provision

Not applicable

## (3) Other accounts receivable

## 1) Other accounts receivable classified by the nature of accounts

In RMB

| Nature                         | Closing book balance | Opening book balance |
|--------------------------------|----------------------|----------------------|
| Export tax rebate receivable   |                      | 2,153,878.45         |
| Deposit                        | 13,265,110.29        | 16,937,448.95        |
| Provisional payment receivable | 10,572,543.47        | 5,251,040.00         |
| Petty cash                     | 4,133,206.64         | 1,327,534.34         |
| Other                          | 3,713,119.52         | 3,730,374.47         |
| Total                          | 31,683,979.92        | 29,400,276.21        |

## 2) Bad-debt provision

Loss provision changes in current period, change in book balance with significant amount

☐ Applicable ☒ Not applicable

Disclosure by aging

In RMB

| Aging                           | Closing balance |
|---------------------------------|-----------------|
| Within 1 year(Including 1 year) | 13,046,814.07   |
| 1-2 years                       | 2,802,463.45    |
| 2-3 years                       | 1,271,991.21    |
| Over 3 years                    | 1,172,078.58    |
| 3-4 years                       | 824,700.80      |
| 4-5 years                       | 347,377.78      |

|              |               |
|--------------|---------------|
| Over 5 years | 0.00          |
| Total        | 18,293,347.31 |

## 3) Accounts receivable withdraw, reversed or collected during the reporting period

The withdrawal amount of the bad debt provision:

In RMB

| Category  | Opening balance | Amount of change in the current period |                              | Closing balance |
|---|-----------------|--|------------------------------|-----------------|
|   |                 | Accrual                                | Reversed or collected amount |                 |
| Other receivables with provision for bad debts based on credit risk characteristics | 13,405,110.05   | -14,477.44                             |                              | 13,390,632.61   |
| Total   | 13,405,110.05   | -14,477.44                             |                              | 13,390,632.61   |

## 4) The actual write-off accounts receivable

Nil

## 5) Top 5 of the closing balance of the other accounts receivable collated according to the arrears party

In RMB

| Name   | Nature                       | Closing balance | Aging        | Proportion of the total year end balance of the accounts receivable | Closing balance of bad debt provision |
|--|------------------------------|-----------------|--------------|---|---------------------------------------|
| Shanghai Customs Waigaoqiao Office   | Deposit                      | 3,710,320.94    | Over 5 years | 11.71%  | 3,710,320.94                          |
| Hangzhou Zhongneng Steam Turbine Power (Indonesia) Co., Ltd.                                   | Investment                   | 3,431,600.00    | 5-6 years    | 10.83%  | 3,431,600.00                          |
| Hangzhou Intermediate People's Court, Zhejiang Province  | Temporary payment receivable | 1,105,395.00    | 1 year       | 3.49%   | 55,269.75                             |
| Guoxin Tendering Group Co., Ltd  | Deposit                      | 800,000.00      | 4 years      | 2.52%   | 480,000.00                            |
| National Central and Western Regional Cooperation Demonstration Zone Bidding Management Office | Deposit                      | 800,000.00      | 1 year       | 2.52%   | 40,000.00                             |
| Total  | --                           | 9,847,315.94    | --           | 31.07%  | 7,717,190.69                          |

## 6) Accounts receivable involved with government subsidies

Nil

## 7) Other account receivable which terminate the recognition owing to the transfer of the financial assets

Nil

## 8) The amount of the assets and liabilities formed by the transfer and the continues involvement of other accounts receivable

Nil

## 9. Inventories

Whether implemented new revenue guidelines?

No

## (1) Category of Inventory

In RMB

| Items             | Closing book balance |                                    |                  | Opening book balance |                                    |                  |
|-------------------|----------------------|------------------------------------|------------------|----------------------|------------------------------------|------------------|
|                   | Book balance         | Provision for inventory impairment | Book value       | Book balance         | Provision for inventory impairment | Book value       |
| Raw materials     | 537,036,361.35       | 53,003,915.45                      | 484,032,445.90   | 585,528,478.85       | 53,187,189.03                      | 532,341,289.82   |
| Goods in progress | 794,557,915.19       | 28,954,137.55                      | 765,603,777.64   | 731,748,385.18       | 25,188,298.67                      | 706,560,086.51   |
| Stock goods       | 1,107,771,113.80     | 134,625,404.08                     | 973,145,709.72   | 1,093,823,673.99     | 144,603,707.45                     | 949,219,966.54   |
| Total             | 2,439,365,390.34     | 216,583,457.08                     | 2,222,781,933.26 | 2,411,100,538.02     | 222,979,195.15                     | 2,188,121,342.87 |

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

No

## (2) Falling price reserves of inventory

In RMB

| Items             | Opening balance | Increased amount |                      | Decreased amount     |       | Closing balance |
|-------------------|-----------------|------------------|----------------------|----------------------|-------|-----------------|
|                   |                 | Withdrawal       | Reverse or write-off | Reverse or write-off | Other |                 |
| Raw materials     | 53,187,189.03   | 0.00             | 0.00                 | 183,273.58           | 0.00  | 53,003,915.45   |
| Goods in progress | 28,968,721.85   | 0.00             | 0.00                 | 14,584.30            | 0.00  | 28,954,137.55   |

|             |                |      |      |              |      |                |
|-------------|----------------|------|------|--------------|------|----------------|
| Stock goods | 140,823,284.27 | 0.00 | 0.00 | 6,197,880.19 | 0.00 | 134,625,404.08 |
| Total       | 222,979,195.15 | 0.00 | 0.00 | 6,395,738.07 | 0.00 | 216,583,457.08 |

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<br>Reason for provision for<br>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 be 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                                     |

(3) Notes of the closing balance of the inventory which includes capitalized borrowing expenses

(4) Completed unsettled assets formed from the construction contract at the period-end

10. Assets divided as held-to-sold

Nil

11. Non-current assets due within 1 year

Nil

12. Other current assets

Whether implemented new revenue guidelines?

No

In RMB

| Items                   | End of term   | Beginning of term |
|-------------------------|---------------|-------------------|
| Input tax deductible    | 59,238,064.27 | 28,260,278.71     |
| To verify the input tax | 47,553.14     |                   |
| Prepaid income tax      | 4,992,881.54  | 2,804,366.47      |



|             |               |               |
|-------------|---------------|---------------|
| Rent charge | 837,437.34    | 813,310.56    |
| Total       | 65,115,936.29 | 31,877,955.74 |

13.Creditor's right investment: Nil

14.Other Creditor's right investment: Nil

15. Long-term accounts receivable

Nil

16. Long-term equity investment

In RMB

| Investees  | Opening balance | Increase /decrease    |                        |  |                            |                         |  |                                    |       | Closing balance | Closing balance of impairment provision |
|--|-----------------|-----------------------|------------------------|--|----------------------------|-------------------------|--|------------------------------------|-------|-----------------|---|
|  |                 | Additional investment | Decrease in investment | Profits and losses on investments Recognized under the equity method | Other comprehensive income | Changes in other equity | Cash bonus or profits announced to issue | Withdrawal of impairment provision | Other |                 |   |
| I. Joint venture                                   |                 |                       |                        |  |                            |                         |  |                                    |       |                 |   |
| 2. Affiliated Company                              |                 |                       |                        |  |                            |                         |  |                                    |       |                 |   |
| Zhejiang Zhongrun Gas turbine technology Co., Ltd. | 8,221,439.29    | 2,040,000.00          |                        |  |                            |                         |  |                                    |       | 10,261,439.29   |   |
| Subtotal   | 8,221,439.29    | 2,040,000.00          |                        |  |                            |                         |  |                                    |       | 10,261,439.29   |   |
| Total  | 8,221,439.29    | 2,040,000.00          |                        |  |                            |                         |  |                                    |       | 10,261,439.29   |   |

Other notes

17. Other equity instruments investment

In RMB

| Items | End of term | Beginning of term |
|-------|-------------|-------------------|
|-------|-------------|-------------------|

|               |                  |                  |
|---------------|------------------|------------------|
| Hangzhou Bank | 2,264,720,465.98 | 2,011,876,524.40 |
| Total         | 2,264,720,465.98 | 2,011,876,524.40 |

Itemized disclosure of the current non - trading equity instrument investment

In RMB

| Name          | Recognized dividend income | Accumulating profit | Accumulating profit | Amount of other comprehensive income transferred to retained earnings | Reasons for being measured at fair value and whose changes are included in other comprehensive income   | Reasons for other comprehensive income transferred to retained earnings |
|---------------|----------------------------|---------------------|---------------------|---|---|---|
| Hangzhou Bank | 67,968,801.50              | 1,873,766,425.98    |                     |   | The Company takes a position of holding the equity instrument for a long-term to obtain stable dividends, and it does not care about the impact of price fluctuations on profit and loss. The Cash flow is not entirely the principal and interest. |   |

Other notes:

#### 18.Other non-current assets

In RMB

| Items   | End of term   | Beginning of term |
|---|---------------|-------------------|
| Hangzhou Jushi Investment Partnership (LP)                    | 50,000,000.00 | 50,000,000.00     |
| Hangzhou Steam Turbine Engineering Co., Ltd.                  | 4,820,000.00  | 4,820,000.00      |
| Wuxi Xinchang Steel Bube Co., Ltd.                            | 13,845,257.58 | 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 equity fund raising special account         | 16,000,000.00  | 16,000,000.00  |
| Sichuan Lutianhua Co., Ltd.   | 2,281,853.06   |                |
| Turbine Company   | 11,400,000.00  |                |
| Total   | 131,881,883.86 | 118,200,030.80 |

Other notes:

#### 19. Investment property

Nil

#### 20. Fixed assets

In RMB

| Items        | End of term    | Beginning of term |
|--------------|----------------|-------------------|
| Fixed assets | 761,603,992.58 | 783,740,928.49    |
| Total        | 761,603,992.58 | 783,740,928.49    |

#### (1) Details

In RMB

| Items                             | Houses & buildings | Machinery equipment | Transportation equipment | Office equipment | Total            |
|-----------------------------------|--------------------|---------------------|--------------------------|------------------|------------------|
| I. Original price                 |                    |                     |                          |                  |                  |
| 1. Balance at period-beginning    | 732,378,844.81     | 1,022,902,093.21    | 27,934,764.05            | 100,670,157.77   | 1,883,885,859.84 |
| 2. Increase in the current period | 0.00               | 14,065,140.36       | 420,882.90               | 964,332.12       | 15,450,355.38    |
| (1) Purchase                      | 0.00               | 7,383,988.74        | 420,882.90               | 548,836.44       | 8,353,708.08     |
| ( 2 )                             | 0.00               | 6,681,151.62        | 0.00                     | 415,495.68       | 7,096,647.30     |
| Transferred from construct        |                    |                     |                          |                  |                  |

|   |                |                  |               |               |                  |
|---|----------------|------------------|---------------|---------------|------------------|
| ion in progress                           |                |                  |               |               |                  |
| (3)Increased of<br>Enterprise Combination |                |                  |               |               | 0.00             |
|   |                |                  |               |               | 0.00             |
| 3.Decreased amount of the<br>period       | 0.00           | 5,825,250.24     | 140,000.00    | 1,693,493.76  | 7,658,744.00     |
| (1) Dispose                               | 0.00           | 5,825,250.24     | 140,000.00    | 1,693,493.76  | 7,658,744.00     |
|   |                |                  |               |               | 0.00             |
| 4. Balance at period-end                  | 732,378,844.81 | 1,031,141,983.33 | 28,215,646.95 | 99,940,996.13 | 1,891,677,471.22 |
| II.Accumulated<br>amortization            |                |                  |               |               | 0.00             |
| 1.Opening balance                         | 205,744,672.74 | 782,001,809.78   | 21,626,415.94 | 84,120,061.22 | 1,093,492,959.68 |
| 2.Increased amount of the<br>period       | 12,846,518.83  | 22,455,549.23    | 415,621.91    | 1,271,956.33  | 36,989,646.30    |
| (1) Withdrawal                            | 12,846,518.83  | 22,455,549.23    | 415,621.91    | 1,271,956.33  | 36,989,646.30    |
|   |                |                  |               |               | 0.00             |
| 3.Decrease in the reporting<br>period     | 0.00           | 4,825,001.33     | 133,000.00    | 1,632,096.51  | 6,590,097.84     |
| (1) Disposal                              | 0.00           | 4,825,001.33     | 133,000.00    | 1,632,096.51  | 6,590,097.84     |
|   |                |                  |               |               | 0.00             |
| 4.Closing balance                         | 218,591,191.57 | 799,632,357.68   | 21,909,037.85 | 83,759,921.04 | 1,123,892,508.14 |
| III. Impairment provision                 |                |                  |               |               | 0.00             |
| 1.Opening balance                         | 1,504,928.24   | 4,033,520.42     | 0.00          | 1,113,523.01  | 6,651,971.67     |
| 2.Increase in the reporting<br>period     | 0.00           | 0.00             | 0.00          | 0.00          | 0.00             |
| (1) Withdrawal                            |                |                  |               |               | 0.00             |
|   |                |                  |               |               | 0.00             |
| 3.Decrease the reporting<br>period        | 0.00           | 433,399.30       | 0.00          | 37,601.87     | 471,001.17       |
| (1) Disposal                              | 0.00           | 433,399.30       | 0.00          | 37,601.87     | 471,001.17       |
|   |                |                  |               |               | 0.00             |
| 4. Closing balance                        | 1,504,928.24   | 3,600,121.12     | 0.00          | 1,075,921.14  | 6,180,970.50     |
| IV. Book value                            |                |                  |               |               | 0.00             |
| 1.Book value of the<br>period-end         | 525,553,099.54 | 214,639,129.99   | 6,306,609.10  | 15,105,153.95 | 761,603,992.58   |

|                                   |                |                |              |               |                |
|-----------------------------------|----------------|----------------|--------------|---------------|----------------|
| 2. Book value of the period-begin | 525,129,243.83 | 236,866,763.01 | 6,308,348.11 | 15,436,573.54 | 783,740,928.49 |
|-----------------------------------|----------------|----------------|--------------|---------------|----------------|

## (2) List of temporarily idle fixed assets

Nil

## (3) Fixed assets leased in from financing lease

Nil

## (4) Fixed assets leased out from operation lease

Nil

## (5) Details of fixed assets failed to accomplish certification of property

In RMB

| Items                        | Book value     | Reason     |
|------------------------------|----------------|------------|
| Steam turbine power Building | 217,937,640.97 | In process |
| Complete sets of factory     | 40,753,085.36  | In process |

## (6) Liquidation of fixed assets

Nil

## 21. Construction in progress

In RMB

| Items                    | End of term    | Beginning of term |
|--------------------------|----------------|-------------------|
| Construction in progress | 659,588,447.28 | 454,767,328.93    |
| Total                    | 659,588,447.28 | 454,767,328.93    |

## (1) List of construction in progress

In RMB

| Items | End of term  |               |            | Beginning of term |               |            |
|-------|--------------|---------------|------------|-------------------|---------------|------------|
|       | Book balance | Provision for | Book value | Book balance      | Provision for | Book value |

|                                      |                | impairment |                |                | impairment |                |
|--------------------------------------|----------------|------------|----------------|----------------|------------|----------------|
| New Plant project                    | 631,046,137.11 |            | 631,046,137.11 | 429,609,053.59 |            | 429,609,053.59 |
| Steam turbine power Building         | 1,726,143.04   |            | 1,726,143.04   |                |            |                |
| Software project                     | 7,779,939.24   |            | 7,779,939.24   | 7,779,939.24   |            | 7,779,939.24   |
| Other project                        | 15,116,301.15  |            | 15,116,301.15  | 8,457,875.95   |            | 8,457,875.95   |
| Prepayment for equipment or projects | 3,919,926.74   |            | 3,919,926.74   | 8,920,460.15   |            | 8,920,460.15   |
| Total                                | 659,588,447.28 |            | 659,588,447.28 | 454,767,328.93 |            | 454,767,328.93 |

## (2) Changes of significant construction in progress

In RMB

| Name of project                      | Budget           | Opening balance | Increase       | Transferred to fixed assets | Other decrease | End balance    | Proportion % | Project process    | Capitalization of interest | Including g: capitalization of interest this period | Capitalization of interest rate (%) | Source of funding |
|--------------------------------------|------------------|-----------------|----------------|-----------------------------|----------------|----------------|--------------|--------------------|----------------------------|---|-------------------------------------|-------------------|
| New Plant project                    | 1,733,287,600.00 | 429,609,053.59  | 201,437,083.52 |                             |                | 631,046,137.11 | 39.46%       | Under Construction | 5,427,195.39               | 1,255,268.85  | 1.20%                               | Other             |
| Steam turbine power Building         | 231,425,300.00   |                 | 1,726,143.04   |                             |                | 1,726,143.04   | 100.00%      | Completed          |                            |   |                                     | Other             |
| Software project                     | 7,970,000.00     | 7,779,939.24    |                |                             |                | 7,779,939.24   | 97.62%       | Under Construction |                            |   |                                     | Other             |
| Other project                        |                  | 8,457,875.95    | 8,750,212.35   | 2,091,787.15                |                | 15,116,301.15  |              | Under Construction |                            |   |                                     | Other             |
| Prepayment for equipment or projects |                  | 8,920,460.15    | 4,326.74       | 5,004,860.15                |                | 3,919,926.74   |              | Under Construction |                            |   |                                     | Other             |

|       |                  |                |                |              |      |                |    | tion |              |              |  |    |
|-------|------------------|----------------|----------------|--------------|------|----------------|----|------|--------------|--------------|--|----|
| Total | 1,972,682,900.00 | 454,767,328.93 | 211,917,765.65 | 7,096,647.30 | 0.00 | 659,588,447.28 | -- | --   | 5,427,195.39 | 1,255,268.85 |  | -- |

## (3) List of the withdrawal of the impairment provision of the construction in progress

Nil

## (4) Engineering material

Nil

## 22. Productive biological assets

Nil

## 23. Oil and gas assets

Nil

## 24. Right to use assets

Nil



## 25. Intangible assets

## (1) Information

In RMB

| Items                                   | Land using right | Patent     | Non patent technology | Software     | Total          |
|---|------------------|------------|-----------------------|--------------|----------------|
| I. Original price                       |                  |            |                       |              |                |
| 1. Balance at period-beginning          | 332,298,312.33   | 309,433.96 | 0.00                  | 3,240,025.87 | 335,847,772.16 |
| 2. Increase in the current period       |                  |            |                       |              |                |
| (1) Purchase                            |                  |            |                       |              |                |
| (2) Internal Development                |                  |            |                       |              |                |
| (3) Increased of Enterprise Combination |                  |            |                       |              |                |
| 3. Decreased amount of the period       |                  |            |                       |              |                |
| (1) Disposal                            |                  |            |                       |              |                |
| 4. Closing balance                      | 332,298,312.33   | 309,433.96 | 0.00                  | 3,240,025.87 | 335,847,772.16 |
| II. Accumulated amortization            |                  |            |                       |              |                |
| 1. Opening balance                      | 55,106,840.56    | 258,450.38 | 0.00                  | 741,724.73   | 56,107,015.67  |
| 2. Increased amount of the period       | 3,331,432.68     | 2,735.10   | 0.00                  | 308,002.56   | 3,642,170.34   |
| (1) Withdrawal                          | 3,331,432.68     | 2,735.10   | 0.00                  | 308,002.56   | 3,642,170.34   |
| 3. Decreased amount of the period       |                  |            |                       |              |                |
| (1) Disposal                            |                  |            |                       |              |                |
| 4. Closing balance                      | 58,438,273.24    | 261,185.48 | 0.00                  | 1,049,727.29 | 59,749,186.01  |
| III. Impairment provision               |                  |            |                       |              |                |
| 1. Opening balance                      |                  |            |                       |              |                |
| 2. Increased amount of the              |                  |            |                       |              |                |

|                                   |                |           |      |              |                |
|-----------------------------------|----------------|-----------|------|--------------|----------------|
| period                            |                |           |      |              |                |
| (1) Withdrawal                    |                |           |      |              |                |
| 3. Decreased amount of the period |                |           |      |              |                |
| (1) Disposal                      |                |           |      |              |                |
| 4. Closing balance                |                |           |      |              |                |
| IV. Book value                    |                |           |      |              |                |
| 1. Closing book value             | 273,860,039.09 | 48,248.48 | 0.00 | 2,190,298.58 | 276,098,586.15 |
| 2. Opening book value             | 277,191,471.77 | 50,983.58 | 0.00 | 2,498,301.14 | 279,740,756.49 |

The proportion the intangible assets formed from the internal R&D through the Company amount the balance of the intangible assets at the period-end.

(2) Details of fixed assets failed to accomplish certification of land use right

Nil

26. R&D expenses

Nil

27. Goodwill

Nil

28. Long-term unamortized expenses

Nil

29. Deferred income tax assets/deferred income tax liabilities

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

In RMB

| Items                              | End of term                     |                            | Beginning of term               |                            |
|------------------------------------|---------------------------------|----------------------------|---------------------------------|----------------------------|
|                                    | Deductible temporary difference | Deferred income tax assets | Deductible temporary difference | Deferred income tax assets |
| Provision for Asset Impairment     | 1,300,939,413.26                | 200,993,717.84             | 1,339,474,275.36                | 207,199,125.83             |
| Internal trade profit not realized | 61,806,771.99                   | 9,463,856.66               | 41,572,138.74                   | 6,430,832.03               |
| Deductible loss                    | 0.00                            | 0.00                       |                                 |                            |

|   |                  |                |                  |                |
|---|------------------|----------------|------------------|----------------|
| Temporary difference such as amortizing of software expense | 2,218,329.11     | 332,749.37     | 2,218,329.11     | 332,749.37     |
| Changes in fair value of other non-current assets           | 26,654,755.34    | 3,998,213.30   |                  |                |
| Total   | 1,391,619,269.70 | 214,788,537.17 | 1,383,264,743.21 | 213,962,707.23 |

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

In RMB

| Items  | End of term                     |                                 | Beginning of term               |                                 |
|--|---------------------------------|---------------------------------|---------------------------------|---------------------------------|
|  | Deductible temporary difference | Deferred income tax liabilities | Deductible temporary difference | Deferred income tax liabilities |
| Changes in fair value of investments in other equity instruments | 1,873,766,425.98                | 281,064,963.90                  | 1,620,922,484.40                | 243,138,372.66                  |
| Accumulated depreciation   | 6,180,970.50                    | 927,145.58                      | 6,651,971.67                    | 997,795.75                      |
| Deferred income  | 900,750.80                      | 135,112.62                      | 225,187.70                      | 33,778.16                       |
| Total  | 1,880,848,147.28                | 282,127,222.10                  | 1,627,799,643.77                | 244,169,946.57                  |

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

In RMB

| Items                           | Deferred Income Tax Assets or Liabilities at the End of Report Period | Temporarily Deductable or Taxable Difference at the End of Report Period | Deferred Income Tax Assets or Liabilities at the Beginning of Report Period | Temporarily Deductable or Taxable Difference at the Beginning of Report Period |
|---------------------------------|---|--|---|--|
| Deferred income tax assets      |   | 214,788,537.17   |   | 213,962,707.23   |
| Deferred income tax liabilities |   | 282,127,222.10   |   | 244,169,946.57   |

## (4) Details of income tax assets not recognized

In RMB

| Items                              | End of term   | Beginning of term |
|------------------------------------|---------------|-------------------|
| Deductible provisional differences | 734,654.14    | 650,570.73        |
| Deductible losses                  | 30,691,075.97 | 25,565,760.83     |

|       |               |               |
|-------|---------------|---------------|
| Total | 31,425,730.11 | 26,216,331.56 |
|-------|---------------|---------------|

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

In RMB

| Year  | End of term   | Beginning of term | Remark |
|-------|---------------|-------------------|--------|
| 2020  | 352,606.82    | 439,625.66        |        |
| 2021  | 712,938.27    | 712,938.27        |        |
| 2022  | 5,902,717.30  | 5,953,854.74      |        |
| 2023  | 18,459,342.16 | 18,459,342.16     |        |
| 2024  | 5,263,471.42  |                   |        |
| Total | 30,691,075.97 | 25,565,760.83     | --     |

### 30. Other non-current assets

Nil

### 31. Short-term borrowings

#### (1) Category of short-term borrowings

In RMB

| Items                  | End of term   | Beginning of term |
|------------------------|---------------|-------------------|
| Pledge Borrowing       | 0.00          | 0.00              |
| Mortgage Borrowings    | 59,800,000.00 | 47,900,000.00     |
| Guarantee Borrowing    | 37,700,000.00 | 37,700,000.00     |
| Credit borrowing       | 0.00          | 0.00              |
| Mortgage and Guarantee | 0.00          | 54,000,000.00     |
| Total                  | 97,500,000.00 | 139,600,000.00    |

#### (2) List of the short-term borrowings overdue but not return

### 32. Transactional financial liabilities

Nil

### 33. Derivative financial liability

Nil

## 34. Notes payable

In RMB

| Items                | End of term    | Beginning of term |
|----------------------|----------------|-------------------|
| Bank acceptance bill | 237,870,569.88 | 263,897,462.79    |
| Total                | 237,870,569.88 | 263,897,462.79    |

## 35. Accounts payable

## (1) List of accounts payable

In RMB

| Items                     | End of term      | Beginning of term |
|---------------------------|------------------|-------------------|
| Goods                     | 1,088,197,720.56 | 1,026,275,855.39  |
| Equipment and Engineering | 100,132,003.87   | 60,410,063.35     |
| Total                     | 1,188,329,724.43 | 1,086,685,918.74  |

## (2) Notes of the accounts payable aging over one year

Nil

## 36. Advances received

Whether implemented new revenue guidelines?

Nil

## (1) List of Advances received

In RMB

| Items | End of term      | Beginning of term |
|-------|------------------|-------------------|
| Goods | 2,555,520,011.33 | 2,582,234,158.36  |
| Total | 2,555,520,011.33 | 2,582,234,158.36  |

## (2) Notes of the accounts payable aging over one year

Nil

## 37. Employees' wage payable

## (1) List of Payroll payable

In RMB

| Items               | Beginning of term | Increased this period | Decreased this period | End of term   |
|---------------------|-------------------|-----------------------|-----------------------|---------------|
| I. Short-term wages | 63,423,331.59     | 324,039,923.67        | 337,179,017.91        | 50,284,237.35 |

|  |               |                |                |               |
|--|---------------|----------------|----------------|---------------|
| II. Welfare after leaving of position-fixed provision scheme | 22,967,623.70 | 43,995,715.30  | 52,109,496.76  | 14,853,842.24 |
| Total  | 86,390,955.29 | 368,035,638.97 | 389,288,514.67 | 65,138,079.59 |

## (2) Details of short term wages

In RMB

| Items  | Beginning of term | Increased this period | Decreased this period | End of term   |
|--|-------------------|-----------------------|-----------------------|---------------|
| 1. Wage, bonus, allowance and subsidies        | 48,159,059.49     | 243,286,098.34        | 263,117,557.72        | 28,327,600.11 |
| 2. Employee welfare                            | 0.00              | 18,336,994.82         | 13,091,480.29         | 5,245,514.53  |
| 3. Social insurance                            | 6,861,555.29      | 26,760,752.54         | 26,728,272.16         | 6,894,035.67  |
| Incl. Medical insurance                        | 6,406,895.63      | 23,347,637.26         | 23,313,021.09         | 6,441,511.80  |
| Labor injury insurance                         | 96,387.91         | 742,611.04            | 740,032.75            | 98,966.20     |
| Maternity insurance                            | 358,271.75        | 2,670,504.24          | 2,675,218.32          | 353,557.67    |
| 4. Housing fund                                | 111,421.96        | 25,731,882.00         | 25,726,039.00         | 117,264.96    |
| 5. Labour union fee and employee education fee | 8,291,294.85      | 8,251,195.97          | 6,842,668.74          | 9,699,822.08  |
| 6. Short-term paid absence                     | 0.00              | 0.00                  | 0.00                  | 0.00          |
| 7. Short-term profit sharing scheme            | 0.00              | 1,673,000.00          | 1,673,000.00          | 0.00          |
| Total  | 63,423,331.59     | 324,039,923.67        | 337,179,017.91        | 50,284,237.35 |

## (3) Details of fixed provision scheme

In RMB

| Items                      | Beginning of term | Increased this period | Decreased this period | End of term   |
|----------------------------|-------------------|-----------------------|-----------------------|---------------|
| 1. Basic pension insurance | 4,080,388.66      | 31,241,284.39         | 31,189,936.66         | 4,131,736.39  |
| 2. Unemployment insurance  | 145,938.27        | 1,114,649.31          | 1,113,025.82          | 147,561.76    |
| 3. Enterprise annual fee   | 18,741,296.77     | 11,639,781.60         | 19,806,534.28         | 10,574,544.09 |
| Total                      | 22,967,623.70     | 43,995,715.30         | 52,109,496.76         | 14,853,842.24 |

## 38. Taxes Payable

In RMB

| Items                 | End of term   | Beginning of term |
|-----------------------|---------------|-------------------|
| VAT                   | 3,815,501.92  | 29,776,940.88     |
| Enterprise Income tax | 15,707,673.47 | 23,909,724.68     |
| Individual Income tax | 684,083.90    | 1,043,483.57      |
| City Construction tax | 260,719.16    | 2,366,801.27      |

|                            |               |               |
|----------------------------|---------------|---------------|
| Property tax               | 348,901.25    | 1,520,839.72  |
| Land use tax               | 1,655,168.00  | 1,654,687.31  |
| Education subjoin          | 125,288.80    | 1,014,509.41  |
| Locality Education subjoin | 83,525.82     | 676,339.74    |
| Other                      | 245,929.47    | 441,874.04    |
| Total                      | 22,926,791.79 | 62,405,200.62 |

## 39. Other account payable

In RMB

| Items                 | End of term   | Beginning of term |
|-----------------------|---------------|-------------------|
| Interest payable      | 100,958.90    | 437,314.72        |
| Dividend payable      | 0.00          | 0.00              |
| Other account payable | 37,508,451.62 | 36,466,988.29     |
| Total                 | 37,609,410.52 | 36,904,303.01     |

## (1) Interest payable

In RMB

| Items  | End of term | Beginning of term |
|--|-------------|-------------------|
| Long term interest on borrowings due in installments | 100,958.90  | 245,102.36        |
| Interest on short-term borrowings                    |             | 192,212.36        |
| Total  | 100,958.90  | 437,314.72        |

## (2) Dividends payable

In RMB

| Items | End of term | Beginning of term |
|-------|-------------|-------------------|
| Total | 0.00        | 0.00              |

Note: Including significant unpaid dividends payable over one year, the unpaid reason shall be disclosed:

## (3) Other accounts payable

## (1) Other accounts payable listed by nature of the account

In RMB

| Items                       | End of term   | Beginning of term |
|-----------------------------|---------------|-------------------|
| Deposit                     | 11,818,556.60 | 12,075,403.25     |
| Provisional account payable | 24,008,353.70 | 22,537,821.34     |
| Other                       | 1,681,541.32  | 1,853,763.70      |
| Total                       | 37,508,451.62 | 36,466,988.29     |

## ② Significant other payables for over 1 year

Nil

## 40. Liabilities classified as holding for sale

Nil

## 41. Non-current liabilities due within 1 year

In RMB

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

## 42. Other current-liabilities

Nil

## 43. Long-term borrowing

## (1) Category of long-term loan

In RMB

| Items          | End of term   | Beginning of term |
|----------------|---------------|-------------------|
| Mortgage loan  | 12,600,000.00 | 12,700,000.00     |
| Guarantee loan | 10,000,000.00 | 10,000,000.00     |
| Total          | 22,600,000.00 | 22,700,000.00     |

## 44. Bonds payable

Nil



## 45. Lease liability

Nil

## 46. Long-term payable

In RMB

| Items                     | End of term    | Beginning of term |
|---------------------------|----------------|-------------------|
| Long term account payable | 208,330,000.00 | 209,598,799.99    |
| Special Payable           | 577,336,859.28 | 265,277,651.27    |
| Total                     | 785,666,859.28 | 474,876,451.26    |

## (1) Long-term payable listed by nature of the account

In RMB

| 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      |
| Drawing in administrative restructuring | 330,000.00     | 330,000.00        |
| Total                                   | 208,330,000.00 | 209,598,799.99    |

Other notes:

According to the relevant agreement of the National Development Fund Investment Contract (hereinafter referred to as the Investment Contract) jointly signed by the Company, National Development Fund Co., Ltd. (hereinafter referred to as the NDF), Hangzhou Steam Turbine Industry Co., Ltd. and Hangzhou Steam Turbine Group, the NDF invested RMB 208,000,000.00 in Hangzhou Steam Turbine Industry Co., Ltd., the subsidiary, The NDF obtains 1.2% of the proceeds through dividends or repurchasing premium each year for the above investment; under the investment contract, Hangzhou Steam Turbine Group will transfer its shares of Steam Turbine Industry Co., Ltd from 2019 to the NDF by installment. Hangzhou Steam Turbine Industry Co., Ltd has received the above investment on December 27, 2016, according to the agreement of the investment contract on the relevant investment returns, The Company reports it as a long-term payables, the current accrued income is RMB1,248,000. Cumulative recognized income payable is RMB6,281,600.01.

## (3) Special Payable

In RMB

| Items                       | Beginning of term | Increased this period | Decreased this period | End of term    | Reason |
|-----------------------------|-------------------|-----------------------|-----------------------|----------------|--------|
| Compensation for relocation | 265,277,651.27    | 314,548,452.89        | 2,489,244.88          | 577,336,859.28 |        |
| Total                       | 265,277,651.27    | 314,548,452.89        | 2,489,244.88          | 577,336,859.28 | --     |

## 47. Long term payroll payable

Nil

## 48. Accrued liabilities

Nil

## 49. Deferred income

In RMB

| Items              | Beginning of term | Increased this period | Decreased this period | End of term   | Reason                       |
|--------------------|-------------------|-----------------------|-----------------------|---------------|------------------------------|
| Government Subsidy | 44,675,128.30     | 2,489,244.88          | 4,391,157.98          | 42,773,215.20 | Receive government subsidies |
| Total              | 44,675,128.30     | 2,489,244.88          | 4,391,157.98          | 42,773,215.20 | --                           |

## Details of government subsidies

In RMB

| Items   | Beginning of term | New subsidy in current period | Amount transferred to non-operational income | Other income recorded in the current period | Amount of cost deducted in the current period | Other changes | End of term | Asset-related or income-related |
|---|-------------------|-------------------------------|--|---|---|---------------|-------------|---------------------------------|
| Financial support for industrial projects                 | 230,240.00        | 0.00                          |  | 28,780.00                                   |   |               | 201,460.00  | Related to assets               |
| Government subsidy for casting project                    | 1,911,645.00      | 0.00                          |  | 997,380.00                                  |   |               | 914,265.00  | Related to assets               |
| Circular economy financial subsidy                        | 91,280.00         | 0.00                          |  | 11,410.00                                   |   |               | 79,870.00   | Related to assets               |
| Subsidy for industrial upgrading by provincial government | 160,000.00        | 0.00                          |  | 160,000.00                                  |   |               | 0.00        | Related to assets               |

|  |               |              |      |              |      |      |               |                   |
|--|---------------|--------------|------|--------------|------|------|---------------|-------------------|
| Finance for casting project  | 230,240.00    | 0.00         |      | 28,780.00    |      |      | 201,460.00    | Related to assets |
| Government subsidy for industrial entities from Yuhang District Government in the 2nd half of 2009 | 106,930.00    | 0.00         |      | 0.00         |      |      | 106,930.00    | Related to assets |
| Compensation for requisition and relocation-newly built complete plant                             | 41,944,793.30 | 2,489,244.88 |      | 3,164,807.98 |      |      | 41,269,230.20 | Related to assets |
| Total  | 44,675,128.30 | 2,489,244.88 | 0.00 | 4,391,157.98 | 0.00 | 0.00 | 42,773,215.20 |                   |

## 50. Other non-current liabilities

Nil

## 51. Stock capital

In RMB

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

## 52. Other equity instruments

Nil

## 53. Capital reserves

In RMB

| Items | Year-beginning balance | Increase in the current period | Decrease in the current period | Year-end balance |
|-------|------------------------|--------------------------------|--------------------------------|------------------|
|       |                        |                                |                                |                  |

|                        |                |  |  |                |
|------------------------|----------------|--|--|----------------|
| Capital premium        | 93,909,294.56  |  |  | 93,909,294.56  |
| Other capital reserves | 57,775,125.09  |  |  | 57,775,125.09  |
| Total                  | 151,684,419.65 |  |  | 151,684,419.65 |

## 54. Treasury stock

Nil

## 55. Other comprehensive income

In RMB

| Items  | Opening balance  | Occurred current term             |   |   |                           |   |   | Closing balance  |
|--|------------------|-----------------------------------|---|---|---------------------------|---|---|------------------|
|  |                  | Amount incurred before income tax | Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period | Less: Prior period included in other composite income transfer to retained income in the current period | Less: Income tax expenses | After-tax attribute to the parent company | After-tax attribute to minority shareholder |                  |
| 1. Other comprehensive income that cannot be reclassified in the loss and gain in the future | 1,377,784,111.74 | 252,843,941.58                    | 0.00  | 0.00  | 37,926,591.24             | 214,917,350.34                            | 0.00  | 1,592,701,462.08 |
| Changes in fair value of investments in other equity instruments                             | 1,377,784,111.74 | 252,843,941.58                    |   |   | 37,926,591.24             | 214,917,350.34                            | 0.00  | 1,592,701,462.08 |
| II. Other Comprehensive income that will be reclassified subsequently to profit or loss      | -615,589.00      | 545,518.42                        | 0.00  | 0.00  | 0.00                      | 232,279.56                                | 313,238.86                                  | -383,309.44      |

|  |                  |                |      |      |               |                |            |                  |
|--|------------------|----------------|------|------|---------------|----------------|------------|------------------|
| Difference of translating of foreign currency accounts | -615,589.00      | 545,518.42     |      |      |               | 232,279.56     | 313,238.86 | -383,309.44      |
| Total of other comprehensive income                    | 1,377,168,522.74 | 253,389,460.00 | 0.00 | 0.00 | 37,926,591.24 | 215,149,629.90 | 313,238.86 | 1,592,318,152.64 |

## 56.Special reserves

In RMB

| Items                 | Beginning of term | Increased this period | Decreased this period | End of term   |
|-----------------------|-------------------|-----------------------|-----------------------|---------------|
| Labor safety expenses | 21,020,671.47     | 434,456.69            | 1,218,494.40          | 20,236,633.76 |
| Total                 | 21,020,671.47     | 434,456.69            | 1,218,494.40          | 20,236,633.76 |

## 57. Surplus reserves

In RMB

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

## 58. Retained profit

In RMB

| Items  | Amount of this period | Amount of last period |
|--|-----------------------|-----------------------|
| After adjustments: Retained profits at the period beginning  | 3,082,544,107.52      | 2,774,420,288.05      |
| Add: Net profit belonging to the owner of the parent company | 160,325,133.00        | 345,824,339.47        |
| Common stock dividend payable                                | 150,802,079.99        | 37,700,520.00         |
| Retained profit at the end of this term                      | 3,092,067,160.53      | 3,082,544,107.52      |

As regards the details of adjusted the beginning undistributed profits

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

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

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

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

## 59. Business income and Business cost

In RMB

| Items         | Amount of this period |                  | Amount of last period |                  |
|---------------|-----------------------|------------------|-----------------------|------------------|
|               | Income                | Cost             | Income                | Cost             |
| Main Business | 1,911,865,806.20      | 1,364,677,904.22 | 2,276,427,071.38      | 1,608,263,667.71 |
| Other         | 8,315,896.83          | 1,726,497.04     | 7,703,910.75          | 3,852,484.55     |
| Total         | 1,920,181,703.03      | 1,366,404,401.26 | 2,284,130,982.13      | 1,612,116,152.26 |

Whether implemented new revenue guidelines?

☐ Yes ☒ No

## 60. Taxes and surcharges

In RMB

| Items                                 | Amount of this period | Amount of last period |
|---------------------------------------|-----------------------|-----------------------|
| City maintenance and construction tax | 6,258,277.92          | 11,822,700.18         |
| Education surtax                      | 2,722,783.20          | 5,249,866.83          |
| House tax                             | 332,977.63            | 3,216,786.22          |
| Land use tax                          | 1,655,168.00          | 5,178,759.26          |
| vehicle and vessel tax                | 26,793.80             | 24,888.00             |
| Stamp tax                             | 646,951.82            | 1,027,019.01          |
| Locality Education surcharge          | 1,815,188.62          | 3,299,209.54          |
| Total                                 | 13,458,140.99         | 29,819,229.04         |

## 61. Sales expense

In RMB

| Items                       | Amount of this period | Amount of last period |
|-----------------------------|-----------------------|-----------------------|
| Employees' remunerations    | 35,345,136.48         | 32,773,059.29         |
| Transportation              | 17,358,879.72         | 14,693,552.44         |
| Business trips              | 11,000,584.22         | 9,452,510.07          |
| Business reception expenses | 3,518,464.60          | 3,399,943.75          |
| Conferences                 | 8,877,804.98          | 8,058,157.00          |
| Consulting service fee      | 857,979.45            | 900,990.48            |
| Three charge                | 2,965,403.66          | 1,829,961.31          |
| Advertising fee             | 645,456.86            | 904,782.48            |
| Office expenses             | 294,547.52            | 610,525.86            |
| Unit premium                | 443,566.81            | 175,631.84            |
| Other                       | 5,588,115.02          | 4,209,187.70          |
| Total                       | 86,895,939.32         | 77,008,302.22         |

## 62. Administrative expense

In RMB

| Items                             | Amount of this period | Amount of last period |
|-----------------------------------|-----------------------|-----------------------|
| Employees' remunerations          | 163,845,277.06        | 180,210,554.84        |
| Asset depreciation and amortizing | 12,905,965.64         | 6,891,121.59          |
| Business reception expenses       | 1,341,508.33          | 5,547,320.26          |



|  |                       |                       |
|--|-----------------------|-----------------------|
| Rental fee, House rental, property management, water and power | 11,812,826.37         | 5,015,031.88          |
| Traveling fees   | 4,586,971.31          | 4,275,372.97          |
| Material, low-value-consumable                                 | 1,755,846.28          | 1,720,636.69          |
| Office expenses  | 1,171,344.18          | 904,559.60            |
| Maintaining  | 1,822,902.87          | 1,375,919.85          |
| Other  | 35,925,683.94         | 31,515,542.48         |
| <b>Total</b>   | <b>235,168,325.98</b> | <b>237,456,060.16</b> |

## 63. R&amp;D Expense

In RMB

| Items                               | Amount of this period | Amount of last period |
|-------------------------------------|-----------------------|-----------------------|
| Labor cost                          | 50,307,098.47         | 52,135,762.31         |
| Direct materials                    | 51,643,451.05         | 85,259,892.10         |
| Depreciation expenses               | 6,273,507.75          | 6,939,770.84          |
| Test and inspection fee             | 5,852,855.49          | 3,476,581.20          |
| Commissioned research & development | 906,393.74            | 1,738,575.99          |
| Other                               | 1,777,636.02          | 1,798,978.59          |
| <b>Total</b>                        | <b>116,760,942.52</b> | <b>151,349,561.03</b> |

## 64. Financial expenses

In RMB

| Items                    | Amount of this period | Amount of last period |
|--------------------------|-----------------------|-----------------------|
| Interest expense         | 7,347,036.95          | 6,422,483.44          |
| Less: Incoming interests | 13,761,463.96         | 6,343,865.32          |
| Exchange gains/losses    | 1,120,184.65          | -1,251,354.77         |
| Commission               | 1,072,945.23          | 1,032,189.81          |
| Other                    | -33,206.03            | 143,723.91            |
| <b>Total</b>             | <b>-4,254,503.16</b>  | <b>3,177.07</b>       |

## 65. Other income

In RMB

| Items | Amount of this period | Amount of last period |
|-------|-----------------------|-----------------------|
|-------|-----------------------|-----------------------|

|                                   |               |               |
|-----------------------------------|---------------|---------------|
| Government subsidies              | 14,470,802.89 | 20,337,694.45 |
| Individual tax commission refunds | 1,290,786.14  |               |
| Total                             | 15,761,589.03 | 20,337,694.45 |

## 66. Investment income

In RMB

| Items   | Amount of this period | Amount of last period |
|---|-----------------------|-----------------------|
| Long-term equity investment income by equity method   | 0.00                  |                       |
| Investment income from disposal of Long-term equity investment                                | 0.00                  |                       |
| Investment gains from holding of sellable financial assets                                    | 2,320,462.15          |                       |
| Investment income from disposal of available for sale financial assets                        | 29,171,059.01         |                       |
| Dividend income from other equity instrument investments during the holding period            | 67,968,801.50         |                       |
| Investment income received from holding of held-to-maturity investments during holding period | 0.00                  |                       |
| Available for sale financial assets in the holding period of investment income                | 0.00                  | 11,428,418.13         |
| Investment income from disposal of available for sale financial assets                        | 0.00                  |                       |
| Disposal of investment proceeds from hold-to-maturity investments                             | 0.00                  |                       |
| Investment income from the remaining equity recalculated by fair value after losing control   | 0.00                  |                       |
| Interest income earned by the debt investment during the holding period                       | 0.00                  |                       |
| Interest income earned by other debt investments during the holding period                    | 0.00                  |                       |
| Investment income from disposal of other debt investments                                     | 0.00                  |                       |
| Investment income of financial products   | 0.00                  | 25,716,189.31         |
| Total   | 99,460,322.66         | 37,144,607.44         |

## 67. Net exposure hedging income

Nil

## 68. Gains on the changes in the fair value

In RMB

| Source                         | Amount of this period | Amount of last period |
|--------------------------------|-----------------------|-----------------------|
| Transactional financial assets | -1,474,755.34         |                       |
| Total                          | -1,474,755.34         |                       |

## 69. Credit impairment loss

Nil

## 70. Losses from asset impairment

Whether implemented new revenue guidelines?

☐Yes ☒No

In RMB

| Items                | Amount of this period | Amount of last period |
|----------------------|-----------------------|-----------------------|
| Losses on bad debt   | 6,034,889.10          | -43,111,352.82        |
| Inventory price loss | 388,917.60            |                       |
| Total                | 6,423,806.70          | -43,111,352.82        |

## 71. Asset disposal income

In RMB

| Source                              | Amount of this period | Amount of last period |
|-------------------------------------|-----------------------|-----------------------|
| Profits of disposal of fixed assets | -1,183.02             |                       |
| Total                               | -1,183.02             |                       |

## 72. Non-operating income

In RMB

| Items               | Amount of this period | Amount of last period | Recorded in the amount of the non-recurring gains and losses |
|---------------------|-----------------------|-----------------------|--|
| Compensation income | 576,158.72            | 3,727,204.67          | 576,158.72   |

|        |            |              |            |
|--------|------------|--------------|------------|
| Others | 168,680.44 | 462,521.81   | 167,716.46 |
| Total  | 744,839.16 | 4,189,726.48 | 743,875.18 |

## 73. Non-operational expenditure

In RMB

| Items                             | Amount of this period | Amount of last period | Recorded in the amount of the non-recurring gains and losses |
|-----------------------------------|-----------------------|-----------------------|--|
| Debt restructuring loss           | 526,315.79            |                       | 526,315.79   |
| Donations                         | 70,000.00             | 10,000.00             | 70,000.00  |
| Penalty paid out                  | 3,681,180.41          | 2,488,554.74          | 3,681,180.41   |
| Local water source foundation     | 66.99                 | 770.69                |  |
| Fine, late payment                | 87,175.73             | 4,673.35              | 87,175.73  |
| Non-current assets scrapping loss | 497,573.36            | 3,031.08              | 497,573.36   |
| Other                             | 358,450.00            | 84,124.68             | 353,800.00   |
| Total                             | 5,220,762.28          | 2,591,154.54          | 5,216,045.29   |

## 74. Income tax expenses

## (1) Details

In RMB

| Items                      | Amount of this period | Amount of last period |
|----------------------------|-----------------------|-----------------------|
| Income tax of current term | 37,570,544.94         | 27,761,803.39         |
| Deferred income tax        | -795,145.65           | 4,216,068.43          |
| Total                      | 36,775,399.29         | 31,977,871.82         |

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

In RMB

| Items  | Amount of this period |
|--|-----------------------|
| Total profit   | 221,442,313.03        |
| Income tax expense at statutory / applicable tax rates | 33,216,346.96         |

|   |               |
|---|---------------|
| Effect of different tax rates applicable to subsidiaries  | 3,268,612.11  |
| Adjustment for income tax in prior year   | 6,658,104.43  |
| Income not subject to tax   | -7,388,913.37 |
| Expenses not deductible for tax purposes  | 230,138.89    |
| Affect the use of deferred tax assets early unconfirmed deductible losses   | -34,539.07    |
| The current period does not affect the deferred tax assets recognized deductible temporary differences or deductible loss | 825,649.34    |
| Income tax expenses   | 36,775,399.29 |

#### 75. Other Comprehensive income

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

#### 76. Notes Cash flow statement

##### (1) Other cash received from business operation

In RMB

| Items                                | Amount of this period | Amount of last period |
|--------------------------------------|-----------------------|-----------------------|
| Deposit interest(Notes)              | 12,657,033.86         | 6,343,865.32          |
| Government subsidies received        | 8,849,942.78          | 2,161,611.71          |
| Recovery of operating bank deposits  | 3,376,150.00          |                       |
| Compensation income                  | 63,697.10             | 11,483,287.56         |
| Receipt of operating current account | 900,072.19            | 1,000.00              |
| Other                                | 280,235.91            | 1,823,428.44          |
| Total                                | 26,127,131.84         | 21,813,193.03         |

Notes:

##### 2. Other cash paid for Operating activities

In RMB

| Items           | Amount of this period | Amount of last period |
|-----------------|-----------------------|-----------------------|
| Transportation  | 1,852,243.48          | 2,761,048.87          |
| Travel expenses | 16,200,400.44         | 13,727,883.04         |
| Business trips  | 4,675,551.83          | 8,947,264.01          |

|  |                       |                      |
|--|-----------------------|----------------------|
| Maintaining                            | 932,917.88            | 991,158.80           |
| Property management and civil services | 14,459,646.16         | 6,043,553.85         |
| Deposit for bidding and others         | 7,002,407.01          | 4,967,366.64         |
| Office expenses                        | 1,125,869.55          | 2,365,249.57         |
| Conferences                            | 1,012,286.97          | 1,286,844.32         |
| Consulting service fee                 | 4,134,383.92          | 9,460,726.55         |
| Transportation and vehicles            | 1,800,422.55          | 2,693,178.46         |
| Other                                  | 48,915,743.06         | 30,132,445.17        |
| <b>Total</b>                           | <b>102,111,872.85</b> | <b>83,376,719.28</b> |

## 3. Other investment-related cash received

In RMB

| Items                                       | Amount of this period   | Amount of last period   |
|---|-------------------------|-------------------------|
| Repurchasing of trusteeship                 | 1,736,229,711.39        | 2,054,176,329.00        |
| Receipt of levy and relocation compensation | 314,548,452.89          |                         |
| <b>Total</b>                                | <b>2,050,778,164.28</b> | <b>2,054,176,329.00</b> |

## 4. Other cash paid for investment activities

In RMB

| Items                            | Amount of this period   | Amount of last period   |
|----------------------------------|-------------------------|-------------------------|
| Purchasing of financial products | 1,157,904,000.00        | 2,477,114,000.00        |
| <b>Total</b>                     | <b>1,157,904,000.00</b> | <b>2,477,114,000.00</b> |

## 5. Other financing-related cash received

In RMB

| Items        | Amount of this period | Amount of last period |
|--------------|-----------------------|-----------------------|
| <b>Total</b> | <b>0.00</b>           | <b>0.00</b>           |

## (6) Other cash paid relevant to financing activities

In RMB

| Items                              | Amount of this period | Amount of last period |
|------------------------------------|-----------------------|-----------------------|
| Payment of CDB investment interest | 2,530,666.67          | 2,530,666.67          |

|       |              |              |
|-------|--------------|--------------|
| Total | 2,530,666.67 | 2,530,666.67 |
|-------|--------------|--------------|

## 77. Supplement Information for cash flow statement

## (1) Supplement Information for cash flow statement

In RMB

| Supplementary Info.   | Amount of this period | Amount of last period |
|---|-----------------------|-----------------------|
| I. Adjusting net profit to cash flow from operating activities                          | ---                   | ---                   |
| Net profit  | 184,666,913.74        | 160,370,149.54        |
| Add: Impairment loss provision of assets  | -6,423,806.70         | 43,111,352.82         |
| Depreciation of fixed assets, oil and gas assets and consumable biological assets       | 30,399,548.46         | 34,665,195.13         |
| Amortization of intangible assets   | 3,642,170.34          | 3,549,845.84          |
| Amortization of Long-term deferred expenses   |                       | 126,943.44            |
| Loss on disposal of fixed assets, intangible assets and other long-term deferred assets | 1,183.02              |                       |
| Loss on scrap of fixed assets   | 497,573.36            | 3,031.08              |
| Loss to changes in fair value   | 1,474,755.34          |                       |
| Financial cost  | 8,467,221.60          | 5,171,128.67          |
| Loss on investment  | -99,460,322.66        | -37,144,607.44        |
| Decrease of deferred income tax assets  | -825,829.94           | 4,216,068.43          |
| Increased of deferred income tax liabilities  | 37,957,275.53         |                       |
| Decrease of inventories   | -28,264,852.32        | 36,950,352.31         |
| Decrease of operating receivables   | -127,219,533.71       | -206,949,145.32       |
| Increased of operating Payable  | -12,688,968.55        | 514,803,440.92        |
| Other   | -1,563,923.88         | -1,086,564.69         |
| Net cash flows arising from operating activities  | -9,340,596.37         | 557,787,190.73        |
| II. Significant investment and financing activities that without cash flows:            | --                    | --                    |
| III. Net changes in cash and cash equivalents:  | --                    | --                    |
| Cash at end of year   | 1,686,405,098.11      | 1,155,254,587.46      |

|   |                  |                  |
|---|------------------|------------------|
| Less: cash equivalents at beginning of year | 1,262,186,817.20 | 1,137,492,834.83 |
| Net increase of cash and cash equivalents   | 424,218,280.91   | 17,761,752.63    |

## (2) Net Cash paid of obtaining the subsidiary

Nil

## (3) Net Cash receive of disposal of the subsidiary

Nil

## (4) Component of cash and cash equivalents

In RMB

| Items   | End of term      | Beginning of term |
|---|------------------|-------------------|
| I. Cash   | 1,686,405,098.11 | 1,262,186,817.20  |
| Of which: Cash in stock                           | 132,336.73       | 128,198.82        |
| Bank savings could be used at any time            | 1,686,272,261.33 | 1,262,057,605.97  |
| Other unrestricted monetary funds                 | 500.05           | 1,012.41          |
| III. Closing balance of cash and cash equivalents | 1,686,405,098.11 | 1,262,186,817.20  |

## 78. Note of statement of changes in the owner's equity

Explain "other" project name and adjustment amount of the adjustment of closing balance in previous year, etc.

## 79. Assets with limitation on ownership or using rights

In RMB

| Items                   | Closing book value | Causation o limitation   |
|-------------------------|--------------------|--|
| Monetary capital        | 133,453,924.80     | Used as security for issuing of acceptance drafts and bill of guarantees |
| Note receivable         | 62,824,000.00      | Used as security for issuing of acceptance drafts                        |
| Fixed assets            | 118,662,101.07     | Collateral for obtaining bank loans and investment funds from CDB        |
| Intangible assets       | 84,981,463.59      | Collateral for obtaining bank loans and investment funds from CDB        |
| Construction in process | 420,170,711.42     | Used for mortgage to obtain bank loan and                                |



|                                       |                  |   |
|---------------------------------------|------------------|---|
|                                       |                  | guarantee investment fund for CDB   |
| Dividend receivable                   | 27,827,292.60    | Used for mortgage to obtain bank loan and guarantee investment fund for CDB |
| Other Equipment instrument Investment | 375,516,399.00   | Used for mortgage to obtain bank loan and guarantee investment fund for CDB |
| Total                                 | 1,223,435,892.48 | --  |

Other notes:

## 80. Monetary items in foreign currencies

### (1) Foreign currency monetary items

In RMB

| Items               | Balance at end of period | Exchange rate | Translated to RMB at end of period |
|---------------------|--------------------------|---------------|------------------------------------|
| Monetary capital    | --                       | --            | 164,396,901.76                     |
| Incl: USD           | 23,148,814.88            | 6.8742        | 159,129,583.25                     |
| Euro                | 9,828.56                 | 7.8170        | 76,829.86                          |
| HKD                 | 0.00                     |               | 0.00                               |
| Yen                 | 30,055.00                | 0.063816      | 1,917.99                           |
| Rupiah              | 10,992,734,449.92        | 0.000472      | 5,188,570.66                       |
| Account receivable  | --                       | --            | 224,759,835.13                     |
| Incl: USD           | 31,461,943.71            | 6.8742        | 216,275,693.45                     |
| Euro                | 551,673.43               | 7.8170        | 4,312,431.20                       |
| HKD                 |                          |               |                                    |
| Rupiah              | 8,324,656,609.57         | 0.000472      | 3,929,237.92                       |
| SGD                 | 47,726.12                | 5.0805        | 242,472.56                         |
| Long-term borrowing | --                       | --            |                                    |
| Incl: USD           |                          |               |                                    |
| Euro                |                          |               |                                    |
| HKD                 |                          |               |                                    |
| Account payable     |                          |               | 10,413,054.69                      |
| Incl: USD           | 951,442.96               | 6.8742        | 6,540,409.20                       |
| Euro                | 381,143.86               | 7.8170        | 2,979,401.55                       |
| Rupiah              | 1,892,465,980.00         | 0.000472      | 893,243.94                         |

|                  |            |        |              |
|------------------|------------|--------|--------------|
| Other receivable |            |        | 3,437,100.00 |
| Incl: USD        | 500,000.00 | 6.8742 | 3,437,100.00 |

Other notes:

(2) Note to overseas operating entities, including important overseas operating entities, which should be disclosed about its principal business place, function currency for bookkeeping and basis for the choice. In case of any change in function currency, the cause should be disclosed.

Not applicable

#### 81. Hedging

Hedging According to Hedging category to disclose arbitrage item, relevant Hedging tools and the Hedging risk qualitative and quantitative information:

#### 82. Government subsidy

##### 1) Government subsidies related to assets

In RMB

| Items  | Amount        | Project      | Amount included in current profit and loss |
|--|---------------|--------------|--|
| Social security fee refund   | 8,859,468.01  | Other income | 8,859,468.01                               |
| Relocation compensation - relocation costs                           | 3,164,807.98  | Other income | 3,164,807.98                               |
| Incentive for scientific and technological innovation                | 1,000,000.00  | Other income | 1,000,000.00                               |
| Forging project financial resources                                  | 997,380.00    | Other income | 997,380.00                                 |
| Provincial industrial transformation and upgrading financial support | 160,000.00    | Other income | 160,000.00                                 |
| Economic work reward   | 126,500.00    | Other income | 126,500.00                                 |
| Refund for land use tax  | 49,703.56     | Other income | 49,703.56                                  |
| Social insurance subsidy for post stabilization and employment       | 9,513.34      | Other income | 9,513.34                                   |
| Other incidental government subsidies                                | 103,430.00    | Other income | 103,430.00                                 |
| Total  | 14,470,802.89 |              | 14,470,802.89                              |

(2) Government subsidy return

☐ Applicable ☒ Not applicable

83.Other : Nil

**VIII. Changes of merge scope**

1. Business merger not under same control

(1) Business merger not under same control in reporting period

Nil

(2) Merger of enterprises under the same control

Nil

3. Counter purchase

Nil

4. The disposal of subsidiary

Whether there is a single disposal of the investment to subsidiary and lost control

☐ Yes ☒ No

Whether there are multiple transactions step by step dispose the investment to subsidiary and lost control in reporting period

☐ Yes ☒ No

5. Other reasons for the changes in combination scope

Nil

6. Other :Nil

## IX. Equities in Other Entities

### (I) Equity in major subsidiaries

#### (1) The structure of the enterprise group

| 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 | Commerce          | 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 Machinery Co., Ltd. (Auxiliary Machinery Co.) | Hangzhou Zhejiang      | Hangzhou Zhejiang | Manufacturing     | 87.53%             |          | Incorporation |

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

(2) 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

In RMB

| Name of the subsidiaries   | Share portion 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. | 29.14%                              | 4,304,870.88  | 2,972,790.00   | 27,302,058.72  |
| Hangzhou Zhongneng Steam turbine Power Co., Ltd.                   | 39.17%                              | 7,733,747.67  | 21,786,000.00  | 136,358,773.38   |
| Hangzhou Steam Turbine Casting Co.,                                | 61.97%                              | -3,050,916.73   |  | 148,321,569.19   |

|  |        |               |               |               |
|--|--------|---------------|---------------|---------------|
| Ltd.   |        |               |               |               |
| Hangzhou Steam Turbine Machinery Equipment Co., Ltd. | 48.00% | 15,340,505.79 | 21,600,000.00 | 67,661,649.67 |
| Hangzhou Steam Turbine Auxiliary Machinery Co., Ltd. | 12.47% | 791,423.70    |               | 26,150,764.23 |

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

In RMB

| Subsidiaries<br>Name   | End of term      |                       |                  |                        |                            |                       | Beginning of term |                       |                  |                        |                            |                       |
|--|------------------|-----------------------|------------------|------------------------|----------------------------|-----------------------|-------------------|-----------------------|------------------|------------------------|----------------------------|-----------------------|
|  | Current assets   | Non-current<br>assets | Total of assets  | Current<br>liabilities | Non-current<br>liabilities | Total<br>liability of | Current assets    | Non-current<br>assets | Total of assets  | Current<br>liabilities | Non-current<br>liabilities | Total<br>liability of |
| Zhejiang Steam<br>Turbine Packaged<br>Technologies<br>Development Co.,<br>Ltd. | 260,418,141.15   | 24,604,348.96         | 285,022,490.11   | 191,345,843.28         | 0.00                       | 191,345,843.28        | 248,134,781.83    | 24,640,726.05         | 272,775,507.88   | 183,669,390.74         | 0.00                       | 183,669,390.74        |
| Hangzhou<br>Zhongneng Steam<br>turbine PowerCo.,<br>Ltd.                       | 1,071,372,607.22 | 70,297,767.42         | 1,141,670,374.64 | 818,079,077.13         | 330,000.00                 | 818,409,077.13        | 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<br>Turbine Casting<br>Co., Ltd.                                 | 351,890,242.72   | 165,407,628.46        | 517,297,871.18   | 253,941,603.34         | 23,997,055.00              | 277,938,658.34        | 441,396,913.82    | 172,078,042.91        | 613,474,956.73   | 343,698,819.51         | 25,323,405.00              | 369,022,224.51        |
| Hangzhou Steam<br>Turbine<br>Machinery<br>Equipment Co.,<br>Ltd.               | 257,731,414.27   | 21,481,634.32         | 279,213,048.59   | 136,703,360.04         | 1,547,918.40               | 138,251,278.44        | 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<br>Turbine Auxiliary  | 659,262,621.68   | 107,914,924.16        | 767,177,545.84   | 557,361,199.37         | 106,930.00                 | 557,468,129.37        | 642,467,713.41    | 110,484,194.28        | 752,951,907.69   | 549,240,066.20         | 106,930.00                 | 549,346,996.20        |

|                     |  |  |  |  |  |  |  |  |  |  |  |  |
|---------------------|--|--|--|--|--|--|--|--|--|--|--|--|
| Machinery Co., Ltd. |  |  |  |  |  |  |  |  |  |  |  |  |
|---------------------|--|--|--|--|--|--|--|--|--|--|--|--|

In RMB

| Subsidiaries<br>Name   | Amount of current period |               |                  |                                   | Amount of previous period |               |                  |                                   |
|--|--------------------------|---------------|------------------|-----------------------------------|---------------------------|---------------|------------------|-----------------------------------|
|  | Turnover                 | Net profit    | Total Misc Gains | Cash flow for business activities | Turnover                  | Net profit    | Total Misc Gains | Cash flow for business activities |
| Zhejiang Steam Turbine Packaged Technologies Development Co., Ltd. | 132,931,775.76           | 14,770,529.69 | 14,770,529.69    | 16,677,677.17                     | 103,740,083.15            | 8,964,799.55  | 8,964,799.55     | -3,782,165.04                     |
| Hangzhou Zhongneng Steam turbine Power Co., Ltd.                   | 434,209,306.91           | 17,020,437.04 | 17,565,955.46    | 25,182,061.76                     | 404,080,803.34            | 13,107,189.41 | 13,026,863.20    | 81,799,842.65                     |
| Hangzhou Steam Turbine Casting Co., Ltd.                           | 201,953,546.36           | -4,923,525.49 | -4,923,525.49    | -4,923,310.09                     | 217,307,955.01            | 11,884,986.18 | 11,884,986.18    | -36,112,238.38                    |
| Hangzhou Steam Turbine Machinery                                   | 134,372,561.91           | 31,959,387.07 | 31,959,387.07    | 34,542,152.34                     | 120,928,873.57            | 25,913,896.24 | 25,913,896.24    | 13,513,334.06                     |



|  |                |              |              |              |                |          |          |               |
|--|----------------|--------------|--------------|--------------|----------------|----------|----------|---------------|
| Equipment Co.,<br>Ltd.   |                |              |              |              |                |          |          |               |
| Hangzhou<br>Steam Turbine<br>Auxiliary<br>Machinery Co.,<br>Ltd. | 238,328,136.56 | 6,346,621.51 | 6,346,621.51 | 1,340,271.89 | 225,615,296.83 | 5,792.82 | 5,792.82 | 33,715,715.56 |

(4) Significant restrictions of using enterprise group assets and pay off enterprise group debt

Nil

(5) Provide financial support or other support for structure entities incorporate into the scope of consolidated financial statements

Nil

2. The transaction of the Company with its owner's equity share changed but still controlling the subsidiary

Nil

3. Equity in joint venture arrangement or associated enterprise

Nil

4. Significant common operation

Nil

5. Equity of structure entity not including in the scope of consolidated financial statements

Nil

6. Other: Nil

## **X. Risks related to financial instruments**

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

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

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

### **(I) Credit risks**

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

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

#### **1. Bank deposit**

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

#### **2. Account receivable**

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

As the Company only does business with recognized and reputable third parties, so no collateral is needed. Credit risks are centralized managed in accordance with customers. As of June 30, 2019, the Company has a characteristic of specific credit risk concentration. 38.08% (June 30, 2018: 36.50%) 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 |                |
| Note receivable | 480,606,384.84               |                          |           |              | 480,606,384.84 |
| Subtotal        | 480,606,384.84               |                          |           |              | 480,606,384.84 |
|                 |                              |                          |           |              |                |
| Items           | Beginning of term            |                          |           |              |                |
|                 | Not overdue and not impaired | Overdue but not impaired |           |              | Total          |
|                 |                              | Within 1 year            | 1-2 years | Over 2 years |                |
| Note receivable | 595,089,175.22               |                          |           |              | 595,089,175.22 |
| Subtotal        | 595,089,175.22               |                          |           |              | 595,089,175.22 |

(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.

## (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.

## 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.

## XI Fair value disclosure

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

In RMB

| Items  | Closing fair value   |                  |                   |                      |
|--|----------------------|------------------|-------------------|----------------------|
|  | Level 1              | Level 2          | Level 3           | Total                |
| I. Consistent fair value measurement                                 | --                   | --               | --                | --                   |
| (I) Trading financial assets   | 2, 281, 853. 06      | 16, 000, 000. 00 | 692, 369, 030. 80 | 710, 650, 883. 86    |
| 1. Financial assets at fair value through profit or loss             | 2, 281, 853. 06      | 16, 000, 000. 00 | 692, 369, 030. 80 | 710, 650, 883. 86    |
| (1) Debt instrument investment                                       |                      |                  | 578, 769, 000. 00 | 578, 769, 000. 00    |
| (2) Equity instrument investment                                     | 2, 281, 853. 06      | 16, 000, 000. 00 | 113, 600, 030. 80 | 131, 881, 883. 86    |
| (3) Derivative financial assets                                      |                      |                  |                   | 0. 00                |
| 1. Designated Financial assets at fair value through profit or loss  | 0. 00                | 0. 00            | 0. 00             | 0. 00                |
| (1) Debt instrument investment                                       |                      |                  |                   | 0. 00                |
| (2) Equity instrument investment                                     |                      |                  |                   | 0. 00                |
| 2. Other creditor's right investment                                 |                      |                  |                   | 0. 00                |
| 3. Other equipment instrument investment                             | 2, 264, 720, 465. 98 |                  |                   | 2, 264, 720, 465. 98 |
| 4. Investment Real estate  |                      |                  |                   | 0. 00                |
| 1. The right to use the leased land                                  |                      |                  |                   | 0. 00                |
| 2. Leased buildings  |                      |                  |                   | 0. 00                |
| 3. Land use rights held and prepared for transfer after appreciation |                      |                  |                   | 0. 00                |
| 5. Biological assets   |                      |                  |                   | 0. 00                |
| 1. Consumable biological assets                                      |                      |                  |                   | 0. 00                |
| 2. Productive biological assets                                      |                      |                  |                   | 0. 00                |

|   |                      |                  |                   |                      |
|---|----------------------|------------------|-------------------|----------------------|
| Total assets of inconsistent fair value measurement         | 2, 267, 002, 319. 04 | 16, 000, 000. 00 | 692, 369, 030. 80 | 2, 975, 371, 349. 84 |
| II.Total liabilities of inconsistent fair value measurement | --                   | --               | --                | --                   |

## 2. Market price recognition basis for consistent and inconsistent fair value measurement items at level 1

The shares held by the Company, Hangzhou Bank Co., Ltd and Sichuan Lutianhua Co., Ltd have active market quotations, thus those are measured at the first level fair value.

## 3. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 2

The fair value of the Juyuan Xinxing 9 Private Equity Fund held by the Company, as the quotation of same or similar assets or liabilities can be obtained in the active or inactive market, is determined on the basis of the quoted price and in accordance with the valuation method agreed in the subscription contract.

## 4. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 3

As the quotations cannot be obtained in the similar active market, the equity and debt-type financial assets held by the Company other than the above, including wealth management products, are measured at the third-level fair value.

## 5. Sensitiveness analysis on unobservable parameters and adjustment information between opening and closing book value of consistent fair value measurement items at level 3

## 6. Explain the reason for conversion and the policy governing when the conversion happens if conversion happens among consistent fair value measurement items at different levels

## 7. Changes in the valuation technique in the current period and the reason for change

## 8. Fair value of financial assets and liabilities not measured at fair value

## 9. Other

# XII. Related party and related Transaction

## 1. Information related to parent company of the Company

| Name of the parent | Registered place | Business nature | Registered capital | Shareholding ratio in | Voting ratio in the Company |
|--------------------|------------------|-----------------|--------------------|-----------------------|-----------------------------|
|--------------------|------------------|-----------------|--------------------|-----------------------|-----------------------------|

| company                      |                |               |                  | the Company (%) | (%)    |
|------------------------------|----------------|---------------|------------------|-----------------|--------|
| Hangzhou Steam Turbine Group | Hangzhou China | Manufacturing | 800 million yuan | 63.64%          | 63.64% |

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

Nil

## 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 Steam turbine Industry Trade Co., Ltd.   | Affiliate of the Group        |
| Hangzhou Hangfa Power Generating Equipment Co., Ltd.  | Affiliate of the Group        |
| Hangzhou Nanhua Wooden Packaging 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        |
| Shanghai Relian Group Co., Ltd.   | Shareholding enterprise       |
| Greenesol power systems PVT Ltd.  | Shareholding enterprise       |
| Hangzhou Bank   | Shareholding enterprise       |

## 5. Related transaction

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

#### Purchase of goods and service

In RMB

| Related parties                            | Content of related transaction | Amount of current period | Amount of previous period | Over the trading limit or not? | Amount of last period |
|--|--------------------------------|--------------------------|---------------------------|--------------------------------|-----------------------|
| Hangzhou Nanhua Wooden Packaging Co., Ltd. | Packaging                      | 7,475,985.95             | 18,060,000.00             | No                             | 6,153,165.35          |
| China Electrical and Mechanical            | Raw material                   | 171,982.76               | 2,000,000.00              | No                             | 998,507.96            |

|   |                                       |                |                |    |               |
|---|---------------------------------------|----------------|----------------|----|---------------|
| Institute-Hangzhou Turbine Group<br>(Hangzhou) United Research Institute<br>Co., Ltd. |                                       |                |                |    |               |
| Hangzhou Hangfa Generating<br>Equipment Co., Ltd.                                     | Generators                            | 80,979,594.17  | 176,724,137.93 | No | 66,654,877.76 |
| Hangzhou Steam Turbine Engineering<br>Co., Ltd.                                       | Raw material and<br>technical service | 861,320.75     | 3,900,000.00   | No | 427,350.43    |
| Hangzhou Steam turbine Automobile<br>sales service Co., Ltd.                          | Transportation ,<br>repair , etc.     | 30,443,515.87  | 45,560,000.00  | No | 20,047,920.03 |
|   |                                       | 119,932,399.50 | 246,244,137.93 |    | 94,281,821.53 |

## Related transactions regarding sales of goods or providing of services

In RMB

| Related parties  | Subjects of the related transactions                  | Current term | Same period of last term |
|--|---|--------------|--------------------------|
| Hangzhou Steam Turbine Engineering Co., Ltd.                 | Steam Turbine,<br>Compressor, Installation<br>service | 3,209,482.76 | 45,627,247.27            |
| Hangzhou Hangfa Generating Equipment Co., Ltd.               | Cast parts  | 3,902,039.33 | 7,495,811.84             |
| Greenesol power systems PVT Ltd.                             | Part  | 315,180.53   | 521,141.46               |
| Hangzhou Steam Turbine Automobile Sales<br>Service Co., Ltd. | Small amount materials                                | 117.49       | 302.06                   |
| Hangzhou Steam Turbine Power Group Co., Ltd.                 | Small amount materials                                | 1,019.70     | 0.00                     |
| Subtotal   |   | 7,427,839.81 | 53,644,502.63            |

## (2) Related trusteeship/contract

Nil

## (3) Information of related lease

- The company was lessee:

In RMB

| Lessor   | Category of leased assets | The lease income confirmed in this year | Category of leased assets |
|--|---------------------------|---|---------------------------|
| HSTG   | House and Building        | 1,693,306.96                            | 737,888.21                |
| Hangzhou Steam Turbine Automobile Sales<br>Service Co., Ltd. | Site leasing              | 1,032,514.68                            | 1,197,365.43              |

|          |  |              |              |
|----------|--|--------------|--------------|
| Subtotal |  | 2,725,821.64 | 1,935,253.64 |
|----------|--|--------------|--------------|

## (4) Related-party guarantee

The Company was guarantor

In RMB

| Guarantor | Guarantee amount | Start date       | End date         | Execution accomplished or not |
|-----------|------------------|------------------|------------------|-------------------------------|
| HSTG      | 208,000,000.00   | December 28,2016 | December 22,2026 | No                            |

The Company was secured party

In RMB

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

Notes:

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 375,516,399.00, Dividend Receivable of RMB 27,827,292.60, Steam Turbine heavy Industry Co., Ltd. mortgaged the book value of 65,987,061.22 yuan of land use rights and book value of 40,753,085.36 yuan of fixed assets and book value of 420,170,711.42 yuan of construction in progress to the National Development Fund.

## (5) Inter-bank lending of capital of related parties

Nil

## (6) Related party asset transfer and debt restructuring

In RMB

| Related party   | Content               | Current term | Same period of last term |
|---|-----------------------|--------------|--------------------------|
| Hangzhou Steam Turbine Automobile Sales Service Co., Ltd. | Purchase fixed assets | 131,110.93   | 0.00                     |

## (7) Remunerations of key managements

In RMB

| Items                            | Current term | Same period of last term |
|----------------------------------|--------------|--------------------------|
| Remunerations of key managements | 4,302,268.00 | 3,834,075.47             |

## (8) Other related transactions

## (1) Service and power supply



HSTG supplies water and power to the Company and some of the subsidiaries amounted to RMB 6762513.50 this period.

HSTG provides property management services for its subsidiary which is Complete Technology Corporation, of which the fee of this period incurred in the property management is RMB 26050.60.

Hangzhou Steam Turbine Automobile Sales & Service Co., Ltd. provided transportation to the Company's employees and RMB 1050286.00 was paid this period.

### (3) Expenses paid on behalf the Company

1) During the current period, Hangzhou Steam Turbine Group advanced the payment of RMB 467520.08 salaries for the company. Advanced for paying the fees of 671,627.72 yuan for newspapers and periodicals.

### (3) 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. and till June 30, 2019, 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 318,000,000.00 and till June 30, 2019, the balance of the financial management was RMB 268,000,000.00.

## 6. Receivables and payables of related parties

### (1) Receivables

In RMB

| Name               | Related party                                  | End of term   |                    | Beginning of term |                    |
|--------------------|--|---------------|--------------------|-------------------|--------------------|
|                    |  | Book balance  | Bad debt provision | Book balance      | Bad debt provision |
| Note receivable    | Hangzhou Steam Turbine Engineering Co., Ltd.   | 6,100,000.00  |                    | 1,033,180.00      |                    |
|                    | Hangzhou Hangfa Generating Equipment Co., Ltd. | 13,760,000.00 |                    | 4,000,000.00      |                    |
| Subtotal           |  | 19,860,000.00 |                    | 5,033,180.00      |                    |
| Account receivable | Hangzhou Steam Turbine Engineering Co., Ltd.   | 51,242,293.87 | 23,846,464.78      | 56,048,293.87     | 23,796,436.58      |
|                    | Hangzhou Hangfa Generating Equipment Co., Ltd. | 19,014,343.57 | 1,475,673.32       | 18,739,908.99     | 1,269,459.57       |
|                    | Greenesol power systems PVT Ltd.               |               |                    | 14,522,075.90     | 14,522,075.90      |
|                    | Hangzhou Steam Turbine Power Group Co., Ltd.   | 158,500.00    | 158,500.00         | 158,500.00        | 158,500.00         |
|                    | Hangzhou Steam Turbine Compressor              | 59,000.00     | 35,400.00          | 59,000.00         | 35,400.00          |

|                          |   |                  |                  |                  |                  |
|--------------------------|---|------------------|------------------|------------------|------------------|
|                          | Co., Ltd'   |                  |                  |                  |                  |
|                          | Hangzhou Steam Turbine Power Group Complete Equipment Engineering Co., Ltd. |                  |                  |                  |                  |
|                          | Hangzhou Steam Turbine Automobile Sales Service Co., Ltd                    | 134. 42          | 6. 72            |                  |                  |
| Subtotal                 |   | 70, 474, 271. 86 | 25, 516, 044. 82 | 89, 527, 778. 76 | 39, 781, 872. 05 |
| Prepayment               | Hangzhou Hangfa Generating Equipment Co., Ltd.                              | 41, 416, 785. 00 |                  | 51, 691, 853. 97 |                  |
|                          | Hangzhou Steam Turbine Engineering Co., Ltd.                                | 7, 715, 000. 00  |                  | 5, 820, 000. 00  |                  |
|                          | Zhejiang Zhongrun Gas turbine technology Co., Ltd.                          |                  |                  | 792, 022. 20     |                  |
| Subtotal                 |   | 49, 131, 785. 00 |                  | 58, 303, 876. 17 |                  |
| Other account receivable | Hangzhou Steam Turbine Compressor Co., Ltd.                                 | 300, 000. 00     | 30, 000. 00      | 300, 000. 00     | 30, 000. 00      |
|                          | Hangzhou Steam Turbine Group  |                  |                  | 39, 105. 34      | 3, 910. 53       |
| Subtotal                 |   | 300, 000. 00     | 30, 000. 00      | 339, 105. 34     | 33, 910. 53      |

## (2) Payables

In RMB

| Name            | Related party  | Amount at year    | Amount at year beginning |
|-----------------|--|-------------------|--------------------------|
| Note payable    | Hangzhou Hangfa Generating Equipment Co., Ltd.           |                   | 11, 500, 000. 00         |
|                 | Hangzhou Steam Turbine Automobile Sales Service Co., Ltd | 1, 680, 000. 00   | 1, 650, 000. 00          |
|                 | Hangzhou Nanhua Wooden Packaging Co., Ltd.               | 450, 000. 00      | 1, 660, 000. 00          |
|                 | Hangzhou Steam Turbine Engineering Co., Ltd.             |                   |                          |
| Subtotal        |  | 2, 130, 000. 00   | 14, 810, 000. 00         |
| Account payable | Hangzhou Hangfa Generating Equipment Co., Ltd.           | 170, 999, 628. 32 | 116, 462, 941. 48        |
|                 | Hangzhou Steam Turbine Automobile Sales Service Co., Ltd | 13, 943, 743. 22  | 11, 934, 956. 54         |

|                       |   |                   |                   |
|-----------------------|---|-------------------|-------------------|
|                       | Greenesol power systems PVT Ltd.  | 1, 978, 927. 49   | 3, 381, 200. 50   |
|                       | Hangzhou Steam Turbine Engineering Co., Ltd.  | 3, 562, 056. 60   | 2, 040, 000. 00   |
|                       | Hangzhou Nanhua Wooden Packaging Co., Ltd.  | 1, 313, 835. 14   | 1, 851, 121. 07   |
|                       | HSTG  | 7, 237, 557. 51   | 1, 652, 987. 82   |
|                       | China Electrical and Mechanical Institute-Hangzhou Turbine Group (Hangzhou) United Research Institute Co., Ltd. |                   | 427, 500. 00      |
|                       | Hangzhou Steam Turbine Industries & Trade Co., Ltd.   | 814, 507. 79      | 476, 525. 45      |
|                       | Zhejiang Zongrun Gas turbine technology Co., Ltd.   | 158, 607. 00      |                   |
| Subtotal              |   | 200, 008, 863. 07 | 138, 227, 232. 86 |
| Advances received     | Hangzhou Steam Turbine Compressor Co., Ltd.   | 14, 190, 000. 00  | 14, 190, 000. 00  |
|                       | Hangzhou Steam Turbine Engineering Co., Ltd.  | 15, 877, 300. 00  | 10, 543, 300. 00  |
|                       | Greenesol power systems PVT Ltd.  | 432, 983. 80      | 103, 764. 63      |
| Subtotal              |   | 30, 500, 283. 80  | 24, 837, 064. 63  |
| Other account payable | Hangzhou Steam Turbine Automobile Sales Service Co., Ltd  | 100, 000. 00      | 100, 000. 00      |
|                       | <b>HSTG</b>   | 958, 640. 46      | 87, 736. 60       |
| Subtotal              |   | 1, 058, 640. 46   | 187, 736. 60      |

## 7. Related party commitment

## 8. Other

### **XIII. Stock payment**

#### 1. The Stock payment overall situation

Not applicable

#### 2. The Stock payment settled by equity

Not applicable

#### 3. The Stock payment settled by cash

Not applicable

#### 4. Modification and termination of the stock payment

Not applicable

#### 5. Other

### **XIV. Commitments**

#### 1. Significant commitments

Nil

#### 2. Contingency

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

#### 3. Other: Nil

### **XV. Events after balance sheet date**

Nil

### **XVI. Other significant events**

#### 1. The accounting errors correction in previous period

Nil

## 2. Debt restructuring

Nil

## 3. Replacement of assets

Nil

## 4. Pension plan

Nil

## 5. Discontinuing operation

Nil

## 6. Segment information

## (1) Recognition basis and accounting policies of reportable segment

Nil

## (2) The financial information of reportable segment

Nil

(3) There was no reportable segment, or the total amount of assets and liabilities of each part of reportable segment, shall disclose the reason.

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                 | 1,465,469,922.92     | 1,047,420,373.19   |
| Castings and Forging                     | 84,257,416.72        | 66,391,765.42      |
| Auxiliary Engines                        | 78,122,117.16        | 67,840,098.87      |
| Complete set of waste heat power station | 49,244,940.88        | 47,384,746.06      |
| Part                                     | 135,179,927.39       | 70,470,421.94      |

|          |                  |                  |
|----------|------------------|------------------|
| Other    | 107,907,377.96   | 66,896,995.78    |
| Subtotal | 1,920,181,703.03 | 1,366,404,401.26 |

(4) Other notes

7. Other important transactions and events have an impact on investors' decision-making

8. Other

**XVII. Notes of main items in the financial statements of the Parent Company****1. Accounts receivable****(1) Accounts receivable classified by category**

In RMB

| Category                                     | End of term      |              |                    |              |                  | Beginning of term |              |                    |              |                  |
|--|------------------|--------------|--------------------|--------------|------------------|-------------------|--------------|--------------------|--------------|------------------|
|  | Book balance     |              | Bad debt provision |              | Book value       | Book balance      |              | Bad debt provision |              | Book value       |
|  | Amount           | Proportion % | Amount             | Proportion % |                  | Amount            | Proportion % | Amount             | Proportion % |                  |
| Accrual of bad debt provision by single item | 29,819,607.69    | 1.26%        | 29,819,607.69      | 100.00%      |                  | 29,819,607.69     | 1.34%        | 29,819,607.69      | 100.00%      |                  |
| Including                                    |                  |              |                    |              |                  |                   |              |                    |              |                  |
| Accrual of bad debt provision by portfolio   | 2,331,855,629.80 | 98.74%       | 813,075,866.69     | 34.87%       | 1,518,779,763.11 | 2,189,901,288.35  | 98.66%       | 815,273,077.90     | 37.23%       | 1,374,628,210.45 |
| Including:                                   |                  |              |                    |              |                  |                   |              |                    |              |                  |
| Total  | 2,361,675,237.49 | 100.00%      | 842,895,474.38     | 35.69%       | 1,518,779,763.11 | 2,219,720,896.04  | 100.00%      | 845,092,685.59     | 38.07%       | 1,374,628,210.45 |

Accrual of bad debt provision by single item: 29,819,607.69

In RMB

| Name                                | End of term   |                    |            |        |
|-------------------------------------|---------------|--------------------|------------|--------|
|                                     | Book balance  | Bad debt provision | Proportion | Reason |
| Accounts receivable of individually | 29,819,607.69 | 29,819,607.69      | 100.00%    |        |

|  |               |               |    |    |
|--|---------------|---------------|----|----|
| withdrawing bad debt provision with<br>non-significant individual amount |               |               |    |    |
| Total  | 29,819,607.69 | 29,819,607.69 | -- | -- |



## Accrual of bad debt provision by portfolio:

In RMB

| Name  | End of term      |                    |            |
|---|------------------|--------------------|------------|
|   | Book balance     | Bad debt provision | Proportion |
| Account receivables provided bad debt provision in credit risk groups | 2,331,855,629.80 | 813,075,866.69     | 34.87%     |

Relevant information of the provision for bad debts will be disclosed with reference to the disclosure method of other receivables if the provision for bad debts of bills receivable is accrued according to the general model of expected credit loss:

☐ Applicable ☒ Not applicable

Disclosure by aging

In RMB

| Aging                            | End of term      |
|----------------------------------|------------------|
| Within 1 year (Including 1 year) | 715,406,019.57   |
| 1-2 years                        | 416,495,994.31   |
| 2-3 years                        | 169,671,066.85   |
| Over 3 years                     | 96,894,178.79    |
| 3-4 years                        | 65,330,464.37    |
| 4-5 years                        | 31,563,714.42    |
| Over 5 years                     | 0.00             |
| Total                            | 1,398,467,259.52 |

The withdrawal amount of the bad debt provision:

In RMB

| Category                                     | Opening balance | Amount of change in the current period |                              |           | Closing balance |
|--|-----------------|--|------------------------------|-----------|-----------------|
|  |                 | Accrual                                | Reversed or collected amount | Write-off |                 |
| Accrual of bad debt provision by single item | 29,819,607.69   |  |                              |           | 29,819,607.69   |
| Total  | 815,273,077.90  | -2,197,211.21                          |                              |           | 813,075,866.69  |

The significant actual write-off accounts receivable:

Of which the significant amount of the reversed or collected part during the reporting period

Nil

(3) The actual write-off accounts receivable

In RMB

| Items                | Amount |
|----------------------|--------|
| Uncollectible amount | 0.00   |

|       |    |              |    |    |    |
|-------|----|--------------|----|----|----|
| Total | -- | 2,392,634.79 | -- | -- | -- |
|-------|----|--------------|----|----|----|

(4) The ending balance of account receivables owed by the imputation of the top five parties

In RMB

| Name     | Amount           | Proportion(%) | Bad debt provision |
|----------|------------------|---------------|--------------------|
| Client 1 | 635,020,421.93   | 26.89         | 282,449,030.97     |
| Client 2 | 240,631,511.27   | 10.19         | 163,538,638.03     |
| Client 3 | 112,363,538.46   | 4.76          | 7,423,154.66       |
| Client 4 | 66,736,640.63    | 2.83          |                    |
| Client 5 | 63,427,500.00    | 2.68          | 6,342,750.00       |
| Subtotal | 1,118,179,612.29 | 47.35         | 459,753,573.66     |

(5) Account receivable which terminate the recognition owing to the transfer of the financial assets

(6) The amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable

## 2. Other account receivable

In RMB

| Nature              | End of term   | Beginning of term |
|---------------------|---------------|-------------------|
| Dividend receivable | 84,526,094.10 | 16,557,292.60     |
| Other               | 4,571,138.46  | 3,427,467.46      |
| Total               | 89,097,232.56 | 19,984,760.06     |

(1) Interest receivable : Nil

(2) Dividend receivable

(1) Dividend receivable

In RMB

| Items         | End of term   | Beginning of term |
|---------------|---------------|-------------------|
| Hangzhou Bank | 84,526,094.10 | 16,557,292.60     |
| Total         | 84,526,094.10 | 16,557,292.60     |

## 2) Significant dividend receivable aged over 1 year

In RMB

| Items         | Closing balance | Aging     | Reason        | Whether occurred impairment and its judgment basis |
|---------------|-----------------|-----------|---------------|--|
| Hangzhou Bank | 9,657,292.60    | 1-2 years | Equity pledge |  |
| Hangzhou Bank | 6,900,000.00    | 2-3 years | Equity pledge |  |
| Total         | 16,557,292.60   | --        | --            | ---  |

## 3) Provision for bad debts

Not applicable

## (3) Other accounts receivable

## (1) Other accounts receivable classified by the nature of accounts

In RMB

| Nature                         | Closing book balance | Opening book balance |
|--------------------------------|----------------------|----------------------|
| Deposit                        | 2,767,375.00         | 6,547,501.35         |
| Provisional payment receivable | 6,933,682.74         | 1,953,877.08         |
| Petty cash                     | 360,000.00           | 0.00                 |
| Other                          | 108,827.71           | 325,106.75           |
| Total                          | 10,169,885.45        | 8,826,485.18         |

## 2) Bad-debt provision

In RMB

| Bad Debt Reserves                        | Stage 1  | Stage 2   | Stage 3   | Total        |
|--|--|---|---|--------------|
|  | Expected credit losses over the next 12 months | Expected credit loss over life (no credit impairment) | Expected credit losses for the entire duration (credit impairment occurred) |              |
| Balance as at January 1, 2019            | 5,399,017.72                                   |   |   | 5,399,017.72 |
| Balance as at January 1, 2019 in current | —  | —   | —   | —            |
| Current period accrual                   | 199,729.27                                     |   |   | 199,729.27   |
| Balance as at June 30, 2019              | 5,598,746.99                                   |   |   | 5,598,746.99 |

Loss provision changes in current period, change in book balance with significant amount

Not applicable

Disclosure by aging

In RMB

| Aging                           | Closing balance |
|---------------------------------|-----------------|
| Within 1 year(Including 1 year) | 4,052,404.63    |
| 1-2 years                       | 175,283.58      |
| 2-3 years                       | 6,004.00        |
| Over 3 years                    | 5,936,193.24    |
| 3-4 years                       | 979,251.00      |
| 4-5 years                       | 745,026.90      |
| Over 5 years                    | 4,211,915.34    |
| Total                           | 10,169,885.45   |

## 3) Accounts receivable withdraw, reversed or collected during the reporting period

The withdrawal amount of the bad debt provision:

In RMB

| Category  | Opening balance | Amount of change in the current period |                              | Closing balance |
|---|-----------------|--|------------------------------|-----------------|
|   |                 | Accrual                                | Reversed or collected amount |                 |
| Other receivables with provision for bad debts based on credit risk characteristics | 5,399,017.72    | 199,729.27                             |                              | 5,598,746.99    |
| Total   | 5,399,017.72    | 199,729.27                             |                              | 5,598,746.99    |

## 4) The actual write-off accounts receivable

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

In RMB

| Name of the company                               | Account property  | Book balance | Age          | Percentage in total other receivable % | Bad debt provision |
|---|-------------------|--------------|--------------|--|--------------------|
| Shanghai Customs Waigaoqiao Office                | Deposit in custom | 3,710,320.94 | Over 5 years | 36.48%                                 | 3,710,320.94       |
| China Electric Power Complete Equipment Co., Ltd. | Deposit in custom | 1,105,395.00 | 1 year       | 10.87%                                 | 55,269.75          |
| Guoxin Bidding Group Co., Ltd.                    | Deposit in        | 800,000.00   | 3 years      | 7.87%                                  | 480,000.00         |

|  |                   |              |        |        |              |
|--|-------------------|--------------|--------|--------|--------------|
|  | custom            |              |        |        |              |
| China Petroleum & Chemical Corporation. Nanjing Bidding Center | Deposit in custom | 800,000.00   | 1 year | 7.87%  | 40,000.00    |
| Jian Group Co., Ltd.   | Deposit in custom | 500,000.00   | 4years | 4.92%  | 400,000.00   |
| Total  | --                | 6,915,715.94 | --     | 68.01% | 4,685,590.69 |

## (6) Account receivable involving government subsidies

Nil

## (7) Other account receivable derecognized due to the transfer of financial assets

## (8) Amount of transfer other account receivable and assets and liabilities formed by its continuous involvement.

Other notes:

## 3. Long-term share equity investment

In RMB

| Items                      | End of term    |                      |                | Beginning of term |                      |                |
|----------------------------|----------------|----------------------|----------------|-------------------|----------------------|----------------|
|                            | Book balance   | Impairment provision | Book value     | Book balance      | Impairment provision | Book value     |
| Investment on subsidiaries | 860,732,321.62 |                      | 860,732,321.62 | 502,919,378.03    |                      | 502,919,378.03 |
| Total                      | 860,732,321.62 |                      | 860,732,321.62 | 502,919,378.03    |                      | 502,919,378.03 |

## (1) Investments in subsidiaries

In RMB

| Company invested in            | Beginning of term | Increased this period | Current term decrease | End of term    | Provided current term Impairment provision | Impairment provision End of term |
|--------------------------------|-------------------|-----------------------|-----------------------|----------------|--|----------------------------------|
| Turbine Company                | 20,000,000.00     |                       |                       | 20,000,000.00  |  |                                  |
| Hangzhou Heavy Industry        | 360,000,000.00    | 357,812,943.59        |                       | 717,812,943.59 |  |                                  |
| 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  |  |  |
| Total                         | 502,919,378.03 | 357,812,943.59 |  | 860,732,321.62 |  |  |

(2) Investments in associates and joint ventures

Nil

(3) Other notes

## 4. Business income and Business cost

In RMB

| Items         | Amount of current period |                | Amount of previous period |                  |
|---------------|--------------------------|----------------|---------------------------|------------------|
|               | Income                   | Cost           | Income                    | Cost             |
| Main business | 1,195,173,183.58         | 864,005,383.66 | 1,483,873,460.09          | 1,087,042,320.25 |
| Other         | 6,260,548.65             | 4,687,385.77   | 6,865,424.39              | 5,383,386.09     |
| Total         | 1,201,433,732.23         | 868,692,769.43 | 1,490,738,884.48          | 1,092,425,706.34 |

Whether implemented new revenue guidelines?

☐ Yes ☒ No

## 5. Investment income

In RMB

| Items   | Amount of current period | Amount of previous period |
|---|--------------------------|---------------------------|
| Long-term equity investment income by Cost method   | 61,041,210.00            | 64,587,205.00             |
| Investment income from disposal of Long-term equity investment                                |                          |                           |
| Investment gains from holding of sellable financial assets                                    | 1,320,462.15             |                           |
| Investment income from disposal of available for sale financial assets                        | 22,218,266.55            |                           |
| Dividend income from other equity instrument investments during the holding period            | 67,968,801.50            |                           |
| Investment income received from holding of held-to-maturity investments during holding period |                          |                           |
| Investment income received from holding of available-for-sale                                 |                          | 10,428,418.13             |

|   |                |               |
|---|----------------|---------------|
| financial assets  |                |               |
| Investment income arising from disposal of available-for-sale financial assets              |                |               |
| Investment income from the disposal of hold-to-maturity investments                         |                |               |
| Investment income from the remaining equity recalculated by fair value after losing control |                |               |
| Interest income earned by the debt investment during the holding period                     |                |               |
| Interest income earned by other debt investments during the holding period                  |                |               |
| Investment income from disposal of other debt investments                                   |                |               |
| Investment income of financial products   |                | 22,630,167.78 |
| Total   | 152,548,740.20 | 97,645,790.91 |

## 6.Other

## XVIII. Supplement information

## 1. Particulars about current non-recurring gains and loss

In RMB

| Items  | Amount        | Notes |
|--|---------------|-------|
| Gains/losses from the disposal of non-current asset  | -498,756.38   |       |
| Governmental subsidy calculated into current gains and loss (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)  | 15,761,589.03 |       |
| Gain/loss from debt reorganization   | -526,315.79   |       |
| 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 | 27,696,303.67 |       |
| Other non-business income and expenditures other than the above  | -3,448,280.96 |       |
| Less: Influenced amount of income tax  | 6,575,512.32  |       |

|   |               |    |
|---|---------------|----|
| Amount of influence of minority interests | 3,658,083.93  |    |
| Total                                     | 28,750,943.32 | -- |

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

## 2. Return on equity (ROE) and earnings per share (EPS)

| Profit as of reporting period  | Weighted average ROE<br>(%) | EPS (Yuan/share) |             |
|--|-----------------------------|------------------|-------------|
|  |                             | EPS-basic        | EPS-diluted |
| Net profit attributable to common shareholders of the Company  | 2.62%                       | 0.21             | 0.21        |
| Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss | 2.15%                       | 0.17             | 0.17        |

## 3. Differences between accounting data under domestic and overseas accounting standards

(1) Differences of net profit and net assets disclosed in financial reports prepared under international and Chinese accounting standards

√ Not applicable

(2) Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

√ Not applicable

(3) Explain reasons for the differences between accounting data under domestic and overseas accounting standards, for audit data adjusting differences had been foreign audited, should indicate the name of the foreign institutions

## 4. Other

Nil

## XI. Documents available for inspection



- (I) Financial Statements signed and sealed by the Chairman of the Board , chief accountant and director of the financial division;
- (II) All the originals of the Company's documents and public notices disclosed in the newspapers designated by China Securities Regulatory Commission in the report period;
- (III) Original copy of Resolutions of the 35th Meeting of the 7<sup>th</sup> Term of Board.

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

August 23, 2019