

# **Wuhan Boiler Company Limited**

## **2016 Interim Report**

**2016-028**

**August 29, 2016**

## **Section I Important Notes, Contents & Definition**

The Board of Directors, the Board of Supervisors as well as all Board Directors, Supervisors and Senior Management of Wuhan Boiler Company Limited (hereinafter referred to as “the Company”) hereby warrant that this Interim Report is authentic, accurate and complete without any misstatement, misleading statement or material omission and will take individual and joint and several liabilities for that.

All Board Directors attended the Board Meeting for reviewing this Report.

The Company didn’t plan to distribute cash dividends, or grant bonus shares, or transfer capital reserves into share capital for the first half of 2016.

Mr. Stuart Adam Connor, Company Principal, Mr. Feng Zheng, the Accounting Principal, and Mr. Li Yihao, the Accounting Division’s Principal (Accounting Manager), hereby ensure that the Financial Report enclosed in this Interim Report is true, accurate and complete.

The audited 2015 annual net profits attributable to the shareholders with common shares after excluding non-recurring gains and losses were positive. In addition, Union Power Certified Public Accountants (Special General Partnership) issued an unqualified audit report with emphasis paragraphs to the Company for year 2015 (as of December 31, 2015, the equity attributable to owners of the Company was RMB-1,415,692,473.40 and the net profit attributable to the shareholders with common shares after excluding non-recurring gains and losses was RMB17,874,528.02), with the purpose of drawing the report users’ attention. The audit report has no impact on the Company’s financial situation and operating results in the report period. Pursuant to Article 18 of the Interim Measures for the Transfer of Shares of STAQ, NET and Delisted Companies on National Equities Exchange and Quotations, WBC share transfer changed from three times a week to five times a week since April 29, 2016. The stock abbreviation has thus been changed to “Wuguo B5” and the stock code 420063 remains unchanged. The Company has designated the website of the NEEQ ([www.neeq.com.cn](http://www.neeq.com.cn)), Securities Times and Ta Kung Pao as the media for information disclosure. In strict accordance with applicable laws and regulations, the Company will perform its duty of information disclosure in an earnest and timely manner. Investors are kindly reminded to invest rationally and pay attention to possible risks.

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## Definition

Term	Refers to	Definition
CSRC	Refers to	China Securities Regulatory Commission
Hubei CSRC	Refers to	Hubei Securities Regulatory Bureau under China Securities Regulatory Commission
SZSE	Refers to	Shenzhen Stock Exchange
The Company Law	Refers to	The Company Law of the People's Republic of China
The Securities Law	Refers to	The Securities Law of the People's Republic of China
The Stock Listing Rules	Refers to	The Stock Listing Rules of Shenzhen Stock Exchange (Revised in 2014)
The Articles of Association	Refers to	The Articles of Association of Wuhan Boiler Company Limited
Controlling shareholder	Refers to	Alstom (China) Investment Company Limited
WBG	Refers to	Wuhan Boiler Group Co., Ltd
Lanxiang Company	Refers to	Wuhan Lanxiang Energy & Environmental Protection Technologies Inc.
Alstom	Refers to	Alstom (a France-listed company)
Alstom Holdings	Refers to	Alstom Holdings
GE	Refers to	General Electric Company
GE Albany	Refers to	GE Albany Global Holdings B.V.
Company, the Company	Refers to	Wuhan Boiler Company Limited
The NEEQ website	Refers to	The website of the National Equities Exchange and Quotations ( <a href="http://www.neeq.com.cn">www.neeq.com.cn</a> )
The cninfo website	Refers to	<a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Report period	Refers to	January 1, 2016- June 30, 2016
Yuan, Thousand Yuan, Million Yuan, Billion Yuan	Refers to	RMB Yuan, RMB Thousand Yuan, RMB Million Yuan, RMB Billion Yuan

## Section II Company Profile

### I. Basic information about the Company

Stock abbreviation	Wuguo B5	Stock code	420063
Stock abbreviation after change (if any)	Before: Wuguo B3 After: Wuguo B5		
Stock exchange listed with	National Equities Exchange and Quotations (NEEQ)		
Company name in Chinese	武汉锅炉股份有限公司		
Abbreviation (if any)	武锅股份		
Company name in English (if any)	WUHAN BOILER COMPANY LIMITED		
Abbreviation (if any)	WBC		
Legal Representative	Stuart Adam Connor		

### II. Contact information

	Board Secretary	Securities Representative
Name	Xu Youlan	Hou Li
Contact address	No. 1, Liufangyuan Road, East Lake New Technology Development Zone, Wuhan, Hubei Province, P.R.China	No. 1, Liufangyuan Road, East Lake New Technology Development Zone, Wuhan, Hubei Province, P.R.China
Tel.	(027) 81993700	(027) 81994270
Fax	(027) 81993701	(027) 81993701
E-mail	youlan.xu@ge.com	li.hou@ge.com

### III. Other information

#### 1. Contact information of the Company

Did any change occur to the registered address, office address and the postal code, website address and email address of the Company during the Report Period?

Applicable  Not applicable

The registered address, office address and the postal code, website address and email address of the Company did not change during the Report Period. The said information can be found in the 2015 Annual Report.

#### 2. About information disclosure and where this report is placed

Did any change occur to information disclosure media and where this report is placed during the Report Period?

Applicable  Not applicable

The newspapers designated by the Company for information disclosure, the CSRC-designated website for the publication of the Interim Report and the location where this Interim Report is placed did not change during the Report Period. The detail information can be found in 2015 Annual Report.

### **3. Change of the registered information**

Did any change occur to the registered information during the Report Period?

Applicable  Not applicable

The registration date and place of the Company, its business license No., taxation registration No. and organizational code did not change during the Report Period. The detail information can be found in 2015 Annual Report.

## Section III Summary of Accounting Data and Financial Indexes

### I. Major accounting data and financial indexes

Does the Company adjust retrospectively or restate accounting data of previous years due to change of the accounting policy or correction of any accounting error?

Yes  No

	January-June 2016	January-June 2015	+/- (%)
Operating revenues (RMB)	765,555,559.06	553,684,354.35	38.27%
Net profit attributable to shareholders of the Company (RMB)	-8,749,692.12	15,693,724.97	-155.75%
Net profit attributable to shareholders of the Company after excluding non-recurring gains and losses (RMB)	-8,943,648.02	14,753,138.30	-160.62%
Net cash flows from operating activities (RMB)	-169,965,642.04	-22,269,868.81	-663.21%
Basic EPS (RMB/share)	-0.03	0.05	-160.00%
Diluted EPS (RMB/share)	-0.03	0.05	-160.00%
Weighted average ROE (%)	-0.63%	-1.02%	0.39%
	June 30, 2016	December 31, 2015	+/- (%)
Total assets (RMB)	1,368,115,231.26	1,682,342,286.89	-18.68%
Net assets attributable to shareholders of the Company (RMB)	-1,424,442,165.52	-1,415,692,473.40	-0.62%

### II. 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

Applicable  Not applicable

Unit: RMB

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	Report period	Same period of last year	Closing amount	Opening amount
According to the Chinese accounting standards	-8,749,692.12	15,693,724.97	-1,424,442,165.52	-1,415,692,473.40
Items and amounts adjusted according to international accounting standards				

According to international accounting standards	-8,749,692.12	15,693,724.97	-1,424,442,165.52	-1,415,692,473.40
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## 2. Differences of net profit and net assets disclosed in financial reports prepared under overseas and Chinese accounting standards

Applicable  Not applicable

Unit: RMB

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	Report period	Same period of last year	Closing amount	Opening amount
According to Chinese accounting standards	-8,749,692.12	15,693,724.97	-1,424,442,165.52	-1,415,692,473.40
Items and amounts adjusted according to overseas accounting standards				
According to overseas accounting standards	-8,749,692.12	15,693,724.97	-1,424,442,165.52	-1,415,692,473.40

## 3. Explain reasons for the differences between accounting data under domestic and overseas accounting standards

Applicable  Not applicable

## III. Items and amounts of non-recurring gains and losses

Applicable  Not applicable

Unit: RMB

Item	Report period	Note
Government grants recognized in the current year, except for those acquired in the ordinary course of business or granted at certain quotas or amounts according to the country's unified standards	138,888.00	The relevant deferred incomes of the land use right in the new factory zone of the Company
Others	55,067.90	Quality compensation
Total	193,955.90	--

Explain the reasons if the Company classifies an item as a non-recurring gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Public Listed Companies - Non-recurring Gains and Losses, or classifies any non-recurring gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

Applicable  Not applicable

The Company didn't classify any non-recurring gain/loss item mentioned in the Explanatory Announcement No. 1 on Information Disclosure for Public Listed Companies – Non-recurring Gains and Losses as a recurrent gain/loss item.



## Section IV Report of the Board of Directors

### I Overview

On November 2, 2015, General Electric Company announced that it has completed the acquisition of Alstom's power and grid business. The controller of Alstom (China) Investment Co., Ltd., the Company's controlling shareholder, has thus changed to GE Albany Global Holdings B.V. The acquisition has further increased the strength of GE in technology and competition and will potentially generate annual operating revenue of USD 5 billion for its energy business. With GE as a platform, the Company will continue looking for opportunities to move up to a new level of development and vigorously respond to power demand at home and abroad.

In the Report Period, the Management and all employees dedicated to the following three priorities set out at the beginning of 2016:

1. Continued to provide high quality products cater for global market with the strength of technology, brand and manufacturing capacity.
2. Dedicated to expand its share in domestic market and improve its market position.
3. Continued to improve business operation management, provide more training to on-the-job employees, and continue with cost control, so as to complete orders with good quality and timely delivery and strengthen its competitiveness in the market.

Operating revenue achieved during the report period was RMB 765,555,559.06, increased by 38.27% over the same period of last year; operating profit was RMB -5,752,604.32, decreased by 130.12% as compared to the same period of last year; and net profit attributable to shareholders of the Company was RMB -8,749,692.12, decreased by 155.75% over the same period of last year.

### II. Main business analysis

Year-on-year changes in major financial data:

Unit: RMB

	Report period	Same period of last year	+/- (%)	Main reasons for change
Operating revenues	765,555,559.06	553,684,354.35	38.27%	Mainly due to the processing of Thang Long, Mae Moh, Karabiga, Luoyuan projects and contract revenue increase accordingly
Operating costs	714,634,483.14	464,246,796.35	53.93%	Mainly due to the processing of Thang Long, Mae Moh, Karabiga, Luoyuan projects this period.
Selling expenses	10,362,358.84	8,679,138.07	19.39%	Mainly due to tender department expense increase for more tender projects
Administrative expenses	17,810,239.28	16,403,425.82	8.58%	
Financial costs	29,240,053.60	63,716,615.48	-54.11%	Mainly due to foreign exchange loss and interest decrease this period.

Corporate income tax expenses	3,239,834.25	4,334,664.20	-25.26%	
Net cash flows from operating activities	-169,965,642.04	-22,269,868.81	-663.21%	Mainly due to payment for raw material for projects increase this period
Net cash flows from investing activities	-5,421,991.89	-18,960,044.99	71.40%	Mainly due to the decrease of cash out paid for fixed assets this period
Net cash flows from financing activities	31,645,521.13	80,781,258.08	-60.83%	Mainly due to the decrease in repayment of entrusted loans this period
Net increase in cash and cash equivalents	-150,788,742.97	14,696,231.26	-1,126.04%	Mainly due to the changes of net cash flows from operating and financing activities

Major changes to the profit structure or sources of the Company during the Report Period:

Applicable  Not applicable

There is no major change to the profit structure or sources of the Company during the Report Period.

Progress in the Report Period of the future development planning in the disclosed documents of the Company such as IPO prospectus, share offer prospectus, asset reorganization report, etc.:

Applicable  Not applicable

Review the progress of the previously disclosed business plan in the Report Period:

In the first half of 2016, the Company actively explored the oversea market and signed DHAKA Contract with ORION POWER UNIT-2 DHAKA LTD. With the help of GE platform, the Company signed THAR II orders. In the report period, the Company provided more training to on-the-job employees, improved labor productivity, strictly controlled expenses and costs, strengthened project execution and quality control so as to complete orders with good quality and timely delivery.

### III. Breakdown of main business

Unit: RMB

	Operating revenues	Operating costs	Gross profit rate	Increase/decrease of operating revenues over the same period of last year	Increase/decrease of operating costs over the same period of last year	Increase/decrease of gross profit rate over the same period of last year
Classified by industry:						
Manufacturing	763,666,470.40	713,733,790.93	6.54%	38.41%	53.74%	-9.32%
Classified by product:						
Boilers and auxiliary	763,666,470.40	713,733,790.93	6.54%	38.41%	53.74%	-9.32%
Classified by region:						
Domestic	155,138,283.69	177,730,220.98	-14.56%	87.34%	103.38%	-9.03%
Overseas	608,528,187.42	536,003,569.95	11.92%	29.77%	42.23%	-7.71%

## IV. Core competitiveness analysis

Core competitiveness represents the ability of a company to stay competitive in competition for a long time and is the key for the sustainable development of a company. Amid domestic and overseas markets and development opportunities, the Company is competitive in terms of brand, technology, etc.

### 1. Technological superiority

The advanced thermal power boiler technologies of the Company mainly include subcritical, supercritical and ultra-supercritical utility boiler technologies, as well as supercritical and subcritical circulating fluidized bed boiler technologies.

### 2. Overall upgrade of the Company's core technologies

Currently, the Company owns the latest (ultra) supercritical boiler technology, materials, software and standards, as well as relevant personnel training, and it is able to produce utility boilers and their relevant products that are in line with ASME standard, EN standard and domestic GB standard, which allows it to be a strong competitor of Harbin Electric, Shanghai Electric and Dongfang Electric in the domestic utility boiler market.

### 3. Increase of export orders

The controlling shareholder of the Company and its related parties have provided all-rounded business support for the Company by helping it secure many main component subcontracting orders of overseas projects to expand the export market. Along with the overall upgrade of its technologies, the Company has gradually solidified its position in the domestic market.

## V. Investment analysis

### 1. Investments in equities of external parties

#### (1) Investments in external parties

Applicable  Not applicable

The Company did not invest in any external party in the Report Period.

#### (2) Shareholdings in financial enterprises

Applicable  Not applicable

The Company did not hold any equity in any financial enterprise in the Report Period.

#### (3) Securities investments

Applicable  Not applicable

The Company did not invest in any securities in the Report Period.

#### (4) Shareholdings in other listed companies

Applicable  Not applicable

The Company did not hold any equity in other listed companies in the Report Period.

## 2. Entrusted financial management, derivative investments and entrusted loans

### (1) Entrusted financial management

Applicable  Not applicable

The Company did not make any wealth management entrustment in the Report Period.

### (2) Derivative investments

Applicable  Not applicable

Unit: RMB Ten Thousand

Operator	Relation	Related party transaction or not	Type of derivative investment	Initial investment amount	Beginning date	Ending date	Opening investment amount	Purchased in report period	Sold in report period	Impairment provision (if any)	Closing investment amount	Proportion of the closing investment amount in the Company's closing net assets (%)	Actual gain/loss in report period
BNP	Non-Relation	No	Forward FX contract	0	05 Dec, 2014	29 May, 2015	0			0	0	0.00%	
HSBC	Non-Relation	No	Forward FX contract	26,130.27	15 Sep, 2015	25 Apr, 2018	26,130.27	1,038.63	21,711.64	0	5,457.26	3.83%	-107.07
SCB	Non-Relation	No	Forward FX contract	1,837.33	17 Feb, 2015	11 Jan, 2018	1,837.33		1,737.1	0	100.23	0.07%	56.58
Total				27,967.6	--	--	27,967.6	1,038.63	23,448.74		5,557.49	3.90%	-50.49
Capital source for derivative investment				Own funds									
Any litigation involved (if applicable)				NA									
Disclosure date of the board announcement approving the derivative investment (if any)				April 28, 2016									
Disclosure date of the Shareholders' Meeting announcement approving the derivative investment (if any)				NA									

<p>Analysis on risks and control measures of derivative products held in the report period (including but not limited to market risk, liquidity risk, credit risk, operation risk, law risk, etc.)</p>	<p>In order to satisfy needs arising from business development and avoid risk concerning exchange rates, the Company signed forward FX contracts with HSBC, SCB, BNP, etc. respectively. For exchange rate fluctuations risk, the company and banks do collaborative exchange rate trend forecasts, closely track changes in exchange rates, changes in market conditions to implement dynamic management; For liquidity risk, foreign exchange hedging operations carried out by the company are based on the Company's estimated foreign exchange payments and collection of trade, because the foreign exchange hedging operations match with the actual foreign exchange trade, so this can ensure sufficient fund for settlement at delivery time, there is less affected on the liquidation of the company's current assets; For operational risk, the Company developed a standardized operational processes and authorization management systems, equipped with full-time staff and strictly control their authority to conduct foreign exchange hedging operations; while strengthening business related personnel training and professional ethics , and improving quality of personnel, and the establishing anomalies timely reporting system to avoid the occurrence of operational risk at the maximum; For credit risk, the Company's counterparties of foreign exchange hedging are reputable business and the company has established long-term business relationship with large commercial banks and foreign banks, so, basically there is no performance risk; For legal risk, the Company conducted foreign exchange hedging operations legally in accordance with relevant laws and regulations and relevant transaction management practices, and signed a legal agreement with the counterparties for clear and accurate terms to avoid possible legal disputes at the maximum; and the Company has carried out sufficient assessment and effective control on possible risk concerning credit, operation and cash flows.</p>
<p>Changes of market prices or fair values in the report period of the invested derivatives. And the analysis on the fair value of the derivatives should include the specific use methods and the relevant assumptions and parameters.</p>	<p>The company recognized the gain and loss of fair values of the invested derivatives, the fair values loss of the invested derivatives this period was 504.9KRMB, the calculation of fair values was based on the contract values and forward rate quote of end of this accounting period provided by the related business partners which was accordance with the expiry date of each forward contracts.</p>
<p>Whether significant changes occurred to the Company's accounting policy and specific accounting principles of derivatives in the report period compared to the previous report period</p>	<p>No major change</p>

### (3) Entrusted loans

Applicable  Not applicable

### 3. Utilization of the raised funds

Applicable  Not applicable

**4. Analysis to main subsidiaries and shareholding companies**√ Applicable  Not applicable

Unit: RMB

Company name	Company variety	Industry	Main products/services	Registered capital
Wuhan Lanxiang Environment Protection Technology Co., Ltd	Subsidiary	Boiler	R&D, design, consultation and technology services related to boilers, energy & environmental protection products, steel structures, thermal energy-related products and their auxiliary equipments; marketing of products developed; energy project (non-land construction projects) contracting and technical service (special-purpose projects subject to governmental approval).	20,000,000.00

Continue of the above table

Company name	Total assets	Net assets	Operating revenues	Operating profit	Net profit
Wuhan Lanxiang Environment Protection Technology Co., Ltd	5,749,856.29	4,278,904.70	0.00	-975,811.11	-975,811.11

**5. Significant projects of investments with non-raised funds** Applicable  Not applicable

No significant projects of investments with non-raised funds in the Report Period.

**VI. Business performance estimate for January-September 2016**

Warnings of estimated possible losses or major changes of the accumulative net profit achieved during the period from the beginning of the year to the end of the next report period compared with the same period of last year, as well as the reasons

 Applicable  Not applicable**VII. Explanation of the Board of Directors and the Board of Supervisors on the “Non-standard Auditing Report” issued by the CPA firm for the Report Period** Applicable  Not applicable**VIII. Explanation of the Board of Directors about the “Non-standard Auditing Report” of last year**√ Applicable  Not applicable

Union Power Certified Public Accountants (Special General Partnership) issued an unqualified audit report with emphasis paragraphs to the Company for Year 2015. Pursuant to the Interim Measures on Information Disclosure by STAQ, NET and Delisted Companies of National Equities Exchange and Quotation, the Board of Directors of the Company gives the following opinion:

Union Power Certified Public Accountants (Special General Partnership) issued an unqualified audit report with emphasis paragraphs to the Company for Year 2015, with the purpose of drawing the report users' attention. The

audit report has no impact on the Company's financial situation and operating results in the Report Period.

### **IX. Implementation of profit distribution during the report period**

During the report period, particulars about the execution of profit distribution plan, especially cash bonus plan, the execution of transferring capital reserve to share capital or any adjustment.

Applicable  Not applicable

The profit distribution plan for last year is no cash dividends, no bonus shares and no transfer of capital reserve to share capital.

### **X. Preplan for profit distribution and transferring capital reserve into share capital for the report period**

Applicable  Not applicable

The Company didn't plan to distribute cash dividends, or grant bonus shares, or transfer capital reserves into share capital for the first half of 2016.

### **XI. Particulars about researches, visits and interviews received in this report period**

Applicable  Not applicable

Time of reception	Place of reception	Way of reception	Visitor type	Visitor	Main discussion and materials provided by the Company
January 8, 2016	Wuhan	By phone	Individual	Shareholder with tradable shares	The Company's performance forecast for 2015
March 15, 2016	Wuhan	By phone	Individual	Shareholder with tradable shares	The Company's business performance for the first quarter of 2016
June 7, 2016	Wuhan	By phone	Individual	Shareholder with tradable shares	How to attend the Annual Shareholders' Meeting
June 8, 2016	Wuhan	By phone	Individual	Shareholder with tradable shares	How to attend the Annual Shareholders' Meeting and how the Company would solve the negative equity problem

## Section V Significant Events

### I Corporate governance

The Board of Directors of the Company continuously improved its corporate governance and standardized the Company's operation strictly according to the requirements of the Company Law, the Securities Law and other relevant laws and regulations. The Board of Directors thinks that the actual situation of corporate governance of the Company is in compliance with the requirements of Guiding Principle on Governing Listed Companies.

(1) About shareholders and Shareholders' Meeting:

The Company convenes and holds Shareholders' Meetings according to requirements of Opinions on Standardization of Shareholders' Meeting of Listed Companies and Rules of Procedure for the Shareholders' Meeting of Listed Companies, the Company treats all shareholders equally, especially minority shareholders are insured to be equally treated and they can fully exercise their lawful rights.

(2) About relationship between the controlling shareholder and the Company:

The controlling shareholder complies with laws while exercising their rights as investors through the Shareholders' Meeting and doesn't, directly and indirectly, intervene the Company's decision-making and operation through other channels. The human resources, assets, finance, organizations and operations of the Company are independent from the controlling shareholder. The Company and the controlling shareholder maintain different financial accounts, and independently undertake commercial liabilities and market risks. Related transactions between the Company and the controlling shareholder are reasonable and fair, and its decision-making procedures comply with related regulations. The controlling shareholder doesn't occupy any fund of the Company and the Company doesn't provide any guarantee to the controlling shareholder and its subsidiaries.

(3) About directors and the Board of Directors:

The Company elects and engages directors strictly in accordance with procedure on director election, the Company Law and Articles of Association of the Company, ensuring that the director election is public, just, fair and independent. The Company ensures that the number and structure of directors is in compliance with provisions stipulated in laws and regulations. The meetings of the Board of Directors are convened and held according to the Rules of Procedure for the Board of Directors. Members of the Board of Directors perform and fulfill their duties honestly, diligently and responsibly. The Board of Directors establishes special committees, each of which performs its own duty and improves the efficiency of the Board of Directors.

(4) About supervisors and the Board of Supervisors:

The Company elects and engages supervisors strictly in accordance with procedure on supervisor election, the Company Law and Articles of Association of the Company. The Company ensures that the number and structure of supervisors is in compliance with provisions stipulated in laws and regulations. The Board of Supervisors inspects and supervises the legitimacy of activities of the Company finance, directors, senior management and other managers, safeguards the benefits and interests of shareholders.

(5) About information disclosure and its transparency:

Secretary of the Board of Directors is responsible for information disclosure and investor relationship management, including reception of visits and consultations from investors. Securities Times and Hong Kong Ta Kung Pao are designated by the Company as the newspapers for disclosing relevant information. According to laws, regulations and requirements of the Management Rules on Information Disclosure of the Company, the Company discloses the information authentically, accurately, timely and completely to ensure all shareholders have equal opportunity to acquire information.



## II Lawsuits

Significant lawsuits or arbitrations

√ Applicable □ Not applicable

Basic information of the litigation (arbitration)	Amount involved in the litigation (arbitration) (RMB'0,000)	Forming the estimated liabilities or not?	Progress of the litigation (arbitration)	Trial result and influence of the litigation (arbitration)	Enforcement on the judgment of the litigation (arbitration)	Disclosure date	Disclosure index
<p>On June 25, 2015, the Company convened 2014 Annual Shareholders' Meeting (the June 25<sup>th</sup> General Meeting), at which the Company's Proposal for Estimation Routine Related-Party Transactions for 2015 (the Related-Party Transaction Proposal) and another 8 proposals were reviewed, forming the relevant resolutions (the June 25<sup>th</sup> Resolutions). And the June 25<sup>th</sup> Resolutions included a veto on the Related-Party Transaction Proposal. Minority Shareholder Zhou Guoyao held the opinion that the veto on the Related-Party Transaction Proposal should be revoked since it has seriously impacted the ordinary production and operation, the perpetual existence and the interests of the shareholders of the Company, as well as has breached the Articles of Association of the Company. In June 2015, he sued to the Court of Wuhan East Lake New Technology Development Zone (the "Court"), requesting the judgment of revoking the veto on the Related-Party Transaction Proposal.</p> <p>In May 2016, Zhou Guoyao applied to the Court for withdrawal of the case against the Company and the Court gave its consent.</p>		No	Closed	This case has no impact on the Company's profit in or after the Report Period.		July 10, 2015;  May 19, 2016	<p>The Announcement of Wuhan Boiler Company Limited on Significant Lawsuit or Arbitration (No. 2015-062) was published on Securities Times, Ta Kung Pao and <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> dated July 10, 2015.</p> <p>The Announcement of Wuhan Boiler Company Limited on Significant Lawsuit or Arbitration (No. 2016-017) was published on Securities Times, Ta Kung Pao and the NEEQ website dated May 19, 2016.</p>

<p>On June 25, 2015, the Company convened the 2014 Annual General Meeting (the June 25<sup>th</sup> General Meeting), at which the Company's Proposal for Expected Routine Related-Party Transactions for 2015 (the Related-Party Transaction Proposal) and another 8 proposals were reviewed, forming the relevant resolutions (the June 25<sup>th</sup> Resolutions). And the June 25<sup>th</sup> Resolutions included a veto on the Related-Party Transaction Proposal. Minority Shareholder Ruan Huimin held the opinion that the veto on the Related-Party Transaction Proposal shall create unpredictably negative impact on the daily operation of the Company; and also violate the Company Law. In June 2015, he sued to the Court of Wuhan East Lake New Technology Development Zone (the "Court"), requesting the judgment of invalidating the veto on the Related-Party Transaction Proposal. In May 2016, Ruan Huimin applied to the Court for withdrawal of the case against the Company and the Court gave its consent.</p>		No	Closed	This case has no impact on the Company's profit in or after the Report Period.		July 10, 2015;  May 19, 2016	<p>The Announcement of Wuhan Boiler Company Limited on Significant Lawsuit or Arbitration (No. 2015-063) was published on Securities Times, Ta Kung Pao and <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> dated July 10, 2015.</p> <p>The Announcement of Wuhan Boiler Company Limited on Significant Lawsuit or Arbitration (No. 2016-016) was published on Securities Times, Ta Kung Pao and the NEEQ website dated May 19, 2016.</p>
<p>Wuhan Jetsum Information Technology Co., Ltd. provided virtual hosting service (including the SERV-U software) for the website of the Company (<a href="http://www.wbcl.com.cn">www.wbcl.com.cn</a>). Rhino Software, Inc. claimed that the Company used the SERV-U software in running its website without their permission, which violated their copyright of the SERV-U software. Therefore, Rhino Software requested a court judgment of the immediate stop of use of the SERV-U software by the Company, as well as RMB10,000 from the Company as a compensation for their economic loss and reasonable</p>		No	Closed	This case has no impact on the Company's profit in or after the Report Period.		May 4, 2016;  June 13, 2016	<p>The Announcements of Wuhan Boiler Company Limited on Significant Lawsuit or Arbitration (No. 2016-015 and 2016-020) were published on Securities Times, Ta Kung Pao and the NEEQ website dated May 4, 2016 and June 13, 2016 respectively.</p>

expense. In June 2016, Rhino Software applied to the Court of Wuhan East Lake New Technology Development Zone for withdrawal of the case against the Company and the Court gave its consent.							
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Other lawsuits

Applicable  Not applicable

### III. Media's queries

Applicable  Not applicable

There was no media's common query during the Report Period.

### IV. Bankruptcy reorganization

Applicable  Not applicable

No bankruptcy reorganization occurred to the Company in Report Period.

### V. Asset transactions

#### 1. Acquisition of assets

Applicable  Not applicable

No acquisition of assets in the Report Period.

#### 2. Sale of assets

Applicable  Not applicable

No sales of assets in the Report Period.

#### 3. Business combination

Applicable  Not applicable

No business combination in the Report Period.

### VI. Implementation of equity incentive and its influence

Applicable  Not applicable

The Company did not make or carry out any equity incentive plan in the Report Period.

## VII. Significant related party transactions

### 1. Related party transactions relevant to routine operation

√ Applicable □ Not applicable

Related party	Relationship	Type of the related party transaction	Contents of the related party transaction	Pricing principle of the related party transaction	Transaction price	Transaction amount (RMB'0,000)	Proportion in same kind of transactions (%)	Limited amount approved (RMB'0,000)	If exceed the limited amount	Settlement method of the related party transaction	Obtainable market price of the same kind	Disclosure date	Disclosure index
General Electric (Switzerland) GmbH	A subsidiary of the ultimate actual controller	Reception of service	IT Service	Fair market price	—	73.28	1.16%	539.78	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM (China) Investment Co., Ltd.	The biggest shareholder	Reception of service	IT Service and training	Fair market price	—	170.59	2.72%	659.89	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM IS&T SAS	A subsidiary of the ultimate actual controller	Reception of service	ITSAS expenses	Fair market price	—	337.60	5.38%	599.43	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM (Wuhan) Engineering & Technology Co., Ltd	A subsidiary of the ultimate actual controller	Reception of service	Design service	Fair market price	—	262.42	4.18%	335.08	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM (Beijing) Engineering & Technology Co., Ltd.	A subsidiary of the ultimate actual controller	Reception of service	Design service	Fair market price	—	562.99	8.97%	600.33	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM Power Inc.	A subsidiary	Material Purchasing	Material Purchasing	Fair market	—	858.68	1.86%	1,939.90	No	Settlement as per		Nov. 27, 2015	NEEQ.com.cn

	of the ultimate actual controller			price						contract term			
ALSTOM India Limited	A subsidiary of the ultimate actual controller	Material Purchasing	Material Purchasing	Fair market price	—	0.06	0.00%	20.00	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM India Limited	A subsidiary of the ultimate actual controller	Reception of service	Design service	Fair market price	—	80.84	1.29%	5,232.85	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM Boiler France	A subsidiary of the ultimate actual controller	Reception of service	Design service	Fair market price	—	93.80	1.49%	1,148.00	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
GE Boiler Deutschland GmbH	A subsidiary of the ultimate actual controller	Reception of service	Design service	Fair market price	—	39.73	0.63%	15,349.74	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM Power Inc.	A subsidiary of the ultimate actual controller	Sale of products	Sale of products	Fair market price	—	20,035.73	26.24%	137,266.52	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM Power Sp.z o.o.	A subsidiary of the ultimate actual controller	Sale of products	Sale of products	Fair market price	—	7,898.91	10.34%	14,062.21	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM Boiler	A subsidiary	Sale of products	Sale of products	Fair market	—	2,748.06	3.60%	6,212.08	No	Settlement as per		Apr. 28, 2016	NEEQ.com.cn

France	of the ultimate actual controller			price						contract term			
ALSTOM MIDDLE EAST Ltd.	A subsidiary of the ultimate actual controller	Sale of products	Sale of products	Fair market price	—	6.36	0.01%	0.00	Yes	Settlement as per contract term			
ALSTOM Technical Services (Shanghai) Co., Ltd.	A subsidiary of the ultimate actual controller	Sale of products	Sale of products	Fair market price	—	55.67	0.07%	253,946.64	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM Boiler France	A subsidiary of the ultimate actual controller	Provision of service	Testing service	Fair market price	—	6.20	12.51%	0.00	Yes	Settlement as per contract term			
ALSTOM Power Ltd	A subsidiary of the ultimate actual controller	Provision of service	Testing service	Fair market price	—	5.88	11.87%	100.00	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM Power Inc.	A subsidiary of the ultimate actual controller	Provision of service	Testing service	Fair market price	—	15.11	30.48%	50.00	No	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM Technical Services (Shanghai) Co., Ltd.	A subsidiary of the ultimate actual controller	Provision of service	Testing service	Fair market price	—	58.05	100.00%	56.09	Yes	Settlement as per contract term		Apr. 28, 2016	NEEQ.com.cn
ALSTOM (China)	The biggest shareholder	Payment of interest	Interest on loans	90% of t PBOC	—	2,793.75	95.82%	6,644.90	No	Settlement as per		Apr. 28, 2016	NEEQ.com.cn

Investment Co., Ltd.		on loans		benchmark rate						contract term			
Total				--	--	36,103.71	--	477,992.12	--	--	--		
Details of large amount of sales returns				NA									
As for the estimation on the total amount of routine related party transactions to be occurred in the report period by relevant types, the actual performance in the report period (if any)				1. Sales of products: actual transaction amount is less than forecasted amount 2. Purchasing of products: actual transaction amount is less than forecasted amount									
Reason for significant difference between the transaction price and the market price (if applicable)				NA									

## 2. Related party transactions arising from acquisition and sale of assets

Applicable  Not applicable

The Company had no related party transaction arising from acquisition or sale of assets in the Report Period.

## 3. Related party transactions arising from joint investments

Applicable  Not applicable

The Company had no related party transaction arising from joint investment during the Report Period.

## 4. Significant credits and liabilities with related parties

Applicable  Not applicable

Related party	Relationship	Type of credit or liability	Reason of formation	Existing non-operating funds occupation or not	Opening balance (RMB 0'000)	Current amount (RMB 0'000)	Closing balance (RMB 0'000)
Wuhan Boiler Group Engineering Technology Co., Ltd.	A subsidiary of the second largest shareholder	Receivables	Sale of products	No	864.91	-864.91	0.00
ALSTOM POWER Sp.zo.o	A subsidiary of ultimate holding company	Receivables	Sale of products	No	2,677.38	1,950.03	4,627.41
ALSTOM Power Inc	A subsidiary of ultimate holding company	Receivables	Sale of products	No	6,157.07	-4,617.89	1,539.18
ALSTOM Boiler France	A subsidiary of ultimate holding company	Receivables	Sale of products	No	1,051.47	-1,051.47	0.00
ALSTOM Power Inc.	A subsidiary of ultimate holding company	Receivables	Advance for service	No	257.60	-257.60	0.00
Wuhan Boiler Group	The second largest shareholder	Receivables	Relocation compensatio	No	6,103.05	0.00	6,103.05

			n				
Wuhan Boiler Group Valve Co., Ltd.	A subsidiary of the second largest shareholder	Receivables	Sale of materials	No	24.06	0.00	24.06
Wuhan Boiler Group Express Co., Ltd.	A subsidiary of the second largest shareholder	Receivables	Labor service	No	1.02	0.00	1.02
ALSTOM Boiler Deutschland GmbH	A subsidiary of ultimate holding company	Receivables	Sale of materials	No	17.70	-17.70	0.00
ALSTOM (Beijing) Engineering & Technology Co., Ltd.	A subsidiary of ultimate holding company	Receivables	Labor service	No	1.41	0.00	1.41
ALSTOM Technical Services (Shanghai) Co., Ltd.	A subsidiary of ultimate holding company	Receivables	Labor service	No	132.41	-69.04	63.37
ALSTOM Power Inc.	A subsidiary of ultimate holding company	Receivables	Labor service	No	3.62	-3.62	0.00
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	A subsidiary of ultimate holding company	Receivables	Labor service	No	35.52	-35.52	0.00
GE Boiler Deutschland GmbH	A subsidiary of ultimate holding company	Payables	Advance from customer	No	6,764.82	9,549.99	16,314.81
ALSTOM Power Sp. z o.o.	A subsidiary of ultimate holding company	Payables	Advance from customer	No	952.17	-576.29	375.88
ALSTOM Boiler France	A subsidiary of ultimate holding company	Payables	Advance from customer	No	1,554.89	10,135.32	11,690.21
ALSTOM Power Inc.	A subsidiary of ultimate holding company	Payables	Advance from customer	No	29,232.97	-20,962.45	8,270.52
ALSTOM Technical Services (Shanghai) Co., Ltd.	A subsidiary of ultimate holding company	Payables	Advance from customer	No	781.73	109.24	890.97
Wuhan Boiler Group Express Co., Ltd.	A subsidiary of the second largest shareholder	Payables	Labor service	No	1.74	0.00	1.74
Wuhan Boiler Group Valve Co., Ltd.	A subsidiary of the second largest	Payables	Purchase of boiler	No	26.12	0.00	26.12



	shareholder		fittings				
Wuhan Boiler Group Engineering & Technology Co., Ltd.	A subsidiary of the second largest shareholder	Payables	Purchase of boiler fittings	No	1,080.37	-1,080.37	0.00
ALSTOM Power Inc.	A subsidiary of ultimate holding company	Payables	Receipt of Service	No	122.56	177.98	300.54
GE Boiler Deutschland GmbH	A subsidiary of ultimate holding company	Payables	Receipt of Service	No	73.46	-37.51	35.95
ALSTOM (China) Investment Co., Ltd.	Largest shareholder	Payables	Receipt of Service	No	32.08	69.41	101.49
ALSTOM s.r.o	A subsidiary of ultimate holding company	Payables	Purchase of materials	No	13.76	-0.73	13.03
General Electric (Switzerland) GmbH	A subsidiary of ultimate holding company	Payables	Receipt of Service	No	44.09	89.88	133.97
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	A subsidiary of ultimate holding company	Payables	Receipt of Service	No	210.25	-210.25	0.00
ALSTOM India Limited	A subsidiary of ultimate holding company	Payables	Purchase of materials	No	3.90	94.72	98.62
Wuhan Boiler Group	The second largest shareholder	Payables	Receipt of Service	No	97.41	0.00	97.41
ALSTOM IS&T SAS	A subsidiary of ultimate holding company	Payables	Receipt of Service	No	308.98	229.54	538.52
ALSTOM Power Turbomachines LLC	A subsidiary of ultimate holding company	Payables	Receipt of Service	No	18.69	0.00	18.69
ALSTOM (Beijing) Engineering & Technology Co., Ltd.	A subsidiary of ultimate holding company	Payables	Receipt of Service	No	361.32	-359.82	1.50
Effect of the credits and liabilities with related parties on the operating results and financial situation		None					

Was there any non-operating credit or liability with any related party?

Yes  No

The Company didn't have any non-operating credit or liability with any related party in the report period.

## 5. Other significant related party transactions

Applicable  Not applicable

The Company has no other significant related party transaction in the report period.

## **VIII. Occupation of the Company's funds for non-operating purposes by the controlling shareholder and its related parties**

Applicable  Not applicable

The controlling shareholder or its related parties did not occupy the Company's funds for non-operating purposes during the Report Period.

## **IX. Significant contracts and execution**

### **1. Trusteeship, contract and lease**

#### **(1) Trusteeship**

Applicable  Not applicable

No trusteeship in the report period.

#### **(2) Contracting**

Applicable  Not applicable

No contracting in the report period.

#### **(3) Lease**

Applicable  Not applicable

No lease in the report period.

### **2. Guarantees provided by the Company**

Applicable  Not applicable

No guarantees provided in the report period.

### **3. Other significant contracts**

Applicable  Not applicable

No other significant contracts in the report period.

### **4. Other significant transactions**

Applicable  Not applicable

No other significant transactions in the report period.

## X. Commitments made by the Company or shareholders holding over 5% of the Company's shares in the report period or such commitments carried down into the Report Period

Applicable  Not applicable

Commitment	Commitment maker	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform	—	—	—	—	—
Commitment in the acquisition report or the report on equity changes	Alstom (China) Investment Co., Ltd	Avoid horizontal competition	April 14, 2006	Long-term effective	Strictly fulfill the commitment and no breaches
	General Electric Company and GE Albany Global Holdings B.V.	Ensure the independence of the Company	December 28, 2015	Long-term effective	Strictly fulfill the commitment and no breaches
	General Electric Company and GE Albany Global Holdings B.V.	Avoid horizontal competition	December 28, 2015	Long-term effective	Strictly fulfill the commitment and no breaches
	General Electric Company and GE Albany Global Holdings B.V.	Ensure new related party transactions will obtain appropriate approvals	December 28, 2015	Long-term effective	Strictly fulfill the commitment and no breaches
Commitments made in assets reorganization	—	—	—	—	—
Commitments made in IPO or refinancing	—	—	—	—	—
Other commitments made to minority shareholders	—	—	—	—	—
Are the commitments fulfilled in time	Yes				

## XI. Engagement and dismissal of the CPAs firm

Has the Interim Financial Report been audited by a CPAs firm?

Yes  No

This Interim Report has not been audited by a CPAs firm.

## XII. Punishment and rectification

Applicable  Not applicable

No punishment or rectification in the Report Period.

### **XIII. Delisting risk due to violation of laws or regulations**

Applicable  Not applicable

No such risk in the Report Period.

### **XIV. Explanation on other significant events**

Applicable  Not applicable

The First Extraordinary Shareholders' Meeting 2016 was convened on July 4, 2016, at which the Proposal to Change Business Scope and Amend Articles of Association of the Company was reviewed and approved. The business scope of the Company has been changed to: research, design, development and manufacturing of power plant boilers, special boilers, pressure vessel of Class 1, 2 & 3, boiler auxiliary equipment and desulphurization equipment, and sales of self-manufactured product (related governmental permit shall be obtained before engaging in the projects required mandatory license). Meanwhile, Article 13 in the Articles of Association has been amended accordingly. The resolution announcement (No. 2016-024) of this meeting was disclosed on [www.neeq.com.cn](http://www.neeq.com.cn), Securities Times and Ta Kung Pao dated July 4, 2016.

On July 21, 2016, the Company completed the variation registration of the foreign-invested enterprise certificate and business license. On the said certificate and license, our business scope has been changed to: research, design, development and manufacturing of power plant boilers, special boilers, pressure vessel of Class 1, 2 & 3, boiler auxiliary equipment and desulphurization equipment, and sales of self-manufactured product (related governmental permit shall be obtained before engaging in the projects required mandatory license). The Announcement (No. 2016-025) of Change in Registered Information was disclosed on [www.neeq.com.cn](http://www.neeq.com.cn), Securities Times and Ta Kung Pao dated July 25, 2016.

### **XV. Corporate bonds**

The Company has no corporate bonds publicly offered and listed on the stock exchange which were undue before the approval date of this report or were due but could not be redeemed in full.

## Section VI Changes in Shares and Particulars about Shareholders

### I Particulars about changes in shares

Unit: share

	Before		Increase/decrease (+, -)					After	
	Amount	Proportion (%)	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Others	Subtotal	Amount	Proportion (%)
I. Restricted shares	172,000,000	57.91%						172,000,000	57.91%
2. Shares held by state-owned corporations	20,530,000	6.91%						20,530,000	6.91%
4. Shares held by foreign entities	151,470,000	51.00%						151,470,000	51.00%
Of which: Shares held by foreign corporations	151,470,000	51.00%						151,470,000	51.00%
II. Non-restricted shares	125,000,000	42.09%						125,000,000	42.09%
2. Domestically listed foreign shares	125,000,000	42.09%						125,000,000	42.09%
III. Total shares	297,000,000	100.00%						297,000,000	100.00%

Reason for the change in shares

 Applicable  Not applicable

Approval of the change in shares

 Applicable  Not applicable

Transfer of the change in shares

 Applicable  Not applicable

Effects of the change in shares on the basic EPS, diluted EPS, net assets per share attributable to common shareholders of the Company and other financial indexes over the last year and last period

 Applicable  Not applicable

Other contents that the Company considered necessary or were required by the securities regulatory authorities to disclose

 Applicable  Not applicable

Explanation on changes in total shares, shareholder structure, and the structure of assets and liabilities

 Applicable  Not applicable

### II. Total number of shareholders and their shareholdings

Unit: share

Total number of shareholders with common shares at the end of the report period		5,341	Total number of shareholders with preference shares who had resumed their voting right at the end of the report period (if any)		0			
Shareholdings of shareholders with more than 5% common shares or top 10 shareholders with common shares								
Name of shareholder	Nature of shareholder	Shareholding percentage	Total common shares held at the period-end	Increase / decrease during the report period	Number of restricted common shares held	Number of non-restricted common shares held	Pledged or frozen shares	
							Status of shares	Number of shares
ALSTOM (CHINA) INVESTMENT CO., LTD	Domestic non-state-owned corporation	51.00%	151,470,000		151,470,000			
WUHAN BOILER GROUP CO., LTD	State-owned corporation	6.91%	20,530,000		20,530,000			
WANG XIAO	Domestic individual	0.90%	2,672,800			2,672,800		
CHEN PENG	Domestic individual	0.79%	2,331,545			2,331,545		
HU ZHIHONG	Domestic individual	0.47%	1,390,397			1,390,397		
CHEN CHUYUN	Domestic individual	0.46%	1,367,450			1,367,450		
LI ZHIJIAN	Domestic individual	0.43%	1,286,281			1,286,281		
HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	Foreign corporation	0.40%	1,185,114			1,185,114		
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	State-owned corporation	0.40%	1,176,836			1,176,836		
ZHUANG CHANGXIONG	Domestic individual	0.35%	1,045,000			1,045,000		
Strategic investor or corporation becoming a top ten common shareholder due to placing of new shares (if any)	Not applicable							
Explanation on affiliated relationship or persons acting in concert among the above-mentioned shareholders:	Alstom (China) Investment Co., Ltd. (the first principal shareholder of the Company) and Wuhan Boiler Group Co., Ltd. (the second principal shareholder of the Company) hold non-tradable shares of the Company. No affiliated relationship exists between Alstom (China) Investment Co., Ltd. (the first principal shareholder of the Company), Wuhan Boiler Group Co., Ltd. (the second principal shareholder of the Company) and the other shareholders with tradable shares, and they are not persons acting in concert as defined in the Administrative Rules on Information Disclosure about Changing of Shareholding Status. The Company is not aware of whether there is any affiliated relationship among the top ten shareholders with tradable shares and whether there are persons acting in concert among them. The Company is not aware of							

	whether there is any affiliated relationship among the top ten shareholders and the top ten shareholders with tradable share.		
Shareholdings of top ten shareholders holding non-restricted common shares			
Name of shareholder	Number of non-restricted common shares held at the period-end	Type of shares	
		Type	Number
WANG XIAO	2,672,800	Domestically listed foreign shares	2,672,800
CHEN PENG	2,331,545	Domestically listed foreign shares	2,331,545
HU ZHIHONG	1,390,397	Domestically listed foreign shares	1,390,397
CHEN CHUYUN	1,367,450	Domestically listed foreign shares	1,367,450
LI ZHIJIAN	1,286,281	Domestically listed foreign shares	1,286,281
HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	1,185,114	Domestically listed foreign shares	1,185,114
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	1,176,836	Domestically listed foreign shares	1,176,836
ZHUANG CHANGXIONG	1,045,000	Domestically listed foreign shares	1,045,000
GAO LINGYUN	1,000,000	Domestically listed foreign shares	1,000,000
SUN WEIWEI	966,567	Domestically listed foreign shares	966,567
Explanation on affiliated relationship or persons acting in concert among the top ten non-restricted common shareholders and between the top ten non-restricted common shareholders and the top ten common shareholders	The top ten shareholders of the Company are public shareholders with tradable shares. The Company is not aware of whether there is any affiliated relationship among the top ten shareholders with tradable shares and whether there are persons acting in concert among them. The Company is not aware of whether there is any affiliated relationship among the top ten shareholders and the top ten shareholders with tradable share.		
Explanation on the top 10 common shareholders participating in the margin trading business (if any)	Not applicable		

Whether the top 10 shareholders with common shares and the top 10 shareholders with non-restricted common shares of the Company reach agreement of buy-back trading in the Report Period?

Yea  No

No top 10 shareholders with common shares and top 10 shareholders with non-restricted common shares of the Company carried out any agreed buy-back trading in the Report Period.

### III. Change in the controlling shareholder or the actual controller

Change of the controlling shareholder in the Report Period

Applicable  Not applicable

The controlling shareholder of the Company did not change in the Report Period.

Change of the actual controller in the Report Period

Applicable  Not applicable

The actual controller of the Company did not change in the Report Period.

**IV. Shareholding increase plan proposed or implemented by any shareholder or its act-in-concert party during the report period**

Applicable  Not applicable

To the best knowledge of the Company, no shareholder or its act-in-concert party proposed or implemented any shareholding increase plan during the Report Period.



## **Section VII Preference Shares**

Applicable  Not applicable

No preference shares in the Report Period.

## Section VIII Particulars about Directors, Supervisors and Senior Management

### I. Changes in shareholding of Directors, Supervisors and Senior Management

Applicable  Not applicable

Shareholding of the Company's Directors, Supervisors and Senior Management remained unchanged during the Report Period. For details, please refer to 2015 Annual Report.

### II. Change of Directors, Supervisors and Senior Management

Applicable  Not applicable

Name	Position	Type	Date	Reason
Gao Yan	Director & Board Chairman	Resignation	June 15, 2016	Personal career arrangement
YEUNG Kwok Wei Richard	Director	Resignation	June 15, 2016	Personal career arrangement
Kevin Qin	Director	Resignation	June 15, 2016	Personal career arrangement
Li Jianghong	Independent Director	Resignation	June 15, 2016	Personal career arrangement
Stuart Adam Connor	Director & Board Chairman	Elected	June 15, 2016	Elected by the Shareholders' Meeting
Shen Bo	Director	Elected	June 15, 2016	Elected by the Shareholders' Meeting
Astra Ying Chui Lam	Director	Elected	June 15, 2016	Elected by the Shareholders' Meeting
Wang Haisu	Independent Director	Elected	June 15, 2016	Elected by the Shareholders' Meeting

## Section IX Financial Report

### I Auditor's Report

Has this Interim Report been audited?

Yes  No

The interim financial statements have not been audited.

### II Financial statements

Monetary unit of Notes to financial statements: RMB

#### 1. Consolidated balance sheet

Prepared by Wuhan Boiler Company Limited

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	21,421,082.12	172,209,825.09
Deposit reservation for balance		
Outgoing call loans		
Financial assets measured at fair value of which changes are recorded in current profits and losses		
Derivative financial assets		
Notes receivable	3,900,000.00	
Accounts receivable	222,886,594.61	246,379,823.18
Prepayment	193,632,519.52	145,904,415.53
Insurance receivables		
Reinsurance receivables		
Provision of reinsurance contract reserve receivable		
Interest receivable		
Dividend receivable		
Other receivables	10,865,661.91	11,502,444.58
Financial assets purchased under		

agreement to resell		
Inventories	109,843,212.44	267,431,051.58
Assets held for sale		
Non-current assets due within 1 year		
Other current assets		
Total current assets	562,549,070.60	843,427,559.96
Non-current assets:		
Loan and payment on other's behalf disbursed		
Available-for-sale financial assets		
Investment held to maturity		
Long-term receivables		
Long-term equity investment		
Investment property		
Fixed assets	681,635,302.82	693,801,571.82
Construction in progress	213,721.37	1,587,455.32
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	62,732,421.50	64,688,901.97
R&D expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	60,663,100.58	63,902,934.83
Other non-current assets	321,614.39	14,933,862.99
Total non-current assets	805,566,160.66	838,914,726.93
Total assets	1,368,115,231.26	1,682,342,286.89
Current liabilities:		
Short-term loans	1,549,519,993.00	1,489,331,524.84
Loans from central bank		
Deposits received and held for others		
Call loans received		
Financial liabilities measured at fair value of which changes are recorded in		

current profits and losses		
Derivative financial liabilities		
Notes payable	241,576,668.07	278,613,341.88
Accounts payable	181,315,312.50	307,229,236.49
Advance from customers	696,589,551.48	893,630,234.94
Financial assets sold under agreements to repurchase		
Fees and commissions payable		
Payroll payable	7,313,343.21	8,312,889.20
Taxes payable	-1,893,721.70	-5,298,062.82
Interest payable	2,507,263.20	1,892,822.59
dividend payable	562,000.00	562,000.00
Other payables	78,004,365.91	80,627,284.98
Amount due to reinsurance		
Insurance contract provision		
Entrusted trading of securities		
Amount payable under security underwriting		
Liabilities held for sale		
Non-current liabilities due within 1-year		
Other current liabilities		
Total current liabilities	2,755,494,775.67	3,054,901,272.10
Non-current liabilities:		
Long-term loans		
Bonds payable		
Of which: preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables	23,010,901.01	24,126,371.67
Specific payables		
Provision for liabilities		
Deferred income	11,620,296.00	11,759,184.00
Deferred income tax liabilities		
Other non-current liabilities	2,217,478.85	6,985,196.72

Total non-current liabilities	36,848,675.86	42,870,752.39
Total liabilities	2,792,343,451.53	3,097,772,024.49
Owners' equity:		
Share capital	297,000,000.00	297,000,000.00
Other equity instruments		
Of which: preference shares		
Perpetual bonds		
Capital reserves	174,659,407.46	174,659,407.46
Less: Treasury stock		
Other comprehensive income	2,588,272.11	2,588,272.11
Specific reserve		
Surplus reserve	39,418,356.83	39,418,356.83
General risk provision		
Retained earnings	-1,938,108,201.92	-1,929,358,509.80
Total owners' equity attributable to the Company	-1,424,442,165.52	-1,415,692,473.40
Minority interests	213,945.25	262,735.80
Total owners' equity	-1,424,228,220.27	-1,415,429,737.60
Total liabilities & owners' equity	1,368,115,231.26	1,682,342,286.89

Legal representative: Stuart Adam Connor

CFO: Feng Zheng

Accounting manager: LI Yihao

## 2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	18,571,365.15	169,364,389.01
Financial assets measured at fair value of which changes are recorded in current profits and losses		
Derivative financial assets		
Notes receivable	3,900,000.00	
Accounts receivable	222,886,594.61	246,379,823.18
Prepayment	193,632,519.52	145,904,415.53
Interest receivable		

Dividend receivable		
Other receivables	11,352,379.95	11,991,871.26
Inventories	109,843,212.44	267,431,051.58
Assets held for sale		
Non-current assets due within 1 year		
Other current assets		
Total current assets	560,186,071.67	841,071,550.56
Non-current assets:		
Available-for-sale financial assets		
Investment held to maturity		
Long-term receivables		
Long-term equity investment	24,984,500.00	24,984,500.00
Investment property		
Fixed assets	681,792,279.81	693,958,548.81
Construction in progress	213,721.37	1,587,455.32
Engineering materials		
Disposal of fixed assets		
Production biological assets		
Oil-gas assets		
Intangible assets	62,732,421.50	64,688,901.97
R&D expenses		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	60,663,100.58	63,902,934.83
Other non-current assets	321,614.39	14,933,862.99
Total non-current assets	830,707,637.65	864,056,203.92
Total assets	1,390,893,709.32	1,705,127,754.48
Current liabilities:		
Short-term loans	1,549,519,993.00	1,489,331,524.84
Financial liabilities measured at fair value of which changes are recorded in current profits and losses		
Derivative financial liabilities		
Notes payable	241,576,668.07	278,613,341.88
Accounts payable	181,751,312.50	307,665,236.49

Advance from customers	696,589,551.48	893,630,234.94
Payroll payable	7,143,747.23	8,143,293.22
Taxes payable	-1,893,721.70	-5,298,062.82
Interest payable	2,507,263.20	1,892,822.59
dividend payable		
Other payables	115,877,059.21	118,499,978.30
Liabilities held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	2,793,071,872.99	3,092,478,369.44
Non-current liabilities:		
Long-term loans		
Bonds payable		
Of which: preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables	23,010,901.01	24,126,371.67
Specific payables		
Provision for liabilities		
Deferred income	11,620,296.00	11,759,184.00
Deferred income tax liabilities		
Other non-current liabilities	2,217,478.85	6,985,196.72
Total non-current liabilities	36,848,675.86	42,870,752.39
Total liabilities	2,829,920,548.85	3,135,349,121.83
Owners' equity:		
Share capital	297,000,000.00	297,000,000.00
Other equity instruments		
Of which: preference shares		
Perpetual bonds		
Capital reserves	174,854,304.12	174,854,304.12
Less: Treasury stock		
Other comprehensive income	2,588,272.11	2,588,272.11
Specific reserve		



Surplus reserve	39,418,356.83	39,418,356.83
Retained earnings	-1,952,887,772.59	-1,944,082,300.41
Total owners' equity	-1,439,026,839.53	-1,430,221,367.35
Total liabilities & owners' equity	1,390,893,709.32	1,705,127,754.48

### 3. Consolidated income statement

Unit: RMB

Item	Report period	Same period of last year
I Total sales	765,555,559.06	553,684,354.35
Including: Sales	765,555,559.06	553,684,354.35
Interest income		
Premium income		
Handling charges and commission income		
II Total cost of sales	769,412,298.92	552,729,192.98
Including: Cost of sales	714,634,483.14	464,246,796.35
Interest expenses		
Service charge and commission income		
Cash surrender value		
Claim expenses-net		
Provision for insurance contract reserves-net		
Insurance policy dividend paid		
Reinsurance expense		
Business taxes and surcharges	11,688,091.61	280,784.83
Distribution expenses	10,362,358.84	8,679,138.07
Administrative expenses	17,810,239.28	16,403,425.82
Financial costs	29,240,053.60	63,716,615.48
Impairment loss	-14,322,927.55	-597,567.57
Add: gain/(loss) from change in fair value ("-" means loss)	-1,895,864.46	18,145,356.51
Gain/(loss) from investment ("-" means loss)		
Including: income from investment		

on associates and joint ventures		
Foreign exchange difference (“-” means loss)		
III Business profit (“-” means loss)	-5,752,604.32	19,100,517.88
Add: non-business income	193,955.90	1,068,615.11
Including: Gains on disposal of non-current assets		
Less: non-business expense		128,028.44
Including: loss from non-current asset disposal		128,028.44
IV Total profit (“-” means loss)	-5,558,648.42	20,041,104.55
Less: income tax expense	3,239,834.25	4,334,664.20
V Net profit (“-” means loss)	-8,798,482.67	15,706,440.35
Attributable to owners of the Company	-8,749,692.12	15,693,724.97
Minority interest income	-48,790.55	12,715.38
VI After-tax net amount of other comprehensive incomes		
After-tax net amount of other comprehensive incomes attributable to owners of the Company		
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses		
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale		

financial assets		
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
After-tax net amount of other comprehensive incomes attributable to minority shareholders		
VII Total comprehensive incomes	-8,798,482.67	15,706,440.35
Attributable to owners of the Company	-8,749,692.12	15,693,724.97
Attributable to minority shareholders	-48,790.55	12,715.38
VIII Earnings per share		
(I) Basic earnings per share	-0.03	0.05
(II) Diluted earnings per share	-0.03	0.05

Where business mergers under the same control occurred in the report period, the net profit achieved by the merged parties before the business mergers was RMB0.00, with the corresponding amount for the last period being RMB0.00.

Legal representative: Stuart Adam Connor

CFO: Feng Zheng

Accounting manager: LI Yihao

#### 4. Income statement of the Company

Unit: RMB

Item	Report period	Same period of last year
I Total sales	765,555,559.06	553,684,354.35
Less: cost of sales	714,634,483.14	464,246,796.35
Business taxes and surcharges	11,688,091.61	280,784.83
Distribution expenses	10,362,358.84	8,679,138.07
Administrative expenses	17,810,239.28	16,364,841.91
Financial costs	29,244,092.49	63,719,716.98
Impairment loss	-14,319,976.93	-271,972.58
Add: gain/(loss) from change in fair value (“-” means loss)	-1,895,864.46	18,145,356.51

Gain/(loss) from investment (“-” means loss)		
Including: income from investment on associates and joint ventures		
II Business profit (“-” means loss)	-5,759,593.83	18,810,405.30
Add: non-business income	193,955.90	1,068,615.11
Including: Gains on disposal of non-current assets		
Less: non-business expense		128,028.44
Including: loss from non-current asset disposal		128,028.44
III Total profit (“-” means loss)	-5,565,637.93	19,750,991.97
Less: income tax expense	3,239,834.25	4,334,664.20
IV Net profit (“-” means loss)	-8,805,472.18	15,416,327.77
V After-tax net amount of other comprehensive incomes		
(I) Other comprehensive incomes that will not be reclassified into gains and losses		
1. Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
2. Enjoyable shares in other comprehensive incomes in investees that cannot be reclassified into gains and losses under the equity method		
(II) Other comprehensive incomes that will be reclassified into gains and losses		
1. Enjoyable shares in other comprehensive incomes in investees that will be reclassified into gains and losses under the equity method		
2. Gains and losses on fair value changes of available-for-sale financial assets		
3. Gains and losses on reclassifying held-to-maturity investments into available-for-sale		

financial assets		
4. Effective hedging gains and losses on cash flows		
5. Foreign-currency financial statement translation difference		
6. Other		
VI Total comprehensive incomes	-8,805,472.18	15,416,327.77
VII Earnings per share		
(I) Basic earnings per share		
(II) Diluted earnings per share		

## 5. Consolidated cash flow statement

Unit: RMB

Item	Report period	Same period of last year
1. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	626,004,586.85	543,855,455.61
Net increase of deposits received and held for others		
Net increase of loans from central bank		
Net increase of inter-bank loans from other financial institutions		
Cash received against original insurance contracts		
Cash received from reinsurance		
Net increase of client deposit and investment		
Net increase of disposal of financial assets measured at fair value of which changes are recorded into current gains and losses		
Cash received as interest, fees and commissions		
Net increase of inter-bank fund received		
Net increase of cash received		

under repurchasing		
Tax returned	35,979,509.01	33,761,687.42
Other cash received from operating activities	7,159,503.75	3,514,607.83
Sub-total of cash inflow from operating activities	669,143,599.61	581,131,750.86
Cash paid for goods and services	640,011,562.42	462,693,456.08
Net increase of loans and advances		
Net increase of deposit in central bank, banks and other financial institutions		
Cash paid for original contract claim		
Cash paid for interest, fees and commissions		
Cash paid for policy dividend		
Cash paid to and for employees	131,336,920.80	110,121,252.21
Cash paid for all types of taxes	53,176,848.48	11,092,546.48
Other cash paid relating to operating activities	14,583,909.95	19,494,364.90
Sub-total of cash outflows from operating activities	839,109,241.65	603,401,619.67
Net cash flows from operating activities	-169,965,642.04	-22,269,868.81
2. Cash flows from investing activities		
Cash received from retraction of investment		
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other operating units		
Other cash received relating to investing activities	150,437.84	146,132.78
Sub-total of cash inflows of investing activities	150,437.84	146,132.78

Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	5,572,429.73	19,106,177.77
Cash paid for acquisition of investments		
Net increase of pledge loans		
Net cash paid for acquisition of subsidiaries and other operating units		
Other cash paid relating to investing activities		
Sub-total of cash outflows of investing activities	5,572,429.73	19,106,177.77
Net cash flow from investing activities	-5,421,991.89	-18,960,044.99
3. Cash flows from financing activities		
Cash received from investment		
Including: cash received from minority shareholders of subsidiaries		
Cash received from borrowings	314,719,993.00	722,000,000.00
Cash received from bonds issuing		
Other cash received relating to financing activities		
Sub-total of cash inflows of financing activities	314,719,993.00	722,000,000.00
Cash paid for repayment of borrowings	254,531,524.84	603,000,000.00
Cash paid for dividends, profit distribution or interest	28,542,947.03	38,218,741.92
Including: dividends or profits paid to minority shareholders by subsidiaries		
Other cash paid relating to financing activities		
Sub-total of cash outflows of financing activities	283,074,471.87	641,218,741.92
Net cash flow from financing activities	31,645,521.13	80,781,258.08
4. Effect of foreign exchange rate changes on cash and cash equivalents	-7,046,630.17	-24,855,113.02

5. Net increase in cash and cash equivalents	-150,788,742.97	14,696,231.26
Add: cash and cash equivalents at the beginning of this period	172,209,825.09	6,682,825.97
6. Cash and cash equivalents at the end of this period	21,421,082.12	21,379,057.23

## 6. Cash flows statement of the Company

Unit: RMB

Item	Report period	Same period of last year
1. Cash flows from operating activities		
Cash received from sales of goods or rendering of services	626,004,586.85	543,533,435.76
Tax returned	35,979,509.01	33,761,687.42
Other cash received from operating activities	7,159,503.75	3,514,607.83
Sub-total of cash inflow from operating activities	669,143,599.61	580,809,731.01
Cash paid for goods and services	640,011,562.42	462,693,456.08
Cash paid to and for employees	131,336,920.80	110,121,252.21
Cash paid for all types of taxes	53,176,848.48	11,092,546.48
Other cash paid relating to operating activities	14,583,849.95	19,494,304.90
Sub-total of cash outflows from operating activities	839,109,181.65	603,401,559.67
Net cash flows from operating activities	-169,965,582.04	-22,591,828.66
2. Cash flows from investing activities		
Cash received from retraction of investment		
Cash received from investment income		
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries and other operating units		
Other cash received relating to	146,096.95	141,547.04



investing activities		
Sub-total of cash inflows of investing activities	146,096.95	141,547.04
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets	5,572,429.73	19,106,177.77
Cash paid for acquisition of investments		
Net cash paid for acquisition of subsidiaries and other operating units		
Other cash paid relating to investing activities		
Sub-total of cash outflows of investing activities	5,572,429.73	19,106,177.77
Net cash flow from investing activities	-5,426,332.78	-18,964,630.73
3. Cash flows from financing activities		
Cash received from investment		
Cash received from borrowings	314,719,993.00	722,000,000.00
Cash received from issuing bonds		
Other cash received relating to financing activities		
Sub-total of cash inflows of financing activities	314,719,993.00	722,000,000.00
Cash paid for repayment of borrowings	254,531,524.84	603,000,000.00
Cash paid for dividends, profit distribution or interest	28,542,947.03	38,218,741.92
Other cash paid relating to financing activities		
Sub-total of cash outflows of financing activities	283,074,471.87	641,218,741.92
Net cash flow from financing activities	31,645,521.13	80,781,258.08
4. Effect of foreign exchange rate changes on cash and cash equivalents	-7,046,630.17	-24,853,930.78
5. Net increase in cash and cash equivalents	-150,793,023.86	14,370,867.91

Add: cash and cash equivalents at the beginning of this period	169,364,389.01	4,990,124.65
6. Cash and cash equivalents at the end of this period	18,571,365.15	19,360,992.56

## 7. Consolidated statement of changes in owners' equity

For the report period

Unit: RMB

Item	Report period												
	Owners' equity attributable to the Company										Minority interests	Total owners' equity	
	Share capital	Other equity instruments			Capital reserve	Less: Treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve			Retained profit
Preference shares		Perpetual bonds	Other										
I Balance at the end of the previous year	297,000,000.00				174,659,407.46		2,588,272.11		39,418,356.83		-1,929,358,509.80	262,735.80	-1,415,429,737.60
Add: change of accounting policy													
Correction of errors in previous periods													
Business mergers under the same control													
Other													
II Balance at the beginning of the year	297,000,000.00				174,659,407.46		2,588,272.11		39,418,356.83		-1,929,358,509.80	262,735.80	-1,415,429,737.60
III Increase/decrease in the period ("-" means decrease)											-8,749,692.12	-48,790.55	-8,798,482.67
(I) Total comprehensive incomes											-8,749,692.12	-48,790.55	-8,798,482.67
(II) Capital increased and													

reduced by owners													
1. Common shares increased by shareholders													
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments recognized in owners' equity													
4. Other													
(III) Profit distribution													
1. Appropriations to surplus reserves													
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)													
4. Other													
(IV) Internal carry-forward of owners' equity													
1. New increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													

3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other													
IV Closing balance	297,000,000.00				174,659,407.46		2,588,272.11		39,418,356.83		-1,938,108,201.92	213,945.25	-1,424,228,220.27

For the same period of last year

Unit: RMB

Item	Same period of last year												Minority interests	Total owners' equity
	Equity attributable to owners of the Company													
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	General risk reserve	Retained profit			
	Preferred shares	Perpetual bonds	Other											
I Balance at the end of the previous year	297,000,000.00				174,659,407.46		4,499,272.11		39,418,356.83		-1,975,433,737.54	219,758.18	-1,459,636,942.96	
Add: change of accounting policy														
Correction of errors in previous periods														
Business mergers under the same control														
Other														
II Balance at the beginning of the year	297,000,000.00				174,659,407.46		4,499,272.11		39,418,356.83		-1,975,433,737.54	219,758.18	-1,459,636,942.96	
III Increase/							-1,911,0				46,075,	42,977.	44,207,	

decrease in the period (“-” means decrease)							00.00				227.74	62	205.36
(I) Total comprehensive incomes							-1,911,000.00				46,075,227.74	42,977.62	44,207,205.36
(II) Capital increased and reduced by owners													
1. Common shares increased by shareholders													
2. Capital increased by holders of other equity instruments													
3. Amounts of share-based payments recognized in owners’ equity													
4. Other													
(III) Profit distribution													
1. Appropriations to surplus reserves													
2. Appropriations to general risk provisions													
3. Appropriations to owners (or shareholders)													
4. Other													
(IV) Internal carry-forward of owners’ equity													
1. New													

increase of capital (or share capital) from capital public reserves													
2. New increase of capital (or share capital) from surplus reserves													
3. Surplus reserves for making up losses													
4. Other													
(V) Specific reserve													
1. Withdrawn for the period													
2. Used in the period													
(VI) Other													
IV Closing balance	297,000,000.00				174,659,407.46		2,588,272.11		39,418,356.83		-1,929,358,509.80	262,735.80	-1,415,429,737.60

## 8. Statement of changes in owners' equity of the Company

For the report period

Unit: RMB

Item	Report period										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preference shares	Perpetual bonds	Other							
I Balance at the end of the previous year	297,000,000.00				174,854,304.12		2,588,272.11		39,418,356.83	-1,944,082,300.41	-1,430,221,367.35
Add: change of accounting policy											
Correction of errors in previous											

periods											
Other											
II Balance at the beginning of the year	297,000,000.00			174,854,304.12		2,588,272.11		39,418,356.83	-1,944,082,300.41	-1,430,221,367.35	
III Increase/decrease in the period (“-” means decrease)									-8,805,472.18	-8,805,472.18	
(I) Total comprehensive incomes									-8,805,472.18	-8,805,472.18	
(II) Capital increased and reduced by owners											
1. Common shares increased by shareholders											
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Other											
(III) Profit distribution											
1. Appropriations to surplus reserves											
2. Appropriations to owners (or shareholders)											
3. Other											
(IV) Internal carry-forward of											

owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other											
IV Closing balance	297,000,000.00				174,854,304.12		2,588,272.11		39,418,356.83	-1,952,887,772.59	-1,439,026,839.53

For the same period of last year

Unit: RMB

Item	Same period of last year										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stock	Other comprehensive incomes	Specific reserve	Surplus reserve	Retained profit	Total owners' equity
		Preference shares	Perpetual bonds	Other							
I Balance at the end of the previous year	297,000,000.00				174,854,304.12		4,499,272.11		39,418,356.83	-1,989,091,011.26	-1,473,319,078.20
Add: change of accounting policy											
Correction of errors in previous											



periods											
Other											
II Balance at the beginning of the year	297,000,000.00			174,854,304.12		4,499,272.11		39,418,356.83	-1,989,091,011.26	-1,473,319,078.20	
III Increase/decrease in the period (“-” means decrease)						-1,911,000.00			45,008,710.85	43,097,710.85	
(I) Total comprehensive incomes						-1,911,000.00			45,008,710.85	43,097,710.85	
(II) Capital increased and reduced by owners											
1. Common shares increased by shareholders											
2. Capital increased by holders of other equity instruments											
3. Amounts of share-based payments recognized in owners' equity											
4. Other											
(III) Profit distribution											
1. Appropriations to surplus reserves											
2. Appropriations to owners (or shareholders)											
3. Other											
(IV) Internal carry-forward of											

owners' equity											
1. New increase of capital (or share capital) from capital public reserves											
2. New increase of capital (or share capital) from surplus reserves											
3. Surplus reserves for making up losses											
4. Other											
(V) Specific reserve											
1. Withdrawn for the period											
2. Used in the period											
(VI) Other											
IV Closing balance	297,000,000.00				174,854,304.12		2,588,272.11		39,418,356.83	-1,944,082,300.41	-1,430,221,367.35

### III Company profile

Wuhan Boiler Company Limited (the “Company”) was established by Wuhan Boiler (Group) Co., Ltd. (the “Group”) with its operating assets of boiler manufacturing in September 1997 and went public in April 1998. When the Company was established, it had 297,000,000 shares in total, of which the Group held 172,000,000 shares, accounting for 57.91%, and the public shares (domestically listed foreign shares) were 125,000,000, accounting for 42.09%. The Company went public on the B-share market of the Shenzhen Stock Exchange. The Company obtained its business license (Qi Gu Er Zong Fu Zi No. 002591) on November 16, 1998. In 2007, the Group transferred its 51% stake in the Company to Alstom (China) Investment Co., Ltd upon the approval of the State-owned Assets Supervision and Administration Commission of the State Council, and the share transfer procedures were completed in August 2007. The Company’s audited net profits and closing net assets for four consecutive accounting years of 2011, 2012, 2013 and 2014 are negative. Pursuant to Article 14 of the Stock Listing Rules of Shenzhen Stock Exchange (Revised in 2014) and the review opinion of the Listing Committee of Shenzhen Stock Exchange, Shenzhen Stock Exchange has decided to terminate the listing of the Company’s shares. On July 13, 2015, the Company was delisted. After the delisting, the shares of the Company were transferred on September 15, 2015 to the National Equities Exchange and Quotations (“NEEQ”) for trading (stock abbreviation: WuguoB5; stock code: 420063).

As at June 30, 2016, Alstom (China) Investment Co., Ltd., Wuhan Boiler (Group) Co., Ltd. and public shareholders held 151,470,000

shares, 20,530,000 shares and 125,000,000 shares respectively in the Company, accounting for 51%, 6.91% and 42.09%.

1. Registered capital of the Company: RMB297,000,000.00.

2. Registered address of the Company: No. 1 LiuFangYuan Road, Donghu New Technology Development Zone, Wuhan, Hubei Province, P.R.China.

3. Business scope of the Company: research, development, retail, wholesale, design, manufacture, assemblage, supply, installation and debugging of utility boilers, specialized boilers, Type I, II and III pressure vessels, boiler systems and auxiliaries, as well as environment-protecting equipment and systems; R&D and application of metallic materials; and R&D, general contracting service of domestic and international projects, project financing, international trade, technology consulting and service of boilers and other energy projects and products (where a license is required, it shall be obtained before operation).

4. Parent company of the Company: Alstom (China) Investment Co., Ltd. (its controlling shareholder: GE Albany Global Holdings B.V.)

The consolidation scope for the report period includes subsidiary Wuhan Lanxiang Energy and Environment Science and Technology Co., Ltd, the detail please refer to the notes 8.1. No change for the consolidation scope in the report period.

## **IV. Basis for preparation of financial statements**

### **1. Basis for preparation**

The consolidated financial statements of the Company and its subsidiaries are prepared based on assumption of the Company's continuing operations, according to transactions and events actually occurred, and based on the following preparation basis, important accounting policies and accounting estimates.

As at 30 June 2016, the Company's accumulated loss is RMB -1,938,108,201.92, total liabilities exceed total assets of RMB 1,424,228,220.27, and current liabilities exceed current assets of RMB 2,192,945,705.07. The management considers the Company's ability to continuously generate net cash inflow from its operating activities in the future. The main liability of the Company is the entrusted loan from the controlling shareholder ALSTOM (China) Investment Co., Ltd. and the loan balance is RMB 1,419,800,000 as at 30 June 2016. In 2016, ALSTOM (China) Investment Co., Ltd. has made a commitment to provide the financial support required for the Company to continue as a going concern and renewed the agreement of entrusted loans with the Company which extends the period of entrusted loans to 31 December 2016.

### **2. Continuation**

The necessary funding and business can be obtained to continue as a going concern within at least 12 months after 30 June 2016, Therefore the financial statements have been prepared on a going concern basis.

## **V. Significant accounting policies and accounting estimates**

The prompt of accounting policies and estimates:

The consolidated financial statements of the Company and its subsidiaries are prepared based on assumption of the Company's continuing operations, according to transactions and events actually occurred, and based on the following preparation basis, important accounting policies and accounting estimates.

### **1. Statement of compliance with corporate accounting standards**

The financial statements prepared by the Company truly and completely reflect the financial position, operation result, change in

equity and cash flow of the Company.

## 2. Fiscal year

The accounting period of the Group is from January 1 to December 31 of the Gregorian calendar.

## 3. Operating cycle

The normal operating cycle starts from the purchase of the assets /materials to the realization of sales revenue (receiving the case and cash equivalents). Due to the characteristics of the industry the Group is involved, the construction cycle of the real estate projects is longer than one year. The company classifies the relevant assets as the current assets despite the fact that it takes more than one year to realize, sale/consume these assets, likewise, the liabilities settled more one year later than the balance sheet date are classified as current liabilities. Besides, the Group's other business cycle is within one year. For the business cycle is less than one year, the assets and liabilities are classified as current assets and current liabilities when the assets converted and the liabilities settled within one year.

## 4. Recording currency

The Company and its domestic subsidiaries adopt Renminbi (RMB) as functional currency

## 5. Accounting method of business combination under the same control and not under the same control

### (1) Business combination under the same control

The Company adopts equity method for business combination under same control. The assets and liabilities that the combining party obtained in a business combination shall be measured on their carrying amount in the combined party on the combining date. The difference between the carrying amount of net assets acquired by the combining party and the carrying amount of the consideration paid for the combination (or total par value of the shares issued) shall be adjusted to capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings. The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, and legal service fees and so on are recognized in profit or loss during the current period when they occurred. The bonds issued for a business combination or the handling fees, commissions and other expenses for bearing other liabilities shall be recorded in the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset. Where a relationship between a parent company and a subsidiary company is formed due to a business combination, the parent company shall, on the combining date, prepare consolidated financial statements according to the accounting policy of the Company. The date of the adjustment for comparatives of the consolidated financial statements shall be the later of obtaining date and when the combining party and the combined party are under common ultimate control.

### (2) Business combination not under the same control

The Company adopts acquisition method for business combination not under same control. The acquirer shall recognize the initial cost of combination under the following principles:

- a) When business combination is realized through a single exchange transaction, the cost of a business combination is the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree;

b) For the business combination involved more than one exchange transactions, equity investment in acquiree held by acquirer before the acquisition date shall be disclosed differently in separate and consolidated financial statements:

① In separate financial statements, both carrying amount of equity investment in acquiree held by acquirer before the acquisition date and the increase in the cost of equity investment on that date, shall be included in the initial investment costs; When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized shall be accounted for on the same basis as would have been required if the investee had directly disposed of the related assets or liabilities. For the previously-held equity investment which was accounted for in accordance with Accounting Standard for Business Enterprises No.22 – Financial Instruments: Recognition and Measurement, the accumulated changes in fair value included in other comprehensive income shall be transferred to profit or loss for the current period upon commencement of the cost method.

② In consolidated financial statements, equity investment in acquiree held by acquirer before the acquisition date, shall be revalued at fair value on that date, and the difference shall be included in investment income in the period; if equity investment in acquiree held by acquirer before the acquisition date involves other comprehensive income, the related other comprehensive income shall be recognized as the investment come for the period. Moreover, the Group shall disclose the fair value of this equity investment on the acquisition date and related profit or loss recognized from the revaluation in the notes.

c) The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, legal service fees and other administration cost should be recognized in profit or loss during the current period when they occurred; commissions and other expenses for the issuance of equity or debt securities for the business combination, shall be recognized as the initial recognition amounts of equity or debt securities

d) Where a business combination contract or agreement provides for a future event which may adjust the cost of combination, the Company shall include the amount of the adjustment in the cost of the combination at the acquisition date if the future event leading to the adjustment is probable and the amount of the adjustment can be measured reliably.

The company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair value, and shall record the balances between them and their carrying amounts into the profits and losses at the current period.

The company shall distribute the combination costs on the acquisition date, and shall recognize all identifiable assets, liabilities and contingent liabilities it obtains from the acquiree. (a) the acquirer shall recognize the difference that the combination costs are over the fair value of the identifiable net assets obtained from acquiree as goodwill; (b) if the combination costs are less than the fair value of the identifiable net assets obtained from acquiree, the acquirer shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities obtained from the acquiree as well as the combination costs; and then after the reexamination, the result is still the same, the difference shall be recorded in the profit and loss of the current period.

Where a relationship between a parent company and a subsidiary company is formed due to a business combination, the parent company shall prepare accounting books for future reference, which shall record the fair value of the identifiable assets, liabilities and contingent liabilities obtained from the subsidiary company on the acquisition date. When preparing consolidated financial statements, it shall adjust the financial statements of the subsidiary company on the basis of the fair values of the identifiable assets, liabilities and contingent liabilities determined on the acquisition date according to the Company's accounting policy of "Consolidated financial statement".

## 6. Preparation methods for consolidated financial statements

(1) The scope of consolidated financial statements

The scope of consolidated financial statements shall be determined on the basis of control. Control exists when the investor has

all the following: power over the investee; exposure, or rights to variable returns from its involvement with the investee; and the ability to use its power over the investee to affect the amount of the investor's returns. A subsidiary is an entity that is controlled by the Company (such as enterprises, deemed separate entities, and structured entities controlled by the enterprises).

(2) Preparation of consolidated financial statements

The consolidated financial statements are prepared by the Company, based on the financial statements of the Company and its subsidiaries, according to other relevant information.

Considering the Group as one accounting entity, the Company prepares the consolidated financial statements to reflect the financial position, the operating results and the cash flows of the entire Group in accordance with the unified accounting policy, as well as the recognition, measurement and presentation requirements of the relevant accounting standards.

For any difference in accounting policies and accounting periods between the Company and its subsidiaries, necessary adjustments shall be made based on accounting policies and periods of the Company when preparing consolidated financial statements. Financial statements of subsidiaries shall be adjusted based on the fair value of recognizable net assets defined on the purchasing date for the subsidiaries acquired not under the same control.

(3) Presentation of minority interests and profits or losses

The portion of a subsidiary's equity that is not attributable to the parent is treated as minority interests and presented in the consolidated balance sheet within shareholders' equity.

The portion of net profit or loss of subsidiaries for the period attributable to minority interests shall be presented in the consolidated income statement below the —net profit line item as —minority interests.

(4) Excess losses

When the amount of loss for the current period attributable to the minority shareholders' portion exceeds the opening balance of owners' equity of the subsidiary attributable to the minority shareholders' portion, the excess shall be allocated against the minority interests in the consolidated financial statement.

(5) Increase or decrease of the subsidiaries

For any subsidiary acquired during the reporting period by the Company through business combination under the same control, the opening balances of the consolidated balance sheet should be adjusted when compiling the consolidated financial statements; while any subsidiary acquired by the Company through business combination not under the same control, the Company makes no adjustment for the opening balances in the consolidated balance sheet. When disposing subsidiaries during the reporting period, no adjustment made for the opening balances in the consolidated balance sheet.

For any subsidiary acquired by the Company through business combination under the same control, the sales revenue, expense and profit for the period from the beginning to the end of the reporting period are included in the consolidated income statement. While for any subsidiary acquired during the reporting period by the Company through business combination not under the same control, the sales revenue, expense and profit for the period from acquisition date to the end of the reporting period are included in the consolidated income statement, the cash flows of the subsidiary from the acquisition date to the end of the reporting period are included in the consolidated statement of cash flow. When disposing subsidiary during the reporting period, the sales revenue, expense and profit of the subsidiary from the beginning of the period to the disposal date are included in the consolidated income statement, and the cash flows of the subsidiary from the beginning of the period to the disposal date are included in the consolidated statement of cash flows.

When the Company loses control over a former subsidiary due to disposing part of equity investment or other reasons, the

remaining part of the equity investment should be re-measured at fair value at the date when losing control over the investee; The cash received on disposal of the equity investment and the fair value of remaining part of the equity investment, deducting net assets proportion calculated by original share percentage since the acquisition date should be recorded in profit or loss for current period of investment gain and the goodwill related to the subsidiary shall also be de-recognized; other comprehensive income related to the equity investment in subsidiaries before disposal date shall be transferred to profit or loss for the current period of investment gain when losing control over the investee.

The difference between the newly obtained long-term equity investment due to the Company's acquisition of minority interests and the Company's share of identifiable net assets in the subsidiary calculated by the newly increased shareholding, or the difference between the disposal income due to the Company's disposing part of equity investment in a subsidiary without losing the control over the subsidiary and the Company's share of net assets in the subsidiary calculated by the disposed long-term equity investment, should be adjusted to the stock premium under capital reserve in the consolidated balance sheet. If the stock premium under capital reserve is not sufficient to offset the difference, the retained profit shall make up the balance.

(6) Disposing equity investment until losing control step by step

When various transactions to dispose the equity investment of a subsidiary by the parent company till losing control over the subsidiary are a package deal, they should be accounted for as one transaction for disposal of the equity investment which results in the loss of control. However, before the control is lost, the difference between each disposal income and the corresponding share of net assets of the subsidiary should be recognized as other comprehensive income in the consolidated financial statement, and then the difference should be accounted for in profit and loss when the control is lost. If the transactions are not a package deal, they should be accounted for in accordance with the above procedure when the parent company disposes the equity investment with or without losing control over its subsidiary.

When the parent company disposes the equity investment of its subsidiary and the trade terms, conditions and economic impact satisfy one or more of the following conditions, multiple transactions should be accounted for as a package deal:

- a) These deals are concluded at the same time or under the conditions of considering the impact on each other;
- b) These transactions should be bundled as a whole to achieve a complete business result;
- c) The occurrence of a deal depends on at least one another transaction;
- d) A deal is not economically feasible on its own but economically feasible when combined with other deals.

As for individual financial statements, the transactions to dispose the equity investment step by step till losing control should be accounted for according to the accounting policies that applied for the transactions to dispose the long-term equity investment.

## 7. Recognition standards for cash and cash equivalents

Cash comprises cash on hand and deposits that can be readily drawn on demand. Cash equivalents are the short-term (normally matured within three months after purchase date), highly-liquid investment which is readily convertible into known amounts of cash, subject to an insignificant risk of fluctuation in value.

## 8. Foreign currency business and translations of financial statements in foreign currencies

Any foreign currency transaction is converted into the reporting currency according to the spot rate on the occurrence date of the transaction.

(1) Foreign currency exchange difference

On balance sheet date, the Company accounts for monetary and non-monetary items denominated in foreign currencies as follows: a) monetary items denominated in foreign currencies are translated at the foreign exchange rates ruling at the balance

sheet date. Foreign exchange gains and losses arising from the difference between the balance sheet date exchange rate and the exchange rate ruling at the time of initial recognition or the exchange rate ruling at the last balance sheet date are recognized in income statement; b) Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the current exchange rates ruling at the transaction dates. Non-monetary items denominated in foreign currencies that are stated at fair value are translated using the current exchange rates ruling at the dates the fair value was determined, the difference between the amount of functional currency after translation and the original amount of functional currency is treated as part of change in fair value (including change in exchange rate) and recognized in income statement. During the capitalization period, exchange differences arising from foreign currency borrowings are capitalized as part of the cost of the capitalized assets.

(2) Translations of financial statements in foreign currencies

The Company translates the financial statements of its foreign operation in accordance with the following provisions: a) the asset and liability items in the balance sheets shall be translated at a spot exchange rate ruling at the balance sheet date. Among the owner's equity items, except the ones as "retained earnings", others shall be translated at the spot exchange rate ruling at the time when they occurred; b) The income and expense items in the income statements shall be translated with approximate exchange rate of the spot rate on the transaction occurring date. The foreign exchange difference arisen from the translation of foreign currency financial statements shall be presented separately under the other comprehensive income in the balance sheet. The translation of comparative financial statements shall be subject to the aforesaid provisions.

## 9. Financial instrument

Based on the purposes of obtaining the financial assets and assuming the liabilities, the Company's management classifies the financial instruments into: the financial assets or financial liabilities that are calculated in the fair values and whose changes are accrued to current profit or loss, including trading financial assets or financial liabilities, and those directly designated to be calculated in the fair values and whose changes are accrued to current profit or loss; the held-to-maturity investments; loans and receivables; available-for-sale financial assets; and other financial liabilities, etc.

(1) Recognition of financial instrument

The Company recognizes a financial asset or financial liability on its balance sheet when, and only when, the Company becomes a contractual party of financial instrument

(2) Classification and measurement of financial assets

a) For the purpose of risks management, investment strategies and objective of holding the financial assets and for other reasons, the Company classifies the financial assets into the following four Category: a) financial assets at fair value through profit or loss; b) held-to-maturity investments; c) loans and receivables; and d) available-for-sale financial assets.

① Financial asset at fair value through profit or loss ("FVTPL" financial assets) includes financial assets held for trading and financial assets designated by the Company as at fair value through profit or loss. Trading financial assets refers to the financial assets meeting one of the following conditions: the purpose of acquiring the financial assets is to sell in the near future; belonging to a part of identifiable combination of financial instruments for centralized management, and there is objective evidence that the enterprise has managed the portfolio by way of short-term profit in the near future. Belonging to the derivative, with exception of derivatives designated as effective hedging instruments and derivatives, derivatives belonging to financial guarantee contracts, and derivatives are not quoted in an active market and the fair value cannot be reliably measured and settled by delivering the equity instrument.

Only one of the following conditions is satisfied, the initial measurement of financial assets can be designated as at fair value



and the changes of financial liabilities can be charged in the current profits and losses: The designation is able to eliminate or significantly reduce the inconsistencies in recognition and measurement of related gains and losses due to the different financial instruments measurement basis; Stated clearly in the formal written document of risk management or investment strategies that the portfolio of financial instruments shall be managed at fair value, evaluation and report to the key management personnel; Including combined instruments which consist of one or various embedded derivatives, unless embedded derivatives have no major impact on cash flow of combined instruments or it is obvious that embedded derivatives should not be separated from related combined instrument; Including combined instruments which consist of embedded derivatives, which need to be separated but unable to be measured individually at the acquiring date or subsequent balance sheet date.

Equity investment instruments not quoted in an active market and the fair value cannot be reliably measured shall not be designated as financial assets at fair value through profit or loss (“FVTPL” financial assets).

- ② Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity.
- ③ Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.
- ④ Available-for-sale financial assets (AFS financial assets) are those non-derivative financial assets that are designated as available for sale and those financial assets in addition to those above mentioned.

Once the initial recognition of a certain financial asset has been classified as (“FVTPL” financial assets) by the Group, it shall not be re-classified as other financial assets; other financial assets could not be re-classified as “FVTPL” financial assets.

b) The financial assets are initially recognized at fair value. In the case of financial assets at fair value through profit or loss (“FVTPL” financial assets), the related transaction costs are recognized in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in the initial recognition amounts.

c) Subsequently measurement

- ① Financial assets at fair value through profit or loss include financial assets held for trading and those designated upon initial recognition as at fair value through profit or loss. This kind of financial assets are subsequently measured at fair value, all realized and unrealized gains and losses arising from a change in the fair value of a financial asset are recognized in profit or loss for the current period.
- ② Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method; gains and losses arising from de-recognition, impairment or amortization is recognized in profit or loss for the current period.
- ③ Loans and receivables are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from de-recognition, impairment or amortization are recognized in profit or loss for the current period.
- ④ AFS financial assets are subsequently measured at fair value. The gains and losses arising from changes in fair value of AFS financial assets are recognized as other comprehensive income, until the financial assets are derecognized, are transferred to profit or loss for the current period. Interest income and dividends related to the AFS financial assets are recognized as profit or loss for the current period.

Equity instrument investment with no quoted price in active markets and with not reliably measured fair value, and derivative financial assets for the equity instrument and settled by paying the equity instrument are measured at cost.

d) Impairment of financial assets

- ① The Company assesses the carrying amount of the financial assets except the financial asset at fair value through profit or loss at each balance sheet date, if there is any objective evidence that a financial asset or group of financial assets is impaired, the Company shall recognize impairment loss.
- ② The objective evidences that the Company uses to determine the impairment are as follows.

- i. Significant financial difficulty of the issuer or obligor;
- ii. A breach of contract, such as a default or delinquency in interest or principal payments;
- iii. The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- iv. It becoming probable that the borrower will enter bankruptcy or other financial reorganization;
- v. The disappearance of an active market for that financial asset because of financial difficulties;
- vi. Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: (I) Adverse changes in the payment status of borrowers in the group or (ii) an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers.
- vii. Significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the borrower operates, and indicates that the cost of the investment in the equity instrument may not be recovered;
- viii. A significant or non-temporary decrease in fair value of equity investment instruments;
- ix. Other objective evidences showing the impairment of the financial assets.

③ Measurement of impairment loss of financial assets

- i. Held-to-maturity investments, loans and receivables

If there is objective evidence that an impairment loss on loans and receivables or held-to-maturity investments carried at amortized cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the loss is recognized in profit or loss of the current period.

The Company assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

The Group conducts impairment tests for the accounts receivables, and accordingly provides for bad debts at the balance sheet date. The significant and insignificant individual amounts of accounts receivable, were individually tested for impairment. If there is objective evidence that the accounts receivable has impaired, the impairment loss shall be recognized and the provision for bad debts shall be made according to the amount of the present value of future cash flow lower than the book value.

Once the Group recognizes the impairment loss of financial assets measured at the amortized cost, if there is objective evidence that the value of financial assets has been recovered which is objectively related to events after the loss, the previously recognized impairment losses shall be reversed and charged in the current profits and losses.

- ii. Available-for-sale financial assets

The Company takes the individual investment of impairment test for available-for-sale financial assets. On the balance sheet date, it could judge whether the fair value of available-for-sale financial assets are seriously or non-temporary decline: if the decline of the fair value of the individual available-for-sale financial assets exceeds 50% of the cost, or had continuously declined for over 6 months, should be recognized the available-for-sale financial assets had decreased and should recognized the impairment losses according to the impairment provision for the balance between the cost and the fair value. The cost at the period-end of available-for-sale financial assets is the amortized cost which is initially measured according to the investment

cost when receiving and is calculated by the weighted average method when selling.

When a decline in the fair value of an available-for-sale financial asset has been recognized directly in equity, the cumulative loss that had been recognized directly in equity is removed from equity and recognized in profit or loss even though the financial asset has not been derecognized.

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are recognized in the profit or loss of the current period.

If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognized in profit or loss, the impairment loss is reversed, with the amount of the reversal recognized in profit or loss of the current period.

Impairment losses recognized in profit or loss for an investment in an equity instrument classified as available for sale is not reversed through profit or loss. For impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, or on a derivative asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the impairment loss is not reversed through profit or loss.

### (3) Classification and measurement of financial liabilities

a) The Company's financial liabilities are classified as: financial liabilities at fair value through profit or loss (FVTPL) or other financial liabilities.

Financial liabilities at FVTPL include trading financial liabilities and financial liabilities designated as at fair value through profit or loss in the initial recognition.

Trading financial liabilities refers to the financial liabilities meeting one of the following conditions: the purpose of undertaking the financial liabilities is to repurchase in the near future; belonging to a part of identifiable combination of financial instruments for centralized management, and there is objective evidence that the enterprise has managed the portfolio by way of short-term profit in the near future; belonging to the derivative, with exception of derivatives designated as effective hedging instruments, derivatives belonging to financial guarantee contracts, and derivative financial liabilities which are linked to equity instrument that is not quoted in an active market and its fair value cannot be reliably measured and settled by delivering the equity instrument.

Only one of the following conditions is satisfied, the initial measurement of financial liabilities can be designated as at fair value and the changes of financial liabilities can be charged in the current profits and losses: The designation is able to eliminate or significantly reduce the inconsistencies in recognition and measurement of related gains and losses due to the different financial instruments measurement basis; Stated clearly in the formal written document of risk management or investment strategies that the portfolio of financial instruments shall be managed at fair value, evaluated and reported to the management, evaluation and report to the key management personnel; Hybrid instruments contain one or more embedded derivatives, unless the embedded derivatives results no significant change in the cash flow of hybrid instruments, or the embedded derivatives obviously should not be split from the relevant hybrid instruments; Including the hybrid instruments containing the embedded derivatives which need to be split but cannot measured separately at the date of acquisition or follow-up balance sheet date.

Once the initial recognition of a certain financial liability has been classified as FVTPL by the Group, it shall not be re-classified as other financial liabilities; other financial liabilities could not be re-classified as FVTPL.

b) Financial liabilities are initially measured at fair value. For the financial liability at fair value through profit or loss at its fair value, relevant transaction costs are recognized as expense when it incurred. For the other financial liabilities, relevant transaction costs are recognized as costs.

## c) Subsequent measurement of financial liabilities

- ① Financial liabilities at fair value through profit or loss include financial liabilities held for trading and financial assets designated by the Company as at fair value through profit or loss. The Company recognizes a financial liability at fair value through profit or loss at its fair value. A gain or loss of change in fair value is recognized in the profit or loss of the current period.
- ② Other financial liabilities are measured by amortized cost using effective interest rate.

## (4) Transfer of financial assets

The Company derecognizes financial assets when the Company transfers substantially all the risks and rewards of ownership of the financial assets. On de-recognition of a financial asset in its entirety, the difference between the follows is recognized in profit or loss of the current period.

- a) The carrying amount of transferring financial assets;
- b) The sum of the consideration received and any cumulative gain or loss that had been recognized directly in other comprehensive income.

If the transferred asset is part of a financial asset and the part transferred qualifies for de-recognition in its entirety, the previous carrying amount of the financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the follows is recognized in profit or loss of the current period.

- a) The carrying amount allocated to the part derecognized;
- b) The sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized directly in equity (including financial assets transferred to available for sale category).

A cumulative gain or loss that had been recognized in equity is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts.

If a transfer does not qualify for de-recognition, the Company continues to recognize the transferred asset in its entirety and shall recognize a financial liability for the consideration received.

When the Company continues to recognize a financial asset to the extent of its continuing involvement, the Company also recognizes an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Company has retained

## (5) Termination of recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Company enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the company concerned shall include into the profits and losses of the current period the gap between the carrying amount which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

## (6) Offset between financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet, not offsetting each other. But if the

following conditions are satisfied at the same time, the net balance after offsetting each other shall be presented within the balance sheet: the Group has legal rights to offset the recognized amount, and this kind of legal rights is currently executable; the Group plans to settle in net amount, or realize the financial assets and settle the financial liabilities. If the financial asset transfer does not satisfy the conditions, the transferor shall not offset the transferred financial assets and related liabilities.

## 10. Accounts Receivables

### (1) Bad debt provision for individually significant account receivables

Basis or monetary standards of provision for bad debts of the individually significant receivables	Top 5 account receivables at year end.
Method of provision for bad debts of the individually significant receivables	<p>A. On balance sheet date, the impairment test is carried on individually for the individually significant receivables; if there are substantive evidences shown that a receivable has been impaired, a provision based on the difference between the book value and the discounted future cash flow should be made for bad debts.</p> <p>B. If a receivable is found not to be individually impaired, it should be included in a group of similar credit risk characteristics receivables and make a collective assessment of impairment.</p>

### (2) Recognition and measurement of bad debt provision for Credit risk characteristics Group

Names of group	Basis of recognition
Group A	Aging analysis method.
Group B	Other method.

The aging analysis group:

Applicable  Not applicable

Aging of receivables	Percentage Accounts receivables (%)	Percentage of Other receivables (%)
Within 1 year (including 1 year)	3	3
1-2 years(including 2 years)	3	3
2-3 years(including 3 years)	6	6
3-4 years(including 4 years)	20	20

4-5 years(including 5 years)	20	20
Over 5 years	100	100

The percentage of balance method:

Applicable  Not applicable

Other method:

Applicable  Not applicable

Aging of receivables	Percentage Accounts receivables (%)	Percentage of Other receivables (%)
No provision for bad debt	0	0%

### (3) Receivables which are not significant, but individual provision for bad debt needed

Reasons for provision individually	If there are substantive evidences shown there is a special impairment of insignificant receivables, the provision for bad debt should be made.
Method of provision	Measurement of the percentage of bad debts provision is based on current situation.

## 11. Inventory

(1) Inventories are asset items held for sale in the ordinary course of business or goods that will be used or consumed in the production of goods to be sold. They are divided into the following Category: Raw materials, finished goods in stock, assets for construction contract in progress and so on.

(2) Recognition of inventory: The Company recognizes inventories when the following conditions are satisfied:

- a) It is probable that future economic benefits associated with the inventories will flow to the Company entity;
- b) The cost of the inventories can be measured reliably.

(3) Pricing method for outgoing inventories: Raw materials and circulating materials are measured at actual cost method. The moving weighted average method shall be used when sending out these materials. Finished goods and work-in-progress are measured at actual cost which is allocated according to the job reference.

(4) Amortization method of low-value consumption goods and packages: Low-value consumption goods and packages are fully amortized when they are required and delivered.

(5) Inventories shall be measured at the lower of cost and net realizable value at the balance sheet date. Where the net realizable value is lower than the cost, the difference shall be recognized as provision for impairment of inventories and charged to profit or loss.

## a) Estimation of net realizable value

Estimates of net realizable value are based on the most reliable evidence available. These estimates take into consideration the purpose for which the inventory is held and the influence the events after balance sheet date.

Materials and other supplies held for use in the production are measured at cost if the net realizable value of the finished goods in which they will be incorporated is higher than their cost. However, when a decline in the price of materials indicates that the cost of the finished products will exceed their net realizable value, the materials are measured at net realizable value.

The net realizable value of inventories held to satisfy sales or service contracts is generally based on the contract price.

If the quantity specified in sales contracts is less than the inventory quantities held by the Company, the net realizable value of the excess shall be based on general selling prices.

## b) The Company generally provides provision for impairment of inventory individually.

For large quantity and low value items of inventories, cost and net realizable value are determined based on Category of inventories.

Where certain items of inventory have similar purposes or end uses and relate to the same product line produced and marketed in the same geographical area, and therefore cannot be practicably evaluated separately from other items in that product line, costs and net realizable values of those items may be determined on an aggregate basis.

(6) The Company adopts perpetual inventory system for its inventory taking.

## 12. Divided as assets held for sale

## (1) Recognition standards

The Group recognizes the components of the Group (or non-current assets, same as below) as assets held for sale when they meet all the following requirements.

- a) The components can be sold immediately as per the regular terms for selling this type of components under the current circumstances;
- b) The relevant authority within the Group has made resolutions to deal with the component. In the case of the approval of shareholders is necessary as per regulations, the relevant approval has been obtained from the Shareholder Meeting or other relevant authority;
- c) The Group has signed the irrevocable transferring agreement with the acquiring party;
- d) The transferring shall be completed within one year.

## (2) Accounting treatment

The component held for sale consists of individual non-current assets and disposal groups. A disposal group refers to a group of asset groups sold or disposed via other methods as a whole in a transaction, an asset group or part of a certain asset group. If the disposal group is an asset group, the goodwill acquired

in the business combination is allocate to the asset group as per the Accounting Standard for Business Enterprises No.8-Asset Impairment, or the disposal group is an operation of the asset groups, then the disposal group shall include the goodwill acquired in the business combination.

The initial recognition of non-current assets and a disposal group categorized as held for sale within the Group is based on the lower value of the book value less disposal expenses and the fair value less disposal expenses. If the net amount of fair value less disposal expenses is less than book value, the differences shall be recognized as impairment loss charged into the profit and loss for the current period; if the held-for-sale asset is a disposal group, the asset impairment loss shall be allocated to goodwill first, then to other

non-current assets within the range of held-for-sale assets in proportion which shall be charged to the profit and loss for the current period.

The measurement of held-for-sale assets are not suitable for the following assets: Deferred income tax assets, financial assets specified in the Accounting Standard for Business Enterprises No.22-Recognition and Measurement of Financial Instruments, investment real estate and biological assets recognized at fair value, the contractual right formed in the insurance contract, and assets generated from employee benefits which should be measured individually or as part of a certain disposal group according to the corresponding accounting standards or the accounting policies set out by the Group the group.

When a certain asset or disposal group is classified as held-for sale assets and then cannot meet the recognition conditions, the Group shall stop classifying held-for-sale assets and recognize as the lower value of the following two amounts: (1) the book value of the asset or disposal group before it is classified as a held-for-sale asset adjusted by the depreciation, amortization or impairment recognized with the assumption that it had not been classified as a held-for-sale asset; (2) the recoverable amount at the date when the Group decides not to sell it.

### 13. Long-term equity investment

The long-term equity investment of the Group includes mainly the investment to the subsidiaries, associated enterprises and joint ventures

#### (1) Initial measurement

The Company initially measures long-term equity investments under two conditions:

a) For long-term equity investment arising from business combination, the initial cost is recognized under the following principles.

① If the business combination is under the same control and the acquirer obtains long-term equity investment in the consideration of cash, non-monetary asset exchange or bearing acquiree's liabilities, the initial cost is the carrying amount of the proportion of the acquiree's owner's equity at the acquisition date. The difference between cash paid, the carrying amount of the non-monetary asset exchanged and the acquiree's liabilities beard and the initial cost of the long-term equity investment should be adjusted to capital surplus. If the capital surplus is not sufficient for adjustment, retained earnings are adjusted respectively. The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, and legal service fees and so on are recognized in profit or loss during the current period when they occurred.

If the acquirer issuing equity securities as consideration, the initial cost is the carrying amount of the proportion of the acquiree's owner's equity at the acquisition date. Amount of share capital equal to the par value of the shares issued. The difference between initial cost of the long-term equity investment and the par value of shares issued is adjusted to capital surplus. If the capital surplus is not sufficient for adjustment, retained earnings are adjusted respectively. The costs of issuing equity securities occurred in business combination such as charges of security issuing and commissions are deducted from the premium of equity securities. If the premium is not sufficient for deducting, retained earnings are adjusted respectively.

② If the business combination is not under the same control, the acquirer recognizes the initial cost of combination under the following principles.

i. When business combination is achieved through a single exchange transaction, the cost of a business combination is the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer, in exchange for control of the acquiree;

ii. For the business combination involved more than one exchange transaction, the cost of the combination is the aggregate cost of the individual transactions;

iii. The business combination costs that are directly attributable to the combination, such as audit fees, valuation fees, legal service fees and so on are recognized in profit or loss during the current period when they occurred; commissions and other



expenses for the issuance of equity or debt securities for the business combination, shall be recognized as the initial recognition amounts of equity or debt securities.

iv. Where a business combination contract or agreement provides for a future event which may adjust the cost of combination, the Company shall include the amount of the adjustment in the cost of the combination at the acquisition date if the future event leading to the adjustment is probable and the amount of the adjustment can be measured reliably.

b) For long-term equity investment obtained in any method other than business combination, the initial cost is recognized under the following principles.

① If the long-term equity investment is acquired in cash consideration, the initial cost is the actual payment which includes direct expenses paid to acquire the long-term equity investment, taxes and other necessary expense.

② If the long-term equity investment is acquired by issuing equity securities, the initial cost is the fair value of the equity securities issued. However, cash dividends or profits that are declared but unpaid shall not be included in the initial cost. Direct costs attributed to issue equity securities such as handling charges and commissions paid to securities underwriting agencies are deducted from premium of equity securities. If the premium is not sufficient for deduction, reserved fund and retained earnings is adjusted respectively.

③ For the long-term equity investment acquired through non-monetary asset exchange, the initial cost is recognized according to “Accounting Standards for Business Enterprises No. 7-Non-monetary transactions” .

④ For the long-term equity investment acquired through debt restructuring, the initial cost is recognized according to “Accounting Standards for Business Enterprises No. 12-Debt restructuring” .

c) If there are cash dividends or profits that are declared but unpaid included in the consideration paid, the cash dividends or profits declared but unpaid shall be recognized as receivables separately rather than as part of initial cost of long-term equity instruments no matter through which method the long-term equity investment is acquired.

## (2) Subsequent measurement

The equity method is used when the Company has joint control or significant influence over the investee enterprise. The cost method is used when the Company has control or does not have joint control or significant influence over the investee enterprise and there is no quoted price in active market or there is no reliable fair value.

a) For the long-term equity investment under cost method, and except from cash dividends or profits distributed are declared but unpaid included in the consideration paid, the other declared cash dividends or profits are normally recognized as investment income for the current period when it incurred.

b) For the long-term equity investment under the equity method ,when the initial cost of long term equity investments exceeds the Group’s interest in the fair value of identifiable net assets of the investee, the initial cost of the long-term equity investment shall not be adjusted; while the initial cost of long term equity investments is less than the share of the fair value of identifiable net assets of the investee, the difference is charged to profit or loss for the current period and the cost of the long-term equity investment shall be adjusted accordingly.

After a long-term equity investment is acquired, the Group shall recognize its share of the investee’s net profit or losses, as well as its share of the investee’s other comprehensive income, as investment income or losses and other comprehensive income, and adjust the carrying amount of the investment accordingly. The Group reduces carrying amount of the long-term investment regarding declared cash dividend or profit distribution. The investee’s shareholders’ equity changes other than those arising from the investee’s net profit or loss, other comprehensive income or profit distribution, shall be recognized in the Groups’ equity, and the carrying amount of the long-term equity investment shall be adjusted accordingly. The share of the investee’s net profit or loss for the current period is recognized after adjusting the investee’s net profit in accordance with the Group’s accounting policies and accounting period based on the fair value of the identifiable assets at investment date. When the accounting policies adopted by the investee are different from those adopted by the Group, the financial statements of the investee shall be adjusted

and the investment income and other comprehensive income shall be recognized according to the Group's accounting policies. The net loss incurred by the investee shall be recognized based on the book value of the long-term investment and other investments essentially constituting the long-term equity of the investee till the carrying amount is reduced to zero, except the Group has the obligation to undertake extra losses. Once the investee realizes net profit, the Group starts recognizing its share of profits after the share of previously unrealized losses has been recovered.

In calculating the Group's share of net profit or loss in the investee, the investment income in proportion attributable to the Group shall be recognized after offsetting the unrealized profit and loss of internal transactions between joint ventures and associated enterprises. When the unrealized loss of inter-company transactions between the Group and the investee is an asset impairment loss, it shall be fully recognized.

According to Business Enterprises No. 22 –Recognition and Measurement of Financial Instruments, for long-term equity investments of joint ventures, part of which are indirectly held through venture capital institution, mutual fund, trust company or similar subjects including investment linked insurance funds, the Company recognizes the investments indirectly held at fair value with fluctuation recognized the profits and losses of the current period and the rest part at equity method regardless of whether above subjects have significant impact on the investments.

c) On disposal of an equity investment, the difference between the carrying amount of the investment and the sale proceeds actually received is recognized as an investment gain or loss for the current period. When the equity method is adopted, change in equity of the investee other than profit or loss is recorded in equity. On disposal of the equity investment, amount of change which is recorded in other comprehensive income previously is transferred to profit or loss for the current period regarding to the proportion of disposal.

### (3) Basis for recognition of joint control or significant influence over an investee

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Relevant activities refer to those have significant influence on the return of an arrangement. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies.

### (4) Impairment test and method of provision for impairment loss

The impairment test is conducted and impairment loss is provided in accordance with the accounting policy "Impairment of assets" of the Company.

## 14. Fixed assets

### (1) Recognition conditions

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and have useful life more than one year.

(1) A fixed asset shall be initially recognized at cost when the following condition are satisfied:

- a) It is probable that future economic benefits associated with the assets will flow to the Company;
- b) The cost of the assets can be measured reliably.

### (2) Depreciation method

Category	Depreciation	Estimated Useful Lives	Residual value rate (%)	Annual Depreciation
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		(years)		Rate (%)
Property and buildings	The straight-line method	40	0	2.50
Machineries	The straight-line method	7-20	0	14.29-5.00
Transportation equipment	The straight-line method	6	0	16.67
Electronic and other equipment	The straight-line method	3-18	0	33.33-5.56

### (3) Recognition basis and pricing method of fixed assets by finance lease

The Company identifies a lease of asset as finance lease when substantially all the risks and rewards incidental to legal ownership of the asset are transferred.

A fixed asset acquired under finance lease shall be valued at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of lease.

The depreciation method of fixed assets acquired under finance lease is consistent with that for depreciable assets owned by the Company. If the Company can reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated during the useful life of the leased asset. If the Company cannot reasonably confirm that it will obtain the ownership of leased asset at the end of lease term, the leased asset shall be depreciated during shorter of the useful life of the leased asset and the lease term.

## 15. Construction in progress

(1) Construction in progress is recorded at actual costs incurred. It also includes borrowing costs eligible for capitalization and gain or loss of exchange difference.

(2) The Company transfers construction in progress to fixed assets when the project is completed or the project is available for use. For the construction in progress which is capable of operating in the manner intended by management without the final account for completed project, an estimated value is recognized as its cost and the depreciation amount is based on the estimated value. When the final account for completed project is obtained, cost of the asset should be adjusted to the actual cost. However, there is no need to adjust depreciation of the asset in prior period.

(3) Impairment of construction in progress refers to accounting policy "Impairment of assets" of the Company. If indications exist, the net realizable value should be estimated: i) long suspension of construction in progress and will not recommence in future 3 years; ii) project under construction has no advantages in technologies and capacity and the economic benefit brought to the Company is uncertain; iii) other situation.

## 16. Borrowing costs

(1) Recognition principle and period of capitalization of borrowing costs

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- a) The asset disbursements have already incurred;
- b) The borrowing costs have already incurred;

c) The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses.

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. The borrowing costs incurred after that shall be recognized as expenses.

Assets eligible for transferring to the fixed assets refers to assets such as fixed assets, investment real estate, inventories and other assets which need to go through the acquisition and construction or production activities for quite a long time to reach the intended use or status for sale.

## (2) Calculation method of capitalized amount of borrowing costs

As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

During the capitalization period, exchange differences of the special foreign currency borrowings shall all be capitalized, while the exchange differences of the general borrowing shall be included in the current profit or loss.

## 17. Intangible assets

### (1) Pricing method, useful life, impairment test

Intangible assets are identifiable non-monetary asset that are owned or controlled by the Company and are without physical substance.

#### (1) Recognition of intangible assets

The Company recognizes an intangible asset when that intangible asset fulfills both of the following conditions:

- a) It is probable that the economic benefits associated with that asset will flow to the Company and,
- b) The cost of that asset can be measured reliably.

#### (2) Measurement of intangible assets

- a) An intangible asset is measured initially at its cost.
- b) Subsequent measurement of intangible assets

① For an intangible asset with finite useful life, the Company estimates its useful life at the time of acquisition and amortizes it

during its useful life in a reasonable and systematic way. The amount of amortization is allocated to relevant costs and expenses according to the nature of beneficial items. The Company does not amortize intangible asset with infinite useful life.

The useful life of land use right is determined as per the land use permit, the expected useful life of proprietary technology is from six to fifteen years, and software from three to five years.

At the end of accounting period, the Company reviews the useful life and amortization method of intangible asset with limited useful life and any change shall be dealt as an alteration in accounting estimate. In addition, the Company reviews the useful life of intangible assets with uncertain useful life. If there are some evidences indicating that the economic benefit period of the intangible assets is foreseeable, the Company shall estimate its useful life and amortize it in according to amortization policy for intangible assets with limited useful life of.

② Impairment of intangible assets refers to accounting policy “Impairment of assets” of the Company.

Research and development expenditure

## **(2) Accounting policies of internal R&D expenses**

Not Application

## **18. Impairment of long-term assets**

It suggests that an asset may be impaired if there is any of the following indication:

- (1) during the period, an asset's market value has declined significantly more than it would be expected as a result of the passage of time or normal use during the current period;
- (2) significant changes with an adverse effect on the Company have taken place during the period, or will take place in the near future, in the technological, market, economic or legal environment in which the Company operates or in the market to which an asset is dedicated;
- (3) market interest rates or other market rates of return on investments have increased during the period, and those increases are likely to affect the discount rate used in calculating an asset's value in use and decrease the asset's recoverable amount materially;
- (4) evidence is available of obsolescence or physical damage of an asset;
- (5) the asset becomes idle, or the Company plans to discontinue or to dispose of an asset before the previously expected date;
- (6) evidence is available from internal reporting that indicates that the economic performance of an asset is, or will be, worse than expected, for example, the net cash flow generated from assets or the operating profit (or loss) realized by assets is lower (higher) than the expected amount, etc.; and
- (7) Other evidence indicates that assets may be impaired.

The Company assesses long-term equity investment, fixed assets, construction materials, constructions in progress and intangible assets (except for those with uncertain useful life) that apply Accounting Standard for Business Enterprises No. 8 - Impairment of assets at the balance sheet date. If there is any indication that an asset may be impaired, the Company should assess the asset for impairment and estimate the recoverable amount of the impaired asset.

Recoverable amount is measured as the higher of an asset's fair value less costs to sell and the present value of estimated future cash flows from continuing use of the asset. If carrying amount of an asset is higher than its recoverable amount, the carrying amount of this asset should be written down to its recoverable amount with the difference recognized as impairment loss and charged to profit or loss accordingly. Simultaneously a provision for impairment loss should be made.

There is any indication that an asset may be impaired, the Company usually estimates its recoverable amount on an individual item basis. However if it's not possible to estimate recoverable amount of the individual asset, the Company should determine the recoverable amount of the cash-generating unit to which the asset belongs.

An asset's cash-generating unit is the smallest group of assets that includes the asset and generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. Identification of cash-generating unit is based on whether the cash inflows generated by the cash-generating unit are largely independent of the cash inflows from other assets or groups of assets.

The Company assesses goodwill acquired in a business combination and intangible assets with uncertain useful life for impairment each year no matter whether indication that an asset may be impaired exists or not. Impairment assessment of goodwill is carried together with the impairment assessment of related cash-generating unit or group of cash-generating units.

Once impairment loss is recognized, it cannot be reversed in subsequent financial period.

## **19. Long-term unamortized expenses**

A, long-term prepaid expenses means shall be borne by the current and future periods of the contribution period in each cost more than one year;

B, long-term prepaid expenses in according to the actual cost when the acquisition, organization expenses in the event of a recorded into the profits and losses of the current; Operating lease fixed assets cost from the date of production and business operation according to the lease term, 5 years is a short average amortized, other long-term prepaid expenses average amortized according to period project benefit. For it has been unable to bring the expected economic benefits in the future accounting periods of long-term prepaid expenses, the company has not yet been to its amortize the amortized value of the whole into the profits and losses of the current period.

## **20. Employee compensation**

### **(1) Accounting treatment of short-term compensation**

The actual short-term employee benefit shall be recognized as the debt during the accounting period when the employees provide service and included in current profits and losses or related asset costs according to the benefit object.

### **(2) Accounting treatment of the welfare after demission**

Post-employment benefit plan includes defined contribution plans and defined benefit plans. Post-employment benefit refers to the agreement regarding the post-employment benefits between the Group and employees, or the regulations or rules on post-employment benefits stipulated by the Group. Defined contribution plans are post-employment benefit plans under which an enterprise pays fixed contributions into a separate fund and will have no obligation to pay further contributions. Defined benefit plans are post-employment benefit plans other than defined contribution plans.

#### a) Defined contribution plans

The defined contribution plans are primarily for social basic old-age insurance and unemployment insurance etc., which are organized by labor and social security institute. The Group shall recognize, in the accounting period in which an employee provides service, the contribution payable to a defined contribution plan as a liability, with a corresponding charge to the profit or loss for the current period or the cost of a relevant asset.

#### b) Defined benefit plans

The defined benefit plans are primarily for the supplementary retirement benefit provided for part of the retired employees. The cost of the benefit provided under defined benefit plans is calculated in the estimated cumulative unit method. At the end of the reporting period, the Company recognizes the cost of service, including current cost of service, past cost of service and profit or loss, and the net amount of interest of net liabilities or net assets under the defined benefit plans, including interest income of planned assets, interest expense of the obligation of defined benefit plans and interest of the ceiling effect on assets, as liabilities, of which the

variation is recorded into the profits and losses of the current period or related cost of assets; the Company re-measures the change of the net liabilities and net assets under the defined benefit plans, including actuarial profit or loss, planned return on asset (deducting the amount of net interest of net liabilities or net assets under the defined benefit plans), and ceiling effect on assets (deducting the amount of net interest of net liabilities or net assets under the defined benefit plans) into other comprehensive income, which is not allowed to reverse to the profit and loss in the subsequent accounting periods, but the company could transfer the confirmed amount of other comprehensive income within the scope of equity. The Company shall recognize the past cost of service as current expense at the earlier date of the following dates: the date when the Company alters the defined benefit plans or the date when the Company confirms related restructuring expense and termination benefits.

### **(3) Accounting treatment of the demission welfare**

Demission welfare are primarily for internal employee retirement plan. The company recognizes the proposed salaries and social insurance of internal retired employees from the date they stop providing service to the normal retirement date into current profit and loss (termination benefits), when it meets the recognition conditions of employee benefits payable.

### **(4) Accounting treatment of the welfare of other long-term staffs**

When other long-term employee benefits provided by the Group to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits shall be accounted for in accordance with the above requirements relating to defined contribution plan, but the movement of net liabilities or assets in the investee's re-measurement defined benefit plan in the cost of relevant employee benefits shall be recognized in profit or loss for the current period or the relevant cost of assets.

## **21. Estimated liabilities**

### **(1) Recognition criteria of estimated liabilities**

An obligation for additional losses related to a contingency is recognized as a provision when all of the following conditions are satisfied:

- a) The obligation is a present obligation of the Group;
- b) It is probable that an outflow of economic benefits from the Group will be required to settle the obligation;
- c) The amount of the obligation can be measured reliably.

### **(2) Measurement of the estimated liabilities**

Estimated liabilities are initially measured at the best estimate of the payment to settle the associated obligations and consider the relevant risk, uncertainty and time value of money. Where there is a continuous range of possible amounts of the expenditure required to settle the liability, and all kinds of possibilities are at same level, the best estimate should be determined according to the median of the range. In other cases, the best estimate should be determined in accordance with the following methods:

- a) Where the contingency involves a single item, the best estimate should be determined according to the most likely outcome;
- b) Where the contingency involves several items; the best estimate should be determined by weighting all possible outcomes by their associated probabilities of occurrence.

To determine the best estimate, it should be considered with factors such as: related contingency risks, uncertainty and time value of money. If the impact of time value of money is significant, the best estimate is determined as its present value of future cash outflow.

Where some or all of the expenditures are expected to be reimbursed by a third party, the reimbursement should be separately recognized as an asset only when it is virtually received. The amount of the reimbursement should not exceed the carrying amount of

the liability recognized.

The Group reviews the carrying amount of provisions at the balance sheet date. If there is strong evidence that the book value does not truly indicate the current best estimate, the adjustment should be made to the carrying amount to reflect the best estimate.

## 22. Revenue

The Company's revenue consists of construction contract, Sale of goods, rendering services and revenue arising from the use of the Company's assets by others.

### (1) Construction contract revenue

a) When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract is recognized as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The stage of contract completion is recognized by reference to the ratio of the accumulative actual contract cost to totally estimated contract cost. The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: 1) when the outcome of a construction contract can be estimated reliably, total contract revenue can be measured reliably; 2) It is probable that the economic benefits associated with the contract will flow to the entity; 3) Both the contract costs to complete the contract and the stage of contract completion at the balance sheet date can be measured reliably; and 4) The actual contract costs attributable to the contract can be clearly identified and reliably measured.

b) When the outcome of a construction contract cannot be estimated reliably and contract costs are expected to be recoverable, revenue is recognized only to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognized as an expense in the period in which they are incurred. Contract costs that are not probable of being recovered are recognized as an expense immediately and no revenue is recognized.

c) If the accumulative estimated contract costs exceed the contract revenue, an estimated loss should be recognized in the current financial period.

### (2) Sale of goods

The Company recognizes revenue from sale of goods when all the following conditions have been satisfied:

- a) The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;
- b) The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- c) The relevant amount of revenue and costs can be measured reliably; and
- d) The economic benefits associated with the transaction will flow to the Company

### (3) Rendering of services:

a) Revenue associated with the transaction is recognized by reference to the stage of completion of the transaction at the balance sheet date. The service revenue is recognized at the balance sheet date according to the percentage of completion of the services when (i) the total revenue and total cost can be reliably measured, (ii) the economic benefit pertaining to the service will flow to the Company; (iii) the percentage of completion can be determined reliably.

b) When the outcome of the transaction involving the rendering of services cannot be estimated reliably at the balance sheet date, revenue is recognized according to the following:

- ① When it is probable that the Company will recover the transaction costs incurred, revenue is recognized only to the extent of the expenses recognized that are recoverable, and the costs incurred are recognized as an expense.
- ② When it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are



recognized as an expense.

(4) Revenue arising from the use by others of the Company's assets

Revenue arising from the use by others of the Company's assets includes interest revenue and royalty revenue. The Company recognized revenue arising from the use by others of the Company's assets when (a) it is probable that the economic benefits associated with the transaction will flow to the Company and (b) the amount of the revenue can be measured reliably.

## **23. Government subsidies**

### **(1) Judgment basis and accounting treatment of government subsidies related to assets**

The government subsidies pertinent to assets shall be recognized as deferred income, equally distributed within the useful lives of the relevant assets, and included in the current profits and losses. If the relevant assets are sold, transferred, obsolete or destroyed before useful lives end, undistributed deferred income shall be recognized as the current profits and losses of disposal of assets.

### **(2) Judgment basis and accounting treatment of government subsidies related to profits**

The government subsidies pertinent to incomes shall be treated respectively in accordance with the circumstances as follows.

Those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall include in the current profits and losses during the period when the relevant expenses are recognized; or

Those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in the current profits and losses.

## **24. Deferred income tax assets/deferred income tax liabilities**

The Company adopts the balance sheet liability method for corporate income taxes.

(1) Deferred tax asset

a) Where there are deductible temporary differences between the carrying amount of assets or liabilities in the balance sheet and their tax bases, a deferred tax asset shall be recognized for all those deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

b) At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.

c) The Company assesses the carrying amount of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of deferred tax asset, or reverse the amount written down later when it's probable that sufficient taxable profit will be available.

(2) Deferred tax liability

A deferred tax liability shall be recognized for all taxable temporary differences, which are differences between the carrying amount of an asset or liability in the balance sheet and its tax base, and measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

## 25. Lease

### (1) Accounting treatment of operating lease

Operating lease shall treat the lease payment under an operating lease as a relevant asset cost or the current profit or loss on a straight-line basis over the lease term. The initial direct costs incurred shall be recognized as the current profit or loss; Contingent rents shall be charged as expenses in the periods in which they are incurred. .

Operating lease shall present the assets subject to operating leases in the relevant items of their balance sheet according to the nature of the asset. Lease income from operating leases shall be recognized as the current profit or loss on a straight-line basis over the lease term; Initial direct costs incurred by lessors shall be recognized as the current profit or loss; Lessors shall apply the depreciation policy for the similar assets to depreciate the fixed assets in the operating lease; For other assets in the operating lease, lessors shall adopt a reasonable systematical method to amortize; Contingent rents shall be charged as expenses in the periods in which they are incurred.

### (2) Accounting treatments of financial lease

For the lessee, a fixed asset acquired under finance lease shall be valued at the lower of the fair value of the leased asset and the present value of the minimum lease payments at the inception of lease. The amount of minimum lease payments should be recorded in long-term account payable, the difference should be recorded as unrecognized financing charges; The initial direct costs identified as directly attributable to activities performed by the lessee during the negotiation and signing of the finance lease such as handling fees, legal fees, travel expenses, stamp tax shall be counted as lease asset value; the unrecognized financing charges shall be apportioned at each period during the lease term and adopt the effective interest rate method to calculate and confirm the current financing charge; Contingent rents shall be charged as expenses in the periods in which they are incurred.

When the lessee calculates the present value of the minimum lease payments, for that lessee who can obtain the interest rate implicit in the lease, the discount rate shall be the interest rate implicit in the lease; otherwise the discount rate shall adopt the interest rate specified in the lease agreement. If the lessee cannot get the interest rate implicit in the lease and there is no specified interest rate in the lease agreement, the discount rate shall adopt the current bank loan interest rate.

Lessees shall depreciate the leased assets with the depreciation policy which is consistent with the normal depreciation policy for similar assets. If there is reasonable certainty that the lessee will obtain ownership by the end of the lease term, the depreciation shall be allocated to the useful life of the asset. If there is no reasonably certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be depreciated over the shorter of the lease term and its useful life.

At the inception of financial lease, lessor of the financial lease shall record the sum of the minimum lease payments and initial direct costs as the financing lease accounts receivable, and also record the unguaranteed residual value; recognize the difference between the total minimum lease payments , initial direct costs ,unguaranteed residual value and the sum of the present value as the unrealized financing income; the unrealized financing income shall be distributed to each period over the lease term; adopt the actual interest rate to calculate the current financial income; Contingent rents shall be in the periods in which they are incurred.

## 26. Other significant accounting policies and estimates

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Relevant assets or liabilities are measured at fair value with consideration of the characteristics of the assets or liabilities within the Group; The Group measures the related assets or liabilities at fair value assuming the assets or liabilities are exchanged in an orderly transaction in the principal market; assuming the orderly transactions to sell assets or transfer liabilities take place in the main market for the relevant assets or liabilities; sence of a principal market, in the most advantageous

market for the assets or liabilities. The Group adopts the assumption that market participants maximize their economic benefits when they were pricing the assets or liabilities.

The Group determines whether the fair value at the initial recognition equals the transaction price according to the nature of transactions and the characteristics of related assets or liabilities; if the transaction price is not equal to the fair value, the relative gains or losses shall be accounted for into the current profits and losses, except otherwise specified in the relevant accounting standards.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and if the observable inputs aren't available or impractical, using unobservable inputs.

Assets and liabilities measured or disclosed at fair value in the financial statements are determined which level of fair value according to the significant lowest level input to the entire measurement: Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date; Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly; Level 3 inputs are unobservable inputs for the asset or liability.

Non-financial assets within the Group are measured at fair value, given the capability of the market participants to produce economic benefits via the optimal use of the assets, or to sell the assets to other market participants who can produce economic benefits via the optimal use of the assets. Liabilities are measured at fair value, assuming the liabilities transferred to other market participants at the measurement date, continuing to exist after the transfer, and the market participants who are the transferees shall undertake their obligations. Equity instruments are measured at the fair value at the measurement date, assuming the equity instruments transferred to other market participants at the measurement date, continuing to exist after the transfer, and the market participants who are the transferees shall obtain the relevant right and undertake the corresponding obligations.

## **27. Changes in main accounting policies and estimates**

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

Applicable  Inapplicable

### **(2) Change of main accounting estimates**

Applicable  Inapplicable

## **28. Others**

Not Applicable.

## VI. Taxation

### 1. Main taxes and tax rate

Category of taxes	Tax basis	Tax rate
VAT	Taxable revenue	6%,17%
Business tax	Taxable revenue	5%
Urban maintenance and construction tax	Taxable VAT, taxable business tax	7%
Enterprise income tax	Taxable income	25%
Education surtax	Taxable VAT, taxable business tax	3%
Local education surtax	Taxable VAT, taxable business tax	2%
Watercourse and embankment tax	Taxable VAT, taxable business tax	1%

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

Subsidiary Wuhan Lanxiang Power Environmental Protection Technology Co.,Ltd has ceased operating, there was no taxable profit during the report period.

### 2. Tax preference

None.

### 3. Other

None.

## VII Notes on major items in consolidated financial statements of the Company

### 1. Monetary funds

Unit: RMB

Item	Closing Balance	Opening balance
Bank deposit	21,421,082.12	172,209,825.09
Total	21,421,082.12	172,209,825.09

Other notes: Monetary funds decreased by 87.56%, mainly due to payment for project raw material this period.

### 2. Notes receivable

#### (1) Notes receivable listed by category

Unit: RMB

Category	Closing balance	Opening balance
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Bank acceptance bills	3,900,000.00	
Total	3,900,000.00	

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

Unit: RMB

Item	Endorsed or discounted Amount	Unendorsed or undiscounted Amount
Bank acceptance bills	89,491,000.00	3,900,000.00
Total	89,491,000.00	3,900,000.00

**3. Accounts receivable**

**(1) Accounts receivable disclosed by category**

Unit: RMB

Category	Closing balance					Opening Balance				
	Balance		Provision for bad & doubtful debts		Net amount	Balance		Provision for bad & doubtful debts		Net amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Receivables that are individually significant in amount and provided for bad debt separately	3,052,460.00	0.95%	3,052,460.00	100.00%	0.00	8,359,460.00	2.35%	8,359,460.00	100.00%	0.00
Accounts receivable whose bad debts provision was accrued by credit risk feature	312,506,997.97	97.45%	94,162,780.00	30.13%	218,344,217.97	336,921,487.14	94.83%	99,884,544.46	29.65%	237,036,942.68
Receivables that are individually insignificant in amount but provided for bad debt separately	5,122,376.64	1.60%	580,000.00	11.32%	4,542,376.64	10,022,880.50	2.82%	680,000.00	6.78%	9,342,880.50
Total	320,681,834.61	100.00%	97,795,240.00	30.50%	222,886,594.61	355,303,827.64	100.00%	108,924,044.46	30.66%	246,379,823.18

Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end

Applicable  Inapplicable

Unit: RMB Yuan

Company	Closing balance			
	Account receivable	Provision for bad debts	Accrual ratio	Reason
Gansu Datang Xigu Power Co.Ltd	3,052,460.00	3,052,460.00	100.00%	Quality issue, the warranty collection is difficult
Total	3,052,460.00	3,052,460.00	--	--

In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision:

Applicable  Inapplicable

Unit: RMB Yuan

Aging	Closing balance		
	Account receivable	Provision for bad debts	Accrual ratio
Within 1 year	190,373,852.93	5,711,215.58	3.00%
1-2 years	34,723,278.99	1,041,698.37	3.00%
Over 5 years	87,409,866.05	87,409,866.05	100.00%
Total	312,506,997.97	94,162,780.00	30.13%

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

Applicable  Inapplicable

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

None.

## (2) Accounts receivable withdraw, reversed or collected during the Report Period

The withdrawal amount of the bad debt provision during the Report Period was of RMB3,506,471.41; the amount of the reversed or collected part during the Report Period or of which the significant amount of the reversed or collected part during the Report Period was of RMB14,635,235.87.

The significant collected or reversed amounts for bad debt provisions are as follows.

Unit: RMB

Debtors	Collected or reversed amount	Reasons
Shanxi Lu'an Yuwu Thermopower Co., Ltd.	130,000.00	Amount collected
Henan Zhongyuan Combustion Power Co.Ltd	108,000.00	Amount collected
Wuhan Boiler Group Engineering Technology Co.,Ltd.	4,968,818.28	Amount collected
Datang Liaoyuan Power Plant	3,407,000.00	Amount collected
Gansu Datang Xigu Power Co.Ltd	1,900,000.00	Amount collected

Guodian Lanzhou Thermopower Co., Ltd.	100,000.00	Amount collected
Binzhou Beihai New Material Co.Ltd	840,000.00	Amount collected
Gansu Diantou Yongchang Generating Co.Ltd	165,000.00	Amount collected
Dongfang Xiwang Baotou Xitu Aluminium Co., Ltd.	50,643.66	Amount collected
ALSTOM Power Inc.	1,847,120.91	Amount collected
ALSTOM Boiler France	315,440.43	Amount collected
ALSTOM POWER Sp.zo.o.	803,212.59	Amount collected
合计	14,635,235.87	--

### (3) Top 5 of the closing balance of the accounts receivable collected according to the arrears party

Amount of the top five accounts receivable is RMB239,117,755.03 in total, accounting for the 74.57% of closing accounts receivable balance., the corresponding closing balance of provision for bad debts is RMB 46,108,275.97 .

## 4. Prepayment

### (1) List by aging analysis:

Unit: RMB

Aging	Closing Balance		Opening Balance	
	Amount	%	Amount	%
Less than 1 year	130,969,505.71	67.64%	138,095,657.82	94.65%
1years to 2 years	55,574,232.56	28.70%	410,059.05	0.28%
Over 3 years	7,088,781.25	3.66%	7,398,698.66	5.07%
Total	193,632,519.52	--	145,904,415.53	--

Notes of the reasons of the prepayment ages over 1 year with significant amount but failed settled in time:

Prepayments of significant amount with aging over 1 year are mainly for unsettled project purchases. The aging of prepayments is quite long due to the fact that the construction period of the projects signed by the Company and corresponding project purchase cycle are quite long.

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

As at 30 June 2016, the total amount of the closing balance of top five prepayment accounts is RMB 112,314,365.20, accounting for 58% of the total closing balance of prepayment

Other explanation: Down payment increased by 32.71%, mainly due to increase on purchasing material for Opole, Ashalim、 Mae Moh and Karabiga projects;

## 5. Other accounts receivable

### (1) Other accounts receivable disclosed by category

Unit: RMB

Category	Closing Balance					Opening Balance				
	Balance		Provision for bad & doubtful debts		Net amount	Balance		Provision for bad & doubtful debts		Net amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Other receivables that individually significant in amount and provided for bad debt separately	19,950,586.83	18.01%	19,950,586.83	100.00%		19,950,586.83	17.94%	19,950,586.83	100.00%	
Other accounts receivable whose bad debts provision was accrued by credit risk feature	81,405,839.58	73.47%	70,540,177.67	86.65%	10,865,661.91	81,822,388.64	73.57%	70,319,944.06	85.94%	11,502,444.58
Other receivables that individually insignificant in amount but provided for bad debt separately	9,438,361.42	8.52%	9,438,361.42	100.00%		9,438,361.42	8.49%	9,438,361.42	100.00%	
<b>Total</b>	<b>110,794,787.83</b>	<b>100.00%</b>	<b>99,929,125.92</b>	<b>90.19%</b>	<b>10,865,661.91</b>	<b>111,211,336.89</b>	<b>100.00%</b>	<b>99,708,892.31</b>	<b>89.66%</b>	<b>11,502,444.58</b>

Other accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end:

Applicable  Not applicable

Company	Closing Balance			
	Balance	Bad debt amount	Provision %	Reason
Shandong luneng material group co., LTD	19,950,586.83	19,950,586.83	100.00%	Project suspended, difficult to recover the money.
<b>Total</b>	<b>19,950,586.83</b>	<b>19,950,586.83</b>	<b>--</b>	<b>--</b>

In the groups, other accounts receivable adopting aging analysis method to accrue bad debt provision:

Applicable  Not applicable

Aging	Closing balance		
	Balance	Provision for bad & doubtful	Provision %



		debts	
Within 1 year (including 1 year)	2,936,205.55	88,086.17	3.00%
1-2 years(including 2 years)	352,060.94	10,561.83	3.00%
2-3 years(including 3 years)	1,944.52	116.67	6.00%
3-4 years(including 4 years)	14,074.73	2,814.95	20.00%
Over 5 years	70,228,598.05	70,228,598.05	100.00%
Total	73,532,883.79	70,330,177.66	95.64%

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

Applicable  Not applicable

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

Applicable  Not applicable

## (2) Accounts receivable withdraw, reversed or collected during the Report Period

The withdrawal amount of the bad debt provision during the Report Period was of RMB250,053.85; the amount of the reversed or collected part during the Report Period or of which the significant amount of the reversed or collected part during the Report Period was of RMB29,820.24.

Unit: RMB

Debtors	Collected or reversed Amount	Collected method
ALSTOM Power Inc.	7,231.53	Amount collected
ALSTOM Power Systems SA	5,310.00	Amount collected
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	10,654.56	Amount collected
Advanced payment for employee	6,624.15	Amount collected
Total	29,820.24	

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

Unit: RMB

Nature	Closing Balance	Opening Balance
Tender deposits	800,000.00	1,600,000.00
Sales tax	32,074,337.07	35,416,673.37
Accounts receivable due from related parties	61,928,956.77	61,881,915.13
Accounts receivable due from non-related parties	15,776,493.99	12,024,348.39
Others	215,000.00	288,400.00

Total	110,794,787.83	111,211,336.89
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**(4) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party**

Unit: RMB

Debtors	Nature	Closing balance	Aging	Proportion of the total	Closing balance of provisions for bad & doubtful debts
Wuhan Boiler (Group) Co., Ltd.	Relocation compensation for the old factory	61,030,488.11	more than 5 years	55.08%	61,030,488.11
Shandong Luneng Material Group Co. Limited	Sales tax	19,950,586.84	more than 5 years	18.01%	19,950,586.84
Eastlake Development Zone Government	New factory power facilities	8,947,367.44	more than 5 years	8.08%	8,947,367.44
Shanxi Zhenxing Group Co., Ltd.	Sales tax	7,080,035.47	more than 5 years	6.39%	7,080,035.47
Huaneng Luoyuan Power Co. Ltd.	Sales tax	3,507,811.99	less than 1 years	3.17%	
Total	--	100,516,289.85	--	90.72%	97,008,477.86

**6. Inventory****(1) Category of inventory**

Unit: RMB

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	162,551,310.50	6,902,124.35	155,649,186.15	312,315,857.75	7,461,755.63	304,854,102.12
Construction contract assets	5,560,825.72	51,366,799.43	-45,805,973.71	16,813,090.59	54,236,141.13	-37,423,050.54
Total	168,112,136.22	58,268,923.78	109,843,212.44	329,128,948.34	61,697,896.76	267,431,051.58

**(2) Falling price reserves of inventory**

Unit: RMB

Item	Opening balance	Increased amount		Decreased amount		Closing balance
		Provision	Others	Reversal or Written off	Others	
Raw materials	7,461,755.63			559,631.28		6,902,124.35
Construction contract assets	54,236,141.13			2,869,341.70		51,366,799.43
Total	61,697,896.76			3,428,972.98		58,268,923.78

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

Not applicable.

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

Unit: RMB

Item	Amount
The cumulative cost has occurred	3,978,430,387.20
The cumulative has confirmed gross margin	565,012,291.22
Minus: expected loss	51,366,799.43
Already dealt with the amount of settlement has to handle the settlement amount	4,537,881,852.70
Outstanding assets from a completed construction contract	-45,805,973.71

Other notes: Raw material decreased 48.94% mainly due to consumption of raw materials in construction projects; construction contract assets decrease 22.40%, which is because the main projects Progress billings are recognized.

**7. Fixed assets****(1) List of fixed assets**

Unit: RMB

Item	Property and building	Machinery and equipment	Transportation	Electrical equipment	Total
I. Cost					
1. Opening balance	565,415,459.57	398,042,484.36	955,464.64	38,712,796.48	1,003,126,205.05
2. Additions		4,754,478.72		587,978.06	5,342,456.78

(1) Purchasing		2,986,339.64		587,978.06	3,574,317.70
(2) Construction in progress transferred		1,768,139.08			1,768,139.08
(3) Increased by enterprise merger					
3. Decreased Amount					
(1) Disposals					
4. Closing balance	565,415,459.57	402,796,963.08	955,464.64	39,300,774.54	1,008,468,661.83
II. Accumulated depreciation					
1. Opening balance	81,207,184.65	191,056,783.51	856,434.63	34,356,534.63	307,476,937.42
2. increased in the Period	7,117,307.14	8,965,060.60	40,373.78	1,385,984.26	17,508,725.78
(1) Accrual	7,117,307.14	8,965,060.60	40,373.78	1,385,984.26	17,508,725.78
3. Decreased Amount					
(1) Disposal or scrap					
4. Closing amount	88,324,491.79	200,021,844.11	896,808.41	35,742,518.89	324,985,663.20
III. Impairment provision					
1. Opening amount		1,744,321.76	45,656.23	57,717.82	1,847,695.81
2. Increased in the Period					
(1) Accrual					
3. Decreased Amount					
(1) Disposal or scrap					
4. Closing amount		1,744,321.76	45,656.23	57,717.82	1,847,695.81
IV. Net book amount					
1. Closing net book amount	477,090,967.78	201,030,797.21	13,000.00	3,500,537.83	681,635,302.82

2. Opening net book amount	484,208,274.92	205,241,379.09	53,373.78	4,298,544.03	693,801,571.82
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## 8. Construction in progress

### (1) List of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Balance	Impairment	Net amount	Balance	Impairment	Net amount
Equipment procured for new base	213,721.37		213,721.37	1,010,874.11		1,010,874.11
Joint workshop (oil workshop)				576,581.21		576,581.21
Total	213,721.37		213,721.37	1,587,455.32		1,587,455.32

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

As at 30<sup>th</sup> June 2016, there was no sign of significant impairment of construction in progress, so there is no need for the recognition of impairment.

## 9. Intangible assets

### (1) Information

Unit: RMB

Item	Land use right	Patent	Non-patents	Total
I. Total original book value				
1. Opening balance	41,599,836.72	93,671,576.87	17,152,572.52	152,423,986.11
2. Increase in the Report Period		306,200.12		306,200.12
(1) Purchase		306,200.12		
(2) Internal R &D				
(3) Increase from enterprise combination				

3. Decrease in the Report Period				
(1) Purchase				
4. Closing balance	41,599,836.72	93,977,776.99	17,152,572.52	152,730,186.23
II. Total accrued amortization				
1. Opening balance	6,382,999.02	64,463,885.49	16,888,199.63	87,735,084.14
2. Increase in the Report Period	415,946.90	1,785,802.04	60,931.65	2,262,680.59
(1) Withdrawal	415,946.90	1,785,802.04	60,931.65	2,262,680.59
3. Decrease in the Report Period				
(1) Disposal				
4. Closing balance	6,798,945.92	66,249,687.53	16,949,131.28	89,997,764.73
III. Total impairment provision				
1. Opening balance				
2. Increase in the Report Period				
(1) Withdrawal				
3. Decrease in the Report Period				
(1) Disposal				
4. Closing balance				
IV. Total book value of intangible assets				
1. Book value of the period-end	34,800,890.80	27,728,089.46	203,441.24	62,732,421.50
2. Book value of the period-begin	35,216,837.70	29,207,691.38	264,372.89	64,688,901.97

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 is 0.00%.

**10. Deferred income tax assets/deferred income tax liabilities****(1) Deferred income tax assets had not been off-set**

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment of assets	242,652,402.32	60,663,100.58	255,611,739.33	63,902,934.83
Unrealized profits from insider trading	0.00	0.00	0.00	0.00
Deductible losses	0.00	0.00	0.00	0.00
Total	242,652,402.32	60,663,100.58	255,611,739.33	63,902,934.83

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

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities
assets appraisal value under the different control enterprise merger	0.00	0.00	0.00	0.00
Changes in fair value of available for sale financial assets	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00

**(3) Deferred income tax assets or liabilities listed by net amount after off-set**

Unit: RMB

Item	The final amount set-off deferred income tax assets and liabilities	Offset the ending balance of deferred income tax assets or liabilities	Initial amount set-off deferred income tax assets and liabilities	Offset deferred income tax assets and liabilities after beginning balance
Deferred tax assets		60,663,100.58		63,902,934.83

**(4) List of unrecognized deferred income tax assets**

Unit: RMB

Item	Closing balance	Opening balance
Deductible temporary differences	6,849,822.57	52,370,320.76
Deductible loss	461,484,815.93	461,484,815.93
Total	468,334,638.50	513,855,136.69

### (5) Deductible losses of unrecognized deferred income tax assets will due the following years

Unit: RMB

Year	Closing balance	Opening balance	Notes
2016	258,201,599.91	258,201,599.91	
2017	169,083,295.20	169,083,295.20	
2018	34,199,920.82	34,199,920.82	
2019	0.00	0.00	
2020	0.00	0.00	
Total	461,484,815.93	461,484,815.93	

Other notes: None

### 11. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Hedged item	321,614.39	14,933,862.99
Total	321,614.39	14,933,862.99

Other notes: Other non-current assets decreased by 97.85%, mainly due to the settlement and rollover for part of the forward contracts in current period.

### 12. Short-term loans

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

Unit: RMB

Category	Closing balance	Opening balance
Credit loan	129,719,993.00	27,531,524.84



Entrusted loan	1,419,800,000.00	1,461,800,000.00
Total	1,549,519,993.00	1,489,331,524.84

Notes of short-term loans category: Entrusted loan is provided by the controlling shareholder - Alstom (China) Investment Co., Ltd. The total amount is not more than RMB 2.2 billion. The loan interest rate is 10% lower than the benchmark interest rate.

### 13. Notes payable

Unit: RMB

Aging	Closing balance	Opening balance
Bank acceptance bill	241,576,668.07	278,613,341.88
Total	241,576,668.07	278,613,341.88

The total amount of the due but not pay notes payable at the period-end was of RMB 0.00.

### 14. Accounts payable

#### (1) List of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Procurement payable of materials and components of finished goods	181,315,312.50	307,229,236.49
Total	181,315,312.50	307,229,236.49

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

Unit: RMB

Creditors	Closing balance	Reasons for outstanding
Howden Hua Project Co. Ltd	5,500,000.00	Project not settled
Shandong Luneng Guangda Steel	3,260,292.74	Project not settled
Changzhi Qinghua steel structure Co.,Ltd	3,177,771.75	Project not settled
China Petroleum 7th Construction Company Outfit Manufacturing Branch	3,146,657.55	Project not settled
Diamond Power Machine(HuBei) Inc.	3,049,607.00	Project not settled
Total	18,134,329.04	

Other notes: Accounts payable decreased by 40.98%, mainly due to the raw material feeding for Karabiga、Opole completed in this

period.

## 15. Advance from customers

### (1) List of advance from customers

Unit: RMB

Item	Closing balance	Opening balance
Advance payment from the sales of boiler products	696,589,551.48	893,630,234.94
Total	696,589,551.48	893,630,234.94

### (2) Significant advance from customers aging over 1 year

Unit: RMB

Item	Closing balance	Reasons for outstanding
GE Boiler Deutschland Gmbh	162,761,762.20	Not reaching the settlement date of the engineering construction contract
ALSTOM Power Inc.	82,315,670.37	Not reaching the settlement date of the engineering construction contract
ALSTOM Power Sp. z o.o.	3,758,782.84	Not reaching the settlement date of the engineering construction contract
ALSTOM Boiler France	116,902,067.16	Not reaching the settlement date of the engineering construction contract
China Nuclear Energy Industry Corp	3,063,003.60	Not reaching the settlement date of the engineering construction contract
Huaneng Huoyuan Power Co. Ltd	155,949,589.25	Not reaching the settlement date of the engineering construction contract
Total	524,750,875.42	

## 16. Payroll payable

### (1) List of Payroll payable

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
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Item	Opening balance	Increase	Decrease	Closing balance
Short-term remuneration	8,312,889.20	101,065,186.21	102,064,732.20	7,313,343.21
Post-employment-----welfare-defined contribution plans		10,634,589.74	10,634,589.74	
Total	8,312,889.20	111,699,775.95	112,699,321.94	7,313,343.21

**(2) List of Short-term salary**

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	6,991,898.56	90,674,628.78	91,265,549.92	6,400,977.42
2. Employee welfare		698,834.54	698,834.54	
3. Social insurance		4,587,116.18	4,587,116.18	
Including: Medical insurance premiums		3,845,121.78	3,845,121.78	
Work-related injury insurance		406,114.82	406,114.82	
Maternity insurance		335,879.58	335,879.58	
4. Housing fund		3,885,867.30	3,885,867.30	
5. Trade union funds and employee education expenses	1,320,990.64	1,218,739.41	1,627,364.26	912,365.79
Total	8,312,889.20	101,065,186.21	102,064,732.20	7,313,343.21

**(3) List of drawing scheme**

Unit: RMB

Item	Opening amount	Increase in current period	Decrease in current period	Closing amount
1. Basic endowment insurance		9,917,291.89	9,917,291.89	
2. Unemployment insurance		717,297.85	717,297.85	
Total		10,634,589.74	10,634,589.74	

Other notes: None.

**17. Taxes payable**

Unit: RMB

Item	Closing balance	Opening balance
Value-added tax	-3,811,874.62	-10,516,158.45
Personal income tax	88,207.53	196,130.46

Item	Closing balance	Opening balance
Urban maintenance and construction tax		2,628,165.63
Educational surcharge		1,126,356.70
Land use tax	391,112.01	391,112.01
House tax	1,357,715.02	
Local educational surcharge		750,904.47
Stamp duty	81,118.36	125,426.36
Levee fee		
<b>Total</b>	<b>-1,893,721.70</b>	<b>-5,298,062.82</b>

Other notes: Tax payable increased by 64.26%, mainly due to output VAT increase so that tax retained decrease;

## 18. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest for short-term loan	2,507,263.20	1,892,822.59
<b>Total</b>	<b>2,507,263.20</b>	<b>1,892,822.59</b>

Other notes: No interest overdue without paid

## 19. Dividends payable

Unit: RMB

Main investors	Closing balance	Opening balance
Harbin Institute Of East Force Mechanical And Electrical Company	108,000.00	108,000.00
West Jiaotong University Xingyuan Power Corporation	166,000.00	166,000.00
Shanghai Power Equipment Research Institute	144,000.00	144,000.00
Wuhan City Environmental Protection Engineering Co., Ltd	144,000.00	144,000.00
<b>Total</b>	<b>562,000.00</b>	<b>562,000.00</b>

Note: The dividend payable is due from the subsidiary company, Wuhan Lan Xiang Energy Environmental Protection Science and Technology Co.,Ltd which is still in the process of liquidation.

## 20. Other accounts payable

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

Unit: RMB

Item		

	Closing balance	Opening balance
Payable to related companies	8,927,954.88	10,230,316.95
Payable to unrelated companies	69,076,411.03	70,396,968.03
Total	78,004,365.91	80,627,284.98

**(2) Other significant accounts payable with aging over 1 year**

Other notes: None.

**21. Long-term payroll payable****(1) Long-term payroll payable**

Unit: RMB

Item	Closing balance	Opening balance
I. Posted employment benefits---defined benefit plan net debt	19,507,033.77	20,622,504.43
II. Termination benefits	3,503,867.24	3,503,867.24
Total	23,010,901.01	24,126,371.67

**(2) Change in defined benefit plans**

Obligation present value of defined benefit plans

Unit: RMB

Item	Reporting period	Last period
I. Opening balance	20,622,504.43	19,697,000.00
4. Net interest		679,000.00
1. Actuarial gain (loss expressed with "-")	-295,498.39	1,911,000.00
2. Benefits have paid	-819,972.27	-1,664,495.57
V. Closing balance	19,507,033.77	20,622,504.43

Liabilities (net assets) of defined benefit plans

Unit: RMB

Item	Current year	Last year
I. Opening balance	20,622,504.43	19,697,000.00
II. Defined benefit cost included in the current profits and losses		679,000.00
III. Defined benefit cost included in other comprehensive income		1,911,000.00

Item	Current year	Last year
IV. Other changes	-1,115,470.66	-1,664,495.57
V. Closing balance	19,507,033.77	20,622,504.43

Note: the benefit plan is for retiree benefits

- subsidies basis: according to the share purchase agreement (SPA) of Alstom signed with Wu Guo, Wu Guo co., LTD will continue to take the retirement subsidies for the retired personnel; According to the "retirement and personnel inside meeting minutes" of Wu Guo Shares with Wu Guo Group signed on September 17, 2007, promise the staff who retired before the old factory relocation can enjoy retirement subsidies in accordance with the related policy of SPA; In 2009, the company cleared: the retired staff who retired before December 31, 2009 enjoy retirement subsidies.
- Subsidy standards: retiree subsidies are composed of four parts, each derived from previous state-owned enterprises for staff salary welfare policy adjustment and reform causes:
  - seniority subsidies, 1 yuan each year;
  - medical subsidy, 0.8 yuan each year;
  - traffic subsidies, 10 yuan per month;
  - housing subsidies, according to the level of old wage accounting, more complex, about 20 yuan a month.
 The above four, each retired workers in 110 yuan on average.
- Distribution of time: from employee retirement, until workers died.  
Benefit plans major actuarial assumptions and sensitivity analysis results show that: there is no actuarial report for 2016 interim report.  
Other note: None.

## 22. Deferred revenue

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance	Nature
Government grants	11,759,184.00		138,888.00	11,620,296.00	Land use right of the Company's new plant.
<b>Total</b>	11,759,184.00		138,888.00	11,620,296.00	

Item involving government subsidies

Unit: RMB

Item	Opening balance	New grant in current period	Amount included in operating income	Other changes	Closing balance	Assets-related/income related
Land use right of the Company's new	11,759,184.00		138,888.00		11,620,296.00	Assets-related

Item	Opening balance	New grant in current period	Amount included in operating income	Other changes	Closing balance	Assets-related/income related
plant .						
<b>Total</b>	11,759,184.00		138,888.00		11,620,296.00	

Other notes: None.

### 23. Other non-current liabilities

Unit: RMB

Item	Closing balance	Opening balance
The hedging instrument	2,217,478.85	6,985,196.72
Hedged item		
<b>Total</b>	2,217,478.85	6,985,196.72

Other notes: Other non-current liability decreased by 68.25%, mainly due to the settlement and rollover of the some mature forward contracts in the reporting period.

### 24. Share capital

Unit: RMB

Item	Opening balance	Increase/Decrease (+/-)					Closing balance
		New shares issued	Bonus shares	Capitalized Capital reserves	Others	Subtotal	
Total shares	297,000,000.00						297,000,000.00

Other notes: None

### 25. Capital surplus

Unit: RMB

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium (share capital premium)	144,909,718.58			144,909,718.58
Other capital reserves	29,749,688.88			29,749,688.88

Item	Opening balance	Increase	Decrease	Closing balance
The original system transferred to Capital surplus	29,749,688.88			29,749,688.88
<b>Total</b>	<b>174,659,407.46</b>			<b>174,659,407.46</b>

Other notes, changes and change reason in Report Period: None.

## 26. Other comprehensive income

Unit: RMB

Item	Opening balance	Increase/Decrease in 2014					Closing balance
		Amount before income tax in current period	Less: recorded in other comprehensive income in prior period and transferred to profit or loss in current period	Less: Income tax expense	Attributable to owners of the Company after tax	Attributable to minority shareholders after tax	
(1) Other comprehensive income not reclassified into gains and losses	2,588,272.11						2,588,272.11
Including: the change caused by remeasuring net assets or liabilities of defined benefit plans or changes	2,588,272.11						2,588,272.11
<b>Total</b>	<b>2,588,272.11</b>						<b>2,588,272.11</b>

Other explanation, including the active part of the hedging gains/losses of cash flow transfer to initial reorganization adjustment for the arbitrated items: None.

## 27. Surplus reserves

Unit: RMB



Item	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserves	39,418,356.83			39,418,356.83
Total	39,418,356.83			39,418,356.83

Notes, changes and change reason in Report Period : None.

## 28. Retained earnings

Unit: RMB

Item	Reporting period	Last period
Opening balance of retained profits before adjustments	-1,929,358,509.80	
Opening balance of retained profits after adjustments	-1,929,358,509.80	
Add: Net profit attributable to owners of the Company	-8,749,692.12	
Closing retained profits	-1,938,108,201.92	

List of adjustment of opening retained profits:

- 1) RMB 0 opening retained profits was affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- 2) RMB 0 opening retained profits was affected by changes on accounting policies.
- 3) RMB 0 opening retained profits was affected by correction of significant accounting errors.
- 4) RMB 0 opening retained profits was affected by changes in combination scope arising from same control.
- 5) RMB 0 opening retained profits was affected totally by other adjustments.

## 29. Revenue and Cost of Sales

Unit: RMB

Item	Reporting period		Last period	
	Sales revenue	Cost of sales	Sales revenue	Cost of sales
Main business	763,666,470.40	713,733,790.93	551,734,262.11	464,245,611.74
Other business	1,889,088.66	900,692.21	1,950,092.24	1,184.61
Total	765,555,559.06	714,634,483.14	553,684,354.35	464,246,796.35

## 30. Business tax and surcharges

Unit: RMB

Item	Reporting period	Last period
Urban maintenance and construction tax	6,818,053.44	151,191.83
Educational surcharge	2,922,022.90	64,796.50
Levee fee		21,598.83
Local educational surcharge	1,948,015.27	43,197.67
Total	11,688,091.61	280,784.83

Other notes: Business tax and surcharges increased by 4062.65%, mainly due to domestic sales and export rebates declaration increase this period.

### 31. Selling expenses

Unit: RMB

Item	Reporting period	Last period
Wages and bonus	2,455,083.37	2,978,482.82
Social insurance	776,842.38	395,250.96
Travel expenses and entertainment expenses	952,897.23	526,703.81
Housing fund	97,711.70	105,858.00
Depreciation	160,104.82	162,977.21
Rental fee	173,936.68	115,519.70
Energy cost	54,088.75	57,169.65
Consult fees	1,200.00	1,400.00
IT related cost	112,400.96	19,210.32
Office expenses	58,177.52	131,396.00
Tendering and Other expenses	5,519,915.43	4,185,169.60
Total	10,362,358.84	8,679,138.07

Other notes: Selling expenses increased by 19.39%, mainly due to tender department expense increase for more tender projects.

### 32. Administration expenses

Unit: RMB

Item	Report period	Same period of last year
Wages and bonus	7,327,542.05	6,802,770.66
Social insurance	1,059,229.23	640,413.91

Housing property tax and land use right	3,662,923.86	3,819,320.09
Travel expenses and entertainment expenses	448,782.44	1,232,713.72
Housing fund	288,029.40	176,697.27
Other	5,023,732.30	3,731,510.17
Total	17,810,239.28	16,403,425.82

Other notes: None.

### 33. Financial expenses

Unit: RMB

Item	Report period	Same period of last year
Interest expense	29,157,387.64	39,694,740.84
Less: Interest income	158,845.32	152,000.08
Net losses of foreign currency exchange	-2,980,275.55	21,985,121.66
Counter Fee	1,571,663.96	2,188,753.06
Amortization of unrecognized financial fees	1,650,122.87	0.00
Total	29,240,053.60	63,716,615.48

Notes: Financial expenses decreased by 54.11%, mainly due to foreign exchange loss and interest decrease this period.

### 34. Asset impairment loss

Unit: RMB

Item	Reporting period	Last period
(1) Bad debts losses	-10,857,887.22	-597,567.57
(2) Inventory impairment loss	-3,465,040.33	
Total	-14,322,927.55	-597,567.57

Other notes: Assets impairment loss decreased by 2296.87%, mainly due to reversed bad-debt provision more than the same period last year for the AR collection this period.

### 35. Gains and losses from changes in fair value

Unit: RMB

Sources of changes in fair value gains.	Reporting period	Last period
Hedging gains and losses	-1,895,864.46	18,145,356.51
Total	-1,895,864.46	18,145,356.51

Other notes: Changes in fair value gains decreased by 110.45%, mainly due to the decreased of hedging gains arising from exchange rate movement of hedging instrument

### 36. Non-operating gains

Unit: RMB

Item	Reporting period	Last period	The amount included in the current non-recurring gains and losses
Government grants	138,888.00	1,057,488.00	138,888.00
Others	55,067.90	11,127.11	55,067.90
Total	193,955.90	1,068,615.11	193,955.90

Government subsidies recorded into current profits and losses

Unit: RMB

Item	Distribution subject	Distribution reason	Nature	Whether subsidies influence the current profits and losses or not	Special subsidy or not	Report Period	Same period of last year	Related to assets/related income
Maintain employment subsidies		Subsidies	Subsidies for undertaking for country public service or price control etc	Yes	No		918,600.00	Related to income
Gains from the land use right of the Company's new plantd		Subsidies	For according to government inviting investment policy	Yes	No	138,888.00	138,888.00	Related to assets
Total						138,888.00	1,057,488.00	

Other notes: Non-operating gains decreased by 81.85%, mainly due to Government grants decrease this period.

**37. Non-operating expenses**

Unit: RMB

Item	Report period	Same period of last year	The amount included in the current non-recurring gains and losses
Loss on disposal of non-current assets		128,028.44	
Including: Loss on disposal of fixed assets		128,028.44	
Total		128,028.44	

Other notes: Non-operating expense decreased by 100%, mainly due to the decrease on the losses from the disposal of fixed assets this period

**38. Income tax expense****(1) Lists of income tax expense**

Unit: RMB

Item	Report period	Same period of last year
Deferred income tax expense	3,239,834.25	4,334,664.20
Total	3,239,834.25	4,334,664.20

**(2) Adjustment process of accounting profit and income tax expense:**

Unit: RMB

Item	Report period
Profit before tax	-5,558,648.42
Income tax expenses calculated at legal (or applicable) tax rate	-1,389,662.11
Tax for nondeductible cost, expense and loss	15,729,367.66
Tax effect of using prior years' deductible loss for which the deferred tax not recognized	280,253.24
Tax effect of deductible loss and deductible temporary difference for which the deferred tax not recognized	-11,380,124.55
Income tax expenses	3,239,834.25

Other notes: None.

**39. Other comprehensive income**

Refer to the notes 26.

**40. Supplementary information to cash flow statement****(1) Other cash received relevant to operating activities:**

Unit: RMB

Item	Reporting period	Last period
Tender deposit	6,890,000.00	764,335.00
Maintain employment subsidies		918,600.00
Refunded fee	269,503.75	
Guarantee deposit		1,831,672.83
<b>Total</b>	<b>7,159,503.75</b>	<b>3,514,607.83</b>

Note to other cash received relevant to operating activities: None.

**(2) Other cash paid relevant to operating activities:**

Unit: RMB

Item	Report period	Same period of last year
IT service fees		1,200.00
Information Disclosure fees of listed Companies		42,179.32
Office expenses	512,680.82	627,693.22
Security fees	94,200.00	96,480.00
Insurance expenses	18,822.77	1,109,224.10
Meal fees	3,357,363.50	3,680,446.78
Travel and other expenses	500,018.84	939,937.73
Car fares	536,900.36	1,018,554.88
Conference expenses	1,500.00	155,656.41
Detect costs	3,935.00	
Training expenses	25,429.00	123,545.09
Fuel costs	35,000.00	90,000.00
Audit fee	621,234.01	1,200,000.00
Commuting costs	2,586,656.64	3,167,269.00

General repairs & maintenances	131,460.00	198,645.00
Property costs	219,608.48	390,700.00
Postage expenses	126,356.88	162,644.00
Transportation expenses	2,206,462.33	529,697.75
Consult fees	807,444.28	3,949,024.13
Bank charge	1,585,602.04	1,879,217.49
Others	13,235.00	132,250.00
Tender deposit	1,200,000.00	
Total	14,583,909.95	19,494,364.90

Note to other cash paid relevant to operating activities: No.

### (3) Other cash received relevant to investment activities

Unit: RMB

Item	Report period	Same period of last year
Including: interest income	150,437.84	146,132.78
Total	150,437.84	146,132.78

Note to other cash received relevant to investment activities: No.

## 41. Supplemental information for Cash Flow Statement

### (1) Supplemental information for Cash Flow Statement

Unit: RMB

Supplemental information	Report period	Same period of last year
1. Reconciliation between net profit and net cash flows generated from operations:		
Net profit	-8,798,482.67	15,706,440.35
Add: Provision for assets impairments	-14,322,927.55	-40,317,971.66
Depreciation of fixed assets, depletion of oil & gas assets and productive biological assets	17,508,725.78	17,054,138.97
Amortization of intangible assets	2,262,680.59	2,223,376.27
Losses/gains on disposal of property, intangible asset and other long-term assets		128,028.44

Supplemental information	Report period	Same period of last year
(gains: ) “-”		
Loss on changes of fair value (“-”for gain)	1,895,864.46	-16,669,356.51
Financial cost (income: “-”)	26,018,266.77	60,051,862.42
Decrease in deferred tax assets (increase: “-”)	3,239,834.25	4,334,664.20
Decrease in inventory (increase: “-”)	161,016,812.12	-104,297,541.14
Decrease in accounts receivable from operating activities (increase: “-”)	-16,589,561.90	-179,241,827.35
Increase in accounts payable from operating activities (decrease: “-”)	-342,196,853.89	218,758,317.20
Net cash flows generated from operating activities	-169,965,642.04	-22,269,868.81
2. Significant investing and financing activities without involvement of cash receipts and payments	--	--
3. Change of cash and cash equivalent:	--	--
Closing balance of Cash	21,421,082.12	21,379,057.23
Less: opening balance of cash	172,209,825.09	6,682,825.97
The net increase in cash and cash equivalents	-150,788,742.97	14,696,231.26

## (2) Cash and cash equivalents

Unit: RMB

Item	Reporting period	Last period
I. Cash	21,421,082.12	172,254,062.41
Bank deposit payable on demand	21,421,082.12	172,254,062.41
III. Closing balance of cash and cash equivalents	21,421,082.12	172,254,062.41

Other notes: None.



**42. Foreign currency monetary items****(1) Foreign currency monetary items**

Unit: RMB

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Cash and Cash equivalents			
Including: USD	4,535.36	6.6312	30,074.88
EUR	909.03	7.375	6,704.10
HKD	54.00	0.0645	3.48
Account receivable			
Including: USD	15,103,813.26	6.6312	100,156,406.49
Account payable			
Including: EUR	77,473.65	7.375	571,368.17
Other payable			
Including: EUR	1,870.00	7.375	13,791.25

Other notes: None

**(2) Note to overseas entities including: for significant overseas entities, shall disclose main operating place, recording currency and selection basis, if there are changes into recording currency, shall also disclose the reason.**

Applicable  Not applicable

**43. Arbitrage**

Required by the business development and in order to avoid the exchange rate risk, the Company has signed forward foreign exchange contracts with HSBC and Standard Chartered Bank. In terms of the risk of exchange rate fluctuations, the Company cooperates with the banks to forecast the exchange rate trend, closely tracking the exchange rate change, and implements dynamic management according to the change of market. In terms of liquidity risk, foreign exchange hedging transactions carried out by the Company are based on company's foreign exchange revenue and expenditure budget. Since the foreign exchange hedging business matches the actual foreign exchange receipts and payments, so it can guarantee sufficient funds for settlement and has little impact on the Company's current assets. In terms of operational risks, the Company specifies the business operation process and authorization management system, appoints full-time personnel with segregated responsibilities, strictly conducts foreign exchange hedging business within the authorized scope; meanwhile, the Company strengthens the professional training of relevant personnel and pays attention to the professional ethics, improves the skills of the relevant personnel, and establishes the timely reporting system for

abnormal situation, which help to avoid the occurrence of operational risk to the maximum extend. In terms of credit risk, the business partners of the foreign exchange hedging business the Company has selected are large commercial banks and foreign banks which have good credit and have long term business relationship with the Company. Therefore there is little risk of implementation risk. In terms of legal risk, the Company conducts the foreign exchange hedging business in compliance with relevant laws and regulations, and related transaction management standards. The Company signed accurate and clear legal agreements with the other parties to avoid potential legal disputes to the maximum degree. In terms of potential credit risk, operational risk, and cash flow risk, the Company conducts sufficient assessment and effective control.

#### 44. Other

None.

### VIII Equity in other entities

#### 1. Equity in subsidiary

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

Name	Main operating place	Registration place	Nature of business	Holding percentage		Way of gaining
				Directly	Indirectly	
Wuhan Lan Xiang Energy Environmental Protection Science and Technology Co.,Ltd	Wuhan	Wuhan	Industrial Production	95%		Set up

Notes: holding proportion in subsidiary different from voting proportion: Equal

Basis of holding half or less voting rights but still been controlled investee and holding more than half of the voting rights not been controlled investee: None

Significant structure entities and controlling basis in the scope of combination: None

Basis of determine whether the Company is the agent or the principal: None

Other notes: None

##### (2) Significant not wholly owned subsidiary

Unit: RMB

Name	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Wuhan Lan Xiang Energy Environmental Protection	5.00%	-48,790.55	0.00	213,945.25

Name	Shareholding proportion of minority shareholder	The profits and losses arbitrate to the minority shareholders	Declaring dividends distribute to minority shareholder	Balance of minority shareholder at closing period
Science and Technology Co.,Ltd				

Holding proportion of minority shareholder in subsidiary different from voting proportion: Equal

Other notes: None

### (3) The main financial information of significant not wholly owned subsidiary

Unit: RMB

Name	Closing balance						Opening balance						
	Current assets	Non-current assets		Current assets	Non-current assets		Current assets	Non-current assets		Current assets	Non-current assets		
Wuhan Lan Xiang Energy Environmental Protection Science and Technology Co.,Ltd	5,749,856.29	0.00		5,749,856.29	1,470,951.59	0.00	1,470,951.59	6,725,425.40	0.00	6,725,425.40	1,470,709.59	0.00	1,470,709.59

Unit: RMB

Name	Report Period				Last period			
	Operation revenue	Net profit		Operation revenue	Net profit		Operation revenue	Net profit
Wuhan Lan Xiang Energy Environmental Protection Science and Technology Co.,Ltd	0.00	-975,811.11	0.00	0.00	0.00	254,307.55	0.00	321,959.85

Other notes: None.

## **IX The risk related financial instruments**

The Company's major financial instruments include cash and cash equivalents, notes receivable, accounts receivable, other receivables, short-term borrowings, notes payable, accounts payable and other payables, etc. and refer to relevant notes for details.

The Company main risks caused by financial instruments are credit risk, liquidity risk and market risk. The Company management controls and monitors the risks to ensure measures taken timely and effectively.

### **1. Credit risk**

Credit risk refers to the risk of financial loss of the Company caused due to default of contract obligation of transaction counterparty.

The Company manages credit risk by portfolio. Credit risk mainly arises from bank deposit, accounts receivable and other receivables. Credit risk associate to financial asset arises from Counterparty default. The carrying amount is equal to the maximum exposure of these tools.

The Company's deposits are in banks with high credit ratings. There is no significant credit risk and it will not create any significant loss caused by counterparty default.

The Company's accounts receivables mainly are accounts receivables from boiler equipment sales. Most customers are domestic large thermal power plants and the Company's related party, ALSTOM Holdings and its subsidiaries, which have good reputation with no significant credit risk. The Company assesses the customers on a regular basis to monitor their credit ratings and ensure there is no significant credit risk. The only potential credit risk in the Company is that the accounts receivables might not be collected when compensation are made to customers due to quality issues. As at 31 December 2015, there are certain credit risks in the following accounts receivable accounts: The amount of RMB 4,952,500.00 due from Datang Gansu Generation Co., Ltd. Xigu Thermoelectric Plant with aging over 5 years, which is caused by the quality issue of the boiler equipment; The amount of RMB 3,407,000 due from Datang Liaoyuan Power Plant with aging over 5 years, which is caused by the quality issue of the equipment. The Company has recognized 100% bad debts for the above amounts as well as maintained its rights by lawsuits.

The Company's main business is to manufacture power station boilers, which are construction contracts of large equipments. The contract amount is large and the manufacturing cycle is relatively long, so customers are relatively concentrated, among which the orders from the controlling shareholder of the Company and its related parties account for 68.91% of total annual sales. However, the controlling shareholder of the Company and its related parties have helped the Company sign a number of subcontracting orders of the main parts, which brings stable sales and timely payments to the Company. It enables the Company to develop the export market and supports the normal operation of the Company in recent years. Therefore, there is a customer concentration risk in the Company.

Refer to note VII 3 and note VII 5 for details about the data of the credit risk exposure resulted from accounts receivable and other

receivables.

## 2. Liquidity risk

Liquidity risk refers to risk of capital shortage caused when the Company executes obligations of settlement in the manner of cash payment or other financial assets.

The company is responsible for monitoring the cash flow forecast, and signed up an entrusted loan agreement with maximum amount of RMB 2,200 million with ALSTOM (China) Investment Co., Ltd. to ensure the daily cash flow for the Company's daily operation to avoid the shortage of funds. The Company also continues to monitor whether the provisions of the loan agreement are complied or not, which ensures major financial institutions' commitments about sufficient spare cash to meet the short-term and long-term demands for funds.

The maturity analysis for the company's financial liabilities based on the contractual undiscounted cash flow is as follows:

Closing balance:

Item	Financial liabilities				
	Within 1 year	1-2 years (including 2 years)	2-3 years (including 3years)	Over 3 years	Total
Short-term borrowings	1,549,519,993.00				1,549,519,993.00
Notes payable	241,576,668.07				241,576,668.07
Accounts payable	181,315,312.50				181,315,312.50
Interest payable	2,507,263.20				2,507,263.20
Other payables	78,916,731.70				78,916,731.70
Other long-term liabilities	2,217,478.85				2,217,478.85
Total	2,056,053,447.32	0.00	0.00	0.00	2,056,053,447.32

Opening balances:

Item	Financial liabilities
------	-----------------------

	Within 1 year	1-2 years (including 2 years)	2-3 years (including 3 years)	Over 3 years	Total
Short-term borrowings	1,489,331,524.84				1,489,331,524.84
Notes payable	278,613,341.88				278,613,341.88
Accounts payable	307,229,236.49				307,229,236.49
Interest payable	1,892,822.59				1,892,822.59
Other payables	80,627,284.98				80,627,284.98
Other long-term liabilities	6,545,741.22		439,455.50		6,985,196.72
Total	2,164,239,952.00		439,455.50		2,164,679,407.50

### 3. Market risk

Market risk refers to the risk of fluctuation of fair value or future cash flow of financial instruments caused due to market price change, including interest risk, exchange rate risk and other price risk

#### (1) Interest rate risk

Interest risk refers to the risk of fluctuation of fair value or future cash flow of financial instruments caused due to interest change.

The interest risk of the Company mainly arises from interest-bearing debts, such as loans from bank and short-term borrowings.

Financial liabilities with floating rate lead the Company to cash flow interest risk. Fixed interest rate financial liabilities lead the Company to fair value interest risk. The Company decides the relative proportion of fixed interest rate and floating rate on the basis of market circumstance at the moment. As at 30 June 2016, the Company's interest-bearing debts mainly consist of RMB interest rate loan contracts with total of RMB 1,549,519,993.00.

The management has carried out sensitivity analysis, the 50 basis point changes reasonably reflect the possible range of changes in interest rates, under the condition of other unchanged variables, the effects of interest rate increase / decrease 50 basis points on the pretax profit.

Item	Report Period	Last period
	Effect on the pretax profit (RMB 10,000)	Effect on the pretax profit (RMB10,000)
Benchmark interest rate increase 50 basis	-774.76	-744.67

Item	Report Period	Last period
	Effect on the pretax profit (RMB 10,000)	Effect on the pretax profit (RMB10,000)
points		
Benchmark interest rate decrease 50 basis points	774.76	744.67

## (2) Other price risk

Other price risk is the risk refers to the market price risk other than exchange risk and interest risk, no matter whether these changes are caused by factors related to individual financial instruments or as a result of all the similar financial instruments within the factors have caused.

The Company does not have other price risk by the end of the reporting period.

**X The disclosure of the fair value****1. Closing fair value of assets and liabilities calculated by fair value**

Unit: RMB

Item	Closing balance of Fair value			
	First level Fair value measurement	Second level Fair value measurement	Third level Fair value measurement	Total
I. Sustaining fair value measurement				
Hedged item	321,614.39			321,614.39
Total assets under sustaining fair value measurement	321,614.39			321,614.39
Hedging instrument	2,217,478.85			2,217,478.85
Total liabilities under sustaining fair value measurement	2,217,478.85			2,217,478.85

Item	Closing balance of Fair value			
	First level Fair value measurement	Second level Fair value measurement	Third level Fair value measurement	Total
II Non-Sustaining fair value measurement				

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

Measured by open market price.

## XI Related party and related Transaction

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

Name of parent company	Registration	Nature of business	Registered Capital	The parent company's shareholding (%)	The parent company's voting right (%)
ALSTOM (China) Investment Co., Ltd.	Fifth floor. QianKun building ,No. 6 , West No 6 street, Sanlitun, Chaoyang district, Beijing	Lawfully investing in fields in which foreign investment is permitted by the State	USD 60,964,400.00	51%	51%

Notes: Information on the parent company: None.

The final control of the Company was: General Electric Company

Other notes: None.

### 2. Information of subsidiaries of the Company

Information of subsidiaries of the Company refers to note IV-5-4

### 3. Information on other related parties of the Company

Name	Relationship
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Name	Relationship
ALSTOM Power Inc.	The subsidiary of ultimate holding company
ALSTOM Boiler France	The subsidiary of ultimate holding company
ALSTOM Boiler Deutschland GmbH	The subsidiary of ultimate holding company
ALSTOM Power Service GmbH	The subsidiary of ultimate holding company
ALSTOM Power Energy	The subsidiary of ultimate holding company
ALSTOM Estonia AS	The subsidiary of ultimate holding company
ALSTOM IS&T SAS	The subsidiary of ultimate holding company
ALSTOM Power Ltd	The subsidiary of ultimate holding company
ALSTOMs.r.o	The subsidiary of ultimate holding company
ALSTOM (Switzerland) Ltd	The subsidiary of ultimate holding company
ALSTOM Power Turbomachines LLC	The subsidiary of ultimate holding company
ALSTOM Power Sp.zo.o.	The subsidiary of ultimate holding company
ALSTOM Power Energy Chattanooga Plant	The subsidiary of ultimate holding company
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	The subsidiary of ultimate holding company
ALSTOM (Beijing) Engineering & Technology Co., Ltd.	The subsidiary of ultimate holding company
ALSTOM Technical Services (Shanghai) Co., Ltd.	The subsidiary of ultimate holding company
Wuhan Boiler Group Co., Ltd.	The second largest shareholder
Wuhan Boiler (Group) Valve Co., Ltd.	The subsidiary of second largest shareholder
Wuhan Boiler (Group) Engineering & Technology Co., Ltd.	The subsidiary of second largest shareholder
Wuhan Boiler (Group) Yuntong Co., Ltd.	The subsidiary of second largest shareholder

Other notes: None

#### 4. List of related-party transactions

##### (1) Information on acquisition of goods and reception of labor service (unit: ten thousand Yuan)

Information on acquisition of goods and reception of labor service (unit: ten thousand Yuan)

Unit: RMB

Related party	Content	Report Period	The approval trade credit	Whether exceed trade credit or not	Last period
General Electric (Switzerland) GmbH	IT Services	732,848.01	5,397,800.00	No	1,352,977.40
ALSOTOM (China) Investment Co., Ltd.	IT Services, training	1,705,892.03	6,598,900.00	No	1,685,672.29
ALSTOM IS&T SAS	IT Services	3,376,035.83	5,994,300.00	No	2,262,069.28
ALSTOM Technical Services (Shanghai) Co., Ltd.	Parts purchasing	0.00	10,000.00	No	25,000.00
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	Design service	2,624,156.78	3,350,800.00	No	1,929,870.00
ALSTOM Power Inc.	Material purchasing	8,586,759.38	19,399,000.00	No	0.00
ALSTOM Power Inc.	Design service	0.00	332,286,800.00	No	4,681,010.33
GE Boiler Deutschland GmbH	Consulting and design fees	397,320.62	153,497,400.00	No	0.00
ALSTOM India Limited	Design service	808,445.92	52,328,500.00	No	0.00
ALSTOM India Limited	Material purchasing	555.30	20,000.00	No	0.00
ALSTOM Boiler France	Design service	938,041.28	11,480,000.00	No	0.00
ALSTOM (Beijing) Engineering & Technology Co., Ltd.	Design service	5,629,911.24	6,003,300.00	No	471,127.19

Information of sales of goods and provision of labor service

Unit: RMB

Related-party	Content	Report period	Same period of last year
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ALSTOM Boiler France	Boiler sales	27,480,604.65	44,046,905.63
ALSTOM Power Inc.	Boiler sales	200,357,293.59	284,596,456.62
ALSTOM Power Sp.zo.o.	Boiler sales	78,989,083.32	106,595,536.25
ALSTOM Boiler Deutschland GmbH	Boiler sales	0.00	266,423.20
ALSTOM Technical Services (Shanghai) Co., Ltd.	Boiler sales	556,723.45	436,216.40
ALSTOM MIDDLE EAST Ltd.	Boiler sales	63,581.74	0.00
ALSTOM Technical Services (Shanghai) Co., Ltd.	Testing services	0.00	53,272.63
ALSTOM Boiler Deutschland GmbH	Provision of service	0.00	110,000.00
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	Processing services	580,520.21	0.00
ALSTOM Power Turbomachines LLC	Training	0.00	62,546.48
ALSTOM Technical Services (Shanghai) Co., Ltd.	Testing services	62,000.00	0.00
ALSTOM Boiler Deutschland GmbH	Testing services	58,833.02	0.00
ALSTOM Power Turbomachines LLC	Testing services	151,050.00	0.00

Notes:

**(2) Rewards for the key management personnel**

Unit: RMB

Item	Report period	Same period of last year
Remuneration for key management	2,440,000.00	2,012,588.64

**(3) Other related-party transactions**

ALSTOM (China) Investment Co., Ltd entrusted China Construction Bank to provide a shareholder's entrusted loan to the Company. The amount is RMB 1,419,800,000.00 with a floating downward 10% of PBoC benchmark interest rate. The cumulative interest expenses in 2016H1 were RMB 27,937,482.90.

**5. Receivables and payables of related parties****(1) Receivables**

Unit: RMB

Item	Related party	Closing balance	Opening balance
------	---------------	-----------------	-----------------

		Booking balance	Bad debts provisions	Booking balance	Bad debts provisions
Accounts receivable	Wuhan Boiler (Group) Engineering & Technology Co., Ltd.	0.00	0.00	8,649,095.32	4,968,818.28
Accounts receivable	ALSTOM POWER Sp.zo.o	46,274,087.25	1,388,222.62	26,773,752.82	803,212.58
Accounts receivable	ALSTOM Power Inc	15,391,753.56	461,752.61	61,570,697.00	1,847,120.91
Accounts receivable	ALSTOM Boiler France	0.00	0.00	10,514,681.00	315,440.43
Prepayment	ALSTOM Power Inc.	0.00	0.00	2,576,027.82	0.00
Other receivables	Wuhan Boiler Group	61,030,488.11	61,030,488.11	61,030,488.11	61,030,488.11
Other receivables	Wuhan Boiler (Group) Valve Co., Ltd.	240,571.49	240,571.49	240,571.49	240,571.49
Other receivables	Wuhan Boiler (Group) Yuntong Co., Ltd.	10,171.01	10,171.01	10,171.01	10,171.01
Other receivables	ALSTOM Boiler France	0.00	0.00	0.00	0.00
Other receivables	GE Boiler Deutschland Gmbh	0.00	0.00	177,000.00	5,310.00
Other receivables	ALSTOM (Beijing) Engineering & Technology Co., Ltd.	14,074.73	2,814.95	14,074.73	2,814.95
Other receivables	ALSTOM (Shanghai) Engineering & Technology Co., Ltd.	633,651.43	19,009.54	1,324,107.47	39,723.22
Other receivables	ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	0.00	0.00	355,152.13	10,654.56
Other receivables	ALSTOM Power Inc.	0.00	0.00	36,157.65	7,231.53

**(2) Payables**

Unit: RMB

Item	Related parties	Closing balance	Opening balance
Accounts payable	Wuhan Boiler (Group) Yuntong Co., Ltd.	17,440.01	17,440.01
Accounts payable	Wuhan Boiler (Group) Valve Co., Ltd.	261,192.26	261,192.26

Accounts payable	Wuhan Boiler (Group) Engineering & Technology Co., Ltd.	0.00	10,803,704.17
Accounts payable	GE Boiler Deutschland Gmbh	0.00	375,136.95
Accounts payable	ALSTOM Power Inc	3,005,365.78	0.00
Accounts payable	ALSTOM POWER S.R.O	130,326.28	137,633.19
Accounts payable	ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	0.00	2,102,457.30
Accounts payable	ALSTOM India Limited	0.00	19,371.00
Advance from customers	GE Boiler Deutschland Gmbh	163,148,125.74	67,648,249.82
Advance from customers	ALSTOM Power Sp. z o.o.	3,758,782.84	9,521,722.68
Advance from customers	ALSTOM Boiler France	116,902,067.16	15,548,900.32
Advance from customers	ALSTOM Power Inc.	82,705,228.77	292,329,694.06
Advance from customers	ALSTOM Technical Services (Shanghai) Co., Ltd.	8,909,667.83	7,817,300.00
Other payables	Wuhan Boiler Group Co.,Ltd	974,056.13	974,056.13
Other payables	ALSOTOM (China) Investment Co., Ltd.	1,014,908.35	320,772.55
Other payables	ALSTOM IS&T SAS	5,385,213.20	3,089,762.36
Other payables	General Electric (Switzerland) GmbH	1,339,667.00	440,889.00
Other payables	ALSTOM Power Turbomachines LLC	186,898.36	186,898.36
Other payables	ALSTOM India Limited	986,201.00	19,602.67
Other payables	GE Boiler Deutschland Gmbh	359,534.02	359,534.02
Other payables	ALSTOM Power Inc.	0.00	1,225,600.00
Other payables	ALSTOM (Beijing) Engineering & Technology Co., Ltd.	15,009.60	3,613,201.86

## XII、Shared-based payment

### 1、General shared-based payment

Applicable  Not Applicable

### 2、Shared-based payment settled by equity

Applicable  Not Applicable

**3、 Shared-based payment settled by cash**

Applicable     Not Applicable

**4、 Revised and termination on shared-based payment**

None

**5、 Others**

None

**XIII Commitments****1. Significant commitments**

As at 30 June 2016, the commitment related to purchases of long-term assets which the contracts were signed but not reflected in the financial statements amounted to RMB 8,034,467.86, USD 157,085.00, and EUR 15,071.50.

**(2) Other commitments**

As at 30 June 2016, the unexpired bonds issued by the Company are as follows: performance bond RMB275,071,389.46, tender bond RMB 1,600,000.00, prepayment bond RMB 111,328,330.00, payment bond RMB 16,617,380.00.

**(3) The performance of previous commitments**

The performance of prior capital commitments: the amount of prior capital commitments fulfilled in 2016H1 was RMB 4,198,875.95.

The release of bonds for opening are to: tender bond RMB 3,200,000.00, and payment bond RMB 4,300,000.00

**2. Contingency****(1) Significant contingency at balance sheet date**

None.

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

There was no significant contingency in the Company.

**3. Other**

None.

## **XIV Events after balance sheet date**

### **1. Notes of other significant events**

None.

## **XV Other significant events**

### **1. Segment information**

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

There is no segment of the Company classified as different economic characteristics, and also no segment classified in accordance with the internal organisation structure, management requirements, and internal report system and etc. Therefore, the Company does not need to disclose the segment information.

#### **(2) The financial information of reportable segment**

Not applicaiton.

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

Not applicaiton.

#### **(4) Other notes**

None.

### **2. Other important transactions and events have an impact on investors' decision-making**

None

### **3. Other**

None

## **XVI Notes of main items in the financial statements of the Company**

### **1. Accounts receivable**

#### **(1) Accounts receivable classified by category**

Unit: RMB

Category	Closing balance				
	Balance		Provision for bad & doubtful debts		Net amount
	Amount	(%)	Amount	(%)	
Receivables that are individually significant in amount and provided for bad debt separately	3,052,460.00	0.96%	3,052,460.00	100.00%	0.00
Accounts receivable whose bad debts provision was accrued by credit risk feature	310,875,032.73	97.44%	92,530,814.76	29.76%	218,344,217.97
Receivables that are individually insignificant in amount but provided for bad debt separately	5,122,376.64	1.61%	580,000.00	11.32%	4,542,376.64
Total	319,049,869.37	100.00%	96,163,274.76	30.14%	222,886,594.61

Category	Opening balance				
	Balance		Provision for bad & doubtful debts		Net amount
	Amount	(%)	Amount	(%)	
Receivables that are individually significant in amount and provided for bad debt separately	8,359,460.00	2.36%	8,359,460.00	100.00%	0.00
Accounts receivable whose bad debts provision was accrued by credit risk feature	335,238,878.24	94.80%	98,201,935.56	29.29%	237,036,942.68
Receivables that are individually insignificant in amount but provided for bad debt separately	10,022,880.50	2.84%	680,000.00	6.78%	9,342,880.50
Total	353,621,218.74	100.00%	107,241,395.56	30.33%	246,379,823.18

Accounts receivable with single significant amount and withdrawal bad debt provision separately at end of period

✓ Applicable □ Not applicable

Company	Closing balance			
	Account receivable	Provision for bad debts	Accrual ratio	Reason
Gansu Datang Xigu Power Co.Ltd	3,052,460.00	3,052,460.00	100.00%	Quality issue, the warranty collection is difficult
Total	3,052,460.00	3,052,460.00	--	--



In the groups, accounts receivable adopting aging analysis method to accrue bad debt provision:

Applicable  Inapplicable

Unit: RMB Yuan

Aging	Closing balance		
	Account receivable	Provision for bad debts	Accrual ratio
Within 1 year	190,373,852.93	5,711,215.58	3.00%
1-2 years	34,723,278.99	1,041,698.37	3.00%
Over 5 years	85,777,900.81	85,777,900.81	100.00%
Total	310,875,032.73	92,530,814.76	29.76%

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

Applicable  Inapplicable

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

None.

## (2) Accounts receivable withdraw, reversed or collected during the Report Period

The withdrawal amount of the bad debt provision during the Report Period was of RMB3,506,471.41; the amount of the reversed or collected part during the Report Period or of which the significant amount of the reversed or collected part during the Report Period was of RMB14,635,235.87.

The significant collected or reversed amounts for bad debt provisions are as follows.

Unit: RMB

Debtors	Collected or reversed amount	Reasons
Shanxi Lu'an Yuwu Thermopower Co., Ltd.	130,000.00	Amount collected
Henan Zhongyuan Combustion Power Co.Ltd	108,000.00	Amount collected
Wuhan Boiler Group Engineering Technology Co.,Ltd.	4,968,818.28	Amount collected
Datang Liaoyuan Power Plant	3,407,000.00	Amount collected
Gansu Datang Xigu Power Co.Ltd	1,900,000.00	Amount collected
Guodian Lanzhou Thermopower Co., Ltd.	100,000.00	Amount collected
Binzhou Beihai New Material Co.Ltd	840,000.00	Amount collected
Gansu Diantou Yongchang Generating Co.Ltd	165,000.00	Amount collected
ALSTOM Power Inc.	1,847,120.91	Amount collected
ALSTOM Boiler France	315,440.43	Amount collected
ALSTOM POWER Sp.zo.o.	803,212.59	Amount collected
合计	14,584,592.21	--

**(3) Top 5 of the closing balance of the accounts receivable collected according to the arrears party**

Amount of the top five accounts receivable is RMB239,117,755.03 in total, accounting for the 74.57% of closing accounts receivable balance., the corresponding closing balance of provision for bad debts is RMB 46,108,275.97 .

**2. Other accounts receivable****(1) Other account receivable classified by category**

Unit: RMB

Category	Closing Balance					Opening Balance				
	Balance		Provision for bad & doubtful debts		Net amount	Balance		Provision for bad & doubtful debts		Net amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Other receivables that individually significant in amount and provided for bad debt separately	19,950,586.83	17.92%	19,950,586.83	100.00%		19,950,586.83	17.85%	19,950,586.83	100.00%	
Other accounts receivable whose bad debts provision was accrued by credit risk feature	81,754,728.88	73.42%	70,402,348.93	86.11%	11,352,379.95	82,381,035.97	73.71%	70,389,164.71	85.44%	11,991,871.26
Other receivables that individually insignificant in amount but provided for bad debt separately	9,648,361.42	8.66%	9,648,361.42	100.00%		9,438,361.42	8.44%	9,438,361.42	100.00%	
<b>Total</b>	<b>111,353,677.13</b>	<b>100.00%</b>	<b>100,001,297.18</b>	<b>89.81%</b>	<b>11,352,379.95</b>	<b>111,769,984.22</b>	<b>100.00%</b>	<b>99,778,112.96</b>	<b>89.27%</b>	<b>11,991,871.26</b>

Other accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end:

Applicable  Not applicable

Company	Closing Balance			
	Balance	Bad debt amount	Provision %	Reason
Shandong luneng material group co., LTD	19,950,586.83	19,950,586.83	100.00%	Project suspended, difficult to recover the money.
<b>Total</b>	<b>19,950,586.83</b>	<b>19,950,586.83</b>	<b>--</b>	<b>--</b>

In the groups, other accounts receivable adopting aging analysis method to accrue bad debt provision:

√ Applicable □ Not applicable

Aging	Closing balance		
	Balance	Provision for bad & doubtful debts	Provision %
Within 1 year (including 1 year)	2,948,061.75	88,441.85	3.00%
1-2 years(including 2 years)	461,127.04	13,833.81	3.00%
2-3 years(including 3 years)	138,014.58	8,280.87	6.00%
3-4 years(including 4 years)	64,807.84	12,961.57	20.00%
4-5 years(including 5 years)	251,163.86	50,232.77	20.00%
Over 5 years	70,228,598.05	70,228,598.05	100.00%
Total	74,091,773.12	70,402,348.93	95.02%

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

□ Applicable √ Not applicable

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

□ Applicable √ Not applicable

## (2) Accounts receivable withdraw, reversed or collected during the Report Period

The withdrawal amount of the bad debt provision during the Report Period was of RMB253,004.46; the amount of the reversed or collected part during the Report Period or of which the significant amount of the reversed or collected part during the Report Period was of RMB29,820.24.

Unit: RMB

Debtors	Collected or reversed Amount	Collected method
ALSTOM Power Inc.	7,231.53	Amount collected
ALSTOM Power Systems SA	5,310.00	Amount collected
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	10,654.56	Amount collected
Advanced payment for employee	6,624.15	Amount collected
Total	29,820.24	

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

Unit: RMB

Nature	Closing Balance	Opening Balance
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Tender deposits	800,000.00	1,600,000.00
Sales tax	32,074,337.07	35,416,673.37
Accounts receivable due from related parties	62,487,846.10	62,440,562.46
Accounts receivable due from non-related parties	15,776,493.96	12,024,348.39
Others	215,000.00	288,400.00
Total	111,353,677.13	111,769,984.22

#### (4) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Unit: RMB

Debtors	Nature	Closing balance	Aging	Proportion of the total	Closing balance of provisions for bad & doubtful debts
Wuhan Boiler (Group) Co., Ltd.	Relocation compensation for the old factory	61,030,488.11	more than 5 years	55.08%	61,030,488.11
Shandong Luneng Material Group Co. Limited	Sales tax	19,950,586.84	more than 5 years	18.01%	19,950,586.84
Eastlake Development Zone Government	New factory power facilities	8,947,367.44	more than 5 years	8.08%	8,947,367.44
Shanxi Zhenxing Group Co., Ltd.	Sales tax	7,080,035.47	more than 5 years	6.39%	7,080,035.47
Huaneng Luoyuan Power Co. Ltd.	Sales tax	3,507,811.99	less than 1 years	3.17%	
Total	--	100,516,289.85	--	90.72%	97,008,477.86

### 3. Long-term equity investment

Unit: RMB

The investee	Opening balance	Increase	Decrease	Closing balance	Impairment provisions	Closing balance for impairment provisions

Wuhan Lan Xiang Energy Environmental Protection Technology Co., Ltd.	24,984,500.00			24,984,500.00		
Total	24,984,500.00			24,984,500.00		

**(2) Other notes**

None.

**4. Revenue and Cost of Sales**

Unit: RMB

Item	Report period		Last period	
	Revenue	Cost	Revenue	Cost
Main business	763,666,470.40	713,733,790.93	551,734,262.11	464,245,611.74
Other businesses	1,889,088.66	900,692.21	1,950,092.24	1,184.61
Total	765,555,559.06	714,634,483.14	553,684,354.35	464,246,796.35

Other notes: None

**XVIII Supplementary information****1. Items and amounts of extraordinary gains and losses**

√ Applicable □ Not applicable

Unit: RMB

Item	Amount	Notes
Governmental subsidy included in the current profits and losses (is closely related with the business event, except for the governmental subsidy that according to the national unity standard quota or the quantitative regal assets)	138,888.00	The relevant deferred incomes of the land use right in the new factory zone of the Company
Income and expenses of the other operation except for the mentioned above	55,067.90	Quality compensation
Total	193,955.90	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item

Applicable  Not applicable

## 2. Return on equity and earnings per share

Profit in the reporting period	The weighted average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's common stock shareholders	-0.63%	-0.03	-0.03
Net profit attributable to shareholders of the Company's common stock after deducting non-recurring gains and losses	-0.63%	-0.03	-0.03

## 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

Applicable  Not applicable

Unit: RMB

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	Report period	Same period of last year	Closing amount	Opening amount
According to the Chinese accounting standards	-8,749,692.12	15,693,724.97	-1,424,442,165.52	-1,415,692,473.40
Items and amounts adjusted according to international accounting standards				
According to international accounting standards	-8,749,692.12	15,693,724.97	-1,424,442,165.52	-1,415,692,473.40

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

Applicable  Not applicable

Name of foreign accounting standards:

Unit: RMB

	Net profit attributable to shareholders of the Company		Net assets attributable to shareholders of the Company	
	Report period	Same period of last year	Closing amount	Opening amount
According to Chinese accounting standards	-8,749,692.12	15,693,724.97	-1,424,442,165.52	-1,415,692,473.40
Items and amounts adjusted according to overseas accounting standards				

According to overseas accounting standards	-8,749,692.12	15,693,724.97	-1,424,442,165.52	-1,415,692,473.40
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**(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**

None.

#### **4. Other**

None

## **Section X Documents Available For Reference**

- I. 2016 Interim Report with signature of Legal Representative;
- II. Financial statements with signatures and seals of Company Principal, Accounting Principal and Accounting Division's Principal.
- III. Originals of all documents and announcements of the Company disclosed in the Report Period on the website designated by the CSRC.

August 29, 2016