

**WUHAN BOILER COMPANY LIMITED**  
**(200770)**



**2011 ANNUAL REPORT**

**Disclosing Newspaper: Securities Times and Ta Kung Pao**

**Disclosing Date: April 27, 2012**

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## Section I Important Notes

- The Board of Directors, the Board of Supervisors as well as directors, supervisors and senior management of Wuhan Boiler Company Limited (hereinafter referred to as “the Company”) hereby confirm that there are no misstatements, misleading statements or material omissions in this Annual Report and will take individual and/or joint and several liabilities for the authenticity, accuracy and completeness of this Annual Report.
- No director, supervisor and senior management has disagreements to the authenticity, accuracy and completeness of this Annual Report.
- 2011 Financial Auditing Report of the Company has been audited by Zhonghuan Haihua Certified Public Accountants Co., Ltd, and a standard Auditor’s Report with unqualified opinion has been issued.
- Mr. YEUNG Kwok Wei Richard, the Chairman of the Board of Directors, Mr. Chin Wee Hua, Finance Director, and Mr. Seow Ven Sern in Charge of Accounting, hereby ensure that the Financial Report enclosed in this Annual Report is true and complete.

## Section II Company Profile

### I. Legal Name of the Company

In Chinese: 武汉锅炉股份有限公司

In English: WUHAN BOILER COMPANY LIMITED

Abbr. in English: WBC

### II. Legal Representative: YEUNG Kwok Wei Richard

### III. Secretary of the Board of Directors: Kevin Qin

Contact Address: No. 1, Liufangyuan Road, East Lake New Technology Development Zone, Wuhan, Hubei

Contact Tel: (027) 81994266

Contact Fax: (027) 81994273

E-mail: kevin.qin@power.alstom.com

Securities Affairs Representative: Xu Youlan

Contact Tel: (027) 81993700

Contact Fax: (027) 81993701

E-mail: youlan.xu@power.alstom.com

### IV. Registered Address and Office Address: No. 1, Liufangyuan Road, East Lake New Technology Development Zone, Wuhan, Hubei

Post Code: 430205

Internet Website: <http://www.wbcl.com.cn>

E-mail: [cnwhu.wbc@power.alstom.com](mailto:cnwhu.wbc@power.alstom.com)

### V. Newspapers for Disclosing the Information of the Company:

Securities Times (Domestic), Ta Kung Pao (Overseas)

Internet Website for Publishing the Annual Report: <http://www.cninfo.com.cn>

Place Where the Annual Report is Prepared and Placed: Securities Department of the Company

VI. Stock Exchange Listed with: Shenzhen Stock Exchange

Stock Abbreviation: \*ST WUGUO-B

Stock Code: 200770

VII. Other Information of the Company

Initial registration date: the Company was formally incorporated on Apr. 8, 1998

Initial registration place: No. 586, Wuluo Road, Wuhan, Hubei

Registration change date: the Company changed its registration with Hubei Administration for Industry and Commerce as a stock company (Sino-foreign joint venture company and listed company) on Oct. 26, 2007.

The changed registration place: No. 586, Wuluo Road, Wuhan, Hubei

The latest registration date: the Company changed its registration with Hubei Administration for Industry and Commerce as a stock company (Sino-foreign joint venture company and listed company) on Oct. 30, 2009.

The latest registration place: No. 1, Liufangyuan Road, East Lake New Technology Development Zone, Wuhan, Hubei

Business License No.: 420000400000568

Tax Registration No.: 420106271756432

The Certified Public Accountants engaged by the Company: Zhonghuan Haihua Certified Public Accountants Co., Ltd.

Address: Zhonghuan Mansion, No. 169 East Lake Road, Wuchang District, Wuhan

### Section III Summary of Accounting Data and Business Data

I. Accounting data for financial year 2011

Unit: RMB

Items	Amount
Total profit	-282,097,822.59
Net profit	-263,537,079.89
Net profit attributable to shareholders of the Company	-263,452,709.03
Net profit after deducting non-recurring gains and losses	-264,043,557.18
Operating profit	-282,688,670.74
Investment income	0.00
Net non-operating income and expenditure	590,848.15
Net cash flow arising from operating activities	-310,753,665.44
Net increase/decrease of cash and cash equivalents	9,896,754.98

Note: Items and amount of non-recurring gains and losses deducted

Unit: RMB

Items of non-recurring gains and losses	2011	Notes (if applicable)	2010	2009
Gains and losses on disposal of non-current assets, including reversal of the impairment loss	-48,709.05		761,772.45	544,521.65
Government grant recognized in current year, except for those acquired in the ordinary course of business or granted continuously in certain standard quota according to relevant national laws and regulations	283,776.00		103,307,776.00	277,776.00

Company restructuring expenses such as employee placement and integration costs				-27,263,814.10
Separately tested for impairment of receivables impairment reversal			41,133,909.26	
Other non-operating income and expense other than abovementioned	355,781.20		-141,568.49	-874,146.41
Non-recurring income tax effect of gains and losses			-10,283,477.32	
Minority interest share of non-recurring gains and losses			10,361.51	42,531.09
Total	590,848.15		134,788,773.41	-27,273,131.77

## II. Key accounting data and financial indices of the Company for the last three years

### 1. Key accounting data

Unit: RMB

Items	2011	2010	Increase/decrease from last year (%)	2009
Gross revenue (Yuan)	518,177,439.70	623,370,633.11	-16.87%	517,679,190.56
Operating profit (Yuan)	-282,688,670.74	-73,014,473.73	-287.17%	-687,508,381.33
Total profit (Yuan)	-282,097,822.59	30,913,506.23	-1012.54%	-687,560,230.09
Net profit attributable to shareholders of the Company (Yuan)	-263,452,709.03	8,535,924.33	-3186.40%	-675,672,514.99
Net profit attributable to shareholders of the Company after deducting non-recurring gains and losses (Yuan)	-264,043,557.18	-126,252,849.08	-109.14%	-648,399,383.22
Net cash flow arising from operating activities (Yuan)	-310,753,665.44	1,217,583,145.02	-125.52%	278,461,556.72
Items	Dec. 31, 2011	Dec. 31, 2010	Increase/decrease from the end of last year (%)	Dec. 31, 2009
Total assets (Yuan)	1,749,077,941.25	1,786,542,557.71	-2.10%	2,100,746,323.46
Total liabilities (Yuan)	2,895,658,545.56	2,669,586,082.13	8.47%	2,992,027,894.44
Owners' equity attributable to shareholders of the Company (Yuan)	-1,148,878,381.87	-885,425,672.84	-29.75%	-893,961,597.17
Total share capital (share)	297,000,000.00	297,000,000.00	0.00	297,000,000.00

### 2. Key financial indices

Unit: RMB

Items	2011	2010	Increase/decrease from last year (%)	2009
Basic earnings per share (Yuan/share)	-0.89	0.03	-3066.67%	-2.27
Diluted earnings per share (Yuan/share)	-0.89	0.03	-3066.67%	-2.27
Basis earnings per share after deducting non-recurring gains and losses (Yuan/share)	-0.89	-0.43	-106.98%	-2.18
Weighted average rate of return on net assets (%)	---	-0.96		---
Weighted average rate of return on net assets after deducting non-recurring gains and losses (%)	---	---		---
Net cash flow per share arising from operating activities (Yuan/share)	-1.05	4.10	-125.61%	0.94
Items	Dec. 31, 2011	Dec. 31, 2010	Increase/decrease from the end of last year (%)	Dec. 31, 2009
Net assets per share attributable to shareholders of the Company (Yuan/share)	-3.87	-2.98	-29.87%	-3.01
Debt Asset ratio (%)	165.55%	149.43%	16.12%	142.43%

### 3. In accordance with Information Disclosure Reporting Guidelines for Public Listed

Companies (No. 9) promulgated by China Securities Regulatory Commission, the Company's return on net assets and earning per share for year 2011 calculated based on fully diluted method and weighted average method.

● Return on Net Assets

Unit: RMB

Profit in the report period	In current period		The same period of last year	
	Fully Diluted	Weighted Average	Fully Diluted	Weighted Average
Net profit attributable to common shareholders of the Company	---	---	-0.96%	-0.96%
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses				

● Earnings per Share

Unit: RMB

Profit in the report period	In current period		The same period of last year	
	Basic earnings per share	Diluted earnings per share	Basic earnings per share	Diluted earnings per share
Net profit attributable to common shareholders of the Company	-0.89	-0.89	0.03	0.03
Net profit attributable to common shareholders of the Company after deducting non-recurring gains and losses	-0.89	-0.89	-0.43	-0.43

## Section IV Changes in Share Capital and Particulars about Shareholders

### I. Changes in share capital

Unit: Share

Items	Before the change		Increase/decrease (+, -)					After the change	
	Amount	Proportion	Issuance of new shares	Bonus shares	Capitalization of public reserve fund	Other	Subtotal	Amount	Proportion
I. Non tradable shares	172,000,000	57.91%						172,000,000	57.91%
1. Sponsors' shares	172,000,000	57.91%						172,000,000	57.91%
Including: Shares held by the State									
Share held by domestic corporations	20,530,000	6.91%						20,530,000	6.91%
Share held by foreign corporations	151,470,000	51.00%						151,470,000	51.00%
Others									
2. Raised corporate shares									
3. Employees shares									
4. Preference shares or others									
II. Tradable shares	125,000,000	42.09%						125,000,000	42.09%
1. RMB ordinary shares									
2. Domestically listed foreign shares	125,000,000	42.09%						125,000,000	42.09%
3. Overseas listed foreign shares									
4. Others									
III. Total shares	297,000,000	100.00%						297,000,000	100.00%

### II. Issuance and listing of shares

(1) On Mar. 20, 1998, the Company issued 125,000,000 domestically listed foreign shares (B shares) to foreign investors at HKD 1.496 per share. The shares were listed in Shenzhen Stock Exchange on Apr. 15, 1998 with the stock code 200770.

(2) At the end of this report period and inclusive of the last three years, neither shares nor derivative securities were issued.

(3) Share structure of the Company never changed in the report period.

(4) No employee shares remain within the Company.

(5) There was no profit distribution of the Company in the report period.

### III. Introduction about shareholders

(1) As at the end of Dec. 31, 2011, the Company had 9,073 shareholders: including one foreign corporation shareholder, Alstom (China) Investment Co., Ltd, one domestic corporation shareholder, Wuhan Boiler Group Co., Ltd, and 9,071 shareholders having domestically listed foreign shares.

#### (2) Shares held by the principal shareholders

As at end of Dec. 31, 2011, the top ten shareholders and the top ten shareholders holding tradable shares of the Company are as follows:

Unit: share

Total number of shareholders at the end of 2011	9,073	Total number of shareholders one month before publishing this report	9,073		
Particulars about shares held by the top ten shareholders					
Name of shareholders	Nature of shareholders	Proportion of shares held	Total shares held	Number of non-tradable shares held	Shares pledged or frozen
ALSTOM (CHINA) INVESTMENT CO., LTD	Foreign corporation	51.00%	151,470,000	151,470,000	0
WUHAN BOILER GROUP CO., LTD	State-owned corporation	6.91%	20,530,000	20,530,000	0
CHINA MERCHANTS SECURITIES (HK) CO., LTD.	Foreign corporation	0.48%	1,411,694	0	0
CHEN CHU YUN	Domestic natural person	0.46%	1,372,450	0	0
HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	Foreign corporation	0.42%	1,234,114	0	0
WU ZHEN FA	Domestic natural person	0.38%	1,138,028	0	0
ZHUANG CHANG XIONG	Domestic natural person	0.35%	1,035,000	0	0
TANG JUAN	Domestic natural person	0.30%	887,236	0	0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	0.29%	860,551	0	0
ZHUANG YAO HUA	Domestic natural person	0.28%	821,150	0	0
Particulars about tradable shares held by the top ten shareholders					
Name of shareholders			Number of tradable shares held	Type of share	
CHINA MERCHANTS SECURITIES (HK) CO., LTD.			1,411,694	Domestically listed foreign shares	
CHEN CHU YUN			1,372,450	Domestically listed foreign shares	

HSBC BROKING SECURITIES (ASIA) LIMITED-CLIENTS A/C	1,234,114	Domestically listed foreign shares
WU ZHEN FA	1,138,028	Domestically listed foreign shares
ZHUANG CHANG XIONG	1,035,000	Domestically listed foreign shares
TANG JUAN	887,236	Domestically listed foreign shares
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	860,551	Domestically listed foreign shares
ZHUANG YAO HUA	821,150	Domestically listed foreign shares
LI SHU HUI	808,552	Domestically listed foreign shares
ZHOU YONG YI	759,850	Domestically listed foreign shares
Explanation on affiliated relationship among the top ten shareholders or persons acting in concert	Among the top ten shareholders of the Company, 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, the other eight shareholders are public shareholders who hold tradable B shares. During the report period, the change of shares held by the other eight shareholders was resulted from trading on the secondary market. Among the top ten shareholders 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, 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.	

### (3) The controlling shareholder and actual controller of the Company

- Alstom (China) Investment Co., Ltd. is the controlling shareholder of the Company, holding 151,470,000 shares as of Dec 31, 2011, is the only shareholder holding over 10% shares of the Company. The shares held by Alstom (China) Investment Co., Ltd. accounts for 51% of total shares.

Legal representative: Mr. Dominique Pouliquen

Date of foundation: Jan 26, 1999

Registered capital: USD 60,964,400

Business License No.: 100000400008162

Business scope: lawfully investing in fields in which foreign investment is permitted by the State; import, export, procurement (as an agent) and sale (as an agent) of equipments; providing relevant services including training, human resources management, consultancy, technology, storage, operating lease and etc.; participating in overseas projects from Chinese enterprises entitled to execute overseas projects.

- Alstom Holdings, a company registered in France, is the controlling shareholder of Alstom (China) Investment Co., Ltd.

Legal representative: Mr. Nicolas TISSOT

Date of foundation: Jul 29, 1988

Registered capital: EUR 624,125,422.20

Business scope: shareholding

- Alstom S.A., a listed company in France, is the controlling shareholder of Alstom Holdings.



Chairman of the Board and CEO: Mr. Patrick KRON

Date of foundation: Nov 17, 1992

Share capital: as of Dec 31, 2011, ALSTOM's share capital amounts to EUR 2,061,487,064

Business scope: the conduct of transactions in France and abroad, notably in the following fields: energy, transmission and distribution of energy, transport, industrial equipment, naval construction & repair work and engineering and consultancy, design and/or production studies and general contracting associated with public or private works and construction; and all the activities related or incidental to the above.

- Bouygues, a company listed in France holds 30.75% shares of Alstom S.A.

Chairman of the Board and CEO: Mr. Martin Bouygues

Date of foundation: 1952

Share capital: EUR 314,869,079 as of Dec 31, 2011

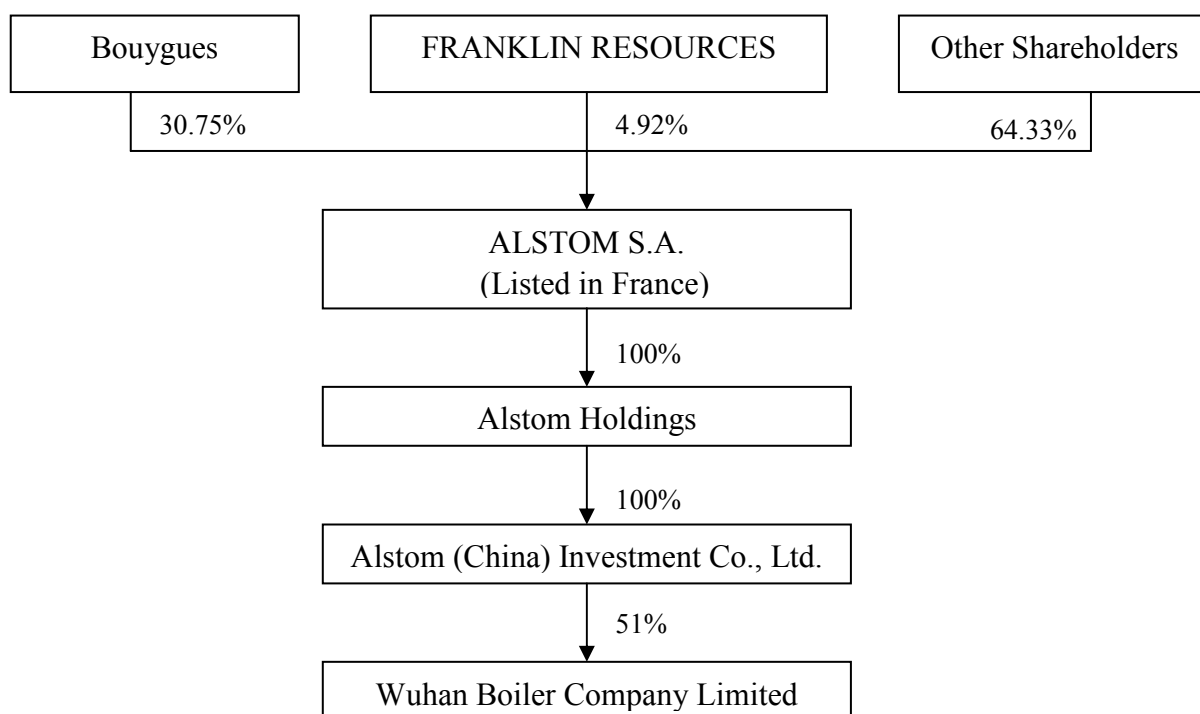
Business Scope: Construction, telecommunication business and other investment

- Other shareholders hold 64.33% shares of Alstom S.A.

Other shareholders hold 64.33% shares of Alstom S.A.

(4) Illustration on relationship between the Company and its ultimate controlling shareholder

(Note: there was no affiliated relationship or persons acting in concert among ultimate controlling shareholders)



## Section V Particulars about Directors, Supervisors, Senior Management and Employees

### I. Basic information of directors, supervisors and senior management

Name	Title	Gender	Age	Beginning date of office term	Ending date of office term	Shares at the year beginning	Shares at the year end	Reason for change	Total remuneration drawn from the Company in the report period (Ten thousand)	Share excitation authorized during the report period				Remuneration drawn from shareholder entities or other related parties or not
										Shares to be exercised	Shares had been exercised	Exercise price	Market price of stock at the period end	
Mr. YEUNG Kwok Wei Richard	Chairman of the Board of Directors	Male	62	Oct 15, 2010	Oct 15, 2013	0	0		0.00					Yes
Ms. Liu Yi	Director	Female	42	Oct 15, 2010	Oct 15, 2013	0	0		0.00					Yes
Mr. Dominique Pouliquen	Director	Male	51	Oct 15, 2010	Oct 15, 2013	0	0		0.00					Yes
Mr. Guy Chardon	Director	Male	62	Oct 15, 2010	Oct 15, 2013	0	0		0.00					Yes
Mr. Xiong Gang	Director	Male	54	Oct 15, 2010	Oct 15, 2013	0	0		0.00					Yes
Mr. Xiang Rongwei	Director	Male	58	Oct 15, 2010	Oct 15, 2013	0	0		0.00					Yes
Mr. Shen Weixing	Independent director	Male	41	Oct 15, 2010	Oct 15, 2013	0	0		10.00					No
Mr. André CHIENG	Independent director	Male	58	Oct 15, 2010	Oct 15, 2013	0	0		10.00					No
Mr. Yang Xiongsheng	Independent director	Male	51	Oct 15, 2010	Oct 15, 2013	0	0		10.00					No
Mr. Shi Ziling	Supervisor	Male	48	Oct 15, 2010	Oct 15, 2013	0	0		0.00					Yes
Ms. Sun Tong	Supervisor	Female	41	Oct 15, 2010	Oct 15, 2013	0	0		0.00					Yes
Mr. Pei Hanhua	Supervisor	Male	52	Oct 15, 2010	Oct 15, 2013	0	0		57.14					No
Mr. Jay Chen	General Manager	Male	49	Sep 28, 2011	Oct 15, 2013	0	0		35.60 (2011.9-12)					No
Mr. Chin Wee Hua	Finance Director & Vice GM	Male	39	Oct 15, 2010	Oct 15, 2013	0	0		73.49					No
Mr. Kevin Qin	Board Secretary & Vice GM	Male	31	Oct 15, 2010	Oct 15, 2013	0	0		55.44					No
Total									251.67					

#### Explanation:

1. No director, supervisor or senior management of the Company holds any Company share.
2. Mr. YEUNG Kwok Wei Richard, Chairman of the Board of Directors of the Company, is acting as Head of Alstom Power China in Alstom (China) Investment Co., Ltd, the controlling shareholder of the Company; Mr. Dominique Pouliquen, the board director of the Company, is acting as Legal Representative in Alstom (China) Investment Co., Ltd, the controlling shareholder of the Company; Ms. Liu Yi, the board director of the Company, is

acting as CFO of Alstom (China) Investment Co., Ltd, the controlling shareholder of the Company; The board director Mr. Xiang Rongwei is acting as Chairman of the Board in Wuhan Boiler Group Co., Ltd, which is a shareholder of the Company; current director Mr. Xiong Gang is acting as Vice President for Public Affairs in Alstom (China) Investment Co., Ltd, the controlling shareholder of the Company. Other directors, supervisors and senior management do not hold any position in the controlling shareholder or shareholders of the Company.

## II. Background and working experience of directors, supervisors and senior management in the latest five years.

Mr. YEUNG Kwok Wei Richard, Chairman of the Board of the Company, was born on April 7, 1949, Australian nationality. A HKIE Fellow, major in Electric Engineering and holder of MBA degree. He had worked for Hong Kong CLP Co., Ltd, BBC, ABB and ALSTOM with positions held from Projects Sales Manager to Senior Vice President. He ever held positions of Country Chief Representative and Region Vice President in China of AREVA T&D SA. He is currently Head of Power, Alstom Power, China. Mr. YEUNG Kwok Wei Richard is the Chairman & Director of the 5<sup>th</sup> Board of Directors of the Company. He doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Director Ms. Liu Yi was born on March 20, 1969, Chinese nationality and holder of bachelor degree. After graduation from Water Transport Department of Shanghai Marine College, she worked as an Accountant and Internal Controlling Manager in Shell (China) Development Co., Ltd, Total (China) Investment Co., Ltd and BP (China) Holdings Limited. She is the Regional CFO of Alstom (China) Investment Co., Ltd (the controlling shareholder of the Company). Ms. Liu Yi is the Director of the 5<sup>th</sup> Board of Directors of the Company. She doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. She satisfies the qualification requirements of the Company Law and related laws and regulations.

Director Mr. Guy Chardon, was born on May 20, 1949, French nationality. Mr. Guy Chardon graduated from the Ecole Polytechnique in Paris in 1972 with a degree in Mechanical Engineering and got an advanced degree from the Ecole des Mines in Paris in 1975. Mr. Guy Chardon joined Alstom in Oct. 2003 and ever took the positions as Senior Vice President of Alstom Turbomachines Group and Senior Vice President of Alstom Power Thermal Products. Now Mr. Guy Chardon is Alstom Group Senior Vice President. Before joining Alstom, Mr. Guy Chardon ever was Senior Vice President of UK-based Imerys Paper Europe (2001-2003), CEO of Manoir Industries Group (1998-2001), Executive Vice President of France-based Labinal Group (1995-1998), Senior Vice President at Chicago-based American National Can (1991-1995), Chairman and CEO of Pechiney Rhenalu (1983-1991). Before entering executive management, Mr. Guy Chardon

held various civil servant positions in the French government, notably Advisor to the Minister for External Trade and to the Prime Minister. Mr. Guy Chardon is the Director of the 5<sup>th</sup> Board of Directors of the Company. He doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Director Mr. Xiong Gang, born on June 21, 1957, Canadian nationality, holds a Master degree in Public Administration (1988) and a Diploma of Advanced Studies in International Public Administration (1986) from National Public Administration School of University of Quebec, Canada, and a Bachelor degree from East China Normal University, Shanghai (1981). Currently, Mr. Xiong Gang is working in Alstom (China) Investment Co. Ltd as Vice President responsible for Public Affairs. Mr. Xiong Gang worked in Hydro-Quebec (Canada) from January 1988 to August 2005 as Senior Marketing Advisor, China Business Director and Asia Commercial Director, responsible for business development and project management in China and other Asian countries. From 2001 to 2007, he was Chief Representative in Beijing for Meiya Power Company Ltd, responsible for government relations and business development. Prior to joining in Alstom, he was Chief China Representative and Business Development Director of AEI Asia Ltd (US). Mr. Xiong Gang is the Director of the 5<sup>th</sup> Board of Directors of the Company. He doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Director Mr. Dominique Pouliquen was born on March 3, 1960, French nationality. Mr. Dominique Pouliquen gained a master in Economy at Paris University in 1981, and was graduated from the Institute of Politic Studies in Paris the following year. After a one year career start in the banking sector as a financial analyst, he became consultant for six years, specialized in productivity improvement, quality management and manufacturing software for large international industrial companies. Thereafter he joined the Information Technology sector in 1989, where he occupied various business development and sales management positions. Mr. Dominique Pouliquen joined Alstom Transport in 1996 as Project Manager after he left the Telis Group (merged with Sema Group). He was responsible for developing and implementing the Transport Sales and Marketing Information Systems. He then pursued his career development in Transport as Marketing Director, followed-up Regional Director for Asia in the Service Segment. In 2001, he was promoted to head the Product and Strategy as Senior Vice President and was nominated to be part of the Transport Management Committee. Successfully carved significant milestones in Alstom Transport, Dominique was sought to head the Train Life Services Unit in 2005. Mr. Dominique Pouliquen is currently Country President, Alstom China and Senior Vice President for Alstom Transport Asia Pacific Region. Mr. Dominique Pouliquen is the Director of the 5<sup>th</sup> Board of Directors of the Company. He doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities

Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Director Mr. Xiang Rongwei was born on Apr. 15, 1953, Chinese nationality. As a holder of Bachelor Degree, he worked as Deputy Director and Director of Finance as well as Deputy General Accountant and General Accountant in Wuhan Boiler Factory, as Deputy Chairman of the Board, Deputy General Manager, and General Manager in Wuhan Boiler Group Co., Ltd., and as Director, Deputy General Manager, and General Manager in Wuhan Boiler Co., Ltd. He holds the position as Chairman of the Board of Wuhan Boiler Group Co., Ltd at present. Mr. Xiang Rongwei is the director of the 5<sup>th</sup> Board of Directors of the Company. He doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Independent Director Mr. Yang Xiongsheng was born on January 29, 1960, Chinese nationality. He graduated from Dongbei University of Finance and Economics with a Doctor of Philosophy in Accountancy. Currently he holds positions as a Director, Professor and Doctoral Supervisor in Department of Accountancy of Nanjing University. His major research fields involve internal control, Basic Accounting Theory, finance management, management accounting. Professor Yang is also a Committee Member and Vice Secretary General of Accounting Society of China, Commissioner of China Internal Control Standards Committee under the Ministry of Finance, Consultant of accounting standards under the Ministry of Finance and Vice Chairman of Accounting Society of Jiangsu. Besides, he also serves in Hohai University, Nanjing University of Science and Technology, Anhui University of Finance & Economics, Anhui University of Technology, and Zhejiang Institute of Finance & Economics as part-time professor. He is also Independent Director in Hongtu High-tech and S Yihua. Mr. Yang Xiongsheng is the Independent Director of the 5<sup>th</sup> Board of Directors of the Company. He doesn't hold any shares of the Company and has no related relationship with the Company, the controlling shareholder and actual controller of the Company. He didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Independent Director Mr. André CHIENG was born on November 8, 1953, French nationality. He graduated from Ecole Polytechnique in Paris. With strong interest in Economics, he once attended the National Economics Management and Statistics Institute and Institute Etudes Politiques de Paris. After he taught Economics in China for two years since 1978, he went back to France in 1980 and joined Louis-Dreyfus as General Manager of BRANBRA Co., which has long been engaged in trade to China. In 1988, the company changed its name into AEC ASITIQUE EUROPEENNE DE COMMERCE, and enlarged its business of consulting. In the same year, Mr. André CHIENG was appointed as Chairman of the Board of Directors and still holds the position now. Mr. André CHIENG

went and settled down in Beijing since 2001. He also takes the positions of Vice President of Comité France Chine, politics & economy consultant of Hebei province and honorary member of China Council for Promotion of International Trade. Mr. André CHIENG is the Independent Director of the 5<sup>th</sup> Board of Directors of the Company. He doesn't hold any shares of the Company and has no related relationship with the Company, the controlling shareholder and actual controller of the Company. He didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Independent Director Mr. Shen Weixing was born on April 24, 1970, Chinese nationality, Professor, Doctoral Supervisor of Law School of Tsinghua University. Currently he holds the positions as Vice Dean of Law School, Director of Real Estate Law Research Center in Tsinghua University, and Executive Director of Health Law Center in Tsinghua University. He also takes the positions of Syndic of Civil Law Seminar of China Law Society, Vice Secretary General of China Health Law Society, Vice Director Commissioner of Education Committee of China Health Law Society, and Vice Chief Editor of Cross-Straight Law Review. He obtained a bachelor degree of Law and a master degree of Law from Jilin University, and a Ph.D. degree from China University of Political Science and Law. And he was a post doctorate of Law School of Beijing University and visiting scholars of Law School of Harvard University, Temple University, Cologne University, and Freiburg University. Mr. Shen Weixing is the Independent Director of the 5<sup>th</sup> Board of Directors of the Company. He doesn't hold any shares of the Company and has no related relationship with the Company, the controlling shareholder and actual controller of the Company. He didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Convener of the Board of Supervisors Mr. Shi Ziling was born on Jan. 19, 1963, Chinese nationality. He graduated from Zhejiang University in 1984 with a bachelor degree in Thermophysics Cryogenic Engineering and got a MBA degree from Tongji University and ENPC (Institut Franco-Chinois d'Ingenierie et de Management Shanghai, China/Paris, France) in 2004. Since Jul. 2010, Mr. Shi Ziling has been working as Deputy to the Vice President of Manufacturing Static Equipment Factories of Alstom Power Thermal Products; from May 2005 to Jun. 2010, he served as Manufacturing Director and Deputy General Manager in Alstom Beizhong Power (Beijing) Co., Ltd.; from Jan. 2004 to Apr. 2005, he was Operation Director and General Manager of AMI DODUCO (Tianjin) Electrical Contacts Manufacturing Co., Ltd. (US-WOFE); from Jan. 2001 to Dec. 2003, he was Operation Department Manager of Alstom Shanghai Transformer Co., Ltd.; from 1997 to 2000, he was Senior Purchasing Manager in Alstom China Purchasing; from 1984 to 1997, he ever took positions in 101 Research Institute of Department of Aerospace as Engineer and Senior Engineer. Mr. Shi Ziling is the Convener of the 5<sup>th</sup> Board of Supervisors of the Company. He doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and

Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Supervisor Ms. Sun Tong was born on Jul. 2, 1970, Chinese nationality. From 1988 to 1992, she studied at Tianjin University and got a dual-degree (Enterprise Management and English for Science and Technology). She became an Assistant Lecturer at Tianjin University of Finance and Economics during 1992 and 1993, and she worked in Public Relations Department of Management Committee of Tianjin Development Zone during 1993 and 1994. Later, she became Administration & Finance manager in the joint company of China Petroleum and Chemical Industry and Honeywell International Co., Ltd, Business Operating and Controlling Manager of Equipment Department of Honeywell International (China area), and Manager of Honeywell International in South China District etc from 1994 to 2000. During the period of 2002 and 2004, she studied at EMBA and then acted as Financial Manager of Tianjin ALSTOM Hydro Co., Ltd during 2001 and 2003. After that, Ms. Sun Tong was promoted to be Deputy General Manager of Tianjin ALSTOM Hydro Co., Ltd during 2004 and 2009. Now she holds the position as Finance Director for Special Projects China in Alstom (China) Investment Co., Ltd. Ms. Sun Tong is the Supervisor of the 5<sup>th</sup> Board of Supervisors of the Company. She doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. She satisfies the qualification requirements of the Company Law and related laws and regulations.

Employee Representative Supervisor Mr. Pei Hanhua was born in Nov. 1959, Chinese nationality, Member of CPC. He is an economist, and graduated from Hubei Provincial Party School of the CPC with a bachelor degree majoring in Economics Management. He ever took the positions of Factory Director Assistant, Deputy Factory Director and Factory Director of Steam Pressure Vessel Branch in the Company; he ever was Secretary of the Party Branch of Purchasing Division in the Company; he worked as Deputy General Manager of the Company from Apr. 2001 to Oct. 2010, in charge of the work in safety, manufacturing, quality and purchasing, and concurrently Vice Chairman of Wuhan Safety Production Association; He has been acting as Deputy Secretary of CPC and Secretary of Committee for Disciplinary Inspection of the Company since Nov. 2009. Mr. Pei Hanhua is the Employee Representative Supervisor of the 5<sup>th</sup> Board of Supervisors of the Company. He doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

General Manager Mr. Jay Chen was born on Jan. 10, 1962, German nationality. Mr. Jay Chen gained a Master degree in Electrical Engineering at Bochum University, Germany in 1989, and studied International Accounting & Finance in ACCA, UK in 1996. After started his career in 1990 as a trainee in Weidmueller Interface GmbH & Co., he worked as Product Manager and then Chief Representative for the following years. Thereafter he joined Moeller Group (Eaton Corporation) in 1994, holding the position as Managing

Director in Moeller Electric Co. Ltd. China. Then he pursued further career development in A. Friedr. Flender AG (Part of Siemens) as Executive Director Northeast Asia since 1998, followed-up General Manager in Flender Power Transmission (Tianjin) Co. Ltd. In 2004, he joined GE Energy holding the position as CEO of Shenyang GE Liming Gas Turbine Components Co. Ltd., and then General Manager of GE Corporate leading the success of sponsorship for Olympic Games 2008 and partnership with World EXPO 2010 Shanghai & Asia Games 2010 Guangzhou. Since 2007, he took the position in Coperion (Nanjing) Machinery Co. Ltd. as CEO, making significant achievements in restructuring and integration of the company from a local private company to international player. Since July 2010, he has been worked as CEO and President in AE&E Nanjing Boiler Co., Ltd.. Mr. Jay Chen is also Vice Chairman of Association of all enterprises of Jiangsu Province. Mr. Jay Chen started to act as General Manager since September 2011. He doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Finance Director & Deputy General Manager Mr. Chin Wee Hua, Malaysian nationality, was born on Oct. 4, 1971. Mr. Chin Wee Hua graduated from the University of Western Australia, bachelor of Commerce with major in Accounting and Finance. He is also a register Australian Certified Public Accountants. Mr. Chin Wee Hua graduated from University of Leicester UK with a MBA degree. From 2001 to 2008, he was the Finance Director for Alstom Asia Pacific (Malaysia) Sdn Bhd. Before joining Alstom, Mr. Chin Wee Hua ever held position as Senior Accountant in Roche (Malaysia) Sdn Bhd from 1999 to 2001. From 1997 to 1999, he was appointed the Senior Accountant for Lundin Oil Limited. From 1994 to 1997 he was the Senior Auditor from PricewaterhouseCoopers. Mr. Chin Wee Hua started to act as Finance Director since Oct., 2009 and Deputy General Manager since Oct., 2010. Mr. Chin Wee Hua doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.

Board Secretary & Deputy General Manager Mr. Kevin Qin was born in Mar. 1980, Chinese nationality. He graduated from the East China University of Politics and Law with a L.L.B degree in Civil and Commercial Law and University of Durham with a L.L.M degree in European Union Law. Mr. Kevin Qin now holds the position of Legal Director in the Company. He ever held positions as Assistant to CEO and Legal Counsel in Co-Wealth Group, China Legal Manager of Pacific Media PLC, Special Assistant to CEO and Legal Counsel in Cathay Industrial Biotech Ltd. Mr. Kevin Qin started to act as Board Secretary since Dec., 2008 and Deputy General Manager since Oct., 2010. Mr. Kevin Qin doesn't hold any shares of the Company and didn't get any penalty or punishment from China Securities Regulatory Commission, other government organs and Chinese stock exchanges. He satisfies the qualification requirements of the Company Law and related laws and regulations.



### III. Annual remuneration of directors, supervisors and senior management

(1) Decision-making procedure of remuneration: remuneration of directors, supervisors and senior management of the Company is paid in accordance with the standards stipulated by the state labor ministry. Proposal on annual remuneration of directors, supervisors and senior management was formulated by the Board of Directors in compliance with the evaluation method of the Company and implemented after reviewed and approved by the Shareholders' Meeting.

(2) The Company pays RMB 100,000 (before tax) to each independent director as allowance. Traveling and accommodation expenses incurred for attending the Board Meetings and the Shareholders' Meetings will be reimbursed by the Company.

### IV. Changes of directors, supervisors and senior management during the report period

The 6<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors was held on Sep. 26, 2011, in which Proposal about Resignation of General Manager, Mr. Glenn Anthony Hill, and Appointment of a new General Manager, Mr. Jay Chen was reviewed and approved. Independent directors expressed their independent opinions on the Proposal. The Meeting Resolutions were announced on Securities Times and Ta Kung Pao dated Sep. 28, 2011 with Announcement No. 2011-034.

### V. Employees

As at the end of the report period, the Company has a total number of 2,003 on-the-job staffs and 1,555 retired staffs. Details as follows:

#### Specialty Composition:

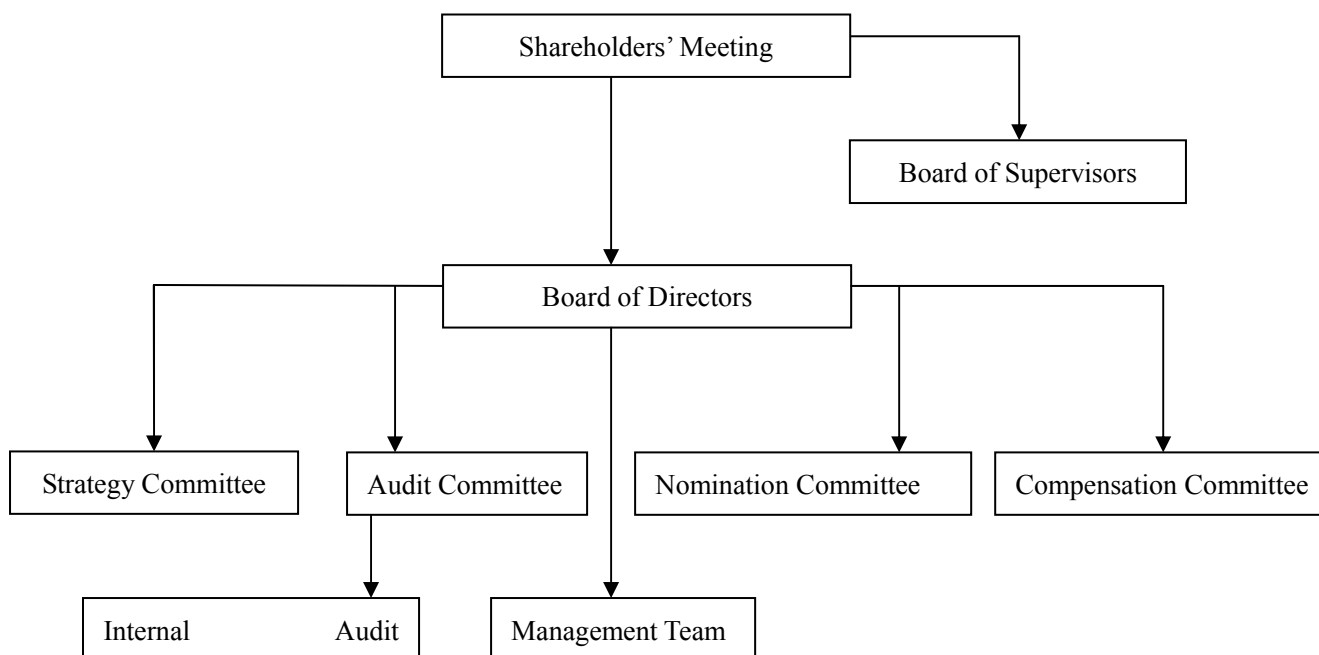
Items	Number of person	Proportion (%)
Production Personnel	1,045	52.17%
Sales Personnel	18	0.90%
Technician	363	18.12%
Financial Personnel	26	1.30%
Administration Personnel	202	10.09%
Other	349	17.42%
Total	2,003	100%

#### Education Background:

Items	Number of person	Proportion (%)
Undergraduate or above	385	19.22%
3-year regular college graduate	470	23.46%
Senior high school (including technical secondary school and technical school)	820	40.94%
Junior high school or lower	328	16.38%
Total	2,003	100%

## Section VI Corporate Governance

### I. Corporate governance structure of the Company



### II. Corporate governance in the report period

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. In the report period, by launching specific correction activities, the Company improved many aspects of governance and internal control system, perfected its corporate governance and normalized operation. 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 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.

### III. Performance of Directors and Independent Directors

The Company has three independent directors, which meets the requirement of Directive for Establishment Independent Directors' System of Listed Companies promulgated by China Securities Regulatory Commission. The independent directors of the Company carefully fulfilled their duties, prudently reviewed and took a vote to proposals submitted to all meetings of the Board of Directors and the Shareholders' Meetings in the report period and issued independent opinions, which made a positive effect on the reasonable decision-making procedures of the Board of Directors and the protection of the legitimate rights of shareholders.

(1) Directors including independent directors attending the meetings of the Board of Directors:

Name	Position	Times that should be present at the Board meetings	Times of personal presence	Times of presence through communication	Times by power of attorney	Times of absence	Successively absent twice
Mr. YEUNG Kwok Wei Richard	Chairman of the Board of Directors	5	5	0	0	0	No
Ms. Liu Yi	Director	5	5	0	0	0	No
Mr. Dominique Pouliquen	Director	5	5	0	0	0	No
Mr. Guy Chardon	Director	5	5	0	0	0	No
Mr. Xiong Gang	Director	5	5	0	0	0	No
Mr. Xiang Rongwei	Director	5	5	0	0	0	No
Mr. André CHIENG	Independent Director	5	5	0	0	0	No
Mr. Yang Xiongsheng	Independent Director	5	5	0	0	0	No
Mr. Shen Weixing	Independent Director	5	5	0	0	0	No

(2) Particulars about independent directors proposing different opinions on relevant matters of the Company:

During the report period, none of independent directors proposed objection to the relevant matters of the Company.

IV. Independence of personnel, assets, finance, organization and operations of the Company from the controlling shareholder

The Company is independent in personnel, assets, finance, organization and operations from its controlling shareholder, ALSTOM (China) Investment Co., Ltd., and independently responsible for commercial liabilities and market risks.

In Personnel, the Company establishes independent labor, personnel and salaries management systems. No senior management possesses any position in the controlling shareholder entities.

In assets, the relationship regarding assets ownership between the Company and the controlling shareholder have been clearly defined, and the controlling shareholder does not in possession of any assets, capital or other resources of the Company.

In finance, the Company has its own independent financial accounting department with perfect accounting system and financial management system. Decisions in finance are made according to the stringent requirements of accounting system for listed companies, and the similar requirements have been applied to subsidiaries of the Company. The Company has its own independent bank account and its taxations are paid independently in

compliance with legal requirements.

In organization structure, the Company already established independent, integrated and effective operation system and responsibility of all organizations is clear. The establishment and operation of corporate governance of the Company was already implemented strictly in accordance with Articles of Association of the Company, which introduced Independent Director System and established four special committees under the Board. The production, operation and administration of the Company are completely independent from the controlling shareholder. The Company already established organization structure suitable for requirement of self-development.

In operation, the Company has independent and integrated business and has capability to self-operate, independent purchase, sales, and production systems. The purchase, production and sales of raw materials and products are all conducted through the independent system of the Company. There is no horizontal competition between the Company and the controlling shareholder in domestic market.

#### V. Performance appraisal and incentive mechanism for senior management

Appraisal and incentive mechanism for senior management of the Company made by the Board of Directors is based on the achievement of annual business target. In accordance with annual business target, the Company pays annual salary to senior management in line with individual performance review and other appraisal indexes such as operation performance, safety production, diligent and honest administration.

#### VI. Work Plan for Implementation of Internal Control Standards of the Company

On March 23, 2012, Work Plan for Implementation of Internal Control Standards of the Company was reviewed and approved by the 8<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors. The Work Plan was disclosed on Securities Times and Ta Kung Pao, as well as the website <http://www.cninfo.com.cn> on March 27, 2012 with Announcement No. 2012-006.

#### VII. Particulars about the internal control of the Company

For further promoting standardization of corporate governance and improving operations of the Company, the Company, in accordance with the provisions of relevant laws and regulations such as the Company Law, the Securities Law and the Guiding Principles on Governing Listed Companies, as well as the Company's real situation, gradually formulated and revised Articles of Association of the Company, Rules of Procedure for the Shareholders' Meeting, Rules of Procedure for the Board of Directors, Rules of Procedure for the Board of Supervisors, the Management Rules on Information Disclosure, Reception and Promotion Working System, Management System for Fund Raised, Internal Audit System, Internal Report System for Significant Events, the Measures Regarding the Administration of Change in Shareholding held by Directors, Supervisors and Senior Management, Working Rules for General Manager, Annual Report Working System for Independent Directors, Audit Working System Regarding the Annual Financial Report for Audit Committee, Insider Dealing Code (Revised), System about Liabilities for Material Mistakes in Disclosing Annual Report, Management Rules on Derivative Investment and Management Rules on External Reporting and Usage of the Information and etc.. The

Company further enhanced quality and transparency of annual report information disclosure and perfected internal control system for the purpose of improving the Company's management expertise and risk prevention capability.

The Internal Control Self-assessment Report was disclosed on Apr. 27, 2012 at the website <http://www.cninfo.com.cn/>, which is the designated website by the Company for information disclosure.

(1) Opinion of the Board of Directors concerning self-assessment of internal control

The current internal control system of the Company is in compliance with the relevant laws and requirements set forth by securities supervision authorities, and it also satisfies the actual needs of the Company operation. The management team has full awareness to enhance the system of internal control, and has formed a positive environment as well as a good supervisory system for internal control. The current internal control system is well targeted, reasonably established, and finely practiced, which is well reflected in the internal control of the sales of production and money collection, purchase and payment of stocks and approval and reimbursement for expense and capital expenditure. Besides, it exerts positive effects on key sections, important investments and important risks, ensuring normal operations in each department and safety of all assets of the Company.

(2) Opinion of the Board of Supervisors concerning Internal Control Self-assessment Report

In accordance with relevant provisions stipulated by China Securities Regulatory Commission and Shenzhen Stock Exchange and basic principles of internal control, the Company improved the organization of internal control based on the reality of the Company. With an updated internal control system, the Company conducted normal internal-control activities, promoted smooth and healthy operation of the Company and ensured the plausibility and legality of internal control. The internal control system enabled better protection and safety of the assets of the Company. The self-assessment of the Board of Directors on the Company's internal control system, truly and objectively, reflected the actual situation of the internal control of the Company.

(3) Opinion of independent directors concerning Internal Control Self-assessment Report

In the report period, the Board of Directors revised, examined and approved a series of new management rules of the Company. With a fair and sound internal control system of the Company, the key improvement activities concerning internal control were launched stringently according to various rules of the Company. The internal control on management of subsidiaries, related transactions, external guarantee and information disclosure was strict, sufficient and effective, which helped to ensure normal operation in business and management of the Company. The self-assessment of the Board of Directors on the internal control was in accordance with actual situation of the internal control of the Company.

VIII. Verification of appraisal opinion from auditor concerning self-assessment of internal control of the Company

During annual audit 2011, the auditor doesn't express a verification report on the

self-assessment of internal control of the Company.

#### IX. Corporate Social Responsibility Report of the Company

The Company doesn't disclose the Corporate Social Responsibility Report.

### Section VII Brief Introduction of the Shareholders' Meeting

#### I. Notice, convening and holding of the Shareholders' Meeting

##### (1) Annual Shareholders' Meeting

2010 Annual Shareholders' Meeting was held by the Company on May 31, 2011. 2010 Annual Report and its Summary Report and 2010 Profit Distribution etc. were reviewed and approved in the Meeting. The meeting resolutions were disclosed on Securities Times and Ta Kung Pao dated Jun. 1, 2011 with Announcement No. 2011-021.

### Section VIII Report of the Board of Directors

#### I. Discussion and analysis of operation during the report period

In recent years, power station construction in China has slowed down. Despite still being the main power source currently, thermal power is taking up a smaller and smaller share in the power supply chart. Market demands have increasingly focused on environment-protecting, high-efficient and renewable-energy-using equipments. The number of new thermal power projects in China decreased and the traditional thermal power market becomes tough. Meanwhile, due to the variable domestic economy, signed contracts waiting for approval and etc., uncertainty of contract execution increased.

In the report period, the Company achieved operating revenue of RMB 518,177,439.70, a decrease of 16.87% as compared with last year; total profit of RMB -282,097,822.59, a year-on-year decrease of 1012.54%; and net profit attributable to shareholders of the Company of RMB -263,452,709.03, representing a decrease of 3186.40% from the previous year.

#### II. Particulars about the operation of the Company

##### (1) Main business scope and operation status

The Company is mainly engaged in the development, production and sales of power station boilers, special boilers, desulfurization equipments, other pressure vessels and auxiliary equipments.

The Company's main businesses classified by industries and products:

Unit: RMB 10,000

Main businesses classified by industries						
Industries or products	Operating revenue	Operating cost	Operating profit rate (%)	Increase/decrease of operating revenue from last year (%)	Increase/decrease of operating cost from last year (%)	Increase/decrease of operating profit rate from last year (%)
Machinery	51,817.74	54,048.82	-4.31	-16.87	-10.43	-234.69
Main businesses classified by products						
Boilers	51,817.74	54,048.82	-4.31	-16.87	-10.43	-234.69

Note: All the products of the Company belong to the machinery manufacturing industry providing special equipments for energy and environmental protection industries.

The Company's main businesses classified by geographical regions

Unit: RMB

Region	Operating revenue	Increase/decrease of operating revenue from last year (%)
Domestic	312,547,596.47	-21.43
Overseas	205,629,843.23	-8.85

(2) Main suppliers and customers

The total purchase from the top five suppliers for the year 2011 was RMB 222,878,203.72 , accounting for 38.51% of the total purchase of the Company in the year; the total sales income from the top five customers was RMB 488,269,536.67, taking up 94.21% of the total sales income of the Company.

(3) Changes in the Company's assets, liabilities and expenses in the report period

Unit: RMB

Items	Dec. 31, 2011		Dec. 31, 2010		Increase/decrease of proportion in total assets
	Amount	Proportion in total assets	Amount	Proportion in total assets	
Cash and cash equivalents	22,999,242.02	1.31%	13,974,304.97	0.78%	0.53%
Notes receivable	30,800,000.00	1.76%	43,164,000.00	2.42%	-0.66%
Prepayments	39,005,432.77	2.23%	111,894,344.81	6.26%	-4.03%
Inventories	240,116,922.49	13.73%	169,307,374.03	9.48%	4.25%
Fixed assets	766,802,430.73	43.84%	776,284,766.29	43.45%	0.39%
Construction in progress	2,398,543.47	0.14%	50,952,741.50	2.85%	-2.71%
Other non-current assets	5,790,508.71	0.33%	420,895.71	0.02%	0.31%
Notes payable	45,548,201.49	2.60%	18,704,256.28	1.05%	1.55%
Advance from customers	912,493,449.25	52.17%	1,059,336,631.48	59.30%	-7.13%
Employee benefits payable	57,680,171.01	3.30%	70,602,009.08	3.95%	-0.65%
Other payables	97,831,275.42	5.59%	85,685,084.50	4.80%	0.79%
Other non-current liabilities	16,132,004.95	0.92%	3,291,690.22	0.18%	0.74%
Items	2011	2010	Increase/decrease		
Operating revenue	518,177,439.70	623,370,633.11			-16.87%
Operating cost	540,488,213.48	603,397,485.95			-10.43%
Business taxes and surcharges	136,187.73	-70,486.42			293.21%
Selling expense	11,264,512.75	17,415,665.92			-35.32%
Administration expense	28,322,676.90	56,935,677.76			-50.25%
Impairment loss	132,881,866.92	-61,000,877.18			317.84%
Net income from changes in fair value	-7,075,835.00	142,442.98			-5067.49%
Investment income	0.00	0.00			
Non-operating income	641,514.50	104,708,173.59			-99.39%
Non-operating expense	50,666.35	780,193.63			-93.51%



Notes:

In the report period:

Cash and cash equivalents increased as compared to last year mainly due to increase in the issuance of bank acceptance notes to settle vendors' payment;

Notes receivable decreased as compared to last year mainly due to endorsement to settle vendor payments and discount to raise fund for daily operations;

Prepayments decreased as compared to last year mainly due to decrease in the volume of materials purchase for export projects;

Inventories increased as compared to last year mainly due to increase in the volume of specific raw materials purchased in advance of commencement of overseas projects;

Fixed assets decreased as compared to last year mainly due to full capitalization of new plant and office building which resulted in increase in accumulated depreciation;

Construction in progress decreased as compared to last year mainly due to capitalization to fixed assets and intangible assets upon acceptance and handing over of the assets;

Other non-current assets increased as compared to last year mainly due to increase in the volume of unexpired forward contracts;

Notes payable increased as compared to last year mainly due to increase in issuance of banker acceptance notes to settle vendors' payments;

Advance from customers decreased as compared to last year mainly due to completion of overseas projects in progress which resulted in settlement of contract payments on constructin contracts;

Employee benefits payable decreased as compared to last year mainly due to the payment of retirees' subsidization and inter-retirees salaries;

Other payables increased as compared to last year mainly due to TOT progress fee (excluding withholding tax) RMB4,066,041.40 and ITSAS support fee RMB 6,727,182.07;

Other non-current liabilities increased as compared to last year mainly due to increase in the volume of unexpired forward contracts;

Operating revenue decreased as compared to last year mainly due to decrease in number of projects under execution and the postponement of the domestic projects

Operating cost decreased as compared to last year mainly due to decrease in projects under execution;

Business taxes and surcharges increased as compared to last year mainly due to refund of local education development fee of RMB483,561.86 from local tax bureau in the year of 2010;

Selling expense decreased as compared to last year mainly due to decrease in sales personnel benefits and entertainment expense;

Administration expense decreased as compared to last year mainly due to: 1. increase in the number of retirees and reversal of employee benefits; 2. the decrease in professional consulting fees and leasing expense;

Impairment loss increased as compared to last year mainly due to: 1. increase in accounts receivables and slow collection which resulted in the increase in bad debts provisions; 2. increase in obsolete material provision;

Net income from changes in fair value decreased as compared to last year mainly due to unrealized loss incurred by hedge accounting for the unexpired forward contracts;

Non-operating income decreased as compared to last year mainly due to sharp decrease in government grant though reduced by a decrease in fixed assets disposal;

Non-operating expense decreased as compared to last year mainly due to decrease in fixed assets disposal and penalty expenses.

#### (4) Measurement of fair value in the report period

Measurement of fair value was in accordance with the stipulated accounting standards. No deviation in the report period.

#### (5) Changes in the Company's cash flow position during the report period

Unit: RMB

Items	2011	2010	Increase/decrease (%)
Cash flow from operating activities:			
Cash inflow	372,807,194.37	2,253,799,348.95	-83.46%
Cash outflow	683,560,859.81	1,036,216,203.93	-34.03%
Net cash flow from operating activities	-310,753,665.44	1,217,583,145.02	-125.52%
Cash flow from investing activities:			
Cash inflow	1,933,994.54	5,694,517.33	-66.04%
Cash outflow	14,349,561.09	78,299,682.48	-81.67%
Net cash flow from investing activities	-12,415,566.55	-72,605,165.15	82.90%
Cash flow from financing activities:			
Cash inflow	751,000,000.00	1,020,000,000.00	-26.37%
Cash outflow	416,026,715.38	2,182,487,904.25	-80.94%
Net cash flow from financing activities	334,973,284.62	-1,162,487,904.25	128.82%

Notes:

Cash inflow from operating activities decreased mainly due to decrease in contract deposits

received from customers;

Cash outflow from operating activities decreased mainly due to decrease in the volume of materials purchase for export projects;

Cash inflow from investing activities decreased mainly due to decrease in fixed assets disposal;

Cash outflow from investing activities decreased mainly due to decrease in purchase of fixed assets;

Cash inflow from financing activities decreased mainly due to decrease in shareholder's entrusted loan;

Cash outflow from financing activities decreased mainly due to decrease in repayment of shareholder's entrusted loan.

#### (6) Operating results of holding subsidiaries and joint stock subsidiaries

At the end of the report period, the Company owned two holding subsidiaries: Wuhan Lanxiang Energy & Environmental Protection Technologies Inc. (hereinafter referred to as "Lanxiang Company") and Wuhan Boiler Boyu Industrial Co., Ltd. (hereinafter referred to as "Boyu Company"). The basic information and general operating results of the said subsidiaries were as follows:

- Lanxiang Company

Lanxiang Company was established on Jun. 4, 2002 with a registered capital of RMB 20 million, of which Wuhan Boiler Company Limited holds 95% equity. The registration No. of Lanxiang Company is 420100000094025. And its business scope covers: 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). In the report period, Lanxiang Company generated an operation revenue of RMB 0 and a net profit reaching RMB -1,826,580.47.

- Boyu Company

Boyu Company was established on Sep. 30, 1998 with its registration No. of 4201001101773. Its registered capital stands at RMB 19.115 million. And its business scope includes: product design, manufacturing and packaging of mechanical & electrical products; processing of metal structures; design and production of mould & model; and production of various high- and medium-pressure valve roughcast, cast steel, cast iron and non-ferrous metal cast. In the report period, Boyu Company generated an operation revenue of RMB 0 and a net profit of RMB 69,581.64.

- The Company has no other holding subsidiaries, share holdings or joint ventures.

### III. Future outlook of the Company

(1) Analysis on the development trends of the industry where the Company is engaged in

2012

China's accumulative social power consumption reached 4692.8 billion kilowatt-hours in 2011, an increase of about 12% from the previous year. In 2011, newly-increased installed power-generating capacity was 90.41GW. The growth of China's power consumption in 2012 will be 2% less than such growth in 2011 due to the downshifting trend of economy. During the period of China's 12<sup>th</sup> Five-year Plan, thermal power will still serve as China's principal power. Considering the increasing demand of electricity, the commitment of carbon emission reduction and the planning for new industries, new energy resources and low-carbon economy will be the main development trend of the industry of thermal products. It will be inevitable and necessary for the thermal products industry to promote energy-saving and emission reduction programs. Meanwhile, the environment protection industry for power plants is expected to have good prospects, and the clean energy equipments will have more market share in thermal products market. The demands for clean thermal power generation technology and ultra-supercritical thermal power equipments will keep increasing in future years.

## (2) Strategies of the Company for future development

Alstom in France, the controller of the Company's controlling shareholder Alstom (China) Investment Co., Ltd., owns the world-advanced AGVTM rail transport technology and provides integrated power plant solutions covering a variety of energy sources, including coal, hydro, natural gas, nuclear and wind energy. With Alstom as a platform, the Company will continue looking for opportunities to move up to a new level of development. The products of the Company are environment-protecting and high-efficient which meet the needs of the power market.

## (3) Business plan for the new year

It is complex in domestic and overseas economic environment, as well as China's power market. The Company will keep an eye on changes in domestic and overseas markets based on its own competitive edges. The Company will focus on the following five tasks:

1. On the basis of completion of the technology transfer for 1000MW class Ultra-Supercritical pulverized coal boiler, 600 MW class Supercritical pulverized coal boilers, 350 MW class Supercritical pulverized coal boiler technology development and design, and the improvement of the technology for the 300MW class pulverized coal boilers, the Company is actively bidding in domestic market to expand market share and improve market position;

2. With the supports from Alstom, the Company will get more export orders for assemblies of boilers and deliver qualified products according to different quality standards. The Company will focus on products quality control and delivery schedule management of overseas projects, such as Sostanj, Narva, Manjung and etc. in order to improve its international competitiveness and consolidate the achievement of the technology transfer.

3. The Company will startup boiler island engineering and project execution preparation for oversea projects, and improve research ability of laboratory to pave the way for the

Company's business growth and future development.

4. The Company will optimize the structure of production employees and nonproduction employees, provide more training to on-the-job employees, speed up new technologies and new procedures adaption and improve labor productivity so as to satisfy various requirements of different quality standards from different orders.

5. The Company will improve business operation management, strengthen project management and supply chain management, continue with inventory control, cost control and cash flow management so as to complete orders with good quality and timely delivery.

#### (4) Major risks and solutions

Because of the uncertainty of domestic and international economic environment, the price fluctuation of raw materials and unpredictable change of foreign exchange rate, the Company's operation risk is increasing. The Company will pay close attention to domestic and international economic environment changes. Meanwhile, the Company will strengthen the quota control of raw material consumption and strictly control costs so as to mitigate the negative impact of the price fluctuation of raw materials.

#### IV. Investment in the report period

(1) In the report period, the Company did not conduct fund-raising or use funds raised in previous periods.

(2) In the report period, the Company did not invest in any significant projects with non-raised funds.

#### V. Changes in accounting policies and accounting estimates and their impact

In the report period, the Proposal to Change Accounting Estimate was reviewed and approved at the 3<sup>rd</sup> Meeting of the 5<sup>th</sup> Board of Directors. The changes to accounting estimates were proposed in line with the Company's business expansion needs as follows: Changes to the method and rate used in calculation of provision for warranty cost: enable WBC's product warranty cost be reflective of its actual claims to provide more reliable and relevant accounting information.

In accordance with relevant provisions under Chinese Accounting Standards, the proposed changes to Accounting Estimate are to be accounted for using the prospective application approach, which bring no material impact to owners' equity and net income of the periodic reports.

Independent directors' opinions: according to the related provisions of the Directive for Establishing Independent Directors' System of Listed Companies and Articles of Association of WBC, as independent directors, we think that changing accounting estimate is to truly reflect the financial status and operating results of WBC and provide more accurate accounting information. It will not have material impact on owners' equity and net profit of periodic reports, and will not damage interests of WBC and minority shareholders.

#### VI. Routine work of the Board of Directors

(I) Resolutions and information disclosure of the Board Meetings convened in the report period

In the report period, the Board of Directors convened five meetings, and the detailed information regarding meetings, convening procedure were disclosed as follows:

(1) On Apr. 27, 2011, the 3<sup>rd</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened at Conference Room No. 1 on 5/F, Area C, Qiankun Building, Beijing. And the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao dated Apr. 29, 2011.

(2) On Apr. 27, 2011, the 4<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened at Conference Room No. 1 on 5/F, Area C, Qiankun Building, Beijing. And 2011 Quarterly One Report reviewed and approved at the Meeting was disclosed on Securities Times and Ta Kung Pao dated Apr. 29, 2011.

(3) On Aug. 26, 2011, the 5<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened at Conference Room No. 2001 of the Company. And the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao dated Aug. 30, 2011.

(4) On Sep. 26, 2011, the 6<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened at Conference Room No. 2001 of the Company. And the resolutions made at the Meeting were disclosed on Securities Times and Ta Kung Pao dated Sep. 28, 2011.

(5) On Oct. 28, 2011, the 7<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors was convened at Conference Room No. 2001 of the Company. And 2011 Quarterly Three Report reviewed and approved at the Meeting was disclosed on Securities Times and Ta Kung Pao dated Oct. 31, 2011.

(II) Execution of the resolutions made at the Shareholders' Meeting by the Board of Directors

In the report period, according to relevant laws and regulations, as well as the resolutions and authorization of the Shareholders' Meeting, the Board of Directors conscientiously executed the resolutions made at the Shareholders' Meeting and actively and prudently did the work under the principle of being responsible to all shareholders. And neither profit distribution nor capitalization of public reserves was conducted in the year 2010.

(III) Performance of the Audit Committee of the Board of Directors

(1) The review opinion on the financial statements prepared by the Company before audited by Zhonghuan Haihua Certified Public Accountants Co., Ltd.

Board of Directors of the Company,

We have reviewed the financial statements submitted by the Finance Department of the Company, which include the balance sheet as at Dec. 31, 2011, the income statement, the cash flow statement, the statement of changes in owners' equity for the year then ended, as well as the notes to the financial statements. We focused on the factuality and completeness

of the financial information provided according to the New Accounting Standards for Business Enterprises and the related financial rules of the Company. Based on our inquiry with relevant financial personnel and management about the Company's computational procedures of financial information, we believe that: all the transactions of the Company were fully recorded and the related materials were complete; the accounting policies and accounting estimates adopted were suitable and reasonable. Since there is still a time gap from this preliminary review to the issuance of the first draft of the auditor's report, we hereby remind the Finance Department of the Company to strictly follow the New Accounting Standards for Business Enterprises when handling events after balance sheet date to ensure the fairness, factuality and completeness of the Financial Statements.

Audit Committee of the Board of Directors

Jan. 21, 2012

(2) The review opinion on the financial statements of the Company after the preliminary audit opinion was issued by Zhonghuan Haihua Certified Public Accountants Co., Ltd.

Board of Directors of the Company,

We have reviewed the preliminary audit opinion issued by Zhonghuan Haihua Certified Public Accountants Co., Ltd. and the financial statements submitted by the Company, which include the balance sheet as at Dec. 31, 2011, the income statement, the cash flow statement, the statement of changes in owners' equity for the year then ended, as well as the notes to the financial statements. Through a further review on accounts records and vouchers, we maintain our original statement that: in our opinion, the financial statements comply with the New Accounting Standards for Business Enterprises and the related financial rules of the Company, presenting fairly the financial position of the Company as at Dec. 31, 2011, as well as the operating results and its cash flows for the year then ended.

Audit Committee of the Board of Directors

Apr. 10, 2012

(3) The summary report of the audit work performed by Zhonghuan Haihua Certified Public Accountants Co., Ltd.

Board of Directors of the Company,

In accordance with the audit plan of the Company, 7 auditors from Zhonghuan Haihua Certified Public Accountants Co., Ltd. performed the audit of the 2011 financial statements. The pre-audit communication commenced on December 20, 2011 and the formal audit on February 15, 2012. The leader of the audit team conducted effective communication with the Company's relevant financial personnel, management personnel and members of the Audit Committee on the subject of consolidation of the Company's financial statements and application of the New Accounting Standards for Business Enterprises. Such in-depth communication provided all relevant parties with an adequate understanding of the operation status and financial processes of the Company, as well as the application of the New Accounting Standards for Business Enterprises, which also provided a foundation for Zhonghuan Haihua Certified Public Accountants Co., Ltd. to draw a fair audit conclusion. During the audit, the Audit Committee focused on the following questions when communicating with the auditors:

1. Whether all the transactions were recorded and reported fully, truly and completely;
2. Whether the financial report was produced in accordance with the New Accounting Standards for Business Enterprises and the requirements of the securities regulatory authorities;
3. Whether the internal accounting control system of the Company was a sound one;
4. Whether all departments of the Company fully cooperated with the auditors in providing the information required.

The auditors of Zhonghuan Haihua Certified Public Accountants Co., Ltd. gave positive replies concerning the aforesaid questions and issued a standard unqualified auditor's report on Apr. 24, 2012. We hold the opinion that: with the excellent professional skills and reasonable personnel allocation, the auditors performing the 2011 annual auditing concluded their work in strict compliance with the Independent Auditing Criteria for Chinese Registered Accountants; the auditor's report issued presented a true and fair reflection of the Company's financial position as at Dec. 31, 2011, operating results and cash flows position for the year then ended, and the audit conclusion was in compliance with the Company's actual situation.

Audit Committee of the Board of Directors  
Apr. 24, 2012

(4) Resolution of the Audit Committee on continuing to engage Zhonghuan Haihua Certified Public Accountants Co., Ltd. as auditor for the year 2012

Zhonghuan Haihua Certified Public Accountants Co., Ltd. had been serving as the Company's annual auditor since the year 1998. And it performed competently and diligently during the 2011 annual auditing. Therefore, the Audit Committee hereby proposes to renew the engagement of China Chain International Certified Public Accountants Co., Ltd. as the annual auditor for the year 2012, with an auditing fee of RMB 750,000.

The above resolution shall be submitted to the Board of Directors of the Company for examination and 2011 Annual Shareholders' Meeting for examination and approval.

Audit Committee of the Board of Directors  
Apr. 24, 2012

(IV) Duty performance of the Remuneration and Appraisal Committee of the Board

The Remuneration and Appraisal Committee has reviewed the remuneration of directors, supervisors and senior management disclosed in 2011 Annual Report of the Company, and hereby express our opinion as follows:

In our opinion, the current Compensation and Benefit system applied in the Company was set up according to the stipulated decision-making process. The actual distribution of remunerations for directors, supervisors and senior management and the corresponding amount disclosed in 2011 Annual Report are factual and accurate.

Remuneration and Appraisal Committee of the Board of Directors  
Apr. 24, 2012

VII. Plan of profit distribution or transfer of capital reserve to share capital for the year



2011

As audited by Zhonghuan Haihua Certified Public Accountants Co., Ltd., the Company generated a net profit attributable to shareholders of the Company amounting to RMB -263,452,709.03 in 2011. Neither profit distribution nor capitalization of public reserves was conducted in the year 2011.

The aforesaid plan shall be submitted to the Company's 2011 Annual Shareholders' Meeting for review and approval.

#### VIII. Distribution of cash dividends in the past three years

Year	Cash dividend (tax included) (RMB 10,000)	Net profit attributable to shareholders of the Company in the consolidated financial statements (RMB 10,000)	Proportion in the net profit attributable to shareholders of the Company in the consolidated financial statements (%)	Distributable profit for the year (RMB 10,000)
2011	0.00	-26,345.27	---	-165,995.61
2010	0.00	853.59	---	-139,650.34
2009	0.00	-67,567.25	---	-140,503.93
Proportion of the accumulative cash dividends in the past three years in the average annual attributable profit (%)		-----	-----	-----

#### IX. Other information disclosed

(1) Securities Times and Ta Kung Pao were designated by the Company as the newspapers for information disclosure in 2011, which remained unchanged in the report period.

(2) Special explanation by Zhonghuan Haihua Certified Public Accountants Co., Ltd. on the funds occupation by the controlling shareholder or other related parties

Board of Directors of Wuhan Boiler Company Ltd.,

Entrusted by Wuhan Boiler Company Ltd. ("the Company"), and in accordance with Chinese CPA Standards on Auditing, we audited the balance sheet, the consolidated balance sheet as at Dec. 31, 2011, the income statement and the consolidated income statement of 2011, the statement of changes in shareholders' equity and the consolidated statement of changes in shareholders' equity, the cash flow statement and the consolidated cash flow statement as well as the notes to the financial statements. Then we issued Zhonghuan Audit No. (2012) 777 Auditor's Report on Apr. 25, 2012.

In line with requirements of Circular on Relevant Issues Concerning Regulating Capital Flow between Listed Companies and Related Parties and Provision of External Guarantees By Listed Companies (ZJF [2003] No. 56 promulgated by CSRC), the Company compiled the attached 2011 Fund Occupation Summary for the year ended Dec. 31, 2011 by its controlling shareholder or other related parties.

According to Fund Occupation Summary, in 2011, the controlling shareholder and other related parties of the Company had occupied accumulatively the Company's fund for RMB 58,963,900.00. The Company's funds were occupied for operating purposes. By Dec. 31, 2011, the controlling shareholder and other related parties of the Company had occupied the Company's fund for RMB 139,786,600.00. The Company's funds were occupied for operating purposes.

The full text of the Special Explanation on the Funds Occupation by the Controlling Shareholder and Other Related Parties of Wuhan Boiler Company Ltd. issued by Zhonghuan Haihua Certified Public Accountants Co., Ltd. was published on [www.cninfo.com.cn](http://www.cninfo.com.cn).

(3) Special explanation and independent opinion on the accumulated external guarantees and the current-period external guarantees given by the independent directors of the Company

The independent directors believed that the Company had strictly controlled external guarantee issues, and no guarantees had been provided for shareholders, holding subsidiaries of shareholders, related parties of shareholders, or other related parties that the Company holds less than 50% shares, any non-legal person entities or any individuals. In the report period, the Company didn't provide any guarantee to any external entity in any form.

#### X. The Execution of Insider Dealing Code

In accordance with the requirements of Shenzhen Stock Exchange, China Securities Regulatory Commission and Hubei Securities Regulatory Bureau, the Company has built up the Insider Dealing Code, which defines the scope, reporting procedures, registration & record management and confidential management of inside information, as well as liabilities claim for 2011 Annual Report disclosure; standardizes the activities on investor relations, such as external reception and online road show, etc.. Besides, the Company made strict management of insiders in accordance with the above code and relevant stipulations, and avoided the leak of inside information and the occurrence of insider dealings.

During the report period, the Company has neither found leak of significant sensitive information from insiders, nor received any investigation and rectification order issued by regulatory authorities for the above reasons.

According to the requirements of the Provisions for Listed Companies on the Establishment of the System for Registration and Administration of Insiders issued by CSRC (CSRC Announcement [2011] No. 30) and the Notice on Strengthening Management of Inside Information and Improving the System for Registration and Administration of Insiders issued by Hubei Securities Regulatory Bureau, the Board of Directors revised the Insider Dealing Code. The revised Insider Dealing Code was reviewed and approved by the 9<sup>th</sup> Meeting of the Board of Directors.

## **Section IX Report of the Board of Supervisors**

I. Work of the Board of Supervisors in this report period:

In 2011, following the spirit of being responsible for all shareholders, the Company's Board of Supervisors conscientiously performed its responsibilities of supervision in accordance with the Company Law, the Securities Law and Articles of Association of the Company. There were five meetings of the Board of Supervisors held during the report period in order to examine proposals, such as the Annual Report and the Interim Report,

supervise the execution of resolutions made by the Board of Directors, and ensure that operations of the Board of Directors and the management team as well as the Company finance are in accordance with laws and regulations.

Meetings convened by the Board of Supervisors in this report period, and resolutions made at the meetings as well as relevant information disclosures were as follows:

(1) The 3<sup>rd</sup> Meeting of the 5<sup>th</sup> Board of Supervisors was held at Conference Room No.1 on 5/F, Area C, Qiankun Building, Beijing on Apr. 27, 2011, where the following resolutions were made:

1. Reviewed and approved 2010 Working Report of Board of Supervisors with 3 approval votes, 0 against vote and 0 abstention vote;

2. Reviewed and approved 2010 Annual Report and its Summary Report with 3 approval votes, 0 against vote and 0 abstention vote;

The opinion of the Board of Supervisors: The Board of Supervisors recognizes the preparation and approval procedures of 2010 Annual Report are in accordance with laws, regulations and rules of China Securities Regulatory Commission and Shenzhen Stock Exchange. And the contents of 2010 Annual Report truly, accurately and completely reflect the business performance results and financial status of the Company in 2010. The Board of Supervisors gives a confirmative opinion.

3. Reviewed and approved 2010 Financial Audit Report with 3 approval votes, 0 against vote and 0 abstention vote;

4. Reviewed and approved 2010 Internal Control Self-Assessment Report with 3 approval votes, 0 against vote and 0 abstention vote;

The opinion of the Board of Supervisors: pursuant to relevant rules about internal control issued by China Securities Regulatory Commission and Shenzhen Stock Exchange, following principles of internal control and based on the Company's real situation, the Company well established its internal control organization, improved its internal control system, carried out normal internal control activities and insured the rationality and legality of internal control system in order to improve the standard operation, maintain healthy business activities, and protect the safety and completeness of the Company's assets. Internal control self-assessment made by the Board of Directors of the Company, truly and objectively, reflects the real situation of the Company's internal control work, and the Board of Supervisors gives a confirmative opinion.

5. Reviewed and approved Proposal to Change Accounting Estimate with 3 approval votes, 0 against vote and 0 abstention vote.

The opinion of the Board of Supervisors: the Company's changes to the method and rate used in calculation of provision for warranty cost are in accordance with provisions of Enterprise Accounting Standard and Enterprise Accounting System. Such changes truly reflect the financial status and operating results of the Company and will not damage interests of the Company and minority shareholders.

The resolutions made at this Meeting of the Board of Supervisors were disclosed on Securities Times and Ta Kung Pao dated Apr. 29, 2011.

(2) The 4<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors was held at Conference Room No.1 on 5/F, Area C, Qiankun Building, Beijing on Apr. 27, 2011. All the three supervisors

attended the Meeting, which was in compliance with the Company Law and Articles of Association of the Company. The Meeting was presided by Mr. Shi Ziling, the convener of the Board of Supervisors. 2011 Quarterly One Report was reviewed and approved with a voting result of “3 Agree, 0 Objection, 0 Waiver”.

The opinion of the Board of Supervisors: The Board of Supervisors recognized the preparation and approval procedures of 2011 Quarterly One Report are in accordance with laws, regulations and rules of China Securities Regulatory Commission and Shenzhen Stock Exchange. And the contents of 2011 Quarterly One Report truly, accurately and completely reflect the business performance results and financial status of the Company in the first quarter of 2011. The Board of Supervisors gives a confirmative opinion.

(3) The 5<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors was held at Conference Room No.2001 of the Company on Aug. 26, 2011, where resolutions were made as follows:

Reviewed and approved 2011 Interim Report and its Summary Report with a voting result of “3 Agree, 0 Objection, 0 Waiver”.

The opinion of the Board of Supervisors: The Board of Supervisors recognizes the preparation and approval procedures of 2011 Interim Report are in accordance with laws, regulations and rules of China Securities Regulatory Commission and Shenzhen Stock Exchange. And the contents of 2011 Interim Report truly, accurately and completely reflect the business performance results and financial status of the Company in the first half of 2011. The Board of Supervisors gives a confirmative opinion.

(4) The 6<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Supervisors was held at the Conference Room No.2001 of the Company on 28 Oct. 2011, where 2011 Quarterly Three Report was reviewed and approved with a voting result of “3 Agree, 0 Objection, 0 Waiver”.

The opinion of the Board of Supervisors: The Board of Supervisors recognizes the preparation and approval procedures of 2011 Quarterly Three Report are in accordance with laws, regulations and rules of China Securities Regulatory Commission and Shenzhen Stock Exchange. And the contents of the 2011 Quarterly Three Report truly, accurately and completely reflect the business performance results and financial status of the Company in the third quarter of 2011. The Board of Supervisors gives a confirmative opinion.

II. Independent opinions expressed by the Board of Supervisors on the following issues in this report period:

(1) The Company’s operation according to laws and regulations

In this report period, in accordance with relevant laws and regulations, the Board of Supervisors had conducted supervision over the convening procedures of and resolutions made at the Shareholders’ Meetings and the Board meetings, the implementation by the Board of the various resolutions made at the Shareholders’ Meetings, the duty performance of the Company’s senior management and the management system of the Company, etc. The Board of Supervisors believed that the Board of Directors of the Company operated in strict compliance with the Company Law, the Securities Law, Rules Governing the Listing of Stocks on Shenzhen Stock Exchange, Articles of Association of the Company and other relevant rules and regulations, fulfilled their duties in standardization in 2011, and the

Board of Directors performed their duties conscientiously and made scientific and reasonable operation decisions. As a result, the internal management and internal control system were further improved.

(2) Financial status of the Company

In this report period, the Board of Supervisors conducted periodic inspection into the financial system and the financial status of the Company, and it believed that the 2011 Financial Report was a factual reflection of the financial status and operating results of the Company. The Board of Supervisors also believed that the auditing opinions given by Zhonghuan Haihua Certified Public Accountants Co., Ltd. truly, objectively and fairly reflected the financial status and the operating results for the year 2011 without any false information, misleading statements or material omissions.

(3) Use of raised funds

The Company had not raised any fund in the recent three years (including this report period).

(4) Related transactions for asset purchases or sales

The Company had no related transactions for asset purchases or sales in this report period.

(5) Inspection of related transactions

The prices of the related transactions of the Company in this report period were fair and reasonable, which did not harm the interests of the Company. And the duty of information disclosure was fulfilled timely.

## Section X Significant Events

### I. Significant lawsuits and arbitrations

By the end of the report period, the Company was involved in the following lawsuits:

**Case No. 1:**

Plaintiff: Wuhan Boiler Company Limited (“the Company”)

Defendant: Shanxi Zhenxing Group Co., Ltd.

On April 26, 2000, Shanxi Zhenxing Group Co., Ltd. (“Zhenxing Company”) signed the Contract of 2×200MW Pulverized Coal Boilers with the Company. During executing the Contract, the Company delivered Unit 1 boiler to Zhenxing Company according to the Contract, but Zhenxing Company defaulted on the payment of Unit 1 of RMB 47.97 million. Manufacture of Unit 2 boiler has been suspended due to Zhenxing Company’s fault. The Company required Zhenxing Company to pay the debt and settle the pending issues of the Contract many times through various ways (including phone, fax and EMS), but didn’t get any reply. In April 2010, the Company sued Zhenxing Company before Shanxi High Court, requesting judgment against Zhenxing Company for paying overdue RMB 47.97 million and undertaking liquidated damages and bank interests RMB 22.047 million in total. The Contract, meeting minutes, lawyer’s letters and other relevant evidences were submitted to the Court.

On Jul. 2, 2010, the case was first heard at the Shanxi High Court, during which the defendant Zhenxing Company raised an objection about the court's jurisdiction on the case. The court judged on the jurisdiction and rejected the Company's case. Later, within the valid period, the Company filed an appeal to the Supreme Court against the Shanxi High Court's judgment on the jurisdiction. The Supreme Court will, upon trial, deliver the final ruling in writing to the Company a few days later.

The Announcement on the aforesaid case was disclosed on Securities Times and Ta Kung Pao dated Jan. 18, 2011 with Announcement No. 2011-001.

**Case No. 2:**

Plaintiff: Wuhan Boiler Company Limited ("the Company")

Defendant: Shandong Weiqiao Aluminum & Electricity Co., Ltd. ("Weiqiao A&E")

On Jun. 26, 2007, the Company signed the Contract No. 2007D012 for supplying 4×1217T/H subcritical pulverized coal boilers with Weiqiao A&E. According to the Contract, Weiqiao A&E should have paid a total of RMB 51.60 million to the Company as deposits by the end of Aug. 2007. But it only paid RMB 10 million in Mar. 2008 and hasn't paid up all the prescribed deposits until now. Considering Weiqiao A&E has breached the Contract to have defaulted on the deposits for over three years, the Company sued Weiqiao A&E before Shandong High Court in Mar. 2011, requesting to forfeit the deposit of RMB 10 million paid by Weiqiao A&E and that Weiqiao A&E should compensate the Company for its economic loss of RMB 67.40 million because of non execution of the abovementioned Contract due to Weiqiao A&E's fault.

The Announcement on the aforesaid case was disclosed on Securities Times and Ta Kung Pao dated Apr. 13, 2011 with Announcement No. 2011-006.

**Case No. 3:**

Applicant: GSE China Limited ("GSE")

Respondent: Wuhan Boiler Company Limited ("the Company")

GSE claimed that:

On Oct. 18, 2007, as the general contractor, GSE signed two Contracts (No. WBC 2007 003A and No. WBC 2007 004A) with the Company for the construction of WBC's factory and office buildings. GSE commenced the construction and timely completed the construction according to the Contracts, but the Company defaulted on the remaining payment of RMB 24,931,319.10. GSE considered the Company's behavior a violation to the Contracts and filed an arbitration application to China International Economic And Trade Arbitration Commission, requesting the Company to pay the outstanding payment, the interest, attorney fees and other relevant fees of RMB 31,593,783.15 in total.

The Company responded that:

Concerning the Contract No. WBC 2007 003A and Contract No. WBC 2007 004A, the terms for making the rest of the payment as stated in the Contracts were not achieved, so the Company did not violate the Contracts. Meanwhile, GSE disregarded the Company's requirement for defects remedy, which should be considered as a violation to the Contracts.

The Company will prepare well for the arbitration case.

The Announcement on the aforesaid case was disclosed on Securities Times and Ta Kung

Pao dated Jun. 30, 2011 with Announcement No. 2011-023.

**Case No. 4:**

Plaintiff: Shandong Weiqiao Aluminum & Electricity Co., Ltd.

Defendant: Wuhan Boiler Company Limited

The plaintiff claimed that: On Jun. 26, 2007, the plaintiff signed the Contract No. 2007D012 for purchasing pulverized coal boilers with the defendant and paid RMB 10 million as deposit to the defendant whereas the defendant failed to execute its obligation to deliver boilers as stipulated in the Contract. Despite the fact that the plaintiff had asked for the delivery for many times, the defendant refused to make the delivery before a new contract price upon mutual negotiation came up for reasons of production cost increasing. Up until now, the defendant has not delivered even one boiler.

Claims of the plaintiff:

1. To order that the Contract No. 2007D012 signed between the plaintiff and defendant shall be terminated; and
2. To order that the defendant shall doubly return the deposit to the plaintiff, i.e. RMB 20 million; and
3. To order that the defendant shall pay all expenses related to the lawsuit.

**Case No. 5:**

Plaintiff: Shandong Weiqiao Aluminum & Electricity Co., Ltd.

Defendant: Wuhan Boiler Company Limited

The plaintiff claimed that: On Feb. 6, 2007, the plaintiff signed the Contract No. 2007D003 for purchasing pulverized coal boilers with the defendant. The plaintiff paid to the defendant the deposit for four boilers under the Contract on 25 Mar. 2007 and 15 May 2007 respectively, which was RMB 51.6 million in total. However, the defendant failed to execute its obligation to deliver all boilers under the Contract. Only one boiler has been delivered until now. As for the other three boilers, despite the fact that the plaintiff had asked for delivery for many times, the defendant refused to make the delivery before a new contract price upon mutual negotiation came up for reasons of production cost increasing.

Claims of the plaintiff:

1. To order that the Contract No. 2007D003 signed between the plaintiff and defendant shall be terminated; and
2. To order that the defendant shall doubly return the deposit to the plaintiff, i.e. RMB 49.9 million; and
3. To order that the defendant shall pay all expenses related to the lawsuit.

**Case No. 6:**

Plaintiff: Zouping Hi-Tech Aluminum & Electricity Co., Ltd.

Defendant: Wuhan Boiler Company Limited

The plaintiff claimed that: On May 24, 2006, Shandong Weiqiao Aluminum & Electricity Co., Ltd. ("Weiqiao A&E") signed the Contract No. 2006D010 for purchasing pulverized coal boilers with the defendant. Later, Weiqiao A&E paid to the defendant the total deposit of RMB 5.2 million for the eight boilers under the Contract whereas the defendant failed to

execute its obligation to deliver all boilers under the Contract. Despite the fact that Weiqiao A&E had asked for the full delivery for many times, the defendant refused to make the full delivery before Weiqiao A&E paid the warehousing fee and other fees beyond the Contract. Up until now, boilers Unit 7 and Unit 8 under the Contract have not been delivered. On Mar. 23, 2010, the plaintiff, Weiqiao A&E and the defendant signed a contract transfer agreement, transferring the rights and obligations of Weiqiao A&E in the Contract No. 2006D010 to the plaintiff.

Claims of the plaintiff:

1. To order that the Contract No. 2006D010 signed between the plaintiff and defendant shall be terminated; and
2. To order that the defendant shall doubly return the deposit to the plaintiff, i.e. RMB 2.6 million; and
3. To order that the defendant shall pay all expenses related to the lawsuit.

The Announcement on the aforesaid cases was disclosed on Securities Times and Ta Kung Pao dated Jul. 22, 2011 with Announcement No. 2011-026.

**Case No. 7:**

Plaintiff: Wuhan Boiler Company Limited (“the Company”)

Defendant: GSE China Limited (“GSE”)

In 2008, the Company decided GSE as the winning bidder for the construction of the Company’s new factory through bidding process. Then the Company signed the Construction Contracts with GSE and reported it to relevant construction administrative department for record. The Construction Contracts have detailed stipulations on construction period, quality standards and completion & acceptance, etc.. After signing the Contracts, GSE subcontracted the construction project to other parties in violation of relevant laws and regulations, as well as breached other terms and conditions of the Contracts, which caused that some part of the project had quality problems, and that the construction period, completion & acceptance all delayed. Moreover, relevant construction documents have not been reported to the construction administrative department for record so far. Therefore, the Company sued GSE before Wuhan Intermediate Court for GSE’s violation of laws, regulations and the Contracts, requesting the Court to judge that GSE should return the payment of RMB 30 million to the Company.

The Announcement on the aforesaid case was disclosed on Securities Times and Ta Kung Pao dated Aug. 12, 2011 with Announcement No. 2011-028.

**Case No. 8:**

Plaintiff: Wuhan Boiler Company Limited (“the Company”)

Defendant: Shandong Weiqiao Aluminum & Electricity Co., Ltd. (“Weiqiao A&E”)

On Feb. 6, 2007, the Company signed the Contract No. 2007D003 supplying 4×1217T/H subcritical pulverized coal boilers with Weiqiao A&E. During executing the Contract, the Company has delivered Unit 1 on time in accordance with the Contract, but Weiqiao A&E defaulted on the payment for Unit 1 to the Company time after time, and refused to undertake the liquidated damages from delaying on payments for goods stipulated in the Contract. Thus, the production of Boiler Unit 2-4 has been suspended so far in Apr. 2011.



The Company sued Weiqiao A&E before Shandong High Court, requesting the court to judge that the Company should be entitled to forfeit the deposit of RMB 38.70 million for Unit 2-4, and that Weiqiao A&E should make the payment of RMB 49.965 million, as well as that Weiqiao A&E should compensate the Company for the economic losses of RMB 61.30 million because of non execution of the abovementioned Contract due to Weiqiao A&E's fault. Shandong High Court formally accepted this case on Sep. 7, 2011.

The Announcement on the aforesaid case was disclosed on Securities Times and Ta Kung Pao dated Sep. 15, 2011 with Announcement No. 2011-033.

**Case No. 9:**

Plaintiff: Wuhan Boiler Company Limited (“the Company”)

Defendant: Shanxi Zhenxing Group Co., Ltd.

On April 26, 2000, Shanxi Zhenxing Group Co., Ltd. (“Zhenxing Company”) signed the Contract of 2×200MW Pulverized Coal Boilers with the Company. During executing the Contract, the Company delivered Unit 1 boiler to Zhenxing Company according to the Contract, but Zhenxing Company defaulted on the payment of Unit 1 of RMB 47.97 million. Manufacture of Unit 2 boiler has been suspended due to Zhenxing Company's fault. The Company required Zhenxing Company to pay the debt and settle the pending issues of the Contract many times through various ways (including phone, fax and EMS), but didn't get any reply. In April 2010, the Company sued Zhenxing Company before Shanxi High Court, requesting judgment against Zhenxing Company for paying overdue RMB 47.97 million and undertaking liquidated damages and bank interests RMB 22.047 million in total. The Contract, meeting minutes, lawyer's letters and other relevant evidences were submitted to the Court.

After several hearings, Shanxi High Court made the Rulings as follows:

1. Terminate the Contract between the Company and Zhenxing Company;
2. Defendant Zhenxing Company shall pay the contract price RMB 47.97 million and related bank interest to the Company within 15 days after the Rulings coming into effect. (Paid down payment RMB 8.15 million for Unit 2 are transferred to be part of the payment for Unit 1, so RMB 8.15 million in overall overdue RMB 47.97 million for Unit 1 doesn't need to be paid.)
3. Other requests of the Company are rejected.

The Announcement on the aforesaid case was disclosed on Securities Times and Ta Kung Pao dated Oct. 19, 2011 with Announcement No. 2011-037.

**Case No. 10:**

Plaintiff: Shandong Weiqiao Aluminum & Electricity Co., Ltd.

Defendant: Wuhan Boiler Company Limited

The plaintiff claimed that: On Feb. 6, 2007, the plaintiff signed the Contract No. 2007D003 for purchasing pulverized coal boilers with the defendant. The plaintiff paid to the defendant the deposit for four boilers under the Contract on 25 Mar. 2007 and 15 May 2007 respectively, which was RMB 51.6 million in total. However, the defendant failed to execute its obligation to deliver all boilers under the Contract. Only one boiler has been delivered until now. As for the other three boilers, despite the fact that the plaintiff had

asked for delivery for many times, the defendant refused to make the delivery before a new contract price upon mutual negotiation came up for reasons of production cost increasing.

Claims of the plaintiff:

1. To order that the Contract No. 2007D003 signed between the plaintiff and defendant shall be terminated; and
2. To order that the defendant shall doubly return the deposit to the plaintiff, i.e. RMB 49.9 million; and
3. To order that the defendant shall pay all expenses related to the lawsuit.

During the court session, the plaintiff made additional claims, increasing the deposit to be returned by the defendant from RMB 49.90 million to RMB 77.40 million. But the defendant believed that such behavior had violated the stipulation on hierarchy-based jurisdiction, because the amount of subject matter RMB 77.40 million had gone beyond the jurisdiction of Binzhou Intermediate Court. The defendant raised an objection on jurisdiction in accordance with relevant laws and regulations, requesting Binzhou Intermediate Court to transfer the case to Shandong High Court. As for such objection, Binzhou Intermediate Court made the rulings as follows:

“Transfer the case to Shandong High Court for trial”.

The Announcement on the aforesaid case was disclosed on Securities Times and Ta Kung Pao dated Oct. 25, 2011 with Announcement No. 2011-038.

## II. Significant acquisition, asset sales and mergers

In the report period, the Company did not conduct any significant acquisition, asset sales or mergers.

## III. Related transactions

(1) Related transactions on purchasing and selling commodities, as well as providing and receiving labor services

### Related transactions on purchasing commodities and receiving labor services

Related parties	Details of transaction	Rule of price setting	2011		2010	
			Amount	Propotion (%)	Amount	Propotion (%)
Wuhan Boiler Group Valve Co., Ltd.	Boiler parts	Market price	40,506.00	0.01	475,847.22	0.11
Wuhan Boiler (Group) Special Boiler Engineering Co., Ltd.	Boiler parts	Market price			4,436,951.58	1.01
ALSTOM Technical Services (Shanghai) Co., Ltd.	Raw material	Market price	24,285,640.99	7.87	19,717,948.72	4.51

Related parties	Details of transaction	Rule of price setting	2011		2010	
			Amount	Propotion (%)	Amount	Propotion (%)
ALSTOM s.r.o	Raw material	Market price	1,187,674.37	0.39	2,399,827.56	0.55
ALSTOM Power Service GmbH	Labor service	Market price	16,879,708.57	100		
Wuhan Boiler (Group) Special Boiler Engineering Co., Ltd.	Labor service	Market price			2,649,300.00	59.68
ALSTOM Power Systems S.A Etablissement Boilers	Raw material	Market price	2,837,547.00	0.92	5,114,984.98	1.17
ALSTOM Power System GmbH	Raw material	Market price	51,925,074.91	16.84	138,323,945.45	31.62
Wuhan Boiler (Group) Yuntong Co., Ltd	Transport service	Market price	4,977,108.90	100.00	13,157,402.24	74.43

#### Related transactions on selling commodities and providing labor services

Related parties	Details of transaction	Rule of price setting	2011		2010	
			Amount	Propotion (%)	Amount	Propotion (%)
Wuhan Boiler (Group) Special Boiler Engineering Co., Ltd.	Sales of products	Market price			856,223.33	0.14
ALSTOM Power Systems S.A Etablissement Boilers	Sales of products	Market price	1,654,424.15	0.33	23,158,666.00	3.85
ALSTOM Power System GmbH	Sales of products	Market price	194,912,137.57	39.16	182,937,634.29	30.43
ALSTOM Sizhou Electric Power Equipment (Qingdao) Co. Ltd	Sales of products	Market price			683,760.68	0.11
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	Labor service	Market price	2,592,397.96	100.00		

Related parties	Details of transaction	Rule of price setting	2011		2010	
			Amount	Propotion (%)	Amount	Propotion (%)
PT ALSTOM Power Energy System Indonesia	Sales of materials	Market price	1,028,216.42	6.16		
ALSTOM Power INC.	Sales of materials	Market price	1,243,445.58	7.45		
ALSTOM Power INC.	Sales of products	Market price	4,685,285.58	0.94		

## (2) Related transactions on leasing

None

## (3) Other related transactions

Related parties	Transactions	Amount
ALSTOM Holdings	Training fees	191,906.45
ALSTOM IS&T SAS	ITSAS fees	6,727,182.07
ALSTOM (China) Investment Co., Ltd.	ITSSC fees	5,850,356.07
ALSTOM (China) Investment Co., Ltd.	Training fees	174,335.86
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	Translation fees	433,109.00
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	Experiment service fee	791,650.00
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	Leasehold income	571,479.00
ALSTOM Technology Ltd (Switzerland)	Technology transfer fee	7,505,484.40
ALSTOM (Switzerland) Ltd	PDMS software application service fees	416,702.25
ALSTOM (Switzerland) Ltd	Relocation of Windsor Lab	584,386.19
ALSTOM (Switzerland) Ltd	PMX Financial software support fees	4,693,831.04
ALSTOM (Switzerland) Ltd	SAP B1 Financial software costs	87,702.72

(4) Alstom (China) Investment Co., Ltd., the Company's controlling shareholder, entrusted China Construction Bank to provide a loan of RMB 1,563,000,000.00 to the Company at 10% discount off the benchmark interest rate. The Company paid RMB 76,026,715.38 loan interest in 2011.

## IV. Significant contracts and their implementation

(1) In the report period, there were no such events such as entrustment, contracting or lease of other companies' assets by the Company and vice versa.

(2) In the report period, the Company neither provided any significant guarantee to any other party nor provided any guarantee to its controlled subsidiaries.

(3) In the report period, the Company did not entrust others to manage its cash assets.

V. Derivatives investment and derivative investment positions held by the Company at the end of the report period

Table 1

Analysis on risks and control measures of derivative positions held in the report period (including but not limited to market risk, liquidity risk, credit risk, operation risk, legal risk, etc.)	----
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.	----
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	----
Specific opinion from independent directors, sponsors or financial consultants on the Company's derivatives investment and risk control	----

Table 2

Unit: RMB 10,000

Type of contract	Beginning contract amount	Closing contract amount	Gain or loss in the report period (RMB 10,000)	Proportion of the closing contract amount in the closing net assets of the Company (%)
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Total	---	---	---	---

VI. Commitments made by the Company, its directors, supervisors, senior management, shareholders holding more than 5% of the Company's shares, actual controller or any other relevant party in the report period, or such commitments carried down to the report period

Commitment	Commitment maker	Contents of commitment	Execution
Commitment concerning the share reform	None	None	None
Commitment concerning share trading lock-up	None	None	None
Commitments made in a purchase report or a report on changes of owners' equity	None	None	None
Commitments made in material asset reorganization	None	None	None
Commitments made when issuing	None	None	None

Other commitments (including supplementary ones)	The Company	<p>(1) Capital commitments Up to December 31, 2011, the commitment related to purchases of long-term assets which the contract were signed but not reflected in the financial statements amounted to RMB2,218,930.85, USD157,085.00, EUR15,071.50.</p> <p>(2) Other commitments Up to December 31, 2011, the performance bond, tender bond and warranty bond issued by the Company remain unexpired amounted to RMB78,068,360.00 and USD3,126,920.00. The tender bond issued in 2011 was RMB 1,600,000.00.</p>	<p>(1) The performance of previous year's capital commitments: The amount of prior year's capital commitments fulfilled in 2011 was RMB40,911,747.16, USD270,881.00, EUR117,999.50.</p> <p>(2) The performance of previous year's other commitments: The amount of bond expired in 2011 were: performance bond RMB 31,450,000.00, tender bond RMB 1,600,000.00.</p>
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#### VII. Engagement or dismissal of CPA firms

In the report period, the Company continued to engage Zhonghuan Haihua Certified Public Accountants Co., Ltd. as the auditing agency.

Expenses arising from accommodation, travel, telecommunication, photocopying, etc. during the auditing period would be paid by Zhonghuan Haihua Certified Public Accountants Co., Ltd.. In the report period, the Company had withdrawn, at full amount, the auditing charge of 2011 Financial Report.

Zhonghuan Haihua Certified Public Accountants Co., Ltd. had provided auditing service to the Company for 14 accounting years (including this year) in succession.

#### VIII. Visits, researches and interviews received by the Company

In the report period, according to the Guide on Fair Information Disclosure for Listed Companies, the Company patiently and friendly received phone calls and visits from investors. The Company and relevant personnel obliged for information disclosure strictly abided by the principle of fair information disclosure, with no events of differential treatment or leak of undisclosed information.

Time	Place	Way of reception	Visitor	Main discussion and materials provided by the Company
Jan. - Dec. 2011	Wuhan	By telephone and on-site acceptance	Public investor	Production and operation situation, annual operating results and progress of listing restoration, etc.

#### IX. Investigations and punishments received

In the report period, the Company, the Board of Directors, directors and senior management received no administrative punishments or criticism by circular from CSRC, or open criticism from the stock exchange.

#### X. There was no other significant events in the report period.

Please see the Financial Report.

#### XI. Contingent

There was no other event to disclose during this report period

## XII. Subsequent events

As at 28 March 2012, the Company received the civil mediation statement issued by the High Court of Shandong Province. According to the mediation statement, both of Shandong Weiqiao Aluminium Co., Ltd. and Binzhou Gaoxin Aluminium Co.,Ltd shall pay RMB105,003,000.00 to the Company, and terminate the boiler supply contracts signed among the three parties in 2006 and 2007 at the same time. Meanwhile, the Company will sign a new contract of four sets of subcritical pulverized coal boilers with Shandong Weiqiao Chuangye group and Binzhou Beihai New material Co.,Ltd. Since the above contract execution needs a long period, it is unable to estimate the impact of this matter to the financial position and operating results of the Company at present.

## **Section XI Financial Report**

### I. Auditing opinions

2011 Financial Report of the Company had been audited by Zhonghuan Haihua Certified Public Accountants Co., Ltd. and a standard Auditor's Report with unqualified opinion had been issued.

- (1) Auditor's Report (attached)
- (2) Financial Statements and Notes (attached)

## **Section XII Documents Available for Reference**

I. Accounting statements with the signatures and seals of the Legal Representative, Finance Director, and the persons in charge of the accounting departments.

II. Original copy of the Auditor's Report with the signatures and seals of Chinese CPAs, which has been audited by Zhonghuan Haihua Certified Public Accountants Co., Ltd.

III. Original copies of all documents of the Company and originals of the public notices disclosed in Securities Times and Ta Kung Pao in the report period.

IV. Original copy of 2011 Annual Report of the Company.

This report is prepared in both Chinese and English. In the event of inconsistency, the Chinese version of this Annual Report shall prevail.

**Wuhan Boiler Company Limited**  
**Chairman of the Board of Directors: YEUNG Kwok Wei Richard**  
April 25, 2012



## AUDITOR'S REPORT

ZHSZ (2012) No.777

### TO THE SHAREHOLDERS OF WUHAN BOILER CO., LTD.

We have audited the accompanying financial statements of Wuhan Boiler Co., Ltd (the 'Company'), which comprise the balance sheet and the consolidated balance sheet as at December 31 2011, the income statement, the consolidated income statement, the statement of change in equity, the consolidated statement of change in equity, the cash flow statement and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

#### *Management's responsibility for the financial statements*

Preparing financial statements in compliance with Chinese Accounting Standards (2006) is the responsibility of the Company's management. This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation of these financial statements to prevent these financial statements from material misstatement arising from fraud or error; selecting and applying proper accounting policies; and making reasonable accounting estimates.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audit in accordance with Auditing Standards for CICPA. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing audit procedures, so as to obtain audit evidence supporting the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgments, including the assessment of risks of material misstatement of these financial statements whether due to fraud or error. In making those risk assessment, we consider internal controls relevant to the company's preparation and fair presentation of these financial statements in order to design appropriate audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal controls. An audit also includes assessing the reasonability of accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statements presentation.

We believe that the audit evidence we have obtained is sufficient and effective, providing a reasonable basis for our opinion.

#### *Opinion*

In our opinion, the financial statements comply with Chinese Accounting Standard (2006), and present fairly in all material respects the financial position of the Company as of December 31, 2011 and the results of its operations and its cash flows for the year then ended.

Zhonghuan Haihua Certified Public Accountants Co., Ltd

CICPA

Zhu Ye

CICPA

Zhong Jianbing

Wuhan, China

April 25, 2012



## Consolidated Balance Sheet (Assets)

Consol. No.1

Wuhan Boiler Co., Ltd

Currency: RMB

Assets	Notes	31/Dec/11	31/Dec/10
Current assets			
Cash and cash equivalents	5.1	22,999,242.02	13,974,304.97
Settlement fund			
Outgoing call loan			
Trading financial assets			
Notes receivable	5.2	30,800,000.00	43,164,000.00
Accounts receivable	5.3	371,210,285.79	364,514,763.75
Prepayment	5.5	39,005,432.77	111,894,344.81
Insurance receivables			
Reinsurance Receivable			
Provision of reinsurance contract reserve receivable			
Interests receivable			
Dividend receivable			
Other receivables	5.4	103,236,840.39	136,383,710.94
Financial assets purchased under agreement to resell			
Inventories	5.6	240,116,922.49	169,307,374.03
Non-current assets due within 1-year			
Other current assets			
Total current assets		807,368,723.46	839,238,498.50
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	5.7	766,802,430.73	776,284,766.29
Construction in progress	5.8	2,398,543.47	50,952,741.50
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets	5.9	85,835,314.34	57,323,977.87
R&D expenses			
Goodwill			
Long-term deferred expenses			
Deferred tax assets	5.10	80,882,420.54	62,321,677.84
Other non-current assets	5.12	5,790,508.71	420,895.71
Total non-current assets		941,709,217.79	947,304,059.21
Total assets		1,749,077,941.25	1,786,542,557.71

Legal Representative:

Chief Financial Official:

Chief Accountant:

## Consolidated Balance Sheet (Liabilities and Equity)

Wuhan Boiler Co., Ltd	Consol. No.1 Currency: RMB		
Liabilities and shareholder's equity	Notes	31-Dec-11	31-Dec-10
<b>Current liabilities:</b>			
Short-term loans	5.13	1,563,000,000.00	1,152,000,000.00
Loans from central bank			
Deposits received and hold for others			
Call loan received			
Held-for-trading financial liabilities			
Notes payable	5.14	45,548,201.49	18,704,256.28
Accounts payable	5.15	309,278,906.64	315,446,635.93
Advance from customers	5.16	912,493,449.25	1,059,336,631.48
Financial assets sold under agreements to repurchase			
Fees and commissions payable			
Payroll payable	5.17	57,680,171.01	70,602,009.08
Taxes payable	5.18	-108,883,733.20	-88,432,481.81
Interests payable	5.19	2,016,270.00	2,003,046.13
Dividend payable	5.20	562,000.00	562,000.00
Other payables	5.21	97,831,275.42	85,685,084.50
Amount due to reinsurance			
Insurance contract provision			
Entrusted trading of securities			
Entrusted selling of securities			
Non-current liabilities due within 1-year			
Other current liabilities			
<b>Total current liabilities:</b>		<b>2,879,526,540.61</b>	<b>2,615,907,181.59</b>
<b>Non-current liabilities:</b>			
Long-term loans			
Bonds payable			
Long-term payables			
Specific payables			
Provision for liabilities	5.22		50,387,210.32
Deferred taxes liabilities			
Other non-current liabilities	5.23	16,132,004.95	3,291,690.22
<b>Total non-current liabilities:</b>		<b>16,132,004.95</b>	<b>53,678,900.54</b>
<b>Total liabilities</b>		<b>2,895,658,545.56</b>	<b>2,669,586,082.13</b>
<b>Shareholders' Equity:</b>			
Share capital	5.24	297,000,000.00	297,000,000.00
Capital surplus	5.25	174,659,407.46	174,659,407.46
Less: Treasury Stock			
<b>Special reserve funds</b>			
Surplus reserve	5.26	39,418,356.83	39,418,356.83
General risk provision			
Retained earnings	5.27	-1,659,956,146.16	-1,396,503,437.13
Foreign exchange difference			
<b>Total shareholders' equity attributable to shareholders of the Company</b>		<b>-1,148,878,381.87</b>	<b>-885,425,672.84</b>
Minority interest		2,297,777.56	2,382,148.42
<b>Total shareholders' equity</b>		<b>-1,146,580,604.31</b>	<b>-883,043,524.42</b>
<b>Total liabilities &amp; shareholders' equity</b>		<b>1,749,077,941.25</b>	<b>1,786,542,557.71</b>

Legal Representative:

Chief Financial Official:

Chief Accountant:

# Consolidated Income Statement

Consol. No.2

Wuhan Boiler Co., Ltd

Currency: RMB

Items	Notes	Year 2010	Year 2009
I. Total revenue		518,177,439.70	623,370,633.11
Including: revenue	5.28	518,177,439.70	623,370,633.11
Interest income			
Insurance fee income			
Fee and commission income			
II. Total cost of sales		793,790,275.44	696,527,549.82
Including: Cost of sales	5.28	540,488,213.48	603,397,485.95
Interest expenses			
Service charge and commission income			
Insurance discharge payment			
Claim expenses-net			
Provision for insurance contract reserve-net			
Insurance policy dividend paid			
Reinsurance expense			
Business taxes and surcharges	5.30	136,187.73	-70,486.42
Selling expenses	5.31	11,264,512.75	17,415,665.92
Administration expenses	5.32	28,322,676.90	56,935,677.76
Financial costs	5.33	80,696,817.66	79,850,083.79
Impairment loss	5.34	132,881,866.92	-61,000,877.18
Plus: gain/loss on change in fair value (“-”for loss)	5.35	-7,075,835.00	142,442.98
gain/loss on investment(“-”for loss)			
Including: income from investment on associates and jointly ventures			
Gain or loss on foreign exchange difference (“-”for loss)			
III. Operating profit(“-”for loss)		-282,688,670.74	-73,014,473.73
Plus: non-operating income	5.36	641,514.50	104,708,173.59
Less: non-operating expense	5.37	50,666.35	780,193.63
Including: loss from disposal of non-current asset		50,666.35	223,151.23
IV. Total profit(“-”for loss)		-282,097,822.59	30,913,506.23
Less: income tax expense	5.38	-18,560,742.70	22,675,459.67
V. Net profit(“-”for loss)		-263,537,079.89	8,238,046.56
including: net profit gained by combined company before combination			
Including:Attributable to equity holders of the parent company		-263,452,709.03	8,535,924.33
Minority interest		-84,370.86	-297,877.77
VI. Earnings per share			
(I) basic earnings per share (¥/share)	5.39	-0.89	0.03
(II) diluted earnings per share (¥/share)	5.39	-0.89	0.03
VII Other Comprehensive Income			
VIII Total Comprehensive Income		-263,537,079.89	8,238,046.56
including: parent company's total comprehensive Income		-263,452,709.03	8,535,924.33
including: Minority's total comprehensive Income		-84,370.86	-297,877.77

Legal Representative:

Chief Financial Official:

Chief Accountant:

# Consolidated Cashflow Statement

Consol. No. 3  
Currency: RMB

Wuhan Boiler Co., Ltd

Items	Notes	Year 2011	Year 2010
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		372,769,310.22	2,139,388,784.07
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 assets			
Cash received against original insurance contract			
Net Cash received from reinsurance			
Net increase of client deposit and investment			
Cash received from disposal of held-for-trading financial assets			
Cash received as Interests, fees and commissions received			
Net increase of inter-bank fund received			
Cash received under repurchasing, net			
Tax returned			
Other cash received from operating activities	5.40	37,884.15	114,410,564.88
<b>Sub-total of cash inflows from operating activities</b>		372,807,194.37	2,253,799,348.95
Cash paid for goods and services		492,147,345.35	829,907,026.29
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 interests, fees and commission			
Cash paid for policy dividend			
Cash paid to and for employees		155,067,205.34	148,089,490.68
Cash paid for all types of taxes		7,234,070.12	18,339,342.41
Other cash paid relating to operating activities	5.40	29,112,239.00	39,880,344.55
<b>Sub-total of cash outflows from operating activities</b>		683,560,859.81	1,036,216,203.93
<b>Net cash flow from operating activities</b>		-310,753,665.44	1,217,583,145.02
<b>2. Cash Flows from Investing Activities</b>			
Cash received from return on investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		33,660.00	3,755,427.51
Net cash received from disposal of subsidiaries and other operating units			
Other cash received relating to investing activities	5.40	1,900,334.54	1,939,089.82
<b>Sub-total of cash inflows from investing activities</b>		1,933,994.54	5,694,517.33
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		13,569,997.73	78,026,202.72
Cash paid for acquisition of investments			
Net increase of pledged loans			
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid relating to investing activities	5.40	779,563.36	273,479.76
<b>Sub-total of cash outflows from investing activities</b>		14,349,561.09	78,299,682.48
<b>Net cash flow from investing activities</b>		-12,415,566.55	-72,605,165.15
<b>3. Cash Flows from Financing Activities:</b>			
Cash received from investment			
Including: Cash received from minority shareholders of subsidiaries			
Cash received from borrowings		751,000,000.00	1,020,000,000.00
Cash received from bonds issuing			
Cash received relating to financing activities			
<b>Sub-total of cash inflows from financing activities</b>		751,000,000.00	1,020,000,000.00
Cash paid for repayments of borrowings		340,000,000.00	2,103,000,000.00
Cash paid for dividends, profit distribution or interest		76,026,715.38	79,487,904.25
Including: dividends or profits paid to minority shareholders by subsidiaries			
Other cash paid relating to financing activities			
<b>Sub-total of cash outflows from financing activities</b>		416,026,715.38	2,182,487,904.25
<b>Net cash flow from financing activities</b>		334,973,284.62	-1,162,487,904.25
<b>4. Effect of foreign exchange rate changes</b>		-1,907,297.65	886,893.51
<b>5. Net decrease in cash and cash equivalents</b>		9,896,754.98	-16,623,030.87
Add : Cash and cash equivalents at the beginning of the year	5.41	10,491,275.05	27,114,305.92
<b>6. Cash and cash equivalents at the end of the year</b>	5.41	20,388,030.03	10,491,275.05

Legal Representative:

Chief Financial Official:

Chief Accountant:

## Consolidated Statement of Change in Equity

Consol. No. 4

Wuhan Boiler Co., Ltd

Currency: RMB

Items	Year 2011									
	Shareholders' equity belonged to shareholders' of the Company							Minority interest	Total	
	Share capital	Capital reserve	Less: Treasur y stock	Special reserve fund	Surplus reserve	General Risk provision	Retained earnings			others
I. Balance at 31 December, 2009	297,000,000.00	174,659,407.46			39,418,356.83		-1,396,503,437.13		2,382,148.42	-883,043,524.42
Change in accounting policies										
Correction of errors in previous period										
Others										
II. Balance at 1 January, 2010	297,000,000.00	174,659,407.46			39,418,356.83		-1,396,503,437.13		2,382,148.42	-883,043,524.42
III. Increase/ decrease during the financial year ("-"for loss)										
(I) Net profit							-263,452,709.03		-84,370.86	-263,537,079.89
(II) Other comprehensive income							-263,452,709.03		-84,370.86	-263,537,079.89
Subtotal of (I)and (II)							-263,452,709.03		-84,370.86	-263,537,079.89
(III) Contributions and decrease of capital										
1. Contributions by shareholders										
2. Equity settled share-based payment										
3. Others										
(IV) Profit distribution										
1. Surplus reserve accrued										
2. General risk provision accrued										
3. Distribution to shareholders										
4. Others										
(V) Transfer within shareholders' equity										
1. Captial reserve transferred to capital (share capital)										
2. Surplus reserve transferred to capital (share capital)										
3. Surplus reserve offsetting losses										
4. Others										
(VI)special reserve fund										
1. Increase										
2. Decrease										
IV. Balance at 31 December, 2010	297,000,000.00	174,659,407.46			39,418,356.83		-1,659,956,146.16		2,297,777.56	-1,146,580,604.31

Legal Representative:

Chief Financial Official:

Chief Accountant:

## Consolidated Statement of Change in Equity

Consol. No. 4

Wuhan Boiler Co., Ltd

Currency: RMB

Items	Year 2010								Minority interest	Total
	Shareholders' equity belonged to shareholders' of the Company							others		
	Share capital	Capital reserve	Less: Treasur y stock	Special reserve fund	Surplus reserve	General Risk provision	Retained earnings			
I. Balance at 31 December, 2008	297,000,000.00	174,659,407.46			39,418,356.83		-1,405,039,361.46		2,680,026.19	-891,281,570.98
Plus: Change in accounting policies										
Correction of errors in previous period										
Others										
II. Balance at 1 January, 2009	297,000,000.00	174,659,407.46			39,418,356.83		-1,405,039,361.46		2,680,026.19	-891,281,570.98
III. Increase/ decrease during the financial year ("-"for loss)							8,535,924.33		-297,877.77	8,238,046.56
(I) Net profit							8,535,924.33		-297,877.77	8,238,046.56
(II) Other comprehensive income										
Subtotal of (I)and (II)							8,535,924.33		-297,877.77	8,238,046.56
(III) Contributions and decrease of capital										
1. Contributions by shareholders										
2. Equity settled share-based payment										
3. Others										
(IV) Profit distribution										
1. Surplus reserve accrued										
2. General risk provision accrued										
3. Distribution to shareholders										
4. Others										
(V) Transfer within shareholders' equity										
1. Captial reserve transferred to capital (share capital)										
2. Surplus reserve transferred to capital (share capital)										
3. Surplus reserve offsetting losses										
4. Others										
(VI)special reserve fund										
1. Increase										
2. Decrease										
IV. Balance at 31 December, 2009	297,000,000.00	174,659,407.46			39,418,356.83		-1,396,503,437.13		2,382,148.42	-883,043,524.42

Legal Representative:

Chief Financial Official:

Chief Accountant:

## Balance Sheet (Assets)

Consol. No.1

Wuhan Boiler Co., Ltd

Currency: RMB

Assets	Notes	31-Dec-11	31-Dec-10
Current assets			
Cash and cash equivalents		21,560,606.33	13,310,174.46
Trading financial assets			
Notes receivable		30,800,000.00	42,164,000.00
Accounts receivable	10. 1	369,042,511.88	358,592,870.99
Prepayment		39,005,432.77	111,894,344.81
Interest receivables			
Dividend receivables			
Other receivables	10. 2	103,457,164.68	136,373,830.94
Inventories		240,116,922.49	169,307,374.03
Non-current assets due within 1-year			
Other current assets			
Total current assets		803,982,638.15	831,642,595.23
Non-current assets:			
Available-for-sale financial assets			
Investment held to maturity			
Long-term receivables			
Long-term equity investment	10. 3	39,234,287.13	39,234,287.13
Investment property			
Fixed assets		766,959,407.72	776,441,743.28
Construction in progress		2,398,543.47	50,952,741.50
Engineering materials			
Disposal of fixed assets			
Production biological assets			
Oil-gas assets			
Intangible assets		85,835,314.34	57,323,977.87
R&D expenses			
Goodwill			
Long-term deferred expenses			
Deferred tax		80,882,420.54	62,321,677.84
Other non-current assets		5,790,508.71	420,895.71
Total non-current assets		981,100,481.91	986,695,323.33
Total assets		1,785,083,120.06	1,818,337,918.56

Legal Representative:

Chief Financial Official:

Chief Accountant:

## Balance Sheet (Liabilities and Equity)

Consol. No.1

Wuhan Boiler Co., Ltd

Currency: RMB

Liabilities and shareholder's equity	Notes	31-Dec-11	31-Dec-10
<b>Current liabilities:</b>			
Short-term loan		1,563,000,000.00	1,152,000,000.00
Held-for-trading financial liabilities			
Notes payable		45,548,201.49	18,704,256.28
Accounts payable		314,236,789.08	320,392,299.70
Advance from customers		912,493,449.25	1,059,336,631.48
Payroll payable		57,479,531.47	70,401,369.54
Taxes payable		-108,883,733.20	-88,432,481.81
Interests payable		2,016,270.00	2,003,046.13
<b>Dividend payables</b>			
Other payables		135,779,767.30	119,817,611.28
<b>Non-current liabilities due within 1-year</b>			
<b>Other current liabilities</b>			
<b>Total current liabilities:</b>		<b>2,921,670,275.39</b>	<b>2,654,222,732.60</b>
<b>Non-current liabilities:</b>			
Long-term loans			
Bonds payable			
Long-term payables			
Specific payables			
Provision for liabilities			50,387,210.32
Deferred taxes liabilities			
Other non-current liabilities		16,132,004.95	3,291,690.22
<b>Total non-current liabilities:</b>		<b>16,132,004.95</b>	<b>53,678,900.54</b>
<b>Total liabilities</b>		<b>2,937,802,280.34</b>	<b>2,707,901,633.14</b>
<b>Shareholders' Equity:</b>			
Share capital		297,000,000.00	297,000,000.00
Capital surplus		174,854,304.12	174,854,304.12
Less: Treasury Stock			
special reserve fund			
Surplus reserve		39,418,356.83	39,418,356.83
Generic Risk Reserve			
Retained earning		-1,663,991,821.23	-1,400,836,375.53
<b>Total shareholders' equity:</b>		<b>-1,152,719,160.28</b>	<b>-889,563,714.58</b>
<b>Total liabilities and shareholders' equity:</b>		<b>1,785,083,120.06</b>	<b>1,818,337,918.56</b>

Legal Representative:

Chief Financial Official:

Chief Accountant:



# Income Statement

Consol. No.2

Wuhan Boiler Co., Ltd

Currency: RMB

Items	Notes	Year 2011	Year 2010
I. Total revenue	10.4	518,177,439.70	623,587,785.11
Less: cost of sales	10.4	540,488,213.48	603,397,485.95
Business taxes and surcharges		136,187.73	-88,684.13
Selling expenses		11,264,512.75	17,415,665.92
Administration expenses		28,304,151.56	56,033,991.21
Financial costs		80,715,188.85	79,860,442.72
Impairment loss		132,500,386.88	-62,101,927.34
Plus: gain/loss on change in fair value (“-”for loss)		-7,075,835.00	142,442.98
gain/loss on investment (“-”for loss)		-	-
Including: income from investment on associates and jointly ventures		-	-
II. Operating profit (“-”for loss)		-282,307,036.55	-70,786,746.24
Plus: non-operating income		641,514.50	104,618,174.45
Less: non-operating expense		50,666.35	482,964.39
Including: loss from disposal of non-current asset		50,666.35	153,304.39
III. Total profit (“-”for loss)		-281,716,188.40	33,348,463.82
Less: income tax expense		-18,560,742.70	22,541,765.92
IV. Net profit (“-”for loss)		-263,155,445.70	10,806,697.90
V. Earnings per share			
(I) basic earnings per share (¥/share)		-0.89	0.04
(II) diluted earnings per share (¥/share)		-0.89	0.04
Other comprehensive income			
Total comprehensive income		-263,155,445.70	10,806,697.90

Legal Representative:

Chief Financial Official:

Chief Accountant:

# Cashflow Statement

Consol. No. 3

Wuhan Boiler Co., Ltd

Currency: RMB

Items	Notes	Year 2011	Year 2010
<b>1. Cash flows from operating activities</b>			
Cash received from sales of goods or rendering of services		372,222,650.48	2,139,388,784.07
Tax returned			
Other cash received from operating activities		461,102.82	113,724,156.43
<b>Sub-total of cash inflows from operating activities</b>		<b>372,683,753.30</b>	<b>2,253,112,940.50</b>
Cash paid for goods and services		492,146,492.55	831,089,090.69
Cash paid to and for employees		155,067,205.34	146,996,161.75
Cash paid for all types of taxes		7,234,070.12	18,000,743.98
Other cash paid relating to operating activities		29,745,544.72	38,664,712.18
<b>Sub-total of cash outflows from operating activities</b>		<b>684,193,312.73</b>	<b>1,034,750,708.60</b>
<b>Net cash flow from operating activities</b>		<b>-311,509,559.43</b>	<b>1,218,362,231.90</b>
<b>2. Cash Flows from Investing Activities</b>			
Cash received from return on investments			
Cash received from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		33,660.00	3,379,262.51
Net cash received from disposal of subsidiaries and other operating units			
Other cash received relating to investing activities		1,881,373.35	1,928,730.89
<b>Sub-total of cash inflows from investing activities</b>		<b>1,915,033.35</b>	<b>5,307,993.40</b>
Cash paid for acquisition of fixed assets, intangible assets and other long-term assets		13,569,997.73	78,026,202.72
Cash paid for acquisition of investments			
Net cash paid for acquisition of subsidiaries and other operating units			
Other cash paid relating to investing activities		779,213.36	273,479.76
<b>Sub-total of cash outflows from investing activities</b>		<b>14,349,211.09</b>	<b>78,299,682.48</b>
<b>Net cash flow from investing activities</b>		<b>-12,434,177.74</b>	<b>-72,991,689.08</b>
<b>3. Cash Flows from Financing Activities:</b>			
Cash received from investment			
Cash received from borrowings		751,000,000.00	1,020,000,000.00
Cash received relating to financing activities			
<b>Sub-total of cash inflows from financing activities</b>		<b>751,000,000.00</b>	<b>1,020,000,000.00</b>
Cash paid for repayments of borrowings		340,000,000.00	2,103,000,000.00
Cash paid for dividends, profit distribution or interest		76,026,715.38	79,487,904.25
Other cash payments relating to financing activities			
<b>Sub-total of cash outflows from financing activities</b>		<b>416,026,715.38</b>	<b>2,182,487,904.25</b>
<b>Net cash flow from financing activities</b>		<b>334,973,284.62</b>	<b>-1,162,487,904.25</b>
<b>4. Effect of foreign exchange rate changes</b>			
		-1,907,297.65	886,893.51
<b>5. Increase in cash and cash equivalents</b>			
	10.5	9,122,249.80	-16,230,467.92
Add : Cash and cash equivalents at the beginning of the year	10.5	9,827,144.54	26,057,612.46
<b>6. Cash and cash equivalents at the end of the year</b>	10.5	<b>18,949,394.34</b>	<b>9,827,144.54</b>

Legal Representative:

Chief Financial Official:

Chief Accountant:

## Statement of Change in Equity

Wuhan Boiler Co., Ltd

Consol. No. 4  
Currency: RMB

Items	Year 2011							
	Share capital	Capital reserve	Less: Treasury stock	Special reserve fund	Surplus reserve	General Risk provision	Retained earnings	Total
I. Balance at 31 December, 2009	297,000,000.00	174,854,304.12			39,418,356.83		-1,400,836,375.53	-889,563,714.58
Change in accounting policies								
Correction of errors in previous period								
Others								
II. Balance at 1 January, 2010	297,000,000.00	174,854,304.12			39,418,356.83		-1,400,836,375.53	-889,563,714.58
III. Increase/ decrease during the financial year (“-”for loss)							-263,155,445.70	-263,155,445.70
(I) Net profit							-263,155,445.70	-263,155,445.70
(II) Other comprehensive income								
Subtotal of (I)and (II)							-263,155,445.70	-263,155,445.70
(III) Contributions and decrease of capital								
1. Contributions by shareholders								
2. Equity settled share-based payment								
3. Others								
(IV) Profit distribution								
1. Surplus reserve accrued								
2. General risk provision accrued								
3. Distribution to shareholders								
4. Others								
(V) Transfer within shareholders' equity								
1. Capital reserve transferred to capital (share capital)								
2. Surplus reserve transferred to capital (share capital)								
3. Surplus reserve offsetting losses								
4. Others								
(VI) special reserve fund								
1. Increase								
2. Decrease								
IV. Balance at 31 December, 2010	297,000,000.00	174,854,304.12			39,418,356.83		-1,663,991,821.23	-1,152,719,160.28

Legal Representative:

Chief Financial Official:

Chief Accountant:

## Statement of Change in Equity

Consol. No. 4  
Currency: RMB

Wuhan Boiler Co., Ltd

Items	Year 2010							
	Share capital	Capital reserve	Less: Treasury stock	Special reserve fund	Surplus reserve	General Risk provision	Retained earnings	Total
I. Balance at 31 December, 2008	297,000,000.00	174,854,304.12			39,418,356.83		-1,411,643,073.43	-900,370,412.48
Plus: Change in accounting policies								
Correction of errors in previous period								
Others								
II. Balance at 1 January, 2009	297,000,000.00	174,854,304.12			39,418,356.83		-1,411,643,073.43	-900,370,412.48
III. Increase/ decrease during the financial year ("-"for loss)							10,806,697.90	10,806,697.90
(I) Net profit							10,806,697.90	10,806,697.90
(II) Other comprehensive income								
Subtotal of (I)and (II)							10,806,697.90	10,806,697.90
(III) Contributions and decrease of capital								
1. Contributions by shareholders								
2. Equity settled share-based payment								
3. Others								
(IV) Profit distribution								
1. Surplus reserve accrued								
2. General risk provision accrued								
3. Distribution to shareholders								
4. Others								
(V) Transfer within shareholders' equity								
1. Capital reserve transferred to capital (share capital)								
2. Surplus reserve transferred to capital (share capital)								
3. Surplus reserve offsetting losses								
4. Others								
(VI)special reserve fund								
1. Increase								
2. Decrease								
IV. Balance at 31 December, 2009	297,000,000.00	174,854,304.12			39,418,356.83		-1,400,836,375.53	-889,563,714.58

Legal Representative:

Chief Financial Official:

Chief Accountant:

# NOTES TO THE FINANCIAL STATEMENTS

As of December 31, 2011

## Important Notes:

This report has been prepared in Chinese version and English version respectively. In the event of difference in interpretation between the two versions, the Chinese report shall prevail.

### Note 1 Description of business

Wuhan Boiler Co., Ltd (the 'Company') was established by Wuhan Boiler (Group) Co., Ltd (the 'Group') with the exclusive operating assets of boiler manufacturing in September 1997 and listed in B share market in April 1998. The total number of issued shares outstanding of the Company is 297,000,000. The 'Group' holds 172,000,000 shares accounting for 57.91% of total issued equity, and the public shareholders (Domestically listed share in foreign currency) hold 125,000,000 shares accounting for 42.09% of total shareholding. The Company's B-shares listed in the Shenzhen Stock Exchange. The Company obtained the corporate business license documented as Qi Gu Er Zong Fu Zi No.002591 on November 16, 1998. The Group transferred its 51% shareholding of Wuhan Boiler Co., Ltd to Alstom (China) Investment Co., Ltd in 2007 with approval of State-owned Assets Supervision and Administration Commission of the State Council. The share transfer procedures were completed in August 2007. As at December 31, 2011, Alstom (China) Investment Co., Ltd, Wuhan Boiler (Group) Co., Ltd and public shareholders hold 151,470,000 shares, 20,530,000 shares and 125,000,000 shares respectively, accounting for 51%, 6.91% and 42.09% of total shareholding respectively.

1. The register capital of the Company is 297,000,000.00.
2. No.1 LiuFangYuan Road, Donghu New Technology Development District, Wuhan, Hubei.
3. Business scope of the Company is researching, designing, developing and manufacturing of types I, II, III pressure vessels, power station boilers, special boilers, auxiliary boilers, and desulfurization equipments and so on. The Company is a big boiler manufacturing enterprise and the main operating activities are in China. The major customer markets of the Company are various power plants and power stations. Certain products are auxiliary equipments and pressure vessels target refineries and chemical enterprises. The Company produces three categories products: power station boilers, special boilers and other products. Power station boils are used in power stations. Special boilers are designed and manufactured according to customers' profit and loss balance combustion technology or specific requirement of fuel, which is energy saving and environment friendly. The special boilers include alkali

recovery boilers, circulating fluidized bed boilers, bagasse-fired boilers, the stand vertical-burning boilers, liquid slag-off boilers, and waste heat boilers and so on.

4. The parent company of the Company is Alstom (China) Investment Co., Ltd. The parent company of Alstom (China) Investment Co., Ltd. is Alstom Holdings.

5. These financial statements were authorised for issue in accordance with the resolution of the 9<sup>th</sup> Meeting of the 5<sup>th</sup> Board of Directors on April 25, 2012.

## **Note 2 Main accounting policies and estimates**

### ***1. Basic of preparation of financial statements***

The financial statements have been prepared on the basic assumption of going concern and on the accrual basis of accounting. The effects of events and other transactions actually occurred and they have been recorded and measured in accordance with the Chinese Accounting Standards (2006), Framework and other accounting standards.

### ***2. Declaration of following the accounting standard***

The financial statements prepared by the Company are truly and completely reflect the financial position, operation result and cash flow of the Company.

### ***3. Fiscal year***

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

### ***4. Monetary unit***

Renminbi (RMB) is used as the reporting currency.

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

(1) 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 by it (or the total par value of the shares issued) shall 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, 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.

(2) 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 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;

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:

i. On 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; on disposal of the equity investment, any related other comprehensive income (e.g. available-for-sale financial assets at fair value through capital reserve), shall be transferred to investment income in the period, if equity investment in acquiree held by acquirer before the acquisition date involves other comprehensive income.

ii. On 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; any related other comprehensive income shall be transferred to

investment income in the period on the acquisition date, if equity investment in acquiree held by acquirer before the acquisition date involves other comprehensive income. Moreover, the acquirer 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 acquirer 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 acquirer shall distribute the combination costs on the acquisition date, and shall recognize all identifiable assets, liabilities and contingent liabilities it obtains from the acquiree. (1) 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; (2) 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. Basis of consolidation**

### (1) Scope of consolidation

The scope of consolidated financial statements included all subsidiaries of the parent.

When the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of investee company, the investee company is regarding as subsidiary and included consolidated financial statements. If the parent owns half or less of the voting power of an entity when there is any following condition incurred, the investee company is regarding as subsidiary and included consolidated financial statements.

- A. power over more than half of the voting rights by virtue of an agreement with other investors;
- B. power to govern the financial and operating policies of the entity under a statute or an agreement;
- C. power to appoint or remove the majority of the members of the board of directors or equivalent governing body;
- D. Power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

If there are evidences suggesting that no control of investee company exists, the investee company cannot be included in the consolidated financial statements.

### (2) Principle of consolidation

The consolidated financial statements are based on the financial statements of subsidiaries which are included in the consolidation scope and prepared after adjustment of long-term equity investment under equity method and elimination effect of intragroup transaction.

### (3) Minority interests

The portion of the equity of the subsidiaries that are not owned by the parent is presented as minority interest in the consolidated balance sheet.

The portion of the profit or loss of the subsidiaries that are not owned by the parent is presented as minority interest in the consolidated income statement.

(4) Excess losses

In the consolidated financial statement, when the proportion of minority's obligation for the current subsidiaries' losses exceeds the equity hold by these minority shareholder, the excess amount should still offset minority's interest.

(5) Increase or decrease of the subsidiaries

For any subsidiary acquired by the Company through business combination under the same control, when the consolidated balance sheet for the current period is being prepared, the beginning balances in the consolidated balance sheet are made corresponding modification. For addition business combination not under same control during the reporting period, the Company makes no adjustment for the beginning balances in the consolidated balance sheet. When disposing subsidiary during the reporting period, the Company makes no adjustment for the beginning balances in the consolidated balance sheet.

For any subsidiary acquired by the Company through business combination under the same control, when the consolidated income statement for the current period is being prepared, sales, expense and profit for the period from the beginning of the consolidated period to the year end of the reporting period are included in the consolidated income statement. For addition business combination not under same control during the reporting period, revenue, expense and profit for the period from acquisition date to the year end of the reporting period is included in the consolidated income statement. When disposing subsidiary during the reporting period, sales, expense and profit for the period from the beginning to the disposal date are included in the consolidated income statement.

For any subsidiary acquired by the Company through business combination under the same control, when the consolidated cash flow statement for the current period is being prepared, cash flow for the period from the beginning of the consolidated period to the year end of the reporting period is included in the consolidated cash flow statement. For addition business combination not under same control during the reporting period, cash flow for the period from acquisition date to the year end of the reporting period is included in the consolidated cash flow statement. When disposing subsidiary during

the reporting period, cash flow for the period from the beginning to the disposal date is included in the consolidated cash flow statement.

#### ***7. Cash and cash equivalent***

Cash equivalent is defined as the short-term (normally matured within three months after purchased date), highly-liquid investment which is easily transferred into cash and has low risk of change of value.

#### ***8. Foreign currency translations***

Any transaction is converted into the reporting currency according to the approximate exchange rate of 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 owner's equity in the balance sheet. The translation of comparative financial statements shall be subject to the aforesaid provisions.

### ***9. Recognition and measurement of financial instrument***

#### **(1) Recognition of financial instrument**

The Company recognises 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**

① The Company classifies the financial assets into the following four categories: 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.

② The financial assets are initially recognised at fair value. Gains or losses arising from a change in the fair value of a financial asset at fair value through profit or loss is recognised in profit or loss when it incurred and relevant transaction costs are recognised as expense when it incurred. For other financial assets, the transaction costs are recognised as costs of the financial assets.

#### **③ Measurement of financial assets**

A. A financial asset at fair value through profit or loss includes financial assets held for trading and financial assets designated by the Company as at fair value through profit or loss. The Company subsequently measures the financial asset at fair value through profit or loss at fair value and recognises the gain or loss arising from a change in the fair value of a financial asset at fair value through profit or loss as profit or loss in the current period.

B. Held-to-maturity investments are measured at amortised cost using the effective interest method. A gain or loss is recognised in profit or loss during the current period when the financial asset is derecognized or impaired and through the amortisation process.

C. Loans and receivables are measured at amortised cost using the effective interest method. A gain or loss is recognised in profit or loss during the current period when the financial asset is derecognized or

impaired and through the amortisation process.

D. Available-for-sale financial assets are measured at fair value and the gain or loss arising from a change in the fair value of available-for-sale financial assets is recognised as capital reserve which is transferred into profit or loss when it is impaired or derecognised. Interests or cash dividends during the holding period are recognised in profit or loss for the current period.

④ Impairment of financial assets

A. 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.

B. The objective evidences that the Company uses to determine the impairment are as follows:

- a) significant financial difficulty of the issuer or obligor;
- b) a breach of contract, such as a default or delinquency in interest or principal payments;
- c) 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;
- d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- e) the disappearance of an active market for that financial asset because of financial difficulties;
- f) 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.
- g) 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;
- h) a significant or non-temporary decrease in fair value of equity investment instruments;
- i) other objective evidences showing the impairment of the financial assets.

C. Measurement of impairment loss of financial assets

a) 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 amortised 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 recognised 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 recognised are not included in a collective assessment of impairment.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss of financial asset measured at amortised cost is reversed. The amount of the reversal is recognised in profit or loss of the current period.

b) Available-for-sale financial assets

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

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 recognised 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 recognised in profit or loss, the impairment loss is reversed, with the amount of the reversal recognised in profit or loss of the current period.

Impairment losses recognised 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

①The Company's financial liabilities are classified as financial liabilities at fair value through profit or loss, and other financial liabilities.

②Financial 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 recognised as expense when it incurred. For the other financial liabilities, relevant transaction costs are recognised as costs.

### ③Subsequent measurement of financial liabilities

A. 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 recognises a financial liability at fair value through profit or loss at its fair value. A gain or loss of change in fair value is recognised in the profit or loss of the current period.

B. Other financial liabilities are measured by amortised cost using effective interest rate.

### (4) Recognition of fair value of financial instrument

If there is an active market for the financial instrument, the fair value is quoted prices in the active market.

If the market for a financial instrument is not active, the Company establishes fair value by using a valuation technique.

### (5) Recognition and measurement of financial assets transfer

The Company derecognises financial assets when the Company transfers substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset in its entirety, the

difference between the follows is recognised in profit or loss of the current period.

①the carrying amount of transferring financial assets;

②the sum of the consideration received and any cumulative gain or loss that had been recognised directly in equity (including financial assets transferred to available for sale category).

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

①the carrying amount allocated to the part derecognised;

②the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to it that had been recognised directly in equity (including financial assets transferred to available for sale category).

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

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

When the Company continues to recognise a financial asset to the extent of its continuing involvement, the Company also recognises 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.

#### ***10. Recognition and measurement of bad debt provision for accounts receivables***

##### **(1) Recognition and measurement of bad debt provision for the individually significant receivables**

Judgement basis or monetary standards of provision for bad debts of the individually significant receivables	Top 5 of account receivables at year end.
Method of provision for bad debts of the individually significant receivables	<p>The impairment test is carried on individually for each individually significant receivable.</p> <p>A. If there are substantive evidences indicated that a receivable has been impaired, it should make a provision 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 groups of receivables

Recognition of groups of receivables

Names of group	Basis of recognition
Group A	Besides the receivables which are individually impaired, the Company determines measurement of bad debt provision for groups of receivables on the basis of analyzing actual situation, and assessing the same or similar actual impairment rate of groups of receivables with similar credit risk characteristics, which divided by aging analysis in previous periods.
Group B	Receivables with confirmed letter credit or guarantee from the bank and provision for sales tax which is to be paid as stipulated in contract are not classified as provision for bad debts.

Measurement of bad debt provision for groups of receivables

Names of group	Measurement
Group A	Aging analysis method
Group B	No bad debt provision

The aging analysis method for groups of receivables

Aging of receivables	Proportion of Accounts receivables (%)	Proportion of Other receivables (%)
Within 1 year (including 1 year)	3	3
1-2 years	3	3
2-3 years	6	6
3-4 years	20	20
4-5 years	20	20
Over 5 years	100	100

(3) Receivables which are not significant, but still need individually recognition of bad debt provision.

Reason	If there are substantive evidences shown there is a special impairment of insignificant receivables, then they need individually impairment tests.
Method	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 categories:

goods purchased raw materials, finished goods, work-in-progress, and goods for processing on consignment.

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

① It is probable that future economic benefits associated with the inventories will flow to the Company entity;

② The cost of the inventories can be measured reliably.

(3) The method of measuring 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) Amortisation method of low-value consumption goods and packages: Low-value consumption goods and packages are fully amortised when they are required and delivered.

(5) Inventories shall be measured at the lower of cost and net realisable 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.

① Estimation of net realizable value

Estimates of net realisable 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 realisable value, the materials are measured at net realisable value.

The net realisable 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 realisable value of the excess shall be based on general selling prices.

②The Company generally provides provision for impairment of inventory individually. For large quantity and low value items of inventories, cost and net realisable value are determined based on categories 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 realisable values of those items may be determined on an aggregate basis.

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

### ***12. Measurement of construction contracts***

Construction contracts are measured at the actual cost, including the direct and indirect costs incurred and attributable to a contract for the period from the date the contract is signed to the final completion of the contract. The construction contract in progress should be presented in the balance sheet at the net amount of payment amount after deducting the sum of the accumulated costs occurred and the accumulated margin profit (loss) recognized. The excess of the sum of the accumulated costs occurred and the accumulated margin profit (loss) recognized over the payment amount should be presented as inventory. The excess of the payment amount over the sum of the accumulated costs occurred and the accumulated margin profit (loss) should be presented as advanced from customers.

Costs such as travelling expenses and tender charges incurred relating to the signing of the contract should be included as contract costs when the contract is acquired, where the costs could be recognized individually and measured reliably and the contract is probably signed; otherwise it should be charged into the profit and loss for the period.

### ***13. Long-term equity investment***

(1) Initial measurement

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

①For long-term equity investment arising from business combination, the initial cost is recognized

under the following principles.

A. 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 is adjusted respectively. 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.

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 is 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 is adjusted respectively.

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

a) 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;

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

c) 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.

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.

②For long-term equity investment obtained in any method other than business combination, the initial cost is recognized under the following principles.

A. 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.

B. 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.

C. For the long-term equity investment invested by investors, the initial cost is the agreed value prescribed in the investment contract or agreement unless the agreed value is not fair.

D. 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'.

E. 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'.

③If 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 Company adopts either cost method or equity method for the long-term equity investment according to the extent of influence, existence of active market and availability of fair value. 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.

① 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. The net profits are no longer divided into the pre-investment profits and after-investment profits.

The Company recognizes the receivable cash dividends or profits according to above regulations, and the impairment test is needed to be concerned. To indicate the evidence of impairments, it should be concerned about whether the carrying amount of the long-term equity investments is greater than the book value of net assets that have been acquired (including the related goodwill) or other similar situations. When these situations occur, the impairment test of long-term equity investments should be performed according to ‘Chinese Accounting Standard No.8 - Impairment of assets’, Where the carrying amount of long-term equity investment exceeds the recoverable amount, the difference shall be recognized as impairment loss, and a provision for impairment loss should be made.

② For long-term equity investment under equity method, the Company adjusts carrying amount of the long-term equity investment and recognises investment income according to the proportion of net profit or loss after acquisition. The Company reduces carrying amount of the long-term investment regarding to declared cash dividend or profit distribution.

For long-term equity investment under equity method, the Company recognises net losses incurred by the investee enterprise to the extent that the carrying amount and the substantial net investment of the long-term equity investment is reduced to zero except there is further obligation of the excess losses. If the investee enterprise realises net profits in subsequent periods, the Company increase the carrying amount of the investment above zero at the amount at which its share of profits exceeds its share of previously unrecognized losses.

③ The Company adopts the accounting policy of recognition and measurement of financial instrument for the impairment of long-term equity investment which is measured under cost method and there is no quoted price in active market or there is no reliable fair value. Impairment of long-term equity investments other than above refers to accounting policy ‘Impairment of assets’ of the Company.

④ On disposal of an equity investment, the difference between the carrying amount of the investment and the sale proceeds actually received is recognised 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 equity previously is transferred to profit or loss for the current period regarding to the proportion of disposal.

(3) Recognition of jointly control and significant influence:

If the investment satisfies the following conditions, the company has jointly controls over the investee:

(1) None of the joint venture can control the joint business activities individually; (2) Any decision of the joint venture business must be approved by all parts of the joint venture. (3) One part of the joint venture can be offered to manage daily business activities by using contract or agreement. However, the right is restricted by financial and management policies allowed by all parties of the joint venture.

If the investment satisfies the following conditions, the company has significant influence over the investee: (1) there is commissary in the directorate or similar right organization of investee. (2) Participate decision-making process, including the process of dividend distribution. (3) There is significant transaction between investor and investee. (4) Appoint manager to investee. (5) Supply key technology materials to investee. Investor holds more than 20% but less than 50% shares of investee directly or indirectly.

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

The Company adopts the same manner of financial instrument for the impairment of long-term equity investment which is measured under cost method and there is no quoted price in active market or there is no reliable fair value. Impairment of long-term equity investments other than above refers to accounting policy ‘Impairment of assets’ of the Company.

***14. Recognition and measurement of fixed assets***

Fixed assets are tangible assets that: 1) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; and 2) have useful life more than one year.

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

- ① It is probable that future economic benefits associated with the assets will flow to the Company;
- ② The cost of the assets can be measured reliably.

(2) Depreciation

Subsequent expenditure relating to a fixed asset shall be added to the carrying amount of the asset when the expenditure qualifies for capitalization. Subsequent expenditure that does not qualify for capitalization shall be recognized as an expense for the current period.

The depreciation method adopted by the Company is straight-line method.

The estimated useful lives, residual value and annual depreciation rate of fixed assets are shown as follows:

The categories	Estimated Useful Lives (years)	Residual value (%)	Annual Depreciation Rate (%)
Property and buildings	40	0	2.50
Machineries	7-20	0	14.29-5.00
Vehicles	6	0	16.67
Electronic equipment	3-18	0	33.33-5.56

The Company reviews the useful life, estimated residual value and depreciation method of a fixed asset at the end of each financial year. If expectations are significantly different from previous estimates, the useful life shall be revised accordingly. If expectations are significantly different from previous estimates, the estimated residual value also shall be revised accordingly. If there has been a significant change in the expected realization pattern of economic benefits from those assets, the depreciation method shall be changed accordingly. The changes in useful life, estimated residual value and depreciation method shall be treated as change in accounting estimates.

(3) Fixed assets acquired under 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.

(4) Impairment of fixed asset refers to the accounting policy ‘Impairment of assets’ of the Company.

### ***15. Construction in progress***

(1) Construction in progress of the Company includes constructing property, building installation, equipments installation, prepaid expenses, as well as individual projects.

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

(3) 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 recognised 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.

(4) Impairment of construction in progress refers to accounting policy ‘Impairment of assets’ of the Company.

### ***16. Recognition and measurement of borrowing cost***

(1) The principles for capitalization of borrowing costs and capitalization period

The costs of borrowings designated for acquisition or construction of qualifying assets should be capitalized as part of the cost of the assets. Capitalisation of borrowing costs starts when

- ① The capital expenditures have incurred;

② The borrowing costs have incurred;

③ The acquisition and construction activities that are necessary to bring the asset to its expected usable condition have commenced.

Other borrowing costs that do not qualify for capitalization should be expensed off during current period.

Capitalization of borrowing costs should be suspended during periods in which the acquisition or construction is interrupted abnormally, and the interruption period is three months or longer. These borrowing costs should be recognized directly in profit or loss during the current period. However, capitalization of borrowing costs during the suspended periods should continue when the interruption is a necessary part of the process of bringing the asset to working condition for its intended use.

Capitalization of borrowing costs ceases when the qualifying asset being acquired or constructed is substantially ready for its intended use. Subsequent borrowing costs should be expensed off during the period in which they are incurred.

## (2) Calculation of capitalization for borrowing costs

To the extent that funds are borrowed specifically for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowing.

To the extent that funds are borrowed generally and used for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the weighted average of excess of accumulated expenditures on qualifying asset over that on specific purpose borrowing. The capitalization rate is the weighted average of the borrowing costs applicable to the borrowings of the Company that are outstanding during the period, other than borrowings made specifically for the purpose of acquiring or constructing a qualifying asset.

## ***17. Recognition and measurement of intangible assets***

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:

- ① It is probable that the economic benefits associated with that asset will flow to the Company and,
- ② The cost of that asset can be measured reliably.

Expenditures incurred during the research phase of an internal project shall be recognized as expenses in the period in which they are incurred. Expenditures incurred during the development phase of an internal project shall be recognized as an intangible asset if, and only if, the Company can demonstrate all of the following:

- ① The technical feasibility of completing the intangible asset so that it will be available for use or sale;
- ② Its intention to complete the intangible asset and use or sell it;
- ③ The method that the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset;
- ④ The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset;
- ⑤ Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

#### (2) Measurement of intangible assets

- ① An intangible asset is measured initially at its cost.
- ② Subsequent measurement of intangible assets

A. 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.

B. Impairment of intangible assets refers to accounting policy ‘Impairment of assets’ of the Company.

### ***18. Recognition and measurement of contingent liabilities***

#### (1) Recognition of contingent liabilities

The company should recognize the related obligation as a provision for liability when the obligation meets the following conditions:

- ① That obligation is a present obligation of the enterprise;
- ② It is probable that an outflow of economic benefits from the enterprise will be required to settle the obligation;
- ③ A reliable estimate can be made of the amount of the obligation.

#### (2) Measurement of contingent liabilities

To fulfill the present obligations, which initially measured by the best estimate of the expenditure required to settle the liability. Where there is a continuous range of possible amounts of the expenditure required to settle the liability, as all kinds of possibilities are at same level, the best estimate should be determined according to the average of the lower and upper limit of the range. In other cases, the best estimate should be determined in accordance with the following methods:

- ① Where the contingency involves a single item, the best estimate involves a single item, the best estimate should be determined according to the most likely outcome;
- ② 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, uncertain matters and time value of currency. If time value of currency has a significant impact, the best estimate should be measured at its converted present value through the relevant future cash outflows.

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.

At balance sheet date, the Company should review book value of provision for liabilities. If there is strong evidence that the book value does not truly indicate the current best estimate, it should be adjusted in accordance with the current best estimate.

### **19. Revenue**

#### (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 recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the balance sheet date. The outcome of a construction contract can be estimated reliably when all the following conditions are satisfied: 1) 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 contract costs attributable to the contract can be clearly identified and measured reliably.

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

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 recognises 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:

- ① Revenue associated with the transaction is recognised by reference to the stage of completion of the

transaction at the balance sheet date. The service revenue is recognised 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.

② When the outcome of the transaction involving the rendering of services cannot be estimated reliably at the balance sheet date, revenue is recognised according to the following:

A. When it is probable that the Company will recover the transaction costs incurred, revenue is recognised only to the extent of the expenses recognised that are recoverable, and the costs incurred are recognised as an expense.

B. When it is not probable that the costs incurred will be recovered, revenue is not recognised and the costs incurred are recognised 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 recognised 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.

## **20. Accrued costs**

The Company accrues warranty cost at 0.5% of total contract revenue pro-rate for the first 12-month warranty period and additional 0.25% pro-rate for each subsequent 12-month period and charges it into cost of sales for the period.

## **21. Government Grants**

(1) Recognition of government grants

No government grants may be recognized unless the following conditions are met simultaneously:

- ① The company is able to meet the requirements for the government subsidies; and
- ② The company can receive the government subsidies.

(2) Measurement of government grants

① If a government subsidy is a monetary asset, it shall be measured in the light of the received or receivable amount; if a government subsidy is a non-monetary asset, it shall be measured at its fair value. If its fair value cannot be obtained in a reliable way, it shall be measured at its nominal amount.

② 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.

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

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

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

③ If it is necessary to refund any government subsidy which has been recognized, it shall be treated respectively in accordance with the circumstances as follows:

A. If there is the deferred income concerned, the book balance of the deferred income shall be offset against, but the excessive part shall be included in the current profits and losses; and

B. If there is no deferred income concerned to the government subsidy, it shall be directly included in the current profits and losses.

## **22. Income tax**

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

### (1) Deferred tax asset

① 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 recognised 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 realised or the liability is settled.

② 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.

③ 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

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 realised or the liability is settled.

## ***23. Operating lease and financial lease***

### (1) Operating leases

Lessee in an 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. .

Lessors in an 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) Finance 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 minimum lease payments as the entering value in long-term account payable, the difference 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 reasonable 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.

On the initial date of financial lease, lessee 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 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 charged as expenses in the periods in which they are incurred.

## ***24. Assets held for sales:***

### (1) Recognition criteria of the assets held for sale

The Non-Current Assets which meet the following conditions will be classified as assets held for sales by the company:

- ①The entity has made the resolution in disposing the non-current assets.
- ②The entity has signed the irrevocable transfer agreement with the assignee.
- ③The sale transaction is highly probable to be completed within one year.

(2) Accounting treatments of assets held for sales

For the fixed assets held for sales, the entity shall adjust the predicted net residual value of this fixed asset to make the predicted net residual value of this fixed asset to reflect the amount of its fair value less costs to sell, but it shall not exceed the original book value of fixed assets at the time when it meets the conditions of held for sales. The difference between the original book value and the adjusted predicted net residual value shall be treated as loss in assets and presented in profit or loss of current period. The fixed assets held for sales shall not count the depreciation but shall be measured at the lower of its carrying amount and the fair value less costs to sell.

The other non-current assets such as impairment assets which meet the conditions of held for sales shall be treated in accordance to the above principles.

**25. Hedging:**

The company uses fair value hedging for its hedging.

- (1) For derivative instruments as the hedging instrument, the profit or loss resulted from the changes of fair value is included in the profit/loss of the current period; for non-derivative instruments as the hedging instrument, the profit or loss resulted from the change of book value due to foreign exchange rate is included in the profit/loss of the current period.
- (2) The profit or loss resulted from the hedged risk of the hedged items is included in the profit/loss of the current period. The book value of the hedged items is adjusted at the same time.
- (3) In a fair value hedging of a firm commitment of a purchased asset or assumed liability, the accumulated amount in the change of fair value (profit or loss being confirmed) caused by the hedging risk of this firm commitment should be used to adjust the initial confirmed amount of the purchased assets of assumed liability of the firm commitment.
- (4) When the following conditions are satisfied, the company stop using the fair value hedging:
  - A. Hedging instruments expired, sold, contract terminated or executed.

- B. The hedge can no longer satisfy the conditions in using the method of hedging accounting.
- C. Cancellation of the designation of the hedging.

**26. Changes in accounting policies and estimates:**

(1) Changes in accounting policy

There are no changes in the accounting policies for the previous financial year.

(2) Changes in accounting estimate

In accordance with the resolution of the 3<sup>th</sup> Meeting of 5<sup>th</sup> section the of Board of Director on April 27, 2011, the accounting estimate on the method and rate used in calculation of warranty provision was authorized for change.

Previous Accounting Estimate: The Company accrued warranty cost at 2.5% of actual total production costs for its completed project and charged it into cost of sales for the period.

Current Accounting Estimate: The Company accrues warranty cost at 0.5% of total contract revenue pro-rate for the first 12-month warranty period and additional 0.25% pro-rate for each subsequent 12-month period and charges it into cost of sales for the period.

The change to Accounting Estimate is adopted using prospective application approach, the impact to the net profit of the current financial year is RMB11,509,762.24.

**27. Correction of the accounting errors from previous term**

There is no correction of the accounting error from previous term in this report period.

**28. Impairment of 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.

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.

### **29. Notes of corporation pension plan changes**

There is still no corporation pension plan in this fiscal year.

### **Note 3 Taxation**

1. The value-added output tax rates are 17% and paid by deducting value added input tax.
2. The business tax rate is 5% of revenue.
3. Urban maintenance and construction tax is 7% of turnover tax payable.
4. Education surtax is 3% of turnover tax payable.
5. Local education surtax is 2% of turnover tax payable.
6. Corporate income tax: the corporate income tax rate of the Company is 25%.

### **Note 4 Business combination and consolidated financial statements**

#### 1. Subsidiaries

(1)The subsidiaries obtained through the establishment of or investment subsidiary

Subsidiaries	Categories	Registered address	Business nature	Registered capital	Business scope
Wuhan Lan Xiang Power Environmental Protection Technology Company Limited	Limited liability Company	586 Wuluo Rd., Wuhan	Manufacturing	20,000,000.00	Boiler, energy environmental protection products, Steel structures, technology research of heat energy products and its accessorial equipment, design, technical Consultancy, technical service, sales of developed products, energy project (non-construction project)  Gas-steam Combined Cycle Heat Recovery Boiler, Circulating fluidized bed Boiler, Production and sale of the boiler's components and the energy saving
Subsidiaries	Investment (RMB)	Other essential investment	Shareholding%	Voting right%	Consolidated

Wuhan Lan Xiang Power Environmental Protection Technology Company Limited	24,984,500.00		95	95	Yes
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Subsidiaries	Minority interest	Amount of minority interest in income statement deducted from minority interest
Wuhan Lan Xiang Power Environmental Protection Technology Company Limited	1,730,423.50	

(2) Obtained by business combination under same control

Subsidiaries	Categories	Registered address	Business nature	Registered capital	Business scope
Wuhan Boiler BoYu Industrial Co., Ltd	Limited liability Company	586 Wuluo Rd., Wuhan	Manufacturing	19,115,250.00	Packaging, design, and manufacturing of Mechanical and Electrical products; processing of metal components; design and manufacturing of model and mold; Manufacturing of valve rough casting, steel casting, iron casting, nonferrous metal casting.

Subsidiaries	Investment (RMB)	Other essential investment	Shareholding %	Voting right%	Consolidated
Wuhan Boiler BoYu Industrial Co., Ltd	14,249,787.13		90	90	Yes

Subsidiaries	Minority interest	Amount of minority interest in income statement deducted from minority interest
Wuhan Boiler BoYu Industrial Co., Ltd	567,354.06	

2. The changes of consolidated scope

(1) No new issue included in the scope of consolidated subsidiaries

(2) The current scope of non-consolidated subsidiaries not included in

**Note5 Notes to the consolidated financial statements**

Except especially indicated, the closing balance and the opening balance refer to the balance at Dec 31, 2011 and Dec 31, 2010 respectively. All of amounts are presented in RMB.

1. Cash and cash equivalent

Item	Closing balance	Opening balance
Bank deposit	20,388,030.03	10,361,930.05

Other cash and cash equivalent	2,611,211.99	3,612,374.92
Total	22,999,242.02	13,974,304.97

Item	Closing balance			
	Currency	Original currency	Exchange rate	RMB
Bank deposit	RMB	19,988,018.67	1.0000	19,988,018.67
	USD	4,409.68	6.3009	27,784.95
	EUR	45,601.99	8.1625	372,226.25
	JPY	2.00	0.0811	0.16
	Subtotal	—	—	20,388,030.03
Other cash and cash equivalents	RMB	2,611,211.99	1.0000	2,611,211.99
	Subtotal	—	—	2,611,211.99
Total				22,999,242.02

Item	Opening balance			
	Currency	Original currency	Exchange rate	RMB
Bank deposit	RMB	10,028,948.53	1.0000	10,028,948.53
	USD	67.30	6.6227	445.71
	EUR	37,760.27	8.8065	332,535.81
	Subtotal	—	—	10,361,930.05
Other cash and cash equivalents	RMB	3,612,374.92	1.0000	3,612,374.92
	Subtotal	—	—	3,612,374.92
Total				13,974,304.97

Note: The closing balance of the cash and cash equivalent increased 64.58% as compared to last year mainly due to increase in issuance of bank acceptance notes to settle vendors' payment.

## 2. Notes receivable

### (1)Category of Notes receivable:

Category	Closing balance	Opening balance
Bank acceptance	30,800,000.00	43,164,000.00
Total	30,800,000.00	43,164,000.00

### (2)The top five receivable endorsed but not matured as of year end

Company	Issued date	Expiration date	Amount	Notes
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Gansu Diantou Jinchang Generating Co.Ltd	2011/07/18	2012/01/18	10,000,000.00	
Gansu Diantou Jinchang Generating Co.Ltd	2011/07/18	2012/01/18	6,300,000.00	
Tianma(Chengdu) Railway Bearing Co., Ltd	2011/07/21	2012/01/21	2,000,000.00	
China energy and abundant coal and Electric Power Company Limited	2011/10/31	2012/04/30	2,000,000.00	
China energy and abundant coal and Electric Power Company Limited	2011/10/31	2012/04/30	2,000,000.00	

### 3. Accounts receivable

(1)Accounts receivable by categories are as follows:

Category	Closing balance			
	Balance		Provision for doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	62,049,078.35	10.30	14,302,475.00	23.05
Group A (using aging analysis)	425,648,417.47	70.68	139,555,835.03	32.79
Group B (No bad debt provision for account receivables)				
Other insignificant receivables but still are impaired individually	114,547,641.91	19.02	77,176,541.91	67.38
Total	602,245,137.73	100.00	231,034,851.94	38.36

Category	Opening balance			
	Balance		Provision for doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables				
Group A (using aging analysis)	400,417,419.70	76.97	90,042,423.27	22.49
Group B (No bad debt provision for account receivables)	15,549,187.32	2.99		
Other insignificant receivables but still are impaired individually	104,273,124.83	20.04	65,682,544.83	62.99
Total	520,239,731.85	100.00	155,724,968.10	29.93

Notes for Group A (Recognition provision for doubtful debt of groups of receivables is based on aging analysis):



Aging of receivables	Closing balance		
	Balance		Provision for doubtful debts
	Amount	Proportion (%)	
Within 1 year (including 1 year)	153,994,058.92	36.18	4,619,821.77
1-2 years(including 2 year)	5,654,629.94	1.33	169,638.90
2-3 years(including 3 year)	76,422,460.00	17.95	4,585,347.60
3-4 years(including 4 year)	53,323,414.86	12.53	10,664,682.98
4-5 years(including 5 year)	20,921,887.46	4.92	4,184,377.49
Over 5 years	115,331,966.29	27.09	115,331,966.29
Total	425,648,417.47	100.00	139,555,835.03

Aging of receivables	Opening balance		
	Balance		Provision for doubtful debts
	Amount	Proportion (%)	
Within 1 year (including 1 year)	41,301,700.11	10.31	1,239,051.00
1-2 years(including 2 year)	134,391,314.04	33.57	4,031,739.43
2-3 years(including 3 year)	77,837,009.86	19.44	4,670,220.59
3-4 years(including 4 year)	30,967,385.66	7.73	6,193,477.13
4-5 years(including 5 year)	52,515,093.64	13.12	10,503,018.73
Over 5 years	63,404,916.39	15.83	63,404,916.39
Total	400,417,419.70	100.00	90,042,423.27

Notes for Other insignificant receivables (Receivables which are not significant, but still need individually recognition of bad debt provision) :

Item	Closing balance	Bad debt provision	Note
Product payment and retention	176,596,720.26	91,479,016.91	Details are tabulated below

Details:

Company	Reasons for provision

Company	Reasons for provision
Huaneng Nanjing Combustion Engine Generating Co.Ltd	The retention money is difficult to be received due to the quality issues of boiler.
Dongfang Xiwang Baotou Xitu Aluminium Co., Ltd.	The Company is required to bear part of the subsequent costs and thus the receivable amount is not expected to be fully recoverable.
Luoyang Yichuan Longquan Kengkou Generating Co., Ltd.	Deduction for equipment maintenance
Shanxi Datang International Thermal Power Co.Ltd	Deduction for equipment quality issues
Datang Liaoyuan Power Plant	Deduction for equipment quality issues
China Machine Import and Export Company	The retention money is difficult to be received due to the quality issues.
Gansu Diantou Jinchang Generating Co.Ltd	The retention money is not expected to be fully received
China Shenhua Nengyuan Co., Ltd Guohua Huizhou Power Co.	Deduction for equipment quality issues
Guodian Lanzhou Thermopower Co., Ltd.	The Company is required to bear part of the subsequent costs and thus the receivable amount is not expected to be fully recoverable
Shandong Power No.3 Project Company	The retention money is difficult to be received due to the quality issues.
Wuhan Zhongjia Natural Gas Compressor Co.Ltd	The customer has disputes over the contract settlement and the receivable amount is not expected to be fully recoverable.
Chiping Xinyuan Aluminum Co., Ltd.	The Company is required to bear part of the subsequent costs and thus the receivable amount is not expected to be fully recoverable
China Power Engineering Consulting Group, Zhongnan Power Design Institute	The customer has disputes over the contract settlement and the receivable amount is not expected to be fully recoverable
PT INDAH KIAT PULP&PAPER, TBK	It is difficult for the equipment to achieve the status of full load operation, retention money cannot be recalled
Dongfang Xiwang Baotou Xitu Aluminum Co., Ltd.	The retention money is difficult to be received due to the quality issues.
Anshan Xinli Co.,Ltd	The retention money is difficult to be received due to the quality issues.
Guiyang Crystal Co.,Ltd	The retention money is difficult to be received due to the quality issues.

(2)In 2011, the company's management took measures to strengthen the collection and increase

collection efforts, to get the co-operation among Finance and other Business departments to collect the payments, to have management to track the progress of the payment collection at any time. As of December 31, 2011, RMB12, 686,831.68 has been recovered for the debts aging more than 5 years a 20.01% of the last year's accounts receivable for aging more than 5 years.

(3)The write-off of accounts receivable

Name of company	The nature of accounts receivable	Written off	Reason	Related party transaction
Anshan Thermopower Material Co.,Ltd.	Retention	2,018,000.00	Restructuring of enterprise	No
Dayan Mining	Retention	162,000.00	Restructuring of enterprise	No
Dongfang Electrics Group Beijing Branch	Retention	456,500.00	Expenses deduction	No
Dongguan Hailong Paper Co., Ltd.	Retention	349,917.60	On account for long term	No
E-Steel Group	Retention	122,850.00	Product loss	No
Shunde Jinfeng Rinsing Co.Ltd	Retention	165,000.00	Quality deduction	No
Guodian Ningxia Shizuishan Generating Co.,Ltd.	Retention	832,228.99	Quality deduction	No
Guodian Shizuishan No.1 Generating Co.,Ltd.	Retention	500,000.00	Quality deduction	No
Guodian Xuanwei Generating Co., Ltd.	Retention	494,452.30	Expenses deduction	No
Hubei Shanonda Co., Ltd.	Retention	5,009.50	On account for long term	No
Hubei Daye Thermopower Generating Plant	Retention	842,700.00	Quality deduction	No
Hubei Changyuan No.1 Generating Co., Ltd.	Retention	600,000.00	Expenses deduction	No
Jiangxi Xinyu Generating Co., Ltd.	Retention	3,224,097.13	Quality deduction	No
Jiulong Paper (Taicang) Co.,Ltd.	Retention	150,000.00	Quality deduction	No
Maoming Thermopower Plant	Retention	76,000.00	Quality deduction	No
Nantong Wanda Boiler Co., Ltd.	Retention	69,155.00	Quality deduction	No
Ningxia Hebing Thermal Power Plant	Retention	70,000.00	Quality deduction	No

Name of company	The nature of accounts receivable	Written off	Reason	Related party transaction
Sinopec Qingdao petrochemical limited liability company	Retention	180,569.30	On account for long term	No
Shandong Bohui Paper	Retention	380,000.00	Restructuring of enterprise	No
Shanxi Hepo Generating Co., Ltd.	Retention	211,000.00	Quality deduction	No
Shijiazhuang Nanjiao Thermopower Co., Ltd.	Retention	465,000.00	Enterprise was shut down	No
WISCO Technical Reconstruction Project Equipment Procurement Company	Retention	35,000.00	Quality deduction	No
Wuhan Silu New Technology Co.Ltd	Retention	139,200.00	Enterprise cancellation	No
Xiangfan Thermopower Industry Co., Ltd.	Retention	300,000.00	Quality deduction	No
Xuzhou Chacheng Power Co.,Ltd.	Retention	1,435,224.83	Quality deduction	No
Yueyang Petrochemical Plant	Retention	107,950.00	Quality deduction	No
Yunnan Manghe Sugar Plant	Retention	492,000.00	Bankrupt	No
Yunan Longjiang	Retention	460,000.00	Quality deduction	No
Hubei chemical fertilizer plant	Retention	200,000.00	Quality deduction	No
Wuhan Xianglong Electric Utility Co., Ltd.	Retention	325,000.00	Quality deduction	No
Xiamen Environmental Sanitation	Retention	101,000.00	Quality deduction	No
Guodian Xuanwei Generating Co., Ltd.	Design fee	25,380.00	Expenses deduction	No
Total		14,995,234.65		

Note: Above write-off accounts receivable retention were for projects which have completed more than 5 years.

(4) There is no accounts receivable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(5) Information of top 5 receivables:

Company	The relationship with the Company	Amount	Age	Proportion
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Company	The relationship with the Company	Amount	Age	Proportion
Shandong Weiqiao Aluminum and Electricity Co., Ltd.	Non-affiliated	135,002,999.99	1-4 years	22.42
ALSTOM Power INC	Affiliated	56,139,758.93	Within 1 year	9.32
Shanxi Zhengxin Group Co., Ltd.	Non-affiliated	39,820,000.00	Over 5 years	6.61
Guodian Lanzhou Thermopower Co., Ltd.	Non-affiliated	31,160,000.00	Within 1 year	5.17
China Shenhua Nengyuan Co., Ltd Guohua Huizhou Power Branch.	Non-affiliated	30,889,078.35	Within 1 year	5.13
Total		293,011,837.27		48.65

(6)The amounts due from related parties

Company	The relationship with the Company	Amount	Proportion
Wuhan Boiler (Group) Special Boiler Engineering Co., Ltd.	A subsidiary of the second largest shareholder	9,954,995.28	1.65
ALSTOM Power System GmbH	A subsidiary of the ultimate holding company	125,629.94	0.02
ALSTOM Power INC	A subsidiary of the ultimate holding company	56,139,758.93	9.32
ALSTOM Sizhou Electric Power Equipment (Qingdao) Co. Ltd	A subsidiary of the ultimate holding company	40,000.00	0.01
Total		66,260,384.15	11.00

4. Other receivables

(1)Other receivables disclosed by type:

Categories	Closing balance			
	Balance		Provision for doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	26,673,222.30	19.10	26,673,222.30	100.00
Group A (using aging analysis)	85,239,498.12	61.03	7,124,402.55	8.36
Group B (No bad debt provision for account receivables)	25,121,744.82	17.98		

Categories	Closing balance			
	Balance		Provision for doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Other insignificant receivables but still are impaired individually	2,636,308.95	1.89	2,636,308.95	100.00
Total	139,670,774.19	100.00	36,433,933.80	26.09

Categories	Opening balance			
	Balance		Provision for doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	5,538,447.44	3.29	5,538,447.44	100.00
Group A (using aging analysis)	76,977,864.46	45.65	3,101,768.66	4.03
Group B (No bad debt provision for account receivables)	62,507,615.14	37.07		
Other insignificant receivables but still are impaired individually	23,596,656.07	13.99	23,596,656.07	100.00
Total	168,620,583.11	100.00	32,236,872.17	19.12

Notes for Group A (Recognition provision for doubtful debt of groups of receivables is based on aging analysis):

Aging of receivables	Closing balance		
	Balance		Provision for doubtful debts
	Amount	Proportion (%)	
Within 1 year (including 1 year)	4,416,898.14	5.18	132,506.94
1-2 years(including 2 year)	4,580,229.37	5.37	137,406.88
2-3 years(including 3 year)	63,012,895.74	73.93	3,780,773.75
3-4 years(including 4 year)	12,684,699.87	14.88	2,536,939.98
4-5 years(including 5 year)	10,000.00	0.01	2,000.00
Over 5 years	534,775.00	0.63	534,775.00
Total	85,239,498.12	100.00	7,124,402.55

Aging of receivables	Opening balance		
	Balance		Provision for doubtful debts
	Amount	Proportion (%)	
Within 1 year (including 1 year)	6,610,079.55	8.59	198,302.39
1-2 years(including 2 year)	60,756,310.82	78.93	1,822,689.32
2-3 years(including 3 year)	9,066,699.09	11.78	544,001.95
3-4 years(including 4 year)	10,000.00	0.01	2,000.00
Over 5 years	534,775.00	0.69	534,775.00
Total	76,977,864.46	100.00	3,101,768.66

Individually significant receivables or insignificant receivables requiring impairment test, and providing provision for doubtful debt:

Item	Balance	Bad debt provision	Accrual percentage	Reason
3RC Company Limited	336,604.05	336,604.05	100.00%	Bankruptcy
Value Added Tax paid for suspended projects	28,377,636.20	28,377,636.20	100.00%	Projects are suspended and the amount is not expected to be recoverable
Litigation cost recovery	595,291.00	595,291.00	100.00%	Difficult to execute the court judge
Total	29,309,531.25	29,309,531.25		

(2)Accounts receivable is due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

Name of company	Closing balance		Opening balance	
	Amount	Provision for bad debt	Amount	Provision for doubtful debts
Wuhan Boiler Group Co., Ltd.	64,030,488.11	4,586,848.27	64,030,488.11	1,796,641.13
ALSTOM (China) Investment Co., Ltd.	3,529,700.20	105,891.01	3,159,900.37	94,797.01
Total	67,560,188.31	4,692,739.28	67,190,388.48	1,891,438.14

Note: Account receivable of RMB 64,030,488.11 from the second largest shareholder, Wuhan Boiler Group Co., Ltd., is the compensation for the relocation of the old factory

## (3)Details of top 5 other receivables:

Company	The relationship with the Company	Amount	Aging	Proportion of the total (%)
Wuhan Boiler Group Co., Ltd.	The company's second-largest shareholder	64,030,488.11	3-4 years	45.84
Shandong Luneng Material Group Co. Limited	Non-affiliated	25,659,390.26	2-3 years	18.37
Donghu Development Zone Committee	Non-affiliated	10,774,265.00	3-4 years	7.71
Shandong Weiqiao Aluminum and Electricity Co., Ltd.	Non-affiliated	7,638,811.97	3-4 years	5.47
Shanxi Zhengxin Group Co., Ltd.	Non-affiliated	6,722,635.47	Over 5 years	4.81
Total		114,825,590.81		82.20

## (4)The amounts due from related parties

Name of company	The relationship with the Company	Amount	Proportion of the total (%)
Wuhan Boiler Group YunTong Co., Ltd.	Subsidiary of Second largest shareholder	10,171.01	0.01
Wuhan Boiler Group Valve Co., Ltd	Subsidiary of Second largest shareholder	240,571.49	0.17
ALSTOM Power Systems S.A Establishment Boilers	A subsidiary of the ultimate holding company	35,836.70	0.03
ALSTOM (Switzerland) Ltd	A subsidiary of the ultimate holding company	254,359.93	0.18
ALSTOM Power Systems GmbH	A subsidiary of the ultimate holding company	1,929,580.66	1.38
Total		2,470,519.79	1.77



## 5. Prepayment

### (1) Aging analysis:

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Less than 1 year (including 1 year)	21,345,726.59	54.73	94,391,475.66	84.36
1 year to 2 years (including 2 years)	616,453.62	1.58	17,498,669.15	15.64
2 years to 3 years (including 3 years)	17,039,052.56	43.68	4,200.00	0.004
Over 3 years	4,200.00	0.01		
<b>Total</b>	<b>39,005,432.77</b>	<b>100.00</b>	<b>111,894,344.81</b>	<b>100.00</b>

Note: Prepayment decreases by 65.14% this year. It's mainly due to decrease in the volume of materials purchase for export projects.

### (2) Details of top 5 prepayment

Name of company	The relationship with the Company	Amount	Aging	Reasons
Howden Hua Engineering Co., Ltd.	Non-affiliated	7,400,000.00	2009	Project has not yet completed
Wuhan ZhiMiao Machinery Manufacturing Co., Ltd.,	Non-affiliated	6,807,692.30	2009	Project has not yet completed
V&M DEUTSCHLAND GmbH	Non-affiliated	4,970,195.75	2011	Project has not yet completed
Changzhi Tsinghua steel structure limited company	Non-affiliated	4,277,499.98	2011	Project has not yet completed
ALSTOM Technical Services (Shanghai) Ltd	A subsidiary of the ultimate holding company	3,260,000.00	2011	Project has not yet completed
<b>Total</b>		<b>26,715,388.03</b>		

(3) There is no amount due from shareholders with more than 5% (including 5%) of the voting shares of the Company in prepayment.

(4) The prepayment aged more than 1 year is for the contract purchase which has not yet to settle.

## 6. Inventory

### (1)Categories:

Categories	Closing balance			Opening balance		
	Original value	Impairment of inventories	Book value	Original value	Impairment of inventories	Book value
Raw materials	251,754,730.97	77,838,517.97	173,916,213.00	185,535,520.38	100,609,111.64	84,926,408.74
Construction contract assets	152,978,904.28	86,778,194.79	66,200,709.49	174,998,729.88	90,877,317.30	84,121,412.58
Finished products				259,552.71		259,552.71
Total	404,733,635.25	164,616,712.76	240,116,922.49	360,793,802.97	191,486,428.94	169,307,374.03

Note: Raw material increases 35.69% due to purchase of specific raw materials in advance of commencement of overseas projects .

### (2)Impairment of inventories

Categories	Opening balance	Increase	Decrease		Closing balance
			Reversal	Written off	
Raw materials	100,609,111.64	38,379,686.80		61,150,280.47	77,838,517.97
Construction contract assets	90,877,317.30			4,099,122.51	86,778,194.79
Total	191,486,428.94	38,379,686.80		65,249,402.98	164,616,712.76

Note 1: The impairment of the raw materials is written off because of the disposal of obsolete raw materials and materials issued to production for projects.

Note 2: Write-off of the asset impairment from Construction contract is according to the Accounting Standards on Construction Contract to release the loss provision based on completion progress.

### (3)Details of impairment of inventories

Item	The bases of provision for impairment of inventories	Reasons for reversal	Proportion of reversal of provision for impairment of inventories to closing balance
1.Raw materials	According to the net realizable value		
2.Construction contract assets	Expected loss from contract loss		

## 7. Fixed assets

### (1)Fixed assets details:

Item	Opening balance	Increase	Decrease	Closing balance
1. Cost	909,335,865.37	31,280,134.52	696,760.31	939,919,239.58
Property and buildings	518,751,485.23	223,076.00		518,974,561.23
Machineries	361,440,070.80	20,335,748.97	19,911.97	381,755,907.80
Vehicles	1,421,315.64	24,000.00	114,441.00	1,330,874.64
Electronic equipments and office equipments	27,722,993.70	10,697,309.55	562,407.34	37,857,895.91
2. Accumulated depreciation	130,577,821.04	40,607,295.77	536,392.48	170,648,724.33
Property and buildings	15,676,163.33	12,982,516.30		28,658,679.63
Machineries	104,515,837.73	19,637,692.04	5,789.73	124,147,740.04
Vehicles	635,659.99	158,215.54	75,721.67	718,153.86
Electronic equipments and office equipments	9,750,159.99	7,828,871.89	454,881.08	17,124,150.80
3. The net book value of fixed assets	778,758,044.33	-9,327,161.25	160,367.83	769,270,515.25
Property and buildings	503,075,321.90	-12,759,440.30		490,315,881.60
Machineries	256,924,233.07	698,056.93	14,122.24	257,608,167.76
Vehicles	785,655.65	-134,215.54	38,719.33	612,720.78
Electronic equipments and office equipments	17,972,833.71	2,868,437.66	107,526.26	20,733,745.11
4. Impairment of fixed assets	2,473,278.04		5,193.52	2,468,084.52
Property and buildings				
Machineries	2,313,136.08		5,193.52	2,307,942.56
Vehicles	102,424.14			102,424.14
Electronic equipments and office equipments	57,717.82			57,717.82
5. Carrying amount	776,284,766.29	-9,327,161.25	155,174.31	766,802,430.73
Property and buildings	503,075,321.90	-12,759,440.30		490,315,881.60
Machineries	254,611,096.99	698,056.93	8,928.72	255,300,225.20
Vehicles	683,231.51	-134,215.54	38,719.33	510,296.64
Electronic equipments and office equipments	17,915,115.89	2,868,437.66	107,526.26	20,676,027.29

Note 1: Depreciation of fixed assets is RMB 40,607,295.77 in current fiscal year.

Note 2: RMB 21,641,723.37 is transferred from construction in progress into fixed assets during this period.

(2)Fixed assets without certification of property

Item	The reasons	Expected time
New plant and office building	Applying for certificate of property, but not approved	2012

8. Construction in progress

(1)Details

Item	Closing balance			Opening balance		
	Book value	Impairment	Net book value	Book value	Impairment	Net book value
1. Newly established base of the company				8,683,448.40		8,683,448.40
2. Equipment for New base of the Company	2,398,543.47		2,398,543.47	15,380,343.50		15,380,343.50
3. Purchased technology				26,888,949.60		26,888,949.60
Total	2,398,543.47		2,398,543.47	50,952,741.50		50,952,741.50

(2)Significant changes in construction in progress, a

Project	Opening balance	Increase	Transferred to fixed assets	Other decrease	Closing balance	Capitalised interest rate (%)
1. Newly established base of the company: Including: Capitalized amount of borrowing costs	8,683,448.40		8,683,448.40			
2. Equipment for New base of the Company Including: Capitalized amount of borrowing costs	15,380,343.50 410,108.37		12,958,274.97 345,632.27	23,525.06	2,398,543.47 64,476.10	
3. Purchased technology	26,888,949.60	7,505,484.40		34,394,434.00		
Total	50,952,741.50	7,505,484.40	21,641,723.37	34,417,959.06	2,398,543.47	

Significant changes in construction in progress b

Project	Budget (10,000RMB)	Financial source	% of budget	Accumulated amount of interest capitalized	Including: Interest capitalized in the current year
1.Newly established base of the company:	50,070.00	Self-financing, loan	105%	19,649,371.90	
2.Equipment for new base of the company	40,000.00	Self-financing, loan	72%	8,999,350.34	
Total	90,070.00			28,648,722.24	

Note 1: The balance of the construction in progress at the end of the period decreases 95.29%. This is due to capitalization to fixed assets and intangible assets upon the acceptance and handling over of the assets and the completion of technology transfer.

Note 2: By 31 December 2011, newly established base has been fully completed.

Note 3: As of December 31, 2011, the construction in progress does not have indication of impairment, so no impairment for construction in progress.

(3)Major construction in progress

Project	Progress	Remark
New base construction	The new base is completed and in use	
Equipment purchased for new base	All of equipments are in use	

9. Intangible assets

(1)Details of intangible assets are as following:

Category	Opening balance	Increase	Decrease	Closing balance
Cost	114,050,055.97	35,199,132.73		149,249,188.70
1.Land use right	41,666,503.00	-66,666.28		41,599,836.72
2.Proprietary technology	56,900,206.41	34,394,434.00		91,294,640.41
3.Software	15,483,346.56	871,365.01		16,354,711.57
Accumulated amortization	56,726,078.10	6,687,796.26		63,413,874.36

Category	Opening balance	Increase	Decrease	Closing balance
1.Land use right	2,222,213.46	833,210.36		3,055,423.82
2.Proprietary technology	44,899,280.82	2,481,257.05		47,380,537.87
3.Software	9,604,583.82	3,373,328.85		12,977,912.67
Carrying amount of intangible assets	57,323,977.87	28,511,336.47		85,835,314.34
1.Land	39,444,289.54	-899,876.64		38,544,412.90
2.Proprietary technology	12,000,925.59	31,913,176.95		43,914,102.54
3.Software	5,878,762.74	-2,501,963.84		3,376,798.90
Impairment of intangible assets				
1.Land use right				
2.Proprietary technology				
3.Software				
Net book value of intangible assets	57,323,977.87	28,511,336.47		85,835,314.34
1.Land use right	39,444,289.54	-899,876.64		38,544,412.90
2.Proprietary technology	12,000,925.59	31,913,176.95		43,914,102.54
3.Software	5,878,762.74	-2,501,963.84		3,376,798.90

Note: The amortization of the intangible assets is RMB6, 687,796.26 in the current fiscal year.

#### 10. Deferred tax assets and liabilities

(A)Deferred tax assets and liabilities are not listed as the net value after offset.

##### (1)Recognized deferred tax assets and liabilities

Item	Closing balance	Opening balance
<b>Deferred tax assets:</b>		
Impairment of assets	80,882,420.54	62,321,677.84
<b>Total</b>	<b>80,882,420.54</b>	<b>62,321,677.84</b>

##### (2)Unrecognized deferred income tax assets

Item	Closing balance	Opening balance
Deductible temporary differences	156,695,381.00	241,267,862.35
Tax losses	1,383,594,551.62	1,125,392,951.71
<b>Total</b>	<b>1,540,289,932.62</b>	<b>1,366,660,814.06</b>

(3)The tax losses unrecognized as deferred tax assets will expire in the following year

Year	Closing balance	Opening balance	Notes
2012	322,036,470.99	322,036,470.99	
2013	300,367,116.96	300,367,116.96	
2014	364,372,073.45	364,372,073.45	
2015	138,617,290.31	138,617,290.31	
2016	258,201,599.91		
Total	1,383,594,551.62	1,125,392,951.71	

(4)Temporary difference

Item	Temporary difference	
	Closing balance	Opening balance
1. Deductible temporary difference		
① Provision for bad debt	234,283,402.84	155,936,116.01
② Impairment of inventories	86,778,194.79	90,877,317.30
③ Impairment of fixed assets	2,468,084.52	2,473,278.04
Total	323,529,682.15	249,286,711.35

11. Impairment of assets

Categories	Opening balance	Increase	Decrease		Closing balance
			Reversal	Written off	
1.Provision for bad debt	187,961,840.27	94,502,180.12		14,995,234.65	267,468,785.74
Including: ① Provision for bad and doubtful debt of accounts receivable	155,724,968.10	90,305,118.49		14,995,234.65	231,034,851.94
②Provision for bad debt of other receivables	32,236,872.17	4,197,061.63			36,433,933.80
2. Impairment of inventories	191,486,428.94	38,379,686.80		65,249,402.98	164,616,712.76
3. Impairment of fixed assets	2,473,278.04			5,193.52	2,468,084.52
Total	381,921,547.25	132,881,866.92		80,249,831.15	434,553,583.02

Note 1: Provision for bad and doubtful debt of accounts receivable refers to Note5 .3 (3).

Note 2: Write-off of inventories impairment refers to Note5 .6 (2).

Note 3: The write-off for impairment of fixed assets is caused by the disposal of the previously impaired fixed assets.

#### 12. Other non-current assets

Item	Closing balance	Opening balance
Hedging	5,790,508.71	420,895.71
Total	5,790,508.71	420,895.71

Note: The hedging instruments have increased 1275.76% as compared to last year mainly due to increase in the volume of unexpired forward contracts.

#### 13. Short-term loan

Category	Closing balance	Opening balance
Entrust borrowings	1,563,000,000.00	1,152,000,000.00
Total	1,563,000,000.00	1,152,000,000.00

Note 1: The entrust borrowings are supplies by Alstom (China) Investment Co., Ltd, and the maximum amount is RMB 1,800,000,000.00,

Note 2: The closing balance of short-term loan increased 35.68% as compared to the opening balance mainly due to the decrease in the cash received from operating activities.

#### 14. Notes payable

Category	Closing balance	Opening balance	Amount due in next accounting period
Bank Acceptance	45,548,201.49	18,704,256.28	45,548,201.49
Total	45,548,201.49	18,704,256.28	45,548,201.49

Note 1: The increase of Notes payable is 143.52%. It's mainly due to increased payments of note payables.

Note 2: There was no notes payable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.



#### 15. Accounts Payable

Item	Closing balance	Opening balance
Amount	309,278,906.64	315,446,635.93
Total	309,278,906.64	315,446,635.93

The accounts payable to shareholders with more than 5% (including 5%) of the voting shares of the Company or related parties:

Company	Closing balance	Opening balance
ALSTOM Power System GmbH	1,003,018.90	16,577,651.22
ALSTOM Power Systems S.A Establishment Boilers		2,857,805.54
ALSTOM Power INC.	1,176,160.65	488,787.14
ALSTOM s.r.o	989,816.18	412,125.94
ALSTOM (Switzerland) Ltd	331,361.30	
PT ALATOM Power Energy System Indonesia	10,614.19	
ALATOM Power Service GmbH	11,772,599.40	
ALSTOM Technical Services (Shanghai) Ltd	4,767,000.00	2,307,000.00
Wuhan Boiler (Group) Yuntong Co., Ltd	383,570.01	3,123,121.06
Wuhan Boiler (Group) Valve Co., Ltd	1,099,530.54	1,690,329.14
Wuhan Boiler (Group) Special Boiler Engineering Co., Ltd.	24,225,755.73	24,225,755.73
Total	45,759,426.90	51,682,575.77

Note: The accounts payable aged longer than 1 year is mainly for retrofit processing fees. As the project has yet to complete, it can't be settled until the warranty period of the boiler is expired.

#### 16. Advance from customers

Item	Closing balance	Opening balance
Amount	912,493,449.25	1,059,336,631.48

Advanced from customers from shareholders with more than 5% (including 5%) of the voting shares of the Company or related parties:

company	Closing balance	Opening balance
ALSTOM Estonia AS	38,415,853.47	
ALSTOM Power System GmbH	808,650,445.76	976,283,726.72
Total	847,066,299.23	976,283,726.72

Note1: Advanced from customers with aging over 1 year, were unsettled contract payments on projects under execution. According to the Company's accounting method on construction contract in progress, the account shall be carried forward after the settlement of contract payments on construction contract in progress.

17. Payroll payable:

(1)Details:

Item	Opening balance	Increase	Decrease	Closing balance
1.Salary,bonus, allowance, subsidy	9,395,562.87	116,041,344.29	116,574,312.64	8,862,594.52
2. Employee welfare	31,043.56			31,043.56
3.Social insurance including: ①Medical insurance		23,795,615.42	23,795,615.42	
②Retirement pension		6,168,422.86	6,168,422.86	
③Unemployment insurance		15,223,836.34	15,223,836.34	
④injury insurance premium		1,334,810.42	1,334,810.42	
⑤Pregnancy insurance		538,294.45	538,294.45	
4. Housing fund		530,251.35	530,251.35	
5. Labour union fee and employee education fee		5,990,262.00	5,990,262.00	
6.Redemption for terminations of labor contract	2,929,586.47	2,345,851.12	2,160,384.80	3,115,052.79
7.Other including: Share payment in cash	58,245,816.18	-8,253,456.55	4,320,879.49	45,671,480.14
<b>Total</b>	<b>70,602,009.08</b>	<b>139,919,616.28</b>	<b>152,841,454.35</b>	<b>57,680,171.01</b>

(2)The balance of the payroll payable-other decreases and it is mainly due to payment made to retirees' allowance and internal retirees' allowance.

18. Taxes payable

Taxes	Closing balance	Opening balance
1.Value-added tax	-112,642,915.78	-89,309,204.79
2.Business tax	485.87	175,178.17
3.Levee fee	4.86	1,751.78
4.Personal income tax	17,217.84	75,537.63
5.Education surtax	14.58	5,255.35
6.Local education development fee	9.72	521.81
7.Urban maintenance and construction tax	34.01	12,262.47
8.stamp duty	8,638.30	312,881.76
9.Land Use Tax	293,334.00	293,334.01
10. Tax withholding for corporate income tax	3,439,443.40	
<b>Total</b>	<b>-108,883,733.20</b>	<b>-88,432,481.81</b>

19. Interest payable

Item	Closing balance	Opening balance
Interest payable on short-term borrowings	2,016,270.00	2,003,046.13
<b>Total</b>	<b>2,016,270.00</b>	<b>2,003,046.13</b>

20. Dividends payable

Main investor	Opening balance	Closing balance	Reason of failure payment more than 1 year
HIT East Power Electric Co., Ltd.	108,000.00	108,000.00	The company is in liquidation
West Jiaotong University Star Source Dynamics	166,000.00	166,000.00	The company is in liquidation
Shanghai Power Equipment Research Institute	144,000.00	144,000.00	The company is in liquidation
Wuhan Urban Environmental Engineering Company	144,000.00	144,000.00	The company is in liquidation
<b>Total</b>	<b>562,000.00</b>	<b>562,000.00</b>	

Note: dividends payable is the unpaid dividend of Wuhan Lan Xiang Energy Environmental Protection Technology Co., Ltd.

21. Other payables

Item	Closing balance	Opening balance
Amount	97,831,275.42	85,685,084.50

Note 1: Other payables from shareholders with more than 5% (including 5%) of the voting shares of the Company or related parties:

Company	Closing balance	Opening balance
Wuhan Boiler Group Co., Ltd.	974,056.13	974,056.13
ALSTOM Technology Ltd (Switzerland)	30,903,465.60	26,623,254.00
ALSTOM (Switzerland) Ltd	4,258,401.06	192,289.93
ALSTOM (China) Investment Co., Ltd.	5,110,602.37	3,489,547.49
ALSTOM Power INC	515,415.55	838,869.33
ALSTOM IS&T SAS	6,054,216.36	
ALSTOM Beizhong Power (Beijing) Co.,Ltd	1,356,789.48	26,532.30
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.		219,718.00
Total	49,172,946.55	32,364,267.18

Note 2: The other large amount accounts payable aged more than 1 year is mainly the amount collected from employees on behalf to purchase ALSTOM stocks.

Note 3: The significant amount of other payables details:

Item	Amount	The nature or content
ALSTOM Technology Ltd (Switzerland)	30,903,465.60	TOT technology transfer fee
ALSTOM IS&T SAS	6,054,216.36	ITSAS service fee
Stock deductions	5,894,314.13	Collected and remit on behalf of employees
ALSTOM (China) Investment Co., Ltd	5,110,602.37	ITSSC service fee
ALSTOM (Switzerland) Ltd	4,258,401.06	PMX fee
Total	52,220,999.52	

22. Provision for contingent liabilities

Item	Opening balance	Increase	Decrease	Closing balance
Product quality guarantee	50,387,210.32		50,387,210.32	
Total	50,387,210.32		50,387,210.32	

Note: The Company delivered an alkaline recovery boiler to a customer in 2008. The boiler was put into operation. Due to various reasons, the boiler was unable to continue operating at full load and required some technical modification. In 2011 the Company and customer signed settlement agreement in relation to the contract responsibilities. The liability for production quality guarantee had been released.

### 23. Other non-current liabilities

item	Closing balance	Opening balance
1. Deferred income	12,870,288.00	13,148,064.00
2. Hedged items	12,727,399.85	281,951.85
3. Unrecognized finance cost	-9,465,682.90	-10,138,325.63
Total	16,132,004.95	3,291,690.22

Note1: The unrecognized financing cost is the discount fees of employee retirement benefits in accordance with the regulations stipulated in 'Employee Benefits' Accounting Standards.

Note2: The hedging items have increased 4414.03% this year. This is mainly due to increase in the volume of unexpired forward contracts.

### 24. Share Capital

#### The changes in share capital

Items	Opening balance		Increase/Decrease (+/-)					Closing balance	
	Amount	Proportion	Issuing new shares	Bonus shares	Reserves transferred to shares	Others	Subtotal	Amount	Proportion
1. Limited shares	17,200	57.91%						17,200	57.91%
①National holdings									
② state-owned corporation Holdings									
③other non-state-owned corporation Holdings	2,053	6.91%						2,053	6.91%
Including:									
i. Domestic corporation holdings	2,053	6.91%						2,053	6.91%
ii. Domestic natural person holdings									

Items	Opening balance		Increase/Decrease (+/-)					Closing balance	
	Amount	Proportion	Issuing new shares	Bonus shares	Reserves transferred to shares	Others	Subtotal	Amount	Proportion
④International holdings	15,147	51%						15,147	51%
Including:									
i. International corporation holdings	15,147	51%						15,147	51%
ii. International natural person holdings									
2. Unlimited shares	12,500	42.09%						12,500	42.09%
①stock A									
②stock B	12,500	42.09%						12,500	42.09%
③stock H									
④others									
3.Total shares	29,700	100%						29,700	100%

#### 25. Capital surplus

Item	Opening balance	Increase	Decrease	Closing balance
Capital premium	144,909,718.58			144,909,718.58
Other capital surplus	29,749,688.88			29,749,688.88
Including: Transfer from items under previous accounting standard	29,749,688.88			29,749,688.88
Total	174,659,407.46			174,659,407.46

#### 26. Surplus reserve

item	Opening balance	Increase	Decrease	Closing Balance
Legal surplus	39,418,356.83			39,418,356.83
Total	39,418,356.83			39,418,356.83

#### 27. Retained earnings

Item	Amount	Extraction or allocation proportion
Opening balance of retained earnings before adjustments	-1,396,503,437.13	
Add: Adjustments on opening balance of retained earning		
Opening balance of retained earnings after adjustments	-1,396,503,437.13	
Plus: net profit for the year	-263,452,709.03	
Retained earnings at the end of the year	-1,659,956,146.16	

## 28. Revenue and Cost of Sales

### (1)Revenue

Item	2011	2010
Sales	497,721,814.25	601,188,043.45
Other operating income	20,455,625.45	22,182,589.66
Cost of sales	540,488,213.48	603,397,485.95

Note 1: Sales decreases 17.21%, it is mainly due to decrease in number of projects under execution.

### (2)Listed by the categories of production or business

Categories	2011		2010	
	Revenue	Cost of sales	Revenue	Cost of sales
Boilers and associated product sales	497,721,814.25	503,352,735.72	601,188,043.45	583,556,169.73
Technical Services	497,721,814.25	503,352,735.72	601,188,043.45	583,556,169.73

### (3)Top 5 customers

Customers	Revenue	Proportion of total revenue (%)
ALSTOM Power System GmbH	194,912,137.57	37.61%
Chiping Xinyuan Aluminum Co., Ltd.	93,549,575.93	18.05%
Guodian Xi'an thermoelectric project preparatory office	83,606,557.64	16.13%
Shandong Luneng Material Group Co. Limited	81,459,607.64	15.72%

Customers	Revenue	Proportion of total revenue (%)
Gansu Diantou Jinchang Generating Co.Ltd	34,741,657.89	6.70%
Total	488,269,536.67	94.21%

#### 29. Revenue from the construction contracts

Project	Total amount	Accumulated Construction costs incurred to date	Recognised profits to date (recognised losses as negative figure)	Progress billings
Fixed price construction contract	3,054,030,620.18	1,421,985,482.29	61,546,954.56	1,330,553,532.56
including:				
ALSTOM Power System GmbH	454,944,191.76	228,207,416.57	45,396,084.41	64,345,458.00
Chiping Xinyuan Aluminum Co., Ltd.	239,965,811.97	295,869,431.28	7,982,404.97	227,967,521.38
Guodian Xi'an thermoelectric project preparatory office	267,418,803.42	78,037,966.83	3,182,550.54	39,556,795.00
Shandong Luneng Material Group Co. Limited	335,811,965.81	245,386,537.83	71,985,896.42	302,230,770.08

Note: There is no estimated loss during the current period.

#### 30. Business tax and surcharges

Item	2011	2010	Base of payment
Business tax	120,451.16	335,780.89	Note 3
Urban maintenance and construction tax	8,431.59	12,262.47	
Education surtax	3,613.55	23,453.06	
Levee fee	1,282.40	5,570.76	
Local education development fee		-450,601.30	
Local education surtax	2,409.03	3,047.70	
Total	136,187.73	-70,486.42	

Note: the ending balance of business tax and surcharges increases, and it is due to refund of local



education development fee of RMB 483,561.86 from local tax bureau in 2010.

### 31. Selling expenses

Item	2011	2010
Salary & bonus	2,339,934.29	6,481,082.62
Social insurance	447,508.92	828,023.74
Travel expenses	1,420,024.54	887,358.27
Housing fund	111,060.00	207,241.00
Business entertainment expenses	814,811.13	2,322,314.98
Depreciation	483,452.85	406,777.85
Lease expenses	218,357.76	414,716.69
Others	5,429,363.26	5,868,150.77
<b>Total</b>	<b>11,264,512.75</b>	<b>17,415,665.92</b>

Note: Sales expense decreases by 35.32% this year. It is due to decrease in sales personnel benefits and entertainment expenses.

### 32. Administration expenses

Item	2011	2010
Salary & Benefit	13,864,398.23	14,182,055.84
Social insurance	823,113.29	2,533,642.15
Property tax and Land use tax	6,103,099.65	5,713,923.10
Insurance expenses	2,086,724.81	2,125,633.84
Travel expenses	1,988,180.62	2,110,033.22
Housing fund	208,821.00	642,091.00
Training expenses	310,981.09	1,837,777.11
Amortization of intangible assets	3,261,057.94	5,631,136.64
Business entertainment expenses	1,262,926.94	1,524,756.54
Depreciation	987,736.50	4,336,451.98
Consultant service expense	1,597,007.86	4,566,828.62
Lease expenses	2,522,297.15	9,831,254.71

Item	2011	2010
Employee retirement fees and other benefits	-8,253,456.55	
Others	1,559,788.37	1,900,093.01
Total	28,322,676.90	56,935,677.76

Note: Administration expense decreased 50.25% as compared to last year due to: 1. reversal of employees retirement benefits and other benefits; 2. decrease in professional consulting fees and leasing expense.

### 33. Financial expenses

Item	2011	2010
Interest expenses	76,039,939.25	78,216,007.88
Less: Interest income	1,028,516.61	372,239.38
Foreign exchange loss	2,143,035.23	-1,074,930.83
Others	3,542,359.79	3,081,246.12
Total	80,696,817.66	79,850,083.79

### 34. Impairment losses

Item	2011	2010
1. Provision for Impairment loss of bad debts	94,502,180.12	-68,714,543.98
2. Impairment loss of inventories	38,379,686.80	7,713,666.80
Total	132,881,866.92	-61,000,877.18

Note: the ending balance of impairment loss increases by RMB193, 882,744.10 in comparison with that of last year. It is mainly due to increase in doubtful debts provision resulted from increase in accounts receivable, slowdown of accounts receivable collection schedule and increase in impairment loss provided on obsolete materials.

### 35. Fair value gains

Item	2011	2010
Hedging-trade	-7,075,835.00	142,442.98

Item	2011	2010
total	-7,075,835.00	142,442.98

Notes: The ending balance of Hedging decreases by RMB7, 218,277.98 in comparison with that of last year. This is mainly due to increase in unrealized loss incurred by hedge accounting.

### 36. Non-operating gains

Item	2011	2010
1. Gain on disposal of non-current assets	1,957.30	984,923.68
including: Gain on disposal of fixed assets	1,957.30	984,923.68
2. The government subsidies	283,776.00	103,307,776.00
3. Penalty claimed		320,924.66
4. Indemnity or fine claimed	26,633.32	12,771.96
5. Others	329,147.88	81,777.29
Total	641,514.50	104,708,173.59

Note: The closing balance of Non-operating gains decreases 99.39%. It is mainly due to a sharp decrease in government grant and a decrease in fixed assets disposal.

### Details of government subsidies

Categories		2011	2010
Income base	1. Employee settlement subsidies		100,000,000.00
	2. Investment subsidies for the project in emerging industry		3,030,000.00
	3. SME growth program: prize money supplied for capital	6,000.00	
Asset base	1. Revenue of land use right of new factory	277,776.00	277,776.00
Total		283,776.00	103,307,776.00

Note: The government subsidies are amortized deferred income related to land use right of new factory.

### 37. Non-operating losses

Item	2011	2010
1. Loss on disposal of non-current assets	50,666.35	223,151.23
Including: Loss on disposal of fixed assets	50,666.35	223,151.23
2. Default penalty		300,302.28

3. Breach Penalty		37,160.00
4. Project deduction of subsidiary		191,471.64
5. Others		28,108.48
Total	50,666.35	780,193.63

Note: The non-operating expenses decreases 93.51%. It is mainly due to reduce in disposal of fixed assets and penalty expenses.

### 38. Income tax expense

Item	2011	2010
Current income tax expense		
Add: Deferred income tax	-18,560,742.70	22,675,459.67
Income tax expense	-18,560,742.70	22,675,459.67

### 39. Earnings per share

Item	2011	2010
Basic earning per share	-0.89	0.03
Diluted earning per share	-0.89	0.03

Notes: Basic earnings per share and diluted earnings per share calculation process:

$$A. \text{ Basic earnings per share} = P \div S = -263,452,709.03 \div 297,000,000.00 = -0.89$$

$$S = S_0 + S_1 + S_i \times M_i \div MO - S_j \times M_j \div MO - S_k$$

In the equation above, **P** represents the net profit or profit after deducting extraordinary gain or loss attributable to ordinary shareholders. **S** represents the weighted average number of ordinary shares during the period. **S<sub>0</sub>** represents the number of ordinary shares at the beginning of the period. **S<sub>1</sub>** represents the number of additional ordinary shares issued on capital surplus transfer or share dividends appropriation; **S<sub>i</sub>** represents the number of ordinary shares issued in exchange for cash or issued as a result of the conversion of a debt instrument to ordinary shares during the period. **S<sub>j</sub>** represents reduced number of ordinary shares such as shares buy back. **S<sub>k</sub>** represents the number of a reverse share split. **Mo** represents the months during the period. **Mi** represents the months from the following month after issuing incremental shares to the end of the period. **Mj** represents the months from the following month

after reducing shares to the end of the period.

(A) Diluted Earnings Per Share =  $\frac{P + (\text{Diluted potential common stock dividends} - \text{convert cost})}{(S_0 + S_1 + S_i \times M_i \div M_0 - S_j \times M_j \div M_0 - S_k + \text{The weighted average number of incremental ordinary shares on warrants, options, convertible debt and so on})}$

In the equation above, P represents the net profit or profit after deducting extraordinary gain or loss attributable to ordinary shareholders. When calculating the diluted Earnings per Share, company considered in sequence from dilutive potential ordinary shares to get the lowest earnings per share.

For business combination under the same control during the reporting period and the combining party issue new shares as consideration, when calculating the EPS at the end of reporting period, company should treat these shares as they are normal outstanding shares at the beginning of combining date (Weighting coefficient is 1). When calculation the EPS during the comparing period, should treat these shares as they are normal outstanding shares at the beginning of comparing period. When calculation the EPS after deducting extraordinary gain or loss at the end of reporting period, should treat these new shares as they are issued one month after the combining date. When calculation the EPS after deducting extraordinary gain or loss during the comparing period should ignore these new shares (Weighting coefficient is 0).

For business combination under the same control at the accounting period and the combining party issue new shares as consideration, when calculating the EPS at the accounting period or the comparing period, company should use the basic EPS method to treat these new shares.

Unlisted company purchase listed company by issue share to become a listed company indirectly, when calculating the EPR during the reporting period:

Weighted average number of ordinary shares during the period = (Weighted average number of shares from the beginning of reporting period to the end of the month which combination happened) + (Weighted average number of shares from the next month of the combination to the end of the reporting period)

Weighted average number of shares from the beginning of reporting period to the end of the month which combination happened = Weighted average number of share of the acquirer (subsidiary in law) × Share exchange rate in the acquisition agreement × number of months from the beginning to the month which acquisition happens ÷ number of months during the period

Weighted average number of shares from the next month of the combination to the end of the reporting period = Weighted average number of share of the acquiree (parent in law) × number of months from the next month to the end of period ÷ number of months during the period

Unlisted company purchase listed company by issue share to become a listed company indirectly, when calculating the EPR during the comparing period:

Weighted average number of ordinary shares during the period = Weighted average number of share of the acquirer (subsidiary in law) × Share exchange rate in the acquisition agreement.

#### 40. Relevant information about cash flow statement

##### (1) Other cash received from operating activities

Item	Amount
Other cash received from operating activities	37,884.15
including: Government grants	6,000.00
Insurance compensation	26,632.99

##### (2) Other cash paid from operating activities

Item	Amount
Other cash paid relating to operating activities	29,112,239.00
Including: Staff training	2,547,551.76
Energy expenses	1,246,255.89
Food expenses	4,949,965.39
Lease expenses	3,594,105.16
Recruitment expenses	498,485.16
Travel expenses	3,610,821.46
Cleaning service expenses	123,427.63
Security expenses	1,320,000.00
Consultant service expenses	2,764,601.25
Insurance expenses	924,464.43
Business entertainment expenses	2,077,738.07
Maintenance and repair cost	1,195,534.02

Item	Amount
Office expenses	994,811.78
Book expenses	318,260.00
Advertising expenses	905,555.80
Litigation cost	1,293,089.00
Stock refund	381,080.00

(3) Other cash received from investing activities

Item	Amount
Cash received relating to financing activities	1,900,334.54
Including: Decrease in retention deposits	871,817.93
Interest income	1,009,555.42

(4) Other cash paid from financing activities

Item	Amount
Other cash payments relating to financing activities	779,563.36
Including: bank charges	779,443.79

41. Supplementary information of cash flow statement

Supplementary information	2011	2010
1. Reconciliation of net profit to net cash flows generated from operations:		
Net profit	-263,537,079.89	8,238,046.56
Provision for impairments of assets.	67,632,463.94	-172,363,150.40
Depreciation of fixed assets, oil-gas assets and productive biological assets	40,607,295.77	36,650,183.99
Amortization of intangible assets	6,687,796.26	7,799,476.51
Amortization of long-term deferred expense		
Losses/gains on disposal of property, plant and equipment, intangible asset and other long-term assets (gains: negative)	48,709.05	-761,772.45
Losses/gains on scrapped of fixed assets (gains: negative)		
Losses/gains from variation of fair value (gains: negative)	7,075,835.00	-142,442.98

Supplementary information	2011	2010
Finance cost (income: negative)	80,696,817.66	79,850,083.79
Investment loss (gains: negative)		
Decrease in deferred tax assets (increase: negative)	-18,560,742.70	22,675,459.67
Increase in deferred tax liabilities (decrease: negative)		
Decrease in inventory (increase: negative)	-43,939,832.28	10,906,240.30
Decrease in accounts receivable from operating activities (increase: negative)	12,843,915.27	568,541,263.02
Increase in payables from operating activities (decrease: negative)	-200,308,843.52	656,189,757.01
Others		
Net cash flows generated from operating activities	-310,753,665.44	1,217,583,145.02
2. Significant investing and financing activities without involvement of cash receipts and payments		
Debt converted to capital		
Finance leased fixed assets		
3. Movement of Cash and cash equivalent:		
Closing balance of Cash	20,388,030.03	10,491,275.05
Less: opening balance of cash	10,491,275.05	27,114,305.92
Plus: closing balance of cash equivalent		
Less: opening balance of cash equivalents		
The net increase in cash and cash equivalents	9,896,754.98	-16,623,030.87

(2)Cash and cash equivalents:

Item	2011	2010
1. Cash		
Including: Cash on hand		
Bank deposit on demand	20,388,030.03	10,361,930.05
Other cash and cash equivalent on demand		129,345.00
Central Bank deposit on demand		
Due from banks		
Call loan to banks		



Item	2011	2010
2. Cash equivalent		
Including: bond investments due in three months		
3. Closing balance of cash and cash equivalents	20,388,030.03	10,491,275.05

#### Note6. Related Party Relationships and Transactions

##### 1. The company's related party identification criteria:

The company's corporate accounting standards and in accordance with the relevant provisions of China Securities Regulatory Commission to determine the identification criteria related parties as follows: one control, joint control the other party or exercise significant influence on the other side, as well as two or more than two parties are of the same party to control, joint control or significant influence, and constitute a related party.

##### 2. The parent company of the relevant information:

Parent company	Relationship	Business Type	Registration	Legal Representative	Nature of the business	Registered Capital
ALSTOM (China) Investment Co., Ltd.	Shareholder	Foreign-owned enterprises	Fifth floor. QianKun building ,No. 6 , West No 6 street, Sanlitun, chaoyang district, Beijing	Dominique Pouliquen	Lawfully investing in fields in which foreign investment is permitted by the State	USD60,964,400.00

Parent company	The parent company's shareholding (%)	The parent company's voting right (%)	The ultimate controlling party of the Company	Organization Code
ALSTOM (China) Investment Co., Ltd.	51	51	ALSTOM Holdings	71092378-2

##### 3. Subsidiary of the Company relating to information disclosure:

Subsidiary	Registered address	Type	Nature	Principal activities	Legal representative	Registered capital(RMB)	Percentage of Shareholding %	Percent age of voting right %	Organization Code
Wuhan Boiler Bo Yu Industrial Co., Ltd.	Control shareholder	Control shareholder	586 Wuluo Rd., Wuhan	Chong Bao qian	Packaging, design, and manufacturing of Mechanical and Electrical products; processing of metal	19,115,250.00	90%	90%	71456410-7

Subsidiary	Registered address	Type	Nature	Principal activities	Legal representative	Registered capital(RMB)	Percentage of Shareholding %	Percentage of voting right %	Organization Code
Wuhan Lan Xiang Power Environmental Protection Technology Company Limited	Control shareholder	Control shareholder	586 Wuluo Rd., Wuhan	Guowei Yang	components; design and manufacturing of model and mold ; Manufacturing of valve rough casting, steel casting, iron casting, nonferrous metal casting.  Boiler, energy environmental protection products, Steel structures, technology research of heat energy products and its accessorial equipment, design, technical Consultancy, technical service, sales of developed products, energy project (non-construction project)	20,000,000.00	95%	95%	73753132-4

#### 4. Other related parties

Company	Relationship	Organization Code
ALSTOM Poer INC.	A subsidiary of ultimate holding company	
ALSTOM Projects India Limited	A subsidiary of ultimate holding company	
ALSTOM Power Systems S.A Establishment Boilers	A subsidiary of ultimate holding company	
ALSTOM Power System GmbH	A subsidiary of ultimate holding company	
ALSTOM Power Service GmbH	A subsidiary of ultimate holding company	
PT ALSTOM Power Energy Systems Indonesia	A subsidiary of ultimate holding company	
ALSTOM Power Energy	A subsidiary of ultimate holding company	
ALATOM Estonia AS	A subsidiary of ultimate holding company	
ALSTOM IS&T SAS	A subsidiary of ultimate holding company	
ALSTOM Technology Ltd (Switzerland)	A subsidiary of ultimate holding company	
ALSTOM s.r.o	A subsidiary of ultimate holding company	
ALSTOM Holdings	Ultimate holding company	

Company	Relationship	Organization Code
ALSTOM (Switzerland) Ltd	A subsidiary of ultimate holding company	
ALSTOM Sishou Electric Power Equipment (Qingdao) Co. Ltd	A subsidiary of ultimate holding company	70649461-2
ALSTOM Beizhong Power(Beijing)Co.,Ltd	A subsidiary of ultimate holding company	76935519-3
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	A subsidiary of ultimate holding company	77459437-5
ALSTOM (China) Investment Co., Ltd.	The company's largest shareholder	71092378-2
ALSTOM Technical Services (Shanghai) Co., Ltd.	A subsidiary of ultimate holding company	60742241-0
Wuhan Boiler Group Co., Ltd.	The second largest shareholder	17771651-4
Wuhan Boiler Group Valve Co., Ltd.	Subsidiary of the second largest shareholder	30024542-1
Wuhan Boiler (Group) Special Boiler Engineering Co., Ltd.	Subsidiary of the second largest shareholder	87769907-3
Wuhan Boiler (Group) Yuntong Co., Ltd	Subsidiary of the second largest shareholder	30024726-7

## 5. Related party transactions

### (1)Purchase and service received

Related parties	Details of transaction	Rule of price setting	2011		2010	
			Amount	Proportion (%)	Amount	Proportion (%)
Wuhan Boiler Group Valve Co., Ltd.	Boiler parts	Market price	40,506.00	0.01	475,847.22	0.11
Wuhan Boiler (Group)Special Boiler Engineering Co., Ltd.	Boiler parts	Market price			4,436,951.58	1.01
ALSTOM Technical Services (Shanghai) Co., Ltd.	Raw material	Market price	24,285,640.99	7.87	19,717,948.72	4.51
ALSTOM s.r.o	Raw material	Market price	1,187,674.37	0.39	2,399,827.56	0.55
Wuhan Boiler (Group)Special Boiler Engineering Co., Ltd.	Labor service	Market price			2,649,300.00	59.68
ALSTOM Power Service GmbH	Labor service	Market price	16,879,708.57	100.00		

Related parties	Details of transaction	Rule of price setting	2011		2010	
			Amount	Proportion (%)	Amount	Proportion (%)
ALSTOM Power Systems S.A Establishment Boilers	Raw material	Market price	2,837,547.00	0.92	5,114,984.98	1.17
ALSTOM Power System Gmbh	Raw material	Market price	51,925,074.91	16.84	138,323,945.45	31.62
Wuhan Boiler (Group) Yuntong Co., Ltd	Transport service	Market price	4,977,108.90	100.00	13,157,402.24	74.43

**Sales and service provided**

Related parties	Details of transaction	Rule of price setting	2011		2010	
			Amount	Proportion (%)	Amount	Proportion (%)
Wuhan Boiler (Group)Special Boiler Engineering Co., Ltd.	Sales of products	Market price			856,223.33	0.14
ALSTOM Power Systems S.A Establishment Boilers	Sales of products	Market price	1,654,424.15	0.33	23,158,666.00	3.85
ALSTOM Power System GmbH	Sales of products	Market price	194,912,137.57	39.16	182,937,634.29	30.43
ALSTOM Sizhou Electric Power Equipment (Qingdao) Co. Ltd	Sales of products	Market price			683,760.68	0.11
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	Labor service	Market price	2,592,397.96	100.00		
PT ALSTOM Power Energy Systems Indonesia	Sales of materials	Market price	1,028,216.42	6.16		
ALSTOM Power INC.	Sales of materials	Market price	1,243,445.58	7.45		
ALSTOM Power INC.	Sales of products	Market price	4,685,285.58	0.94		

**(2)Other related party transactions:**

Related parties	Transactions	Amount
ALSTOM Holdings	Training fees	191,906.45
ALSTOM IS&T SAS	ITSAS fees	6,727,182.07
ALSTOM (China) Investment Co., Ltd.	ITSSC fees	5,850,356.07
ALSTOM (China) Investment Co., Ltd.	Training fees	174,335.86

ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	Translation fees	433,109.00
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	Experiment service fee	791,650.00
ALSTOM (Wuhan) Engineering & Technology Co., Ltd.	Leasehold income	571,479.00
ALSTOM Technology Ltd (Switzerland)	Technology transfer fee	7,505,484.40
ALSTOM (Switzerland) Ltd	PDMS software application service fees	416,702.25
ALSTOM (Switzerland) Ltd	Relocation of Windsor Lab	584,386.19
ALSTOM (Switzerland) Ltd	PMX Financial software support fees	4,693,831.04
ALSTOM (Switzerland) Ltd	SAP B1 Financial software costs	87,702.72

(3)ALSTOM (China) Investment Co., Ltd entrust China Construction Bank to provide a shareholder's entrusted loan to Wuhan Boiler Co., Ltd. The amount is RMB 1,563,000,000.00 with a floating downward 10% of PBOC benchmark interest rate. The cumulative interest expense paid in 2011 was RMB 76,026,715.38.

#### 6. Amounts due from/to related parties

##### Amount due from related parties

Item	Related parties	Closing balance		Opening balance	
		Balance	Provision for doubtful debts	Balance	Provision for doubtful debts
Accounts receivable	Wuhan Boiler (Group)Special Boiler Engineering Co., Ltd.	9,954,995.28	1,990,999.06	9,954,995.28	597,299.72
	ALSTOM Power Inc.	56,139,758.93	1,684,192.77		
	ALSTOM Power System GmbH	125,629.94	3,768.90	135,170.61	4,055.12
	ALSTOM Sizhou Electric Power Equipment (Qingdao) Co. Ltd	40,000.00	1,200.00	680,000.00	20,400.00
Prepayment	ALSTOM Technical Services (Shanghai) Co., Ltd.	3,260,000.00		9,840,000.00	
	ALSTOM Power			2,711,519.75	

Item	Related parties	Closing balance		Opening balance	
		Balance	Provision for doubtful debts	Balance	Provision for doubtful debts
Other receivables	Systems S.A Establishment Boilers				
	ALSTOM Power System GmbH			74,800,403.17	
	Wuhan Boiler Group Co., Ltd.	64,030,488.11	4,586,848.27	64,030,488.11	1,796,641.13
	Wuhan Boiler Group Valve Co., Ltd.	240,571.49	14,434.29	240,571.49	7,217.14
	Wuhan Boiler (Group) Yuntong Co., Ltd	10,171.01	610.26	25,499.73	764.99
	ALSTOM Power Systems S.A Establishment Boilers	35,836.70	1,075.10	863.87	25.92
	Alstom (Switzerland) Ltd	254,359.93	7,630.80		
	Alstom Power Systems GmbH	1,929,580.66	57,887.42		
ALSTOM (China) Investment Co., Ltd.	3,529,700.20	105,891.01	3,159,900.37	94,797.01	

Amount due to related parties

Item	Related parties	Closing balance	Opening balance
Accounts payable	Wuhan Boiler (Group) Yuntong Co., Ltd	383,570.01	3,123,121.06
	Wuhan Boiler Group Valve Co., Ltd.	1,099,530.54	1,690,329.14
	Wuhan Boiler (Group) Special Boiler Engineering Co., Ltd.	24,225,755.73	24,225,755.73
	ALSTOM Technical Services (Shanghai) Co., Ltd.	4,767,000.00	2,307,000.00
	ALSTOM Power System GmbH	1,003,018.90	16,577,651.22
	ALSTOM Power Systems S.A Establishment Boilers		2,857,805.54

Item	Related parties	Closing balance	Opening balance
Advance from customers	ALSTOM Power INC	1,176,160.65	488,787.14
	ALSTOM s.r.o	989,816.18	412,125.94
	ALSTOM (Switzerland) Ltd	331,361.30	
	PT Alstom Power Energy System Indonesia	10,614.19	
	Alstom Power Service GmbH	11,772,599.40	
	Alstom Estonia AS	38,415,853.47	
Other payable	ALSTOM Power System GmbH	808,650,445.76	976,283,726.72
	Wuhan Boiler Group Co., Ltd.	974,056.13	974,056.13
	ALSTOM (China) Investment Co., Ltd.	5,110,602.37	3,489,547.49
	ALSTOM (Wuhan) Engineering & Technology Co., Ltd.		219,718.00
	ALSTOM Power INC	515,415.55	838,869.33
	ALSTOM IS&T SAS	6,054,216.36	
	ALSTOM Beizhong Power(Beijing)Co.,Ltd	1,356,789.48	26,532.30
	ALSTOM (Switzerland) Ltd	4,258,401.06	192,289.93
	ALSTOM Technology Ltd (Switzerland)	30,903,465.60	26,623,254.00

#### Note7. Contingency

Besides the note5.23 statement, there is no other event to disclose during this report period.

#### Note.8 Commitments

##### 1. Significant commitments

##### (1)Capital commitments

Up to 31December 2011, the commitment related to purchases of long-term assets which the contract were signed but not reflected in the financial statements amounted to RMB2,218,930.85, USD157,085.00, EUR15,071.50.

##### (2)Other commitments

Up to 31 December 2011, the performance bond, tender bond and warranty bond issued by the Company remain unexpired amounted to RMB78,068,360.00 and USD3,126,923.00. The tender bond issued in 2011 is RMB 1,600,000.00.

2. The performance of previous commitments

(1) The performance of previous year's capital commitments: the amount of prior year's capital commitments fulfilled in 2011 is RMB40,911,747.16, USD270,881.00, EUR117,999.50.

(2) The performance of previous year's other commitments: The amount of bond expired in 2011 are: performance bond RMB 31,450,000.00, tender bond RMB 1,600,000.00.

**Note9. Events after the Balance Sheet Date**

As at 28 March 2012, the Company received the civil mediation statement issued by the Higher Peoples' Court of Shandong Province. According to the mediation statement, both of Shandong Weiqiao Aluminium Co., Ltd. and Binzhou Gaoxin Aluminium Co., Ltd shall pay RMB105,003,000.00 to the Company, and terminate the boiler supply contracts signed among the three parties in 2006 and 2007 at the same time. Meanwhile, the Company will sign a new contract of four sets of subcritical pulverized coal boilers with Shandong Weiqiao Chuangye group and Binzhou Beihai New material Co., Ltd. Since the above contract execution needs a long period, it is unable to estimate the impact of this matter to the financial position and operating results of the Company at present.

**Note10. Notes of financial statements of parent company**

1. Accounts receivable

(1) Accounts receivable by categories are as follows:

Category	Closing balance			
	Balance		Provision for bad and doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	62,049,078.35	10.38	14,302,475.00	23.05
Group A (using aging analysis)	422,516,551.97	70.67	137,823,743.44	32.62
Group B (No bad debt provision for account receivables)				
Other insignificant receivables but still are impaired individually	113,324,678.40	18.95	76,721,578.40	67.70



Category	Closing balance			
	Balance		Provision for bad and doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Total	597,890,308.72	100.00	228,847,796.84	38.28

Category	Opening balance			
	Balance		Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables				
Group A (using aging analysis)	392,671,753.45	76.62	88,218,649.78	22.47
Group B (No bad debt provision for account receivables)	15,549,187.32	3.03		
Other insignificant receivables but still are impaired individually	104,273,124.83	20.35	65,682,544.83	62.99
Total	512,494,065.60	100.00	153,901,194.61	30.03

Description for categories of accounts receivable:

Notes for Group A (Recognition provision for doubtful debt of groups of receivables is based on aging analysis):

Aging of receivables	Closing balance		
	Balance		Provision for doubtful debts
	Amount	Proportion (%)	
Within 1 year (including 1 year)	153,994,058.92	36.45	4,619,821.77
1-2 years(including 2 year)	5,654,629.94	1.34	169,638.90
2-3 years(including 3 year)	76,422,460.00	18.09	4,585,347.60
3-4 years(including 4 year)	52,497,995.28	12.43	10,499,599.06
4-5 years(including 5 year)	19,997,589.64	4.73	3,999,517.92
Over 5 years	113,949,818.19	26.96	113,949,818.19
Total	422,516,551.97	100.00	137,823,743.44

Aging of receivables	Opening balance		
	Balance		Balance
	Amount	Proportion (%)	
Within 1 year (including 1 year)	41,301,700.11	10.52	1,239,051.00
1-2 years(including 2 year)	132,931,314.04	33.85	3,987,939.42
2-3 years(including 3 year)	75,145,590.28	19.14	4,508,735.42
3-4 years(including 4 year)	29,200,124.33	7.44	5,840,024.87
4-5 years(including 5 year)	51,812,657.02	13.19	10,362,531.40
Over 5 years	62,280,367.67	15.86	62,280,367.67
Total	392,671,753.45	100.00	88,218,649.78

Notes for closing balance of other insignificant receivables (Receivables which are not significant, but still need individually recognition of bad debt provision) :

Item	Closing balance	Bad debt provision	Note
Product payment and retention	175,373,756.75	91,024,053.40	Details are presented as following table

Details:

Company	Reason for provision
Huaneng Nanjing Combustion Engine Generating Co.Ltd	Due to the quality problems of equipments, it is difficult to receive retention money.
Dongfang Xiwang Baotou Xitu Aluminum Co., Ltd.	The Company is required to bear part of the subsequent costs and thus the receivable amount is not expected to be fully recoverable.
Luoyang Yichuan Longquan Kengkou Generating Co., Ltd.	Deduction for equipment maintenance
Shanxi Datang International Thermal Power Co.Ltd	Deduction for equipment quality issues
Datang Liaoyuan Power Plant	Deduction for equipment quality issues
China Machine Import and Export Company	Due to the quality problems of equipments, it is difficult to receive retention money.
Gansu Diantou Jinchang Generating Co.Ltd	It is difficult to fully receive retention money.
China Shenhua Nengyuan Co., Ltd Guohua Huizhou Power Co.	Deduction for equipment quality issues

Company	Reason for provision
Guodian Lanzhou Thermopower Co., Ltd.	The Company is required to bear part of the subsequent costs and thus the receivable amount is not expected to be fully recoverable
Shandong Power No.3 Project Company	Due to the quality issues of equipments, it is difficult to receive retention money.
Wuhan Zhongjia Natural Gas Compressor Co.Ltd	The customer has disputes over the contract settlement and the receivable amount is not expected to be fully recoverable.
Chiping Xinyuan Aluminum Co., Ltd.	The Company is required to bear part of the subsequent costs and thus the receivable amount is not expected to be fully recoverable
China Power Engineering Consulting Group, Zhongnan Power Design Institute	The customer has disputes over the contract settlement and the receivable amount is not expected to be fully recoverable
PT INDAH KIAT PULP&PAPER, TBK	It is difficult for the equipment to achieve full load operation, retention money cannot be recalled

(2) In 2011, the company's management took measures to strengthen the collection and increase collection efforts, to get the co-operation among Finance and other Business departments to collect the payments, to have management to track the progress of the payment collection at any time. As of December 31, 2011, RMB 12,686,831.68 has been recovered for the debts aging more than 5 years a 20.37% of the last year's accounts receivable for aging more than 5 years.

(3) The write-off of accounts receivable

Name of company	The nature of accounts receivable	Written off	Reason	Related party transaction
Anshan Thermopower Material Co.,Ltd.	Retention	2,018,000.00	Restructuring of enterprise	No
Dayan Mining	Retention	162,000.00	Restructuring of enterprise	No
Dongfang Electrics Group Beijing Branch	Retention	456,500.00	Expenses deduction	No
Dongguan Hailong Paper Co., Ltd.	Retention	349,917.60	On account for long term	No
E-Steel Group	Retention	122,850.00	Product loss	No
Shunde Jinfeng Rinsing Co.Ltd	Retention	165,000.00	Quality deduction	No

Name of company	The nature of accounts receivable	Written off	Reason	Related party transaction
Guodian Ningxia Shizuishan Generating Co.,Ltd.	Retention	832,228.99	Quality deduction	No
Guodian Shizuishan No.1 Generating Co.,Ltd.	Retention	500,000.00	Quality deduction	No
Guodian Xuanwei Generating Co., Ltd.	Retention	494,452.30	Expenses deduction	No
Hubei Shanonda Co., Ltd.	Retention	5,009.50	On account for long term	No
Hubei Daye Thermopower Generating Plant	Retention	842,700.00	Quality deduction	No
Hubei Changyuan No.1 Generating Co., Ltd.	Retention	600,000.00	Expenses deduction	No
Jiangxi Xinyu Generating Co., Ltd.	Retention	3,224,097.13	Quality deduction	No
Jiulong Paper (Taicang) Co.,Ltd.	Retention	150,000.00	Quality deduction	No
Maoming Thermopower Plant	Retention	76,000.00	Quality deduction	No
Nantong Wanda Boiler Co., Ltd.	Retention	69,155.00	Quality deduction	No
Ningxia Hebing Thermal Power Plant	Retention	70,000.00	Quality deduction	No
Sinopec Qingdao petrochemical limited liability company	Retention	180,569.30	On account for long term	No
Shandong Bohui Paper	Retention	380,000.00	Restructuring of enterprise	No
Shanxi Hepo Generating Co., Ltd.	Retention	211,000.00	Quality deduction	No
Shijiazhuang Nanjiao Thermopower Co., Ltd.	Retention	465,000.00	Enterprise was shut down	No
WISCO Technical Reconstruction Project Equipment Procurement Company	Retention	35,000.00	Quality deduction	No
Wuhan Silu New Technology Co.Ltd	Retention	139,200.00	Enterprise cancellation	No
Xiangfan Thermopower Industry Co., Ltd.	Retention	300,000.00	Quality deduction	No
Xuzhou Chacheng Power Co.,Ltd.	Retention	1,435,224.83	Quality deduction	No
Yueyang Petrochemical Plant	Retention	107,950.00	Quality deduction	No
Yunnan Manghe Sugar Plant	Retention	492,000.00	Bankrupt	No

Name of company	The nature of accounts receivable	Written off	Reason	Related party transaction
Yunan Longjiang	Retention	460,000.00	Quality deduction	No
Hubei chemical fertilizer plant	Retention	200,000.00	Quality deduction	No
Wuhan Xianglong Electric Utility Co., Ltd.	Retention	325,000.00	Quality deduction	No
Xiamen Environmental Sanitation	Retention	101,000.00	Quality deduction	No
Total		14,969,854.65		

Note: Above write-off accounts receivable retention were for projects which have completed more than 5 years.

(4) There is no accounts receivable due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

(5) Information of top 5 receivables:

Company	The relationship with the Company	Amount	Age	Proportion
Shandong Weiqiao Aluminum and Electricity Co., Ltd.	Non-affiliated	135,002,999.99	1-4 years	22.58
ALSTOM Power INC	Affiliated	56,139,758.93	Within 1 year	9.39
Shanxi Zhengxin Group Co., Ltd.	Non-affiliated	39,820,000.00	Over 5 years	6.66
Guodian Lanzhou Thermopower Co., Ltd.	Non-affiliated	31,160,000.00	Within 1 year	5.21
China Shenhua Nengyuan Co., Ltd Guohua Huizhou Power Branch.	Non-affiliated	30,889,078.35	Within 1 year	5.17
Total		293,011,837.27		49.01

(6) Accounts receivable of related parties

Company	The relationship with the Company	Amount	Proportion
Wuhan Boiler (Group) Special Boiler Engineering Co., Ltd.	A subsidiary of the second largest shareholder	9,954,995.28	1.67
ALSTOM Power System GmbH	A subsidiary of the ultimate holding company	125,629.94	0.02
ALSTOM Power INC	A subsidiary of the ultimate holding company	56,139,758.93	9.39
ALSTOM Sizhou Electric Power Equipment (Qingdao) Co. Ltd	A subsidiary of the ultimate holding company	40,000.00	0.01

Total		66,260,384.15	11.09
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## 2. Other receivables

(1) Other receivables disclosed by type:

Categories	Closing balance			
	Balance		Provision for doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	26,673,222.30	19.14	26,673,222.30	100.00
Group A (using aging analysis)	84,930,108.98	60.94	6,594,689.12	7.76
Group B (No bad debt provision for account receivables)	25,121,744.82	18.03		
Other insignificant receivables but still are impaired individually	2,636,308.95	1.89	2,636,308.95	100.00
Total	139,361,385.05	100.00	35,904,220.37	25.76

Categories	Opening balance			
	Balance		Provision for doubtful debts	
	Amount	Proportion (%)	Amount	Proportion (%)
Individually significant receivables	5,538,447.44	3.30	5,538,447.44	100.00
Group A (using aging analysis)	76,431,089.46	45.47	2,564,873.66	3.36
Group B (No bad debt provision for account receivables)	62,507,615.14	37.19		
Other insignificant receivables but still are impaired individually	23,596,656.07	14.04	23,596,656.07	100.00
Total	168,073,808.11	100.00	31,699,977.17	18.86

Notes for Group A (Recognition provision for doubtful debt of groups of receivables is based on aging analysis):

Aging of receivables	Closing balance			
	Balance		Provision for doubtful debts	
	Amount	Proportion (%)		
Within 1 year (including 1 year)	4,652,284.00	5.48		139,568.52
1-2 years(including 2 year)	4,580,229.37	5.39		137,406.88
2-3 years(including 3 year)	63,012,895.74	74.19		3,780,773.74
3-4 years(including 4 year)	12,684,699.87	14.94		2,536,939.98
Total	84,930,108.98	100.00		6,594,689.12

Aging of receivables	Opening balance		
	Balance		Provision for doubtful debts
	Amount	Amount	
Within 1 year (including 1 year)	6,610,079.55	8.65	198,302.39
1-2 years(including 2 year)	60,756,310.82	79.49	1,822,689.32
2-3 years(including 3 year)	9,064,699.09	11.86	543,881.95
Total	76,431,089.46	100.00	2,564,873.66

Individually significant receivables or insignificant receivables requiring impairment test, and providing provision for doubtful debt:

Item	Balance	Bad debt provision	Accrual percentage	Reason
3RC Company Limited	336,604.05	336,604.05	100.00%	Bankruptcy
Value Added Tax paid for suspended projects	28,377,636.20	28,377,636.20	100.00%	Projects were suspended and the amount is not expected to be recoverable
Legal cost	595,291.00	595,291.00	100.00%	Difficult to execute court judgde
Total	29,309,531.25	29,309,531.25		

(2)Accounts receivable is due from shareholders with more than 5% (including 5%) of the voting shares of the Company.

Name of company	Closing balance		Opening balance	
	Amount	provision for bad debt	Amount	provision for bad debt
Wuhan Boiler Group Co., Ltd.	64,030,488.11	4,586,848.27	64,030,488.11	1,796,641.13
ALSTOM (China) Investment Co., Ltd.	3,529,700.20	105,891.01	3,159,900.37	94,797.01
Total	67,560,188.31	4,692,739.28	67,190,388.48	1,891,438.14

Note: Account receivable of RMB 64,030,488.11 from the second largest shareholder, Wuhan Boiler Group Co., Ltd., is the compensation for the relocation of the old factory

(3)Details of top 5 other receivables:

Company	The relationship with the Company	Amount	Aging	Proportion of the total (%)
Wuhan Boiler Group Co., Ltd.	The company's second-largest shareholder	64,030,488.11	3-4 years	45.95

Company	The relationship with the Company	Amount	Aging	Proportion of the total (%)
Shandong Luneng Material Group Co. Limited	Non-affiliated	25,659,390.26	2-3 years	18.41
Donghu Development Zone Committee	Non-affiliated	10,774,265.00	3-4 years	7.73
Shandong Weiqiao Aluminum and Electricity Co., Ltd.	Non-affiliated	7,638,811.97	3-4 years	5.48
Shanxi Zhengxin Group Co., Ltd.	Non-affiliated	6,722,635.47	Over 5 years	4.82
Total		114,825,590.81		82.39

(4)The amounts due from related parties

Name of company	The relationship with the Company	Amount	Proportion of the total (%)
Wuhan Boiler Group YunTong Co., Ltd.	Subsidiary of Second largest shareholder	10,171.01	0.01
Wuhan Boiler Group Valve Co., Ltd	Subsidiary of Second largest shareholder	240,571.49	0.17
ALSTOM Power Systems S.A Establishment Boilers	A subsidiary of the ultimate holding company	35,836.70	0.03
ALSTOM (Switzerland) Ltd	A subsidiary of the ultimate holding company	254,359.93	0.18
ALSTOM Power Systems GmbH	A subsidiary of the ultimate holding company	1,929,580.66	1.38
Total		2,470,519.79	1.77

3. Long-term equity investments

Company	Original investment amount	Opening balance	Increase/ decrease	Closing balance	Shareholding Proportion	Voting right Proportion
Long-term equity investment under cost						



Company	Original investment amount	Opening balance	Increase/ decrease	Closing balance	Shareholding Proportion	Voting right Proportion
method						
Wuhan Lan Xiang Energy Environmental Protection Technology Co., Ltd.	14,000,000.00	24,984,500.00		24,984,500.00	95%	95%
Wuhan Boiler Bo Yu Industrial Co., Ltd.	14,249,787.13	14,249,787.13		14,249,787.13	90%	90%
Total	28,249,787.13	39,234,287.13		39,234,287.13		

Note: The above two subsidiaries companies are under liquidation as of December 31, 2011, there are no other business activities, but liquidation is still in progress.

#### 4. Revenue and Cost of Sales

##### (1)Revenue

Item	2011	2010
Sales	497,721,814.25	601,188,043.45
Other operating income	20,455,625.45	22,399,741.66
Cost of sales	540,488,213.48	603,397,485.95

Note: Sales decreases 17.21%, it is mainly due to decrease in number of projects under execution.

##### (2)Listed by the categories of production or business

Categories	2011		2010	
	Revenue	Cost of sales	Revenue	Cost of sales
Boilers and associated product sales	497,721,814.25	503,352,735.72	601,188,043.45	583,556,169.73
Total	497,721,814.25	503,352,735.72	601,188,043.45	583,556,169.73

##### (3)Top five customers

Company	Revenue	Proportion of total revenue
ALSTOM Power System GmbH	194,912,137.57	37.61%
Chiping Xinyuan Aluminum Co., Ltd.	93,549,575.93	18.05%
Guodian Xi'an thermoelectric project preparatory office	83,606,557.64	16.13%
Shandong Luneng Material Group Co. Limited	81,459,607.64	15.72%
Gansu Diantou Jinchang Generating Co.Ltd	34,741,657.89	6.70%
Total	488,269,536.67	94.21%

#### 5. Supplementary Cash Flow Information

Supplementary information	2011	2010
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Supplementary information	2011	2010
1. Reconciliation of net profit to net cash flows generated from operations:		
Net profit	-263,155,445.70	10,806,697.90
Provision for impairments of assets.	67,250,983.90	-173,464,200.56
Depreciation of fixed assets, oil-gas assets and productive biological assets	40,607,295.77	36,650,183.99
Amortization of intangible assets	6,687,796.26	7,799,476.51
Amortization of long-term deferred expense		
Losses/gains on disposal of property, plant and equipment, intangible asset and other long-term assets (gains: negative)	48,709.05	-793,669.73
Losses/gains on scrapped of fixed assets (gains: negative)		
Losses/gains from variation of fair value (gains: negative)	7,075,835.00	-142,442.98
Finance cost (income: negative)	80,715,188.85	79,860,442.72
Investment loss (gains: negative)		
Decrease in deferred tax assets (increase: negative)	-18,560,742.70	22,541,765.92
Increase in deferred tax liabilities (decrease: negative)		
Decrease in inventory (increase: negative)	-43,939,832.28	10,906,240.30
Decrease in accounts receivable from operating activities (increase: negative)	8,451,318.03	480,719,907.30
Increase in payables from operating activities (decrease: negative)	-196,690,665.61	743,477,830.53
Other		
Net cash flows generated from operating activities	-311,509,559.43	1,218,362,231.90
2. Significant investing and financing activities without involvement of cash receipts and payments		
Debt converted to capital		
Convertible corporate bonds within one year		
Finance leased fixed assets		
3. Movement of Cash and cash equivalent:		

Supplementary information	2011	2010
Closing balance of Cash	18,949,394.34	9,827,144.54
Less: opening balance of cash	9,827,144.54	26,057,612.46
Plus: closing balance of cash equivalent		
Less: opening balance of cash equivalents		
The net increase in cash and cash equivalents	9,122,249.80	-16,230,467.92

#### Note11. Supplementary information

##### 1. Extraordinary gains or losses

(1)According to the China Securities Regulatory Commission Announcement [2008] No. 43, extraordinary gains or losses are calculated and disclosed according to ‘Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares No.1.’

(Positive figure represents gain/negative figure represents loss)

Item	2011
Gains on disposal of non-current assets including reversal of the impairment loss	-48,709.05
Unauthorised approval, with or without formal approval documents, or occasional tax return, relief	
Government grant recognized in current year, except for those acquired in the ordinary course of business or granted continuously in certain standard quota according to relevant national laws and regulations	283,776.00
Included in current profit and loss against the non-financial enterprises occupation fee funds collected	
The investment cost of subsidiaries obtained by the enterprise, joint ventures and partnership enterprise is less than the revenues generated from the fair value of identifiable net assets of the unvested units.	
Exchange gains and losses of non-monetary assets	
Gains and loss through entrust others to invest or manage assets,	
Gains and loss for the provision of impairment of assets due to force majeure factors, such as victims of natural disaster	
Debt restructuring gains and losses	
Company restructuring expenses such as employee placement and integration costs	
Significant loss of fair trading price over the fair value of transactions generated part of the profit and loss	

Item	2011
Current net profit or loss from the beginning to the date of merge for the subsidiary resulted from the merge of the enterprise under the control of the same company.	
Profit or loss generated from the matters which is not related to the company's normal operation or contingency.	
In addition to the normal operations associated with the company effective hedging business, holders of tradable financial assets, trading financial liabilities resulting from changes in fair value gains and losses, as well as the disposal of trading financial assets, trading financial liabilities and financial assets available for sale achieved an investment return	
Separately tested for impairment of receivables impairment reversal	
Entrusted to the profit and loss made foreign loans	
Fair value model with subsequent measurement of investment real estate gains and losses arising from changes in fair value	
According to tax, accounting and other laws and regulations require a one-time adjustment of current profit and loss impact on the current profit and loss	
Entrusting fee incomes from entrust operation.	
Other non-operating income and expense other than abovementioned	355,781.20
Other non-recurring gains and losses in line with the definition of profit and loss items	
subtotal	590,848.15
Less: non-recurring income tax effect of gains and losses	
Minority interest share of non-recurring gains and losses	
Total	590,848.15

2. According to China Securities Regulatory Commission, 'the public issuance of securities of companies prepare an Information Disclosure Rule 9 - return on equity and earnings per share calculation and disclosure' (2010 Amendment) the requirements of the calculation of net capital gains rate, earnings per share:

2011	The weighted average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's common stock shareholders of net profit		-0.89	-0.89
Net profit after deducting non-recurring gains and losses attributable to shareholders of the Company's common stock		-0.89	-0.89

2010	The weighted average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to the Company's common stock shareholders of net profit	-0.96	0.03	0.03
Net profit after deducting non-recurring gains and losses attributable to shareholders of the Company's common stock		-0.43	-0.43

Legal Representative:

Chief Financial Official:

Chief Accountant: