



深圳南山热电股份有限公司  
Shenzhen Nanshan Power Co., Ltd.

# Annual Report 2016

Notice No.:2017-010

March 2017

## **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, person in charger of accounting works- Director and GM Wu Dongxiang, CFO Huang Jian and person in charge of accounting organ (chief accountants)- deputy GM Leng Jiwei (act for financial works) hereby confirm that the Financial Report of the annual report is authentic, accurate and complete.**

**All directors are attended the Board Meeting for report deliberation.**

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

**The Company's audited net profits have a consecutively negative value in both 2014 and 2015 annual fiscal years, in accordance with relevant provisions of "Rules Governing the Stock Listing in Shenzhen Stock Exchange ", the Company's stock has been given a delisting risk warning since 5 April 2016. The**

**net profit attributable to shareholder of listed company for year of 2016, audited by Ruihua CPA (LLP) was 1,306,694,835.46 Yuan. We will apply for revocation of delisting risk warning to Shenzhen Stock Exchange while this annual report released. Investors are advice to pay attention to risks for making rational investment decisions.**

**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	Refers to	Shenzhen Nanshan Power Co., Ltd.
Shen Nan Dian Zhongshan Company	Refers to	Shen Nan Dian (Zhongshan) Electric Power Co., Ltd.
Shen Nan Dian Dongguan Company	Refers to	Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd
Shen Nan Dian Engineering Company	Refers to	Shenzhen Shennandian Turbine Engineering Technology Co., Ltd.
Shen Nan Dian Environment Protection Company	Refers to	Shenzhen Shen Nan Dian Environment Protection Co., Ltd.
Server Company	Refers to	Shenzhen Server Petrochemical Supplying Co., Ltd
New Power Company	Refers to	Shenzhen New Power Industrial Co., Ltd.
Singapore Company	Refers to	Shen Nan Energy (Singapore) Co., Ltd.
Nanshan Power Factory	Refers to	Nanshan Power Factory of Shenzhen Nanshan Power Co., Ltd.
Zhongshan Nam Long Power Plant	Refers to	Zhongshan Nam Long Power Plant of Shen Nan Dian (Zhongshan) Electric Power Co., Ltd.
Dongguan Gaobu Power Plant	Refers to	Dongguan Gaobu Power Plant of Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd
Shenzhong Properties Company	Refers to	Zhongshan Shenzhong Real Estate Investment Properties Co., Ltd
Shenzhong Real Estate Development Company	Refers to	Zhongshan Shenzhong Real Estate Development Co., Ltd
Syndisome Company	Refers to	Hong Kong Syndisome Co., Ltd.
Jiangxi Nuclear Power Company	Refers to	CPI Jiangxi Nuclear 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.
Paipu Technology	Refers to	Shenzhen Paipu Energy Technology Development Co.,LTD.
China Gas	Refers to	China Gas Holdings Limited
Oufuyuan Technology	Refers to	Shenzhen Oufuyuan Technology Co., Ltd.

Xingzhong Group	Refers to	Zhongshan Xingzhong Group Co., Ltd.
Independent financial advisor, CMS	Refers to	China Merchants Securities Co., Ltd.
Appraisal institute, Pengxin Appraisal	Refers to	Shenzhen Pengxin Assets Appraisal Land & Real Estate Appraisal Co., Ltd.
Auditing institute, Ruihua CPA, Accounting Institute	Refers to	Ruihua Certified Public Accounts (LLP)
德恒 DeHeng, permanent legal advisor	Refers to	Beijing DeHeng (Shenzhen) Law Offices
King & Wood, legal adviser	Refers to	King & Wood Mallesons
CSRC	Refers to	China Securities Regulatory Commission
Securities regulatory bureau	Refers to	Shenzhen Securities Regulatory Commission of China Securities Regulation Commission
SZ Stock Exchange, Exchange	Refers to	Shenzhen Stock Exchange
SOTCBB	Refers to	Shenzhen United Property And Share Rights Exchange
Company Law	Refers to	Company Law of The People's Republic of China
Securities Law	Refers to	Securities Law of The People's Republic of China
Stock Listing Rules	Refers to	Rules Governing the Listing of Stocks on Shenzhen Stock Exchange
Articles of association	Refers to	Article of Association of Shenzhen Nanshan Power Co., Ltd.
RMB, in 10 thousand Yuan, 100 Million Yuan	Refers to	Except the special description of the monetary unit, rest of the monetary unit is RMB Yuan, ten thousand Yuan, the 100 Million Yuan
Reporting period	Refers to	The 1 January 2016 to 31 December 2016 (Year of 2016)

## Section II Company Profile and Main Financial Indexes

### I. Company information

Short form of the stock	*ST Nan Dian , *ST 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	Chairman Yang Haixian		
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	<a href="http://www.nsr.com.cn">http://www.nsr.com.cn</a>		
E-mail	public@nspower.com.cn; investor@nspower.com.cn		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Zhang Jie	Jiang Yuanyuan
Contact add.	16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong Province	16/F-17/F, Hantang Building, OCT, Nanshan District, Shenzhen, Guangdong Province
Tel.	0755-26948888	0755-26948888
Fax.	0755-26003684	0755-26003684
E-mail	investor@nspower.com.cn	investor@nspower.com.cn

### III. Information disclosure and preparation place

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

### IV. Registration changes of the Company

Organization code	61881512-1
Changes of main business since listing (if applicable)	No changes
Previous changes for controlling	No changes

shareholders (if applicable)	
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## V. Other relevant information

CPA engaged by the Company

Name of CPA	Ruihua Certified Public Accountant (LLP)
Offices add. for CPA	West side, 8/F, Time Technology Building, No. 7028, Shennan Blvd., Futian District, Shenzhen
Signing Accountants	Zhang Liping, Han Songliang

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

Applicable  Not applicable

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

Applicable  Not applicable

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

## VI. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

Yes  No

	2016	2015	Changes over last year	2014
Operating income (RMB)	1,574,088,977.85	1,345,018,210.71	17.03%	1,234,101,547.84
Net profit attributable to shareholders of the listed Company(RMB)	1,306,694,835.46	-634,623,667.06	-305.9%	-330,513,284.99
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses(RMB)	-128,991,534.34	-737,614,969.81	-82.51%	-329,708,263.72
Net cash flow arising from operating activities(RMB)	926,321,325.40	386,451,706.09	139.70%	571,263,982.13
Basic earnings per share (RMB/Share)	2.17	-1.05	-306.67%	-0.55
Diluted earnings per share (RMB/Share)	2.17	-1.05	-306.67%	-0.55
Weighted average ROE	-10.0%	-77.38%	-87.08%	-22.96%
	End of 2016	End of 2015	Changes over end of last year	End of 2014



Total assets (RMB)	4,363,703,614.03	4,579,853,736.04	-4.72%	5,056,415,825.14
Net assets attributable to shareholder of listed Company (RMB)	1,942,713,902.92	636,006,699.57	205.45%	1,270,542,254.88

## 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	244,369,581.94	453,318,685.14	508,884,871.33	367,515,839.44
Net profit attributable to shareholders of the listed Company	-46,283,508.47	-10,171,237.77	-7,704,809.93	1,370,854,391.63
Net profit attributable to shareholders of the listed Company after deducting non-recurring gains and losses	-48,339,504.61	-17,729,093.57	-2,081,189.79	-60,841,746.37
Net cash flow arising from operating activities	-53,539,090.49	237,219,365.82	-49,499,810.18	792,140,860.25

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	2016	2015	2014	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	1,660,659,958.12	-298,030.53	-3,391,027.70	The investment income from selling 75% equity of Shenzhong Real Estate Development Company and Shenzhong Properties Company respectively
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)	-2,463,841.18	72,711,942.26	3,641,201.54	Pursuit to the Notice of SJMXXDZ Zi[2016] No.153, return part of the fuel consumption tax subsidies (counted from Jan. 2009 to April 2010)
Other non-operating income and expenditure except for the aforementioned items	-965,906.07	132,969.28	-1,851,619.50	Refers to the fine for delaying payment disposal
Import VAT refunds for natural gas	-	43,717,420.50	-	
Less: impact on income tax	221,481,615.44	108,009.54	121,393.78	The income tax paid for the investment income from selling 75% equity of Shenzhong Real Estate Development Company and Shenzhong Properties Company respectively
Impact on minority shareholders' equity (post-tax)	62,225.63	13,164,989.22	-917,818.17	
Total	1,435,686,369.80	102,991,302.75	-805,021.27	--

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

## Section III Summary of Company Business

### I. Main businesses of the Company in the reporting period

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

No

The company is specialized in power and thermal supply, as well as providing technical consulting and technical services for power stations. The company has three wholly-owned or holding gas turbine plants, which equipped with seven sets of 9E gas steam combined cycle power generating units, with total installed capacity up to 1260 MW (Nanshan Thermal Power Plant: 3×180 MW, Zhongshan Nanlang Power Plant: 2×180 MW, Dongguan Gaobu Power Plant: 2×180 MW). These three gas turbine plants are all located in the power load center of Pearl River Delta area, which are the main peaking power sources in their areas. During the reporting period, the Company is specialized in business of gas-steam combined cycle power generation, and its subsidiary Nanshan Thermal Plant, Zhongshan Nanlang Power Plant and Dongguan Gaobu Power Plant are all in the state of normal production and operation. In the year of 2016, the total power generation of its subsidiary plants was up to 2393 million kwh, with a nearly doubling year-on-year growth, completing 94.95 percent of its annual plan, among which, Nanshan Thermal Plant has generated electricity of 1328 million kwh, Shen Nan Dian Zhongshan Company has generated electricity of 532 million kwh, and Shen Nan Dian Dongguan Company has generated 533 million kwh.

Besides the primary business in power generation, the Company actively developed businesses in related areas. Shen Nan Dian Engineering Company, an affiliate enterprise of the Company, has been expanding its business scope in technical advice and technical services of gas turbine power plant construction projects at home and abroad. Shen Nan Dian Environment Protection Company is devoted to sludge drying for sewage treatment plant by utilizing the residual heat of gas turbine power generation, which reduces the volume of sludge, achieves harmless treatment and comprehensive utilization of resources.

During the reporting period, in order to reduce operation burden and relieve the capital stress, strive for turn losses into gains of the business in 2016, with the principle of maintaining main business of the company and disposal of non-power assets at priority, the Company has implemented the sale of substantial assets that each 75 percent of equity stake of Shenzhong Property Company and Shenzhong Development Company held by the Company, and completed the procedure of industrial and commercial registration of changes.

### II. Major changes in main assets

#### 1. Major changes in main assets

Major assets	Note of major changes
Monetary fund	The Company selling 75% equity of Shenzhong Real Estate Development Company and Shenzhong Properties Company respectively in the Period, received the equity transfer money and pay back the loans of banks
Account receivable	Received the generation subsidy receivable for previous years

Other account receivable	After selling the equity of Shenzhong Real Estate Development Company and Shenzhong Properties Company respectively, the two enterprises are no long in consolidate range since 19 December 2016, thus there was an intercourse funds 356.286 million Yuan receivable from Shenzhong Real Estate Development Company
Advance payment	The money of natural gas paid in advance for CNOOC increased in the Year
Inventory	After selling the equity of Shenzhong Real Estate Development Company and Shenzhong Properties Company respectively, the two enterprises are no long in consolidate range since 19 December 2016, thus the inventory decrease the land development cost 583.1276 million Yuan over that of last year
Equity assets	N/A
Fixed assets	N/A
Intangible assets	N/A
Construction in process	N/A

## 2. Main overseas assets

Applicable  Not applicable

## III. Core Competitiveness Analysis

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

No

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

1. There are still a certain survival and development space for gas turbine power generation. Although the profit of gas generator set has been declining these years and there are many uncertainties remaining in future, gas turbine generation units feature excellent peak load regulation performances and gas generation has a great effect on environment protection and reducing emission. Therefore, no matter from its important role played in power grid emergency load and regional security, or the requirements based on environment protection, gas generator sets still have an indispensable status in most developed coastal cities in china. The Company shall play its unique role in gas generation industry of Guangdong province, actively seeking for a greater survival space for gas generation enterprises.

2. Power generation enterprises feature regional superiority. The subsidiaries, Nanshan Thermal Power Plant, Zhongshan Nanlang Power Plant and Dongguan Gaobu Power Plant are all located in the power load center of Pearl River Delta area, which are the main peaking power supply.

3. Excellent professional and technical personnel. Over more than twenty years of development, the Company has recruited and trained a group of technical specialists and professionals with extensive experiences in gas turbine power plant construction and operation management, who are able to provide professional services in terms of technical consulting and training at the basis of ensuring safe and stable operation of the power generation units of the Company. Shen Nan Dian Engineering Company has provided professional services in terms of technical consulting, commission and security operations for more than ten gas turbine station at home and abroad. The training center of the Company has conducted technical personnel trainings for more than ten domestic and overseas power plants, which has been regarded as a well-known training base within the gas turbine industry and it also has established a sound reputation and professional brand image within industry.

4. A sound corporate governance structure. As a listed company with more than twenty years of history, the Company has established and kept improving its modern enterprise management system, and it also has comparatively mature and standardized corporate governance structure and relatively simplified management organization structure. Meanwhile, the Company has set up an individual audit department being responsible for internal control and auditing, risk prevention, so as to supervise and urge all the departments and the subsidiaries to further standardize operation procedure, avoid the risk of management and governance.

## Section IV Discussion and Analysis of the Operation

### 1. Introduction

In 2016, our country has pushed forward steadily supply side structural reform and has introduced a series of policies and measures for achieving stabilized growth, adjusting structure and increasing benefits in succession. We have made a positive progress in terms of DE-Capacity of Industry, reducing costs and improve weakness, and the industrial product has presented a trend of getting stable slowing, making progress and improving quality in the state of steady.

In 2016, the economic operation of Guangdong province was generally smooth and steady and the growth of power demand has been going up steadily, the annual electricity consumption of the whole society reached around 560.8 billion kwh, with a year-on-year growth of 5.6 percent, the purchased quantity of electricity was about 172.5 billion kwh, with a year-on-year growth of 1.47 percent. For the reason that the growth of purchased electricity has continued to rise, in addition, new generator units have been gradually put into operation and the electricity capacity was relatively surplus and excess, the demands on gas turbine peak power has been dramatically decreased, the gas turbine power generation has still been restricted widely.

Since the net margins of shareholders of the listed company audited in the year of 2014 and 2015 in succession were negative, the Company was warned that its stock exchange was suffering withdrawal risks. If the Company was unable to turn losses into gains in 2016, the listing of its stocks shall be suspended. In face of the severe operation situation, the Company has integrated all the powers and various resources, explored internal potentials, sought for external supports and taken active and effective measures to increase incomes and reduce expenditures. First, we should pay much attention to the safe, environment friendly and economic operation of the subsidiary power plants, to maximize the quantity of the electricity supply; second, we should increase the communications with relevant governmental departments and financial institutions, striving for favorable subsidy policies and financial terms, so as to improve management performances and ensure the security of capital chain; third, we should further enhance internal standardized operation and elaborate management, exercise strict control over various controllable cost, in order to constantly enhance overall performances and getting operation and management risks effectively controlled; forth, the sale of substantial assets shall be conducted in line with the related laws and rules, and each 75 percent of equity stake of Shenzhong Property Company and Shenzhong Development Company held by the Company should be transferred by public listing and auction in Shenzhen Stock Exchange, and we have achieved revenues beyond expectation.

In 2016, the total quantity of electricity generated by the subsidiary three power plants was up to 2393 million kwh, with a nearly doubling year-on-year growth, completing 94.95 percent of its annual plan,. In the year of 2016, the total business incomes of the Company reached RMB 1574.089 million, the net margins of shareholders of the listed company was RMB 1306.6948 million, with earnings per share of RMB 2.17.

## II. Main business analysis

### 1. Introduction

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

### 2. Revenue and cost

#### (1) Constitute of operation revenue

In RMB

	2016		2015		Increase/decrease y-o-y
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	1,574,088,977.85	100%	1,345,018,210.71	100%	17.03%
Industry classification					
Energy industry	1,502,944,465.07	95.48%	1,278,682,161.32	95.07%	17.54%
Engineering service	19,212,605.91	1.22%	9,296,792.72	0.69%	106.66%
Sludge drying	49,307,473.68	3.13%	55,241,083.22	4.11%	-10.74%
Other business	2,624,433.19	0.17%	1,798,173.45	0.13%	45.95%
Product classification					
Electricity sales	1,502,944,465.07	95.48%	814,675,667.29	60.57%	84.48%
Fuel sales	-	0.00%	464,006,494.03	34.50%	-100.00%
Engineering service	19,212,605.91	1.22%	9,296,792.72	0.69%	106.66%
Sludge drying	49,307,473.68	3.13%	55,241,083.22	4.11%	-10.74%
Other business	2,624,433.19	0.17%	1,798,173.45	0.13%	45.95%
By region					
Domestic	1,574,088,977.85	100.00%	1,335,721,417.99	99.31%	17.85%
overseas	-	-	9,296,792.72	0.69%	-100.00%

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

√Applicable □ Not applicable

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

No

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
Industry classification						
Energy industry	1,502,944,465.07	1,390,170,289.38	7.50%	17.54%	3.644%	20.33%
Engineering service	19,212,605.91	16,154,164.10	15.92%	106.66%	73.81%	15.89%
Sludge drying	49,307,473.68	36,078,144.72	26.83%	-10.74%	-10.67%	-0.06%
Product classification						
Electricity sales	1,502,944,465.07	1,390,170,289.38	7.50%	84.48%	41.57%	28.04%
Fuel sales	-	-	-	-100.00%	-100.00%	-0.72%

Engineering service	19,212,605.91	16,154,164.10	15.92%	106.66%	73.81%	15.89%
Sludge drying	49,307,473.68	36,078,144.72	26.83%	-10.74%	-10.67%	-0.06%

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	2016	2015	Increase/decrease y-o-y
Electric Power	Sales volume	TWh	23.53	12.75	84.55%
	Output	TWh	23.53	12.75	84.55%
	Storage	TWh	0	0	0

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

Applicable  Not applicable

1. Dongguan Gaobu Power Plant, a subsidiary of Shen Nan Dian Dongguan Company, that is the holding subsidiary of the Company, failed to complete the examination and approval of the gas and steam combined cycle power generation project and forced to stop power generation in 2015, so the annual on-grid energy was only 4 million kwh. On Jan. 14<sup>th</sup> of 2016, the Company has received the reply letter concerning the approval of gas and steam combined cycle power generation project of Gaobu gas power plant from the Development and Reform Commission of Guangdong province, (No.: YFGNDH[2016] 140), and finally got the approval of the 2×180 MW gas and steam combined cycle power generation project of Dongguan Gaobu Power plant, a subsidiary of Shen Nan Dian Dongguan Company. After that, Shen Nan Dian Company, the power dispatching control center of Guangdong Power Grid Co., Ltd, and Guangdong Power Grid Co.,Ltd. Have signed the following agreements: Integrating Gaobu Power Plant 2×180 MW Generator units with Guangdong Electric Power System Grid-tied Dispatching Agreement, Dongguan Gaobu Power Plant 2×(120+60) MW Generator Units Grid-tired Agreement, Temporary Purchasing and Selling Electricity Contract of Gaobu Power Plant No. 1-4 Generator Units (2×180 MW), and it also gained the electricity power business license presented by China Southern Supervision Bureau of National Energy Administration on Mar.7<sup>th</sup>, among which, two sets of 9E generator units has been put into generation production in March of 2016. Therefore, the on-grid energy has been dramatically increased to 530 million kwh in the year of 2016.

2. Nanshan Thermal Power Plant, a subsidiary of the Company, has made a great effort to increase electricity energy generation, with on-grid energy up to 1294 million kwh, a year-on-year growth of 63.80 percent.

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

Applicable  Not applicable

① In January 2013, the Company, together with its controlling subsidiary, New Power Company, signed a five-year National Gas Sale Contract with Guangdong Trade Branch of CNOOC Gas and Power LTD, which is under implementation presently.

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

③ In May 2014, the Company, together with its controlling subsidiary, 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	2016		2015		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Energy industry	Power, heat supply	1,390,170,289.38	96.35%	1,442,642,470.28	96.64%	-3.64%
Engineering service	Engineering cost	16,154,164.10	1.12%	9,294,049.21	0.62%	73.81%
Other business	Sludge drying etc.	36,576,521.70	2.53%	40,878,293.01	2.74%	-10.52%

In RMB

Products	Item	2016		2015		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
Electricity sales	Power supplying	1,390,170,289.38	96.35%	981,979,766.20	65.78%	41.57%
Fuel sales	Fuel supplying	-	-	460,662,704.08	30.86%	-100.00%
Engineering service	Engineering cost	16,154,164.10	1.12%	9,294,049.21	0.62%	73.81%
Sludge drying	Sludge treatment	36,078,144.72	2.50%	40,385,299.14	2.71%	-10.67%
Other business	Leasing	498,376.98	0.03%	492,993.87	0.03%	1.09%

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

Yes  No

On Nov. 22nd of 2016, the Company had the second temporary assembly of the shareholder in 2016, and the proposal concerning the sale of each 75 percent of equity stake of Shenzhong Property Company and Shenzhong Development Company held by the Company have been discussed and approved. After the procedure of examination and approval, the Company and all relevant parties actively carried out schemes of the sales of these substantial assets. On Dec. 19th, 2016, the Company and the transferee completed the industrial and commercial registration of changes and other relevant handing over procedures for this share transfer. Shenzhong Property Company and Shenzhong Development Company was no longer included in the corporate consolidate scope from the date of Dec. 19<sup>th</sup>, 2016.

## (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)	1,569,313,022.23
Proportion in total annual sales volume for top five clients	99.70%

Sales of related parties in annual sales from top five clients	0.00%
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Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Shenzhen Power Supply Bureau Co., Ltd.	826,545,155.23	52.51%
2	Guangdong Power Grid Co., Ltd.	676,301,466.67	42.96%
3	Shenzhen Municipal Water Affairs Bureau	49,307,473.68	3.13%
4	China Machinery Engineering Corporation	14,137,305.83	0.90%
5	Tianchen Corp. China (TCC)	3,021,620.82	0.19%
Total	--	1,569,313,022.23	99.70%

Other situation of main clients

Applicable  Not applicable

Main suppliers of the Company

Total purchase amount from top five suppliers (RMB)	1,164,971,633.83
Proportion in total annual purchase amount for top five suppliers	96.42%
Purchase of related parties in annual amount from top five suppliers	0.00%

Information of top five suppliers of the Company

Serial	Name	Purchases (RMB)	Proportion in total annual purchases
1	Guangdong Trade branch of China National Offshore Oil & Gas Corporation	819,130,522.72	67.79%
2	Zhuhai Trade branch of China National Offshore Oil & Gas Corporation	165,929,660.33	13.73%
3	Dongguan ENN Gas Co., Ltd.	109,706,883.75	9.08%
4	Guangzhou Yuanxiang Gas Co., Ltd.	55,119,884.20	4.56%
5	ENN Energy Trading Co., Ltd.	15,084,682.83	1.25%
Total	--	1,164,971,633.83	96.42%

Other notes of main suppliers of the Company

Applicable  Not applicable

### 3. Expenses

In RMB

	2016	2015	Increase/decrease y-o-y	Note of major changes
Sales expense	5,563,192.84	4,040,925.95	37.67%	More expenses of dry sludge disposal from controlling subsidiary Shen Nan Dian Environment Protection Company
Management expense	105,626,259.83	152,448,251.49	-30.71%	In 2015, generator of the controlling subsidiary - Shen Nan Dian Dongguan Company has shutdown, the cost of main business was transferred to management expenses that is 57.1684 million Yuan.
Financial expense	174,062,078.28	230,684,786.65	-24.55%	Financial expenses declined due to the drops in loan size

### 4. R&D expenses

Applicable  Not applicable

## 5. Cash flow

In RMB

Item	2016	2015	Y-o-y changes
Subtotal of cash in-flow from operation activity	2,896,291,783.56	2,143,467,256.56	35.12%
Subtotal of cash out-flow from operation activity	1,969,970,458.16	1,757,015,550.47	12.12%
Net cash flow from operation activity	926,321,325.40	386,451,706.09	139.70%
Subtotal of cash in-flow from investment activity	837,562,474.15	168,095.41	498,166.12%
Subtotal of cash out-flow from investment activity	17,248,786.24	34,810,055.92	-50.45%
Net cash flow from investment activity	820,313,687.91	-34,641,960.51	-2,467.98%
Subtotal of cash in-flow from financing activity	2,244,504,173.08	3,591,160,000.00	-37.50%
Subtotal of cash out-flow from financing activity	3,618,420,697.50	3,495,492,578.29	3.52%
Net cash flow from financing activity	-1,373,916,524.42	95,667,421.71	-1,536.14%
Net increased amount of cash and cash equivalent	373,155,847.80	447,831,523.04	-16.67%

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

√Applicable    □ Not applicable

(1) The cash inflow from operation activities rose by 35.12%, mainly because income from power-selling increased due to the increase of power generation in the Year, and the first debt repayment fund received from Oufuyuan Technology for selling equity of the Shenzhong Properties Company and Shenzhong Real Estate Development Company

(2) The cash outflow from operation activities rose by 12.12%, mainly because the purchase cost of natural gas increased due to the soaring of power generation in the Year;

(3) The net cash flow from operation activities rose by 139.70%, mainly because income from power-selling increased due to the increase of power generation in the Year, and the first debt repayment fund received from Oufuyuan Technology for selling equity of the Shenzhong Properties Company and Shenzhong Real Estate Development Company;

(4) The cash inflow from investment activities rose by 498,166.12%, mainly due to the equity transfer money received from Oufuyuan Technology for 75% equity respectively of Shenzhong Properties Company and Shenzhong Real Estate Development Company being sold in the Year;

(5) The cash outflow from the investment activities reduced by 50.45%, mainly due to the transformation costs of generator unit from subordinate power plant are declined on a y-o-y basis;

(6) The net cash flow from investment activities increased 855 million Yuan on a y-o-y basis, mainly due to the equity transfer money received from Oufuyuan Technology for 75% equity respectively of Shenzhong Properties Company and Shenzhong Real Estate Development Company being sold in the Year;

- (7) The cash inflow of financing activities reduced by 37.5%, mainly due to the drops in loan size in the Year;
- (8) The cash outflow of financing activities rose by 3.52%, mainly because the money pay back in the Year increased;
- (9) The net cash flow from financing activities reduced 1470 million Yuan on a y-o-y basis, mainly because the loans pay back in the Year increased;
- (10) The net of cash and cash equivalents reduced by 16.67%, mainly because the amount of cash flow arising from financing activities decreased over the year earlier.

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

Applicable Not applicable

During the period, net cash flow arising from operation activities amounting to 926 million Yuan, and the net profit of the Year was 1307 million Yuan. Main reason for the difference between the two numbers: the investment income, generated from selling 75% equity of Shenzhong Properties Company and Shenzhong Real Estate Development Company respectively, is the main sources of the net profit in the Year, which is not affecting the net cash flow arising from operation activities.

### III. Analysis of the non-main business

Applicable Not applicable

In RMB

	Amount	Ratio in total profit	Note	Whether be sustainable
Investment income	1,658,648,377.50	111.43%	Investment income from selling 75% equity of Shenzhong Properties Company and Shenzhong Real Estate Development Company respectively in the Period	N
Changes in fair value	-	-	-	-
Asset impairment	18,826,564.42	1.26%	Bad debt losses, loss on inventory and impairment loss of fixed assets are incurred by the Company	N
Non-operating income	16,417,353.54	1.10%	In line with notifications of No. SJMXXDZ[2016]115 and No. SJMXXDZ[2016]273 from Shenzhen economy and trade and information commission and Shenzhen financial committee, the Company gained access to the electricity generation subsidies respectively for the year of 2014 and 2015. In addition, according to the notification of No. YFGJGH[2015]221 by Guangdong Development and Reform Commission, Guangdong Economic and Information Committee and Guangdong provincial financial department, Shen Nan Dian	N

			Dongguan Company and Shen Nan Dian Zhongshan Company, the holding subsidiaries of the Company, have respectively extracted gas and fuel oil processing subsidies.	
Non-operating expenditure	1,255,054.91	0.08%	Refers to the overdue fine and disposal losses of fixed assets	N

#### IV. Assets and liability

##### 1. Major changes of assets composition

In RMB

	End of 2016		End of 2015		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	1,415,550,406.02	32.44%	1,026,626,480.06	22.42%	10.02%	The first debt repayment fund and equity transfer money received from Oufuyuan Technology for selling 75% equity of the Shenzhong Properties Company and Shenzhong Real Estate Development Company respectively
Account receivable	166,808,672.42	3.82%	405,391,442.85	8.85%	-5.03%	Generation subsidy receivable for previous year
Other account receivable	395,804,901.21	9.07%	30,685,319.69	0.67%	8.40%	Shenzhong Real Estate Development Company and Shenzhong Properties Company are no longer included in the scope of consolidated since 19 December 2016 after equity of the two companies are sold, receivable intercourse funds 356.286 million Yuan from Shenzhong Real Estate Development Company increased
Inventory	80,684,079.57	1.85%	672,683,049.42	14.69%	-12.84%	Shenzhong Real Estate Development Company and Shenzhong Properties Company are no longer included in the scope of consolidated since 19

						December 2016 after equity of the two companies are sold, thus the inventory reduced land development costs over that of last year with 583.1276 million Yuan
Investment property	2,998,577.91	0.07%	3,194,715.51	0.07%	0.00%	
Long-term equity investment	20,305,064.18	0.47%	22,520,274.78	0.49%	-0.02%	The investment income recognized under equity method are declined
Fix assets	1,544,562,696.68	35.40%	1,667,494,083.42	36.41%	-1.01%	The accumulated depreciation increased in the Period
Construction in process	8,008,476.13	0.18%	8,473,276.90	0.19%	-0.01%	
Short-term loans	796,840,000.00	18.26%	2,385,300,000.00	52.08%	-33.82%	Loan repayment
Long-term loans	343,900,000.00	7.88%	696,000,000.00	15.20%	-7.32%	Loan repayment

## 2. Assets and liability measured by fair value

Applicable  Not applicable

## V. Investment

### 1. Overall situation

In January 2010, the Company invested to CPI Jiangxi Nuclear Power Co., Ltd. in nuclear power project and holds 5% stake. As to the end of the reporting period, the investment of the Company amounted to RMB 59, 315,000. The preparatory work of the project is in progress.

### 2. The major equity investment obtained in the reporting period

Applicable  Not applicable

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

Applicable  Not applicable

### 4. Financial assets investment

#### (1) Securities investment

Applicable  Not applicable

The Company had no securities investment in the reporting period.

## **(2) Derivative investment**

Applicable  Not applicable

The Company has no derivatives investment in the 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

## 2. Sales of major equity

√Applicable □ Not applicable

Counterparty	Equity for sale	The date of sale	Transaction price (in 10 thousand Yuan)	The net profits contributed to the listed company by the equity from the beginning of current period to the date of sale(in 10 thousand Yuan)	Impact on the Company	The proportion of the net profits that the equity-for -sale contributed to the listed company in total profits	Pricing principle	Related transaction confirmed (Y/N)	The association with the counterparty	The ownership of property rights that involved has transferred totally (Y/N)	Does the plan implemented on schedule or not, explain the reasons and countermeasures the Company have taken for not implemented on schedule	Date of disclosure	Index of disclosure
Shenzhen Oufuyuan Technology Co., Ltd.	75% equity of Shenzhong Properties Company and Shenzhong Real Estate Development Company respectively held by the Company	19 December 2016 ( the change of industry & commerce registration have completed between the Company and Oufuyuan Technology)	103,000.00	166,086.36	This transaction was aimed at optimizing business structure, easing the capital pressures and improving asset quality by sale of the property	127.10%	The pricing of underlying asset in this trade was based on underlying asset value assessed by Pengxin appraisal Co.,Ltd. with securities business qualification,	N	Not applicable	Y	Y	13 Aug. 2016, 29 Aug. 2016, 7 Sept. 2016, 19 Sept. 2016, 23 Sept. 2016, 18 Oct. 2016, 16 Nov. 2016, 23 Nov. 2016,	Found more in the Notice released on China Securities Journal, Securities Times, Hong Kong Commercial Daily and Juchao Website, with notice



				enterprise share irrelevant to main business of the Company, so as to seek precious time and space for sustainable operation, protect the interests of the listed company and the investors.		and the final result of publicly listed and bidding in Shenzhen Stock Exchange was regarded as its trade pricing.					1 Dec. 2016 and 24 Dec. 2016	no. of the follow: 2016-049, 2016-063, 2016-068, 2016-074, 2016-077, 2016-078, 2016-079, 2016-084, 2016-102, 2016-103, 2016-104, 2016-107, 2016-113, 2016-114, and 2016-116
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## 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	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
New Power Company	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	311,287,062.28	133,757,927.7	449,185,377.9	96,756,817.84	96,756,817.84
Singapore Company	Subsidiary	Oil product trading, spare part of the gas turbine agent	US \$ 0.9 million	345,805,619.61	343,313,992.93	989,594.51	1,291,165.56	-1,987,941.04
Server Company	Subsidiary	Self-operation of fuel oil or import agent business; Trading(manufature, storage and transportation excluded) of diesel, lubricating, liquefied petroleum	RMB 53.3 million	144,518,753.98	105,264,615.68	1,117,803.02	-4,805,790.92	-4,810,939.85

		<p>gas, natural gas, compressed gas &amp; liquefied gas and chemical products(chemical hazard excluded); investment, construction and technical assistance of relevant supporting facility of liquefied petroleum gas and natural gas; import and export of cargo and technologies, domestic trading(monopolized commodity and commodity under special government control excluded); leasing business. Licensing project: fuel oil warehousing (refined oil products excluded); ordinary</p>						
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		freight, cargo specific transportation (container) and cargo specific transportation (pot-type)						
Shen Nan Dian Engineering Company	Subsidiary	Engaged in the technology consultant service of gas-steam combined cycle power plant (station), maintenance and overhaul of running equipment for gas-steam combined cycle power plant (station). Import and export of goods and technology (excluding distribution and monopolized commodity of the State)	RMB 10 million	20,060,292.08	13,234,696.7	19,212,605.91	-14,768,354.9	-14,694,974.47
Shen Nan Dian Zhongshan Company	Subsidiary	power generation by burning machines, power generation by remaining	RMB 746.8 million	746,455,056.09	-46,963,290.90	338,703,167.36	-58,775,471.73	-51,801,356.86

		heat, power supply and heat supply (excluding pipeline network of heat supply), lease of dock and oil storage (excluding oil products, dangerous chemicals and inflammable and explosive materials).						
Shen Nan Dian Dongguan Company	Subsidiary	Construction and operation of natural gas power plants.	US \$ 35.04 million	795,597,431.98	129,413,881.19	338,873,481.38	-37,960,593.86	-36,706,275.56
Shen Nan Dian Environment Protection Company	Subsidiary	Sludge drying	RMB 79 million	129,180,549.46	93,459,459.66	49,309,268.55	3,669,490.85	7,213,955.18
Jiangxi Nuclear Power Company	Joint stock Company	Development , building & operating and management of the nuclear power project; producing electricity and relevant products; foreign trade operation; development, construction and operation management of the PV power generation project,; (projects with	RMB 1167.27 million	3,304,320,184.76	1,167,270,000.00	/	/	/

		approvals in the Law, business should be operated after relevant authorities department approved)						
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Subsidiary disposes and acquired in the period

Applicable  Not applicable

Name	Way of acquired and disposed	Impact on overall production operations and performance
Shenzhong Properties Company	Transfer 75% equity of Shenzhong Properties Company by public listing and action on SOTCBB	This transaction was aimed at optimizing business structure, easing the capital pressures and improving asset quality by sale of the property enterprise share irrelevant to main business of the Company, so as to seek precious time and space for sustainable operation, protect the interests of the listed company and the investors.
Shenzhong Real Estate Development Company	Transfer 75% equity of Shenzhong Real Estate Development Company by public listing and action on SOTCBB	This transaction was aimed at optimizing business structure, easing the capital pressures and improving asset quality by sale of the property enterprise share irrelevant to main business of the Company, so as to seek precious time and space for sustainable operation, protect the interests of the listed company and the investors.

Explanation on main controlling / joint stock companies

### VIII. Structured vehicle controlled by the Company

Applicable  Not applicable

### IX. Future Development Prospects

#### (I) Macro economy and industry development trend

The year of 2017 is one of the important years in implementation of the thirteenth five-year plan, and it is also the year to further deepen the reform of supply side structure. The general tone that making progress while maintaining stability is set for the economic works in 2017. Economic growth shall need further adjustment, but the quality of economic growth is improving.

In 2017, the general economy in Guangdong province has a sound and stable momentum, but great downward pressure may come to the economic growth. According to the statistic and analysis, the electricity consumption of whole society in Guangdong province shall reach 542.7 billion kwh, with year-on-year growth of 2 percent, the annual unified purchasing electricity shall be 548.7 billion kwh, with year-on-year growth of 3 percent. In the year of 2017, there are 11 generator units newly installed in the whole province and total capacity shall be 7.86 million kwh. It is estimated that electricity power supply of the whole province shall be able to meet the demand with some surplus of overall electricity. Shenzhen electricity market is expected to continue the situation of surplus on-grid energy and decreased zone scheduling. For 9E gas turbine plant with higher on-grid electricity price, it shall be still a great difficult to pursue more electricity energy production.

With constant promotion of domestic electric power market-oriented reform, many provinces and cities have accelerated the speed of involvement in the market electricity transaction, which are not only significantly expanding transaction scale, but also the market

competition becoming increasingly fierce, and the Company is confronted with new challenges and opportunities. It's estimated that the electricity transaction scale in the Guangdong market will be increasing 1.27 times compared to that of 2016, up to 100 billion kwh. Shen Nan Dian Zhongshan Company, a holding subsidiary of the Company, has already been included in the power plant list of bilateral negotiation and transaction, as well as monthly intensively competitive transaction, all the remaining electricity shall be gained by means of market transaction except for the base power generation plan. Complying with trend of electric power system reform, the Company shall carefully study the relevant industrial policies and accumulate practical experiences, making efforts to generate more electric energy.

Meanwhile, the Company shall be carefully researching the policies and development trends of electric power and relevant industries, seeking for suitable projects and development opportunities, to further enhance the level of internal standardize management, and strive for laying a solid basis for sustainable development and walking out of the difficulties of business.

## II. Business Plan of 2017

In the year of 2017, the Company should pay much attention on below:

1. We should strengthen safety management and achieve all-around safety. First, we should adhere to the guideline of safety first, prevention first and comprehensive management, fully carry out safety production management responsibility that the party and government offices assuming joint responsibilities, two duties for one position, negligence liability, further establish and improve safety management system, and enhance the execution and evaluation of safety production responsibility system; second, a great all-around and all-weather safety pattern for all the people should be constructed, striving for building a comprehensive safety situation for production, operation and management, to ensure achieving the aims of “four no” in annual security and capital chain safety; third, we should carefully carry out environment protection works, exercise strict control over emission allowance, ensuring to gain the credit rating of blue in the green credit assessment.

2. Standardized operation and level of governance should be optimized and enhanced. First, we should further improve corporate governance structure and modern enterprise management system, insist on managing corporate ruled by law and standardizing operation, strictly carry out the collective decisions on major issues, adhering to the working principle that important contracts should be checked by lawyers and the biddings for project should be specified and transparent, and seeking for interest maximization of the Company and standardization of decision-making procedures in such major works and economic activities as human resources affairs, capital management, materials purchasing, engineering constructions; second, we should conduct multi-channels of promotions and trainings on laws, rules and policies, to strengthen the risk and law awareness of all the management and staffs, further enhance the level of management ruled by laws and standardized operation; third, the general election works of board of directors and board of supervisors should be launched, striving for standardized and elaborate procedures, ensuring all kinds of works in the company running normally and orderly; forth, we shall further strengthen internal management to optimize business process and improve management system, enforce internal control, so as to make the company becoming more elaborate, scientific and standardized and effectively prevent various risks.

3. We should enhance business management and strive for optimized performances. First, we should pay a great attention to the production, operation and management of the major business, try to complete the construction of combined thermal and power generation project of Shen Nan Dian Zhongshan Company and Shen Nan Dian Dongguan Company, so as to maximize the output capacity of electricity power and minimize the fuel costs, seeking for better major business performances; second, the non-electric business segments of the Company system should be consolidated, and we should reinforce the support to the businesses with bright development prospect and increase the profitability of non-electric business; third, we should broaden the insights and explore diversified asset management mode, accelerate the disposing works of assets of #7, #9 close down generator units and Xiefu Huidong port, seeking for the opportunities to revitalize idle assets and expand development spaces.

4. We should expand financial channels and ensure capital safety. First, the earnings gained from sales of stocks of Shenzhong Property Company and Shenzhong Development Company should be effectively utilized, aimed at improving corporate capital structure and easing the capital strain from the Company; second, we should keep an eye on the national financial and fiscal policies, expanding financial channels and raising funds from different channels, ensuring the safety of capital chain of the Company; third, the planning and management of capital should be strengthened to maximize the advantages of overall financial platform and increase the effectiveness of capital.

5. We should closely follow up the progress of purchasing and storage, providing maximum protection to interests of the Company. First, we should work with Shenzhen government and Qianhai administration to carry out the land purchase and storage works of No. T102-0011, T102-0155, execute the required examination and approval procedures and fulfill the obligation of information disclosure in accordance with the working progress and standardization requirements of the listed companies; second, we should keep an eye on the Qianhai regional plan and related policies, make in-depth study and analysis of influences and opportunities brought from the implementation of Qianhai planning, make a good demonstration and calculation for all kinds of schemes, maintain communications with Qianhai administration and other relevant functional departments in Shenzhen, providing maximum protection to interests of shareholders and staffs of the Company.

6. We should seek for development opportunities and expand survival space. First, industrial policies and trends and regulatory policies should be carefully studied, we also should develop the strategy for company development, analyze the stock assets status and the existing business features; second, we should also go with the new stream of economic development to seek for new cooperative projects and development opportunities, so as to cultivate new profit growth points and striving for long-term sustainable development.

7. We should standardize information disclosure and the management of investor relations should be strengthened. First, we should further improve the systems of information disclosure and information privacy, strictly implement the relevant laws and regulations of securities supervision departments and standardized documents; second, we should further enhance the management level of investor relations, and provide effective protection to interests and legitimate interests by means of much more diversified forms and detailed works, striving for building a better image of the listed company.

8. Incentive mechanism and work performance should be improved. First, we should further perfect the salary and incentive mechanism, to better reflect the positive relationship between value contribution and remuneration, make the limited remuneration playing a great role of incentive; second, we should explore much more effective mechanism of assessment, reward and punishment, improve target-oriented responsibility system, so as to get the overall performance level continue to rise; third, we should also strengthen the construction of contingent of cadres and cultivation of backup talents, further enhancing the overall quality and management level by strengthening training and assessment, providing required talent reserve for future development of the Company.

9. We should establish righteousness and encourage innovation. First, the enterprise spirit of solidarity, progress, pragmatic and struggle should be vigorously advocated, creating a realistic and pragmatic working experience with harmony and win-win situation, fostering a corresponding value and positive enterprise cultures; second, spirit of innovation should be encouraged, providing better development opportunities for enterprising employees, and protecting the initiative and creativity of the employees to make the Company revive with vigor and energy.

All the business plans and related situation analysis stated in this report shall not constitute a commitment of performance to investors from the Company. The Company reminds that the investors should maintain certain awareness on the risks and should



understand the differences between business plan and performance commitment and make a cautious decision on the investment.

### III. Some Potential Main Risks

1. Main business: According to the judgment on the supply and demand trend of 2017 in Guangdong and Shenzhen electricity market, the three subsidiary power plants will continue to suffer great pressures from production and operation because of single gas and steam combined cycle power generation. The power dispatch department shall continue to execute the principle of economic dispatch in the case that the electricity supply and demand situation of Shenzhen and Guangdong has still not had any fundamental changes, so the space for generating more electricity from gas turbine units is quite limited; On the other hand, the pace of market-oriented reform on the electricity has been stepped up, which making the market much more competitive and also bringing some opportunities for gas turbine generation plant, with much more challenges followed as well. The Company will play an important role of Guangdong gas turbine special committee, make an effort to seek support from grid corporations and governments at all levels, striving for much more electricity generation. At the same time, by urging the subsidiary power plant to improve the reliability of generation units, Dongguan Gaobu power plant is accelerating the implementation of combined heat and power generation project, and Zhongshan Nanlang power plant is accumulating the experiences of bilateral negotiation trade and monthly competitive trade, aims for creating better environment for more power generation.

2. Safety production: various degrees of ageing signs of the power generating equipment in the subsidiary power plants of the Company continue to emerging, potential failures and security risks are increasing by years, which raise higher demands on equipment management and service input; the age structure of the Company is gradually ageing, so their working enthusiasm and sense of responsibility are getting weak, In addition that the Company is constantly getting involved in business distress, Nanshan Thermal Power Plant is facing the risk of shut down because of the land purchasing and storage issue and the development prospects of the Company are not clear yet, all of which have a negative effect on the working enthusiasm of the employees, has brought a great challenge to the security management of the Company. The Company shall strengthen the maintenance and regular examination of the equipment, enhance the security education and training of the employees, improve the responsibility system of safety production, strictly implement safety management system, raise the awareness of safety and responsibility of personnel at all levels, to ensure the normal operation of equipment and eliminate the potential failures and accidents in the bud.

3. Fuel procurement: the Company and its subsidiary Zhongshan Nanlang Power Plant and Dongguan Gaobu Power Plant have respectively signed a long-term gas purchasing contract with Guangdong Trading Subsidiary and Zhuhai trading Subsidiary of China National Offshore Oil Gas and Power Corporation (Referring to CNOOC). Even though the crude oil price of the international market has declined in recent years, there are many uncertainties existed in the trend of future, which bring uncertainty to the gas price linked with international oil price, meanwhile, it will have an effect on the execution of the contract for the reason of electric quantity. The Company shall make all efforts to get the support from CNOOC in terms of gas price discount and contract execution, striving to avoid relevant risks and take effective measures to minimize fuel costs.

4. Capital guarantee: the Company has made a great profit in 2016, which has reduced the financial costs and relieved the pressures on capital to some extent, but the management situation of 2017 is still very grim and there are still no any fundamental solutions to solve such issues as difficulties in financing and high costs. The company shall strengthen the communication with banks and other financial institutions, striving for their supports of financing; on the other hand, we shall work hard to expand financing channels and raise funds from multiple sides, to make sure the safety of the capital chain and minimize the financial expense.

5. Execution of Share Transfer Agreement: each 75 percent of equity stake of Shenzhong Property Company and Shenzhong Development Company held by the Company were sold by means of public listing and bidding and the final counterparty was Oufuyuan Technology. So far, according to the Share Transfer Agreement, Oufuyuan Technology has already paid up the share

transfer price which required to be paid at this stage as well as the first phase of debt repayment of capital. The followings are as below: the unpaid transaction amount of Oufuyuan Technology is RMB 420,156,083.84 (including RMB 331,066,153.79 which should be paid to Shen Nan Dian and RMB 89,089,930.05 which should be paid to Xingzhong Group) and relevant new interests after Jun. 30<sup>th</sup> of 2016. In according to the protocols of Share Transfer Agreement, the said payment should be paid up in a lump sum within one year from the effective date of this Share Transfer Agreement. Since the sale of this substantial asset still has not been completed, the Company shall request Oufuyuan Technology to strictly fulfill its following obligations in line with Share Transfer Agreement and requirements of its auxiliary documents. Moreover, by the disclosure date of this report, Oufuyuan Technology still has not completed the replacement work that providing joint and several guarantee for applying maximum loan amount of no more than RMB 300 million from Zhongshan branch of Huaxia Bank co.,Ltd for the uncompleted Shui Mu Nian Hua Garden project of Shenzhong Property Company, and the liability to guarantee of the Company has not been released, however, the Company has made the 57 acres of land held by Shenzhong Development Company pledged as a counter guarantee measure. The Company shall actively promote the release of this liability to guarantee.

6. The stability of the core professional: in the past over twenty years since established, the Company has attracted and cultivated a group of professional personnel with higher quality in the major of gas turbine. Because of the operational losses in recent years, plus the high living cost in Shenzhen, brain drain is becoming a serious issue to the Company, even though the current professional personnel and management team are able to meet the demands of normal production, management and operation, it is not excluded there is a possibility of brain drain before the operation situation of the Company has not got any fundamental improvement. The Company will further enhance the management of human resources, improve the fixing post and salary distribution system, reinforce the employee trainings and cultivation of backup professional personnel, and focus the limited resources on incenting the core personnel teams. While standardizing management and improving working requirements, we shall pay attention to concern employees with humanization, create a harmony and pleasant work atmosphere to strengthen the cohesive force of the Company.

7. On-going business: although the Company achieved profitability in 2016 by transferring the share of Shenzhong Property Company and Shenzhong Development Company, its major business orientation and operation conditions didn't get better fundamentally, so the on-going business of the company is still facing great challenges, and there are a certain uncertainty existed in the completion of the business goal of the year of 2017. The Company shall improve the profitability of its main business by means of strengthening the management of stock assets. At the same time, the Company shall actively explore diversified business modes and new development opportunities related to our main business, seek for creating a sound condition for sustainable operation and health growth.

8. Revocation of withdrawal risk admonition: According to the audit of Ruihua Certified Public Accountants (the special ordinary partnership), in 2016, the net margin belonging to the listed company was RMB 1,306,694,835.46. In accordance to relevant requirements, the Company shall submit an application to revoke the withdraw risk admonition to the stock exchange of the Company. Shenzhen Stock Exchange will be making a reply concerning whether agree to revoke the withdraw risk admonition within 10 trading days. Before that, it is still uncertain whether the Company shall be approved of revoking the withdrawal risk admonition.

The Company reminds investors to pay attention to the above possible principal risks and other risks the Company may face, and carefully make 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
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2016-4-25	Field research	Individual (one person)	Under the premise of not violating the information disclosure principles and confidentiality of major information systems, the Company will seriously and timely response to investors on the Company's basic business, financial condition and status of affiliates.
2016-8-30	Field research	Individual (five-person)	Under the premise of not violating the information disclosure principles and confidentiality of major information systems, the Company will seriously and timely response to investors on the Company's basic business, financial condition and status of affiliates.
2016-11-22	Field research	Individual (four-person)	Under the premise of not violating the information disclosure principles and confidentiality of major information systems, the Company will seriously and timely response to investors on the Company's basic business, financial condition and status of affiliates.
Jan.-Dce.2016	Investor relation interactive platform and written information	Individual (33-person)	Under the premise of not violating the information disclosure principles and confidentiality of major information systems, the Company will seriously and timely response to investors on the Company's basic business, financial condition and status of affiliates.
Disclosed, released or let out major undisclosed information			N
Reception (times)			36
Number of hospitality			0
Number of individual reception			43
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 2014, audited by Ruihua Certified Public Accounts (LLP), the net profit attributable to shareholders of listed Company for year of 2014 amounting as RMB -330,513,284.99. 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 2<sup>nd</sup> meeting of the 7<sup>th</sup> session board of directors (No.: 2015-026) published by the Company on China Securities, Securities Times, Hong Kong Commercial Daily and Juchao information website on 25 April 2015.)

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

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

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

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed Company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed Company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2016	0.00	1,306,694,835.46	0.00%	0.00	0.00%
2015	0.00	-634,623,667.06	0.00%	0.00	0.00%
2014	0.00	-330,513,284.99	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	The usage and using plan of undistributed profit
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<p>during reporting period, but the cash bonus distribution plan of common stock is not proposed</p>	
<p>According to the Article 197 of the Rules of the Company concerning the profit distribution policy:</p> <p>I . The company shall carry out sustainable and stable profit distribution policy, comprehensively taking reasonable return on investment of the investors and the long-term development of the company into consideration. The profit distribution of the Company shall not exceed the cumulative profits available for distribution, shall not damage the on-going business capability, and shall adhere to principle of distribution in doctrine of legal sequence and shall not be distributed if deficit not yet made up.</p> <p>II . ...</p> <p>III. The condition of cash bonus</p> <p>1. The annual and semi-annual distributive profits are positive and the cash flow is abundant, and the cash bonus shall not affect the on-going business and operation of the Company.</p> <p>2. ...</p> <p>In line with the Rules of the Company, combined with analysis to the operation situation of company itself, the Company was absence of the conditions for profit distribution for the year of 2016, the reasons as below:</p> <p>Although in 2016 it turned into profit by selling shares of its non-power industry subsidiary and implementing a series of cost saving schemes, these actions have not fundamentally cured its loss-making core business. The company still confronts challenges to its sustainable operation.</p> <p>In 2017, in order to turn around the deficit situations of many years, the Company, guided by the core philosophy of exploring potentials, increasing effectiveness, is striving for turning losses into gains for its main business and better realizing its annual business goal by means of increasing power generation capacity, reducing gas price, minimize loan scale and cutting down financial expenses. However, judged from the current collected information, the situation for gas turbine power generation is not optimistic, with the cancellation of the electricity subsidy policies, the supply exceeding demand in the electric market, all these factors have put stress on the on-going operation and cash flow.</p> <p>In conclusion, the Company is still faced with great operation pressure and the cash flow is not abundant, so the company is</p>	<p>Although achieved profitability by sale of share of the holding subsidiaries in 2016, the Company is still facing great business pressures. Therefore, the total amount of undistributed profit that is RMB 644,271,987.22 will be used for repayment of bank loans in order to reduce capital risk and financial expense, seeking for creating a favorable condition for sustainable operation and development.</p>

<p>unable to meet the requirements on the profit distribution condition made in the company rules. Therefore, the Company shall not distribute profits in 2016.</p> <p>In addition, the total amount of legal surplus reserve of the Company reached up to 50 percent of its capital stock by Dec. 31<sup>st</sup>, 2016. According to the relevant regulations in Corporate Law and Company Rules that when the total amount of legal surplus reserve reached up to 50 percent of its capital stock, can no longer extract. Therefore, the Company shall not draw surplus reserve in the year of 2016.</p>	
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**II. Profit distribution plan and capitalizing of common reserves plan for the Period**

Applicable  Not applicable

### III. Implementation of commitment

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

√Applicable    □ Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for Share Merger Reform						
Commitments in report of acquisition or equity change						
Commitment made in the material assts reorganization of transferring 75% equity of Shenzhong Properties Company and Shenzhong Real Estate Development Company respectively	The Company and whole directors, supervisors and senior executives	Other	<p>The Commitment Letter of the Truthfulness, Accuracy and Completeness of the Related Information of Reorganization</p> <p>The company and all the directors, supervisors and senior managers of our company promise to assure the truthfulness, accuracy and completeness of the related information of the reorganization as well as the application documents. We make the following commitment that there is no false statement, misleading representation or material omission, and jointly and separately accept responsibilities. We promise that all the signatures as well as seals are true and effective, and the copies are in agreement with the originals. We promise that all the information provided by our company and all the directors, supervisors and senior managers of our company are true, correct and complete original written information or copied information, and the copied information or the copies are in complete agreement with the originals. The signatures and seals of all the documents are true without any false record, misleading statement or</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance

			<p>major omissions. If the information is investigated by the judicial authority or China's Securities Regulatory Commission because of any false record, misleading statement or major omissions in any of our information in this deal, all the shareholders of the boarders, supervisors and senior managers of our company shall stop selling their shares, and shall hand in their account of the shares and the written applications of stopping selling them to the board of directors within two working days, and the board of directors will apply locking the information of the identity and account to the Stock Exchange and registered clearing company; if beyond the time limit, after checking, the Boarder of Directors will directly report the information of the identity and account to the Stock Exchange and registered clearing company. If not, the stock exchange and registered clearing company will lock the related shares directly. If there is anything that is illegal, the Boarder of Directors of the Company and all the directors thereof promise the locked parts of shares shall be used for compensation.</p>			
	Oufuyuan Technology and whole directors, supervisors and senior executives	Other	<p>The Commitment Letter of the Truthfulness, Accuracy and Completeness of the Information Provided</p> <p>As the counterparty of this recombination, Shenzhen Oufuyuan Technology Co., Ltd.(referred to as the “company” in this paragraph) and the directors, supervisors and senior managers of our company make the following commitment: The information provided by our company as well as we ourselves are all true, accurate and complete, without any false statement, misleading representation or material omission, the copied information or the copies are in complete agreement with the originals and the signatures and seals of all the documents are true. If not, and if determined by the judiciary that we may cause any loss to the related company, Shenzhen Nanshan Power Co., Ltd. or their investors, audit, evaluators or the agency of financial advisers or anything related, the company and we are willing to take any legal responsibility.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance



The Company and whole directors, supervisors and senior executives	Other	<p>The Commitment Letter of No Penalty and Credit Situation in the Last Three Years</p> <p>The company and all the directors, supervisors and senior managers of our company make the following commitment: 1. The Company is under standardized operation during the last three years, so there is not any illegal capital take-up or external guarantee or anything like that. 2. Since June 25, 2015 when the company received "the Supervision Letter on Shenzhen Nanshan Power Co., Ltd" [2015] No. 69 issued by the company's management department of Shenzhen Stock Exchange, which was about not disclosing the revision of performance forecast, the company and all the directors, supervisors and senior managers of our company have neither experienced any administrative penalty or criminal penalty, nor punished or investigated by Shenzhen Stock Exchange or any other authorities. We have never been punished, investigated or gone under custody by the Stock Exchange or Securities Regulatory Commission or any other authorities. If there is anything wrong in the statement above, the Company and the Boarder of Directors will jointly and separately accept any legal responsibilities related.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance	
Oufuyuan Technology and whole directors, supervisors and senior executives	Other	<p>The Commitment Letter of No Penalty and Credit Situation in the Last Five Years</p> <p>Oufuyuan Technology of Shenzhen (referred to as the "company" in this paragraph) and all the directors, supervisors and senior managers of The Company state solemnly to Shenzhen Nanshan Power Co., Ltd. and the relevant intermediary that: 1. The Company and I personally haven't experienced any administrative penalty related to Stock Exchange or criminal penalty, and were never involved in any major civil action or arbitration matters related to finance. 2. We have never been punished, investigated or gone under custody by China Securities Regulatory Commission or any other</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance	

			authorities as a result of not paying off huge debts or not fulfilling promises.			
Oufuyuan Technology and whole directors, supervisors and senior executives	Other	<p>The Commitment Letter of Not Violating Rule No.13 of <i>Interim Provisions on strengthening the supervision of abnormal stock transactions related to the major asset restructuring of listed companies</i></p> <p>Oufuyuan Technology of Shenzhen(referred to as the “company” in this paragraph) and all the directors, supervisors and senior managers of The Company make the following commitment: 1. The Company and I personally haven’t been investigated or registered due to insider dealing in the major asset restructuring of this transaction; 2. The Company and I personally haven’t been investigated or registered due to insider dealing in any major asset restructuring by China Securities Regulatory Commission or any other authorities in the last thirty-six months. If The Company or I break the above promise, The Company or I will surely bear the loss caused to Shenzhen Nanshan Power Co., Ltd.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance	
Oufuyuan Technology and whole directors, supervisors, senior executives and actual controller	Other	<p>The Commitment Letter of Not Existing Related Relation</p> <p>As the counterparty of this transaction, Oufuyuan Technology of Shenzhen(referred to as the “company” in this paragraph) makes the following commitment: The company and all the directors, supervisors , senior managers of our company, the actual controller of The Company have no incidence relation with the directors, supervisors , senior managers of Shenzhen Nanshan Power Co., Ltd. or any shareholder holding more than 5% of the shares of Shenzhen Nanshan Power Co., Ltd.(including Shenzhen Energy Co., Ltd., HONG KONG NAM HOI (INTERNATIONAL) LTD, Shenzhen Guangju Industrial Co., Ltd) as well as Shenzhong Property Company or Shenzhong Development Company, so there is no connected transaction. If the above statement is not true, The Company and I personally will take the related responsibilities.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance	

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

			or rules.			
	The Company and whole directors, supervisors and senior executives	Other	<p>The Commitment Letter of Not Violating Rule No.13 of <i>Interim Provisions on strengthening the supervision of abnormal stock transactions related to the major asset restructuring of listed companies</i></p> <p>The company and all the directors, supervisors , senior managers of The Company make the following commitment: 1. The Company and I personally haven't been investigated or registered due to insider dealing in the major asset restructuring; 2. The Company and I personally haven't been investigated or registered due to insider dealing in any major asset restructuring by China Securities Regulatory Commission or any other authorities in the last thirty-six months. If The Company or I break the above promise, The Company or I will surely bear the loss caused to Shenzhen Nanshan Power Co., Ltd.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	The Company, whole directors and senior executives	Other	<p>The Commitment Letter of Fill-up of the Immediate Amortization Arising from Material Assets Reorganization</p> <p>The directors and senior managers of The Company make the following commitment: 1. We will faithfully and diligently fulfill our duties to protect the legal interest of all the company and all of the shareholders; 2. We promise not to deliver interest to other companies or individuals for free or under any unfair condition, neither will we take any other measures to harm The Company's interest; 3. We promise to constrain our position-related consumption; 4. We promise not to resort to the company's assets to do the investing or consuming activities not concerning the duties we have to fulfill; 5. We promise to urge or nominate the board of directors or remuneration system made by Remuneration Committee to be linked up with the performance of the measures to fill taken by The Company within the scope of our duties and authority; 6. If The Company proposes to carry out stock-based compensation, we promise to urge the conditions of the stock-based compensation to be announced to be linked</p>	2016-10-31	Until the end of year when the underlying asset ownership is completely transferred	Completed

			up with the performance of the measures to fill taken by The Company within the scope of our duties and authorities. We make sure to fulfill the above commitment, and if not, we will compensate for the loss if there is any loss caused to The Company.			
	The whole directors, supervisors and senior executives	Other	<p>The Commitment Letter of the Restructuring Involving the Real Estate Business</p> <p>All the directors, supervisors and senior managers of The Company make the following commitment: If the target company proposed to be sold in this recombination were punished or investigated for illegal actions like undisclosed idle land, real estate speculation, insisting on a conservative way in selling a real estate or price rigging, and caused any loss to The Company or investors, I will surely compensate the loss caused according to the demand of relevant laws or rules or securities regulatory authority .</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	The Company	Other	<p>The Commitment Letter of the Integrity of the Underlying Assets</p> <p>As the seller of this major assets reorganization, The company makes the following commitment: 1. The company legally holds the underlying assets, and there is no case of entrusted ownership, trust holdings or any other third party that holds shares; There is no pledge, guarantee or any third party rights in the underlying assets and there is no situation of dispute, judicial security measures or enforcement measures, such as restrictions, block or prohibition of the transfer. 2. The company makes the following commitment: If the underlying assets cannot be transferred or processed for necessary changes because the company has no right to dispose of assets, or other rights are limited due to the underlying assets of the underlying asset ownership cannot be transferred or shall go through the modification formalities, the company is willing to bear the corresponding legal responsibility in the right to judicial departments according to their authority after confirmation of the losses caused by the related parties. 3. By the date of this letter of commitment issued,</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance

		Shenzhong Property Company and Shenzhong Development Company have no situation of false investment or anything that affects its legal existence, and there are no pending or foreseeable litigations, arbitrations or administrative penalties affecting this transaction.			
Shenzhong Properties Company	Other	<p>The Commitment Letter of the Truthfulness, Accuracy and Completeness of the Information Provided</p> <p>The company makes the following commitment: 1. The information related to this transaction provided by The Company are all true, accurate and complete, without any false statement, misleading representation or material omission; 2. We promise that all the information provided by The Company are true, correct and complete original written information or copied information, and the copied information or the copies are in complete agreement with the originals. The signatures and seals of all the documents are true without any false record, misleading statement or major omissions. 3. The illustrations The Company provides are all true, correct and complete without any false record, misleading statement or major omissions; 4. The Company jointly and severally accepts responsibilities as to the truthfulness, accuracy and completeness of the content of this report.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
Shenzhong Properties Company	Other	<p>The Commitment Letter of No Illegal or Irregular Behaviors in the Last Three Years</p> <p>The company promises: 1. The Company has never done anything that is greatly illegal or irregular, and has never received any administrative punishment or criminal punishment. 2. The Company has never been punished as a result of violating the National Industrial Policy or the laws or rules related to environment protection, land administration, or anti-monopoly. 3. The Company has neither been investigated by competent administrative authorities like China Securities Regulatory Commission because of illegal actions nor investigated by judicial authorities. 4. The Company has no unfinished or any</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance

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

			of this report.			
	Shenzhong Real Estate Development Company	Other	<p>The Commitment Letter of No Illegal or Irregular Behaviors in the Last Three Years</p> <p>The company makes the following commitment: 1. The Company has never done anything that is greatly illegal or irregular, and has never received any administrative punishment or criminal punishment. 2. The Company has never been punished as a result of violating the National Industrial Policy or the laws or rules related to environment protection, land administration, or anti-monopoly. 3. The Company has neither been investigated by competent administrative authorities like China Securities Regulatory Commission because of illegal actions nor investigated by judicial authorities. 4. The Company has no unfinished or any foreseen major court case or arbitration matters related to this transaction. 5. The Company does not have any matter that may influence the guarantee of operating capacity or commitment.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Whole directors, supervisors and senior executives of Shenzhong Real Estate Development Company	Other	<p>The Commitment Letter of No Major Violation of Relevant Laws</p> <p>As the directors, supervisors and senior managers of Shenzhong Development Company, we make the following commitment: 1. I have never done anything that is greatly illegal or irregular, and has never received any administrative punishment or criminal punishment or arbitration related to finance. 2. I have never been investigated or registered because of inter-transaction of restructuring major assets and have no unfinished cases. I haven't neither been punished or investigated by competent administrative authorities like China Securities Regulatory Commission or the Stock Exchange because of illegal actions like not repaying major debts or not fulfilling commitments or inter-transaction of restructuring major assets nor given criminal sanctions by judicial authorities according to law.</p>	2016-10-31	Until the completion of this major asset restructuring	In normal performance
	Oufuyuan	Other	The Letter On the Equity Transfer Agreement under the Relevant Security	2016-12-12	Until the	In normal



	Technology, Shenzhong Real Estate Development Company	<p>Arrangements and The Commitment Letter of Expansion of the Scope of Real Estate Collateral</p> <p>Oufuyuan Technology of Shenzhen promises: 1. The company agrees and promises to have Shenzhong Development Company issue the letter of commitment to Shenzhen Nanshan Power Co., Ltd. to Nanshan Power Company and Xingzhong Group, and promises to allow the scope of the guarantee for the above mentioned real estate mortgage to be extended to be all the obligations of the company that have to be fulfilled according to the "Equity Transfer Agreement" and its supporting transaction documents (Including the obligations agreed upon in Article 4,5 and the second part of Article 6 in paragraph 2 of the " Equity Transfer Agreement "), and the term of the mortgage continues until the date of the cancellation of the mortgage. 2. I hope Shenzhen Nanshan Power Co., Ltd. and Xingzhong Group can complete the provisions of Article 4 and 5 of the "Equity Transfer Agreement" in the company that is about the replacement guarantee of the joint responsibility that Shenzhen Nanshan Power Co., Ltd provides to Zhongshan Branch of Huaxia Bank Limited on behalf of "Shuimunianhua Garden Project" of Shenzhong Property Company and can provide RMB 420156083.84 of interest payable in paragraph 2 (Part 2) of Article 6 of the Equity Transfer Agreement and the effective legal guarantee corresponding to the interest(including but not limited to bank performance bond and assets cover ) and submit the application documents for the cancellation of the mortgage of the original mortgage of Shenzhen Development Company to Zhongshan Real Estate Mortgage Registration Authority three working days after that. Shenzhong Development Company makes the following commitment: From the date of the issue of this letter, the “seven places ten rooms” mortgage guarantee our company provided( The details can be seen in (six) the main assets, liabilities and external guarantees" of the "1 major assets," in the second part “Shenzhong Development Company” of the fourth chapter" the basic situation of "transactions" in "<i>The report of the sale of major assets of Shenzhen Nanshan</i></p>		completion of this major asset restructuring	performance
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			<i>Power Limited(Revised version)</i> ") has extended to the obligations that Oufuyuan Technology should fulfill but have not fulfilled according to transaction documents (Including the obligations agreed upon in Article 4,5 and the second part of Article 6 in paragraph 2 of the" Equity Transfer Agreement"), and the term of the mortgage continues until the date of the cancellation of the mortgage.			
Commitments make in initial public offering or re-financing						
Equity incentive commitment						
Other commitments for medium and small shareholders Equity incentive commitment	Shenzhen Guangju Industrial Co., Ltd.	Other	From 16 September 2015 to 9 May 2016, the shareholders of the company Guangju Industrial oriented asset management increased holdings of the company's A shares 2,908,201 shares, which makes up 0.48% of the total holdings, and the increased amount was up to RMB25,127,900. Guangju Industrial promises: The Company will not reduce the shares held by the company during the increasing period.	2015-09-16	16 Sept. 2015 to 9 May 2016	Completed
	Shenzhen Energy Co., Ltd.; Shenzhen Guangju Industrial Co., Ltd.; HONG KONG NAM HOI (INTERNATIO	Commitments of not carrying out a major asset restructuring	Promise not to preparing the material events as material assets reorganization, acquisition, stock placement in later three months	2015-12-01	3 months	Completed

	NAL) LTD.; Shenzhen Nanshan Power Co., Ltd.					
	Shenzhen Energy Co., Ltd.; Shenzhen Guangju Industrial Co., Ltd.; HONG KONG NAM HOI (INTERNATIO NAL) LTD.; Shenzhen Nanshan Power Co., Ltd.	Commitme nts of not carrying out a major asset restructurin g	Within 2 months since the announcement date of the termination of the disclosure of major asset restructuring plan and the resumption of the company's stock, except promoting this sale of major assets, the company is no longer planning major asset reorganization.	2016-11-21	2 months	Completed
Other commitments for medium and small shareholders						Yes

**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 “Qualified Opinion” that issued by CPA**

Applicable  Not applicable

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

Applicable  Not applicable

No particulars about the changes in aspect of accounting policy, estimates or calculation method in Period.

**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

The Company convening the 2<sup>nd</sup> extraordinary shareholders meeting for year of 2016 on 22 November 2016, the meeting deliberated and approved relevant proposals of selling 75% equity of Shenzhong Properties Company and Shenzhong Real Estate Development Company respectively. The Company and relevant parties actively implementing the major assets sold plan after approval process completed. On 19 December 2016, the underlying assets completed the change of industrial and commercial registration for its equity transfer and relevant hand over procedures. Shenzhong Properties Company and Shenzhong Real Estate Development Company are not included in consolidate scope of the Company since 19 December 2016

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

Accounting firm appointed

Name of domestic accounting firm	Ruihua Certified Public Accountants Co., Ltd. (LLP)
Remuneration for domestic accounting firm (in 10 thousand Yuan)	90
Continuous life of auditing service for domestic	4

accounting firm	
Name of domestic CPA	Zhang Liping, Han Songliang

Re-appointed accounting firms in this period

Yes  No

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

Applicable  Not applicable

1. Ruihua Certified Public Accountants Co., Ltd. (LLP) was appointed as the internal control auditing authority of the Company for year of 2016 with expenses of RMB 0.2 million for one year

2. The Company selling out substantial assets during 2016, that is 75% equity of Shenzhong Properties Company and Shenzhong Real Estate Development Company respectively, the China Merchants Securities Co., Ltd. was engaged as independent financial advisor with costs of RMB 1.15 million

3. The Company planning a major asset restriction project in the Year, China Merchants Securities Co., Ltd. was engaged as financial advisor in earlier stage with costs of RMB 0.8 million

## **X. Particular about suspended and delisting after annual report disclosed**

Applicable  Not applicable

## **XI. Bankruptcy reorganization**

Applicable  Not applicable

No bankruptcy reorganization for the Company in reporting period

## XII. Significant lawsuits and arbitrations of the Company

√Applicable □ Not applicable

The basic situation of litigation (Arbitration)	Amount of money involved (RMB'0000)	Predicted liabilities	Advances in litigation (Arbitration)	The results and effects of litigation (Arbitration)	Execution of the litigation (Arbitration)	Disclosure date	Disclosure index
<p>As Sinopec CNOOC shipping fuel supply Co., Ltd. (hereinafter referred to as Sinopec China Shipping Company) owed RMB 51,128,173.60 in the purchase of the company and delayed repayment, on 24 February 2016 Xiefu Company filed the Whampoa District People's Court of Guangzhou a civil complaint and other related documents.</p> <p>On 16 May Whampoa Guangzhou District People's court heard the case. On 23 August, Xiefu Company received the "Civil Judgment" [(2016) Yue0112MC No.858] from the Whampoa District People's Court of Guangzhou, and judged that Sinopec China Shipping Company should pay Xiefu Company RMB 51,128,173.60 and the loss of interest on overdue payment within ten days since the judgment took effect, and bear the case acceptance fee and property preservation fee.</p> <p>At the beginning of September 2016, Sinopec China Shipping Company refused to accept the "Civil Judgment" [(2016)Yue0112MC No.858] from the Whampoa District People's Court of Guangzhou as final, so they submitted a civil complaint to the</p>	5,112.82	No	<p>At the end of December 2016, Xiefu Company received the "Civil Judgment" [(2016) Yue01MZ No. 15716] from the Intermediate People's Court of Guangzhou, Guangdong, dismissed the appeal and affirmed the original judgment.</p> <p>On 24 January 2017, Xiefu Company received a total of RMB 55,696,080.66 (including payment for goods owed RMB51,128,173.60, overdue interest RMB 4,259,767.06, acceptance fee of the first instance of case RMB 303,140.00 and property preservation fee RMB 5,000.00 )from Sinopec China Shipping Company in accordance with the final judgment of Guangzhou intermediate people's Court of</p>	<p>The amount received by Xiefu Company will increase RMB 3,340,300 to the company's net profit attributable to shareholders of Listed Companies in 2016, and will increase RMB 86,800 to the company's net profit attributable to shareholders of Listed Companies in 2017.</p>	<p>On 24 January 2017, Xiefu Company received a total of RMB 55,696,080.66 (including payment for goods owed RMB51,128,173.60, overdue interest RMB 4,259,767.06, acceptance fee of the first instance of case RMB 303,140.00 and property preservation fee RMB 5,000.00 )from Sinopec China Shipping Company in accordance with the final judgment of Guangzhou intermediate people's Court of Guangdong. Thus, the proceedings of the case of Xiefu Company came to an end.</p>	1 March 2016; 25 August 2016; 10 September 2016; 31 December 2016; 26 January 2017	<p>The details can be seen in <i>Announcement on the litigation matters of Shenzhen energy resources Co., Ltd. And On the progress of the proceedings of the Shenzhen energy resources Co., Ltd. on China Securities , Securities Times and Hong Kong Commercial Daily and the Juchao Information website. Notice</i></p>

<p>Whampoa District People's Court of Guangzhou, and appealed to the Intermediate People's Court of Guangzhou, Guangdong.</p> <p>At the end of December 2016, Xifu Company received the "Civil Judgment" [(2016) 粤 01 民终 15716 号] from the Intermediate People's Court of Guangzhou, Guangdong, dismissed the appeal and affirmed the original judgment.</p> <p>On 24 January, 2017, Xifu Company received a total of RMB 55,696,080.66 from Sinopec China Shipping Company in accordance with the final judgment of Guangzhou Intermediate People's Court of Guangdong. Thus, the proceedings of the case of Xifu Company came to an end.</p>			<p>Guangdong. Thus, the proceedings of the case of Xifu Company came to an end.</p>				<p><i>number</i> :</p> <p>2016-007, 2016-061, 2016-073, 2016-118, 2017-003.</p>
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### 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

Except for the payment of employee remuneration and incentives within the scope of remuneration, the Company has no equity incentive plan, employee stock ownership plans or other employee incentives.

### XVI. Major related transaction

#### 1. Related transaction with routine operation concerned

Applicable  Not applicable

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

#### 2. Related transactions by assets acquisition and sold

Applicable  Not applicable

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

#### 3. Main related transactions of mutual investment outside

Applicable  Not applicable

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

#### 4. Contact of related credit and debt

Claim receivable from related party

Related party	Relationship	Causes	Whether has non-business capital occupying or not	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Ending balance (10 thousand Yuan)
New Power Company	Subsidiary	Routine current account	N	7,702.80	58,771.46	77,169.05	-	-	-10,694.79
Shen Nan	Subsidiary	Routine	N	54,717.43	3,797.98	6,796.55	7.00%	3,039.52	54,758.38



Dian Zhongshan Company		current account							
Shenzhong Real Estate Development Company	Subsidiary	Routine current account	N	90,469.72	-	61,003.21	7.00%	5,392.00	0.00(note 1)
Shenzhong Properties Company	Subsidiary	Routine current account	N	10,497.04	-	10,814.65	7.00%	582.88	0.00(note 1)
Shen Nan Dian Dongguan Company	Subsidiary	Routine current account	N	19,388.57	71.29	3,055.02	7.00%	1,248.92	17,653.76
Shen Nan Dian Environment Protection Company	Subsidiary	Routine current account	N	444.74	1,985.01	827.99	7.00%	2.68	1,604.44
Singapore Company	Subsidiary	Routine current account	N	21.23	124.46	-	-	-	145.69
Syndisome Company	Subsidiary	Routine current account	N	8.55	-	8.55	-	-	-
Influence on business performance and financial status of the Company from related liabilities	Current assets RMB 846.5882 million decreased in the Period								

Note 1: in 2016, the equity of Shenzhong Properties Company and Shenzhong Real Estate Development Company, held by the Company are sold, thus the two above said companies are no longer included in consolidated scope since 19 December 2016, and the two companies are recognized as non-related parties on 31 December 2016. Balance at period-end was zero mainly resulted by the identification from related parties, the Company did not received any outstanding balance

#### Debts payable to related party

Related party	Relationship	Causes	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Ending balance (10 thousand Yuan)
Server	Subsidiary	Routine	3,102.36	8.57	1,268.11	5.60%	157.18	2,000.00

Company		current account						
Syndisome Company	Subsidiary	Routine current account	368.18	26.22	10.13	-	-	384.27
Shen Nan Dian Engineering Company	Subsidiary	Routine current account	9,532.25	-	10,021.57	5.60%	489.32	-
Influence on business performance and financial status of the Company from related debts		Current liability RMB 106.1852 million decreased in the Period						

## 5. Other related transactions

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

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

The Company has no other major related transaction in the Period

## XVII. Significant contract and implementations

### 1. Trusteeship, contract and leasing

#### (1) Trusteeship

Applicable Not applicable

Explanation on trust

In line with the Genset Asset Trusteeship Contract of Shenzhen New Power Industrial Co., Ltd. signed with New Power Company in December 2003, the Company was entrusted to operate and manage the power generation machine unit owned by its wholly-owned subsidiary New Power Company. The custody business service charge RMB 18.0808 million was obtained by the Company in reporting period.

#### (2) Contract

Applicable  Not applicable

No contract for the Company in reporting period

### (3) Leasing

Applicable  Not applicable

No leasing for the Company in reporting period

## 2. Major guarantees

Applicable  Not applicable

### (1) Guarantees

In 10 thousand Yuan

Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries)								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Shenzhong Properties Company	2015-12-29	30,000	2015-12-30	11,000	General assurance	3-year	N	N
Total approving external guarantee in report period (A1)		30,000		Total actual occurred external guarantee in report period (A2)		11,000		
Total approved external guarantee at the end of report period (A3)		30,000		Total actual balance of external guarantee at the end of report period (A4)		11,000		
Guarantee of the Company for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Shen Nan Dian Zhongshan Company	2015-04-25	20,000	2016-05-11	18,440	General assurance	2-year	N	Y
Shen Nan Dian	2016-04-01	10,000	2016-08-25	4,184	General	One year	N	Y

Zhongshan Company					assurance			
Shen Nan Dian Zhongshan Company	2016-04-01	5,000	2016-06-14	2,242	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2016-04-01	15,000	2016-09-22	10,000	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2016-04-01	21,000	2016-04-01	5,655	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2015-04-25	20,000	2015-09-22	19,400	General assurance	2-year	N	Y
Shen Nan Dian Dongguan Company	2016-04-01	5,000	2016-09-26	5,000	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2015-04-25	6,500	2016-03-03	6,500	General assurance	One year	N	Y
Shen Nan Dian Dongguan Company	2016-04-01	10,000	2016-12-15	5,000	General assurance	One year	N	Y
Shen Nan Dian Environment Protection Company	2016-04-01	2,500	2016-12-12	0	General assurance	One year	N	Y
New Power Company	2016-04-01	3,000	2016-08-19	3,000	General assurance	One year	N	Y
Total amount of approving guarantee for subsidiaries in report period (B1)			118,000	Total amount of actual occurred guarantee for subsidiaries in report period (B2)				79,421
Total amount of approved guarantee for subsidiaries at the end of reporting period (B3)			118,000	Total balance of actual guarantee for subsidiaries at the end of reporting period (B4)				79,421
Guarantee of the subsidiary for the subsidiaries								
Name of the Company guaranteed	Related Announce ment disclosure	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemen ted (Y/N)	Guarante e for related

	date				party (Y/N)
Total amount of approving guarantee for subsidiaries in report period (C1)		0	Total amount of actual occurred guarantee for subsidiaries in report period (C2)		0
Total amount of approved guarantee for subsidiaries at the end of reporting period (C3)		0	Total balance of actual guarantee for subsidiaries at the end of reporting period (C4)		0
Total amount of guarantee of the Company( total of three abovementioned guarantee)					
Total amount of approving guarantee in report period (A1+B1+C1)		148,000	Total amount of actual occurred guarantee in report period (A2+B2+C2)		90,421
Total amount of approved guarantee at the end of report period (A3+B3+C3)		148,000	Total balance of actual guarantee at the end of report period (A4+B4+C4)		90,421
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)					46.54%
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)					87,421
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)					87,421
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)					N/A
Explanations on external guarantee against regulated procedures (if applicable)					N/A

## (2)Guarantee outside against the regulation

No guarantee outside against the regulation in Period.

## 3. Entrust others to cash asset management

No entrust financing and entrust loans for the Company in reporting period.

#### 4. Other material contracts

√Applicable □Not applicable

The name of the contracting company	The name of the contracted company	contract object	The date of signature of the contract	The book value of the assets involved in the contract (RMB'0000) (if any)	The assessed value of the assets involved in the contract (RMB'0000) (if any)	Name of the evaluation organization (if any)	The base date evaluation (if any)	Pricing principles	Bargain price (RMB'0000)	Whether connected transaction	Incidence relation	The performance by the end of the term	The date of disclosure
The Company	China offshore oil and gas Refco Group Ltd Guangdong Branch	Liquefied natural gas	Jan. 15,2013			-		Composed of liquefied natural gas prices, the cost of integrated services and tax.	Composed of liquefied natural gas prices, the cost of integrated services and tax.	No	No	The relevant contract is now in operation	15 December2012
Shenzhen Nanshan Power Co., Ltd	CNOOC Refco Group Ltd Guangdong Branch	Liquefied natural gas	Dec.21,2013			-		Composed of liquefied natural gas prices, the cost of	Composed of liquefied natural gas prices, the cost of	No	No	The relevant contract is now in operation	30 November 2013

Dongguan Company								integrated services and tax.	of integrated services and tax.				
Shenzhen Nanshan Power Co., Ltd Zhongshan Company	CNOOC Refco Group Ltd Zhuhai Branch	Liquefied natural gas	May. 31, 2014			-		Composed of liquefied natural gas prices, the cost of integrated services and tax.	Composed of liquefied natural gas prices, the cost of integrated services and tax.	No	No	The relevant contract is now in operation	25 April 2014
Shenzhong Property Company	China Construction Group Limited	Shuimunianhua garden project (Construction scale : 157,951.71 m <sup>2</sup> )	July. 2, 2015			-		The amount of the contract, the design change and the amount of the visa, the cost should be	37,923.48	No	No	On Dec. 19, 2016 , the Company completed industrial and commercial registration procedures for the transfer of shares with Oufuyuan Technology, and the 75% of stake of Shenzhong Property	7 July 2015

								deducted				Company held by the Company and the 75% of the stake of Shenzhong Development Company were transferred to Oufuyuan Technology. The contract will continue to be performed by Oufuyuan Technology.	
The company	Oufuyuan Technology Co., Ltd.	75% of stake of Shenzhong Property Company held by the company and 75% of the stake of	Nov. 23, 2016	-89,801.88	4,464.00	Pengxin Evaluation	June. 30, 2016	The underlying asset pricing of the transaction is based on an independent assessment of	103,000.00	No	No	During the reporting period, Oufuyuan Technology has paid the price needed for the stock right transfer at the present and the first phase of the debt-paying according to The EQUITY TRANSFER AGREEMENT . The related	Aug. 13, 2016; Aug. 29, 2016; Sep. 7, 2016; 2016; Sep. 23, 2016; Oct. 18, 2016; Nov. 14, 2016; Nov. 23, 2016; Dec, 1, 2016; 2016



		Shenzhong Development Company						<p>Pengxin , an evaluation institution with securities business qualifications, and the transaction price is based on the final result of the listing and auction of the Shenzhen Stock Exchange.</p>			<p>follow-up matters are as follows: Transaction price that Oufuyuan Technology has not paid is RMB 420,156,083.84 (including RMB 331,066,153.79 that should be paid to Shenzhen Nanshan Power Co.,Ltd and RMB 89,089,930.05 that should be paid to Xingzhong Group) and the newly increased interest after June.30, 2016, which should be paid in full within one year .All parties of the sale of major assets should still fulfill their following duties according to The EQUITY TRANSFER AGREEMENT as well as the supporting documents.</p>	
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## **XVIII. Explanation on other significant events**

In 2016, under circumstances of encountering extremely severe operation conditions, the Company still attaches great importance to social responsibility and seriously performed it. We put more efforts in aspect of governing the Company by law, operates in a standard way, products in a safety environment, environmental protection and employee cares, and commit to seeking a healthily and accord development between the enterprise and employees, enterprise and society and enterprise and the environment.

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

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

3. Security Management: The Company strictly followed *Production Safety Law* and other laws and regulations, established and perfected comprehensive safety management organization network and safety management system, constantly revised, improved, and earnestly implemented safety practices and emergency plans, strengthened comprehensive security management concepts and safety awareness at all levels, increased safety education, supervision and reward to effectively prevent the occurrence of major accidents.

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

5. Care for staff: the Company has continued to improve its human resources management system under the Labor Law and the Labor Contract Law of China, seeking for protection of the employee's legal interests to avoid any labor dispute. While increasing post training, management and assessment for staff, the Company has also leveraged on the labor union and the staff representative conference to strengthen communication with employees, making sure that they are informed of the material operation and management plans, and are invited to actively participate in solution of the matters involving their own interests. In addition, numerous beneficial culture and entertainment activities were organized to show the Company's care about its staff's physical and mental health, thus enabled to construct a harmonious employment relationship.

### **1. Fulfill the precise social responsibility for poverty alleviation**

Until the end of year when the underlying asset ownership is completely transferred

The company in recent years has been suffering loss, facing significant challenges for its survival. Although in 2016 it turned to profit

by selling shares of its non-power industry subsidiary and implementing a series of cost saving schemes, these actions have not fundamentally cured its loss making core business. The company still confronts challenges to its sustainable existence. In order to break current difficult position and lead the company onto healthy upward track, in 2017 management will make continuous endeavor in effectively managing existing assets and pro-actively pursuing new opportunities. We pay close attention to national poverty alleviation strategy and progress of local poverty alleviation programs. Should conditions be suitable, the company will actively participate in poverty alleviation programs.

## **2. Performance of precise poverty alleviation social responsibility**

Pursuit to the environmental laws, regulations and relevant rules of the State and local government, the Company and its subordinate enterprise highly focus on the investment of environmental protection, guarantee vary pollutant qualified the discharge standards and treatment standards in line with the laws and regulations.

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

Yes No Not applicable

(1)the Company and its subsidiaries have all obeyed the environment laws, regulations and relevant requirements issued by the national and local governments. All the projects were constructed based on the environment impact assessment system of these projects, and operation was in strict compliance with relevant national laws, including the Environment Protection Law, Air Pollutants Emission Standards for Thermal Power Plants (GB13223-2011), Inflow Standards for Sewage Treatment Plants and the Solid Waste Pollution Prevention Law, to make sure that relevant pollutants were discharged under applicable standards or treated properly in accordance with relevant laws and regulations.

(2)After implementation of the low-nitrogen combustion system improvement project by three subsidiaries, nitrogen oxide existed in the waste air constituted the major pollutants, and the other pollutants were nearly zero. The waste air was emitted collectively by the chimneys of our furnaces with concentration of nitrogen oxide of approximately 23mg/m<sup>3</sup>. The furnaces were all installed with online flue gas monitoring system which was effectively connected to the monitoring system of the environment authorities. They passed various comparison tests organized by the environment authorities in 2016.

## **XIX. Other important events**

Applicable  Not applicable

1. Preparation of material assets reorganization. Due to preparation of significant issues, the shares of the Company were suspended for trading since the morning trading hours on 31 May 2016. The Company made the Announcement of Suspension of Trading due to Material Issues (No.: 2016-032) on the same day. On 15 June 2016, the Company disclosed the announcement relating to Suspension of Trading due to Material Assets Reorganization (No.: 2016-034), which confirmed that the material issues involved in this suspension of trading related to material assets reorganization. As such, the Company sent An Invitation Letter for Potential Reorganization Parties to 9 companies, to collect those companies which were interested to participate in this material assets reorganization. As at the deadline of bid invitation on 4 July 2016, the Company received bidding documents from 3 companies and the remaining 6 expressly gave up bidding via letters or emails. On 12 August 2016, the Company had identified China Gas as the prospective reorganization party and entered into a Framework Agreement in relating to Material Assets Reorganization. On 30 August 2016, the Company held the 1<sup>st</sup> extraordinary general meeting of 2016 to consider and approve the proposal relating to application for continuous suspension of trading during the period of preparing material assets reorganization. As such, trading of shares of the Company continued to suspend upon the expiration of the previous suspension period since 31 August 2016. The Company expected to disclose the reorganization plan or report within the suspension period (on a accumulative basis, shall not

exceed 6 months, namely by 30 November 2016) according to the requirements under Contents and Forms Rules No. 26 of Information Disclosure by Listed Issuers – Material Assets Reorganization of Listed Company. On 10 November 2016, according to the Framework Agreement, since the aforesaid agreement has come into effect for 90 days, the parties to this Agreement failed to enter into any formal agreement in respect of this material assets reorganization, so the Framework Agreement terminated accordingly. On 18 November 2016, the Company held the 15<sup>th</sup> meeting of the 7<sup>th</sup> board of directors to consider and approve the proposal relating to ceasing preparation of the material assets reorganization and resumption of trading of shares. Since the Company has made several rounds of negotiation with the prospective reorganization party China Gas, they couldn't reach unanimous agreement in relating to the specific cooperation terms for this reorganization. The Framework Agreement entered into between the two parties had terminated on 10 November 2016, and China Gas had expressly indicated its decision to quit from negotiation with the Company in respect of this reorganization. According to the Rule No.9 of Information Disclosure Memorandum for Main Board – Suspension and Resumption of Trading of Listed Issuers issued by the Shenzhen Stock Exchange, and also according to the resolution of our general meeting, the accumulative period of suspension of trading due to this reorganization did not exceed 6 months (namely from 31 May to 30 November 2016), and the remaining period was insufficient to drive forward this reorganization substantially. In order to protect the interest of the Company and vast investors, based on the professional advice given by the special intermediate organ for this material reorganization and the recommendation from our in-house work team, the Company decided to cease preparation for this reorganization according to relevant laws, regulations and regulatory documents. After application to the Shenzhen Stock Exchange, the shares of the Company (stock abbreviation: \*ST Nandian A and \*ST Nandian B with stock codes of 000037 and 200037 respectively) resumed trading on 21 November 2016. During the suspension of trading, the Company has sincerely performed the obligation of information disclosure, and relevant working procedures relating to suspension and resumption of trading and material assets reorganization in strict accordance with relevant laws and regulations. The details relating to this reorganization were set out in the announcements (No.: 2016-032, 2016-033, 2016-034, 2016-035, 2016-036, 2016-037, 2016-038, 2016-041, 2016-042, 2016-044, 2016-046, 2016-047, 2016-048, 2016-051, 2016-054, 2016-049, 2016-051, 2016-054, 2016-063, 2016-065, 2016-067, 2016-072, 2016-075, 2016-080, 2016-081, 2016-082, 2016-085, 2016-092, 2016-097, 2016-099, 2016-100, 2016-108, 2016-110, 2016-111 and 2016-112) of the Company published on China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website.

2. Material assets disposal relating to transfer of the equity interests held in Shenzhong Property Company and Shenzhong Development Company. On 12 August 2016, the Company convened the 10<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board of directors, to consider and approve the proposal on transfer of 75% equity interests of each of Zhongshan Shenzhong Property Investment Co., Ltd. and Zhongshan Shenzhong Property Development Co., Ltd., pursuant to which, the Company was authorized to process works to materialize the transfer. For details, please refer to the announcements (No.: 2016-049 and 2016-063) of the Company dated 13 and 29 August 2016 respectively in relation to the resolution of the 10<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board of directors and in relation to progress of the material assets reorganization leading to suspension of trading. On 5 September 2016, the convened the 11<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board of directors, to consider and approve 11 proposals in relation to disposal of the respective 75% equity interests of Shenzhong Property Company and Shenzhong Development Company held by the Company, including, among others, the proposal relating to material assets disposal plan and proposal relating to material assets disposal plan of Shenzhen Nanshan Power Co., Ltd and the relevant summary. In addition, documents including the announcement of the resolution of the 11<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board of directors and materials assets disposal plan and the summary thereof were properly disclosed. For details, please refer to the announcement of the resolution of the 11<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board of directors (No.: 2016-068) made by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 7 September 2016. From 13 September 2016, the Company begun to make a listing for sale on the Shenzhen Stock Exchange in respect of the respective 75% equity interests of Shenzhong Property Company and Shenzhong Development Company. According to relevant rules of the Shenzhen Stock Exchange, the term of period for releasing the information relating to this listing for sale was 20 business days. For details relating to the transaction terms and conditions of this listing for sale, please

refer to the website of Shenzhen Stock Exchange (<http://www.eoecina.com.cn/>) for inspection. On 14 September 2016, the Company submitted the announcement relating to listing for sale regarding transfer of the respective 75% equity interests of Zhongshan Shenzhong Property Investment Co., Ltd. and Zhongshan Shenzhong Property Development Co., Ltd., the details of which was available in the announcement (No.: 2016-074) published by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 19 September 2016. The Shenzhen Stock Exchange made subsequent review on the material assets disposal plan and related documents according to relevant requirements, and issued to the Company the enquiry letter relating to the reorganization of Shenzhen Nanshan Power Company Limited (the “Reorganization Enquiry Letter”, No.[2016]16) on 14 September 2016. The Company had immediately worked with the relevant intermediate institutions to investigate the issues and requirements as raised in the Reorganization Enquiry Letter, and disclosed the reply announcement against the Reorganization Enquiry Letter issued by the Shenzhen Stock Exchange and the amended material assets disposal plan (No.: 2016-077) in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 23 September 2016. As at the expiration of this listing for sale (i.e. on 14 October 2016), there were three interested transferees qualified for transfer. On 17 October 2016, Shenzhen Property Right Auction Company Limited made an auction in connection with the 75% equity interests of Shenzhong Property Company and 75% equity interests of Shenzhong Development Company (transfer in an entirety) and issued the Confirmation of Auction Deal. The results of the auction were set out below: Oufuyuan Technology was the transferee and the final aggregate price for transfer of the aforesaid equity interests was RMB1,030,000,000. For details, please refer to the announcement of the Company (No.: 2016-084) dated 18 October 2016 in relation to progress of the listing for sale of the respective 75% equity interests of Zhongshan Shenzhong Property Investment Co., Ltd. and Zhongshan Shenzhong Property Development Co., Ltd. as disclosed in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website. On 31 October and 22 November 2016, the Company held the 12<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> Board and the 2<sup>nd</sup> extraordinary general meeting of 2016, to consider and approve 16 proposals relating to disposal of the respective 75% equity interests of Shenzhong Property and Shenzhong Development (including the proposal relating to the material assets disposal report of Shenzhen Nanshan Power Company Limited and the summary thereof). In addition, documents including the announcement of the resolution of the 12<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board of directors and materials assets disposal report and the summary thereof were properly disclosed. For details, please refer to the announcement of the resolution of the 11<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board of directors (No.: 2016-068) made by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 7 September 2016, and the announcement of the resolution of the 2<sup>nd</sup> extraordinary general meeting of 2016 (No.: 2016-113) made by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 23 November 2016. The Shenzhen Stock Exchange made subsequent review on the proposal relating to the draft material assets disposal report of Shenzhen Nanshan Power Company Limited and the summary thereof as disclosed by the Company according to relevant requirements, and issued to the Company the enquiry letter relating to the reorganization of Shenzhen Nanshan Power Company Limited (the “Reorganization Enquiry Letter”, No.[2016]21) on 7 November 2016. Upon receipt of the Reorganization Enquiry Letter, the Company had immediately worked with the relevant intermediate institutions to investigate the issues and requirements as raised in the Reorganization Enquiry Letter and to prepare the reply letter. It submitted the reply letter in respect of the Reorganization Enquiry Letter on a due time according to the requirements of the Shenzhen Stock Exchange, and disclosed the material assets disposal report (amended) and related documents according to those requirements. On 14 November 2016, the Company received an attention letter dispatched for Shenzhen Nanshan Power Company Limited (the “Attention Letter” with No.: GSBGZH[2016]185). Upon receipt of the Attention Letter, the Company had immediately worked with the relevant intermediate institutions to investigate the issues and requirements as raised in the Attention Letter and submitted the reply report against the Attention Letter in due courses. For details, please refer to the announcements of the Company (No.: 2016-103 and 2016-107) dated 14 November 2016 as published in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website. On 23 November 2016, Shenzhen Nanshan Power Company Limited and Shenzhen Oufuyuan Technology Company Limited entered into the Equity Transfer Agreement in relating to transfer of the respective 75% equity interests of Zhongshan Shenzhong Property Investment Co., Ltd. and Zhongshan Shenzhong Property Development Co., Ltd. (“Equity Transfer

Agreement”) and the related documents which came into effect immediately. Oufuyuan Technology made a payment of RMB1,030,000,000.00 as the full consideration of the equity transfer and the first debt repayment of RMB921,716,042.84 (including RMB 718,323,660.12 payable to the Company and RMB 203,392,382.72 payable to Xingzhong Group) on 29 November 2016 under the Equity Transfer Agreement and the relate documents entered into between the Company and Oufuyuan Technology. The details were set out in the announcement (No.: 2016-114 ) of progress of the material assets disposal made by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 1 December 2016. on 19 December 2016, the Company and Oufuyuan Technology completed business registration change for this equity transfer, the respective 75% equity interests in Shenzhong Property and Shenzhong Development held by the Company were changed to be registered under the name of Oufuyuan Technology, and Shenzhong Property and Shenzhong Development had been granted with the new business licenses. On 22 December 2016, the Company and Oufuyuan Technology completed handover of the various documents and seals of Shenzhong Property and Shenzhong Development, the details of which were set out in the announcement of progress of the material assets disposal (No.: 2016-116) of the Company published in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 24 December 2016. As at the disclosure of this report, Oufuyuan Technology has paid the equity transfer transaction price and the first debt repayment which shall be payable by it during the current stage under the Equity Transfer Agreement. The relevant subsequent issues mainly included the outstanding transaction price of RMB420,156,083.84 (including RMB 331,066,153.79 payable to the Company and RMB89,089,930.05 payable to Xingzhong Group) payable by Oufuyuan Technology and the related interests accrued subsequent to 30 June 2016 which should be settled in one-off within one year commencing from the date of the Equity Transfer Agreement under the Agreement. Parties to this material assets disposal are still required to perform the subsequent obligations under the Equity Transfer Agreement and its supporting documents.

3. Reclaim of land parcels No. T102-0011 and No. T102-0155. on 29 August 2016, the Company received from Shenzhen Qianhai Shengang Modern Service Cooperation Zone Administration Bureau (“Shenzhen Qianhai Administration Bureau”) the reply letter concerning land assets disposal of Shenzhen Nanshan Power (No.: SQHH[2016]784) and the letter relating to reclaim of the land use right of the land parcels No. T102-0011 and No. T102-0155 (No.: SQHH[2016]794). Upon receipt of these letters, the Company made prompt information disclosure, and held the 11<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board on 5 September 2016 to consider and approve the proposal relating to processing the reclaim of the land use right of the land parcels No. T102-0011 and No. T102-0155 and formed relevant resolution. For details, please refer to the announcement (No. 2016-066) in relation to the letter of Shenzhen Qianhai Administration Bureau concerning reclaim of the land use right of the land parcels No. T102-0011 and No. T102-0155 and the announcement (No. 2016-068) in relation to the resolution of the 11<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board published by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 31 August 2016 and 7 September 2016, respectively. On 19 September, Shenzhen Economic, Trade and Information Committee convened a meeting to discuss relevant issues in respect of the above reclaim of land, and formed meeting minutes accordingly. On 17 October, the Company received the letter of information from Shenzhen Qianhai Investment Holding Company in relation to selection of mapping and assessment institution for the lands of Shenzhen Nanshan Power subject to reclaim (SQKH[2016]179). As entrusted by Qianhai Administration Bureau, Shenzhen Qianhai Development Investment Holding Co., Ltd., as the specific entity to process land preparation of Qianhai, has established a list for nominators of mapping and assessment institutions which would be determined by lot number. On 26 October, , Shenzhen Qianhai Development Investment Holding Co., Ltd. has identified the mapping and assessment intermediates for Shenzhen Nanshan Power by means of lot number, namely Shenzhen Changkan Survey Design Company and Shenzhen Yinglian Land Real Estate Assessment Consultant Company, respectively. On 24 November, the Company signed confidential agreement with Shenzhen Qianhai Administration Bureau and Shenzhen Qianhai Development Investment Holding Co., Ltd. On 7 February 2017, the Company received a letter from Shenzhen Qianhai Development Investment Holding Co., Ltd. in relating to provision of title materials by Shenzhen Nanshan Power and review on the draft mapping report and on-site assessment survey data (No.: SQKH[2017]28), asking the Company to verify the draft mapping report, the summarized data of the objects and plants relocated issued by the assessment company through on-site survey and the second decoration survey table, and to

issue reply in written in respect of the same. Also, the letter required Shenzhen Nanshan Power to provide necessary information to verify the titles of the relevant buildings and land. However, because the aforesaid verification was of high professionalism and required substantial efforts and resources, and the Company had no relevant professional staff and equipments and did not possess relevant qualification, it was not able for the Company to verify the contents of the reports and make professional judgment on the same. What can the Company do in the current stage is to review any omission (if any) and supplement with relevant contents. Therefore, the verification results from the Company should be for reference only by Shenzhen Qianhai Development Investment Holding Co., Ltd. and the related intermediates, instead of basis. On 7 March, the Company replied Shenzhen Qianhai Development Investment Holding Co., Ltd. with the initial verification results and the relevant title information. Prior to disclosure of this report, the Company has set up a special working team to take charge of the land reclaim, to cooperate with the government authorities and other entities to prepare the land reclaim. The Company will follow closely the working arrangements of the government authorities and Shenzhen Qianhai Administration Bureau, engage law firm, consultant and other intermediates in due course and further optimize the calculation and communication of the potential compensation on a prudent basis, to safeguard the interests of its shareholders and employees on the best efforts. Besides, necessary decision approval procedure and information disclosure will be conducted under relevant laws, regulation and regulatory documents based on the actual progress of this matter.

4. The benefit funds for projects technology reform. The Company made disclosure about the benefit funds for projects technology reform in the first quarterly report of the Company for 2016. As required by relevant authorities, the Company held several meetings to discuss the relevant matters, made further investigation about the particulars of these funds and identified designated person to take charge of the collection of the funds. Currently, the Company is trying to contact with relevant parties and serving them the notice demanding for return of the relevant funds. During the reporting period, an amount of RMB500,000 has been returned as the benefit funds for projects technology reform. Details are disclosed in the first quarterly report of the Company for 2016, the interim report of the Company for 2016 and the third quarterly report of the Company for 2016 (No.: 2016-026, 2016-057 and 2016-088) published in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website. The Company will continue to propel the relevant works and perform information disclosure obligation constantly under relevant requirements.

5. Increase of holding of shares of the Company. In 2015, according to the requirements under the notice relating to increase of holding of the Company's shares by the substantial shareholders, directors, supervisors and senior management of listed company issued by the CSRC (ZJF[2015]51), Guangju Industrial, a shareholder of the Company, intended to increase holding of shares in the Company by assets management through securities dealers and fund management companies with its own capital of not less than RMB25,120,000 since 9 July 2015, and undertook not to reduce holding within 6 months commencing from implementation of this shareholding increase plan. During the period from 16 September 2015 to 9 May 2016, Guangju Industrial had accumulatively increased holding of 2,908,201 A shares in the Company by way of assets management, accounting for 0.48% of the total shares of the Company. The amount of shares subject to this increase of shareholding was approximately RMB25,127,900, representing completion of the shareholding increase plan. After this increase of shareholding, Guangju Industrial held, whether directly held by itself or held through asset management account, 73,666,824 A shares in the Company, accounting for 12.22% of the total shares of the Company. This increase of shareholding complied with relevant laws, regulations and requirements of the Shenzhen Stock Exchange. Details are disclosed in the announcement relating to increase of shareholding in the Company by the shareholders and chairman of the board of the Company, the third quarterly report of the Company for 2015 and the announcement relating to completion of the shareholding increase plan (No.: 2015-052, 2015-072 and 2016-030) published by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 9 July 2015, 23 October 2015 and 10 May 2016.

Save as disclosed above, there is no progress or change in the Xinjiang-Guangdong Assistance Project participated by the Company in 2013, the proposed application to the National Association of Financial Market Institutional Investors for issuance of medium-term

notes with an aggregate of principal of not more than RMB500 million (inclusive of RMB500 million) and the proposed non-public offering of corporate bonds with principal of not more than RMB2 billion (inclusive of RMB2 billion) during this reporting period.

## **XX. Significant event of subsidiary of the Company**

√Applicable    □ Not applicable

1. Authorization of the project of Shen Nan Dian Dongguan Company. On 14 January 2016, our controlling subsidiary Shen Nan Dian Dongguan Company received the reply from Guangdong Development and Reform Committee relating to authorization of the gas-steam-fired combination generation project of Gaobu Natural Gas Power Plant (YFGNDH[2016]140), which set out that: after a thorough consideration of the safety operation of the power system of the whole province and secured energy supply, Guangdong Development and Reform Committee granted in consent to develop the 2×180MW gas-steam combination generation project by Gaobu Natural Gas Power Plant of Shen Nan Dian Dongguan Company so as to facilitate the authorization procedure of this matter. Shen Nan Dian Dongguan Company has executed the relevant dispatch generation agreement with a power grid company, and obtained from the southern regulatory bureau of the National Energy Administration on 7 March Power Business License. Two 9E generating units of Shen Nan Dian Dongguan Company have been put into operation for power generation. Details are disclosed in the announcement relating to Shen Nan Dian (Dongguan) Weimei Power Co., Ltd. (a controlling subsidiary of the Company)'s receipt of reply relating to authorization of the gas-steam-fired combination generation project of Gaobu Natural Gas Power Plant (No.: 2016-001) published by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 16 January 2016.

2. Heat network phase 1 of the heat-power combination production project of Shen Nan Dian Zhongshan Company. In order to improve relevant procedures, achieve industrial upgrade and provide conditions for sustainable development, the 7<sup>th</sup> board of directors held the 8<sup>th</sup> extraordinary meeting on 22 January 2016 to consider and approve the proposal relating to investment of Shen Nan Dian (Zhongshan) Power Co., Ltd. (a controlling subsidiary of the Company) in construction of heat network phase 1 of the heat-power combination production project. The company completed drawing design, preparation of project budget report and bidding of supervisory entity for this project. In addition, the project also obtained the construction planning permit from the local planning bureau, bridge and dam related approval documents from the local water affairs bureau and the relevant supporting materials from the local transportation group consenting utilization of relevant routes. At the current stage, tender for project construction and installment has been finished with the winning entity identified, and construction has commenced on 16 February 2017. Details are disclosed in the announcement relating to investment of Shen Nan Dian (Zhongshan) Power Co., Ltd. (a controlling subsidiary of the Company) in construction of heat network phase 1 of the heat-power combination production project (No.: 2016-004) published by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 23 January 2016.

3. Confirmation of the temporary power price of Shen Nan Dian Dongguan. On 28 January 2016, our controlling subsidiary Shen Nan Dian Dongguan received the reply on confirming the temporary power price of Gaobu Power Plant of Shen Nan Dian (Dongguan) Weimei Power Company Limited (YFGJGH[2016]379), pursuant to which, the temporary power price of Gaobu Power Plant of Shen Nan Dian Dongguan Company was confirmed as RMB0.745/kWh (tax included) with effect from 1 February 2016. Details are disclosed in the announcement relating to Shen Nan Dian (Dongguan) Weimei Power Company Limited' s receipt of reply on confirming the temporary power price of Gaobu Power Plant of Shen Nan Dian (Dongguan) Weimei Power Company Limited (No.: 2016-006) published by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 30 January 2016.

4. Lawsuits by Xiefu. On 24 February 2016, Xiefu Company, our controlling subsidiary, submitted a civil complaint and certain registered materials to the People's Court of Huangpu district, Guangzhou, against Sinopec Zhonghai Company with respect to its



default of petroleum amount. On 16 May 2016, the case was heard by the People's Court of Huangpu district, Guangzhou. On 23 August, Xiefu Company was issued a civil judgment ((2016)Y0112MC No.858) from the aforesaid court. On 9 September, the Company was informed by Xiefu Company that Sinopec Zhonghai Company had submitted another civil complaint to the People's Court of Huangpu district of Guangzhou due to its disagreement with the judgment made by the court, to require an appeal in the Intermediate People's Court of Guangzhou. At the end of December 2016, Xiefu Company received a civil judgment ((2016)Y01MZ No.15716) from the Intermediate People's Court of Guangzhou which rejected the appeal and determined to maintain the original judgment. On 24 January 2017, Xiefu Company received the total payment of RMB55,696,080.66 made by Sinopec Zhonghai Company based on the final judgment issued by the Intermediate People's Court of Guangzhou, including the outstanding payment for goods of RMB51,128,173.60, overdue interests of RMB4,259,767.06, the case acceptance charge for the first instance of RMB303,140.00 and property preservation fee of RMB5,000.00. Till then, the procedure for this lawsuit of Xiefu Company came to an end. For details, please refer to the announcement relating to a lawsuit made by the subsidiary Shenzhen Xiefu Energy Co., Ltd. and the announcements relating to the progress of this lawsuit (No.: 2016-007, 2016-061, 2016-073, 2016-118 and 2017-003) published by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 1 March 2016, 25 August 2016, 10 September 2016, 31 December 2016 and 26 January 2017, respectively.

#### 5. Subsidy for gas-fired and oil-fired processing fee.

On 9 May 2016, the Company was served with a notice from Guangdong Development and Reform Commission, Guangdong Economy and Information Committee and Guangdong Finance Bureau on subsidy for gas-fired and oil-fired processing fee for the period from January to September of 2015 (YFGJG[2016]221). According to the notice on temporary collection of gas-fired and oil-fired processing fee (YFH[2008]31) issued by the people's government of Guangdong province, it was confirmed that for the period from January to September of 2015, the power generation income of Zhongshan Nanlang Power Plant (a subsidiary of Shen Nan Dian Zhongshan Company which in turn was one of our controlling subsidiaries) was RMB0.913/kWh, and that of Dongguan Gaobu Power Plant (a subsidiary of Shen Nan Dian Dongguan Company) was RMB0.89/kWh. The above power generation income of these two plants was partly settled by Guangdong Power Grid Company directly with the power plants based on the quantity of electricity supplied by the plants to the power grid and the transaction price, and the remaining income was compensated by means of gas-fired and oil-fired processing fee. According to that notice, revenue for the current period would increase by RMB6,643,200 for Shen Nan Dian Zhongshan Company, and RMB1,257,900 for Shen Nan Dian Dongguan Company. For details, please refer to the announcement relating to receipt of the notice on subsidy for gas-fired and oil-fired processing fee for the period from January to September of 2015 (No.: 2016-031) published by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 10 May 2016.

6. Planning and adjustment of Shenzhong Development Company. On 19 September 2016, the Company received a letter from its controlling subsidiary Shenzhong Development Company indicating that Zhongshan Torch High-tech Industrial Development Zone Administration Committee (hereinafter referred to as "Zhongshan Torch Development Zone Administration Committee") issued the public notice relating to regulated detailed planning adjustment for land in Linggang and the surrounding areas in Torch Zone of Zhongshan (2015) which would be available for public inspection for 30 days, namely from 7 SEPTEMBER 2016 TO 6 October 2016. The notice involved regulated detailed planning adjustment on the land owned by Shenzhong Development Company. Shenzhong Development Company has submitted to Zhongshan Torch Development Zone Administration Committee an application in respect of regulated adjustment of land owned by Zhongshan Shenzhong Real Estate Development Co., Ltd., pursuant to which, Shenzhong Development Company expressed its disagreement with the planned adjustment involving 346 mu of land owned by the company as set out in the regulated detailed planning adjustment scheme for 2015. For details, please refer to the announcement relating to public notice on regulated detailed planning adjustment for land in Linggang and the surrounding areas in Torch Zone of Zhongshan (2015) issued by Zhongshan Torch Development Zone Administration Committee (No.: 2016-076) published by the Company in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 21 September

2016. on 19 December 2016, the Company and Oufuyuan Technology completed business registration change for the equity transfer. As such, the respective 75% equity interests held by the Company in Shenzhong Property Company and Shenzhong Development Company have been transferred to Oufuyuan Technology. For details, please refer to the announcement of the Company relating to progress of material assets disposal (No.: 2016-116).

7. Shen Nan Dian Zhongshan Company is included in the list of bilateral trading and monthly centralized competition power plants. On 14 December 2016, our controlling subsidiary Shen Nan Dian Zhongshan Company received the notice reproduced from Zhongshan Development and Reform Bureau relating to the orderly arrangement of power generation/utilization plan and working arrangement regarding power wholesale trading for 2017 jointly issued by Guangdong Development and Reform Committee, Guangdong Economic and Information Committee and southern regulatory bureau of the state energy bureau (the “Notice”) (YFGND[2016]784). According to the requirements of the national and provincial governments in relation to further reinforcement of power system reform, Guangdong will implement power supply-side reform and relevant supporting plans in 2017. In respect of the orderly arrangement of power generation/utilization plan, clean energy appetite and safe and stable system operation are secured by establishment of priority power generation/purchase system. Subject to supply and demand balance and an orderly society, efforts are made to gradually realize market trading of power in full other than the power involved in the priority power generation/purchase. According to the Notice, Shen Nan Dian Zhongshan Company was included in the list of power plants participating in bilateral trading and monthly centralized competition trading in 2017. the details are set out in the announcement of the Company (No.: 2016-115) published in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 15 December 2016 relating to the receipt of the Notice by the controlling subsidiary Shen Nan Dian Zhongshan Company on the orderly arrangement of power generation/utilization plan and working arrangement regarding power wholesale trading for 2017. The Company held the 16<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board of directors on 23 December 2016, to consider and approve the proposal on conducting projects under the 2017 power generation/utilization bilateral trading by Shen Nan Dian Zhongshan Company, pursuant to which, Shen Nan Dian Zhongshan Company was authorized to carry out the bilateral trading and monthly centralized competition trading within the authorization of the Board. For details, please refer to the announcement of the Company on resolution of the 16<sup>th</sup> extraordinary meeting of the 7<sup>th</sup> board of directors (No.: 2016-117) published in China Securities, Securities Times, Hong Kong Commercial Daily and Juchao Information Website on 24 December 2016. Till disclosure of this report, Shen Nan Dian Zhongshan Company has entered into bilateral trading contract with Guangdong Huawang Power Supply Co., Ltd. and begun to participate in monthly centralized competition trading.

8. Coal-fired cogeneration improvement project of Shen Nan Dian Dongguan Company. In order to propel industrial upgrade and realize sustainable development, the 7<sup>th</sup> board of directors held the 9<sup>th</sup> meeting on 21 October 2016 to consider and approve the proposal on preparation of the coal-fired cogeneration project and filing of the centralized heat supply pipeline network project conducted by Shen Nan Dian Dongguan Company, pursuant to which, Shen Nan Dian Dongguan Company was permitted to conduct preparation of the coal-fired cogeneration project and filing of the centralized heat supply pipeline network project and the Company was authorized to execute the investment letter of intention in relation to construction of the centralized heat supply pipeline network project in Gaobu Town. On 24 March 2017, the 7<sup>th</sup> board of directors held the 10<sup>th</sup> meeting to consider and approve the proposal on the controlling subsidiary Shen Nan Dian (Zhongshan) Power Co., Ltd’s investment in coal-fired cogeneration power supply improvement project, pursuant to which, it was agreed for Shen Nan Dian Dongguan Company to invest in construction of the coal-fired cogeneration power supply improvement project with total investment amount of RMB59.89 million, and chairman of the board of Shen Nan Dian Dongguan Company was authorized to execute relevant contracts and documents subject to the total investment amount in respect of the coal-fired cogeneration power supply improvement project. For details, please refer to announcements of the Company relating to the resolution of the 9<sup>th</sup> meeting of the 7<sup>th</sup> board of directors and relating to the controlling subsidiary Shen Nan Dian (Dongguan) Power Co., Ltd’s investment in coal-fired cogeneration power supply improvement project (No.: 2016-086 and 2017-018) published in China Securities, Securities Times, Hong Kong Commercial Daily

and Juchao Information Website on 25 October 2016 and 28 March 2017, respectively.

## Section VI. Changes in Shares and Particulars about Shareholders

### I. Changes in Share Capital

#### 1. Changes in Share Capital

In Share

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Restricted shares	12,993	0.0022%						12,993	0.0022%
3. Other domestic shareholding	12,993	0.0022%						12,993	0.0022%
Domestic nature person shares	12,993	0.0022%						12,993	0.0022%
II. Unrestricted shares	602,749,603	99.9978%						602,749,603	99.9978%
1. RMB Ordinary shares	338,895,157	56.2249%						338,895,157	56.2249%
2. Domestically listed foreign shares	263,854,446	43.7751%						263,854,446	43.7751%
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

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	32,239	Total common stock shareholders at end of last month before annual report disclosed	32,500	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	+1,215,701		73,666,824		
Shenzhen Energy Co., Ltd.	State-owned legal person	10.80%	65,106,130			65,106,130		
National Social Security Fund-604	Other	1.49%	9,000,057			9,000,057		
BOCI SECURITIES	Overseas legal person	1.33%	7,997,727			7,997,727		

LIMITED								
China Merchants Securities H.K. Co., Ltd.	State-owned legal person	1.01%	6,096,605			6,096,605		
Zeng Yin	Domestic nature person	1.00%	6,049,070			6,049,070		
Zhang Heping	Overseas legal person	0.93%	5,592,200			5,592,200		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Domestic nature person	0.77%	4,644,588			4,644,588		
Li Baoqin	Domestic nature person	0.50%	3,041,400			3,041,400		
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	<p>1. 100% equity of HONG KONG NAM HOI (INTERNATIONAL) LIMITED 100% held by SHENZHEN ENERGY (GROUP) CO., LTD</p> <p>2. The Company is unknown whether there exists associated relationship or belongs to the consistent actor among the other shareholders.</p>							
Particular about top ten shareholders with un-restrict shares held								
Shareholders' name	Amount of un-restrict shares held at Period-end	Type of shares						
		Type	Amount					
HONG KONG NAM HOI (INTERNATIONAL) LTD.	92,123,248	Domestically listed foreign shares	92,123,248					
Shenzhen Guangju Industrial Co., Ltd.	73,666,824	RMB common shares	73,666,824					
Shenzhen Energy Co., Ltd.	65,106,130	RMB common shares	65,106,130					
National Social Security Fund-604	9,000,057	RMB common shares	9,000,057					
BOCI SECURITIES LIMITED	7,997,727	Domestically listed foreign shares	7,997,727					
China Merchants Securities H.K. Co., Ltd.	6,096,605	Domestically listed foreign shares	6,096,605					
Zeng Ying	6,049,070	Domestically listed foreign shares	6,049,070					
Zhang Heping	5,592,200	RMB common	4,351,900					

		shares	
		Domestically listed foreign shares	1,240,300
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	4,644,588	Domestically listed foreign shares	4,644,588
Li Baoqin	3,041,400	Domestically listed foreign shares	3,041,400
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	1. 100% equity of HONG KONG NAM HOI (INTERNATIONAL) LIMITED was held by SHENZHEN ENERGY (GROUP) CO., LTD 2. Among other social public shareholders, the Company did not know whether there were associated relationships or belonging to consistent actors.		
Explanation on top 10 shareholders involving margin business (if applicable)	N/A		

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

Yes  No

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

## 2. Controlling shareholder of the Company

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

## 3. Actual controller of the Company

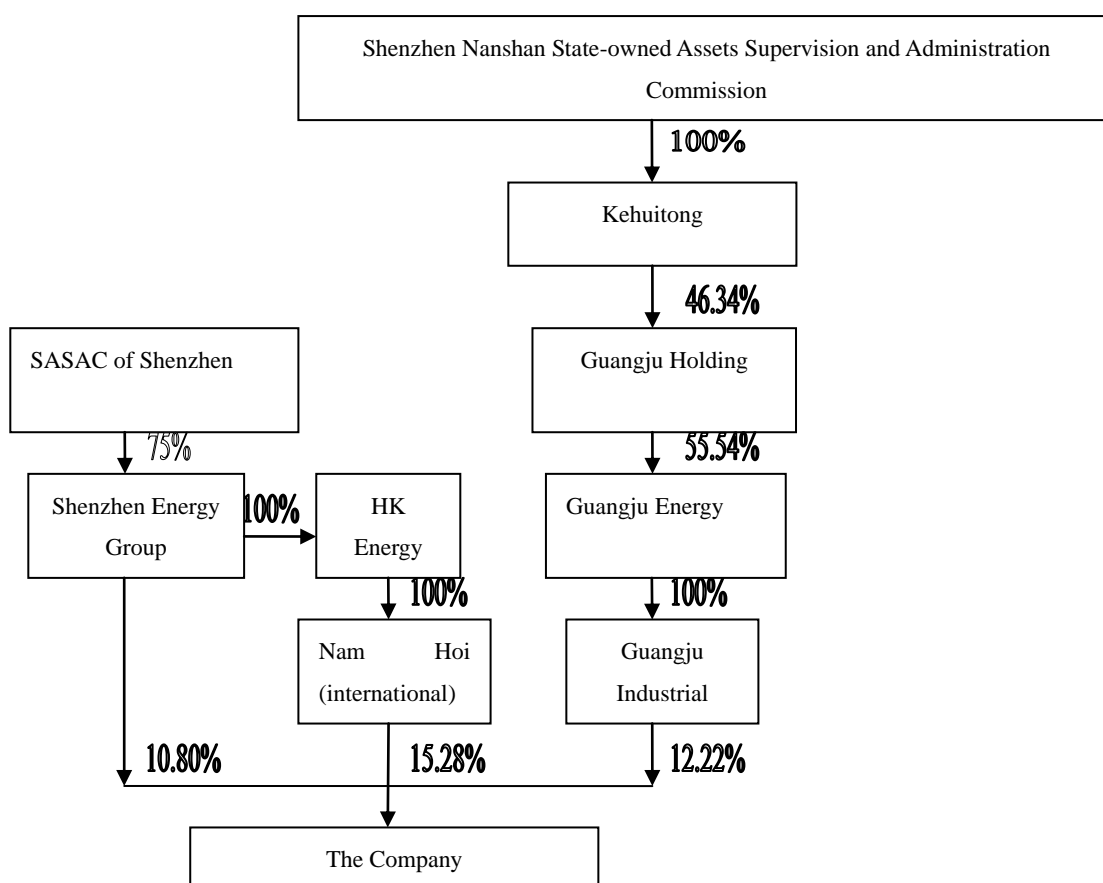
According to the “stock listing rules” definition of actual controlling, no actual controlling of the Company and no changes for the aforesaid condition in reporting period

## 4. The first majority shareholder of the Company

SHENZHEN ENERGY (GROUP) CO., LTD. holds 157,229,378 shares of the Company directly and indirectly, a 26.08% in total shares of the Company and is the first majority shareholder of the Company. The corporate representative is Xiong Peijin. Shenzhen Energy Co., Ltd. was established on July 15<sup>th</sup>, 1985 with registration capital of RMB 230.9712 million. It is a limited liability Company and its operating scope covers developing, producing, purchasing and selling various normal energies (including power, heat, coal, oil and gas) and new energies, designing, constructing, managing and operating various energy engineering projects, operating equipments and accessories, apparatuses, aluminum materials, wood materials, cement and other materials needed by the energy engineering project, operating import-export services (transacted according to No. 147 message of SMGSZZD), operating the services of personnel training and consulting matched with the energy engineering, as well as other relevant services (report or

declare additionally for details), developing and transferring environmental protection technologies, and providing technical service, investing and operating the transportation services on the fuels, materials and equipments needed by the energy project. Property management (operating with the property management qualification certificate) and own property leasing.

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



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

√ Applicable    □ Not applicable

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



## Section VII. Preferred Stock

Applicable     Not applicable

The Company had no preferred stock in the Period.

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

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Yang Haixian	Chairman	Currently in office	M	60	2008-09-23	2017-11-12	0	0	0	0	0
Li Hongsheng	Vice chairman	Currently in office	M	53	2011-01-13	2017-11-12	0	0	0	0	0
Wu Dongxiang	Director, GM	Currently in office	M	52	2015-04-20; 2015-04-03	2017-11-12; 2018-04-03	0	0	0	0	0
Yu Chunling	Director	Currently in office	F	51	1998-08-01	2017-11-12	0	0	0	0	0
Zhou Qun	Director	Currently in office	M	52	2011-05-25	2017-11-12	0	0	0	0	0
Qiang Wenqiao	Director	Currently in office	M	47	2014-11-12	2017-11-12	0	0	0	0	0
Chen Lihong	Director	Currently in office	F	53	2011-05-25	2017-11-12	0	0	0	0	0
Wu Guowen	Director, Standing deputy GM	Currently in office	M	51	2016-04-25; 2016-4-1	2017-11-12	0	0	0	0	0
Lin Qing	Director, Deputy GM	Currently in office	F	52	2015-04-20; 2003-10-17	2017-11-12; 2018-04-03	0	0	0	0	0
Li Zheng	Independent director	Currently in office	M	59	2011-05-25	2017-11-12	0	0	0	0	0
Wang Xiaodong	Independent director	Currently in office	M	56	2011-05-25	2017-11-12	0	0	0	0	0
Wang Junsheng	Independent director	Currently in office	M	56	2011-05-25	2017-11-12	0	0	0	0	0
Tan Tianyun	Independent director	Currently in office	M	56	2011-05-25	2017-11-12	0	0	0	0	0

Pan Chengwei	Independent director	Currently in office	M	70	2011-05-25	2017-11-12	0	0	0	0	0
Liao Nangang	Independent director	Currently in office	M	46	2013-11-15	2017-11-12	0	0	0	0	0
Zhao Xiangzhi	Chief supervisor	Currently in office	M	58	2011-05-25	2017-11-12	0	0	0	0	0
Ma Fengming	Supervisor	Currently in office	F	54	2011-05-25	2017-11-12	0	0	0	0	0
Ji Yuanhong	Supervisor	Currently in office	F	49	2011-05-25	2017-11-2	0	0	0	0	0
Peng Siqi	Supervisor	Currently in office	M	34	2015-04-20	2017-11-12	0	0	0	0	0
Ding Weili	Employee supervisor	Currently in office	M	56	2014-11-12	2017-11-12	0	0	0	0	0
Yan Ping	Employee supervisor	Currently in office	M	50	2014-11-12	2017-11-12	0	0	0	0	0
Zhang Yunlong	Employee supervisor	Currently in office	M	52	2014-11-12	2017-11-12	0	0	0	0	0
Lian Jianqiang	Employee supervisor	Currently in office	M	48	2014-11-12	2017-11-12	0	0	0	0	0
Zhang Jie	deputy GM, secretary of the Board	Currently in office	F	48	2006-12-30; 2015-12-23	2018-04-03	17,325	0	0	0	17,325
Zhu Wei	deputy GM	Currently in office	M	59	2003-08-22	2018-04-03	0	0	0	0	0
Wang Rendong	Chief engineer	Currently in office	M	55	2006-12-30	2018-04-03	0	0	0	0	0
Huang Jian	CFO	Currently in office	M	46	2015-04-03	2018-04-03	0	0	0	0	0
Ji Ming	Director, Standing deputy GM	Leave the post	M	60	2015-04-20	2016-04-01	0	0	0	0	0
Total	--	--	--	--	--	--	17,325	0	0	0	17,325

## II. Changes of directors, supervisors and senior executives

Name	Title	Type	Date	Reasons
Wu Guowen	Director, Standing deputy GM	Be elected, Appointment	2016-4-25; 2016-4-1	Director change and elected director; appointed as standing deputy GM for work requirement
Ji Ming	Director, Standing deputy GM	Leave the post	2016-4-1	Retirement

### III. Post-holding

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

#### **Members of the Board of Directors:**

Mr. Yang Haixian, born in 1956, was Industrial and commercial enterprise management engineering graduate students, a senior economic engineer, senior administration engineer and MBA. He has successively served as general manager assistance and member of party committee of Shenzhen Energy Corporation; director GM and chairman of Shenzhen Energy Investment Co., Ltd.; Chairman of Shenzhen Mawan Power Co., Ltd and convener of the Board of Shenzhen Western electric Co., Ltd.; Director of Huizhou City Gas Development Co., Ltd; Chairman of Dongguan Zhangyang electric power Company; Chairman of Huizhou Fengda electric power Co., Ltd; Chairman of Shenzhen Energy Inner Mongolia manchuria electric power Company; and now he serves as Chairman of the Company; Chairman of Shen Nan Energy (Singapore) Co., Ltd. director of Shenzhen Energy Environment Protection Company.

Mr. Li Hongsheng, born in 1963, was Communist party member, a master of Tianjin University, an economist. In 2004, he served as director of Shenzhen Guangju Investment Holding (Group) Co., Ltd, director financial controller of Shenzhen Guangju Energy Co., Ltd, chairman of Shenzhen Yangrun Investment Co., Ltd., From December 2007 to now he serves as Managing director of Shenzhen Guangju Energy Co., Ltd. and chairman of Guangju Energy (HK) Co., Ltd; and now he serves as vice president of the Company.

Mr. Wu Dongxiang, born in 1964, graduated from Shanghai Fiancé College in 1987, major in accounting, bachelor degree, Senior Accountant. He worked in China Construction Fifth Engineering Division Corp., Ltd from 1987 to 1992. He successively served as infrastructure treasurer of the financial department of Mawan Power Plant Co., Ltd., deputy director of the financial department of branch of Energy Group, Finance Minister and vice general accountant of Tongling Shenneng Power Co., Ltd., Finance Minister and deputy GM of Eastern Power Plan; deputy director of financial management department of Shenzhen Energy Group Co., Ltd. director of financial management department and party branch secretary of Shenzhen Energy Group Co., Ltd. Now he serves as member of the CCDI in Shenzhen Energy Group Co., Ltd., party branch secretary of the financial management department of Shenzhen Energy Group Co., Ltd. He serves as director and GM of the Company, Chairman of Shen Nan Dian (Zhongshan) Electric Power Co., Ltd; Chairman of Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd since April 2015.

Ms. Yu Chunling, was born in 1965, senior engineer, on-job postgraduate of economics of Beijing University, was graduated from the specialty of power plant construction structure engineering, Wuhan University of Hydraulic and Electrical Engineering, successively held the posts of technician and civil engineering contract engineer of engineering department of Guangdong Nuclear Power Heying Co., Ltd, project manager of Shenzhen Energy Investment Holding Co., Ltd, vice business director, business director of office as well as minister of fuel trade department, minister of planning and developing department as well as office director of pumped-reservoir

power plant preparing office of Shenzhen Energy Corporation, and now holds the post of director general manager of Shenzhen Energy (Hong Kong) International Co., Ltd; Chairman of HONG KONG NAM HOI (INTERNATIONAL) LTD; Director of the Company.

Mr. Zhou Qun, was born in 1964, an economic engineer and Bachelor of Science of East China Institute of Technology, used to work in Shenzhen Geological Bureau, Shenzhen Nanshan Investment Management Corporation, Shenzhen Municipal State-owned Assets Management Office and Shenzhen Investment Management Corporation, successively held the posts of assistant engineer, office director, deputy director general, assistant minister of secretariat of board of directors, had successively held the posts of secretary of board of directors, general manager assistant and office director of SHENZHEN ENERGY (GROUP) CO., LTD, preparing office director of Shenzhen Pumped-storage Power Station, president of Huizhou City Gas Co., Ltd as well as president of Huizhou Fengda Power Co., Ltd and director of Huizhou Shenzhen Energy Investment Co., Ltd; now he is the President of Shenzhen Energy Finance Corporation; Director of the Company.

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

Ms. Chen Lihong, was born in 1963, member of CPC, an accountant, university graduated. She worked in Shenzhen Guangju Energy Co., Ltd. since 1999; served as Deputy GM of Shenzhen Guangju Energy Co., Ltd. since January 2002; and serves as director of the Guangju Energy (H.K.) Co., Ltd. since December 2007; took director of Shenzhen Mawan Power Co., Ltd. since November 2010. She now serves as 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. since December 2010, 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, also serves as chairman of Zhongshan Shenzhong Real Estate Development Co., Ltd and Zhongshan Shenzhong Real Estate Investment Properties Co., Ltd from April 2016 to December 2016.

Ms. Lin Qing, was born in 1964, a senior engineer, a master of Electrical Power Engineering from Hunan University. She worked as a teacher in power department of Changsha Hydroelectric Teachers College from 1985 to 1990. She worked in engineering dept. of Guangdong Dayawan nuclear plant from 1990 to 1991. she serves as secretary of the comprehensive dept., director of the Shenzhen Energy Corporation since December 1991, director of office of the Shenzhen Western Power Company, business chief, party department director, chairman of the organ labor union, office director, party branch secretary of the office, director of labor union office, member of the party committee and GM assistant of the Shenzhen Energy Group Co., Ltd.. And she used to be the chairman of subordinate enterprise Shenzhen Server Oil Supply Co., Ltd., chairman of Shenzhen New Power Industrial Co., Ltd. and Director

of Anhui Tongling Wanneng Power Co., Ltd. since 2003. She serves deputy GM of the Company since October 2003; serves as director, member of auditing committee, member of nomination committee and remuneration and verification committee of the Company since April 2015.

Mr. Li Zheng, was born in 1957, Bachelor of Laws, a practicing lawyer. He worked as full-time attorney in Zhenjiang Jinhua Laws Firm in 1983, served as senior researcher in China (Shenzhen) Comprehensive Development Institute in May 1991, during the period he served as part-time lawyer in China Legal Affairs Center and Shentianping Laws Firm, served as a partner and practicing lawyer in Guangdong Renren Laws Firm in 1996. He serves as a partner and practicing lawyer in Guangdong Shentiancheng Laws Firm since August 2010; hold the post of independent director of the Company since 25 May 2011.

Mr. Wang Xiaodong, was born in 1960, bachelor degree, a lawyer, work as lawyer business since 1987, obtained a lawyer's practice license in 1988; and obtained "Qualification Certification of Lawyers for Securities and Laws Engaged" issued by CSRC and Ministry of Justice in 1993; he was engaged as member of 10<sup>th</sup> and 11<sup>th</sup> Session of Issuance Audit Committee of CSRC from May 2008 to April 2010; He served as partner of Dangdong Foreign, Shenzhen Xinda, Shenzhen Jingtai laws firm and Guangdong Bohe Laws Firm from 1989 to 2004, a law partner of Grandall Law Firm (Shenzhen) Office since 2005, and also served as full-time member of 10<sup>th</sup> and 11<sup>th</sup> session of Issuance Audit Committee of CSRC during May 2008 to April 2010. He hold the post of independent director of the Company since 25 May 2011.

Mr. Wang Junsheng, was born in 1960, PHD, a researcher; he worked since September 1978, and successively served as director of material office of Asia Olympic Village of 11<sup>th</sup> Organizing Committee of Asian Olympic, manager of comprehensive business dept. of Beijing International Power Development Investment Co., Ltd and deputy GM of Zhonggong Entrust Investment Company. Now he serves as researcher of Chinese Economic Technology Research & Consulting Co., Ltd, he serves as independent director of China Merchants Shekou Industrial Zone Holdings Co., Ltd. Since 2016 and hold the post of independent director of the Company since 25 May 2011.

Mr. Tang Tianyun, was born in 1960, bachelor degree, a senior accountant, an associate professor of accountancy. He used to served as Chinese CPA for Shekou China CPA, and successively served as director, secretary of the Board, CFP and deputy GM of Huayuan Industrial (Group) Co., Ltd. from 1991 to 2006; he serves as chief of financial development strategy for Qingdao Haier Investment Development Co., Ltd. from 2007 to 2009, and successively serves as director, senior deputy chairman of Haier New York Life Insurance Co., Ltd from June of 2009 to December 2012, and he serves as an associate professor of accountancy in School of Accounting and Finance of Beijing Institute of Technology, Zhuhai since 2015. he serves as independent director of the Company since 25 May 2011.

Mr. Pan Chengwei, was born in 1946, an accountant, worked in COSCO since 1965, and successively served as GM of financial dept. of the Group and COSCO (H.K.) Co., ltd. respectively, director GM of COSCO (H.K.) Property Co., ltd and COSCO (H.K.) Industry& Commercial Holding ltd respectively as well as chief representative of Shenzhen Office of COSCO; He served as director of Shenzhen Shennan Petroleum (Group) Co., Ltd, from 2001 to 2004, director GM of COSCO (Cayman) Fuqing Holding Co., Ltd. from 2005 to 2008 and served as manager of fuel oil futures of COSCO. He serves as independent non-executive director

of the China Merchants Bank Co., Ltd. and independent director of CIMC since 2012, hold the post of independent director of the Company since 25 May 2011.

Mr. Liao Nangang, was born in 1970, bachelor of East China Political Science and Law in law major, a lawyer. He served as assistant judge and judicial office in People's Court of Shenzhen Nanshan District from 1992 to 2000; a lawyer in Guangdong ZhongAn Laws Firm from 2001 to 2004; act as lawyer and partner of Guangdong Haohui Laws Firm from 2004 to 2013 and serves as partner of Guangdong Guangjin Laws Firm since August 2013; he also act as arbitrator in Shenzhen Arbitration Commission. He had offered systemic legal services for listed companies as China Merchants Property Development Co., Ltd. and China Merchants Bank Co., Ltd. (HQ). He holds the post of independent director of the Company since 15 November 2013.

#### **Members of supervisory board:**

Mr. Zhao Xiangzhi, was born in 1958, bachelor degree, graduated from Nanjing University of Science and Technology, a senior accountant; he served as deputy director of state-run 5127 plant in 1990, deputy director(leadership level) of planning office of state-run 5127 plant in 1992; served as deputy chief accountant of Shenzhen Company of China Yanxing and director of financial dept. from 1993 to 1996; he successively served as CFO of Energy Group, delegated by Shenzhen Investment Management Company, director, members of discipline committee, director of audit depart. And supervisor of Shenzhen Energy Group from 1996 to 2003; he served as director of financial management of Shenzhen Energy (Group) Co., Ltd and chairman of supervisory committee of Shenzhen Energy Investment Co., Ltd from 2003 to 2007; he serves as chairman and secretary of party committee for Shenzhen Guangshen Shajiao B Power Co., Ltd. since 2007 to 2011; and serves as chief accountant of Shenzhen Energy Group since May of 2011. He holds the post of supervisory of the Company since 25 May 2011.

Ms. Ma Fengming, was born in 1962, a senior accountant and CPA; she successively served as University lecturer practicing CPA in CPA firms and financial principal of foreign-funded enterprise from 1989 to 1995; she used to work as CPA of supervision & auditing dept. of Shenzhen Energy Corp., director of financial dept. of Mawan Power Plant, director CPA of planning investment dept. of Shenzhen Energy Group Co., and deputy director of supervision & auditing dept. and auditing dept.; Now she serves as employee supervisor and senior manager of auditing management dept. of Shenzhen Energy Group Co., Ltd, Director of CPT Wyndham Holdings Ltd.(Cayman Is.), director of China Hydroelectric Corporation(Cayman Is.), director of China Hydroelectric Corporation (Hong Kong) Limited (H.K.) and director of Sunpower Asia Limited (H.K), supervisor of Guodian Nanning Generation Co., Ltd, as well as supervisor of Shenzhen Energy Group Co., Ltd and Shenzhen Energy Management Co., Ltd. respectively. She holds the post of supervisory of the Company since 25 May 2011.

Ms. Ji Yuanhong, was born in 1967, bachelor degree, an economist. She serves as secretary of the Board of Shenzhen Guangju Energy Co., Ltd, since August 1999 and serves as deputy GM of Shenzhen Guangju Energy Co., Ltd since May of 2008 and director of Shenzhen Guangju Energy Co., Ltd from March of 2012 to May 2015. She serves as vice president of Shenzhen SanDing oil trade co., Ltd from April 2013 to January 2014, and vice president of Shenzhen Guangju Yida chemicals storage co., Ltd. since January 2014. She holds the post of supervisory of the Company since 25 May 2011.

Mr. Peng Siqi, born in 1982, a Communist Party members and a graduate of university, has served in Shekou Zhongjian Construction, Nanshan Court, and Nantou Sub-district Office. He took post in the Secretary Department of the Board of Directors of Shenzhen Guangju Energy Co., Ltd. Besides, he served as the supervisor of Shenzhen Nanshan Petroleum Ltd., Shenzhen Guangju Industry Co., Ltd., Shenzhen Guangju Property Development Co., Ltd., Shenzhen Guangju Yisheng Oil & Chemical Logistics Co Ltd, Shenzhen Guangjuyida Hazardous Chemicals Warehousing Co.Ltd, Shenzhen Shennan Gas Co., Ltd., and Shenzhen Mawan Power Co., Ltd. he served as GM assistant of Shenzhen Nanshan Petroleum Co., Ltd. from 2016 to January 2017; the deputy GM of Shenzhen Nanshan Petroleum Co., Ltd. since January 2017, Mr. Peng has taken the post of supervisor of the Company Since April 20, 2015.

Mr. Ding Weili, born in 1960, a senior economist, master's degree, and graduated from Guangdong Academy of Social Sciences, major in economics and management in 2001. He worked in Yingtan, Jiangxi Province from 1978 to 1981. He worked in the Jiangxi Medical Company from 1981 to 1987. worked in Jiangxi Petroleum Corporation Company from 1987 to 1998. He served as deputy GM of the Shenzhen Server Energy Co., Ltd. from 1998 to 2006, sent off by Shenzhen Energy Group. He works in Shenzhen Nanshan Power Co., Ltd. since March 2006, served as deputy director of comprehensive department of Nanshan Power Plant from 2006 to 2007. During April 2007 to December 2013, he served as GM assistant of the Shen Nan Dian (Dongguan) Weimei Power Co., ltd, the subordinate enterprise. He serves as director and standing deputy GM of Shenzhen Server Energy Co., Ltd. from January 2014 to December 2014, the subordinate enterprise; serves as director and GM of Shenzhen Server Energy Co., Ltd since January 2015. He serves as staff supervisor of the Company since 12 November 2014.

Mr. Yan Ping, born in 1966, a senior engineer, bachelor degree and graduated from Wuhan Univ. of Hydr. & Elec. Eng, major in Applied Chemistry. He worked in Jiangxi Jingdezhen Power Station from 1987 to 1991. Works in Shenzhen Nanshan Power Co., ltd. since, he used to served as the specific responsibility in water of the operation department. He served as secretary of the board and comprehensive director of the Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd, the subordinate enterprise from June 2005 to April 2007. and transfer as the office director of the headquarters from April 2007 to November 2007. took planning office director of the sludge drying from November 2007 to September 2009, he served as deputy GM (work as chair)of Shenzhen Shen Nan Dian Environment Protection Co., Ltd. from October 2009 to September 2011, the subordinate enterprise, and serves as director and GM of Shenzhen Shen Nan Dian Environment Protection Co., Ltd. since October 2011. He serves as staff supervisor of the Company since 12 November 2014.

Mr. Zhang Yunlong, born in 1964, engineer and junior college degree, he graduated from Nanjing Amateur University of Technology in 1990, major in mechanical engineering. He worked as technician in gas turbine workshop of the Nanjing Turbo Motor Factory from 1984 to 1992. worked in Shenzhen Nanshan Power Co., Ltd. since 1993, and once served as the specialist engineer major in gas turbine of the inspection and maintenance department as well as the assistant for chief engineer. Transfer to worked in subordinate enterprise Shen Nan Dian Gas Turbine Engineering Technology Co., Ltd. in December 2003, successively served as chief engineering, deputy GM and chief engineering; and he served as director and standing deputy GM of Shen Nan Dian Gas Turbine Engineering Technology Co., Ltd. from April 2007 to November 2013, serves as director and GM of the Company since December 2013. He serves as staff supervisor of the Company since 12 November 2014.



Mr. Liang Jianqiang, born in 1968, an engineer, bachelor degree, graduated from department of engineering physics of Tsinghua University in 1991, major in nuclear energy and heat energy utilization. He worked in Shenzhen Moon Bay Gas Turbine Power Plant from 1991 to 1998, successively served as specialist engineer of gas turbine in operation department, sub-director of the gas turbine in inspection and maintenance department and specialist engineer of planning in inspection and maintenance department. He works in Shenzhen Nanshan Power Co., Ltd. since July 1998 transferred by Shenzhen Energy Group Co., Ltd. and successively served as deputy chief, chief of the inspection and maintenance department, deputy chief of the operation department, director of production management department and security chief. Served as chief of production technology department and security chief of the headquarter from May 2005 to November 2013, at the same time, served as director of the Shenzhen New Power Industrial Co., Ltd. and Shen Nan Dian (Zhongshan) Electric Power Co., Ltd., the subordinate enterprises. He serves as deputy chief of the Nanshan Power Factory since December 2013. He serves as staff supervisor of the Company since 12 November 2014.

#### **Senior managers of the Company:**

The resumes of managing director Wu Dongxiang, director and executive deputy GM Ji Ming, director and deputy GM Lin Qing were mentioned above.

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

Mr. Zhu Wei, born in 1957, a senior economist, master's degree, he worked in Guangdong Xinfengjiang Power Plant. He joined the Company in 1990; and he successively held the posts of assistant minister of development department, minister of supply department and general manager assistant of the Company, he serves as deputy GM of the Company since August 2003. He serves as Chairman of Shenzhen Server Petrochemical Supplying Co., Ltd since 2015

Mr. Wang Rendong, born in 1961, engineer with a master's degree hold, was graduated from the specialty of thermal power of Power Department, Huazhong University of Science and Technology, and then obtained a master of business administration on the specialty of economic management of Huazhong University of Science and Technology; he used to work in the planning department of Beijing Electrical Planning and Design Institute of State Ministry of Water Resources and Power, transferred and assigned to Shenzhen Huadian Southern Development (Group) Company in June 1988; he joined the Company in 1990, and successively held the post of minister of operating department, minister of engineering department, assistant chief engineer, general manager assistant and employee supervisor of the Company; he held the post of head engineer of the Company since December 2006, and holds president and GM of Shenzhen Shennandian Turbine Engineering Technology Co., Ltd., as well as director of Shennan Energy (Singapore)

Co., Ltd.

Mr. Huang Jian, was born in 1970, a senior accountant, bachelor degree, graduated from Changsha Hydraulic and Electric Engineering Teachers College, major in accountant. He worked as engineering account of the financial office of Sichuan Yibing Power Plant from 1991 to 1994. worked in the Shenzhen Energy Group Co., Ltd. since October 1994, and successively served as accountant in financial dept. of Shenzhen Energy Group Co., Ltd., accountant, deputy director and director of financial dept. of Shenzhen Western Power Co., Ltd.,-the subordinate enterprise of Shenzhen Energy Group Co., Ltd. he serves as manager of the financial management dept. of the Company from January 2008 to April 2015. He serves as CFO of the Company since April 2015, and now serves as chairman of the subordinate enterprise Shenzhen New Power Industrial Co., Ltd, director of Hong Kong Syndisome Co., Ltd., Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd, Zhongshan Shenzhong Real Estate Development Co., Ltd and Zhongshan Shenzhong Real Estate Investment Properties Co., Ltd.

Post-holding in shareholder's unit

Applicable  Not applicable

Name	Name of shareholder's unit	Position in shareholder's unit n	End date of office term	Received remuneration from shareholder's unit (Y/N)
Yu Chunling	HONG KONG NAM HOI (INTERNATIONAL) LTD.	Chairman	2008	N
Ma Fengming	Shenzhen Energy Co., Ltd.	Supervisor	2011	N

Post-holding in other unit

Applicable  Not applicable

Name	Name of other units	Position in other unit n	End date of office term	Received remuneration from other unit (Y/N)
Yang Haixian	Shen Nan Energy (Singapore) Co., Ltd.	Chairman	2008	N
	Hong Kong Syndisome Co., Ltd.	Director	2015	N
Li Hongsheng	Shenzhen Guangju Energy Co., Ltd.	Managing director	2007	Y
Wu Dongxiang	Shen Nan Dian (Zhongshan) Electric Power Co., Ltd.	Chairman	2015	N
	Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd	Chairman	2015	N

Yu Chunling	Shenzhen Energy (H.K) International Co., Ltd.	Director GM	2013	Y
Zhou Qun	Shenzhen Energy Financial Company	Chairman	2010	Y
Qiang Wenqiao	Shenzhen Energy Group Co., Ltd.	GM of property law department	2008	Y
Chen Lihong	Shenzhen Guangju Energy Co., Ltd.	Deputy GM	2005	Y
Wu Guowen	Shen Nan Dian (Zhongshan) Electric Power Co., Ltd.	Deputy Chairman	2016	N
Zhao Xiangzhi	Shenzhen Energy Group Co., Ltd.	Chief accountant	2009	Y
Ma Fengming	Shenzhen Energy Group Co., Ltd.	Employee supervisor, GM of Auditing Dept.	2011	Y
Ji Yuanhong	Shenzhen Guangju Energy Co., Ltd.	Deputy GM and secretary of the Board	1999	Y
Peng Siqi	Shenzhen Guangju Energy Co., Ltd.	Property legal affairs officer	2015	Y
	Shenzhen Nanshan Petroleum Co., Ltd.	Deputy GM	2017	Y
Li Zheng	Guangdong ShenTianCheng Law Firm	Partner, lawyer	2010	Y
Wang Xiaodong	Grandall Legal Group (Shenzhen) Office	Partner, lawyer	2013	Y
Wang Junsheng	China Economic & Technical Research Consulting Co., Ltd.	Researcher	2010	Y
	China Merchants Shekou Industrial Zone Holdings Co., Ltd.	Independent director	2016	Y
Tang Tianyun	School of Accounting and Finance of Beijing Institute of Technology, Zhuhai	Associate professor	2015	Y
Pan Chengwei	China Merchants Bank Co., Ltd., China International Marine Containers (Group) Ltd (CIMC)	Independent director	2012	Y
Liao Nangang	Guangdong Guanjing Law Firm	Partner, lawyer	2013	Y
Zhang Jie	Shenzhen Shen Nan Dian Environment Protection Co., Ltd.	Chairman	2014	N
	Shen Nan Energy (Singapore) Co., Ltd.	Director	2008	N
Zhu Wei	Shenzhen Server Petrochemical Supplying Co., Ltd	Chairman	2015	N

Wang Rendong	Shenzhen Shennandian Turbine Engineering Technology Co., Ltd.	Chairman	2007	N
	Shen Nan Energy (Singapore) Co., Ltd.	Director	2008	N
Huang Jian	Shenzhen New Power Industrial Co., Ltd.	Chairman	2015	N
	Hong Kong Syndisome Co., Ltd.	Director	2015	N
	Shen Nan Dian (Dongguan) Weimei Electric Power Co., Ltd	Director	2015	N
Ding Weili	Shenzhen Server Petrochemical Supplying Co., Ltd	Director, GM	2015	Y
Yan Ping	Shenzhen Shen Nan Dian Environment Protection Co., Ltd.	Director, GM	2011	Y
Zhang Yunlong	Shenzhen Shennandian Turbine Engineering Technology Co., Ltd.	Director, GM	2013	Y

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
Yang Haixian	Chairman	M	60	Currently in office	79.52	N
Li Hongsheng	Deputy chairman	M	53	Currently in office	-	Y
Wu Dongxiang	Managing director	M	52	Currently in office	71.73	N
Yu Chunling	Director	F	51	Currently in office	-	Y
Zhou Qun	Director	M	52	Currently in office	-	Y
Qiang Wenqiao	Director	M	47	Currently in office	-	Y
Chen Lihong	Director	F	53	Currently in office	-	Y
Wu Guowen	Deputy standing managing director	M	51	Currently in office	50.31	N
Lin Qing	Deputy managing director	F	52	Currently in office	66.59	N
Li Zheng	Independent director	M	59	Currently in office	11.9	N
Wang Xiaodong	Independent director	M	56	Currently in office	11.9	N
Wang Junsheng	Independent director	M	56	Currently in office	11.9	N
Tang Tianyun	Independent director	M	56	Currently in office	11.9	N
Pan Chengwei	Independent director	M	70	Currently in office	11.9	N
Liao Nangang	Independent director	M	46	Currently in office	11.9	N
Zhao Xiangzhi	Chief supervisor	M	58	Currently in office	-	Y
Ma Fengming	Supervisor	F	54	Currently in office	-	Y
Ji Yuanhong	Supervisor	F	49	Currently in office	-	Y
Peng Siqi	Supervisor	M	34	Currently in office	-	Y

Ding Weili	Employee supervisor	M	56	Currently in office	27.81	N
Yan Ping	Employee supervisor	M	50	Currently in office	31.36	N
Zhang Yunlong	Employee supervisor	M	52	Currently in office	30.01	N
Liang Jianqiang	Employee supervisor	M	48	Currently in office	32.55	N
Zhang Jie	Deputy GM and secretary of the Board	F	48	Currently in office	64.73	N
Zhu Wei	Deputy GM	M	59	Currently in office	64.73	N
Wang Rendong	Chief engineer	M	55	Currently in office	64.73	N
Huang Jian	CFO	M	46	Currently in office	64.73	N
Ji Ming	Director, standing deputy GM	M	60	Step down	26.11	N
Total	--	--	--	--	746.31	--

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

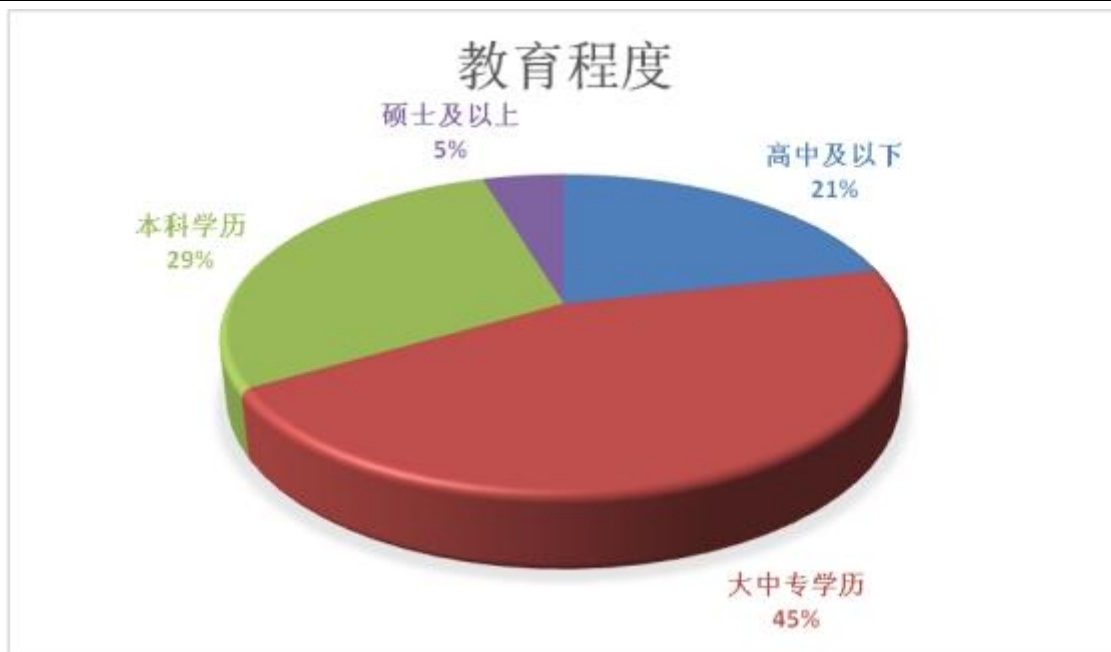
Applicable  Not applicable

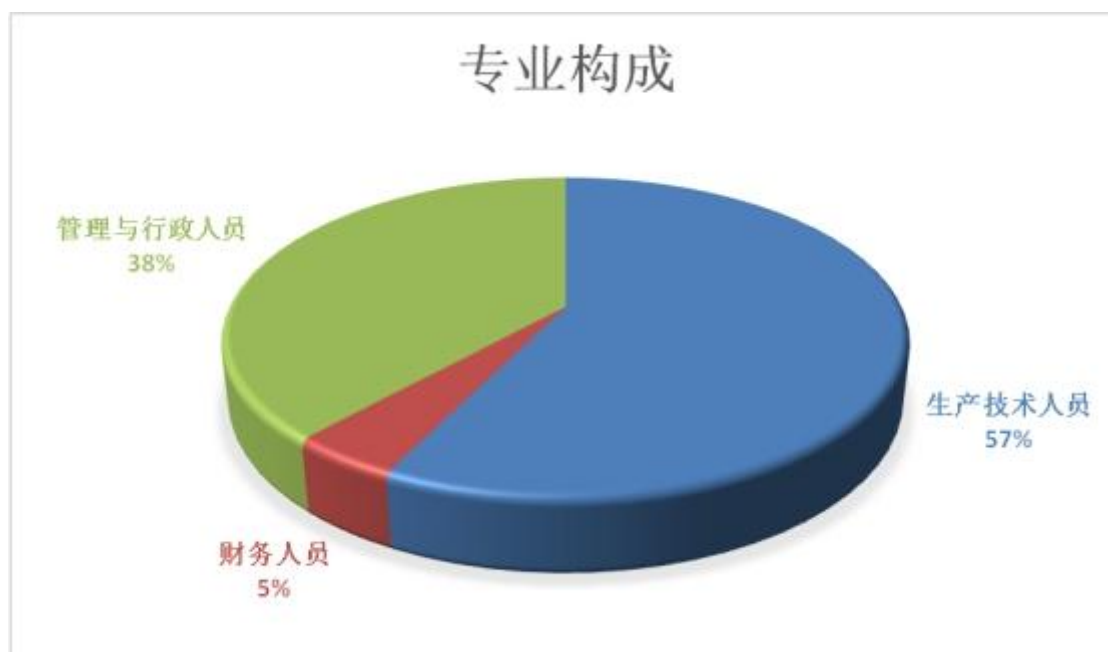
## V. Particulars of workforce

### 1. Number of Employees, Professional categories, Education background

Employee in-post of the parent Company (people)	287
Employee in-post of main Subsidiaries (people)	275
The total number of current employees (people)	562
The total number of current employees to receive pay (people)	562
Retired employee' s expenses borne by the parent Company and main Subsidiaries (people)	0
Professional categories	
Types of professional category	Numbers of professional category
Production staff	
Sales man	
Technician	
Financial staff	25
Administration staff	
Production technician	322

Management and administrative personnel	215
Total	562
Education background	
Type of education background	Numbers (people)
High school and below	120
3-years regular college graduate and Polytechnic school graduate	254
Bachelor degree	162
Master and above	26
Total	562





## 2. Remuneration Policy

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

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

## 3. Training programs

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



formulated in beginning of the Year, mainly carried out the following aspects of the training:

(1)management training: by full leverage on various resources and cooperation with training organizations, the Company provided its senior management with lots of trainings to improve their management expertise, and to optimize their leading capability and comprehensive quality;

(2) 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;

(3)business training: the Company arranged special skill trainings for its core posts, and further improved the general quality of staff through diversifying their business scope and consolidating their business knowledge.

(4) 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.

(5) 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. Labor outsourcing**

Applicable  Not applicable

## Section IX. Corporate Governance

### I. Corporate governance of the Company

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

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

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

3. Supervisory Board: During the reporting period, the Supervisory Board of the Company held four regular meetings and four extraordinary meeting, to carefully research, deliberate and make decisions on important matters within the scope of its rights. The

convening of the meeting of supervisory board was legal and all decision-making processes were open, fair and just. The Supervisory Board also attended the shareholders' meeting and board's meeting as a nonvoting delegate and organized the spot visit to the affiliates of the Company so as to comprehensively and deeply understand the Company's operations, management of, and better carry out its oversight responsibilities. The composition of Supervisory Board and its performance of duties were legal. During the reporting period, the Company has 8 supervisors, including 4 employee supervisors. The number of supervisors, proportion of employee supervisors and the qualification of all supervisors were in line with the Company Law, other laws and regulations, and Articles of Association. All supervisors of the Company actively attended all meetings of Supervisory Board and took part in meetings of shareholders and the board of directors as nonvoting delegates, seriously considered the resolutions of the Supervisory Board and then issued proposals on significant decisions made by shareholders' meeting and board of directors, efficiently supervised the legality of Company operation and management as well as the normative performance directors, and senior management. They did perform their duties on the diligent, objective and independent basis so as to safeguard the interests of the Company, shareholders and employees.

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

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

6. Investor relations management: the Company regularly counted and analyzed status of shareholders, dynamically tracked changes in investors, carefully interviewed the visit and consultation of investors, and timely replied investor inquiries via telephone and network. In receiving the visiting investors and replied to inquiries, the Company strictly complied with Stock Listing Rules and the requirements for the confidentiality of other insider information, adhered to the fair, just and open principle, respected the legitimate rights and interests of investors under the premise of not violating laws and carefully fulfilled its responsibilities of investor relations management.

7. Internal control and standardized management: during the reporting period, the Company made special audit on internal control assessment, internal regular audit and remuneration management and business standardization of its subsidiaries, and adopted effective and prompt measures to rectify any defect that existed. To reinforce financial management, the Company amended its financial management rules, guarantee management rules, financial review and approve authorization and payment management

rules as well as fixed assets management rules. Besides, it also strengthened trainings and ideological education for directors, supervisors, senior management and middle-level management, to stress that obligation shall be performed by laws, conduct of behavior shall be regulated and corruption shall be strictly forbidden. Through continuous improvement of internal control system and strengthening performance assessment with increasing awards or punishment, the Company has further enhanced regulated management and made its best to prevent operating management risk.

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

Yes  No

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

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

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

1. Personnel independence: The Company has set up an independent human resource management system and compensation & benefits systems. The general manager of the Company, all members of the management level, the board secretary and other senior management staff are full-time executives and are paid remuneration by the Company and none of them takes other administrative posts in shareholders. Within the amount approved by the Board, the Company independently hires or fires employees according to the management needs. The Company has established a more perfect human resources management system, and has an independent management right.

2. Assets independence: the Company has independent production facilities and auxiliary systems, land use rights, property rights, office facilities and equipment. Within the range authorized by the board of directors and general shareholders' meeting, the Company has the powers of independent acquisition and disposition of assets.

3. Financial independence: The Company has independent financial management and accounting system, is equipped with independent financial management and accounting personnel, and establishes a relatively sound financial management system, independent bank account and tax accounts. Within the range authorized by the board of directors and shareholders' meeting, the Company can made independent financial decision and there are no substantial shareholders with financial management interference, embezzlement of funds and other circumstances.

4. Business independence: the Company independently carries out production and business activities, has set up independent and complete production, procurement, sales channels and management system. Within the range authorized by the board of directors and

shareholders' meeting, the Company makes its own management decisions, carries out self management and takes full responsibilities for its own profits and losses.

5. Independent organization: The Company, in accordance with the needs of production, operation, management, followed modern enterprise management standards and established a relatively sound organization and management structure. There were neither interferences of shareholders in the establishment and operation of the 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 2015	AGM	38.48%	2016-04-25	2016-04-26	“Resolution Notice of Annual General Meeting 2015” No.:2016-024, published on “China Securities Journal” “Securities Times” “Hong Kong Commercial Daily” and Juchao Website
First extraordinary general meeting of 2016	extraordinary general meeting	40.05%	2016-08-30	2016-08-31	“Resolution Notice of First extraordinary general meeting of 2016” No.:2016-064, published on “China Securities Journal” “Securities Times” “Hong Kong Commercial Daily” and Juchao Website
Second extraordinary general meeting of 2016	extraordinary general meeting	42.73%	2016-11-22	2016-11-23	“Resolution Notice of Second extraordinary general meeting of

					2016” No.:2016-113, published on “China Securities Journal” “Securities Times” “Hong Kong Commercial Daily” and Juchao Website
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## 2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable  Not applicable

## V. Responsibility performance of independent directors

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

The attending of independent directors to Board Meeting						
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)
Li Zheng	13	11	2	0	0	N
Wang Xiaodong	13	11	2	0	0	N
Wang Junsheng	13	10	2	1	0	N
Tang Tianyun	13	9	2	2	0	N
Pan Chengwei	13	11	2	0	0	N
Liao Nangang	13	11	2	0	0	N
Times for attending general meeting from independent directors						3

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

Independent directors has no objections for relevant events in reporting 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) Audit Committee**

1. By participating into meetings of the Board of Directors, the shareholders' meeting and other meetings and carefully reviewing the relevant documents of the Company, strengthened the understanding of production, operation and development.

In 2016, the members of the Audit Committee attended 10 Board meeting and 6 shareholders' meeting, carefully reviewed the *Report of the General Manager, Comprehensive Plan*, other comprehensive documents and the audit report of the Company, internal control system and other relevant resolutions and reports, conscientiously fulfilled responsibilities and created conditions of performing duties and providing recommendations to the Board.

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

(1) The 6<sup>th</sup> session of auditing committee of the Board was held on 22 January 2016, deliberated the Auditing Plan of Shenzhen Nanshan Power Co., Ltd. for year of 2015, issued by Ruihua CPA and proposals of revised the four management mechanisms as Financial Management Rules, Security Management Regulations, Financial Approval Authority and Payment Management Rules and the Fixed Assets Management Regulation. The scope, time and personnel for auditing of 2015 have arranged in the Meeting by Ruihua CPA, and require the Company to carry out annual auditing for year of 2015 in strict accordance with the requirement for Annual Report 2015 preparation from supervisory authority.

(2) On 18 March 2016, the Audit Committee held its 7<sup>th</sup> meeting, heard the communication of Ruihua Certified Public Accountants Firm with the management in the course of annual audit, respectively discussed major matters brought forward by certified public accountants during the course of audit, determined the views of important matters, and required the Company to cooperated with the audit firm in strict accordance with the requirements of regulatory in defining the final 2015 audit report.

(3) The 8<sup>th</sup> session of auditing committee of the Board was held on 29 March 2016, we communicated with Ruihua CPA for the financial auditing report for year of 2015 and hear the suggestions on the auditing works, and also deliberated and follow proposals and propose professional advise and options, that is *Submit Consideration on Proposal of Internal Control Evaluation Report 2015, Internal Auditing for year of 2016 and Work Plan of Internal Control, Engagement of the Auditing Organ for year of 2016 and its Remuneration and Performance Report of the 7th Auditing Committee of the Board for year of 2015*.

(4) On 23 December 2016, the Auditing Committee held the 9<sup>th</sup> Meeting for deliberated the *Proposal of Submit Deliberation on Auditing Plan of 2016*, and propose professional opinions and advices.

#### (II) Nomination Committee

1. By participating into meetings of the Board of Directors, the shareholders' meeting and other meetings and carefully reviewing the relevant documents of the Company, strengthened the understanding of production, operation and development.

In 2016, the members of the Nomination Committee attended 13 Board meeting and 6 shareholders' meetings, carefully reviewed the *Report of the General Manager, Comprehensive Plan*, other comprehensive documents and resolutions concerned with replacement of directors, and changes in senior management and other related personnel, created conditions for performance obligations, and pre-examined the qualification of related personnel and provide recommendations to the Board.

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

(1) The 4<sup>th</sup> session of nomination committee of the Board was held on 30 March 2016, deliberated and approved the Proposal of Director Changes, Proposal of Senior Executive Engagement and Performance Report of the 7<sup>th</sup> Nomination Committee of the Board for Year of 2015, and propose professional advices and opinions.

#### (III) Remuneration and Appraisal Committee

1. By participating into meetings of the Board of Directors, the shareholders' meeting and other meetings and carefully reviewing the relevant documents of the Company, strengthened the understanding of production, operation and development.

In 2016, the members of Remuneration and Appraisal Committee attended 13 meetings of the Board of Directors and 3 general shareholders' meeting, carefully reviewed the *Report of the General Manager, Comprehensive Plan*, other comprehensive documents and resolutions related to the remuneration and distribution plan of the Company, supervised the implementation of the Company's remuneration and made recommendations. The Remuneration and Appraisal Committee effectively fulfilled its obligation of diligence and ensured that the Board of Directors of the Company would effectively control and supervise the Company's management and supervisory board.

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

On 29 March 2016, the remuneration and examination committee held the 4th meeting to consider and approve the proposal on provision of remuneration and performance assessment for 2016 and the 2015 performance report of the remuneration and examination committee under the 7<sup>th</sup> Board, at which, the committee also raised its professional advice and recommendation for the works to be done in the second half year.

#### (IV) Strategy and Investment Management Committee



1. By participating into meetings of the Board of Directors, the shareholders' meeting and other meetings and carefully reviewing the relevant documents of the Company, strengthened the understanding of production, operation and development.

By 2016, the members of Strategy and Investment Management Committee attended 13 meetings of the Board of Directors and 3 general shareholders' meeting, carefully reviewed the *Report of the General Manager, Comprehensive Plan*, other comprehensive document and resolutions related to asset disposal, investment and development and other strategic issues, and created conditions of performing duties and providing recommendations to the Board.

2. Held meetings of Strategy and Investment Management Committee, deliberated asset disposal and investment and made recommendations to the Board of Directors

(1) On 22 January 2016, Strategy and Investment Management Committee convened the 4<sup>th</sup> Meeting, deliberated and approved the Proposal of Constructed the First Phase of Heating Network of CHP Project from Controlling Subsidiary Shen Nan Dian (Zhongshan) Electric Power Co., Ltd., and propose professional suggestions and comments.

(2) On 29 March 2016, Strategy and Investment Management Committee convened the 5<sup>th</sup> Meeting, deliberated and approved the Performance Report of the 7<sup>th</sup> Strategy and Investment Management Committee of the Board for Year of 2015, and propose professional suggestions and comments.

(3) On 5 September 2016, Strategy and Investment Management Committee convened the 6<sup>th</sup> Meeting, deliberated and approved 12 proposals including Proposal of Material Assets Sold Plan and Proposal of Land Purchasing & Storage T102-0011 and T102-0155, and propose professional suggestions and comments.

(4) On 21 October 2016, Strategy and Investment Management Committee convened the 7<sup>th</sup> Meeting, deliberated and approved the Proposal of Preliminary Work of the CHP Project and Filing Work on Centralized Heating System Network Carried out by Shen Nan Dian Dongguan Company, and propose professional suggestions and comments.

## 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

## 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

In reporting period, in line with relevant laws and regulations of Company Law, Securities Law and Rules Governing the Listing of Stocks as well as Company's Article of Association and Rules of Supervisory Committee, in an attitude highly responsible for whole shareholders, conscientiously perform our supervisory duties. We seriously supervised the follow conditions as convening &

decision-making procedures for the shareholders general meeting and board meetings, the performance ability of the Board and senior executives, the establishment and execution of the management mechanism as well as the financial status of the Company. We urge the Board and Management operates in accordance with the law, and caring out scientific decision for offering a great guarantee for the regulated operation and healthy development of the Company.

## 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	2017-03-28	
Disclosure index of full internal control evaluation report	“Audit report of internal control for year of 2016” published on Juchao Website (www.cninfo.com.cn)	
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the Company's consolidated financial statements	100.00%	
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	Major defects: under major operational activities, there are major defects in several companies which are consolidated into the preparation of	Major defects: under major operational activities, there are major defects in several companies which are consolidated into the

	<p>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 on participating into such major operation activities; or there are moderate defects in few of companies which are consolidated into the preparation of financial statements but the Company with moderate defect are the main one participating into such major operation activities;</p> <p>General defects: under major operational activities, there are moderate defects in few of companies which are consolidated into the preparation of financial statements, and the Company with moderate defects is not the main one participating into the major operational activities; or there are only general defects in companies which are consolidated into the preparation of financial statements; there are no internal control defects in major operational activities and there are only internal control defects in minor operational activities.</p>	<p>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 on participating into such major operation activities; or there are moderate defects in few of companies which are consolidated into the preparation of financial statements but the Company with moderate defect are the main one participating into such major operation activities;</p> <p>General defects: under major operational activities, there are moderate defects in few of companies which are consolidated into the preparation of financial statements, and the Company with moderate defects is not the main one participating into the major operational activities; or there are only general defects in companies which are consolidated into the preparation of financial statements; there are no internal control defects in major operational activities and there are only internal control defects in minor operational activities.</p>
Quantitative standard	<p>Major defects: mistaken amount <math>\geq</math>total assets in consolidated financial statement <math>\times 0.5\%</math></p> <p>Substantial defects: total assets in consolidated financial statement <math>\times 0.2\% \leq</math> mistaken amount <math>&lt;</math> total assets in consolidated financial statement <math>\times 0.5\%</math></p> <p>General defect: mistaken amount <math>&lt;</math>total assets in consolidated financial statement <math>\times 0.2\%</math></p>	<p>Major defects: amount of direct loss <math>\geq</math>total assets in consolidated financial statement <math>\times 0.5\%</math></p> <p>Substantial defects: total assets in consolidated financial statement <math>\times 0.2\% \leq</math> amount of direct loss <math>&lt;</math> total assets in consolidated financial statement <math>\times 0.5\%</math></p> <p>General defect: amount of direct loss <math>&lt;</math>total assets in consolidated financial statement <math>\times 0.2\%</math></p>
Amount of significant defects in financial reports	0	

Amount of significant defects in non-financial reports	0
Amount of important defects in financial reports	0
Amount of important defects in non-financial reports	0

### X. Auditing report of internal control

Applicable    Not applicable

Deliberations in Internal Control Audit Report	
The accountant firm thinks Shenzhen Nanshan Power Co., Ltd. maintains effective internal control of financial report in all significant aspects in accordance with <i>the Basic Regulation of Enterprise Internal Control</i>	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2017-03-28
Index of audit report of internal control (full-text)	“Audit report of internal control for year of 2016” published on Juchao Website (www.cninfo.com.cn)
Opinion type of auditing report of IC	Standard unqualified
whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

Yes  No

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

Yes  No

## Section X Corporation Bonds

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

## Section XI Financial Report

### I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2017-03-24
Name of audit institute	Ruihua Certified Public Accountants Co., Ltd. (LLP)
File No. of the auditing report	Ruihua Zi [2017] No. 48510001
Name of CPA	Zhang Liping, Han Songliang

Text of Report (Attached)

## Section XII Documents available for Reference

- (I) Original Annual Report of 2016 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.

# Shenzhen Nanshan Power Co., Ltd.

## Auditor's Report

Ruihua Zi [2017] No. 48510001

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

## Auditor's Report

Ruihua Zi [2017] No. 48510001

### To Shareholders of Shenzhen Nanshan Power Co., Ltd.

We have audited the accompanying financial statements of Shenzhen Nanshan Power Co., Ltd. (hereinafter referred to as "Shen Nan Dian Company"), including Consolidated and Balance Sheet of the Company as of December 31, 2016, Consolidated and Profit Statement of the Company, Consolidated and Cash Flow Statement of the Company and Consolidated and Statement of Changes in Shareholder Equity of fiscal year 2016 as well as Annotations of Financial Statements.

#### I. Responsibility of the Management of the Company for Financial Statements

It's a responsibility of the management of Shen Nan Dian Company to compile and make fair of and report financial statements. Such responsibility is involved in: (1) Compile financial statement according to Accounting Standard for Business Enterprises and make them fair reflection. (2) Design, execution and maintenance of internal controls related to compilation of financial statements, for avoiding any material misstatement in the financial statements due to fraud or mistake.

#### II. Responsibility of Certified Public Accountants

It's our responsibility to give an audit opinion on these financial statements according to our audit. We conducted our audit in accordance with the Independent Auditing Standards for China Certified Public Accountants. Those Standards require that we abide by professional ethics, plan and perform the audit to obtain reasonable assurance for whether the financial statements are free of material misstatement or not.

An audit is involved in executing auditing procedures to obtain audit evidence supporting the amounts and disclosures in the financial statements. The auditing procedures are selected according to the CPA's judgment, and an audit also includes assessing the risk of any material misstatement in the financial statements due to fraud or mistake. During risk assessment, we take internal controls related to the compilation and fair listing of financial statements into account for not giving an opinion on the effectiveness of internal controls but selecting suitable auditing procedures. An audit also includes evaluating the applicability of accounting policies selected by the Management of the company and the rationality of accounting

estimates made by the Management of the company as well as evaluating the overall presentation of financial statements.

We believe that we obtained adequate suitable audit evidence that provides a reasonable basis for our audit opinion.

### **III. Audit Opinion**

In our opinion, the above financial statements conforms to the Accounting Standards for Business Enterprises in all material respects, and these financial statements fairly reflected company and the Company's consolidated and financial position as of December 31, 2016, as well as annual consolidated and operating results of the Company and cash flow of the Company in 2016.

Ruihua CPA(LLP)

Chinese Certified Public Accountant:

Beijing ·China

Chinese Certified Public Accountant:

28 March 2017



# Consolidated Balance Sheet

2016-12-31

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB

Item	Note	Amount at year-end	Amount at year-begin
<b>Current assets:</b>			
Monetary funds	VI.1	1,415,550,406.02	1,026,626,480.06
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes receivable	VI.2	600,000.00	1,200,000.00
Accounts receivable	VI.3	166,808,672.42	405,391,442.85
Accounts paid in advance	VI.4	43,663,090.22	254,557.09
Interest receivable			
Dividend receivable			
Other receivables	VI.5	395,804,901.21	30,685,319.69
Inventories	VI.6	80,684,079.57	672,683,049.42
Divided into assets held for sale			
Non-current asset due within one year			
Other current assets	VI.7	548,542,780.69	604,426,110.04
<b>Total current assets</b>		<b>2,651,653,930.13</b>	<b>2,741,266,959.15</b>
<b>Non-current assets:</b>			
Finance asset available for sales	VI.8	59,315,000.00	57,315,000.00
Held-to-maturity investment			
Long-term account receivable			
Long-term equity investment	VI.9	20,305,064.18	22,520,274.78
Investment property	VI.10	2,998,577.91	3,194,715.51
Fixed assets	VI.11	1,544,562,696.68	1,667,494,083.42
Construction in progress	VI.12	8,008,476.13	8,473,276.90
Engineering material			

Disposal of fixed asset			
Productive biological asset			
Oil and gas asset			
Intangible assets	VI.13	51,081,104.21	53,801,475.81
Expense on Research and Development			
Goodwill			
Long-term expenses to be apportioned			
Deferred income tax asset	VI.14	2,896,583.01	2,905,768.69
Other non-current asset	VI.15	22,882,181.78	22,882,181.78
<b>Total non-current asset</b>		<b>1,712,049,683.90</b>	<b>1,838,586,776.89</b>
<b>Total assets</b>		<b>4,363,703,614.03</b>	<b>4,579,853,736.04</b>

## Consolidated Balance Sheet (Cont.)

2016-12-31

Prepared by Shenzhen Nanshan Power Co.,Ltd.

In RMB

Item	Note	Amount at year-end	Amount at year-begin
<b>Current liabilities:</b>			
Short-term loans	VI.16	796,840,000.00	2,385,300,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes payable	VI.17	292,275,804.17	340,000,000.00
Accounts payable	VI.18	6,329,078.85	38,014,729.22
Accounts received in advance	VI.19		58,575.45
Wage payable	VI.20	45,823,790.61	47,521,710.84
Taxes payable	VI.21	234,534,017.11	13,444,485.85
Interest payable	VI.22	4,580,481.81	

			63,142,049.81
Dividend payable			
Other accounts payable	VI.23	79,532,095.96	371,926,173.24
Divided into liability held for sale			
Non-current liabilities due within 1 year	VI.24	463,000,000.00	
Other current liabilities			
<b>Total current liabilities</b>		<b>1,832,915,268.51</b>	<b>3,259,407,724.41</b>
<b>Non-current liabilities:</b>			
Long-term loans	VI.25	343,900,000.00	696,000,000.00
Bonds payable			
Including: preferred stock			
Perpetual capital securities			
Long-term account payable			
Long-term wages payable			
Special accounts payable			
Projected liabilities	VI.26	27,100,000.00	27,100,000.00
Deferred income	VI.27	45,818,868.15	48,435,206.35
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>506,818,868.15</b>	<b>771,535,206.35</b>
<b>Total liabilities</b>		<b>2,339,734,136.66</b>	<b>4,030,942,930.76</b>
<b>Shareholders' equity:</b>			
Share capital	VI.28	602,762,596.00	602,762,596.00
Other equity instrument			
Including: preferred stock			
Perpetual capital securities			
Capital public reserve	VI.29	362,770,922.10	362,758,554.21
Less: Inventory shares			
Other comprehensive income			
Reasonable reserve			
Surplus public reserve	VI.30	332,908,397.60	332,908,397.60
Provision of general risk			
Retained profit	VI.31	644,271,987.22	

			-662,422,848.24
Total owner's equity attributable to parent company		1,942,713,902.92	636,006,699.57
Minority interests		81,255,574.45	-87,095,894.29
<b>Total shareholders' equity</b>		<b>2,023,969,477.37</b>	<b>548,910,805.28</b>
<b>Total liabilities and shareholders' equity</b>		<b>4,363,703,614.03</b>	<b>4,579,853,736.04</b>

## Consolidated Profit Statement

2016

Prepared by Shenzhen Nanshan Power Co.,Ltd.

In RMB

Item	Note	2016	2015
<b>I. Total operation income</b>		<b>1,574,088,977.85</b>	<b>1,345,018,210.71</b>
Including: operation income	VI.32	1,574,088,977.85	1,345,018,210.71
<b>II. Total operation cost</b>		<b>1,759,336,768.75</b>	<b>2,572,505,108.03</b>
Including: operation cost	VI.32	1,442,900,975.18	1,492,814,812.50
Tax and surcharge	VI.33	12,357,698.20	7,806,014.41
Sales expense		5,563,192.84	4,040,925.95
Management expense	VI.34	105,626,259.83	152,448,251.49
Financial expense	VI.35	174,062,078.28	230,684,786.65
Loss of assets impairment	VI.36	18,826,564.42	684,710,317.03
Add: Changing income of fair value(Loss is listed with "-")			
Investment income (Loss is listed with "-")	VI.37	1,658,648,377.50	-2,077,122.55
Including: Investment income on affiliated company and joint venture			
<b>III. Operating profit (Loss is listed with "-")</b>		<b>1,473,400,586.60</b>	<b>-1,229,564,019.87</b>
Add: Non-operating income	VI.38	16,417,353.54	401,866,238.19
Including: Disposal gains of non-current asset			40,417.41
Less: Non-operating expense	VI.39	1,255,054.91	448,678.66
Including: Disposal loss of non-current asset		203,629.98	338,447.94
<b>IV. Total Profit (Loss is listed with "-")</b>		<b>1,488,562,885.23</b>	<b>-828,146,460.34</b>
Less: Income tax	VI.40	223,804,443.74	1,178,036.68
<b>V. Net profit (Net loss is listed with "-")</b>		<b>1,264,758,441.49</b>	<b>-829,324,497.02</b>
Net profit attributable to owner's equity of parent company		1,306,694,835.46	-634,623,667.06

Minority shareholders' gains and losses		-41,936,393.97	-194,700,829.96
VI. Net after-tax of other comprehensive income			
<b>VII. Total consolidated income</b>		<b>1,264,758,441.49</b>	<b>-829,324,497.02</b>
Total consolidated income attributable to owners of parent company		<b>1,306,694,835.46</b>	<b>-634,623,667.06</b>
Total consolidated income attributable to minority shareholders		<b>-41,936,393.97</b>	<b>-194,700,829.96</b>
<b>VIII. Earnings per share</b>			
(I) Basic earnings per share		2.17	-1.05
(II) Diluted earnings per share		2.17	-1.05

## Consolidated Cash Flow Statement

2016

Prepared by Shenzhen Nanshan Power Co., Ltd.

In RMB

Item	Note	Amount in this year	Amount at last year
<b>I. Cash flows arising from operating activities:</b>			
Cash received from selling commodities and providing labor services		1,873,201,961.43	1,498,895,407.20
Write-back of tax received		2,513,783.55	43,717,420.50
Other cash received concerning operating activities	VI.41 (1)	1,020,576,038.58	600,854,428.86
<b>Subtotal of cash inflow arising from operating activities</b>		<b>2,896,291,783.56</b>	<b>2,143,467,256.56</b>
Cash paid for purchasing commodities and receiving labor service		1,675,575,468.42	1,550,985,388.98
Cash paid to/for staff and workers		132,334,097.55	128,849,876.08
Taxes paid		65,273,757.78	13,155,414.96
Other cash paid concerning operating activities	VI.41 (2)	96,787,134.41	64,024,870.45
<b>Subtotal of cash outflow arising from operating activities</b>		<b>1,969,970,458.16</b>	<b>1,757,015,550.47</b>
<b>Net cash flows arising from operating activities</b>		<b>926,321,325.40</b>	<b>386,451,706.09</b>

<b>II. Cash flows arising from investing activities:</b>			
Cash received from recovering investment			-
Cash received from investment income			
Net cash received from disposal of fixed, intangible and other long-term assets		433.40	168,095.41
Net cash received from disposal of subsidiaries and other units		837,562,040.75	
Other cash received concerning investing activities			
<b>Subtotal of cash inflow from investing activities</b>		<b>837,562,474.15</b>	<b>168,095.41</b>
Cash paid for purchasing fixed, intangible and other long-term assets		15,248,786.24	34,810,055.92
Cash paid for investment		2,000,000.00	
Net cash received from subsidiaries and other units			
Other cash paid concerning investing activities			
<b>Subtotal of cash outflow from investing activities</b>		<b>17,248,786.24</b>	<b>34,810,055.92</b>
<b>Net cash flows arising from investing activities</b>		<b>820,313,687.91</b>	<b>-34,641,960.51</b>
<b>III. Cash flows arising from financing activities</b>			
Cash received from absorbing investment			-
Including: Cash received from absorbing minority shareholders' investment by subsidiaries			
Cash received from loans		2,234,204,173.08	3,591,160,000.00
Cash received from issuing bonds			
Other cash received concerning financing activities	VI.41 (3)	10,300,000.00	
<b>Subtotal of cash inflow from financing activities</b>		<b>2,244,504,173.08</b>	<b>3,591,160,000.00</b>
Cash paid for settling debts		3,426,764,173.08	3,277,750,000.00

Cash paid for dividend and profit distributing or interest paying		191,656,524.42	212,442,578.29
Including: Dividend and profit of minority shareholder paid by subsidiaries			
Other cash paid concerning financing activities	VI.41 (4)		5,300,000.00
<b>Subtotal of cash outflow from financing activities</b>		<b>3,618,420,697.50</b>	<b>3,495,492,578.29</b>
<b>Net cash flows arising from financing activities</b>		<b>-1,373,916,524.42</b>	<b>95,667,421.71</b>
<b>IV. Influence on cash due to fluctuation in exchange rate</b>		437,358.91	354,355.75
<b>V. Net increase of cash and cash equivalents</b>		373,155,847.80	447,831,523.04
Add: Balance of cash and cash equivalents at the period -begin		1,016,326,480.06	568,494,957.02
<b>VI. Balance of cash and cash equivalents at the period -end</b>		<b>1,389,482,327.86</b>	<b>1,016,326,480.06</b>

**Consolidated Statement of Changes in Shareholders' Equity  
2016**

Prepared by Shenzhen Nanshan Power Co.,Ltd.

In RMB

Item	2016												
	Equity attributable to Shareholder of parent company											Minority's equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: stock share	Other comprehensive income	Special reserve	Surplus reserves	General risk reserve	Retained profit		
	Preferred stock	Perpetual debt	Other										
I. Balance at the end of the last year	602,762,596.00				362,758,554.21				332,908,397.60		-662,422,848.24	-87,095,894.29	548,910,805.28
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine													



under the same control													
Other													
<b>II. Balance at the beginning of this year</b>	602,762,596.00				362,758,554.21					332,908,397.60	-662,422,848.24	-87,095,894.29	548,910,805.28
<b>III. Increase/Decrease in this year (Decrease is listed with "-")</b>					12,367.89						1,306,694,835.46	168,351,468.74	1,475,058,672.09
(i) Total comprehensive income											1,306,694,835.46	-41,936,393.97	1,264,758,441.49
(ii) Owners' devoted and decreased capital													
1.Common shares													

invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
<b>(III) Profit distribution</b>													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													

3. Distribution for owners (or shareholders)													
4. Other													
<b>(IV) Carrying forward internal owners' equity</b>													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedyin g loss with surplus reserve													

4. Other													
<b>(V) Reasonable reserve</b>													
1. Withdrawal in the report period													
2. Usage in the report period													
<b>(VI)Others</b>					12,367.89						210,287,862.71	210,300,230.60	
<b>IV. Balance at the end of the year</b>	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

Legal Representative:

Person in charge of Accounting Works:

**Consolidated Statement of Changes in Shareholders' Equity (Cont.)  
2015**

Item	2015										
	Equity attributable to Shareholder of parent company								Minority's equity	Total owners' equity	
	Share capital			Capital reserve	Less : stock share	Other comprehensive income	Special reserve	Surplus reserves	General reserve	Retained profit	
	Preferred stock	Perpetual	Other								

		k	bt										
<b>I. Balance at the end of the last year</b>	602,762,596.00				362,670,442.46				332,908,397.60		-27,799,181.18	107,604,935.67	1,378,147,190.55
Add: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
<b>II. Balance at the beginning of this year</b>	602,762,596.00				362,670,442.46				332,908,397.60		-27,799,181.18	107,604,935.67	1,378,147,190.55
<b>III. Increase/Decrease in this year (Decrease is listed with “-”)</b>					88,111.75						-634,623,667.06	-194,700,829.96	-829,236,385.27
(i) Total comprehensive income											-634,623,667.06	-194,700,829.96	-829,324,497.02
(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													
<b>(III) Profit distribution</b>													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
<b>(IV) Carrying forward internal owners' equity</b>													
1. Capital reserves conversed to capital (share capital)													

2. Surplus reserves conversed to capital (share capital)												
3. Remedying loss with surplus reserve												
4. Other												
<b>(V) Reasonable reserve</b>												
1. Withdrawal in the report period												
2. Usage in the report period												
<b>(VI)Others</b>					88,111.75							88,111.75
<b>IV. Balance at the end of the year</b>	602,762,596.00				362,758,554.21			332,908,397.60	-662,422,848.24	-87,095,894.29		548,910,805.28

**Legal Representative:**

**Person in charge of Accounting Works:**

**CFO:**

**Person in charge of Accounting Institution:**



**Balance Sheet**  
2016-12-31

Prepared by Shenzhen Nanshan Power Co.,Ltd.

In RMB

Item	Note	Amount at year-end	Amount at year-begin
<b>Current assets:</b>			
Monetary funds		1,119,323,850.36	685,708,711.65
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes receivable			
Accounts receivable	XIV.1	54,934,957.47	309,114,888.65
Accounts paid in advance		14,823,585.50	215,431.80
Interest receivable			
Dividend receivable			79,495,331.17
Other receivables	XIV.2	1,094,134,273.27	1,260,619,190.09
Inventories		72,731,417.64	73,381,539.62
Divided into assets held for sale			
Non-current asset due within one year			
Other current assets		447,404,211.11	460,714,889.70
<b>Total current assets</b>		<b>2,803,352,295.35</b>	<b>2,869,249,982.68</b>
<b>Non-current assets:</b>			
Finance asset available for sales		59,315,000.00	57,315,000.00
Held-to-maturity investment			

Long-term receivable	account			
Long-term investment	equity	XIV.3	691,982,849.76	691,982,849.76
Investment property				
Fixed assets			229,535,920.87	240,657,379.95
Construction in progress			709,640.09	744,725.65
Engineering material				
Disposal of fixed asset				
Productive biological asset				
Oil and gas asset				
Intangible assets			4,056,650.19	5,469,452.93
Expense on Research and Development				
Goodwill				
Long-term expenses to be apportioned				
Deferred income tax asset				
Other non-current asset				
<b>Total non-current asset</b>			<b>985,600,060.91</b>	<b>996,169,408.29</b>
<b>Total assets</b>			<b>3,788,952,356.26</b>	<b>3,865,419,390.97</b>

## Balance Sheet (cont.)

2016-12-31

Prepared by Shenzhen Nanshan Power Co.,Ltd.

In RMB

Item	Note	Amount at year-end	Amount at year-begin
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<b>Current liabilities:</b>			
Short-term loans		460,000,000.00	2,024,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses			
Derivative financial liability			
Notes payable		168,066,042.58	340,000,000.00
Accounts payable		427,800.87	24,793,826.11
Accounts received in advance			
Wage payable		27,224,865.99	25,958,401.01
Taxes payable		222,340,992.27	2,488,252.98
Interest payable		1,546,004.16	4,072,366.54
Dividend payable			
Other accounts payable		170,040,022.78	167,136,669.31
Divided into liability held for sale			
Non-current liabilities due within 1 year		123,000,000.00	
Other current liabilities			
<b>Total current liabilities</b>		<b>1,172,645,728.65</b>	<b>2,588,449,515.95</b>
<b>Non-current liabilities:</b>			
Long-term loans		305,500,000.00	250,000,000.00
Bonds payable			
Including: preferred stock			
Perpetual capital securities			

Long-term account payable			
Long-term wages payable			
Special accounts payable			
Projected liabilities			
Deferred income		26,051,964.27	28,425,205.59
Deferred income tax liabilities			
Other non-current liabilities			
<b>Total non-current liabilities</b>		<b>331,551,964.27</b>	<b>278,425,205.59</b>
<b>Total liabilities</b>		<b>1,504,197,692.92</b>	<b>2,866,874,721.54</b>
<b>Shareholders' equity:</b>			
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	288,857,244.22
Less: Inventory shares			
Other comprehensive income			
Reasonable reserve			
Surplus public reserve		332,908,397.60	332,908,397.60
Provision of general risk			
Retained profit		1,059,120,630.04	-225,983,568.39

Total shareholders' equity		2,284,754,663.34	998,544,669.43
Total liabilities and shareholders' equity		3,788,952,356.26	3,865,419,390.97

## Profit Statement

2016

Prepared by Shenzhen Nanshan Power Co.,Ltd.

In RMB

Item	Note	2016	2015
<b>I. Operating income</b>	XIV.4	<b>410,137,094.02</b>	<b>306,988,310.18</b>
Less: Operating cost	XIV.4	455,421,590.42	413,239,268.98
Tax and extras		4,577,729.40	6,307,806.46
Sales expenses			
Administration expenses		28,314,328.17	33,261,594.73
Financial expenses		9,826,341.67	59,049,878.84
Losses of devaluation of asset		-563,481,820.54	609,856,337.51
Add: Changing income of fair value(Loss is listed with "-")			
Investment income (Loss is listed with "-")		1,030,000,000.00	
Including: Investment income on affiliated company and joint venture			
<b>II. Operating profit (Loss is listed with "-")</b>		<b>1,505,478,924.90</b>	<b>-814,726,576.34</b>
Add: Non-operating income		3,620,794.71	221,694,796.44
Including: Disposal gains of non-current asset			27,053.47
Less: Non-operating expense		1,221,057.41	39,480.00
Including: Disposal loss of non-current asset		194,564.89	39,480.00

<b>III. Total Profit (Loss is listed with “-”)</b>		<b>1,507,878,662.20</b>	<b>-593,071,259.90</b>
Less: Income tax expense		222,774,463.77	
<b>IV. Net profit (Net loss is listed with “-”)</b>		<b>1,285,104,198.43</b>	<b>-593,071,259.90</b>
<b>V. Net after-tax of other comprehensive income</b>			
<b>VI. Total comprehensive income</b>		<b>1,285,104,198.43</b>	<b>-593,071,259.90</b>

## Cash flow statement

2016

Prepared by Shenzhen Nanshan Power Co.,Ltd.

In RMB

Item	Note	2016	2015
<b>I. Cash flows arising from operating activities:</b>			
Cash received from selling commodities and providing labor services		530,312,603.48	367,499,760.29
Write-back of tax received			
Other cash received concerning operating activities		1,237,749,305.26	391,268,697.57
<b>Subtotal of cash inflow arising from operating activities</b>		<b>1,768,061,908.74</b>	<b>758,768,457.86</b>
Cash paid for purchasing commodities and receiving labor service		749,453,800.95	496,864,894.73
Cash paid to/for staff and workers		66,911,299.96	67,647,677.08
Taxes paid		8,725,212.56	6,415,159.20
Other cash paid concerning operating activities		21,256,640.98	118,115,257.09
<b>Subtotal of cash outflow arising from operating activities</b>		<b>846,346,954.45</b>	<b>689,042,988.10</b>
<b>Net cash flows arising from operating activities</b>		<b>921,714,954.29</b>	<b>69,725,469.76</b>

<b>II. Cash flows arising from investing activities:</b>			
Cash received from recovering investment			
Cash received from investment income			
Net cash received from disposal of fixed, intangible and other long-term assets			79,570.39
Net cash received from the disposal of subsidiaries and other business units		1,030,000,000.00	
Other cash received concerning investing activities			
<b>Subtotal of cash inflow from investing activities</b>		<b>1,030,000,000.00</b>	<b>79,570.39</b>
Cash paid for purchasing fixed, intangible and other long-term assets		338,276.73	5,536,109.45
Cash paid for investment		2,000,000.00	
Other cash paid concerning investing activities			
<b>Subtotal of cash outflow from investing activities</b>		<b>2,338,276.73</b>	<b>5,536,109.45</b>
<b>Net cash flows arising from investing activities</b>		<b>1,027,661,723.27</b>	<b>-5,456,539.06</b>
<b>III. Cash flows arising from financing activities</b>			
Cash received from absorbing investment			
Cash received from loans		1,560,000,000.00	2,424,000,000.00
Cash received from issuing bonds			
Other cash received concerning financing activities		10,300,000.00	
<b>Subtotal of cash inflow from financing activities</b>		<b>1,570,300,000.00</b>	<b>2,424,000,000.00</b>
Cash paid for settling debts		2,945,500,000.00	1,989,000,000.00
Cash paid for dividend and profit distributing or interest paying		130,266,139.33	151,363,712.09
Other cash paid concerning financing activities			5,300,000.00

<b>Subtotal of cash outflow from financing activities</b>		<b>3,075,766,139.33</b>	<b>2,145,663,712.09</b>
<b>Net cash flows arising from financing activities</b>		<b>-1,505,466,139.33</b>	<b>278,336,287.91</b>
<b>IV. Influence on cash and cash equivalents due to fluctuation in exchange rate</b>		4,600.48	
<b>V. Net increase of cash and cash equivalents</b>		443,915,138.71	342,605,218.61
Add: Balance of cash and cash equivalents at the period -begin		675,408,711.65	332,803,493.04
<b>VI. Balance of cash and cash equivalents at the period -end</b>		<b>1,119,323,850.36</b>	<b>675,408,711.65</b>



Changes of Shareholders Equity

2016

Prepared by Shenzhen Nanshan Power Co.,Ltd.

In RMB

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

Decrease in this year (Decrease is listed with "-")				1,105,795.48						1,285,104,198.43	<b>1,286,209,993.91</b>
(I) Total comprehensive income										1,285,104,198.43	<b>1,285,104,198.43</b>
(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											

<b>distribution</b>												
1. Withdrawal of surplus reserves												
2. Withdrawal of general risk provisions												
3. Distribution for owners (or shareholders)												
4. Other												
<b>(IV) Carrying forward internal owners' equity</b>												
1. Capital reserves conversed to capital (share capital)												
2. Surplus												

reserves converted to capital (share capital)												
3. Remedying loss with surplus reserve												
4. Other												
<b>(V) Reasonable reserve</b>												
1. Withdrawal in the report period												
2. Usage in the report period												
<b>(VI)Others</b>					1,105,795.48							<b>1,105,795.48</b>
<b>IV. Balance at the end of the year</b>	602,762,596.00				289,963,039.70				332,908,397.60		1,059,120,630.04	<b>2,284,754,663.34</b>

Changes of Shareholders Equity (Cont.)

2016

Prepared by Shenzhen Nanshan Power Co.,Ltd.

Item	Amount in last year											
	Share capital	Other equity instruments			Capital reserve	Less : stock share	Other comprehensive income	Special reserve	Surplus reserves	General risk reserve	Retained profit	Total owners' equity
		Preferr ed stock	Perpetu al debt	Othe r								
<b>I. Balance at the end of the last year</b>	602,762,596.00				288,769,132.47				332,908,397.60		367,087,691.51	<b>1,591,527,817.58</b>
Add: Changes of accounting policy												
Error correction of the last period												
Other												
<b>II. Balance at the beginning of</b>	602,762,596.00				288,769,132.47				332,908,397.60		367,087,691.51	<b>1,591,527,817.58</b>

this year												
<b>III. Increase/ Decrease in this year (Decrease is listed with “-”)</b>					88,111.75						-593,071,259. 90	<b>-592,983,148.1 5</b>
<b>(I) Total comprehens ive income</b>											-593,071,259. 90	<b>-593,071,259.9 0</b>
<b>(II) Owners’ devoted and decreased capital</b>												
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												
<b>(III) Profit distribution</b>												
1. Withdrawal of surplus reserves												
2. Withdrawal of general risk provisions												
3. Distribution for owners (or shareholders)												
4. Other												
<b>(IV) Carrying forward internal owners' equity</b>												
1. Capital reserves conversed to capital (share												

capital)												
2. Surplus reserves converted to capital (share capital)												
3. Remediating loss with surplus reserve												
4. Other												
<b>(V) Reasonable reserve</b>												
1. Withdrawal in the report period												
2. Usage in the report period												
<b>(VI)Others</b>					88,111.75							<b>88,111.75</b>
<b>IV. Balance at the end of the year</b>	602,762,596.00				288,857,244.22				332,908,397.60		-225,983,568.39	<b>998,544,669.43</b>

Legal Representative:



**Person in charge of Accounting Works:**

**CFO:**

**Person in charge of Accounting Institution:**

# Shenzhen Nanshan Power Co., Ltd.

## Notes to financial statement 2016

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

### I. Company Profile

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

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

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

The financial statement was approved and decided by the Broad of the Company on 24 March 2017.

In 2016, there are nine subsidiaries included in the consolidate statement, after equity disposal of the Zhongshan Shenzhong Real Estate Development Co., Ltd. and Zhongshan Real Estate Investment Property Co., Ltd., in the Year, the two companies are exclude in the consolidate statement since 19 December 2016, found more in VIII. Equity in other main body and Note VII. Change of Consolidate Scope

The Company together with its subsidiaries (hereafter referred as the Company) is mainly engaged in businesses as production of power and heat, plant constructional, oil trader, property developmental (included from year-begging to the equity disposal date), construction technology consultation and sludge drying.

### II. Preparation basis of Financial Statements

#### 1. Preparation basis

The Group’s financial statements have been prepared based on the going concern assumption. The financial statements have been prepared based on actual transactions and events, in accordance with the Accounting Standards for Business Enterprises- Basic Norms(Ministry of Finance Order No.33 Issued, Ministry of Finance Order No.76 Revised) promulgated by the Ministry of Finance of PRC on 15 February 2006 and 41 specific accounting standards, the subsequently promulgated application guidelines of the Accounting Standards for Business Enterprises, interpretations and other related rules of the Accounting Standards for Business Enterprises (hereinafter referred to as “ASBEs”), and the disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15- General Requirements for Financial Reports” (revised in 2010) of China Securities Regulatory Commission.

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

### III. Declaration of obedience to corporate accounting principles

The Financial Statements are up to requirements of corporate accounting principles, and also a true and thorough reflection to the Group together with its financial information as financial position on 31<sup>st</sup> December 2016, and the Company together with its operation results, and cash flow for the year of 2016. In addition, the financial statements of the Group also comply with, in all material respects, the disclosure requirements of the “Regulation on the Preparation of Information Disclosures of Companies Issuing Public Shares, No. 15--General Requirements for Financial Reports” revised by the China Securities Regulatory Commission in 2014 and the notes thereto.

## **IV. The main accounting policies and accounting estimates**

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

### **1. Accounting period**

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

### **2. Operating cycle**

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

### **3. Bookkeeping standard currency**

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

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

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

#### **(1) Consolidation of enterprises under the same control**

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

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

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

#### **(2) Consolidation of enterprises not under the same control**

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

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

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

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

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

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

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

## **5. Preparation methods for corporate consolidated statements**

### **(1) Determining principle for consolidated financial report scope**

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

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

### **(2) Preparation methods for corporate consolidated statements**

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

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

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

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

For control rights loss in original subsidiary for partial equity investment disposal or other reasons, the remained equity should re-measured based on the fair value at date of control losses. The difference between the net assets of original subsidiary share by proportion held that sustainable calculated since purchased date and sum of

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

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

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

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

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

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

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

recognizes this loss based on the proportion in connection with purchase of assets from joint operations.

#### **7. Determination criteria of cash and cash equivalent**

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

#### **8. Foreign currency business and foreign currency statement translation**

##### **(1) Foreign currency business translation**

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

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

On balance sheet date, foreign currency monetary items are translated at the spot rate as of balance sheet date, and the exchange difference shall be included in current period gains and losses, except(1)exchange difference arising from foreign currency special borrowings relating to purchasing assets satisfying capitalization conditions is stated under capitalization principle of borrowing expenses; (2)exchange difference arising from hedge instruments used as effective hedging of net investment in overseas operation (such difference shall be included in other comprehensive income and recognized as current period gains and losses when the net investment is disposed); and (3)exchange difference arising from change of carrying balance of available for sale foreign currency monetary items other than amortized cost is included in other comprehensive income.

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

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

##### **(3) Translation of foreign currency financial statement**

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

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

as stated under shareholders' equity in balance sheet shall be transferred to current gains and losses of disposal in full or under the proportion it disposes.

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

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

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

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

## **9. Financial instruments**

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

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

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

### **(2) Classification, recognition and measurement of financial assets**

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

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

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

Financial assets may be classified as financial assets held for trading if one of the following conditions is met: A. the financial assets is acquired or incurred principally for the purpose of selling it in the near term; B. the financial assets is part of a portfolio of identified financial instruments that are managed together and for which there is



objective evidence of a recent pattern of short-term profit-taking; or C. the financial assets is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value and are required to be settled through that equity instrument.

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

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

#### ② Held-to-maturity investments

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

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

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

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

#### ③ Loans and receivables

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

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

#### ④ Available-for-sale financial assets

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

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

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

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

### (3) Impairment of financial assets

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

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

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

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

#### ② Impairment of available-for-sale financial assets

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

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

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

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

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

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

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

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

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

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

#### (5) Categorizing and measuring of financial liabilities

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

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

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

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

##### ② Other financial liabilities

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

##### ③ Financial Guarantee Contracts and loan commitment

Financial guarantee contracts other than those designated as financial liabilities at fair value through profit or loss

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

(6) Termination recognition of financial liabilities

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

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

(7) Derivatives and embedded derivatives

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

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

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

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

(9) Equity instrument

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

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

**10. Account receivable**

Account receivable included account receivable and other account receivable.

(1) Recognition of bad debt provision

The Group reviews carrying value of account receivables on balance sheet date, and make impairment provision

for account receivables which are proven to be impaired by the following objective evidences: ①debtor experiences material financial difficulties; ②debtor is in breach of contract terms (for instance: default or expiration of payment for principal or interest); ③debtor is likely to face bankruptcy or other financing restructuring; ④other objective evidence showing account receivables are impaired.

(2) Provision for bad debt reserves

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

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

(2) Valuation method of inventory delivered

The inventories are initially measured at cost. The costs of developing products include land grant fee, expenditures for auxiliary facilities, expenses on construction and installation, borrowing

costs incurred before the completion of the subject project and other related expenses during the course of the development. Other cost of inventories comprises purchase costs, processing costs and other costs incurred in bringing the inventories to their present location and condition.

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

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

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

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

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

(4) The inventory system is perpetual inventory system.

## **12. Classified as assets held for sale**

If a non-current asset can be promptly sold at its existing status only according to the practice terms in connection with disposal of this kind of assets, and the Company has already made resolution on disposal of the non-current asset and entered into irrevocable transfer agreement with the transferee, and this transfer will be completed within one year, then the non-current asset would be calculated as non-current asset held for sale which would be not applicable to depreciation or amortisation since the date of classification as asset held for sale, and would be measured at the lower of its carrying value less disposal cost and fair value less disposal cost. Non-current asset held for sale consists of single item asset and disposal group. If a disposal group is a group of assets as defined by No.8 of Business Accounting Standards-Assets Impairment, and goodwill arising from business combination shall be allocated to the group of assets under this accounting principle, or the disposal group constitutes one operation of the group of assets, then the disposal group includes the goodwill arising from business combination.

For single non-current asset and asset in disposal group classified as assets held for sale, they shall be presented in balance sheet separately as current assets. For liabilities in disposal group relating to the transferred assets classified as assets held for sale, they shall be presented in balance sheet separately as current liabilities.

If an asset or disposal group classified as held for sale no longer meets the recognition condition as non-current asset held for sale, the Company will cease such recognition and measure the asset at the lower of (1)the carrying value of the asset or disposal group prior to being classified as held for sale, based on the amount adjusted with the depreciation, amortisation or impairment which should have been recognized assuming it had not been classified as held for sale; (2)the recoverable amount on the date when the Company decides to cease disposal.

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

Long-term equity investments under this section refer to long-term equity investments in which the Company has control, joint control or significant influence over the investee. Long-term equity investment without control or

joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss. Details on its accounting policy please refer to Note 9. "Financial instruments" under section IV.

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

#### (1) Determination of investment cost

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

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

transferred to profit or loss for the current period.

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

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

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

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

##### ① Long-term equity investment checked by the cost

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

##### ② Long-term equity investment checked by the equity

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

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Group’s share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group’s share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognize its share of the investee’s net profits or losses based on the fair values of the investee’s individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of inconformity between the accounting policies and accounting periods of the investee and the Company, the financial statements of the investee shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealized gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognized accordingly. However, any unrealized loss arising from inter-group transactions between the Group and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets.



In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with “Accounting Standards for Business Enterprises No. 20 “Business combination”. All profit or loss related to the transaction shall be accounted for.

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

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

#### ③ Acquisition of minority equity

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

#### ④ Disposal of long-term equity investment

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

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

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

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

other comprehensive income and profit distribution of investee) shall be transferred to profit or loss for the current period on pro rata basis.

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

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

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

#### **14. Investment real estate**

Investment real estate is defined as the real estate with the purpose to earn rent or capital appreciation or both, including the rented land use rights and the land use rights which are held and prepared for transfer after appreciation, the rented buildings. Besides, vacant buildings held by the Company for operating or lease purposes would be also stated as investment property provided that board of directors (or similar authority) pass written

resolution which definitely expresses that the buildings will be held for operating or lease purposes and the intention for holding will not change shortly.

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

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

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

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

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

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

## 15. Fixed assets

### (1) Recognition conditions for the fixed assets

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

### (2) Depreciation of various fixed assets

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

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

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

Transportation tools	5 years	10%	18%
Other equipment	5 years	10%	18%

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

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

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

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

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

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

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

### (5) Other remarks

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

Others follow-up expenses should reckoned into current gains/losses while occurred.

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

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

## 16. Construction-in-progress

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

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

### **17. Borrowing expenses**

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

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

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

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

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

### **18. Intangible assets**

#### **(1) Intangible assets**

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

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

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

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

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

the accounting policies accordingly.

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

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

### **19. Long-term expenses to be amortized**

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

### **20. Impairment of long-term assets**

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

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

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

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

### **21. Staff remuneration**

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

Short term staff remuneration mainly consists of salary, bonus, allowance and subsidy, staff benefits, medical insurance, maternity insurance, work related injury insurance,

housing funds, labor unit fee and education fee, non-monetary benefits, etc. short term staff remuneration actually happened during the accounting period in which staff provides services to the Company is recognized as liability, and shall be included in current gains and losses or relevant asset cost. Non-monetary benefits are measured at fair value.

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

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

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

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

## **22. Accrued liabilities**

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

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

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

### **(1) Contact in loss**

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

contingent liability.

#### (2) Restructuring obligations

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

### **23. Share-based Payments**

#### (1) Accounting treatment

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

##### ① Equity-settled Share-based Payment

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

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

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

##### ②Cash-settled Share-based Payment

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

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

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

If any modification made by the Group to the share-based payment scheme increases the fair value of the equity instrument awarded, services obtained shall be increased accordingly. The increase in fair value of such equity



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

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

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

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

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

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

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

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

## **24. Income**

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

(1) Power sales revenue

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

(2) Real estate sales revenue

① Developed products

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

economic benefits are likely to inflow; and when the cost incurred or to be incurred of the project can be measured reliably, confirm the realization of sales revenue.

## ② Installment sales

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

## (3) Revenue from Providing Labor Service

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

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

## **25. Government grant**

Government subsidies are those monetary and/or non-monetary assets obtained from the government by free, not including the capital invested by the government as owner. Government grant divided into the government grant related to assets and the government grant related to income.

Those government grants of monetary assets are measured at the amount received or receivable. Non-monetary government grants are measured at fair value. If no fair value is available, nominal amount will be adopted. Government subsidies measured at nominal amount are accounted into current gains/losses directly.

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

If confirmed government grant needs to be surrendered, for government grant with relevant balance of deferred income, book balance of relevant deferred income will be offset while remnant will be included in current profit and loss. On the contrary, for government grant without relevant deferred income, it will be directly in current gain and loss.

Bases for recognition of government grants received by the Company and its subsidiaries are set out below:

### (1) Bases for recognition of government grant received by the Company

Pursuant to the notice relating to provisionally collecting fuel and gas processing fee as subsidies for peak power generation by local power plants (SFB[2010]74) issued by the office of Shenzhen municipal government, 2011

reply relating to confirming subsidy arrangement for power generation by Shenzhen power plants (SKGMXDZZi[2010]207) issued by Economy, Trade and Information Commission of Shenzhen Municipality as well as the notice relating to continuously collecting fuel and gas processing fee as subsidies for losses arising from peak power generation by local power plants (SKGMXDZZi[2011]206), from January to September 2015, the Company has calculated the receivable fuel subsidy income and affirmed as governmental subsidy revenue in accordance with the calculation method specified by "Interim measures for managing electricity generation subsidy of gas generating unit in Shenzhen" (SFB No. [2015] 14) of Shenzhen Municipal People's Government Office.

Pursuit to the regulation of "Notice of the Fuel Consumption Subsidy for Five Local Power Plant in Shenzhen (Jan. 2009 – March 2011)" (Shen Cai Ke [2015] No. 246) from Shenzhen Finance Committee, and being deliberated and approved by the 11<sup>th</sup> session of 6<sup>th</sup> Executive Meeting of Shenzhen Municipal Government, the fuel consumption subsidy from Jan. 2009 to March 2011, that is 68,867,833.65 Yuan would subsidize, and the Company recognized them as the government subsidy income in 3 Q of 2015.

According to the notice of "Notice on transmitting 'power generation plans of Shenzhen 110 kilovolt power plants in the fourth quarter of 2015' issued by Economy, Trade and Information Commission of Shenzhen Municipality" (SJMXXDZZ No. [2015] 205), Guangdong Province has cancelled the fuel oil and fuel gas processing fees since October 1, 2015, and Shenzhen would follow and stop collecting the fuel oil and fuel gas processing fees, and Shenzhen would stop giving subsidies to the peak electricity of local power plants since October 1, 2015.

The government subsidy incomes are recognized for year of 2016 by the followed notices, that is, "notice of conventional generation subsidy balance distribution of gas-fired genset for four local power plants 2014 from Shenzhen Economic & Trade Information Committee and Shenzhen Finance Committee" (SJMXXDZ[2016] No.115), the "notice of conventional generation subsidy and emergency power distribution of gas-fired genset for four local power plants 2015 from Shenzhen Economic & Trade Information Committee and Shenzhen Finance Committee" (SJMXXDZ[2016] No.273), and "some of the fuel consumption tax refund (from Jan. 2009 to April 2010) under the name of Shenzhen Nanshan Power Co., Ltd. Notice from Economic & Trade Information Committee, Shenzhen NDRC and Shenzhen Finance Committee" (SJMXXDZZi[2016] No.153).

(2) Bases for recognition of government grants received by our subsidiaries Shennandian (Zhongshan) Power Co., Ltd. (hereinafter referred to as "Zhongshan Power") and Shennandian (Dongguan) Weimei Power Co., Ltd. (hereinafter referred to as "Weimei Power")

Pursuant to the provisions set out in the notice relating to provisionally collecting gas and oil processing fee (YFH[2008]31) issued by Guangdong Provincial Government and the relevant documents issued by Guangdong Price Control Administration, Zhongshan Power and Weimei Power shall recognise government grant income

upon actual receipt of gas and oil processing subsidy fee or receipt of relevant vouchers proving collection of gas and oil processing subsidy fee.

In 2015, Zhongshan Power and Weimei Power have calculated the receivable fuel subsidy income and affirmed as governmental subsidy revenue in accordance with the regulations of relevant documents of "Notice about the subsidy liquidation in 2014 and subsidy arrangement in the first half year of 2015 of fuel oil and fuel gas processing fees" YFGJGH No. [2015] 629.

According to "Notice about stop collecting the fuel oil and fuel gas processing fees transmitted by Zhongshan Development and Reform Bureau, Zhongshan Economic and Information Technology Bureau, and Zhongshan Finance Bureau" (ZFGJG No. [2015] 512) and "Notice about stop collecting the fuel oil and fuel gas processing fees of Guangdong Development and Reform Commission, Economic & Information Commission of Guangdong Province, and Department of Finance of Guangdong Province" (YFGJG No. [2015] 565), and approved by People's Government of Guangdong Province, the "Notice about temporarily collecting the fuel oil and fuel gas processing fees" (YF No. [2008] 31) has been stopped executing since October 1, 2015, and would stop giving subsidies to the peak electricity of local power plants since October 1, 2015.

According to relevant regulations of "Notice of Gas&Fuel Processing Fees Subsidy from Jan. to Sept. 2015 from Guangdong NDRC, Guangdong Economic & Information Committee and Guangdong Dept. of Finance"(YFGJGH[2015] No. 221) , Zhongshan Power and Weimei Power recognized the subsidy income in 2016.

Pursuant to the natural gas sales contract entered into between the Weimei Power Company and Guangdong Trade branch of China shipping liquefied petroleum gas (LPG) electric group co., LTD, 2012-2013 natural gas sales confirmation letter and its relevant supplementary agreements, Weimei Power Company shall realize tax rebate income of natural gas import value-added tax when it receives accounts from Guangdong Trade branch of China shipping liquefied petroleum gas (LPG) electric group co., LTD.

3. Subsidiary of the Company- Shenzhen Shennan Power Environment Protection Co., Ltd (hereinafter referred to as "Environment Protection Company"), who is the sludge treatment enterprise, enjoys 70% of the drawback policy of VAT, which has been recognized as government subsidy income, in line with the Notice of "Issued on Preferential Directory of Integrated Use of Natural Resources Products and Labor VAT from Ministry of Finance and SAT (CS [2015] No.78)".

## **26. Deferred income tax asset/ deferred income tax liability**

### (1) Current income tax

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

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

For balance of book value of some asset/liability item and its tax base, or temporary difference derived from

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

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

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

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

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

### (3) Income tax expenses

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

Current deferred income tax and deferred income tax expenses or income shall reckoned into current gains/losses other 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.

## 27. Leasing

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

### (1) Lease business with the Company as the rentee

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

### (2) Lease business with the Company as the renter

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

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

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

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

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

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

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

## 28. Other Main Accounting Policies and Estimations

### Debt restructures

#### (1) Obligation of recording debt restructuring as debtor

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

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

When other terms of debt are modified, fair value of debt after modification will be taken as entry value of

restructured debt. Balance between book value of debt prior to restructuring and debt restructured will be included in current gain and loss.

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

(2) Obligation of recording debt restructuring as loaner

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

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

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

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

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

## **29. Changes of main accounting policy and accounting estimation**

(1) Change of accounting policy

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

(2) Change of accounting estimation

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

## **30. Major accounting judgment and estimation**

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

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

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

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

The Group recognizes depreciation for unit electricity based on values of power generation machine sets, projected power sales volume and projected net remaining value, and provides for depreciation according to depreciation of

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

(2) The provisional estimated value of fixed assets

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

(3) Provision for bad debts

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

(4) Allowance for inventories

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

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

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

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

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

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



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

(6) Depreciation and amortisation

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

(7) Deferred income tax assets

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

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

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

(9) Projected liability

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

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

## V. Taxes

### 1. Main taxation and tax rate

Taxation items	Tax rate
VAT	Output tax calculated based on the 6%, 11%, 13% or 17% of the taxable income, VAT based on the difference after deducted the current input tax
Business tax	Taxed by 3% and 5% of the taxable turnover (note 1)

Taxation items	Tax rate
City maintenance tax	Taxed by 1% , 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 12.5% to 25% of the taxable income amount
Real estate tax	As for the taxed by residual value, paid with the 1.2% of the residual value after original value deducted 30%; as for the taxed by house rental, taxed with 12% of the rental income
Land-use tax of town	2.5 Yuan ~ 9Yuan per square meter for the land area actually occupied
Land VAT	Tax by the Value-added amount from transferring state-owned land use right , landing construction and its affiliates with four super-rate progressive tax rate

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

Taxpaying body	Rate of income tax
Shenzhen Nanshan Power Co., Ltd. (“the Company”)	25%
Shenzhen New Power Industrial Co., Ltd (“New Power Company”)	25%
Shenzhen Shennan Power Gas Turbine Engineering Technique Co., Ltd. (“Engineering Company”)	25%
Shenzhen Server Energy Co., Ltd. (“Shenzhen Server”)	25%
Shenzhen Shennan Power Environment Protection Co., Ltd (“Environment Protection Company”)	12.5%
Shennandian (Zhongshan) Power Co., Ltd. (“Zhongshan Power Company”)	25%
Shennandian (Dongguan) Weimei Power Company Limited (“Weimei Power Company”)	25%
SHENNAN ENERGY (SINGAPORE) PTE LTD (“Singapore company”)	20%
Zhongshan Shenzhong Real Estate Development Co., Ltd. (“Shen Development”)	25%
Zhongshan Shenzhong Real Estate Investment Property Co., Ltd. (“Shen Investment Property”)	25%
Zhongshan Shennandian Storage Co., Ltd. (“Shen Storage”)	25%
HONG KONG SYNDISOME CO., LIMITED (“SYNDISOME”)	16.5%

Note1: the income from currencies deposit with relevant companies between the Company and its subsidiaries was calculated based on the 15% for its business tax. In line with regulation of Notice of Implemented on Pilot for the Change from Business Tax to Value-Added Tax (CS[2016] No. 36), the income was tax for VAT with rate of 6% since 1 May 2016

## 2. Taxes preferential and approvals

Tax	Name of the company	Relevant regulation and policies basis	Approval institution	Approval documents	Exemption range	Period of validity
VAT	Environment Protection Company	"Notice of adjustment and perfection on resources comprehensive usage and labor VAT policy"(CS No.115[2011])	Not applicable	Not applicable	VAT free for sludge treatment	Not applicable
VAT	Environment Protection Company	Notice on "contents of products with comprehensive utilization of resources and value-added tax privilege of labour service" (CS No. [2015] 78)	Shenzhen Provincial Office, SAT (Qianhai SAT)	SGSQHB A No.[2015]002	Resource comprehensive utilization of VAT refund	2015-8-1 to 2018-7-31
Enterprise income tax	SYNDI SOME	"Arrangement of avoidance of double-taxation and prevention of tax free in mainland China and Hong Kong Special Administrative Region"(GSH No. 884[2006])	Not applicable	Not applicable	Levy income tax by 10% of total share interests	Not applicable
Enterprise income tax	SYNDI SOME	'Enterprise Income Tax Law of People's Republic of China"	State Tax Bureau of Nanshan District Shenzhen	Shen Guo Sui Nan Kou Jiao Bei Zi No.: [2011]0011	No enterprise income tax should pay for the dividend before 31 December 2007	Not applicable

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

2. In accordance with the tax preference notification SGSSJ MBA No. [2013]128 of Shenzhen Provincial Office, State Administration of Taxation, environmental companies enjoy the preferential tax policy of two exemptions

and three halve, i.e. exempting the corporate income tax from 2012 to 2013, and halving the corporate income tax from 2014 to 2016.

## 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, 2016, “year-end” refers to Dec. 31, 2016

### 1. Monetary fund

Item	2016.12.31	2016.1.1
Cash on hand	78,112.86	190,537.37
Bank savings	1,350,850,474.24	1,014,404,258.41
Other monetary fund	64,621,818.92	12,031,684.28
Total	1,415,550,406.02	1,026,626,480.06
Including: total amount saving aboard	6,369,994.14	6,182,638.41

Note: among the aforesaid other monetary fund, there has 26,068,078.16 Yuan guarantee deposit restricted for use (31 December 2015: including 5,000,000.00 Yuan-draft bond and 5,300,000.00 Yuan – loan interest margin)

### 2. Note receivable

#### (1) Classification

Item	2016.12.31	2016.1.1
Bank acceptance	600,000.00	1,200,000.00

(2) No note receivable pledged on 31 Dec. 2016

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

### 3. Account receivable

#### (1) Classification

Type	2016.12.31				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivable with single major amount and withdrawal bad debt provision for single item	3,474,613.06	2.01	3,474,613.06	100.00	0.00
Account receivable withdrawal bad debt provision by group of credit risk	158,003,038.63	91.57	0.00	0.00	158,003,038.63

Type	2016.12.31				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
characteristics					
Account receivable with single minor amount but withdrawal bad debt provision for single item	11,075,730.61	6.42	2,270,096.82	20.50	8,805,633.79
Total	172,553,382.30	100.00	5,744,709.88	3.33	166,808,672.42

(Continued)

Type	2016.1.1				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Accruing proportion (%)	
Account receivable with single major amount and withdrawal bad debt provision for single item	54,602,786.66	13.24	6,031,021.74	11.05	48,571,764.92
Account receivable withdrawal bad debt provision by group of credit risk characteristics	355,717,289.70	86.24	0.00	0.00	355,717,289.70
Account receivable with single minor amount but withdrawal bad debt provision for single item	2,153,960.71	0.52	1,051,572.48	48.82	1,102,388.23
Total	412,474,037.07	100.00	7,082,594.22	1.72	405,391,442.85

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

Account receivable (by unit)	2016.12.31			
	Account receivable	Bad debt provision	Accruing proportion (%)	Accrual reason
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	3,474,613.06	3,474,613.06	100.00	Un-collectible
Total	3,474,613.06	3,474,613.06	100.00	

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

Account receivable	2016.12.31		
	Book Balance	Bad debt provision	Accruing proportion
Account of engineering receivable	9,697,248.34	891,614.55	9.19
Amount of oil sales receivable	146,915.10	146,915.10	100.00
Amount of dry mud sales receivable	69,900.10	69,900.10	100.00
Gas revenue	138,067.07	138,067.07	100.00
Allowance receivable	1,023,600.00	1,023,600.00	100.00
Total	11,075,730.61	2,270,096.82	20.50

## (2) Age analysis of account receivable

Item	2016.12.31		2016.1.1	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	115,655,678.86	67.03	275,368,307.23	66.76
1 to 2 years	51,570,173.60	29.89	132,473,345.51	32.12
2 to 3 years	69,514.51	0.40	0.00	0.00
Over 3 years	4,632,384.33	2.68	4,632,384.33	1.12
Total	172,553,382.30	100.00	412,474,037.07	100.00

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

Amount of bad debt provision was 1,218,524.34 Yuan in the year, bad debts preparation was 2,556,408.68 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 162,230,434.46 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 0 Yuan.

## 4. Account paid in advance

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

Age	2016.12.31		2016.1.1	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	43,583,360.72	99.81	168,131.80	66.05
1 to 2 years	18,304.20	0.04	37,225.29	14.62
2 to 3 years	37,225.30	0.09	0.00	0.00

Over 3 years	24,200.00	0.06	49,200.00	19.33
Total	43,663,090.22	100.00	254,557.09	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 43,367,022.72 Yuan, accounting for 99.32% of the total amount of year end balance of prepayments.

## 5. Other account receivable

### (1) Other account receivable classified according to type

Type	2016.12.31				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Accruing proportion (%)	
Other account receivable with individual major amount and withdrawal bad debt provision independently	20,341,666.46	4.75	20,341,666.46	100.00	0.00
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	395,419,207.21	92.36	0.00	0.00	395,419,207.21
Other account receivable with individual minor amount but withdrawal bad debt provision independently	12,369,158.95	2.89	11,983,464.95	96.88	385,694.00
Total	428,130,032.62	100.00	32,325,131.41	7.55	395,804,901.21

(Continued)

Type	2016.1.1				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Accruing proportion (%)	
Other account receivable with individual major amount and withdrawal bad debt provision independently	20,341,666.46	36.95	20,341,666.46	100.00	0.00
Other account receivable withdrawal	30,246,625.69	54.95	0.00	0.00	30,246,625.69

Type	2016.1.1				Book value
	Book Balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Accruing proportion (%)	
bad debt provision by group of credit risk characteristics					
Other account receivable with individual minor amount but withdrawal bad debt provision independently	4,460,450.11	8.10	4,021,756.11	90.16	438,694.00
Total	55,048,742.26	100.00	24,363,422.57	44.26	30,685,319.69

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

Other account receivable (by unit)	2016.12.31			Accrual reason
	Other account receivable	Bad debt provision	Accruing proportion (%)	
Huiyang County Kangtai Industrial Company	14,311,626.70	14,311,626.70	100.00	Un-collectible
Shandong Jinan Power Equipment Factory	3,560,000.00	3,560,000.00	100.00	Un-collectible
Individual income tax	2,470,039.76	2,470,039.76	100.00	Un-collectible
Total	20,341,666.46	20,341,666.46	100.00	

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

Other account receivable	2016.12.31		
	Book Balance	Bad debt provision	Accruing proportion
Dormitory amount receivable	2,083,698.16	1,736,004.16	83.31
Deposit receivable	1,312,974.95	1,312,974.95	100.00
Bureau of Finance of Zhongshan Municipality	219,192.00	219,192.00	100.00
Administrative Office of Nanshan District Shenzhen	50,000.00	12,000.00	24.00
Personal money	7,979,708.84	7,979,708.84	100.00



Other account receivable	2016.12.31		
	Book Balance	Bad debt provision	Accruing proportion
Other	723,585.00	723,585.00	100.00
Total	12,369,158.95	11,983,464.95	96.88

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

Amount of bad debt provision was 7,979,708.84 Yuan in the year, bad debts preparation was 18,000.00 Yuan.

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

(4) Other account receivable classified according to age

Item	2016.12.31		2016.1.1	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1year	69,364,710.56	16.20	5,941,853.01	10.80
1 to 2years	267,084,650.63	62.39	756,215.01	1.37
2 to 3years	36,407,431.32	8.50	23,754,125.80	43.15
Over 3 years	55,273,240.11	12.91	24,596,548.44	44.68
Total	428,130,032.62	100.00	55,048,742.26	100.00

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

(6) Account receivable from related parties found more in Note 11-6. Account receivable/payable with related party

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

Name of the company	Relationship with the Company	Year-end balance	Age	Proportion in total year-end balance of other account receivable (%)	Year-end balance of bad debt provision
Zhongshan Shenzhong Real Estate Development Co., Ltd.	Non-related party (note)	356,285,962.22	1-3 years	83.22	0.00
Huiyang County Kangtai Industrial Company	Non-related party	14,311,626.70	Over 3 years	3.34	14,311,626.70
Managed account of Huidong Server	Related party	12,930,850.20	Within one year, 1-2 years, 2-3 years, over 3 years	3.02	0.00
Huidong Server Harbor Comprehensive Development Co., Ltd.	Related party	11,022,401.44	Within one year, 1-2 years, over 3 years	2.57	0.00

Name of the company	Relationship with the Company	Year-end balance	Age	Proportion in total year-end balance of other account receivable (%)	Year-end balance of bad debt provision
(hereinafter referred to as “Huidong Server”)					
Sinopec Zhonghai Ship Fuel Supply Co., Ltd.	Non-related party	4,382,567.43	Within one year	1.02	0.00
Total		398,933,407.99	—	93.17	14,311,626.70

Note: equity of the followed enterprise - Zhongshan Shenzhong Real Estate Development Co., Ltd. and Zhongshan Real Estate Investment Property Co., Ltd. are on sale in the Year, and they are not included in the consolidated statement since 19 December 2016 and they are not the related party dated 31 December 2016

## 6. Inventory

### (1) Classification

Item	2016.12.31		
	Book Balance	Depreciation provision	Book value
Fuels	9,464,593.90	9,190,295.09	274,298.81
Raw materials	126,083,472.44	45,673,691.68	80,409,780.76
Development cost (Note)	0.00	0.00	0.00
Land Space Needed to Development (Note)	0.00	0.00	0.00
Total	135,548,066.34	54,863,986.77	80,684,079.57

### (Continued)

Item	2016.1.1		
	Book Balance	Depreciation provision	Book value
Fuels	9,785,383.29	9,190,295.09	595,088.20
Raw materials	131,377,979.93	42,417,645.34	88,960,334.59
Development cost	234,664,841.89	4,690,455.68	229,974,386.21
Land Space Needed to Development	1,030,478,670.36	677,325,429.94	353,153,240.42
Total	1,406,306,875.47	733,623,826.05	672,683,049.42

Note: after equity of the followed enterprise - Zhongshan Shenzhong Real Estate Development Co., Ltd. and Zhongshan Real Estate Investment Property Co., Ltd. are on sale in the Year, and they are not included in the consolidated statement since 19 December 2016, the assets and liabilities of the two enterprises are being shifting

out.

#### (4) Inventory falling price reserves

Item	2016.1.1	Current increased		Current decreased		2016.12.31
		Accrual	Other	Switch-back or write-off	Other	
Fuels	9,190,295.09	0.00	0.00	0.00	0.00	9,190,295.09
Raw materials	42,417,645.34	3,260,011.19	0.00	3,964.85	0.00	45,673,691.68
Development cost(Note)	4,690,455.68	0.00	0.00	0.00	4,690,455.68	0.00
Land Space Needed to Development (Note)	677,325,429.94	0.00	0.00	0.00	677,325,429.94	0.00
Total	733,623,826.05	3,260,011.19	0.00	3,964.85	682,015,885.62	54,863,986.77

Note: see the description above

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

Item	Accrual basis	Reasons of switch-back	Reasons of write-off
Fuels	Cost higher the net realizable value	Not applicable	Not applicable
Raw materials	Cost higher the net realizable value	Not applicable	Raw materials have been taken and used
Development cost	Cost higher the net realizable value	Not applicable	Not applicable
Land Space Needed to Development	Cost higher the net realizable value	Not applicable	Not applicable

## 7. Other current assets

Item	2016.12.31	2016.1.1
VAT input tax deductible	541,521,707.47	597,813,020.06
Enterprise income tax deductible	6,991,073.22	6,583,089.98
Other	30,000.00	30,000.00
Total	548,542,780.69	604,426,110.04

## 8. Financial assets available for sale

### (1) Financial assets available for sale

Item	2016.12.31			2016.1.1		
	Book Balance	Depreciation reserves	Book value	Book Balance	Depreciation reserves	Book value
Equity instrument available for sale	61,815,000.00	2,500,000.00	59,315,000.00	59,815,000.00	2,500,000.00	57,315,000.00
Including: measured by cost	61,815,000.00	2,500,000.00	59,315,000.00	59,815,000.00	2,500,000.00	57,315,000.00
Total	61,815,000.00	2,500,000.00	59,315,000.00	59,815,000.00	2,500,000.00	57,315,000.00

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

Investee company	Book Balance			Depreciation reserves		
	Year-begin	+, -	Year-end	Year-begin	+, -	Year-end
CPI Jiangxi Nuclear Power Co., Ltd.	57,315,000.00	2,000,000.00	59,315,000.00	0.00	0.00	0.00
Shenzhen Petrochemical Products Bonded Trading Co., Ltd.	2,500,000.00	0.00	2,500,000.00	2,500,000.00	0.00	2,500,000.00
Total	59,815,000.00	2,000,000.00	61,815,000.00	2,500,000.00	0.00	2,500,000.00

Continued

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

## 9. Long-term equity investment

Investee	2016.1.1	+, -

company		Additi onal invest ment	Disinvest ment	Investment gains/losses recognized by equity method	Other comprehensive income adjustment	Other changes in equity
I. Joint venture						
Huidong Server (note)	22,520,2 74.78	0.00	0.00	-2,215,210.60	0.00	0.00
Total	22,520,2 74.78	0.00	0.00	-2,215,210.60	0.00	0.00

(Continued)

The invested unit	+,-			2016.12.31	Year-end balance of depreciation reserves
	Declaration of cash dividends or profits	Provision for impairment	Other		
I. Joint venture					
Huidong Server (note)	0.00	0.00	0.00	20,305,064.18	0.00
Total	0.00	0.00	0.00	20,305,064.18	0.00

Note: Up to December 31, 2016, Huidong Server has pledged 20% of stock right to Jiahua Building Products (Shenzhen) Co., Ltd., on December 31, 2016, the stock right has not been reopened because the problems left over from the past have not been unresolved. Found more in Note VI-26. Accrual liability.

## 10. Investment real estate

Item	House, buildings	Land use right	Construction in process	Total
I. Original book value				
1. Year-beginning balance	9,708,014.96	0.00	0.00	9,708,014.96
2. Current increased	0.00	0.00	0.00	0.00
3. Current decreased	0.00	0.00	0.00	0.00
4. Year-end balance	9,708,014.96	0.00	0.00	9,708,014.96
II. accumulated depreciation and accumulated amortization				
1. Year-beginning balance	6,513,299.45	0.00	0.00	6,513,299.45
2. Current increased	196,137.60	0.00	0.00	196,137.60

Item	House, buildings	Land use right	Construction in process	Total
(1) accrual or amortization	196,137.60	0.00	0.00	196,137.60
3. Current decreased	0.00	0.00	0.00	0
4. Year-end balance	6,709,437.05	0.00	0.00	6,709,437.05
III. depreciation provision				
1. Year-beginning balance	0.00	0.00	0.00	0.00
2. Current increased	0.00	0.00	0.00	0.00
(1) accrual	0.00	0.00	0.00	0.00
3. Current decreased	0.00	0.00	0.00	0.00
4. Year-end balance	0.00	0.00	0.00	0.00
IV. Book value				
1. Year-end book value	2,998,577.91	0.00	0.00	2,998,577.91
2. Year-begin book value	3,194,715.51	0.00	0.00	3,194,715.51

## 11. Fixed assets

### (1) Fixed assets

Item	House and buildings	Machinery equipment	Transportation tools	Other equipment	Total
I. Original book value					
1. Year-beginning balance	451,404,394.88	4,024,735,303.81	27,098,867.59	50,325,285.65	4,553,563,851.93
2. Current increased	391,505.81	10,319,515.90	605,540.05	503,161.84	11,819,723.60
(1) Purchase	0.00	1,116,474.88	605,540.05	414,106.28	2,136,121.21
(2) Construction in process transfer-in	391,505.81	9,203,041.02	0.00	89,055.56	9,683,602.39
3. Current decreased	1,551,130.01	438,800.00	1,881,475.00	2,737,375.54	6,608,780.55
(1) Disposal or scrap	0.00	0.00	78,651.00	2,194,671.64	2,273,322.64
(2) Decreased due to consolidation change	1,551,130.01	438,800.00	1,802,824.00	542,703.90	4,335,457.91
4. Year-end balance	450,244,770.68	4,034,616,019.71	25,822,932.64	48,091,071.95	4,558,774,794.98
II. Accumulated depreciation					
1. Year-beginning balance	256,597,717.49	2,423,152,082.73	22,460,764.48	41,122,051.94	2,743,332,616.64
2. Current increased	13,408,467.94	110,024,174.95	617,376.31	1,094,142.49	125,144,161.69
(1) accrual	13,408,467.94	110,024,174.95	617,376.31	1,094,142.49	125,144,161.69
3. Current decreased	506,769.34	128,942.06	1,458,305.33	2,291,872.87	4,385,889.60
(1) Disposal or scrap	0.00	0.00	70,785.90	1,998,473.36	2,069,259.26
(2) Decreased due to consolidation change	506,769.34	128,942.06	1,387,519.43	293,399.51	2,316,630.34
4. Year-end balance	269,499,416.09	2,533,047,315.62	21,619,835.46	39,924,321.56	2,864,090,888.73

Item	House and buildings	Machinery equipment	Transportation tools	Other equipment	Total
III. impairment provision					
1、2016.1.1	15,902,481.55	126,472,148.78	236,722.13	125,799.41	142,737,151.87
1. Year-beginning balance	0.00	8,942,728.73	0.00	0.00	8,942,728.73
(1) accrual	0.00	8,942,728.73	0.00	0.00	8,942,728.73
3. Current decreased	1,042,456.42	153,693.07	236,722.13	125,799.41	1,558,671.03
(1) Disposal or scrap	0.00	0.00	0.00	0.00	0.00
(2) Decreased due to consolidation change	1,042,456.42	153,693.07	236,722.13	125,799.41	1,558,671.03
4. Year-end balance	14,860,025.13	135,261,184.44	0.00	0.00	150,121,209.57
IV. Book value					
1. Year-end book value	165,885,329.46	1,366,307,519.65	4,203,097.18	8,166,750.39	1,544,562,696.68
2. Year-begin book value	178,904,195.84	1,475,111,072.30	4,401,380.98	9,077,434.30	1,667,494,083.42

### (2) Idle fixed assets temporary

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

### (3) Fixed assets without property license obtained

Item	Book value	Reasons
Booster station	5,784,006.20	Procedures uncompleted
Steam turbine workshop	2,014,811.08	Procedures uncompleted
Chemical water tower	3,327,665.86	Procedures uncompleted
Treatment shop for heavy oil	650,123.93	Procedures uncompleted
Start-up boiler house	146,191.99	Procedures uncompleted
Fire pump room	339,374.37	Procedures uncompleted
Circulating water pump house	2,134,592.90	Procedures uncompleted
Comprehensive building	3,557,285.99	Procedures uncompleted

Item	Book value	Reasons
Production and inspection building	5,745,308.85	Procedures uncompleted
Administrative building	5,907,084.49	Procedures uncompleted
Mail room of the main entrance	239,379.05	Procedures uncompleted
Turbine building and annex building	12,439,643.29	Procedures uncompleted
Plant's ventilating system	646,455.43	Procedures uncompleted
Office building	6,170,076.60	Procedures uncompleted
Comprehensive building	1,381,039.28	Procedures uncompleted
Draft cooling tower	3,996,789.14	Procedures uncompleted
Chemical water workshop and foundation of water tank	1,899,549.37	Procedures uncompleted
Industry pool and industry pump house	833,675.76	Procedures uncompleted
Start-up boiler house	139,300.57	Procedures uncompleted
Oil treatment room and oil un-loading platform	337,538.98	Procedures uncompleted
Comprehensive building canteen	343,447.11	Procedures uncompleted
Total	58,033,340.24	

## 12. Construction in process

### (1) Construction in process

Item	2016.12.31			2016.1.1		
	Book Balance	Impairment provision	Book value	Book Balance	Impairment provision	Book value
Oil to Gas Works	32,871,600.26	32,871,600.26	0.00	32,871,600.26	32,871,600.26	0.00
Cogeneration of heat and electricity Project	6,378,207.05	0.00	6,378,207.05	7,272,947.48	0.00	7,272,947.48
Others	1,630,269.08	0.00	1,630,269.08	1,200,329.42	0.00	1,200,329.42
Total	40,880,076.39	32,871,600.26	8,008,476.13	41,344,877.16	32,871,600.26	8,473,276.90

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

Projects	Budget	2016.1.1	Increase of this year	Transferred fixed assets in this year	Other decrease in the year	2016.12.31
Oil to Gas	74,400,000.00	32,871,600.26	0.00	0.00	0.00	32,871,600.26



Projects	Budget	2016.1.1	Increase of this year	Transferred fixed assets in this year	Other decrease in the year	2016.12.31
Works						
Cogeneration of heat and electricity	70,000,000.00	7,272,947.48	2,174,626.59	0.00	3,069,367.02	6,378,207.05
Project						
Technological transformation project		0.00	8,862,928.57	7,298,599.66	0.00	1,564,328.91
Others		1,200,329.42	1,250,613.48	2,385,002.73	0.00	65,940.17
Total	144,400,000.00	41,344,877.16	12,288,168.64	9,683,602.39	3,069,367.02	40,880,076.39

(Continued)

Projects	Proportion of accumulative project investment in budget (%)	Project progress (%)	Accumulative amount of capitalization of interest	Including: capitalization of interest	Rate of interest capitalization (%)	Capital resources
Oil to Gas Works	63.76	63.76	0.00	0.00	0.00	Self-raised
Cogeneration of heat and electricity	9.11	9.11	0.00	0.00	0.00	Self-raised and borrowing
Project						
Technological transformation project	-	-	0.00	0.00	0.00	Self-raised
Others	-	-	0.00	0.00	0.00	Self-raised
Total			0.00	0.00	0.00	

### (3) Construction in process Impairment provision

Item	2016.1.1	Increase of this year	Decrease of this year	2016.12.31	Reasons of accrual
Oil to Gas Works	32,871,600.26	0.00	0.00	32,871,600.26	In idle condition
Total	32,871,600.26	0.00	0.00	32,871,600.26	

### (4) Idle construction in progress temporary

Item	2016.12.31	2016.1.1
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	Book Balance	Impairment provision	Net book value	Book Balance	Impairment provision	Net book value
Oil to Gas Works	32,871,600.26	32,871,600.26	0.00	32,871,600.26	32,871,600.26	0.00

### 13. Intangible assets

Item	Land use right	Software	Total
<b>I. Original book value</b>			
1. Year-beginning balance	91,253,625.27	3,745,009.85	94,998,635.12
2. Current increased	0.00	15,000.00	15,000.00
(1) purchase	0.00	15,000.00	15,000.00
3. Current decreased	0.00	81,900.00	81,900.00
(1) disposal	0.00	0.00	0.00
(2) Decreased due to consolidation change	0.00	81,900.00	81,900.00
4. Year-end balance	91,253,625.27	3,678,109.85	94,931,735.12
<b>II. Accumulated amortization</b>			
1. Year-beginning balance	38,013,098.05	3,184,061.26	41,197,159.31
2. Current increased	2,317,579.68	397,397.60	2,714,977.28
(1) accrual	2,317,579.68	397,397.60	2,714,977.28
3. Current decreased	0.00	61,505.68	61,505.68
(1) disposal	0.00	0.00	0.00
(2) Decreased due to consolidation change	0.00	61,505.68	61,505.68
4. Year-end balance	40,330,677.73	3,519,953.18	43,850,630.91
<b>III. Impairment provision</b>			
1. Year-beginning balance	0.00	0.00	0.00
2. Current increased	0.00	0.00	0.00
(1) accrual	0.00	0.00	0.00
3. Current decreased	0.00	0.00	0.00
(1) disposal	0.00	0.00	0.00
(2) Decreased due to consolidation change	0.00	0.00	0.00

Item	Land use right	Software	Total
4. Year-end balance	0.00	0.00	0.00
IV. Book value			
1. Year-end book value	50,922,947.54	158,156.67	51,081,104.21
2. Year-begin book value	53,240,527.22	560,948.59	53,801,475.81

Note 1: assets amortized RMB 2,714,977.28 in this year

Note 2: ended as 31 December 2016, property license of book value of land use right for the Group amounting as RMB 537,642.66 (on 31 December 2015: RMB 551,503.02)

#### 14. Deferred income tax assets

##### (1) Details of deferred income tax assets without offset

Item	2016.12.31		2016.1.1	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad debt provision of account receivable	4,583,042.81	1,137,023.19	4,526,185.54	1,122,808.87
Other provision for bad debts of accounts receivable	723,585.00	180,896.25	741,585.00	185,396.25
Staff salary payable	3,322,484.00	830,621.00	3,322,484.00	830,621.00
Provision for devaluation of long-term equity investment	2,500,000.00	625,000.00	2,500,000.00	625,000.00
Others	492,170.27	123,042.57	567,770.27	141,942.57
Total	11,621,282.08	2,896,583.01	11,658,024.81	2,905,768.69

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

Item	2016.12.31	2016.1.1
Deductible temporary difference	304,662,761.83	950,264,220.11
Deductible losses	359,472,010.30	611,167,955.96
Total	664,134,772.13	1,561,432,176.07

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

Year	2016.12.31	2016.1.1	Note
2016	0.00	58,409,890.90	
2017	10,505,180.97	78,307,920.37	

2018	0.00	35,884,868.88
2019	178,967,165.82	294,849,693.40
2020	71,856,705.31	143,715,582.41
2021	98,142,958.20	0.00
Total	359,472,010.30	611,167,955.96

## 15. Other non-current assets

Item	2016.12.31	2016.1.1
Project of LNG(Note)	22,882,181.78	22,882,181.78

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

## 16. Short-term loans

### (1) Classification

Item	2016.12.31	2016.1.1
Guarantee loans	336,840,000.00	361,300,000.00
Credit loans	460,000,000.00	2,024,000,000.00
Total	796,840,000.00	2,385,300,000.00

Note: The Company has provided loan guarantee of total 336,840,000.00 Yuan for the each subsidiary.

### (2) Overdue and outstanding short-term borrowings

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

## 17. Note payable

Type	2016.12.31	2016.1.1
Trade acceptance	169,909,496.01	290,000,000.00
Bank acceptance	122,366,308.16	50,000,000.00
Total	292,275,804.17	340,000,000.00

## 18. Account payable

### (1) Details of account payable

Item	2016.12.31	2016.1.1
Natural gas	0.00	21,979,035.90
Materials	4,394,883.47	7,969,367.98
Electricity	776,036.94	782,677.40
Engineering funds	0.00	7,051,271.55
Others	1,158,158.44	232,376.39
Total	6,329,078.85	38,014,729.22

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

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

## 19. Account received in advance

### (1) Account received in advance

Item	2016.12.31	2016.1.1
Goods payment	0.00	58,575.45
Total	0.00	58,575.45

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

## 20. Wages payable

### (1) Wages payable

Item	2016.1.1	Increase this year	Decrease this year	2016.12.31
I. Short-term remuneration	43,933,162.23	120,695,754.64	122,449,912.78	42,179,004.09
II. Post-employment welfare-defined contribution plans	3,588,548.61	10,487,508.66	10,431,270.75	3,644,786.52
III. Severance Pay	0.00	902,916.08	902,916.08	0.00
IV. Other welfare due within one year	0.00	0.00	0.00	0.00
Total	47,521,710.84	132,086,179.38	133,784,099.61	45,823,790.61

## (2) Short-term remuneration

Item	2016.1.1	Increase this year	Decrease this year	2016.12.31
1. Wages, bonuses, allowances and subsidies	42,093,605.46	104,214,952.23	106,228,881.92	40,079,675.77
2. Welfare for employee	0.00	1,123,867.97	1,123,867.97	0.00
3. Social insurance	130,591.64	4,566,891.88	4,546,708.08	150,775.44
Including: Medical insurance	105,198.12	3,961,377.64	3,947,164.42	119,411.34
Work injury insurance	10,794.79	276,033.68	273,657.78	13,170.69
Maternity insurance	14,598.73	329,480.56	325,885.88	18,193.41
4. Housing provident fund	368,027.68	8,763,743.46	8,604,926.90	526,844.24
5. Union funds and staff education expenses	1,340,937.45	2,026,299.10	1,945,527.91	1,421,708.64
Total	43,933,162.23	120,695,754.64	122,449,912.78	42,179,004.09

## (3) Defined contribution plans

Item	2016.1.1	Increase this year	Decrease this year	2016.12.31
1. Basic Endowment insurance	259,050.33	10,286,698.25	10,231,971.96	313,776.62
2. Unemployment insurance	7,056.28	200,810.41	199,298.79	8,567.90
3. Enterprise annuities	3,322,442.00	0.00	0.00	3,322,442.00
Total	3,588,548.61	10,487,508.66	10,431,270.75	3,644,786.52

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.

## 21. Taxes payable

Item	2016.12.31	2016.1.1
VAT	7,535,988.38	4,017,606.83
Business tax	43,587.02	1,524,768.70
Enterprise income tax	221,361,456.61	1,158,352.34
Individual income tax	1,398,796.46	1,437,961.50

Item	2016.12.31	2016.1.1
Land-use tax of town	1,382,357.33	2,476,219.87
Real estate tax	2,540,753.95	2,148,885.14
Others	271,077.36	680,691.47
Total	234,534,017.11	13,444,485.85

## 22. Interest payable

Item	2016.12.31	2016.1.1
Long-term loan interest of installment and interest charges	777,615.30	1,091,270.14
Interest payable of short-term loan	3,802,866.51	62,050,779.67
Total	4,580,481.81	63,142,049.81

Note: reasons of reduce-after equity of the followed enterprise - Zhongshan Shenzhong Real Estate Development Co., Ltd. and Zhongshan Real Estate Investment Property Co., Ltd. are on sale in the Year, and they are not included in the consolidated statement since 19 December 2016, the assets and liabilities of the two enterprises are being shifting out.

## 23. Other account payable

### (1) Other account payable listed by nature

Item	2016.12.31	2016.1.1
Loan (note)	0.00	280,495,875.99
Project expense	27,401,064.40	31,054,000.75
Quality guarantee deposit	6,852,462.21	6,226,638.33
Equipment amount	610,987.63	6,178,674.04
Materials	0.00	1,159,289.75
Land use right charge	1,575,676.60	1,065,676.50
Fund of the Board	479,659.27	567,770.27
Accrued expenses	34,865,705.80	34,623,526.38
Other	7,746,540.05	10,554,721.23
Total	79,532,095.96	371,926,173.24

Note: represented the amounts borrowed by Shenzhong Development Company from Xingzhong Group and Treasury bureau of Zhongshan city. Zhongshan Shenzhong Real Estate Development Co., Ltd. and Zhongshan Real Estate Investment Property Co., Ltd. are not included in the consolidated statement since 19 December 2016, the assets and liabilities of the two enterprises are being shifting out.

(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 62,533,592.36 Yuan (December 31, 2015: 329,306,284.62 Yuan), which is mainly the accrued expenses, engineering equipment fund and guarantee money.

#### 24. Non-current liability due within one year

Item	2016.12.31	2016.1.1
Long-term loans due within one year (Note VI-25)	463,000,000.00	0.00
Total	463,000,000.00	0.00

#### 25. Long-term loans

Item	2016.12.31	2016.1.1
Mortgage loans	0.00	91,000,000.00
Guarantee loans	378,400,000.00	250,000,000.00
Credit loans	428,500,000.00	355,000,000.00
Less: Long-term loans due within one year	463,000,000.00	0.00
Total	343,900,000.00	696,000,000.00

The Company offering guarantee of long-term loans for subsidiaries amounting to 378,400,000.00 Yuan, the loans amount was 428,500,000.00 Yuan.

#### 26. Accrued liabilities

Item	2016.1.1	2016.12.31	Reasons resulted
Guarantee offering outside	27,100,000.00	27,100,000.00	Note

Note: On 29 November 2013, Shenzhen Server and Jiahua Building Products (Shenzhen) Co., Ltd. (Jiahua Building) signed a supplementary term aiming at equity transfer over equity attribution and division of Yapojiao Dock, which belongs to Shenzhen Server, Huidong Server, and Huidong Nianshan Town Government as well as its subordinate Nianshan Group. In order to solve this remaining historic problem, Shenzhen Server saved RMB 12,500,000.00 in condominium deposit account as guarantee. In addition, Server pledged its 20% of equity holding from Huidong Server to Jiahua Architecture with pledge duration of 2 years. The amount of collateral on loans could not exceed RMB 15,000,000.00. Relevant losses with the event concerned predicted amounting to RMB 27,500,000.00 by the Group. Lawyer assessment costs was RMB 400,000.00 in 2014, balance at year-end was RMB 27,100,000.00.

#### 27. Deferred income

Item	2016.1.1	Increased in the Year	Decreased in the Year	2016.12.31
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Government grants	48,435,206.35	1,259,200.00	3,875,538.20	45,818,868.15
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Including, items with government grants involved:

Liability	2016.1.1	Subsidies increased	Amount reckoned in non-operation revenue	Other changes	2016.12.31	Assets related/income related
Subsidy for energy-saving technology reform	6,124,465.53	0.00	339,340.23	0.00	5,785,125.30	Assets related
Subsidy for low-nitrogen transformation project	0.00	1,000,000.00	1,754.13	0.00	998,245.87	Assets related
Treasury subsidies for sludge drying	3,846,250.00	0.00	255,000.00	0.00	3,591,250.00	Assets related
Support fund of recycling economy for sludge drying	10,039,285.23	0.00	647,002.52	0.00	9,392,282.71	Assets related
Subsidy for project of low-nitrogen transformation for welcoming the Universidad	28,093,833.07	0.00	2,553,984.84	0.00	25,539,848.23	Assets related
Support fund of enterprise informatization	331,372.52	0.00	61,176.48	0.00	270,196.04	Assets related
Funded of energy efficiency improvement for electric machine in SZ	0.00	259,200.00	17,280.00	0.00	241,920.00	Assets related
Total	48,435,206.35	1,259,200.00	3,875,538.20	0.00	45,818,868.15	

## 28. Share capital

Item	2016.1.1	Changes in this year(+ -)					2016.12.31
		New shares issued	Bonus shares	Capitalizing from reserves	Other	Subtotal	
Total shares	602,762,596.00	0.00	0.00	0.00	0.00	0.00	602,762,596.00

## 29. Capital reserve

Item	2016.1.1	Increase in the year	Decrease in the year	2016.12.31
Capital premium	233,035,439.62	0.00	0.00	233,035,439.62
Other capital reserve	129,723,114.59	12,367.89	0.00	129,735,482.48
Other	362,758,554.21	12,367.89	0.00	362,770,922.10

The capital surplus changes of the current year are the relevant funds received from inventory retail stock that the Company entrusts China Securities Depository and Clearing Corporation Limited Shenzhen Branch to sell.

## 30. Surplus reserve

Item	2016.1.1	Increase in the year	Decrease in the year	2016.12.31
Legal surplus reserve	310,158,957.87	0.00	0.00	310,158,957.87
Discretionary surplus reserve	22,749,439.73	0.00	0.00	22,749,439.73
Total	332,908,397.60	0.00	0.00	332,908,397.60

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

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

## 31. Retained profit

Item	2016	2015
Retained profit of last year before adjusted	-662,422,848.24	-27,799,181.18
Total retained profit adjusted (increased with +, decreased with -)	0.00	0.00
Retained profit at beginning of the year after adjusted	-662,422,848.24	-27,799,181.18
Add: net profit attributable to shareholders of parent company	1,306,694,835.46	-634,623,667.06
Less: withdrawal of statutory surplus reserve	0.00	0.00
Surplus reserves withdrawal	0.00	0.00
General risk reserve withdrawal	0.00	0.00
Common Stock dividend payable	0.00	0.00
Dividend of common shares transfer as share capital	0.00	0.00
Retained profit at year-end	644,271,987.22	-662,422,848.24

## 32. Operating income and operating cost

Item	2016		2015	
	Income	Cost	Income	Cost

Item	2016		2015	
	Income	Cost	Income	Cost
Main business	1,571,464,544.66	1,442,402,598.20	1,343,220,037.26	1,492,321,818.63
Other business	2,624,433.19	498,376.98	1,798,173.45	492,993.87
Total	1,574,088,977.85	1,442,900,975.18	1,345,018,210.71	1,492,814,812.50

### 33. Tax and surcharge

Item	2016	2015
Business tax	2,212,478.70	6,398,883.89
City maintenance tax	3,098,560.19	818,783.58
Educational surcharge	2,227,926.25	585,322.95
House duty	1,781,915.29	0.00
Vehicle tax	26,680.00	0.00
Land use tax	1,381,654.65	0.00
Stamp tax and other	1,628,483.12	3,023.99
Total	12,357,698.20	7,806,014.41

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

### 34. Management expenses

Item	2016	2015
Salary	51,532,884.59	60,433,385.08
Taxes	2,409,366.53	6,787,370.22
Leasing expenses	6,672,207.83	6,457,585.22
Entertainment expense	4,660,947.13	3,319,398.84
Vehicles expenses	4,102,882.17	5,331,273.17
Expenses for agency appointment	8,556,916.62	2,981,517.76
Depreciation expense	3,398,682.80	27,312,435.50
Expenses from the Board	2,684,555.32	2,154,416.42
Amortization of intangible assets	1,963,260.41	1,993,161.96
Sundry expenses	2,884,471.19	3,092,777.31
Environmental expense	1,959,320.25	2,711,607.97
Communication charge	1,398,002.22	1,438,875.70
Property expense	1,049,753.35	1,553,306.34
Stock charge	1,913,443.61	1,011,728.35
Business traveling charge	753,239.13	1,113,579.61
Expenses for enterprise culture	262,616.20	384,943.74

Item	2016	2015
Office expenses	457,478.11	3,248,796.07
Verification fee for projects	0.00	220,938.47
Repair expenses	497,893.25	10,841,809.24
Others	8,468,339.12	10,059,344.52
Total	105,626,259.83	152,448,251.49

Note: Due to Shennandian (Dongguan) Weimei Power Company Limited has not generated power in 2015, the occurrence of other various expenses of 57,168,421.51 Yuan has been included in the administrative expenses for year of 2015.

### 35. Financial expenses

Item	2016	2015
Interest expenditure	184,766,878.88	235,515,149.17
Less : interest income	11,188,933.54	6,906,164.58
Exchange gains/losses	835,727.57	-685,309.30
Others	-351,594.63	2,761,111.36
Total	174,062,078.28	230,684,786.65

### 36. Impairment of Assets

Item	2016	2015
Loss on bad debt	6,623,824.50	2,858,338.86
Inventory loss	3,260,011.19	579,573,012.30
Impairment loss of fixed assets	8,942,728.73	84,223,061.44
Impairment loss of construction in process	0.00	18,055,904.43
Total	18,826,564.42	684,710,317.03

### 37. Investment income

Item	2016	2015
Income of long-term equity investment measured by equity method	-2,215,210.60	-2,077,122.55
Investment income arising from disposal of long-term equity investment	1,660,863,588.10	0.00
Total	1,658,648,377.50	-2,077,122.55

### 38. Non-operating income

Item	2016	2015	Amount reckoned in current non-operating income/losses
Total profits of disposal of the non-current assets	0.00	40,417.41	0.00
Including: Profit of disposal of fixed assets	0.00	40,417.41	0.00
Government subsidy(see: Particulars about governmental subsidies)	16,331,834.68	357,865,200.28	-2,463,841.18
VAT return on import & export of natural gas	0.00	43,717,420.50	0.00
Others	85,518.86	243,200.00	85,518.86
Total	16,417,353.54	401,866,238.19	-2,378,322.32

Including, government grants reckoned into current gains/losses:

Item	2016	2015	Assets related/Income related
Income from fuel subsidies (note 1)	7,336,732.77	150,184,748.00	Income related
Subsidies income of fuel processing fee (note 2)	7,901,100.00	134,968,510.02	Income related
Fuel consumption tax subsidies (note3)	-6,597,789.48	68,867,833.65	Income related
Energy efficiency improvement for electric machine	17,280.00	0.00	Assets related
Special funds of independent innovation industry development	100,000.00	0.00	Income related
Unemployment subsidies and unemployment monitoring allowance	150,410.10	0.00	Income related
Government bond subsidy for sludge drying	255,000.00	255,000.00	Assets related
Support fund of recycling economy for sludge drying	647,002.52	647,002.92	Assets related
Subsidy for project of low-nitrogen transformation for welcoming the Universidad	2,553,984.84	2,553,984.84	Assets related
Support fund of enterprise informatization	61,176.48	61,176.48	Assets related
Subsidy for energy-saving technology reform	341,094.36	280,944.37	Assets related
Reward from social insurance fund management bureau	0.00	10,000.00	Income related
Shenzhen yellow car scrap subsidies	8,000.00	36,000.00	Income related
VAT refund	3,557,843.09	0.00	Income related
Total	16,331,834.68	357,865,200.28	

Note 1: pursuant to the “notice of conventional generation subsidy balance distribution of gas-fired genset for four local power plants 2014 from Shenzhen Economic & Trade Information Committee and Shenzhen Finance Committee and 2015 Emergency Generation Subsidy of the Qianwan Plant gas-fired genset” (SJMXXDZ[2016] No.115), the “notice of conventional generation subsidy and emergency power distribution of gas-fired genset for four local power plants 2015 from Shenzhen Economic & Trade Information Committee and Shenzhen Finance Committee” (SJMXXDZ[2016] No.273), the generation subsidy 1,830,471.29 Yuan for year of 2014 and 5,534,461.48 Yuan for year of 2015 are accrual respectively.

Note 2: pursuant to the YFG price Letter [2015] No.221 – Notice of Issues on Gas Fuel Processing Fee Subsidy from Jan.-Sept. 2015 issued by Guangdong Provincial Development and Reform Commission, the Guangdong Provincial Economic and Information Commission and GDFOB, accrual the gas fuel processing fee subsidy for Jan.-Sept. 2015 with 1,257,900.00.00 Yuan and 6,643,200.00 Yuan respectively.

Note 3: according to the Notice of Refund Part of the Fuel Consumption Tax (Jan.2009 to April 2010) from Shenzhen Nanshan Power Co., Ltd., SJMXXDZzi [2016] No. 153 issued by Economy, Trade and Information Commission of Shenzhen Municipality, Shenzhen Development and Reform Commission and Shenzhen Municipal Finance Committee, Nanshan Power should refund 6,597,789.48 Yuan after re-calculation.

### 39. Non-operating expense

Item	2016	2015	Amount reckoned into non-recurring gains/losses
Total loss from disposal of non-current assets	203,629.98	338,447.94	203,629.98
Including: Gains and loss of disposal of fixed assets	203,629.98	338,447.94	203,629.98
Expenses from external donation	20,000.00	110,000.00	20,000.00
Penalty expenditure	1,027,141.45	0.00	1,027,141.45
Other	4,283.48	230.72	4,283.48
Total	1,255,054.91	448,678.66	1,255,054.91

### 40. Income tax expenses

#### (1) Statement of income tax expenses

Item	2016	2015
Current income tax expenses	223,795,258.06	1,194,013.51
Deferred income tax expenses	9,185.68	-15,976.83
Total	223,804,443.74	1,178,036.68

## (2) Adjustment process of the accounting profit and income tax expenses

Item	2016
Total profit	1,488,562,885.23
Income tax measured by statutory/applicable tax rate	372,140,721.31
Effect of different tax rates applicable to subsidiaries	-821,837.94
Effect of non-taxable income	0.00
Effect of non-deductible costs, expenses and losses	4,154,919.57
Effect of deductible losses of deferred tax assets unconfirmed at the earlier stage of use	-182,455,236.74
Impact on deductible temporary difference or deductible loss of the deferred income tax assets unrecognized in the Period	30,785,877.54
Income tax expenses	223,804,443.74

## 41. Cash flow statement

### (1) Cash received with other operating activities concerned

Item	2016	2015
Fuels subsidy income	290,843,148.00	547,665,240.99
Government grants received	10,243,172.25	197,000.00
Interest income	11,189,805.15	6,866,721.42
Open credit received	708,299,913.18	29,439,992.40
Others	0.00	16,685,474.05
Total	1,020,576,038.58	600,854,428.86

### (2) Cash paid for other operating activities

Item	2016	2015
Leasing expense	6,672,207.83	6,457,585.22
Entertainment expense	4,660,947.13	3,319,398.84
Vehicles expense	4,102,882.17	5,331,273.17
Expense on agency appointment	8,556,916.62	2,981,517.76
Payment margin	26,068,078.16	5,000,000.00
Others	46,726,102.50	40,935,095.46
Total	96,787,134.41	64,024,870.45

### (3) Cash received with financing activities concerned

Item	2016	2015
Interest margin	10,300,000.00	0.00
Total	10,300,000.00	0.00

#### (4) Cash paid with other financing activities concerned

Item	2016	2015
Loan interest margin	0.00	5,300,000.00
Total	0.00	5,300,000.00

## 42. Supplementary information on cash flow statement

### (1) Supplementary information on cash flow statement

Supplementary information	2016	2015
<b>1. Regulate the net profit into the cash flow of operating activities</b>		
Net profit	1,264,758,441.49	-829,324,497.02
Add: Asset impairment provision	18,826,564.42	684,710,317.03
Depreciation of fixed assets, oil & gas assets and productive biological assets	125,340,299.29	124,374,732.37
Amortization of intangible assets	2,714,977.20	2,740,295.47
Amortization of long-term deferred expenses	0.00	0.00
Loss from disposing fixed assets, intangible assets and other long-term assets (income listed with “-“)	203,629.98	298,030.53
Abandonment loss from fixed assets (income listed with “-“)	0.00	0.00
Loss from changes of fair value (income listed with “-“)	0.00	0.00
Financial expenses(income listed with “-“)	184,766,878.88	235,515,149.17
Investment loss(income listed with “-“)	-1,658,648,377.50	2,077,122.55
Decrease of deferred income tax assets(increased listed with “-“)	9,185.68	-15,976.83
Increase of deferred income tax liability (decreased listed with “-“)	0.00	0.00
Decrease of inventory(increased listed with “-“)	1,270,758,809.13	32,472,177.34
Decrease of receivable operating items(increased listed with “-“)	-167,603,657.00	106,101,158.19
Increase of payable operating items(decreased listed with “-“)	-114,805,426.17	27,503,197.29
Other	0.00	0.00
Net cash flow from operation activities	926,321,325.40	386,451,706.09
<b>2. Major investment and financing activities not involving cash income and expenditure:</b>		
Debt capitalization	0.00	0.00



Supplementary information	2016	2015
Convertible company bond due within one year	0.00	0.00
Fixed assets acquired under finance leases	0.00	0.00
<b>.3. Net change of cash and cash equivalents:</b>		
Balance of cash at period-end	1,389,482,327.86	1,016,326,480.06
Less: Balance of cash at period-begin	1,016,326,480.06	568,494,957.02
Add: Closing balance of cash equivalent	0.00	0.00
Less: Opening balance of cash equivalent	0.00	0.00
Net increase of cash and cash equivalents	373,155,847.80	447,831,523.04

## (2) Composition of cash and cash equivalent

Item	2016.12.31	2016.1.1
I. Cash	1,389,482,327.86	1,016,326,480.06
Including: Cash on hand	78,112.86	190,537.37
Bank savings available for payment needed	1,350,850,474.24	1,014,404,258.41
Other monetary capital available for payment needed	38,553,740.76	1,731,684.28
Account due from central bank available for payment	0.00	0.00
Amount due from banks	0.00	0.00
Amount call loans to banks	0.00	0.00
II. Cash equivalent	0.00	0.00
including: bond investment due within three months	0.00	0.00
III. Balance of cash and cash equivalent at year-end	1,389,482,327.86	1,016,326,480.06
Including: Cash and cash equivalent of the parent company or subsidiaries with use restricted	0.00	0.00

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

## 43. Assets of ownership or use right restricted

Item	Book value at year-end	Restricted reason
Monetary Fund	26,068,078.16	Bid bond
Total	26,068,078.16	

## 44. Foreign currency

Item	Balance of foreign currency at year-end	Conversion rate	Balance of RMB converted at year-end
Monetary fund			

Item	Balance of foreign currency at year-end	Conversion rate	Balance of RMB converted at year-end
Including: USD	902,195.03	6.9370	6,258,526.92
Euro	1,017.87	7.3068	7,437.37
HKD	661,088.06	0.89451	591,349.88
SGD	8,879.81	4.7995	42,618.65

## VII. Change of consolidate scope

### 1. Subsidiary disposal

#### (1) Losing control rights due to dispose subsidiary on one time

Subsidiary	Disposal price	Ratio disposed(%)	Method	Time of control rights loss	Determine basis	Imbalance between disposal price and net assets, which is shared in the subsidiary according to the corresponding disposal investment in consolidate statement
Zhongshan Real Estate Investment Property Co., Ltd.	554,142,000.00	75.00	Public listing on Shenzhen Equity Exchange	2016-12-19	The Sales are being approved by Shareholders' General Meeting, disposal money has received, the equity transfer commission has completed and members of the Board have changed	539,432,985.19
Zhongshan Shenzhong Real Estate Development Co., Ltd.	475,858,000.00	75.00	n Shenzhen Equity Exchange	2016-12-19	The Sales are being approved by Shareholders' General Meeting, disposal money has received, the equity transfer commission has completed and members of the Board have changed	1,121,430,602.91

(Continued)

Subsidiary	Ratio of remaining equity on the day of loss of control (%)	Book value of residual equity at the date of loss of control	Fair value of the remaining shares at the date of loss of control	Gains/losses arising from the remaining equity at fair value	The determination and main hypotheses of fair value of residual equity on the day of the loss of control	The amount of other comprehensive income related to the original subsidiary's equity investment
Zhongshan Real Estate Investment Property Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A
Zhongshan Shenzhong Real Estate Development Co., Ltd.	N/A	N/A	N/A	N/A	N/A	N/A

## 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 1)	Shenzhen	Shenzhen	Trading	50.00	0.00	Establishment
New Power Company	Shenzhen	Shenzhen	Power generation	100.00	0.00	Establishment
Zhongshan Power Company	Zhongshan	Zhongshan	Power generation	80.00	0.00	Establishment
Engineering Company	Shenzhen	Shenzhen	Engineering consulting	100.00	0.00	Establishment
Weimei Power Company	Dongguan	Dongguan	Power generation	70.00	0.00	Establishment
Environment Protection Company	Shenzhen	Shenzhen	Engineering	100.00	0.00	Establishment
Singapore company	Singapore	Singapore	Trading	100.00	0.00	Establishment
Shen Storage	Zhongshan	Zhongshan	Storage	80.00	0.00	Establishment
SYNDISOME	Hong Kong	Hong Kong	Import & export trading	100.00	0.00	Not under the same control

Note 1: The Company holds 50% equity of Shenzhen Server, and takes majority voting rights in Shenzhen Server, thus, the Company owes substantial control; Shenzhen Server included in the consolidate scope of the financial statement.

(2) Important non-wholly-owned subsidiary

Subsidiary	Share-holding ratio of minority (%)	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Zhongshan Power Company	20.00	-10,360,271.37	0.00	-9,392,658.18
Weimei Power Company	30.00	-11,011,882.67	0.00	38,824,164.36

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

Subsidiary	2016.12.31					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Zhongshan Power Company	138,059,135.37	608,395,920.72	746,455,056.09	748,234,975.82	45,183,371.17	793,418,346.99
Weimei Power Company	237,095,978.47	558,501,453.51	795,597,431.98	666,183,550.79	0	666,183,550.79

(Continued)

Subsidiary	2016.1.1					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Zhongshan Power Company	195,618,374.80	656,561,380.44	852,179,755.24	686,240,607.34	161,124,465.53	847,365,072.87
Weimei Power Company	182,373,312.38	595,759,815.19	778,133,127.57	412,965,569.24	200,000,000.00	612,965,569.24

(Continued)

Subsidiary	2016			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongshan Power Company	338,703,167.36	-51,801,356.86	-51,801,356.86	56,973,210.46
Weimei Power Company	338,873,481.38	-36,706,275.56	-36,706,275.56	23,278,686.36

(Continued)

Subsidiary	2015			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Zhongshan Power Company	307,354,989.75	-78,115,886.46	-78,115,886.46	-7,650,456.18
Weimei Power Company	3,470,323.10	-33,795,198.89	-33,795,198.89	224,115,504.10

## 2. Equity in joint venture and cooperative enterprise

### (1) Joint venture and cooperative enterprise

Name	Main operation place	Registered place	Business nature	Share-holding ratio (%)		Accounting treatment
				Directly	Indirectly	
Huidong Server	Huizhou	Huizhou	Wharf		40.00	Equity method

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

Item	2016.12.31/2016	2016.1.1 /2015
Joint venture:		
Total book value of the investment	20,305,064.18	22,520,274.78
Total numbers measured by share-holding ratio		
—Net profit	-2,215,210.60	-2,077,122.55
—Other comprehensive income	0.00	0.00
—Total comprehensive income	-2,215,210.60	-2,077,122.55

Note: On 9<sup>th</sup> 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 appraisal value.

## IX. Risks relating to financial instruments

The major financial instruments of the Company consist of equity investments, borrowings, trade receivables, trade payables, etc. details of the financial instruments are set out in the section VI. Risks relating these financial instruments, and risk management policies adopted by the Company to minimize the risks are detailed below. Management monitors the risk exposures to ensure risks are under control.

The Company adopts sensitive analysis technology to analyze possible effects of the reasonable and potential change of risk variables over current profit or loss or shareholders' equity. Since risk variable rarely changes separately and relation among variables can exercise significant influence over other variables, thus the below contents are stated assuming that each variable changes separately.

### (I) Target and policy of risk management

The Company conducts risk management in order to adequately balance risk and return, minimize the negative

effects on its operating results, and maximize interest of shareholders and other stakeholders. Based on these risk management targets, the Company determines basic strategy for risk management, namely to determine and analyze various risks it faces, establish adequate risk acceptance limit and manage risks, and promptly and reliably monitor various risks to ensure risks are under control.

## 1. Market risk

### (1) Foreign exchange risk

Foreign exchange risk represents losses arising from change of exchange rate. The Company exposes to exchange risk relating to US dollar. On 31 December 2016, except for note 43 foreign currency balances under section IV, our assets and liabilities are all denominated in RMB. Exchange risk arising from these foreign currency denominated assets and liabilities may affect our operating results.

### (2) Interest risk – risk of cash flow movement

Risks of cash flow movement of financial instruments arising from change in interest rate mainly relates to bank borrowings at floating rate (details are set out in note 16 and note 24 under section VI).

Sensitivity analysis of interest rate risk:

Based on the following assumptions:

- Changes of market rate impact on interest income and expenses of the variable rate financial instruments;
- as for the fixed rate financial instruments measured by fair value, their interest income and expenses are the only part that being affected;
- as for the derivative financial instrument, designated as hedging instruments, their fair value are being affected, and all interest rate hedging are highly effective;

Change of the fair value of derivative financial instruments and other financial assets/liabilities, are measured by the discounted cash flow techniques on base of the market interest rate on balance sheet date

On the basis of the above assumptions and in the case of other variables unchanged, impact on current gains/losses and shareholders' equity before tax arising from reasonable variation of the interest rate changed:

Interest rate changes	2016		2015	
	Impact on profit	Impact on shareholders' equity	Impact on profit	Impact on shareholders' equity
5% increased	-6,928,757.96	-6,928,757.96	-8,831,818.09	-8,831,818.09
5% decreased	6,928,757.96	6,928,757.96	8,831,818.09	8,831,818.09

## 2. Credit risk

On 31 December 2016, the largest credit risk exposure which may result in financial loss mainly arise from default of performance by other party to a contract which may lead to loss of financial assets. In detail:

Carrying value of financial assets recognized in consolidated balance sheet. As for financial instrument at fair value, carrying value reflects its risk exposure, while not the largest risk exposure. The largest risk exposure will vary as fair value changes in future.

In order to bring down credit risk, the Company establishes a special working team to take charge of determining credit limit, making credit approval and implementing other monitor procedures to ensure necessary measures are adopted to collect overdue debts. In addition, recovery of each single account receivable is reviewed on each

balance sheet date to ensure adequate bad debt provision is made for unrecoverable amount. Therefore, management believes that the Company has substantially reduced the credit risks it assumes.

Our current capital is deposited with highly-rated banks, thus credit risk arising from current capital is relatively low.

### 3. Liquidity risk

When managing liquidity risk, the Company maintains such cash and cash equivalents as management believes sufficient, and keeps monitor on the cash and cash equivalents, to satisfy the Company's operation need and minimize effect from cash flow fluctuation. Management monitors application of bank borrowings and makes sure that relevant borrowing agreement is followed.

Bank borrowing constitutes our major capital source.

## X. Related party and related transactions

### 1. Parent company of the Group

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

### 2. Subsidiaries of the Company

Found more in 1. Equity in subsidiary in Note VIII

### 3. Joint venture and affiliated enterprise of the Group

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

### 4. Other related party

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

## 5. Related Transactions

### (1) Lending money of related party

2016:

Related party	Amount of lending money	Commencement date	Maturity Date	Note
Borrowing:				
Xingzhong Group	125,316,816.85	2016.01.01	2016.11.29	Repaid
Xingzhong Group	14,335,291.80	2016.01.01	2016.11.29	Repaid
Xingzhong Group	2,500,000.00	2016.01.01	2016.11.29	Repaid
Xingzhong Group	16,250,000.00	2016.01.01	2016.11.29	Repaid
Xingzhong Group	23,750,000.00	2016.01.01	2016.11.29	Repaid
Xingzhong Group	74,022,567.34	2016.07.01	2016.11.29	Repaid
Xingzhong Group	52,782,293.27	2016.11.29	2016.12.19	Note

2015:

Related party	Amount of lending money	Commencement date	Maturity Date	Note
Borrowing:				
Xingzhong Group	125,316,816.85	2015.01.01	2015.12.31	Renewal
Xingzhong Group	14,335,291.80	2015.01.01	2015.12.31	Renewal
Xingzhong Group	2,500,000.00	2015.01.01	2015.12.31	Renewal
Xingzhong Group	16,250,000.00	2015.01.01	2015.12.31	Renewal
Xingzhong Group	23,750,000.00	2015.01.01	2015.12.31	Renewal
Xingzhong Group	74,022,567.34	2015.07.01	2016.07.01	Turn to loans from interest

Note: Zhongshan Shenzhong Real Estate Development Co., Ltd. and Zhongshan Real Estate Investment Property Co., Ltd. are not included in the consolidated statement since 19 December 2016, the assets and liabilities of the two enterprises are being shifting out.

### (2) Remuneration for key management staffs

In 10 thousand Yuan

Item	2016	2015
Remuneration for key management staffs	746.31	802.59

### (3) Fund occupation expenses

Related party	Transaction type	Transaction content	Price setting principal	2016		2015	
				Amount	Proportion in amount of similar transaction (%)	Amount	Proportion in amount of similar transaction (%)



Related party	Transaction type	Transaction content	Price setting principal	2016		2015	
				Amount	Proportion in amount of similar transaction (%)	Amount	Proportion in amount of similar transaction (%)
Xingzhong Group	Fund occupation expenses	Interest expenses	Note	16,842,386.43	100.00	18,181,286.00	100.00

Note: payment for the use of state funds is calculated according to loan rate of current capital of peer banks.

## 6. Account payable/receivable from related parties

### (1) Account payable

Item	2016.12.31		2016.1.1	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Other account receivable:				
Huidong Server	11,022,401.44	0.00	11,822,401.44	0.00
Huidong Server managed account	12,930,850.20	0.00	12,739,493.82	0.00
Total	23,685,649.52	0.00	24,561,895.26	0.00

### (2) Payable receivable

Item	2016.12.31	2016.1.1
Other account payable:		
Xingzhong Group	Not applicable	256,174,675.99
Interest payable:		
Xingzhong Group	Not applicable	27,241,899.66

Note: Zhongshan Shenzhong Real Estate Development Co., Ltd. and Zhongshan Real Estate Investment Property Co., Ltd. are not included in the consolidated statement since 19 December 2016, the assets and liabilities of the two enterprises are being shifting out. The other payable and interest payable to Xingzhong Group from Zhongshan Shenzhong Real Estate Development Co., Ltd are not included in the related party transactions

## XI. Commitment and Contingency

### 1. Major commitment

#### (1) Commitment on operating lease

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

Item	2016.12.31	2016.1.1
Minimum lease payments of irrevocable operating lease:		
The first year after balance sheet day	1,504,396.50	3,728,646.50
The second year after balance sheet day	1,517,717.46	1,504,396.50
The third year after balance sheet day	1,557,680.33	1,504,396.50
Subsequent years	59,728,781.72	61,299,783.00
Total	64,308,576.01	68,037,222.50

## 2. Contingency

Nil

## XII. Events Occurring after the Balance Sheet Date

### 1. Lawsuits

From August 2015 to September 2015, Shenzhen Server has signed two Fuel Oil Procurement Contracts (The contract numbers are GRG150804002X and GRG150907004X) with Sinopec Zhonghai Ship Fuel Supply Co., Ltd., and the total contract amount is 72,350,000.00 Yuan (RMB, similarly hereinafter), but Sinopec Zhonghai Ship Fuel Supply Co., Ltd. has not paid the full amount of payment for goods after issuing "Receipt Confirmation Letter" to Shenzhen Server, and the total default payment for goods is 51,128,173.60 Yuan. On February 15, 2016, Sinopec Zhonghai Ship Fuel Supply Co., Ltd. sent a "Notification Letter" to Shenzhen Server that Sinopec China Shipping Company thinks Shenzhen Server has failed to fulfill its obligation of delivery of goods in the contract and withholds the payment for goods because the delivery depot and fuel oil are pledged and cannot extract the corresponding goods.

On February 24, 2016, Shenzhen Server has submitted the "Civil Complaint" about the fuel oil sales contract disputes with Sinopec Zhonghai Ship Fuel Supply Co., Ltd. to People's Court of Huangpu District of Guangzhou. The lawsuit requires Sinopec Zhonghai Ship Fuel Supply Co., Ltd. to make the overdue payments of 51,128,173.60 Yuan, and pay the interests of overdue payment of 1,139,728.5 Yuan, a total amount of 52,267,902.17 Yuan, and bear all legal costs of the case. On February 24, 2016, People's Court of Huangpu District of Guangzhou has accepted this case

A letter, received from Server Company on 23 August 2016, said receipting the Paper of Civil Judgment [2016] Y 0112 MC No.858] from People's Court of Huangpu District of Guangzhou. Defendant- Sinopec Zhonghai Company should pay 51,128,173.60 Yuan and interest on overdue payment (the losses will count from 20 Sept. 2015 and 25 Oct. 2015 respectively till the date when the payment are actually done, based on 8,284,921.60 Yuan and 42,843,252.00 Yuan respectively with 6.525% annual rate) to plaintiff-Server Company in TEN days since the Judgment comes into effect. The debt interest in overdue period should double while the defendant fails to perform money obligation during the specific period, in line with the regulation of Article 253<sup>rd</sup> of the Civil Procedure Law of the People's Republic of China. The court acceptance fee 303,140.00 Yuan should bear by defendant- Sinopec Zhonghai Company. Property preservation fee 5,000.00 Yuan also paid by defendant- Sinopec Zhonghai Company. If not satisfied with this Decision, appellate petition should submit to the People's Court of Huangpu District of Guangzhou, within 15 days since the service of a written judgment, and proposes the copy according to the number of the opposite party, appeal to the Guangzhou City Intermediate People's Court of Guangdong.

Early of September 2016, Sinopec Zhonghai Company submitted a Civil Complaint to People's Court of Huangpu District of Guangzhou, request revoke the Paper of Civil Judgment [2016] Y 0112 MC No.858], after ascertaining the facts in accordance with the law, rejected all claims of the appellee's. At end of December 2016, pursuant to the Article 8<sup>th</sup>, Article 107<sup>th</sup>, Article 114<sup>th</sup>, Article 130<sup>th</sup> of Contract Law of the People's Republic of China and regulation of paragraph (1) of article 1 of Article 170<sup>th</sup> of Civil Procedure Law of The People's Republic of China, the verdict from Guangzhou City Intermediate People's Court of Guangdong are as follow: Dismissed the appeal and judgment affirmed.

On 24 January 2017, Server Company received the all 55,696,080.66 Yuan (including owed money 51,128,173.60 Yuan, overdue interest 4,259,767.06 Yuan, first instance court acceptance fee 303,140.00 Yuan and property preservation fee 5,000.00 Yuan) from Sinopec Zhonghai Company, according to the last judgment from Guangzhou City Intermediate People's Court of Guangdong. Thus, legal proceedings of the Server Company are closed. Corresponding accounting treatment is done according to the sentence of second instance and post implementation.

## **2. Allocation of profit**

The Company holds a 10<sup>th</sup> session of the 7<sup>th</sup> Board on 24 March 2017, approved the profit allocation plan for year of 2016, which is no profit distribution for the year of 2016.

## **XIII. Other important events**

### **1. Segment information**

(1) Determining basis and accounting policies of reportable segments

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

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

(2) Financial information of reportable segment

Item	Power supply and heat supply	Fuel oil trade	Other	Offset between segments	Total
Main business income	1,502,944,465.07	0.00	68,520,079.59	0.00	1,571,464,544.66
Main business cost	1,399,334,451.44	0.00	52,232,308.82	9,164,162.06	1,442,402,598.20
Total assets	5,642,291,906.61	144,518,753.98	498,781,428.74	1,921,888,475.30	4,363,703,614.03
Total liabilities	3,141,328,725.28	39,254,138.30	48,457,498.44	889,306,225.36	2,339,734,136.66

## 2. Material Assets Reorganization

The extraordinary 10<sup>th</sup> session of 7<sup>th</sup> Board was held on 12 August 2016, deliberated the Proposal of 75% Equity Transfer of Zhongshan Shenzhong Real Estate Investment Property Co., Ltd. and Zhongshan Shenzhong Real Estate Development Co., Ltd. Respectively.

During the 20 workdays from 13 September 2016 to 14 October 2016, the Company public transfer 75% equity of Zhongshan Shenzhong Real Estate Investment Property Co., Ltd. (hereinafter referred to as Shenzhong Real Estate) and Zhongshan Shenzhong Real Estate Development Co., Ltd. (hereinafter referred to as Shenzhong Development, named target company together with Shenzhong Real Estate) respectively on Shenzhen United Property Rights Exchange (hereinafter referred to as the sale of substantial assets) with listed prices of 78.284 million Yuan (RMB/CNY same below). The Shenzhong Real Estate listed with 78.284 million Yuan for its 75% equity, another price for 75% equity of Shenzhong Development was 1 Yuan. The above said equity transfer should be one-off payment while transfer. Meanwhile, the relevant debts of payable and interest owed to the Company and its controlling subsidiaries as well as the Zhongshan Xingzhong Group Co., Ltd. under the name of target company should be pay-off in one-year amortized by the transferee, since the Equity Transaction Contract come into effect.

Ended as the listing expired on 14 October 2016, there are three qualified intention transferee. In accordance with the Notice of Transferring 75% Equity Transfer of Zhongshan Shenzhong Real Estate Investment Property Co., Ltd. and Zhongshan Shenzhong Real Estate Development Co., Ltd. Respectively, while expiry of listing in Shenzhen United

Property Rights Exchange, if generate two (inclusive) above the intended conditions of the transferee, the final transferee should be determined in way of auction. In view of this, Shenzhen Property Auction made an auction on the 75% equity of Shenzhong Real Estate and 75% equity of Shenzhong Development (full transferring) dated 17 October 2016. According to the Confirmation of Sale issued by Shenzhen Property Auction, the buyer named Shenzhen Oufuyuan Technology Co., Ltd., total transaction price for the target company amounting to 1,030 million Yuan. On 20 October, Shenzhen Oufuyuan Technology Co., Ltd. entered into an Equity Transfer Agreement with Shenzhen Nanshan Power Co.,Ltd in aspect of the 75% Equity respectively of Zhongshan Shenzhong Real Estate Investment Property Co., Ltd. and Zhongshan Shenzhong Real Estate Development Co., Ltd.

On 31 October 2016, the extraordinary 12<sup>th</sup> session of 7<sup>th</sup> Board was deliberated the Significant Assets Sales Report (Draft) and Abstract of the Shenzhen Nanshan Power Co., Ltd. and relevant proposals with significant asset sales concerned, and the proposals should submit for deliberation in Shareholders' general meeting.

The second extraordinary shareholders general meeting of 2016 was held on 22 November 2016, relevant proposals of Assets Sales of the 75% Equity of Zhongshan Shenzhong Real Estate Investment Property Co., Ltd. and Zhongshan Shenzhong Real Estate Development Co., Ltd. Respectively were deliberated and approved. On 23 November 2016, the Equity Transfer Agreement with Shenzhen Nanshan Power Co.,Ltd in aspect of the 75% Equity respectively of Zhongshan Shenzhong Real Estate Investment Property Co., Ltd. and Zhongshan Shenzhong Real Estate Development Co., Ltd. (hereinafter referred to as Equity Transfer Agreement) and supportive documents are being signed between the transferring parties and come into effect.

The Shenzhen United Property Rights Exchange (hereinafter referred to as SOTCBB) notified the Company that the relevant transaction price 1,951,716,042.84 Yuan (RMB/CNY same below) in total have received on 29 November 2016 from Shenzhen Oufuyuan Technology Co., Ltd. (hereinafter referred to as Oufuyuan Technology). The trading margin 400,000,000.00 Yuan, paid to SOTCBB before hand was counted as part of the transaction price. The aforesaid transaction money has transfer to the designated account of the Company and Zhongshan Xingzhong Group Co., Ltd. respectively on 30 November 2016 from SOTCBB. According to the Equity Transfer Agreement, total transaction money 1,030,000,000.00 Yuan are paid on one time within five workdays since the Equity Transfer Agreement come into effect by Oufuyuan Technology, as well as the first debt-payment 921,716,042.84 Yuan (including 718,323,660.12 Yuan payable to the Company and 203,392,382.72 Yuan payable to Zhongshan Xingzhong Group Co., Ltd.).

Oufuyuan Technology and Shenzhong Development issue the follow letters to Shennandian and Xingzhong Group respectively on 12 December 2016, that is the Relevant Collateral Arrangement under the Equity Transfer Agreement and Commitment Letter of Expansion of Scope of Real Estate Collateral, request and promised as: (I) as for the Underlying Security 【found more in the Significant Asset Sales Report (Revised draft) of the Shenzhen Nanshan

Power Co., Ltd. released on 16 Nov. 2016, the 1. Main assets of the (vi) main assets and liabilities and guarantees listed in Section IV. Transaction Target (ii) Shenzhong Development, same below, offer by Shenzhong Development, the guarantee scope extending as to the full obligation that to be fulfilled and not fulfilled in line with the transaction documents, 【including the contractual obligation in paragraph ② of (2) in article VI in the Clause 4.5 of the Equity Transfer Agreement】 , mortgage term till end of the date when mortgaged registration cancelled; (II) they hop that the Shennandian and Xingzhong Group completed the all mortgage cancellation registration procedures for Shenzhong Development in aspect of the former mortgage within five workdays, while Oufuyuan Technology completed the follow which has agreed in the Agreement, that is, Oufuyuan Technology replace the guarantee for Shennandian, in terms of the joint and several guarantee to Zhongshan Branch of Huaxia Bank Co., Ltd. for Shui Mu Nian Hua Garden Project, agreed in Clause 4.5 in Equity Transfer Agreement, and offering effective legal guarantee ( including but not limited to: Bank Performance Security, assets cover etc.) for the residual payable 420,156,083.84 Yuan and corresponding interest, listed in paragraph ②, part (2) of the Clause 6 in Agreement. Shennandian and Xingzhong Group have reply the above said letter for accepting the relevant promises and requests.

On 19 December 2016, the Company and Oufuyuan Technology completed the registration formalities in Industrial and Commerce, the 75% equity of Shenzhong Real Estate and Shenzhong Development respectively are transferred to Oufuyuan Technology. Shenzhong Real Estate and Shenzhong Development have received a new business license. Vary documents and stamps with Shenzhong Real Estate and Shenzhong Development concerned has completed and finished the handover procedures on 22 December 2016.

### 3. Other events

In 2015, Zhongshan Real Estate Investment Property Co., Ltd. (original controlling subsidiary of the Company) signed a maximum loan guarantee contract of 300,000,000.00 Yuan with Zhongshan Branch of Huaxia Bank, contract no. ZHS0210220150061, Shenzhen Nanshan Power Co., Ltd. offering a joint and several liabilities guarantee.

In 2016, after shares of Zhongshan Real Estate Investment Property Co., Ltd. being sold, the enterprise are not included in the consolidate statement since 19 Dec. 2016. Till end of the auditing reporting date, the replacement work of joint and several liabilities guarantee of 300 million Yuan to the above mentioned bank for Shui Mu Nian Hua Garden Project of Shenzhong Property are not completed by Shenzhen Oufuyuan Technology Co., Ltd., the equity transfer counterpart, the Company will actively promoted the replacement work for releasing the guarantee.

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

### 1. Account receivable

#### (1) Classification of accounts receivable

Category	2016.12.31				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	

Category	2016.12.31				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivable with single major amount and withdrawal bad debt provision for single item	0.00	0.00	0.00	0.00	0.00
Account receivable withdrawal bad debt provision by group of credit risk characteristics	54,934,957.47	100.00	0.00	0.00	54,934,957.47
Account receivable with single minor amount but withdrawal bad debt provision for single item	0.00	0.00	0.00	0.00	0.00
Total	54,934,957.47	100.00	0.00	0.00	54,934,957.47

(Continued)

Category	2016.1.1				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Account receivable with single major amount and withdrawal bad debt provision for single item	0.00	0.00	0.00	0.00	0.00
Account receivable withdrawal bad debt provision by group of credit risk characteristics	309,114,888.65	100.00	0.00	0.00	309,114,888.65
Account receivable with single minor amount but withdrawal bad debt provision for single item	0.00	0.00	0.00	0.00	0.00
Total	309,114,888.65	100.00	0.00	0.00	309,114,888.65

(2) Age analysis of account receivable

Item	2016.12.31		2016.1.1	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	54,932,068.47	99.99	177,333,799.65	57.37
1 to 2 years	0.00	0.00	131,778,200.00	42.63
2 to 3 years	0.00	0.00	0.00	0.00

Item	2016.12.31		2016.1.1	
	Amount	Proportion (%)	Amount	Proportion (%)
Over 3 years	2,889.00	0.01	2,889.00	0.00
Total	54,934,957.47	100.00	309,114,888.65	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 54,934,957.47 Yuan, accounting for 100% of the total amount of year end balance of receivables; the total amount of year end balance of the corresponding provision for bad debts is 0.00 Yuan.

## 2. Other account receivable

### (1) Other account receivable classified

Category	2016.12.31				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other account receivable with individual major amount and withdrawal bad debt provision independently	16,781,666.46	1.50	16,781,666.46	100.00	0.00
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	1,093,786,579.27	97.49	0.00	0.00	1,093,786,579.27
Other account receivable with individual minor amount but withdrawal bad debt provision independently	11,376,381.95	1.01	11,028,687.95	96.94	347694.00
Total	1,121,944,627.68	100.00	27,810,354.41		1,094,134,273.27

(Continued)

Category	2016.1.1				
	Book Balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other account receivable with	921,478,861.10	49.72	589,863,195.84	64.01	331,615,665.26



Category	2016.1.1				Book value
	Book Balance		Bad debt provision		
	Amount	Proportion (%)	Amount	Proportion (%)	
individual major amount and withdrawal bad debt provision independently					
Other account receivable withdrawal bad debt provision by group of credit risk characteristics	928,655,830.83	50.10	0.00	0.00	928,655,830.83
Other account receivable with individual minor amount but withdrawal bad debt provision independently	3,396,673.11	0.18	3,048,979.11	89.76	347,694.00
Total	1,853,531,365.04	100.00	592,912,174.95	31.99	1,260,619,190.09

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

Other account receivable (By unit)	2016.12.31			Accrual reason
	Other account receivable	Bad debt provision	Accruing proportion (%)	
Huiyang County Kangtai Industrial Company	14,311,626.70	14,311,626.70	100.00	Un-collectible
Individual income tax	2,470,039.76	2,470,039.76	100.00	Un-collectible
Total	16,781,666.46	16,781,666.46	100.00	

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

Other account receivable (By unit)	2016.12.31		
	Book Balance	Bad debt provision	Accruing proportion
Dormitory amount receivable	2,083,698.16	1,736,004.16	83.31
Deposit receivable	1,312,974.95	1,312,974.95	100.00
Personal account receivable	7,979,708.84	7,979,708.84	100.00
Total	11,376,381.95	11,028,687.95	96.94

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

Provision for bad debts in the Year amounting to 7,979,708.84 Yuan, reversals of bad debt provision was 573,081,529.38 Yuan, which refers to the receivable from Zhongshan Shenzhong Real Estate Development

Co., Ltd.

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

(4) Other account receivable classified according to age

Item	2016.12.31		2016.1.1	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	156,165,893.62	13.92	1,103,554,538.35	59.54
1 to 2 years	490,525,842.08	43.72	295,858,143.53	15.96
2 to 3 years	83,463,099.08	7.44	172,621,681.78	9.31
Over 3 years	391,789,792.90	34.92	281,497,001.38	15.19
Total	1,121,944,627.68	100.00	1,853,531,365.04	100.00

(5) Receivable from related parties

Name of the company	Relationship with the Company	2016.12.31	Age	proportion in total year-end balance of other account receivable (%)
Zhongshan Power Company	Subsidiary	547,583,814.29	Within 1 year to over 3 years	48.81
Weimei Power Company	Subsidiary	176,537,638.65	Within 3 years	15.73
Environment Protection Company	Subsidiary	16,044,392.77	Within 3 years	1.43
Singapore company	Subsidiary	1,456,971.99	Within 1 year to over 3 years	0.13
Total		741,622,817.70		66.10

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

Name of the company	Relationship with the Company	2016.12.31	Age	proportion in total year-end balance of other account receivable (%)	Balance year-end of bad debts provision
Zhongshan Shenzhong Real Estate Development Co., Ltd.	Non-related party (note)	348,585,113.07	1-3 years	31.07	0.00
Zhongshan	Related party	547,174,264.12	Within 1 year to over 3	48.77	0.00

Name of the company	Relationship with the Company	2016.12.31	Age	proportion in total year-end balance of other account receivable (%)	Balance year-end of bad debts provision
Power Company			years		
Weimei Power Company	Related party	176,537,638.65	Within 3 years	15.73	0.00
Environment Protection Company	Related party	16,044,392.77	Within 3 years	1.43	0.00
Huiyang County Kangtai Industrial Company	Non-related party	14,311,626.70	Over 3 years	1.28	14,311,626.70
Total		1,102,653,035.31		98.28	14,311,626.70

Note: after selling equity of Zhongshan Shenzhong Real Estate Development Co., Ltd. and Zhongshan Real Estate Investment Property Co., Ltd., the two companies are not included in consolidate statement since 19 December 2016

### 3. Long-term equity investment

#### (1) Category of long-term equity investment

Item	2016.12.31			2016.1.1		
	Book Balance	Impairment provision	Book value	Book Balance	Impairment provision	Book value
Investment to subsidiary	691,982,849.76	0.00	691,982,849.76	691,982,849.76	0.00	691,982,849.76
Investment to joint venture and affiliate enterprise	0.00	0.00	0.00	0.00	0.00	0.00
Total	691,982,849.76	0.00	691,982,849.76	691,982,849.76	0.00	691,982,849.76

#### (2) Investment to subsidiary

Investee company	2016.1.1	Increased in the Year	Decreased in the Year	2016.12.31	Impairment provision accrual in the Year	Impairment provision Year-end balance
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Investee company	2016.1.1	Increased in the Year	Decreased in the Year	2016.12.31	Impairment provision accrual in the Year	Impairment provision Year-end balance
Shenzhen Server	26,650,000.00	0.00	0.00	26,650,000.00	0.00	0.00
New Power Company	71,270,000.00	0.00	0.00	71,270,000.00	0.00	0.00
Zhongshan Power Company	410,740,000.00	0.00	0.00	410,740,000.00	0.00	0.00
Engineering Company	6,000,000.00	0.00	0.00	6,000,000.00	0.00	0.00
Weimei Power Company	115,319,049.76	0.00	0.00	115,319,049.76	0.00	0.00
Singapore company	6,703,800.00	0.00	0.00	6,703,800.00	0.00	0.00
Environment Protection Company	55,300,000.00	0.00	0.00	55,300,000.00	0.00	0.00
Shen Development (note)	0.00	0.00	0.00	0.00	0.00	0.00
Shen Investment Property(note)	0.00	0.00	0.00	0.00	0.00	0.00
Total	691,982,849.76	0.00	0.00	691,982,849.76	0.00	0.00

Note: after selling equity of Zhongshan Shenzhong Real Estate Development Co., Ltd. and Zhongshan Real Estate Investment Property Co., Ltd., the two companies are not included in consolidate statement since 19 December 2016

#### 4. Operation revenue/operation cost

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
Main business	377,359,777.33	448,926,481.02	281,316,937.98	404,308,762.71
Other business	32,777,316.69	6,495,109.40	25,671,372.20	8,930,506.27
Total	410,137,094.02	455,421,590.42	306,988,310.18	413,239,268.98

#### 5. Supplement of cash flow statement

Item	2016	2015
(1) Net profit adjusted as cash flow from operation activities:		
Net profit	1,285,104,198. 43	-593,071,259. 90
Add: Assets for impairment	-563,481,820.5 4	609,856,337. 51
Depreciation of fixed assets, oil & gas assets and productive biological assets	10,456,274.85	12,650,004.6 9
Amortization of intangible assets	1,412,802.74	1,440,240.36
Amortization of long-term expenses to be amortized	0.00	0.00
Loss from disposal of fixed assets, intangible assets and other long-term assets (income listed with “-“)	194,564.89	12,426.53
Abandonment loss from fixed assets (income listed with “-“)	0.00	0.00
Loss from changes of fair value (income listed with “-“)	0.00	0.00
Financial expenses (income listed with “-“)	130,071,269.06	151,550,893. 91
Investment losses (income listed with “-“)	-1,030,000,000 .00	0.00
Decrease of deferred income tax assets (increased listed with “-“)	0.00	0.00
Increase of deferred income tax liabilities (decreased listed with “-“)	0.00	0.00
Decrease of inventory (increased listed with “-“)	650,121.98	10,531,996.3 9
Decrease of operational receivable (increased listed with “-“)	975,309,928.11	-75,692,575.7 0
Increase of operational payable (decreased listed with “-“)	111,997,614.77	-47,552,594.0 3
Other	0.00	0.00
Net cash flow from operation activities	921,714,954.29	69,725,469.7 6
(2) Major investment and financing activities not involved with cash income and expenses:		
Debt transfer to assets	0.00	0.00
Convertible bonds due within one year	0.00	0.00
Financing rent-in fixed assets	0.00	0.00
(3) Net changes of cash and cash equivalent:		

Item	2016	2015
Balance of cash at year-end	1,119,323,850.36	675,408,711.65
Less: balance of cash at year-beginning	675,408,711.65	332,803,493.04
Add: Year-end balance of cash equivalent	0.00	0.00
Less: Year-beginning balance of cash equivalent	0.00	0.00
Net increase of cash and cash equivalent	443,915,138.71	342,605,218.61

## XV. Supplementary information

### 1. Statement of non-recurring gains/losses

Item	2016	2015
Gains/losses from the disposal of non-current asset	1,660,659,958.12	-298,030.53
Governmental subsidy calculated into current gains and losses, with closely related with the normal business of the Company, excluding the fixed-amount or fixed-proportion governmental subsidy according to the unified national standard)	-2,463,841.18	72,711,942.26
Import VAT refunds for natural gas	0.00	43,717,420.50
Other non-operating income and expenditure except for the aforementioned items	-965,906.07	132,969.28
Subtotal	1,657,230,210.87	116,264,301.51
Impact on income tax	221,481,615.44	108,009.54
Impact on minority shareholders' equity (post-tax)	62,225.63	13,164,989.22
Total	1,435,686,369.80	102,991,302.75

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	101.34%	2.17	2.17

Profit in the Period	Weighted average ROE (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-10.00%	-0.21	-0.21