Shenzhen Nanshan Power Co., Ltd.

Financial Statement

Semi-Annual Report (ended as 30 June 2019)

Consolidated Balance Sheet

In RMB/CNY

Asset	2019-6-30	2018-12-31	Liabilities and owners' equity	2019-6-30	2018-12-31
Current assets:			Current liabilities:		
Monetary funds	1,033,453,294.31	925,829,404.44	Short-term loans	1,100,000,000.00	1,000,000,000.00
Notes receivable	-		Notes payable	-	-
Accounts receivable	161,302,717.77	132,430,024.97	Accounts payable	35,894,201.87	18,065,898.69
Accounts paid in advance	44,330,871.23	53,655,777.12	Accounts received in advance	140,760.00	-
Other receivables	40,936,219.42	40,133,297.74	Wage payable	46,532,594.17	44,912,599.66
Including: interest receivable	-	-	Taxes payable	10,994,450.16	16,000,039.55
Dividend receivable	-	-	Other accounts payable	56,349,009.34	63,091,881.43
Inventories	124,479,548.95	124,758,334.97	Total current liabilities	1,261,137.48	1,608,290.72
Long-term debt investment due within 1 year	-	-	Non-current liabilities:	1,249,911,015.54	1,142,070,419.33
Other current assets	379,237,254.12	390,108,844.11	Long-term loans		
Total current assets	1,783,739,905.80	1,666,915,683.35	Accrual liabilities	21,940,000.00	25,940,000.00
Non-current assets:			Deferred income	26,726,232.38	26,726,232.38
Financial assets available for sale	-	60,615,000.00	Other non-current liabilities	111,700,588.88	75,612,259.33
Long-term equity investment	15,371,492.58	16,049,044.95	Total non-current liabilities	-	-
Other equity instruments investment	60,615,000.00	-	Total liabilities	160,366,821.26	128,278,491.71
Investment property	2,499,395.80	2,606,302.71	Owners' equity:	1,410,277,836.80	1,270,348,911.04
Fixed assets	1,410,660,332.99	1,405,649,989.24	Share capital		
Construction in progress	67,646,496.22	82,348,008.39	Capital public reserve	602,762,596.00	602,762,596.00
Intangible assets	44,755,155.22	45,987,255.24	Other comprehensive income	362,770,922.10	362,770,922.10
Long-term expenses to be apportioned	428,427.39	-	Surplus public reserve	-	-
Deferred income tax asset	2,071,324.26	2,071,324.26	Retained profit	332,908,397.60	332,908,397.60
Other non-current asset	26,220,181.78	24,905,681.78	Total owner's equity attributable to parent Company	654,146,744.99	679,429,935.81
Total non-current asset	1,630,267,806.24	1,640,232,606.57	Minority interests	1,952,588,660.69	1,977,871,851.51
			Total shareholders' equity	51,141,214.55	58,927,527.37
			Total liabilities and shareholders' equity	2,003,729,875.24	2,036,799,378.88
Total assets	3,414,007,712.04	3,307,148,289.92	Total current liabilities	3,414,007,712.04	3,307,148,289.92

Balance Sheet of the Company

In RMB/CNY

Asset	2019-6-30	2018-12-31	Liabilities and owners' equity	2019-6-30	2018-12-31
Current assets:			Current liabilities:		
Monetary funds	888,912,474.59	766,041,463.01	Short-term loans	760,000,000.00	860,000,000.00
Notes receivable	-	-	Notes payable	-	-
Accounts receivable	65,350,406.33	50,415,180.20	Accounts payable	19,581,547.99	5,349,562.56
Accounts paid in advance	28,483,399.23	33,326,061.81	Wage payable	30,820,391.34	26,953,632.92
Other receivables	834,707,247.88	1,048,357,217.53	Taxes payable	1,232,652.74	11,962,377.72
Including: interest receivable	-	-	Other accounts payable	170,676,783.52	157,816,358.94
Inventories	109,110,903.52	111,279,675.08	Including: Interest payable	995,304.15	1,368,932.93
Long-term debt investment due within 1 year	-	-	Total current liabilities	982,311,375.59	1,062,081,932.14
Other current assets	360,414,164.28	362,678,678.87	Non-current liabilities:		
Total current assets	2,286,978,595.83	2,372,098,276.50	Long-term loans	-	-
Non-current assets:			Deferred income	63,726,068.59	41,337,945.14
Financial assets available for sale	-	60,615,000.00	Other non-current liabilities	-	-
Long-term equity investment	303,341,165.00	303,341,165.00	Total non-current liabilities	63,726,068.59	41,337,945.14
Other equity instruments investment	60,615,000.00	-	Total liabilities	1,046,037,444.18	1,103,419,877.28
Fixed assets	305,507,990.16	284,572,482.22	Owners' equity:		
Construction in progress	9,640,479.40	16,490,240.75	Share capital	602,762,596.00	602,762,596.00
Intangible assets	922,800.49	1,518,096.75	Capital public reserve	289,963,039.70	289,963,039.70
Long-term expenses to be apportioned	-	-	Other comprehensive income	-	-
Deferred income tax asset	-	-	Surplus public reserve	332,908,397.60	332,908,397.60
Other non-current asset	-	-	Retained profit	695,334,553.40	709,581,350.64
Total non-current asset	680,027,435.05	666,536,984.72	Total shareholders' equity	1,920,968,586.70	1,935,215,383.94
Total assets	2,967,006,030.88	3,038,635,261.22	Total liabilities and shareholders' equity	2,967,006,030.88	3,038,635,261.22

Consolidated Profit Statement

In RMB/CNY

Item	Jan.-Jun. 2019	Jan.-Jun.2018

I. Total operation income	408,124,616.38	1,079,760,214.80
Including: operation income	408,124,616.38	1,079,760,214.80
II. Total operation cost	443,959,972.56	1,045,043,229.77
Including: operation cost	382,997,137.69	969,695,053.03
Operation tax and surcharge	2,825,433.43	4,722,002.73
Sales expense	2,566,269.52	1,650,238.04
Management expense	44,931,864.50	46,681,650.04
Financial expense	10,639,267.42	22,294,285.93
Including: Interest expenses	23,542,971.21	24,038,132.91
Interest income	-13,189,605.67	-2,187,166.10
Add: other income	4,962,155.46	4,136,805.38
Investment income (Loss is listed with "-")	-677,552.37	-1,076,904.31
Including: Investment income on affiliated Company and joint venture	-	-
Losses of devaluation of asset (Loss is listed with "-")	-	-
Income from assets disposal (Loss is listed with "-")	-417,926.32	-
III. Operating profit (Loss is listed with "-")	-31,968,679.41	37,776,886.10
Add: Non-operating income	103,166.50	4,775.00
Less: Non-operating expense	46,124.97	859,018.73
IV. Total Profit (Loss is listed with "-")	-31,911,637.88	36,922,642.37
Less: Income tax expense	1,157,865.76	8,092,879.62
V. Net profit (Net loss is listed with "-")	-33,069,503.64	28,829,762.75
Net profit attributable to owner's of parent Company	-25,283,190.82	30,012,095.22
Minority shareholders' gains and losses	-7,786,312.82	-1,182,332.47
VI. Net after-tax of other comprehensive income	-	-
Net after-tax of other comprehensive income attributable to owners of parent company	-	-
Net after-tax of other comprehensive income attributable to minority shareholders	-	-
VII. Total comprehensive income	-33,069,503.64	28,829,762.75
Total comprehensive income attributable to owners of parent Company	-25,283,190.82	30,012,095.22
Total comprehensive income attributable to minority shareholders	-7,786,312.82	-1,182,332.47
VIII. Earnings per share:	-	-
(i) Basic earnings per share	-0.04	0.05
(ii) Diluted earnings per share	-0.04	0.05

Profit Statement of the Company

In RMB/CNY

Item	Jan.-Jun.2019	Jan.-Jun.2018
I. Operation income	165,514,051.23	406,846,441.84
Less: Operation cost	172,328,135.53	373,230,061.12
Tax and surcharge	1,087,030.23	854,057.24
Sales expense	-	-
Management expense	24,673,677.93	21,014,208.00
Financial expense	-14,339,507.18	-9,527,151.94
Including: interest expenses	22,030,984.10	12,387,120.42
Interest income	-36,594,234.59	-22,440,357.89
Add: other income	1,973,036.55	1,424,860.66
Investment income (Loss is listed with "-")	-	-
Including: Investment income on affiliated Company and joint venture	-	-
Losses of devaluation of asset (Loss is listed with "-")	-	-
Income on disposal of assets (Loss is listed with "-")	-231,373.37	-
II. Operating profit (Loss is listed with "-")	-16,493,622.10	22,700,128.08
Add: Non-operating income		1,775.00
Less: Non-operating expense		759,974.53
III. Total Profit (Loss is listed with "-")	-16,493,622.10	21,941,928.55
Less: Income tax expense	-2,246,824.86	5,485,482.14
IV. Net profit (Net loss is listed with "-")	-14,246,797.24	16,456,446.41
V. Other comprehensive income	-	-
VI. Total comprehensive income	-14,246,797.24	16,456,446.41

Consolidated Cash Flow Statement

In RMB/CNY

Item	Jan.-Jun.2019	Jan.-Jun.2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	428,898,326.58	1,094,708,553.42

Write-back of tax received	1,346,224.12	1,532,247.09
Other cash received concerning operating activities	70,033,512.82	6,010,380.05
Subtotal of cash inflow arising from operating activities	500,278,063.52	1,102,251,180.56
Cash paid for purchasing commodities and receiving labor service	333,819,040.13	900,058,280.99
Cash paid to/for staff and workers	66,444,597.80	72,787,871.66
Taxes paid	17,292,868.12	50,929,658.40
Other cash paid concerning operating activities	26,504,180.58	25,884,735.23
Subtotal of cash outflow arising from operating activities	444,060,686.63	1,049,660,546.28
Net cash flows arising from operating activities	56,217,376.89	52,590,634.28
II. Cash flows arising from investing activities:		
Net cash received from disposal of fixed, intangible and other long-term assets	1,989,560.00	262,500.00
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	1,989,560.00	262,500.00
Cash paid for purchasing fixed, intangible and other long-term assets	22,830,724.69	55,750,360.52
Cash paid for investment	-	-
Other cash paid for acquiring subsidiary and other operation unit	-	-
Other cash paid concerning investing activities	-	-
Subtotal of cash outflow from investing activities	22,830,724.69	55,750,360.52
Net cash flows arising from investing activities	-20,841,164.69	-55,487,860.52
III. Cash flows arising from financing activities		
Cash received by absorbing investment	-	-
Cash received from loans	730,000,000.00	910,000,000.00
Other cash received concerning financing activities	7,303,338.86	15,460,000.00
Subtotal of cash inflow from financing activities	737,303,338.86	925,460,000.00
Cash paid for settling debts	634,000,000.00	546,750,000.00
Cash paid for dividend and profit distributing or interest paying	23,755,459.28	23,763,614.59
Other cash paid concerning financing activities	-	-
Subtotal of cash outflow from financing activities	657,755,459.28	570,513,614.59
Net cash flows arising from financing activities	79,547,879.58	354,946,385.41
IV. Influence on cash due to fluctuation in exchange rate	3,136.95	74,950.99
V. Net increase of cash and cash equivalents	114,927,228.73	352,124,110.16
Add: Balance of cash and cash equivalents at the period-begin	914,956,611.70	411,613,377.07
VI. Balance of cash and cash equivalents at the period-end	1,029,883,840.43	763,737,487.23

Cash Flow Statement of the Company

In RMB/CNY

Item	Jan.-Jun.2019	Jan.-Jun.2018

I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	179,341,203.60	510,374,571.27
Write-back of tax received	-	-
Other cash received concerning operating activities	472,584,897.62	311,662,404.45
Subtotal of cash inflow arising from operating activities	651,926,101.22	822,036,975.72
Cash paid for purchasing commodities and receiving labor service	166,269,024.94	340,094,480.46
Cash paid to/for staff and workers	37,380,527.03	44,228,041.55
Taxes paid	9,889,753.49	10,150,486.72
Other cash paid concerning operating activities	180,626,305.78	726,578,528.72
Subtotal of cash outflow arising from operating activities	394,165,611.24	1,121,051,537.45
Net cash flows arising from operating activities	257,760,489.98	-299,014,561.73
II. Cash flows arising from investing activities:		
Net cash received from disposal of fixed, intangible and other long-term assets	1,794,800.00	262,500.00
Other cash received from disposing subsidiary and other operation unit	-	-
Other cash received concerning investing activities		-
Subtotal of cash inflow from investing activities	1,794,800.00	262,500.00
Cash paid for purchasing fixed, intangible and other long-term assets	15,789,275.99	47,402,174.44
Cash paid for investment	-	-
Net cash received from subsidiaries and other units obtained	-	-
Other cash paid concerning investing activities	-	-
Subtotal of cash outflow from investing activities	15,789,275.99	47,402,174.44
Net cash flows arising from investing activities	-13,994,475.99	-47,139,674.44
III. Cash flows arising from financing activities		
Cash received from absorbing investment	-	-
Cash received from loans	430,000,000.00	740,000,000.00
Other cash received concerning financing activities	-	11,660,000.00
Subtotal of cash inflow from financing activities	430,000,000.00	751,660,000.00
Cash paid for settling debts	530,000,000.00	30,000,000.00
Cash paid for dividend and profit distributing or interest paying	20,895,394.22	10,068,299.31
Other cash paid concerning financing activities	-	-
Subtotal of cash outflow from financing activities	550,895,394.22	40,068,299.31
Net cash flows arising from financing activities	-120,895,394.22	711,591,700.69
IV. Influence on cash due to fluctuation in exchange rate	391.81	262.61
V. Net increase of cash and cash equivalents	122,871,011.58	365,437,727.13
Add: Balance of cash and cash equivalents at the period-begin	766,041,463.01	148,223,551.05
VI. Balance of cash and cash equivalents at the period-end	888,912,474.59	513,661,278.18

Consolidated Statement on Changes of Shareholders' Equity

In RMB/CNY

Item	Jan.-Jun. 2019						
	Equity attributable to Shareholder of parent Company					Minority's equity	Total owners' equity
	Share capital	Capital reserve	Surplus reserves	Retained profit	Subtotal		
I. Balance at the end of last year	602,762,596.00	362,770,922.10	332,908,397.60	679,429,935.81	1,977,871,851.51	58,927,527.37	2,036,799,378.88
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	679,429,935.81	1,977,871,851.51	58,927,527.37	2,036,799,378.88
III. Increase/ Decrease in this year	-	-	-	-25,283,190.82	-25,283,190.82	-7,786,312.82	-33,069,503.64
(i) Total comprehensive income	-	-	-	-25,283,190.82	-25,283,190.82	-7,786,312.82	-33,069,503.64
(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	-	-	-	-	-	-	-
IV. Balance at the end of the Period	602,762,596.00	362,770,922.10	332,908,397.60	654,146,744.99	1,952,588,660.69	51,141,214.55	2,003,729,875.24

Consolidated Statement on Changes of Shareholders' Equity (Cont')

In RMB/CNY

Item	Jan.-Jun. 2018						
	Equity attributable to Shareholder of parent Company					Minority's equity	Total owners' equity
	Share capital	Capital reserve	Surplus reserves	Retained profit	Subtotal		
I. Balance at the end of last year	602,762,596.00	362,770,922.10	332,908,397.60	660,176,169.69	1,958,618,085.39	65,728,468.74	2,024,346,554.13
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	660,176,169.69	1,958,618,085.39	65,728,468.74	2,024,346,554.13

III. Increase/ Decrease in this year	-	-	-	30,012,095.22	30,012,095.22	-1,182,332.47	28,829,762.75
(i) Total comprehensive income	-	-	-	30,012,095.22	30,012,095.22	-1,182,332.47	28,829,762.75
(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	602,762,596.00	362,770,922.10	332,908,397.60	690,188,264.91	1,988,630,180.61	64,546,136.27	2,053,176,316.88

Statement on Changes of Shareholders' Equity of the Company

In RMB/CNY

Item	Jan.-Jun. 2019					Jan.-Jun. 2018				
	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	709,581,350.64	1,935,215,383.94	602,762,596.00	289,963,039.70	332,908,397.60	1,070,119,627.89	2,295,753,661.19
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	709,581,350.64	1,935,215,383.94	602,762,596.00	289,963,039.70	332,908,397.60	1,070,119,627.89	2,295,753,661.19
III. Increase/ Decrease in this year	-	-	-	-14,246,797.24	-14,246,797.24	-	-	-	16,456,446.41	16,456,446.41
(i) Total comprehensive income	-	-	-	-14,246,797.24	-14,246,797.24	-	-	-	16,456,446.41	16,456,446.41
(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	-	-	-	-	-	-	-	-	-	-
IV. Balance at the end of the Period	-	-	-	-	-	-	-	-	-	-
I. Balance at the end of last year	602,762,596.00	289,963,039.70	332,908,397.60	695,334,553.40	1,920,968,586.70	602,762,596.00	289,963,039.70	332,908,397.60	1,086,576,074.30	2,312,210,107.60

Shenzhen Nanshan Power Co., Ltd.

Notes to financial statement for Jan.-Jun. 2019

(The amount unit is RMB unless otherwise stated)

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 14 August 2019.

Totally 9 subsidiaries included in consolidate scope for the year of 2019.

The Company together with its subsidiaries is mainly engaged in businesses as production of power and heat, power plant construction, fuel trading, engineering consulting and sludge drying etc.

II. Preparation basis of Financial Statements

The Group's financial statements have been prepared based on the going concern assumption and 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 2014) 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 2019, and the Company together with its operation results, and cash flow for the Jan.-Jun. of 2019. 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 22 Description of revenue items under section IV. For explanation on material accounting judgment and estimate issued by the management, please refer to Note 28 Material accounting judgment and estimate under section IV.

1. Accounting period

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. 12 "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. 12 (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 12(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 asset 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, except ① exchange difference arising from foreign currency special borrowings relating to purchasing assets satisfying capitalization conditions is stated under capitalization principle of borrowing expenses; ② exchange 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 the 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.

(1) Classification, recognition and measurement of financial assets

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies the financial assets into the financial assets measured at amortized cost, the financial assets measured at fair value and whose changes are included in other comprehensive income, and the financial assets measured at fair value and whose changes are included in current profit or loss.

Financial assets are measured at fair value on initial recognition. For financial assets measured at fair value and whose changes are included in current profit or loss, the related transaction expenses are directly included in current profit or loss. For other types of financial assets, the related transaction costs are included in the initial recognition amount. For the accounts receivable or notes receivable arising from the sale of products or the provision of labor services that do not contain or consider the significant financing components, the Company uses the consideration amount that is expected to be received as the initial recognition amount.

①Financial assets measured at amortized cost

The Company's business model for managing financial assets measured at amortized cost is to collect contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic borrowing and lending arrangements, i.e. the cash flows generated on a specific date are only the payment for the principal and the interest based on the outstanding principal amount. The Company adopts effective interest method for this type of financial assets which are subsequently measured at amortized cost, the gains or losses arising from amortization or impairment are included in current profit or loss.

② Financial assets measured at fair value and whose changes are included in other comprehensive income

The Company's business model for managing such financial assets is to target at both the collection of contractual cash flows and the sale, and the contractual cash flow characteristics of such financial assets are consistent with the basic borrowing and lending arrangements. The Company adopts the fair value measurement for such financial assets and whose changes are included in the current profit and loss, but the impairment losses or gains, exchange gains and losses and interest income calculated by using the effective interest method are included in current profit or loss.

In addition, the Company designates part of non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income. The Company's related dividend income of such financial assets is included in the current profit and loss, and the changes in fair value are included in other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings, which are not included in current profit or loss.

③Financial assets carried at fair value through profit or loss for the current period

The Company classifies the financial assets except the above financial assets measured at amortized cost and the above financial assets measured at fair value and whose changes are included in other comprehensive income into the financial assets measured at fair value and whose changes are included in current profit or loss. In addition, at the time of initial recognition, the Company designates part of financial assets as financial assets measured at fair value and whose changes are included in current profit or loss in order to eliminate or significantly reduce accounting mismatch. For such financial assets, the Company adopts fair value for subsequent measurement, and changes in fair value are included in current profit and loss.

(2) Classification, recognition and measurement 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. 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

Financial liabilities measured at fair value and whose changes are included in current profits or losses include the trading financial liabilities (including derivatives belong to financial liabilities) and the financial liabilities that are designated as fair value in the initial recognition and whose changes are included in current profit or loss.

Trading financial liabilities (including derivatives belong to financial liabilities) are subsequently measured at fair value, in addition to those related to hedge accounting, the changes in fair value are included in current profit or loss.

A financial liability designated to be measured at fair value and whose changes are included in current profit or loss, and of which the changes in fair value arising from changes in the Company's own credit risk are included in other comprehensive income, when the liability is derecognized, its accumulated amount of changes in fair value included in other comprehensive income and the changes arising from its own credit risk are transferred to retained earnings. The remaining changes in fair value are included in the current profit and loss. If the effects of changes in the own credit risk of these financial liabilities are handled as described above, but the handling causes or expands the accounting mismatch in the profit or loss, the Company will include all gains or losses of the financial liabilities (including the amount affected by changes in the credit risk of the enterprise itself) in the current profit and loss.

② Other financial liabilities

Other financial liabilities, except for the financial liabilities whose transfer of financial assets doesn’t fit the derecognition condition or continue to be involved in the transferred financial assets, and the financial guarantee contract, are classified as financial liabilities measured at amortized cost, which takes follow-up measurement by amortized cost, the gains or losses arising from derecognition or amortization are included in current profit or loss.

(3) 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: ① Termination 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.

(4) 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 debtor) signed the agreement with the lender: the original liabilities are replaced by the bearing of the new liabilities; and the contract terms are fundamentally different of the new liabilities and the original ones; the termination of the recognition of the original ones is available; and the recognition of new ones is available.

If the Company makes substantial changes to the contractual terms of the original financial liabilities (or a part thereof), derecognize the original financial liabilities, and recognize a new financial liability in accordance with the revised terms.

If the financial liability (or a part thereof) is derecognized, the Company includes the difference between the book value and the consideration paid (including the transferred non-cash assets or liabilities assumed) in current profit or loss.

(5) 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.

(6) Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that a market participant can get by selling an asset or has to pay for transferring a liability in an orderly transaction that occurs on the measurement date. For a financial instrument having an active market, the Company uses the quoted prices in the active market to determine its fair value. Quotations in an active market refer to prices that are readily available from exchanges, brokers, industry associations, pricing services, etc., and represent the prices of market transactions that actually occur in an arm's length transaction. If there is no active market for a financial instrument, the Company uses valuation techniques to determine its fair value. Valuation techniques include reference to prices used in recent market transactions by parties familiar with the situation and through voluntary trade, and reference to current fair values of other financial instruments that are substantially identical, discounted cash flow methods, and option pricing models. At the time of valuation, the company adopts valuation techniques that are applicable in the current circumstances and that are sufficiently supported by data and other information, selects the input value with characteristics consistent with the characteristics of assets or liabilities to be considered in the transactions of the relevant assets or liabilities of the market participants, and uses the relevant observable input values as much as possible. Use unallowable input values if the relevant observable input values are not available or are not practicable.

(7) 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, transaction fees relating to equity transactions are deducted from equity. No fair value change of equity instrument would be recognized by the Company.

The Company's equity instruments that distribute dividends during the existence period (including “interests” generated by instruments classified as equity instruments) are treated as profit distribution.

10. Impairment of financial assets

The financial assets that the Company needs to recognize impairment loss are financial assets measured at amortized cost, debt instruments investment that are measured at fair value and whose changes are included in other comprehensive income, and lease receivables, mainly including bills receivable, account receivables, other receivables, debt investment, other debt investments, long-term receivables, etc. In addition, for contract assets and some financial guarantee contracts, the impairment provision is also made and credit impairment losses are recognized in accordance with the accounting policies described in this section.

(1) Confirmation method of impairment provision

On the basis of expected credit losses, the Company makes provision for impairment and confirms credit impairment losses for each of the above items in accordance with its applicable expected credit loss measurement method (general method or simplified method).

Credit loss refers to the difference between all contractual cash flows that the Company discounts at the original actual interest rate and are receivable in accordance with contract and all cash flows expected to be received, that is, the present value of all cash shortages. Among them, for the purchase or source of financial assets that have suffered credit impairment, the Company discounts the financial assets at the actual interest rate adjusted by credit.

The general method for measuring the estimated credit loss is that the Company assesses whether the credit risk of the financial assets (including other applicable items such as contract assets, the same below) has been significantly increased since the initial recognition on each balance sheet date, if the credit risk has increased significantly after the initial recognition, the Company shall measure the loss preparation according to the amount of expected credit loss in the whole duration; if the credit risk has not increased significantly since the initial recognition, the Company shall measure the loss preparation according to the amount equivalent to the expected credit loss in the next 12 months. The Company considers all reasonable and evidenced information, including forward-looking information, when evaluating expected credit losses.

(2) Judging criteria for whether credit risk has increased significantly since initial recognition

If the probability of default of a financial asset within the estimated duration recognized on the balance sheet is significantly higher than the probability of default within the estimated duration decided at the initial recognition, it indicates that the credit risk of the financial asset is significantly increased. Except for special circumstances, the Company uses the change in default risk occurring within the next 12 months as a reasonable estimate of the change in default risk throughout the duration to determine whether the credit risk has increased significantly since the initial recognition.

(3) A combined approach to assessing expected credit risk on a portfolio basis

The Company evaluates credit risk individually for financial assets with significantly different credit risks. In addition to financial assets that assess credit risk individually, the Company classifies financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.

(4) Accounting treatment of financial assets impairment

At the end of the period, the Company calculates the estimated credit losses of various financial assets. If the estimated credit loss is greater than the carrying amount of its current impairment provision, the difference is recognized as the impairment loss; if it is less than the carrying amount of the current impairment provision, the difference is recognized as an impairment gain.

(5) Methods for determining the credit losses of various financial assets

① Notes receivable

The Company measures the losses for the notes receivable in accordance with the expected credit loss amount for the entire duration of the period.

② Accounts receivable and contract assets

For receivables and contract assets that do not contain significant financing components, the Company measures the loss provision based on the amount of expected credit losses equivalent to the entire duration of the period.

In addition to accounts receivable and contract assets whose credit risk is assessed individually, they are classified into different combinations based on their credit risk characteristics:

Item	Basis
Portfolio 1: low risk	Take the account age of receivable as the credit risk characteristics

③Other account receivable

The Company measures the impairment loss based on the amount of expected credit losses in the next 12 months or the entire duration based on whether the credit risk of other receivables has increased significantly since the initial recognition. In addition to the single assessment of credit risk of other receivable, we classified into different combinations based on their credit risk characteristics:

Item	Basis
Portfolio 1: low risk	Take the account age of receivable as the credit risk characteristics

④Creditors' investment

The creditors' investment mainly accounts for the bond investment etc measured by amortized costs.

The Company measures the impairment loss based on the amount of expected credit losses in the next 12 months or the entire duration based on whether the credit risk has increased significantly since the initial recognition.

⑤Other creditors' investment

Other creditors' investment mainly accounts for the bond investment etc measured by fair value and with its variation reckoned into other comprehensive income. The Company measures the impairment loss based on the amount of expected credit losses in the next 12 months or the entire duration based on whether the credit risk has increased significantly since the initial recognition.

⑥Long-term account receivable(including the receivables with major financing components contained and except for the lease receivable)

The Company measures the impairment loss based on the amount of expected credit losses in the next 12 months or the entire duration based on whether the credit risk has increased significantly since the initial recognition.

11. Inventory

(1) Categories of inventory

Inventory mainly consists of fuels and raw materials etc

(2) Valuation method of inventory delivered

The inventories are initially measured at cost.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 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.

(5) Amortization for low-value consumables and packages

Amortization of low-value consumables and packages are based on one-time amortization method.

12. Long-term equity investments

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 9. "Financial instruments" under Note 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 and measurement 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.

13. 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.

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.19 "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.

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.

14. 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, depreciation 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	1# Generating unit	536.38
	3# Generating unit	599.69
	7# Generating unit	4,214.73
Shenzhen New Power Industrial Co., Ltd.("New Power ")	10# Generating unit	2,134.37
Shen Nan Dian (Zhongshan) Power Co., Ltd.("Zhongshan Power")	1# Generating unit	4,246.00
	3# Generating unit	4,160.83

Shen Nan Dian (Dongguan) Weimei Power Co., Ltd("Weimei Power ")	1# Generating unit	4,490.64
	3# Generating unit	4,217.56

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

Found more in Note IV-19."Long term assets impairment".

(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 assets 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.

15. 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-19"Long term assets impairment"

16. Borrowing expenses

Borrowing expenses include interest, amortization 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.

17. 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-19"Long term assets impairment".

18. 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.

19. Long term assets impairment

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.

20. 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.

21. 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 recognize the obligations relating to restructuring only when it undertakes to dispose part business (namely entering into finalized disposal agreement).

22. 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.

(1) Specific criteria for revenue recognition of environmental protection companies

At the end of each month, the company confirms the monthly income based on the initially confirmed sludge transportation volume and sludge treatment price, and revises the revenue confirmed last month after checking with the relevant units in the next month, and the correction proportion is relatively small.

(2) Specific standards for revenue recognition of engineering companies

① Debugging projects: When the debugging is successful, obtain the confirmation of successful debugging, and confirm the income according to the contract;

② Operation and maintenance and management projects: Temporarily estimate and confirm the income every month according to the attendance time and labor service price of attendance staff, and adjust the temporarily estimated income after obtaining the monthly settlement statement sealed and signed by suppliers, the confirmation of progress, and the attendance form.

23. 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.

24. 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.

25. Leasing

Finance lease is too 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 values 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.

26. Other main accounting policies and estimations

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.

27. Changes in significant accounting policies and accounting estimates

(1) Changes in accounting policies

①Changes in accounting policies for execution of the new financial instrument standards

On March 31, 2017, the Ministry of Finance revised and issued the Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments (Revised in 2017) (CK [2017] No. 7) and Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets (Revised in 2017) (CK [2017] No. 8), Accounting Standards for Business Enterprises No. 24 - Hedge Accounting (Revised in 2017) (CK [2017] No. 9), and issued and revised the Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation (Revised in 2017) (CK [2017] No. 14) on May 2, 2017 (the above-mentioned four standards are collectively referred to as the "New Financial Instruments Standards"), relevant accounting policy are adjusted correspondingly. On 15 June 2018, the Notice on Revising and Printing the Format of Financial Statements for General Enterprises in 2018 was issued, revising the format of financial statements for general enterprises. In accordance with the above mentioned requirement, the Company needs to adjust relevant contents with accounting policy concerned.

On 14 August 2019, the Resolution of Implementation of New Financial Instrument Standards is deliberated and approved by 5th session of 8th BOD and 5th session of 8th Supervisory Committee, agrees to carry out the above mentioned new financial instrument standards since 1 Jan. 2019

All recognized financial assets under the new financial instrument standard are subsequently measured at amortized cost or fair value. On the implementation date of the new financial instrument standard, the business model of managing financial assets is evaluated based on the facts and circumstances of the Company on the day, and the contractual cash flow characteristics of the financial assets are evaluated based on the facts and circumstances at the initial recognition of the financial assets. Financial assets are classified into three categories: those measured at amortized cost, those measured at fair value and the changes are included in other comprehensive income, and those measured at fair value and the changes are included in current profit or loss. Among them, for the equity instrument investment measured at fair value and whose changes are included in other comprehensive income, when the financial asset is derecognized, the accumulated gain or loss previously included in other comprehensive income shall be transferred from other comprehensive income to retained earnings, but not included in the current profit and loss.

Under the new financial instrument standard, the Company makes the impairment provision and confirms the credit impairment losses for financial assets measured at amortized cost, debt instrument investments measured at fair value and whose changes are included in other comprehensive income, lease receivables, contract assets and the financial guarantee contracts based on expected credit losses.

Main changes and influences of the Company for implementing the new financial instrument standards:

①Category and measuring contrast of the financial instrument after/before the date when initially implementation

2018-12-31（before ）			2019-1-1（after）		
Item	Measurement category	Book value	Item	Measurement category	Book value
Available-for-sale financial assets	measured by cost (equity instrument)	60,615,000.00	Other equity instrument investment	Measured by fair value and with its variation reckoned into other comprehensive income	60,615,000.00

②On first implementation day, adjustment statement of the category and measurement for former financial instrument and those adjusted with new financial instrument standards

Item	2018-12-31（before）	Re-classified	2019-1-1（after）
Measured by fair value and with its variation reckoned into other comprehensive income:			
Available-for-sale financial assets (former standard)	60,615,000.00		
Less: transfer to other equity instrument investment		60,615,000.00	
Balance under new financial instrument standard			
Other equity instrument investment			
Add: transfer in from available-for-sale financial assets (former standard)		60,615,000.00	
Balance under new financial instrument standard			60,615,000.00

(2) Change of accounting estimate

No changes of accounting estimate in the period

28. Material accounting judgment and estimate

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) 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.

(3) 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.

(4) provision for long term assets impairment

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.

(5) Depreciation and amortization

Assets such as investment real estate, fixed assets and intangible assets are depreciated and amortized 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 amortization 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 amortization, the rate of depreciation or amortization is revised prospectively.

(6) 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 utilized. 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.

(7) Accrued liabilities

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 accrued liabilities shall be recognized on the basis of the best estimate of the expenditures to settle relevant practical obligation. Recognition and measurement of the accrued liabilities 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 5%, 6%, 9% or 13% 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
Urban land use tax	2 Yuan ~ 8 Yuan per square meter of the actual occupied are for the industrial land located in Nanshan District, Shenzhen City; 1 Yuan ~ 5 Yuan per square meter of the actual occupied are for the industrial land located in Dongguan City; 1 Yuan per square meter of the actual occupied are for the industrial land located in Zhongshan City;
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 Shennandian Turbine Engineering Technology Co., Ltd.("Engineering Company")	25%
Shenzhen Server Petrochemical Supplying Co., Ltd. ("Shenzhen Server")	25%
Shenzhen Shennandian Environment Protection Co., Ltd.("Environment Protection Company")	25%
Shen Nan Dian (Zhongshan) Electric Power Co., Ltd. ("Zhongshan Power")	25%
Shen Nan Dian (Dongguan) Weimei Power Co., Ltd ("Weimei Power ")	25%
Shen Nan Energy (Singapore) Co., Ltd.("Singapore Company")	17%
Zhongshan Shennandian Storage Co., Ltd.("Shen Storage")	25%
Hong Kong 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 Company	" 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 Company	Notice on "contents of products with comprehensive utilization of resources and value-added tax privilege of labor service" (CS No. [2015] 78)	Shenzhen Provincial Office, SAT (Qianhai SAT)	SGSQHBA No.[2015]0002	Resource comprehensive utilization of VAT refund	1 Aug. 2015 to 31 Jul. 2021
Enterprise income tax	Syndisome	"Enterprise Income Tax Law of People's Republic of China"	State Tax Bureau of Nanshan Distinct 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 labor service" (CS No. [2011] 115) has been abolished since July 1, 2015, the preferential policy of exempting environmental companies from added-value tax of labor 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 labor 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-begin" refers to 1 January 2019

1. Monetary fund

Item	30 June 2019	Balance at year-begin
Cash on hand	58,460.53	75,645.92
Bank savings	1,029,751,703.59	574,808,236.06
Other monetary fund	3,643,130.19	350,945,522.46
Total	1,033,453,294.31	925,829,404.44
Including: total amount saving aboard	6,207,117.62	6,240,695.02

Note: among the above other monetary capital, there are totally 3,569,453.88 Yuan guarantee draft margin and guarantee deposit included (on 31 December 2018: 10,872,792.74 Yuan).

2. Account receivable

(1) Age analysis

Account age	30 June 2019
Within one year	160,734,145.01
1 to 2 years	-
2 to 3 years	-
3 to 4 years	-
4 to 5 years	-
Over 5 years	5,766,640.84
Subtotal	166,500,785.85
Less: Bad debt provision	5,198,068.08
Total	161,302,717.77

(2) According to accrual method for bad debts

Category	30 June 2019				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Accrual proportion (%)	

Account receivable with single provision for bad debts	5,766,640.84	3.46	5,198,068.08	90.14	568,572.76
Including: Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	3,474,613.06	2.09	3,474,613.06	100.00	-
Project receivable	1,937,145.51	1.16	1,368,572.75	70.65	568,572.76
Oil-sales receivable	146,915.10	0.09	146,915.10	100.00	-
Dry mud-sales receivable Dry mud-sales receivable	69,900.10	0.04	69,900.10	100.00	-
Gas-supply income	138,067.07	0.08	138,067.07	100.00	-
Account receivable with bad debt provision accrual based on portfolio	160,734,145.01	96.54	-	-	160,734,145.01
Including: low risk	160,734,145.01	96.54	-	-	160,734,145.01
Total	166,500,785.85	100.00	5,198,068.08	3.12	161,302,717.77

(Continued)

Category	Amount at year-begin				
	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	2.52	3,474,613.06	100.00	-
Account receivable with bad debt provision accrual based on similar credit risk characteristics of a portfolio	131,861,452.21	95.81	-	-	131,861,452.21
Account receivable with individual minor amount but withdrawal bad debt provision independently	2,292,027.78	1.67	1,723,455.02	75.19	568,572.76
Total	137,628,093.05	100.00	5,198,068.08	3.78	132,430,024.97

①Account receivable with single provision for bad debts at period-end

Account receivable (by unit)	Book amount	Bad debt provision	Accrual	Causes

			proportion (%)	
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	3,474,613.06	3,474,613.06	100.00	Uncollectible
Project receivable	1,937,145.51	1,368,572.75	70.65	Uncollectible
Oil-sales receivable	146,915.10	146,915.10	100.00	Uncollectible
Dry mud-sales receivable	69,900.10	69,900.10	100.00	Uncollectible
Gas-supply income	138,067.07	138,067.07	100.00	Uncollectible
Total	5,766,640.84	5,198,068.08	90.14	

(3) Bad debt provision

Category	Balance at year-begin	Current amount changed			Ending balance
		Accrual	Collected or switch back	Rewrite or write-off	
Withdrawal bad debt provision independently	5,198,068.08	-	-	-	5,198,068.08
Withdrawal bad debt provision by portfolio	-	-	-	-	-
Total	5,198,068.08	-	-	-	5,198,068.08

(4) Balance of top five receivables in debtors at end of the period

Total balance of the top five receivables in debtors dated 30 June 2019 amounted as 161,006,738.13 Yuan, takes 96.7% in total numbers of balance of receivables at period-end.

3. Account paid in advance

(1) Age analysis

Account age	30 June 2019		Amount at year-begin	
	Amount	Proportion (%)	Amount	Proportion (%)
Within one year	40,114,784.29	90.49	53,317,190.18	99.37
1 to 2 years	4,122,500.00	9.30	277,000.00	0.52
2 to 3 years	32,000.00	0.07	-	-
Over 3 years	61,586.94	0.14	61,586.94	0.11
Total	44,330,871.23	100.00	53,655,777.12	100.00

(2) Top five account paid in advance by collector at end of the period

Total top five account paid in advance by collector on 30 June 2019 amount to 40,897,225.19 Yuan, a 92.25% in total year-end account paid in advance

4. Other account receivable

Item	30 June 2019	Amount at year-begin
Interest receivable	-	-
Dividend receivable	-	-
Other account receivable	40,936,219.42	40,133,297.74
Total	40,936,219.42	40,133,297.74

(1) Other account receivable

①Age analysis

Account age	30 June 2019
Within one year	9,264,979.97
1 to 2 years	1,843,924.80
2 to 3 years	1,591,782.90
3 to 4 years	3,000.00
4 to 5 years	4,540,284.01
Over 5 years	55,536,668.18
Subtotal	72,780,639.86
Less: Bad debt provision	31,844,420.44
Total	40,936,219.42

② Category of nature

Nature	30 June 2019	Amount at year-begin
Current payments with related party	22,909,878.94	23,138,899.40
Other current payments	49,870,760.92	48,838,818.78
Subtotal	72,780,639.86	71,977,718.18
Less: Bad debt provision	31,844,420.44	31,844,420.44
Total	40,936,219.42	40,133,297.74

③Accrual of bad debt provision

Bad debt provision	Phases I	Phases II	Phases III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit	Expected credit losses for the entire duration (with	

		impairment occurred)	credit impairment occurred)	
Balance on Jan. 1, 2019	-	31,844,420.44	-	31,844,420.44
Book balance of other account receivable dated 1 Jan. 2019:	-	-	-	-
——Turn to phase II	-	-	-	-
——Turn to phase III	-	-	-	-
——Return to Phase II	-	-	-	-
——Return to Phase I	-	-	-	-
Current accrual	-	-	-	-
Current switch back	-	-	-	-
Rewrite in the period	-	-	-	-
Write-off in the period	-	-	-	-
Other changes	-	-	-	-
Balance on Jun. 30, 2019	-	31,844,420.44	-	31,844,420.44

④Bad debt provision

Category	Balance at year-begin	Current amount changed			30 June 2019
		Accrual	Collected or switch back	Rewrite or write-off	
Withdrawal bad debt provision independently	31,844,420.44	-	-	-	31,844,420.44
Low risk	-	-	-	-	-
Total	31,844,420.44	-	-	-	31,844,420.44

⑤Top five other account receivables at year-end balance listed by arrears party

Name of the company	Nature	Amount	Account age	Proportion in total other account receivable (%)	Year-end balance of bad debt provision
Huidong Server Harbor Comprehensive Development Company	Intercourse funds	23,101,965.85	Over 5 years	31.74	-
Huiyang Kangtai Industrial Company	Intercourse funds	14,311,626.70	Over 5 years	19.66	14,311,626.70

Personal funds	Intercourse funds	7,498,997.87	Over 5 years	10.30	7,498,997.87
China National Machinery Equipment Engineering Ltd.	Intercourse funds	4,540,284.01	4-5 years	6.24	-
Shandong Jinan Generation Equipment Plant	Intercourse funds	3,560,000.00	Over 5 years	4.89	3,560,000.00
Total		53,012,874.43		72.84	25,370,624.57

5. Inventory

(1) Category

Item	30 June 2019			Amount at year-begin		
	Book balance	Depreciation provision	Book value	Book balance	Depreciation provision	Book value
Raw materials	177,022,079.44	52,542,530.49	124,479,548.95	177,479,127.97	52,720,793.00	124,758,334.97
Total	177,022,079.44	52,542,530.49	124,479,548.95	177,479,127.97	52,720,793.00	124,758,334.97

(2) Depreciation provision of inventory

Category	Book balance at year-begin	Accrual in the year	Decreased in the year		Book balance on 30 Jun. 2019
			Switch back	Written-off	
Raw materials	52,720,793.00	-	-	178,262.51	52,542,530.49
Total	52,720,793.00	-	-	178,262.51	52,542,530.49

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

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

6. Other current assets

Item	30 June 2019	Balance at year-begin
VAT input tax deductible	372,624,164.14	383,495,754.13
Enterprise income tax deductible	6,583,089.98	6,583,089.98

Other	30,000.00	30,000.00
Total	379,237,254.12	390,108,844.11

7. Financial assets available for sale

Item	Balance at year-begin		
	Book balance	Depreciation reserves	Book value
Equity instrument available for sale	63,115,000.00	2,500,000.00	60,615,000.00
Including: measured by cost	63,115,000.00	2,500,000.00	60,615,000.00
Total	63,115,000.00	2,500,000.00	60,615,000.00

8. Long-term equity investments

Invested enterprise	Balance at year-begin	Changes in the year (+,-)		Balance on Jun. 30, 2019	Balance of depreciation reserves on Jun. 30, 2019
		Investment gains/losses recognized by equity method	Other		
I. Joint venture					
Huidong Server	16,049,044.95	-677,552.37	-	15,371,492.58	-
Total	16,049,044.95	-677,552.37	-	15,371,492.58	-

9. Other equity instrument investment

Item	30 June 2019
CPI Jiangxi Nuclear Power Company	60,615,000.00
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	-
Total	60,615,000.00

10. Investment real estate

Item	House, buildings	Land use	Constructio	Total

		right	n-in-progre ss	
I. Original book value				
1. Balance at year-begin	9,708,014.96	-	-	9,708,014.96
2. Current increased	-	-	-	-
3. Current decreased	-	-	-	-
4. Balance on Jun. 30, 2019	9,708,014.96	-	-	9,708,014.96
II. accumulated depreciation and accumulated amortization				-
1. Balance at year-begin	7,101,712.25	-	-	7,101,712.25
2. Current increased	106,906.91	-	-	106,906.91
(1) Accrual or amortization	106,906.91	-	-	106,906.91
3. Current decreased	-	-	-	-
4. Balance on Jun. 30, 2019	7,208,619.16	-	-	7,208,619.16
III. Depreciation reserves				-
1. Balance at year-begin	-	-	-	-
2. Current increased	-	-	-	-
3. Current decreased	-	-	-	-
4. Balance on Jun. 30, 2019	-	-	-	-
IV. Book value				-
1. Balance on Jun. 30, 2019	2,499,395.80	-	-	2,499,395.80
2. Book value at year-begin	2,606,302.71	-	-	2,606,302.71

11. Fixed assets

Item	30 June 2019	Balance at year-begin
Fixed assets	1,410,659,018.39	1,405,648,674.64
Disposal of fixed assets	1,314.60	1,314.60
Total	1,410,660,332.99	1,405,649,989.24

(1) Fixed assets

①Fixed assets

Item	Houses and buildings	Machinery equipment	Transportation tools	Other equipment	Total
I. Original book value					

1. Balance at year-begin	493,659,821.94	4,011,690,503.45	21,694,643.51	50,934,529.40	4,577,979,498.30
2. Current increased	-5,085.48	50,023,583.20	1,176,173.87	2,342,373.23	53,537,044.82
(1) Purchase	-5,085.48	2,447,858.64	1,104,622.15	734,665.10	4,282,060.41
(2) Construction in process transfer-in	-	47,575,724.56	71,551.72	1,607,708.13	49,254,984.41
(3) Increased by enterprise combination	-	-	-	-	-
3. Current decreased	1,505,808.74	-	8,651,158.68	0.00	10,156,967.42
(1) Disposal or scrap	1,505,808.74	-	8,651,158.68	0.00	10,156,967.42
4. Balance on Jun. 30, 2019	492,148,927.72	4,061,714,086.65	14,219,658.70	53,276,902.63	4,621,359,575.70
II. Accumulated depreciation					
1. Balance at year-begin	295,042,092.71	2,680,198,815.48	14,840,509.71	41,115,495.64	3,031,196,913.54
2. Current increased	6,958,177.29	36,322,306.31	708,187.24	813,158.11	44,801,828.95
(1) Accrual	6,958,177.29	36,322,306.31	708,187.24	813,158.11	44,801,828.95
3. Current decreased	-	-	6,432,095.30	-	6,432,095.30
(1) Disposal or scrap	-	-	6,432,095.30	-	6,432,095.30
4. Balance on Jun. 30, 2019	302,000,270.00	2,716,521,121.79	9,116,601.65	41,928,653.75	3,069,566,647.19
III. Depreciation reserves					
1. Balance at year-begin	14,860,025.13	126,273,884.99			141,133,910.12
2. Current increased					
(1) Accrual	-	-	-	-	-
3. Current decreased					
(1) Disposal or scrap	-	-	-	-	-
4. Balance on Jun. 30, 2019	14,860,025.13	126,273,884.99	0.00	0.00	141,133,910.12
IV. Book value					
1. Balance on Jun. 30, 2019	175,288,632.59	1,218,919,079.87	5,103,057.05	11,348,248.88	1,410,659,018.39

2. Book value at year-begin	183,757,704.10	1,205,217,802.98	6,854,133.80	9,819,033.76	1,405,648,674.64

②Idle fixed assets temporary

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value	Note
Houses and buildings	137,799,917.53	101,022,772.20	19,008,224.87	17,768,920.46	Wharf, processing workshop of heavy oil
Machinery equipment	589,641,126.12	495,741,446.98	53,700,282.66	40,199,396.48	Processing equipment of heavy oil and generation unit
Transportation tools	256,300.00	230,670.00	-	25,630.00	Idle vehicles
Total	727,697,343.65	596,994,889.18	72,708,507.53	57,993,946.94	

③Fixed 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	10,745,357.65	Procedures uncompleted
Plant’s ventilating system	558,407.71	Procedures uncompleted
Office building	5,375,147.82	Procedures uncompleted
Comprehensive building	1,192,940.72	Procedures uncompleted

Draft cooling tower	3,452,423.42	Procedures uncompleted
Chemical water workshop and foundation of water tank	1,640,829.43	Procedures uncompleted
Industry pool and industry pump house	720,128.52	Procedures uncompleted
Start-up boiler house	120,327.67	Procedures uncompleted
Oil treatment room and oil un-loading platform	337,538.98	Procedures uncompleted
Comprehensive building canteen	314,580.33	Procedures uncompleted
Total	54,086,601.64	

(2) Fixed assets disposal

Item	30 June 2019	Balance at year-begin
Fixed assets ready for disposal	1,314.60	1,314.60
Total	1,314.60	1,314.60

12. Construction-in-progress

(1) Construction-in-progress:

Item	30 June 2019			Amount at year-begin		
	Book balance	Depreciation reserves	Net book value	Book balance	Depreciation reserves	Net book value
Cogeneration of heat and electricity Project	53,684,645.10	-	53,684,645.10	64,754,943.63		64,754,943.63
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	13,045,279.00	-	13,045,279.00	17,021,868.33		17,021,868.33
Other technical innovation project	916,572.12	-	916,572.12	571,196.43		571,196.43
Total	100,518,096.48	32,871,600.26	67,646,496.22	115,219,608.65	32,871,600.26	82,348,008.39

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

Item	Budget	Amount at year-begin	Increase in the year	Transferred fixed assets in this year	Other decrease	30 June 2019
Cogeneration of heat and electricity Project	120,000,000.00	64,754,943.63	4,734,970.23	15,805,268.76	-	53,684,645.10
Oil to Gas Works	74,400,000.00	32,871,600.26	-	-	-	32,871,600.26
Cogeneration of heat and electricity Project		17,021,868.33	29,381,371.90	33,357,961.23		13,045,279.00
Technological transformation project		571,196.43	437,130.11	91,754.42	-	916,572.12
Total	194,400,000.00	115,219,608.65	34,553,472.24	49,254,984.41	-	100,518,096.48

(3) Depreciation reserves for construction-in-progress

Item	Amount at year-begin	Increase in the year	Decreased in the year	30 June 2019	Reasons of accrual
Oil to Gas Works	32,871,600.26	-	-	32,871,600.26	In idle condition

13. Intangible assets

Item	Land use right	Software	Total
I. Original book value			
1. Balance at year-begin	91,253,625.27	3,678,109.85	94,931,735.12
2. Current increased			-
(1) Purchase	-		-
3. Current decreased			-
(1) Disposal	-	-	-
4. Balance on Jun. 30, 2019	91,253,625.27	3,678,109.85	94,931,735.12
II. Accumulated amortization			
1. Balance at year-begin	45,923,214.98	3,021,264.90	48,944,479.88
2. Current increased	1,099,623.06	132,476.96	1,232,100.02
(1) Accrual	1,099,623.06	132,476.96	1,232,100.02
3. Current decreased			-
(1) Disposal	-	-	-
4. Balance on Jun. 30, 2019	47,022,838.04	3,153,741.86	50,176,579.90
III. Depreciation reserves			
1. Balance at year-begin	-	-	-
2. Current increased			
(1) Accrual	-	-	-
3. Current decreased			
(1) Disposal	-	-	-
4. Balance on Jun. 30, 2019	-	-	-
IV. Book value			
1. Balance on Jun. 30, 2019	44,230,787.23	524,367.99	44,755,155.22
2. Book value at year-begin	45,330,410.29	656,844.95	45,987,255.24

14. Deferred income tax assets

Item	30 June 2019	Amount at year-begin
Deferred income tax assets:		
Bad debt provision of account receivable	1,265,000.26	1,265,000.26
Bad debt provision of other account receivable	180,896.25	180,896.25
Depreciation reserves of financial assets	625,000.00	625,000.00

available for sale		
Other	427.75	427.75
Total	2,071,324.26	2,071,324.26

15. Other non-current assets

Item	30 June 2019	Amount at year-begin
Project of LNG(Note)	22,882,181.78	22,882,181.78
Account for engineering and equipment paid in advance	3,338,000.00	2,023,500.00
Total	26,220,181.78	24,905,681.78

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 2019	Amount at year-begin
Guarantee loans	760,000,000.00	860,000,000.00
Credit loans	340,000,000.00	140,000,000.00
Total	1,100,000,000.00	1,000,000,000.00

17. Account payable

(1) **Account payable**

Item	30 June 2019	Balance at year-begin
Materials	22,387,785.64	8,545,427.20
Electricity	1,664,364.58	906,278.78
Other	11,842,051.65	8,614,192.71
Total	35,894,201.87	18,065,898.69

⑵There is no major amount payable with over one year age at end of the period

18. Account received in advance

(1) Account received in advance

Item	30 June 2019	Balance at year-begin
Rent of Dapeng received in advance	140,760.00	-
Total	140,760.00	-

(2)There is no major amount payable with over one year age at end of the period in account received in advance

19. Wages payable

(1) **Wages payable**

Item	Balance at year-begin	Increase in the year	Decreased in the year	30 June 2019
I. Short-term remuneration	44,673,492.37	62,726,004.44	63,834,377.62	43,565,119.19
II. Post-employment welfare-defined contribution plans	239,107.29	10,835,597.40	8,107,229.71	2,967,474.98
III. Severance Pay	-	-	-	-
IV. Other welfare due within one year	-	-	-	-
Total	44,912,599.66	73,561,601.84	71,941,607.33	46,532,594.17

(2) Short-term remuneration

Item	Balance at year-begin	Increase in the year	Decreased in the year	30 June 2019
1. Wages, bonuses, allowances and subsidies	43,587,594.10	50,771,826.23	52,207,776.49	42,151,643.84
2. Welfare for employee	-	459,636.70	459,636.70	-
3. Social insurance	123,634.93	3,208,080.84	3,079,435.61	252,280.16
Including: Medical insurance	102,720.39	3,067,841.08	2,955,570.63	214,990.84
Work injury insurance	11,021.84	51,781.91	48,287.01	14,516.74
Maternity insurance	9,892.70	88,457.85	75,577.97	22,772.58
Wages in arrears	-	-	-	-
4. Housing provident fund	503,857.94	7,633,455.56	7,377,201.60	760,111.90
5.Union funds and staff education expenses	458,405.40	653,005.11	710,327.22	401,083.29
Total	44,673,492.37	62,726,004.44	63,834,377.62	43,565,119.19

(3) Defined contribution plans

Item	Balance at	Increase in the	Decreased in the	30 June 2019

	year-begin	year	year	
1. Basic Endowment insurance	231,340.48	8,315,832.00	8,028,779.05	518,393.43
2. Unemployment insurance	7,907.83	84,865.38	78,450.66	14,322.55
3. Enterprise annuities	-141.02	2,434,900.02	-	2,434,759.00
Total	239,107.29	10,835,597.40	8,107,229.71	2,967,474.98

20. Taxes payable

Item	30 June 2019	Amount at year-begin
Enterprise income tax	3,071,495.66	11,215,405.89
Real estate tax	2,327,866.88	2,211,605.38
Individual income tax	1,020,866.44	1,251,539.31
Urban land use tax	566,975.54	603,884.89
VAT	3,753,007.01	508,589.03
Other	254,238.63	209,015.05
Total	10,994,450.16	16,000,039.55

21. Other account payable

Item	30 June 2019	Amount at year-begin
Interest payable	1,261,137.48	1,608,290.72
Other account payable	55,087,871.86	61,483,590.71
Total	56,349,009.34	63,091,881.43

(1) Interest payable

Item	30 June 2019	Amount at year-begin
Amortization of long-term loan’s interest and repayment of principal at maturity	80,362.25	50,826.19
Interest payable for short-term loans	1,180,775.23	1,557,464.53
Total	1,261,137.48	1,608,290.72

(2) Other account payable

① By nature

Item	30 June 2019	Amount at year-begin

Project expense	30,042,087.84	30,866,827.67
Quality guarantee deposit	3,130,808.23	8,285,192.04
Accrued expenses	376,016.39	6,867,153.90
Material amount	2,053,923.88	5,453,034.68
Equipment amount	3,191,309.24	457,760.33
Land use right charge	219,349.98	348,534.19
Other	16,074,376.30	9,205,087.90
Total	55,087,871.86	61,483,590.71

②Major other account payable with account age over one year

Item	30 June 2019	Reasons for unpaid or carried over
Interest on overdue payments	6,892,178.73	Un-liquidated
Guangdong Industrial Equipment Installation Company	1,038,545.90	Un-liquidated
Zhongshan Nanlang Construction Development Company	860,190.12	Un-liquidated
Harbin Steam Turbine Auxiliary Engine Co., Ltd.	400,000.00	Un-liquidated
Total	9,190,914.75	——

22. Long-term loans

Item	30 June 2019	Amount at year-begin
Guarantee loans	21,940,000.00	25,940,000.00
Credit loans	-	-
Less: Long-term loans due within one year	-	-
Total	21,940,000.00	25,940,000.00

23. Accrued liabilities

Item	30 June 2019	Amount at year-begin	Reason
Offering guarantee outside	26,726,232.38	26,726,232.38	Note

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 27,500,000.00. In concerned with the attorney fees for deal with problems left over from history, totally 773,767.62 Yuan costs from 2014 to 30 June 2019, the ending balance amounted as 26,726,232.38 Yuan

24. Deferred income

Item	Amount at year-begin	Increase in the year	Decreased in the year	30 June 2019
Government subsidy	75,612,259.33	38,097,273.00	2,008,943.45	111,700,588.88

Including, items with government subsidy involved:

Liability	Balance at year-begin	Increase in the year	Decreased in the year		30 June 2019	Assets /income related
			Amount reckoned in other income	Other decrease		
Subsidy for low-nitrogen transformation	25,687,642.10	-	251,403.55	-	25,436,238.55	Assets related
Information construction	147,843.08	-	30,588.24	-	117,254.84	Assets related
Support fund of recycling economy for sludge drying	8,098,276.87	-	323,501.46	-	7,774,775.41	Assets related
Treasury subsidies for sludge drying	3,081,250.00	-	127,500.00	-	2,953,750.00	Assets related
Special funds for energy conservation and emission reduction	798,260.62	-	57,018.66	-	741,241.96	Assets related
Funded of energy efficiency improvement for electric machine	436,320.00	-	17,280.00	-	419,040.00	Assets related
Subsidy for quality promotion of the air environment in Shenzhen	32,732,666.66	38,097,273.00	1,201,651.54	-	69,628,288.12	Assets related
Cogeneration of heat and electricity Project	4,630,000.00	-	-	-	4,630,000.00	Assets related
Total	75,612,259.33	38,097,273.00	2,008,943.45	-	111,700,588.88	

25. Share capital

Item	Balance at year-begin	Changes in the year (+,-)					Balance on Jun. 30, 2019
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
Total shares	602,762,596.00	-	-	-	-	-	602,762,596.00

26. Capital reserve

Item	Balance at year-begin	Increase in the year	Decreased in the year	30 June 2019
Capital premium	233,035,439.62	-	-	233,035,439.62
Other capital reserve	129,735,482.48	-	-	129,735,482.48
Total	362,770,922.10	-	-	362,770,922.10

27. Surplus reserves

Item	Balance at year-begin	Increase in the year	Decreased in the year	30 June 2019
Statutory surplus reserve	310,158,957.87	-	-	310,158,957.87
Discretionary surplus reserves	22,749,439.73	-	-	22,749,439.73
Total	332,908,397.60	-	-	332,908,397.60

28. Retained profit

Item	30 June 2019	Balance at year-begin
Retained profit of last year before adjusted	679,429,935.81	660,176,169.69
Total retained profit adjusted (increased with +, decreased with -)	-	
Retained profit at beginning of the year after adjusted	679,429,935.81	660,176,169.69
Add: net profit attributable to shareholders of parent company	-25,283,190.82	19,253,766.12
Retained profit at year-end	654,146,744.99	679,429,935.81

29. Operating income and operating cost

Item	Jan. – Jun. 2019		Jan. – Jun. 2018	
	Income	Cost	Income	Cost
Main business	407,283,308.09	382,899,068.89	1,078,030,178.26	968,719,412.92
Other business	841,308.29	98,068.80	1,730,036.54	975,640.11
Total	408,124,616.38	382,997,137.69	1,079,760,214.80	969,695,053.03

30. Tax and surcharge

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
City maintenance tax	347,935.14	2,286,803.77
Real estate tax	1,299,068.45	1,275,543.49
Stamp tax	223,246.10	520,484.00
Education surtax	239,773.87	572,820.01
Land use tax	622,976.03	50,960.52
Vehicle and vessel use tax	21,056.56	15,390.94
Environmental protection tax	71,377.28	-
Total	2,825,433.43	4,722,002.73

31. Sales expense

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
Salary, welfare and social insurance	211,222.62	350,272.34
Communication charge	3,600.00	1,800.00
Entertainment expense	115,344.00	57,273.00
Vehicles expenses	15,559.00	7,500.00
Inspection charges	5,707.55	6,509.45
Labor insurance fee	10,530.68	6,682.10
Rental fee	14,400.00	3,600.00
Property insurance	49,130.74	50,318.44
Agency engagement fee	37,735.85	37,735.85
Sludge treatment costs	2,091,758.08	1,125,046.86
Other	11,281.00	3,500.00
Total	2,566,269.52	1,650,238.04

32. Administration expense

Item	Jan. – Jun. 2019	Jan. – Jun. 2018

Staff remuneration	23,892,967.48	27,925,808.57
Rental fee	3,288,377.42	3,092,069.50
Social expenses	1,532,058.32	1,558,869.52
Agency fee	1,231,759.70	646,103.90
Fleet cost	1,007,200.26	1,861,732.77
Board charges	588,713.32	546,064.70
Depreciation	2,735,952.70	1,987,153.39
Amortization of intangible assets	924,080.54	935,811.89
Specific expenses	-	14,584.43
Environmental expense	985,970.24	874,452.57
Sundry expenses	1,636,173.21	1,387,173.86
Expenses for enterprise culture	416,397.26	103,725.00
Property management expense	473,682.63	455,396.71
Office expenses	351,693.34	346,790.68
Communication charge	555,998.52	647,596.16
Business traveling charge	309,115.10	259,624.12
Stock charge	86,822.94	29,929.33
Labor union dues	303,547.56	290,467.56
Personnel education fund	55,175.25	61,044.53
Other	4,556,178.71	3,657,250.85
Total	44,931,864.50	46,681,650.04

33. Financial expenses

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
Interest expenditure	23,542,971.21	24,038,132.91
Less : interest income	13,189,605.67	2,187,166.10
Exchange gains/losses	-6,301.58	-73,770.20
Other	292,203.46	517,089.32
Total	10,639,267.42	22,294,285.93

34. Other income

Item	Jan. – Jun. 2019	Jan. – Jun. 2018	Amount reckoned into

			current non-recurring gain/loss
Specific subsidy for quality promotion of the air environment in Shenzhen	1,201,651.54	-	1,201,651.54
Subsidy for low-nitrogen transformation	251,403.55	1,276,992.42	251,403.55
Enterprise information construction subsidy	30,588.24	30,588.24	30,588.24
Subsidy for transformation of energy-saving technology	57,018.66	247,005.52	57,018.66
Treasury subsidies for sludge drying	127,500.00	127,500.00	127,500.00
Support fund of recycling economy for sludge drying	323,501.46	323,501.46	323,501.46
Funded of energy efficiency improvement for electric machine	17,280.00	17,280.00	17,280.00
VAT rebates	1,753,212.01	2,013,937.74	-
Special funds for the development of independent innovation industries	-	100,000.00	-
Supporting funds of office occupancy for listed companies	1,000,000.00	-	1,000,000.00
Reward to encouraging small and medium-sized enterprise to growth as a scale-sized company	200,000.00	-	200,000.00
Total	4,962,155.46	4,136,805.38	3,208,943.45

35. Investment income

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
Long-term equity investment income by equity	-677,552.37	-1,076,904.31
Investment income from disposal of long-term equity investments	-	-
Subtotal	-677,552.37	-1,076,904.31

36. Gains from assets disposal

Item	Jan. – Jun. 2019	Jan. – Jun. 2018	Amount reckoned into current non-recurring gain/loss
Gain/loss from fixed assets disposal	-417,926.32	-	-417,926.32
Total	-417,926.32	-	-417,926.32

37. Non-operating revenue

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
Gains from damage and scrap of the non-current assets	98,666.50	-
Other	4,500.00	4,775.00
Total	103,166.50	4,775.00

38. Non-operating expense

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
Expenses from external donation	-	-
Losses from damage and scrap of the non-current assets	-	849,018.73
Other	46,124.97	10,000.00
Total	46,124.97	859,018.73

39. Income tax expenses

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
Current income tax measured by tax law and relevant regulation	1,157,865.76	8,092,879.62

40. Cash flow statement

(1) Cash received with other operating activities concerned

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
Subsidy received	39,297,273.00	-
Deposit of natural gas collected	13,431,789.29	-
Interest income	12,982,668.91	2,166,649.41
Other	4,321,781.62	3,843,730.64
Total	70,033,512.82	6,010,380.05

(2) Cash paid for other operating activities

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
Expense on agency appointment	1,231,759.70	646,103.90
Fund for the Board	588,713.32	546,064.70
Leasing expense	3,762,060.05	3,547,466.21
Entertainment expense	1,532,058.32	1,558,869.52

Vehicles expense	1,007,200.26	1,861,732.77
Enterprise culture	416,397.26	103,725.00
Communication fee	555,998.52	647,596.16
Environment protection fee	985,970.24	874,452.57
Other	16,424,022.91	16,098,724.40
Total	26,504,180.58	25,884,735.23

(3) Cash received with financing activities concerned

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
Deposit received	7,303,338.86	15,460,000.00

41. Supplementary information on cash flow statement

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

Supplementary information	Jan. – Jun. 2019	Jan. – Jun. 2018
1. Regulate the net profit into the cash flow of operating activities		
Net profit	-33,069,503.64	28,829,762.75
Add: Asset impairment provision	-	-
Depreciation of fixed assets	44,801,828.95	64,478,013.54
Amortization of intangible assets	1,232,100.02	1,243,831.37
Amortization of long-term deferred expenses	22,548.81	-
Loss (gain) from disposing fixed assets, intangible assets and other long-term assets	417,926.32	-
Abandonment loss from fixed assets	-	849,018.73
Financial expenses(gain)	23,542,971.21	24,038,132.91
Investment loss(gain)	677,552.37	1,076,904.31
Decrease (increase) of deferred income tax assets	-	-
Decrease (increase)of inventory	278,786.02	8,118,805.74
Decrease (increase) of receivable operating items	4,043,360.79	-60,023,522.47
Increase (decrease) of payable operating items	14,269,806.04	-16,020,312.60
Net cash flow from operation activities	56,217,376.89	52,590,634.28
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:		
Ending balance of cash and cash equivalent	1,029,883,840.43	763,737,487.23
Less: Balance of cash and cash equivalent at period-begin	914,956,611.70	411,613,377.07
Net increase of cash and cash equivalents	114,927,228.73	352,124,110.16

(2) Composition of cash and cash equivalent

Item	Jan. – Jun. 2019	Jan. – Jun. 2018
I. Cash	1,029,883,840.43	763,737,487.23
Including: Cash on hand	58,460.53	142,604.63
Bank savings available for payment needed	1,026,182,249.71	430,415,610.30
Other monetary capital available for payment needed	3,643,130.19	333,179,272.30
II. Cash equivalent		
III. Balance of cash and cash equivalent at period-end	1,029,883,840.43	763,737,487.23

42. Assets of ownership or use right restricted

Item	30 June 2019	Restricted reason
Monetary Fund	3,569,453.88	Deposit
Total	3,569,453.88	

43. Foreign currency

Item	Foreign currency balance on 30 June 2019	Conversion rate	RMB converted
Monetary fund			
Including: USD	845,823.77	6.8747	5,814,787.00
Euro	976.71	7.8170	7,634.94
HKD	541,541.36	0.8797	476,404.20
SGD	4,784.81	5.0805	24,309.23

VII. Change of consolidate scope

No change of consolidate scope in the year.

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 by
Shenzhen Server(note)	Shenzhen	Shenzhen	Trading	50	Establishment
New Power	Shenzhen	Shenzhen	Power generation	100	Establishment
Zhongshan Power	Zhongshan	Zhongshan	Power generation	80	Establishment
Engineering Company	Shenzhen	Shenzhen	Engineering consulting	100	Establishment
Weimei Power	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	-2,397,448.01	-	-21,396,423.11
Weimei Power	30	-4,483,812.65	-	25,033,607.53

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

Subsidiary	Balance on Jun. 30, 2019					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Zhongshan Power	76,433,540.69	542,534,051.94	618,967,592.63	698,273,292.30	27,676,415.86	725,949,708.16
Weimei Power	93,251,765.60	484,993,052.23	578,244,817.83	490,169,459.37	4,630,000.00	494,799,459.37

(Continued)

Subsidiary	Balance at year-begin					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Zhongshan Power	98,062,301.06	554,996,045.40	653,058,346.46	716,297,767.96	31,755,453.99	748,053,221.95
Weimei Power	96,642,222.01	496,340,540.51	592,982,762.52	489,961,361.90	4,630,000.00	494,591,361.90

(Continued)

Subsidiary	Current period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongshan Power	66,364,051.74	-11,987,240.04	-11,987,240.04	30,421,274.57
Weimei Power	110,328,414.74	-14,946,042.16	-14,946,042.16	13,837,122.59

(Continued)

Subsidiary	Last period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongshan Power	239,056,530.40	1,968,342.26	1,968,342.26	130,078,167.14
Weimei Power	249,516,171.77	-1,065,959.31	-1,065,959.31	28,275,188.27

2. Equity in joint venture and cooperative enterprise

(1) Joint venture or cooperative enterprise

Joint venture and cooperative enterprise	Main operation place	Registration place	Business nature	Shareholding ratio (%)		Accounting treatment
				Directly	Indirectly	
Huidong Server	Huizhou	Huizhou	Wharf		40	Equity method

(2) Financial information for minor joint venture and cooperative enterprise

Item	Ending balance/amount in the year	Balance at year-begin/amount in last year
Joint venture		
Total investment book value	15,371,492.58	16,049,044.95
Total of the follow counted by share-holding ratio		
—Net profit	-677,552.37	-1,076,904.31

—Other comprehensive benefits		
—Total comprehensive income	-677,552.37	-1,076,904.31

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.

IX. 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, 2019, except for the balance of foreign currency monetary items under VI-44 foreign currency, 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, 22).

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	The period		Last period	
	Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
5% increased	-1,177,083.56	-1,139,067.58	-1,180,390.92	-1,019,303.74
5% decreased	1,177,083.56	1,139,067.58	1,180,390.92	1,019,303.74

2. Credit risk

On June 30, 2019, 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
Zhongshan Xingzhong Group Co., Ltd.("Xingzhong Group")	Minority shareholders of the subsidiaries
Shenzhen Mawan Power Co., Ltd. ("Mawan Power Company")	Subsidiary of ultimate controller of Energy Group
Shenzhen Moon Bay Oil Harbor 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 Energy Gas Investment Holding Co., Ltd.	Subsidiary of ultimate controller of Energy Group
Fuel Branch of Shenzhen Energy Group Co., Ltd.	Subsidiary of ultimate controller of Energy Group
Director of the Company and other senior executives	Key management staff

5. Account payable/receivable from related parties

(1) Account receivable

Item	30 June 2019		Balance at year-begin	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Other account receivable:				

Huidong Server	10,032,761.42	-	10,205,161.44	-
Huidong Server managed account	13,069,204.43	-	12,933,737.96	-
Total	23,101,965.85	-	23,138,899.40	-

(2) payable items

Item	30 June 2019		Balance at year-begin	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Account payable:				
Shenzhen Energy Gas Investment Holding Co., Ltd.	9,152,657.73	-	-	-
Fuel Branch of Shenzhen Energy Group Co., Ltd.	5,371,135.54	-	-	-
Total	14,523,793.27	-	-	-

XI. Commitment

1. Major commitment

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

Item	30 June 2019	Amount at year-begin
Minimum lease payments of irrevocable operating lease:		
The first year after balance sheet day	1,557,680.33	1,557,680.33
The second year after balance sheet day	1,557,680.33	1,557,680.33
The third year after balance sheet day	1,557,680.33	1,557,680.33
Subsequent years	55,834,580.91	56,613,421.07
Total	60,507,621.90	61,286,462.06

2. Contingency

Up to 30 June 2019, the Company has no major contingency that need to released.

XII. Events Occurring after the Balance Sheet Date

Up to 30 June 2019, the Company has no events occurring after the balance sheet date that need to released.

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	347,598,428.46	-	59,684,879.63	-	407,283,308.09
Main business cost	375,590,956.77		40,208,692.21	32,900,580.09	382,899,068.89
Total assets	4,364,697,648.99	126,129,193.89	351,202,391.86	1,428,021,522.70	3,414,007,712.04
Total liabilities	2,310,979,970.27	29,504,654.49	54,090,179.39	984,296,967.35	1,410,277,836.80

2. Other events

Nil

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

1. Account receivable

(1) Age analysis

Account age	30 June 2019
Within one year	65,350,406.33
1 to 2 years	-
2 to 3 years	-
3 to 4 years	-
4 to 5 years	-
Over 5 years	-
Subtotal	65,350,406.33
Less: Bad debt provision	-
Total	65,350,406.33

(2) According to accrual method for bad debts

Category	30 June 2019				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Accrual proportion (%)	
Account receivable with single provision for bad debts	-	-	-	-	-
Including:	-	-	-	-	-
Account receivable with bad debt provision accrual based on portfolio	65,350,406.33	100.00	-	-	65,350,406.33
Including: Portfolio 1: low risk	65,350,406.33	100.00	-	-	65,350,406.33
Total	65,350,406.33	100.00	-	-	65,350,406.33

(Continued)

Category	Amount at year-begin				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivable with individual major amount and withdrawal bad debt provision independently	-	-	-	-	-
Account receivable with bad debt provision accrual based on similar credit risk characteristics of a portfolio	50,415,180.20	100.00	-	-	50,415,180.20
Account receivable with individual minor amount but withdrawal bad debt provision independently	-	-	-	-	-
Total	50,415,180.20	100.00	-	-	50,415,180.20

(3) Balance of top five receivables in debtors at end of the period

The total amount of the Company's top 5 balance of receivables on 30 June 2019 collected by debtors is 65,350,406.33 Yuan, accounting for 100% of the total amount of year end balance of receivables

2. Other account receivable

Item	30 June 2019	Amount at year-begin
Interest receivable	-	
Dividend receivable	-	
Other account receivable	834,707,247.88	1,048,357,217.53
Total	834,707,247.88	1,048,357,217.53

(1) Other account receivable

①Age analysis

Account age	30 June 2019
Within one year	97,885,481.41
1 to 2 years	188,885,190.40
2 to 3 years	137,045,561.62
3 to 4 years	36,000,000.00
4 to 5 years	-
Over 5 years	402,220,657.89
Subtotal	862,036,891.32
Less: Bad debt provision	27,329,643.44
Total	834,707,247.88

②By nature

Nature	30 June 2019	Amount at year-begin
Intercourse funds between subsidiary	831,083,348.18	1,046,559,260.31
Other Intercourse funds	30,953,543.14	29,127,600.66
Subtotal	862,036,891.32	1,075,686,860.97
Less: Bad debt provision	27,329,643.44	27,329,643.44
Total	834,707,247.88	1,048,357,217.53

③Accrual of bad debt provision

Bad debt provision	Phases I	Phases II	Phases III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment	Expected credit losses for the entire duration (with credit	

		occurred)	impairment occurred)	
Balance on Jan. 1, 2019	-	27,329,643.44	-	27,329,643.44
Book balance of other account receivable dated 1 Jan. 2019:				
——Turn to phase II				
——Turn to phase III				
——Return to Phase II				
——Return to Phase I				
Current accrual				
Current switch back				
Rewrite in the period				
Write-off in the period				
Other changes				
Balance on Jun. 30, 2019	-	27,329,643.44	-	27,329,643.44

④Bad debt provision

Category	Balance at year-begin	Current amount changed			30 June 2019
		Accrual	Collected or switch back	Rewrite or write-off	
Withdrawal bad debt provision independently	27,329,643.44	-	-	-	27,329,643.44
Portfolio 1:low risk	-	-	-	-	-
Total	27,329,643.44	-	-	-	27,329,643.44

⑤Top five other account receivables at year-end balance listed by arrears party

Name of the company	Relationship with the Company	Amount	Account age	Proportion in total other account receivable (%)
Zhongshan Power	Subsidiary	681,691,632.20	Within one year to Over 5 years	79.11
Weimei Power	Subsidiary	135,307,227.35	1-2 years	15.70
Engineering Company	Subsidiary	7,917,625.70	Within one year	0.92
Environment Protection Company	Subsidiary	4,644,990.94	Within one year	0.54
Singapore	Subsidiary	1,521,871.99	Over 5 years	0.18

Total		831,083,348.18		96.45

3. Long-term investment

(1) Long-term equity investments

Item	30 June 2019			Balance at year-begin		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment to subsidiary	691,982,849.76	388,641,684.76	303,341,165.00	691,982,849.76	388,641,684.76	303,341,165.00
Investment to joint venture and affiliate enterprise	-	-	-	-	-	-
Total	691,982,849.76	388,641,684.76	303,341,165.00	691,982,849.76	388,641,684.76	303,341,165.00

(2) Investment to subsidiary

Invested enterprise	Balance at year-begin	Increase in the year	Decreased in the year	30 June 2019	Impairment provision accrual in the Year	Year-end balance of depreciation reserves
Shenzhen Server	26,650,000.00	-	-	26,650,000.00	-	-
New Power	71,270,000.00	-	-	71,270,000.00	-	-
Zhongshan Power	62,994,965.00	-	-	62,994,965.00	-	347,745,035.00
Engineering Company	6,000,000.00	-	-	6,000,000.00	-	-
Weimei Power	74,422,400.00	-	-	74,422,400.00	-	40,896,649.76
Singapore Company	6,703,800.00	-	-	6,703,800.00	-	-
Environment Protection Company	55,300,000.00	-	-	55,300,000.00	-	-
Total	303,341,165.00	-	-	303,341,165.00	-	388,641,684.76

4. Operation income/operation cost

Item	Jan. – Jun. 2019		Jan. – Jun. 2018	
	Income	Cost	Income	Cost

Main business	127,282,753.58	166,390,507.99	337,240,114.89	361,394,602.84
Other business	38,231,297.65	5,937,627.54	69,606,326.95	11,835,458.28
Total	165,514,051.23	172,328,135.53	406,846,441.84	373,230,061.12

XV. Supplementary information

1. Statement of non-recurring gains/losses

Item	Jan. – Jun. 2019
Gains/losses from the disposal of non-current asset	-417,926.32
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)	3,208,943.45
Gain/loss of debt reorganization	-
Switch-back of the impairment reserves of receivables that has impairment test independently	-
Natural gas import VAT refund	-
Other non-operating income and expenditure except for the aforementioned items	57,041.53
Subtotal	2,848,058.66
Impact on income tax	-58,568.53
Impact on minority shareholders' equity (post-tax)	33,829.87
Total	2,823,320.00

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	-1.29%	-0.04	-0.04

Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-1.43%	-0.05	-0.05