UNCEMENT
DECEMBER 2016

The Bo ny Limited (the "Com y") is pleased to
announ mpany and its subsidiari s (the "Group") for
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Enter

CONSOLIDATED BALANCE SHEET

Made by: Harbin Electric Company Limited December 31, 2016 .

Item		December 31, 2016	December 31, 2015
Current assets:			
Cash and bank		**18,089,913,079.54**	18,237,006,157.72
¤Settlement reserve		**—**	—
¤Due from banks and other financial institutions		**—**	—
Financial assets at fair value through profit and loss		**—**	—
Derivative assets		**—**	—
Notes receivable		**3,806,467,011.80**	2,308,409,073.94
Accounts receivable	*2*	**10,060,235,974.92**	10,987,770,955.98
Advances to suppliers		**6,037,338,085.19**	5,413,917,652.83
¤Premium receivable		**—**	—
¤Reinsurance premium receivable		**—**	—
¤Reserve receivable for reinsurance		**—**	—
Interest receivable		**2,295,674.89**	22,486,820.89
Dividends receivable		**241,249.61**	144,453.39
Other receivables		**1,058,989,580.38**	600,565,289.38
¤Securities purchased under agreements to resell		**—**	—
Inventories		**16,424,268,723.05**	15,491,764,808.23
Including: raw materials		**3,146,035,799.07**	3,359,976,603.59
Merchandise inventories (finished goods)		**417,571,154.64**	401,029,334.19
Held-for-sale assets		**—**	—
Current portion of non-current assets		**—**	—
Other current assets		**2,138,487,236.92**	3,067,298,497.06
Total current assets		**57,618,236,616.30**	56,129,363,709.42

CONSOLIDATED BALANCE SHEET *( )*

Made by: Harbin Electric Company Limited December 31, 2016 .

Item	December 31, 2016	December 31, 2015
Non-current assets:		
¤Loans and advances	**6,551,087.18**	—
Available-for-sale financial assets	**90,595,000.00**	43,291,000.00
Held-to-maturity investments	**—**	—
Long-term receivables	**4,566,613.71**	18,000,000.00
Long-term equity investments	**214,352,573.92**	233,131,424.38
Investment property	**27,972,824.42**	20,444,982.56
Fixed asset-original cost	**12,802,272,968.29**	12,539,497,778.98
Less: accumulated depreciation	**6,952,523,075.51**	6,495,336,454.10
Fixed asset-original cost net of depreciation	**5,849,749,892.78**	6,044,161,324.88
Less: provision for impairment of fixed assets	**20,074,908.71**	20,908,593.04
Fixed asset-net value	**5,829,674,984.07**	6,023,252,731.84
Construction in progress	**835,008,401.64**	386,245,262.31
Construction materials	**835,204.92**	835,204.92
Fixed assets pending for disposal	**—**	—
productive biological assets	**—**	—
Oil and gas assets	**—**	—
Intangible assets	**650,245,362.23**	736,434,925.97
Development disbursements	**197,203,075.79**	187,057,832.68
Goodwill	**—**	—
Long-term deferred expenses	**40,892,704.71**	51,345,718.80
Deferred tax assets	**351,373,269.10**	333,842,705.26
Other non-current assets	**—**	—
Total non-current assets	**8,249,271,101.69**	8,033,881,788.72
Total assets	**65,867,507,717.99**	64,163,245,498.14

CONSOLIDATED INCOME STATEMENT *( )*

Made by: Harbin Electric Company Limited 2016 year .

Items		Current Period	Prior Period
3.	**Operating profits ("–" for loss)**	**701,461,062.71**	279,063,582.11
	Add: non-operating income	**121,126,873.67**	158,606,532.82
	Including: gain from disposal of non-current assets	**8,189,029.95**	21,779,176.95
	Gain from exchange of non-monetary assets		
	Government grants	**102,771,108.59**	116,092,906.74
	Gain from debt restructuring		484,221.70
	Less: non-operating expenses	**165,418,795.43**	129,809,973.50
	Including: loss on disposal of non-current assets	**2,469,773.07**	7,679,596.57
	Loss on exchange of non-monetary assets		8,119.66
	Loss on debt restructuring		
4.	**Profit before tax ("–" for loss)**	**657,169,140.95**	307,860,141.43
	Less: income tax *6*	**165,575,300.09**	224,572,145.72
5.	**Net profit ("–" for net loss)**	**491,593,840.86**	83,287,995.71
	Net profit attributable to parent company	**413,282,692.39**	196,211,527.85
	*Profit/loss attributable to minority shareholders	**78,311,148.47**	–112,923,532.14

CONSOLIDATED INCOME STATEMENT *( )*

Made by: Harbin Electric Company Limited 2016 year .

Items		Current Period	Prior Period
6.	**Other comprehensive income after tax**	**314,099,905.44**	–84,973,615.81
	(I) Comprehensive income not to be reclassified as profit or loss)		
	Including: 1. changes in remeasured defined benefit obligations or net assets		
	2. Portion of comprehensive income not to be reclassified as profit or loss under equity method		
	(II) Comprehensive income to be reclassified as profit or loss	**314,099,905.44**	–84,973,615.81
	Including: 1. portion of comprehensive income to be reclassified as profit or loss under equity method		
	2. Gain or loss from fair value changes of available-for-sale financial assets		
	3. Gain or loss from reclassification of held-to-maturity investments as available-for-sale financial assets		
	4. Gain or loss on effective cash flow hedging	**311,043,666.81**	–85,348,217.40
	5. Currency translation reserve	**3,056,238.63**	374,601.59

CONSOLIDATED CASH FLOW STATEMENT

Made by: Harbin Electric Company Limited 2016 year .

Items	Current Period	Prior Period
1. Cash flows from operating activities:		
Cash received from sales and services	**32,454,475,137.73**	30,578,389,657.04
¤Net increase in deposits and placements from financial institutions	**1,042,628,885.32**	834,753,116.74
¤Net increase in due to central banks	**—**	—
¤Net increase in placement from financial institutions	**—**	—
¤Cash received from premiums of original insurance contracts	**—**	—
¤Net amount of reinsurance business	**—**	—
¤Net increase in insured's deposits and investments	**—**	—
¤Net increase in disposal of financial assets at fair value through profit and loss	**—**	—
¤Cash received from interests, fees and commissions	**360,306,052.94**	288,677,075.84
¤Net increase of placement from banks and other financial institutions	**—**	—
¤Net increase in repurchasing	**—**	—
Taxes and surcharges refunds	**528,992,962.40**	425,029,296.55
Other cash receipts related to operating activities	**455,117,727.21**	449,872,253.33
Total cash inflows from operating activities	**34,841,520,765.60**	32,576,721,399.50

CONSOLIDATED CASH FLOW STATEMENT *( )*

Made by: Harbin Electric Company Limited 2016 year .

Items	Current Period	Prior Period
Cash paid for goods and services	**26,877,535,040.52**	21,734,401,563.27
¤Net increase in loans and advances	**–41,024,329.39**	–19,550,000.00
¤Net increase in deposits with central banks and other financial institutions	**–42,713,408.29**	118,765,609.35
¤Cash paid for claim settlements on original insurance contracts	**—**	—
¤Cash paid for interest,fees and commissions	**—**	1,221,436.81
¤Cash paid for policy dividends	**—**	—
Cash paid to and for employees	**2,927,069,966.14**	2,790,513,659.66
Taxes and surcharges cash payments	**1,996,200,537.44**	1,685,124,361.24
Other cash payments related to operating activities	**1,536,678,042.76**	1,855,622,667.54
Total cash outflows from operating activities	**33,253,745,849.18**	28,166,099,297.87
Net cash flows from operating activities	**1,587,774,916.42**	4,410,622,101.63

CONSOLIDATED CASH FLOW STATEMENT *( )*

Made by: Harbin Electric Company Limited 2016 year .

Items	Current Period	Prior Period
2. Cash flows from investing activities:		
Cash received from withdraw of investments	**3,727,874,366.36**	6,238,182,671.95
Cash received from investment income	**–281,993,360.94**	664,033,091.57
Net cash received from disposal of fixed assets,intangible assets and other long-term assets	**875,457.32**	1,278,699.08
Net cash received from disposal of subsidiaries and other business units	**–34,408,652.70**	2,220,797.76
Other cash receipts related to investing activities	**—**	—
Total cash inflows from investing activities	**3,412,347,810.04**	6,905,715,260.36
Cash paid for fixed assets,intangible assets and other long-term assets	**1,000,810,298.99**	549,615,600.20
Cash payments for investments	**2,701,369,891.42**	7,040,377,524.66
¤Net increase in pledged loans	**—**	—
Net cash paid for acquiring subsidiaries and other business units	**—**	9,901,351.96
Other cash payments related to investing activities	**252,473.42**	528,878.88
Total cash outflows from investing activities	**3,702,432,663.83**	7,600,423,355.70
Net cash flows from investing activities	**–290,084,853.79**	–694,708,095.34

CONSOLIDATED CASH FLOW STATEMENT *( )*

Made by: Harbin Electric Company Limited 2016 year .

Items	Current Period	Prior Period
3. Cash flows from financing activities:		
Cash received from investments by others	—	—
Including: cash received by subsidiaries from minority shareholders' investments	—	—
Cash received from borrowings	**345,560,000.00**	3,178,393,476.92
¤Cash received from bond issues	—	—
Other cash receipts related to other financing activities	—	—
Total cash inflows from financing activities	**345,560,000.00**	3,178,393,476.92
Cash repayments for debts	**1,352,011,068.04**	2,946,441,833.35
Cash payments for distribution of dividends, profit and interest expenses	**322,387,696.62**	348,506,778.93
Including: dividends or profit paid by subsidiaries to minority shareholders	—	6,920,251.75
Other cash payments related to financing activities	—	—
Total cash outflows from financing activities	**1,674,398,764.66**	3,294,948,612.28
Net cash flows from financing activities	**–1,328,838,764.66**	–116,555,135.36
4. Effect of foreign exchange rate changes on cash and cash equivalents	**56,791,885.68**	16,100,883.25
5. Net increase in cash and cash equivalents	**25,643,183.65**	3,615,459,754.18
Add: beginning balance of cash and cash equivalents	**17,178,496,464.76**	13,563,036,710.58
6. Ending balance of cash and cash equivalents	**17,204,139,648.41**	17,178,496,464.76

Corporate representative: Chief Accountant: Accounting Supervisor:

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

Made by: Harbin Electric Company Limited 2016 year .

Items	Lines	2016 year												
		Equity attributable to parent company												
		Paid-in capital	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	General risk provision	Retained earnings	Others	Subtotal	Minority interests	Total owner's equity
Columns		1	2	3	4	5	6	7	8	9	10	11	12	13
1. Ending balance of last year	1	1,376,806,000.00	–	2,749,914,774.17	–	-321,038,700.14	11,122,854.40	786,529,945.86	–	8,104,055,926.70	–	12,707,390,800.99	1,209,491,054.28	13,916,881,855.27
Add: increase/decrease due to changes in accounting policies	2											–		–
Increase/decrease due to corrections of errors in Prior Period	3											–		–
Others	4											–		–
2. Beginning balance of current year	5	1,376,806,000.00	–	2,749,914,774.17	–	-321,038,700.14	11,122,854.40	786,529,945.86	–	8,104,055,926.70	–	12,707,390,800.99	1,209,491,054.28	13,916,881,855.27
3. Increase/decrease for current year "—" for decrease	6	–	–	14,293,706.24	–	314,099,905.44	4,678,294.48	–	–	392,630,602.39	–	725,702,508.55	-169,608.34	725,532,900.21
Total comprehensive income	7					314,099,905.44				413,282,692.39		727,382,597.83	78,311,148.47	805,693,746.30
Owner's contributions and withdrawals of capital	8	–	–	14,293,706.24	–	–	–	–	–	–	–	14,293,706.24	-72,112,135.00	-57,818,428.76
1. Common stock contributed by owners	9	–		–								–	–	–
2. Capital contributed by other equity instruments holders	10	–		–								–	–	–
3. Share-based payment recorded in owner's equity	11	–		–								–	–	–
4. Others	12	–		14,293,706.24								14,293,706.24	-72,112,135.00	-57,818,428.76
Accrual and utilization of specialized reserve	13	–	–	–	–	–	4,678,294.48	–	–	–	–	4,678,294.48	730,597.92	5,408,892.40
1. Accrual of specialized reserve	14						23,140,711.17					23,140,711.17	3,449,773.37	26,590,484.54
2. Utilization of specialized reserve	15						-18,462,416.69					-18,462,416.69	-2,719,175.45	-21,181,592.14
Profits distribution	16	–	–	–	–	–	–	–	–	-20,652,090.00	–	-20,652,090.00	-7,099,219.73	-27,751,309.73
1. Appropriation of surplus reserve	17	–	–	–	–	–	–	–	–	–	–	–	–	–
Including: statutory surplus reserve	18							–				–		–
Discretionary surplus reserve	19									–		–		–
Reserve fund	20											–		–
Corporate development fund	21											–		–
Return of investment	22											–		–
2. Accrual of general risk reserve	23											–		–
3. Distribution to owner/shareholder	24									-20,652,090.00		-20,652,090.00	-7,099,219.73	-27,751,309.73
4. Others	25											–		–
Transfer within owner's equity	26	–	–	–	–	–	–	–	–	–	–	–	–	–
1. Capital reserve transferred to paid-in capital	27											–		–
2. Surplus reserve transferred to paid-in capital	28											–		–
3. Recover of loss by surplus reserve	29											–		–
4. Changes in remeasurement of defined benefit net obligations/assets	30											–		–
5. Others	31											–		–
4. Ending balance of current year	32	1,376,806,000.00	–	2,764,208,480.41	–	-6,938,794.70	15,801,148.88	786,529,945.86	–	8,496,686,529.09	–	13,433,093,309.54	1,209,321,445.94	14,642,414,755.48

Corporate representative: Chief Accountant: Accounting Supervisor:

Items	Lines	2015 year												
		Equity attributable to parent company												
		Paid-in capital	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Specialized reserve	Surplus reserve	General risk provision	Retained earnings	Others	Subtotal	Minority interests	Total owner's equity
Columns		1	2	3	4	5	6	7	8	9	10	11	12	13
1. Ending balance of last year	1	1,376,806,000.00	—	2,777,725,426.88	—	–236,065,084.33	7,958,663.67	780,503,096.67	—	7,968,943,488.04	12,675,871,590.93	1,329,180,388.12	14,005,051,979.05	14,294,249,884.64
Add: increase/decrease due to changes in accounting policies	2											—		—
Increase/decrease due to corrections of errors in Prior Period	3											—		—
Others	4											—		—
2. Beginning balance of current year	5	1,376,806,000.00	—	2,777,725,426.88	—	–236,065,084.33	7,958,663.67	780,503,096.67	—	7,968,943,488.04	—	12,675,871,590.93	1,329,180,388.12	14,005,051,979.05
3. Increase/decrease for current year "–" for decrease	6	—	—	–27,810,652.71	—	–84,973,615.81	3,164,190.73	6,026,849.19	—	135,112,438.66	—	31,519,210.06	–119,689,333.84	–88,170,123.78
Total comprehensive income	7					–84,973,615.81				196,211,527.85		111,237,912.04	–112,923,532.14	–1,685,620.10
Owner's contributions and withdrawals of capital	8	—	—	–27,810,652.71	—	—	—	—	—	—	—	–27,810,652.71	–312,233.02	–28,122,885.73
1. Common stock contributed by owners	9											—		—
2. Capital contributed by other equity instruments holders	10											—		—
3. Share-based payment recorded in owner's equity	11											—		—
4. Others	12			–27,810,652.71								–27,810,652.71	–312,233.02	–28,122,885.73
Accrual and utilization of specialized reserve	13	—	—	—	—	—	3,164,190.73	—	—	—	—	3,164,190.73	466,683.07	3,630,873.80
1. Accrual of specialized reserve	14						23,634,131.12					23,634,131.12	3,294,775.21	26,928,906.33
2. Utilization of specialized reserve	15						–20,469,940.39					–20,469,940.39	–2,828,092.14	–23,298,032.53
Profits distribution	16	—	—	—	—	—	—	6,026,849.19	—	–61,099,089.19	—	–55,072,240.00	–6,920,251.75	–61,992,491.75
1. Appropriation of surplus reserve	17	—	—	—	—	—	—	6,026,849.19	—	–6,026,849.19	—	—	—	—
Including: statutory surplus reserve	*1*							6,026,849.19		–6,026,849.19		—		—
Discretionary surplus reserve	*1*									—		—		—
Reserve fund	*20*											—		—
Corporate development fund	*21*											—		—
Return of investment	22											—		—
2. Accrual of general risk reserve	23											—		—
3.														

III. ACCOUNT PAYABLE

Items	Closing balance	Opening balance
Within 1 year	10,079,783,935.67	9,717,159,710.65
1–2 years	1,245,059,335.61	2,098,735,142.36
2–3 years	485,773,094.77	624,274,436.20
Over 3 years	423,637,992.70	597,774,338.88
Total	12,234,254,358.75	13,037,943,628.09

IV. UNDISTRIBUTED PROFIT

Items	Current period
Balance before adjustment at the end of preceding period	8,104,055,926.70
Add: Increase due to adjustment (or less: decrease)	
Opening balance after adjustment	8,104,055,926.70
Add: Net profit attributable to owners of the parent company	413,282,692.39
Less: Appropriation of statutory surplus reserve	
Appropriation of discretionary surplus reserve	
Appropriation of general risk reserve	
Dividend payable on ordinary shares	20,652,090.00
Dividend on ordinary share converted to share capital	
Others	
Closing balance	8,496,686,529.09

For the year ended 31 December 2016, the Company allocated the ordinary shares to the shareholders. The dividend distribution plan for the year 2015 reviewed and approved by the Company at its annual general meeting held on May 27, 2016 was based on the total share capital of the Company at the end of 2015, 1,376,806,000 shares Announced the distribution of the Company's dividend of RMB0.015 per share (including the applicable tax rate) for the year 2015, with a total cash dividend of RMB20,652,090.00 (tax included) for the year 2015.

V. OPERATING INCOME AND OPERATING COST

Items	Amount of this period		Amount of the previous period	
	income	cost	income	cost
Main business	30,749,840,369.47	26,480,745,654.15	24,926,169,195.45	21,618,225,597.35
Other business	179,580,329.25	146,129,599.77	171,055,347.30	152,368,299.94
Total	30,929,420,698.72	26,626,875,253.92	25,097,224,542.75	21,770,593,897.29

VI. INCOME TAX EXPENSE

Items	Current period	Preceding period
Current income tax calculated based on tax law and related regulations	252,869,296.12	193,786,106.61
Adjustment to deferred income tax	–87,293,996.03	30,786,039.11
Total	165,575,300.09	224,572,145.72

VII. EARNINGS PER SHARE

(1) Basic Earnings Per share

Item	Current period	Preceding period
Consolidated net profit attributable to ordinary shareholders of the Company	413,282,692.39	196,211,527.85
Consolidated net profit attributable to ordinary shareholders of the Company (After deducting non-recurring gains and losses)	347,697,195.47	–34,161,151.56
The weighted average number of ordinary shares issued by the parent company	1,376,806,000.00	1,376,806,000.00
Basic eps (Yuan per share)	0.3002	0.1425
Basic eps (Yuan per share) (After deducting non-recurring gains and losses)	0.2525	–0.0248

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Item	No	Current period	preceding period
Number of ordinary shares outstanding at the beginning of the year	1	1,376,806,000.00	1,376,806,000.00
Issuance of new shares or debt to convert shares and other increase in the number of shares (II)	2		
Increase the cumulative number of shares (II) from the next month to the end of the year	3		
Number of months in the reporting period	4	12	12
Weighted average number of common shares issued outside	5=1+2*3/12	1,376,806,000.00	1,376,806,000.00(2)

(2) Diluted Earnings Per share

Item	Current period	Preceding period
Adjusted net profit attributable to common shareholders of the parent company	413,282,692.39	196,211,527.85
Adjusted net profit attributable to ordinary shareholders of the parent company (after deducting non-recurring gains and losses)	347,697,195.47	–34,161,151.56
The weighted average number of ordinary shares issued by the Company after adjustment	1,376,806,000.00	1,376,806,000.00
Diluted Earnings Per share	0.3002	0.1425
Diluted Earnings Per share (After deducting non-recurring gains and losses)	0.2525	–0.0248

VIII.DIVISIONS INFORMATION

(1) the assets, liabilities and income of divisions

Items	Thermal power host equipment	Water and electricity host equipment	Plant engineering service	Power station turbine and supporting products	Nuclear products	Ac and dc motor and others	Total
As at 31 December 2016							
Total amount of segment assets	38,030,404,792.05	5,979,796,389.77	7,675,231,930.97	3,320,119,102.81	7,678,373,899.76	6,643,649,020.23	69,327,575,135.59
Total amount of segment liabilities	31,926,028,088.07	3,511,695,625.85	6,841,646,490.62	2,557,255,351.24	5,999,714,106.18	5,906,267,939.92	56,742,607,601.88
January to December 2016							
Segment income							
Income from external customers	12,169,545,679.76	2,484,169,071.08	9,912,653,082.76	1,437,705,553.48	2,009,615,922.05	2,915,731,389.59	30,929,420,698.72
Income between segment	1,887,141,826.71		92,338,063.55			22,105,096.57	2,001,584,986.83
segment income reportable	14,056,687,506.47	2,484,169,071.08	10,004,991,146.31	1,437,705,553.48	2,009,615,922.05	2,937,836,486.16	32,931,005,685.55
segment gross margin reportable	2,268,490,756.14	189,791,905.98	791,174,419.30	228,038,945.25	291,819,627.59	519,484,410.19	4,288,800,064.45

Items	Thermal power host equipment	Water and electricity host equipment	Plant engineering service	Power station turbine and supporting products	Nuclear products	Ac and dc motor and others	Total
As at 31 December 2015							
Total amount of segment assets	38,807,752,658.18	7,624,998,447.81	6,185,229,462.31	4,517,011,670.37	7,169,073,797.77	7,282,640,251.67	71,586,706,288.11
Total amount of segment liabilities	28,912,408,029.52	4,564,784,463.07	5,518,401,880.38	3,529,407,618.66	5,341,076,785.88	6,063,128,299.85	53,929,207,077.37
Jan to December 2015							
Segment income							
Income from external customers	9,331,655,577.92	2,705,715,002.37	6,819,315,182.61	1,747,543,909.54	1,723,865,024.67	2,769,129,845.64	25,097,224,542.75
Income between segment	2,595,927,684.39	—	189,297,423.17	—	—	38,279,725.77	2,823,504,833.33
Report segment income	11,927,583,262.31	2,705,715,002.37	7,008,612,605.78	1,747,543,909.54	1,723,865,024.67	2,807,409,571.41	27,920,729,376.08
Report segment gross margin	1,994,200,726.66	47,335,526.50	490,599,268.50	280,937,643.97	191,649,506.97	311,741,377.31	3,316,464,049.91

(2) Information of assets, liabilities and income of divisions

Items	Closing balance	Opening balance
Assets		
Report segment assets	69,327,575,135.59	71,586,706,288.10
Offset segment related transaction	–19,045,066,245.01	–27,474,455,403.86
Report segment net assets	50,282,508,890.58	44,112,250,884.24
Deferred tax assets	351,373,269.10	333,842,705.26
Other current assets		
Financial asset and its change record in current profit and loss based on fair value		
Restricted and pledged bank borrowing		
Bank deposit	13,700,127,972.66	16,572,749,985.51
Central bank deposit	784,356,734.69	827,070,142.98
Cash and cash equivalent	9,428,115.83	837,186,029.23
Undistributed asset	739,712,735.13	1,480,145,750.92
Total assets	65,867,507,717.99	64,163,245,498.14
Liabilities		
Report segment liabilities	56,742,607,601.91	53,929,207,077.36
Offset segment related transaction	–8,566,004,447.68	–20,959,649,982.13
Report segment net liabilities	48,176,603,154.23	32,969,557,095.23
Tax payable	367,490,729.90	300,314,171.70
Undistributed liabilities	2,680,999,078.38	16,976,492,375.94
Total liabilities	51,225,092,962.51	50,246,363,642.87

Items	Current period	Preceding period
Income		
Report segment income	30,929,420,698.72	25,097,224,542.75
Income between segment	2,001,584,986.83	2,823,504,833.33
Total income	32,931,005,685.55	27,920,729,376.08
Report segment gross margin	4,288,800,064.45	3,316,464,049.91
Offset segment loss	–13,745,380.35	–10,166,595.55
Report segment gross margin from external	4,302,545,444.80	3,326,630,645.46
Long-term equity investment gain based on equity method	16,019,530.10	9,682,378.19
Interest income	422,613,875.81	443,232,014.71
Government grants	102,771,108.59	116,092,906.74
Financial asset and its change record in current profit and loss based on fair value	–5,807,970.07	280,790,441.71
Financial liabilities and its change record in current profit and loss based on fair value		
Interest expense	279,976,261.24	312,052,876.75
Undistributed other income and net income	75,537,187.44	118,996,360.01
Undistributed expense	3,976,533,774.48	3,675,511,728.64
Total income	657,169,140.95	307,860,141.43

(3) Area information

Items		Revenues from external customers	
		2016	2015
1.	China	**20,827,780,149.18**	18,480,366,279.14
2.	Overseas		
	— Islamic Republic of Pakistan	**2,736,523,125.80**	94,404,372.94
	— The Republic of Ecuador	**2,351,295,259.49**	1,607,956,398.59
	— The Republic of Turkey	**2,082,664,891.96**	2,301,379,237.39
	— The Republic of Indonesia	**909,610,140.27**	1,327,567,267.03
	— Republic of India	**209,737,512.71**	74,826,182.03
	— Other countries	**1,811,809,619.31**	1,210,724,805.63

X. NET CURRENT ASSETS

Items	Closing balance	Opening balance
Current assets	57,618,236,616.30	56,129,363,709.42
Less: current liabilities	46,797,043,506.96	45,769,742,045.01
Net current assets	10,821,193,109.34	10,359,621,664.41

XI. TOTAL ASSETS MINUS CURRENT ASSETS

Items	Closing balance	Opening balance
Total assets	65,867,507,717.99	64,163,245,498.14
less: current liabilities	46,797,043,506.96	45,769,742,045.01
Total assets minus current assets	19,070,464,211.03	18,393,503,453.13

XII. DIVIDEND

The Company passed the 2016 annual profit distribution plan, the cash dividend of RMB0.03 per share was examined and approved by the 38th Board of Directors of the Company.

MACRO ECONOMY AND INDUSTRY DEVELOPMENT

In 2016, the global economy remains in slow recovery amidst uncertainties and instabilities. The downward pressure on China's economic development keeps growing. Amid complex and volatile environment, over-capacity in contradiction with demands for structural upgrades remained evident. The overall power consumption in China recorded a year-on-year increase of 5.0%, which was 4.0% higher than the growth rate in the previous year. The overall supply of electricity has easily met the demand, but this led to an oversupply of electricity in certain regions. The national power generation installed capacity reached 1.65 billion KW, representing an increase of 8.2% over the corresponding period last year. The problem of excess capacity of power supply in certain regions is further intensified. The non-fossil energy generation maintained rapid growth continuously. The utilization hours for coal-fired power generating facilities further dropped to 4,165 hours, which was the lowest since 1964. The consumption ratio of clean energy grew by 1.7% while that of coal decreased by 2%.

NEW CONTRACTS

Facing a complex and challenging environment in both the PRC and the rest of the world during the year 2016, the Group managed to make progress in market development by overcoming obstacles and working together , thereby realizing RMB34.485 billion worth of duly signed contracts, of which RMB8.649 billion (or 25.08% of total contract value) for thermal power equipment, RMB1.653 billion (or 4.79% of total contract value) for hydropower equipment, RMB2.721 billion (or 7.89% of total contract value) for nuclear power equipment, RMB899 million (or 2.61% of total contract value) for hybrid equipment, RMB15.725 billion (or 45.60% of total contract value) for power engineering, RMB2.359 billion (or 6.84% of total contract value) for renovation and accessories, and RMB2.479 billion (or 7.19% of total contract value) for other products.

The success rate in the bidding of thermal power was fully enhanced. The success rates in the bidding of utility boiler, power plant turbine and turbine generator increased by 13.8%, 11.5% and 11.5%, respectively. The success rate in the bidding of utility boiler reached 47.2%.

The Group has continued to make new achievements in securing MW-grade projects. It is expected that the successful bidding of turnkey contract for Gandian Changle MW ultra-supercritical generating unit will be confirmed. Contracts were signed for two sets of MW ultra-supercritical and two sets of ultra-supercritical double reheat turbine generators in connection with such projects as Phase II of Datang Binchang (} e x —Z ,) and Guodian Boxing (7 e ù 3), respectively.

International market served as strong support. Supply contracts were signed for Hassyan Project in Dubai (0 Þ ° f) and Tanjun general contracting project in Indonesia (™5 ~ e g < Õ ° f). International orders amounted to RMB16.872 billion, accounting for 48.93%.

New breakthroughs were achieved in new industry and products. It is expected that we will win the bids of Huadian Junliangcheng 9HA Class Gas Turbine Project (6 e ì 9HA è ÷ Ú ° f) with and China Nuclear ACP100 Small Pile Turbine Generator Project (• è ACP100 ƒ < Û C ï e Ú \ ° f). We entered into Nuclear Island Main Equipment Contract, and Large-scale camera and Million Desulfurization Contract for the first time. During the year, we completed our first Environmental BOT Project- Shanxi Huaze Aluminum Environmental Protection Island Renovation Project.

PRODUCTION AND SERVICES

Addressing the negative impact of repeated suspension and disruption of projects and the frequent occurrence of adversities, we continue to strengthen the process control of projects, and come up with a more systematic and scientific production plan. We paid more visits to customers for an update information of the projects, intensified necessary precautionary measures to manage risks and promote punctual delivery measures, so as to meet the needs of customers and accomplish the production target for the year.

In 2016, the total output of the Group's power equipment reached 23,850 MW, up by 13.8% over the previous year. Total output of water turbine generators amounted to 4,130 MW, down by 18.5% over the corresponding period last year, representing 77.0% of the designed capacity. Total output of steam turbine generators amounted to 19,720 MW, up by 24.1% over the corresponding period last year, representing 103% of the designed capacity. Total output of steam turbine for power stations amounted to 15,510 MW, up by 12.2% over the corresponding period last year, representing 101% of the designed capacity. Total output of boilers for power stations amounted to 16,960 MW, up by 14.7% over the corresponding period last year, representing 101% of the designed capacity.

R&D AND TECHNOLOGY INTRODUCTION

In 2016, the Group incurred a R&D expenditure of RMB1.42 billion to complete 302 R&D projects and 80 new products, receiving 27 awards for technology achievements and being granted 409 patents, 139 of which were related to inventions, representing an year-on-year increase of 41.84%. It also hosted the formulation of 7 international standards, 16 national standards and 24 industry standards.

Supercritical (ultra-supercritical) boiler development and engineering application demonstration project for Zhundong coal was awarded its first industrial award in China's power generation equipment industry and industrial sector in Heilongjiang Province. The remote diagnostic system for power plant equipment was recognized as the only intelligent manufacturing demonstration project in Heilongjiang Province by Ministry of Industry and Information. We have successfully developed the independent research of major national technology project " Prototype of CAP1400 Main Pump Shielded Motor (CAP1400 ô • ñ e Ú u Ú)". The MSR independent research and development technology for ultra-supercritical two-stage reheat boiler and VVER MW-capacity large nuclear power generation turbine is among the world's top performers. All air-cooling large-scale camera, 300MW nuclear power plant reactor coolant pump technology filled the void of the domestic market. Sanmen, Haiyang AP1000 nuclear power turbine generating units underwent non-nuclearised process successfully, further certifying our third generation nuclear power technology.

REFORM AND MANAGEMENT

Through downsizing management level, reducing inefficient assets and the number of excessive employees, the Group further streamlined its management. In 2016, the Group completed the disposal of Harbin Electrical Machinery (Kunming) Company Limited, which recorded significant losses, and thereby reduced one of our corporate enterprises. In the meantime, we strengthened the management of other enterprises with significant losses, and started allocating excessive employees. A total of 2,077 employees had been resettled.

In 2016, the Group carried out reform of procurement and product quality, and rationalized

PROFIT

In 2016, net profit attributable to the shareholders of the parent was RMB413.28 million, representing an year-on-year increase of 110.63%. Earnings per share were RMB0.30, representing an year-on-year increase of RMB0.16. The increase in the Group's profits is mainly due to the increase in scale of income, resulting in higher gross profit.

OPERATING INCOME

In 2016, the Group recorded an operating income of RMB30,929.42 million, an increase of 23.24% over the corresponding period last year, of which operating income from the main thermal power equipment was RMB12,169.55 million (or 39.34% of the total operating income), representing an year-on-year increase of 30.41%. Operating income from main hydropower equipment was RMB2,484.17 million (or 8.03% of the total operating income), representing an year-on-year decrease of 8.19%. Operating income from engineering services for power stations was RMB9,912.65 million (or 32.05% of the total operating income), representing an year-on-year increase of 45.36%. Operating income from ancillary equipment

GROSS PROFIT AND GROSS PROFIT MARGIN

In 2016, the Group realized a gross profit from operating business of RMB4,302.55 million, representing an year-on-year increase of 29.34%. The gross profit margin was 13.91%, representing an year-on-year increase of 0.66 %. The gross profit from main thermal power equipment was RMB2,283.43 million, increasing by RMB289.23 million over the previous year. The corresponding gross profit margin was 18.76%, representing an year-on-year decrease of 2.61%.The gross profit from main hydropower equipment was RMB189.79 million, increasing by RMB142.46 million over the previous year. The corresponding gross profit margin was 7.64%, representing an year-on-year increase of 5.89%. The gross profit from engineering services for power stations was RMB789.98 million, increasing by RMB299.38 million over the previous year. The corresponding gross profit margin was 7.97%, representing an year-on-year increase of 0.78%. The gross profit from ancillary equipment and products for power stations was RMB228.04 million, decreasing by RMB52.90 million over the previous year. The corresponding gross profit margin was 15.86%, representing an year-on-year decrease of 0.22%. The gross profit from the AC/DC motors and other products and services was RMB519.49 million, increasing by RMB197.58 million over the previous year. The corresponding gross profit margin was 17.82%, representing an year on-year increase of 6.20%. The gross profit from the nuclear products was RMB291.82 million, increasing by RMB100.17 million over the previous year. The corresponding gross profit margin was 14.52%, representing an year-on-year increase of 3.40%.

EXPENSES FOR THE PERIOD

In 2016, the Group's distribution expenses amounted to RMB638.23 million, representing an decrease of RMB40.56 million or 5.98% over the corresponding period last year. Administrative expenses incurred amounted to RMB2,136.69 million, representing an year-on-year decrease of RMB30.44 million or 1.40%. Finance costs incurred was RMB127.51 million, representing an year-on-year decrease of RMB34.74 million or 21.41%.

The decrease in expenses during the period was mainly due to the facts that the Group further strengthened its expenses control, quality assurance fee and bidding fee included in sales expenses as well as tax and research and development fee included in administration expenses for the year recorded an year-on-year decrease, and exchange gains included in finance costs recorded an year-on-year increase.

FUNDING SOURCES AND BORROWINGS STATUS

The Group financed its operation and development with four major funding sources, namely shareholder's funds, trade receivables from customers, bank borrowings and corporate bonds. The Group arranges borrowings for each specific project. Except for some exceptions, loans are usually raised individually by the Group's subsidiaries, while prior approval from the parent company is required in respect of borrowings raised for capital investments. As at 31 December 2016, the Group's total borrowings amounted to RMB2,089.34 million(31 December 2015:RMB3,297.08 million) all of which amounts were borrowed from various financial Institutions, such as commercial banks, at interest rates stipulated by the state. Among those borrowings, the amount repayable within one year was RMB2,089.34 million, representing an decrease of RMB1,207.74 million as compared to the beginning of the year. There was no amount due after one year at the end or in the beginning of the year.

MONETARY CAPITAL AND CASH FLOWS

As at 31 December 2016, the monetary capital of the Group was RMB18,089.91 million, representing a decrease of RMB147.09 million as compared to the beginning of the year. During the period, the net cash flow generated from operating activities of the Group was RMB1,587.77 million, while investing activities generated negative net cash flow of RMB290.08 million and financing activities generated negative net cash flow of RMB1,328.84 million.

ASSET STRUCTURE AND MOVEMENTS

As at 31 December 2016, total assets of the Group amounted to RMB65,867.51 million, representing an increase of RMB1,704.26 million (or 2.66%) as compared to the beginning of the year, of which current assets were RMB57,618.24 million, representing 87.48% of the total assets, while non-current assets were RMB8,249.27 million, representing 12.52% of the total assets.

LIABILITIES

As at 31 December 2016, total liabilities of the Group amounted to RMB51,225.09 million, representing an increase of RMB978.73 million as compared to the beginning of the year, of which current liabilities were RMB46,797.04 million, representing 91.36% of the total liabilities, while non-current liabilities were RMB4,428.05 million, representing 8.64% of the total liabilities. As at 31 December 2016, the gearing ratio of the Group was 77.77%.

OWNERS' INTERESTS

As at 31 December 2016, the total equity attributable to the owners of the parent company amounted to RMB13,433.09 million, representing an increase of RMB725.70 million as compared to the beginning of the year; the net asset per share was RMB9.76, representing an increase of RMB0.53 as compared to the beginning of the year. During the period, the net return rate on assets of the Group was 3.16%.

GEARING RATIO

As at 31 December 2016, gearing ratio of the Group (non-current liabilities over total shaseinge loanset asset per share was RMB9.76, representTERESTS

CAPITAL EXPENDITURES AND MAJOR INVESTMENTS HELD

In 2016, the Group had a total capital expenditure of RMB1.124 billion being invested in major construction projects and technological upgrades. The progress of those projects is as follows:

HE International Trade Tower project of Harbin Power Technology & Trade Inc., the newly-built production base (Phase I) of HE(Harbin) Haguo Boiler Manufacturing Technology Company Limited were substantially completed. The constructing technology upgrading project for nuclear turbine core capacity of Harbin Turbine Company Limited and manufacturing base improvement project for main nuclear pump motor units of Harbin Electric Power Equipment Company Limited have completed protection measures with heating system for the exterior of the building. The manufacturing capacity enhancement project for key nuclear pump and key equipment for long-distance natural gas pipeline of Harbin Electric Power Equipment Company Limited started purchasing equipment.

In 2017, the Group intends to commit an investment of RMB1.076 billion, which will mainly finance the constructing technology upgrading project for nuclear turbine core capacity of Harbin Turbine Company Limited, the manufacturing base improvement project for main nuclear pump motor units of Harbin Electric Power Equipment Company Limited, the manufacturing capacity enhancement project for key nuclear pump and key equipment for long-distance natural gas pipeline of Harbin Electric Power Equipment Company Limited, the technology development and product manufacturing projects of HTR steam generator, reheater and main body testing of Harbin Electric Corporation (QHD) Heavy Equipment Company Limited, the nuclear island main equipment manufacturing automation for nuclear power of Harbin Electric Corporation (QHD) Heavy Equipment Company Limited, the acquisition of properties and land items of Harbin Boiler Company Limited, and the acquisition of apartment in Dubai of Harbin Electric International Company Limited for Hassyan project.

EXPOSURE TO FLUCTUATIONS IN EXCHANGE RATES AND RELATED HEDGES

Some of the deposits of the Group are denominated in foreigfoT1t rences . A an o1 T1(oDeemebr C]TJ

STAFF AND REMUNERATION

As at 31 December 2016, the Group had a workforce of 18,261 employees and the total remuneration for 2016 amounted to RMB1.708 billion. The Group holds nurturing talents in high regard. A total of three employees were recognized as national "million people plan" experts, one employee won the Chinese Skills Award for the first time, and three were admitted as the "national technical experts". A total of 800 courses covering various aspects have been organized with an accumulated attendance of over 75,000.

DIVIDEND

A dividend of RMB0.03 per share (appropriate tax included) for 2016 was proposed by the Board. The total dividend payable amounted to RMB41.3042 million (dividend paid for 2015 by the Company was RMB0.015 per share, total dividend paid was RMB20.6521 million).

Dividends payable to shareholders of H shares will be paid in Hong Kong dollars at the average exchange rate as quoted by the People's Bank of China for the five days preceding 28 March 2017, which is RMB1 to HK$1.1277. Each shareholder of H shares will receive a dividend of HK$0.0338 per H share.

As at 31 December 2016, the Company received no notification from any shareholders to waive or agree to waive any dividends.

CLOSURE OF REGISTER FOR THE PURPOSE OF DIVIDEND PAYMENT

The register of members of the Company will be closed from 5 June 2017 to 9 June 2017 (both dates inclusive). Final dividends for 2016 will be distributed on 28 July 2017 to shareholders whose names appear in the register of members of the Company on 5 June 2016. In order to qualify for the final dividends for 2016, all completed transfer documents accompanied with the relevant share certificates must be lodged with the Company's share registrar and transfer office in Hong Kong, namely Hong Kong Registrars Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong no later than 4:30 p.m. on 2 June 2017.

DIVIDEND TAX

Pursuant to the relevant requirement of "PRC Individual Income Tax Law" (• • 6 [O • q 7 H [Ô { ü , ‘), "PRC Implementation Regulations of the Individual Income Tax Law" (• • 6 [O • q 7 H [Ô { ü , ¼ D â 7 ‘) and "Notice of the State Administration of Taxation in relation to the Administrative Measures on Preferential Treatment Entitled by Non-residents under Tax Treaties (Tentative)" (• 7 • ü < …ë õ ™ï ” ¢ ¢ O . a ü × X D > M# l , € • • Y ·] ‘), the Company will withhold and pay the individual income tax in respect of the dividend (bonus) received by individual shareholders of H shares from the Company. Individual shareholders of H shares of the Company may be entitled to certain tax preferential treatments pursuant to the tax treaties between the PRC and the countries in which the individual shareholders of H shares are domiciled and the tax arrangements between Mainland China and Hong Kong (Macau). The Company will determine the residence of the individual shareholders of H shares based on the registered address as recorded in the register of shareholders on the book closure date, i.e. 5 June 2017. The specific arrangement will be as follows:

For individual shareholders of H shares who are residents of Hong Kong or Macau and countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of 10%, the Company will withhold and pay individual income tax at the rate of 10% on their behalf;

For individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of less than 10%, the Company will withhold and pay individual income tax at the rate of 10% on their behalf. Individual shareholders of H shares may apply for refund of excess amount of individual income tax withheld by providing relevant information for approval by taxation authority;

For individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of more than 10% but less than 20%, the Company will withhold and pay individual income tax at the effective rate stipulated by the relevant tax treaty on behalf of the relevant shareholders;

For individual shareholders of H shares who are residents of countries which entered into a tax treaty with the PRC stipulating a dividend tax rate of 20% or has not entered into any tax treaties with the PRC, the Company will withhold and pay individual income tax at the rate of 20% on behalf of the relevant shareholders;

According to the "PRC Individual Income Tax Law" (• • 6 [O • q 7 H [Ô { ü , ‘), the Company will withhold and pay dividend income tax at the rate of 10% on behalf of the non-resident corporate shareholders.

CONFIRMATION OF INDEPENDENCE OF INDEPENDENT NON-EXECUTIVE DIRECTORS

The Company confirmed to have received annual confirmation of independence from each independent non-executive directors pursuant to Rule 3.13 of the Rules Governing The Listing of Securities on The Stock Exchange of Hong Kong Limited(the "Listing Rules"), confirming all independent non-executive Directors are independent.

INTERESTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT IN THE SHARE CAPITAL

As at 31 December 2016, none of the directors, supervisors and senior management of the Company had any interest or short position in the shares, underlying shares and/or debentures (as the case may be) of the Company and/or of any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (SFO)) which was required to be notified to the Company and the Hong Kong Stock Exchange (including interest or short position which any such director, supervisor or senior management is taken or deemed to have under such provisions of the SFO) or which was required to be recorded in the Register kept by the Company pursuant to section 352 of the SFO or which was required to be notified to the Company and the Hong Kong Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as contained in Appendix 10 to the Listing Rules.

INTERESTS OF DIRECTORS AND SUPERVISORS IN CONTRACTS OF SIGNIFICANCE

As at 31 December 2016, none of the Directors or Supervisors has any interest, whether directly or indirectly, in the contracts of significance entered into by the Group.

CONTRACTS OF SIGNIFICANCE WITH THE CONTROLLING SHAREHOLDERS OR THEIR SUBSIDIARIES

As at 31 December 2016, no contract of significance was entered into between the Group and the controlling shareholders or their subsidiaries.

CONTINGENT LIABILITIES — GUARANTEES

As at 31 December 2016, total internal guarantees in favor of the Group made by the Company and its subsidiaries amounted RMB 2,442.44million. No external guarantee was provided.

SIGNIFICANT INVESTMENT IN SECURITIES

As at 31 December 2016, the Company has no significant investment in securities.

PROFITS AVAILABLE FOR DISTRIBUTION

As at 31 December 2016, the Company's undistributed profits available for distribution are RMB1,211.49 million. Movements in the undistributed profits of the Company during the year are set out in the statement of changes in equity to the financial statements.

PURCHASE, SALE AND REDEMPTION OF THE COMPANY'S LISTED SECURITIES

As at 31 December 2016, neither the Company nor any of its subsidiaries had purchased, sold or redeemed any of the Company's listed securities.

MAJOR SUPPLIERS AND CUSTOMERS

1. As at 31 December 2016, the Group's five largest suppliers attributed 21.16% of the Group's total purchases. Among which GE Energy Products France,SNC was the largest supplier, representing 10.71% of the total purchases.

2. As at 31 December 2016, the Group's five largest customers attributed 22.69% of the Group's total turnover. Among which Quaid-E-Azam Thermal Power (private) Limited was the largest customer, representing 5.96% of the total turnover. Amongst the other major customers, China Datang Corporation, National Power Company (7 Þ e b › p ® !) of Ecuador, State Power Investment Corporation and Owners of Turkey Suma Project, Kolin Company (z I º õ Y é 8 ôKolin ®!) represent 4.91%, 4.19%, 3.90% and 3.74% respectively.

3. None of the Directors, Supervisors, their associates or any shareholders of the Company (which to the knowledge of the Directors own more than 5% of the Company's share capital) has any interest in the above-mentioned suppliers or customers.

MODEL CODE

The Company, having made specific enquiry to the Directors, confirms that all directors complied with the Model Code for Securities Transactions by Directors of Listed Issuers set out in Appendix 10 of the Listing Rules throughout the period.

CORPORATE GOVERNANCE CODE

The Company has been actively enhancing the Company's corporate governing structure and standardized the Company's operations through strictly complying with relevant provisions such as the Company Law of the People's Republic of China and the Securities Law of the People's Republic of China. Directors of the Company strived to maintain corporate governance of high standard and believe quality governance is a key to long-term success and sustainable development of the Company's business.

In 2016, the Company has fully complied with the Corporate Governance Code and Corporate Governance Report contained in Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange. However, the Company was identifying new directors and supervisors, resulting in a delay of renewal of the Seventh Board and Supervisory Committee. Details of which are set out in the section headed "Corporate Governance Report" in the annual report.

AUDIT COMMITTEE

The Audit Committee has reviewed the audited financial statements, connected transactions, internal control and risk management of the Group for the year ended 31 December 2016, and discussed with the Board the financial reporting procedures as well as the internal control system of the Group.

AUDITORS

According to the requirement of the financial auditing engagement period stipulated by the State owned Assets Supervision and Administration Commission of the State Council of the People's Republic of China, in December 2015, the Company appointed BDO China Shu Lun Pan Certified Public Accountants LLP to replace the original PRC auditors, Ruihua Certified Public Accountants, and the Hong Kong auditors, Crowe Horwath (HK) CPA Limited.

The financial statement of the Company for the year ended 31 December 2016 has been audited by BDO China Shu Lun Pan Certified Public Accountants LLP, which was appointed at the 2015 annual general meeting of the Company. Its annual remuneration for the year was RMB2.5 million. The auditor is eligible and willing to offer itself for re-appointment. The resolution to re-appoint the auditor and to authorise the Board to determine its remuneration will be proposed at the 2016 annual general meeting of the Company.

PROSPECTS

In 2017, the global economy will remain in slow recovery. The trends of major economies' policy and spillover effects are fraught with increasing uncertainties. It is expressly stated in the Report on the Work of the Government of China, that coal power capacity should be released, stopped, retarded by more than 500MW in order to prevent from risk of overcapacity of coal energy, increase the industry efficiency of coal energy, thereby maximize the utilization rate of clean energy. With the continuous and in-depth implementation of the "Three Approvals" policy, coal power market will remain sluggish, which constitutes a material and profound impact on the development of power generation equipment enterprises. At the same time, China will accelerate the structural reform on the supply side, continue to intensify its policy of downsize in state-owned enterprise to enhance its quality and efficiency. Based on "One Belt One Road" strategy, the Group intends to deepen international capacity cooperation, contributing to the "going-out" of Chinese equipment, technology, standards and service. These policies have brought new impetus into enterprise developments. In face of challenges and opportunities, with the objective of starting its second business and returning to the top tier, the Group is committed to maximize the return to investors by gearing up against the recession based on the "13th Five-Year Plan", focusing on industrial developments, starting new undertaking, driving with innovation, intensifying reforms, facilitating all-round transformation and upgrading, as well as disciplining the enterprise.

The Group will focus on the following areas in 2017:

Expanding markets by all means

The Group will implement integrated marketing approach with strong marketing team, fully exert our competitive edge of centralized marketing and industrial management. Besides, an incentive and accountability system will be adopted to stimulate initiative. By enhancing marketing planning, we will be able to have a more thorough and in-depth understanding of the needs of users with a detailed project analysis for us to establish a prompt response system for users to provide feedback, so as to improve our service attitude, efficiency and quality. We will continue to accelerate our "going-out" strategy and strengthen our development in international market by driving EPC general contracting through investment and financing policy, so as to boost the export of main equipment. We will devote more resources on development of international reconstruction and maintenance business, with an aim at hastening its pace of development of international service industry, and expanding industry chain of offshore projects.

Scientific planning and production

We lay down our production schedule based on scientific production planning and communication with users. The Group closely monitors the fulfillment of sales orders, establishes on-hand project accounting and implements sales management. A strict assessment of rewards and punishments is adopted along with regular supervision and inspection. We promote performance-linked salary to break egalitarianism. The Group has always attached great importance to prevention of risks, sticking to "Three Approvals" policy which divided in to three categories: A, B and C, so as to establish a dynamic adjustment system and further eliminate the execution risks of project. To make full use of technology and enhance processing efficiency and quality, the Group will devote more resources on the research and usage of new material, skills and testing technology, as well as the technology of redeveloping traditional equipment with advanced technology and information technology to improve the working efficiency and quality.

Technology development powered by innovation

We will perfect the technology innovation system by preparing and implementing of the "13th Five-Year" scientific and technological development (innovation) planning, completing the establishment of the Central Research Institute, carrying out system integration, undergoing complete sets of transformation, intelligent micro-network, new energy, gas turbine and other technical research. The Group will speed up the development of major technology in relation to conventional island welding rotor technology, 630-650 efficient ultra-supercritical unit technology, environmental island design, solar thermal technology, new energy complementary decentralized power generation technology and other aspects, with an aim at achieving new breakthroughs. We intend to perfect and upgrade our laboratory and testing facilities, making up our weakness on laboratory and examination ability. The Group will accelerate the cooperation with GE Company in fuel-fired generator industry, the introduction of technology localization, and the work on independent intellectual property rights.

Enhancing quality decisively

The Group vigorously implements its business initiatives. For the major quality improvement project, we adopt comprehensive examination and inspection in a strict manner to monitor its quality. Besides, we strengthen our quality inspection and procurement team building by improving their capacity, optimizing their structure, providing more training, so as to improve our quality and technology continuously. We establish a comprehensive quality data base and life-long accountability system, and link the remuneration package with performance and title. The Group strengthens its supplier management and system review supply chain management, and continues to promote rectification on the procurement and outsourcing by implementing in-depth six dimensions evaluation of supplier, in order to create a strategic mutually-beneficial situation with the suppliers.

To strengthen our control over expenses

To reduce the cost of technology, the Group relies on technological advancement and design optimization, focusing on design optimization of coal steam turbine generators. To reduce the cost of procurement, the Group strives to achieve on-line procurement rate of 100% in its e-commerce platform, and increases the proportion of bundled tender, making use of scale for discounted price. Besides, the Group cooperates with e-commerce companies, procuring office supplies and other low-value consumables via internet. To reduce the cost of quality, the Group aims at reducing quality loss by improving manufacturing quality, design quality and service quality. To reduce the cost of management, the Group implements target cost management, improves target cost difference analysis, and formulates targeted protective measures.

Controlling capital with various measures

The Group put great emphasis on balancing sources of funds by enhancing centralized management of funds, budgeting and monitoring fund approvals in strict manner, as well as strictly managing unplanned expenses. We formulated a specific "Two Gold" pressure relief policy. Our ultimate goal is making each of the trade receivables due more than three years and inventory to be reduced by 15% in 2017. In order to make full use of the idle assets and replenish cash flow, the Group will lease and transfer the idle assets in society-oriented and market-oriented way.

Unswervingly carrying out reform

The Group will intensify the reforms of three systems. Adhering to its performance-oriented principal, we promote the reform on total wages, remuneration of officers and personnel system. The operating process will be modified by combining with the actual situation of enterprise and allocating resources into major business. We will speed up the innovation of business models, achieve high working efficiency in Power Division and Power Station Service Division, complete the adjustments to the internal organization and business staff of Nuclear Power Division and Gas Turbine (Combine Cycle) Division, in order to strengthen industrialization development with business models.