Shenzhen Nanshan Power Co., Ltd.

Financial Statement

Semi-Annual Report (ended as 30 June 2017)

Consolidated Balance Sheet

In RMB/CNY

Asset	2017-6-30	2016-12-31	Liabilities and owners' equity	2017-6-30	2016-12-31
Current assets:			Current liabilities:		
Monetary funds	335,157,601.97	1,415,550,406.02	Short-term loans	248,050,000.00	796,840,000.00
Notes receivable	1,000,000.00	600,000.00	Notes payable	174,611,736.38	292,275,804.17
Accounts receivable	278,471,957.15	166,808,672.42	Accounts payable	17,603,109.95	6,329,078.85
Accounts paid in advance	125,561,569.76	43,663,090.22	Accounts received in advance	-	-
Interest receivable	-	-	Wage payable	42,851,231.21	45,823,790.61
Dividend receivable	-	-	Taxes payable	5,761,277.78	234,534,017.11
Other receivables	43,276,954.73	395,804,901.21	Interest payable	2,968,349.35	4,580,481.81
Inventories	85,411,086.12	80,684,079.57	Dividend payable	-	-
Long-term debt investment due within 1 year	-	-	Other accounts payable	73,735,361.86	79,532,095.96
Other current assets	492,600,667.67	548,542,780.69	Long-term liabilities due within 1 year	386,400,000.00	463,000,000.00
Total current assets	1,361,479,837.40	2,651,653,930.13	Total current liabilities	951,981,066.53	1,922,915,268.51
Non-current assets:			Non-current liabilities:		
Financial assets available for sale	59,315,000.00	59,315,000.00	Long-term loans	26,940,000.00	343,900,000.00
Long-term account receivable	-	-	Accrual liabilities	26,832,397.88	27,100,000.00
Long-term equity investment	19,285,644.18	20,305,064.18	Deferred income	44,060,356.16	45,818,868.15
Investment property	2,900,509.11	2,998,577.91	Other non-current liabilities	-	-
Fixed assets	1,483,246,258.45	1,544,562,696.68	Total non-current liabilities	97,832,754.04	416,818,868.15
Construction in progress	41,288,936.94	8,008,476.13	Total liabilities	1,049,813,820.57	2,339,734,136.66
Disposal of fixed asset	-	-	Owners' equity:		
Intangible assets	49,775,760.02	51,081,104.21	Share capital	602,762,596.00	602,762,596.00
Long-term expenses to be apportioned	-	-	Capital public reserve	362,770,922.10	362,770,922.10
Deferred income tax asset	2,896,583.01	2,896,583.01	Other comprehensive income	-	-
Other non-current asset	22,882,181.78	22,882,181.78	Surplus public reserve	332,908,397.60	332,908,397.60
Total non-current asset	1,681,590,873.49	1,712,049,683.90	Retained profit	621,642,785.84	644,271,987.22
			Total owner's equity attributable to parent Company	1,920,084,701.54	1,942,713,902.92
			Minority interests	73,172,188.78	81,255,574.45
			Total shareholders' equity	1,993,256,890.32	2,023,969,477.37
Total assets	3,043,070,710.89	4,363,703,614.03	Total liabilities and shareholders' equity	3,043,070,710.89	4,363,703,614.03

Balance Sheet of the Company

In RMB/CNY

Asset	2017-6-30	2016-12-31	Liabilities and owners' equity	2017-6-30	2016-12-31
Current assets:			Current liabilities:		
Monetary funds	195,020,156.38	1,119,323,850.36	Short-term loans	-	460,000,000.00
Notes receivable	-	-	Notes payable	77,806,343.97	168,066,042.58
Accounts receivable	121,558,333.20	54,934,957.47	Accounts payable	215,406.16	427,800.87
Accounts paid in advance	42,825,691.96	14,823,585.50	Accounts received in advance	-	-
Interest receivable	-	-	Wage payable	27,459,690.19	27,224,865.99
Dividend receivable	-	-	Taxes payable	557,636.52	222,340,992.27
Other receivables	962,762,650.45	1,094,134,273.27	Interest payable	329,366.67	1,546,004.16
Inventories	75,038,443.34	72,731,417.64	Dividend payable	-	-
Long-term debt investment due within 1 year	-	-	Other accounts payable	210,675,264.25	170,040,022.78
Other current assets	425,180,296.55	447,404,211.11	Non current liabilities due within one year	207,000,000.00	123,000,000.00
Total current assets	1,822,385,571.88	2,803,352,295.35	Total current liabilities	524,043,707.76	1,172,645,728.65
Non-current assets:			Non-current liabilities:		
Financial assets available for sale	59,315,000.00	59,315,000.00	Long-term loans	1,000,000.00	305,500,000.00
Long-term equity investment	691,982,849.76	691,982,849.76	Deferred income	24,990,623.61	26,051,964.27
Investment property	-	-	Other non-current liabilities	-	-
Fixed assets	223,816,829.01	229,535,920.87	Total non-current liabilities	25,990,623.61	331,551,964.27
Construction in progress	922,185.90	709,640.09	Total liabilities	550,034,331.37	1,504,197,692.92
Disposal of fixed asset	-	-	Owners' equity:		
Intangible assets	3,391,405.77	4,056,650.19	Share capital	602,762,596.00	602,762,596.00
Long-term expenses to be apportioned	-	-	Capital public reserve	289,963,039.70	289,963,039.70
Deferred income tax asset	-	-	Other comprehensive income	-	-
Other non-current asset	-	-	Surplus public reserve	332,908,397.60	332,908,397.60
Total non-current asset	979,428,270.44	985,600,060.91	Retained profit	1,026,145,477.65	1,059,120,630.04
			Total shareholders' equity	2,251,779,510.95	2,284,754,663.34
Total assets	2,801,813,842.32	3,788,952,356.26	Total liabilities and shareholders' equity	2,801,813,842.32	3,788,952,356.26

Consolidated Profit Statement

In RMB/CNY

Item	Jan-Jun 2017	Jan-Jun 2016
I. Total operation income	872,962,697.33	697,688,267.08
Including: operation income	872,962,697.33	697,688,267.08
II. Total operation cost	905,059,018.04	786,599,259.71

Including: operation cost	827,761,559.33	639,919,822.75
Operation tax and surcharge	3,494,481.47	3,100,286.05
Sales expense	1,413,079.30	2,453,390.26
Management expense	41,191,218.46	44,677,104.53
Financial expense	31,679,390.45	96,448,656.12
Loss of assets impairment	-480,710.97	-
Add: Changing income of fair value (Loss is listed with "-")	-	-
Investment income (Loss is listed with "-")	-1,019,420.00	-1,082,859.84
Including: Investment income on affiliated company and joint venture	-	-
Other income	3,489,863.10	-
III. Operating profit (Loss is listed with "-")	-29,625,877.61	-89,993,852.47
Add: Non-operating income	5,796.00	11,821,340.67
Including: Disposal gains of non-current asset	-	-
Less: Non-operating expense	172,009.57	223,276.08
Including: Disposal loss of non-current asset	160,729.35	203,276.08
IV. Total Profit (Loss is listed with "-")	-29,792,091.18	-78,395,787.88
Less: Income tax expense	920,495.87	1,085,010.53
V. Net profit (Net loss is listed with "-")	-30,712,587.05	-79,480,798.41
Net profit attributable to owner's of parent company	-22,629,201.38	-56,454,746.24
Minority shareholders' gains and losses	-8,083,385.67	-23,026,052.17
VI. Net after-tax of other comprehensive income	-	-
Net other comprehensive income after-tax attributable to owners of parent company	-	-
Net other comprehensive income after-tax attributable to minority shareholder	-	-
VII. Total comprehensive income	-30,712,587.05	-79,480,798.41
Total comprehensive income attributable to owners of parent Company	-22,629,201.38	-56,454,746.24
Total comprehensive income attributable to minority shareholders	-8,083,385.67	-23,026,052.17
VIII. Earnings per share:	-	-
(i) Basic earnings per share	-0.04	-0.09
(ii) Diluted earnings per share	-0.04	-0.09

Profit Statement of the Company

In RMB/CNY

Item	Jan-Jun 2017	Jan-Jun 2016
I. Operation income	328,400,559.49	157,986,763.09

Less: Operation cost	353,421,168.22	166,953,311.54
Tax and surcharge	698,660.66	2,292,405.28
Sales expense	-	-
Management expense	19,400,916.35	10,141,654.95
Financial expense	-10,302,383.72	20,469,396.42
Loss of assets impairment	-480,710.97	-
Add: Changing income of fair value (Loss is listed with "-")	-	-
Investment income (Loss is listed with "-")		-
Including: Investment income on affiliated company and joint venture	-	-
Other income	1,520,540.66	-
II. Operating profit (Loss is listed with "-")	-32,816,550.39	-41,870,005.10
Add: Non-operating income	1,000.00	1,307,580.66
Including: Disposal gains of non-current asset	-	-
Less: Non-operating expense	159,602.00	194,564.89
Including: Disposal loss of non-current asset	159,602.00	194,564.88
III. Total Profit (Loss is listed with "-")	-32,975,152.39	-40,756,989.33
Less: Income tax expense		-
IV. Net profit (Net loss is listed with "-")	-32,975,152.39	-40,756,989.33
V. Other comprehensive income		
VI. Total comprehensive income	-32,975,152.39	-40,756,989.33

Consolidated Cash Flow Statement

In RMB/CNY

Item	Jan-Jun 2017	Jan-Jun 2016
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	905,687,628.86	695,513,877.94
Write-back of tax received	1,458,413.85	1,743,744.64
Other cash received concerning operating activities	376,088,275.79	160,068,046.28
Subtotal of cash inflow arising from operating activities	1,283,234,318.50	857,325,668.86
Cash paid for purchasing commodities and receiving labor service	1,015,783,468.71	555,303,978.14
Cash paid to/for staff and workers	63,335,884.67	61,305,844.68
Taxes paid	247,951,334.11	30,835,131.42
Other cash paid concerning operating activities	21,612,486.28	26,200,439.29
Subtotal of cash outflow arising from operating activities	1,348,683,173.77	673,645,393.53
Net cash flows arising from operating activities	-65,448,855.27	183,680,275.33
II. Cash flows arising from investing activities:		
Cash received from recovering investment	-	-
Cash received from investment income	-	-

Net cash received from disposal of fixed, intangible and other long-term assets	-	-
Other cash with investment concerned from disposal subsidiary and other operational unit	-	-
Other cash received concerning investing activities	-	-
Subtotal of cash inflow from investing activities	-	-
Cash paid for purchasing fixed, intangible and other long-term assets	39,051,315.46	8,793,452.51
Cash paid for investment	-	2,000,000.00
Other cash paid concerning investing activities	-	-
Subtotal of cash outflow from investing activities	39,051,315.46	10,793,452.51
Net cash flows arising from investing activities	-39,051,315.46	-10,793,452.51
III. Cash flows arising from financing activities		
Cash received from loans	229,440,000.00	1,280,654,173.08
Other cash received concerning financing activities	11,309,958.60	5,300,000.00
Subtotal of cash inflow from financing activities	240,749,958.60	1,285,954,173.08
Cash paid for settling debts	1,171,790,000.00	1,269,750,000.00
Cash paid for dividend and profit distributing or interest paying	33,385,928.70	98,901,671.12
Other cash paid concerning financing activities	-	11,309,958.60
Subtotal of cash outflow from financing activities	1,205,175,928.70	1,379,961,629.72
Net cash flows arising from financing activities	-964,425,970.10	-94,007,456.64
IV. Influence on cash due to fluctuation in exchange rate	-156,704.62	112,916.92
V. Net increase of cash and cash equivalents	-1,069,082,845.45	78,992,283.10
Add: Balance of cash and cash equivalents at the period-begin	1,389,482,327.86	1,016,326,480.06
VI. Balance of cash and cash equivalents at the period-end	320,399,482.41	1,095,318,763.16

Cash Flow Statement of the Company

In RMB/CNY

Item	Jan-Jun 2017	Jan-Jun 2016
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	448,272,760.70	342,239,636.46
Write-back of tax received	-	-
Other cash received concerning operating activities	450,213,916.09	151,825,184.86
Subtotal of cash inflow arising from operating activities	898,486,676.79	494,064,821.32
Cash paid for purchasing commodities and receiving labor service	518,637,387.55	174,513,170.41
Cash paid to/for staff and workers	33,867,598.79	36,039,930.28
Taxes paid	226,823,834.53	8,352,022.41
Other cash paid concerning operating activities	348,786,679.61	107,008,226.49
Subtotal of cash outflow arising from operating activities	1,128,115,500.48	325,913,349.59
Net cash flows arising from operating activities	-229,628,823.69	168,151,471.73
II. Cash flows arising from investing activities:		
Net cash received from disposal of fixed, intangible and other long-term assets	-	-
Other cash received concerning investing activities	-	-

Subtotal of cash inflow from investing activities	-	-
Cash paid for purchasing fixed, intangible and other long-term assets	37,751.00	240,505.60
Cash paid for investment	-	2,000,000.00
Net cash received from subsidiaries and other units obtained	-	-
Other cash paid concerning investing activities	-	-
Subtotal of cash outflow from investing activities	37,751.00	2,240,505.60
Net cash flows arising from investing activities	-37,751.00	-2,240,505.60
III. Cash flows arising from financing activities		
Cash received from absorbing investment	-	-
Cash received from loans	-	1,020,000,000.00
Other cash received concerning financing activities	-	5,300,000.00
Subtotal of cash inflow from financing activities	-	1,025,300,000.00
Cash paid for settling debts	680,500,000.00	1,170,000,000.00
Cash paid for dividend and profit distributing or interest paying	14,136,466.93	71,429,240.83
Other cash paid concerning financing activities	-	-
Subtotal of cash outflow from financing activities	694,636,466.93	1,241,429,240.83
Net cash flows arising from financing activities	-694,636,466.93	-216,129,240.83
IV. Influence on cash due to fluctuation in exchange rate	-652.36	1,643.96
V. Net increase of cash and cash equivalents	-924,303,693.98	-50,216,630.74
Add: Balance of cash and cash equivalents at the period-begin	1,119,323,850.36	675,408,711.65
VI. Balance of cash and cash equivalents at the period-end	195,020,156.38	625,192,080.91

Consolidated Statement on Changes of Owners' Equity

In RMB/CNY

Item	Amount in Jan-Jun 2017						Amount in 2016					
	Equity attributable to Shareholder of parent company				Minority's equity	Total owners' equity	Equity attributable to Shareholder of parent company				Minority's equity	Total owners' equity
	Share capital	Capital reserve	Surplus reserves	Retained profit			Share capital	Capital reserve	Surplus reserves	Retained profit		
I. Balance at the end of last year	602,762,596.00	362,770,922.10	332,908,397.60	644,271,987.22	81,255,574.45	2,023,969,477.37	602,762,596.00	362,758,554.21	332,908,397.60	-662,422,848.24	-87,095,894.29	548,910,805.28
Add: Changes of accounting policy	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of this year	602,762,596.00	362,770,922.10	332,908,397.60	644,271,987.22	81,255,574.45	2,023,969,477.37	602,762,596.00	362,758,554.21	332,908,397.60	-662,422,848.24	-87,095,894.29	548,910,805.28
III. Increase/ Decrease in this year	-	-	-	-22,629,201.38	-8,083,385.67	-30,712,587.05	-	12,367.89	-	1,306,694,835.46	168,351,468.74	1,475,058,672.09
(i) Total comprehensive income	-	-	-	-22,629,201.38	-8,083,385.67	-30,712,587.05	-	-	-	1,306,694,835.46	-41,936,393.97	1,264,758,441.49
(ii) Owners' devoted and decreased	-	-	-	-	-	-	-	-	-	-	-	-

capital												
1. Owners' devoted capital	-	-	-	-	-	-	-	-	-	-	-	-
2. Other	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-	-	-
2. Distribution for owners (or shareholders)		-	-	-	-	-		-	-	-	-	-
3. Other	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Carrying forward internal owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
(V) Other	-	-	-	-	-	-	-	12,367.89	-	-	210,287,862.71	210,300,230.60
IV. Balance at the end of the Period	602,762,596.00	362,770,922.10	332,908,397.60	621,642,785.84	73,172,188.78	1,993,256,890.32	602,762,596.00	362,770,922.10	332,908,397.60	644,271,987.22	81,255,574.45	2,023,969,477.37

Statement on Changes of Owners' Equity of the Company

In RMB/CNY

Item	Amount in Jan-Jun 2017					Amount in 2016				
	Share capital	Capital reserve	Surplus reserves	Retained profit	Total owners' equity	Share capital	Capital reserve	Surplus reserves	Retained profit	Total owners' equity
I. Balance at the end of last year	602,762,596.00	289,963,039.70	332,908,397.60	1,059,120,630.04	2,284,754,663.34	602,762,596.00	288,857,244.22	332,908,397.60	-225,983,568.39	998,544,669.43
Add: Changes of accounting policy	-	-	-	-	-	-	-	-	-	-
II. Balance at the beginning of this year	602,762,596.00	289,963,039.70	332,908,397.60	1,059,120,630.04	2,284,754,663.34	602,762,596.00	288,857,244.22	332,908,397.60	-225,983,568.39	998,544,669.43
III. Increase/ Decrease in this year	-	-	-	-32,975,152.39	-32,975,152.39	-	1,105,795.48	-	1,285,104,198.43	1,286,209,993.91
(i) Total comprehensive income	-	-	-	-32,975,152.39	-32,975,152.39	-	-	-	1,285,104,198.43	1,285,104,198.43
(ii) Owners' devoted and decreased capital	-	-	-	-	-	-	-	-	-	-
1. Owners' devoted and capital	-	-	-	-	-	-	-	-	-	-
2. Other	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-
1. Withdrawal of surplus reserves	-	-	-	-	-	-	-	-	-	-
2. Other	-	-	-	-	-	-	-	-	-	-
(IV) Carrying forward internal owners' equity	-	-	-	-	-	-	-	-	-	-
1. Capital reserves conversed to share capital)	-	-	-	-	-	-	-	-	-	-
2. Surplus reserves conversed to share capital	-	-	-	-	-	-	-	-	-	-
(V) Other	-	-	-	-	-	-	1,105,795.48	-	-	1,105,795.48
IV. Balance at the end of the year	602,762,596.00	289,963,039.70	332,908,397.60	1,026,145,477.65	2,251,779,510.95	602,762,596.00	289,963,039.70	332,908,397.60	1,059,120,630.04	2,284,754,663.34

Shenzhen Nanshan Power Co., Ltd.
Notes to financial statement semi-annual 2017

I. Company Profile

Shenzhen Nanshan Power Co., Ltd (hereinafter called as “Company”) was reorganized to be a joint-stock enterprise from a foreign investment enterprise on 25 November 1993, upon the approval of General Office of Shenzhen Municipal Government with Document Shen Fu Ban Fu [1993] No.897.

After approved by Document Shen Zhu Ban Fu [1993] No.897 issued by Shenzhen Securities Regulatory Office, on 3 January 1994, the Company offered 40,000,000 RMB common shares and 37,000,000 domestically listed foreign shares in and out of China. And the RMB common shares (A-stock) and domestically listed foreign listed shares (B-stock) were listed in Shenzhen Securities Exchange successively on July 1, 1994 and Nov. 28, 1994.

Headquarter of the Company located on 16/F, 17/F, Han Tang Building, OCT, Nanshan District, Shenzhen City, Guangdong Province, P.R.C.

The financial statement was approved and decided by the Broad of the Company on 4 August 2017.

Totally 9 subsidiaries included in consolidate scope for year of 2017, the consolidated scope of the company in this year has not changed compared with the last year. Found more in Note VIII.-“equity in other body”.

The Company together with its subsidiaries (hereafter referred as the Company) is mainly engaged in businesses as production of power and heat, plant constructional, oil trader, property developmental, construction technology consultation and sludge drying.

II. Preparation basis of Financial Statements

1. Basis of preparation

The Group’s financial statements have been prepared based on the going concern assumption. The financial statements have been prepared based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises- Basic Norms (Ministry of Finance Order No.33 Issued, Ministry of Finance Order No.76 Revised) promulgated by the Ministry of Finance of PRC on 15 February 2006 and 42 specific accounting standards, the subsequently promulgated application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as “ASBEs”), and the disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15- General Requirements for Financial Reports” (revised in 2010) of China Securities Regulatory Commission.

The Group's financial statements have been prepared on an accrual basis in accordance with the ASBEs. Except for certain financial instruments, the financial statements are prepared under the historical cost convention. In the event that depreciation of assets occurs, a provision for impairment is made accordingly in accordance with the relevant regulations.

III. Declaration of obedience to corporate accounting principles

The Financial Statements are up to requirements of corporate accounting principles, and also a true and thorough reflection to the Group together with its financial information as financial position on 30th June 2017, and the Company together with its operation results, and cash flow for the semi-annual of 2017. In addition, the financial statements of the Group also comply with, in all material respects, the disclosure requirements of the "Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15--General Requirements for Financial Reports" revised by the China Securities Regulatory Commission in 2014 and the notes thereto.

IV. The main accounting policies and accounting estimates

The Company and its subsidiaries are mainly engaged in power and thermal generation, construction of power plant, fuel trading, engineering technology consultancy and sludge desiccation operation. According to the actual production and operation characteristics, the Company and its subsidiaries establish certain specific accounting policies and accounting estimates in respect of their transactions and matters such as sales revenue recognition pursuant to relevant business accounting principles. Details are set out in Note 24 Description of revenue items under section IV. For explanation on material accounting judgment and estimate issued by the management, please refer to Note 30 Material accounting judgment and estimate under section IV.

1. Accounting period

Accounting period of the Group divide into annual and medium-term, and the medium-term is the reporting period that shorter than one completed accounting year. The Group's accounting year is Gregorian calendar year, namely from 1st January to 31st December.

2. Operating cycle

Normal operating cycle refers to the period from purchase of assets used for processing to realization of cash or cash equivalents. Our operation cycle is 12 months which is also serving as the standard for current or non- current assets and liabilities.

3. Bookkeeping standard currency

RMB is the currency in the Group's main business economic environment and the bookkeeping standard one, which is adopted in preparation of the financial statements.

4. Accounting treatment on enterprise combine under the same control and under the different control

Enterprise combination refers to a trading or event that two or over two independent enterprise/s combined to one reporting body. The combination was divided into enterprise consolidation under the same control and the one not under the same control.

(1) Consolidation of enterprises under the same control

The enterprises involved in the consolidation are all under the final control of one party or parties and the control is not temporary. That is the corporate consolidation under the common control. For a business combination involving enterprises under common control, the party that, on the combination date, obtains control of another enterprise participating in the combination is the absorbing party, while that other enterprise participating in the combination is a party being absorbed. The combination date is the date on which one combining enterprise effectively obtains control of the other combining enterprises.

Assets and liabilities obtained by the absorbing party are measured at their carrying amount at the combination date as recorded by the party being merged. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate nominal value of shares issued as consideration) is charged to the capital reserve (share capital premium). If the capital reserve (share capital premium) is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Cost incurred by the absorbing party that is directly attributable to the business combination shall be charged to profit or loss in the period in which they are incurred.

(2) Consolidation of enterprises not under the same control

The enterprises involved in the consolidation are ones not under the same final control of the common party or parties before and after the consolidation. That is the corporate consolidation under the different control. For a business combination not involving enterprises under common control, the party that, on the acquisition date, obtains control of another enterprise participating in the combination is the acquirer, while that other enterprise participating in the combination is the acquiree. The acquisition date is the date on which the acquirer effectively obtains control of the acquiree.

For business combination involving entities not under common control, the cost of a business combination is the aggregate of the fair values, on the date of acquisition, of assets given, liabilities incurred or assumed, and equity instruments issued by the acquirer to be paid by the acquirer, in exchange for control of the acquire plus agency fee such as audit, legal service and evaluation consultation and other management fees charged to the profit or loss for the period when incurred. As equity or bond securities are issued by the acquirer as consideration, any attributable transaction cost is included in their initial costs. Involved or contingent consideration charged to the combination cost according to its fair value on the date of acquisition, the combined goodwill would be adjusted if new or additional evidence existed about the condition on the date of acquisition within twelve months after the acquisition date, which is required to adjust the contingent consideration. The combination cost incurred by the acquirer and the identifiable net assets acquired from the combination are measured at their fair values. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognized as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall first reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after such reassessment the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is charged to profit or loss for the period.

Where the acquiree's deductible temporary difference acquired by the acquirer is not yet recognized as it does not satisfy the recognition conditions of the deferred income tax assets on the acquisition date, but new or additional information proves that the relevant circumstances have already existed on the acquisition date within twelve months after the acquisition date, which estimates that the economic benefits incurred from the deductible temporary difference at the acquisition date of acquirer can be realized, then the relevant deferred income tax assets will be recognized, and the goodwill will be reduced at the same time, if the goodwill is not sufficient to be absorbed, any excess shall be recognized in the profit or loss for the period. Except as disclosed above, the deferred income tax assets related to the business combination are charged to the profit or loss for the period.

For a business combination not under common control is finished by a stage-up approach with several transactions, these several transactions will be judged whether they fall within "transactions in a basket" in accordance with the judgment standards on "transactions in a basket" as set out in the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No. 19) and Article 51 of the "Accounting Standards for Business Enterprise No.33- Consolidated Financial Statement" (see Note IV. 5(2)). If they fall within "transactions in a basket", they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note IV. 13 "Long-term equity investments", and if they do not fall within "transactions in a basket", they are accounted for in separate financial statements and consolidated financial statements:

In separate financial statement, the sum between carrying value of the equity investment prior to acquisition date and cost of additional investment made on the acquisition date is deemed to be the initial investment cost of this investment. Other comprehensive income recognized for equity investment held prior to combination date under equity method shall be accounted for when the Company disposes of this investment on the same basis as the investee directly disposes of relevant assets or liabilities, which means that other than the changes arising from re-measuring the acquiree's net liabilities or net assets under defined benefit plan under equity method, it shall be included in investment income of the current period.

In consolidated financial report, for equity of bought party held before purchasing, re-measured by fair value on purchased date, and the difference of fair value and its book value should reckoned into current investment income; Other comprehensive income recognized for equity investment held prior to combination date under equity method shall be accounted for when the Company disposes of this investment on the same basis as the investee directly disposes of relevant assets or liabilities, which means that other than the changes arising from re-measuring the acquiree's net liabilities or net assets under defined benefit plan under equity method, it shall be included in investment income of the current period dated purchasing day.

5. Preparation methods for corporate consolidated statements

(1) Determining principle for consolidated financial report scope

The scope is determined on the basis of control. Control refers to the Company possess rights over the investee party, and enjoyed variable return through participate in the relevant activities of the investee party, and the Company has ability to impact the amount of returns by using the rights over investee party. The consolidated scope includes the Group and all the subsidiaries. Subsidiary is referring to the enterprise or the subject controlled by the Company.

Once change of relevant facts and conditions results in change to relevant factors involved in the above definition, the Company will make further assessment.

(2) Preparation methods for corporate consolidated statements

Subsidiaries are consolidated from the date on which the Group obtains net assets and the effective control of decision making of production and operation are deconsolidated from the date that such control ceases. For disposal of subsidiaries, the operating results and cash flows of such subsidiaries before the date of disposal are properly included in the consolidated income statement and consolidated cash flow statements; for disposal of subsidiaries during the reporting period, no adjustment shall be made to the opening balance of the consolidated balance sheet. For those subsidiaries acquired through business combination not under common control, the operating results and cash flows after the acquisition date have been properly included in the consolidated income statements and consolidated cash flow statements. No adjustments shall be made to the opening balance and the comparative figures of the consolidated financial statements. For those subsidiaries acquired through business combination under common control and acquiree absorbed through combination, the operating results and cash flows from the beginning of the consolidation period to the consolidation date are also presented in the consolidated income statement and the consolidated cash flow statements. The comparative figures presented in the consolidated financial statements are also adjusted accordingly.

The financial statements of the subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company in the preparation of the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and the subsidiaries. For subsidiaries acquired from business combination not under common control, the financial statements of the subsidiaries will be adjusted according to the fair value of the identifiable net assets at the acquisition date.

All intra-group significant balances, transactions and unrealized profit are eliminated in the consolidated financial statements.

As for the subsidiary's shareholders' equity and the parts that does not owned the Group in current net gains/losses, listed out independently as minority shareholders' equity and minority shareholders gains/losses in item of shareholders' equity and net profit contained in consolidated financial statement separately. The amount attributable to minority shareholders' equity of current net loss/gains of subsidiaries is listed in the net profit item of consolidated profit as minority shareholders' equity. When the share of losses attributable to the minor shareholders has exceeded their shares in the owners' equity at the beginning of term attributable to minority shareholders in the subsidiary, the balance shall offset the minor shareholders' equity.

For control rights loss in original subsidiary for partial equity investment disposal or other reasons, the remained equity should re-measured based on the fair value at date of control losses. The difference between the net assets of original subsidiary share by proportion held that sustainable calculated since purchased date and sum of consideration obtained by equity disposal and fair value of remain equity, reckoned into the current investment income of control rights loss. Other comprehensive income relating to equity investment in original subsidiary shall be accounted for, upon lost of control, under the same basis as the acquiree would otherwise adopt when relevant assets or liabilities are disposed directly by the acquiree, which means that other than the changes arising from re-measuring the original subsidiary's net liabilities or net assets under defined benefit plan, it shall be included in investment income of the current period. The remaining equity interests are measured subsequently according to "Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investments" or "Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments". See Note IV.13 "Long-term equity investments" or Note IV.9 "Financial instruments" for details.

When the Company disposes of equity investment in a subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost, it shall determine whether these several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost fall within "transactions in a basket". Usually, these several transactions related to the disposal of equity investment in a subsidiary are accounted for as transactions in a basket when the terms, conditions and economic impacts of these several transactions meet the following one or more conditions: ① these transactions are entered into at the same time or after considering their impacts on each other; ② these transactions as a whole can reach complete business results; ③ the occurrence of a transaction depends on at least the occurrence of an other transaction; ④ an individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions. If they are not transactions in a basket, each of which are accounted for in accordance with applicable rules in “partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary” (see Note IV. 13 (2) ④) separately, and “the control over a subsidiary is lost due to partial disposal of equity investment or other reasons” (see the preceding paragraph). When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost fall within transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the different between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognized as other comprehensive income in consolidated financial statements and transferred to profit or loss for the period at the time when the control is lost.

6. Classification of joint arrangement and accounting treatment on conduct joint operation

Joint arrangement refers to such arrangement as jointly controlled by two or more participators. The Company classifies joint arrangement into joint operation and joint venture according to the rights it is entitled to and obligations it assumes. Under joint operation, the Company is entitled to relevant assets under the arrangement and assumes relevant liabilities under the arrangement. Joint venture refers to such joint arrangement under which the Company is only entitled to the net assets of the arrangement.

Equity method is adopted for investment in joint ventures, and it is accounted for under the accounting policies set out in Note 13(2) ② “long term equity investment under equity method” under section IV.

As a joint party under joint operation, the Company recognizes the assets and liabilities it separately holds and assumes, the assets and liabilities it jointly holds and assumes under the proportion, the revenue from disposal of the output which the Company is entitled to under the proportion, the revenue from disposal of the output under the proportion and the separately occurred expenses as well as expenses occurred for joint operations under its proportion.

For injection to or disposal of assets of joint operations (other than those assets constituting business operation) or for purchase of assets from joint operations, gain or loss arising from the transaction is only recognized to the extent it is attributable to other parties to the joint operation before the joint operation is sold to any third party. In case that assets occur asset impairment loss under Business Accounting Principle No.8-Assets Impairment, the Company recognizes this loss in full in connection with injection to or disposal of assets of joint operations, and recognizes this loss based on the proportion in connection with purchase of assets from joint operations.

7. Determination criteria of cash and cash equivalent

Cash and cash equivalents of the Group include cash on hand, deposits readily available for payment purpose and short-term (normally fall due within three months from the date of acquisition) and highly liquid investments held the Group which are readily convertible into known amounts of cash and which are subject to insignificant risk of value change.

8. Foreign currency business and foreign currency statement translation

(1) Foreign currency business translation

Foreign currency transactions are translated into the Company's functional currency at the spot rate on transaction date (generally refers to the middle rate of prevailing foreign exchange rate released by the PBOC) when the transactions are initially measured. However, foreign currency exchange business or transaction involving foreign currency exchange occurred by the Company are translated into functional currency at the effective exchange rate adopted.

(2) Translation of foreign currency monetary items and foreign currency non-monetary items

On balance sheet date, foreign currency monetary items are translated at the spot rate as of balance sheet date, and the exchange difference shall be included in current period gains and losses, except①exchange difference arising from foreign currency special borrowings relating to purchasing assets satisfying capitalization conditions is stated under capitalization principle of borrowing expenses; ②exchange difference arising from hedge instruments used as effective hedging of net investment in overseas operation (such difference shall be included in other comprehensive income and recognized as current period gains and losses when the net investment is disposed); and ③exchange difference arising from change of carrying balance of available for sale foreign currency monetary items other than amortized cost is included in other comprehensive income.

When preparing consolidated financial statement involving overseas operation, in case there is foreign currency monetary items which substantially constitute net investment in overseas operation, the exchange difference arising from exchange rate fluctuation shall be included in other comprehensive income; and shall transfer to gains and losses from disposal for the current period when the overseas operation is disposed of.

Non-monetary items measured in historical cost are still measured by sum on the bookkeeping standard currency at the current exchange rate. The items measured by the fair value are converted at the current rate on the fair value recognition day. The difference is dealt as the fair value change and reckoned into the current loss/gain or recognized as the other consolidated income and reckoned into the reserve.

(3) Translation of foreign currency financial statement

When preparing consolidated financial statement involving overseas operation, in case there is foreign currency monetary items which substantially constitute net investment in overseas operation, the exchange difference arising from exchange rate fluctuation shall be included in other comprehensive income as “translation difference of foreign currency statement”; and shall transfer to gains and losses from disposal for the current period when the overseas operation is disposed of.

Foreign currency financial statement for overseas operation is translated into RMB statement by the following means: assets and liabilities in balance sheet are translated at the spot rate as of balance sheet date; owner’s equity items (other than undistributed profit) are translated at the spot rate prevailing on the date of occurrence. Income and expense items in profit statement are translated at the spot rate prevailing on the date of transactions. Beginning undistributed profit represents the translated ending undistributed profit of previous year; ending undistributed profit is allocated and stated as several items upon translation. Upon translation, difference between assets, liabilities and shareholders’ equity items shall be recorded as foreign currency financial statement translation difference and recognized as other comprehensive income. In case of disposal of overseas operation where control is lost, foreign currency financial statement translation difference relating to the overseas operation as stated under shareholders’ equity in balance sheet shall be transferred to current gains and losses of disposal in full or under the proportion it disposes.

Foreign currency cash flow and cash flow of overseas subsidiary are translated at the spot rate prevailing on the date of occurrence of cash flow. Influence over cash from exchange rate fluctuation is taken as adjustment items to separately stated in cash flow statement.

The beginning figure and previous year actual figures are stated at the translated figures in previous year financial statement.

If the Company loses control over overseas operation due to disposal of all the owners’ equity or part equity investment in the overseas operation or other reasons, foreign currency financial statement translation difference relating to the overseas operation attributable to owners’ equity of parent company as stated under shareholders’ equity in balance sheet shall be transferred to current gains and losses of disposal in full.

If the Company reduces equity proportion while not loses control over overseas operation due to disposal of part equity investment in the overseas operation or other reasons, foreign currency financial statement translation difference relating to the disposed part will be vested to minority interests and will not transfer to current gains and losses. When disposing part equity interests of overseas operation which is associate or joint venture, foreign currency financial statement translation difference relating to the overseas operation shall transfer to current disposal gains and losses according to the disposed proportion.

9. Financial instruments

Financial asset or financial liability is recognized when the Company becomes a party to financial instrument contract. Financial assets and liabilities are initially measured at fair value. For financial assets and liabilities at fair value through profit or loss, the relevant transaction fee shall be included in profit or loss directly. For other types of financial assets and liabilities, the relevant transaction fee is included in initial measurement amount.

(1) Recognition of fair value for financial assets and financial liabilities

Fair value represents the price that market participator can receive for disposal of an asset or he should pay for transfer of a liability in an orderly transaction happened on the measurement date. As for instrument in active market, the fair value is adopted according to the quotation in the active market. Quote in active market refers to the price easy to obtain regularly from exchange; broker's agency, industry association and pricing service authority etc., and such quote represent a price that actually occurred in market trading during the fair transaction. As for the instruments not in the active market, the fair value is recognized by the estimation technology. The technology is composed of the price in the latest fair trade, fair value according to the fundamentally same instruments, cash flow discount and stock price-setting model.

(2) Classification, recognition and measurement of financial assets

By way of buying and selling the financial assets in a regular way, recognition and derecognition are carried out according to the accounts on the transaction day. Financial assets are divided into financial assets at fair value through profit or loss, held-to-maturity investments, loans and accounts receivable and available for-sale financial assets when they are initially recognized. Financial assets are initially recognized at fair value. For financial assets classified as fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the period. For financial assets classified as other categories, relevant transaction costs are included in the amount initially recognized.

① Financial assets carried at fair value through profit or loss for the current period

They include financial assets held for trading and financial assets designated as at fair value through profit or loss for the current period.

Financial assets may be classified as financial assets held for trading if one of the following conditions is met: A. the financial assets is acquired or incurred principally for the purpose of selling it in the near term; B. the financial assets is part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short-term profit-taking; or C. the financial assets is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value and are required to be settled through that equity instrument.

A financial asset may be designated as at fair value through profit or loss upon initial recognition only when one of the following conditions is satisfied: A. Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or B. The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group’s documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis.

Financial assets carried at fair value through profit or loss for the current period is subsequently measured at fair value. The gain or loss arising from changes in fair value and dividends and interest income related to such financial assets are charged to profit or loss for the current period.

② Held-to-maturity investments

They are non-derivative financial assets with fixed maturity dates and fixed or determinable payments that the Company has positive intent and ability to hold to maturity.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method. Gain or loss on derecognition, impairment or amortization is recognized through profit or loss for the current period.

The effective interest method is a method of calculating the amortized cost of a financial asset and of allocating interest income or expense over each period based on the effective interest of a financial asset or a financial liability (including a group of financial assets or financial liabilities). The effective interest is the rate that discounts future cash flows from the financial asset or financial liability over its expected life or (where appropriate) a shorter period to the carrying amount of the financial asset or financial liability.

In calculating the effective interest rate, the Company will estimate the future cash flows (excluding future credit losses) by taking into account all contract terms relating to the financial assets or financial liabilities whilst considering various fees, transaction costs and discounts or premiums which are part of the effective interest rate paid or received between the parties to the financial assets or financial liabilities contracts.

③ Loans and receivables

They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets, including bills receivable, accounts receivable, the Group classifies interest receivable, dividends receivable and other receivables as loans and receivables.

Loans and receivables are measured subsequently at the amortized cost by using the effective interest rate method. Gains or losses incurred at the time of derecognition, impairment or amortization are charged to profit or loss for the current period.

④ Available-for-sale financial assets

They include non-derivative financial assets that are designated in this category on initial recognition, and the financial assets other than the financial assets at fair value through profit and loss, loans and receivables and held-to-maturity investments.

The closing cost of available-for-sale debt instruments are determined based on amortized cost method, which means the amount of initial recognition less the amount of principle already repaid, add or less the accumulated amortized amount arising from the difference between the amount initially recognized and the amount due on maturity using effective interest rate method, and less the amount of impairment losses recognized. The closing cost of available-for-sale equity instruments is equal to its initial acquisition cost.

Available-for-sale financial assets are subsequently measured at fair value. The gain or loss on change in fair value are recognized as other comprehensive income and charged to capital reserves, except for impairment loss and exchange differences arising from foreign monetary financial assets and amortized cost which are accounted for through profit or loss for the current period. The financial assets will be transferred out of the financial assets on derecognition and accounted for through profit or loss for the current period. However, equity instrument investment which is not quoted in active market and whose fair value cannot be measured reliably, and derivative financial asset which is linked to the equity instrument and whose settlement is conditional upon delivery of the equity instrument, shall be subsequently measured at cost.

Interests received from available-for-sale financial assets held and the cash dividends declared by the investee are recognized as investment income.

(3) Impairment of financial assets

Except for financial assets accounted at fair value and variation accounted into current gain/loss account, the Group undertakes inspection on the book value of other financial assets at each balance sheet day, whenever practical evidence showing that impairment occurred with them, impairment provisions are provided.

The Group performs impairment test separately on individual financial assets with major amounts; for financial assets without major amounts, the Group performs impairment test separately or inclusively in a group of financial assets with similar characteristics of risks. Those financial assets (individual financial assets with or without major amounts) tested separately with no impairment found shall be tested again along with the group of financial assets with similar risk characteristics. Financial assets confirmed for impairment individually shall not be

tested along with the group of financial assets with similar risk characteristics.
① Impairment of held-to-maturity investments and loans and receivables
The carrying amount of financial assets measured as costs or amortized costs are subsequently reduced to the present value discounted from its projected future cash flow. The reduced amount is recognized as impairment loss and recorded as profit or loss for the period. After recognition of the impairment loss from financial assets, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition, the impairment loss originally recognized shall be reversed to the extent that the carrying value of the financial assets upon reversal will not exceed the amortized cost as at the reversal date assuming there is no provision for impairment.
② Impairment of available-for-sale financial assets
In the event that decline in fair value of the available-for-sale equity instrument is regarded as "severe decline" or "non-temporary decline" on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument.
When the available-for-sale financial assets impair, the accumulated loss originally included in the capital reserve arising from the decrease in fair value was transferred out from the capital reserve and included in the profit or loss for the period. The accumulated loss that transferred out from the capital reserve is the balance of the acquired initial cost of asset, after deduction of the principal recovered, amortized amounts, current fair value and the impairment loss originally included in the profit or loss.
After recognition of the impairment loss, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition in subsequent periods, the impairment loss originally recognized shall be reversed. The impairment loss reversal of the available-for-sale equity instrument will be recognized as other consolidated income, and the impairment loss reversal of the available-for-sale debt instrument will be included in the profit or loss for the period.
When an equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably, or the impairment loss of a derivative financial asset linked to the equity instrument that shall be settled by delivery of that equity instrument, then it will not be reversed.
(4) Recognition basis and measurement method for transfer of financial assets
As for the financial assets up to the following conditions, the recognition termination is available:
①Termination of the contract right to take the cash flow of the financial assets; ② transferred to the transferring-in part nearly all risk and compensation; ③ all risk and compensation neither transferred nor retained, and with the give-up of the control over the financial assets.

As for financial assets of almost all risk and compensation neither transferred nor retained, and without the give-up of the control over the financial assets, it was recognized according to the extension of the continual entry into the transferred financial assets and relevant liabilities are correspondingly recognized. The continual entry into the transferred financial assets is risk level which the enterprise faces up to due to the assets changes.

As for the whole transfer of the financial assets up to the recognition termination conditions, the book value of the transferred assets, together with the difference between the consideration value and the accumulative total of the fair value change of the other consolidated income, is reckoned into the current gain/loss.

As for the partial transfer of the financial assets up to the recognition termination conditions, the book value of the transferred assets is diluted on the relative fair value between the terminated part and the un-terminated part; and reckoned into the current loss/gain is the difference between the sum of the consideration value and the accumulative sum of the valuation change ought to be diluted into the recognition termination part but into the other consolidated income, and the above diluted book value, is reckoned into the current loss/gain.

For financial assets that are transferred with recourse or endorsement, the Group needs to determine whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial assets shall be derecognized. If the risk and rewards of ownership of the financial asset have been retained, the financial assets shall not be derecognized. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group shall assess whether the control over the financial asset is retained, and the financial assets shall be accounted for according to the above paragraphs.

(5) Categorizing and measuring of financial liabilities

At initial recognition, financial liabilities are classified into financial liabilities measured by fair value with changes counted into current gains/losses and other financial liabilities. Financial liabilities are initially recognized at fair value. For financial liabilities classified as fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the period. For financial liabilities classified as other categories, relevant transaction costs are included in the amount initially recognized.

① Financial liabilities at fair value through profit or loss for the period

The criteria for a financial liability to be classified as held for trading and designated as financial liabilities at fair value through profit or loss are the same as those for a financial asset to be classified as held for trading and designated as financial assets at fair value through profit or loss.

Financial liabilities at fair value through profit or loss for the period are subsequently measured at fair value. The gain or loss arising from changes in fair value and dividends and interest income related to such financial liabilities are included in profit or loss for the period.

② Other financial liabilities

Derivative financial liabilities which are linked to equity instruments that are not quoted in an active market and the fair value of which cannot be measured reliably measured, and which shall be settled by delivery of equity instruments are subsequently measured at cost. Other financial liabilities are subsequently measured at amortized cost using the effective interest method. Gains or losses arising from derecognition or amortization is recognized in profit or loss for the period.

③ Financial Guarantee Contracts and loan commitment

Financial guarantee contracts other than those designated as financial liabilities at fair value through profit or loss or loan commitment other than those designated measured by fair value and with its variation for gains/losses reckoned as well as the loans lower than the market rates are initially recognized at fair value, and shall be subsequently measured at the higher of the following: the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 "Contingencies" and the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in "Accounting Standard for Business Enterprises No. 14- Revenue".

(6) Termination recognition of financial liabilities

Only is released the whole or part of the current duties, the termination of the liabilities or part of it is available. The Group (the creditor) signed the agreement with the debtor: the existing liabilities are replaced by the bearing of the new liabilities; and the contract terms are fundamentally different of the new liabilities and the existing ones; the termination of the recognition of the existing ones is available; and the recognition of new ones is available.

As for the whole or partial termination of the recognition of the liabilities, the difference between the book value of the part of recognition termination and the consideration value paid (including the non-cash assets transferred out or the liabilities newly beard) is reckoned into the current loss/gain.

(7) Derivatives and embedded derivatives

Derivative instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently measured at fair value. Any gains or losses arising from changes in fair value of derivatives are taken directly to profit or loss for the period, except for derivative instruments that are designated as hedging instruments and which are highly effective in hedging, gains or losses arising from changes in their fair value are taken to the profit or loss for the period in accordance with the hedge accounting requirement based on the nature of hedging relationships.

For combined instruments contain embedded derivatives which are not designated as financial assets or financial liabilities at fair value through profit or loss, and the embedded derivative and the main contract does not have a material relation in terms of risk and economic attributes, and when an individual instrument which is the same as the embedded derivative can be defined as derivative, the embedded derivative shall be separated from the combined instrument and treated as an individual derivative. If the embedded derivative cannot be separately measured at acquisition or subsequent balance sheet date, the combined instrument shall be designated as financial assets or financial liabilities at fair value through profit or loss.

(8) Balance-out between the financial assets and liabilities

As the Group has the legal right to balance out the financial liabilities by the net or liquidation of the financial assets, the balance-out sum between the financial assets and liabilities is listed in the balance sheet. In addition, the financial assets and liabilities are listed in the balance sheet without being balanced out.

(9) Equity instrument

The equity instrument is the contract to prove the holding of the surplus stock of the assets with the deduction of all liabilities in the Group. The Company issues (including refinancing), repurchases, sells or cancels equity instruments as movement of equity. No fair value change of equity instrument would be recognized by the Company. Transaction fees relating to equity transactions are deducted from equity.

The Group's all distribution (shares dividend excluded) to the holders of the stock instrument will decrease the shareholders' equity. The Group does not recognize the fair value change sum of the stock instrument.

10. Account receivable

Account receivable included account receivable and other account receivable.

(1) Recognition of bad debt provision

The Group reviews carrying value of account receivables on balance sheet date, and make impairment provision for account receivables which are proven to be impaired by the following objective evidences: ①debtor experiences material financial difficulties; ②debtor is in breach of contract terms (for instance: default or expiration of payment for principal or interest); ③ debtor is likely to face bankruptcy or other financing restructuring; ④other objective evidence showing account receivables are impaired.

(2) Provision for bad debt reserves

① Recognition criteria and accrual method on accounts with major amount and withdrawal bad debt provision independely

The single account receivable above RMB 2 million is recognized as single substantive account receivable

The Company takes the independent impairment test on the single substantive account. As for the account receivable without the impairment in the test, it is included in the account receivable portfolio of the similar credit risk characters for the impairment test. As for the account receivable with the recognition of impairment loss, it is not included in the account receivable portfolio of the similar credit risk characters for the impairment test

② Determination bases for account receivables for which bad debt provision is made according to category of credit risks, and provision for bad debt

The Group determines categories of account receivables according to the similarity of credit risk characteristics. Account receivables consist of those with insignificant single amount and those with significant single amount which is not impaired based on separate impairment test. The Group is of the view that account receivables with insignificant single amount and those with significant single amount which is not impaired based on separate impairment test are exposed to low credit risks, thus it is not necessary to make bad debt provision, unless there is evidence showing that account receivables have relatively substantial credit risks.

③ Account receivables with insignificant single amount for which bad debt provision is made separately

For account receivables with insignificant single amount, if there is evidence showing that account receivables are exposed to relatively substantial credit risks, bad debt provision shall be made for such account receivables under specific identification method.

(3) Reversal of bad debt

If there is objective evidence showing recovery in value of account receivables impaired and which is related to any event occurring after such recognition, the impairment loss originally recognized shall be reversed to the extent that the carrying value of the account receivables upon reversal will not exceed the amortized cost as at the reversal date assuming there is no provision for impairment.

11. Inventory

(1) Categories of inventory

The Company's inventory mainly consists of fuels, raw materials and developing products in process and so on.

(2) Valuation method of inventory delivered

The inventories are initially measured at cost. The costs of developing products include land grant fee, expenditures for auxiliary facilities, expenses on construction and installation, borrowing costs incurred before the completion of the subject project and other related expenses during the course of the development. Other cost of inventories comprises purchase costs, processing costs and other costs incurred in bringing the inventories to their present location and condition.

The actual cost of the property development products delivered is recognized by the individual valuation method. The actual cost of other inventories delivered is recognized by the weighted average method.

(3) Recognition of net realizable value of inventory, and accrual methods of preparation for depreciation

On the balance sheet day, the inventory is measured by the lower one between the cost and the net realizable value. As the net realizable value is lower than the cost, the inventory depreciation provision is accrued. The net realizable value is balance of the estimated sale price less the estimated forthcoming cost upon the completion, the estimated sale expense, and the relevant tax in the daily activities. Upon the recognition of net realizable value of the inventory, the concrete evidence is based on and the purpose of holding the inventory and the influence of events after the balance sheet day are considered.

As for the inventory of large sum and lower price, the inventory depreciation provision is accrued by the inventory categories. As for the inventory related to the product series produced and sold in the same district, of the same or similar final use or purpose and impossible to be separated from the other items, the provision is consolidated and accrued. The provision for other inventory is accrued by the difference between the cost and net realizable value.

Upon the accrual of the inventory depreciation provision, if the previous influence factors on the inventory deduction disappeared, which resulted in the net realizable value being higher than its book value; the accrual is transferred back within the previous accrual of the provision and reckoned into the current gain/loss.

(4) The inventory system is perpetual inventory system.

12. Non-current assets and disposal groups held for sale

If the Group takes back its book value mainly by selling (including the non-monetary assets exchange with commercial substance, the same as below) rather than noncontinuous use of a non-current asset or disposal group, it shall be divided into the held-for-sale category. The specific criteria are to meet the following conditions: a certain non-current asset or disposal group can be sold immediately under the current conditions based on the practice of selling such assets or disposal groups in similar transactions; the Company has made resolutions on the sale plan and has obtained decided purchase commitments; the sale is expected to be completed within one year. Thereinto, the disposal group refers to a set of assets that are disposed along with all the others as a whole by sale or other methods in a transaction and the liabilities that are directly related to those assets transferred in the transaction. The group of assets or asset groups to which the disposal group belongs share the goodwill achieved in the business combination in accordance with the Accounting Standards for Business Enterprises No. 8 - Impairment of Assets, the disposal group should include the goodwill assigned to the disposal group.

When the initial measurement or the remeasurement at the balance sheet date of the Group is divided into the non-current asset and disposal group held for sale, if the book value is higher than the net amount after subtracting the selling fees from the fair value, write down the book value to the net amount after subtracting the selling fees from the fair value, the write-down amount is recognized as asset impairment losses and is included in the current profits and losses, meanwhile making provisions for impairment of assets held for sale. For the disposal group, the recognized assets impairment losses firstly offset the book value of goodwill in the disposal group, then offset the book value of various non-current assets specified by the measurement applicable for Accounting Standards for Business Enterprises No. 42 - Non-current Assets, Disposal Group, and Discontinued Operation Held for Sale (Hereinafter referred to as the Guidelines Held for Sale) in the disposal group. If the net amount after subtracting the selling fees from the fair value of the disposal group at the subsequent balance sheet date has an increase, the amount of the previous write-down should be restored and transferred back in the amount of assets impairment loss recognized by non-current assets and applicable for held-for-sale standards after being classified as the held-for-sale, the transferred amount should be included in the current profits and losses, and increase its book value in proportion according to the proportion of book value of various non-current assets applicable for the measurement and specification of held-for-sale standards in the disposal group except for the goodwill; the book value of which the goodwill has been offset and the assets impairment losses confirmed before the non-current assets applicable for the measurement and specification of held-for-sale standards being classified as available-for-sale assets cannot be transferred back.

The non-current assets held for sale or the non-current assets in the disposal group shall not be accrued for depreciation or amortization, continue to confirm the indebted interest and other expenses in the disposal group held for sale.

When the non-current assets or disposal groups no longer meet the requirements of held-for-sale categories, the Company shall not continue to classify them as the held-for-sale categories or remove the non-current assets from the held-for-sale disposal group, and measure according to the lower one of the following: (1) For the book value before being classified as held-for-sale category, the amount of the depreciation, amortization or impairment that should be confirmed when not being classified as held-for-sale category according to the assumptions after being adjusted; (2) Recoverable amount.

13. Long-term equity investment

Long-term equity investments under this section refer to long-term equity investments in which the Company has control, joint control or significant influence over the investee. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss. Details on its accounting policy please refer to Note 9. “Financial instruments” under section IV.

Joint control is the Company’s contractually agreed sharing of control over an arrangement, which relevant activities of such arrangement must be decided by unanimously agreement from parties who share control. Significant influence is the power of the Company to participate in the financial and operating policy decisions of an investee, but to fail to control or joint control the formulation of such policies together with other parties.

(1) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party’s share of the carrying amount of the owner’s equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts borne by the absorbing party shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. If the consideration of the merger is satisfied by issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party’s share of the carrying amount of the owner’s equity under the consolidated financial statements of the ultimate controlling party on the date of combination. With the total face value of the shares issued as share capital, the difference between the initial cost of the long-term equity investment and total face value of the shares issued shall be used to offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. For business combination resulted in an enterprise under common control by acquiring equity of the absorbing party under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as “transactions in a basket”. If they belong to “transactions in a basket”, these transactions will be accounted for a transaction in obtaining control. If they are not belong to “transactions in a basket”, the initial investment cost of the long-term equity investment shall be the absorbing party’s share of the carrying amount of the owner’s equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the aggregate of the carrying amount of the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognized as a result of the previously held equity investment accounted for using equity method on the date of combination or recognized for available-for-sale financial assets will not be accounted for.

For a long-term equity investment acquired through a business combination involving enterprises not under common control, the initial investment cost of the long-term equity investment shall be the cost of combination on the date of acquisition. Cost of combination includes the aggregate fair value of assets paid by the acquirer, liabilities incurred or borne and equity securities issued. For business combination resulted in an enterprise not under common control by acquiring equity of the acquiree under common control through a stage-up approach with several transactions, these transactions will be judged whether they shall be treat as “transactions in a basket”. If they belong to “transactions in a basket”, these transactions will be accounted for a transaction in obtaining control. If they are not belong to “transactions in a basket”, the initial investment cost of the long-term equity investment accounted for using cost method shall be the aggregate of the carrying amount of equity investment previously held by the acquiree and the additional investment cost. For previously held equity accounted for using equity method, relevant other comprehensive income will not be accounted for. For previously held equity investment classified as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.

Agent fees incurred by the absorbing party or acquirer for the acquisition such as audit, legal service, and valuation and consultation fees, and other related administration expenses are charged to profit or loss in the current period at the time such expenses incurred.

The long-term equity investment acquired through means other than a business combination shall be initially measured at its cost. Such cost is depended upon the acquired means of long-term equity investments, which is recognized based on the purchase cost actually paid by the Company in cash, the fair value of equity securities issued by the Group, the agreed value of investment contract or agreement, the fair value or original carrying amounts of the non-monetary asset exchange transaction which the asset will be transferred out of the Company, and the fair value of long-term equity investment itself. The costs, taxes and other necessary expenses that are directly attributable to the acquisition of the long-term equity investments are also included in the investment cost. For additional equity investment made in order to obtain significant influence or common control over investee without resulted in control, the relevant cost for long-term equity investment shall be the aggregate of fair value of previously held equity investment and additional investment cost determined according to “Accounting Standard for Business Enterprises No. 22 – Recognition and measurement of Financial Instruments”.

(2) Follow-up measurement and gain/loss recognition

As for the long-term equity investment with common control (except for the common operators) over or significant influence on the invested units, measured by the cost method. In addition, long-term equity investment to the invested units that control by the Company adopted the cost method for calculation in financial statement.

① Long-term equity investment checked by the cost

Upon the cost check, the investment is valuated on the initial cost. In addition to the actual prices or the announced but yet undistributed cash dividend or profit in consideration valuation, the current investment return is recognized by the announced cash dividend or profit by the invested units.

② Long-term equity investment checked by the equity

When equity basis is adopted, if the initial cost of the long-term equity investment is greater than the share of fair value of the receiver's recognizable net asset, the initial investment cost of the long-term equity investment will not be adjusted; if the initial cost of the long-term equity investment is less than the share of fair value of the receiver's recognizable net asset, the balance shall be counted into current income account, and the cost of long-term equity investment shall be adjusted.

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Group's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of inconformity between the accounting policies and accounting periods of the investee and the Company, the financial statements of the investee shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealized gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognized accordingly. However, any unrealized loss arising from inter-group transactions between the Group and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with "Accounting Standards for Business Enterprises No. 20 "Business combination". All profit or loss related to the transaction shall be accounted for.

Recognition of the share of net loss by the investment receiver shall be limited to when the book value of long-term equity investment and other long-term equity forms substantial net investment has been reduced to zero. Beside, if the Company is responsible for other losses of the investment receiver, predicted liability shall be recognized upon the prediction of responsibilities and recorded into current investment loss account. If the receiver realized net profit in the period thereafter, the share of gains is recovered after making up of share of losses which has not been recognized.

For long equity investment in associate and joint venture held by the Company prior to first implementation of the new accounting principles on 1 January 2007, equity investment debtor difference relating to the investment (if any) shall be amortized and included in current gains and losses against the remaining period under straight line method.

③ Acquisition of minority equity

When preparing consolidated financial statements, the difference between the increase in long-term equity investment due to acquisition of minority interest of a subsidiary and the share of net asset of the subsidiary since the acquisition date (or combination date) calculated under the new ownership ratio shall be adjusted to the capital surplus, when capital surplus is insufficient, the excess shall be adjusted to retained profits.

④ Disposal of long-term equity investment

In these consolidated financial statements, where the parent company disposes part of its subsidiary without loss of control, the difference between the consideration received and the share of net asset for the disposed portion of long-term equity investment shall be recognized in shareholders' equity; where the parent company disposes part of its subsidiary with loss of control, the accounting treatment should be in accordance with the accounting policies stated at Note IV 5 (2) "Preparation of consolidated financial statements".

For disposal of long-term equity investment in other situations, the difference between the considerations received and the carrying amount of the disposed investment shall be recognized in profit or loss.

In respect of long-term equity investment at equity with the remaining equity interest after disposal also accounted for using equity method, other comprehensive income previously under owners' equity shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee on pro rata basis at the time of disposal. The owners' equity recognized for the movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution of investee) shall be transferred to profit or loss for the current period on pro rata basis.

In respect of long-term equity investment at cost with the remaining equity interest after disposal is also accounted for at cost, other comprehensive income recognized due to measurement at equity or recognition and measurement for financial instruments prior to obtaining control over investee shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee and carried forward to current gains and losses on pro rata basis. The movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution of investee) shall be transferred to profit or loss for the current period on pro rata basis.

In the event of loss of control over investee due to partial disposal of equity investment by the Group, in preparing separate financial statements, the remaining equity interest which can apply common control or impose significant influence over the investee after disposal shall be accounted for using equity method. Such remaining equity interest shall be treated as accounting for using equity method since it is obtained and adjustment was made accordingly. For remaining equity interest which cannot apply common control or impose significant influence over the investee after disposal, it shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing control shall be included in profit or loss for the current period. In respect of other comprehensive income recognized using equity method or the recognition andmeasurement standard of financial instruments before the Group obtained control over the investee, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when the control over investee is lost. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when the control over investee is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners' equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

In the event of loss of common control or significant influence over investee due to partial disposal of equity investment by the Group, the remaining equity interest after disposal shall be accounted for using the recognition and measurement standard of financial instruments. The difference between its fair value and carrying amount as at the date of losing common control or significant influence shall be included in profit or loss for the current period. In respect of other comprehensive income recognized under previous equity investment using equity method, it shall be accounted for in accordance with the same accounting treatment for direct disposal of relevant asset or liability by investee at the time when equity method was ceased to be used. Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when equity method was ceased to be used.

The Group disposes its equity investment in subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost. If the said transactions belong to "transactions in a basket", each transaction shall be accounted for as a single transaction of disposing equity investment of subsidiary and loss of control. The difference between the disposal consideration for each transaction and the carrying amount of the corresponding long-term equity investment of disposed equity interest before loss of control shall initially recognized as other comprehensive income, and subsequently transferred to profit or loss arising from loss of control for the current period upon loss of control.

14. Investment real estate

Investment real estate is defined as the real estate with the purpose to earn rent or capital appreciation or both, including the rented land use rights and the land use rights which are held and prepared for transfer after appreciation, the rented buildings. Besides, vacant buildings held by the Company for operating or lease purposes would be also stated as investment property provided that board of directors (or similar authority) pass written resolution which definitely expresses that the buildings will be held for operating or lease purposes and the intention for holding will not change shortly.

Investment real estate is measured according to the initial cost. The follow-up expenses that are related to investment real estate, if the economic interests related to the assets are is likely to inflow cost and its costs can be reliably measured, shall be included in the cost of investment real estate. The other follow-up expense shall be included in the current gains/losses.

The Company adopts the cost model to have follow-up measurements of the investment real estate, and to conduct depreciation or amortization according to the policies that are in consistent with the land use rights.

Impairment test method and impairment provision method in relation to investment property is detailed in Note IV.20 “Long term assets impairment”.

Where property for own use or inventory transfers to investment property, or investment property transfers to property for own use, carrying value before such transfer shall be taken as book value after such transfer.

In the event that an investment property is converted to an owner-occupied property, such property shall become fixed assets or intangible assets since the date of its conversion. In the event that an owner-occupied property is converted to real estate held to earn rentals or for capital appreciation, such fixed assets or intangible assets shall become an investment property since the date of its conversion. Upon the conversion, investment property which is measured at cost is accounted for with the carrying value prior to conversion, and investment property which is measured at fair value is accounted for with the fair value as of the conversion date.

If an investment property is disposed of or if it withdraws permanently from use and no economic benefit will be obtained from the disposal, the recognition of it as an investment property shall be terminated. When an investment property is sold, transferred, retired or damaged, the amount of proceeds on disposal of the property net of the carrying amount and related tax and surcharges is recognized in profit or loss for the current period.

15. Fixed assets

(1) Recognition conditions for the fixed assets

Fixed assets is defined as the tangible assets which are held for the purpose of producing goods, providing services, lease or for operation & management, and have more than one fiscal year of service life. The fixed assets recognized on the condition of economy benefit probably in-flow into the Company and the cost should measured reliably only. Initial measurement shall be conducted on fixed assets according to the actual cost when obtain them and also considering the expected costs for disposal.

(2) Depreciation of various fixed assets

From the next month since reaching the intended use state, depreciations on fixed assets shall be accounted by using the method of average life length except the steam turbine generating unit that accounted by withdrawal the working volume method.

Life expectancy, expected net impairment value and annual depreciation rate of all assets are as follows:

Item	Life expectancy	Salvage value rate	Annual depreciation rate
Houses and buildings	20 years	10%	4.50%
Equipment (fuel machinery group excluded)	15-20 years	10%	4.5%-6%
Equipment-fuel machinery group (note)		10%	The work quantity method
Transportation tools	5 years	10%	18%
Other equipment	5 years	10%	18%

Estimated salvage value refers to the amount of value retrieved after deducting of predicted disposal expense when the expected using life of a fixed asset has expired and in the expected state of termination.

Note: gas turbine generator set is provided with depreciation under workload method, namely to determine the depreciation amount per hour of gas turbine generator set based on equipment value, predicted net remaining value and predicted generation hours. Details are set out as follows:

Name of the Company	Fixed assets	Depreciation amount (RMB/Hour)
The Company	Generating unit 1#	391.26
	Generating unit 3#	397.15
	Generating unit 7#	4,214.73
Shenzhen New Power Industrial Co., Ltd.("New Power")	Generating unit 10#	2,134.37
Shen Nan Dian (Zhongshan) Power Co., Ltd.("Zhongshan Power")	Generating unit 1#	4,246.00
	Generating unit 3#	4,160.83
Shen Nan Dian (Dongguan) Weimei Power Co., Ltd.("Weimei Power")	Generating unit 1#	4,490.64
	Generating unit 3#	4,217.56

(3) Impairment test on fixed asset and providing of impairment provision

Found more in Note IV-20."Impairment of long-term assets".

(4) Recognition basis and measurement method of fixed assets under finance lease

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. Title may or may not eventually be transferred. The depreciation policy for fixed asset held under finance lease is consistent with that for its owned fixed asset. When a leased asset can be reasonably determined that its ownership will be transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the leased asset is depreciated over the shorter period of the lease term and the period of expected use.

(5) Other remarks

Concerning the follow-up expenses related to fixed assets, if the relevant economy benefit of fixed assets probably in-flow into the Company and can be measured reliably, reckoned into cost of fixed assets and terminated the recognition of the book value of the parts that been replaced. Others follow-up expenses should reckoned into current gains/losses while occurred.

Terminated the recognition of fixed assts that in the status of disposal or pass through the predicted usage or without any economy benefits arising from disposal. Income from treatment of fixed asset disposing, transferring, discarding or damage, the balance after deducting of book value and relative taxes is recorded into current income account.

The Company re-reviews useful life, expected net residual value and depreciation method of fixed assets at least at each year end. Any change thereof would be recorded as change of accounting estimates.

16. Construction-in-progress

Cost of construction in process is determined at practical construction expenditures, including all expenses during the construction, capitalized loan expenses before the construction reaches useful status, and other relative expenses. It is transferred to fixed asset as soon as the construction reaches the useful status.

Impairment testing method and accrual method for impairment reserves found in Note IV-20"Impairment of long-term assets"

17. Borrowing expenses

Borrowing expenses include interest, amortisation of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. Borrowing expenses that can be directly attributed for purchasing or construction of assets that are complying with capitalizing conditions start to be capitalized when the payment of asset and borrowing expenses have already occurred, and the purchasing or production activities in purpose of make the asset usable have started; Capitalizing will be terminated as soon as the asset that complying with capitalizing conditions has reached its usable or saleable status. The other borrowing expenses are recognized as expenses when occurred.

Interest expenses practically occurred at the current term of a special borrowing are capitalized after deducting of the bank saving interest of unused borrowed fund or provisional investment gains; Capitalization amounts of common borrowings are decided by the weighted average of exceeding part of accumulated asset expenses over the special borrowing assets multiply the capitalizing rate of common borrowings adopted. Capitalization rates are decided by the weighted average of common borrowings.

During the capitalization period, exchange differences on a specific purpose borrowing denominated in foreign currency shall be capitalized. Exchange differences related to general-purpose borrowings denominated in foreign currency shall be included in profit or loss for the current period.

Qualifying assets are assets (fixed assets, investment property, inventories, etc.) that necessarily take a substantial period of time for acquisition, construction or production to get ready for their intended use or sale.

Capitalization of borrowing costs shall be suspended during periods in which the acquisition, construction or production of a qualifying asset is interrupted abnormally, when the interruption is for a continuous period of more than 3 months, until the acquisition, construction or production of the qualifying asset is resumed.

18. Intangible assets

(1) Intangible assets

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company.

An intangible asset shall be initially measured at cost. The expenditures incurred on an intangible asset shall be recognized as cost of the intangible asset only if it is probable that economic benefits associated with the asset will flow to the Company and the cost of the asset can be measured reliably. Other expenditures on an item asset shall be charged to profit or loss when incurred.

Land use right acquired shall normally be recognized as an intangible asset. Self-constructed buildings (e.g. plants), related land use right and the buildings shall be separately accounted for as an intangible asset and fixed asset. For buildings and structures purchased, the purchase consideration shall be allocated among the land use right and the buildings on a reasonable basis. In case there is difficulty in making a reasonable allocation, the consideration shall be recognized in full as fixed assets.

An intangible asset with a finite useful life shall be stated at cost less estimated net residual value and any accumulated impairment loss provision and amortized using the straight-line method over its useful life when the asset is available for use. Intangible assets with indefinite life are not amortized.

The Group shall review the useful life of intangible asset with a finite useful life and the amortization method applied at least at each financial year-end. A change in the useful life or amortization method used shall be accounted for as a change in accounting estimate. For an intangible asset with an indefinite useful life, the Group shall review the useful life of the asset in each accounting period. If there is evidence indicating that the useful life of that intangible asset is finite, the Company shall estimate the useful life of that asset and apply the accounting policies accordingly.

(2) Impairment test method of intangible assets & calculation method of depreciation reserve

Found more in Note IV-20"Impairment of long-term assets".

19. Long-term expenses to be amortized

Long-term amortizable expenses are those already occurred and amortizable to the current term and successive terms for over one year. Long-term amortizable expenses are amortized by straight-line method to the benefit period.

20. Impairment of long-term assets

The Group will judge if there is any indication of impairment as at the balance sheet date in respect of non-current non-financial assets such as fixed assets, construction in progress, intangible assets with an infinite useful life, investment properties measured at cost, and long-term equity investments in subsidiaries, joint ventures and associates. If there is any evidence indicating that an asset may be impaired, recoverable amount shall be estimated for impairment test. Goodwill, intangible assets with an indefinite useful life and intangible assets beyond working conditions will be tested for impairment annually, regardless of whether there is any indication of impairment.

If the impairment test result shows that the recoverable amount of an asset is less than its carrying amount, the impairment provision will be made according to the difference and recognized as an impairment loss. The recoverable amount of an asset is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset. An asset's fair value is the price in a sale agreement in an arm's length transaction. If there is no sale agreement but the asset is traded in an active market, fair value shall be determined based on the bid price. If there is neither sale agreement nor active market for an asset, fair value shall be based on the best available information. Costs of disposal are expenses attributable to disposal of the asset, including legal fee, relevant tax and surcharges, transportation fee and direct expenses incurred to prepare the asset for its intended sale. The present value of the future cash flows expected to be derived from the asset over the course of continued use and final disposal is determined as the amount discounted using an appropriately selected discount rate. Provisions for assets impairment shall be made and recognized for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the Group shall determine the recoverable amount of the asset group to which the asset belongs. The asset group is the smallest group of assets capable of generating cash flows independently.

For the purpose of impairment testing, the carrying amount of goodwill presented separately in the financial statements shall be allocated to the asset groups or group of assets benefiting from synergy of business combination. If the recoverable amount is less than the carrying amount, the Group shall recognize an impairment loss. The amount of impairment loss shall first reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups, and then reduce the carrying amount of other assets (other than goodwill) within the asset group or set of asset groups, pro rata on the basis of the carrying amount of each asset.

An impairment loss recognized on the aforesaid assets shall not be reversed in a subsequent period in respect of the restorable value.

21. Staff remuneration

Staff remuneration includes short term staff remuneration, post office benefit, dismissal benefit and other long term staff benefits, among which:

Short term staff remuneration mainly consists of salary, bonus, allowance and subsidy, staff benefits, medical insurance, maternity insurance, work related injury insurance, housing funds, labor unit fee and education fee, non-monetary benefits, etc. short term staff remuneration actually happened during the accounting period in which staff provides services to the Company is recognized as liability, and shall be included in current gains and losses or relevant asset cost.

Non-monetary benefits are measured at fair value.

Post office benefits mainly consist of defined withdraw plan and defined benefit plan. Defined withdraw plan mainly includes basic pension insurance, unemployment insurance and annuity, and the contribution payable is included in relevant asset cost or current gains and losses when occurs.

When the Company terminates the employment relationship with employees before the end of the employment contracts or provides compensation as an offer to encourage employees to accept voluntary redundancy, the Company shall recognize employee compensation liabilities arising from compensation for staff dismissal and included in profit or loss for the current period, when the Company cannot revoke unilaterally compensation for dismissal due to the cancellation of labor relationship plans and employee redundant proposals; and the Company recognize cost and expenses related to payment of compensation for dismissal and restructuring, whichever is earlier. However, if the compensation for termination of employment is not expected to be fully paid within 12 months from the reporting period, it shall be accounted for other long-term staff remuneration.

The early retirement plan shall be accounted for in accordance with the accounting principles for compensation for termination of employment. The salaries or wages and the social contributions to be paid for the employees who retire before schedule from the date on which the employees stop rendering services to the scheduled retirement date, shall be recognized (as compensation for termination of employment) in the current profit or loss by the Group if the recognition principles for provisions are satisfied.

For other long-term employee benefits provided by the Company to its employees, if satisfy with the established withdraw plan, then the benefits are accounted for under the established withdraw plan, otherwise accounted for under defined benefit scheme.

22. Accrued liabilities

When responsibilities connected to contingent issues meet the follow conditions at the same time, than recognized as accrued liability: (1) the liability is the current liability that undertaken by the Company; (2) the liability has the probability of result in financial benefit outflow; and (3) the responsibility can be measured reliably for its value.

At balance sheet day, with reference to the risks, uncertainty and periodic value of currency that connected to the contingent issues, the predicted liabilities are measured according to the best estimation on the payment to fulfill the current responsibility.

If the expenses for clearing of predictive liability is fully or partially compensated by a third party, and the compensated amount can be definitely received, it is recognized separated as asset. The compensated amount shall not be greater than the book value of the predictive liability.

(1) Contact in loss

Contact in loss is identified when the inevitable cost for performance of the contractual obligation exceeds the inflow of expected economic benefits. When a contract in loss is identified and the obligations thereunder are qualified by the aforesaid recognition criterion for contingent liability, the difference of estimated loss under contract over the recognized impairment loss (if any) of the subject matter of the contract is recognized as contingent liability.

(2) Restructuring obligations

For detailed, official and publicly announced restructuring plan, the direct expenses attributable to the restructuring are recognized as contingent liabilities, provided that the aforesaid recognition criterion for contingent liability is met. For restructuring obligations arising from disposal of part business, the Company will recognise the obligations relating to restructuring only when it undertakes to dispose part business (namely entering into finalized disposal agreement).

23. Share-based Payments

(1) Accounting treatment

Share-based payment refers to a transaction in which an enterprise grants equity instruments or undertakes equity-instrument- based liabilities in return for services from employee or other parties. The share-based payments shall consist of equity-settled share-based payments and cash-settled share-based payments.

① Equity-settled Share-based Payment

The equity-settled share-based payment in return for employee services shall be measured at the fair value of the equity instruments granted to the employees as at the date of grant. For equity instruments that cannot be exercised until the services are fully rendered during vesting period or specified performance targets are met, within the vesting period, the fair value of such instrument shall, based on the best estimate of the number of exercisable instruments, be calculated with the straight- line method and recognized in relevant costs or expenses. For equity instruments that may be exercised immediately after the grant, the fair value of such instrument shall, on the date of the grant, be recognized in relevant costs or expenses with the increase in the capital reserve accordingly.

On each balance sheet date during the vest period, the Company makes the best estimate based on subsequent information such as the latest available information about change of number of exercisable employees, thus to amend the number of equity instruments which are expected to be exercisable. Impact of the above estimate is included in relevant cost or expense for the current period, with corresponding adjustment in capital reserve.

The equity-settled share-based payment in return for services from other parties, if the fair value of services from other parties can be reliably measured, shall be measured at the fair value of such services as at the date of acquisition; if the fair value of services from other parties cannot be reliably measured but the fair value of equity instruments can be reliably measured, shall be measured at the fair value of such equity instruments as at the date of acquisition of such services recognized in relevant costs or expenses with the increase in the capital reserve accordingly.

② Cash-settled Share-based Payment

The cash-settled share-based payment shall be measured at the fair value of liabilities identified on the basis of shares or other equity instruments undertaken by the Group. For the instruments that may be exercised immediately after the grant, the fair value shall, on the date of the grant, be recognized in relevant costs or expenses and the liabilities shall be increased accordingly. For instruments that cannot be exercised until the services are fully provided during vesting period or specified performance targets are met, on each balance sheet date within the vesting period, the services acquired in the current period shall, based on the best estimate of the number of exercisable instruments, be recognized in relevant costs or expenses and the corresponding liabilities at the fair value of the liability incurred by the Group.

The Group shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the profit or loss for the period.

(2) Accounting treatment in respect of the modification and termination of share-based payment scheme

If any modification made by the Group to the share-based payment scheme increases the fair value of the equity instrument awarded, services obtained shall be increased accordingly. The increase in fair value of such equity instrument equals to the difference between the fair values before and after the date of modification. If any modification reduces the total fair value of share-based payment or is otherwise unfavorable to employees, services obtained shall be treated as if such modification had never been made, unless the Group has canceled part or the entire equity instrument award.

During the vesting period, where an equity instrument award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognized for the award is included immediately into the profit or loss for the period and capital reserve is recognized. Where employees or other parties are permitted to choose to fulfill non-vesting conditions but have not fulfilled during the vesting period, equity instrument award are deemed cancelled.

(3) Accounting for share based payment concerning the Company, its shareholders or actual controllers

As for share based payment concerning the Company, its shareholders or actual controllers, with either the settlement entity or service-acceptance entity in the Company or not, it is accounted for in our consolidated financial statement under the following provisions:

① for settlement entity making settlement with its own equity instruments, the transaction is accounted for as equity settled share based payment, otherwise it shall be accounted for as cash settled share based payment.

If the settlement entity is an investor of the service-acceptance entity, the transaction is recognized as long term equity investment in the service-acceptance entity based on the fair value of the equity instruments as at the grant date or the fair value of assumed liabilities, with recognition of capital reserve (other capital reserve) or liabilities.

② If service-acceptance entity is not obliged to settle or grant its own equity instruments to its employees, the share based payment transaction is accounted for as equity settled share based payment. If service-acceptance entity is obliged to settle or the equity instruments granted to its employee are not the own instruments of the entity, the share based payment transaction is accounted for as cash settled share based payment.

For intra-company share based payment transactions, if the service-acceptance entity and settlement entity are not the same enterprise, the share based payment transaction shall be recognized and measured in the respective financial statement of the two entities under the aforesaid principles.

24. Income

When significant risks and rewards of ownership of goods have been transferred to buyer, no continuous management right regularly related to ownership is retained, no effective control is conducted on goods sold, moreover, amount of income may be measured in a reliable way, relevant economic profit may have flown into enterprise and relevant incurred cost or to be incurred may be measured in a reliable way, implementation of goods sales revenue will be confirmed. Detail recognization according to specific revenue:

(1) Power sales revenue

The Group generates electricity by thermal power, and realizes sales through incorporation into Guangdong power grid. As for power sales, the Group realizes revenue when it produces electricity and obtains the grid power statistics table confirmed by the power bureau.

(2) Revenue from providing labor service

Under the condition of service providing business can be estimated in a reliable way, relevant economic benefit is likely to flow into enterprise, completion degree of business may be estimated in a reliable way and relevant incurred cost and to be incurred may be measured in a reliable way, the revenue from labor service providing recognized. Relevant service revenue may be confirmed by the Company as percentage-of-completion method on balance sheet date. Completion degree of service business will be determined as share of incurred service cost in estimated general cost.

If result of service providing business can’t be estimated in a reliable way, service revenue should be confirmed as amount of incurred service cost expected to be compensated, where incurred service cost is taken as period charge. If no compensation is expected for incurred service cost, income won't be confirmed.

25. Government subsidy

Government subsidy refers to the monetary asset and non-monetary asset that the Company obtains from the government free of charge, excluding the capital that the government invests as an investor and enjoys the corresponding owner's equity. Government subsidies are divided into the asset-related government subsidy and the income-related government subsidy.

If the government subsidy is a monetary asset, it shall be measured according to the received or receivable amount. If the government subsidy is a non-monetary asset, it shall be measured at fair value. If the fair value cannot be obtained reliably, it shall be measured according to the nominal amount. Government subsidy measured by nominal amount is directly included in the current profits and losses.

The government subsidy related to the assets is recognized as deferred income and is recorded into the current profits and losses or the book value of the relevant assets in a reasonable and systematic manner within the useful life of the relevant assets. Revenue-related government grants are used to compensate for the related costs or losses incurred during the subsequent period and are recognized as deferred income and are recognized in the current profit or loss or related expenses during the period of recognition of the relevant cost expense or loss; Incurred costs or losses incurred, directly included in the current profits and losses or offset the relevant costs.

For the government subsidy containing both asset-related parts and income-related parts at the same time, distinguish the different parts and make the accounting treatment, classify the parts which are difficult to be distinguished as the income-related government subsidy.

The government subsidy related to the Company's daily activities is included in other incomes or offsets related costs in accordance with the essence of economic business; while the government subsidy unrelated to the Company's daily activities is included in non-operating income and expenditure.

When the recognized government subsidy needs to be refunded or has balance of related deferred income, offset the book balance of related deferred income, and include the excess parts in the current profits and losses or (the asset-related government subsidy for offsetting the book value of underlying assets in initial recognition) adjust the book value of assets; directly include these belong to other situations in the current profits and losses.

The basis for confirming the relevant public subsidies of the Company and its subsidiaries is as follows:

Shenzhen Shennandian Environmental Protection Co., Ltd. (Hereinafter referred to as the "Environmental Protection Company"), a subsidiary of the Company, is a sludge treatment unit, according to the (CS No. [2015] 78) notice of Ministry of Finance and the State Administration of Taxation about printing and issuing the "comprehensive utilization of resources and labor services VAT discounts directory", Environmental Protection Company can enjoy the value-added tax refund policy for sludge treatment with 70% recognized as the public subsidy income.

26. Deferred income tax asset/ deferred income tax liability

(1) Current income tax

On balance sheet date, current income tax liability (or asset) formed during and before current period will be measured as amount of income tax payable (or repayable) as specified by tax law. Assessable income on which current income expense is based represents the profit before tax for the year upon adjustment against relevant tax rules.

(2) Deferred income tax asset & deferred income tax liability

For balance of book value of some asset/liability item and its tax base, or temporary difference derived from balance of book value and tax base of the item, which is not confirmed as asset or liability but tax base can be fixed as specified by tax law, deferred income tax asset & deferred income tax liability will be confirmed in balance sheet liability approach.

Deferred income tax liabilities are not recognized for taxable temporary differences related to: the initial recognition of goodwill; and the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognizes the corresponding deferred income tax liability for taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, except when both of the following conditions are satisfied: the Company able to control the timing of the reversal of the temporary difference; and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred income tax assets are not recognized for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognizes the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized, except when both of the following conditions are satisfied: it is not probable that the temporary difference will reverse in the foreseeable future; and it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilized.

For deductible loss and taxation decrease which can be carried over to following fiscal year, relevant deferred income tax asset may be confirmed subject to amount of taxable income which is likely to be acquired to deduct deductible loss and taxation decrease in the future.

On balance sheet day, those deferred income tax assets and income tax liabilities, according to the tax law, calculation will be on tax rate applicable to retrieving period of assets or clearing of liabilities.

On balance sheet day, verification will be performed on the book value of differed income tax assets. If it is not possible to obtain enough taxable income to neutralize the benefit of differed income tax assets, then the book value of the differed income tax assets shall be reduced. Whenever obtaining of taxable income became possible, the reduced amount shall be restored.

(3) Income tax expenses

Income tax expense includes current income tax and deferred income tax.

Current deferred income tax and deferred income tax expenses or income shall reckoned into current gains/losses other that those current income tax and deferred income tax with transactions and events concerned, that reckoned into shareholder’s equity directly while recognized as other comprehensive income; and the book value of the goodwill adjusted for deferred income tax arising from enterprise combination

(4) Offset of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

27. Leasing

Finance lease is to virtually transfer all risks and rewards related to ownership of asset, the ownership is may transfer ultimately or not. Leases other than finance lease are operating leases.

(1) Lease business with the Company as the rentee

The rental is reckoned into the relevant assets cost or the current loss/gain in the straight-line method. The initial direct expenses are reckoned into the current gain/loss, or the actual rental into the current loss/gain.

(2) Lease business with the Company as the renter

The rental is reckoned into the relevant assets cost or the current loss/gain in the linear way. The initial direct substantive expenses are capitalized and reckoned into the current gain/loss, or the actual rental into the current loss/gain. The initial direct small expenses are reckoned into the current actual gain/loss, or the actual rental into the current loss/gain.

(3) Financing lease business with the Group recorded as lessee

On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the leased asset and the present value of minimum lease payment at the beginning date of the lease. Minimum lease payment shall be the entry value of long-term accounts payable, with difference recognized as unrecognized financing expenses. In addition, initial direct costs attributable to leased items incurred during the process of lease negotiation and signing of lease agreement shall be included in the value of leased assets. The balance of minimum lease payment after deducting unrecognized financing expenses shall be accounted for long-term liability and long-term liability due within one year.

Unrecognized financing expenses shall be recognized as financing expenses for the current period using effective interest method during the leasing period. Contingent rent shall be included in profit or loss for the current period at the time it incurred.

(4) Financing lease business with the Group recorded as lessor

On the beginning date of the lease, the entry value of lease receivable shall be the aggregate of minimum lease receivable and initial direct costs at the beginning date of the lease. The unsecured balance shall be recorded. The aggregate of minimum lease receivable, initial direct costs and unsecured balance and the different between their present value shall be recognized as unrealised financing income. The balance of lease receivable after deducting unrecognized financing income shall be accounted for long-term debt and long-term debt due within one year.

Unrecognized financing income shall be recognized as financing income for the current period using effective interest method during the leasing period. Contingent rent shall be included in profit or loss for the current period.

28. Other main accounting policies and estimations

(1) Discontinued operation

The discontinued operation refers to the component that meets one of following conditions and has been disposed by the Company or classified as held-for-sale and can be individually distinguished when operating and preparing the financial statements: ① the component represents an independent main Business or a major operating area; ② the component is a parts that intends to dispose or arrange an independent main business or a major operating area; ③ the component is a subsidiary obtained only for re-sale.

For details of the accounting treatment methods of discontinued operation, please refer to Annotation IV. 12 “Classify as assets held for sale”.

(2) Debt restructures

① Obligation of recording debt restructuring as debtor

For debt liquidated with cash, balance between book value of debt to be restructured and amount of actual payment will be included in current gain and loss. On the contrary, for debt liquidated with non-cash asset, balance between book value of debt to be restructured and fair value of non-cash asset transferred will be included in current gain and loss. Balance between fair value of non-cash asset transferred and book value of debt to be restructured will be included in current gains and loss.

When debt is transferred to capital, balance between book value of debt to be restructured and fair value of loaner’s share derived from disclaim will be included in current gains and loss.

When other terms of debt are modified, fair value of debt after modification will be taken as entry value of restructured debt. Balance between book value of debt prior to restructuring and debt restructured will be included in current gain and loss.

When combination of multiple modes is applied, book value of debt to be restructured will be offset by cash for payment, fair value of non-cash asset transferred and fair value of loaner’s share successively, then applicable method under modification mentioned above will be applied.

② Obligation of recording debt restructuring as loaner

For debt liquidated with cash, balance between book balance of credit to be restructured and cash received will be included in current gain and loss. On the contrary, for debt liquidated with non-cash asset, balance between book balance of credit to be restructured and fair value of non-cash asset received will be included in current gain and loss.

When debt is transferred to capital, balance between fair value of loaner’s share and book balance of credit to be restructured will be included in current gain and loss.

When other terms of debt are modified, fair value of credit after modification will be taken as book value of credit to be restructured. Balance between book balance of debt prior to restructuring and book value of credit restructured will be included in current gain and loss.

When combination of multiple modes is applied, book balance of credit to be restructured will be offset by cash received, fair value of] non-cash asset received and fair value of loaner’s share successively, applicable method under modification mentioned above will be applied.

When depreciation reserve has been accrued in credit to be restructured, accrual depreciation reserve will be offset by balances above. Remnant after offset will be included in current gain and loss.

29. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

Changes in accounting policies caused by the implementation of new Accounting Standards for Business Enterprises

On April 28, 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 42 - Non-current Assets, Disposal Group, and Discontinued Operation Held for Sale, which has been implemented in all enterprises that carry out the Accounting Standards for Business Enterprises from May 28, 2017. On May 10, 2017, the Ministry of Finance revised the Accounting Standards for Business Enterprises No. 16 - Government Subsidy, which has been implemented in all enterprises that carry out the Accounting Standards for Business Enterprises from June 12, 2017. In accordance with the requirements of the Ministry of Finance, the company has revised the company's major accounting policies accordingly. The major accounting policy changes adopted in the current financial reports have been approved by the resolution of the 19^{th} extraordinary meeting of the 7^{th} Board of Directors and the 12^{th} extraordinary meeting of the 7^{th} Board of Supervisors on August 3, 2017.

(2) Change of accounting estimate

No changes of accounting estimate in the period

30. Major accounting judgment and estimation

When using the accounting policies discussed in note IV, the Group needs to made judgment, estimation and assumption for carrying value of certain items which cannot be measured adequately due to inherent uncertainty of economic activities. Such judgment, estimation and assumption are based on historical experiences of the Group's management, together with consideration of other relevant factors. These judgments, estimations and assumption would affect the reported amount of income, expense, asset and liability and disclosure of contingent liabilities on balance sheet date. However, actual results resulting from the uncertainty of these estimates may differ from the current estimation made by management of the Company, which would in turn lead to material adjustments to the carrying value of assets or liabilities which will be affected in future.

The Group conducts regular re-review on the aforesaid judgment, estimation and assumption on a continued operation basis. If the change of accounting estimation only affect current period, the affected amount is recognized in the period when change occurs. If the change affects current and future periods both, the affected amount is recognized in the period when change occurs and future periods.

On balance sheet date, major aspects in the statement need to judge, estimate and consumption by the Company are as:

(1) Fixed assets are provided for depreciation by output method

The Group recognizes depreciation for unit electricity based on values of power generation machine sets, projected power sales volume and projected net remaining value, and provides for depreciation according to depreciation of unit electricity and actual power sales volume. Taking into account the prevailing industry policies, technologies, consumption, allocation method of power management authorities and past experiences, and the Group management believes that it is adequate for utilization life of such power generation machine sets, projected power sales volume, projected net remaining value and provision method for depreciation. If the future actual power sales volume differs substantially from the projected one, the Group would make adjustment to unit electricity depreciation, which would bring affects to the depreciation expenses included in profit and loss for the current and future periods.

(2) The provisional estimated value of fixed assets

As for the power generation machine sets and related buildings reaching the condition for intended use, due to the long construction period of power plant projects, high prices and long completion settlement time, they are accounted provisional based on project budget, project pricing or project actual costs before process of project completion settlement. And upon such settlement, the Company adjusts the original provisional value according to the actual costs. If provisional estimated values of power generation machine sets and related buildings differ materially from the actual costs, the Company may have to make corresponding adjustments to the values of fixed assets.

(3) Provision for bad debts

The Group use allowance method to state bad debt losses according to the accounting policies of accounts receivable. Impairment of receivables is based on the assessment of the recoverability of accounts receivable. Identification of impairment of receivables requires management judgments and estimates. The differences between actual results and the original estimate will affect the book value of accounts receivable as well as the recognition or reversal of provision for bad debts in the period in which the estimate is changed.

(4) Allowance for inventories

Under the accounting policies of inventories and by measuring at the lower of cost and net realizable value, the Group makes allowance for inventories that have costs higher than net realizable value or become obsolete and slow moving. Write-down of inventories to their net realizable values is based on the salability of the evaluated inventory and their net realizable values. Identification of inventories requires management to make judgments and estimates on the basis of obtaining conclusive evidence, and considering the purpose of holding inventory and the events after balance sheet date. The differences between actual results and the original estimate will affect the book value of inventories as well as the recognition or reversal of provision for inventories in the period in which the estimate is changed.

(5) Impairment provision for non-financial non-current assets

The Company makes judgment on each balance sheet date on whether there is indication of impairment in respect of non-current assets other than financial assets. Intangible assets with indefinite useful life shall also be further tested for impairment when there is indication of impairment, in addition to the annual impairment test. Other non-current assets other than financial assets would be test for impairment when there is indication showing its carrying value in not likely to be recovered.

Impairment exists when carrying value of asset or assets group is higher than recoverable amount, namely the higher of fair value less disposal cost and present value of expected future cash flow.

The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset.

In assessing value in use, significant judgments are exercised over the asset's production, selling price, related operating expenses and discount rate to calculate the present value. All relevant materials which can be obtained are used for estimation of the recoverable amount, including the estimation of the production, selling price and related operating expenses based on reasonable and supportable assumptions.

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(6) Depreciation and amortisation

Assets such as investment properties, fixed assets and intangible assets are depreciated and amortised over their useful lives under straight line method after taking into account residual value. The estimated useful lives of the assets are regularly reviewed to determine the depreciation and amortisation costs charged in each reporting period. The useful lives of the assets are determined based on historical experience of similar assets and the estimated technical changes. If there have been significant changes in the factors used to determine the depreciation or amortisation, the rate of depreciation or amortisation is revised prospectively.

(7) Deferred income tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred income tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

(8) Early retirement pension plan and supplementary social pension plan

Expense and liability resulted from early retirement pension plan and supplementary social pension plan are determined based on a variety of assumptions, including the discount rate, the growth rate of average medical cost, the growth rate of retired employees' subsidies and other factors. Differences between actual and estimated results will be recognized accordingly as current expense. Although management believes that the assumptions are reasonable, the changes in actual empirical value and assumptions will affect the amount of expenses and the balance of liabilities resulted from early retirement pension plan and supplementary social pension plan.

(9) Projected liability

Provision for product quality guarantee, estimated onerous contracts, and delay delivery penalties shall be recognized in terms of contract, current knowledge and historical experience. If the contingent event has formed a practical obligation which probably results in outflow of economic benefits from the Group, a projected liability shall be recognized on the basis of the best estimate of the expenditures to settle relevant practical obligation. Recognition and measurement of the projected liability significantly rely on the management's judgments inconsideration of the assessment of relevant risks, uncertainties, time value of money and other factors related to the contingent events.

In addition, the Company would project liabilities for after-sale quality maintenance commitment provided to customers in respect of goods sold, maintained and reconstructed by the Company. Recent maintenance experience of the Company has been considered when projecting liabilities, while the recent maintenance experience may not reflect the future maintenance. Any increase or decrease of this provision may affect profit or loss for future years.

V. Taxes

1. Main taxation items and its tax rate

Taxation items	Tax rate
VAT	Output tax calculated based on the 6%, 11%, 13% or 17% of the taxable income, VAT based on the difference after deducted the current input tax
City maintenance tax	Taxed by 5% and 7% of the turnover tax actually paid
Education surtax	Taxed by 3% of the turnover tax actually paid
Local education surtax	Taxed by 2% of the turnover tax actually paid
Enterprise income tax	Taxed by 16.5% to 25% of the taxable income amount

Real estate tax	As for the taxed by residual value, paid with the 1.2% of the residual value after original value deducted 30%; as for the taxed by house rental, taxed with 12% of the rental income
Land-use tax of town	2.5 Yuan ~ 9Yuan per square meter for the land area actually occupied
Land VAT	Tax by the Value-added amount from transferring state-owned land use right , landing construction and its affiliates with four super-rate progressive tax rate

Rate for the income tax for the Company and subsidiaries as:

Taxpaying body	Rate of income tax
Shenzhen Nanshan Power Co.,Ltd. ("The Company")	25%
Shenzhen New Power Industrial Co., Ltd. ("New Power")	25%
Shenzhen Shennan Power Gas Turbine Engineering Technique Co., Ltd. ("Engineering Company")	25%
Shenzhen Server Energy Co., Ltd. ("Shenzhen Server")	25%
Shenzhen Shennan Power Environment Protection Co., Ltd. ("Environment Protection Company")	25%
Shennandian (Zhongshan) Power Co., Ltd. ("Zhongshan Power")	25%
Shennandian (Dongguan) Weimei Power Co., Ltd. (" Weimei Power")	25%
Shennan Energy (Singapore) Co., Ltd. (" Singapore company")	17%
Zhongshan Shennandian Storage Co., Ltd. ("Shen Storage ")	25%
Hongkong Syndisome Co., Ltd. ("Syndisome")	16.50%

2. Taxes preferential and approvals

Tax	Name of the company	Relevant regulation and policies basis	Approval institution	Approval documents	Exemption range	Period of validity
VAT	Environment Protection Co.,	" Notice of adjustment and perfection on resources comprehensive usage and labor VAT policy"(CS No.115[2011])	Not applicable	Not applicable	VAT free for sludge treatment	Not applicable
VAT	Environment Protection Co.,	Notice on "contents of products with comprehensive utilization of resources and value-added tax privilege of labour service" (CS No. [2015] 78)	Shenzhen Provincial Office, SAT (Qianhai SAT)	SGSQHBA No.[2015]0002	Resource comprehensive utilization of VAT refund	2015-8-1 to 2018-7-31
Enterprise income tax	SYNDISOME	" Arrangement of avoidance of double-taxation and prevention of tax free in mainland China and Hong Kong Special Administrative Region"(GSH No. 884[2006])	Not applicable	Not applicable	Levy income tax by 10% of total share interests	Not applicable

Enterprise income tax	SYNDISOME	’Enterprise Income Tax Law of People’s Republic of China”	State Tax Bureau of Nanshan Distict Shenzhen	Shen Guo Sui Nan Kou Jiao Bei Zi No.: [2011]0011	No enterprise income tax should pay for the dividend before 31 December 2007	Not applicable

Note: "Notice about adjusting and improving the products with comprehensive utilization of resources and value-added tax policy of labour service" (CS No. [2011] 115) has been abolished since July 1, 2015, the preferential policy of exempting environmental companies from added-value tax of labour services for sludge treatment has been abolished since August 2015, and environmental companies enjoy the drawback policy of added-value tax for comprehensive utilization of resources in accordance with the notice about printing and distributing "contents of products with comprehensive utilization of resources and value-added tax privilege of labour service" (CS No. [2015] 78).

VI. Annotation of the items in consolidate financial statement

With respect to the notes item (including Main item annotations of Financial Statements) disclosed below, unless otherwise specified, “year-beginning” refers to 1 January 2017 (in RMB/CNY)

1. Monetary fund

Item	30 June 2017	1 January 2017
Cash on hand	112,358.49	78,112.86
Bank savings	319,842,865.25	1,350,850,474.24
Other monetary fund	15,202,378.23	64,621,818.92
Total	335,157,601.97	1,415,550,406.02
Including: total amount saving aboard	6,347,163.26	6,369,994.14

Note: among the above other monetary capital, there are totally 14,758,119.56 Yuan guarantee draft margin and guarantee deposit included (on 31 December 2016: 26,068,078.16 Yuan).

2. Note receivable

Item	30 June 2017	1 January 2017
Bank acceptance	1,000,000.00	600,000.00

3. Account receivable

(1) Account receivable classified according to types:

Type	30 June 2017				
	Book Balance		Bad debt provision		Book value
	Amount	Proport	Amou	Proport	

		ion (%)	nt	ion (%)	
Account receivable with individual major amount and withdrawal bad debt provision independently	3,474,613.06	1.22	3,474,613.06	100.00	-
Accounts receivable with minor amount and accounts receivable with major amount found no devaluation after individual devaluation test	269,666,323.36	94.88	-	-	269,666,323.36
Account receivable with individual minor amount but withdrawal bad debt provision independently	11,075,730.61	3.90	2,270,096.82	20.50	8,805,633.79
Total	284,216,667.03	100.00	5,744,709.88	2.02	278,471,957.15

(Continued)

Type	1 January 2017				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivable with individual major amount and withdrawal bad debt provision independently	3,474,613.06	2.01	3,474,613.06	100.00	-
Accounts receivable with minor amount and accounts receivable with major amount found no devaluation after individual devaluation test	158,003,038.63	91.57	-	-	158,003,038.63
Account receivable with individual minor amount but withdrawal bad debt provision independently	11,075,730.61	6.42	2,270,096.82	20.50	8,805,633.79
Total	172,553,382.30	100.00	5,744,709.88	3.33	166,808,672.42

(2) Age analysis of account receivable:

Age	30 June 2017		1 January 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	277,423,537.19	97.61	115,655,678.86	67.03
1 to 2years	1,023,600.00	0.36	51,570,173.60	29.89
2 to 3years	1,137,145.51	0.40	695,145.51	0.40
Over 3 years	4,632,384.33	1.63	4,632,384.33	2.68
Total	284,216,667.03	100.00	172,553,382.30	100.00

(3) Accrual for bad debt provision

① Other account receivable with individual major amount and withdrawal bad debt provision independently

Account receivable	Carrying amount	Bad debt provision	Withdrawal proportion (%)	Reasons
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	3,474,613.06	3,474,613.06	100.00	Un-collectible
Total	3,474,613.06	3,474,613.06	100.00	

② Account receivable with individual minor amount but withdrawal bad debt provision independently at period-end

Account receivable	Book Balance	Bad debt provision	Withdrawal proportion (%)
Account of engineering receivable	9,697,248.34	891,614.55	9.19
Amount of oil sales receivable	146,915.10	146,915.10	100.00
Amount of dry mud sales receivable	69,900.10	69,900.10	100.00

Gas supply	138,067.07	138,067.07	100.00
Subsidy receivable	1,023,600.00	1,023,600.00	100.00
Total	11,075,730.61	2,270,096.82	20.50

(4) There are no account receivable of the shareholders or related party who hold over 5 %(5% included) voting rights in report period.

(5)Top 5 companies in account receivables

Name of the company	Relationship	Amount	Age	Proportion in total account receivable (%)
Guangdong Power Grid Co. Ltd.	The third party	139,817,482.80	Within 1year	49.19
Shenzhen Power Supply	The third party	121,555,444.20	Within 1year	42.77
Shenzhen Water Bureau	The third party	12,545,975.03	Within 1year	4.41
China Machinery Engineering Corporation	The third party	2,901,317.16	Within 1year	1.02
China Solibase Development Co., Ltd.	The third party	1,137,145.51	2-3 years	0.40
Total		277,957,364.70		97.80

4. Account paid in advance

(1) Account paid in advance classified according to age:

Account age	30 June 2017		1 January 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	125,499,982.82	99.95	43,583,360.72	99.81
1 to 2years	-	-	18,304.20	0.04
2 to 3years	37,386.94	0.03	37,225.30	0.09
Over 3 years	24,200.00	0.02	24,200.00	0.06
Total	125,561,569.76	100.00	43,663,090.22	100.00

(2) Top five account paid in advance by collector

Total top five account paid in advance by collector on 30 June 2017 amount to 117,943,018.57 Yuan, a 93.93% in total year-end account paid in advance

5. Other account receivable

(1) Other account receivable classified according to type:

Type	30 June 2017				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other account receivable with individual major amount and withdrawal bad debt provision independently	20,341,666.46	27.08	20,341,666.46	100.00	-
Other accounts receivable with minor amount and accounts receivable with major amount found no devaluation after individual devaluation test	42,891,260.73	57.10		-	42,891,260.73

Other account receivable with individual minor amount but withdrawal bad debt provision independently	11,888,447.98	15.82	11,502,753.98	96.76	385,694.00
Total	75,121,375.17	100.00	31,844,420.44	42.39	43,276,954.73

(Continued)

Type	1 January 2017				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other account receivable with individual major amount and withdrawal bad debt provision independently	20,341,666.46	4.75	20,341,666.46	100.00	-
Other accounts receivable with minor amount and accounts receivable with major amount found no devaluation after individual devaluation test	395,419,207.21	92.36	-	-	395,419,207.21
Other account receivable with individual minor amount but withdrawal bad debt provision independently	12,369,158.95	2.89	11,983,464.95	96.88	385,694.00
Total	428,130,032.62	100.00	32,325,131.41	7.55	395,804,901.21

① Other account receivable with individual major amount and withdrawal bad debt provision independently

Other account receivable	Carrying amount	Bad debt provision	Proportion (%)	Reason
Huiyang County Kangtai Industrial Company	14,311,626.70	14,311,626.70	100.00	Un-collectible
Shandong Jinan Power Equipment Factory	3,560,000.00	3,560,000.00	100.00	Un-collectible
Individual income tax	2,470,039.76	2,470,039.76	100.00	Un-collectible
Total	20,341,666.46	20,341,666.46	100.00	

② Account receivable with individual minor amount but withdrawal bad debt provision independently at period-end

Item	Carrying amount	Bad debt provision	Withdrawal proportion (%)
Dormitory amount receivable	2,083,698.16	1,736,004.16	83.31
Deposit receivable	1,312,974.95	1,312,974.95	100.00
Bureau of Finance of Zhongshan Municipality	219,192.00	219,192.00	100.00
Administrative Office of Nanshan District Shenzhen	50,000.00	12,000.00	24.00
Individual	7,498,997.87	7,498,997.87	100.00
Other	723,585.00	723,585.00	100.00
Total	11,888,447.98	11,502,753.98	96.76

(2)Bad debt provision withdrawal ,collected or switch back in the Period

Bad debt provision switch back in the period amounting to 480,710.97 Yuan

(3) No other account receivable verified actually in the period

(4) Other account receivable classified according to age:

Account age	30 June 2017		1 January 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	18,520,492.11	24.65	69,364,710.56	16.20
1 to 2years	406,379.85	0.54	267,084,650.63	62.39
2 to 3years	-	-	36,407,431.32	8.50
Over 3 years	56,194,503.21	74.81	55,273,240.11	12.91
Total	75,121,375.17	100.00	428,130,032.62	100.00

(5) There are no other account receivable of the shareholders who hold over 5 %(5% included) voting rights in report period.

(6) Account receivable from related parties found more in NoteX-5. Account receivable/payable with related party

(7) Top five other account receivables at year-end balance listed by arrears party

Name of the company	Relationship	Amount	Duration	Proportion in total other account receivable (%)	Year-end balance of bad debt provision
Huiyang Kangtai Industrial Company	Non-related party	14,311,626.70	Over 3 years	19.05	14,311,626.70
Managed account of Huidong Server	Related party	12,760,967.33	Within 1year, 1-2 years, 2-3 years , Over 3 years	16.99	-
Huidong Server Harbor Company	Related party	11,203,421.44	Within 1year, 1-2 years, 2-3 years, Over 3 years	14.91	-
Individual	Non-related party	7,498,997.87	Over 3 years	9.98	7,498,997.87
Individual income tax	Non-related party	2,470,039.76	Over 3 years	3.29	2,470,039.76
Total		48,245,053.10		64.22	24,280,664.33

6. Inventory

(1) Classification of inventory

Item	30 June 2017			1 January 2017		
	Book Balance	Depreciation provision	Book value	Book Balance	Depreciation provision	Book value
Fuels	9,550,237.88	9,190,295.09	359,942.79	9,464,593.90	9,190,295.09	274,298.81
Raw	128,581,641.24	43,530,497.91	85,051,143.33	126,083,472.44	45,673,691.68	80,409,780.76

materials						
Total	138,131,879.12	52,720,793.00	85,411,086.12	135,548,066.34	54,863,986.77	80,684,079.57

(2) Inventory falling price reserve

Type	2017.1.1	Accrual	Decreased		Carrying balance on 30 June 2017
			Switch back	Written-off	
Fuels	9,190,295.09	-	-	-	9,190,295.09
Raw materials	45,673,691.68	-	-	2,143,193.77	43,530,497.91
Total	54,863,986.77	-	-	2,143,193.77	52,720,793.00

(3) Accrual basis and reasons for switch back or written-off

Item	Specific basis	Reasons for switch back	Reasons for written-off
Fuels	Cost higher than the net realizable value	Not-applicable	Not-applicable
Raw materials	Cost higher than the net realizable value	Not-applicable	Raw materials reception

7. Other current assets

Item	30 June 2017	1 January 2017
VAT input tax deductible	485,743,671.15	541,521,707.47
Enterprise income tax deductible	6,826,996.52	6,991,073.22
Other	30,000.00	30,000.00
Total	492,600,667.67	548,542,780.69

8. Financial assets available for sale

(1) Financial assets available for sale

Item	30 June 2017			1 January 2017		
	Book Balance	Depreciation reserves	Book value	Book Balance	Depreciation reserves	Book value
Equity instrument available for sale	61,815,000.00	2,500,000.00	59,315,000.00	61,815,000.00	2,500,000.00	59,315,000.00
Including: measured by cost	61,815,000.00	2,500,000.00	59,315,000.00	61,815,000.00	2,500,000.00	59,315,000.00
Total	61,815,000.00	2,500,000.00	59,315,000.00	61,815,000.00	2,500,000.00	59,315,000.00

(2) Measured by cost

Investee company	Book Balance			Depreciation reserves		
	Year-begin	+, -	30 June 2017	Year-begin	+, -	30 June 2017
CPI Jiangxi Nuclear Power Co., Ltd.	59,315,000.00	-	59,315,000.00	-	-	-
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	2,500,000.00	-	2,500,000.00	2,500,000.00	-	2,500,000.00

Total	61,815,000.00	-	61,815,000.00	2,500,000.00	-	2,500,000.00

Continued

Investee company	Shareholding ratio in investee company (%)	Cash bonus
CPI Jiangxi Nuclear Power Co., Ltd.	5.00	-
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	4.00	-

9. Long-term equity investment

Investee company	1 January 2017	+,-		30 June 2017	Balance of depreciation reserves on 30 June 2017
		Investment gains/losses recognized by equity method	Other		
Affiliated business					
Huidong Server(Note)	20,305,064.18	-1,019,420.00	-	19,285,644.18	-
Total	20,305,064.18	-1,019,420.00	-	19,285,644.18	-

Note: up to 30 June 207, 20% equity of the Huidong Server was pledged to Jiahua Building Product (Shenzhen) Co., Ltd. with 2-year term; found more in Note VI-25. Accrual liability.

10. Investment real estate

Item	House, buildings	Land use right	Construction in process	Total
I. Original book value				
1. 1 January 2017	9,708,014.96	-	-	9,708,014.96
2.Current increased	-	-	-	-
3.Current decreased	-	-	-	-
4. 30 June 2017	9,708,014.96	-	-	9,708,014.96
II. accumulated depreciation and accumulated amortization				-
1. 1 January 2017	6,709,437.05	-	-	6,709,437.05
2. Current increased	98,068.80	-	-	98,068.80
(1) accrual or amortization	98,068.80	-	-	98,068.80
3. Current decreased	-	-	-	-
4. 30 June 2017	6,807,505.85	-	-	6,807,505.85
III. depreciation provision				-
1. 1 January 2017	-	-	-	-
2. Current increased	-	-	-	-
3.Current decreased	-	-	-	-
4. 30 June 2017	-	-	-	-

IV. Book value				-
1. 30 June 2017	2,900,509.11	-	-	2,900,509.11
2. 1 January 2017	2,998,577.91	-	-	2,998,577.91

11. Fixed assets

(1) Fixed assets

Item	House and buildings	Machinery equipment	Transportation tools	Other equipment	Total
I. Original book value					
1. 1 January 2017	450,244,770.68	4,034,616,019.71	25,822,932.64	48,091,071.95	4,558,774,794.98
2. Current increased					
(1) Purchase	-	167,010.55	-	312,983.89	479,994.44
(2) Construction in process transfer-in	-	-	-	18,396.23	18,396.23
(3) increased by enterprise combination	-	-	-	-	-
3. Current decreased					
(1) Disposal or scrap	-	-	1,580,000.00	27,293.50	1,607,293.50
4. 30 June 2017	450,244,770.68	4,034,783,030.26	24,242,932.64	48,395,158.57	4,557,665,892.15
II. Accumulated depreciation					
1. 1 January 2017	269,499,416.09	2,533,047,315.62	21,619,835.46	39,924,321.56	2,864,090,888.73
2. Current increased					
(1) accrual	6,386,890.97	54,496,070.93	282,792.87	488,344.78	61,654,099.55
3. Current decreased					
(1) Disposal or scrap	-	-	1,422,000.00	24,564.15	1,446,564.15
4. 30 June 2017	275,886,307.06	2,587,543,386.55	20,480,628.33	40,388,102.19	2,924,298,424.13
III. impairment provision					
1. 1 January 2017	14,860,025.13	135,261,184.44	-	-	150,121,209.57
2. Current increased					
(1) accrual	-	-	-	-	-
3. Current decreased					
(1) Disposal or scrap	-	-	-	-	-
4. 30 June 2017	14,860,025.13	135,261,184.44	-	-	150,121,209.57
IV. Book value					
1. 30 June 2017	159,498,438.49	1,311,978,459.27	3,762,304.31	8,007,056.38	1,483,246,258.45
2. 1. January 2017	165,885,329.46	1,366,307,519.65	4,203,097.18	8,166,750.39	1,544,562,696.68

(2) Idle fixed assets temporary

Item	Original	Accumulate	Impairment	Book value	Note

	book value	d depreciation	provision		
Houses and buildings	31,597,904.77	15,120,684.09	9,207,985.57	7,269,235.11	Wharf, processing workshop of heavy oil
Equipment	652,812,119.46	549,337,857.67	62,687,582.11	40,786,679.68	Processing equipment of heavy oil and generation unit
Total	684,410,024.23	564,458,541.76	71,895,567.68	48,055,914.79	

(3) Fixed assets without property license obtained

Item	Book value	Reasons
Booster station	5,567,100.88	Procedures uncompleted
Steam turbine workshop	2,014,811.08	Procedures uncompleted
Chemical water tower	3,327,665.86	Procedures uncompleted
Treatment shop for heavy oil	650,123.93	Procedures uncompleted
Start-up boiler house	146,191.99	Procedures uncompleted
Fire pump room	339,374.37	Procedures uncompleted
Circulating water pump house	2,134,592.90	Procedures uncompleted
Comprehensive building	3,557,285.99	Procedures uncompleted
Production and inspection building	5,745,308.85	Procedures uncompleted
Administrative building	5,907,084.49	Procedures uncompleted
Mail room of the main entrance	239,379.05	Procedures uncompleted
Turbine building and annex building	11,874,881.41	Procedures uncompleted
Plant's ventilating system	617,106.19	Procedures uncompleted
Office building	5,905,100.34	Procedures uncompleted
Comprehensive building	1,318,339.76	Procedures uncompleted
Draft cooling tower	3,815,333.90	Procedures uncompleted
Chemical water workshop and foundation of water tank	1,813,309.39	Procedures uncompleted
Industry pool and industry pump house	795,826.68	Procedures uncompleted
Start-up boiler house	132,976.27	Procedures uncompleted
Oil treatment room and oil un-loading platform	337,538.98	Procedures uncompleted
Comprehensive building canteen	333,824.85	Procedures uncompleted
Total	56,573,157.16	

12. Construction in process

(1) Construction in process

Item	30 June 2017			1 January 2017		
	Book Balance	Impairment provision	Book value	Book Balance	Impairment provision	Book value
Oil to Gas Works	32,871,600.26	32,871,600.26	-	32,871,600.26	32,871,600.26	-
Cogeneration of heat and electricity Project	39,010,014.92	-	39,010,014.92	6,378,207.05	-	6,378,207.05
Other technical innovation project	2,278,922.02	-	2,278,922.02	1,630,269.08	-	1,630,269.08
Total	74,160,537.20	32,871,600.26	41,288,936.94	40,880,076.39	32,871,600.26	8,008,476.13

(2) Changes of significant projects in construction in the year

Item	Budget	1 January 2017	Increase of this year	Transferred fixed assets in this year	Other decrease in the year	30 June 2017
Oil to Gas Works	74,400,000.00	32,871,600.26	-	-	-	32,871,600.26
Cogeneration of heat and electricity Project	70,000,000.00	6,378,207.05	32,631,807.87	-	-	39,010,014.92
Technological transformation project		1,630,269.08	667,049.17	18,396.23	-	2,278,922.02
Total	144,400,000.00	40,880,076.39	33,298,857.04	18,396.23	-	74,160,537.20

(3) Impairment provision

Item	1 January 2017	Increase	Decreased	30 June 2017	Reasons of accrual
Oil to Gas Works	32,871,600.26	-	-	32,871,600.26	In idle condition

(4) Idle construction in progress temporary

Item	30 June 2017			1 January 2017		
	Book Balance	Impairment provision	Net book value	Book Balance	Impairment provision	Net book value
Oil to Gas Works	32,871,600.26	32,871,600.26	-	32,871,600.26	32,871,600.26	-

13. Intangible assets

Item	Land use right	Software	Total
I. Original book value			
1. 1 January 2017	91,253,625.27	3,678,109.85	94,931,735.12
2. Current increased			-
(1) purchase	-		-
3. Current decreased			-
(1) disposal	-	-	-
4. 30 June 2017	91,253,625.27	3,678,109.85	94,931,735.12
II. Accumulated amortization			
1. 1 January 2017	40,330,677.73	3,519,953.18	43,850,630.91
2. Current increased			-
(1) accrual	1,158,789.87	146,554.32	1,305,344.19
3. Current decreased			-
(1) disposal	-	-	-
4. 30 June 2017	41,489,467.60	3,666,507.50	45,155,975.10
III. Impairment provision			
1. 1 January 2017	-	-	-
2. Current increased			
(1) accrual	-	-	-
3. Current decreased			
(1) disposal	-	-	-
4. 30 June 2017	-	-	-
IV. Book value			
1. 30 June 2017	49,764,157.67	11,602.35	49,775,760.02
2. 1 January 2017	50,922,947.54	158,156.67	51,081,104.21

14. Deferred income tax assets

Item	30 June 2017	1 January 2017
Deferred income tax assets:		
Bad debt provision of account receivable	1,137,023.19	1,137,023.19
Other provision for bad debts of accounts receivable	180,896.25	180,896.25
Staff salary payable	830,621.00	830,621.00
Provision for devaluation of long-term equity investment	625,000.00	625,000.00
Others	123,042.57	123,042.57
Total	2,896,583.01	2,896,583.01

15. Other non-current assets

Item	30 June 2017	1 January 2017
Project of LNG(Note)	22,882,181.78	22,882,181.78

Note: the project was jointly constructed by Weimei Power Company and Guangdong Dapeng Liquid Natural Gas Co., Ltd.(hereinafter referred to as Dapeng LNG). According to the contract signed between the two parties, before the project involved by this construction acquired approval from the relevant national authorities, the ownership belongs to both parties. After such approval, Dapeng LNG will acquire LNG project. Thus, Weimei Power Company recorded it under the item of “other non-current assets”.

16. Short-term loans

Item	30 June 2017	1 January 2017
Guarantee loans	248,050,000.00	336,840,000.00
Credit loans	-	460,000,000.00
Total	248,050,000.00	796,840,000.00

17. Note payable

Type	30 June 2017	1 January 2017
Trade acceptance	102,245,428.22	169,909,496.01
Bank acceptance	72,366,308.16	122,366,308.16
Total	174,611,736.38	292,275,804.17

18. Account payable

(1) Details of account payable

Item	30 June 2017	1 January 2017
Natural gas	12,293,434.69	-
Materials	1,942,420.02	4,394,883.47
Electricity	1,701,661.49	776,036.94
Engineering funds	1,363,320.00	-
Others	302,273.75	1,158,158.44
Total	17,603,109.95	6,329,078.85

(2)There is no fund of shareholders with 5 %(including 5%) or more of the voting shares in the Group in the report period.

19. Wages payable

(1) Wages payable

Item	1 January 2017	Increase this year	Decrease this year	30 June 2017
I. Short-term remuneration	42,179,004.09	61,814,731.25	65,303,922.31	38,689,813.03
II. Post-employment welfare-defined contribution plans	3,644,786.52	7,387,534.20	6,870,902.54	4,161,418.18
III. Severance Pay	-	1,154,351.00	1,154,351.00	-
IV. Other welfare due within one year	-	-	-	-
Total	45,823,790.61	70,356,616.45	73,329,175.85	42,851,231.21

(2) Short-term remuneration

Item	1 January 2017	Increase this year	Decrease this year	30 June 2017
1. Wages, bonuses, allowances and subsidies	40,079,675.77	49,505,659.50	54,089,841.62	35,495,493.65
2. Welfare for employee	-	313,606.75	313,606.75	-
3. Social insurance	150,775.44	3,324,820.61	2,947,269.14	528,326.91
Including: Medical insurance	119,411.34	3,092,969.14	2,763,335.34	449,045.14

Work injury insurance	13,170.69	152,721.19	128,336.67	37,555.21
Maternity insurance	18,193.41	78,730.28	55,197.13	41,726.56
Wages in arrears	-	400.00	400.00	-
4. Housing provident fund	526,844.24	7,449,118.61	6,834,456.40	1,141,506.45
5.Union funds and staff education expenses	1,421,708.64	1,221,525.78	1,118,748.40	1,524,486.02
Total	42,179,004.09	61,814,731.25	65,303,922.31	38,689,813.03

(3) Defined contribution plans

Item	1 January 2017	Increase this year	Decrease this year	30 June 2017
1. Basic Endowment insurance	313,776.62	7,290,043.52	6,776,736.70	827,083.44
2. Unemployment insurance	8,567.90	97,490.68	94,165.84	11,892.74
3. Enterprise annuities	3,322,442.00	-	-	3,322,442.00
Total	3,644,786.52	7,387,534.20	6,870,902.54	4,161,418.18

20. Taxes payable

Item	30 June 2017	1 January 2017
VAT	1,826,302.47	7,535,988.38
Business tax	63,353.11	43,587.02
Enterprise income tax	756,419.16	221,361,456.61
Individual income tax	1,453,685.25	1,398,796.46
Land-use tax of town	211,254.75	1,382,357.33
Real estate tax	1,393,390.51	2,540,753.95
Others	56,872.53	271,077.36
Total	5,761,277.78	234,534,017.11

21. Interest payable

Item	30 June 2017	1 January 2017
Long-term loan interest of installment and interest charges	329,366.67	777,615.30
Interest payable of short-term loan	2,638,982.68	3,802,866.51
Total	2,968,349.35	4,580,481.81

22. Other account payable

Item	30 June 2017	1 January 2017
Project expense	22,124,130.56	27,401,064.40
Quality guarantee deposit	3,073,138.31	6,852,462.21
Equipment amount	5,879,380.27	610,987.63
Land use right charge	532,838.78	1,575,676.60
Fund of the Board	516,720.25	479,659.27
Accrued expenses	35,434,732.69	34,865,705.80

Other	6,174,421.00	7,746,540.05
Total	73,735,361.86	79,532,095.96

23. Non-current liability due within one year

Item	30 June 2017	1 January 2017
Long-term loans due within one year (Note VI-24)	386,400,000.00	463,000,000.00
Total	386,400,000.00	463,000,000.00

24. Long-term loans

Item	30 June 2017	1 January 2017
Guarantee loans	205,340,000.00	378,400,000.00
Credit loans	208,000,000.00	428,500,000.00
Less: Long-term loans due within one year	386,400,000.00	463,000,000.00
Total	26,940,000.00	343,900,000.00

25. Accrued liabilities

Item	1 January 2017	Increased	Decreased	30 June 2017
Offering guarantee outside	27,100,000.00	-	267,602.12	26,832,397.88

Note: On 29 November 2013, Shenzhen Server and Jiahua Building Products (Shenzhen) Co., Ltd. (Jiahua Building) signed a supplementary term aiming at equity transfer over equity attribution and division of Yapojiao Dock, which belongs to Shenzhen Server, Huidong Server, and Huidong Nianshan Town Government as well as its subordinate Nianshan Group. In order to solve this remaining historic problem, Shenzhen Server saved RMB 12,500,000.00 in condominium deposit account as guarantee. In addition, Server pledged its 20% of equity holding from Huidong Server to Jiahua Architecture with pledge duration of 2 years. The amount of collateral on loans could not exceed RMB 15,000,000.00. Relevant losses with the event concerned predicted amounting to RMB 26,832,397.88 ended as 30 June 2017

26. Deferred income

Item	Content	30 June 2017	1 January 2017
Deferred income	Government grants with assets concerned	44,060,356.16	45,818,868.15

Including, items with government grants involved:

Liability	1 January 2017	Subsidies increased	Amount reckoned in other revenue	Other changes	30 June 2017	Assets /income related
Subsidy for energy-saving technology reform	5,785,125.30	-	213,412.41	-	5,571,712.89	Assets related
Subsidy for low-nitrogen transformation project	998,245.87	-	32,757.46	-	965,488.41	Assets related
Treasury subsidies for sludge drying	3,591,250.00	-	127,500.00	-	3,463,750.00	Assets related
Support fund of recycling economy for sludge drying	9,392,282.71	-	323,501.46	-	9,068,781.25	Assets related
Subsidy for project of low-nitrogen transformation for welcoming the Universidad	25,539,848.23	-	1,276,992.42	-	24,262,855.81	Assets related
Support fund of enterprise informationalization	270,196.04	-	30,588.24	-	239,607.80	Assets related

Funded of energy efficiency improvement for electric machine in SZ	241,920.00	259,200.00	12,960.00	-	488,160.00	Assets related
Total	45,818,868.15	259,200.00	2,017,711.99	-	44,060,356.16	

27. Share capital

Item	1 January 2017	Changes in this year(+ -)					30 June 2017
		New shares issued	Bonus shares	Capitalizing from reserves	Other	Subtotal	
Total shares	602,762,596.00	-	-	-	-	-	602,762,596.00

28. Capital reserve

Item	1 January 2017	Increase in the year	Decrease in the year	30 June 2017
Capital premium	233,035,439.62	-	-	233,035,439.62
Other capital reserve	129,735,482.48	-	-	129,735,482.48
Other	362,770,922.10	-	-	362,770,922.10

29. Surplus reserve

In RMB

Item	1 January 2017	Increase in the year	Decrease in the year	30 June 2017
Legal surplus reserve	310,158,957.87	-	-	310,158,957.87
Discretionary surplus reserve	22,749,439.73	-	-	22,749,439.73
Total	332,908,397.60	-	-	332,908,397.60

30. Retained profit

Item	30 June 2017	1 January 2017
Retained profit of last year before adjusted	644,271,987.22	-662,422,848.24
Total retained profit adjusted (increased with +, decreased with -)	-	-
Retained profit at beginning of the year after adjusted	644,271,987.22	-662,422,848.24
Add: net profit attributable to shareholders of parent company	-22,629,201.38	1,306,694,835.46
Retained profit at year-end	621,642,785.84	644,271,987.22

31. Operating income and operating cost

Item	2017		2016	
	Income	Cost	Income	Cost
Main business	871,032,443.81	827,070,339.40	696,432,490.71	639,919,822.75
Other business	1,930,253.52	691,219.93	1,255,776.37	-
Total	872,962,697.33	827,761,559.33	697,688,267.08	639,919,822.75

32. Business tax and surcharge

Item	2017	2016
Business tax	-	2,293,256.16

City maintenance tax	1,076,429.84	588,923.60
House duty	918,709.23	-
Stamp tax	344,854.98	-
Educational surcharge	953,710.38	218,106.29
Land use tax	200,777.04	-
Total	3,494,481.47	3,100,286.05

33. Management expenses

Item	2017	2016
Salary	20,156,152.48	18,521,671.62
Taxes	-	1,732,410.66
Leasing expenses	3,014,660.30	3,059,267.02
Entertainment expense	1,654,048.96	2,291,471.63
Expenses for agency appointment	1,160,974.45	1,431,405.29
Vehicles expenses	1,837,717.51	1,787,476.46
Expenses from the Board	1,006,497.20	831,272.04
Housing fund	1,736,661.05	1,631,837.77
Depreciation expense	1,351,420.01	1,393,866.06
Amortization of intangible assets	938,591.10	996,580.98
Specific expenses	119,679.73	725,901.21
Environmental expense	900,528.44	881,445.19
Sundry expenses	1,283,195.42	1,513,103.98
Expenses for enterprise culture	87,511.70	206,852.84
Property expense	447,758.12	440,711.08
Office expenses	166,523.48	222,645.08
Pension insurance	2,184,952.61	1,939,815.87
Communication charge	598,622.04	656,333.14
Business traveling charge	216,806.54	315,788.30
Stock charge	40,377.36	364,249.31
Medicare	867,818.90	803,609.31
Labor union dues	457,849.20	391,539.68
Personnel education fund	141,084.34	248,847.24
Others	821,787.52	2,289,002.77
Total	41,191,218.46	44,677,104.53

34. Financial expenses

Item	2017	2016

Interest expenditure	39,088,778.10	99,068,132.04
Less : interest income	7,910,187.73	3,436,770.19
Exchange gains/losses	184,715.46	142,337.41
Others	316,084.62	674,956.86
Total	31,679,390.45	96,448,656.12

35. investment gains/losses

Item	2017	2016
	-1,019,420.00	-1,082,859.84
Disposal of long-term equity	-	-
Total	-1,019,420.00	-1,082,859.84

36. Impairment of Assets

Item	2017	2016
Loss on bad debt	-480,710.97	-
Total	-480,710.97	-

37. Other

Item	2017	2016
Government bond subsidy for sludge drying	1,276,992.42	-
Support fund of enterprise informationalization	30,588.24	-
Subsidy for energy-saving technology reform	246,169.87	-
Government bond subsidy for sludge drying	127,500.00	-
Support fund of recycling economy for sludge drying	323,501.46	-
Energy efficiency improvement for electric machine	12,960.00	-
VAT refund	1,272,151.11	-
Other	200,000.00	-
Total	3,489,863.10	-

38. Non-operating income

Item	2017	2016
Government grant	-	11,821,340.67
Others	5,796.00	-
Total	5,796.00	11,821,340.67

39. Non-operating expense

Item	2017	2016
Expenses from external donation	10,000.00	20,000.00

Total loss from disposal of non-current assets	160,729.35	203,276.08
Including: Gains and loss of disposal of fixed assets	160,729.35	203,276.08
Other	1,280.22	-
Total	172,009.57	223,276.08

40. Income tax expenses

Item	2017	2016
Current income tax measured by tax law and relevant regulation	920,495.87	1,085,010.53

41. Cash flow statement

(1) Cash received with other operating activities concerned

Item	2017	2016
Open credit received	367,531,301.56	-
Fuels subsidy income	-	143,718,571.29
Others	8,556,974.23	16,349,474.99
Total	376,088,275.79	160,068,046.28

(2) Cash paid for other operating activities

Item	2017	2016
Expense on agency appointment	1,160,974.45	1,431,405.29
Fund for the Board	1,006,497.20	831,272.04
Leasing expense	3,462,418.42	3,499,978.10
Entertainment expense	1,654,048.96	2,291,471.63
Vehicles expense	1,837,717.51	1,787,476.46
Enterprise culture	87,511.70	206,852.84
Communication fee	598,622.04	656,333.14
Environment protection fee	900,528.44	881,445.19
Others	10,904,167.56	14,614,204.60
Total	21,612,486.28	26,200,439.29

(3) Cash received with financing activities concerned

Item	2017	2016
Deposit received	11,309,958.60	5,300,000.00

(4) Cash paid with other financing activities concerned

Item	2017	2016
Deposit paid	-	11,309,958.60

42. Supplementary information on cash flow statement

(1) Regulate the net profit into the cash flow of operating activities

Supplementary information	2017	2016
1. Regulate the net profit into the cash flow of operating activities		
Net profit	-30,712,587.05	-79,480,798.41
Add: Asset impairment provision	-480,710.97	-
Depreciation of fixed assets	61,654,099.55	60,423,429.56
Amortization of intangible assets	1,305,344.19	1,371,786.63
Amortization of long-term deferred expenses	-	-
Loss (gain) from disposing fixed assets, intangible assets and other long-term assets	160,729.35	203,276.08
Abandonment loss from fixed assets	-	-
Financial expenses(gain)	39,088,778.10	93,011,885.93
Investment loss(gain)	1,019,420.00	1,082,859.84
Decrease (increase) of deferred income tax assets	-	-
Decrease (increase)of inventory	-4,727,006.55	-15,266,212.19
Decrease (increase) of receivable operating items	214,908,295.24	25,688,718.89
Increase (decrease) of payable operating items	-347,665,217.13	96,645,329.00
Net cash flow from operation activities	-65,448,855.27	183,680,275.33
2. Major investment and financing activities not involving cash income and expenditure:		
Debt capitalization	-	-
Convertible company bond due within one year	-	-
Fixed assets acquired under finance leases	-	-
3. Net change of cash and cash equivalents:		
Year-end balance	320,399,482.41	1,095,318,763.16
Less: Balance of cash at period-begin	1,389,482,327.86	1,016,326,480.06
Net increase of cash and cash equivalents	-1,069,082,845.45	78,992,283.10

(2) Composition of cash and cash equivalent

Item	2017	2016
I. Cash	320,399,482.41	1,095,318,763.16
Including: Cash on hand	112,358.49	182,118.71
Bank savings available for payment needed	319,842,865.25	1,090,492,069.20
Other monetary capital available for payment needed	444,258.67	4,644,575.25
II. Cash equivalent		
III. Balance of cash and cash equivalent at period-end	320,399,482.41	1,095,318,763.16

43. Assets of ownership or use right restricted

Item	30 June 2017	Restricted reason
Monetary Fund	14,758,119.56	Bid bond
Total	14,758,119.56	

44. Foreign currency

Item	30 June 2017	Conversion rate	RMB converted
Monetary fund			
Including: USD	876,850.08	6.77	5,938,902.24
Euro	976.71	7.75	7,569.11
HKD	654,452.32	0.87	568,000.55
SGD	5,794.81	4.91	28,472.78

VII. Change of consolidate scope

Nil

VIII. Equity in other entity

1. Equity in subsidiaries

(1) Composition of the Group

Subsidiary	Main operation place	Registration place	Business nature	Shareholding ratio (%)	Acquired way
Shenzhen Server (note)	Shenzhen	Shenzhen	Trading	50	Establishment
New Power Company	Shenzhen	Shenzhen	Power generation	100	Establishment
Zhongshan Power Company	Zhongshan	Zhongshan	Power generation	80	Establishment
Engineering Company	Shenzhen	Shenzhen	Engineering consulting	100	Establishment
Weimei Power Company	Dongguan	Dongguan	Power generation	70	Establishment
Environment Protection Company	Shenzhen	Shenzhen	Engineering	100	Establishment
Singapore company	Singapore	Singapore	Trading	100	Establishment
Shen Storage	Zhongshan	Zhongshan	Storage	80	Establishment
SYNDISOME	Hong Kong	Hong Kong	Import & export trading	100	Not under the same control

Note : The Company holds 50% equity of Shenzhen Server, and takes majority voting rights in Shenzhen Server, thus, the Company owes substantial control; Shenzhen Server included in the consolidate scope of the financial statement.

(2) Important non-wholly-owned subsidiary

Subsidiary	Share-holding ratio of minority (%)	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Zhongshan Power	20	-2,677,075.52	-	-12,069,733.70

Company				
Weimei Power Company	30	-3,743,510.76	-	35,080,653.60

(3) Main finance of the important non-wholly-owned subsidiary

Subsidiary	30 June 2017					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Zhongshan Power Company	161,092,160.90	615,000,122.06	776,092,282.96	803,963,750.15	32,477,201.30	836,440,951.45
Weimei Power Company	195,490,973.66	539,455,878.83	734,946,852.49	618,011,340.50	-	618,011,340.50

(Continued)

Subsidiary	1 January 2017					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Zhongshan Power Company	138,059,135.37	608,395,920.72	746,455,056.09	748,234,975.82	45,183,371.17	793,418,346.99
Weimei Power Company	237,095,978.47	558,501,453.51	795,597,431.98	666,183,550.79	-	666,183,550.79

(Continued)

Subsidiary	2017			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongshan Power Company	230,866,147.88	-13,385,377.59	-13,385,377.59	-14,568,572.01
Weimei Power Company	171,896,422.01	-12,478,369.20	-12,478,369.20	-6,869,702.57

(Continued)

Subsidiary	2016			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongshan Power Company	184,769,854.45	-17,740,015.11	-17,740,015.11	3,753,922.35
Weimei Power Company	130,208,928.16	-25,003,456.60	-25,003,456.60	195,626.20

2. Equity in joint venture and cooperative enterprise

Joint venture and cooperative enterprise	Main operation place	Registered place	Business nature	Share-holding ratio (%)		Accounting treatment
				Directly	Indirectly	

Huidong Server	Huizhou	Huizhou	Wharf		40	Equity method

Note: The 60% equity of Huidong Server, held by controlling subsidiary Shenzhen Server are transferred on 9 December 2013, the other 40% equity will re-measured by appraisal value when losing the controlling right.

XI Risks associated with financial instruments

The Company's main financial instruments include equity investment, borrowings, accounts receivable, accounts payable, etc., see details of each financial instrument in related items of this annotation xi. The risks associated with these financial instruments and the risk management policies adopted by the Company to reduce these risks are described as below. The management of the Company manages and monitors these risk exposures to ensure that the above risks are controlled within the limit range.

The Company uses the sensitivity analysis technique to analyze the possible impact of the risk variable on the current profit and loss or the shareholders' equity. Since any risk variable rarely changes in isolation, and the correlation existing among the variables shall have a significant effect on the final amount of changes about a certain risk variable, therefore, the following proceeds by assuming that the change in each variable is independent.

(i) Risk management objectives and policies

The objective of the Company's risk management is to gain a proper balance between risks and profits, minimize the negative impact of risks on the Company's operating results, and maximize the benefits of shareholders and other equity investors. Based on the risk management objective, the basic strategy of the Company's risk management is to identify and analyze the risks faced by the Company, establish appropriate bottom line to bear the risks and carry out risk management, and timely and reliably supervise the risks so as to control the risks within the limit range.

1 Market risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of losses due to exchange rate changes. The Company’s foreign exchange risk is mainly related to the US dollar. On June 30, 2017, except for the balance of foreign currency monetary items, the assets and liabilities of the Company are RMB balance. The foreign exchange risk arising from the assets and liabilities of such foreign currency balances may have an impact on the Company's operating results.

(2) Interest rate risk - cash flow change risk

The Company's cash flow change risk of financial instruments arising from interest rate change is mainly related to the floating interest rate bank loans (see details in annotation xi, 16, annotation xi, 23).

Interest rate risk sensitivity analysis:

The interest rate risk sensitivity analysis is based on the following assumptions:

• Changes in market interest rates affect the interest income or expense of financial instruments with variable interest rate;

• For financial instruments with fixed rate by fair value measurement, the changes in market interest rates only affect their interest income or expense;

• For derivative financial instruments designated as hedging instruments, the changes in market interest rates affect their fair value, and all interest rate hedging prediction is highly effective;

• Calculate the changes in fair value of derivative financial instruments and other financial assets and liabilities by using the cash flow discount method at the market interest rate at the balance sheet date.

On the basis of above assumptions, in case that other variables keep unchanged, the pre-tax effect of possible reasonable changes in interest rates on current profits and losses and shareholders' equity is as follows:

Rate changes	2017		2016	
	Net profit	Shareholder’ interest	Net profit	Shareholder’ interest
5% increased	1,952,727.44	1,698,182.60	4,718,003.20	4,448,821.87
5% decreased	-1,952,727.44	-1,698,182.60	-4,718,003.20	-4,448,821.87

2. Credit risk

On June 30, 2017, the maximum credit risk exposure that could cause financial loss to the Company is mainly due to the failure of the other party to fulfill the obligations, resulting in losses to the Company's financial assets, including:

The book value of financial assets confirmed in the consolidated balance sheet; for the financial instrument measured by fair value, the book value reflects its risk exposure but not the maximum risk exposure, and its maximum risk exposure will change with the changes in future fair value.

To reduce the credit risk, the Company has set up a team to determine the credit lines, examine and approve the credit, and perform other monitoring procedures to ensure that necessary measures are taken to recover the expired claims. In addition, the Company reviews the recovery of each account receivable at each balance sheet date to ensure that sufficient provision for bad debts is made for uncollectible funds. As a result, the Company's management believes that the Company's credit risk has been greatly reduced.

The company's working capital is deposited in banks with high credit ratings, so the credit risk of working capital is rather low.

3. Liquidity risk

In managing the liquidity risk, the Company keeps the cash and cash equivalents that the management considers to be sufficient and supervise them so as to meet the Company's operating needs and reduce the impact of fluctuations in cash flows. The Company’s management monitors the use of bank loans and ensures to comply with the loan agreement.

The Company uses bank loans as the main source of funds.

X. Related party and related transactions

1. Parent company of the Group

Share holding proportion of any shareholder of the Company didn't reach 50%, and couldn't form a holding relationship of the Company through any methods. The Company has no parent company.

2. Subsidiaries of the Company

Found more in 1. Subsidiary in Note VIII

3. Joint venture and affiliated enterprise of the Group

Found more in 2. Equity in joint venture or affiliate business in Note VIII

4. Other related party

Other related party	Relationship with the Group
Shenzhen Energy Group Co., Ltd. ("Energy Group ")	Shareholders have major influence on the Company
Dongguan Weimei Ceramics Industrial Park Co., Ltd. (" Weimei Ceramics")	Minority shareholders of the subsidiaries
Shenzhen Mawan Powr Co., Ltd. ("Mawan Power Company")	Subsidiary of ultimate controller of Energy Group
Shenzhen Moon Bay Oil Harbour Co., Ltd. ("Moon Bay Oil Company")	Subsidiary of ultimate controller of Energy Group
Shenzhen Energy Group Holding Co., Ltd. (" Energy Holding")	Subsidiary of ultimate controller of Energy Group
Shenzhen Pipe Energy Technology Development Co., ltd. ("Pipe Technology")	Others Related party
Alltrust Insurance Co., Ltd. ("Alltrust Insurance")	Other Related party
Director of the Company and other senior executives	Key management staff

5. Account payable/receivable from related parties

(1) Account receivable

Item	30 June 2017		1 January 2017	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Other account receivable:				
Huidong Server	11,203,421.44	-	11,022,401.44	-
Huidong Server managed account	12,760,967.33	-	12,930,850.20	-
Total	23,964,388.77	-	23,953,251.64	-

XI. Commitment

1. Major commitment

Till the balance sheet day, the condition of irrevocable operating lease contract the Group externally signed is as follow:

In RMB

Item	30 June 2017	1 January 2017
Minimum lease payments of irrevocable operating lease:		
The first year after balance sheet day	1,504,396.50	1,504,396.50
The second year after balance sheet day	1,544,359.37	1,517,717.46

The third year after balance sheet day	1,557,680.33	1,557,680.33
Subsequent years	58,949,941.56	59,728,781.72
Total	63,556,377.76	64,308,576.01

2. Contingency

Nil

XII. Events Occurring after the Balance Sheet Date

Nil

XIII. Other important events

1. Segment information

(1) Determining basis and accounting policies of reportable segments

According to the Group's internal organization structure, management requirements and internal reporting system, the Group's business is divided into three operating segments including power and heat supply, fuel oil trade and other business, the Group's management periodically evaluates the operating results of these segments so as to determine the allocation of resources and assess their performances.

Segmental reporting information is disclosed in accordance with the accounting policies and measurement standards adopted by each segment for reporting to the management, the measurement basis keep pace with the accounting and measurement basis used for preparing financial statements.

(2) Financial information of reportable segment

Item	Power supply and heat supply	Fuel oil trade	Other	Offset between segments	Total
Main business income	842,021,424.05	-	29,011,019.76	-	871,032,443.81
Main business cost	814,221,686.15		21,852,625.26	9,003,972.01	827,070,339.40
Total assets	4,589,924,551.98	138,510,697.51	488,400,777.86	2,173,765,316.46	3,043,070,710.89
Total liabilities	2,119,368,548.69	36,571,680.60	36,393,070.52	1,142,519,479.24	1,049,813,820.57

2. Other events

Nil

XIV. Note to main items of financial statements of the Parent Company

1. Account receivable

(1) Classification of accounts receivable

Category	30 June 2017				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivable with individual major amount and withdrawal bad debt provision independently	-	-	-	-	-
Accounts receivable with minor amount and accounts receivable with major amount found no devaluation after individual devaluation test	121,558,333.20	100.00	-	-	121,558,333.20
Account receivable with individual minor amount but withdrawal bad debt provision independently	-	-	-	-	-

Total	121,558,333.20	100.00	-	-	121,558,333.20

(Continued)

Category	1 January 2017				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivable with individual major amount and withdrawal bad debt provision independently	-	-	-	-	-
Accounts receivable with minor amount and accounts receivable with major amount found no devaluation after individual devaluation test	54,934,957.47	100.00	-	-	54,934,957.47
Account receivable with individual minor amount but withdrawal bad debt provision independently	-	-	-	-	-
Total	54,934,957.47	100.00	-	-	54,934,957.47

(2) Age analysis of account receivable

Age	30 June 2017		1 January 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	121,555,444.20	100.00	54,932,068.47	99.99
1 to 2years	-	-	-	-
2 to 3years	-	-	-	-
Over 3 years	2,889.00	0.00	2,889.00	0.01
Total	121,558,333.20	100.00	54,934,957.47	100.00

(3) There are no account receivable of the shareholders who hold over 5 %(5% included) voting rights in report period.

(4) Top five account receivables at period-end balance listed by arrears party

The total amount of the Company's top 5 year end balance of receivables in this year collected by debtors is 121,558,333.2 Yuan, accounting for 100% of the total amount of year end balance of receivables; the total amount of year end balance of the corresponding provision for bad debts is 0.00 Yuan.

2. Other account receivable

(1) Other account receivable classified

Category	30 June 2017				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other account receivable with individual major amount and withdrawal bad debt provision independently	16,781,666.46	1.70	16,781,666.46	100.00	-
Other accounts receivable with minor amount and accounts receivable with major amount found no devaluation after individual devaluation test	962,414,956.45	97.20	-	-	962,414,956.45
Other account receivable with individual minor amount but withdrawal bad debt provision independently	10,895,670.98	1.10	10,547,976.98	96.81	347,694.00
Total	990,092,293.89	100.00	27,329,643.44	2.76	962,762,650.45

(Continued)

Category	1 January 2017

	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other account receivable with individual major amount and withdrawal bad debt provision independently	16,781,666.46	1.50	16,781,666.46	100.00	-
Other accounts receivable with minor amount and accounts receivable with major amount found no devaluation after individual devaluation test	1,093,786,579.27	97.49	-	-	1,093,786,579.27
Other account receivable with individual minor amount but withdrawal bad debt provision independently	11,376,381.95	1.01	11,028,687.95	96.94	347,694.00
Total	1,121,944,627.68	100.00	27,810,354.41	2.48	1,094,134,273.27

①Other account receivable with individual major amount and withdrawal bad debt provision independently

Other account receivable	Book value	Bad debt provision	Accruing proportion (%)	Accrual reason
Huiyang Kangtai Industrial Company	14,311,626.70	14,311,626.70	100.00	Un-collectible
Individual income tax	2,470,039.76	2,470,039.76	100.00	Un-collectible
Total	16,781,666.46	16,781,666.46	100.00	

②Other account receivable with individual minor amount but withdrawal bad debt provision independently

Other account receivable	Book balance	Bad debt provision	Accruing proportion(%)
Dormitory amount receivable	2,083,698.16	1,736,004.16	83.31
Deposit receivable	1,312,974.95	1,312,974.95	100.00
Personal account receivable	7,498,997.87	7,498,997.87	100.00
Total	10,895,670.98	10,547,976.98	96.81

(2) Bad debt provision accrual, collected or switch-back in the period

There are no bad debt provision accrual in the period, and switch –back 480,710.97 Yuan for bad deb tprovision

(3) No other accounts receivable that had actually written off in the period

(4) Other account receivable classified according to age

Age	30 June 2017		1 January 2017	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	201,377,659.81	20.34	156,165,893.62	13.92
1 to 2years	277,175,416.66	27.99	490,525,842.08	43.72
2 to 3years		-	83,463,099.08	7.44
Over 3 years	511,539,217.42	51.67	391,789,792.90	34.92
Total	990,092,293.89	100.00	1,121,944,627.68	100.00

(5) Receivable from related parties

Name of the company	Relationship with the Company	Amount	Year	proportion in total other account

				receivable (%)
Zhongshan Power Company	Subsidiary	663,857,897.63	Within 1year to Over 3 years	67.05
Weimei Power Company	Subsidiary	282,720,933.10	Within 1year to Over 3 years	28.56
Environment Protection Company	Subsidiary	10,558,482.89	1 year	1.07
Singapore company	Subsidiary	1,456,971.99	Over 3 years	0.15
Total		958,594,285.61		96.82

(6) Top 5 other account receivables at period-end listed by arrears party

Name of the company	Relationship with the Company	Amount	Year	proportion in total other account receivable (%)	Balance of bad debts provision
Zhongshan Power Company	Related party	663,857,897.63	1-3 years	67.05	-
Weimei Power Company	Related party	282,720,933.10	1-3 years	28.56	-
Huiyang Kangtai Industrial Company	Non-related party	14,311,626.70	Over 3 years	1.45	14,311,626.70
Environment Protection Company	Related party	10,558,482.89	Within 1year	1.07	-
Dormitory receivable	Non-related party	2,083,698.16	Over 3 years	0.21	1,736,004.16
Total		973,532,638.48		98.33	16,047,630.86

3. Long-term investment

(1) Category of long-term equity investment

Item	30 June 2017			1 January 2017		
	Book Balance	Impairment provision	Book value	Book Balance	Impairment provision	Book value
Investment to subsidiary	691,982,849.76	-	691,982,849.76	691,982,849.76	-	691,982,849.76
Investment to joint venture and affiliate enterprise	-	-	-	-	-	-
Total	691,982,849.76	-	691,982,849.76	691,982,849.76	-	691,982,849.76

(2) Investment to subsidiary

Investee company	1 January 2017	Increased in the Year	Decreased in the Year	30 June 2017	Impairment provision accrual in the Year	Impairment provision Year-end balance
Shenzhen Server	26,650,000.00	-	-	26,650,000.00	-	-
New Power Company	71,270,000.00	-	-	71,270,000.00	-	-
Zhongshan Power Company	410,740,000.00	-	-	410,740,000.00	-	-

Engineering Company	6,000,000.00	-	-	6,000,000.00	-	-
Weimei Power Company	115,319,049.76	-	-	115,319,049.76	-	-
Singapore company	6,703,800.00	-	-	6,703,800.00	-	-
Environment Protection Company	55,300,000.00	-	-	55,300,000.00	-	-
Total	691,982,849.76	-	-	691,982,849.76	-	-

4. Operation revenue/operation cost

Item	2017		2016	
	Revenue	Cost	Revenue	Cost
Main business	316,769,674.55	351,127,940.47	142,039,101.44	166,953,311.54
Other business	11,630,884.94	2,293,227.75	15,947,661.65	-
Total	328,400,559.49	353,421,168.22	157,986,763.09	166,953,311.54

5. Supplement of cash flow statement

Supplement information	2017	2016
(1) Net profit adjusted as cash flow from operation activities:		
Net profit	-32,975,152.39	-40,756,989.33
Add: Assets for impairment	-480,710.97	-
Depreciation of fixed assets	5,591,404.56	5,041,783.76
Amortization of intangible assets	665,244.42	720,120.18
Amortization of long-term expenses to be amortized	-	-
Loss from disposal of fixed assets, intangible assets and other long-term assets	159,602.00	194,564.88
Abandonment loss from fixed assets		
Financial expenses (income)	16,331,788.60	70,526,525.68
Decrease of inventory (increased)	2,307,025.70	-558,403.95
Decrease of operational receivable (increased)	58,970,055.19	88,283,021.55
Increase of operational payable (decreased)	-280,198,080.80	44,700,848.96
Other	-	-
Net cash flow from operation activities	-229,628,823.69	168,151,471.73
2. Major investment and financing activities not involved with cash income and expenses:		
3. **Net changes of cash and cash equivalent:**		
Balance of cash and cash equivalent at period-end	195,020,156.38	625,192,080.91
Less: period-beginning balance of cash and cash equivalent	1,119,323,850.36	675,408,711.65

Net increase of cash and cash equivalent	-924,303,693.98	-50,216,630.74

XV. Supplementary information

1. Statement of non-recurring gains/losses

Item	2017	2016
Gains/losses from the disposal of non-current asset	-160,729.35	-203,276.08
Governmental subsidy calculated into current gains and losses, with closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard)	2,217,711.99	9,839,892.03
Gain/loss of debt reorganization	-	-
Switch-back of the impairment reserves of receivables that has impairment test independently	480,710.97	-
Natural gas import VAT refund	-	-
Other non-operating income and expenditure except for the aforementioned items	-5,484.22	1,961,448.64
Subtotal	2,532,209.39	11,598,064.59
Impact on income tax	-	-246,556.08
Impact on minority shareholders' equity (post-tax)	-48,200.66	-1,737,656.57
Total	2,484,008.73	9,613,851.94

2. ROE and EPS

Profit in the Period	Weighted average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of the listed company	-1.17%	-0.04	-0.04
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-1.30%	-0.04	-0.04