



Annual Report 2018

Notice No.: 2019-011

March 2019

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 charge 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.

Except the followed directors, other directors are attending the meeting for annual report deliberation in person

Director not personally attended	Title of the director not personally attended	Reasons for absent	Mandatory
Yu Chunling	Director	Job-related reason	Li Xinwei
Chen Zetong	Independent Director	Job-related reason	Mo Jianmin

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.

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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.
Shenzhen Shen Nan Dian Environment Protection Co., Ltd.	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
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.
Auditing institute, Ruihua CPA, Accounting Institute	Refers to	Ruihua Certified Public Accounts (Engagement Partner)
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 2018 to 31 December 2018

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.		
Legal representative	President LI XINWEI		
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.nsr.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	
Contact add.	16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong Province	
Tel.	0755-26003611	
Fax.	0755-26003684	
E-mail	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

Unified social credit code	91440300618815121H
Changes of main business since listing (if applicable)	N/A
Previous changes for controlling shareholders (if applicable)	N/A

V. Other relevant information

CPA engaged by the Company

Name of CPA	Ruihua Certified Public Accounts (Engagement Partner)
Offices add. for CPA	5-11/F, West Tower, China Oversea Property Plaza, NO. 7 Building of No. 8 West Binhe Rd., Dongcheng District, Beijing
Signing Accountants	Zhang Liping, Huang Shaoqin

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

Financial consultant	Office address	Sponsor of the consultant	Continuous supervision period
China Merchants Securities	CMS Building, No. 111, Fuhua 1 Rd., Futian District, Shenzhen	Zhan Chao, Wang Xinyu	Not less than ONE completed accounting year after the Sale of Substantial Assets completed since the target assets (each 75% equity of Zhongshan Shenzhong Real Estate Investment Property Co., Ltd. and Zhongshan Shenzhong Real Estate Development Co., Ltd. held by the Company transferred) completed its industrial & commercial registration procedures

 Applicable Not applicable

VI. Main accounting data and financial indexes

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

 Yes No

	2018	2017	Changes over last year	2016
Operating income (RMB)	1,884,937,109.00	2,045,766,831.74	-7.86%	1,574,088,977.85
Net profit attributable to	19,253,766.12	15,904,182.47	21.06%	1,306,694,835.46

shareholders of the listed Company (RMB)				
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses (RMB)	-13,515,247.29	11,413,492.42	-218.41%	-128,991,534.34
Net cash flow arising from operating activities (RMB)	236,563,160.38	196,799,855.73	20.20%	926,321,325.40
Basic earnings per share (RMB/Share)	0.032	0.026	21.06%	2.17
Diluted earnings per share (RMB/Share)	0.032	0.026	21.06%	2.17
Weighted average ROE	-0.69%	0.59%	-1.28%	-10.00%
	End of 2018	End of 2017	Changes over end of last year	End of 2016
Total assets (RMB)	3,307,148,289.92	2,883,804,392.70	14.68%	4,363,703,614.03
Net assets attributable to shareholder of listed Company (RMB)	1,977,871,851.51	1,958,618,085.39	0.98%	1,942,713,902.92

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	403,525,942.67	676,234,272.13	540,079,674.10	265,097,220.10

Net profit attributable to shareholders of the listed Company	-10,927,762.57	40,939,857.79	7,163,302.91	-17,921,632.01
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses	-11,221,495.07	40,125,867.85	5,706,327.68	-48,125,947.75
Net cash flow arising from operating activities	-69,260,605.97	121,851,240.25	182,384,779.63	1,587,746.47

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	2018	2017	2016	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	-
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)	5,124,971.79	4,331,837.03	-2,463,841.18	Government grants with assets concerned are amortized
Switch back of the impairment for receivables which has impairment test independently	-	1,504,310.97	-	-
Other non-operating income and expenditure except for the aforementioned items	37,044,913.53	335,919.18	-965,906.07	The accounts which are no need to paid are transfer to non-operating income
Less: impact on income tax	6,525,056.89	803,999.72	221,481,615.44	-
Impact on minority shareholders' equity (post-tax)	2,875,815.02	422,733.25	62,225.63	-
Total	32,769,013.41	4,490,690.05	1,435,686,369.80	--

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 Power Factory: 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, due to the impact of reducing in the price of electricity on the grid and higher requirements for environmental protection, the company faced greater pressure in its main business of electric power. In order to minimize the negative impact of the external environment on the company's operating performance, on the basis of paying close attention to safety production management, the company increased its economic operation management, complied with the constantly accelerating trend of the power market-oriented reform process in Guangdong Province, organized Zhongshan Nanlang Power Plant and Dongguan Gaobu Power Plant to actively participate in the power market marketing competition and achieved good results. In 2018, the company's subordinate power plants completed the actual on-grid electricity quantity of 2.797 billion kWh and the electricity marketing quantity of 1.473 billion kWh, totally completed electricity quantity (on-grid electricity quantity + electricity marketing quantity) of 4.27 billion kWh, with a year-on-year growth of 37.17%, there-into, Nanshan Power Factory completed 1.766 billion kWh of on-grid electricity, with a year-on-year growth of 11.98%; Zhongshan Nanlang Power Plant completed 494 million kWh of on-grid electricity, the full electricity quantity totaled 1.224 billion kWh, with a year-on-year growth of 38.46%; Dongguan Gaobu Power Plant completed 537 million kWh of electricity on the grid, the full electricity quantity totaled 1.28 billion kWh, with a year-on-year increase of 96.32%.

During the reporting period, the company not only strive to improve the operating efficiency of its main business of electric power, but also made great efforts to the operation and expansion of related businesses. The subordinate Shen Nan Dian Engineering Company continued to develop the technical consultation and technology service business for the construction of domestic and international gas turbine power stations. Shen Nan Dian Environmental Protection Company engaged in the drying treatment of wet sludge in sewage treatment plants by utilizing the waste heat generated by gas turbines, and the annual processing capacity of wet sludge was 142,000 tons, which created a new record for its production, and realized the reduction and harmless treatment of sludge and the comprehensive utilization of resources.

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes

Equity assets	N/A
Fixed assets	N/A
Intangible assets	N/A
Construction in process	The expenditures from low-nitrogen combustion system upgrading and cogeneration technical improvement increased
Monetary fund	Loans from the bank increased
Note receivable	The note receivable for project settlement declined
Account receivable	The electricity income receivable from Shenzhen Power Supply Bureau increased
Advance payment	The account paid in advance for natural gas declined in this year

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

In recent years, due to the impact of the macroeconomic situation and the common problems of gas turbine industry, the company's main business has been facing increasing difficulties and challenges. However, the basic core competitiveness formed by the operation and development for more than 20 years and the management innovations adopted by the company in the past year or so have laid the necessary foundation for the company to survive and seek transformational development.

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 "Three Meetings" operation was normative and efficient, and the internal management was streamlined and orderly. The company gave full play to the leadership of party organization and the supervision of clean governance, constantly strengthened the supervisory and auditing role of the board of supervisors and the auditing department on the standardized operation and internal control of listed companies, and effectively prevented and avoided risks while improving the efficiency of operations and decision-making.

2. Efficient operation mechanism. In response to the complicated and severe business situation in 2018, the company established and improved the "1+5" strategic roadmap, and established four major operation and management centers including power selling center, fuel center, financial center and information center to innovate the management model of production coordination and safety supervision, effectively integrate the business resources, and greatly improve the decision-making efficiency and work performance. The company's unique and effective internal management and operation mechanism dug and gave full play to the company's intrinsic potential and creativity to the maximum extent, which not only helped the company overcome the huge operational pressure in 2018 and achieve the annual target of operating profit, but also laid a good foundation for the company to meet the challenges and opportunities in 2019 and in future.

3. Dedicated backbone team. With more than 20 years of hard work and the company's influence in the gas turbine power generation industry and the company's pioneering and innovative spirit and enterprising spirit, the company has absorbed and trained a group of

technical experts and professionals in the gas turbine industry, accumulated rich experience in the construction and operation management of gas turbine power plants. On the basis of ensuring the safe and stable operation of the company's power generation equipment, we also exported technical consultation and training and other professional services. Shen Nan Dian Engineering Company 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. The company also has a group of management talents with innovative consciousness and fighting spirit, based on the principle of being highly responsible to the company, they lead all employees to make unremitting efforts for the company's continuous operation and transformation development.

Section IV. Discussion and Analysis of the Operation

I. Introduction

2018 was the opening year to fully implement the spirit of the 19th National Congress of the Communist Party of China, and it was also a crucial year for the implementation of the 13th Five-Year Plan. Striving for improvement in stability was still the chief keystone of China's economic work in 2018.

In 2018, the economic operation of Guangdong Province continued the development trend of "stable overall and some indicators slowed down". According to the statistics and analysis of relevant authorities, the province's total electricity consumption for the whole year was 632.34 billion kWh, an increase of 6.1% on a year-on-year basis; the annual electricity purchase was 599.5 billion kWh, an increase of 6.3% on a year-on-year basis; newly increased 23 units with a total capacity of 12,194,000 kilowatts. The whole province's electric power supply met the demand and the overall electricity supply was surplus. With the deepening of the reform of electric power market in Guangdong Province, the power generation has gradually changed from planned power generation to marketing-oriented production and operation mode, and the competition in the power marketing market have become more intense. In addition, in the case of a year-on-year increase in the purchase price of natural gas, the price of electricity on the grid of three power plants under the company was lowered again. According to the Notice on the Relevant Matters Concerning Reducing the On-grid Price of Natural Gas Power Generation issued by the Guangdong Provincial Development and Reform Commission, since July 1, 2018, the on-grid price of the three power plants under the company has been lowered from 0.715 yuan per kWh to 0.665 yuan per kWh (including tax), which further increased the company's operating pressure.

During the reporting period, under the guidance of the "1+5" strategic roadmap, and on the basis that a series of pioneering and innovative initiatives being implemented since August 2017 have achieved initial successes, the company's new leadership team led all employees to reform, work hard, and build dreams together, strive to find a way out in the predicament and explore opportunities in the crisis with open mind and tenacious perseverance, took feasible and effective measures to do a good job in asset management and internal management, made unremitting efforts to overcome the difficulties, and created conditions for the pursuit of transformation and development. The main tasks carried out during the reporting period were as follows:

1. Paid close attention to safety and environmental protection management, always put safety at the top of enterprise management and earnestly fulfill environmental responsibility, overcame the difficulties of old power generation equipment, achieved the goal of safety "five nos" throughout the year by strengthening the safety production responsibility system, innovating the safety production supervision mode, and implementing the whole process and all-round safety management, and the safety production indicators achieved the best results in more than a decade, actively responded to the call of the municipal government, carried out the "Shenzhen Blue" technical transformation project on schedule, strictly implemented the environmental protection requirements, and the environmental index throughout the year reached the standard.
2. Established four operation management centers: power sales center, fuel center, financial center and information center, realized the effective integration of various resources and the efficient operation of core business of the company. Among them, built a mathematical model of power trading through the power sales center and elaborately and scientifically developed power trading strategies, which significantly enhanced the competitiveness of the company's power marketing, and the total electric quantity of electricity marketing throughout the year amounted to 1.473 billion kWh. Made overall planning for the organization and coordination of fuel procurement in the company's system through the fuel center, strengthened the supply of natural gas to reduce the cost of natural gas procurement. Built a "shared pool of funds" through the financial center to strengthen the overall management of funds within the company's system, and kept up with changes in the external situation, dynamically and scientifically made financial analysis and calculation to provide decision-making basis for the company's production and operation. Built a safe and convenient basic information sharing platform through the information center to not only support the information security, but also

support and assist the operation of three business centers.

3. Developed the second gas source of Nanshan Thermal Power Plant. Overcoming the pressure of time and heavy tasks, the company completed the construction of the technical transformation project of the natural gas terminal station of Shenzhen Gas for Nanshan Thermal Power Plant in a short period of time, broadened the natural gas supply channel, and improved the stability and reliability of the gas supply, which created favorable conditions for the company to reduce the natural gas procurement cost and resist the market challenges, and effectively improved the operational efficiency of the company's stock assets.

4. Implemented the "Shenzhen Blue" technical transformation project and related technical transformation. Through technological transformation, the nitrogen oxide emission of the generator set was superior to the emission standards required by the government, which has made positive contributions to the improvement of environmental quality in Shenzhen, and at the same time kept the company's power generation equipment in a healthy operation state, which provided necessary guarantees for reducing the non-stops of the unit and for the power generation.

5. Innovated the production management mechanism. Through the establishment of the production scheduling mechanism and environmental protection project joint on-site coordination mechanism of Nanshan Thermal Power Plant, made overall planning and coordination for the power generation production, fuel supply and environmental sludge drying production of environmental protection company of Nanshan Thermal Power Plant, improved the production decision-making efficiency, and achieved the optimal sharing of production information and resources.

6. Further improved and continued to implement the "military order" assessment method. Closely focused on the company's overall strategy, aimed at maximizing the company's operating efficiency, closely linked the personal income with team benefits and company benefits together, and motivated all cadres and employees to work hard to complete and strive to outperform the annual business tasks.

7. Comprehensively deepen the reform of human resources. Further optimize the human resources allocation by perfecting the human resource management mechanism and management system so that the sense of duty of the managerial staff and the employees' aggressiveness were significantly improved to establish the necessary talent base to achieve the company's business development goals.

8. Attached great importance to standard management of internal control. According to the overall operation and deployment of the company, combined with the actual situation of the business operations, the company comprehensively teased out, reviewed and revised and improved the various management system and main work processes, which laid a management foundation for the company's efficient decision-making and rapid action and created necessary conditions for the standard operation and prevention of internal control risks.

In 2018, the general party branch of the company took the socialism with Chinese characteristics in the new era of Xi Jinping as the guidelines, focused on the spirit of the 19th National Congress and the overall requirements of party building work in the new era, actively promoted the deep integration of party building and company's operation management, and strengthened the party's organizational construction, ideological and political construction, institutional improvement and work style construction, actively implemented the requirements of comprehensively strengthening the party discipline and the relevant requirements of the party building work of state-owned enterprises, incorporated the party building work into the company's Articles of Association, and completed the general election of the party general branch committee, and realized that the posts of the general branch secretary and the president were held by one person, which fully demonstrated the core leading role of the party's leadership in the company's operation and management.

In year of 2018, the Company has achieved a revenue in operation of 1885 million Yuan, the net profit attributable to parent company amounted as 19.2538 million Yuan and basic EPS was 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					
	2018		2017		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	1,884,937,109.00	100%	2,045,766,831.74	100%	-7.86%
Industry classification					
Energy industry	1,768,441,244.50	93.82%	1,957,332,612.00	95.67%	-9.65%
Engineering service	45,701,543.76	2.42%	38,416,883.29	1.88%	18.96%
Sludge drying	64,698,909.32	3.43%	44,384,947.49	2.17%	45.77%
Other business	6,095,411.42	0.32%	5,632,388.96	0.28%	8.22%
Product classification					
Electricity sales	1,768,441,244.50	93.82%	1,957,332,612.00	95.67%	-9.65%
Engineering service	45,701,543.76	2.42%	38,416,883.29	1.88%	18.96%
Sludge drying	64,698,909.32	3.43%	44,384,947.49	2.17%	45.77%
Other business	6,095,411.42	0.32%	5,632,388.96	0.28%	8.22%
Region classification					
Domestic	1,884,937,109.00	100.00%	2,045,766,831.74	100.00%	-7.86%
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	Increase/decrease of operating cost	Increase/decrease of gross profit

				revenue y-o-y	y-o-y	ratio y-o-y
Industry classification						
Energy industry	1,768,441,244.50	1,679,314,517.30	5.04%	-9.65%	-7.11%	-2.59%
Engineering service	45,701,543.76	31,319,671.15	31.47%	18.96%	7.41%	7.37%
Sludge drying	64,698,909.32	40,161,542.67	37.93%	45.77%	8.42%	21.39%
Product classification						
Electricity sales	1,768,441,244.50	1,679,314,517.30	5.04%	-9.65%	-7.11%	-2.59%
Engineering service	45,701,543.76	31,319,671.15	31.47%	18.96%	7.41%	7.37%
Sludge drying	64,698,909.32	40,161,542.67	37.93%	45.77%	8.42%	21.39%
Region classification						

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	2018	2017	Increase/decrease y-o-y
Electric Power	Sales volume	100 million KWH	42.7	31.13	37.17%
	Output	100 million KWH	27.97	31.13	-10.15%
	Storage	100 million KWH	-	-	-

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

Applicable Not applicable

In 2018, the company set up a power sales center to elaborately and scientifically formulate the power trading strategies and coordinate the subordinate Zhongshan Nanlang Power Plant and Dongguan Gaobu Power Plant to actively participate in the power market transactions in Guangdong Province, and achieved practical results. The company achieved a total of 1.473 billion kWh of electricity marketing power throughout the year, with the addition of the actual on-grid electric quantity of 2.797 billion kWh in the year of 2018, the annual sales volume reached 4.27 billion kWh, an increase of 37.17% on a year-on-year basis.

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

Applicable Not applicable

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

No

①In January 2013, the Company signed a five-year National Gas Sale Contract with Guangdong Trade Branch of CNOOC Gas and Power Group, the contract comes to an end on 31 December 2017. 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 to renew the validity period of the above contract for one year, and the relevant contract has been completed.

②In 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, relevant contract has been completed .

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	2018		2017		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Energy industry	Power, heat supply	1,679,314,517.30	95.84%	1,807,939,570.93	96.44%	-7.11%
Engineering service	Engineering cost	31,319,671.15	1.79%	29,158,224.56	1.56%	7.41%
Other business	Sludge drying etc.	41,519,138.75	2.37%	37,465,193.45	2.00%	10.82%

In RMB

Products	Item	2018		2017		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Electricity sales	Power supplying	1,679,314,517.30	95.84%	1,807,939,570.93	96.44%	-7.11%
Engineering service	Engineering cost	31,319,671.15	1.79%	29,158,224.56	1.56%	7.41%
Sludge drying	Sludge treatment	40,161,542.67	2.29%	37,041,469.83	1.98%	8.42%
Other business	Leasing	1,357,596.08	0.08%	423,723.62	0.02%	220.40%

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)	1,860,551,385.99
Proportion in total annual sales volume for top five clients	98.71%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Shenzhen Power Supply Bureau Co., Ltd.	1,054,330,052.26	55.93%
2	Guangdong Power Grid Co., Ltd.	715,314,991.83	37.95%
3	Shenzhen Municipal Water Affairs Bureau	36,667,177.79	1.95%
4	China Machinery Engineering Corporation	27,504,147.04	1.46%
5	Shenzhen Water Group	26,735,017.07	1.42%
Total	--	1,860,551,385.99	98.71%

Other situation of main clients

Applicable Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	1,464,984,380.81
Proportion in total annual purchase amount for top five suppliers	92.33%

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	753,647,948.21	47.50%
2	Shenzhen Gas Corporation Ltd.	388,150,548.44	24.46%
3	Zhuhai Sales branch of China National Offshore Oil & Gas Corporation	150,350,760.61	9.48%
4	Dongguan Jiufeng NG Storage Co., Ltd.	104,085,123.55	6.56%
5	Shenzhen Nan Guang Power Co., Ltd.	68,750,000.00	4.33%
Total	--	1,464,984,380.81	92.33%

Other notes of main suppliers of the Company

Applicable Not applicable

3. Expenses

In RMB

	2018	2017	Increase/decrease y-o-y	Note of major changes
Sales expense	3,715,812.95	3,046,206.09	21.98%	Cost of dry sludge treatment from Shen Nan Dian Environment Protection Company (wholly-owned subsidiary) increased
Management expense	93,529,697.87	99,021,102.92	-5.55%	Reduced the expenses by cost controlling
Financial expense	39,606,243.43	53,518,125.67	-25.99%	Financial expense decreased from a year earlier due to the declined in loans

4. R&D expenses

Applicable Not applicable

5. Cash flow

In RMB

Item	2018	2017	Y-o-y changes
Subtotal of cash in-flow from operation activity	2,228,506,103.32	2,842,226,576.52	-21.59%
Subtotal of cash out-flow from operation activity	1,991,942,942.94	2,645,426,720.79	-24.70%
Net cash flow from operation activity	236,563,160.38	196,799,855.73	20.20%
Subtotal of cash in-flow from investment activity	284,400.00		100.00%
Subtotal of cash out-flow from investment activity	152,775,247.81	66,604,848.94	129.38%
Net cash flow from investment activity	-152,490,847.81	-66,604,848.94	128.95%
Subtotal of cash in-flow from financing activity	1,551,000,000.00	740,290,000.00	109.51%
Subtotal of cash out-flow from financing activity	1,132,043,516.39	1,847,970,120.16	-38.74%
Net cash flow from financing activity	418,956,483.61	-1,107,680,120.16	-137.82%

Net increased amount of cash and cash equivalent	503,343,234.63	-977,868,950.79	-151.47%
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Main reasons for y-o-y major changes in aspect of relevant data

Applicable Not applicable

1. Cash in-flow from operation activity has 21.59% declined over that of last year, mainly due to the declined of on-grid electricity in the year, and electricity revenue decreased for tariff reduction;
2. The cash outflow from operation activities has 24.70% down from a year earlier, mainly because the NG was settled by Letter of Guarantee instead of advance payment in this year, and the cash for NG purchasing declined due to the reduction of power consumption;
3. Net cash flow from operation activity has 20.20% up from a year earlier, mainly because the NG payment and enterprise income tax paid in the year declined;
4. The cash inflow from investment activities has an increase of 100% for collecting the cash from fixed assets disposal;
5. Cash out-flow from investment activity increased 129.38% from a year earlier, mainly because the expenditures from low-nitrogen combustion system upgrading and cogeneration technical improvement increased in this year;
6. The net cash flow from investment activities increased by 128.95% on a y-o-y basis, mainly because the expenditures from low-nitrogen combustion system upgrading and cogeneration technical improvement increased in this year;
7. The cash inflow of financing activities increased by 109.51% from a year earlier, mainly because more loans occurred in this year;
8. The cash outflow of financing activities declined by 38.74% from a year earlier, mainly because the money pay back in the Year declined;
9. Net cash flow from financing activity increased 1526.6366 million Yuan over that of last year, mainly because the net financing amount increase from last year;
10. Net increased amount of cash and cash equivalent has 1481.2122 million Yuan increased on a y-o-y basis, mainly because the net cash flow from operation and financing activities are increased in this year

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 (Y/N)
Investment income	-2,205,628.45	-7.75%	Income from long-term equity investment measured by equity	Y
Assets impairment	385,343.65	1.35%	Provision for bad debts	N
Non-operating income	39,264,446.03	138.02%	Account payable that no need to pay	N
Non-operating expenditure	1,141,532.50	4.01%	Loss from non-current assets disposal	N

IV. Assets and liability

1. Major changes of assets composition

In RMB

	End of2018		End of2017		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	925,829,404.44	27.99%	438,316,169.81	15.20%	12.79%	Bank borrowing increased
Account receivable	132,430,024.97	4.00%	113,349,775.76	3.93%	0.07%	The electricity income receivable from Shenzhen Power Supply Bureau increased
Inventory	124,758,334.97	3.77%	77,834,903.89	2.70%	1.07%	The equipment of low nitrogen combustion system increased
Investment property	2,606,302.71	0.08%	2,802,440.31	0.10%	-0.02%	-
Long-term equity investment	16,049,044.95	0.49%	18,254,673.40	0.63%	-0.14%	-
Fix assets	1,405,649,989.24	42.50%	1,420,620,565.05	49.26%	-6.76%	Total assets increased in the period
Construction in process	82,348,008.39	2.49%	50,958,741.92	1.77%	0.72%	The expenditures from low-nitrogen combustion system upgrading and cogeneration technical improvement increased
Short-term loans	1,000,000,000.00	30.24%	515,850,000.00	17.89%	12.35%	Bank borrowing increased
Long-term loans	25,940,000.00	0.78%	25,940,000.00	0.90%	-0.12%	-

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
0.00	1,300,000.00	0.00%

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	Main business	Registe r capital	Total assets	Net assets	Operating revenue	Operating profit	Net profit

Shenzhen New Power Industrial Co., Ltd.	Subsidiary	Technology development regarding to application of remaining heat (excluding restricted items) and power generation with remaining heat. Add: power generation through burning machines.	RMB 113.85 million	187,870,629.90	157,884,013.68	401,903,866.29	-14,492,458.68	-9,055,748.95
Shenzhen Shen Nan Dian Environment Protection Co., Ltd.	Subsidiary	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	RMB 79 million	138,768,896.83	111,262,274.76	64,698,909.32	20,466,326.32	15,523,546.78

		approved before registration by laws, administrative regulations, or decisions and stipulation of the State Council, the restricted items must be approved before operating)						
Shenzhen Shennandian Turbine Engineering Technology Co., Ltd.	Subsidiary	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	43,198,937.89	27,799,037.89	45,701,543.76	9,400,410.35	9,515,599.73
Shenzhen Server Petrochemical Supplying Co., Ltd	Subsidiary	Self-supporting or import agent business of fuel oil; trade (excluding production and storage and	RMB 53.3 million	128,361,637.07	98,434,643.73	1,138,647.65	1,583,795.56	710,159.34

	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 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);						
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		general freight transport, special transportation of goods (containers), special transportation of goods (tank)						
Shen Nan Dian (Zhongshan) Electric Power Co., Ltd.	Subsidiary	Gas turbine power generation, waste heat power generation, power supply and heating (excluding heating pipe network), leasing of wharf and oil depots (excluding refined oil, dangerous chemicals, or flammable and explosive goods).	RMB 746.8 million	653,058,346.46	-94,994,875.49	342,354,122.68	-32,567,118.56	-32,577,118.56
Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd	Subsidiary	Construction and operation of natural gas power stations, construction and operation of natural gas cogeneration power plants.	US \$ 35.04 million	592,982,762.52	98,391,400.62	373,748,319.27	-11,342,218.89	-2,135,324.42
Shen Nan Energy (Singapore) Co., Ltd.	Subsidiary	Agent for oils trade and spare parts of gas turbine	US \$ 0.9 million	150,029,402.25	147,387,763.53	0	-194,310,732.06	-194,310,732.06
CPI Jiangxi Nuclear Power	Joint stock Company	The development, construction, operation and	RMB 1167.27 million	3,735,857,714.34	1,200,206,072.67	19,021,431.18	5,129,688.84	5,149,688.84

Company	management of nuclear power projects; the production of 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)						
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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) Brief analysis of macroeconomic situation and industry trends

2019 is the 70th anniversary of the founding of New China, and is a crucial year for the first century-long goal of building a well-off society in an all-round way. Facing the complicated international environment and the arduous and burdensome domestic reform and development and stability tasks, the Central Economic Work Conference proposed to adhere to the general tone of steady progress, adhere to the new development concept, persist in promoting the high-quality development, and adhere to taking the supply-side structural reform as the main line, persist in deepening the market-oriented reforms, and expand the high-level openness. Coordinate the promotion of steady growth, promote the reform, adjust the structure, benefit the people's livelihood, and prevent risks, and maintain the economic operation in a reasonable range.

In 2019, the total electricity consumption in Guangdong Province is estimated to be 663.5 billion kWh, an increase of 5.0% over 2018, the demand for electricity purchases is 628 billion kWh, an increase of 5.0% over 2018; the maximum load of the whole province is 118 million kilowatts, an increase of 8.3% over 2018. In 2019, the company plans to newly put into operation a total power-generating installed capacity of 7.414 million kilowatts (nuclear electricity of 2.836 million kilowatts, and gas electricity of 4.578 million kilowatts), and the decommissioned installed capacity of 1.1 million kilowatts. According to the "West-to-East Power Transmission Project" provincial-level intergovernmental framework agreement and the purchase of electricity from Xinjiang and other plans, it is predicted that the total amount of purchased electricity in 2019 will be approximately 191.3 billion kWh, which is basically the same as the same period of last year. With the acceleration of the power market reform, the market share of electricity in Guangdong Province will reach 50% in 2019, and the company's subsidiary Nanshan Thermal Power Plant will also participate in the Guangdong power market transactions. In addition, the implementation of spot trading in the electricity market in Guangdong

Province is imminent, under the current condition that the natural gas price is high and the price of on-grid electricity has been lowered by 0.05 yuan/kWh since July 1, 2018, the company's existing main business is facing a more severe business situation. .

(II) Summary of the company's annual business plan for 2019

In 2019, the company will continue to face the challenges of the macroeconomic situation and the external market environment under the guidance of the “1+5” strategic roadmap, comply with the comprehensive planning of Dawan District and the development trend of Qianhai area, and overcome the difficulties faced by the operation of the stock assets, explore opportunities in a dangerous situation, seek transformation under the predicament, work together, follow the trend, work hard, and look forward to tomorrow.

In 2019, the company will focus on the following aspects:

1. Strengthen safety management and implement environmental responsibility. First, conscientiously implement the principle of “safety first, prevention first, comprehensive management”, strictly carry out the entity responsibility of safety production and the safety production responsibility system for all employees, and further improve the safety production supervision system and guarantee system. Second, strengthen the “zero non-planned outages” high standard safety index management, implement the safety production grid management, promote the safety production pre-management and process management and control, continue to strengthen the peripheral management and dynamic assessment, and prevent all kinds of accidents. Third, build a full staff, all-round and all-weather security patterns, strive to create an all-around security situation of production, operation, management, etc., ensure the realization of the annual safety “five nos” and the capital chain security. Fourth, do a good job in environmental protection and strictly control emission targets to ensure the goal of achieving a blue card in the environmental credit evaluation.
2. Optimize standard operation and improve governance level. First, further improve the corporate governance structure and modern enterprise management system of listed companies, persist in managing enterprises according to law and standardize operations. Second, do a good job in information disclosure in accordance with the laws and regulations, strengthen the inside information management and conscientiously implement the insider registration system of inside information, and further improve the level of investor relations management and protect the interests and the legitimate rights and interests of investors. Third, keep up with changes in the policy situation, launch propaganda and training on relevant laws, regulations and policies in multiple channels, and strengthen the risk awareness and legal awareness of management personnel at all levels and all employees, and further improve the level of legal governance and standard operation. Fourth, it is necessary to adapt to the new development situation, optimize and innovate the system, and create a more standardized, orderly, efficient, and streamlined working mechanism and management culture. Fifth, further optimize the organizational structure, shorten the decision-making chain and improve the efficiency of operations by establishing a flat organization and implementing intensive management.
3. Strengthen the party building work and play the core role. First, improve the construction of grassroots party organizations in accordance with the Constitution of the Communist Party of China and the Regulations on the Work of the Communist Party of China, and carry out the election at expiration of office terms. Second, continue to study and implement the spirit of the 19th National Congress of the Communist Party of China, and adopt the socialism with Chinese characteristics in the new era of Xi Jinping as the guidelines, grasp the implementation of the responsibility system for party building, and give play to the political core role of the party organization. Third, adhere to the “Three Meetings One Class” system, and continue to promote the “Two Studies and One Does” and “Study strengthens the country” to make learning and education normalization and institutionalization. Fourth, enhance the core leadership of the party organization, give play to the role of the party organization as a fighting bastion, and achieve the goal of promoting business by promoting party building.
4. Pay close attention to the main business and activate the stock assets. First, pay close attention to the production, operation and management of the main business of power generation. Under the circumstances that the power marketization degree is deepening, further enhance the company's power marketing capabilities, and combine with the fuel price trend to seriously study and formulate the company's economic power generation strategy, and strive to maximize the benefits of the main business. Second, make full use of the advantage that all power plants in the company's system have achieved multiple gas sources, dynamically formulate the natural gas procurement strategies based on the power plan and the trend of natural gas prices, and minimize the cost of fuel procurement while meeting the needs of power-generating and gas-using. Third, strengthen the overall management of funds and the budget management, adopt diversified approaches to expand financing channels, reduce financial costs, and control the risk of funds;

Fourth, further improve the company's financial analysis and coordination management level, use scientific financial analysis to provide basis for the company's business decision-making, and improve the company's economic operation level. Fifth, strengthen the support of the environmental protection industry, strive to develop in diversified ways, and promote the social benefits of the sludge drying industry while striving to achieve the sharing of economic benefits.

5. Seek opportunities for development and expand living space. First, tease out and analyze the status of stock assets, and explore ways to optimize the establishment and management. Second, carefully study relevant industrial policies, regulatory policies and industry dynamics, and achieve effective paths of industrial transformation and upgrading through the optimization and adjustment of equity and asset structure, and the innovation of operation and management models. Third, comply with the new normal of economic development, take advantage of the capital platform of listed companies, actively and cautiously seek new projects and development opportunities, explore diversified development models and transformation directions, and seek sustainable management and healthy growth of the company.

6. Improve incentive mechanism and improve work performance. The first is to further improve the remuneration and incentive mechanism, and formulate incentive targets and rewards and punishments in a targeted manner so that the limited remuneration can play a greater incentive role and provide motivation for the company's operation and development. The second is to continue to optimize and implement the "military order" assessment and incentive mechanism, strengthen the target responsibility system, improve the performance management system, and promote the continuous improvement of the overall performance level. The third is to continue to deepen the human resources reform, continue to optimize the allocation of human resources, and strengthen the construction of contingent of cadres and the cultivation of reserve talents so as to make necessary talent reserves for the company's sustainable operation and development.

7. Focus on Qianhai planning and protect the company's interests. First, it is necessary to track and study the Qianhai regional planning and related policy dynamics, deeply analyze the impacts and opportunities that the implementation of Qianhai planning may bring, maintain communication with relevant functional departments of Shenzhen and the Qianhai Authority, and study and formulate coping strategies and work program. Second, carry out various tasks in accordance with the standardization requirements of listed companies with the participation and cooperation of legal consultants, and fulfill the necessary decision-making approval procedures and information disclosure obligations to maximize the protection of the interests of the company and all shareholders and the legitimate interest of employees.

The business plan and related situation analysis described in this report do not constitute the company's performance commitment to investors. The company reminds investors to maintain sufficient risk awareness and understand the difference between business plan and performance commitment and make prudent investment decision making.

(III) Possible main risks

1. Main business: Since July 1, 2018, the on-grid price of the three power plants under the company has been adjusted from 0.715 yuan/kWh to 0.665 yuan/kWh, and the company's subsidiary Nanshan Thermal Power Plant is included in the marketization power generation subject in 2019 and will participate in the power marketing work in Guangdong Province. Under the condition that the natural gas price is still high, the main business of power generation is in a difficult situation, and the company faces enormous operational pressure in 2019. The company will actively communicate with relevant provincial and municipal government departments to respond the difficulties of enterprises and seek government support, and will strive to improve the profitability and overall operating efficiency of the main business by strengthening the operating management of the stock assets. At the same time, the company will actively explore diversified business models and transformational development opportunities to create better conditions for the company's sustainable operation and healthy development.

2. Safety production: The power generation equipment of the company's subordinate power plants have various degrees of aging, potential malfunction and safety risks increase year by year, which make higher requirements on the equipment management and maintenance investment, in addition, the aging problem of the company's employees becomes increasingly obvious, so the company's safety management faces big challenges. 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 and ensure the production safety.

3. Fuel procurement: The conflict between the price marketization of natural gas used for power generation in 9E gas turbine power plants and the electricity selling price priced by the government cannot be resolved in the short term. Affected by many factors such as the international situation and the gas source, the purchase price of natural gas has remained high, additionally, the two consecutive reductions in the price of electricity have put a lot of pressure on the company's production and operation; with the upcoming spot trading in the electricity market in Guangdong Province, the uncertainty of the company's power generation plan will further increase, and there are conflicts with the planning required by the fuel purchase, which may lead to the case that the gas volume in the contract cannot be fully delivered, or there may be cases that the contract gas volume cannot meet the supply. The company will continue to take advantage of the scale procurement and the regulatory functions of multi-gas sources, and do its utmost to reduce the cost of natural gas procurement while ensuring it meets the power production needs.

4. Land of Nanshan Power Plant: The Comprehensive Planning of China (Guangdong) Pilot Free Trade Zone Shenzhen Qianhai Shekou Area and the Surrounding Area of Big and Small Nanshan issued by the Urban Planning and Land Resources Committee of Shenzhen at the end of 2018 and the Guangdong, Hong Kong and Macao Dawan District Development Plan issued by the State Council of the People's Republic of China in February 2019 respectively include the contents of "accelerating the relocation of Yueliangwan Power Plant and Nanshan Thermal Power Plant" and "accelerating the development and construction of Shenzhen Qianhai, Guangzhou Nansha, Zhuhai Hengqin and other major platforms". The company will closely maintain communication with the relevant functional departments of Shenzhen and Qianhai Authority, actively follow up the progress of the implementation of relevant government plans, and work closely with legal counsel to study the related situation of the land of Nanshan Thermal Power Plant, study and formulate coping strategies and work plans, and do their best to safeguard the legitimate rights and interests of listed companies and all shareholders.

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
28 March 2018	Field research	Individual (10)	Continuous operation of the Company, relevant lands issues of Nanshan Power Factory and future development ideas etc. no material required
26 December 2018	Field research	Individual (9)	Continuous operation of the Company, relevant lands issues of Nanshan Power Factory and future development ideas etc. no material required
Jan.-Dec. 2018	Reply on interaction easily	Individual (30)	Continuous operation of the Company, relevant lands issues of Nanshan Power Factory and future development ideas

			etc. Written reply
Jan.-Dec. 2018	Telephoning	Individual (Dozens of times)	Continuous operation of the Company, relevant lands issues of Nanshan Power Factory and future development ideas etc. no material required
Reception (times)		32(telephone and written communication excluded)	
Number of hospitality		0	
Number of individual reception		49	
Number of other reception		0	
Disclosed, released or let out major undisclosed information		N	

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 2016, audited by Ruihua Certified Public Accounts (Engagement Partner) , 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 session of the 7th BOD (No.: 2017-007) published on *China Securities Journal, Securities Times, Hong Kong Commercial Daily* and Juchao information website dated 28 March 2017.)
2. In 2017, audited by Ruihua Certified Public Accounts (Engagement Partner) , 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 session of 8th BOD (No.: 2018-003) published on *China Securities Journal, Securities Times, Hong Kong Commercial Daily* and Juchao information website dated 22 March 2018.)
3. In 2018, audited by Ruihua Certified Public Accounts (Engagement Partner) , the net profit attributable to shareholders of listed Company for year of 2018 amounting as RMB 19,253,766.12. 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 4th session of 8th BOD (No.: 2019-008) published on *China Securities Journal, Securities Times, Hong Kong Commercial Daily* and Juchao information website dated 28 March 2019.)

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

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 of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Proportion for cash bonus by other ways(i.e. share buy-backs)	Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Total cash bonus (including other ways)	Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement
2018	0.00	19,253,766.12	0.00%	0.00	0.00%	0.00	0.00%

2017	0.00	15,904,182.47	0.00%	0.00	0.00%	0.00	0.00%
2016	0.00	1,306,694,835.46	0.00%	0.00	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 Article of Association 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 2018, the reasons as below:</p> <p>In 2018, the company continued to follow the “1+5” strategic roadmap and implemented a series of operation and management innovation initiatives. We controlled the cost of power generation fuel in the company’s system to the limit by developing fuel supply channels, maximized the marketing revenue of power market by strengthening the economic operation management of the main business of electric power and by formulating the power marketing strategies; realized the year-on-year growth of non-electrical business by taking serious measures to the operating management of non-electrical business, thus achieved a net profit of RMB 19,253,800 belonging to the shareholders of listed companies. However, due to the adverse factors such as the reduction of on-grid electricity, lowering of electricity prices and</p>	<p>We still have huge pressure in operation thought the Company achieved earnings in 2018. Therefore, the retained profit 679,429,935.81 Yuan will supplying the current funds and using for routine operation in order to achieved the business target</p>

rising fuel prices, the company's main business income decreased on a year-on-year basis, and the company still faces difficulties in continuing operations. In 2019, with the acceleration of power market-oriented reform, Nanshan Thermal Power Plant will participate in the power market transaction in Guangdong Province, in addition, the spot trading of the power market in Guangdong Province will be implemented soon, under the current unfavorable conditions of high natural gas prices and reduction of on-grid electricity prices, the company will face even more severe business situation. In 2019, the company will continue to take the overall goal of "turning losses and getting rid of poverty, transforming development, and deepening reforms" as the guidelines, do a good job in the management of stock assets, actively seek effective ways to achieve healthy and sustainable development, and continue to work hard to thoroughly get rid of business difficulties.

The Company is still faced with great operation pressure, so the company is unable to meet the requirements on the profit distribution condition made in the Article of Association. Therefore, the Company shall not distribute profits for the year of 2018.

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 actual controller, shareholders, related parties, acquirer and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

Applicable Not applicable

There was no commitments that the actual controller, shareholders, related parties, acquirer and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of the reporting period

2. Concerning assets 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 “Modified Audit Report” 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

Change of accounting policies arising from adoption of new Business Accounting Standards and amendment on other laws and regulations

The Notice of the Ministry of Finance on Revising and Printing the Format of Financial Statements for General Enterprises in 2018 (CK [2018] No.15)(hereinafter referred to as New Format of Financial Statement) was issued on 15 June 2018 by Ministry of Finance. The New Format of Financial Statement mainly consolidates and presents some items in the balance sheet. The R&D expenses“ originally under the list of “Administrative expenses” in Profit Statement will present independently, new item of “R&D expenses” newly presenting the expenses occurred during the research and development in Company.

In accordance with the Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements and other relevant regulations, the Company adopted the retrospective adjustment method for this accounting policy change, and the comparative financial statements of 2018 & 2017 have been re-stated. There is no impact on the 2017 annual consolidated financial statements or on the profit and loss items related to the parent company’s financial statements.

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

No changes in consolidation statement scope during the period

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

Accounting firm appointed

Name of domestic accounting firm	Ruihua Certified Public Accounts (Engagement Partner)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	90
Continuous life of auditing service for domestic accounting firm	6
Name of domestic CPA	Zhang Liping, Huang Shaoqin
Continuous life of auditing service for domestic CPA	3

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 Accounts (Engagement Partner) was appointed as the internal control auditing authority of the Company for year of 2018 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 arbitration of the Company

Applicable Not applicable

No significant lawsuits and arbitration occurred in the period

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

Applicable Not applicable

Contact of related credit and debt without operational concerned

Yes No

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 Environme nt Protection Company	Subsidiary	Routine current account	N	1,275.39	1,137.67	1,842.71	-	-	570.35
Shen Nan Dian Dongguan Company	Subsidiary	Routine current account	N	28,809.47	43,780	30,920.69	5.20%	1,921.7	43,590.48
Shen Nan Dian Zhongshan Company	Subsidiary	Routine current account	N	60,793.38	26,247.54	30,195.09	5.20%	3,275.13	60,120.96
Shen Nan Dian Engineering Company	Subsidiary	Routine current account	N	134.96	221.95	134.96	-	-	221.95
Singapore Company	Subsidiary	Routine current account	N	147.71	4.48	-	-	-	152.19
Influence on business performance and financial status of the Company from related creditor's rights				Current assets 134.9502 million Yuan 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)	Repayment amount in the period (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Ending balance (10 thousand Yuan)
New Power Company	Subsidiary	Routine current	6,380.34	72,948.34	74,248.46	-	-	5,080.21

		account						
Server Company	Subsidiary	Routine current account	7,000	-	277.86	3.92%	277.86	7,000
Syndisome Company	Subsidiary	Routine current account	361.77	45.15	26.39	-	-	380.54
Influence on business performance and financial status of the Company from related debts	Current liability -12.8136 million Yuan increased in the Period							

5. Other major related transactions

Applicable Not applicable

No other major related transactions occurred in the period

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

Explanation on trust

In accordance with the “Assets (Generator Sets) Custody Operation Contract of Shenzhen New Power Industrial Co., Ltd.” signed with the New Power Company, the Company entrusted with management for the generator assets owned by New Power Company (wholly-owned subsidiary of the Company). During the reporting period, the Company received an assets custody services of 14.5206 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)	Guarante e for related party (Y/N)
Total approving external guarantee in report period (A1)		0		Total actual occurred external guarantee in report period (A2)		0		
Total approved external guarantee at the end of report period (A3)		0		Total actual balance of external guarantee at the end of report period (A4)		0		
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)	Guarante e for related party (Y/N)
Shen Nan Dian Zhongshan Company	28 March 2017	4,400	27 May 2017	2,594	General assurance	5-year	N	Y
Shen Nan Dian Zhongshan Company	22 March 2018	5,000	9 July 2018	1,034	General assurance	One year	N	Y
Shen Nan Dian Zhongshan Company	22 March 2018	20,000	29 Dec. 2018	10,000	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	28 March 2017	10,000	25 July 2017	0	General assurance	2-year	N	Y
Shen Nan Dian Dongguan Company	22 March 2018	12,000	3 July 2018	0	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	22 March 2018	4,000	24 Dec. 2018	4,000	General assurance	One year	N	Y
Total amount of approving guarantee for subsidiaries in report		41,000		Total amount of actual occurred guarantee for subsidiaries in report period		15,034		

period (B1)	(B2)							
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)	55,400	Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)						
Guarantee of the subsidiary 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)	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 above-mentioned guarantee)								
Total amount of approving guarantee in report period (A1+B1+C1)	41,000			Total amount of actual occurred guarantee in report period (A2+B2+C2)	15,034			
Total amount of approved guarantee at the end of report period (A3+B3+C3)	55,400			Total balance of actual guarantee at the end of report period (A4+B4+C4)	17,628			
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)	8.91%							
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)	17,628							
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)	17,628							
Explanations on possibly bearing joint and several liquidating	N/A							

responsibilities for undue guarantees (if applicable)	
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'00 00)(if any)	The assessed value of the assets involved in the contract(RMB'00 00)(if any)	Name of the evaluation organization(if any)	The base date evaluation (if any)	Principles	Bargain price(RMB'00 00)	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	Natural Gas	The master agreement signed on 15		N/A			Composed of natural gas prices, the cost	Composed of natural gas prices, the cost	N	Not applicable	Relevant contract has been compl	Released on 15 Dec. 2012 and 2012	Notice No.: 54 and 2017-054. The

	Group, Guangdong/ Zhuhai Sales Branch of CNOOC Gas and Power Group	Jan. 2013 and runs until 31 Dec. 2017. The two parties entered into a supplemental agreement on 22 Aug. 2017, and renewing the validity of the master agreement for one year					the cost of integrated services and tax	of integrated service		eted	on 22 Aug. 2017	“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 Nan Dian Dongg uan Compa ny	Guangdong Trade Branch of CNOOC Gas and Power Group	Natu ral Gas	21 Dec. 2013		N/A		Com posed of natural gas prices, the cost of cost of integrated	Compo sed of natural gas prices, the cost of integrated service	N	Relevant contract has been completed	Released on 30 Nov. 2013	Notice of Major Contract (Notice No.: 2013-044) release

							servi ces and tax	s and tax						on China Securiti es Journal , Securiti es Times, Hong Kong Comme rcial Daily and Juchao Website
Shen Nan Dian Zhong shan Compa ny	Zhuhai Trade Branch of CNOOC Gas and Power Group	Natu ral Gas	31 May 2014		N/A		Com posed of natural gas prices, the cost of integra ted servi ces and tax	Compo sed of natural gas prices, the cost of integra ted servi ces and tax		The relevant contract N	Relea sed on 25 April 2014	Notice of Major Contrac t (Notice No.: 2014-0 30) release d on China Securiti es Journal , Securiti es Times, Hong Kong Comme rcial Daily and Juchao Website		

The Company, New Power Company	Shenzhen Gas Corporation Ltd.	Natural Gas	14 May 2018	N/A	The contract is a framework, agreement, price of the NG will decide through consultation by supplemental agreement between the two parties	The contract is a framework, agreement, price of the NG will decide through consultation by supplemental agreement between the two parties	N	Not applicable	The relevant contract is now in operation	Failure to meet specific disclosure requirements

XVIII. Explanation on other significant events

1. Fulfill the social responsibility

In 2018, while striving to achieve the profitability, the company also attached great importance to the social responsibilities and earnestly fulfilled its social responsibilities, and made unremitting efforts in the legal governance, standardized operation, safety production, environmental protection, and employee care, and devoted to the healthy and harmonious development of enterprises and employees, enterprises and society, and enterprises and 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. At the same time, the company actively implemented the relevant requirements of the party building work of state-owned enterprises, incorporated the party building work into the company's Articles of Association, and gave full play to the core leading role of party leadership in the company's operation and management. 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 improved and revised eight corporate governance systems and more than twenty basic management systems and related business processes of the Articles of Association and Rule of Procedure of Shareholders' Meeting by combining the changes in relevant laws and regulations and its own operation, management and development needs. At the same time, continued to strengthen the overall budget management, continued to optimize the risk management and internal control, further strengthened internal audit and special auditing effort, timely took effective measures to solve the discovered problems, and strive to improve 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; Strengthened the all-round safety management concept and safety awareness at all levels, and strengthened the "zero non-stop", dynamic assessment and terminal management through innovative safety production supervision mode, which strictly prevented all kinds of accidents, and realized the "jumping" progress in safety production indicators and the company's best safety management achievements in the past ten years.

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" and above rate at the annual environment credit rating for year of 2017. All the working targets for environment issues have been achieved for the year. In 2018, the company actively implemented the "Shenzhen Blue" sustainable action plan formulated by the Shenzhen Municipal Government, and completed the upgrading and transformation of the low-nitrogen combustion system of the #10 gas turbine and #3 gas turbine of Nanshan Thermal Power Plant within the prescribed time limit. The nitrogen oxide emission value after transformation was superior to the 15mg/m³ emission standard required by the government, which has made positive contributions to the improvement of ambient air quality in Shenzhen. In addition, under the severe situation that the central environmental protection inspection team implemented the strict "looking back" supervision and some non-standard sludge treatment enterprises were exposed and discontinued successively, the company's subordinate Shennandian Environmental Protection Company maintained the normal production due to the strict implementation of environmental management, which greatly eased the sludge disposal pressure in Shenzhen and fulfilled its social responsibilities to the utmost extent.

5. Care for employees: The company strictly abide by the Labor Law, Labor Contract Law and other relevant laws and regulations, listened to the employees' opinions on the employees' labor contract, work attendance, vacation, welfare and other human resource management system concerning the employees' vital interests through the staff representative meeting so as to protect the legitimate rights and interests of employees in accordance with the law; deepened the human resources reform, further optimized the allocation of human resources, and provided platforms for more grassroots employees to grow professionally and exert value; improved the overall quality and professional level of employees at all levels through diversified training; actively advocated the cultural concept of "passionate work, happy life", strive to create a harmonious and enterprising working atmosphere, and strengthened the corporate cohesion and centripetal force by strengthening corporate culture propaganda; cared for employees' physical and mental health, organized useful cultural and sports activities, and carried out a series of heart-winning projects which improved the happiness and satisfaction of employees, and actively built a harmonious labor-management 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 Power Factory	<15 mg/m ³	Implementation of "Shenzhen Blue" emission standard<15 mg/m ³	260.4 ton	457.5 ton	0
Shenzhen New Power Industrial Co., Ltd.	Oxynitride	Concentrate emission from boiler uptake	1	In plant area of Nanshan Power Factory	<15 mg/m ³	Implementation of "Shenzhen Blue" emission standard<15 mg/m ³	130.2 ton	228.75 ton	0
Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd	Oxynitride	Concentrate emission from boiler uptake	2	In plant area of Gaobu Power Plant	<25 mg/m ³	GB13223	69.2 ton	438.9 ton	0
Shen Nan Dian (Zhongshan) Power Co., Ltd.	Oxynitride	Concentrate emission from boiler uptake	2	In plant area of Nanlang Power Plant	<25 mg/m ³	GB13223	61.83 ton	324.50 ton	0

Construction and operation of the facilities preventing and controlling pollution

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

Environmental impact review and other environment protection administrative licensing

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

Emergency plan for abrupt environmental accidents

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

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

Other information need for released

Nil

Relevant environmental protection information

Nil

XIX. Other important events

Applicable Not applicable

1. T102-0011, T102-0155 land related matters. During the reporting period, the Company closely tracked the situation of the comprehensive planning of the Qianhai Shekou Free Trade Zone and the work dynamics of the Shenzhen Municipal Government and other relevant departments. In March 2018, the company and the special legal consultants gave the reply to the Notice of Public Participation in the Social Stability Risk Analysis of the Yueliangwan Avenue Rapid Reconstruction Project issued by the Shenzhen Municipal Transportation Committee, which proposed comments and suggestions on the significant impact that the project construction may make on the company and its subsidiaries. In view of the fact that the company did not receive any reply about the Statement of Objections to the Comprehensive Planning of Qianhai Shekou Free Trade Zone submitted by the company on August 10, 2017 to the Urban Planning and Land Resources Committee of Shenzhen, in April 2018, the company once again submitted an application for revising the comprehensive planning of Qianhai Shekou Area to the Urban Planning and Land Resources Committee of Shenzhen, reaffirming the possible impact of the planning on the company, and proposing to modify the contents involving the company's land in the planning. In August 2018, the Urban Planning and Land Resources Committee of Shenzhen announced the Land Preparation Plan of Shenzhen in 2018, the 2018 annual land preparation plan of Qianhai cooperation zone still included the land parcel belonging to the company's subordinate Nanshan Thermal Power Plant. In December 2018, the Urban Planning and Land Resources Committee of Shenzhen published the Comprehensive Planning of China (Guangdong) Pilot Free Trade Zone Shenzhen Qianhai Shekou Area and the Surrounding Area of Big and Small Nanshan (Hereinafter referred to as "Comprehensive Planning") on its other public numbers. The Article 92 of the Comprehensive Planning includes "accelerating the relocation of Yueliangwan Power Plant and Nanshan Thermal Power Plant" and other contents. The company timely fulfilled its information disclosure obligations after obtaining the above information through public channels of Urban Planning and Land Resources Committee of Shenzhen. The company will continue to actively carry out relevant work with the participation and cooperation of legal counsel, closely track the comprehensive planning of the Qianhai Shekou Free Trade Zone, do its utmost to safeguard the rights and interests of the company's shareholders and employees, and fulfill the information disclosure obligations according to law. (For details, please refer to the Notice on the Land Preparation Plan of Shenzhen in 2018 Published by the Urban Planning and Land Resources Committee of Shenzhen and the Notice on the Comprehensive Planning of China (Guangdong) Pilot Free Trade Zone Shenzhen Qianhai Shekou Area and the Surrounding Area of Big and Small Nanshan Published by the Urban Planning and Land Resources Committee of Shenzhen (Notice No.: 2018-022 & 2018-034) disclosed on China Securities Journal, Securities Times, Hong Kong Commercial

Daily and www.cninfo.com.cn by the company.

2. “Shenzhen Blue” technical improvement: In April 2018, the Shenzhen Municipal Government issued the Notice of the General Office of the Shenzhen Municipal People’s Government on Printing and Distributing the “Shenzhen Blue” Sustainable Action Plan in 2018, and clarified that the whole city’s seven gas-fired power plants would be supervised and urged to respectively complete the upgrade of low-nitrogen burners or the transformation of flue gas denitrification of more than one gas turbine set before October 31, 2018. From November 1st, 2018, the gas turbine sets that have not completed low-nitrogen burner upgrade or flue gas denitrification transformation should not be dispatched to generate electricity. Thereafter, in September 2018, the Shenzhen Human Settlement Committee issued the Notice of the Municipal Human Settlement Committee and the Municipal Finance Committee on Printing and Distributing the “Shenzhen Atmospheric Environmental Quality Improvement Subsidy Measures (2018-2020)”, and clarified the subsidy standards for power generation companies. According to the above documents, the company completed the upgrade and transformation of the low-nitrogen burners of two 9E gas turbine sets respectively from Nanshan Thermal Power Plant and Shenzhen New Power Industrial Co., Ltd. before October 31st, the nitrogen oxide emission value after transformation is superior to the emission standard of 15mg/m³ required by the government. The upgrade and transformation project of the remaining one 9E gas-turbine set in Nanshan Thermal Power Plant is being implemented. At present, the first batch of subsidies of the Shenzhen Human Settlement Committee amounting to RMB 32.88 million has been transferred, and the company will actively follow up the implementation of the government’s follow-up subsidies. (For details, please refer to the Notice About Received the Notification of Shenzhen Municipal People’s Government on Printing and Issuing the 2018 “Shenzhen Blue” Sustainable Action Plan and the “Shenzhen Atmospheric Environmental Quality Improvement Subsidy Measures (2018-2020)” (Notice No.: 2018-015; 2018-028) that the Company disclosed on *China Securities Journal, Securities Times, Hong Kong Commercial Daily* and www.cninfo.com.cn).

3. Natural gas power generation on-grid price adjustment. During the reporting period, according to the Notice on Reducing the On-grid Price of Natural Gas Power Generation issued by the Guangdong Provincial Development and Reform Commission, since July 1, 2018, the on-grid prices of some natural gas power generation enterprises in the province have been reduced. The on-grid prices of the three power plants under the company were adjusted from 0.715 yuan/kWh to 0.665 yuan/kWh, which exerted tremendous pressure on the company’s main business operations, the company will do its utmost to reduce the negative effects of on-grid prices reduction on the company by further strengthening the management of power assets, paying close attention to the management of stock assets, and exploring diversified business management models. (For details, please refer to the Notice on Adjustment for On-grid Price of Natural Gas (Notice No.: 2018-027) that the Company disclosed on *China Securities Journal, Securities Times, Hong Kong Commercial Daily* and www.cninfo.com.cn).

4. Termination of the planned issue of medium-term notes and corporate bonds. During the reporting period, as the registration documents of planned issue of medium-term notes with a total amount of RMB 500 million and planned issue of corporate bonds not exceeding RMB 2 billion (including RMB 2 billion) that the company made an application for registration to the National Association of Financial Market Institutional Investors had reached the expiration date, the planned issue was terminated. (For details, please refer to the “Notice on Issue of Medium-Term Notes” and “Notice on Scheme of Non-Public Offering of Corporate Bonds” (Notice No.: 2015-062; 2015-063) that the Company disclosed on *China Securities Journal, Securities Times, Hong Kong Commercial Daily* and www.cninfo.com.cn dated 25 Aug. 2015)

In addition to the above matters, the construction-aid project for Xinjiang in Guangdong Province participated in 2013 and the collection for refunds of “technical reform benefit fund” are no further progress or changes in the period

XX. Significant event of subsidiary of the Company

Applicable Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

	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	14,139	0.0023%						14,139	0.0023%
3. Other domestic shares	14,139	0.0023%						14,139	0.0023%
Domestic natural person's shares	14,139	0.0023%						14,139	0.0023%
II. Unrestricted shares	602,748,457	99.9977%						602,748,458	99.9977%
1. RMB Ordinary shares	338,894,011	56.22%						338,894,011	56.22%
2. Domestically listed foreign shares	263,854,446	43.77%						263,854,446	43.77%
III. Total shares	602,762,596	100.00%						602,762,596	100.00%

Reasons for share changed

Applicable Not applicable

Approval of share changed

Applicable Not applicable

Ownership transfer of share changes

Applicable Not applicable

Implementation progress of shares buy-back

Applicable Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

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

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	30,799	Total common stock shareholders at end of last month before annual report disclosed	32,518	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 Co., Ltd.	State-owned legal person	10.80%	65,106,130			65,106,130		
BOCI SECURITIES LIMITED	Overseas legal person	1.43%	8,640,627			8,640,627		
Zeng Ying	Domestic nature person	1.24%	7,484,000			7,484,000		
China Merchants Securities H.K. Co., Ltd.	State-owned legal person	0.97%	5,834,669			5,834,669		
Meiyi Investment Property Co., Ltd.	Domestic non state legal person	0.77%	4,616,000			4,616,000		
Liu Fang	Domestic nature person	0.67%	4,035,773			4,035,773		
Li Baoqin	Domestic nature person	0.66%	3,972,451			3,972,451		
Chen Qin	Domestic nature person	0.65%	3,926,894			3,926,894		
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 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 shares	foreign shares	92,123,248
Shenzhen Guangju Industrial Co., Ltd.	73,666,824					RMB common		73,666,824

		shares	
Shenzhen Energy Co., Ltd.	65,106,130	RMB common shares	65,106,130
BOCI SECURITIES LIMITED	8,640,627	Domestically listed shares	8,640,627
Zeng Ying	7,484,000	Domestically listed shares	7,484,000
China Merchants Securities H.K. Co., Ltd.	5,834,669	Domestically listed shares	5,834,669
Meiyi Investment Property Co., Ltd.	4,616,000	RMB common shares	4,616,000
Liu Fang	4,035,773	RMB common shares	1,090,873
		Domestically listed shares	2,944,900
Li Baoqin	3,972,451	RMB common shares	946,700
		Domestically listed shares	3,025,751
Chen Qin	3,926,894	RMB common shares	3,926,894
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) LIMITED100% held by Shenzhen Energy Co., Ltd.; 2. The Company is unknown whether there exists associated relationship or belongs to the consistent actor among the other shareholders.		
Explanation on top 10 shareholders involving margin business (if applicable) (see note 4)	Among the top ten shareholders, Ms. Liu Fang holds 1,090,873 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 shareholders

Nature of controlling shareholders: no controlling body

Type of controlling shareholders: nil

Explanation on the Company's absence of controlling shareholder

In accordance with the paraphrase of controlling shareholder carried in Stock Listing Rules, the Company has no controlling shareholder and such condition has no changes in the reporting period

Change of controlling shareholder in reporting period

Applicable Not applicable

No changes of controlling shareholder for the Company in reporting period

3. Actual controller of the Company and persons acting in concert

Nature of actual controller: no actual controller

Type of actual controller: nil

Explanation on the Company's absence of actual controller

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

Whether has shareholder owns over 10% shares at ultimate control level

Yes No

Legal Person

Share-holding at ultimate control level

Shareholder	Legal representative/Person in charge of the enterprise	Date of establishment	Organization code	Main business
Shenzhen SASAC	Yu Gang	28 June 2004	K3172806-7	Fulfill investor duty on behalf of the Shenzhen Municipal Government
Shenzhen Nanshan District SASAC	Wen Jinyu	30 December 2005	114403050075421285	Administrative units
Other equity of listed companies in and out of China controlled by shareholder in ultimate control level during the reporting period	Not applicable			

Change of actual controller in the period

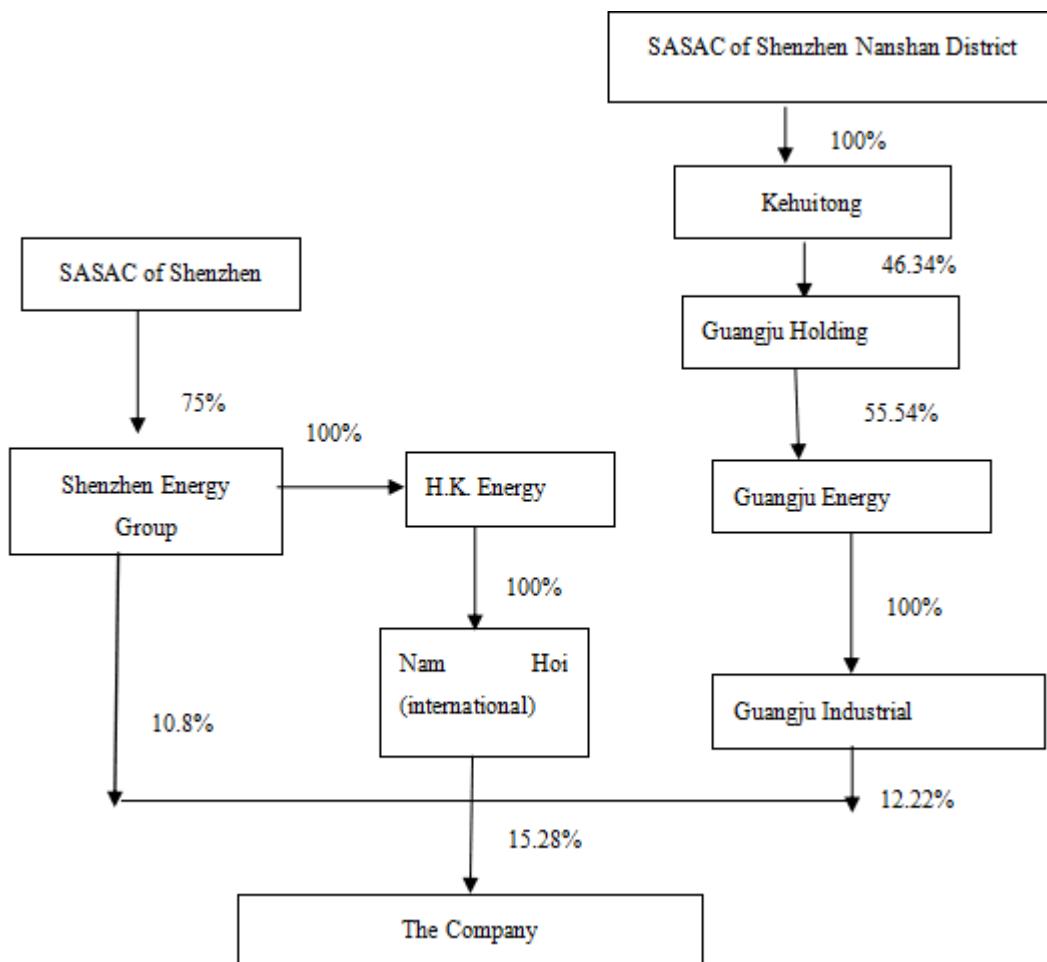
Applicable Not applicable

Actual controller of the Company has no changes in the reporting period

4. The first majority shareholder of the Company

Shenzhen Energy 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 equipment 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 equipment 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:



Actual controller controlling the Company by entrust or other assets management

Applicable Not applicable

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

Applicable Not applicable

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 date 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	53	28 Aug. 2017	17 Nov. 2020	0	0	0	0	0
Li Hongsheng	Vice chairman	Currently in office	M	55	13 Jan. 2011	17 Nov. 2020	0	0	0	0	0
Chen Yuhui	Director, GM	Currently in office	M	53	28 Aug. 2017; 11 Aug. 2017	17 Nov. 2020	0	0	0	0	0
Zhang Wenqiao	Director	Currently in office	M	49	12 Nov. 2014	17 Nov. 2020	0	0	0	0	0
Yu Chunling	Director	Currently in office	F	53	1 Aug. 1998	17 Nov. 2020	0	0	0	0	0
Wu Guowen	Director, Standing deputy GM	Currently in office	M	53	25 April 2016; 1 April 2016	17 Nov. 2020	0	0	0	0	0
Mo Jianmin	Independent director	Currently in office	M	52	17 Nov. 2017	17 Nov. 2020	0	0	0	0	0
Chen Zetong	Independent director	Currently in office	M	48	17 Nov. 2017	17 Nov. 2020	0	0	0	0	0
Liao Nangang	Independent director	Currently in office	M	48	15 Nov. 2013	2019 年 11 月 14 日	0	0	0	0	0

Ye Qiliang	Chairman of supervisory board	Currently in office	M	55	17 Nov. 2017	17 Nov. 2020	0	0	0	0	0
Xiong Qingsheng	Supervisor	Currently in office	M	45	17 Nov. 2017	17 Nov. 2020	0	0	0	0	0
Pan sha	Supervisor	Currently in office	F	46	17 Nov. 2017	17 Nov. 2020	0	0	0	0	0
Liang Jianqiang	Employee supervisor	Currently in office	M	50	12 Nov. 2014	17 Nov. 2020	0	0	0	0	0
Peng Bo	Employee supervisor	Currently in office	M	45	17 Nov. 2017	17 Nov. 2020	1,527	0	0	0	1,527
Lin Qing	Deputy GM	Currently in office	F	54	17 Oct. 2003	17 Nov. 2020	0	0	0	0	0
Zhang Jie	Deputy GM, secretary of the Board	Currently in office	F	50	30 Dec. 2006; 23 Dec. 2015	17 Nov. 2020	17,325	0	0	0	17,325
Dai Xiji	CFO	Currently in office	M	49	17 Nov. 2017	17 Nov. 2020	0	0	0	0	0
Total	--	--	--	--	--	--	18,852				18,852

II. Changes of directors, supervisors and senior executives

Applicable Not applicable

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 2006, he served as the financial manager of Shenzhen Worldsun Enterprises Co., Ltd. and 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. from 2015 to October 2018; 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 director of Guangju Energy (HK) Co., Ltd; and he serves as director and vice chairman of the Company since January 2011

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 Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd since August 2017.

Mr. Zhang 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, and served as deputy director of the fuel management dept. of Shenzhen Energy Group since 2006, he successively served chief and GM of the property rights legal department of Shenzhen Energy Group Co., Ltd. since 2008; now he serves as GM of the fuel material dept. of Shenzhen Energy Group Co., Ltd. and GM of fuel branch of Shenzhen Energy Group Co., Ltd., he currently 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, the director of HONG KONG NAM HOI (INTERNATIONAL) 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, he serves as chairman of Shenzhen Server Energy Co., Ltd. Since March 2018

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. He serves as independent director of the Company since Nov. 2017

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. He serves as an independent director of the Company since November 2017

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. From 2008 to January 2019, 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

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 served as the secretary of party general branch of the Company from April 2016 to July 2018, now he holds the deputy secretary of party general branch of the Company since July 2018

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 adviser 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. He serves as supervisor of the Company since November 2017

Ms. Pan Sha 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 vice GM and senior audit manager at the audit management department of Shenzhen Energy Group Co., Ltd. since December 2014. She serves as supervisor of the Company since November 2017

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 Company from 2005 to 2013; he serves as employee supervisor of the Company since November 2014. 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 and the vice chairman of Shenzhen New Power Industrial 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 employee 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 serves as the director and GM of Shenzhen Shennandian Environmental Protection Co., Ltd. since December 2017. now he holds the employee supervisor of the Company since November 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 worked as chairman of Shenzhen Shen Nan Dian Environment Protection Co., Ltd from 2014 to September 2018. She holds the secretary of the Board of the Company since 23 December 2015

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 September 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 June 2014, 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, he serves as CFO of the Company since November 2017 and now he also acts as the chairman of Shenzhen New Power Industrial Co., Ltd., the subordinate Enterprise of the Company and director of Shen Nan Dian (Dongguan) Weime Electric Power Co., Ltd

Post-holding in shareholder's unit

Applicable Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit	Worked from	Expired in	Received remuneration from shareholder's unit (Y/N)
Yu Chunling	HONG KONG NAM HOI (INTERNATIONAL) LTD.	Chairman	2008		N

Post-holding in other unit

Applicable Not applicable

Name	Name of other units	Position in other unit	Worked from	Expired in	Received remuneration from other unit (Y/N)
Li Xinwei	Sichuan Shenneng Power Investment	Chairman	2015	2018	N

	Co.,Ltd.				
	Shenzhen Shen Nan Dian Environment Protection Co., Ltd.	Chairman	2018		N
Li Hongsheng	Shenzhen Guangju Energy Co., Ltd.	Director, GM	2007		Y
	Shen Nan Dian (Zhongshan) Electric Power Co., Ltd.	Chairman	2017		N
Chen Yuhui	Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd	Chairman	2017		N
	Shenzhen Shennandian Turbine Engineering Technology Co., Ltd.	Chairman	2018	2019	N
Zhang Wenqiao	Shenzhen Energy Group Co., Ltd.	GM of Fuel material Dept.	2017		Y
	Fuel Branch of Shenzhen Energy Group Co., Ltd.	GM	2017		N
Yu Chunling	Shenzhen Energy (H.K) International Co., Ltd.	Director, GM	2013		Y
Wu Guowen	Shenzhen Guangju Energy Co., Ltd.	Employee Supervisor	2013	2018	N
	Shenzhen Server Energy Co., Ltd.	Chairman	2018		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	2017		Y
Ye Qiliang	Shenzhen Shennandian Turbine Engineering Technology Co., Ltd.	Vice chairman	2016	2018	N
	Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd	Director	2016	2018	N
Xiong Qingsheng	Shenzhen Energy Fuel Investment Holding Co., Ltd.	Deputy GM	2017		Y
	Hebei Zhaoxian Asia-Pacific Fuel Co., Ltd.	GM	2017		N
Pan sha	Shenzhen Energy Group Co., Ltd.	Vice GM of auditing management dept.	2014		Y
Liang Jianqiang	Shenzhen New Power Industrial Co., Ltd.	Vice chairman	2018		N

	Shenzhen Shen Nan Dian Environment Protection Co., Ltd.	Director	2014		N
Peng Bo	Shenzhen Shen Nan Dian Environment Protection Co., Ltd.	Director, GM	2017		Y
Zhang Jie	Shenzhen Shen Nan Dian Environment Protection Co., Ltd.	Chairman	2014	2018	N
Dai Xiji	Shenzhen New Power Industrial Co., Ltd.	Chairman	2018		N
	Shen Nan Energy (Singapore) Co., Ltd.	Director	2017		N
	Shen Nan Dian (Dongguan) Weime 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	53	Currently in office	79.5	N
Li Hongsheng	Vice chairman	M	55	Currently in	0	Y

				office		
Chen Yuhui	Director, GM	M	53	Currently in office	71.5	N
Zhang Wenqiao	Director	M	49	Currently in office	0	Y
Yu Chunling	Director	F	53	Currently in office	0	Y
Wu Guowen	Director, Standing deputy GM	M	53	Currently in office	67	N
Mo Jianmin	Independent director	M	52	Currently in office	11.9	N
Chen Zetong	Independent director	M	48	Currently in office	11.9	N
Liao Nangang	Independent director	M	48	Currently in office	11.9	N
Ye Qiliang	Chairman of supervisory committee	M	55	Currently in office	66.5	N
Xiong Qingsheng	Supervisor	M	45	Currently in office	0	Y
Pan sha	Supervisor	F	46	Currently in office	0	Y
Liang Jianqiang	Employee supervisor	M	50	Currently in office	32.7	N
Peng Bo	Employee supervisor	M	45	Currently in office	32.49	N
Lin Qing	Deputy GM	F	54	Currently in office	66.5	N
Zhang Jie	Deputy GM, secretary of the Board	F	50	Currently in office	64.5	N
Dai Xiji	CFO	M	49	Currently in office	64.5	N
Total	--	--	--	--	580.89	--

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)	279
Employee in-post of main Subsidiaries (people)	241
The total number of current employees (people)	520
The total number of current employees to receive pay (people)	520
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 and technical personnel	293
Financial staff	29
Administration staff	198
Total	520
Education background	
Type of education background	Numbers (people)
High school and below	93
3-years regular college graduate and Polytechnic school graduate	239
Bachelor degree	166
Master and above	22
Total	520

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 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 party general branch and the party branches of the company will formulate detailed and feasible plans according to the requirements of the higher-level organizations, and actively carry out the learning activities of "two studies and one doing" and "studying makes a stronger country" by adopting various forms such as issuing books and materials, bringing in experts, and leading party members to go out; strictly implement the "three meetings and one class" system, and develop activities such as "secretary teaches party lessons". 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 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 two regular meetings and two extraordinary meetings 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, fairness and justice. Four special committees under the Board of Directors, the Strategy and Investment Committee, Nomination Committee, Audit Committee, as well as Remuneration and Appraisal Committee are carefully deliberated relevant proposals and giving opinions and suggestions to provide reference and support for the efficient operation and scientific decision of the BOD. 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 Committee: During the reporting period, the Supervisory Committee of the Board held two regular meetings and two 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, fairness and justice. The

Supervisory Committee 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. 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 work-flow 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.

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 Journal*, *Hong Kong Commercial Daily* and www.cninfom.com to disclose information, and carefully disclosed information with the reporting period and strive 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 eight systems with governance concerned in Article of Association, Rules of Procedure of Shareholder General Meeting and Rules of Procedure of the Board, as well as more than 20 basic management systems and relevant business procedures in Budget Management Rule and Management Regulation on Labor Contract for Employee. The company carried out special audit work on internal control self-evaluation, internal regular audit, departure audit and compensation management, and business normativity of subordinate enterprise, and took active and effective measures to

improve existing problems and deficiencies. 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. Independence 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. All members of the management level and senior executives 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 make 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 interference 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 2017	AGM	38.80%	12 April 2018	13 April 2018	“Resolution Notice of Annual General Meeting 2017” No.:2018-014, 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 and Shareholders General Meeting							
Independent Director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending the Board Meeting by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)	Times of attend the general meeting
Liao Nangang	4	1	3	0	0	N	1
Mo Jianmin	4	1	3	0	0	N	1
Chen Zetong	4	1	3	0	0	N	1

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

Nil

2. Objection for relevant events from independent directors

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

Yes No

No independent directors come up with objection about Company's relevant matters in the Period

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 management committee

1. Attending the meeting of the Board and shareholders general meeting, keep track of the production, operation and development of the Company

In 2018, member of the strategy and investment management committee attended the 4 meetings of the Board, one shareholders general meeting and one work report meeting for first half year, they careful review the comprehensive documents as Work Report of GM for year of 2017 and Integrated Business Plans for year of 2018, performing the duties and offering advice and suggestions to the Board with purpose of keep track of the Company's production and operation

2. Convening a meeting of strategy and investment management committee, review the Performance Report for yea of 2017 and offering suggestion to the Board

On 20 March 2018, the 8th strategy and investment management committee holds one meeting to deliberated and approved the Performance Report for yea of 2017, and formulated a working ideas and plans for the year of 2018.

(ii) Audit Committee

1. Attending the meeting of the Board and shareholder general meeting, keep track of the production, operation and development of the Company and propose opinions and suggestion on financial and IC auditing

In 2018, the audit committee members of the company's board of directors attended four board meetings, one shareholders meeting and one work report meeting in the first half year, and carefully reviewed the integrated documents including "2017 Annual General Manager Work Report" and "Proposal on the 2018 Annual Comprehensive Business Plan" etc. Carefully performing their duties and creating condition for offering suggestion and plan to the Board. Furthermore, propose professional opinions in respect of the

auditing report and documents with IC issued by the CPA.

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

(1) On 5 January 2018, the 8th audit committee of the Board hold one meeting voting by correspondence to deliberated and approved the Auditing Plan for year of 2017 of Shenzhen Nanshan Power Co., Ltd. prepared by Shenzhen Branch of Ruihua CPA.

(2) On 9 Feb. 2018, the Audit Committee of the 8th Board of Directors of the Company convened the 2nd meeting to listen to the communication matters between Ruihua Certified Public Accountants and the management during the 2017 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 preparation work of 2017 annual audit report in strict accordance with the requirements of the regulatory authorities.

(3) On March 20, 2018, the Audit Committee of the Board convened the 3rd meeting to communicate with Ruihua Certified Public Accountants about the finalization of 2017 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 2017 Annual Internal Control Evaluation Report, the Proposal on the Company's Work Plan for 2018 Annual Internal Audit and Internal Control, the Re-engagaement of Auditing Institution and Remuneration for year of 2017 and the 2017 Duty Performance Report of the Audit Committee of the Board etc.

(4) On 26 Oct. 2018, the audit committee of the Board hold fourth meeting voting by correspondence to deliberated and approved the Auditing Plan for year of 2018 of Shenzhen Nanshan Power Co., Ltd. prepared by Shenzhen Branch of Ruihua CPA.

(iii) Nomination Committee

1. Attending the meeting of the Board and shareholder general meeting, keep track of the production, operation and development of the Company

In 2018, members of the Nomination Committee attended 4 Board meetings, one shareholders' meeting and one work report meeting for first half year, they careful review the comprehensive documents as Work Report of GM for year of 2017 and Integrated Business Plans for year of 2018 etc. Keep track of the Company's production and creating condition for performing the duties and offering advice and suggestions to the Board

2. Convened meeting of Nomination Committee deliberated the "Performance Report for year of 2017 of Nomination Committee of the Board" and propose suggestion to the Board

On March 20, 2018, the Nomination Committee of the 8th Board of Directors of the Company convened the 2nd meeting, reviewed and approved the Performance Report for year of 2017 of Nomination Committee of the Board, and formulated a working ideas and plans for the year of 2018.

(iv) Remuneration and Appraisal Committee

1. Attending the meeting of the Board and shareholders general meeting, and propose opinions and plans on remuneration, assessment and reward

In 2018, members of the remuneration and appraisal committee attended 4 Board meetings, one shareholders' meeting and one work report meeting for first half year, they careful review the documents as Work Report of GM for year of 2017 and Integrated Business Plans for year of 2018 etc. and creating condition for offering suggestion and plan to the Board in order to performing their duties; Furthermore, reviewing and deliberating relevant proposals with remuneration and awarding plans concerned, keep eyes on the implementation of remuneration and propose suggestion; organized activities of formulating relevant reward programs and supervise the implementation, which conscientiously fulfill the obligation of diligence and duties.

2. Held meeting of Remuneration and Appraisal Committee, deliberated the resolution on the provision of annual remuneration and relevant rewards with appraisal concerned, and make recommendations for the Board of Directors

On March 20, 2018, the Remuneration and Appraisal Committee of the 8th Board of Directors convened 1st meeting to listen to the Report on the Implementation of the 2017 Remuneration Withdrawal and Appraisal Program, reviewed and approved the Proposal on the 2018 Remuneration Withdrawal and Appraisal Program, the Proposal for Rewarding the Special Award for year of 2017 and Duty Performance Report of the Remuneration and Appraisal Committee of the Board for 2017, 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 liked 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

2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	28 March 2019
Disclosure index of full internal control evaluation report	“Audit report of internal control for year of 2018” 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	100.00%

statements		
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	100.00%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	<p>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 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 one 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</p>	<p>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 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 one 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</p>

	defects in major operational activities and there are only internal control defects in minor operational activities.	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.
Quantitative standard	Major defects: mistaken amount \geq total assets in consolidated financial statement $\times 0.5\%$ Substantial defects: total assets in consolidated financial statement $\times 0.2\% \leq$ mistaken amount $<$ total assets in consolidated financial statement $\times 0.5\%$ General defect: mistaken amount $<$ total assets in consolidated financial statement $\times 0.2\%$	Major defects: amount of direct loss \geq total assets in consolidated financial statement $\times 0.5\%$ Substantial defects: total assets in consolidated financial statement $\times 0.2\% \leq$ amount of direct loss $<$ total assets in consolidated financial statement $\times 0.5\%$ 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 date of audit report of internal control (full-text)	28 March 2019
Index of audit report of internal	“Audit report of internal control for year of 2018” published on Juchao Website

control (full-text)	(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
Name of audit institute	Ruihua Certified Public Accounts (Engagement Partner)
Serial of Auditing Report	Ruihua zi[2019]No.48510001
Name of CPA	Zhang Liping, Huang Shaoqin

Text of Report (Attached)

- I. Original Annual Report of 2018 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.



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Auditor's Report

Ruihua zi[2019]No.48510001

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 2018, 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 2018, 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 2018 and the operating results and cash flow of the Company for the year of 2018.

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 2018, the Company has fixed assets with carrying value of RMB 1,405,648,674.64, accounting for 42.50% of the consolidated total assets and 85.70% 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 10 “fixed assets” and note 34 “assets impairment” in appendix VI.

(II) Recognition of operating income

1. Brief description

The Company is mainly engaged in power production and sales. In 2018, the combined operating income is RMB 1,884,937,109.00, representing a -year-on-year decrease of 7.86%. 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, analize the significant risks and timing of reward transfer relating to recognition of operating income, so as to evaluate the reasonableness of 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 2018 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.

(6)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):

Zhang Liping

XXX

Beijing· China

Chinese CPA: Huang Shaoqin

XXX

XX March 2019

Consolidated Balance Sheet

31st December 2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Ending amount	Opening amount
Current assets:			
Monetary funds	VI.1	925,829,404.44	438,316,169.81
Financial assets measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Note receivable and account receivable	VI.2	132,430,024.97	120,052,275.76
Including: Note receivable	VI.2		6,702,500.00
Accounts receivable	VI.2	132,430,024.97	113,349,775.76
Accounts paid in advance	VI.3	53,655,777.12	119,069,891.55

Other receivables	VI.4	40,133,297.74	38,771,888.74
Including: Interest receivable			
Dividend receivable			
Inventories	VI.5	124,758,334.97	77,834,903.89
Assets held for sale			
Non-current asset due within one year			
Other current assets	VI.6	390,108,844.11	452,184,523.24
Total current assets		1,666,915,683.35	1,246,229,652.99
Non-current assets:			
Finance asset available for sales	VI.7	60,615,000.00	60,615,000.00
Held-to-maturity investment			
Long-term account receivable			
Long-term equity investment	VI.8	16,049,044.95	18,254,673.40
Investment property	VI.9	2,606,302.71	2,802,440.31
Fixed assets	VI.10	1,405,649,989.24	1,420,620,565.05
Construction in progress	VI.11	82,348,008.39	50,958,741.92
Productive biological asset			
Oil and gas asset			
Intangible assets	VI.12	45,987,255.24	48,470,500.60
Expense on Research and Development			
Goodwill			
Long-term expenses to be apportioned			
Deferred income tax asset	VI.13	2,071,324.26	2,922,036.65
Other non-current asset	VI.14	24,905,681.78	32,930,781.78
Total non-current asset		1,640,232,606.57	1,637,574,739.71
Total assets		3,307,148,289.92	2,883,804,392.70

Consolidated Balance Sheet (Cont.)

31st December 2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Ending amount	Opening amount
Current liabilities:			
Short-term loans	VI.15	1,000,000,000.00	515,850,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Note payable and account payable	VI.16	18,065,898.69	66,534,493.16
Accounts received in advance			
Wage payable	VI.17	44,912,599.66	48,337,588.25
Taxes payable	VI.18	16,000,039.55	15,437,758.76
Other accounts payable	VI.19	63,091,881.43	86,221,176.90
Including: interest payable	VI.19	1,608,290.72	3,006,993.33
Dividend payable			
Liability held for sale			
Non-current liabilities due within 1 year	VI.20		32,400,000.00
Other current liabilities			
Total current liabilities		1,142,070,419.33	764,781,017.07
Non-current liabilities:			
Long-term loans	VI.21	25,940,000.00	25,940,000.00
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Long-term account payable			
Long-term wages payable			
Accrual liability	VI.22	26,726,232.38	26,788,590.38
Deferred income	VI.24	75,612,259.33	41,948,231.12
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		128,278,491.71	94,676,821.50
Total liabilities		1,270,348,911.04	859,457,838.57
Shareholders' equity:			
Share capital	VI.25	602,762,596.00	602,762,596.00
Other equity instrument			

Including: preferred stock			
Perpetual capital securities			
Capital public reserve	VI.26	362,770,922.10	362,770,922.10
Less: Inventory shares			
Other comprehensive income			
Reasonable reserve			
Surplus public reserve	VI.27	332,908,397.60	332,908,397.60
Provision of general risk			
Retained profit	VI.28	679,429,935.81	660,176,169.69
Total owner's equity attributable to parent company		1,977,871,851.51	1,958,618,085.39
Minority interests		58,927,527.37	65,728,468.74
Total shareholders' equity		2,036,799,378.88	2,024,346,554.13
Total liabilities and shareholders' equity		3,307,148,289.92	2,883,804,392.70

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Consolidated Profit Statement

2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Current Period	Last Period
I. Total operation income		1,884,937,109.00	2,045,766,831.74
Including: operation income	VI.29	1,884,937,109.00	2,045,766,831.74
II. Total operation cost		1,900,833,745.47	2,041,685,464.04
Including: operation cost	VI.29	1,752,153,327.20	1,874,562,988.94
Tax and surcharge	VI.30	11,443,320.37	12,949,736.84
Sales expense	VI.31	3,715,812.95	3,046,206.09
Management expense	VI.32	93,529,697.87	99,021,102.92
R&D expenses			
Financial expense	VI.33	39,606,243.43	53,518,125.67
Including: interest expenses	VI.33	48,580,643.69	62,144,226.60
Interest income	VI.33	9,503,215.24	9,592,999.08

Loss of assets impairment	VI.34	385,343.65	-1,412,696.42
Add" other income	VI.35	8,428,575.96	7,052,624.36
Investment income (Loss is listed with “-”)	VI.36	-2,205,628.45	-2,050,390.78
Including: Investment income on affiliated company and joint venture			
Changing income of fair value(Loss is listed with “-”)			
Income from assets disposal (Loss is listed with “-”)			
III. Operating profit (Loss is listed with “-”)		-9,673,688.96	9,083,601.28
Add: Non-operating income	VI.37	39,264,446.03	347,199.40
Less: Non-operating expense	VI.38	1,141,532.50	465,924.38
IV. Total Profit (Loss is listed with “-”)		28,449,224.57	8,964,876.30
Less: Income tax	VI.39	15,996,399.82	8,587,799.54
V. Net profit (Net loss is listed with “-”)		12,452,824.75	377,076.76
(i) Classified by business sustainability			
1. Net profit from continuing operations (net loss is listed with “-”)		12,452,824.75	377,076.76
2. Net profit from discontinuing operations (net loss is listed with “-”)			
(ii) Classified by ownerships			
1. Minority's losses (net loss is listed with “-”)		-6,800,941.37	-15,527,105.71
2. Net profit attributable to shareholders of parent company (net loss is listed with “-”)		19,253,766.12	15,904,182.47
VI. Net amount of other comprehensive income after-tax			
VII. Total consolidated income		12,452,824.75	377,076.76
Total consolidated income attributable to owners of parent company		19,253,766.12	15,904,182.47
Total consolidated income attributable to minority shareholders		-6,800,941.37	-15,527,105.71

VIII. Earnings per share			
(i) Basic earnings per share		0.03	0.03
(ii) Diluted earnings per share		0.03	0.03

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Consolidated Cash Flow Statement

2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Current Period	Last Period
I. Cash flows arising from operating activities:			
Cash received from selling commodities and providing labor services		2,165,865,438.32	2,430,031,290.63
Write-back of tax received		5,096,924.80	3,748,024.12
Other cash received concerning operating activities	VI.40 (1)	57,543,740.20	408,447,261.77
Subtotal of cash inflow arising from operating activities		2,228,506,103.32	2,842,226,576.52
Cash paid for purchasing commodities and receiving labor service		1,699,322,019.51	2,160,856,943.84
Cash paid to/for staff and workers		136,763,050.21	148,183,894.10
Taxes paid		89,933,046.65	293,649,368.27
Other cash paid concerning operating activities	VI.40 (2)	65,924,826.57	42,736,514.58
Subtotal of cash outflow arising from operating activities		1,991,942,942.94	2,645,426,720.79
Net cash flows arising from operating activities		236,563,160.38	196,799,855.73
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		284,400.00	
Net cash received from disposal of subsidiaries and other units			
Other cash received concerning investing activities			
Subtotal of cash inflow from investing activities		284,400.00	
Cash paid for purchasing fixed, intangible and other long-term assets		152,775,247.81	65,304,848.94
Cash paid for investment			1,300,000.00
Net cash received from subsidiaries and other units			
Other cash paid concerning investing activities			
Subtotal of cash outflow from investing activities		152,775,247.81	66,604,848.94
Net cash flows arising from investing activities		-152,490,847.81	-66,604,848.94
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		1,530,000,000.00	740,290,000.00
Cash received from issuing bonds			
Other cash received concerning financing activities	VI.40 (3)	21,000,000.00	
Subtotal of cash inflow from financing activities		1,551,000,000.00	740,290,000.00
Cash paid for settling debts		1,078,250,000.00	1,769,840,000.00
Cash paid for dividend and profit distributing or interest paying		48,623,516.39	54,996,781.30
Including: Dividend and profit of			

minority shareholder paid by subsidiaries			
Other cash paid concerning financing activities	VI.40 (4)	5,170,000.00	23,133,338.86
Subtotal of cash outflow from financing activities		1,132,043,516.39	1,847,970,120.16
Net cash flows arising from financing activities		418,956,483.61	-1,107,680,120.16
IV. Influence on cash due to fluctuation in exchange rate		314,438.45	-383,837.42
V. Net increase of cash and cash equivalents		503,343,234.63	-977,868,950.79
Add: Balance of cash and cash equivalents at the period -begin		411,613,377.07	1,389,482,327.86
VI. Balance of cash and cash equivalents at the period -end		914,956,611.70	411,613,377.07

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Consolidated Statement of Changes in Shareholders' Equity

2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Share capital	Current Period										Minority's equity	Total owners' equity		
		Equity attributable to Shareholder of parent company													
		Prefer red stock	Perpetual debt	Other	Capital reserve	Invent ory shares	Other com preh ensiv e inco me	Special reserve	Surplus reserves	General risk reserve	Retained profit				
I. Balance at the end of the last 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	
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			660,176,169.69	65,728,468.74	2,024,346,554.13
III. Increase/ Decrease in this year (Decrease is listed with “-”)												19,253,766.12	-6,800,941.37	12,452,824.75
(i) Total comprehensive income												19,253,766.12	-6,800,941.37	12,452,824.75
(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 conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											
3. Remediying loss with surplus reserve											
4. Change amount of defined benefit plans that carry forward retained earnings											
5. 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		679,429,935.81	58,927,527.37	2,036,799,378.88

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

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

2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Last Period												Minority's equity	Total owners' equity		
	Equity attributable to Shareholder of parent company															
	Other equity instrument			Capital reserve	Le ss: in ve nt or y sh ar e	Ot he r co m pr eh en si ve	Sp ec ial pr eh en si ve	Surplus reserves	G en er al ris k re se rv e	Retained profit						
Share capital	Pr ef er red stock	Pe rpet ua l de bt	Ot he r													

							m	e					
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. Remedy loss with surplus reserve											
4. Change amount of defined benefit plans that carry forward retained earnings											
5. 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.:

Balance Sheet31st December 2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Ending amount	Opening amount
Current assets:			
Monetary funds		766,041,463.01	159,883,551.05
Financial assets measured by fair value and with variation reckoned into current gains/losses			
Derivative financial assets			
Note receivable and account receivable	XIV.1	50,415,180.20	17,599,743.80
Including: Note receivable	XIV.1		
Accounts receivable	XIV.1	50,415,180.20	17,599,743.80
Accounts paid in advance		33,326,061.81	72,042,056.16
Other receivables	XIV.2	1,048,357,217.53	913,646,990.47
Including: Interest receivable	XIV.2		
Dividend receivable	XIV.2		
Inventories		111,279,675.08	68,187,593.73
Assets held for sale			
Non-current asset due within one year			
Other current assets		362,678,678.87	406,616,846.60
Total current assets		2,372,098,276.50	1,637,976,781.81
Non-current assets:			
Finance asset available for sales		60,615,000.00	60,615,000.00
Held-to-maturity investment			
Long-term account receivable			
Long-term equity investment	XIV.3	303,341,165.00	691,982,849.76
Investment property			
Fixed assets		284,572,482.22	220,519,962.58
Construction in progress		16,490,240.75	755,227.83
Productive biological asset			
Oil and gas asset			
Intangible assets		1,518,096.75	2,726,256.15
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		666,536,984.72	978,115,896.32
Total assets		3,038,635,261.22	2,616,092,678.13

Balance Sheet (cont.)

31st December 2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Ending amount	Opening amount
Current liabilities:			
Short-term loans		860,000,000.00	50,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Note payable and account payable		5,349,562.56	40,330,866.72
Accounts received in advance			
Wage payable		26,953,632.92	23,669,295.53
Taxes payable		11,962,377.72	5,703,576.67
Other accounts payable		157,816,358.94	176,969,515.07
Including: Interest payable		1,368,932.93	175,740.00
Dividend payable			
Liability held for sale			
Non-current liabilities due within 1 year			
Other current liabilities			
Total current liabilities		1,062,081,932.14	296,673,253.99
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Long-term account payable			
Long-term wages payable			
Accrual liability			
Deferred income		41,337,945.14	23,665,762.95

Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		41,337,945.14	23,665,762.95
Total liabilities		1,103,419,877.28	320,339,016.94
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 share			
Other comprehensive income			
Reasonable reserve			
Surplus public reserve		332,908,397.60	332,908,397.60
Provision of general risk			
Retained profit		709,581,350.64	1,070,119,627.89
Total shareholders' equity		1,935,215,383.94	2,295,753,661.19
Total liabilities and shareholders' equity		3,038,635,261.22	2,616,092,678.13

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Profit Statement

2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Current Period	Last Period
I. Operating income	XIV.4	785,960,951.01	717,721,921.44
Less: Operating cost	XIV.4	744,134,218.18	682,205,576.39
Tax and extras		2,336,818.62	2,282,141.30
Sales expenses		46,200,286.78	39,535,582.03
Administration expenses		46,200,286.78	39,535,582.03
R&D expenses		46,200,286.78	39,535,582.03
Financial expenses		-18,931,826.38	-18,043,755.20
Including: interest expenses		36,464,884.41	25,554,251.88
Interest income		56,241,370.17	43,574,507.02
Losses of devaluation of asset		388,641,684.76	-480,710.97
Add: Other income		2,687,817.81	2,845,401.32
Investment income (Loss is listed with “-”)		2,687,817.81	2,845,401.32
Including: Investment income on affiliated company and joint venture		2,687,817.81	2,845,401.32
Changing income of fair value(Loss is listed with “-”)		2,687,817.81	2,845,401.32
Income from assets disposal (Loss is listed with “-”)		2,687,817.81	2,845,401.32
II. Operating profit (Loss is listed with “-”)		-373,732,413.14	15,068,489.21
Add: Non-operating income		23,917,666.03	343,403.39
Less: Non-operating expense		1,001,588.80	453,516.81
III. Total Profit (Loss is listed with “-”)		-350,816,335.91	14,958,375.79
Less: Income tax expense		9,721,941.34	3,959,377.94
IV. Net profit (Net loss is listed with “-”)		-360,538,277.25	10,998,997.85
V. Net after-tax of other comprehensive income		-360,538,277.25	10,998,997.85
VI. Total comprehensive income		-360,538,277.25	10,998,997.85

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Cash flow statement

2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Note	Current Period	Last Period
I. Cash flows arising from operating activities:			
Cash received from selling commodities and providing labor services		937,195,103.67	934,276,347.06
Write-back of tax received			
Other cash received concerning operating activities		36,494,830.38	358,865,254.75
Subtotal of cash inflow arising from operating activities		973,689,934.05	1,293,141,601.81
Cash paid for purchasing commodities and receiving labor service		831,681,363.28	951,845,462.95
Cash paid to/for staff and workers		81,997,181.05	89,542,748.57
Taxes paid		5,122,624.45	223,729,883.68
Other cash paid concerning operating activities		31,038,781.40	30,734,905.13
Subtotal of cash outflow arising from operating activities		949,839,950.18	1,295,853,000.33
Net cash flows arising from operating activities		23,849,983.87	-2,711,398.52
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		269,000.00	
Net cash received from the disposal of subsidiaries and other business units			
Other cash received concerning investing activities		578,720,050.85	68,709,866.67
Subtotal of cash inflow from investing activities		578,989,050.85	68,709,866.67
Cash paid for purchasing fixed, intangible and other long-term assets		111,411,381.86	12,863,619.54
Cash paid for investment			1,300,000.00
Other cash paid concerning investing activities		660,000,000.00	200,000,000.00
Subtotal of cash outflow from investing activities		771,411,381.86	214,163,619.54
Net cash flows arising from investing activities		-192,422,331.01	-145,453,752.87
III. Cash flows arising from financing activities			
Cash received from absorbing investment			
Cash received from loans		1,220,000,000.00	180,000,000.00

Cash received from issuing bonds			
Other cash received concerning financing activities		11,660,000.00	70,000,000.00
Subtotal of cash inflow from financing activities		1,231,660,000.00	250,000,000.00
Cash paid for settling debts		410,000,000.00	1,018,500,000.00
Cash paid for dividend and profit distributing or interest paying		32,493,128.98	20,621,544.44
Other cash paid concerning financing activities		2,778,562.50	33,811,558.33
Subtotal of cash outflow from financing activities		445,271,691.48	1,072,933,102.77
Net cash flows arising from financing activities		786,388,308.52	-822,933,102.77
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		1,950.58	-2,045.15
V. Net increase of cash and cash equivalents		617,817,911.96	-971,100,299.31
Add: Balance of cash and cash equivalents at the period -begin		148,223,551.05	1,119,323,850.36
VI. Balance of cash and cash equivalents at the period -end		766,041,463.01	148,223,551.05

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Changes of Shareholders Equity

2018

Prepared by Shenzhen Nanshan Power Co.,
Ltd.

In RMB/CNY

Item	Share capital	Current Period											
		Pref erre d stoc k	Pe rp ua l de bt	Pe r pet ua l de bt	Other equity instruments	Capital reserve	Less : in ve n tor y shar e	Ot he r co m pr eh en si ve in co m e	Sp ec ial re se rv e	Surplus reserves	Gen er al risk re se rv e	Retained profit	Total owners' equity
I. Balance at the end of the last year	602,762,596.00					289,963,039.70				332,908,397.60		1,070,119,627.89	2,295,753,661.19
Add: Changes of accounting policy													
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		1,070,119,627.89	2,295,753,661.19
III. Increase/ Decrease in this year (Decrease is listed with												-360,538,277.25	-360,538,277.25

“-”)										
(I) Total comprehensive income									-360,538,277.25	-360,538,277.25
(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 conversed to capital (share capital)										
2. Surplus reserves conversed										

to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Change amount of defined benefit plans that carry forward retained earnings											
5. 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			289,963,039.70			332,908,397.60		709,581,350.64	1,935,215,383.94	

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Changes of Shareholders Equity (Cont.)

2018

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB/CNY

Item	Current Period											
	Share capital	Other equity instruments			Capital reserve	Less : inve ntor	Ot he r co	Sp ec ial re	Surplus reserves	Gen er al risk rese	Retained profit	Total owners' equity
		Pref erre	Pe rp	Ot he								

	d stoc k	et ua l de bt	r		y shar e	m pr eh en si ve in co m e		rve		
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 converted to capital (share capital)									
3. Remedyng loss with surplus reserve									
4. Change amount of defined benefit plans that carry forward retained earnings									
5. 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				289,963,039.70			332,908,397.60		1,070,119,627.89	2,295,753,661.19

Legal rep.:

Person in charge of accounting:

CFO:

Person in charge of accounting org.:

Shenzhen Nanshan Power Co., Ltd.

Notes to financial statement 2018

(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.179 issued by Shenzhen Securities Regulatory Office, on 3 January 1994, the Company offered 40,000,000 RMB common shares and 37,000,000 domestically listed foreign shares in and out of China. And the RMB common shares (A-stock) and domestically listed foreign listed shares (B-stock) were listed in Shenzhen Securities Exchange successively on July 1, 1994 and Nov. 28, 1994.

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

The financial statement has met with approval for report by the resolution of the Board on 26 March 2019

Totally 9 subsidiaries included in consolidate scope for the year of 2018.

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

II. Preparation basis of Financial Statements

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

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

III. Statement on observation of Accounting Standard for Business Enterprises

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 2018, and the Company together with its operation results, and cash flow for the semi-annual of 2018. 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. Major Accounting Policies and Estimation

The Company together with its subsidiaries is mainly engaged in businesses as production of power and heat, power plant construction, fuel trading, engineering consulting and sludge drying. 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 22 Description of revenue items under Note IV. For explanation on material accounting judgment and estimate issued by the management, please refer to 28 Material accounting judgment and estimate under Note 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 liquidity classification standard for assets and liabilities.

3. Book-keeping 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 acquiree plus agency fee such as audit, legal service and evaluation consultation and other management fees charged to the profit or loss for the period when incurred. As equity or bond securities are issued by the acquirer as consideration, any attributable transaction cost is included in their initial costs. Involved or contingent consideration charged to the combination cost according to its fair value on the date of acquisition, the combined goodwill would be adjusted if new or additional evidence existed about the condition on the date of acquisition within twelve months after the acquisition date, which is required to adjust the contingent consideration. The combination cost incurred by the acquirer and the identifiable net assets acquired from the combination are measured at their fair values. Where the cost of a business combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets on the acquisition date, the difference is recognized as goodwill. Where the cost of a business combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer shall first reassess the measurement of the fair value of the acquiree's identifiable assets, liabilities and contingent liabilities and the measurement of the cost of combination. If after such reassessment the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is charged to profit or loss for the period.

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

For a business combination not under common control is finished by a stage-up approach with several transactions, these several transactions will be judged whether they fall within "transactions in a basket" in accordance with the judgment standards on "transactions in a basket" as set out in the Notice of the Ministry of Finance on Issuing Accounting Standards for Business Enterprises Interpretation No. 5 (Cai Kuai [2012] No. 19) and Article 51 of the "Accounting Standards for Business Enterprise No.33- Consolidated Financial Statement" (see Note IV. 5(2)). If they fall within "transactions in a basket", they are accounted for with reference to the descriptions as set out in the previous paragraphs of this section and Note IV. 12 "Long-term equity investments", and if they do not fall within "transactions in a basket", they are accounted for in separate financial statements and consolidated financial statements:

In separate financial statement, the sum between carrying value of the equity investment prior to acquisition date and cost of

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

In consolidated financial report, for equity of bought party held before purchasing, re-measured by fair value on purchased date, and the difference of fair value and its book value should be 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 consolidated statement

(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 own 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.12 "Long-term equity investments" or Note IV.9 "Financial instruments" for details.

When the Company disposes of equity investment in a subsidiary by a stage-up approach with several transactions until the control over the subsidiary is lost, it shall determine whether these several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost fall within "transactions in a basket". Usually, these several transactions related to the disposal of equity investment in a subsidiary are accounted for as transactions in a basket when the terms, conditions and economic impacts of these several transactions meet the following one or more conditions: ① these transactions are entered into at the same time or after considering their impacts on each other; ② these transactions as a whole can reach complete business results; ③ the occurrence of a transaction depends on at least the occurrence of an other transaction; ④ an individual transaction is not deemed as economic, but is deemed as economic when considered with other transactions. If they are not transactions in a basket, each of which are accounted for in accordance with applicable rules in "partial disposal of long-term equity investment of a subsidiary without losing control over a subsidiary" (see Note IV. 12 (2) ④) separately, and "the control over a subsidiary is lost due to partial disposal of equity investment or other reasons" (see the preceding paragraph). When several transactions related to the disposal of equity investment in a subsidiary until the control over the subsidiary is lost fall within transactions in a basket, each of which is accounted for as disposal of a subsidiary with a transaction until the control over a subsidiary is lost; however, the different between the amount of disposal prior to the loss of control and the net assets of a subsidiary attributable to the disposal investment shall be recognized as other comprehensive income in consolidated financial statements and transferred to profit or loss for the period at the time when the control is lost.

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

Joint arrangement refers to such arrangement as jointly controlled by two or more participants. 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 12(2) ② "long term equity investment under equity method" under Note IV.

As a joint party under joint operation, the Company recognizes the assets and liabilities it separately holds and assumes, the assets and liabilities it jointly holds and assumes under the proportion, the revenue from disposal of the output which the Company is entitled to under the proportion, the revenue from disposal of the output under the proportion and the separately

occurred expenses as well as expenses occurred for joint operations under its proportion.

For injection to or disposal of assets of joint operations (other than those assets constituting business operation) or for purchase of assets from joint operations, gain or loss arising from the transaction is only recognized to the extent it is attributable to other parties to the joint operation before the joint operation is sold to any third party. In case that asset occurs asset impairment loss under Accounting Standards for Business Enterprise 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 by 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 ①exchange difference arising from foreign currency special borrowings relating to purchasing assets satisfying capitalization conditions is stated under capitalization principle of borrowing expenses; ②exchange difference arising from hedge instruments used as effective hedging of net investment in overseas operation (such difference shall be included in other comprehensive income and recognized as current period gains and losses when the net investment is disposed); and ③exchange difference arising from change of carrying balance of available for sale foreign currency monetary items other than amortized cost is included in other comprehensive income.

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

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

(3) Translation of foreign currency financial statement

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

and shall transfer to gains and losses from disposal for the current period when the overseas operation is disposed of.

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

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

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

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

9. Financial instrument

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

(2) Classification, recognition and measurement of financial assets

By way of buying and selling the financial assets in a regular way, recognition and derecognition are carried out according

to the accounts on the transaction day. Financial assets are divided into financial assets at fair value through profit or loss, held-to-maturity investments, loans and accounts receivable and available for-sale financial assets when they are initially recognized. Financial assets are initially recognized at fair value. For financial assets classified as fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the period. For financial assets classified as other categories, relevant transaction costs are included in the amount initially recognized.

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

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

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

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

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

② Held-to-maturity investments

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

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

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

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

③ Loans and receivables

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

receivable and other receivables as loans and receivables.

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

④ Available-for-sale financial assets

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

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

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

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

③ Impairment of financial assets

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

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

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

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

② Impairment of available-for-sale financial assets

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

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

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

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

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

As for the financial assets up to the following conditions, the recognition termination is available: ①Termination of the contract right to take the cash flow of the financial assets; ② transferred to the transferring-in part nearly all risk and compensation; ③ all risk and compensation neither transferred nor retained, and with the give-up of the control over the financial assets.

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

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

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

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

(5) Categorizing and measuring of financial liabilities

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

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

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

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

② Other financial liabilities

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

③ Financial Guarantee Contracts and loan commitment

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

(6) Termination recognition of financial liabilities

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

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

(7) Derivatives and embedded derivatives

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

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

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

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

(9) Equity instrument

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

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

10. Account receivable

Account receivable included account receivable and other account receivable.

(1) Recognition of bad debt provision

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

(2) Provision for Year-end balance of bad debt provisions

①Recognition 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

②Determination 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.

③Account 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

Inventory consists of fuels and raw materials etc.

(2) Valuation method of inventory delivered

The inventories are initially measured at cost.Cost of inventories comprises purchase costs, processing costs and other costs incurred in bringing the inventories to their present location and condition.

The actual cost of inventories delivered is recognized by the weighted average method.

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

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

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

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

(4) The inventory system is perpetual inventory system.

12. 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 9. "Financial instruments" under Note IV.

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

(1) Determination of investment cost

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

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

investment classified as available-for-sale financial asset, the difference between its fair value and carrying amount, as well as the accumulated movement in fair value previously included in the other comprehensive income shall be transferred to profit or loss for the current period.

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

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

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

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

① Long-term equity investment checked by the cost

Upon the cost check, the investment is 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. Beside, if the Company is responsible for other losses of the investment receiver, predicted liability shall be recognized upon the prediction of responsibilities and recorded into current investment loss account. If the receiver realized net profit in the period thereafter, the share of gains is recovered after making up of share of losses which has not been recognized.

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

③ Acquisition of minority equity

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

④ Disposal of long-term equity investment

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

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

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

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

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

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

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

13. Investment real estate

Investment real estate is defined as the real estate with the purpose to earn rent or capital appreciation or both, including the rented land use rights and the land use rights which are held and prepared for transfer after appreciation, the rented buildings. 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.

14. Fixed assets

(1) Recognition conditions for the fixed assets

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

(2) Depreciation of various fixed assets

From the next month since reaching the intended use state, 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:

Category	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

Category	Life expectancy	Salvage value rate	Annual depreciation rate
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-19."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.

15. Construction-in-progress

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

Impairment testing method and accrual method for impairment reserves found in Note IV-19 "Impairment of long-term assets"

16. Borrowing expenses

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

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

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

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

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

17. Intangible assets

(1) Intangible assets

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

An intangible asset shall be initially measured at cost. The expenditures incurred on an intangible asset shall be recognized as cost of the intangible asset only if it is probable that economic benefits associated with the asset will flow to the Company

and the cost of the asset can be measured reliably. Other expenditures on an item asset shall be charged to profit or loss when incurred.

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

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

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

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

Found more in Note IV-19 "Impairment of long-term assets"

18. Long-term expenses to be amortized

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

19. 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.

Once an impairment loss of these assets is recognized, it is not allowed to be reversed even if the value can be recovered in subsequent period.

20. Staff remuneration

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

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

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

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

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

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

21. Accrual liability

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) Contract in loss

Contract 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).

22. 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) Revenue from providing labor service

Under the condition of service providing business can be estimated in a reliable way, relevant economic benefit is likely to flow into enterprise, completion degree of business may be estimated in a reliable way and relevant incurred cost and to be incurred may be measured in a reliable way, the revenue from labor service providing recognized. Relevant service revenue

may be confirmed by the Company as percentage-of-completion method on balance sheet date. Completion degree of service business will be determined as share of incurred service cost in estimated general cost.

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

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

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

(2) Specific standards for revenue recognition of engineering companies

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

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

23. Government subsidy

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

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

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

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

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

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

24. Deferred income tax asset/ deferred income tax liability

(1) Current income tax

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

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

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

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

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

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

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

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

(3) Income tax expenses

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

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

(4) Offset of income tax

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

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different

taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

25. Leasing

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

(1) Lease business with the Company as the rentee

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

(2) Lease business with the Company as the renter

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

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

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

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

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

On the beginning date of the lease, the entry value of lease receivable shall be the aggregate of minimum lease receivable and initial direct costs at the beginning date of the lease. The unsecured balance shall be recorded. The aggregate of minimum lease receivable, initial direct costs and unsecured balance and the different between their present value shall be recognized as 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

26. Other main accounting policies and estimations

The discontinued operation refers to the component that meets one of following conditions and has been disposed by the Company or classified as held-for-sale and can be individually distinguished when operating and preparing the financial

statements: ① the component represents an independent main Business or a major operating area; ② the component is a parts that intends to dispose or arrange an independent main business or a major operating area; ③ the component is a subsidiary obtained only for re-sale.

27. Changes of main accounting policy and accounting estimation

(1)Change of accounting policies

Change of accounting policies arising from adoption of new Business Accounting Standards and amendment on other laws and regulations

Implement the Notice of the Ministry of Finance on Revising and Printing the Format of Financial Statements for General Enterprises in 2018. The Ministry of Finance issued the Notice of the Ministry of Finance on Revising and Printing the Format of Financial Statements for General Enterprises in 2018 (CK No.[2018]15, hereinafter referred to as “the newly revised financial statement format”) on June 15, 2018. The newly revised financial statement format mainly consolidates and presents some items in the balance sheet, and separately lists the R&D expenses in the original “administrative expenses” in the income statement, and adds “R&D expenses” items to reflect the expenditure incurred during the research and development of enterprise.

In accordance with the Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements and other relevant regulations, the Company adopted the retrospective adjustment method for this accounting policy change, and the comparative financial statements of 2018 & 2017 have been re-stated. There is no impact on the 2017 annual consolidated financial statements or on the profit and loss items related to the parent company’s financial statements.

(2) Change of accounting estimation

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

28. Major accounting judgment and estimation

When using the accounting policies discussed in note IV, 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) 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 collectibility of accounts receivable. Identification of impairment of receivables requires management judgments and estimates. The differences between actual results and the original estimate will affect the book value of accounts receivable as well as the recognition or reversal of provision for bad debts in the period in which the estimate is changed.

(3) Allowance for inventories

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

(4) Impairment provision for long-term assets

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

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

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

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

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

(5) Depreciation and amortization

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

(6) Deferred income tax assets

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

(7) Accrual 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 accrual 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 accrual liability 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 rates

Taxation items	Tax rate
VAT	Output tax calculated based on the 6%, 10%, 11%, 13%, 16% 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 Yuan ~ 8Yuan per square meter of the actual occupied are for the industrial land located in Nanshan District, Shenzhen City; 1Yuan ~ 5 Yuan per square meter of the actual occupied are for the industrial land located in Dongguan City; 1Yuan per square meter of the actual occupied are for the industrial land

Taxation items	Tax rate
	located in Zhongshan City
Land VAT	Tax by the Value-added amount from transferring state-owned land use right, landing construction and its affiliates with four super-rate progressive tax rate

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

Taxpaying body	Rate of income tax
Shenzhen Nanshan Power Co., Ltd. (“the Company”)	25%
Shenzhen New Power Industrial Co., Ltd (“New Power 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%
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%

Note: Singapore Company and Syndisome applying the rate of income tax in location

2. Taxes preferential and approvals

Tax	Name of the company	Relevant regulation and policies basis	Approval institution	Approval documents	Exemption range	Period of validity
VAT	Environment Protection Co.,	“Notice of adjustment and perfection on resources comprehensive usage and labor VAT policy”(CS No.115[2011])	Not applicable	Not applicable	VAT free for sludge treatment	Not applicable
VAT	Environment Protection	Notice on "contents of products with comprehensive utilization of resources and value-added tax"	Shenzhen Provincial Office,	SQSST[2018]No.: 18302	Resource comprehensive utilization of	31 Aug. 2018 to 31 July 2022

Tax	Name of the company	Relevant regulation and policies basis	Approval institution	Approval documents	Exemption range	Period of validity
	on Co.,	privilege of labor service" (CS No. [2015] 78)	SAT (Qianhai SAT)		VAT refund	
Enterprise income tax	SYNDI SOME	“Enterprise Income Tax Law of People’s Republic of China”	State Tax Bureau of Nanshan Distinct Shenzhen	Shen Guo Sui Nan Kou Jiao Bei Zi No.: [2011]0011	No enterprise income tax should pay for the dividend before 31 December 2007	Not applicable

Note1: "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).

Note 2: The Company's VAT taxable sales behavior or imported goods are originally applicable to 17% / 11% tax rate. According to the regulations of the Notice of the Ministry of Finance and the State Administration of Taxation on Adjusting the Value-Added Tax Rate (CS[2018] No. 32), the applicable tax rate has been adjusted to 16%/10% from May 1, 2018.

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; current period refers to Year of 2018 and Last period refers to Year of 2017

1. Monetary fund

Item	Ending Balance	Opening Balance
Cash on hand	75,645.92	81,491.35
Bank savings	574,808,236.06	337,821,258.42
Other monetary fund	350,945,522.46	100,413,420.04

Item	Ending Balance	Opening Balance
Total	925,829,404.44	438,316,169.81
Including: total amount saving aboard	6,240,695.02	6,011,752.65

Note: among the above mentioned “other monetary fund”, the restricted monetary fund including structured deposit and cash deposit of 10,872,792.74 Yuan in total (on 31 Dec. 2017, the restricted monetary fund include cash deposit of 26,702,792.74 Yuan)

2. Note receivable and account receivable

Item	Ending Balance	Opening Balance
Note receivable		6,702,500.00
Account receivable	132,430,024.97	113,349,775.76
Total	132,430,024.97	120,052,275.76

(1) Note receivable

① Category of note receivable

Item	Ending Balance	Opening Balance
Bank acceptance		6,702,500.00
Total		6,702,500.00

② No note receivable pledged at year-end.

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

④ No notes transfer to account receivable due to failure implementation by drawer at year-end

(2) Account receivable

① Category of account receivable

Category	Ending Balance				Book value	
	Book balance		Year-end balance of bad debt provision			
	Amount	Ratio (%)	Amount	Accrual ratio (%)		
Account receivable with individual major amount and withdrawal bad debt provision independently	3,474,613.06	2.52	3,474,613.06	100.00		
Account receivable with bad debt	131,861,452.21	95.81			131,861,452.21	

Category	Ending Balance				
	Book balance		Year-end balance of bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
provision accrual based on similar credit risk characteristics of a portfolio					
Account receivable with individual minor amount but withdrawal bad debt provision independently	2,292,027.78	1.67	1,723,455.02	75.19	568,572.76
Total	137,628,093.05	100.00	5,198,068.08	3.78	132,430,024.97

(Continued)

Category	Opening Balance				
	Book balance		Year-end balance of bad debt provision		Book value
	Amount	Ratio (%)	Amount	Accrual ratio (%)	
Account receivable with individual major amount and withdrawal bad debt provision independently	3,474,613.06	2.94	3,474,613.06	100.00	
Account receivable with bad debt provision accrual based on similar credit risk characteristics of a portfolio	106,116,231.59	89.81		0.00	106,116,231.59
Account receivable with individual minor amount but withdrawal bad debt provision independently	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

A. Account receivable with single significant amount and withdrawal bad debt provision separately at year end:

Account receivable (enterprise)	Ending Balance				
	Account receivable	Year-end balance of bad debt provision		Accrual ratio (%)	Accrual reasons

Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	3,474,613.06	3,474,613.06	100.00	Un-collectable
Total	3,474,613.06	3,474,613.06	100.00	

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

Account receivable	Ending Balance		
	Book balance	Year-end balance of bad debt provision	Accrual ratio (%)
Account of engineering receivable	1,937,145.51	1,368,572.75	70.65
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	2,292,027.78	1,723,455.02	75.19

② Age analysis of account receivable

Item	Ending amount		Opening amount	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	131,858,563.21	95.81	112,392,970.35	95.12
1 to 2years				
2 to 3years			442,000.00	0.37
Over 3 years	5,769,529.84	4.19	5,327,529.84	4.51
Total	137,628,093.05	100.00	118,162,500.19	100.00

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

Amount of bad debt provision was 385,343.65 Yuan in the year, bad debts preparation was 0.00 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 129,395,214.00 Yuan, accounting for 94.02% 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.

3. Account paid in advance

(1) Account paid in advance classified according to age

Age	Ending Balance		Opening Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	53,317,190.18	99.37	119,008,304.61	99.94
1 to 2years	277,000.00	0.52		
2 to 3years			18,304.20	0.02
Over 3 years	61,586.94	0.11	43,282.74	0.04
Total	53,655,777.12	100.00	119,069,891.55	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 48,836,430.14 Yuan, accounting for 91.02% of the total amount of year end balance of prepayments.

4. Other account receivable

Item	Ending Balance	Opening Balance
Other account receivable	40,133,297.74	38,771,888.74
Interest receivable		
Dividend receivable		
Total	40,133,297.74	38,771,888.74

(1) Other account receivable

①Category of other account receivable

Category	Ending Balance				Book value	
	Book balance		Year-end balance of bad debt provision			
	Amount	Proportion (%)	Amount	Accrual ratio (%)		
Other account receivable with individual	20,341,666.46	28.26	20,341,666.46	100.00	0.00	

Category	Ending Balance					Book value	
	Book balance		Year-end balance of bad debt provision				
	Amount	Proportion (%)	Amount	Accrual ratio (%)			
major amount and withdrawal bad debt provision independently							
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	39,543,015.85	54.94				39,543,015.85	
Other account receivable with individual minor amount but withdrawal bad debt provision independently	12,093,035.87	16.80	11,502,753.98	95.12		590,281.89	
Total	71,977,718.18	100.00	31,844,420.44	44.24		40,133,297.74	

(Continued)

Category	Opening Balance					Book value	
	Book balance		Year-end balance of bad debt provision				
	Amount	Proportion (%)	Amount	Accrual ratio (%)			
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			
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	37,929,326.85	53.71				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	100.00	31,844,420.44	45.09		38,771,888.74	

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

year-end

Other account receivable(units)	Ending Balance			
	Other account receivable	Year-end balance of bad debt provision	Accrual ratio (%)	Accrual reasons
Huiyang Kangtai Industrial Company	14,311,626.70	14,311,626.70	100.00	Un-collectable
Shandong Jinan Generation Equipment Plant	3,560,000.00	3,560,000.00	100.00	Un-collectable
Individual income tax	2,470,039.76	2,470,039.76	100.00	Un-collectable
Total	20,341,666.46	20,341,666.46	100.00	

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

Other account receivable	Ending Balance		
	Book balance	Year-end balance of bad debt provision	Accrual ratio (%)
Dormitory amount receivable	2,083,698.16	1,736,004.16	83.31
Deposit receivable	1,517,562.84	1,312,974.95	86.52
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	12,093,035.87	11,502,753.98	95.12

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 0.00 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	5,465,474.63	7.59	11,017,914.66	15.60

Item	Ending amount		Opening amount	
	Amount	Proportion (%)	Amount	Proportion (%)
1 to 2 years	8,224,869.28	11.43	2,586,964.78	3.66
2 to 3 years	2,112,308.80	2.93	328,508.03	0.47
Over 3 years	56,175,065.47	78.05	56,682,921.71	80.27
Total	71,977,718.18	100.00	70,616,309.18	100.00

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

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

⑦ Top five other account receivables at period-end balance listed by arrears party

Name of the company	Relationship with the Company	Ending Balance	Age	Proportion in total year-end balance of other account receivable (%)	Year-end balance of bad debt provision	Ending Balance
Huidong Server Harbor Comprehensive Development Co., Ltd.	Related party	23,138,899.40	Within 5 years	32.15		
Huiyang County Kangtai Industrial Company	Non-related party	14,311,626.70	Over 4 years	19.88	14,311,626.70	
Dongguan Shifeng Natural Gas Transmission Co., Ltd.	Non-related party	5,000,000.00	Within 2 years	6.95		
China Machinery Engineering Corporation	Non-related party	4,025,165.77	Within 3 years	5.59		
Shandong Jinan Power Equipment Factory	Non-related party	3,560,000.00	over 3 years	4.95	3,560,000.00	
Total		50,035,691.87	—	69.52	17,871,626.70	

⑧Account receivable with government subsidy concerned

Name of the company	Government subsidy	Ending Balance	Age at year-end	Time, amount and basis expected to collected
Qianghai National Tax Bureau	VAT refund upon collection	249,912.44	Within one year	Collected in full in next fiscal period
Total		249,912.44		

5. Inventory

(1) Classification

Item	Ending Balance		
	Book balance	Depreciation provision	Book value
Raw materials	177,479,127.97	52,720,793.00	124,758,334.97
Total	177,479,127.97	52,720,793.00	124,758,334.97

(Continued)

Item	Opening Balance		
	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

(2) Inventory falling price reserves

Item	Opening Balance	Current increased		Current decreased		Ending Balance
		Accrual	Other	Switch-back or write-off	Other	
Raw materials	52,720,793.00					52,720,793.00
Total	52,720,793.00					52,720,793.00

(3) 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
		Cost higher the net realizable value	Not applicable	
Raw materials			Not applicable	Not applicable

6. Other current assets

Item	Ending Balance	Opening Balance
VAT input tax deductible	383,495,754.13	446,786,369.31
Enterprise income tax paid in advance	6,583,089.98	5,368,153.93
Other	30,000.00	30,000.00
Total	390,108,844.11	452,184,523.24

7 Financial assets available for sale

(1) Financial assets available for sale

Item	Ending Balance			Opening Balance		
	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	63,115,000.00	2,500,000.00	60,615,000.00
Including: measured by cost	63,115,000.00	2,500,000.00	60,615,000.00	63,115,000.00	2,500,000.00	60,615,000.00
Total	63,115,000.00	2,500,000.00	60,615,000.00	63,115,000.00	2,500,000.00	60,615,000.00

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

The invested entity	Book balance			Depreciation reserves		
	Year-begin	+,-	Year-end	Year-begin	+,-	Year-end
Jiangxi Nuclear Power Co., Ltd.	60,615,000.00		60,615,000.00			
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	2,500,000.00		2,500,000.00	2,500,000.00		2,500,000.00
Total	63,115,000.00		63,115,000.00	2,500,000.00		2,500,000.00

Continued

The invested entity	Shareholding ratio in invested company(%)	Cash bonus
Jiangxi Nuclear Power Co., Ltd.	5.00	
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	4.00	
Total	-	

8. Long-term equity investment

The invested entity	Opening	+,-

	Balance	Additional investment	Disinvestment	Investment gains/losses recognized by equity method	Other comprehensive income adjustment	Other changes in equity
I. Joint venture						
Huidong Server Harbor						
Comprehensive Development Company	18,254,673.40			-2,205,628.45		
Total	18,254,673.40			-2,205,628.45		

(Continued)

The invested entity	+,-			Ending Balance	Year-end balance of depreciation reserves
	Declaration of cash dividends or profits	Provision for impairment	Other		
I. Joint venture					
Huidong Server Harbor					
Comprehensive Development Company				16,049,044.95	
Total				16,049,044.95	

9 Investment real estate

(1) Investment real estate measured at cost

Item	House and building	Land use right	Construction in process	Total
I. Original book value				
1. Opening Balance	9,708,014.96			9,708,014.96
2. Current increased				
3. Current decreased				
4. Ending Balance	9,708,014.96			9,708,014.96
II. accumulated depreciation and accumulated amortization				
1. Opening Balance	6,905,574.65			6,905,574.65

Item	House and building	Land use right	Construction in process	Total
2. Current increased	196,137.60			196,137.60
(1) accrual or amortization	196,137.60			196,137.60
3. Current decreased				
4. Ending Balance	7,101,712.25			7,101,712.25
III. depreciation provision				
1. Opening Balance				
2. Current increased				
3. Current decreased				
4. Ending Balance				
IV. Book value				
1. Year-end book value	2,606,302.71			2,606,302.71
2. Year-begin book value	2,802,440.31			2,802,440.31

10 Fixed assets

Item	Ending Balance	Opening Balance
Fixed assets	1,405,648,674.64	1,420,620,565.05
Disposal of fixed assets	1,314.60	
Total	1,405,649,989.24	1,420,620,565.05

(1) Fixed assets

① Fixed assets

Item	House and buildings	Machinery equipment	Transportation tools	Other equipment	Total
I. Original book value					
1. Opening Balance	450,244,770.68	4,040,500,312.08	21,308,218.22	48,167,921.16	4,560,221,222.14
2. Current increased	43,998,604.26	91,748,827.63	3,913,866.29	3,546,581.27	143,207,879.45
(1) Purchase	43,998,604.26	13,617,497.08	3,913,866.29	2,677,377.87	64,207,345.50
(2) Construction in		77,853,933.32		840,980.45	78,694,913.77

Item	House and buildings	Machinery equipment	Transportation tools	Other equipment	Total
process transfer-in					
(3) Increased by combination		277,397.23		28,222.95	305,620.18
3. Current decreased	583,553.00	120,558,636.26	3,527,441.00	779,973.03	125,449,603.29
(1) Disposal or scrapping	583,553.00	57,562,794.22	3,527,441.00	779,973.03	62,453,761.25
(2) Other decreased		62,995,842.04			62,995,842.04
4. Ending Balance	493,659,821.94	4,011,690,503.45	21,694,643.51	50,934,529.40	4,577,979,498.30
II. Accumulated depreciation					
1. Opening Balance	282,063,887.10	2,649,610,431.93	16,993,672.09	40,811,456.40	2,989,479,447.52
2. Current increased	13,338,892.67	100,672,619.66	1,117,034.52	1,017,553.12	116,146,099.97
(1) Accrual	13,338,892.67	100,672,619.66	1,117,034.52	1,017,553.12	116,146,099.97
3. Current decreased	360,687.06	70,084,236.11	3,270,196.90	713,513.88	74,428,633.95
(1) Disposal or scrapping	360,687.06	48,537,039.85	3,270,196.90	713,513.88	52,881,437.69
(5) Other decreased		21,547,196.26			21,547,196.26
4. Ending Balance	295,042,092.71	2,680,198,815.48	14,840,509.71	41,115,495.64	3,031,196,913.54
III. Impairment provision					
1. Opening Balance	14,860,025.13	135,261,184.44			150,121,209.57
2. Current increased					
(1) Accrual					
3. Current decreased		8,987,299.45			8,987,299.45
(1) Disposal or scrapping		8,987,299.45			8,987,299.45
4. Ending Balance	14,860,025.13	126,273,884.99			141,133,910.12
IV. Book value					
1. Closing book value	183,757,704.10	1,205,217,802.98	6,854,133.80	9,819,033.76	1,405,648,674.64

Item	House and buildings	Machinery equipment	Transportation tools	Other equipment	Total
2. Opening 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 Idle fixed assets temporary

Item	Original book value	Accumulated depreciation	Impairment provision	Book value	Note
Machinery equipment	603,800,161.26	508,342,980.64	53,700,282.66	41,756,897.96	Processing equipment of heavy oil and generation unit
Housing & buildings	137,799,917.53	101,367,169.95	19,008,224.87	17,424,522.71	Wharf, processing workshop of heavy oil
Transportation equipment	256,300.00	230,670.00		25,630.00	Idle vehicles
Total	741,856,378.79	609,940,820.59	72,708,507.53	59,207,050.67	

③ Fixed assets without property rights certificate

Item	Book value	Reasons for failing to complete the property rights certificate
Comprehensive building	18,665,590.95	Procedures uncompleted
Steam engine room and annex building	10,180,595.77	Procedures uncompleted
Office building	5,110,171.56	Procedures uncompleted
Administrative office building	4,982,442.49	Procedures uncompleted
Production and inspection building	4,846,017.33	Procedures uncompleted
Booster station	4,497,503.92	Procedures uncompleted
Comprehensive building	4,042,163.59	Procedures uncompleted
Draft cooling tower	3,270,968.18	Procedures uncompleted
Chemical water tower	2,684,669.86	Procedures uncompleted
Circulating water pump house	1,725,332.18	Procedures uncompleted
Turbine building	1,629,843.40	Procedures uncompleted

Item	Book value	Reasons for failing to complete the property rights certificate
Comprehensive building	18,665,590.95	Procedures uncompleted
Chemical water workshop and foundation of water tank	1,554,589.45	Procedures uncompleted
Industry pool and industry pump house	682,279.44	Procedures uncompleted
Ventilation system of the whole plant	529,058.47	Procedures uncompleted
Treatment shop for heavy oil	526,281.29	Procedures uncompleted
Oil treatment room and oil un-loading platform	337,538.98	Procedures uncompleted
Comprehensive building canteen	304,958.07	Procedures uncompleted
Fire pump house	274,670.13	Procedures uncompleted
Start-up boiler house	232,440.08	Procedures uncompleted
Mail room of the main entrance	201,868.01	Procedures uncompleted
Total	47,613,392.20	

(2) Fixed assets disposal

Item	Ending Balance	Opening Balance
Other	1,314.60	
Total	1,314.60	

11 Construction in process

(1) Construction in process

Item	Ending Balance			Opening Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Cogeneration	64,754,943.63		64,754,943.63	47,221,713.47		47,221,713.47
Oil to Gas Works	32,871,600.26	32,871,600.26		32,871,600.26	32,871,600.26	
Technical innovation	17,021,868.33		17,021,868.33	3,712,764.69		3,712,764.69
Other	571,196.43		571,196.43	24,263.76		24,263.76

Item	Ending Balance			Opening Balance		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Total	115,219,608.65	32,871,600.26	82,348,008.39	83,830,342.18	32,871,600.26	50,958,741.92

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

Item	Budget	Opening Balance	Increase of this year	Transferred fixed assets in this year	Other decrease in the year	Ending Balance
Cogeneration	120,000,000.00	47,221,713.47	17,533,230.16			64,754,943.63
Oil to Gas Works	74,400,000.00	32,871,600.26				32,871,600.26
Technical innovation		3,712,764.69	88,519,259.42	75,005,425.78	204,730.00	17,021,868.33
Other		24,263.76	4,383,625.79	3,689,487.99	147,205.13	571,196.43
Total	194,400,000.00	83,830,342.18	110,436,115.37	78,694,913.77	351,935.13	115,219,608.65

(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
Cogeneration	53.96	53.96	5,114,154.26	3,117,772.76	5.67	Self-raised and borrowing
Oil to Gas Works	63.76	63.76				Self-raised
Technical innovation		Not applicable				Self-raised
Other		Not applicable				Self-raised
Total			5,114,154.26	3,117,772.76		

12 Intangible assets

(1) Intangible assets

Item	Land use right	Software	Financial software	Total
I. Original book value				
1. Opening Balance	91,398,125.27	3,516,969.85	16,640.00	94,931,735.12

Item	Land use right	Software	Financial software	Total
2.Current increased				
(1) Purchase				
3、 Current decreased				
(1) Disposal				
4、 Ending Balance	91,398,125.27	3,516,969.85	16,640.00	94,931,735.12
II. Accumulated amortization				
1. Opening Balance	43,723,974.26	2,725,889.73	11,370.53	46,461,234.52
2. Current increased	2,199,240.72	280,676.68	3,327.96	2,483,245.36
(1) Accrual	2,199,240.72	280,676.68	3,327.96	2,483,245.36
3. Current decreased				
(1) Disposal				
4. Ending Balance	45,923,214.98	3,006,566.41	14,698.49	48,944,479.88
III. Impairment provision				
1. Opening Balance				
2. Current increased				
(1) Accrual				
3. Current decreased				
(1) Disposal				
4. Ending Balance				
IV. Book value				
1. Closing book value	45,474,910.29	510,403.44	1,941.51	45,987,255.24
2. Opening book value	47,674,151.01	791,080.12	5,269.47	48,470,500.60

(2) Land use rights without property rights certificate

Item	Book value	Reasons for failing to complete the property rights certificate
Land use right of the wharf and pipe gallery	509,921.94	Property rights certificate is undergoing
Total	509,921.94	

13 Deferred income tax assets and deferred income tax liabilities**(1) Deferred income tax assets without offsetting**

Item	Ending Balance		Opening Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Account receivable Year-end balance of bad debt provision	5,060,001.01	1,265,000.26	4,674,657.36	1,159,926.83
Bad debt provision for other receivable	723,585.00	180,896.25	723,585.00	180,896.25
Impairment provision for financial assets available for sale	2,500,000.00	625,000.00	2,500,000.00	625,000.00
Other	1,711.00	427.75	3,824,854.27	956,213.57
Total	8,285,297.01	2,071,324.26	11,723,096.63	2,922,036.65

(2) Details of unrecognized deferred income tax assets

Item	Ending Balance	Opening Balance
Deductible temporary difference	276,187,603.06	289,784,873.82
Deductible loss	395,069,735.26	360,690,491.88
Total	671,257,338.32	650,475,365.70

(3) Deductible losses of un-recognized deferred income tax assets expired on the followed year

Year	Ending Balance	Opening Balance	Note
2019	178,967,165.82	178,967,165.82	
2020	47,718,047.63	47,940,421.45	
2021	83,592,334.40	92,438,531.80	
2022	41,344,372.81	41,344,372.81	
2023	43,447,814.60		
Total	395,069,735.26	360,690,491.88	

14. Other non-current assets

Item	Ending Balance	Opening Balance
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Item	Ending Balance	Opening Balance
Advance payment on construction and equipment	2,023,500.00	10,048,600.00
Project of LNG (Note)	22,882,181.78	22,882,181.78
Total	24,905,681.78	32,930,781.78

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”.

15. Short-term loans

(1) Classification

Item	Ending Balance	Opening Balance
Credit loans	860,000,000.00	50,000,000.00
Guarantee loans	140,000,000.00	465,850,000.00
Total	1,000,000,000.00	515,850,000.00

(2) Overdue and outstanding short-term borrowings

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

16. Note payable and account payable

Item	Ending Balance	Opening Balance
Note payable		51,439,580.56
Account payable	18,065,898.69	15,094,912.60
Total	18,065,898.69	66,534,493.16

(1) Category of note payable

Category	Ending Balance	Opening Balance
Trade acceptance		
Bank acceptance		51,439,580.56
Total		51,439,580.56

Notes expired at period-end without paid was 0.0 Yuan. (end of last year: 0.00 Yuan)

(2) Details of account payable

Item	Ending Balance	Opening Balance
Materials	8,545,427.20	13,670,020.13
Electricity	906,278.78	811,442.78
Others	8,614,192.71	613,449.69
Total	18,065,898.69	15,094,912.60

(3) 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

17. Wages payable

(1) Wages payable

Item	Opening Balance	Increase this year	Decrease this year	Ending Balance
I. Short-term remuneration	44,486,690.44	122,588,120.59	122,401,318.66	44,673,492.37
II. Post-employment welfare-defined contribution plans	3,850,897.81	11,528,281.24	15,140,071.76	239,107.29
III. Severance Pay				
IV. Other welfare due within one year				
V. Other				
Total	48,337,588.25	134,116,401.83	137,541,390.42	44,912,599.66

(2) Short-term remuneration

Item	Opening Balance	Increase this year	Decrease this year	Ending Balance
1. Wages, bonuses, allowances and subsidies	41,922,487.80	107,454,026.16	105,788,919.86	43,587,594.10
2. Welfare for workers and staff		613,770.12	613,770.12	
3. Social insurance	273,190.85	4,756,051.36	4,905,607.28	123,634.93
Including: Medical insurance	241,515.10	4,252,251.47	4,391,046.18	102,720.39
Work injury insurance	23,042.08	138,130.69	150,150.93	11,021.84

Item	Opening Balance	Increase this year	Decrease this year	Ending Balance
Maternity insurance	8,633.67	365,669.20	364,410.17	9,892.70
Other				
4. Housing accumulation fund	698,573.20	7,867,018.24	8,061,733.50	503,857.94
5. Labor union expenditure and personnel education expense	1,592,438.59	1,897,254.71	3,031,287.90	458,405.40
6. Short-term paid absence				
7. Short-term profit sharing plan				
8. Other				
Total	44,486,690.44	122,588,120.59	122,401,318.66	44,673,492.37

(3) Defined contribution plans

Item	Opening Balance	Increase in the year	Decrease in the year	Ending Balance
1. Basic endowment insurance	515,780.80	9,680,412.26	9,964,852.58	231,340.48
2. Unemployment insurance	12,720.01	141,353.00	146,165.18	7,907.83
3. Enterprise annuity	3,322,397.00	1,706,515.98	5,029,054.00	-141.02
Total	3,850,897.81	11,528,281.24	15,140,071.76	239,107.29

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.

18. Taxes payable

Item	Ending Balance	Opening Balance
Enterprise income tax	11,215,405.89	3,959,377.93
Real estate tax	2,211,605.38	1,435,820.81
Individual income tax	1,251,539.31	2,064,852.00
Land-use tax of town	603,884.89	1,405,156.40
VAT	508,589.03	5,660,770.59
Other	209,015.05	911,781.03
Total	16,000,039.55	15,437,758.76

19. Other account payable

Item	Ending Balance	Opening Balance
Interest payable	1,608,290.72	3,006,993.33
Other account payable	61,483,590.71	83,214,183.57
Total	63,091,881.43	86,221,176.90

(1) Interest payable

Item	Ending Balance	Opening Balance
Amortization of long-term loan's interest and repayment of principal at maturity	50,826.19	108,741.19
Interest payable for short-term loans	1,557,464.53	2,898,252.14
Total	1,608,290.72	3,006,993.33

(2) Other account payable

① Other payable by nature

Item	Ending Balance	Opening Balance
Engineering funds	30,866,827.67	24,040,896.76
Quality assurance	8,285,192.04	13,632,891.13
Accrued expenses	6,867,153.90	34,865,705.80
Material payment	5,453,034.68	
Equipment fund	457,760.33	439,237.63
Land use fee	348,534.19	423,005.75
Board expenses		479,659.27
Other	9,205,087.90	9,332,787.23
Total	61,483,590.71	83,214,183.57

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 21,287,389.24 Yuan (December 31, 2017: 60,035,222.17 Yuan), which is mainly the accrued expenses, engineering equipment fund and guarantee money.

20. Non-current liability due within one year

Item	Ending Balance	Opening Balance
Long-term loans due within one year (Note VI.21)		32,400,000.00
Total		32,400,000.00

21. Long-term loans

Item	Ending Balance	Opening Balance
Guarantee loans	25,940,000.00	58,340,000.00
Less: Long-term loans due within one year		32,400,000.00
Total	25,940,000.00	25,940,000.00

22. Accrual liability

Item	Ending Balance	Opening Balance	形成原因
Guarantee offering outside	26,726,232.38	26,788,590.38	注
Total	26,726,232.38	26,788,590.38	

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 Yapoqiao Dock, which belongs to Shenzhen Server, Huidong Server, and Huidong Nanshan Town Government as well as its subordinate Nanshan 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 2018 and the costs for problem left over by history amounting to 773,767.62 Yuan, ending balance amounted as 26,726,232.38 Yuan.

23. Government subsidy**(1) Government subsidy**

Category	Item	Item	Amount booked in current gain/loss
VAT refund	4,381,604.17	Other income	4,381,604.17
Subsidy for low-nitrogen transformation	2,586,861.73	Other income	2,586,861.73
Award for added value of the industrial in Nanshan District	1,000,000.00	Non-operation income	1,000,000.00
Support fund of recycling economy for	647,002.92	Other income	647,002.92

Category	Item	Item	Amount booked in current gain/loss
sludge drying			
Treasury subsidies for sludge drying	255,000.00	Other income	255,000.00
Subsidy for quality promotion of the air environment in Shenzhen	147,333.34	Other income	147,333.34
Special funds for energy conservation and emission reduction	114,037.32	Other income	114,037.32
Support fund of enterprise informationalization	61,176.48	Other income	61,176.48
Funded of energy efficiency improvement for electric machine	34,560.00	Other income	34,560.00
Special funds for the development of independent innovation industries	100,000.00	Other income	100,000.00
Funds for energy conservation and emission reduction in 2018	100,000.00	Other income	100,000.00
Other	1,000.00	Other income	1,000.00
Other	78,000.00	Non-operation income	78,000.00

(2) Government subsidy returned in the year

Nil

24. Deferred income

Item	Opening Balance	Increased in the Year	Decreased in the Year	Ending Balance	Reasons
Government subsidy	41,948,231.12	37,510,000.00	3,845,971.79	75,612,259.33	
Other	41,948,231.12	37,510,000.00	3,845,971.79	75,612,259.33	—

Including, items with government subsidy involved:

Government subsidy	Opening Balance	Increased in the Year	Decreased in the Year				Ending Balance	Assets related/income related
			Amount reckoned in non-operat	Amount reckoned in other income	Cost reduction	Other decreased		

			ion revenue					
Subsidy for low-nitrogen transformation	28,274,503.83			2,586,861.73			25,687,642.10	Assets related
Information construction	209,019.56			61,176.48			147,843.08	Assets related
Support fund of recycling economy for sludge drying	8,745,279.79			647,002.92			8,098,276.87	Assets related
Treasury subsidies for sludge drying	3,336,250.00			255,000.00			3,081,250.00	Assets related
Special funds for energy conservation and emission reduction	912,297.94			114,037.32			798,260.62	Assets related
Funded of energy efficiency improvement for electric machine	470,880.00			34,560.00			436,320.00	Assets related
Subsidy for quality promotion of the air environment in Shenzhen		32,880,000.00		147,333.34			32,732,666.66	Assets related
Cogeneration		4,630,000.00					4,630,000.00	Assets related
Total	41,948,231.12	37,510,000.00		3,845,971.79			75,612,259.33	

25. Share capital

Item	Opening Balance	Changes in this year(+ -)					Ending Balance
		New shares issued	Bonus shares	Capitalizing from reserves	Other	Subtotal	
Total shares	602,762,596.00						602,762,596.00

26. Capital reserve

Item	Opening Balance	Increase in the year	Decrease in the year	Ending Balance

Item	Opening Balance	Increase in the year	Decrease in the year	Ending Balance
Capital premium	233,035,439.62			233,035,439.62
Other capital reserve	129,735,482.48			129,735,482.48
Total	362,770,922.10			362,770,922.10

27. Surplus reserve

Item	Opening Balance	Increase in the year	Decrease in the year	Ending Balance
Legal surplus reserve	310,158,957.87			310,158,957.87
Discretionary surplus reserve	22,749,439.73			22,749,439.73
Total	332,908,397.60			332,908,397.60

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.

28. Retained profit

Item	Current Year	Last Year
Retained profit of last year before adjusted	660,176,169.69	644,271,987.22
Total retained profit adjusted (increased with +, decreased with -)		
Retained profit at beginning of the year after adjusted	660,176,169.69	644,271,987.22
Add: net profit attributable to shareholders of parent company	19,253,766.12	15,904,182.47
Less: withdrawal of statutory surplus reserve		
Surplus reserves withdrawal		
General risk reserve withdrawal		
Common Stock dividend payable		
Dividend of common shares transfer as share capital		
Retained profit at year-end	679,429,935.81	660,176,169.69

29. Operating income and operating cost

Item	Current amount		Last-year amount	
	Income	Cost	Income	Cost
Main business	1,878,841,697.58	1,750,795,731.12	2,040,134,442.78	1,874,139,265.32
Other business	6,095,411.42	1,357,596.08	5,632,388.96	423,723.62
Total	1,884,937,109.00	1,752,153,327.20	2,045,766,831.74	1,874,562,988.94

30. Tax and surcharge

Item	Current amount	Last-year amount
City maintenance tax	3,738,452.65	3,944,215.76
Education surtax	2,992,379.14	3,052,200.62
Real estate tax	2,773,508.22	2,483,900.29
Stamp tax	1,278,024.52	1,354,763.00
Environmental protection tax	408,455.52	
Land holding tax	216,473.76	2,069,077.81
Vehicle and vessel usage tax	36,026.56	45,579.36
Total	11,443,320.37	12,949,736.84

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

31. Sales expense

Item	Current amount	Last-year amount
Sludge treatment costs	2,544,476.93	2,327,736.30
Salary, welfare and social insurance	691,816.59	468,902.16
Social expenses	201,223.00	21,494.00
Agency engagement fee	116,509.43	37,735.85
Property insurance	50,318.44	61,684.24
Fleet cost	22,500.00	28,143.00
Labor insurance fee	18,102.82	25,682.54
Rental fee	18,000.00	14,400.00
Housing fund	15,087.50	13,334.40
Travel expenses	13,014.07	11,453.98

Item	Current amount	Last-year amount
Food expenses	10,500.00	10,200.00
Inspection charges	9,764.17	21,839.62
Communication expenses	4,500.00	3,600.00
Total	3,715,812.95	3,046,206.09

32. Administration expense

Item	Current amount	Last-year amount
Wages	47,890,400.95	58,560,298.50
Rental fee	6,323,522.54	6,831,120.60
Depreciation	4,764,036.42	3,157,995.22
Fleet cost	3,665,196.55	3,723,234.00
Social expenses	3,411,512.74	3,394,154.23
Food expenses	3,120,617.29	2,669,404.62
Repairing cost	2,930,434.16	295,895.67
Agency fee	2,350,265.20	2,784,600.20
Amortization of intangible assets	1,876,332.67	2,013,716.49
Communication expenses	1,169,925.27	1,302,419.20
Office fee	1,063,065.17	449,676.89
Corporate culture fee	946,618.31	189,449.00
Business travel expenses	946,488.78	762,086.49
Property management fee	941,367.40	899,316.57
Board charges	796,816.58	2,178,075.90
Fee for stock certificate	627,503.93	1,082,131.77
Eco fee	143,781.56	1,894,081.17
Other	10,561,812.35	6,833,446.40
Total	93,529,697.87	99,021,102.92

33. Financial expense

Item	Current amount	Last-year amount
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Item	Current amount	Last-year amount
Interest expenses	51,698,416.45	64,140,608.10
Less: capitalized interest	3,117,772.76	1,996,381.50
Expenses interest	48,580,643.69	62,144,226.60
Less: interest income	9,503,215.24	9,592,999.08
Exchange loss (gains is listed with "-")	-285,596.77	382,827.81
Other	814,411.75	584,070.34
Total	39,606,243.43	53,518,125.67

34. Impairment of Assets

Item	Current amount	Last-year amount
Loss on bad debt	385,343.65	-1,412,696.42
Total	385,343.65	-1,412,696.42

35. Other Income

Item	Current amount	Last-year amount	Amount reckoned in non-recurring gain/loss
VAT rebates	4,381,604.17	2,720,787.33	
Subsidy for low-nitrogen transformation	2,586,861.73	3,023,380.31	2,586,861.73
Support fund of recycling economy for sludge drying	647,002.92	647,002.92	647,002.92
Treasury subsidies for sludge drying	255,000.00	255,000.00	255,000.00
Subsidy for quality promotion of the air environment in Shenzhen	147,333.34		147,333.34
Special funds for energy conservation and emission reduction	114,037.32	114,037.32	114,037.32
Special funds for the development of independent innovation industries	100,000.00		100,000.00
Funds for energy conservation and emission reduction in 2018	100,000.00	200,000.00	100,000.00
Information construction	61,176.48	61,176.48	61,176.48
Funded of energy efficiency improvement for electric machine	34,560.00	30,240.00	34,560.00

Item	Current amount	Last-year amount	Amount reckoned in non-recurring gain/loss
Employment and unemployment monitoring subsidy	1,000.00	1,000.00	1,000.00
Total	8,428,575.96	7,052,624.36	4,046,971.79

36. Investment income

Item	Current amount	Last-year amount
Long-term equity investment income by equity	-2,205,628.45	-2,050,390.78
Total	-2,205,628.45	-2,050,390.78

37. Non-operating revenue

Item	Current amount	Last-year amount	Amount reckoned into non-recurring gains/losses of the Period
Government subsidy without routine operation concerned	1,078,000.00		1,078,000.00
Account no need to paid	37,862,169.31		37,862,169.31
Other	324,276.72	347,199.40	324,276.72
Total	39,264,446.03	347,199.40	39,264,446.03

38. Non-operating expenditure

Item	Current amount	Last-year amount	Amount reckoned into non-recurring gains/losses of the Period
Loss of scrap from non-current assets	1,019,608.30	454,644.16	1,019,608.30
Donating expenses	10,000.00	10,000.00	10,000.00
Other	111,924.20	1,280.22	111,924.20
Total	1,141,532.50	465,924.38	1,141,532.50

39. Income tax expense

(1) Income tax expense

Item	Current amount	Last-year amount
Current income tax	15,145,687.43	8,613,253.18
Deferred income tax	850,712.39	-25,453.64
Total	15,996,399.82	8,587,799.54

(2) Adjustment on accounting profit and income tax expenses

Item	Current amount
Total profit	28,449,224.57
Income tax measured by statutory/applicable tax rate	7,112,306.13
Impact on subsidiary with different rates adaption	-55,236.52
Impact on income tax after adjustment for previous period	
Impact on non-taxable income	-321,871.83
Impact on cost, expenses and losses that unable to deducted	632,051.43
Effect of deductible losses of deferred tax assets unconfirmed at the earlier stage of use	-2,275,880.32
Impact on deductible temporary differences or losses deductible which was un-recognized as deferred income tax assets	10,905,030.93
Change of the balance of deferred income assets/liabilities at period-begin after tax rate adjustment	
Impact of deduction on R&D expenses	
Other	
income tax expenses	15,996,399.82

40. Cash flow statement

(1) Cash received with other operating activities concerned

Item	Current amount	Last-year amount
Government subsidy collected	38,789,000.00	1,831,999.39
Interest income	9,503,215.24	9,592,999.08

Item	Current amount	Last-year amount
Intercourse funds collected	9,251,524.96	397,022,263.30
Total	57,543,740.20	408,447,261.77

(2) Other cash paid in relation to operation activities

Item	Current amount	Last-year amount
Out-of-pocket expenses	40,262,754.26	22,433,951.67
Other	25,662,072.31	20,302,562.91
Total	65,924,826.57	42,736,514.58

(3) Other cash received in relation to financing activities

Item	Current amount	Last-year amount
Margin received	21,000,000.00	
Total	21,000,000.00	

(4) Cash paid related with financing activities

Item	Current amount	Last-year amount
Margin paid	5,170,000.00	23,133,338.86
Total	5,170,000.00	23,133,338.86

41. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

Supplementary information	Current Period	Last Period
1. Net profit adjusted to cash flow of operation activities:		
Net profit	12,452,824.75	377,076.76
Add: Assets impairment provision	385,343.65	-1,412,696.42
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	116,342,237.54	130,794,494.35
Amortization of intangible assets	2,483,245.36	2,610,603.61
Amortization of long-term deferred expenses		
Loss from disposing fixed assets, intangible assets and other long-term		

Supplementary information	Current Period	Last Period
assets (income listed with “-“)		
Loss on retirement of fixed assets (gain is listed with “-”)	1,019,608.30	454,644.16
Loss from changes of fair value (income listed with “-“)		
Financial expense (gain listed with “-”)	48,377,859.72	62,144,226.60
Investment loss (gain listed with “-”)	2,205,628.45	2,050,390.78
Decrease of deferred income tax asset((increase is listed with “-”)	850,712.39	-25,453.64
Decrease of inventory (increase is listed with “.”)		
Decrease of inventory (increase is listed with “-”)	-22,553,190.20	4,992,369.45
Decrease of operating receivable accounts (increase is listed with “-”)	63,686,744.28	338,049,270.66
Increase of operating payable accounts (decrease is listed with “-”)	11,312,146.14	-343,235,070.58
Other		
Net cash flow arising from operating activities	236,563,160.38	196,799,855.73
2. Material investment and financing not involved in cash flow		
Debt capitalization		
Convertible company bond due within one year		
Fixed assets acquired under finance leases		
3. Net change of cash and cash equivalents:		
Balance of cash at period end	574,956,611.70	411,613,377.07
Less: Balance of cash at year-begin	411,613,377.07	1,389,482,327.86
Add: Ending balance of cash equivalent	340,000,000.00	
Less: Opening balance of cash equivalent		
Net increasing of cash and cash equivalents	503,343,234.63	-977,868,950.79

(2) Composition of cash and cash equivalent

Item	Ending Balance	Opening Balance
I. Cash	574,956,611.70	411,613,377.07
Including: Cash on hand	75,645.92	81,491.35
Bank savings available for payment needed	574,808,236.06	337,821,258.42

Item	Ending Balance	Opening Balance
Other monetary capital available for payment needed	72,729.72	73,710,627.30
Account due from central bank available for payment		
Amount due from banks		
Amount call loans to banks		
II. Cash equivalent	340,000,000.00	
including: bond investment due within three months		
Other	340,000,000.00	
III. Balance of cash and cash equivalent at year-end	914,956,611.70	411,613,377.07
Including: Cash and cash equivalent of the parent company or subsidiaries with use restricted		

Note: Cash and cash equivalents exclude the restricted cash and cash equivalents used by the parent company or the subsidiaries in the group.

42. Assets of ownership or use right restricted

Item	Book value at year-end	Restricted reason
Monetary Fund	10,872,792.74	Cash deposit
Total	10,872,792.74	

43. Foreign currency

(1) Foreign currency

Item	Balance of foreign currency at year-end	Conversion rate	Balance of RMB converted at year-end
Monetary fund			
Including: USD	850,827.96	6.8632	5,839,402.47
Euro	1,017.87	7.8473	7,987.53
HKD	561,024.73	0.8762	491,569.87
SGD	5,009.81	5.0062	25,080.11

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 (note)	Shenzhen	Shenzhen	Trading	50.00		Establishment
New Power	Shenzhen	Shenzhen	Power generation	100.00		Establishment
Zhongshan Power	Zhongshan	Zhongshan	Power generation	80.00		Establishment
Engineering Company	Shenzhen	Shenzhen	Engineering consulting	100.00		Establishment
Weimei Power	Dongguan	Dongguan	Power generation	70.00		Establishment
Environment Protection Company	Shenzhen	Shenzhen	Engineering	100.00		Establishment
Singapore Company	Singapore	Singapore	Trading	100.00		Establishment
Shenzhen Storage	Zhongshan	Zhongshan	Storage	80.00		Establishment
Syndisome	Hong Kong	Hong Kong	Exp. & imp. Trading	100.00		Under different control

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

(2) Important non-wholly-owned subsidiary

Subsidiary	Share-holding ratio of minority (%)	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Zhongshan Power	20.00	-6,515,423.71		-18,998,975.10
Weimei Power	30.00	-640,597.33		29,517,420.19

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

Subsidiary	Ending Balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Zhongshan	98,062,301.06	554,996,045.40	653,058,346.46	716,297,767.96	31,755,453.99	748,053,221.95

Subsidiary	Ending Balance					
Power						
Weimei Power	96,642,222.01	496,340,540.51	592,982,762.52	489,961,361.90	4,630,000.00	494,591,361.90

(Continued)

Subsidiary	Opening Balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
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		657,323,665.49

(Continued)

Subsidiary	Current amount			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongshan Power	342,354,122.68	-32,577,118.56	-32,577,118.56	87,221,436.27
Weimei Power	373,748,319.27	-2,135,324.42	-2,135,324.42	80,088,365.15

(Continued)

Subsidiary	Last-year amount			
	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

2. Equity in joint venture and cooperative enterprise

Name	Main operation place	Registered place	Business nature	Share-holding ratio (%)		Accounting treatment on investment for joint venture and cooperative enterprise
				Directly	Indirectly	
Huidong Server	Huizhou	Huizhou	Wharf operation		40.00	Equity method

(1) Joint venture and cooperative enterprise

(2) Financial summary for un-important joint venture or cooperative enterprise

Item	Ending Balance /Current amount	Opening Balance /Last-year amount
Joint venture:		
Total book value of the investment	16,049,044.95	18,254,673.40
Total numbers measured by share-holding ratio		
—Net profit	-2,205,628.45	-2,050,390.78
—Other comprehensive income		
—Total comprehensive income	-2,205,628.45	-2,050,390.78

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 fair value.

IX. Risks relating to financial instruments

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

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

(i) Risk management objectives and policies

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

1 Market risk

(1) Foreign exchange risk

Foreign exchange risk refers to the risk of losses due to exchange rate changes. The Company's foreign exchange risk is mainly related to the US dollar. On Dec. 31, 2018, except for the balance of foreign currency monetary items of 43. Foreign currency monetary in Note VI, the assets and liabilities of the Company are RMB balance. The foreign exchange risk arising from the assets and liabilities of such foreign currency balances may have an impact on the Company's operating results.

(2) Interest rate risk - cash flow change risk

The Company's cash flow change risk of financial instruments arising from interest rate change is mainly related to the

floating interest rate bank loans (see details in annotation xi, 15; annotation xi, 21).

Interest rate risk sensitivity analysis:

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

- Changes in market interest rates affect the interest income or expense of financial instruments with variable interest rate;
- For financial instruments with fixed rate by fair value measurement, the changes in market interest rates only affect their interest income or expense;
- For derivative financial instruments designated as hedging instruments, the changes in market interest rates affect their fair value, and all interest rate hedging prediction is highly effective;
- Calculate the changes in fair value of derivative financial instruments and other financial assets and liabilities by using the cash flow discount method at the market interest rate at the balance sheet date.

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

Rate changes	The period		Last period	
	Net profit	Shareholder' interest	Net profit	Shareholder' interest
5% increased	-946,679.70	-946,679.70	-2,755,524.27	-2,755,524.27
5% decreased	946,679.70	946,679.70	2,755,524.27	2,755,524.27

2. Credit risk

On 31 December 2018, the maximum credit risk exposure that could cause financial loss to the Company is mainly due to the failure of the other party to fulfill the obligations, resulting in losses to the Company's financial assets, including:

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

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

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

X. Related party and related transactions

1. Parent company of the Group

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

2. Subsidiaries of the Company

Found more in 1. 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 Powr 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. Related transaction

(8) Remuneration of key manager

In RMB/CNY

Item	Current amount	Last-year amount
Remuneration of key manager	580.89	844.36

6. Receivable/payable items of related parties

(1) Receivable

Item	Ending Balance		Opening Balance	
	Book balance	Year-end balance of bad debt provision	Book balance	Year-end balance of bad debt provision
Other account receivable:				
Huidong Server	10,205,161.44		11,022,401.44	
Huidong Server managed account	12,933,737.96		12,829,734.22	
Total	23,138,899.40		23,852,135.66	

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	Ending Balance	Opening Balance
Minimum lease payments of irrevocable operating lease:		
The first year after balance sheet day	1,557,680.33	1,517,717.46
The second year after balance sheet day	1,557,680.33	1,557,680.33
The third year after balance sheet day	1,557,680.33	1,557,680.33
Subsequent years	56,613,421.07	58,171,101.39
Total	61,286,462.06	62,804,179.51

2. Contingency

Nil

XII. Events Occurring after the Balance Sheet Date

1. Allocation of profit

The 4th session of 8th BOD held on 26 March 2019 for profit distribution plan 2018 approved, that is, no plan of profit distributed for year of 2018.

2. Impact of implementation of the new accounting standards since 1 January 2019

On March 31, 2017, the Ministry of Finance issued the Accounting Standards for Business Enterprises No. 22 - Recognition

and Measurement of Financial Instruments (Revised in 2017) (CK [2017] No. 7) and Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets (Revised in 2017) (CK [2017] No. 8), Accounting Standards for Business Enterprises No. 24 - Hedge Accounting (Revised in 2017) (CK [2017] No. 9), and issued the Accounting Standards for Business Enterprises No. 37 – Financial Instruments Presentation (Revised in 2017) (CK [2017] No. 14) on May 2, 2017 (the above-mentioned standards are collectively referred to as the “New Financial Instruments Standards”), and the domestic listed companies are required to put them into force from January 1, 2019. The Company has implemented the above new financial instrument standards from January 1, 2019, and would change the relevant accounting policies in accordance with the above new financial instrument standards.

The followings are the main contents of the accounting policy changes involved:

Under the new financial instrument standards, all recognized financial assets are subsequently measured at amortized cost or fair value.

On the implementation date of the new financial instrument standards, assess the business model of managing financial assets based on the facts and circumstances of the Company on the day, assess the contractual cash flow characteristics on the financial assets based on the facts and circumstances at the initial confirmation of the financial assets, and classify the financial assets into three categories: those measured at amortized cost, those measured at fair value and the changes are included in other comprehensive income, and those measured at fair value and the changes are included in profit or loss. Thereinto, for the equity instrument investment measured at fair value and whose changes are included in other comprehensive income, when this financial asset derecognizes, the accumulated gain or loss previously included in other comprehensive income will be transferred from other comprehensive income to retained earnings, and not be included in the current profit and loss.

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

3. 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 three operating segments including power and heat supply, fuel oil trade and other business, the Group's management periodically evaluates the operating results of these segments so as to determine the allocation of resources and assess their performances.

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

(2) Financial information of the reportable segment

Item	Power supply & heating	Fuel trading	Other	Fuel trading	Total
Revenue from main business	1,769,737,958.96		109,103,738.62		1,878,841,697.58
Cost of main business	1,687,898,425.63		70,193,983.84	7,296,678.35	1,750,795,731.12
Total assets	3,384,630,486.71	128,361,637.07	331,629,724.64	537,473,558.50	3,307,148,289.92
Total liabilities	1,288,134,563.96	29,926,993.34	44,599,463.62	92,312,109.88	1,270,348,911.04

2. Other

Nil

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

1. Note receivable and account receivable

Item	Ending Balance	Opening Balance
Note receivable		
Account receivable	50,415,180.20	17,599,743.80
Total	50,415,180.20	17,599,743.80

(1) Account receivable

① Category of account receivable

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

Category	Ending Balance			
	Book balance		Year-end balance of bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
independently				
Total	50,415,180.20	100.00		50,415,180.20

(Continued)

Category	Opening Balance			
	Book balance		Year-end balance of bad debt provision	
	Amount	Proportion (%)	Amount	Proportion (%)
Account receivable with individual major amount and withdrawal bad debt provision independently				
Account receivable with bad debt provision accrual based on similar credit risk characteristics of a portfolio	17,599,743.80	100.00		17,599,743.80
Account receivable with individual minor amount but withdrawal bad debt provision independently				
Total	17,599,743.80	100.00		17,599,743.80

(2) Age analysis of account receivable

Item	Ending amount		Opening amount	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	50,412,291.20	99.99	17,596,854.80	99.98
1 to 2years				
2 to 3years				
Over 3 years	2,889.00	0.01	2,889.00	0.02
Total	50,415,180.20	100.00	17,599,743.80	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 50,415,180.20 Yuan, accounting for 100.00% 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

Item	Ending Balance	Opening Balance
Other account receivable	1,048,357,217.53	913,646,990.47
Interest receivable		
Dividend receivable		
Total	1,048,357,217.53	913,646,990.47

(1) Other account receivable

① Other account receivable classified

Category	Ending Balance					Book value	
	Book balance		Year-end balance of bad debt provision				
	Amount	Proportion (%)	Amount	Proportion (%)			
Other account receivable with individual major amount and withdrawal bad debt provision independently	16,781,666.46	1.56	16,781,666.46	100.00			
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	1,047,804,935.64	97.41			1,047,804,935.64		
Other account receivable with individual minor amount but withdrawal bad debt provision independently	11,100,258.87	1.03	10,547,976.98	95.02	552,281.89		
Total	1,075,686,860.97	100.00	27,329,643.44	2.54	1,048,357,217.53		

(Continued)

Category	Opening Balance				
	Book balance		Year-end balance of 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	
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	912,842,428.58	97.01			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

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

Other account receivable(units)	Ending Balance				
	Other account receivable	Year-end balance of bad debt provision	Accrual ratio (%)	Accrual reasons	
Huiyang County Kangtai Industrial Company	14,311,626.70	14,311,626.70	100.00	Un-collectable	
Individual income tax	2,470,039.76	2,470,039.76	100.00	Un-collectable	
Total	16,781,666.46	16,781,666.46	100.00		

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

Other account receivable	Ending Balance			
	Book balance	Year-end balance of bad debt provision	Accrual ratio (%)	
Dormitory amount receivable	2,083,698.16	1,736,004.16	83.31	

Other account receivable	Ending Balance		
	Book balance	Year-end balance of bad debt provision	Accrual ratio (%)
Deposit receivable	1,517,562.84	1,312,974.95	86.52
Personal account receivable	7,498,997.87	7,498,997.87	100.00
Total	11,100,258.87	10,547,976.98	95.02

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

Provision for bad debts in the Year amounting to 0.00 Yuan, bad debts collected in the year amounting to 0.00 Yuan.

③No 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 1 year	149,794,796.18	13.93	294,822,751.50	31.33
1 to 2 years	279,937,466.31	26.02	224,125,985.68	23.82
2 to 3 years	224,125,985.68	20.84	67,673,287.81	7.19
Over 3 years	421,828,612.80	39.21	354,354,608.92	37.66
Total	1,075,686,860.97	100.00	940,976,633.91	100.00

⑤Receivable from related parties

Name of the company	Relationship with the Company	Ending Balance	Age	proportion in total year-end balance of other account receivable(%)
Zhongshan Power	Subsidiary	601,209,603.84	Within 1 year to over 3 years	55.89
Weimei Power	Subsidiary	435,904,830.13	Within 1 year to over 3 years	40.52
Environment Protection Company	Subsidiary	5,703,462.76	Within 1 year to over 3 years	0.53
Engineering	Subsidiary	2,219,491.59	Within 1 year	0.21

Name of the company	Relationship with the Company	Ending Balance	Age	proportion in total year-end balance of other account receivable(%)
Zhongshan Power Company	Subsidiary	601,209,603.84	Within 1 year to over 3 years	55.89
Singapore Company	Subsidiary	1,521,871.99	Within 1 year to over 3 years	0.14
Total		1,046,559,260.31		97.29

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

Name of the company	Relationship with the Company	Ending Balance	Age	proportion in total year-end balance of other account receivable(%)	Year-end balance of bad debt provision	Ending Balance
Zhongshan Power Company	Related party	601,209,603.84	Within 1 year to over 3 years	55.89		
Weimei Power	Subsidiary	435,904,830.13	Within 3 years	40.52		
Huiyang County Kangtai Industrial Company	Non-related party	14,311,626.70	Over 3 years	1.33	14,311,626.70	
Shen Nan Environment Protection	Related party	5,703,462.76	Within 3 years	0.53		
Individual income tax	Non-related party	2,470,039.76	Over 3 years	0.23	2,470,039.76	
Total		1,059,599,563.19		98.5	16,781,666.46	

3. Long-term equity investment

(1) Category of long-term equity investment

Item	Ending Balance	Opening Balance

	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Investment to subsidiary	691,982,849.76	388,641,684.76	303,341,165.00	691,982,849.76		691,982,849.76
Investment to joint venture and affiliate enterprise						
Total	691,982,849.76	388,641,684.76	303,341,165.00	691,982,849.76		691,982,849.76

(2) Investment to subsidiary

The invested entity	Opening Balance	Increase in the year	Decrease in the year	Ending Balance	Impairment provision accrual in the Year	Year-end balance of depreciation reserves
Shenzhen Server	26,650,000.00			26,650,000.00		
New Power Company	71,270,000.00			71,270,000.00		
Zhongshan Power	410,740,000.00			410,740,000.00	347,745,035.00	347,745,035.00
Engineering Company	6,000,000.00			6,000,000.00		
Weimei Power	115,319,049.76			115,319,049.76	40,896,649.76	40,896,649.76
Singapore Company	6,703,800.00			6,703,800.00		
Environment Protection	55,300,000.00			55,300,000.00		

The invested entity	Opening Balance	Increase in the year	Decrease in the year	Ending Balance	Impairment provision accrual in the Year	Year-end balance of depreciation reserves
Company						
Total	691,982,849.76			691,982,849.76	388,641,684.76	388,641,684.76

4. Operation revenue/operation cost

Item	Current amount		Last-year amount	
	Revenue	Cost	Revenue	Cost
Main business	652,426,185.97	730,133,603.64	632,907,861.34	674,545,439.01
Other business	133,534,765.04	14,000,614.54	84,814,060.10	7,660,137.38
Total	785,960,951.01	744,134,218.18	717,721,921.44	682,205,576.39

XV. Supplementary information**1. Statement of non-recurring gains/losses**

Item	Amount	Note
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	5,124,971.79	
Other non-operating income and expenditure except for the aforementioned items	37,044,913.53	
Subtotal	42,169,885.32	
Impact on income tax	6,525,056.89	
Impact on minority shareholders' equity (post-tax)	2,875,815.02	
Total	32,769,013.41	

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	0.98	0.03	0.03
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-0.69	-0.02	-0.02

Legal

Accounting Principal:

CFO:

Accounting Firm's

Representative:

Principal

Date:

Date:

Date:

Date: