

Shenzhen Nanshan Power Co., Ltd.

Annual Report 2017

No.:2018-006

March 2018

Section I. Important Notice, Contents and Paraphrase

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Shenzhen Nanshan Power Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Principal of the Company- Chairman Li Xinwei, person in charger of accounting works- Director and GM Chen Yuhui, CFO Dai Xiji and person in charge of accounting organ (chief accountants)- deputy GM Wang Yi(act for financial works) hereby confirm that the Financial Report of the annual report is authentic, accurate and complete.

All directors are attended the Board Meeting for report deliberation.

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either.

Concerning the forward-looking statements with future planning involved in the Semi-Report, they do not constitute a substantial commitment for investors. Investors are advised to exercise caution of investment risks.

The report has been prepared in both Chinese and English, for any discrepancies, the Chinese version shall prevail. Please read the full report

seriously.

目 录

Section I. Important Notice, Contents and Paraphrase	2
Section II. Company Profile and Main Financial Indexes	7
Section III. Summary of Company Business	12
Section IV. Discussion and Analysis of the Operation	15
Section V. Important Events	36
Section VI. Changes in Shares and Particulars about Shareholders	72
Section VII. Preferred Stock	79
Section VIII. Particulars about Directors, Supervisors, Senior Executives and Employees	80
Section IX. Corporate Governance	95
Section X. Corporation Bonds	105
Section XI. Financial Report	106
Section XII. Documents available for Reference	106

Paraphrase

Items	Refers to	Contents
Company, the Company, Shen Nan Dian, The listed company	Refers to	Shenzhen Nanshan Power Co., Ltd.
Shen Nan Dian Zhongshan Company	Refers to	Shen Nan Dian (Zhongshan) Electric Power Co., Ltd.
Shen Nan Dian Dongguan Company	Refers to	Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd
Shen Nan Dian Engineering Company	Refers to	Shenzhen Shennandian Turbine Engineering Technology Co., Ltd.
Shen Nan Dian Environment Protection Company	Refers to	Shenzhen Shen Nan Dian Environment Protection Co., Ltd.
Server Company	Refers to	Shenzhen Server Petrochemical Supplying Co., Ltd
New Power Company	Refers to	Shenzhen New Power Industrial Co., Ltd.
Singapore Company	Refers to	Shen Nan Energy (Singapore) Co., Ltd.
Nanshan Power Factory	Refers to	Nanshan Power Factory of Shenzhen Nanshan Power Co., Ltd.
Zhongshan Nanlang Power Plant	Refers to	Zhongshan Nanlang Power Plant of Shen Nan Dian (Zhongshan) Electric Power Co., Ltd.
Dongguan Gaobu Power Plant	Refers to	Dongguan Gaobu Power Plant of Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd
Shenzhong Properties Company	Refers to	Zhongshan Shenzhong Real Estate Investment Properties Co., Ltd
Shenzhong Real Estate Development Company	Refers to	Zhongshan Shenzhong Real Estate Development Co., Ltd
Syndisome Company	Refers to	Hong Kong Syndisome Co., Ltd.
NAM HOI	Refers to	HONG KONG NAM HOI (INTERNATIONAL) LTD.
Hong Kong Energy	Refers to	Shenzhen Energy (Hong Kong) International Co.,LTD.
Shen Energy Group	Refers to	Shenzhen Energy Co., Ltd.
Energy Group	Refers to	Shenzhen Energy Group Co., Ltd.
Guangju Industrial	Refers to	Shenzhen Guangju Industrial Co., Ltd.
Guangju Holding	Refers to	Shenzhen Guangju Investment Holding (Group) Co., Ltd.
Guangju Energy	Refers to	Shenzhen Guangju Energy Co., Ltd.
Kehuitong	Refers to	Shenzhen Kehuitong Investment Holding Co., Ltd.
Paipu Technology	Refers to	Shenzhen Paipu Energy Technology Development Co.,LTD.
Oufuyuan Technology	Refers to	Shenzhen Oufuyuan Technology Co., Ltd.
Xingzhong Group	Refers to	Zhongshan Xingzhong Group Co., Ltd.
Independent financial advisor, CMS	Refers to	China Merchants Securities Co., Ltd.

Appraisal institute, Pengxin Appraisal	Refers to	Shenzhen Pengxin Assets Appraisal Land & Real Estate Appraisal Co., Ltd.
Auditing institute, Ruihua CPA, Accounting Institute	Refers to	Ruihua Certified Public Accounts (LLP)
DeHeng, permanent legal advisor	Refers to	Beijing DeHeng (Shenzhen) Law Offices
CSRC	Refers to	China Securities Regulatory Commission
Securities regulatory bureau	Refers to	Shenzhen Securities Regulatory Commission of China Securities Regulation Commission
SZ Stock Exchange, Exchange	Refers to	Shenzhen Stock Exchange
SOTCBB	Refers to	Shenzhen United Property And Share Rights Exchange
Company Law	Refers to	Company Law of The People's Republic of China
Securities Law	Refers to	Securities Law of The People's Republic of China
Stock Listing Rules	Refers to	Rules Governing the Listing of Stocks on Shenzhen Stock Exchange
Articles of Association	Refers to	Article of Association of Shenzhen Nanshan Power Co., Ltd.
RMB, in 10 thousand Yuan, 100 Million Yuan	Refers to	Except the special description of the monetary unit, rest of the monetary unit is RMB Yuan, ten thousand Yuan, the 100 Million Yuan
Reporting period	Refers to	The 1 January 2017 to 31 December 2017

Section II. Company Profile and Main Financial Indexes

I. Company information

Short form of the stock	Shen Nan Dian A , Shen Nan Dian B	Stock code	000037, 200037
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	深圳南山热电股份有限公司		
Short form of the Company (in Chinese)	深南电		
Foreign name of the Company (if any)	Shenzhen Nanshan Power Co., Ltd.		
Registrations add.	No.2097 Yueliangwan Avenue, Nanshan District, Shenzhen, Guangdong Province		
Code for registrations add	518054		
Offices add.	16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong Province		
Codes for office add.	518053		
Company's Internet Web Site	http://www.nsrld.com.cn		
E-mail	public@nspower.com.cn; investor@nspower.com.cn		

II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Zhang Jie	Jiang Yuanyuan
Contact add.	16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong Province	16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong Province
Tel.	0755-26003611	0755-26003611
Fax.	0755-26003684	0755-26003684
E-mail	investor@nspower.com.cn	investor@nspower.com.cn

III. Information disclosure and preparation place

Newspaper appointed for information disclosure	<i>China Securities Journal; Securities Times; Hong Kong Commercial Daily</i>
Website for annual report publish appointed by	http://www.cninfo.com.cn/
Preparation place for annual report	Secretariat of the Board of Directors, 17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong Province

IV. Registration changes of the Company

Organization code	91440300618815121H
Changes of main business since listing (if applicable)	No changes
Previous changes for controlling shareholders (if applicable)	No changes

V. Other relevant information

CPA engaged by the Company

Name of CPA	Ruihua Certified Public Accountant (LLP)
Offices add. for CPA	5F, Tower 2, No. 8 Xisihuanzhong Road, Haidian District, Beijing, P.R.C.
Signing Accountants	Zhang Liping, Han Songliang

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

☐ Applicable ☒ Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

☒ Applicable ☐ Not applicable

Financial consultant	Office address	Enterpriser of the financial consultant	Consistent supervision
China Merchants Securities Co., Ltd.	38-45/F, A-Block, Jiangsu Building, Yitian Road, Futian District, Shenzhen	Zan Chao, Wang Xinyu	The period of consistent supervision shall begin on the date of completing the procedure of industrial and commercial registration of changes for the underlying assets of sale of substantial assets, that each 75 percent of equity stake of Shenzhong Property Company and Shenzhong Development Company held by the Company, and end in no less than a fiscal year after the date of completion of implementation of sale of this substantial assets.

VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data or not

☐ Yes ☒ No

	2017	2016	Changes over last year	2015
Operating income (RMB)	2,045,766,831.74	1,574,088,977.85	29.97%	1,345,018,210.71
Net profit attributable to	15,904,182.47	1,306,694,835.46	-98.78%	-634,623,667.06

shareholders of the listed Company (RMB)				
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses (RMB)	11,413,492.42	-128,991,534.34	-108.85%	-737,614,969.81
Net cash flow arising from operating activities (RMB)	196,799,855.73	926,321,325.40	-78.75%	386,451,706.09
Basic earnings per share (RMB/Share)	0.03	2.17	-98.62%	-1.05
Diluted earnings per share (RMB/Share)	0.03	2.17	-98.62%	-1.05
Weighted average ROE	0.59%	-10.00%	-105.90%	-77.38%
	End of 2017	End of 2016	Changes over end of last year	End of 2015
Total assets (RMB)	2,883,804,392.70	4,363,703,614.03	-33.91%	4,579,853,736.04
Net assets attributable to shareholder of listed Company (RMB)	1,958,618,085.39	1,942,713,902.92	0.82%	636,006,699.57

VII. Difference of the accounting data under accounting rules in and out of China

1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

☐ Applicable ☒ Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

☐ Applicable ☒ Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

VIII. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	318,755,094.24	554,207,603.09	697,890,935.29	474,913,199.12

Net profit attributable to shareholders of the listed Company	-27,388,861.07	4,759,659.69	20,474,941.54	18,058,442.31
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses	-28,843,829.49	3,730,619.38	19,120,423.23	17,406,279.31
Net cash flow arising from operating activities	-213,153,838.55	147,704,983.28	-105,893,980.45	368,142,691.45

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the Company's quarterly report and semi-annual report

☐ Yes ☒ No

IX. Items and amounts of extraordinary profit (gains)/loss

☒ Applicable ☐ Not applicable

In RMB

Item	Amount in 2017	Amount in 2016	Amount in 2015	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-454,644.16	1,660,659,958.12	-298,030.53	Loss from disposal of non-current assets
Governmental subsidy calculated into current gains and losses(while closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard)	4,331,837.03	-2,463,841.18	72,711,942.26	Government grants with assets concerned are amortized
Switch back of the impairment for receivables which has impairment test independently	1,504,310.97			Account receivable of bad debt provision which has accrual was collected
Other non-operating income and expenditure except for the aforementioned items	335,919.18	-965,906.07	132,969.28	The payables which un-able to paid were transfer to non-operating income
Import VAT refunds for natural gas			43,717,420.50	
Less: impact on income tax	803,999.72	221,481,615.44	108,009.54	
Impact on minority shareholders' equity (post-tax)	422,733.25	62,225.63	13,164,989.22	
Total	4,490,690.05	1,435,686,369.80	102,991,302.75	--

Concerning the extraordinary profit (gain)/loss defined by Q&A Announcement No.1 on Information Disclosure for Companies

Offering Their Securities to the Public --- Extraordinary Profit/loss, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

☐ Applicable ☒ Not applicable

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, the Company has no such items in the reporting period for the aforesaid

Section III. Summary of Company Business

I. Main businesses of the Company in the reporting period

Does the Company need to comply with the disclosure requirement of the special industry

No

The company is specialized in power and thermal supply, as well as providing technical consulting and technical services for power stations. The company has three wholly-owned or holding gas turbine plants, which equipped with seven sets of 9E gas steam combined cycle power generating units, with total installed capacity up to 1260 MW (Nanshan Thermal Power Plant: 3×180 MW, Zhongshan Nanlang Power Plant: 2×180 MW, Dongguan Gaobu Power Plant: 2×180 MW). These three gas turbine plants are all located in the power load center of Pearl River Delta area, which are the main peaking power sources in their areas. During the reporting period, the Company is specialized in business of gas-steam combined cycle power generation, and its subsidiary Nanshan Thermal Plant, Zhongshan Nanlang Power Plant and Dongguan Gaobu Power Plant are all in the state of normal production and operation. In the year of 2017, the total power generation of its subsidiary plants was up to 3162 million kwh, with a 32.12 percent year-on-year growth, completing 118.41 percent of its annual plan, among which, Nanshan Thermal Plant has generated electricity of 1,619 million kwh, Zhongshan Nam Long Power Plant has generated electricity of 888 million kwh, and Dongguan Gaobu Power Plant has generated 655 million kwh, increased 21.89%, 66.90% and 22.88% respectively on a y-o-y basis.

During the reporting period, while focusing on the main business operation of power generation, the company also carefully managed the development and expansion of related businesses. The subsidiary Shen Nan Dian Engineering Co., Ltd. continued to open up the technical consultation and technical services for domestic and international gas turbine power station construction projects, Shen Nan Dian Environment Protection Company used the waste heat generated by the gas turbine to conduct the drying treatment of wet sewage sludge of the sewage treatment plant, and realized the sludge reduction, harmless treatment, and comprehensive utilization of resources.

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Monetary fund	Mainly for bank loans payment
Bill receivable	Note receivable increased for the project's settlement funds from Shen Nan Dian Turbine Engineering Company – controlling subsidiary of the Company
Account receivable	Server Company (controlling subsidiary of the Company) received money for goods from CNPC Zhonghai Company and the overdue payment interest 55.69 million Yuan
Other account receivable	Received the debts and interest 362.96 million Yuan from Oufuyuan Technology Company

Advance payment	Account for natural gas paid in advance from Gas Poer CNOOC Company increased in the year
Equity assets	N/A
Fixed assets	N/A
Intangible assets	N/A
Construction in process	The expenditure of technical transformation for CHP from Shen Nan Dian (Zhongshan) Company – controlling subsidiary of the Company increased

2. Main overseas assets

☐ Applicable ☒ Not applicable

III. Core Competitiveness Analysis

Does the Company need to comply with the disclosure requirements of the special industry

No

Since its establishment, the Company, adhering to the traditional spirit of exploration, innovation and initiative, has taken the lead in carrying out such technical modification projects of energy-saving and exhaust-reducing as low nitrogen combustion retrofit based on the completion of transition to clean energy of the power fuel for its subsidiary gas turbine power plant, so as to minimize the influences of power generation on the environment. By implementing the circular economy projects of sludge desiccation and combined cooling heating and power supplying, the Company has been striving for transition from a single power generation enterprise to a comprehensive utilization of resources enterprise and a comprehensive energy service provider. Affected by the macro-economic situation and the common problems existed in combustion industry, the Company has been suffering a great operating pressures these years, but its core competitiveness formed in the operation and development progress in more than twenty years, are still the basis for the sustainable existence and development sought by the Company.

1. Mature governance structure. As a main board listed company with a history of more than two decades, the company has established and continuously improved its modern enterprise management system, and has had a relatively mature and standardized corporate governance structure and a relatively streamlined management organization structure. The operations of “three sessions” are standardized and highly efficient, and the responsibilities of various functional departments are clear and collaborative. The company has attached great importance to party building work, established party organization system and functional departments to be responsible for the implementation of party building, clean government, stability and corporate culture construction, and thus created a clear and positive cultural environment for the company's development. The company has set up an independent audit department to take charge of the internal control and auditing and the risk prevention and urge all departments and subordinate enterprises to further standardize their operations so as to avoid the risks of operations and governance.

2. Efficient operation mechanism. Since August, the company has established a “1+5” strategic roadmap,

implemented a series of internal management and operational system optimization, further improved the decision-making mechanism, streamlined the work flow, improved the valuation and incentive mechanism, strengthened the supervision and accountability systems, and effectively integrated resources, and formed a mechanism of internal management and operation that not only ensures the legal compliance but also simplifies and improves the efficiency.

3. The basic living space. Although the profitability of gas-fired generating sets has continued to decline in recent years, and there are many uncertainties in the future, the gas-fired generating sets have excellent peak shaving performance, coupled with the significant environmental protection and emission reduction effects of natural gas power generation, therefore, whether based on the emergency peak shaving of power grid and the regional security guarantees, or on the need for environmental protection, the gas-fired generating sets take an indispensable position in coastal economically developed regions. The company will give play to its unique influence in the gas turbine power generation industry in Guangdong Province and actively strive for favorable conditions for the continuing operations of stock assets, and seeking the space of transformation, upgrading and development for the Company.

4. Favorable regional layout. The company's three subsidiary gas turbine power plants, including Nanshan Thermal Power Plant, Zhongshan Nanlang Power Plant and Dongguan Gaobu Power Plant, are all located in the power load center and economic development center of the Pearl River Delta. They are the main peaking power sources in the region and have favorable regional advantages.

5. Excellent professionals. After more than 20 years of development, the company has not only absorbed and trained a group of technical experts and professionals in the gas turbine industry but also accumulated rich experience in the construction and operation management of gas turbine power plants, so except for ensuring the safe and stable operation of the company's power generation equipment, the company also exported professional services such as technical consulting and training. Shennandian Engineering Co., Ltd. has provided professional services such as technical consulting, commissioning and maintenance for dozens of domestic and international gas turbine power stations. The company's training center has successively undertaken the technician training business for tens of power plants at home and abroad, and has become a renowned professional training base in the domestic gas turbine industry, and has established a good reputation and professional brand image in the industry.

Section IV. Discussion and Analysis of the Operation

I. Introduction

2017 was an important year for the nation to implement the “13th Five-Year Plan” and deepen the supply-side structural reform. The effects of national economic transformation development and innovative development gradually emerged, the energy structure continued to be optimized, the pace of transformation was accelerated, and the quality and efficiency of development continued to increase.

In 2017, the power supply and demand in Guangdong Province were generally loose. Affected by factors such as slow and stable economic growth and redundant power and electricity volume from the western China, the power generation situation in the province was relatively grim. The province's electricity demand grew steadily, and the electricity supply and demand were generally balanced. According to industry statistics, from January to December, the province's total electricity consumption was 595.9 billion KWH, an increase of 6.22% on a year-on-year basis. From January to December, the province's electricity demand grew steadily, with the maximum load of 109 million kilowatts, an increase of 8.5% on a year-on-year basis. Due to the large growth of generating capacity of the thermal power units in the province, the purchased quantity of electricity continued to grow and the newly added capacity increased steadily, the competition of monthly centralized trading of the electricity generation side was fierce, while the demand for gas turbine peak power generation in the province was limited, so the gas turbine power generation was still greatly restricted. Although the company turned losses into gains in 2016 by implementing major asset sales, which, to some extent, improved the company's asset quality and financial position, the company's main business and operating conditions were not fundamentally changed. As a power enterprise that takes gas turbine electricity generation as the main business, under the influence of high fuel costs, constantly reduced basic electricity consumption, increasingly fierce market competition and other common problems in industries, the company faced more complicated and difficult operating conditions. In addition, the grid companies in Guangdong Province and Shenzhen City reduced the on-grid electricity price of the province's natural gas power generation projects, including the company's three subsidiary power plants, from RMB0.745 to RMB0.715 per KWH (including tax) since October 2017, which further increased the company's operating pressure.

During the reporting period, the company continued to focus on the production and operation of inventory assets, continued to optimize the internal management, actively strived for the power generating capacity of its subordinate power plants, and endeavored to reduce the operating costs so as to meet the challenges of the electricity market. In particular, since August, the company's new leadership has creatively formulated the “1+5” strategic roadmap, proposed the overall strategic objectives of “turning deficits and getting out of troubles, transforming for development, and deepening reforms”, and determined five implementation paths including reducing losses and increasing profits for stock assets, fully maintaining the land assets, deepening the reformation for internal management, strengthening the supervision for investment property, and prudently seeking for sustainable development, and established a leading group of “turning deficits and getting out of

troubles, transforming for development, and deepening reforms” and five special action teams, achieved the first-time operating profit in the past decade by effectively integrating resources, efficiently acting in concert, and advancing all work neck and neck, which greatly boosted the morale and confidence, and formed a good working atmosphere with consistent goals, concerted efforts, efficient implementation, and standardized operation. The main management and operation work was as follows:

The first was to strengthen the safety and environmental management, always place safety as the top priority in business management, conscientiously fulfill our responsibility for environmental protection, and achieve the goal of “five-no” safety and compliance with environmental targets. The second was to actively participate in the competition of power market, thoroughly study the market trends, seriously establish the competitive strategy, make all preparations in advance, quickly and decisively make decisions, successfully achieve a new high level of power generation, and lay a solid foundation for the company to “stop losses and strive for profits”. The third was to plan and deploy the major cost items such as fuel supply and capital management, give play to the overall scale advantages, focus on the “package” preferential policy, which greatly reduced the production costs and financial costs and played an active role in realizing the overall profitability. The fourth was to innovate the operating and management model, encourage the subordinate enterprises to pledge a goal, and encourage all cadres and staff to work hard for the successful completion of their tasks and to strive to outperform their operational tasks. The fifth was to deepen the reform of human resources, carry out the optimal allocation and reasonable appointment of management cadres and core staff step by step and better reflect the principle of appointing people by abilities and making the best use of abilities so as to lay a good talent foundation for realizing the company’s overall strategic objectives. The sixth was to innovate the management thinking and working model, explore the organic integration of relevant business systems and work resources, promote a streamlined and efficient culture of discussing and acting, and seize the market opportunities with quick decision-making and efficient implementation. The seventh was to give full play to the positive role of party organizations and labor unions, strengthen the communication with employees and forward guidance, attach great importance to the logistical support work, and implement a series of humane care actions, which greatly enhanced the company's cohesion and staff enthusiasm for the company's production and operation.

In 2017, the general party branch of the company guided the work by “focusing on the party’s management to carry out party building, and carrying out the party building to promote business operations”, comprehensively strengthened the party building work, thoroughly studied the spirit of the Party’s 19th National Congress, firmly established “four consciousnesses” and strengthened “four “self-confidence”, consciously guided the work by the socialist ideology with Chinese characteristics in the new era of Xi Jinping; implemented the principle of “three majors and one large”, combined the strengthening of the party’s leadership with the improvement of corporate governance; adhered to the “three sessions and one lesson” system, and carried out the thematic activities of “the secretary giving the party lecture, “learning the advanced, taking the action, and becoming qualified party members”, and promoted the normalization and institutionalization of “two studies one action” in study and education; strengthened the building of an honest and clean government and intensified the inner-party supervision to improve the cohesion and solidarity of the party organization.

In 2017, the company’s three power plants completed a cumulative power generation of 3.162 billion KWH, and

completed 118.41% of the annual plan. In 2017, the company realized operating income of 2.046 billion Yuan, with net profit attributable to shareholders of the parent company of 15,904,200 Yuan, and earnings per share of 0.03 Yuan.

II. Main business analysis

1. Introduction

Found more in I. Introduction in Discussion and Analysis of the Operation

2. Revenue and cost

(1) Constitute of operation revenue

In RMB

	2017		2016		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	2,045,766,831.74	100%	1,574,088,977.85	100%	29.97%
Industry classification					
Energy industry	1,957,332,612.00	95.67%	1,502,944,465.07	95.48%	30.23%
Engineering service	38,416,883.29	1.88%	19,212,605.91	1.22%	99.96%
Sludge drying	44,384,947.49	2.17%	49,307,473.68	3.13%	-9.98%
Other business	5,632,388.96	0.28%	2,624,433.19	0.17%	114.61%
Product classification					
Electricity sales	1,957,332,612.00	95.67%	1,502,944,465.07	95.48%	30.23%
Engineering service	38,416,883.29	1.88%	19,212,605.91	1.22%	99.96%
Sludge drying	44,384,947.49	2.17%	49,307,473.68	3.13%	-9.98%
Other business	5,632,388.96	0.28%	2,624,433.19	0.17%	114.61%
By region					
Domestic	2,045,766,831.74	100.00%	1,574,088,977.85	100.00%	29.97%
overseas					

(2) About the industries, products, or regions accounting for over 10% of the Company's operating income or operating profit

√Applicable □ Not applicable

Does the Company need to comply with the disclosure requirements of the special industry

No

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
Industry classification						
Energy industry	1,957,332,612.00	1,807,939,570.93	7.63%	30.23%	30.05%	1.72%
Engineering service	38,416,883.29	29,158,224.56	24.10%	99.96%	80.50%	51.40%
Sludge drying	44,384,947.49	37,041,469.83	16.54%	-9.98%	2.67%	-38.33%
Product classification						
Electricity sales	1,957,332,612.00	1,807,939,570.93	7.63%	30.23%	30.05%	1.72%
Engineering service	38,416,883.29	29,158,224.56	24.10%	99.96%	80.50%	51.40%
Sludge drying	44,384,947.49	37,041,469.83	16.54%	-9.98%	2.67%	-38.33%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

☐ Applicable ☒ Not applicable

(3) Income from physical sales larger than income from labors

☒ Yes ☐ No

Industries	Item	Unit	2017	2016	Increase/decrease y-o-y
Electric Power	Sales volume	TWh	31.13	23.53	32.26%
	Output	TWh	31.13	23.53	32.26%
	Storage	TWh	0	0	0.00%

Reasons for y-o-y relevant data with over 30% changes

☒ Applicable ☐ Not applicable

Since August, the company has optimized and adjusted the main production targets of its subordinate power generation enterprises, and put forward the assessment principle and encouragement guidance of “stabilizing the morale and motivating the morale; making positive incentives and assessment and accountability; providing minimum guarantee with no ceiling”, which greatly aroused the enthusiasm of cadres and employees. The on-grid energy of the company's three subordinate power plants substantially increased in 2017 as compared with the same period of last year. Nanshan Thermal Power Plant strengthened the equipment refurbishment, and actively sought to achieve a new high in the generating capacity in recent years. Zhongshan Nanlang Power Plant made a success in the electricity bidding transaction in four continuous months and exceeded the required generating capacity. Dongguan Gaobu Power Plant completed the approval of the cogeneration project in advance and timely participated in and successfully obtained the electric quantity in monthly bidding transaction. In addition, the total electricity consumption in Guangdong Province in 2017 also had a steady increase, with a growing rate of about 6.22% on a year-on-year basis, which also created favorable conditions for the company

to increase its on-grid electricity consumption.

(4) Fulfillment of the Company's signed significant sales contracts up to this reporting period

√Applicable □ Not applicable

① In January 2013, the Company signed a five-year National Gas Sale Contract with Guangdong Trade Branch of CNOOC Gas and Power Group. and in August 2017, entered into a Supplementary Agreement of the National Gas Sale Contract with Guangdong/Zhuhai Sales Branch of CNOOC Gas and Power Group, relevant contracts are under implementation.

② In December 2013, controlling subsidiary of the Company - Shen Nan Dian Dongguan Company, signed a five-year National Gas Sale Contract with Guangdong Trade Branch of CNOOC Gas and Power LTD, which is under implementation presently.

③ In May 2014, controlling subsidiary of the Company -Shen Nan Dian Dongguan Company, signed a five-year National Gas Sale Contract with Zhuhai Trade Branch of CNOOC Gas and Power LTD, which is under implementation presently.

(5) Constitute of operation cost

Industry and products classification

In RMB

Industries	Item	2017		2016		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Energy industry	Power, heat supply	1,807,939,570.93	96.44%	1,390,170,289.38	96.35%	30.05%
Engineering service	Engineering cost	29,158,224.56	1.56%	16,154,164.10	1.12%	80.50%
Other business	Sludge drying etc.	37,465,193.45	2.00%	36,576,521.70	2.53%	2.43%

In RMB

Products	Item	2017		2016		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Electricity sales	Power supplying	1,807,939,570.93	96.44%	1,390,170,289.38	96.35%	30.05%
Engineering service	Engineering cost	29,158,224.56	1.56%	16,154,164.10	1.12%	80.50%
Sludge drying	Sludge treatment	37,041,469.83	1.98%	36,078,144.72	2.50%	2.67%
Other business	Leasing	423,723.62	0.02%	498,376.98	0.03%	-14.98%

Note

(6) Whether the changes in the scope of consolidation in Reporting Period

☐ Yes ☒ No

(7) Major changes or adjustment in business, product or service of the Company in Reporting Period

☐ Applicable ☒ Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	2,039,479,675.56
Proportion in total annual sales volume for top five clients	99.69%
Sales of related parties in annual sales from top five clients	0.00%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Shenzhen Power Supply Bureau Co., Ltd.	1,002,533,743.35	49.01%
2	Guangdong Power Grid Co., Ltd.	954,757,403.34	46.67%
3	Shenzhen Municipal Water Affairs Bureau	44,384,947.49	2.17%
4	China Machinery Engineering Corporation	27,504,147.04	1.34%
5	Tianchen Corp. China (TCC)	10,299,434.34	0.50%
	Total	2,039,479,675.56	99.69%

Other situation of main clients

☐ Applicable ☒ Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	1,656,303,270.13
Proportion in total annual purchase amount for top five suppliers	96.68%
Purchase of related parties in annual amount from top five suppliers	0.00%

Information of top five suppliers of the Company

Serial	Name	Purchases (RMB)	Proportion in total annual purchases
1	Guangdong Sales branch of China National Offshore Oil & Gas Corporation	1,080,526,505.77	63.07%
2	Zhuhai Sales branch of China National Offshore Oil & Gas Corporation	419,260,722.97	24.47%
3	Dongguan Jiufeng NG Storage Co., Ltd.	93,486,256.48	5.46%

4	Guangdong Huida Energy Co., Ltd.	34,875,439.55	2.04%
5	Guangzhou Yuanxiang Gas Co., Ltd.	28,154,345.36	1.64%
	Total	1,656,303,270.13	96.68%

Other notes of main suppliers of the Company

☐ Applicable ☒ Not applicable

3. Expenses

In RMB

	2017	2016	Increase/decrease y-o-y	Note of major changes
Sales expense	3,046,206.09	5,563,192.84	-45.24%	Cost of dry sludge treatment from Shen Nan Dian Environment Protection Company declined; the sales expenses from Server Company has transferred to management expenses for business suspended
Management expense	99,021,102.92	105,626,259.83	-6.25%	Management expenses decreased from a year earlier, mainly because Shenzhong Development Company and Shenzhong Property Company are not in consolidate scope any more since 19 December 2016, after equity of them held by the Company are sold in 2016
Financial expense	53,518,125.67	174,062,078.28	-69.25%	Financial expenses declined y-o-y due to the drops in loan size

4. R&D expenses

☐ Applicable ☒ Not applicable

5. Cash flow

In RMB

Item	2017	2016	Y-o-y changes
Subtotal of cash in-flow from operation activity	2,842,226,576.52	2,896,291,783.56	-1.87%
Subtotal of cash out-flow from operation activity	2,645,426,720.79	1,969,970,458.16	34.29%
Net cash flow from operation activity	196,799,855.73	926,321,325.40	-78.75%
Subtotal of cash in-flow from investment activity		837,562,474.15	-100.00%
Subtotal of cash out-flow from investment activity	66,604,848.94	17,248,786.24	286.14%

Net cash flow from investment activity	-66,604,848.94	820,313,687.91	-108.12%
Subtotal of cash in-flow from financing activity	740,290,000.00	2,244,504,173.08	-67.02%
Subtotal of cash out-flow from financing activity	1,847,970,120.16	3,618,420,697.50	-48.93%
Net cash flow from financing activity	-1,107,680,120.16	-1,373,916,524.42	-19.38%
Net increased amount of cash and cash equivalent	-977,868,950.79	373,155,847.80	-362.05%

Main reasons for y-o-y major changes in aspect of relevant data

√Applicable □ Not applicable

- (1) Cash in-flow from operation activity decreased 1.87%: revenue from power selling increased in the year for power generation soars, however, the debts and interest paid from Oufuyuan Technology in the year decreased over same period of last year, thus the cash in-flow declined from a year earlier;
- (2) The cash outflow from operation activities rose by 34.29%, mainly because the purchase cost of natural gas increased due to the soaring of power generation in the Year;
- (3) Net cash flow from operation activity decreased 8.75% from a year earlier: mainly because the debts and interest paid from Oufuyuan Technology in the year decreased over same period of last year, expenses for NG purchasement increased and income tax paying increased;
- (4) The cash inflow from investment activities declined by 100%, mainly due to the equity transfer money received from Oufuyuan Technology for 75% equity respectively of Shenzhong Properties Company and Shenzhong Real Estate Development Company being sold in 2016, and no such amount occurred in 2017;
- (5) Cash out-flow from investment activity increased 286.14%: mainly because costs of technical improvement of CHP from Shen Nan Dian (Zhongshan) Company increased;
- (6) The net cash flow from investment activities decreased by 108.12% on a y-o-y basis, mainly due to the equity transfer money received from Oufuyuan Technology for 75% equity respectively of Shenzhong Properties Company and Shenzhong Real Estate Development Company being sold in 2016, and no such amount occurred in 2017;
- (7) The cash inflow of financing activities reduced by 67.02%, mainly due to the drops in loan size in the Year;
- (8) The cash outflow of financing activities declined by 48.93%, mainly because the money pay back in the Year decreased y-o-y;
- (9) Net cash out-flow from financing activity decreased 19.38% on a y-o-y basis: mainly because net financing amount in the year increased and interest costs declined;
- (10) Net increased amount of cash and cash equivalent has 362.05% declined: mainly because the cash flow from operating and investment activities decreased from a year earlier

Explanation on reasons for the significant differences between the net cash flow arising from operation activities in the Period and net profit of last year

□ Applicable √ Not applicable

III. Analysis of the non-main business

√Applicable □ Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Investment income	-2,050,390.78	-22.87%	Income from long-term equity investment measured by equity	Yes
Assets impairment	-1,412,696.42	-15.76%	Account receivable of bad debt provision which has accrual was collected	No
Non-operating income	347,199.40	3.87%	The payables which un-able to paid were transfer to non-operating income	No
Non-operating expenditure	465,924.38	5.20%	Loss from non-current assets disposal	No

IV. Assets and liability

1. Major changes of assets composition

In RMB

	End of 2017		End of 2016		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	438,316,169.81	15.20%	1,415,550,406.02	32.44%	-17.24%	Mainly for bank loans payment
Account receivable	113,349,775.76	3.93%	166,808,672.42	3.82%	0.11%	Server Company (controlling subsidiary of the Company) received money for goods from CNPC Zhonghai Company and the overdue payment interest 55.69 million Yuan
Other account receivable	38,771,888.74	1.34%	395,804,901.21	9.07%	-7.73%	Received the debts and interest 362.96 million Yuan from Oufuyuan Technology Company
Inventory	77,834,903.89	2.70%	80,684,079.57	1.85%	0.85%	
Investment property	2,802,440.31	0.10%	2,998,577.91	0.07%	0.03%	
Long-term equity investment	18,254,673.40	0.63%	20,305,064.18	0.47%	0.16%	The investment income recognized under equity method are declined

Fix assets	1,420,620,565.05	49.26%	1,544,562,696.68	35.40%	13.86%	The accumulated depreciation increased in the Period
Construction in process	50,958,741.92	1.77%	8,008,476.13	0.18%	1.59%	The expenditure of technical transformation for CHP from Shen Nan Dian (Zhongshan) Company – controlling subsidiary of the Company increased
Short-term loans	515,850,000.00	17.89%	796,840,000.00	18.26%	-0.37%	Bank loans payment
Long-term loans	25,940,000.00	0.90%	343,900,000.00	7.88%	-6.98%	Bank loans payment

2. Assets and liability measured by fair value

☐ Applicable ☒ Not applicable

3. Assets right restriction till end of reporting period

V. Investment

1. Overall situation

☒ Applicable ☐ Not applicable

Amount invested (RMB)	Last period's amount (RMB)	Changes
1,300,000.00	0.00	100.00%

In January 2010, the Company invested to CPI Jiangxi Nuclear Power Co., Ltd. in nuclear power project and holds 5% stake and the Company increase 1.3 million Yuan investment; As to the end of the reporting period, the investment of the Company amounted to 60,615,000 Yuan. The preparatory work of the project is in progress.

2. The major equity investment obtained in the reporting period

☐ Applicable ☒ Not applicable

3. The major non-equity investment doing in the reporting period

☐ Applicable ☒ Not applicable

4. Financial assets investment

(1) Securities investment

☐ Applicable ☒ Not applicable

The Company had no securities investment in the reporting period.

(2) Derivative investment

☐ Applicable ☒ Not applicable

The Company has no derivatives investment in the reporting period.

5. Application of raised proceeds

☐ Applicable ☒ Not applicable

The Company had no application of raised proceeds in the reporting period.

VI. Sales of major assets and equity

1. Sales of major assets

☐ Applicable ☒ Not applicable

The Company had no sales of major assets in the reporting period.

2. Sales of major equity

☐ Applicable ☒ Not applicable

VII. Analysis of main holding Company and stock-jointly companies

☒ Applicable ☐ Not applicable

Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

Company name	Type	Industry	Main product or service	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Shenzhen New Power Industrial Co., Ltd.	Subsidiary	Electric power	Technology development regarding to application of remaining heat (excluding restricted items) and power generation with remaining heat. Add: power	RMB 113.85 million	201,412,699.19	166,939,762.63	369,625,882.01	37,349,974.68	33,181,834.93

			generation through burning machines.						
Shen Nan Dian Environment Protection Company	Subsidiary	Environment Protection	Sludge drying; the design and operations management of sludge treatment and disposal facilities and engineering; the technology development, technology transfer, technical advice, technical services of environmental pollution control and comprehensive utilization domain; (Except for the projects required to be approved before registration by laws, administrative regulations, or decisions and stipulation of the State Council, the restricted items must be approved before	RMB 79 million	127,724,707.86	95,738,727.98	44,384,947.49	2,765,003.81	2,279,268.32

			operating)						
Shenzhen Shennandian Turbine Engineering Technology Co., Ltd.	Subsidiary	Engineering technical consulting service	Engage in the technical advisory service for the construction projects of gas-steam combined cycle power plant (station), and undertake the maintenance and overhaul of the operation equipment of gas-steam combined cycle power plant (station). Import and export of goods and technologies (excluding distribution and state monopoly commodities)	RMB 10 million	29,464,711.02	18,283,438.16	38,416,883.29	5,023,287.82	5,048,741.46
Shenzhen Server Petrochemical Supplying Co., Ltd	Subsidiary	Energy	Self-supporting or import agent business of fuel oil; trade (excluding production and storage and transportation) in diesel, lubricating oil, liquefied petroleum gas, natural gas, compressed gas and liquefied gas, chemical products (excluding dangerous chemicals); investment, construction and technical supports in liquefied petroleum gas, natural gas and related facilities; import and	RMB 53.3 million	134,482,398.48	97,724,484.39	1,106,735.21	-7,541,761.29	-7,540,131.29

			export businesses and domestic trade of goods and technologies (excluding franchise, exclusive control, and monopoly products); leasing business. Licensed projects: fuel oil warehousing business (except for refined oil); general freight transport, special transportation of goods (containers), special transportation of goods (tank)						
Shen Nan Dian (Zhongshan) Electric Power Co., Ltd.	Subsidiary	Electric power	Gas turbine power generation, waste heat power generation, power supply and heating (excluding heating pipe network), leasing of wharfs and oil depots (excluding refined oil, dangerous chemicals, or flammable and explosive goods).	RMB 746.8 million	761, 443, 913. 77	-62, 417, 756. 93	543, 470, 074. 17	-15, 444, 224. 47	-15, 454, 466. 03
Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd	Subsidiary	Electric power	Construction and operation of natural gas power stations, construction and operation of natural gas cogeneration power plants.	US \$ 35.04 million	757, 850, 390. 53	100, 526, 725. 04	412, 389, 910. 03	-28, 887, 156. 15	-28, 887, 156. 15

Shen Nan Energy (Singapore) Co., Ltd.	Subsidiary	Trade	Agent for oils trade and spare parts of gas turbine	US \$ 0.9 million	344, 202, 924. 36	341, 698, 495. 59	0	-1, 615, 497. 34	-1, 615, 497. 34
CPI Jiangxi Nuclear Power Company	Joint stock Company	Nuclear Power	The development, construction, operation and management of nuclear power projects; the production electricity and related products; the operation of foreign trade (except for the import and export businesses of goods with state trading management); (except for those projects with special permission)	RMB 1167.27 million	3, 573, 053, 155. 78	1, 175, 556, 383. 83	9, 160, 936. 98	1, 786, 383. 83	1, 786, 383. 83

Subsidiary disposes and acquired in the period

☐ Applicable ☒ Not applicable

VIII. Structured vehicle controlled by the Company

☐ Applicable ☒ Not applicable

IX. Future Development Prospects

(i) Macroeconomic situation and industry development trends

2018 is the first year for implementing the spirit of the 19th National Congress of the Communist Party of China, and is a crucial year for successfully building a moderately prosperous society and implementing the 13th Five-Year Plan. Promoting stability and progress is still the general key tone of China's economic work in 2018.

At the time when the 40th anniversary of China's reform and opening up is coming, Guangdong Province is also in a crucial period of transforming its mode of development, optimizing its economic structure and transforming its growth momentum, the tasks of reform and development are heavy and arduous, and the power system reform will continue to deepen. According to the statistics and analysis of relevant departments, it is estimated that the whole province's annual total electricity consumption shall reach 621.4 billion KWH, with a year-on-year growth of 4.4%. The province's maximum load shall reach 120 million kilowatts, an increase of 10.5% over the same period of last year. The annual total purchased electricity quantity shall amount to 588.7 billion KWH, an increase of 4.4% on a year-on-year basis. There are 23 new units in the whole province, with a total capacity of about 12,194,000 kilowatts. It is expected that the electricity supply shall meet the demand in the province, and the overall electricity quantity has surplus. In the situation that more new units have gone into operation, the utilization time of coal machine in the province shall decline slightly, and the situation of gas turbine power generation is not optimistic. In addition, with the accelerated progress of market-oriented electricity reform, the mode of power production and management will shift from planned power generation to market-based power generation, and the competition in the power market will become even more intense, together with the reduction of on-grid prices, the production situation of the company's subordinate power generation enterprises shall be more severe and face greater challenges, but opportunities shall come at the same time.

In 2017, the company overcame various difficulties and achieved a historic breakthrough in operating profitability. After making up the deficits and getting surpluses in 2016 by selling the stock rights of subordinate enterprises, the company has made profits for two consecutive years, and the asset condition of the company has obviously improved which not only enhanced the confidence of investors in the company, but also greatly stimulated the enthusiasm of all employees. Therefore, the tasks in 2018 are more arduous, but the company will transform the pressure into motivation, under the guidance of "1+5" strategy roadmap, around the strategy target of "making up deficits and get rid of poverty, transformation development as well as deepening reform" as a whole, maximize the profitability of its main business under the precondition of ensuring safety, proactively and carefully seeking the transformation development, and further improve the standardization of corporate governance and operation management so as to achieve the annual the company's sustainable operation and healthy development.

(ii) The company's annual business plan in 2018

In 2018, the company will focus on the following aspects:

1. Strengthen the safety management, the first is to adhere to the principle of "safety first, prevention first and comprehensive treatment", fully implement the safety production and management responsibilities of "equal responsibility for the party and the administration, one post with two responsibilities, and accountability for dereliction of duty", further establish and improve the safety management system, and intensify the implementation and assessment of safety production responsibility system; the second is to build a large safety pattern with full staff, all aspects and all weather conditions, strive to create an all-around safety conditions including production, operation and management, and ensure the realization of goals such as annual safety "five

no” and capital chain safety; the third is to do a good job in environmental protection, strictly control the emission indicators, and ensure the realization of environmental credit evaluation target.

2. Optimize the standard operation, and improve the level of governance. First is to further improve the corporate governance structure and modern enterprise management system, adhere to managing enterprises according to law and standardizing operation, and strictly implement the working principles such as collective decisions on major issues, lawyers checking on the important contracts, standardizing and making the bidding projects known to the public; second is to carry out the propaganda and training for relevant laws, regulations and policies by multiple channels, strengthen the risk awareness and legal awareness of all levels of management and all staff, and further enhance the level of governance according to the law and the standard operation; third is to further strengthen the internal management, optimize the business processes, improve the management system, strengthen the internal control so as to make the company's management more refined, scientific and standardized and effectively prevent all types of risks.

3. Strengthen the operating management, and strive for the best performance. The first is to take severe measures to the production, operation and management of main businesses, comply with the market-oriented reform trend of electricity, carefully study the market structure and competitive strategy, improve the level of electricity marketing and market transactions, go all out to fight for generating capacity, and maximize the benefits of main businesses. The second is to explore a better model of fuel supply and management, endeavor to broaden the supply channels, and strive to maximize the overall interests of natural gas procurement and application in the company's system. The third is to innovate the capital management mode, and strengthen the overall management of funds, and take diversified ways to broaden the financing channels, reduce financial costs and control the capital risks; at the same time, strengthen the budget management and accounting standardization, give full play to the helping and supporting role of financial analysis and management to the company's business decision-making, and enhance the company's economic operation level. The fourth is to sort out and reorganize the non-electric power business segments in the company's system, increase the strength of support to the business with development prospects, and strive to enhance the profitability of non-electric power business.

4. Closely follow the progress of Qianhai planning and maximumly protect the company interests. The first is to track and study the regional planning of Qianhai and the relevant policy trends, deeply analyze the possible impacts and opportunities brought by the implementation of Qianhai planning, maintain the communication with related functional departments of Shenzhen and Qianhai Authority, and study and formulate the countermeasures and work program. The second is to carry out various tasks in accordance with the normalized requirements of listed companies with the participation and cooperation of legal advisors, and perform the necessary approval procedures for decision-making and the obligation of information disclosure, and effectively protect the interests of the company and all shareholders and the legitimate rights and interests of the employees.

5. Seek development opportunities and expand living space. The first is to carefully study the relevant industrial policies, regulatory policies, and industry trends, sort out and analyze the status of stock assets, explore the

effective path for industrial transformation and upgrading through the optimization and adjustment of equity and asset structure and the innovation of business model. The second is to comply with the new normal of economic development, take advantage of the listed company's platform to actively and prudently seek new project opportunities and development opportunities, explore the diversified development models and transformation directions, and seek for the company's sustainable management and healthy development.

6. Regulate information disclosure and strengthen investor relations management. Firstly, further improve the information disclosure and insider information confidentiality system, strictly enforce the relevant laws, regulations and regulatory documents of the securities regulatory department, truly, timely, accurately and completely fulfill the obligation of information disclosure, and do a good job in the confidentiality of inside information. Secondly, further enhance the investor relations management level, provide more effective safeguard for the investors' interests and legitimate rights and interests through more diversified forms and more detailed work, and strive to establish a better image for the listed companies.

7. Improve the incentive mechanism and promote the job performance. The first is to further improve the remuneration and incentive mechanism, better reflect the positive relationship between the value of the contribution and the remuneration, and make the limited remuneration play a greater incentive role. The second is continues to improved and implemented the evaluation and incentive mechanism of “military pledge” and highlighting the target responsibility, improve the performance management system, and promote the continuous improvement of overall performance level. The third is to strengthen the cadre team building and the training of reserve personnel echelon, and further promote the overall quality and management level of cadres by strengthening the training and assessment so as to make necessary personnel reserves for the company's future development.

8. Establish healthy atmosphere and encourage innovation and progress. Firstly, vigorously promote the cultural concept of “passionate work and enjoyable life”, give full play to the role of party organizations and labor unions at all levels, strive to create a good work environment which is pragmatic, harmonious, and win-win, and create the correspondently core values and positive corporate culture. Secondly, encourage the innovative spirit, create better development opportunities for employees who are bold in making innovations and strive for progress, protect the employees' enthusiasm and creativity, endeavor to rejuvenate the company, and make continuous efforts to realize the strategic goal of “turning losses into gains, transformation development, and deepening reform”.

9. Putting more efforts on party construction, playing the core roles. The party general branch will focus on the company's business objectives of “laying stress on benefits, increasing gas sources, and promoting transformation”: firstly, incorporate the party building contents into the company's articles of association according to relevant documents; secondly, continue to study the spirit of the party's 19th national congress, take the socialist ideology with Chinese characteristics in the new era of Xi Jinping as the guidance and take the

implementation of responsibility system for party building work as the measures so as to give play to the political core role of the party organization; thirdly, complete the general party branch's change of the term in office in accordance with the unified arrangements of the superior party committees; fourthly, insist on the "three sessions and one lesson" system, and continue to promote the normalization and institutionalization of "two studies and one action" learning and education.

The business plans and related situation analysis in this report do not represent the company's performance commitments to investors, the company reminds the investors to keep adequate risk awareness and understand the difference between business plans and performance commitments and make prudent investment decisions.

(iii) Possible main risks

1. Main business: According to the judgment on the supply and demand situation of Guangdong Province and Shenzhen electric power market in 2018, the total power capacity is surplus, therefore, the main business of the company's three subordinate power plants will face tremendous pressure. On the one hand, limited by the annual base power generation in Guangdong Province, there is limited space for more power generation; on the other hand, with the deepening of the electricity market reform, the electricity market trading is highly competitive, although it has brought a certain opportunities to the gas turbine power generation enterprises, it also brought greater challenges. The company will give play to Gas Turbine Special Committee of Guangdong Province, strive to seek supports from all levels of government and power grid companies, at the same time, the company shall urge the subordinate power plants to improve the reliability of units, actively participate in market competition, and strive for more power generation capacity.

2. Safety production: The power generation equipments of the company's subordinate power plants have the various degrees of aging, potential malfunction and safety risks increase year by year, which make higher requirements on the equipment management and maintenance investment; furthermore, the age structure of the company's employees becomes increasingly problematic, and bring greater challenges to the company's security management. The company will strengthen the equipment inspection and maintenance work, enhance the employees' safety education and training, intensify the safety production responsibility system, and strictly implement the safety management system and other measures while combining with the assessments, rewards and punishment so as to raise the awareness of safety and responsibilities among staff at all levels, ensure the normal operational states of equipment, and guarantee a safety production.

3. Continuing operation: Although the company achieved operating profitability in 2017, no fundamental improvement in the company's main business and operating conditions has taken place; the company's continued operation still faces great challenges. The company will strive to improve the profitability of its main business by strengthening the operation and management of its stock assets. At the same time, the company will actively explore diversified business models and create conditions for the continued operation and healthy development of the company.

The company reminds investors to pay attention to the above-mentioned major risks and other risks that the company may face and make prudent and rational investment decisions.

X. Reception of research, communication and interview

1. In the report period, reception of research, communication and interview

√Applicable □ Not applicable

Time	Way	Type	Basic situation index of investigation
2017-04-21	Field research	Individual (8)	Operation of the Company, progress of land reserves from Nan Shan Power Plant, plans of the future developments etc. no material required
2017-08-09	Written inquiries	Media	Operation of the Company, progress of land reserves, transfer of the #7#9 units, the Company reply the letter under the premise of not violating principle of information disclosure and system of major information secrecy
2017-08-28	Field research	Individual (4)	Operation of the Company, progress of land reserves from Nan Shan Power Plant, plans of the future developments etc. no material required
2017-11-02	Field research	Individual (2)	Operation of the Company, progress of land reserves from Nan Shan Power Plant, plans of the future developments etc. no material required
2017-11-03	Field research	Individual (2)	Operation of the Company, progress of land reserves from Nan Shan Power Plant, plans of the future developments etc. no material required
2017-11-06	Field research	Individual (2)	Operation of the Company, progress of land reserves from Nan Shan Power Plant, plans of the future developments etc. no material required
2017-11-17	Field research	Individual (11)	Operation of the Company, progress of land reserves from Nan Shan Power Plant, plans of the future developments etc. no material required
2017-11-27	Field research	Individual (2)	Operation of the Company, progress of land reserves from Nan Shan Power Plant, plans of the future developments etc. no material required
2017-12-03	Field research	Individual (2)	Operation of the Company, progress of land reserves from Nan Shan Power Plant, plans of the future developments etc. no material required
Jan.-Dce.2017	Telephone communication	Individual (over 10)	Operation of the Company, progress of land

		times)	reserves from Nan Shan Power Plant, plans of the future developments etc. no material required
Jan.-Dec.2017	Reply on interaction easily	Individual (36)	Operation of the Company, progress of land reserves from Nan Shan Power Plant, plans of the future developments etc. and reply in written
Reception (times)		45 (without telephone and written communication)	
Number of hospitality		0	
Number of individual reception		70	
Number of other reception		0	
Disclosed, released or let out major undisclosed information		No	

Section V. Important Events

I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

☐ Applicable ☒ Not applicable

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

1. In 2015, audited by Ruihua Certified Public Accounts (LLP), the net profit attributable to shareholders of listed Company for year of 2015 amounting as RMB -634,623,667.06. The Company has no plans of surplus accumulation fund accrual, no profit distribution plan and capitalizing of common reserves either. (For details, please refer to the announcement of the 6th meeting of the 7th session board of directors (No.: 2016-009) published by the Company on China Securities, Securities Times, Hong Kong Commercial Daily and Juchao information website on 1 April 2016.)

2. In 2016, audited by Ruihua Certified Public Accounts (LLP), the net profit attributable to shareholders of listed Company for year of 2016 amounting as RMB 1,306,694,835.46. The Company has no plans of surplus accumulation fund accrual, no profit distribution plan and capitalizing of common reserves either. (For details, please refer to the announcement of the 10th meeting of the 7th session board of directors (No.: 2017-007) published by the Company on China Securities, Securities Times, Hong Kong Commercial Daily and Juchao information website on 28 March 2016.)

3. In 2017, audited by Ruihua Certified Public Accounts (LLP), the net profit attributable to shareholders of listed Company for year of 2017 amounting as RMB 15,904,182.47. The Company has no plans of surplus accumulation fund accrual, no profit distribution plan and capitalizing of common reserves either. (For details, please refer to the announcement of the 2nd meeting of the 8th session board of directors (No.: 2018-003) published by the Company on China Securities, Securities Times, Hong Kong Commercial Daily and Juchao information website on 13 March 2018.)

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed Company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed Company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2017	0.00	15,904,182.47	0.00%	0.00	0.00%
2016	0.00	1,306,694,835.46	0.00%	0.00	0.00%
2015	0.00	-634,623,667.06	0.00%	0.00	0.00%

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent Company is positive but no plan of cash dividend proposed of common stock

☒ Applicable ☐ Not applicable

The reason that why the revenues and profits distributed for common stock holder from the parent company are positive during reporting period, but the cash bonus distribution plan of common stock is not proposed	The usage and using plan of undistributed profit
<p>According to the Article 197 of the Rules of the Company concerning the profit distribution policy:</p> <p>(I)The company shall carry out sustainable and stable profit distribution policy, comprehensively taking reasonable return on investment of the investors and the long-term development of the company into consideration. The profit distribution of the Company shall not exceed the cumulative profits available for distribution, shall not damage the on-going business capability, and shall adhere to principle of distribution in doctrine of legal sequence and shall not be distributed if deficit not yet made up.</p> <p>(II)</p> <p>(III) The condition of cash bonus</p> <p>1. The annual and semi-annual distributive profits are positive and the cash flow is abundant, and the cash bonus shall not affect the on-going business and operation of the Company.</p> <p>2. . . .</p> <p>In line with the Rules of the Company, combined with analysis to the operation situation of company itself, the Company was absence of the conditions for profit distribution for the year of 2017, the reasons as below:</p> <p>Although the company went all out to strive for power generation and reduce fuel costs, utilized the stock right transfer income of 2016 to repay bank loans in advance so as to significantly reduce capital costs, and achieved its operating profit in 2017, the company's main business direction and business situation had no fundamental changes, the company still faces difficulties such as high power generation costs, declining electricity prices and fierce competition in power trading and needs to deal with the huge challenges of going concern. In 2018, the company will continue to be guided by the overall goal of "turning losses into gains, transformation and development, and deepening reforms", further improve the standard of governance and work performance, strive for more power generation and gas price reductions, aim for achieving annual business goals, and keep trying to completely get rid of operational difficulties.</p> <p>The Company is still faced with great operation pressure and the cash flow is not abundant, so the company is unable to meet the requirements on the profit distribution condition made in the</p>	<p>We still have huge pressure in operation thought the Company achieved earnings in 2017. Therefore, the retained profit 660,176,169.69 Yuan will supplying the current funds and using for routine operation in order to achieved the business target</p>

company rules. Therefore, the Company shall not distribute profits in 2017.	
---	--

II. Profit distribution plan and capitalizing of common reserves plan for the Period

☐ Applicable ☒ Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the year.

III. Implementation of commitment

1. Commitments that the Company, shareholders, actual controller, offeror, directors, supervisors, senior management or other related parties have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

√Applicable □ Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for Share Merger Reform						
Commitments in report of acquisition or equity change						
Commitments made in the reorganization of assets	The Company and whole directors, supervisors and senior executives	Other commitments	<p>The Commitment Letter of the Truthfulness, Accuracy and Completeness of the Related Information of Reorganization</p> <p>The company and all the directors, supervisors and senior managers of our company promise to assure the truthfulness, accuracy and completeness of the related information of the reorganization as well as the application documents. We make the following commitment that there is no false statement, misleading representation or material omission, and jointly and separately accept responsibilities. We promise that all the signatures as well as seals are true and effective, and the copies are in agreement with the originals. We promise that all the information provided by our company and all the directors, supervisors and senior managers of our company are true, correct and complete original written information or copied information, and the copied information or the copies are in complete agreement with the originals. The signatures and seals of all the documents are true without any false record, misleading statement or major omissions. If the information is investigated by the judicial authority or China's Securities Regulatory Commission because of any false record, misleading statement or major</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance

			omissions in any of our information in this deal, all the shareholders of the boarders, supervisors and senior managers of our company shall stop selling their shares, and shall hand in their account of the shares and the written applications of stopping selling them to the board of directors within two working days, and the board of directors will apply locking the information of the identity and account to the Stock Exchange and registered clearing company; if beyond the time limit, after checking, the Boarder of Directors will directly report the information of the identity and account to the Stock Exchange and registered clearing company. If not, the stock exchange and registered clearing company will lock the related shares directly. If there is anything that is illegal, the Boarder of Directors of the Company and all the directors thereof promise the locked parts of shares shall be used for compensation.			
	Oufuyuan Technology and whole directors, supervisors and senior executives		<p>The Commitment Letter of the Truthfulness, Accuracy and Completeness of the Information Provided</p> <p>As the counterparty of this recombination, Shenzhen Oufuyuan Technology Co., Ltd.(referred to as the “company” in this paragraph) and the directors, supervisors and senior managers of our company make the following commitment: The information provided by our company as well as we ourselves are all true, accurate and complete, without any false statement, misleading representation or material omission, the copied information or the copies are in complete agreement with the originals and the signatures and seals of all the documents are true. If not, and if determined by the judiciary that we may cause any loss to the related company, Shenzhen Nanshan Power Co., Ltd. or their investors, audit, evaluators or the agency of financial advisers or anything related, the company and we are willing to take any legal responsibility.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	The Company and whole directors, supervisors and senior executives	Other commitments	<p>The Commitment Letter of No Penalty and Credit Situation in the Last Three Years</p> <p>The company and all the directors, supervisors and senior managers of our company make the following commitment: 1. The Company is under standardized operation during the last three years, so there is not any illegal capital take-up or external guarantee or anything like that. 2. Since June 25, 2015 when the company received "the Supervision Letter on Shenzhen Nanshan Power Co., Ltd" [2015] No. 69 issued by the company's management department of Shenzhen Stock Exchange, which was about not disclosing the revision of performance forecast, the company and all the directors, supervisors and senior managers of our company have neither experienced any administrative penalty or criminal penalty, nor punished or investigated by Shenzhen Stock Exchange or any other authorities. We have never been punished, investigated or gone under custody by the Stock Exchange or Securities Regulatory Commission or any</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance

			other authorities. If there is anything wrong in the statement above, the Company and the Boarder of Directors will jointly and separately accept any legal responsibilities related.			
	Oufuyuan Technology and whole directors, supervisors and senior executives	Other commitments	The Commitment Letter of No Penalty and Credit Situation in the Last Five Years Oufuyuan Technology of Shenzhen (referred to as the “company” in this paragraph) and all the directors, supervisors and senior managers of The Company state solemnly to Shenzhen Nanshan Power Co., Ltd. and the relevant intermediary that: 1. The Company and I personally haven’t experienced any administrative penalty related to Stock Exchange or criminal penalty, and were never involved in any major civil action or arbitration matters related to finance. 2. We have never been punished, investigated or gone under custody by China Securities Regulatory Commission or any other authorities as a result of not paying off huge debts or not fulfilling promises.	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Oufuyuan Technology and whole directors, supervisors and senior executives	Other commitments	The Commitment Letter of Not Violating Rule No.13 of Interim Provisions on strengthening the supervision of abnormal stock transactions related to the major asset restructuring of listed companies Oufuyuan Technology of Shenzhen(referred to as the “company” in this paragraph) and all the directors, supervisors and senior managers of The Company make the following commitment: 1. The Company and I personally haven’t been investigated or registered due to insider dealing in the major asset restructuring of this transaction; 2. The Company and I personally haven’t been investigated or registered due to insider dealing in any major asset restructuring by China Securities Regulatory Commission or any other authorities in the last thirty-six months. If The Company or I break the above promise, The Company or I will surely bear the loss caused to Shenzhen Nanshan Power Co., Ltd.	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Oufuyuan Technology and whole directors, supervisors, senior executives and actual controller	Other commitments	The Commitment Letter of Not Existing Related Relation As the counterparty of this transaction, Oufuyuan Technology of Shenzhen(referred to as the “company” in this paragraph) makes the following commitment: The company and all the directors, supervisors , senior managers of our company, the actual controller of The Company have no incidence relation with the directors, supervisors , senior managers of Shenzhen Nanshan Power Co., Ltd. or any shareholder holding more than 5% of the shares of Shenzhen Nanshan Power Co., Ltd.(including Shenzhen Energy Co., Ltd., HONG KONG NAM HOI (INTERNATIONAL) LTD, Shenzhen Guangju Industrial Co., Ltd) as well as Shenzhong Property Company or Shenzhong Development Company, so there is no connected transaction. If the above statement is not true, The Company and I personally will take the related	2016-10-31	Until the completion of this major asset restructuring	In normal performance

			responsibilities.			
	The Company and whole directors, supervisors and senior executives	Other commitments	<p>The Commitment Letter of Not Existing Connected Relation</p> <p>The company and all the directors, supervisors, senior managers of The Company makes the following commitment: The company and all the directors, supervisors , senior managers of The Company have no incidence relation with the counterparty of this transaction, Oufuyuan Technology of Shenzhen, so there is no connected transaction. If the above statement is not true, The Company and I personally will take the related responsibilities.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Shenzhong Properties Company, Shenzhong Real Estate Development Company	Other commitments	<p>The Commitment Letter of Not Existing Connected Relation</p> <p>As the target company in this reorganization, we make the following commitment: the Company have no incidence relation with the counterparty of this transaction, Oufuyuan Technology of Shenzhen, so there is no connected transaction. If the above statement is not true, The Company and I personally will take the related responsibilities.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Shen Shenzhen Energy Group Co., Ltd. Co., Ltd., NAM HOI, Guangju Industrial	Other commitments	<p>The Commitment Letter of Not Existing Connected Relation</p> <p>As the shareholder of Shen Nan Dian, with over 5% shares held, we makes the following commitment: the Company have no incidence relation with the counterparty of this transaction, Oufuyuan Technology of Shenzhen, so there is no connected transaction. If the above statement is not true, The Company and I personally will take the related responsibilities.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Oufuyuan Technology	Other commitments	<p>The Commitment Letter of the Legitimateness of the Sources of Funds</p> <p>As the counterparty of this transaction, Oufuyuan Technology of Shenzhen (referred to as the “company” in this paragraph) makes the following commitment: The company's transferee of the equity interest paid and the repayment of interest and the interest and other related debt funds are all from the company's own funds or raised legally. All the sources of funds are legal, and have effective and full right of</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance

			disposal, which is in agreement with the rules of China Securities Regulatory Commission or any other related laws or rules.			
	The Company and whole directors, supervisors and senior executives	Other commitments	<p>The Commitment Letter of Not Violating Rule No.13 of Interim Provisions on strengthening the supervision of abnormal stock transactions related to the major asset restructuring of listed companies</p> <p>The company and all the directors, supervisors, senior managers of The Company make the following commitment: 1. The Company and I personally haven't been investigated or registered due to insider dealing in the major asset restructuring; 2. The Company and I personally haven't been investigated or registered due to insider dealing in any major asset restructuring by China Securities Regulatory Commission or any other authorities in the last thirty-six months. If The Company or I break the above promise, The Company or I will surely bear the loss caused to Shenzhen Nanshan Power Co., Ltd.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	The whole directors, supervisors and senior executives	Other commitments	<p>The Commitment Letter of the Restructuring Involving the Real Estate Business</p> <p>All the directors, supervisors and senior managers of The Company make the following commitment: If the target company proposed to be sold in this recombination were punished or investigated for illegal actions like undisclosed idle land, real estate speculation, insisting on a conservative way in selling a real estate or price rigging, and caused any loss to The Company or investors, I will surely compensate the loss caused according to the demand of relevant laws or rules or securities regulatory authority.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	The Company	Other commitments	<p>The Commitment Letter of the Integrity of the Underlying Assets</p> <p>As the seller of this major assets reorganization, The company makes the following commitment: 1. The company legally holds the underlying assets, and there is no case of entrusted ownership, trust holdings or any other third party that holds shares; There is no pledge, guarantee or any third party rights in the underlying assets and there is no situation of dispute, judicial security measures or enforcement measures, such as restrictions, block or prohibition of the transfer. 2. The company makes the following commitment: If the underlying assets cannot be transferred or processed for necessary changes because the company has no right to dispose of assets, or other rights are limited due to the underlying assets of the underlying asset ownership cannot be transferred or shall go through the modification formalities, the company is willing to bear the corresponding legal responsibility in the right to judicial departments according to their authority after confirmation of the losses caused by the related parties. 3. By the date of this letter of commitment issued, Shenzhong Property Company and Shenzhong Development</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance

			Company have no situation of false investment or anything that affects its legal existence, and there are no pending or foreseeable litigations, arbitrations or administrative penalties affecting this transaction.			
	Shenzhong Properties Company	Other commitments	The Commitment Letter of the Truthfulness, Accuracy and Completeness of the Information Provided The company makes the following commitment: 1. The information related to this transaction provided by The Company are all true, accurate and complete, without any false statement, misleading representation or material omission;; 2. We promise that all the information provided by The Company are true, correct and complete original written information or copied information, and the copied information or the copies are in complete agreement with the originals. The signatures and seals of all the documents are true without any false record, misleading statement or major omissions. 3. The illustrations The Company provides are all true, correct and complete without any false record, misleading statement or major omissions; 4. The Company jointly and severally accepts responsibilities as to the truthfulness, accuracy and completeness of the content of this report.	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Shenzhong Properties Company	Other commitments	The Commitment Letter of No Illegal or Irregular Behaviors in the Last Three Years The company promises: 1. The Company has never done anything that is greatly illegal or irregular, and has never received any administrative punishment or criminal punishment. 2. The Company has never been punished as a result of violating the National Industrial Policy or the laws or rules related to environment protection, land administration, or anti-monopoly. 3. The Company has neither been investigated by competent administrative authorities like China Securities Regulatory Commission because of illegal actions nor investigated by judicial authorities.4.The Company has no unfinished or any foreseen major court case or arbitration matters related to this transaction. 5. The Company does not have any matter that may influence the guarantee of operating capacity or commitment.	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Whole directors, supervisors and senior executives of Shenzhong Properties	Other commitments	The Commitment Letter of No Major Violation of Relevant Laws As the directors, supervisors and senior managers of Shenzhong Property Company, we make the following commitment: 1. I have never done anything that is greatly illegal or irregular, and have never received any administrative punishment or criminal punishment or arbitration related to finance. 2. I have never been investigated or registered because of inter-transaction of restructuring major assets and have no unfinished cases. I haven' neither been punished or investigated by competent administrative authorities like China Securities Regulatory Commission or the Stock Exchange because of illegal actions like not repaying major debts or not fulfilling commitments or inter-transaction of restructuring	2016-10-31	Until the completion of this major asset restructuring	In normal performance

	Company		major assets nor given criminal sanctions by judicial authorities according to law.			
	Shenzhong Real Estate Development Company	Other commitments	<p>The Commitment Letter of the Truthfulness, Accuracy and Completeness of the Information Provided</p> <p>The company makes the following commitment: 1. The information related to this transaction provided by The Company are all true, accurate and complete, without any false statement, misleading representation or material omission;; 2. We promise that all the information provided by The Company are true, correct and complete original written information or copied information, and the copied information or the copies are in complete agreement with the originals. The signatures and seals of all the documents are true without any false record, misleading statement or major omissions. 3. The illustrations The Company provides are all true, correct and complete without any false record, misleading statement or major omissions; 4. The Company jointly and severally accepts responsibilities as to the truthfulness, accuracy and completeness of the content of this report.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Shenzhong Real Estate Development Company	Other commitments	<p>The Commitment Letter of No Illegal or Irregular Behaviors in the Last Three Years</p> <p>The company makes the following commitment: 1. The Company has never done anything that is greatly illegal or irregular, and has never received any administrative punishment or criminal punishment. 2. The Company has never been punished as a result of violating the National Industrial Policy or the laws or rules related to environment protection, land administration, or anti-monopoly. 3. The Company has neither been investigated by competent administrative authorities like China Securities Regulatory Commission because of illegal actions nor investigated by judicial authorities. 4.The Company has no unfinished or any foreseen major court case or arbitration matters related to this transaction. 5. The Company does not have any matter that may influence the guarantee of operating capacity or commitment.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Whole directors, supervisors and senior executives of Shenzhong Real Estate	Other commitments	<p>The Commitment Letter of No Major Violation of Relevant Laws</p> <p>As the directors, supervisors and senior managers of Shenzhong Development Company, we make the following commitment: 1. I have never done anything that is greatly illegal or irregular, and has never received any administrative punishment or criminal punishment or arbitration related to finance. 2. I have never been investigated or registered because of inter-transaction of restructuring major assets and have no unfinished cases. I haven' neither been punished or investigated by competent administrative authorities like China Securities Regulatory Commission or the Stock Exchange because of illegal actions like not repaying major debts or not fulfilling commitments or inter-transaction of restructuring</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance

	Development Company		major assets nor given criminal sanctions by judicial authorities according to law.			
	Oufuyuan Technology, Shenzhong Real Estate Development Company	Other commitments	<p>The Letter On the Equity Transfer Agreement under the Relevant Security Arrangements and The Commitment Letter of Expansion of the Scope of Real Estate Collateral</p> <p>Oufuyuan Technology of Shenzhen (referred to as the “company” in this paragraph) promises: 1. The company agrees and promises to have Shenzhong Development Company issue the letter of commitment to Shenzhen Nanshan Power Co., Ltd. to Nanshan Power Company and Xingzhong Group, and promises to allow the scope of the guarantee for the above mentioned real estate mortgage to be extended to be all the obligations of the company that have to be fulfilled according to the "Equity Transfer Agreement" and its supporting transaction documents (Including the obligations agreed upon in Article 4,5 and the second part of Article 6 in paragraph 2 of the" Equity Transfer Agreement "), and the term of the mortgage continues until the date of the cancellation of the mortgage. 2. I hope Shenzhen Nanshan Power Co., Ltd. and Xingzhong Group can complete the provisions of Article 4 and 5 of the "Equity Transfer Agreement" in the company that is about the replacement guarantee of the joint responsibility that Shenzhen Nanshan Power Co., Ltd provides to Zhongshan Branch of Huaxia Bank Limited on behalf of "Shuimunianhua Garden Project" of Shenzhong Property Company and can provide RMB 420156083.84 of interest payable in paragraph 2 (Part 2) of Article 6 of the Equity Transfer Agreement and the effective legal guarantee corresponding to the interest(including but not limited to bank performance bond and assets cover) and submit the application documents for the cancellation of the mortgage of the original mortgage of Shenzhen Development Company to Zhongshan Real Estate Mortgage Registration Authority five working days after that.</p>	2016-12-12	Until the completion of this major asset restructuring	In normal performance
Commitments make in initial public offering or re-financing						
Equity incentive commitment						
Other commitments for medium and small shareholders						

Implemented or not (Y/N)	Yes
-----------------------------	-----

2. Concerning assts or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

☐ Applicable ☒ Not applicable

IV. Non-operational fund occupation from controlling shareholders and its related party

☐ Applicable ☒ Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA

☐ Applicable ☒ Not applicable

VI. Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

☒ Applicable ☐ Not applicable

On April 28, 2017, the Ministry of Finance promulgated the “Accounting Standards for Business Enterprises No. 42 - Non-current Assets for Sale, Disposal Groups, and Termination of Business Operations”, which has been implemented in all enterprise that execute the accounting standards since May 28, 2017. On May 10, 2017, the Ministry of Finance revised the “Accounting Standards for Business Enterprises No. 16 - Government Grants”, which has been implemented in all enterprise that execute the accounting standards since June 12, 2017. According to the requirements of the Ministry of Finance, the company made corresponding amendments to its major accounting policies. The change of major accounting policies used in the current financial report was examined and approved by the 19th Extraordinary Meeting of the Seventh Board of Directors and the 12th Extraordinary Meeting of the Seventh Supervisory Committee of the company on August 3, 2017.

VII. Major accounting errors within reporting period that needs retrospective restatement

☐ Applicable ☒ Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

VIII. Compare with last year’s financial report; explain changes in consolidation statement’s scope

☐ Applicable ☒ Not applicable

IX. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

Name of domestic accounting firm	Ruihua Certified Public Accountants Co., Ltd. (LLP)
----------------------------------	---

Remuneration for domestic accounting firm (in 10 thousand Yuan)	90
Continuous life of auditing service for domestic accounting firm	5
Name of domestic CPA	Zhang Liping, Han Songliang
Length of continuous audit service by mainland accounting firms	2

Re-appointed accounting firms in this period

☐ Yes ☒ No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

☒ Applicable ☐ Not applicable

Ruihua Certified Public Accountants Co., Ltd. (LLP) was appointed as the internal control auditing authority of the Company for year of 2017 with expenses of RMB 0.2 million for one year

X. Particular about suspended and delisting after annual report disclosed

☐ Applicable ☒ Not applicable

XI. Bankruptcy reorganization

☐ Applicable ☒ Not applicable

No bankruptcy reorganization for the Company in reporting period.

XII. Significant lawsuits and arbitrations of the Company

√Applicable □ Not applicable

The basic situation of litigation (Arbitration)	Amount of money involved (RMB'00 00)	Predicted liabilities	Advances in litigation (Arbitration)	The results and effects of litigation (Arbitration)	Execution of the litigation (Arbitration)	Disclosure date	Disclosure index
---	--------------------------------------	-----------------------	--------------------------------------	---	---	-----------------	------------------

As Sinopec CNOOC shipping fuel supply Co., Ltd. (hereinafter referred to as Sinopec China Shipping Company) owed RMB 51,128,173.60 in the purchase of the company and delayed repayment, on 24 February 2016 Server Company filed the Whampoa District People's Court of Guangzhou a civil complaint and other related documents. On 16 May Whampoa Guangzhou District People's court heard the case. On 23 August, Server Company received the "Civil Judgment" [(2016) Yue0112MC No.858] from the Whampoa District People's Court of Guangzhou, and judged that Sinopec China Shipping Company should pay Server Company RMB 51,128,173.60 and the loss of interest on overdue payment within ten days since the judgment took effect, and bear the case acceptance fee and property preservation fee. At the beginning of September 2016, Sinopec China Shipping Company refused to accept the "Civil Judgment" [(2016)Yue0112MC No.858] from the Whampoa District People's Court of Guangzhou as final, so they submitted a civil complaint to the Whampoa District People's Court of Guangzhou, and appealed to the Intermediate People's Court of Guangzhou, Guangdong. At the end of December 2016, Xifu Company received the "Civil Judgment" [(2016) Yue 01Min Zhong No.: 15716] from the	5,112.82	No	At the end of December 2016, Server Company received the "Civil Judgment" [(2016) Yue01MZ No. 15716] from the Intermediate People's Court of Guangzhou, Guangdong, dismissed the appeal and affirmed the original judgment. On 24 January 2017, Server Company received a total of RMB 55,696,080.66 (including payment for goods owed RMB51,128,173.60, overdue interest RMB 4,259,767.06, acceptance fee of the first instance of case RMB 303,140.00 and property preservation fee RMB 5,000.00)from Sinopec China Shipping Company in accordance with the final judgment of Guangzhou intermediate people's Court of Guangdong. Thus, the proceedings of the case of Server Company came to an end.	The amount received by Server Company will increase RMB 3,340,300 to the company's net profit attributable to shareholders of Listed Companies in 2016, and will increase RMB 86,800 to the company's net profit attributable to shareholders of Listed Companies in 2017.	On 24 January 2017, Server Company received a total of RMB 55,696,080.66 (including payment for goods owed RMB51,128,173.60, overdue interest RMB 4,259,767.06, acceptance fee of the first instance of case RMB 303,140.00 and property preservation fee RMB 5,000.00)from Sinopec China Shipping Company in accordance with the final judgment of Guangzhou intermediate people's Court of Guangdong. Thus, the proceedings of the case of Server Company came to an end.	1 March 2016; 25 August 2016; 10 September 2016; 31 December 2016; 26 January 2017	The details can be seen in <i>Announcement on the litigation matters of Shenzhen energy resources Co., Ltd. And On the progress of the proceedings of the Shenzhen energy resources Co., Ltd. on China Securities , Securities Times and Hong Kong Commercial Daily and the Juchao Information website. Notice number : 2016-007, 2016-061, 2016-073, 2016-118, 2017-003.</i>
--	----------	----	--	--	--	--	---

Intermediate People's Court of Guangzhou, Guangdong, dismissed the appeal and affirmed the original judgment. On 24 January, 2017, Server Company received a total of RMB 55,696,080.66 from Sinopec China Shipping Company in accordance with the final judgment of Guangzhou Intermediate People's Court of Guangdong. Thus, the proceedings of the case of Server Company came to an end.							
--	--	--	--	--	--	--	--

XIII. Penalty and rectification

☐ Applicable ☒ Not applicable

No penalty and rectification for the Company in reporting period.

XIV. Integrity of the Company and its controlling shareholders and actual controllers

☐ Applicable ☒ Not applicable

XV. Implementation of the Company's stock incentive plan, employee stock ownership plan or other employee incentives

☐ Applicable ☒ Not applicable

The Company has no equity incentive plan, employee stock ownership plans or other employee incentives.

XVI. Major related transaction**1. Related transaction with routine operation concerned**

☐ Applicable ☒ Not applicable

The Company had no related transaction with routine operation concerned in the reporting period.

2. Related transactions by assets acquisition and sold

☐ Applicable ☒ Not applicable

No related transactions by assets acquisition and sold for the Company in reporting period.

3. Main related transactions of mutual investment outside

☐ Applicable ☒ Not applicable

No main related transactions of mutual investment outside for the Company in reporting period.

4. Contact of related credit and debt

Claim receivable from related party

Related party	Relationship	Causes	Whether has non-business capital occupying or not	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Ending balance (10 thousand Yuan)
Shen Nan Dian	Subsidiary	Routine current	N	54,758.38	10,131.43	6,859.67	5.37%	2,763.24	60,793.38

Zhongshan Company		account							
Shen Nan Dian Dongguan Company	Subsidiary	Routine current account	N	17,653.76	10,281.10	293.22	5.37%	1,167.83	28,809.47
Shenzhong Real Estate Development Company	Subsidiary	Routine current account	N	1,604.44	1,272.52	1,610.20	7.00%	8.63	1,275.39
Shen Nan Dian Engineering Company	Subsidiary	Routine current account	N	0.00	134.96				134.96
Syndisome Company	Subsidiary	Routine current account	N	145.69	2.02				147.71
Influence on business performance and financial status of the Company from related liabilities		Current assets RMB 169.9864 million increased in the Period							

Debts payable to related party

Related party	Relationship	Causes	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Ending balance (10 thousand Yuan)
New Power Company	Subsidiary	Routine current account	10,694.79	63,068.95	67,383.40			6,380.34
Server Company	Subsidiary	Routine current account	2,000.00	7,000.00	2,215.16	3.915%	215.16	7,000.00
Syndisome Company	Subsidiary	Routine current account	384.27	8.57	31.07			361.77
Influence on business performance and financial status of the Company from related debts		Current liability RMB 6.6305 million increased in the Period						

5. Other related transactions

On 23 February 2017, The Company held the eighteenth interim meeting of the board of directors by the way of communication voting, and considered and adopted "On the signing of a motor vehicle insurance agreement with Yongcheng property insurance Limited by Share Ltd", which allows the company and its subsidiaries to sign a 2017 annual motor vehicle insurance agreement with Yongcheng property insurance Limited by Share Ltd (hereinafter referred to as "Yongcheng insurance") and empowered the chairman of the board of directors of the company and the chairman of the board of directors or general manager of the subsidiaries to sign the motor vehicle insurance agreement of the year 2017. The total amount of the Agreement amounted to RMB 403,596, and the term of agreement is one year. As the company's chief executive officer, Mr. Zhao Xiangzhi served as chief executive officer of Yongcheng Insurance, according to the Provisions of the Stock Listing Rules and Articles of association, the transaction between the company and Yongcheng Insurance constitutes a related party transaction.

Temporary notice	Disclosure date	Disclosure Website
Notice of Related Transaction with Alltrust Property Insurance Company Ltd.	2017 -2 -25	Found more in the Notice of Related Transaction with Alltrust Property Insurance Company Ltd.(Notice No.: 2017-006) released on China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao Website Notice No.: 2017-006

The Company has no other major related transaction in the Period

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

☒ Applicable ☐ Not applicable

Explanation on trust

On 21 August 2017, we revised the 'Assets (Generator Sets) Custody Operation Contract of Shenzhen New Power Industrial Co., Ltd.' which has signed with the New Power Company in December 2003. the new version will come into effect since 1 July 2017. During the reporting period, the Company received an assets custody services of 17.4409 million Yuan

(2) Contract

☐ Applicable ☒ Not applicable

No contract for the Company in reporting period

(3) Leasing

☐ Applicable ☒ Not applicable

No leasing for the Company in reporting period.

2. Major guarantees

√Applicable □ Not applicable

(1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Total approving external guarantee in report period (A1)				Total actual occurred external guarantee in report period (A2)				
Total approved external guarantee at the end of report period (A3)				Total actual balance of external guarantee at the end of report period (A4)				
Guarantee of the Company for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Shen Nan Dian Zhongshan Company	2016-04-01	20,000	2016-05-11	3,240	General assurance	Two years	N	Y
Shen Nan Dian Zhongshan Company	2017-03-28	10,000	2017-10-13	4,988	General assurance	One year	N	Y
Shen Nan Dian Zhongshan Company	2017-03-28	4,400	2017-05-27	2,594	General assurance	Five years	N	Y
Shen Nan Dian	2017-03-28	5,000	2017-08-17	3,150	General	One year	N	Y

Zhongshan Company					assurance			
Shen Nan Dian Zhongshan Company	2017-03-28	10,000	2017-08-03	6,055	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2017-03-28	10,000	2017-04-11	5,000	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2017-03-28	13,500	2017-12-13	4,567	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2017-03-28	10,000	2017-08-28	5,000	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2017-03-28	10,000	2017-07-27	5,000	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2017-03-28	5,000	2017-03-03	5,000	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2017-03-28	5,000	2017-04-25	5,000	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2017-03-28	5,000	2017-07-14	5,000	General assurance	One year	N	Y
Total amount of approving guarantee for subsidiaries in report period (B1)		107,900		Total amount of actual occurred guarantee for subsidiaries in report period (B2)		54,594		
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)		107,900		Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)		54,594		
Guarantee of the subsidiary for the subsidiaries								
Name of the Company guaranteed	Related Announce ment disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemen ted (Y/N)	Guarante e for related party

								(Y/N)
Total amount of approving guarantee for subsidiaries in report period (C1)		0	Total amount of actual occurred guarantee for subsidiaries in report period (C2)		0			
Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)		0	Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)		0			
Total amount of guarantee of the Company (total of three abovementioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)		107,900	Total amount of actual occurred guarantee in report period (A2+B2+C2)		54,594			
Total amount of approved guarantee at the end of report period (A3+B3+C3)		107,900	Total balance of actual guarantee at the end of report period (A4+B4+C4)		54,594			
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)			27.87%					
Including:								
Amount of guarantee for shareholders, actual controller and its related parties (D)			0					
The debts guarantee amount provided for the guaranteed parties whose assets-liability ratio exceed 70% directly or indirectly (E)			54,594					
Proportion of total amount of guarantee in net assets of the Company exceed 50% (F)			0					
Total amount of the aforesaid three guarantees (D+E+F)			54,594					
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)			N/A					
Explanations on external guarantee against regulated procedures (if applicable)			N/A					

Explanation on guarantee with composite way

(2) Guarantee outside against the regulation

☐ Applicable ☒ Not applicable

No guarantee outside against the regulation in Period.

3. Entrust others to cash asset management

(1) Trust financing

☐ Applicable ☒ Not applicable

The company had no trust financing in the reporting period.

(2) Entrusted loans

☐ Applicable ☒ Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

√Applicable □ Not applicable

The name of the contracting company	The name of the contracted company	Contract object	The date of signature of the contract	The book value of the assets involved in the contract(RMB'0000)(if any)	The assessed value of the assets involved in the contract(RMB'0000)(if any)	Name of the evaluation organization(if any)	The base date evaluation (if any)	Pricing principles	Bargain price(RMB'0000)	Whether connected transaction	Incidence relation	The performance by the end of the term	The date of disclosure	The index of disclosure
The Company	Guangdong Trade Branch of CNOOC Gas and Power Group, Guangdong /Zhuhai Sales Branch of CNOOC Gas and Power Group	Liquefied natural gas	15 Jan. 2013 and 22 Aug. 2017 (supplementary agreement)					Composed of natural gas prices, the cost of integrated services and tax		No	Not applicable	The relevant contract is now in operation	2012-12-15; 2017-08-22	Notice No.: 2012-054 and 2017-054. The "Notice of Purchasing Natural Gas" and "Proposal of Gas Sales Contract Renewal" released on China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao Website

Shen Nansha n Donggu an Compa ny	CNOOC Refco Group Ltd Guangdong Branch	Liquefied natural gas	2013-12-2 1					Composed of natural gas prices, the cost of integrated services and tax		No	Not applic able	The relevant contract is now in operation	2013-11-30	Notice of Major Contract (Notice No.: 2013-044) released on China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao Website
ShenNa nshan Zhongs han Compa ny	CNOOC Refco Group Ltd Zhuhai Branch	Liquefied natural gas	2014-05-3 1					Composed of natural gas prices, the cost of integrated services and tax		No	Not applic able	The relevant contract is now in operation	2014-04-25	Notice of Major Contract (Notice No.: 2014-030) released on China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao Website
The compan y	Oufuyuan Technology Co., Ltd.	75% of stake of Shenzhong Property Company held by the company and 75% of the stake of Shenzhong Developmen t Company	2016-11-2 3	-89,801.88	4,464	Pengxin Evaluation n	2016-06 -30	The underlying asset pricing of the transaction is based on an independent assessment of Pengxin, an evaluation institution with securities business qualifications, and the transaction price		No	No	On April 14, 2017, in accordance with the Equity Transfer Agreement, Oufuyuan Technology paid the remaining payables of RMB 420,156,083.	2017-05-18	Relevant notice with material assets reorganization found more in the follow notices: 2016-049; 2016-063; 2016-068; 2016-074; 2016-077; 2016-078; 2016-079; 2016-084; 2016-102; 2016-103; 2016-104; 2016-107; 2016-113; 2016-114; 2016-116; 2017-024; 2017-032; 2017-033; 2017-034

								is based on the final result of the listing and auction of the Shenzhen Stock Exchange.				84 (including the amount of RMB 331,066,153.79 that should be paid to the company and holding subsidiaries and the amount of RMB 89,089,930.05 that should be paid to Xingzhong Group) and the newly increased interest after June 30, 2016. Up to May 18, 2017, the industrial and commercial registration of changes about the		
--	--	--	--	--	--	--	--	---	--	--	--	--	--	--

												transfer of the underlying assets in this major asset sale to Oufuyuan Technology has been completed, the transaction cost has been paid in accordance with the Equity Transfer Agreement, and the relevant joint guarantee liability and real estate mortgage registration procedures have been relieved which are in line with the		
--	--	--	--	--	--	--	--	--	--	--	--	---	--	--

												"Equity Transfer Agreement" and relevant laws, regulations and regulatory documents. This contract has been completed.		
--	--	--	--	--	--	--	--	--	--	--	--	--	--	--

XVIII. Explanation on other significant events

1. Fulfill the social responsibility

In 2017, the company attached great importance to and fulfilled its social responsibilities, made sincere efforts in governance in accordance with the law, standardized operation, safety production, environmental protection, and employee care, committed to the pursuit of healthy and harmonious development between enterprises and employees, enterprises and society, enterprises and the environment.

1. Governance by law: in compliance with the relevant laws and regulations, governance norms of listed Company as well as the Company's Articles of Association, the Company established a sound modern enterprise management system and corporate governance mechanism, strove to achieve the well-defined power and responsibility, the performing of its own functions, effective checks and balances, and the coordinated operation among the general meeting of shareholders, board of supervisors, board of supervision and manager office, we earnestly fulfill the obligation of information disclosure, carried out IRM in accordance with the law and regulations, respected for the fair and lawful rights of shareholders and the legal interests of stakeholders, and maintained the image of a listed Company.

2. Standardized operation: the Company continues to rearranged and improved various rules and regulations, revised and optimized relevant business process, continued to strengthen the overall budget management, risk management and internal control, intensified internal audit and special audit and took timely and effective measures for problems identified to enhance the Company's decision-making efficiency and standardized management.

3. Security Management: we seriously in line with the Law on Safety in Production and relevant laws and regulations, and the rules of "same responsibility of the Party & Government, double duties, concerted efforts and negligence of duty"; established and perfected comprehensive safety management organization network and safety management system, constantly revised, improved, and earnestly implemented safety practices and emergency plans, strengthened comprehensive security management concepts and safety awareness at all levels, increased safety education, supervision and reward to effectively prevent the occurrence of major accidents.

4. Environment protection: the Company has stringently complied with the national and local environment laws and regulations and consistently adhered to the policy of eco-friendly power generation and cyclic economic development. Our works relating to environment protection were effectively implemented with satisfaction of all the emission standards. It completed the task set for reduction of pollutant discharge, therefore, no environment pollution accident occurred. Besides, there was no effective complaint regarding environment pollution and no administrative punishment in connection with the same. The Company was rated as the "blue rate" at the annual environment credit rating. All the working targets for environment issues have been achieved for the year.

5. Care for employees: The company strictly abides by the laws and regulations such as Labor Law and Labor Contract Law, and constantly improves the human resources management system, protects the employees' legal rights and interests according to law, eliminates the occurrence of labor disputes; actively promotes the culture concept of "working with passion and living with fun", strives to create a harmonious and aggressive working atmosphere. The company has carried out a series of heart-winning projects to care for employees, which not only improved the employees' sense of well-being and satisfaction, but also increased the company's cohesiveness. When strengthening the on-the-job training, management and assessment, the company also gives play to the positive role of labor union and staff congress, strengthens the communication with employees, ensures the employees' right to know about major operational management plans, actively solves the problems refer concerning the vital interests of employees, organizes beneficial cultural and sports activities, cares for employees' physical and mental health, and actively builds a harmonious labor relations.

2. Fulfill the precise social responsibility for poverty alleviation

Nil

3. Environmental protection

(1) The listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department

Yes

Enterprise or subsidiary	Main pollutant and features	Way of discharge	Number of discharge outlet	Distribution of the discharge outlet	Emission concentration	Pollutant discharge standard implemented	Total discharge	Total approved emissions	Excessive emission
Shenzhen Nanshan Power Co., Ltd.	Oxynitride	Concentrate emission from boiler uptake	2	In plant area of Nanshan Thermal Power Plant	<25 mg/m ³	GB13223-2011	224 ton	280 ton	0
Shenzhen New Power Industrial Co., Ltd.	Oxynitride	Concentrate emission from boiler uptake	1	In plant area of Nanshan Thermal Power Plant			112 ton	140 ton	0
Shen Nan Dian (Dongguan) Weimei Power Co., Ltd.	Oxynitride	Concentrate emission from boiler uptake	2	In plant area of Gaobu Power Plant			89.8 ton	438.9 ton	0
Shen Nan Dian (Zhongshan) Power Co., Ltd.	Oxynitride	Concentrate emission from boiler uptake	2	In plant area of Nam Long Power Plant			93.86 ton	324.5 ton	0

(2)Construction and operation of the facilities preventing and controlling pollution

All facilities are work normally, vary pollutant discharge are in standards

(3) Environmental impact review and other environment protection administrative licensing

The aforesaid companies have pass éthe environment impact review and file in department of Environmental Protection of Guangdong province

(4) Emergency plan for abrupt environmental accidents

The plans have file in department of Environmental Protection of Guangdong province and corresponding environmental protection bureau

(5) Environmental self-monitoring plan

We have prepared the plans of self-monitoring and approved by Environmental Protection Bureau; monitoring data will release on Environmental Protection Website on time

(6) Other information need for released

Nil

(7) Relevant environmental protection information

Nil

XIX. Other important events

√Applicable □ Not applicable

1. Transfer the major asset sale of stock rights held in Shenzhong Real Estate Company and Shenzhong Development Company. On April 14, 2017, in accordance with the Equity Transfer Agreement, Oufuyuan Technology paid the remaining payables of RMB 420,156,083.84 (including the amount of RMB 331,066,153.79 that should be paid to the company and holding subsidiaries and the amount of RMB 89,089,930.05 that should be paid to Xingzhong Group) and the newly increased interest after June 30, 2016. Up to May 18, 2017, the industrial and commercial registration of changes about the transfer of the underlying assets in this major asset sale to Oufuyuan Technology has been completed, the transaction cost has been paid in accordance with the Equity Transfer Agreement, and the relevant joint guarantee liability and real estate mortgage registration procedures have been relieved in line with the Equity Transfer Agreement and relevant laws, regulations and regulatory documents (See details on the Notice on Progress of Major Asset Sale, Report on Implementation of Major Asset Sale, and Notice on Transfer Results of Underlying Asset of Major Asset Sale that the company disclosed on China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on April 18, 2017, May 12, 2017, May 17, 2017, and May 18, 2017, notice number: 2017-024, 2017-032, 2017-033, 2017-034).

2. T102-0011, T102-0155 land acquisition and storage. During the reporting period, according to the resolution of the 11th Extraordinary Meeting of the 7th Board of Directors on September 5, 2016, the company set up a special working institution on land to cooperate with government departments and relevant units to carry out relevant preliminary work of land acquisition and storage, participate in relevant work meetings, and collect and arrange relevant information. On February 7, 2017, the company received the letter about Shenzhen Qianhai Investment Holding Company asking to offer the ownership data of Nanshan Power Plant and verify the draft mapping report and assess the site survey data (SQKH No. [2017] 28), required the company to check and reply the draft mapping report, the summary sheet about the assessment of the company's site survey of the relocation and the inventory data about nursery stock, and the second renovation survey in written form, and provide the ownership

verification data about buildings and land related to Nanshan Power Plant. However, due to the strong professionalism and heavy workload, lack of relevant professionals and equipment, and having no relevant professional qualifications, the company could not make detailed and professional judgments to the report contents but only could check the missing at present, therefore, the company's can only be regarded as a reference for Shenzhen Qianhai Investment Holding Company and relevant intermediaries, but not as a basis. On March 7, the company replied the preliminary verification results and related ownership verification information by letter to Shenzhen Qianhai Investment Holding Company and made the above opinions. On June 22, the company learned on the official website of Urban Planning, Land & Resources Commission of Shenzhen Municipality (hereinafter referred to as Municipality Planning Land Commission) that it had published Shenzhen Land Preparation Plan in 2017 (hereinafter referred to as Land Preparation Plan) on its official website. In accordance with the relevant contents of Land Preparation Plan and its attached table, the 2017 Land Preparation Plan of the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen included the land of Nanshan Power Plant. On July 14, the company learned on the official website of Municipality Planning Land Commission that Municipality Planning Land Commission issued the Notice on the Publicity of Municipality Planning Land Commission about the Comprehensive Planning of China (Guangdong) Pilot Free Trade Zone Shenzhen Qianhai Shekou Zone on its official website (hereinafter referred to as the "Notice"), the publicity period was 30 natural days, from July 13, 2017 to August 11, 2017. According to the "Notice" and its annex, the no longer needed infrastructure in Nanshan Power Plant and other zones should be shut down. On July 15, the company timely fulfilled its obligation of information disclosure. On July 18, the company received the Letter about Proposal for Carrying out the Feasibility Research of Removing Nanshan Power Plant to Shenzhen-Shantou Cooperation Zone from Economy, Trade and Information Commission of Shenzhen Municipality, which suggested the company to seriously study the feasibility of removing Nanshan Power Plant to Shenzhen-Shantou Cooperation Zone. On August 10, the company submitted the Statement of Objections to the Comprehensive Planning of Qianhai Shekou Free Trade Zone to the Municipality Planning Land Commission, raised an objection to the related arrangements and the on-site shut down decision about the land in which the company's subsidiary Nanshan Thermal Power Plant located in the Notice and the Comprehensive Planning of China (Guangdong) Pilot Free Trade Zone Shenzhen Qianhai Shekou Zone, and fulfilled the obligation of information disclosure on August 12. On December 8, the company received the Letter About the Opinions on the Rapid Reconstruction Project Scheme and Design of Yueliangwan Avenue from Shenzhen Transportation and Public Utilities Construction Center, asked for the company's opinions on the disposal of pipeline of the company's subordinate enterprises in the process of rapid reconstruction project scheme and design of Yueliangwan Avenue. The company immediately organized related subordinate enterprises and well-analyzed the factors that may have a significant impact on the production and operation caused by the design scheme to the pipe gallery part of this project provided by the other part, and submitted the Reply Letter to Shennandian's Letter About the Opinions on the Rapid Reconstruction Project Scheme and Design of Yueliangwan Avenue from Shenzhen Transportation and Public Utilities Construction Center, required the design unit to accomplish the functional replacement to ensure continuous production and operation and hoped Shenzhen Transportation and Public Utilities Construction Center to fully consider the special situation of the company as a listed company, coordinate the relevant units to treat it

cautiously, and carry out related work under the prerequisite of full consensus. On March 5, 2018, after learned the Notice on Public Participation in the Social Stability Risk Analysis of the Rapid Reconstruction Project Scheme and Design of Yueliangwan Avenue from the public website of Shenzhen Transportation Commission, the company immediately drafted the reply jointly with the company's special legal advisor in accordance with relevant requirements of the notice and submitted the reply to the construction unit Shenzhen Transportation and Public Utilities Construction Center and the social stability risk assessment agency Guizhou Transportation Planning Survey & Design Academe Co., Ltd. before the expiration date, which put forward opinions and suggestions on the possible significant impact of this project on the company and the subordinate enterprises. At present, the company is actively engaged in the related work of Qianhai Land under the participation and cooperation of legal consultants, and is closely following the comprehensive planning of Qianhai Shekou Free Trade Zone, the company will do its utmost to safeguard the rights and interests of its shareholders and employees.

3. Apply for revocation of *ST risk admonition of the company's stock trading. According to the audit report of the company's 2016 Annual Standard Unqualified Opinion issued by Ruihua Certified Public Accountants (Special General Partnership), and in the light of Rule No. 13.2.10 of the Stock Listing Rules, the status that the company's stock trading is subject to *ST risk admonition has been eliminated, and there is no other case of *ST risk admonition. On March 24, 2017, the 10th meeting of the 7th Board of Directors of the company examined and approved the Full Text and Summary of 2016 Annual Report and the Proposal on Applying for Revocation of *ST Risk Admonition of the Company's Stock Trading. On April 13, the company's Application for Revocation of *ST Risk Admonition of the Company's Stock Trading was checked and agreed by the Shenzhen Stock Exchange. According to the relevant provisions of the Stock Listing Rules, the company's stock trading should be suspended for one day since the opening on April 14, 2017 and resume since the opening on April 17, 2017, *ST risk admonition of the company's stock trading was revoked by the Shenzhen Stock Exchange, the stock short name was changed from “* ST Nandian A, *ST Nandian B” to “Shennandian A, Shennandian B”, stock code is still “000037,200037”, the price limit on stock trading day was changed from 5% to 10% (See details on the Notice on Revocation of *ST Risk Admonition of the Company's Stock Trading disclosed by the company on China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on April 14, notice number: 2017-021).

4. Collect the refunds of “project technical renovation benefit fund”. The company disclosed the circumstances of “project technical renovation benefit fund” in the First Quarterly Report of 2016 published on April 27, 2016. After receiving the refunds of RMB 500,000 from the “project technical renovation benefit fund” in 2016, the company received refunds of RMB 487,100 in June 2017 (See details on the 2016 Annual Report, the First Quarterly Report of 2017 and the Semi-Annual Report of 2017 disclosed by the company on China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on March 28, 2017 and April 25, 2017, notice number: 2017-009, 2017-028, 2017-044). The company will continue to take measures to clear and return the dividend of “benefit fund”, and continue to disclose the liquidation in the periodic report.

5. Assets transfer of #7 and #9 generating units of Nanshan Thermal Power Plant. On August 4, 2017, the 12th

meeting of the 7th Board of Directors of the company reviewed and passed the Proposal on the Public Listing and Transfer of #7 and #9 Generating Units of Nanshan Thermal Power Plant, and agreed the company to publicly list and transfer the #7 and #9 generating units of Nanshan Thermal Power Plant (See details on the Notice on the Public Listing and Transfer of #7 and #9 Generating Units of Nanshan Thermal Power Plant the company disclosed on China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on August 8, 2017, notice number: 2017-048). On September 11, the company publicly listed and transferred the #7 and #9 generating units of Nanshan Power Plant through Shenzhen United Property and Share Rights Exchange. As of the closing date of the listing, there was no potential client applied for registration of subscription. On October 21st, the company disclosed “Notice on the Progress of Transferring #7 and #9 Generating Units of Nanshan Thermal Power Plant (Notice number: 2017-061) on China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn. The company will further study the matters concerning asset transfer of #7 and #9 generating units of Nanshan Thermal Power Plant and fulfill the necessary information disclosure obligations according to the working progress.

6. Change of directors and senior executives of the company and change of the term of the board of directors, board of supervisors and management team

On August 11, 2017, the 20th extraordinary meeting of the Seventh Board of Directors reviewed and approved the Proposal on Engaging General Manager of the Company and the Proposal on Changing Directors, and agreed to nominated Mr. Li Xinwei and Mr. Chen Yuhui as the director candidate of 7th BOD of the Company, and agreed to appoint Mr. Chen Yuhui as the general manager of the company. On 28 August, the company held the first temporary shareholders' meeting of 2017, which reviewed and approved the Proposal on the Replacement of Directors, and elected Mr. Li Xinwei and Mr. Chen Yuhui as the directors of the company's seventh board of directors. The 22nd temporary meeting of the seventh board of directors was held on the same day, and the director Li Xinwei was elected as the chairman of the seventh session of the board of directors of the company (See details on the Notice on the Resolutions of the 20th Extraordinary Meeting of the 7th Board of Directors, Notice on the Resolutions of the 1st Extraordinary General Meeting of 2017, and Notice on the Resolutions of the 22nd Extraordinary Meeting of the 7th Board of Directors that the company disclosed on China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on August 12, 2017 and August 29, 2017, notice number: 2017-049, 2017-056, 2017-057).

On October 31, 2017, the company convened the 25th extraordinary meeting of the seventh Board of Directors and the 14th extraordinary meeting of the seventh Board of Supervisors by means of communication voting, which respectively reviewed and approved the “Proposal on the Election of the Board of Directors of the Company” and “Proposal on the Election of the Company's Board of Supervisors”. On November 17, 2017, the 2nd extraordinary shareholders' meeting of 2017, the 1st meeting of the 8th Session of Board of Directors, and the 1st meeting of the 8th Session of Board of Supervisors were held successively, which reviewed and approved the “Proposal on the Election of the Board of Directors of the Company” and “Proposal on the Election of the Company's Board of Supervisors”, generated the 8th Session of Board of Directors and the 8th Session of Board of Supervisors, elected the chairman and deputy chairman of the 8th Session of Board of Directors and the chairman of the 8th Session of Board of Supervisors, engaged the secretary for the 8th Session of Board of Directors and members of a new term

of management team, successfully completed the change of term of the Board of Directors, the Board of Supervisors and senior management of the company (See details on the Notice on the Resolutions of the 25th Extraordinary Meeting of the 7th Board of Directors, Notice on the Resolutions of the 2nd Extraordinary General Meeting of 2017, Notice on the Resolutions of the 1st Meeting of the 8th Board of Directors, and Notice on the Resolutions of the 1st Meeting of the 8th Board of Supervisors that the company disclosed on China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on November 1, 2017 and November 18, 2017, notice number: 2017-066, 2017-072, 2017-073, 2017-074).

7. In addition to the above matters, for the Xinjiang assistance project of Guangdong province the company participated in 2013, the company intended to apply to National Association of Financial Market Institutional Investors for registering and issuing medium term note of no more than RMB 500 million (including RMB 500 million) and intended to issue corporation bonds by private placement of no more than RMB 2 billion (including RMB 2 billion), which had no progress or change during the reporting period.

XX. Significant event of subsidiary of the Company

√Applicable □ Not applicable

1. The cogeneration heating reconstruction project of Shennandian Dongguan Company. On March 24, 2017, the 10th meeting of the 7th Board of Directors of the Company examined and approved the Proposal on Investment in Cogeneration Heating Reconstruction Project of Holding Subsidiary Shennandian (Dongguan) Weimei Power Co., Ltd., and agreed Shennandian Dongguan Company to invest in the cogeneration heating reconstruction project, with total project investment of RMB 59,890,000 (See details on Resolution Notice of 9th Meeting of the 7th Board of Directors, Notice on Investment in Cogeneration Heating Reconstruction Project of Holding Subsidiary Shennandian (Dongguan) Weimei Power Co., Ltd. disclosed by the company on China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on October 25, 2016 and March 28, 2017, notice number: 2016-086, 2017-017). During the reporting period, Shennandian Dongguan Company received the official reply of the routing scheme for centralized heat supply network project in Gaobu Town from Dongguan Urban and Rural Planning Bureau. In July 2017, Shennandian Dongguan Company has signed Pipeline Steam Gas Contract with Dongguan Weimei Ceramics Industrial Park Co., Ltd., and participated in the monthly centralized bidding transaction in Guangdong Province.

2. Litigation matters of Server Company. After receiving the Civil Judgment [(2016)Yue01MZ No.15716] from Guangzhou Intermediate People's Court of Guangdong Province at the end of December 2016, Server Company received all funds of RMB 55,696,080.66 (including the overdue goods payment of RMB51,128,173.60, interest of overdue payment of RMB4,259,767.06, first instance litigation fee of RMB 303,140.00 for the first instance and the property preservation fee of RMB5,000.00) from Sinopec Company on January 24, 2017 according to the final judgment of Guangzhou Intermediate People's Court of Guangdong Province. Thus, the judicial proceedings for the litigation matters of Server Company terminated (See details on relevant notices disclosed by the company on China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on December 31, 2016 and January 26, 2017, notice number: 2016-118, 2017-003).

3. Server Company terminated the existing business activities. The company held the 11th meeting of the 7th Board of Directors on April 21, 2017, which considered and approved the Proposal on Terminating the Existing Businesses of Shenzhen Server Energy Co., Ltd., agreed Server Company to terminate the existing businesses, and required the company to legitimately and normatively complete the internal management to effectively prevent risks (See details on relevant notices disclosed by the company on China Securities Journal, Securities Times, Hong Kong Commercial Daily and www.cninfo.com.cn on April 25, 2017, notice number: 2017-026).

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

In Share

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	12,993	0.0021%				1,145	1,145	14,138	0.0023%
1. State-owned shares									
2. State-owned legal-person shares.									
3. Other domestic shares	12,993	0.0021%				1,145	1,145	14,138	0.0023%
Including: Domestic legal-person shares									
Domestic natural person's shares	12,993	0.0021%				1,145	1,145	14,138	0.0023%
4. Foreign shares									
Including: Foreign legal-person's shares									
Foreign natural person's shares									
II. Unrestricted shares	602,749,603	99.9978%				-1,145	-1,145	602,748,458	99.9977%
1. RMB Ordinary shares	338,895,157	56.2237%				-1,145	-1,145	338,894,012	56.2235%
2. Domestically listed foreign shares	263,854,446	43.7742%						263,854,446	43.7742%
3. Domestic listed foreign shares									
4. Other									
III. Total shares	602,762,596	100.00%						602,762,596	100.00%

Reasons for share changed

☒ Applicable ☐ Not applicable

Changed due to the staff supervisor changes

Approval of share changed

☐ Applicable ☒ Not applicable

Ownership transfer of share changes

☐ Applicable ☒ Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

☐ Applicable ☒ Not applicable

Other information necessary to disclose or need to disclosed under requirement from security regulators

☐ Applicable ☒ Not applicable

2. Changes of restricted shares

☒ Applicable ☐ Not applicable

In share

Shareholder	Shares restricted at period-begin	Shares un-restriction in the Period	Shares restriction increased in the period	Shares restricted at period-end	Restriction reasons	Date for releasing
Peng Bo	0	0	1,145	1,145	Statutory requirement	2021-05-17

II. Securities issuance and listing

1. Security offering (without preferred stock) in Reporting Period

☐ Applicable ☒ Not applicable

2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

☐ Applicable ☒ Not applicable

3. Existing internal staff shares

☐ Applicable ☒ Not applicable

III. Particulars about shareholder and actual controller of the Company

1. Amount of shareholders of the Company and particulars about shares holding

In Share

Total common stock shareholders in reporting period-end	31,471	Total common stock shareholders at end of last month before annual report disclosed	30,808	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (see note 8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (see note 8)	0	
Particulars about shares held above 5% by shareholders or top ten shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of restricted shares held	Amount of un-restricted shares held	Number of share pledged/frozen	
							State of share	Amount
HONG KONG NAM HOI (INTERNATIONAL) LTD.	Overseas legal person	15.28%	92,123,248			92,123,248		
Shenzhen Guangju Industrial Co., Ltd.	State-owned legal person	12.22%	73,666,824			73,666,824		
Shenzhen Energy Group Co., Ltd.	State-owned legal person	10.80%	65,106,130			65,106,130		
BOCI SECURITIES LIMITED	Overseas legal person	1.44%	8,690,627			8,690,627		
China Merchants Securities H.K. Co., Ltd.	State-owned legal person	1.11%	6,712,019			6,712,019		
Zeng Yin	Domestic nature person	1.05%	6,350,656			6,350,656		
Liu Fang	Domestic nature person	0.92%	5,568,000			5,568,000		
Zhang Heping	Domestic nature	0.82%	4,910,300			4,910,300		

	person							
Meiyi Investment Property Co., Ltd.	Domestic non state legal person	0.77%	4,615,800			4,615,800		
Li Baoqin	Domestic nature person	0.66%	3,967,004			3,967,004		
Strategy investors or general corporation comes top 10 shareholders due to rights issue (if applicable) (see note3)		N/A						
Explanation on associated relationship among the aforesaid shareholders		1. 100% equity of HONG KONG NAM HOI (INTERNATIONAL) LIMITED100% held by SHENZHEN ENERGY (GROUP) CO., LTD 2. The Company is unknown whether there exists associated relationship or belongs to the consistent actor among the other shareholders.						
Particular about top ten shareholders with un-restrict shares held								
Shareholders' name	Amount of un-restrict shares held at Period-end	Type of shares						
		Type	Amount					
HONG KONG NAM HOI (INTERNATIONAL) LTD.	92,123,248	Domestically listed foreign shares	92,123,248					
Shenzhen Guangju Industrial Co., Ltd.	73,666,824	RMB common shares	73,666,824					
Shenzhen Energy Co., Ltd.	65,106,130	RMB common shares	65,106,130					
BOCI SECURITIES LIMITED	8,690,627	Domestically listed foreign shares	8,690,627					
China Merchants Securities H.K. Co., Ltd.	6,712,019	Domestically listed foreign shares	6,712,019					
Zeng Ying	6,350,656	Domestically listed foreign shares	6,350,656					
Liu Fang	5,568,000	RMB common shares	2,623,100					
		Domestically listed foreign shares	2,944,900					
Zhang Heping	4,910,300	RMB common shares	3,670,000					

		Domestically listed foreign shares	1,240,300
Meiyi Investment Property Co., Ltd.	4,615,800	RMB common shares	4,615,800
Li Baoqin	3,967,004	RMB common shares	940,500
		Domestically listed foreign shares	3,026,504
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	1. 100% equity of HONG KONG NAM HOI (INTERNATIONAL) LIMITED was held by SHENZHEN ENERGY (GROUP) CO., LTD 2. Among other social public shareholders, the Company did not know whether there were associated relationships or belonging to consistent actors.		
Explanation on top 10 shareholders involving margin business (if applicable) (see note 4)	Among the top ten shareholders, Ms. Liu Fang holds 2,308,400 shares through credit transaction guarantee securities account		

Whether top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

☐ Yes ☒ No

The top ten common stock shareholders or top ten common stock shareholders with un-restrict shares held of the Company have no buy-back agreement dealing in reporting period.

2. Controlling shareholder of the Company

According to the “stock listing rules” definition of controlling shareholders, no controlling shareholder of the Company and no changes for the aforesaid condition in reporting period.

3. Actual controller of the Company

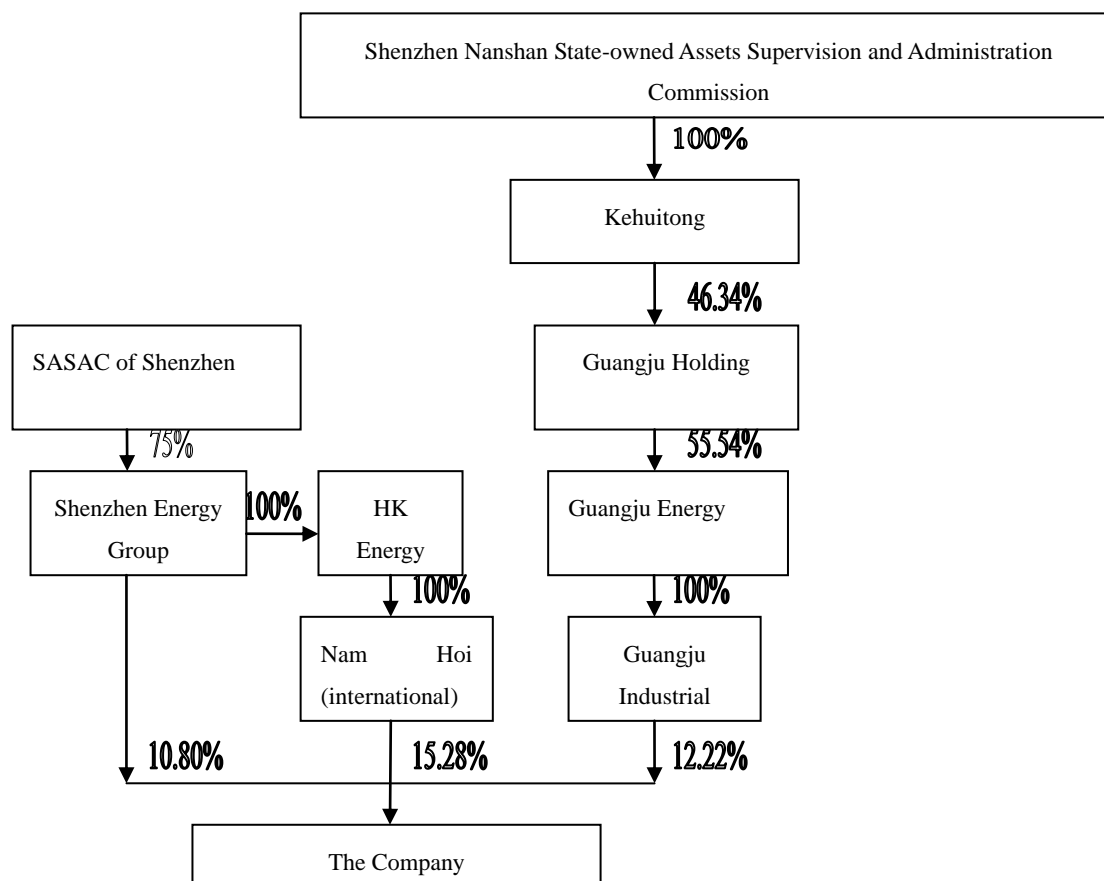
According to the “stock listing rules” definition of actual controlling, no actual controlling of the Company and no changes for the aforesaid condition in reporting period

4. The first majority shareholder of the Company

SHENZHEN ENERGY (GROUP) CO., LTD. holds 157,229,378 shares of the Company directly and indirectly, a 26.08% in total shares of the Company and is the first majority shareholder of the Company. The corporate representative is Gao Zimin. Shenzhen Energy Co., Ltd. was established on July 15th, 1985 with registration capital of RMB 230.9712 million. It is a limited liability Company and its operating scope covers developing, producing, purchasing and selling various normal energies (including power, heat, coal, oil and gas) and new energies, designing, constructing, managing and operating various energy engineering projects, operating equipments and accessories, apparatuses, aluminum materials, wood materials, cement and other materials needed by the

energy engineering project, operating import-export services (transacted according to No. 147 message of SMGSZZD), operating the services of personnel training and consulting matched with the energy engineering, as well as other relevant services (report or declare additionally for details), developing and transferring environmental protection technologies, and providing technical service, investing and operating the transportation services on the fuels, materials and equipments needed by the energy project. Property management (operating with the property management qualification certificate) and own property leasing.

Relation schema of property rights and control between the Company and main shareholders:



5. Particulars about other legal person shareholders with over 10% shares held

√Applicable □ Not applicable

Legal person shareholders	Legal rep./person in charge of unit	Date established	Register capital	Main business or management activity
Shenzhen Guangju Industrial Co., Ltd.	Du Wenjun	1989-05-31	RMB 111.11million	Industrial projects, electricity investment (specific project will be further declared)
HONG KONG NAM HOI (INTERNATIONAL) LTD.	Yu Chunling	1985-05-15	HKD \$15.33 million	Investment

6. Shares reduction restriction from controlling shareholder, actual controller, recombined square and other commitment entity

☐ Applicable ☒ Not applicable

Section VII. Preferred Stock

☐ Applicable ☒ Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisors, Senior Executives and Employees

I. Changes of shares held by directors, supervisors and senior executives

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Li Xinwei	Chairman	Currently in office	M	52	2017-08-28	2020-11-17	0	0	0	0	0
Li Hongsheng	Vice chairman	Currently in office	M	54	2011-01-13	2020-11-17	0	0	0	0	0
Chen Yuhui	Director, GM	Currently in office	M	52	2017-08-28; 2017-8-11	2020-11-17	0	0	0	0	0
Qiang Wenqiao	Director	Currently in office	M	48	2014-11-12	2020-11-17	0	0	0	0	0
Yu Chunling	Director	Currently in office	F	52	1998-08-01	2020-11-17	0	0	0	0	0
Wu Guowen	Director, Standing deputy GM	Currently in office	M	52	2016-04-25; 2016-04-01	2020-11-17	0	0	0	0	0
Mo Jianmin	Independent director	Currently in office	M	51	2017-11-17	2020-11-17	0	0	0	0	0
Chen Zetong	Independent director	Currently in office	M	47	2017-11-17	2020-11-17	0	0	0	0	0
Liao Nangang	Independent director	Currently in office	M	47	2013-11-15	2019-11-14	0	0	0	0	0

		office									
Ye Qiliang	Chairman of supervisory board	Currentl y in office	M	54	2017-11-17	2020-11-17	0	0	0	0	0
Xiong Qingshe ng	Employee supervisor	Currentl y in office	M	44	2017-11-17	2020-11-17	0	0	0	0	0
Pan sha	Supervisor	Currentl y in office	F	45	2017-11-17	2020-11-17	0	0	0	0	0
Liang Jianqian g	Employee supervisor	Currentl y in office	M	49	2014-11-12	2020-11-17	0	0	0	0	0
Peng Bo	Employee supervisor	Currentl y in office	M	44	2017-11-17	2020-11-17	1,527	0	0	0	1,527
Lin Qing	Deputy GM	Currentl y in office	F	53	2003-10-17	2020-11-17	0	0	0	0	0
Zhang Jie	Deputy GM, secretary of the Board	Currentl y in office	F	49	2006-12-30; 2015-12-23	2020-11-17	17,325	0	0	0	17,325
Dai Xiji	CFO	Currentl y in office	M	48	2017-11-17	2020-11-17	0	0	0	0	0
Yang Haixian	Chairman	Leave the post	M	61	2008-09-23	2017-08-28	0	0	0	0	0
Wu Dongxia ng	Director, GM	Leave the post	M	53	2015-04-20	2017-08-28	0	0	0	0	0
Zhou Qun	Director	Leave the post	M	53	2011-05-25	2017-11-17	0	0	0	0	0
Chen Lihong	Director	Leave the post	F	54	2011-05-25	2017-11-17	0	0	0	0	0
Lin Qing	Director	Leave the post	F	53	2015-04-20	2017-11-17	0	0	0	0	0
Li Zheng	Independent director	Leave the post	M	60	2011-05-25	2017-11-17	0	0	0	0	0
Wang Xiaodon	Independent director	Leave the post	M	57	2011-05-25	2017-11-17	0	0	0	0	0

g											
Wang Junsheng	Independent director	Leave the post	M	57	2011-05-25	2017-11-17	0	0	0	0	0
Tang Tianyun	Independent director	Leave the post	M	57	2011-05-25	2017-11-17	0	0	0	0	0
Pan Chengwei	Independent director	Leave the post	M	71	2011-05-25	2017-11-17	0	0	0	0	0
Zhao Xiangzhi	Chief supervisor	Leave the post	M	59	2011-05-25	2017-11-17	0	0	0	0	0
Ma Fengming	Supervisor	Leave the post	F	55	2011-05-25	2017-11-17	0	0	0	0	0
Ji Yuanhong	Supervisor	Leave the post	F	50	2011-05-25	2017-11-17	0	0	0	0	0
Peng Siqi	Supervisor	Leave the post	M	35	2015-04-20	2017-11-17	0	0	0	0	0
Ding Weili	Employee supervisor	Leave the post	M	57	2014-11-12	2017-11-17	0	0	0	0	0
Yan Ping	Employee supervisor	Leave the post	M	51	2014-11-12	2017-11-17	0	0	0	0	0
Zhang Yunlong	Employee supervisor	Leave the post	M	53	2014-11-12	2017-11-17	0	0	0	0	0
Zhu Wei	Deputy GM	Leave the post	M	60	2003-08-22	2017-11-17	0	0	0	0	0
Wang Rendong	Deputy GM	Leave the post	M	56	2006-12-30	2017-11-17	0	0	0	0	0
Huang Jian	Deputy GM	Leave the post	M	47	2015-04-03	2017-11-17	0	0	0	0	0
Total	--	--	--	--	--	--	18,852	0	0	0	18,852

II. Changes of directors, supervisors and senior executives

√Applicable □ Not applicable

Name	Title	Type	Date	Reasons
Yang Haixian	Chairman	Demission	2017-08-28	Retirement

Wu Dongxiang	Director, GM	Demission	2017-08-28	Work reasons
Zhou Qun	Director	Leave for office term ends	2017-11-17	Office term ends
Chen Lihong	Director	Leave for office term ends	2017-11-17	Office term ends
Lin Qing	Director	Leave for office term ends	2017-11-17	Office term ends
Li Zheng	Independent director	Leave for office term ends	2017-11-17	Office term ends
Wang Xiaodong	Independent director	Leave for office term ends	2017-11-17	Office term ends
Wang Junsheng	Independent director	Leave for office term ends	2017-11-17	Office term ends
Tang Tianyun	Independent director	Leave for office term ends	2017-11-17	Office term ends
Pan Chengwei	Independent director	Leave for office term ends	2017-11-17	Office term ends
Zhao Xiangzhi	Chief supervisor	Leave for office term ends	2017-11-17	Office term ends
Ma Fengming	Supervisor	Leave for office term ends	2017-11-17	Office term ends
Ji Yuanhong	Supervisor	Leave for office term ends	2017-11-17	Office term ends
Peng Siqi	Supervisor	Leave for office term ends	2017-11-17	Office term ends
Ding Weili	Employee supervisor	Leave for office term ends	2017-11-17	Office term ends
Yan Ping	Employee supervisor	Leave for office term ends	2017-11-17	Office term ends
Zhang Yunlong	Employee supervisor	Leave for office term ends	2017-11-17	Office term ends
Zhu Wei	Deputy GM	Leave for office term ends	2017-11-17	Retirement
Wang Rendong	Chief engineer	Leave for office term ends	2017-11-17	Change of the term of office
Huang Jian	Deputy GM	Leave for office term ends	2017-11-17	Change of the term of office
Li Xinwei	Chairman	Be elected,	2017-08-28	Election of director changes

		Appointment		
Chen Yuhui	Director, GM	Be elected, Appointment	28 August and 11 August 2017	Election of director changes and change of GM
Mo Jianmin	Independent director	Be elected, Appointment	2017-11-17	Election at expiration of office term
Chen Zetong	Independent director	Be elected, Appointment	2017-11-17	Election at expiration of office term
Ye Qiliang	Chairman of supervisory board	Be elected, Appointment	2017-11-17	Election at expiration of office term
Xiong Qingsheng	Employee supervisor	Be elected, Appointment	2017-11-17	Election at expiration of office term
Pan sha	Supervisor	Be elected, Appointment	2017-11-17	Election at expiration of office term
Peng Bo	Employee supervisor	Be elected, Appointment	2017-11-17	Election at expiration of office term
Dai Xiji	CFO	Appointment	2017-11-17	Change of the term of office

III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive at the present

Members of the Board of Directors:

Mr. Li Xinwei was born in 1965, a senior accountant, a postgraduate of Xiamen University, and a master of business administration. From 1984 to 1992, he held the post of director of the accounting department of Guangdong Nuclear Power Joint Venture Co., Ltd.; from 1992 to 1995, he served as the financial manager of Shenzhen Worldsun Enterprises Co., Ltd. and the cadre of finance department of Shenzhen Longgang Transportation Development Company; from 1995 to 2006, he served as the cadre of finance department of Shenzhen Energy Corporation, the director of finance department of Shenzhen Mawan Power Co., Ltd., the chief accountant and the director of finance department of Shenzhen Energy Group Power Generation Branch, the deputy director of capital office of Shenzhen Energy Group Co., Ltd. (at ministerial level), the director and deputy general manager of Shenzhen Mawan Power Co., Ltd.; from 2004 to 2006, he also served as the chairman of Huizhou City Gas Development Co., Ltd.; from 2006 to August 2017, he held the post of managing director of Shenzhen Energy Finance Co., Ltd., he also holds the post of chairman of Sichuan Shenzhen Energy Power Investment Holding Co., Ltd. since 2015; and he has held the post of director and chairman of the Company since August 2017.

Mr. Li Hongsheng, born in 1963, was Communist party member, a master. From November 2004, he served as director of Shenzhen Guangju Investment Holding (Group) Co., Ltd, director financial controller of Shenzhen Guangju Energy Co., Ltd, chairman of Shenzhen Yangrun Investment Co., Ltd.; From December 2007 to now he serves as Managing director of Shenzhen Guangju Energy Co., Ltd. and chairman of Guangju Energy (HK) Co., Ltd; and from January 2011 to now he serves as Director and Vice president of the Company.

Mr. Chen Yuhui was born in 1965, a senior engineer, graduated from Shanghai Jiao Tong University and obtained a bachelor's

degree in marine power and a master's degree in vibration, shock & noise (postgraduate degree). In 1989, he worked in the maintenance department of Shenyang Liming Gas Turbine Co., Ltd.; from December 1989 to June 2006, he worked in Shenzhen Energy Group Yueliangwan Power Plant, and successively held the posts of chief-operator of operation department, specialist engineer of general office, deputy director of maintenance department, factory deputy manager, factory manager, etc.; from June 2006 to July 2014, he worked in Shenzhen Energy East Power Plant and held the posts of deputy general manager and operation director; from July 2014 to August 2017, he served as the chairman, general manager, and party branch secretary of Zhuhai Shenzhen Energy Hongwan Power Co., Ltd.; and he has held the posts of director and general manager of the Company and the chairman of Shennandian (Zhongshan) Power Co., Ltd. and Shennandian (Dongguan) Weimei Power Co., Ltd. since August 2017.

Mr. Qiang Wenqiao, was born in 1969, master, graduated from Xi'an Jiaotong University, major in electric. He worked in Shenzhen Mawan Power Co., Ltd. since 1991, served as deputy director of the management department of Shenzhen Energy Group since 2006, he successively served senior manager, chief and GM of the property rights legal department of Shenzhen Energy Group Co., Ltd. since 2008; now he serves as GM of the property rights legal department of Shenzhen Energy Group Co., Ltd. and serves as GM of the Fuel Branch of Shenzhen Energy Group Co., Ltd. he serves as director of the Company since November 2014.

Ms. Yu Chunling was born in 1965, a senior engineer, an on-the-job master of economics in Peking University, and graduated from power plant building structural engineering of Wuhan Institute of Hydraulic and Electric Engineering. She served successively as a technician and civil engineering contract engineer at engineering department of Guangdong Nuclear Power Joint Venture Co., Ltd., the project manager of Shenzhen Energy Investment Co., Ltd., and the deputy director and director of office business, the director of fuel trade department, and the director of planning and development department of Shenzhen Energy Group Co., Ltd., and the director of preparation office of Shenzhen Pumped Storage Power Station. She serves as the managing director of Shenzhen Energy (Hong Kong) International Co., Ltd. and the director of the Company.

Mr. Wu Guowen, born in 1965, an undergraduate, He worked in Shenzhen Guangju Energy Co., Ltd. since 1994; and worked in Shenzhen Yisheng Liquid Storage Co., Ltd. from 2008 to November 2010, and served as deputy GM; he works in Shenzhen Guangju Real Estate Co., Ltd. From December 2010 to March 2016, and successively appointed as standing deputy GM, legal representative, executive director and GM; serves as staff supervisor in Shenzhen Guangju Energy Co., Ltd. since August 2013. he serves as director, standing deputy GM of the Company since April 2016.

Mr. Mo Jianmin was born in 1966, a China Certified Public Accountant, graduated from School of Law of Nanchang University. From March 1985 to October 1996, he worked at Tonggu County Taxation Bureau of Jiangxi Province and Local Taxation Bureau of Tonggu County; from November 1996 to October 1999, he worked at Shenzhen Tongren Certified Public Accountants; from October 1999 to March 2001, he worked at Zhongtianqin Certified Public Accountants; from April 2001 to December 2003, worked at Shenzhen Languang Enterprise Group; from January 2004 to December 2010, he worked at Shenzhen Jinniu Accounting Firm; from January 2011 to October 2012, he was appointed as a partner of Jonten Certified Public Accountants Shenzhen Branch; from November 2012 to May 2014, he served as a partner of Beijing Yongtuo Certified Public Accountants; he has served as a partner of Da Hua Certified Public Accountants since June 2014.

Mr. Chen Zetong was born in 1970, a bachelor of laws at Southwest University of Political Science and Law, a master of laws at the University of Hong Kong, a doctor of laws at Jilin University. From 1994 to 2003, he served as a court clerk, assistant judge and judge at the Real Estate Trial Division of Shenzhen Intermediate People's Court; from July to August 2002, he practiced as a judicial assistant in the High Court of Hong Kong; from 2003 to 2006, he served as the presiding judge at the Economic Trial Division; from 2006 to 2010, he served as the deputy presiding judge at the seventh court of Shenzhen Intermediate People's Court (Corporate Liquidation and Bankruptcy Trial Division), and presided over the work of this court from June 2006 to August 2008. From 2010 to

2012, he served as a partner of Beijing King & Wood Mallesons. Since 2012, he has been a senior partner of Beijing JunZeJun Law Offices. He is currently an arbitrator of Shenzhen Court of International Arbitration, concurrently an independent director of listed company Tianma Microelectronics Co., Ltd. (A-share 000050), an independent director of Hubei Sanxia New Building Materials Co., Ltd. (A-share 600293), an independent director of New Sports Group Limited (00299 HK), an independent director of non-listed company Funde Insurance Holding Co., Ltd., an independent director of Funde Sino Life Co., Ltd., and an independent director of Sino Life Assets Management Co., Ltd.

Mr. Liao Nangang, was born in 1970, bachelor of East China Political Science and Law in law major. He served as assistant judge and judicial office in People's Court of Shenzhen Nanshan District from September 1992 to December 2000; a lawyer in Guangdong ZhongAn Laws Firm from March 2001 to February 2004; act as lawyer and partner of Guangdong Haohui Laws Firm from February 2004 to October 2013 and serves as partner and lawyer of Guangdong Guangjin Laws Firm since from November 2013 to November 2017; he serves as lawyer and partner of the Guangdong Leyi Laws Firm since December 2017. Since from 2008 to now he also act as arbitrator in Shenzhen Arbitration Commission and owns the qualification of independent directors. He had offered systemic legal services for listed companies as China Merchants Property Development Co., Ltd. and China Merchants Bank Co., Ltd. (HQ) and serves as independent director of the listed company (600828)- Maoye Commercial Co., Ltd. He holds the post of independent director of the Company since November 2013 to now.

Members of supervisory committee of the board

Mr. Ye Qiliang was born in 1963, a member of the Communist Party of China with a college degree. From 1979 to January 1984, he served in the Army 83020; from January 1984 to March 1997, he worked in Quannan County of Jiangxi Province; from March 1997 to February 1999, he worked at Shenzhen Shennan Petroleum (Group) Co., Ltd. and served as a clerk in the investment department; from February 1999 to June 2009, he worked at Shenzhen Guangju Energy Co., Ltd. and served as the deputy director of the general manager office, the deputy director of the secretariat of the board of directors, and the representative of securities affairs; he serves as the committee member of labor union of Shenzhen Guangju Energy Co., Ltd. since July 2012; from July 2009 to March 2016, he successively served as the deputy general manager and general party branch member of Shenzhen Nanshan Petroleum Co., Ltd.; he has currently served as the general party branch secretary the chairman of labor union of the Company, and concurrently served as the director of Shennandian (Dongguan) Weimei Power Co., Ltd. and the vice president of Shenzhen Shennan Power Gas Turbine Engineering Technology Co., Ltd. since April 2016.

Mr. Xiong Qingsheng was born in 1973, an engineer and lawyer, a master of business administration of Sichuan University. From July 1992 to December 2005, he worked on the operation and grassroots management at Mawan Power Plant, a subsidiary of Shenzhen Energy Group; from December 2005 to April 2008, he served as the legal secretary of the Secretariat of Board and the deputy director of business of Shenzhen Energy Group Board of Directors Secretariat; from April 2008 to March 2014, he served as a senior legal advisor to the board office of Shenzhen Energy Group; from March 2014 to December 2017, he served as a senior manager of investor relations for the board office of Shenzhen Energy Group Co., Ltd.; he has served as the deputy general manager Shenzhen Energy Gas Investment Holdings Co., Ltd. and concurrently as the general manager of Hebei Zhaoxian Asia Pacific Gas Co., Ltd. since December 2017.

Ms. Pansha was born in 1972, an auditor, and a bachelor in auditing at Wuhan University. From July 1995 to April 2000, she serves as a cadre at the Supervision Department of Shenzhen Energy Corporation; from April 2000 to April 2008, she served as deputy director of audit department of Energy Group, deputy director and director of business of audit and supervision department, and director of business of audit department; from April 2008 to December 2014, she served as a senior auditor and audit manager at of audit management department of Shenzhen Energy Group Co., Ltd.; she has served as the senior audit manager at the audit management department of Shenzhen Energy Group Co., Ltd. since December 2014.

Mr. Liang Jianqiang, born in 1968, an engineer, bachelor degree, graduated from department of engineering physics of Tsinghua University in 1991, major in nuclear energy and heat energy utilization. He worked in Shenzhen Moon Bay Gas Turbine Power Plant from 1991 to 1998, successively served as specialist engineer of gas turbine in operation department, sub-director of the gas turbine in inspection and maintenance department and specialist engineer of planning in inspection and maintenance department. He works in Shenzhen Nanshan Power Co., Ltd. since July 1998 transferred by Shenzhen Energy Group Co., Ltd, and successively served as deputy chief, chief of the inspection and maintenance department, deputy chief of the operation department, director of production management department and security chief. Served as chief of production technology department and security chief of the headquarter from May 2005 to November 2013. He served as staff supervisor of the 7th supervisory of the Company from November 2014 to November 2017. serves as deputy director in Nanshan Power Plant in December 2013 and acting manager of Nanshan Power Plant since October 2017. he serves as director of Nanshan Power Plant since December 2017. and now he serves as director of Shen Nan Dian Environmental Protection Co., Ltd.

Mr. Peng Bo was born in 1973, a senior economist, engineer, and a master graduate student. He graduated from Huazhong University of Science and Technology, majoring in power system automation in 1994, and then he majored in business administration at Huazhong University of Science and Technology and obtained a master's degree. He has been working in Shenzhen Nanshan Power Co., Ltd. since 1994, and has served as a professional engineer of gas turbine thermal control maintenance, supervisor of labor and capital, assistant of office director, and deputy director of human resources department; from April 2007 to December 2013, he served as the director of human resources department, and concurrently served as the supervisor of a subsidiary Zhongshan Zhongfa Power Company; from May 2011 to November 2014, he served as the staff's representative supervisor of the company's sixth board of supervisors; from December 2013 to December 2017, he served as the deputy director of Nanshan Thermal Power Plant; he has served as the general manager of Shenzhen Shennandian Environmental Protection Co., Ltd. since December 2017.

Senior managers of the Company:

Resume of Director/GM Chen Yuhui and Director/ standing deputy GM Wu Guowen found the aforesaid

Ms. Lin Qing was born in 1964, a senior engineer, and a master of electrical engineering at Hunan University. From 1985 to 1990, she taught at the department of electric power at Changsha Normal University of Water Resources and Electric Power. From 1990 to 1991, she worked in the engineering department of Guangdong Daya Bay Nuclear Power Plant. Since December 1991, she has served successively as the secretary of general office and the business director of Shenzhen Energy Corporation, the office director of Shenzhen Western Power Co., Ltd., the chairman of the party and the masses department, the chairman of the labor union of the office, the office director, the party branch secretary of the office, the director of the labor union office, the member of the party committee of the Group, the general manager assistant at Shenzhen Energy Group Co., Ltd.. She has been serving as the deputy general manager of the Company from October 2003 to now. She served as a director of the Company from April 2015 to November 2017.

Ms. Zhang Jie, born in 1968, CHRM, Master of Psychology of Beijing University; she was successively study with specialty of British and American Literature in the Foreign Language Department of Zhengzhou University and specialty of applied psychology in the Psychology Department, Beijing University. She used to work in Henan Provincial Seismological Bureau as a translator in 1990, worked in the financial department and office of Shenzhen Nanshan Power Co., Ltd. since October 1990; she successively held the posts of secretary, office director, general manager assistant and employee supervisor of the Company since 1993. and holds the posts of deputy GM of the Company since December 2006. She serves as secretary of the board since December 2015. Now she serves as chairman of Shenzhen Shen Nan Dian Environment Protection Co., Ltd. and director of Shen Nan Energy (Singapore) Co., Ltd.

Mr. Dai Xiji was born in 1969, a bachelor, and a senior accountant. From July 1992 to December 1996, he served as an accountant of

Shenzhen Mawan Power Co., Ltd. Mawan Power Plant; from January 1997 to July 1998, he served as an accountant at the finance department of Shenzhen Energy Corporation Power Generation Branch; from July 1998 to December 1999, he was an accountant at the finance and accounting division of Shenzhen Energy Group Co., Ltd.; from December 1999 to December 2007, he served as the deputy director at finance department and the director at finance and accounting division of Mawan Power Plant; from January 2008 to August 2008, she served as the director at finance department of Shenzhen Mawan Power Co., Ltd.; from August to September 2008, he served as the cadre at the preparation office of Binhai Power Plant; from September 2008 to July 2014, he served as the senior manager at financial management department of Shenzhen Energy Group Co., Ltd.; From February 2011 to now, he concurrently serves as the manager at the financial management department of Shenzhen Energy Fuel Branch; from July 2014 to November 2017, he was appointed as the deputy general manager of Shenzhen Energy Fuel Branch, and he has been serving as the chief financial officer of the Company since November 2017.

Post-holding in shareholder's unit

☒ Applicable ☐ Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit n	End date of office term	Received remuneration from shareholder's unit (Y/N)
Yu Chunling	HONG KONG NAM HOI (INTERNATIONAL) LTD.	Director	2008	No

Post-holding in other unit

☒ Applicable ☐ Not applicable

Name	Name of other units	Position in other unit n	End date of office term	Received remuneration from other unit (Y/N)
Li Xinwei	Sichuan Shenneng Power Investment Co.,Ltd.	Chairman	2015	N
Li Hongsheng	Shenzhen Guangju Energy Co., Ltd.	Director, GM	2007	Y
Chen Yuhui	Shen Nan Dian (Zhongshan) Electric Power Co., Ltd.	Chairman	2017	N
	Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd	Chairman	2017	N
Qiang Wenqiao	Shenzhen Energy Group Co., Ltd.	GM of fuel material department	2017	Y
Yu Chunling	Shenzhen Energy (H.K) International Co., Ltd.	Director, GM	2013	Y
Wu Guowen	Shenzhen Guangju Energy Co., Ltd.	Employee Supervisor	2013	N
Mo Jianmin	Da Hua Certified Public Accountants	Partner	2014	Y

Chen Zetong	Junzejun Law Offices	Senior partner	2012	Y
Liao Nangang	Guangdong Leyi Laws Firm	Partner, lawyer	2013	Y
Ye Qiliang	Shenzhen Shennandian Turbine Engineering Technology Co., Ltd.	Vice chairman	2016	N
	Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd	Director	2016	N
Xiong Qingsheng	Shenzhen Energy Fuel Investment Holding Co., Ltd.	Deputy GM	2017	Y
	Hebei Zhaoxian Asia-Pacific Fuel Co., Ltd.	GM	2017	Y
Pan Sha	Shenzhen Guangju Energy Co., Ltd.	Senior GM of auditing management department	2014	Y
Zhang Jie	Shenzhen Shen Nan Dian Environment Protection Co., Ltd.	Chairman	2014	N
Dai Xiji	Shenzhen New Power Industrial Co., Ltd.	Chairman	2018	N
	Shen Nan Energy (Singapore) Co., Ltd.	Director	2017	N
	Hong Kong Syndisome Co., Ltd.	Director	2017	N
	Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd	Director	2017	N

Punishment of securities regulatory authority in recent three years to the Company's current and outgoing directors, supervisors and senior management during the reporting period

☐ Applicable ☒ Not applicable

IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

1. Decision-making process: In accordance with relevant regulations of "Articles of Association", the stockholders' meeting would determine the remuneration of directors and supervisors, and the board of directors would determine the remuneration of senior management.
2. Determine basis: Currently, except for the independent directors, the Company has no remuneration system for non-independent directors and supervisors, the directors and staff supervisor only received the pay for the post actually served in the Company. The Board of Directors will define the annual remuneration standard of the senior management of the Company on the basis of annual operating performance, post rank and other factors and in consideration of the industrial remuneration level. It will decide the actually paid remuneration standard by referring to the examination of annual operation performance and audit status.
3. Actual payment: the Company is strictly paying the remuneration to directors in line with the decision-making process and

determining basis on remuneration for directors, supervisors and senior executives, the relevant expenses arising from transportation, accommodation, research, study and attending a meeting are borne by the Company.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the Company (before taxes)	Whether remuneration obtained from related party of the Company
Li Xinwei	Chairman	M	52	Currently in office	36.05	No
Li Hongsheng	Vice chairman	M	54	Currently in office	0	Yes
Chen Yuhui	Director, GM	M	52	Currently in office	32.13	No
Qiang Wenqiao	Director	M	48	Currently in office	0	Yes
Yu Chunling	Director	F	52	Currently in office	0	Yes
Wu Guowen	Director, Standing deputy GM	M	52	Currently in office	67.1	No
Mo Jianmin	Independent director	M	51	Currently in office	0.99	No
Chen Zetong	Independent director	M	47	Currently in office	0.99	No
Liao Nangang	Independent director	M	47	Currently in office	11.9	No
Ye Qiliang	Chairman of supervisory board	M	54	Currently in office	64.87	No
Xiong Qingsheng	Employee supervisor	M	44	Currently in office	0	Yes
Pan sha	Supervisor	F	45	Currently in office	0	Yes
Liang Jianqiang	Employee supervisor	M	49	Currently in office	32.51	No
Peng Bo	Employee supervisor	M	44	Currently in office	30.97	No
Lin Qing	Deputy GM	F	53	Currently in office	66.6	No

Zhang Jie	Deputy GM, secretary of the Board	F	49	Currently in office	64.6	No
Dai Xiji	CFO	M	48	Currently in office	5.39	No
Yang Haixian	Chairman	M	61	Step down	49.56	No
Wu Dongxiang	Director, GM	M	53	Step down	44.76	No
Zhou Qun	Director	M	53	Step down	0	Yes
Chen Lihong	Director	F	54	Step down	0	Yes
Li Zheng	Independent director	M	60	Step down	10.91	No
Wang Xiaodong	Independent director	M	57	Step down	10.91	No
Wang Junsheng	Independent director	M	57	Step down	10.91	No
Tang Tianyun	Independent director	M	57	Step down	10.91	No
Pan Chengwei	Independent director	M	71	Step down	10.91	No
Zhao Xiangzhi	Chief supervisor	M	59	Step down	0	Yes
Ma Fengming	Supervisor	F	55	Step down	0	Yes
Ji Yuanhong	Supervisor	F	50	Step down	0	Yes
Peng Siqi	Supervisor	M	35	Step down	0	Yes
Ding Weili	Employee supervisor	M	57	Step down	31.82	No
Yan Ping	Employee supervisor	M	51	Step down	33.33	No
Zhang Yunlong	Employee supervisor	M	53	Step down	31.06	No
Zhu Wei	Deputy GM	M	60	Step down	64.6	No
Wang Rendong	Deputy GM	M	56	Step down	64.6	No
Huang Jian	Deputy GM	M	47	Step down	55.98	No
Total	--	--	--	--	844.36	--

Delegated equity incentive for directors, supervisors and senior executives in reporting period

☐ Applicable ☒ Not applicable**V. Particulars of workforce****1. Number of Employees, Professional categories, Education background**

Employee in-post of the parent Company (people)	274
Employee in-post of main Subsidiaries (people)	245
The total number of current employees (people)	519
The total number of current employees to receive pay (people)	519
Retired employee' s expenses borne by the parent Company and main Subsidiaries (people)	0
Professional categories	
Types of professional category	Numbers of professional category
Production staff	283
Sales man	
Technician	
Financial staff	25
Administration staff	211
Total	519
Education background	
Type of education background	Numbers (people)
High school and below	83
3-years regular college graduate and Polytechnic school graduate	249
Bachelor degree	163
Master and above	24
Total	519

2. Remuneration Policy

According to the Company's annual operation performance combined with the market-oriented remuneration in the region and industry, the Board implements a principle of annual remuneration provision with the fixed remuneration as main body, which will, at the same time of controlling remuneration cost, create conditions for the stable workforce. Meanwhile, special incentive mechanism will be available according to the completion of annual business objectives and core mission so as to set up an incentive mechanism linked with operation performance and exert the incentive role of remuneration.

The remuneration and incentive scheme of the chairman of board will be submitted to the shareholders' meeting for approval after it has been deliberated by the board of directors. The remuneration and incentive scheme of the general manager, deputy general manager and other senior management level will be prepared by the Remuneration and Appraisal Committee and then be submitted to the board of directors for approval. The Board of Directors will decide the annual remuneration standard of the senior management of the Company on the basis of annual operating efficiency, post rank and other factors and in consideration of the industrial remuneration level and the actually paid remuneration standard by referring to the examination of annual operation performance and audit status. The operation team is authorized to manage the remuneration and incentive of other personnel on the principle of "defining salary in terms of post and obtaining remuneration in terms of labor". Within the annual remuneration limit approved by the board of directors, and in compliance with the remuneration principle and Interim Remuneration Management Provision set down by the Board of Directors, determine and execute the remuneration standard, distribution plan, examination and incentive method of employees at each level.

3. Training programs

The Company always attached great importance to staff training, and established of the "staff training and management regulations" and a more perfect training network. Through strengthening the staff training, enhancing the staff's job skills and comprehensive quality, to better meet the Company's management, management demand for talent, while training reserve personnel for the Company's sustainable development. During the reporting period, the Company strictly implemented the training plans that formulated in beginning of the Year, mainly carried out the following aspects of the training:

- (1) Safety Training: According to the Production Safety Law, other laws and regulations and the Safety Training Regulations of the Company, organize the safety certificate training and following training for the safety principal, principal and security officer of the Company headquarters and affiliated companies in order to meet legal regulatory requirements for security training, carry out emergency drills and safety management procedures training, and improve the safety awareness and accident prevention capacity of management at all levels and employee;
- (2) Post qualification training: by means of learning assignments, the obtaining of certificate, internal training and assessment, carry out certification training for key business and technical post, meet with requirements of relevant laws and regulations for vocational qualification requirements, and improve employee job performance ability.
- (3) Simulator skills training: relying on gas turbine simulation training base, continued to carry out stimulator training for the operation personnel within three power plants of the Company, and improve the practical operation and adaptability to changes of plant operations personnel.
- (4) The induction training of new employees: Carry out systematic and pointed job skill and professional training for the newly recruited graduates of the company;
- (5) External training project: While training for the employees of the company, the company made use of the training advantages accumulated by the training center for gas-fired combined cycle post technology over the years to expand the post skills training programs for external units, which not only contributed profits to the company and consolidated the own part-time teacher team, but also trained reserve talents for the sustainable development of the company.

(6) Training of party members: The general party branch and branch offices of the company actively carried out the “two studies and one action” activity and issued books and materials; studied the party constitution and rules and series of speeches, strictly implemented the “three sessions and one lesson” system, developed the activities such as “secretary gives party lectures” and visiting the anti-corruption education base, etc., focused on learning the spirit of the party's 19th national congress in the fourth quarter, ensured the party's organizations to play a core role and the majority of party members to play a vanguard and exemplary role through training and study.

4. Labor outsourcing

☐ Applicable ☒ Not applicable

Section IX. Corporate Governance

I. Corporate governance of the Company

During the reporting period, in accordance with guideline of Company Law, Securities Law, Corporate Governance Guidelines, Stock Listing Rules and other regulatory documents, and requirements of Articles of Associations and rules of procedures, constantly optimized the corporate governance structure, constantly maintained sound modern enterprise management system, and further improved the right balancing mechanism of the general meeting of shareholders, board of directors and supervisory board, standardized the operations and decision-making procedures of the general meeting of shareholders, board of directors and supervisory board and the manager office, fulfilled important information confidentiality and information disclosure obligations, strengthened the internal audit and risk control, made great efforts to improve governance and standardization meticulous management, and effectively protected the interests and legitimate rights of listed companies, investors and employees.

1. Shareholders' meeting: During the reporting period, the Company held one regular shareholders' meeting and two extraordinary shareholders' meetings to carefully deliberate and decide on issues which were submitted to the general shareholders' meeting for approval. The convening of the shareholders' meeting was legal and all decision-making processes were open, fair and just. The site voting and online voting were orderly organized and witnessed by lawyers and the regulation where connected shareholders should be excluded from voting was strictly implemented. Resolutions passed in shareholders' meeting were timely disclosed to ensure the information right and voting right of all shareholders, especially minority shareholder related to major events of the Company. The operation and management of the Company's shareholders' meeting complied with laws and regulations. Shareholders of the Company earnestly fulfilled their responsibilities under the Company Law and Articles of Association to regulate operations in all aspects. There were no large shareholders and related parties who occupied or transferred the Company's funds, assets and other resources with various forms. The fair rights of all shareholders were protected legally.

2. Board of Directors: In the report period, the Board of Directors of the Company held four regular meetings and nine extraordinary meeting to carefully research, deliberate and make decisions on significant matters within the rights of board of directors. The convening of the meetings of the board was legal and all decision-making processes were open, fair and just. Four special committees under the Board of Directors, the Strategy and Investment Committee, Nomination Committee, Audit Committee, as well as Remuneration and Appraisal Committee set down their respective work details. Within the report period, the Strategy and Investment Committee, Nomination Committee, Audit Committee, as well as Remuneration and Appraisal Committee respectively convened three, one, four and one conferences, deliberating the related resolutions on the strategic investment, asset disposal, significant personnel appointment and removal, remuneration and examination, audit and risk proposals and giving opinions and proposals to provide reference and support for the efficient operation and scientific decision of the board of directors. The composition of the board of directors and its performance of duties complied with laws and regulations. The 7th BOD of the Company have 15 directors, including 6 independent directors, change of the office term of BOD completed on 17 November 2017; the 8th BOD have 9 directors, including 3 independent directors. The number of directors, the proportion of independent directors and the qualifications of all directors were in line with the Company Law, other laws and regulations, and Articles of Association. All directors were in a serious and responsible attitude to actively attend the Board meeting, made prudent decision on all resolutions and issued a clear opinion, earnestly fulfilled their obligations of diligence, good faith and impartiality, and made efforts to safeguard the interests of the Company and its shareholders. Independent directors played their professional advantages, upheld the objective and independent principle and conscientiously performed their duties. They issued independent opinions on resolutions and brought forward constructive comments and suggestions on the Company's standardized operation and risk prevention, and paid attention to the interests of the Company as a whole and those the shareholders of the Company, especially the legitimate interests of minority

shareholders.

3. Supervisory Board: During the reporting period, the Supervisory Board of the Company held four regular meetings and four extraordinary meeting, to carefully research, deliberate and make decisions on important matters within the scope of its rights. The convening of the meeting of supervisory board was legal and all decision-making processes were open, fair and just. The Supervisory Board also attended the shareholders' meeting and board's meeting as a nonvoting delegate and organized the spot visit to the affiliates of the Company so as to comprehensively and deeply understand the Company's operations, management of, and better carry out its oversight responsibilities. The composition of Supervisory Board and its performance of duties were legal. The 7th supervisory committee of the Company have 8 supervisors, including 4 staff supervisors, and the change of session completed on 17 November 2017, the 8th supervisory committee have 5 supervisors and 2 staff supervisors. The number of supervisors, proportion of employee supervisors and the qualification of all supervisors were in line with the Company Law, other laws and regulations, and Articles of Association. All supervisors of the Company actively attended all meetings of Supervisory Board and took part in meetings of shareholders and the board of directors as nonvoting delegates, seriously considered the resolutions of the Supervisory Board and then issued proposals on significant decisions made by shareholders' meeting and board of directors, efficiently supervised the legality of Company operation and management as well as the normative performance directors, and senior management. They did perform their duties on the diligent, objective and independent basis so as to safeguard the interests of the Company, shareholders and employees.

4. Manager Office: During the Manager Office of the Company performed their duties in strict accordance with the Company Law, other relevant laws and regulations, the Articles of Association and other regulatory documents, established and continuously improved the office system and internal control system, continuously optimized the workflow and decision-making procedures, followed the working principle of rational division of labor and strengthening cooperation, and the tent to make collectively decisions on major issues, and tried to improve the standardization of the management level. Based on the spirit of law, integrity, loyalty and diligence, carefully organized the production, operation and management of the Company, made great efforts to create a positive, harmonious and aggressive corporate culture, respected and safeguarded the legitimate rights and interests of shareholders, employees and relevant stakeholders. For the matter to be submitted to the board of directors and the shareholders' meeting, carefully organized research, demonstration and documentation, and strictly implemented the resolutions of the Board of Directors and the general meeting of shareholders to ensure the effective implementation of resolutions. According to relevant rules of Company Law and Article of Association, on 7 Nov. 2017, the 1st session of 8th BOD engaged new staff for the Board, and change of the office term for Board has completed successfully.

5. Information disclosure and major information confidentiality system: the Company executed the major information confidentiality system in accordance with the relevant provisions of the Company Law, Securities Law, Stock Listing Rules and other major information security system, fulfilled its obligation of information disclosure, designated Securities Times, China Securities News, Hong Kong Commercial Daily and www.cninfo.com to disclose information, and carefully disclosed information with the reporting period and sought to improve the quality of information disclosure. During the reporting period, the Company did not provide undisclosed information to large shareholders and actual controllers in violation of information disclosure requirements. To strengthen the management of non-public information, the Company strictly controlled the scope of insiders, standardized information transfer process, strictly implemented the relevant provisions of the Insiders Registration System, reported regularly insider information and kindly reminded the insider information to strictly comply with the related regulations on insider information confidentiality and stocks trading of the Company before the convening of the meetings of general shareholders, board of directors and supervisory board. There were no significant information disclosures within the reporting period.

6. Investor relations management: the Company regularly counted and analyzed status of shareholders, dynamically tracked changes in investors, carefully interviewed the visit and consultation of investors, and timely replied investor inquiries via telephone and network. In receiving the visiting investors and replied to inquiries, the Company strictly complied with Stock Listing Rules and the

requirements for the confidentiality of other insider information, adhered to the fair, just and open principle, respected the legitimate rights and interests of investors under the premise of not violating laws and carefully fulfilled its responsibilities of investor relations management.

7. Internal control system and standardized management: During the reporting period, in order to better meet the company's needs for standardized governance and efficient operation, the company has revised some provisions of the articles of association in accordance with relevant laws, administrative regulations, and regulatory documents and combining with the company's actual situation. The company has carried out special audits on internal control self-evaluation, internal regular audits and compensation management, and the normalization of subordinate enterprises' businesses, and has taken active and effective measures to improve the existing problems and deficiencies. In order to strengthen the financial management of the company, the company has revised the management system of the "Permissions for Financial Approval and Payment Management Regulations", "Main Accounting Policies of the Company", "Administrative Regulations on Travel Expenses and Business Hospitality Fees", "Regulations on Fund Management" and "Administrative Provisions on Expense Reimbursement", strengthened the training and ideological education of directors, supervisors, senior management personnel, and middle-level management cadres at all levels, and emphasized the performance of duties according to law, standardized the words and deeds, and fought against corruption. The company has been striving to prevent business management risks by continuously improving the internal control system, increasing the assessment and rewards and punishments, and further improving the standardization of management.

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed Company from CSRC?

☐ Yes ☒ No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed Company from CSRC.

II. Independency of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance

The Company has not controlling shareholder. The Company is completely independent in personnel, assets, finance, business, and institutions and is able to make independent decision and operations.

1. Personnel independence: The Company has set up an independent human resource management system and compensation & benefits systems. The general manager of the Company, all members of the management level, the board secretary and other senior management staff are full-time executives and are paid remuneration by the Company and none of them takes other administrative posts in shareholders. Within the amount approved by the Board, the Company independently hires or fires employees according to the management needs. The Company has established a more perfect human resources management system, and has an independent management right.
2. Assets independence: the Company has independent production facilities and auxiliary systems, land use rights, property rights, office facilities and equipment. Within the range authorized by the board of directors and general shareholders' meeting, the Company has the powers of independent acquisition and disposition of assets.
3. Financial independence: The Company has independent financial management and accounting system, is equipped with independent financial management and accounting personnel, and establishes a relatively sound financial management system, independent bank account and tax accounts. Within the range authorized by the board of directors and shareholders' meeting, the Company can made independent financial decision and there are no substantial shareholders with financial management interference, embezzlement of funds and other circumstances.
4. Business independence: the Company independently carries out production and business activities, has set up independent and complete production, procurement, sales channels and management system. Within the range authorized by the board of directors and shareholders' meeting, the Company makes its own management decisions, carries out self management and takes full

responsibilities for its own profits and losses.

5. Independent organization: The Company, in accordance with the needs of production, operation, management, followed modern enterprise management standards and established a relatively sound organization and management structure. There were neither interferences of shareholders in the establishment and operation of the neither Company nor organization structure shared between shareholders and the Company.

III. Horizontal competition

☐ Applicable ☒ Not applicable

IV. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting

1. Annual Shareholders' General Meeting in the report period

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual General Meeting of 2016	AGM	38.96%	2017-04-21	2017-04-22	"Resolution Notice of Annual General Meeting 2016" No.:2017-025, published on "China Securities Journal" "Securities Times" "Hong Kong Commercial Daily" and Juchao Website
First extraordinary general meeting of 2017	Extraordinary general meeting	38.74%	2017-08-28	2017-08-29	"Resolution Notice of First extraordinary general meeting of 2017" No.:2017-056, published on "China Securities Journal" "Securities Times" "Hong Kong Commercial Daily" and Juchao Website
Second extraordinary general meeting of 2017	extraordinary general meeting	39.75%	2017-11-17	2017-11-18	"Resolution Notice of Second extraordinary general meeting of 2017" No.:2017-072, published on "China Securities Journal" "Securities Times" "Hong Kong Commercial Daily" and Juchao Website

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

☐ Applicable ☒ Not applicable

V. Responsibility performance of independent directors

1. The attending of independent directors to Board meetings and general meeting

The attending of independent directors to Board Meeting							
Name of independent	Times of Board meeting supposed	Times of Presence	Times of attending by	Times of entrusted	Times of Absence	Absent the Meeting for	Times for attending

director	to attend in the report period		communication	presence		the second time in a row (Y/N)	general meeting
Li Zheng	12	7	5	0	0	N	2
Wang Xiaodong	12	7	5	0	0	N	2
Wang Junsheng	12	7	5	0	0	N	2
Tang Tianyun	12	7	5	0	0	N	2
Pan Chengwei	12	6	5	1	0	N	2
Liao Nangang	13	6	5	2	0	N	3
Mo Jianmin	1	1	0	0	0	N	1
Chen Zetong	1	1	0	0	0	N	1

Explanation of absent the Board Meeting for the second time in a row

2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

☐ Yes ☒ No

3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

☒ Yes ☐ No

Explanation on advice that accepted/not accepted from independent directors

Within the reporting period, in accordance with the Company Law, the Corporate Governance Guidelines, Guideline on the Establishment of Independent Directors in Listed Companies, the Working System of Independent Directors, the Articles of Association and other requirements of normative documents, and based on the spirit of independence, objectivity and the principle of prudence, all independent directors of the Company conscientiously performed their duties, understood and paid attention to the Company's business development, and deliberated and voted all resolutions submitted by the board of directors. Besides, by means of their professional advantages in their respective fields, all independent directors deeply and prudently judged significant matters for which the opinions of independent directors were necessary, delivered a written independent opinions and made recommendations to safeguard the legitimate interests of the Company and all shareholders. The Board of Directors fully respected the performance of duties by independent directors, attached great importance to and carefully accepted the views and recommendations of the independent director. And there were no recommendations of independent directors not adopted.

VI. Duty performance of the special committees under the board during the reporting period

(i) Strategy and investment committee

1. Attending the meeting of the Board and shareholders general meeting, well-known the production, operation and development of the Company

In 2017, member of the strategy and investment committee attended the 13 meetings of the Board and 3 shareholders general meetings, they careful review the comprehensive documents as Work Report of GM for year of 2016 and Business Management

Plans for year of 2017, many proposals with assets restructuring and strategy issues as investment and development as well as the reports, performing the duties and offering advice and suggestions to the Board.

2. Convening a meeting of strategy and investment committee, review assets restructuring and investment items and offering suggestion to the Board

(1) On 23 March 2017, the strategy and investment committee of 7th Board holds the 8th session of the meeting, deliberated and approved proposal of investment in HCP heat-supplying modification projects under the name of Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd and performance report of the strategy and investment committee of 7th Board for year of 2016. and proposed professional opinions and suggestions.

(2) On 4 August 2017, the strategy and investment committee of 7th Board holds the 9th session of the meeting, deliberated and approved the proposal of assets listing transfer of the #7, #9 units of Nanshan Power Plant, and proposed professional opinions and suggestions.

(II) Audit Committee

1. Attending the meeting of the Board and shareholders general meeting, well-knowned the production, operation and development of the Company

In 2017, the members of the Audit Committee attended 13 Board meeting and 3 shareholders' meeting, they careful review the comprehensive documents as Work Report of GM for year of 2016 and Business Management Plans for year of 2017, the audit report of the Company, internal control system and other relevant resolutions and reports, conscientiously fulfilled responsibilities and created conditions of performing duties and providing recommendations to the Board.

2. Held meeting of Audit Committee and issued opinions on annual audit and other related matters.

(1) On March 1, 2017, the Audit Committee of the Seventh Board of Directors of the Company convened the 10th meeting to listen to the communication matters between Ruihua Certified Public Accountants and the management during the 2016 annual audit, discussed the important issues presented by the accountants in the process of auditing term by term, confirmed the opinions on the handling of important issues, required the company to cooperate with the audit authority and complete the finalizing work of 2016 annual audit report in strict accordance with the requirements of the regulatory authorities, and made professional opinions and suggestions.

(2) On March 24, 2017, the Audit Committee of the Seventh Board of Directors of the Company convened the 11th meeting to communicate with Ruihua Certified Public Accountants about the finalization of 2016 annual audit report, and listened to the accounting firm's suggestions to the annual audit work, the deliberation reviewed and passed the Proposal for Reviewing 2016 Annual Internal Control Evaluation Report, the Proposal on the Company's Work Plan for 2017 Annual Internal Audit and Internal Control, and the 2016 Duty Performance Report of the Audit Committee of the Seventh Board of Directors, and put forward professional opinions and suggestions for the next year's work.

(3) On August 3, 2017, the Audit Committee of the Seventh Board of Directors of the Company convened the 12th meeting to listen to the 2017 Semi-Annual Financial Settlement Report and review the Proposal for Reviewing the 2017 Semi-Annual Financial Report and the Proposal for Revising Major Accounting Policies of the Company, and put forward professional opinions and suggestions.

(4) On September 20, 2017, the Audit Committee of the Seventh Board of Directors of the Company convened the 13th meeting by means of voting by correspondence, reviewed and approved the Proposal on Renewing the 2017 Annual Auditing Institution and Determining the Remuneration, and put forward professional opinions and suggestions.

(III) Nomination Committee

1. Attending the meeting of the Board and shareholders general meeting, well-knowned the production, operation and development of the Company

In 2017, the members of the Audit Committee attended 13 Board meeting and 3 shareholders' meeting, they careful review the comprehensive documents as Work Report of GM for year of 2016 and Business Management Plans for year of 2017, and the relevant proposals with the change of directors, senior executives and major events as staff changes, and review relevant qualifications of the staffs and proposal suggestion to the Board.

2. Convened meeting of Nomination Committee deliberated the resolution on the replacement of directors and the appointment of senior management and made recommendations to the Board of Directors.

(1) On March 23, 2017, the Nomination Committee of the seventh Board of Directors of the Company convened the 5th meeting, reviewed and approved the 2016 Duty Performance Report of the Nomination Committee of the Seventh Board of Directors, and put forward professional opinions and suggestions on the work of the next year.

(2) On August 11, 2017, the Nomination Committee of the seventh Board of Directors of the Company convened the 6th meeting, reviewed and approved the Proposal on Engaging the General Manager of the Company and the Proposal on Changing the Directors, and put forward professional opinions and suggestions.

(3) On October 31, 2017, the Nomination Committee of the seventh Board of Directors of the Company convened the 7th meeting by means of voting by correspondence, reviewed and approved the Proposal on the Election of the Board of Directors of the Company, and put forward professional opinions and suggestions.

(4) On November 17, 2017, the Nomination Committee of the eighth Board of Directors of the Company convened the 1st meeting, reviewed and approved the Proposal on Engaging the General Manager of the Company, Proposal on Engaging the Secretary of the Board of Directors of the Company, and Proposal on Engaging Others Senior Managers of the Company, and put forward professional opinions and suggestions.

(IV) Remuneration and Appraisal Committee

1. Attending the meeting of the Board and shareholders general meeting, well-known the production, operation and development of the Company

In 2017, the members of Remuneration and Appraisal Committee attended 13 meetings of the Board of Directors and 3 general shareholders' meeting, they careful review the comprehensive documents as Work Report of GM for year of 2016 and Business Management Plans for year of 2017 and resolutions related to the remuneration and distribution plan of the Company, supervised the implementation of the Company's remuneration and made recommendations. The Remuneration and Appraisal Committee effectively fulfilled its obligation of diligence and ensured that the Board of Directors of the Company would effectively control and supervise the Company's management and supervisory board.

2. Held meeting of Remuneration and Appraisal Committee, deliberated the resolution on the provision and examination of annual remuneration, incentive distribution plan and make recommendations for the Board of Directors

On March 23, 2017, the Remuneration and Appraisal Committee of the seventh Board of Directors of the Company convened the 5th meeting to listen to the Report on the Implementation of the 2016 Remuneration Withdrawal and Appraisal Program, reviewed and approved the Proposal on the 2017 Remuneration Withdrawal and Appraisal Program, the Proposal for Rewarding the Over-fulfillment in 2016, and the Duty Performance Report of the Remuneration and Appraisal Committee of the seventh Board of Directors in 2016, and put forward professional opinions and suggestions for the next year's work.

VII. Works from Supervisory Committee

The Company has risks in reporting period that found in supervisory activity from supervisory committee

☐ Yes ☒ No

Supervisory committee has no objection about supervision events in reporting period

VIII. Examination and incentives of senior management

The Remuneration and Evaluation Committee of the Board is responsible for setting down and supervision implementation the appraisal and remuneration system of Company managers and other senior management personnel to develop, established the remuneration incentive mechanism linked with operation performance. At the beginning of the year, according to the annual operation target, core tasks and post ranks of senior management, and in comprehensive consideration of the industrial and regional remuneration level, research and determine the total amount of remuneration and the remuneration and appraisal standard of senior management. After the year ends, determine the annual remuneration granting standard and incentive scheme in accordance with the appraisal of completion of operation performance and in combination of the performance of duties of senior management.

IX. Internal Control

1. Details of major defects in IC appraisal report that found in reporting period

☐ Yes ☒ No

Details of major defects in IC appraisal report that found in reporting period
No major defects being found during the appraisal period

2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2018-03-22	
Disclosure index of full internal control evaluation report	“Audit report of internal control for year of 2017” published on Juchao Website (www.cninfo.com.cn)	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the Company's consolidated financial statements	100%	
The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the Company's consolidated financial statements	100%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	Major defects: under major operational activities, there are major defects in several companies which are consolidated into the preparation of financial statements, or there are major defects in few of	Major defects: under major operational activities, there are major defects in several companies which are consolidated into the preparation of financial statements, or there are major defects in few of

	<p>companies which are consolidated into the preparation of financial statements but the Company with major defect are the main one participating into such major operation activities;</p> <p>Substantial defects: under major operational activities, there are substantial defects in few of companies which are consolidated into the preparation of financial statements, or there are moderate defects in several companies which are consolidated into the preparation of financial statements but the Company with major defect are the main on participating into such major operation activities; or there are moderate defects in few of companies which are consolidated into the preparation of financial statements but the Company with moderate defect are the main one participating into such major operation activities;</p> <p>General defects: under major operational activities, there are moderate defects in few of companies which are consolidated into the preparation of financial statements, and the Company with moderate defects is not the main one participating into the major operational activities; or there are only general defects in companies which are consolidated into the preparation of financial statements; there are no internal control defects in major operational activities and there are only internal control defects in minor operational activities.</p>	<p>companies which are consolidated into the preparation of financial statements but the Company with major defect are the main one participating into such major operation activities;</p> <p>Substantial defects: under major operational activities, there are substantial defects in few of companies which are consolidated into the preparation of financial statements, or there are moderate defects in several companies which are consolidated into the preparation of financial statements but the Company with major defect are the main on participating into such major operation activities; or there are moderate defects in few of companies which are consolidated into the preparation of financial statements but the Company with moderate defect are the main one participating into such major operation activities;</p> <p>General defects: under major operational activities, there are moderate defects in few of companies which are consolidated into the preparation of financial statements, and the Company with moderate defects is not the main one participating into the major operational activities; or there are only general defects in companies which are consolidated into the preparation of financial statements; there are no internal control defects in major operational activities and there are only internal control defects in minor operational activities.</p>
Quantitative standard	<p>Major defects: mistaken amount \geq total assets in consolidated financial statement $\times 0.5\%$</p> <p>Substantial defects: total assets in consolidated financial statement $\times 0.2\% \leq$ mistaken amount $<$ total assets in consolidated financial</p>	<p>Major defects: amount of direct loss \geq total assets in consolidated financial statement $\times 0.5\%$</p> <p>Substantial defects: total assets in consolidated financial statement $\times 0.2\% \leq$ amount of direct loss $<$ total assets in consolidated financial statement $\times 0.5\%$</p>

	statement $\times 0.5\%$ General defect: mistaken amount <total assets in consolidated financial statement $\times 0.2\%$	General defect: amount of direct loss <total assets in consolidated financial statement $\times 0.2\%$
Amount of significant defects in financial reports	0	
Amount of significant defects in non-financial reports	0	
Amount of important defects in financial reports	0	
Amount of important defects in non-financial reports	0	

X. Auditing report of internal control

☒ Applicable ☐ Not applicable

Deliberations in Internal Control Audit Report	
The accountant firm thinks Shenzhen Nanshan Power Co., Ltd. maintains effective internal control of financial report in all significant aspects in accordance with <i>the Basic Regulation of Enterprise Internal Control</i>	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2018-03-22
Index of audit report of internal control (full-text)	“Audit report of internal control for year of 2017” published on Juchao Website (www.cninfo.com.cn)
Opinion type of auditing report of IC	Standard unqualified
whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

☐ Yes ☒ No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

☒ Yes ☐ No

Section X. Corporation Bonds

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

No

Section XI. Financial Report

I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2017-03-20
Name of audit institute	Ruihua Certified Public Accountants Co., Ltd. (LLP)
No.:	Ruihua Shen Zi[2018] No.:48510002
Name of CPA	Zhang Liping, Han Songliang

Text of Report (Attached)

Section XII. Documents available for Reference

- I. Original Annual Report of 2017 carrying the signature of the legal representative of the Company
- II. Financial statement with signature and seal of Person in charge of the Company (legal person), person in charge of accounting works (General manager and chief financial officer) and person in charge of accounting organ(accountant in charge);
- III. Original audit report seal with accounting firms and signature and seal from CPA;
- IV. Text of notice and original draft that public on Securities Times, China Securities Journal and Hong Kong Commercial Daily that appointed by CSRC within report period.
- V. The place where the document placed: Shenzhen Stock Exchange, Office of Secretariat of the Board of Directors of the Company.



通讯地址：北京市东城区永定门西滨河路 8 号院 7 号楼中海地产广场西塔 5-11 层
Postal Address: 5-11/F, West Tower of China Overseas Property Plaza, Building 7, NO.8, Yongdingmen Xibinhe Road, Dongcheng District, Beijing
邮政编码 (Post Code): 100077
电话 (Tel): +86(10)88095588 传真 (Fax): +86(10)88091199

Auditor's Report

Ruihua Shen Zi[2018] No.:48510002

To Shareholders of Shenzhen Nanshan Power Co., Ltd.

I. Auditor's opinion

We, as the auditors, audited the financial statements of Shenzhen Nanshan Power Co., Ltd. (the "Company"), which included the consolidated balance sheet as of 31 December 2017, the consolidated statement of income, the consolidated statement of cash flow and the consolidated statement of changes in equity of the Company for the year ended 31 December 2017, together with the relevant notes thereto.

We are the view that the attached financial statements are prepared in accordance with the Business Accounting Standards in all material aspects, which reflect fairly the consolidated financial position of the Company as of 31 December 2017 and the operating results and cash flow of the Company for the year of 2017.

II. Basis for audit opinions

We conducted this audit under the requirements of the Auditing Standards of the Certified Public Accountant of the PRC. The section headed "Certified Public Accountant's responsibility for audit of financial statement" in the audit report has further clarified our responsibilities under these standards. Pursuant to the code of professional conduct as certified public accountant in the PRC, we are independent of the Company and have performed other responsibility as required by our professional ethics. We believe that the audit evidence obtained by us is sufficient and adequate, which provides foundation for us to issue audit opinion.

III. Key audit issues

Key audit issues refer to those which in our opinion based on our professional judgment are the most important issues

in respect of audit for the current financial statements. We issue audit opinions on these issues in their entity and provide no opinions separately for each of them. We identified the following issues to be the key audit issues which need to be discussed and negotiated in the audit report.

(I) Impairment of fixed assets

1. General description

As at 31 December 2017, the Company has fixed assets with carrying value of RMB1,420,620,565.05, accounting for 49.26% of the consolidated total assets and 86.75% of the non-current assets of the Company, which constitutes the essential part of the Company's assets. The management has assessed whether there is any sign of impairment in fixed assets. For those assets with impairment sign identified, the management makes impairment test by comparison between the recoverable amount of the fixed assets (calculated individually or the assets group in which the asset belongs to) and their carrying value.

Since recognition of the ending carrying value of fixed assets requires the management to identify the impaired items and objective evidence for such impairment, estimate the expected cash flow to be received in future and the present value, which involves application of material accounting estimates and judgments made by the management, we therefore determine that impairment of fixed assets shall be a key audit issue.

2. Audit actions

The major audit procedures adopted by us for this key audit issue include:

- (1) assess and test the design and effectiveness of execution of the internal control related to fixed assets impairment, including adoption of key assumption and review and approval of amount of impairment provision;
- (2) select samples of fixed assets to implement supervision procedure, so as to understand whether the assets experience backward crafts, long-term idle and load rate;
- (3) review the procedure adopted by the management to identify impairment sign of fixed assets;
- (4) obtain the impairment test table for the fixed assets in which impairment sign exists prepared by the management, make independent re-review on judgment of assets group so as to make sure whether it belongs to the minimum assets group that can generate cash flow-in separately. Assess the major indicators used by the management to identify the assets or assets group's recoverable amount when it makes fixed assets impairment test. Also, it takes into account the previous operation of the assets or assets group in the history, industry trend, new market opportunity and cost and expense reduction resulting from scale effect, in order to evaluate whether the future income growth rate, gross profit margin and expense ratio assumptions used by the management is within the reasonable range;
- (5) take use of the works done by internal valuer to evaluate the reasonableness of the impairment test method and discount rate used by the management;
- (6) inspect the relevant disclosure in note 11 "fixed assets" and note 35 "assets impairment" in appendix VI.

(II) Recognition of operating income

1. Brief description

The Company is mainly engaged in power production and sales. In 2017, the combined operating income is RMB2,045,766,831.74, representing a -year-on-year increase of 29.97%. the operating income is one of the key performance indicators of the Company, and the truthfulness and deadline for calculation of operating income may exist misstatement. We therefore identify recognition of operating income as key audit issue.

2. Audit actions

The major audit procedures adopted by us for this key audit issue include:

- (1) understand and evaluate the reasonableness of internal control design of the Company's sales procedure, and test the effectiveness of execution of relevant key audit internal;
- (2) review sales contract and interview with the management, analyze the significant risks and timing of reward transfer relating to recognition of operating income, so as to evaluate the reasonableness of the the Company's policies to recognize operating income;
- (3) make substantial analysis process with respect to operating income and gross profit, and make judgment on the reasonableness of the change in operating income and groww profit for the period;
- (4) select samples from the accounting records of operating income and settlement sheet of power rate to review the truthfulness and completeness of recognition of operating income; inspect receivables records and select samples to issue letters to enquire the balance of ending trade receivables and amount received in advance. Together with the collection of trade receivables in subsequent periods, to confirm the truthfulness of sales transactions;
- (5) make deadline test on operating income to confirm whether the operating income is recorded in appropriate accounting periods.

IV. Other information

The Company's management is responsible for other information, which includes the information covered in the 2017 Annual Report except for the financial statements and our audit report.

Our audit opinion issued on financial statement does not cover other information, and we would not issue any form of verification conclusion for those information.

To prepare our audit on financial statement, we are required to read other information, and during the procedure, to consider that whether other information differs materially from the financial statement or the information obtained by us during the audit or whether there exists material error.

Based on the works done by us, in case we find any material error in other information, we shall report this fact. In this regard, we have nothing to report.

V. Management's responsibility for financial statements

The Company's management is responsible for preparing financial statements according to the Business Accounting Standards which make fair reflection, and for designing, implementing and maintaining necessary internal control system to make sure that there is no material misstatement in the financial statements due to fraud or mistake.

When preparing the financial statements, the management is responsible for assessing the Company's ability of continuous operation, disclosing the matters relating to continuous operation (if applicable) and applying the assumption of continuous operation, unless the management plans to liquidate the Company, terminate operation or has no other practicable choice.

The governance is responsible for monitoring the financial reporting process of the Company.

VI. Auditor's responsibility for audit of the financial statements

Our objectives are to obtain reasonable assurance about whether these financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always be found in the presence of a material misstatement. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

(1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

(4) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in these financial statements or, if such disclosures are inadequate, we have to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

(5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(VI) Obtain adequate and appropriate audit evidence in relation to the financial information of the entities or business transactions of the Company, in order to issue audit opinion on the financial statement. We are responsible for guiding, supervising and executing the audit for the Group, and we accept full responsibility for the audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during

our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ruihua CPA(LLP)

Chinese CPA (Engagement partner):

Beijing ·China

Chinese CPA:

20th March 2018

Consolidated Balance Sheet**2017-12-31**

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Ending amount	Opening amount
Current assets:			
Monetary funds	VI.-1	438,316,169.81	1,415,550,406.02
Financial assets measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes receivable	VI.-2	6,702,500.00	600,000.00
Accounts receivable	VI.-3	113,349,775.76	166,808,672.42
Accounts paid in advance	VI.-4	119,069,891.55	43,663,090.22
Interest receivable			
Dividend receivable			
Other receivables	VI.-5	38,771,888.74	395,804,901.21
Inventories	VI.-6	77,834,903.89	80,684,079.57
Assets held for sale			
Non-current asset due within one year			
Other current assets	VI.-7	452,184,523.24	548,542,780.69
Total current assets		1,246,229,652.99	2,651,653,930.13
Non-current assets:			
Finance asset available for sales	VI.-8	60,615,000.00	59,315,000.00
Held-to-maturity investment			
Long-term account receivable			
Long-term equity investment	VI.-9	18,254,673.40	20,305,064.18
Investment property	VI.-10	2,802,440.31	2,998,577.91
Fixed assets	VI.-11	1,420,620,565.05	1,544,562,696.68
Construction in progress	VI.-12	50,958,741.92	8,008,476.13
Engineering material			
Disposal of fixed asset			
Productive biological asset			
Oil and gas asset			
Intangible assets	VI.-13	48,470,500.60	51,081,104.21

Expense on Research and Development			
Goodwill			
Long-term expenses to be apportioned			
Deferred income tax asset	VI.-14	2,922,036.65	2,896,583.01
Other non-current asset	VI.-15	32,930,781.78	22,882,181.78
Total non-current asset		1,637,574,739.71	1,712,049,683.90
Total assets		2,883,804,392.70	4,363,703,614.03

Consolidated Balance Sheet (Cont.)

2017-12-31

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Ending amount	Opening amount
Current liabilities:			
Short-term loans	VI.-16	515,850,000.00	796,840,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes payable	VI.-17	51,439,580.56	292,275,804.17
Accounts payable	VI.-18	15,094,912.60	6,329,078.85
Accounts received in advance			
Wage payable	VI.-19	48,337,588.25	45,823,790.61
Taxes payable	VI.-20	15,437,758.76	234,534,017.11
Interest payable	VI.-21	3,006,993.33	4,580,481.81
Dividend payable			
Other accounts payable	VI.-22	83,214,183.57	79,532,095.96
Divided into liability held for sale			
Non-current liabilities due within 1 year	VI.-23	32,400,000.00	463,000,000.00
Other current liabilities			
Total current liabilities		764,781,017.07	1,922,915,268.51
Non-current liabilities:			

Long-term loans	VI.-24	25,940,000.00	343,900,000.00
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Long-term account payable			
Long-term wages payable			
Special accounts payable			
Projected liabilities	VI.-25	26,788,590.38	27,100,000.00
Deferred income	VI.-26	41,948,231.12	45,818,868.15
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		94,676,821.50	416,818,868.15
Total liabilities		859,457,838.57	2,339,734,136.66
Shareholders' equity:			
Share capital	VI.-27	602,762,596.00	602,762,596.00
Other equity instrument			
Including: preferred stock			
Perpetual capital securities			
Capital public reserve	VI.-28	362,770,922.10	362,770,922.10
Less: Inventory shares			
Other comprehensive income			
Reasonable reserve			
Surplus public reserve	VI.-29	332,908,397.60	332,908,397.60
Provision of general risk			
Retained profit	VI.-30	660,176,169.69	644,271,987.22
Total owner's equity attributable to parent company		1,958,618,085.39	1,942,713,902.92
Minority interests		65,728,468.74	81,255,574.45
Total shareholders' equity		2,024,346,554.13	2,023,969,477.37
Total liabilities and shareholders' equity		2,883,804,392.70	4,363,703,614.03

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Consolidated Profit Statement

2017

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	2017	2016
I. Total operation income		2,045,766,831.74	1,574,088,977.85
Including: operation income	VI.-31	2,045,766,831.74	1,574,088,977.85
II. Total operation cost		2,041,685,464.04	1,759,336,768.75
Including: operation cost	VI.-31	1,874,562,988.94	1,442,900,975.18
Tax and surcharge	VI.-32	12,949,736.84	12,357,698.20
Sales expense		3,046,206.09	5,563,192.84
Management expense	VI.-33	99,021,102.92	105,626,259.83
Financial expense	VI.-34	53,518,125.67	174,062,078.28
Loss of assets impairment	VI.-35	-1,412,696.42	18,826,564.42
Add: Changing income of fair value(Loss is listed with “-”)			
Investment income (Loss is listed with “-”)	VI.-36	-2,050,390.78	1,658,648,377.50
Including: Investment income on affiliated company and joint venture			
Income from assets disposal (Loss is listed with “-”)			
Other income	VI.-37	7,052,624.36	
III. Operating profit (Loss is listed with “-”)		9,083,601.28	1,473,400,586.60
Add: Non-operating income	VI.-38	347,199.40	16,417,353.54
Including: Disposal gains of non-current asset			
Less: Non-operating expense	VI.-39	465,924.38	1,255,054.91
Including: Disposal loss of non-current asset		454,644.16	203,629.98
IV. Total Profit (Loss is listed with “-”)		8,964,876.30	1,488,562,885.23
Less: Income tax	VI.-40	8,587,799.54	223,804,443.74
V. Net profit (Net loss is listed with “-”)		377,076.76	1,264,758,441.49
(i) Classified by business sustainability			
1.Net profit from continuing operations (net loss is listed with “-”)		377,076.76	1,264,758,441.49
2. Net profit from discontinuing operations (net loss is listed with “-”)			

(ii) Classified by ownerships			
1. Minority's losses (net loss is listed with '-')		-15,527,105.71	-41,936,393.97
2. Net profit attributable to shareholders of parent company (net loss is listed with '-')		15,904,182.47	1,306,694,835.46
VI. Net amount of other comprehensive income after-tax			
VII. Total consolidated income		377,076.76	1,264,758,441.49
Total consolidated income attributable to owners of parent company		15,904,182.47	1,306,694,835.46
Total consolidated income attributable to minority shareholders		-15,527,105.71	-41,936,393.97
VIII. Earnings per share			
(i) Basic earnings per share		0.03	2.17
(ii) Diluted earnings per share		0.03	2.17

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Consolidated Cash Flow Statement

2017

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	2017	2016
I. Cash flows arising from operating activities:			
Cash received from selling commodities and providing labor services		2,430,031,290.63	1,873,201,961.43
Write-back of tax received		3,748,024.12	2,513,783.55
Other cash received concerning operating activities	VI.-4 1 (1)	408,447,261.77	1,020,576,038.58
Subtotal of cash inflow arising from operating activities		2,842,226,576.52	2,896,291,783.56
Cash paid for purchasing commodities		2,160,856,943.84	1,675,575,468.42

and receiving labor service			
Cash paid to/for staff and workers		148,183,894.10	132,334,097.55
Taxes paid		293,649,368.27	65,273,757.78
Other cash paid concerning operating activities	VI.-4 1 (2)	42,736,514.58	96,787,134.41
Subtotal of cash outflow arising from operating activities		2,645,426,720.79	1,969,970,458.16
Net cash flows arising from operating activities		196,799,855.73	926,321,325.40
II. Cash flows arising from investing activities:			
Cash received from recovering investment			
Cash received from investment income			
Net cash received from disposal of fixed, intangible and other long-term assets			433.40
Net cash received from disposal of subsidiaries and other units			837,562,040.75
Other cash received concerning investing activities			
Subtotal of cash inflow from investing activities			837,562,474.15
Cash paid for purchasing fixed, intangible and other long-term assets		65,304,848.94	15,248,786.24
Cash paid for investment		1,300,000.00	2,000,000.00
Net cash received from subsidiaries and other units			
Other cash paid concerning investing activities			
Subtotal of cash outflow from investing activities		66,604,848.94	17,248,786.24
Net cash flows arising from investing activities		-66,604,848.94	820,313,687.91
III. Cash flows arising from financing activities			
Cash received from absorbing investment			
Including: Cash received from absorbing minority shareholders' investment by subsidiaries			
Cash received from loans		740,290,000.00	2,234,204,173.08

Cash received from issuing bonds			
Other cash received concerning financing activities	VI.-4 1 (3)		10,300,000.00
Subtotal of cash inflow from financing activities		740,290,000.00	2,244,504,173.08
Cash paid for settling debts		1,769,840,000.00	3,426,764,173.08
Cash paid for dividend and profit distributing or interest paying		54,996,781.30	191,656,524.42
Including: Dividend and profit of minority shareholder paid by subsidiaries			
Other cash paid concerning financing activities	VI.-4 1 (4)	23,133,338.86	-
Subtotal of cash outflow from financing activities		1,847,970,120.16	3,618,420,697.50
Net cash flows arising from financing activities		-1,107,680,120.16	-1,373,916,524.42
IV. Influence on cash due to fluctuation in exchange rate		-383,837.42	437,358.91
V. Net increase of cash and cash equivalents		-977,868,950.79	373,155,847.80
Add: Balance of cash and cash equivalents at the period -begin		1,389,482,327.86	1,016,326,480.06
VI. Balance of cash and cash equivalents at the period -end		411,613,377.07	1,389,482,327.86

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Consolidated Statement of Changes in Shareholders' Equity

2017

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	2017											Minority's equity	Total owners' equity
	Equity attributable to Shareholder of parent company												
	Other equity instruments			Capital reserve	Less: stock share	O t h e r c o m p r e h e n s i v e i n c o	S p e c i a l r e s e r v e	Surplus reserves	G e n e r a l r i s k r e s e r v e	Retained profit			
P r e f e r r e d s t o c k	P e r p e t u a l d e b t	O t h e r											

						m							
I. Balance at the end of the last year	602,762,596.00				362,770,922.10				332,908,397.60		644,271,987.22	81,255,574.45	2,023,969,477.37
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	602,762,596.00				362,770,922.10				332,908,397.60		644,271,987.22	81,255,574.45	2,023,969,477.37
III. Increase/ Decrease in this year (Decrease is listed with “-”)											15,904,182.47	-15,527,105.71	377,076.76
(i) Total comprehensive income											15,904,182.47	-15,527,105.71	377,076.76
(ii) Owners’ devoted and decreased capital													
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													

4. Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Others													
IV. Balance at the end of the year	602,762,596.00				362,770,922.10				332,908,397.60		660,176,169.69	65,728,468.74	2,024,346,554.13

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Consolidated Statement of Changes in Shareholders' Equity (Cont.)

2017

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	2016												
	Equity attributable to Shareholder of parent company											Minority's equity	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less : stock share	Other comprehensive income	Special reserve	Surplus reserves	General risk reserve	Retained profit		
Preferr ed stock		Perpetu al debt	Othe r										
I. Balance at the end of the last year	602,762,596.00				362,758,554.21				332,908,397.60		-662,422,848.24	-87,095,894.29	548,910,805.28

Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	602,762,596 .00				362,758,554 .21				332,908,397 .60		-662,422,848. 24	-87,095,894. 29	548,910,805.2 8
III. Increase/ Decrease in this year (Decrease is listed with “-”)					12,367.89						1,306,694,835 .46	168,351,468 .74	1,475,058,672 .09
(i) Total comprehens ive income											1,306,694,835 .46	-41,936,393. 97	1,264,758,441 .49

(ii) Owners' devoted and decreased capital													
1.Common shares invested by shareholder s													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(III) Profit distributio n													
1. Withdrawal of surplus reserves													

2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholder s)													
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves conversed to capital (share capital)													
2. Surplus reserves conversed to capital (share capital)													

3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI)Others					12,367.89							210,287,862 .71	210,300,230.6 0
IV. Balance at the end of the year	602,762,596 .00				362,770,922 .10				332,908,397 .60		644,271,987.2 2	81,255,574. 45	2,023,969,477 .37

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Balance Sheet

2017-12-31

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Ending amount	Opening amount
Current assets:			
Monetary funds		159,883,551.05	1,119,323,850.36
Financial assets measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes receivable			
Accounts receivable	XIV-1	17,599,743.80	54,934,957.47
Accounts paid in advance		72,042,056.16	14,823,585.50
Interest receivable			
Dividend receivable			
Other receivables	XIV-2	913,646,990.47	1,094,134,273.27
Inventories		68,187,593.73	72,731,417.64
Assets held for sale			
Non-current asset due within one year			
Other current assets		406,616,846.60	447,404,211.11
Total current assets		1,637,976,781.81	2,803,352,295.35
Non-current assets:			
Finance asset available for sales		60,615,000.00	59,315,000.00
Held-to-maturity investment			
Long-term account receivable			
Long-term equity investment	XIV-3	691,982,849.76	691,982,849.76
Investment property			
Fixed assets		220,519,962.58	229,535,920.87
Construction in progress		755,227.83	709,640.09
Engineering material			
Disposal of fixed asset			
Productive biological asset			

Oil and gas asset			
Intangible assets		2,726,256.15	4,056,650.19
Expense on Research and Development			
Goodwill			
Long-term expenses to be apportioned			
Deferred income tax asset			
Other non-current asset		1,516,600.00	
Total non-current asset		978,115,896.32	985,600,060.91
Total assets		2,616,092,678.13	3,788,952,356.26

Balance Sheet (cont.)

2017-12-31

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Ending amount	Opening amount
Current liabilities:			
Short-term loans		50,000,000.00	460,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes payable		38,863,779.64	168,066,042.58
Accounts payable		1,467,087.08	427,800.87
Accounts received in advance			-
Wage payable		23,669,295.53	27,224,865.99
Taxes payable		5,703,576.67	222,340,992.27
Interest payable		175,740.00	1,546,004.16
Dividend payable			-
Other accounts payable		176,793,775.07	170,040,022.78
Liability held for sale			
Non-current liabilities due within 1 year			123,000,000.00
Other current liabilities			
Total current liabilities		296,673,253.99	1,172,645,728.65

Non-current liabilities:			
Long-term loans			305,500,000.00
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Long-term account payable			
Long-term wages payable			
Special accounts payable			
Projected liabilities			
Deferred income		23,665,762.95	26,051,964.27
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		23,665,762.95	331,551,964.27
Total liabilities		320,339,016.94	1,504,197,692.92
Shareholders' equity:			
Share capital		602,762,596.00	602,762,596.00
Other equity instrument			
Including: preferred stock			
Perpetual capital securities			
Capital public reserve		289,963,039.70	289,963,039.70
Less: Inventory shares			
Other comprehensive income			
Reasonable reserve			
Surplus public reserve		332,908,397.60	332,908,397.60
Provision of general risk			
Retained profit		1,070,119,627.89	1,059,120,630.04
Total shareholders' equity		2,295,753,661.19	2,284,754,663.34
Total liabilities and shareholders' equity		2,616,092,678.13	3,788,952,356.26

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Profit Statement

2017

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	2017	2016
I. Operating income	XIV-4	717,721,921.44	410,137,094.02
Less: Operating cost	XIV-4	682,205,576.39	455,421,590.42
Tax and extras		2,282,141.30	4,577,729.40
Sales expenses			
Administration expenses		39,535,582.03	28,314,328.17
Financial expenses		-18,043,755.20	9,826,341.67
Losses of devaluation of asset		-480,710.97	-563,481,820.54
Add: Changing income of fair value(Loss is listed with "-")			
Investment income (Loss is listed with "-")			1,030,000,000.00
Including: Investment income on affiliated company and joint venture			
Income from assets disposal (Loss is listed with "-")			
Other income		2,845,401.32	
II. Operating profit (Loss is listed with "-")		15,068,489.21	1,505,478,924.90
Add: Non-operating income		343,403.39	3,620,794.71
Including: gains from destroy and scrap of non-current assets			
Less: Non-operating expense		453,516.81	1,221,057.41
Including: losses from destroy and scrap of non-current assets		453,516.81	194,564.89
III. Total Profit (Loss is listed with "-")		14,958,375.79	1,507,878,662.20
Less: Income tax expense		3,959,377.94	222,774,463.77

IV. Net profit (Net loss is listed with “-”)		10,998,997.85	1,285,104,198.43
V. Net after-tax of other comprehensive income			
VI. Total comprehensive income		10,998,997.85	1,285,104,198.43

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Cash flow statement

2017

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	2017	2016
I. Cash flows arising from operating activities:			
Cash received from selling commodities and providing labor services		934,276,347.06	530,312,603.48
Write-back of tax received			
Other cash received concerning operating activities		358,865,254.75	1,237,749,305.26
Subtotal of cash inflow arising from operating activities		1,293,141,601.81	1,768,061,908.74
Cash paid for purchasing commodities and receiving labor service		951,845,462.95	749,453,800.95
Cash paid to/for staff and workers		89,542,748.57	66,911,299.96
Taxes paid		223,729,883.68	8,725,212.56
Other cash paid concerning operating activities		30,734,905.13	21,256,640.98
Subtotal of cash outflow arising from operating activities		1,295,853,000.33	846,346,954.45
Net cash flows arising from operating activities		-2,711,398.52	921,714,954.29
II. Cash flows arising from investing activities:			

Cash received from recovering investment			
Cash received from investment income			
Net cash received from disposal of fixed, intangible and other long-term assets			
Net cash received from the disposal of subsidiaries and other business units			1,030,000,000.00
Other cash received concerning investing activities		68,709,866.67	
Subtotal of cash inflow from investing activities		68,709,866.67	1,030,000,000.00
Cash paid for purchasing fixed, intangible and other long-term assets		12,863,619.54	338,276.73
Cash paid for investment		1,300,000.00	2,000,000.00
Other cash paid concerning investing activities		200,000,000.00	
Subtotal of cash outflow from investing activities		214,163,619.54	2,338,276.73
Net cash flows arising from investing activities		-145,453,752.87	1,027,661,723.27
III. Cash flows arising from financing activities			
Cash received from absorbing investment			
Cash received from loans		180,000,000.00	1,560,000,000.00
Cash received from issuing bonds			
Other cash received concerning financing activities		70,000,000.00	10,300,000.00
Subtotal of cash inflow from financing activities		250,000,000.00	1,570,300,000.00
Cash paid for settling debts		1,018,500,000.00	2,945,500,000.00
Cash paid for dividend and profit distributing or interest paying		20,621,544.44	130,266,139.33
Other cash paid concerning financing activities		33,811,558.33	
Subtotal of cash outflow from financing activities		1,072,933,102.77	3,075,766,139.33
Net cash flows arising from financing activities		-822,933,102.77	-1,505,466,139.33
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		-2,045.15	4,600.48
V. Net increase of cash and cash equivalents		-971,100,299.31	443,915,138.71
Add: Balance of cash and cash equivalents at the period -begin		1,119,323,850.36	675,408,711.65

VI. Balance of cash and cash equivalents at the period -end		148,223,551.05	1,119,323,850.36
--	--	-----------------------	-------------------------

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Changes of Shareholders Equity

2017

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	2017											
	Share capital	Other equity instruments			Capital reserve	Less : stock share	Other comprehensive income	Special reserve	Surplus reserves	General risk reserve	Retained profit	Total owners' equity
		Preferr ed stock	Perpetu al debt	Othe r								
I. Balance at the end of the last year	602,762,596.00				289,963,039.70				332,908,397.60		1,059,120,630.04	2,284,754,663.34
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance												

at the beginning of this year	602,762,596.00				289,963,039.70				332,908,397.60		1,059,120,630.04	2,284,754,663.34
III. Increase/ Decrease in this year (Decrease is listed with “-”)											10,998,997.85	10,998,997.85
(I) Total comprehensive income											10,998,997.85	10,998,997.85
(II) Owners’ devoted and decreased capital												
1.Common shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with												

share-based payment												
4. Other												
(III) Profit distribution												
1. Withdrawal of surplus reserves												
2. Withdrawal of general risk provisions												
3. Distribution for owners (or shareholders)												
4. Other												
(IV) Carrying forward internal owners' equity												
1. Capital reserves converted to												

capital (share capital)												
2. Surplus reserves conversed to capital (share capital)												
3. Remedying loss with surplus reserve												
4. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period												
2. Usage in the report period												
(VI)Others												
IV. Balance at the end of the year	602,762,596.				289,963,039.				332,908,397.		1,070,119,627.	2,295,753,661.

	00			70			60		89	19
--	----	--	--	----	--	--	----	--	----	----

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Changes of Shareholders Equity (Cont.)

2017

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	2016											
	Share capital	Other equity instruments			Capital reserve	Less : stock share	Other comprehensive income	Special reserve	Surplus reserves	General risk reserve	Retained profit	Total owners' equity
		Preferr ed stock	Perpetu al debt	Othe r								
I. Balance at the end of the last year	602,762,596.00				288,857,244.22				332,908,397.60		-225,983,568.39	998,544,669.43
Add: Changes of accounting policy												
Error correction of the last period												

Other												
II. Balance at the beginning of this year	602,762,596.00				288,857,244.22				332,908,397.60		-225,983,568.39	998,544,669.43
III. Increase/Decrease in this year (Decrease is listed with “-”)					1,105,795.48						1,285,104,198.43	1,286,209,993.91
(I) Total comprehensive income											1,285,104,198.43	1,285,104,198.43
(II) Owners’ devoted and decreased capital												
1.Common shares invested by shareholders												
2. Capital invested by holders of other equity instruments												

3. Amount reckoned into owners equity with share-based payment												
4. Other												
(III) Profit distribution												
1. Withdrawal of surplus reserves												
2. Withdrawal of general risk provisions												
3. Distribution for owners (or shareholders)												
4. Other												
(IV) Carrying forward internal owners'												

equity												
1. Capital reserves converted to capital (share capital)												
2. Surplus reserves converted to capital (share capital)												
3. Remedying loss with surplus reserve												
4. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period												
2. Usage in the report period												

(VI)Others					1,105,795.48							1,105,795.48
IV. Balance at the end of the year	602,762,596.00				289,963,039.70				332,908,397.60		1,059,120,630.04	2,284,754,663.34

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Shenzhen Nanshan Power Co., Ltd.

Notes to financial statement 2017

(Unless otherwise stated, the amount of unit is RMB/CNY)

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.

HQ of the Company locates 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 20th March 2018.

In 2017, there are nine subsidiaries included in the consolidate statement

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

II. Preparation basis of Financial Statements

The Group’s financial statements have been prepared based on the going concern assumption. The financial statements have been prepared based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises- Basic Norms(Ministry of Finance Order No.33 Issued, Ministry of Finance Order No.76 Revised) promulgated by the Ministry of Finance of PRC on 15 February 2006 and 42 specific accounting standards, the subsequently promulgated application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as “ASBEs”), and the disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15- General Requirements for Financial Reports” (revised in 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 31st December 2017, and the Company together with its operation results, and cash flow for the year of 2017. In addition, the financial statements of the Group also comply with, in all material respects, the disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15--General Requirements for Financial Reports” revised by the China Securities Regulatory Commission in 2014 and the notes thereto.

IV. The main accounting policies and accounting estimates

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

1. Accounting period

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

2. Operating cycle

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

3. Bookkeeping standard currency

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

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

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

(1) Consolidation of enterprises under the same control

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

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

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

(2) Consolidation of enterprises not under the same control

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

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

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

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

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

In consolidated financial report, for equity of bought party held before purchasing, re-measured by fair value on purchased date, and the difference of fair value and its book value should reckoned into current investment income; Other comprehensive income recognized for equity investment held prior to combination date under equity method shall be accounted for when the Company disposes of this investment on the same basis as the investee directly disposes of relevant assets or liabilities, which means that other

than the changes arising from re-measuring the acquiree's net liabilities or net assets under defined benefit plan under equity method, it shall be included in investment income of the current period dated purchasing day.

5. Preparation methods for corporate consolidated statements

(1) Determining principle for consolidated financial report scope

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

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

(2) Preparation methods for corporate consolidated statements

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

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

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

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

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

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

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

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

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

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

For injection to or disposal of assets of joint operations (other than those assets constituting business operation) or for purchase of

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

7. Determination criteria of cash and cash equivalent

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

8. Foreign currency business and foreign currency statement translation

(1) Foreign currency business translation

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

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

On balance sheet date, foreign currency monetary items are translated at the spot rate as of balance sheet date, and the exchange difference shall be included in current period gains and losses, 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

(3)exchange difference arising from change of carrying balance of available for sale foreign currency monetary items other than amortized cost is included in other comprehensive income.

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

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

(3) Translation of foreign currency financial statement

When preparing consolidated financial statement involving overseas operation, in case there is foreign currency monetary items which substantially constitute net investment in overseas operation, the exchange difference arising from exchange rate fluctuation shall be included in other comprehensive income as "translation difference of foreign currency statement"; and shall transfer to gains

and losses from disposal for the current period when the overseas operation is disposed of.

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

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

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

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

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

9. Financial instruments

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

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

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

(2) Classification, recognition and measurement of financial assets

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

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

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

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

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

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

② Held-to-maturity investments

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

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

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

liability.

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

③ Loans and receivables

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

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

④ Available-for-sale financial assets

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

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

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

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

(3) Impairment of financial assets

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

The Group performs impairment test separately on individual financial assets with major amounts; for financial assets without major

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

① Impairment of held-to-maturity investments and loans and receivables

The carrying amount of financial assets measured as costs or amortized costs are subsequently reduced to the present value discounted from its projected future cash flow. The reduced amount is recognized as impairment loss and recorded as profit or loss for the period. After recognition of the impairment loss from financial assets, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition, the impairment loss originally recognized shall be reversed to the extent that the carrying value of the financial assets upon reversal will not exceed the amortized cost as at the reversal date assuming there is no provision for impairment.

② Impairment of available-for-sale financial assets

In the event that decline in fair value of the available-for-sale equity instrument is regarded as “severe decline” or “non-temporary decline” on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument.

When the available-for-sale financial assets impair, the accumulated loss originally included in the capital reserve arising from the decrease in fair value was transferred out from the capital reserve and included in the profit or loss for the period. The accumulated loss that transferred out from the capital reserve is the balance of the acquired initial cost of asset, after deduction of the principal recovered, amortized amounts, current fair value and the impairment loss originally included in the profit or loss.

After recognition of the impairment loss, if there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition in subsequent periods, the impairment loss originally recognized shall be reversed. The impairment loss reversal of the available-for-sale equity instrument will be recognized as other consolidated income, and the impairment loss reversal of the available-for-sale debt instrument will be included in the profit or loss for the period.

When an equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably, or the impairment loss of a derivative financial asset linked to the equity instrument that shall be settled by delivery of that equity instrument, then it will not be reversed.

(4) Recognition basis and measurement method for transfer of financial assets

As for the financial assets up to the following conditions, the recognition termination is available: 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.

(5) Categorizing and measuring of financial liabilities

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

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

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

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

② Other financial liabilities

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

③ Financial Guarantee Contracts and loan commitment

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

initially recognized less cumulative amortization recognized in accordance with the principles set out in “Accounting Standard for Business Enterprises No. 14- Revenue”.

(6) Termination recognition of financial liabilities

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

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

(7) Derivatives and embedded derivatives

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

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

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

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

(9) Equity instrument

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

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

10. Account receivable

Account receivable included account receivable and other account receivable.

(1) Recognition of bad debt provision

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

(2) Provision for bad debt reserves

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

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

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

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

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

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

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

(3) Reversal of bad debt

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

11. Inventory

(1) Categories of inventory

The Company's inventory mainly consists of fuels, raw materials, development cost and inactive land and so on.

(2) Valuation method of inventory delivered

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

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

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

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

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

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

(4) The inventory system is perpetual inventory system.

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

A non-current asset or disposal group will be classified under held-for-sale category where the Group recovers the carrying value of the non-current asset or disposal group mainly through the disposal of (including non-monetary assets exchange with commercial substance, the same below) them instead of the continuous use of them. The specific criterion is to satisfy all of the conditions mentioned below: According to the practice of disposing of this type of assets or disposal groups in a similar transaction, a non-current asset or disposal group can be disposed of at its current condition; The Company has made resolution on the disposal plan and obtained definite purchase commitment from buyer; The disposal is estimated to be completed within one year. Among them, disposal group is a group of assets which are disposed of together through sale or other means as a whole in a transaction, and the liabilities transferred in the transaction which are directly associated with those assets. Where the asset group or groups to which a disposal group belongs share the goodwill acquired in the business merger according to Accounting Standards for Business Enterprises 8 — Impairment of Assets, the disposal group shall include the goodwill allocated to it.

When the Group measures initially or remeasures the non-current assets and disposal group classified as held-for-sale on the balance sheet date, its carrying value is written down to its fair value less selling costs if its carrying value is higher than its fair value less selling costs. The reduced amount is recognized as asset impairment loss and charged to current profit or loss, with provision made for the impairment of the held-for-sale assets. With regard to the disposal group, the asset impairment loss recognized is offset by the carrying value of the goodwill in the disposal group first, and then by the carrying value of each of the non-current assets in the disposal group which are applicable to the measure requirements in Accounting Standards for Business Enterprises 42 — Held-For-Sale Non-current Assets, Disposal Group and Discontinued Operation (hereinafter referred to as “Held-For-Sale Standards”) pro rata. If on a subsequent balance sheet date, the net amount of the fair value of a held-for-sale disposal group less its selling costs increases, the amount reduced previously shall be recovered, and reversed in the asset impairment loss recognized on the non-current asset which is applicable to the measurement requirements of Held-For-Sale Standards after the non-current asset is classified into held-for-sale category. The reversed amount is credited to current profit or loss, and the carrying value of each noncurrent asset (other than goodwill) which is applicable to the measurement requirements of Held-For-Sale Standards is increased pro rata according to the percentage of each non-current asset’s carrying value; Neither the carrying value of goodwill which has been offset nor the asset impairment loss recognized before the non-current asset which is applicable to the measurement requirements of Held-For-Sale Standards is classified into held-for-sale category can be reversed.

No depreciation or amortization is provided for the non-current assets in the held-for-sale non-current assets or disposal group. The interest on the liabilities and other costs in the disposal group held for sale is recognized continuously.

When the non-current asset or disposal group doesn’t meet the classification condition of the held for-sale category, the Company ceases to classify them into held-for-sale category or remove the noncurrent asset from the held-for-sale disposal group, and measures it at the lower of: (1) its carrying value before it’s classified into held-for-sale category, after being adjusted with the depreciation, amortization or impairment which could have been recognized as if it’s not classified into held-for-sale category; (2) recoverable amount.

13. Long-term equity investment

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

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

(1) Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment shall be the absorbing party’s share of the carrying amount of the owner’s equity under the consolidated financial statements of the ultimate controlling party on the date of combination. The difference between the initial cost of the long-term equity investment and the cash paid, non-cash assets transferred as well as the book value of the debts

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

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

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

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

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

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

① Long-term equity investment checked by the cost

Upon the cost check, the investment is valued 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. Besides, 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.

14. Investment real estate

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

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

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

Impairment test method and impairment provision method in relation to investment property is detailed in note IV.20 "Long term

assets impairment”.

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

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

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

15. Fixed assets

(1) Recognition conditions for the fixed assets

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

(2) Depreciation of various fixed assets

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

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

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

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

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

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

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

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

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

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

(5) Other remarks

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

Terminated the recognition of fixed 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.

16. Construction-in-progress

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

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

17. Borrowing expenses

Borrowing expenses include interest, 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.

18. Intangible assets**(1) Intangible assets**

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

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

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

difficulty in making a reasonable allocation, the consideration shall be recognized in full as fixed assets.

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

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

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

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

19. Long-term expenses to be amortized

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

20. Impairment of long-term assets

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

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

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

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

21. Staff remuneration

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

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

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

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

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

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

22. Accrued liabilities

When responsibilities connected to contingent issues meet the follow conditions at the same time, than recognized as accrued liability:

(1) the liability is the current liability that undertaken by the Company; (2) the liability has the probability of result in financial benefit outflow; and (3) the responsibility can be measured reliably for its value.

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

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

(1) Contact in loss

Contact in loss is identified when the inevitable cost for performance of the contractual obligation exceeds the inflow of expected economic benefits. When a contract in loss is identified and the obligations there under 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).

23. Share-based Payments

(1) Accounting treatment

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

① Equity-settled Share-based Payment

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

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

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

②Cash-settled Share-based Payment

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

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

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

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

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

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

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

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

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

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

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

24. Revenue

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 recognition 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) Real estate sales revenue

① Developed products

Completed and passed the acceptance inspection, signed the sales contract and performed the contractual obligations, namely the main risks and rewards of ownership of developed products are transferred to the buyer; the company no longer reserves the continuous management right usually associated with the ownership, nor implements any effective control over the sold goods; the amount of revenue can be measured reliably; relevant economic benefits are likely to inflow; and when the cost incurred or to be incurred of the project can be measured reliably, confirm the realization of sales revenue.

② Installment sales

The developed products have been completed and passed the acceptance inspection, signed the installment sales contract and performed the contractual obligations, relevant economic benefits are likely to inflow, and when the cost of this developed product can be measured reliably, confirm the amount of revenue in accordance with the receivable contract or the fair value of agreement cost; the balance between the receivable contract or agreement cost and its fair value is amortized and reckoned in the current profit and loss by effective interest method during the contract or agreement period.

(3) Revenue from Providing Labor Service

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

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

25. Government grant

Government grant is the monetary assets and the non-monetary assets obtained by the Company from the government free of charge, excluding the capital invested by the government as an investor and entitled to owners' interest. Government grant is classified into government grant related to assets and government grant related to income.

Asset-related government grants are recognized as deferred income and accounted into current gains/losses evenly upon their service life. Those income-related government grants used to neutralize relative expenses and losses of successive periods are recognized as deferred income and accounted into current income at the period when the expenses are recognized; those used to neutralize relative expenses and losses which have already occurred are accounted into current gains/losses directly.

A government grant related to assets is recognized initially as deferred income and amortized to current profit or loss on a reasonable and systematic manner over the useful life of the asset or offset the carrying value of the assets. A government grant related to income is recognized by the following methods: a grant that compensates the Group for cost expenses or loss to be incurred in the subsequent periods is recognized initially as deferred income and recognized in current profit or loss in the period in which the expenses or loss are recognized or offset the relevant cost expenses; and a grant that compensates for expenses or losses incurred is recognized in profit or loss for the period directly or offset the relevant cost.

The governments grant comprising both portions relating to assets and income, different accounting treatment shall be used for different portion, and if it is difficult to distinguish the two portions, the grant shall be classified as government grant related to income in its entirety.

Government grants related to the daily activities of the Company will be recognized in other revenue or offset the relevant costs and expenses according to the economic business nature; government grants unrelated to daily activities of the Company will be recognized in non-operating revenue.

Where the recognized government grant needs to be returned, the balance of the related deferred income, if any, is to offset the remaining carrying amount of the related deferred income; and the excess, if any, is to be recognized in profit or loss for the period (in respect of the government grant related to asset which offset the relevant asset's carrying value on initial recognition) or adjust the assets' carrying value; and the grant is to be directly recognized in profit or loss for the period in case of other conditions.

Set out below is the reference based by the Company and its subsidiary to recognize government grant:

The subsidiary of the Company - Shenzhen Shennandian Environment Protection Co., Ltd. (the “Environment Company”) is a company engaged in sludge treatment. According to the notice (CS[2015]No.78) jointly issued by the Ministry of Finance and the State Administration of Taxation relating to the Value-Added Tax Preferential Catalogue for Products and Labor Service Involving Comprehensive Resources Utilization, the Environment Company is entitled to enjoy a value-added tax return of 70% as government grant in connection with sludge treatment business.

26. Deferred income tax asset/ deferred income tax liability

(1) Current income tax

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

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

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

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

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

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

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

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

(3) Income tax expenses

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

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

(4) Offset of income tax

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

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

27. Leasing

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

(1) Lease business with the Company as the rentee

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

(2) Lease business with the Company as the renter

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

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

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

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

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

On the beginning date of the lease, the entry value of lease receivable shall be the aggregate of minimum lease receivable and initial

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

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

28. Other Main Accounting Policies and Estimations

(1) Discontinued operation

A discontinued operation is a component of the Group that either has been disposed of or is classified as held for sale, and can be distinguished from other components within the Group in business operation and in preparation of financial statements: (1) the component represents a separate major line of business or geographical area of operations; (2) is part of a single coordinated plan to disposal of a separate major line of business or geographical area of operations; (3) is a subsidiary acquired exclusively for the purpose of resale.

Accounting for discontinued operation is set out in the note IV “12. Assets classified as held for sale”.

(2) Debt restructures

① Obligation of recording debt restructuring as debtor

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

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

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

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

② Obligation of recording debt restructuring as loaner

For debt liquidated with cash, balance between book balance of credit to be restructured and cash received will be included in

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

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

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

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

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

29. Changes of main accounting policy and accounting estimation

(1) Change of accounting policies

Change of accounting policies arising from adoption of new Business Accounting Standards

On 28 April 2017, the Ministry of Finance released the circular (CK[2017]No.13) relating to Business Accounting Standards No.42-Non-current assets held for sale, disposal group and discontinued operation, which came into effect from 28 May 2017. On 10 May 2017, the Ministry of Finance released the circular (CK[2017]No.15) relating to Business Accounting Standards No.16-Government grant (amended in 2017), which came into effect from 12 June 2017. As approved by the 7th session of Board of the Company at the 19th extraordinary meeting on 3 August 2017, it is resolved that the Company would begin to adopt the aforesaid two accounting standards since the dates required by the Ministry of Finance.

(2) Change of accounting estimation

There was no change of accounting estimation in the reporting period.

30. Major accounting judgment and estimation

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

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

the change affects current and future periods both, the affected amount is recognized in the period when change occurs and future periods.

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

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

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

(2) The provisional estimated value of fixed assets

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

(3) Provision for bad debts

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

(4) Allowance for inventories

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

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

The Company makes judgment on each balance sheet date on whether there is indication of impairment in respect of non-current assets other than financial assets. Intangible assets with indefinite useful life shall also be further tested for impairment when there is indication of impairment, in addition to the annual impairment test. Other non-current assets other than financial assets would be test

for impairment when there is indication showing its carrying value is not likely to be recovered.

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

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

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

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

(6) Depreciation and amortization

Assets such as investment properties, 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.

(7) Deferred income tax assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be 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.

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

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

(9) Projected liability

Provision for product quality guarantee, estimated onerous contracts, and delay delivery penalties shall be recognized in terms of contract, current knowledge and historical experience. If the contingent event has formed a practical obligation which probably results in outflow of economic benefits from the Group, a projected liability shall be recognized on the basis of the best estimate of the expenditures to settle relevant practical obligation. Recognition and measurement of the projected liability significantly rely on

the management's judgments inconsideration of the assessment of relevant risks, uncertainties, time value of money and other factors related to the contingent events.

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

V. Taxes

1. Main taxation and tax rate

Taxation items	Tax rate
VAT	Output tax calculated based on the 6%, 11%, 13% or 17% of the taxable income, VAT based on the difference after deducted the current input tax
City maintenance tax	Taxed by 5% and 7% of the turnover tax actually paid
Education surtax	Taxed by 3% of the turnover tax actually paid
Local education surtax	Taxed by 2% of the turnover tax actually paid
Enterprise income tax	Taxed by 16.5% to 25% of the taxable income amount
Real estate tax	As for the taxed by residual value, paid with the 1.2% of the residual value after original value deducted 30%; as for the taxed by house rental, taxed with 12% of the rental income
Land-use tax of town	2.5 Yuan ~ 9Yuan per square meter for the land area actually occupied
Land VAT	Tax by the Value-added amount from transferring state-owned land use right , landing construction and its affiliates with four super-rate progressive tax rate

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

Taxpaying body	Rate of income tax
Shenzhen Nanshan Power Co., Ltd. ("the Company")	25%
Shenzhen New Power Industrial Co., Ltd ("New Power Company")	25%
Shenzhen Shennan Power Gas Turbine Engineering Technique Co., Ltd. ("Engineering Company")	25%
Shenzhen Server Energy Co., Ltd. ("Shenzhen Server")	25%
Shenzhen Shennan Power Environment Protection Co., Ltd ("Environment Protection Company")	25%

Taxpaying body	Rate of income tax
Shen Nan Dian (Zhongshan) Power Co., Ltd. (“Zhongshan Power”)	25%
Shen Nan Dian (Dongguan) Weimei Power Company Limited (“Weimei Power ”)	25%
SHENNAN ENERGY (SINGAPORE) PTE LTD(“Singapore Company”)	17%
Zhongshan Shennandian Storage Co., Ltd.(“Shen Storage”)	25%
HONG KONG SYNDISOME CO., LIMITED(“SYNDISOME”)	16.5%

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 st August to 31 st July 2018
Enterprise income tax	SYNDISOME	” Arrangement of avoidance of double-taxation and prevention of tax free in mainland China and Hong Kong Special Administrative Region”(GSH No. 884[2006])	Not applicable	Not applicable	Levy income tax by 10% of total share interests	Not applicable
Enterprise income tax	SYNDISOME	’Enterprise Income Tax Law of People’s Republic of China”	State Tax Bureau of Nanshan District Shenzhen	Shen Guo Sui Nan Kou Jiao Bei Zi No.: [2011]0011	No enterprise income tax should pay for the dividend before 31	Not applicable

Tax	Name of the company	Relevant regulation and policies basis	Approval institution	Approval documents	Exemption range	Period of validity
					December 2007	

Note: 1. "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-beginning" refers to Jan. 1, 2017, "year-end" refers to Dec. 31, 2017

1. Monetary fund

Item	2017.12.31	2017.1.1
Cash on hand	81,491.35	78,112.86
Bank savings	337,821,258.42	1,350,850,474.24
Other monetary fund	100,413,420.04	64,621,818.92
Total	438,316,169.81	1,415,550,406.02
Including: total amount saving aboard	5,963,066.07	6,369,994.14

Note: among the aforesaid other monetary fund, there has 26,702,792.74 Yuan deposit restricted for use (31 December 2016: deposit restricted for use including guarantee bond 26,068,078.16 Yuan)

2. Note receivable

(1) Classification

Item	2017.12.31	2017.1.1
Bank acceptance	6,702,500.00	600,000.00

(2) No note receivable pledged on 31 Dec. 2017

(3) No notes receivable that has been endorsed or discounted but not yet due on the balance sheet date at the end of the year

3. Account receivable

(1) Classification

Type	2017.12.31				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Accrual ratio (%)	
Account receivable with single major amount and withdrawal bad debt provision for single item	3,474,613.06	2.94	3,474,613.06	100.00	0.00
Account receivable withdrawal bad debt provision by group of credit risk characteristics	106,116,231.59	89.81	0.00	0.00	106,116,231.59
Account receivable with single minor amount but withdrawal bad debt provision for single item	8,571,655.54	7.25	1,338,111.37	15.61	7,233,544.17
Total	118,162,500.19	100.00	4,812,724.43	4.07	113,349,775.76

(Continued)

Type	2017.1.1				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Accrual ratio (%)	
Account receivable with single major amount and withdrawal bad debt provision for single item	3,474,613.06	2.01	3,474,613.06	100.00	0.00
Account receivable withdrawal bad debt provision by group of credit risk characteristics	158,003,038.63	91.57	0.00	0.00	158,003,038.63
Account receivable with single minor amount but withdrawal bad debt provision for single item	11,075,730.61	6.42	2,270,096.82	20.50	8,805,633.79

Type	2017.1.1				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Accrual ratio (%)	
Total	172,553,382.30	100.00	5,744,709.88	3.33	166,808,672.42

① Account receivable with single major amount and withdrawal bad debt provision for single item at year-end

Account receivable (by unit)	2017.12.31			
	Account receivable	Bad debt provision	Accruing proportion (%)	Accrual reason
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	3,474,613.06	3,474,613.06	100.00	Un-collectible
Total	3,474,613.06	3,474,613.06	100.00	

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

Account receivable	2017.12.31		
	Book Balance	Bad debt provision	Accruing proportion
Account of engineering receivable	8,216,773.27	983,229.10	11.97
Amount of oil sales receivable	146,915.10	146,915.10	100.00
Amount of dry mud sales receivable	69,900.10	69,900.10	100.00
Gas revenue	138,067.07	138,067.07	100.00
Total	8,571,655.54	1,338,111.37	15.61

(2) Age analysis of account receivable

Item	Ending amount		Opening amount	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	112,392,970.35	95.12	115,655,678.86	67.03

Item	Ending amount		Opening amount	
	Amount	Proportion (%)	Amount	Proportion (%)
1 to 2years	0.00	0.00	51,570,173.60	29.89
2 to 3years	442,000.00	0.37	695,145.51	0.40
Over 3 years	5,327,529.84	4.51	4,632,384.33	2.68
Total	118,162,500.19	100.00	172,553,382.30	100.00

(3) Bad debt provision accrual, collected or switch-back in the Year

Amount of bad debt provision was 91,614.55 Yuan in the year, bad debts preparation was 1,023,600.00 Yuan.

(4) No accounts receivable that had actually written off in the year

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

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

The total amount of the Company's top 5 year end balance of receivables in this year collected by debtors is 115,867,583.41 Yuan, accounting for 98.06% of the total amount of year end balance of receivables; the total amount of year end balance of the corresponding provision for bad debts is 3,474,613.06 Yuan.

4. Account paid in advance

(1) Account paid in advance classified according to age

Age	2017.12.31		2017.1.1	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	119,008,304.61	99.94	43,583,360.72	99.81
1 to 2years	0.00	0.00	18,304.20	0.04
2 to 3years	18,304.20	0.02	37,225.30	0.09
Over 3 years	43,282.74	0.04	24,200.00	0.06
Total	119,069,891.55	100.00	43,663,090.22	100.00

(2) Top five accounts paid in advance at year-end balance listed by object

The total amount of the Company's top 5 year end balance of prepayments in this year collected by prepaying objects is 118,120,238.41 Yuan, accounting for 99.20% of the total amount of year end balance of prepayments.

5. Other account receivable

(1) Other account receivable classified according to type

Type	2017.12.31
------	------------

	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Accruing proportion (%)	
Other account receivable with individual major amount and withdrawal bad debt provision independently	20,341,666.46	28.81	20,341,666.46	100.00	0.00
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	37,929,326.85	53.71	0.00	0.00	37,929,326.85
Other account receivable with individual minor amount but withdrawal bad debt provision independently	12,345,315.87	17.48	11,502,753.98	93.18	842,561.89
Total	70,616,309.18	100.01	31,844,420.44	45.09	38,771,888.74

(Continued)

Type	2017.1.1				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Accruing proportion (%)	
Other account receivable with individual major amount and withdrawal bad debt provision independently	20,341,666.46	4.75	20,341,666.46	100.00	0.00
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	395,419,207.21	92.36	0.00	0.00	395,419,207.21
Other account receivable with individual minor amount but withdrawal bad debt provision independently	12,369,158.95	2.89	11,983,464.95	96.88	385,694.00
Total	428,130,032.62	100.00	32,325,131.41	7.55	395,804,901.21

① Other account receivable with individual major amount and withdrawal bad debt provision independently at year-end

Other account receivable (by unit)	2017.12.31
------------------------------------	------------

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

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

Other account receivable	2017.12.31		
	Book Balance	Bad debt provision	Accruing proportion
Dormitory amount receivable	2,083,698.16	1,736,004.16	83.31
Deposit receivable	1,769,842.84	1,312,974.95	74.19
Bureau of Finance of Zhongshan Municipality	219,192.00	219,192.00	100.00
Administrative Office of Nanshan District Shenzhen	50,000.00	12,000.00	24.00
Personal money	7,498,997.87	7,498,997.87	100.00
Other	723,585.00	723,585.00	100.00
Total	12,345,315.87	11,502,753.98	93.18

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

Amount of bad debt provision was 0.00 Yuan in the year, bad debts preparation was 480,710.97 Yuan.

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

(4) Other account receivable classified according to age

Item	Ending amount		Opening amount	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	11,017,914.66	15.60	69,364,710.56	16.20
1 to 2years	2,586,964.78	3.66	267,084,650.63	62.39
2 to 3years	328,508.03	0.47	36,407,431.32	8.50

Item	Ending amount		Opening amount	
	Amount	Proportion (%)	Amount	Proportion (%)
Over 3 years	56,682,921.71	80.27	55,273,240.11	12.91
Total	70,616,309.18	100.00	428,130,032.62	100.00

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

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

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

Name of the company	Relationship with the Company	2017.12.31	Age	Proportion in total year-end balance of other account receivable (%)	Year-end balance of bad debt provision
Huidong Server Harbor Comprehensive Development Co., Ltd.	Related party	23,852,135.66	Within 4 years	33.78	0.00
Huiyang County Kangtai Industrial Company	Non-related party	14,311,626.70	over 3 years	20.27	14,311,626.70
Dongguan Shifeng Natural Gas Transmission Co., Ltd.	Non-related party	5,000,000.00	Within one year	7.08	0.00
Shandong Jinan Power Equipment Factory	Non-related party	3,560,000.00	over 3 years	5.04	3,560,000.00
China Machinery Engineering Corporation	Non-related party	2,801,829.23	Within 2 years	3.97	0.00
Total		49,525,591.59	—	70.14	17,871,626.70

(7) Account receivable with government subsidy concerned

Name of the company	Item	2017.12.31	Age at year-end	Time, amount and basis expected to collected
Qianghai National Tax Bureau	VAT return	180,899.46	Within one year	Collected in full in next fiscal period
Total		180,899.46		

6. Inventory

(1) Classification

Item	2017.12.31
------	------------

	Book Balance	Depreciation provision	Book value
Raw materials	130,555,696.89	52,720,793.00	77,834,903.89
Total	130,555,696.89	52,720,793.00	77,834,903.89

(Continued)

Item	2017.1.1		
	Book Balance	Depreciation provision	Book value
Raw materials	135,548,066.34	54,863,986.77	80,684,079.57
Total	135,548,066.34	54,863,986.77	80,684,079.57

(4) Inventory falling price reserves

Item	2017.1.1	Current increased		Current decreased		2017.12.31
		Accrual	Other	Switch-back or write-off	Other	
Raw materials	54,863,986.77	0.00	0.00	2,143,193.77	0.00	52,720,793.00
Total	54,863,986.77	0.00	0.00	2,143,193.77	0.00	52,720,793.00

(5) Accrual basis for the depreciation provision of inventory and reasons of switch-back or write-off in the year

Item	Accrual basis	Reasons of switch-back	Reasons of write-off
Raw materials	Cost higher the net realizable value	Not applicable	Raw materials have been taken and used

7. Other current assets

Item	2017.12.31	2017.1.1
VAT input tax deductible	446,786,369.31	541,521,707.47
Enterprise income tax paid in advance	5,368,153.93	6,991,073.22
Other	30,000.00	30,000.00
Total	452,184,523.24	548,542,780.69

8. Financial assets available for sale

(1) Financial assets available for sale

Item	2017.12.31			2017.1.1		
	Book Balance	Depreciation reserves	Book value	Book Balance	Depreciation reserves	Book value
Equity instrument available for sale	63,115,000.00	2,500,000.00	60,615,000.00	61,815,000.00	2,500,000.00	59,315,000.00
Including: measured by cost	63,115,000.00	2,500,000.00	60,615,000.00	61,815,000.00	2,500,000.00	59,315,000.00
Total	63,115,000.00	2,500,000.00	60,615,000.00	61,815,000.00	2,500,000.00	59,315,000.00

(2) Financial assets available for sale measured by cost at year-end

Investee company	Book Balance			Depreciation reserves		
	Year-begin	+, -	Year-end	Year-begin	+, -	Year-end
Jiangxi Nuclear Power Co., Ltd.	59,315,000.00	1,300,000.00	60,615,000.00	0.00	0.00	0.00
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	2,500,000.00	0.00	2,500,000.00	2,500,000.00	0.00	2,500,000.00
Total	61,815,000.00	1,300,000.00	63,115,000.00	2,500,000.00	0.00	2,500,000.00

Continued

Investee company	Shareholding ratio in investee company(%)	Cash bonus
Jiangxi Nuclear Power Co., Ltd.	5.00	0.00
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	4.00	0.00
Total		0.00

9. Long-term equity investment

Investee	2017.1.1	+, -
----------	----------	------

company		Additi onal invest ment	Disinvest ment	Investment gains/losses recognized by equity method	Other comprehensive income adjustment	Other changes in equity
I. Joint venture						
Huidong Server	20,305,06 4.18	0.00	0.00	-2,050,390.78	0.00	0.00
Total	20,305,06 4.18	0.00	0.00	-2,050,390.78	0.00	0.00

(Continued)

The invested unit	+,-			2017.12.31	Year-end balance of depreciation reserves
	Declaration of cash dividends or profits	Provision for impairment	Other		
I. Joint venture					
Huidong Server	0.00	0.00	0.00	18,254,673.40	0.00
Total	0.00	0.00	0.00	18,254,673.40	0.00

10. Investment real estate

Item	House, buildings	Land use right	Construction in process	Total
I. Original book value				
1. Year-beginning balance	9,708,014.96	0.00	0.00	9,708,014.96
2. Current increased	0.00	0.00	0.00	0.00
3. Current decreased	0.00	0.00	0.00	0.00
4. Year-end balance	9,708,014.96	0.00	0.00	9,708,014.96
II. accumulated depreciation and accumulated amortization				
1. Year-beginning balance	6,709,437.05	0.00	0.00	6,709,437.05
2. Current increased	196,137.60	0.00	0.00	196,137.60
(1) accrual or amortization	196,137.60	0.00	0.00	196,137.60

Item	House, buildings	Land use right	Construction in process	Total
3.Current decreased	0.00	0.00	0.00	0
4.Year-end balance	6,905,574.65	0.00	0.00	6,905,574.65
III. depreciation provision				
1. Year-beginning balance	0.00	0.00	0.00	0.00
2.Current increased	0.00	0.00	0.00	0.00
(1) accrual	0.00	0.00	0.00	0.00
3.Current decreased	0.00	0.00	0.00	0.00
4.Year-end balance	0.00	0.00	0.00	0.00
IV. Book value				
1. Year-end book value	2,802,440.31	0.00	0.00	2,802,440.31
2. Year-begin book value	2,998,577.91	0.00	0.00	2,998,577.91

11. Fixed assets

(1) Fixed assets

Item	House and buildings	Machinery equipment	Transportation tools	Other equipment	Total
I. Original book value					
1. Year-beginning balance	450,244,770.68	4,034,616,019.71	25,822,932.64	48,091,071.95	4,558,774,794.98
2.Current increased	0.00	5,884,292.37	1,091,449.25	133,643.56	7,109,385.18
(1) Purchase	0.00	4,235,758.35	1,091,449.25	-134,819.69	5,192,387.91
(2) Construction in process transfer-in	0.00	1,648,534.02	0.00	268,463.25	1,916,997.27
3.Current decreased	0.00	0.00	5,606,163.67	56,794.35	5,662,958.02
(1) Disposal or scrap	0.00	0.00	5,606,163.67	56,794.35	5,662,958.02
(2) Decreased due to consolidation change	0.00	0.00	0.00	0.00	0.00
4.Year-end balance	450,244,770.68	4,040,500,312.08	21,308,218.22	48,167,921.16	4,560,221,222.14
II. Accumulated depreciation					
1. Year-beginning balance	269,499,416.09	2,533,047,315.62	21,619,835.46	39,924,321.56	2,864,090,888.73
2.Current increased	12,564,471.01	116,563,116.31	532,519.68	938,249.75	130,598,356.75

Item	House and buildings	Machinery equipment	Transportation tools	Other equipment	Total
(1) accrual	12,564,471.01	116,563,116.31	532,519.68	938,249.75	130,598,356.75
3.Current decreased	0.00	0.00	5,158,683.05	51,114.91	5,209,797.96
(1) Disposal or scrap	0.00	0.00	5,158,683.05	51,114.91	5,209,797.96
(2) Decreased due to consolidation change	0.00	0.00	0.00	0.00	0.00
4.Year-end balance	282,063,887.10	2,649,610,431.93	16,993,672.09	40,811,456.40	2,989,479,447.52
III. depreciation provision					
1. Year-beginning balance	14,860,025.13	135,261,184.44	0.00	0.00	150,121,209.57
2.Current increased	0.00	0.00	0.00	0.00	0.00
(1) accrual	0.00	0.00	0.00	0.00	0.00
3.Current decreased	0.00	0.00	0.00	0.00	0.00
(1) Disposal or scrap	0.00	0.00	0.00	0.00	0.00
(2) Decreased due to consolidation change	0.00	0.00	0.00	0.00	0.00
4.Year-end balance	14,860,025.13	135,261,184.44	0.00	0.00	150,121,209.57
IV. Book value					
1. Year-end book value	153,320,858.45	1,255,628,695.71	4,314,546.13	7,356,464.76	1,420,620,565.05
2. Year-begin book value	165,885,329.46	1,366,307,519.65	4,203,097.18	8,166,750.39	1,544,562,696.68

(2) Idle fixed assets temporary

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Note
Houses and buildings	137,799,917.53	100,637,178.52	14,860,025.13	22,302,713.88	Wharf, processing workshop of heavy oil
Equipment	661,098,461.30	556,618,595.65	66,835,781.85	37,644,083.80	Processing equipment of heavy oil and generation unit
Means of			0.00		Idle vehicle

transport	256,300.00	230,670.00		25,630.00	
Total	799,154,678.83	657,486,444.17	81,695,806.98	59,972,427.68	

(3) Fixed assets without property license obtained

Item	Book value	Reasons
Booster station	5,249,207.72	Procedures uncompleted
Steam turbine workshop	1,822,327.24	Procedures uncompleted
Chemical water tower	3,006,167.86	Procedures uncompleted
Treatment shop for heavy oil	588,202.61	Procedures uncompleted
Start-up boiler house	132,314.35	Procedures uncompleted
Fire pump room	307,022.25	Procedures uncompleted
Circulating water pump house	1,929,962.54	Procedures uncompleted
Comprehensive building	3,234,604.19	Procedures uncompleted
Production and inspection building	5,295,663.09	Procedures uncompleted
Administrative building	5,444,763.49	Procedures uncompleted
Mail room of the main entrance	220,623.53	Procedures uncompleted
Turbine building and annex building	11,310,119.53	Procedures uncompleted
Plant's ventilating system	587,756.95	Procedures uncompleted
Office building	5,640,124.08	Procedures uncompleted
Comprehensive building	1,255,640.24	Procedures uncompleted
Draft cooling tower	3,633,878.66	Procedures uncompleted
Chemical water workshop and foundation of water tank	1,727,069.41	Procedures uncompleted
Industry pool and industry pump house	757,977.60	Procedures uncompleted
Start-up boiler house	126,651.97	Procedures uncompleted
Oil treatment room and oil un-loading platform	337,538.98	Procedures uncompleted
Comprehensive building canteen	324,202.59	Procedures uncompleted
Total	52,931,818.88	

12. Construction in process

(1) Construction in process

Item	2017.12.31			2017.1.1		
	Book Balance	Impairment provision	Book value	Book Balance	Impairment provision	Book value
Oil to Gas Works	32,871,600.26	32,871,600.26	0.00	32,871,600.26	32,871,600.26	0.00
Cogeneration of heat and electricity Project	47,221,713.47	0.00	47,221,713.47	6,378,207.05	0.00	6,378,207.05
Others	3,737,028.45	0.00	3,737,028.45	1,630,269.08	0.00	1,630,269.08
Total	83,830,342.18	32,871,600.26	50,958,741.92	40,880,076.39	32,871,600.26	8,008,476.13

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

Item	Budget	2017.1.1	Increase of this year	Transferred fixed assets in this year	Other decrease in the year	2017.12.31
Oil to Gas Works	74,400,000.00	32,871,600.26	0.00	0.00	0.00	32,871,600.26
Cogeneration of heat and electricity Project	120,000,000.00	6,378,207.05	40,843,506.42	0.00	0.00	47,221,713.47
Technological transformation project		1,564,328.91	3,856,221.10	1,707,785.32	0.00	3,712,764.69
Others		65,940.17	406,904.30	209,211.95	239,368.76	24,263.76
Total	144,400,000.00	40,880,076.39	45,106,631.82	1,916,997.27	239,368.76	83,830,342.18

(Continued)

Projects	Proportion of accumulative project investment in budget (%)	Project progress (%)	Accumulative amount of capitalization of interest	Including: capitalization of interest	Rate of interest capitalization (%)	Capital resources
Oil to Gas Works	63.76	63.76	0.00	0.00	0.00	Self-raised
Cogeneration of heat and electricity Project	39.35	39.35	1,996,381.50	1,996,381.50	4.89%	Self-raised and borrowing
Technological transformation project	0.00	Not applicable	0.00	0.00	0.00	Self-raised
Others	0.00	Not applicable	0.00	0.00	0.00	Self-raised
Total			1,996,381.50	1,996,381.50	0.00	

(3) Construction in process Impairment provision

Item	Opening amount	Increase of this year	Decrease of this year	Ending amount	Reasons of accrual
Oil to Gas Works	32,871,600.26	0.00	0.00	32,871,600.26	In idle condition
Total	32,871,600.26	0.00	0.00	32,871,600.26	

(4) Idle construction in progress temporary

Item	Ending amount			Opening amount		
	Book Balance	Impairment provision	Net book value	Book Balance	Impairment provision	Net book value
Oil to Gas Works	32,871,600.26	32,871,600.26	0.00	32,871,600.26	32,871,600.26	0.00

13. Intangible assets

Item	Land use right	Software	Total
I. Original book value			

Item	Land use right	Software	Total
1. Year-beginning balance	91,253,625.27	3,678,109.85	94,931,735.12
2.Current increased	0.00	0.00	0.00
(1) Purchase	0.00	0.00	0.00
3.Current decreased	0.00	0.00	0.00
(1) disposal	0.00	0.00	0.00
(2) Decreased due to consolidation change	0.00	0.00	0.00
4.Year-end balance	91,253,625.27	3,678,109.85	94,931,735.12
II. Accumulated amortization			
1. Year-beginning balance	40,330,677.73	3,519,953.18	43,850,630.91
2.Current increased	2,462,575.25	148,028.36	2,610,603.61
(1) accrual	2,462,575.25	148,028.36	2,610,603.61
3.Current decreased	0.00	0.00	0.00
(1) disposal	0.00	0.00	0.00
(2) Decreased due to consolidation change	0.00	0.00	0.00
4.Year-end balance	42,793,252.98	3,667,981.54	46,461,234.52
III. depreciation provision			
1. Year-beginning balance	0.00	0.00	0.00
2.Current increased	0.00	0.00	0.00
(1) accrual	0.00	0.00	0.00
3.Current decreased	0.00	0.00	0.00
(1) disposal	0.00	0.00	0.00
(2) Decreased due to consolidation change	0.00	0.00	0.00
4.Year-end balance	0.00	0.00	0.00
IV. Book value			
1. Year-end book value	48,460,372.29	10,128.31	48,470,500.60
2. Year-begin book value	50,922,947.54	158,156.67	51,081,104.21

Note 1: assets amortized RMB 2,610,603.61 in this year

Note 2: ended as 31 December 2017, property license of book value of land use right for the Group amounting as RMB 523,782.30 (on 31 December 2016: RMB 537,642.66)

14. Deferred income tax assets

(1) Details of deferred income tax assets without offset

Item	2017.12.31		2017.1.1	
	Deductable temporary difference	Deferred income tax assets	Deductable temporary difference	Deferred income tax assets
Bad debt provision of account receivable	4,674,657.36	1,159,926.83	4,583,042.81	1,137,023.19
Other provision for bad debts of accounts receivable	723,585.00	180,896.25	723,585.00	180,896.25
Provision for devaluation of long-term equity investment	2,500,000.00	625,000.00	2,500,000.00	625,000.00
Others	3,802,143.27	950,535.82	3,802,143.27	950,535.82
Total	11,723,096.63	2,922,036.65	11,621,282.08	2,896,583.01

(2) Unconfirmed deferred income tax assets

Item	2017.12.31	2017.1.1
Deductable temporary difference	289,784,873.82	304,662,761.83
Deductable losses	360,690,491.88	359,472,010.30
Total	650,475,365.70	664,134,772.13

(3) The deductible losses of unrealized deferred income tax assets will expire in the following year

Year	2017.12.31	2017.1.1	Note
2017		10,505,180.97	
2018	0.00	0.00	
2019	178,967,165.82	178,967,165.82	
2020	47,940,421.45	71,856,705.31	
2021	92,438,531.80	98,142,958.20	
2022	41,344,372.81		
Total	360,690,491.88	359,472,010.30	

15. Other non-current assets

Item	2017.12.31	2017.1.1
Project of LNG(Note)	22,882,181.78	22,882,181.78
Engineering and equipment amount paid in advance	10,048,600.00	0.00
Total	32,930,781.78	22,882,181.78

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

16. Short-term loans**(1) Classification**

Item	2017.12.31	2017.1.1
Guarantee loans	465,850,000.00	336,840,000.00
Credit loans	50,000,000.00	460,000,000.00
Total	515,850,000.00	796,840,000.00

(2) Overdue and outstanding short-term borrowings

The overdue and outstanding short-term borrowings at the end of the year

17. Note payable

Type	2017.12.31	2017.1.1
Trade acceptance	0.00	169,909,496.01
Bank acceptance	51,439,580.56	122,366,308.16
Total	51,439,580.56	292,275,804.17

18. Account payable

(1) Details of account payable

Item	2017.12.31	2017.1.1
Materials	13,670,020.13	4,394,883.47
Electricity	811,442.78	776,036.94
Others	613,449.69	1,158,158.44
Total	15,094,912.60	6,329,078.85

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

(3) No major account payable with over one year account age at end of the Period

19. Wages payable

(1) Wages payable

Item	2017.1.1	Increase this year	Decrease this year	2017.12.31
I. Short-term remuneration	42,179,004.09	131,782,421.98	129,501,226.73	44,460,199.34
II. Post-employment welfare-defined contribution plans	3,644,786.52	16,988,929.30	16,756,326.91	3,877,388.91
III. Severance Pay	0.00	2,592,396.00	2,592,396.00	0.00
IV. Other welfare due within one year	0.00	0.00	0.00	0.00
Total	45,823,790.61	151,363,747.28	148,849,949.64	48,337,588.25

(2) Short-term remuneration

Item	2017.1.1	Increase this year	Decrease this year	2017.12.31
1. Wages, bonuses, allowances and subsidies	40,079,675.77	113,048,326.90	111,205,514.87	41,922,487.80
2. Welfare for employee	0.00	24,021.02	24,021.02	0.00
3. Social insurance	150,775.44	5,700,429.33	5,604,505.02	246,699.75
Including: Medical insurance	119,411.34	5,018,824.99	4,923,166.70	215,069.63
Work injury insurance	13,170.69	289,823.71	279,280.63	23,713.77
Maternity insurance	18,193.41	391,780.63	402,057.69	7,916.35

Item	2017.1.1	Increase this year	Decrease this year	2017.12.31
4. Housing provident fund	526,844.24	10,820,046.36	10,648,317.40	698,573.20
5. Union funds and staff education expenses	1,421,708.64	2,189,598.37	2,018,868.42	1,592,438.59
Total	42,179,004.09	131,782,421.98	129,501,226.73	44,460,199.34

(3) Defined contribution plans

Item	2017.1.1	Increase this year	Decrease this year	2017.12.31
1. Basic Endowment insurance	313,776.62	11,864,505.14	11,636,625.53	541,656.23
2. Unemployment insurance	8,567.90	176,224.16	171,456.38	13,335.68
3. Enterprise annuities	3,322,442.00	4,948,200.00	4,948,245.00	3,322,397.00
Total	3,644,786.52	16,988,929.30	16,756,326.91	3,877,388.91

The Company participates in the endowment insurance, unemployment insurance plans established by government agencies by rule, and the Company respectively pays the expenses and costs for those plans according to the location of the company. Except for above-mentioned monthly expenses and costs, the Company no longer assumes other further payment obligations. The corresponding expenses are reckoned in the current profit and loss or the costs of related assets when occur.

20. Taxes payable

Item	2017.12.31	2017.1.1
VAT	5,660,770.59	7,535,988.38
Business tax	0.00	43,587.02
Enterprise income tax	3,959,377.93	221,361,456.61
Individual income tax	2,064,852.00	1,398,796.46
Land-use tax of town	1,405,156.40	1,382,357.33
Real estate tax	1,435,820.81	2,540,753.95
Others	911,781.03	271,077.36
Total	15,437,758.76	234,534,017.11

21. Interest payable

Item	2017.12.31	2017.1.1
Long-term loan interest of installment and interest charges	108,741.19	777,615.30
Interest payable of short-term loan	2,898,252.14	3,802,866.51
Total	3,006,993.33	4,580,481.81

22. Other account payable

(1) Other account payable listed by nature

Item	2017.12.31	2017.1.1
Project expense	24,040,896.76	27,401,064.40
Quality guarantee deposit	13,632,891.13	6,852,462.21
Equipment amount	439,237.63	610,987.63
Materials	0.00	0.00
Land use right charge	423,005.75	1,575,676.60
Fund of the Board	479,659.27	479,659.27
Accrued expenses	34,865,705.80	34,865,705.80
Other	9,332,787.23	7,746,540.05
Total	83,214,183.57	79,532,095.96

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

(3) Account payable to related parties found more in 6. Account payable/receivable from/to related parties in Note X

(4) Other account payable of more than one year is of 60,035,222.17 Yuan (December 31, 2016: 62,533,592.36 Yuan), which is mainly the accrued expenses, engineering equipment fund and guarantee money.

3. Non-current liability due within one year

Item	2017.12.31	2017.1.1
Long-term loans due within one year (Note VI.-24)	32,400,000.00	463,000,000.00
Total	32,400,000.00	463,000,000.00

24. Long-term loans

Item	2017.12.31	2017.1.1
------	------------	----------

Item	2017.12.31	2017.1.1
Guarantee loans	58,340,000.00	378,400,000.00
Credit loans	0.00	428,500,000.00
Less: Long-term loans due within one year	32,400,000.00	463,000,000.00
Total	25,940,000.00	343,900,000.00

The Company offering guarantee of long-term loans for subsidiaries amounting to 58,340,000.00 Yuan,

25. Accrued liabilities

Item	2017.12.31	2017.1.1	Reasons resulted
Guarantee offering outside	26,788,590.38	27,100,000.00	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 by the Group. The costs for lawyers from 2014 to 2017 and the costs for problem left over by history amounting to 711,409.62 Yuan, ending balance amounted as 26,788,590.38 Yuan.

26. Government subsidy

1. Government subsidy recognized at beginning of the year

Item	Amount	Related to assets		Related to income				Actually received (Y/N)
		Deferred income	Reducing book value of assets	Deferred income	Other income	Non-operating revenue	Reducing cost expenses	
Funded of energy efficiency improvement for electric machine in SZ	259,200.00	259,200.00	0.00	0.00	0.00	0.00	0.00	Y
VAT refund	2,720,787.33	0.00	0.00	0.00	2,720,787.33	0.00	0.00	Y
Funds for development of independent innovation industry	200,000.00	0.00	0.00	0.00	200,000.00	0.00	0.00	

Item	Amount	Related to assets		Related to income				Actually received (Y/N)
		Deferred income	Reducing book value of assets	Deferred income	Other income	Non-operating revenue	Reducing cost expenses	
Other	2,000.00	0.00	0.00	0.00	2,000.00	0.00	0.00	Y
Total	—	259,200.00	0.00	0.00	2,922,787.33	0.00	0.00	—

2. Government subsidy reckoned in current gains/losses

Item	Assets related/income related	Reckoned in other income	Amount reckoned in non-operation revenue	Cost reduction
VAT refund	Income related	2,720,787.33	0.00	0.00
Funds for development of independent innovation industry	Income related	200,000.00	0.00	0.00
Other	Income related	2,000.00	0.00	0.00
Subsidy for efficiency improvement of motor energy 电机能效提升资助计划	Assets related	30,240.00	0.00	0.00
National debt subsidy for sludge drying 污泥干化项目国债补贴	Assets related	255,000.00	0.00	0.00
Circular economy supporting fund for sludge drying 污泥干化项目循环经济扶持基金	Assets related	647,002.92	0.00	0.00
迎大运低氮改造项目补贴	Assets related	2,553,984.84	0.00	0.00
企业信息化建设项目资助	Assets related	61,176.48	0.00	0.00
节能技术改造项目补助	Assets related	582,432.79	0.00	0.00
Total	—	7,052,624.36	0.00	0.00

3. Government subsidy returned in the year

Nil

27. Deferred income

Item	2017.1.1	Increased in the Year	Decreased in the Year	2017.12.31	Reasons
Government grants/subsidy	45,818,868.15	259,200.00	4,129,837.03	41,948,231.12	

Including, items with government grants involved:

Item	2017.1.1	Increased in the Year	Decreased in the Year				2017.12.31	Assets related/income related
			Amount reckoned in non-operation revenue	Amount reckoned in other income	Cost reduction	Other decreased		
Subsidy for energy-saving technology reform	5,785,125.30	0.00	0.00	501,308.42	0.00	0.00	5,283,816.88	Assets related
Subsidy for low-nitrogen transformation project	998,245.87	0.00	0.00	81,124.37	0.00	0.00	917,121.50	Assets related
Treasury subsidies for sludge drying	3,591,250.00	0.00	0.00	255,000.00	0.00	0.00	3,336,250.00	Assets related
Support fund of recycling economy for sludge drying	9,392,282.71	0.00	0.00	647,002.92	0.00	0.00	8,745,279.79	Assets related
Subsidy for project of low-nitrogen transformation for welcoming the Universidad	25,539,848.23	0.00	0.00	2,553,984.84	0.00	0.00	22,894,446.91	Assets related
Support fund of enterprise informationalization	270,196.04	0.00	0.00	61,176.48	0.00	0.00	270,196.04	Assets related
Funded of energy efficiency improvement for electric machine in SZ	241,920.00	259,200.00	0.00	30,240.00	0.00	0.00	501,120.00	Assets related

Total	45,818,868.15	259,200.00	0.00	4,129,837.03	0.00	0.00	41,948,231.12
-------	---------------	------------	------	--------------	------	------	---------------

28. Share capital

Item	2017.1.1	Changes in this year(+ -)					2017.12.31
		New shares issued	Bonus shares	Capitalizing from reserves	Other	Subtotal	
Total shares	602,762,596.00	0.00	0.00	0.00	0.00	0.00	602,762,596.00

29. Capital reserve

Item	2017.1.1	Increase in the year	Decrease in the year	2017.12.31
Capital premium	233,035,439.62	0.00	0.00	233,035,439.62
Other capital reserve	129,735,482.48	0.00	0.00	129,735,482.48
Total	362,770,922.10	0.00	0.00	362,770,922.10

30. Surplus reserve

Item	2017.1.1	Increase in the year	Decrease in the year	2017.12.31
Legal surplus reserve	310,158,957.87	0.00	0.00	310,158,957.87
Discretionary surplus reserve	22,749,439.73	0.00	0.00	22,749,439.73
Total	332,908,397.60	0.00	0.00	332,908,397.60

Note: according to the Company Law and the Articles of Association, the Company takes 10% of the net profit aside as legal surplus reserve. No more provision is made when the accumulated legal surplus reserve exceeds 50% of the registered capital.

After provision for legal surplus reserve, the Company can make provision for other surplus reserve. As approved, other surplus reserve can be used to make up for previous loss or increase share capital.

31. Retained profit

Item	2017	2016
Retained profit of last year before adjusted	644,271,987.22	-662,422,848.24
Total retained profit adjusted (increased with +, decreased with -)	0.00	0.00
Retained profit at beginning of the year after adjusted	644,271,987.22	-662,422,848.24
Add: net profit attributable to shareholders of parent company	15,904,182.47	1,306,694,835.46

Item	2017	2016
Less: withdrawal of statutory surplus reserve	0.00	0.00
Surplus reserves withdrawal	0.00	0.00
General risk reserve withdrawal	0.00	0.00
Common Stock dividend payable	0.00	0.00
Dividend of common shares transfer as share capital	0.00	0.00
Retained profit at year-end	660,176,169.69	644,271,987.22

32. Operating income and operating cost

Item	2017		2016	
	Income	Cost	Income	Cost
Main business	2,040,134,442.78	1,874,139,265.32	1,571,464,544.66	1,442,402,598.20
Other business	5,632,388.96	423,723.62	2,624,433.19	498,376.98
Total	2,045,766,831.74	1,874,562,988.94	1,574,088,977.85	1,442,900,975.18

33. Tax and surcharge

Item	2017	2016
Business tax	0.00	2,212,478.70
City maintenance tax	3,944,215.76	3,098,560.19
Educational surcharge	3,052,200.62	2,227,926.25
House duty	2,707,476.52	1,781,915.29
Vehicle tax	45,579.36	26,680.00
Land use tax	1,845,501.58	1,381,654.65
Stamp tax & other	1,354,763.00	1,628,483.12
Total	12,949,736.84	12,357,698.20

Note: taxation standards for every business tax and surcharge found more in Note. V. Taxes

34. Management expenses

Item	2017	2016
------	------	------

Item	2017	2016
Salary	58,560,298.50	51,532,884.59
Taxes	0.00	2,409,366.53
Leasing expenses	6,831,120.60	6,672,207.83
Entertainment expense	3,394,154.23	4,660,947.13
Vehicles expenses	3,723,234.00	4,102,882.17
Expenses for agency appointment	2,784,600.20	8,556,916.62
Depreciation expense	3,157,995.22	3,398,682.80
Expenses from the Board	2,178,075.90	2,684,555.32
Amortization of intangible assets	2,013,716.49	1,963,260.41
Sundry expenses	2,669,404.62	2,884,471.19
Environmental expense	1,894,081.17	1,959,320.25
Communication charge	1,302,419.20	1,398,002.22
Property expense	899,316.57	1,049,753.35
Stock charge	1,082,131.77	1,913,443.61
Business traveling charge	762,086.49	753,239.13
Expenses for enterprise culture	189,449.00	262,616.20
Office expenses	449,676.89	457,478.11
Repair expenses	295,895.67	497,893.25
Others	6,833,446.40	8,468,339.12
Total	99,021,102.92	105,626,259.83

35. Financial expenses

Item	2017	2016
Interest expenditure	62,144,226.60	184,766,878.88
Less : interest income	9,592,999.08	11,188,933.54
Exchange gains/losses	382,827.81	835,727.57
Others	584,070.34	-351,594.63
Total	53,518,125.67	174,062,078.28

36. Impairment of Assets

Item	2017	2016
Loss on bad debt	-1,412,696.42	6,623,824.50
Inventory loss	0.00	3,260,011.19
Impairment loss of fixed assets	0.00	8,942,728.73
Total	-1,412,696.42	18,826,564.42

37. Investment income

Item	2017	2016
Income of long-term equity investment measured by equity method	-2,050,390.78	-2,215,210.60
Investment income arising from disposal of long-term equity investment	-	1,660,863,588.10
Total	-2,050,390.78	1,658,648,377.50

38. Other Income

Item	2017	2016	Assets related/Income related
Subsidy program for motor energy efficiency improvement	30,240.00	0.00	Assets related
Funds for development of independent innovation industry	200,000.00	0.00	Income related
Unemployment subsidies & employment and unemployment monitoring subsidy	1,000.00	0.00	Income related
Government bond subsidy for sludge drying	255,000.00	0.00	Assets related
Support fund of recycling economy for sludge drying	647,002.92	0.00	Assets related
Subsidy for project of low-nitrogen transformation for welcoming the Universidad	2,553,984.84	0.00	Assets related
Support fund of enterprise informationalization	61,176.48	0.00	Assets related
Subsidy for energy-saving technology reform	582,432.79	0.00	Assets related
VAT refund	2,720,787.33	0.00	Income related
Other	1,000.00	0.00	Income related
Total	7,052,624.36	0.00	

39. Non-operating income

(1) Items of non-operating income

Item	2017	2016	Amount reckoned in current non-operating income/losses
Gains from non-current assets damaged or scrapped	0.00	0.00	0.00
Government subsidy without concerned with routine operation activity of the Company (detail as below: Government subsidy)	0.00	16,331,834.68	0.00
Other	347,199.39	85,518.86	347,199.39
Total	347,199.39	16,417,353.54	347,199.39

(2) Government subsidy in current gains/losses (note1)

Item	2017	2016	Assets related/Income related
Income from fuel subsidies	0.00	7,336,732.77	Income related
Subsidies income of fuel processing fee	0.00	7,901,100.00	Income related
Fuel consumption tax subsidies	0.00	-6,597,789.48	Income related
Energy efficiency improvement for electric machine	0.00	17,280.00	Assets related
Special funds of independent innovation industry development	0.00	100,000.00	Income related
Unemployment subsidies & employment and unemployment monitoring subsidy	0.00	150,410.10	Income related
Government bond subsidy for sludge drying	0.00	255,000.00	Assets related
Support fund of recycling economy for sludge drying	0.00	647,002.52	Assets related
Subsidy for project of low-nitrogen transformation for welcoming the Universidad	0.00	2,553,984.84	Assets related
Support fund of enterprise informationalization	0.00	61,176.48	Assets related
Subsidy for energy-saving technology reform	0.00	341,094.36	Assets related
Shenzhen yellow car scrap subsidies	0.00	8,000.00	Income related
VAT refund	0.00	3,557,843.09	Income related
Other	0.00	0.00	Income related

Item	2017	2016	Assets related/Income related
Total	0.00	16,331,834.68	

Note 1. The government subsidy in the period has connection with the routine activities of the Company, in line with the Accounting Rules after changed, the item will list in 36. Other Income in Note VI

40. Non-operating expense

Item	2017	2016	Amount reckoned into non-recurring gains/losses
Losses for non-current assets damaged or scrapped	454,644.16	203,629.98	454,644.16
Expenses from external donation	10,000.00	20,000.00	10,000.00
Penalty expenditure	0.00	1,027,141.45	0.00
Other	1,280.22	4,283.48	1,280.22
Total	465,924.38	1,255,054.91	465,924.38

41. Income tax expenses

(1) Statement of income tax expenses

Item	2017	2016
Current income tax expenses	8,613,253.18	223,795,258.06
Deferred income tax expenses	-25,453.64	9,185.68
Total	8,587,799.54	223,804,443.74

(2) Adjustment process of the accounting profit and income tax expenses

Item	2017
Total profit	8,964,876.30
Income tax measured by statutory/applicable tax rate	2,241,219.08
Effect of different tax rates applicable to subsidiaries	98,837.68
Effect of non-taxable income	35,094.75
Effect of non-deductible costs, expenses and losses	

	578,914.99
Effect of deductible losses of deferred tax assets unconfirmed at the earlier stage of use	-6,557,857.07
Impact on deductible temporary difference or deductible loss of the deferred income tax assets unrecognized in the Period	12,191,590.11
Income tax expenses	8,587,799.54

42. Cash flow statement

(1) Cash received with other operating activities concerned

Item	2017	2016
Government grants received	1,831,999.39	301,086,320.25
Interest income	9,592,999.08	11,189,805.15
Current account received	397,022,263.30	708,299,913.18
Total	408,447,261.77	1,020,576,038.58

(2) Cash paid for other operating activities

Item	2017	2016
Leasing expense	6,831,120.60	6,672,207.83
Entertainment expense	3,394,154.23	4,660,947.13
Vehicles expense	3,723,234.00	4,102,882.17
Expense on agency appointment	2,784,600.20	8,556,916.62
Payment margin	3,569,453.88	26,068,078.16
Other	22,433,951.67	46,726,102.50
Total	42,736,514.58	96,787,134.41

(3) Cash received with financing activities concerned

Item	2017	2016
Margin received	0.00	10,300,000.00
Total	0.00	10,300,000.00

(4) Cash paid with other financing activities concerned

Item	2017	2016
Margin paid	23,133,338.86	0.00
Total	23,133,338.86	0.00

43. Supplementary information on cash flow statement

(1) Supplementary information on cash flow statement

Supplementary information	2017	2016
1. Regulate the net profit into the cash flow of operating activities		
Net profit	377,076.76	1,264,758,441.49
Add: Asset impairment provision	-1,412,696.42	18,826,564.42
Depreciation of fixed assets, oil & gas assets and productive biological assets	130,794,494.35	125,340,299.29
Amortization of intangible assets	2,610,603.61	2,714,977.20
Amortization of long-term deferred expenses	0.00	0.00
Loss from disposing fixed assets, intangible assets and other long-term assets (income listed with “-”)	0.00	0.00
Abandonment loss from fixed assets (income listed with “-”)	454,644.16	203,629.98
Loss from changes of fair value (income listed with “-”)	0.00	0.00
Financial expenses(income listed with “-”)	62,144,226.60	184,766,878.88
Investment loss(income listed with “-”)	2,050,390.78	-1,658,648,377.50
Decrease of deferred income tax assets(increased listed with “-”)	-25,453.64	9,185.68
Increase of deferred income tax liability (decreased listed with “-”)	0.00	0.00
Decrease of inventory(increased listed with “-”)	4,992,369.45	1,270,758,809.13
Decrease of receivable operating items(increased listed with “-”)	338,049,270.66	-167,603,657.00
Increase of payable operating items(decreased listed with “-”)	-343,235,070.58	-114,805,426.17
Other	0.00	0.00
Net cash flow from operation activities	196,799,855.73	926,321,325.40
2. Major investment and financing activities not involving cash income		

Supplementary information	2017	2016
and expenditure:		
Debt capitalization	0.00	0.00
Convertible company bond due within one year	0.00	0.00
Fixed assets acquired under finance leases	0.00	0.00
.3. Net change of cash and cash equivalents:		
Balance of cash at period-end	411,613,377.07	1,389,482,327.86
Less: Balance of cash at period-begin	1,389,482,327.86	1,016,326,480.06
Add: Closing balance of cash equivalent	0.00	0.00
Less: Opening balance of cash equivalent	0.00	0.00
Net increase of cash and cash equivalents	-977,868,950.79	373,155,847.80

(2) Composition of cash and cash equivalent

Item	2017.12.31	2017.1.1
I. Cash	411,613,377.07	1,389,482,327.86
Including: Cash on hand	81,491.35	78,112.86
Bank savings available for payment needed	337,821,258.42	1,350,850,474.24
Other monetary capital available for payment needed	73,710,627.30	38,553,740.76
Account due from central bank available for payment	0.00	0.00
Amount due from banks	0.00	0.00
Amount call loans to banks	0.00	0.00
II. Cash equivalent	0.00	0.00
including: bond investment due within three months	0.00	0.00
III. Balance of cash and cash equivalent at year-end	411,613,377.07	1,389,482,327.86
Including: Cash and cash equivalent of the parent company or subsidiaries with use restricted	0.00	0.00

Note: Cash and cash equivalents exclude the restricted cash and cash equivalents used by the parent company or the subsidiaries in the group.

44. Assets of ownership or use right restricted

Item	Book value at year-end	Restricted reason
Monetary Fund	26,702,792.74	Deposit
Total	26,702,792.74	

45. Foreign currency

Item	Balance of foreign currency at year-end	Conversion rate	Balance of RMB converted at year-end
Monetary fund			
Including: USD	864,986.95	6.5342	5,651,997.73
Euro	1,017.87	7.8023	7,941.73
HKD	614,173.98	0.83591	513,394.17
SGD	5,654.81	4.8831	27,613.00

VII. Change of consolidate scope

There are no change of consolidate scope in the period

VIII. Equity in other entity**1. Equity in subsidiaries****(1) Composition of the Group**

Subsidiary	Main operation place	Registration place	Business nature	Shareholding ratio (%)		Acquired way
				Directly	Indirectly	
Shenzhen Server(注 1)	Shenzhen	Shenzhen	Trading	50.00	0.00	Establishment
New Power Company	Shenzhen	Shenzhen	Power generation	100.00	0.00	Establishment
Zhongshan Power	Zhongshan	Zhongshan	Power generation	80.00	0.00	Establishment
Engineering Company	Shenzhen	Shenzhen	Engineering consulting	100.00	0.00	Establishment
Weimei Power	Dongguan	Dongguan	Power generation	70.00	0.00	Establishment
Environment Protection Company	Shenzhen	Shenzhen	Engineering	100.00	0.00	Establishment

Subsidiary	Main operation place	Registration place	Business nature	Shareholding ratio (%)		Acquired way
				Directly	Indirectly	
Singapore Company	Singapore	Singapore	Trading	100.00	0.00	Establishment
Shen Storage	Zhongshan	Zhongshan	Storage	80.00	0.00	Establishment
SYNDISOME	Hong Kong	Hong Kong	Import & export trading	100.00	0.00	Not under the same control

Note 1: 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	20.00	-3,090,893.21	0.00	-12,483,551.39
Weimei Power	30.00	-8,666,146.85	0.00	30,158,017.51

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

Subsidiary	2017.12.31					
	Current assets	Non-current assets	Total assets	Current assets	Non-current assets	Total assets
Zhongshan Power	168,596,429.57	592,847,484.20	761,443,913.77	791,720,732.32	32,140,938.38	823,861,670.70
Weimei Power	229,231,009.01	528,619,381.52	757,850,390.53	657,323,665.49	0.00	657,323,665.49

(Continued)

Subsidiary	2017.1.1					
	Current assets	Non-current assets	Total assets	Current assets	Non-current assets	Total assets
Zhongshan Power	138,059,135.37	608,395,920.72	746,455,056.09	748,234,975.82	45,183,371.17	793,418,346.99
Weimei Power	237,095,978.47	558,501,453.51	795,597,431.98	666,183,550.79	0.00	666,183,550.79

(Continued)

Subsidiary	2017			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongshan Power	543,470,074.17	-15,454,466.03	-15,454,466.03	56,458,919.73
Weimei Power	412,389,910.03	-28,887,156.15	-28,887,156.15	96,220,767.08

(Continued)

Subsidiary	2016			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongshan Power	338,703,167.36	-51,801,356.86	-51,801,356.86	56,973,210.46
Weimei Power	338,873,481.38	-36,706,275.56	-36,706,275.56	23,278,686.36

2. Equity in joint venture and cooperative enterprise

(1) Joint venture and cooperative enterprise

Name	Main operation place	Registered place	Business nature	Share-holding ratio (%)		Accounting treatment
				Directly	Indirectly	
Huidong Server	Huizhou	Huizhou	Wharf operation		40.00	Equity method

(2) Financial summary for un-important joint venture or cooperative enterprise

Item	2017.12.31/2017	2017.1.1/2016
Joint venture:		
Total book value of the investment	18,254,673.40	20,305,064.18
Total numbers measured by share-holding ratio		
—Net profit	-2,050,390.78	-2,215,210.60
—Other comprehensive income	0.00	0.00
—Total comprehensive income	-2,050,390.78	-2,215,210.60

Note: On 9th December 2013, controlling subsidiary of the Company Shenzhen Server holds 60% equity of Huidong Server, on date when control rights loss, rests of the 40% equity of Huidong Server held by Shenzhen Server are measure again by faire value.

IX. Risks relating to financial instruments

The major financial instruments of the Company consist of equity investments, borrowings, trade receivables, trade payables, etc. details of the financial instruments are set out in the section VI. Risks relating these financial instruments, and risk management policies adopted by the Company to minimize the risks are detailed below. Management monitors the risk exposures to ensure risks are under control.

The Company adopts sensitive analysis technology to analyze possible effects of the reasonable and potential change of risk variables over current profit or loss or shareholders' equity. Since risk variable rarely changes separately and relation among variables can exercise significant influence over other variables, thus the below contents are stated assuming that each variable changes separately.

(I) Target and policy of risk management

The Company conducts risk management in order to adequately balance risk and return, minimize the negative effects on its operating results, and maximize interest of shareholders and other stakeholders. Based on these risk management targets, the Company determines basic strategy for risk management, namely to determine and analyze various risks it faces, establish adequate risk acceptance limit and manage risks, and promptly and reliably monitor various risks to ensure risks are under control.

1. Market risk

(1) Foreign exchange risk

Foreign exchange risk represents losses arising from change of exchange rate. The Company exposes to exchange risk relating to US dollar. On 31 December 2017, except for note 44 foreign currency balances under section VI, our assets and liabilities are all denominated in RMB. Exchange risk arising from these foreign currency denominated assets and liabilities may affect our operating results.

(2) Interest risk – risk of cash flow movement

Risks of cash flow movement of financial instruments arising from change in interest rate mainly relates to bank borrowings at floating rate (details are set out in note 16 and note 24 under section VI).

Sensitivity analysis of interest rate risk:

Based on the following assumptions:

- Changes of market rate impact on interest income and expenses of the variable rate financial instruments;
- as for the fixed rate financial instruments measured by fair value, their interest income and expenses are the only part that being affected;
- as for the derivative financial instrument, designated as hedging instruments, their fair value are being affected, and all interest rate hedging are highly effective;
- Change of the fair value of derivative financial instruments and other financial assets/liabilities, are measured by the discounted cash flow techniques on base of the market interest rate on balance sheet date

On the basis of the above assumptions and in the case of other variables unchanged, impact on current gains/losses and shareholders'

equity before tax arising from reasonable variation of the interest rate changed:

Interest rate changes	2017		2016	
	Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
5% increased	-2,755,524.27	-2,755,524.27	-6,928,757.96	-6,928,757.96
5% decreased	2,755,524.27	2,755,524.27	6,928,757.96	6,928,757.96

2. Credit risk

On 31 December 2017, the largest credit risk exposures which may result in financial loss mainly arise from default of performance by other party to a contract which may lead to loss of financial assets. In detail:

Carrying value of financial assets recognized in consolidated balance sheet. As for financial instrument at fair value, carrying value reflects its risk exposure, while not the largest risk exposure. The largest risk exposure will vary as fair value changes in future.

In order to bring down credit risk, the Company establishes a special working team to take charge of determining credit limit, making credit approval and implementing other monitor procedures to ensure necessary measures are adopted to collect overdue debts. In addition, recovery of each single account receivable is reviewed on each balance sheet date to ensure adequate bad debt provision is made for unrecoverable amount. Therefore, management believes that the Company has substantially reduced the credit risks it assumes.

Our current capital is deposited with highly-rated banks, thus credit risk arising from current capital is relatively low.

3. Liquidity risk

When managing liquidity risk, the Company maintains such cash and cash equivalents as management believes sufficient, and keeps monitor on the cash and cash equivalents, to satisfy the Company's operation need and minimize effect from cash flow fluctuation. Management monitors application of bank borrowings and makes sure that relevant borrowing agreement is followed.

Bank borrowing constitutes our major capital source.

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. Equity in 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 Company
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 Pipe Energy Technology Development Co., Ltd. ("Pipe Technology")	Others Related party
Alltrust Property Insurance Company Ltd. ("Alltrust Insurance")	Other related party
Director of the Company and other senior executives	Key management staff

5. Main related Transactions

(1) Lending money of related party

Year of 2017:

Nil

Year of 2016:

Related party	Amount of lending money	Commencement date	Maturity Date	Note
Borrowing:				
Xingzhong Group	125,316,816.85	2016.01.01	2016.11.29	Repaid
Xingzhong Group	14,335,291.80	2016.01.01	2016.11.29	Repaid
Xingzhong Group	2,500,000.00	2016.01.01	2016.11.29	Repaid
Xingzhong Group	16,250,000.00	2016.01.01	2016.11.29	Repaid
Xingzhong Group	23,750,000.00	2016.01.01	2016.11.29	Repaid
Xingzhong Group	74,022,567.34	2016.07.01	2016.11.29	Repaid

Related party	Amount of lending money	Commencement date	Maturity Date	Note
	52,782,293.27	2016.11.29	2016.12.19	(Note)

(2) Remuneration for key management staffs

In 10 thousand Yuan

Item	2017	2016
Remuneration for key management staffs	844.36	746.31

6. Account receivable from related parties

(1) Account receivable

Item	2017.12.31		2017.1.1	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Other account receivable:				
Huidong Server	11,022,401.44	0.00	11,022,401.44	0.00
Huidong Server managed account	12,829,734.22	0.00	12,930,850.20	0.00
Total	23,852,135.66	0.00	23,953,251.64	0.00

XI. Commitment and Contingency

1. Major commitment

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

Item	2017.12.31	2017.1.1
Minimum lease payments of irrevocable operating lease:		
The first year after balance sheet day	1,517,717.46	1,504,396.50
The second year after balance sheet day	1,557,680.33	1,517,717.46
The third year after balance sheet day	1,557,680.33	1,557,680.33
Subsequent years	58,171,101.39	59,728,781.72

Total	62,804,179.50	64,308,576.01
-------	---------------	---------------

2. Contingency

Nil

XII. Events Occurring after the Balance Sheet Date

1. Allocation of profit

The Company holds a 2nd session of the 8th Board on 20 March 2018, approved the profit allocation plan for year of 2017, which is no profit distribution for the year of 2017.

2. Other events occurring after the balance sheet date

Nil

XIII. Other important events

1. Segment information

(1) Determining basis and accounting policies of reportable segments

According to the Group's internal organization structure, management requirements and internal reporting system, the Group's business is divided into four operating segments including power and heat supply, fuel oil trade, real estate development 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	1,957,332,612.00	0.00	82,801,830.78		2,040,134,442.78
Main business cost	1,812,830,145.97	0.00	66,199,694.39	4,890,575.04	1,874,139,265.32
Total assets	3,376,967,833.59	134,482,398.48	501,481,936.38	1,129,127,775.75	2,883,804,392.70
Total liabilities	876,165,441.66	36,757,914.09	45,111,272.45	98,576,789.63	859,457,838.57

2. Other

Nil

XIV. Note to main items of financial statements of the Company**1. Account receivable****(1) Classification of accounts receivable**

Category	2017.12.31				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivable with single major amount and withdrawal bad debt provision for single item	0.00	0.00	0.00	0.00	0.00
Account receivable withdrawal bad debt provision by group of credit risk characteristics	17,599,743.80	100.00	0.00	0.00	17,599,743.80
Account receivable with single minor amount but withdrawal bad debt provision for single item	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00

(Continued)

Category	2017.1.1				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivable with single major amount and withdrawal bad debt provision for single item	0.00	0.00	0.00	0.00	0.00
Account receivable withdrawal bad debt provision by group of credit risk characteristics	54,934,957.47	100.00	0.00	0.00	54,934,957.47

Category	2017.1.1				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivable with single minor amount but withdrawal bad debt provision for single item	0.00	0.00	0.00	0.00	0.00
Total	54,934,957.47	100.00	0.00	0.00	54,934,957.47

(2) Age analysis of account receivable

Item	Ending amount		Opening amount	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	17,596,854.80	99.98	54,932,068.47	99.99
1 to 2years	0.00	0.00	0.00	0.00
2 to 3years	0.00	0.00	0.00	0.00
Over 3 years	2,889.00	0.02	2,889.00	0.01
Total	17,599,743.80	100.00	54,934,957.47	100.00

(3) Bad debt provision accrual, collected or switch-back in the Year

(4) No accounts receivable that had actually written off in the year.

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

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

The total amount of the Company's top 5 year end balance of receivables in this year collected by debtors is 17,599,743.80 Yuan, accounting for 100% of the total amount of year end balance of receivables; the total amount of year end balance of the corresponding provision for bad debts is 0.00 Yuan.

2. Other account receivable

(1) Other account receivable classified

Category	2017.12.31				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	

Other account receivable with individual major amount and withdrawal bad debt provision independently	16,781,666.46	1.78	16,781,666.46	100.00	0.00
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	912,842,428.58	97.01	0.00	0.00	912,842,428.58
Other account receivable with individual minor amount but withdrawal bad debt provision independently	11,352,538.87	1.21	10,547,976.98	92.91	804,561.89
Total	940,976,633.91	100.00	27,329,643.44		913,646,990.47

(Continued)

Category	2017.1.1				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other account receivable with individual major amount and withdrawal bad debt provision independently	16,781,666.46	1.50	16,781,666.46	100.00	0.00
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	1,093,786,579.27	97.49	0.00	0.00	1,093,786,579.27
Other account receivable with individual minor amount but withdrawal bad debt provision independently	11,376,381.95	1.01	11,028,687.95	96.94	347,694.00
Total	1,121,944,627.68	100.00	27,810,354.41		1,094,134,273.27

① Other account receivable with individual major amount and withdrawal bad debt provision independently at year-end

Other account receivable (By unit)	2017.12.31			
	Other account receivable	Bad debt provision	Accruing proportion (%)	Accrual reason
Huiyang County Kangtai Industrial	14,311,626.70	14,311,626.70	100.00	Un-collectible

Other account receivable (By unit)	2017.12.31			
	Other account receivable	Bad debt provision	Accruing proportion (%)	Accrual reason
Company				
Individual income tax	2,470,039.76	2,470,039.76	100.00	Un-collectible
Total	16,781,666.46	16,781,666.46	100.00	

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

Other account receivable	2017.12.31		
	Book Balance	Bad debt provision	Accruing proportion
Dormitory amount receivable	2,083,698.16	1,736,004.16	83.31
Deposit receivable	1,769,842.84	1,312,974.95	74.19
Personal account receivable	7,498,997.87	7,498,997.87	100.00
Total	11,352,538.87	10,547,976.98	92.91

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

Provision for bad debts in the Year amounting to 0Yuan, bad debts collected in the year amounting to 480,710.97 Yuan.

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

(4) Other account receivable classified according to age

Item	Ending amount		Opening amount	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	294,822,751.50	31.33	156,165,893.62	13.92
1 to 2years	224,125,985.68	23.82	490,525,842.08	43.72
2 to 3years	67,673,287.81	7.19	83,463,099.08	7.44
Over 3 years	354,354,608.92	37.66	391,789,792.90	34.92
Total	940,976,633.91	100.00	1,121,944,627.68	100.00

(5) Receivable from related parties

Name of the company	Relationship with the Company	2017.12.31	Age	proportion in total year-end balance of other account receivable(%)
---------------------	-------------------------------	------------	-----	---

Zhongshan Power	Subsidiary	607,933,776.55	Within 1 year to over 3 years	64.61
Weimei Power	Subsidiary	288,094,719.00	Within 3 years	30.62
Environment Protection Company	Subsidiary	12,753,895.10	Within 3 years	1.36
Singapore Company	Subsidiary	1,477,071.99	Within 1 year to over 3 years	0.16
Engineering Company	Subsidiary	1,349,571.64	Within 1 year	0.14
Total		911,609,034.28		96.89

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

Name of the company	Relationship with the Company	2017.12.31	Age	proportion in total year-end balance of other account receivable(%)	Balance year-end of bad debts provision
Zhongshan Power Company	Related party	607,933,776.55	Within 1 year to over 3 years	64.61	0.00
Dongguan Weimei	Related party	288,094,719.00	Within 3 years	30.62	0.00
Huiyang County Kangtai Industrial Company	Non-related party	14,311,626.70	over 3 years	1.52	14,311,626.70
Shen Nan Environment Protection	Related party	12,753,895.10	Within 3 years	1.36	0.00
Individual income tax	Non-related party	2,470,039.76	over 3 years	0.26	2,470,039.76
Total		925,564,057.11		98.37	16,781,666.46

3. Long-term equity investment

(1) Category of long-term equity investment

Item	2017.12.31			2017.1.1		
	Book Balance	Impairment provision	Book value	Book Balance	Impairment provision	Book value
Investment to subsidiary	691,982,849.76	0.00	691,982,849.76	691,982,849.76	0.00	691,982,849.76

Item	2017.12.31			2017.1.1		
	Book Balance	Impairment provision	Book value	Book Balance	Impairment provision	Book value
Investment to joint venture and affiliate enterprise	0.00	0.00	0.00	0.00	0.00	0.00
Total	691,982,849.76	0.00	691,982,849.76	691,982,849.76	0.00	691,982,849.76

(2) Investment to subsidiary

Investee company	2017.1.1	Increased in the Year	Decreased in the Year	2017.12.31	Impairment provision accrual in the Year	Impairment provision Year-end balance
Shenzhen Server	26,650,000.00	0.00	0.00	26,650,000.00	0.00	0.00
New Power Company	71,270,000.00	0.00	0.00	71,270,000.00	0.00	0.00
Zhongshan Power	410,740,000.00	0.00	0.00	410,740,000.00	0.00	0.00
Engineering Company	6,000,000.00	0.00	0.00	6,000,000.00	0.00	0.00
Weimei Power	115,319,049.76	0.00	0.00	115,319,049.76	0.00	0.00
Singapore Company	6,703,800.00	0.00	0.00	6,703,800.00	0.00	0.00
Environment Protection Company	55,300,000.00	0.00	0.00	55,300,000.00	0.00	0.00
Total	691,982,849.76	0.00	0.00	691,982,849.76	0.00	0.00

4. Operation revenue/operation cost

Item	2017		2016	
	Revenue	Cost	Revenue	Cost

Item	2017		2016	
	Revenue	Cost	Revenue	Cost
Main business	632,907,861.34	674,545,439.01	377,359,777.33	448,926,481.02
Other business	84,814,060.10	7,660,137.38	32,777,316.69	6,495,109.40
Total	717,721,921.44	682,205,576.39	410,137,094.02	455,421,590.42

5. Supplement of cash flow statement

Item	2017	2016
(1) Net profit adjusted as cash flow from operation activities:		
Net profit	10,998,997.85	1,285,104,198.43
Add: Assets for impairment	-480,710.97	-563,481,820.54
Depreciation of fixed assets, oil & gas assets and productive biological assets	11,233,088.45	10,456,274.85
Amortization of intangible assets	1,330,394.04	1,412,802.74
Amortization of long-term expenses to be amortized	0.00	0.00
Loss from disposal of fixed assets, intangible assets and other long-term assets (income listed with “-”)	453,516.81	194,564.89
Abandonment loss from fixed assets (income listed with “-”)	0.00	0.00
Loss from changes of fair value (income listed with “-”)	0.00	0.00
Financial expenses (income listed with “-”)	25,554,251.88	130,071,269.06
Investment losses (income listed with “-”)	0.00	-1,030,000,000.00
Decrease of deferred income tax assets (increased listed with “-”)	0.00	0.00
Increase of deferred income tax liabilities (decreased listed with “-”)	0.00	0.00
Decrease of inventory (increased listed with “-”)	6,687,017.68	650,121.98
Decrease of operational receivable (increased listed with “-”)	326,103,827.69	975,309,928.11
Increase of operational payable (decreased listed with “-”)	-384,591,781.95	111,997,614.77
Other	0.00	0.00
Net cash flow from operation activities	-2,711,398.52	921,714,954.29

Item	2017	2016
(2) Major investment and financing activities not involved with cash income and expenses:		
Debt transfer to assets	0.00	0.00
Convertible bonds due within one year	0.00	0.00
Financing rent-in fixed assets	0.00	0.00
(3) Net changes of cash and cash equivalent:		
Balance of cash at year-end	148,223,551.05	1,119,323,850.36
Less: balance of cash at year-beginning	1,119,323,850.36	675,408,711.65
Add: Year-end balance of cash equivalent	0.00	0.00
Less: Year-beginning balance of cash equivalent	0.00	0.00
Net increase of cash and cash equivalent	-971,100,299.31	443,915,138.71

XV. Supplementary information

1. Statement of non-recurring gains/losses

Item	2017	2016
Gains/losses from the disposal of non-current asset	-454,644.16	1,660,659,958.12
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)	4,331,837.03	-2,463,841.18
Switch-back of the impairment for receivables which have impairment test independently	1,504,310.97	0.00
Other non-operating income and expenditure except for the aforementioned items	335,919.18	-965,906.07
Subtotal	5,717,423.02	1,657,230,210.87
Impact on income tax	803,999.72	221,481,615.44

Impact on minority shareholders' equity (post-tax)	422,733.25	62,225.63
Total	4,490,690.05	1,435,686,369.80

The Group confirms the non-recurring profit and loss projects in accordance with the provisions of "Information disclosure explanatory announcement of the company with public offering of securities No. 1 - non-recurring gains and losses" (CSRC Announcement No. [2008] 43)

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	0.82%	0.03	0.03
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	0.59%	0.02	0.02