ZHEJIANG KAISHAN

COMPRESSOR CO., LTD.

AUDITOR'S REPORT FOR THE YEAR

ENDING DECEMBER 31, 2019

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Auditor's Report

PCCPAAR [2020] No. 4028

To the Shareholders of Zhejiang Kaishan Compressor Co., Ltd.:

I. Audit Opinion

We have audited the accompanying financial statements of Zhejiang Kaishan Compressor Co., Ltd. (the "Company"), which comprise the consolidated and parent company balance sheets as at December 31, 2019, the consolidated and parent company income statements, the consolidated and parent company cash flow statements, and the consolidated and parent company statements of changes in equity for the year then ended, as well as notes to financial statements.

In our opinion, the attached financial statements present fairly, in all material respects, the financial position of the Company as at December 31, 2019, and of its financial performance and its cash flows for the year then ended in accordance with China Accounting Standards for Business Enterprises.

II. Basis for Audit Opinion

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Certified Public Accountant's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the China Code of Ethics for Certified Public Accountants, and we have fulfilled other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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credit loss rate of accounts receivable, so as to calculate the provision for bad debts to be accrued.

As the amount of accounts receivable is significant and impairment test involves significant judgment and estimate of the Management, we have identified impairment of accounts receivable as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for impairment of accounts receivable are as follows:

(1) We obtained understandings of key internal controls related to impairment of

accounts receivable, assessed the design of these controls, determined whether they have been executed, and tested the effectiveness of their operation;

(2) We reviewed the accounts receivable with provision for bad debts made in previous periods and written off or reversed subsequently, assessed the accuracy of historical estimates made by the Management;

(3) We reviewed the consideration of the Management on credit risk assessment and objective evidence, and assessed whether the credit risk features of accounts receivable had been sufficiently identified by the Management;

(4) For accounts receivable with impairment test performed on an individual basis, we obtained the Management's estimates on the present value of future cash flows, assessed the reasonableness of key assumptions and the accuracy of data adopted in the estimations and checked them with acquired external evidences;

(5) For accounts receivable with impairment test performed on a collective basis, we assessed the reasonableness of portfolio classification by the Management based on credit risk features; assessed the reasonableness of comparison table of ages and estimated credit loss rate of accounts receivable based on the historical loss experience and forward-looking estimation; we reviewed the accuracy and integrity of data used by the Management (including ages of accounts receivable, historical loss rate, etc.) and assessed whether the calculation of provision for bad debts was accurate;

(6) We checked the subsequent collection of accounts receivable and assessed the reasonableness of provision for bad debts made by the Management;

(7) We checked the contract signed with major customers, and obtained understandings of customer credit policies during the reporting period and their actual implementation;

(8) We examined and analyzed the main reasons for balances due from major customers at the end of the period, and analyzed the reasonableness; and

(9) We checked whether information related to impairment of accounts receivable had been presented and disclosed appropriately in the financial statements.

(II) The existence and valuation of geothermal project assets

1. Key audit matters

Please refer to section III (XIII), (XIV) and V (I) 9, 10 of the notes to the financial statements for details.

As of December 31, 2019, carrying amount of geothermal project assets included in fixed assets and construction in progress amounted to 3.66 billion yuan, accounting for 79.70% of the total carrying amount of fixed assets and construction in progress, which is 4.60 billion yuan, and accounting for 44.94% of the total assets. As the carrying amount of geothermal project assets accounts for a large proportion of the total assets, we have identified the existence and valuation of geothermal project assets as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for existence and evaluation of geothermal project assets are as follows:

(1) We obtained understandings of key internal controls related to existence and evaluation of geothermal project assets, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of their operations;

(2) We obtained working list of geothermal project engineering, and checked the original documents such as project budget reports, contracts, invoices, payment documents, engineering completion information, etc. to determine the accuracy of the recorded amount and the accounting treatment;

(3) We checked the stage of capitalization of borrowing costs, assessed whether they had met the relevant conditions for capitalization, and analyzed the accuracy of capitalized borrowing costs in construction in progress;

(4) We obtained information relevant to construction carried forward to fixed assets, to analyze the accuracy of the time point that it reaches the designed usable conditions and the amount of fixed assets involved;

(5) We carried out stocktaking on geothermal project assets, checked the completion status of geothermal projects, and whether any construction in progress has been ceased and delayed;

(6) We obtained understandings of whether there is evidence indicating impairment

[redacted]

judgment of the Management, we have identified impairment of goodwill as a key audit matter.

2. Responsive audit procedures

Our main audit procedures for impairment of goodwill are as follows:

(1) We obtained understandings of key internal controls related to impairment of goodwill, assessed the design of these controls, determined whether they had been executed, and tested the effectiveness of their operations;

(2) We reviewed the present value of future cash flows estimated by the Management in previous years and the actual operating results, and assessed the accuracy of the Management's historical estimations;

(3) We obtained understandings of and assessed the competency, professional quality, and objectivity of external valuation experts engaged by the Management;

(4) We tested the reasonableness and consistency of the method used by the Management in impairment test;

(5) We assessed the reasonableness of key assumptions used in impairment test and reviewed whether relevant assumptions were consistent with overall economy environment, industry condition, operation situation, historical experience, operation plan and other assumptions related to the financial statements used by the Management;

(6) We tested the accuracy, completeness and relativity of data used in the impairment test and reviewed the internal consistency of related information in the impairment test;

(7) We tested whether the calculation of present value of estimated future cash flows was accurate; and

(8) We checked whether information related to impairment of goodwill had been presented and disclosed appropriately in the financial statements.

IV. Other Information

The Management is responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibilities of the Management and Those Charged with Governance for the Financial Statements

The Management is responsible for preparing and presenting fairly the financial

financial statements.

We exercise professional judgment and maintain professional skepticism throughout the audit performed in accordance with China Standards on Auditing. We also:

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

(II) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of

[redacted]

related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

(VI) Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain sole responsibility for our audit opinion.

We communicate with those charged with governance regarding the planned audit scope, time schedule and significant audit findings, including any deficiencies in internal control of concern that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the

matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Pan-China Certified Public Accountants LLP

Hangzhou · China

Chinese Certified Public Accountant
(Engagement Partner)

Chinese Certified Public Accountant

Date of Report: April 28, 2020

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position, and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Other equity instrument investments			
Other non-current financial assets			
Investment property			
Fixed assets	9	2,102,925,774.73	974,689,316.11
Construction in progress	10	2,492,781,639.85	2,801,165,271.49
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets	11	251,143,909.34	237,992,879.22
Development expenditures			
Goodwill	12	222,179,659.75	240,146,393.89
Long-term prepayments			
Deferred tax assets	13	99,366,198.80	87,995,228.87
Other non-current assets	14	96,758,160.63	36,520,490.64
Total non-current assets		5,345,023,696.96	4,451,086,509.36
Total assets		8,152,223,247.60	7,593,278,224.70

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Liabilities & Equity	Note No.	Closing balance	December 31, 2018
Current liabilities:			
Short-term borrowings	15	973,923,647.99	901,704,998.21
Central bank loans			
Loans from other banks			
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable	16	503,903,028.80	598,478,590.07
Accounts payable	17	715,610,790.93	749,556,636.28
Advances received	18	280,023,961.50	264,489,343.50
Contract liabilities			
Financial liabilities under repo			
Absorbing deposit and interbank deposit			
Deposit for agency security transaction			
Deposit for agency security underwriting			
Employee benefits payable	19	29,923,131.42	26,023,209.16
Taxes and rates payable	20	27,827,700.66	34,244,266.89
Other payables	21	39,519,217.86	51,701,912.23
Handling fee and commission payable			
Long-term employee benefits payable	24		
Provisions	25	2,812,964.29	2,606,382.56
Deferred income	26	30,332,900.00	33,763,300.00
Deferred tax liabilities	13	5,904,362.17	
Other non-current liabilities			
Total non-current liabilities		1,837,248,306.78	1,425,330,464.37
Total liabilities		4,562,563,534.58	4,079,489,484.96
Equity:			
Share capital	27	858,000,000.00	858,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve	28	1,490,478,854.86	1,503,431,159.38
Less: Treasury shares			
Other comprehensive income	29	97,182,394.97	71,855,934.09
Special reserve			
Surplus reserve	30	217,408,024.69	191,260,047.40
General risk reserve			
Undistributed profit	31	933,569,817.88	892,995,634.75
Total equity attributable to the parent company		3,596,639,092.40	3,517,542,775.62
Non-controlling interest		-6,979,379.38	-3,754,035.88
Total equity		3,589,659,713.02	3,513,788,739.74
Total liabilities & equity		8,152,223,247.60	7,593,278,224.70

Zhejiang Kaishan Compressor Co., Ltd.

Parent company balance sheet as at December 31, 2019

(Expressed in Renminbi Yuan)

Assets	Note No.	Closing balance	December 31, 2018
Current assets:			
Cash and bank balances		336,826,131.89	744,585,348.54
Held-for-trading financial assets			
Financial assets at fair value through profit			
Other receivables	2	541,164,459.51	8,556,666.66
Inventories		194,396,046.41	232,130,559.15
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets		12,394,998.14	30,488,237.19
Total current assets		1,839,979,135.25	1,989,758,627.84
Non-current assets:			
Debt investments			
Available-for-sale financial assets			
Development expenditures			
Goodwill			
Long-term prepayments			
Deferred tax assets		22,345,907.84	16,755,570.13
Other non-current assets		477,876.13	
Total non-current assets		4,104,360,304.08	3,725,907,301.86
Total assets		5,944,339,439.33	5,715,665,929.70

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Employee benefits payable		1,174,012.00	949,111.00
Taxes and rates payable		9,056,863.55	3,234,775.12
Other payables		218,910.50	2,834,031.58
Liabilities classified as held for sale			
Non-current liabilities due within one year		2,002,960.83	
Other current liabilities			
Total current liabilities		2,228,616,190.17	2,414,212,723.09
Non-current liabilities:			
Long-term borrowings		238,340,068.34	
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable			
Undistributed profit		3,461,253,180.82	3,282,753,206.61
Total equity		3,461,253,180.82	3,282,753,206.61
Total liabilities & equity		5,944,339,439.33	5,715,665,929.70

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Gains on changes in fair value (or less: losses)			
Credit impairment loss	9	-8,814,396.68	
Assets impairment loss	10	-43,124,594.32	-27,775,555.18
Gains on asset disposal (or less: losses)	11	330,375.10	230,977.72
III. Operating profit (or less: losses)		187,158,852.86	165,109,187.47
Add: Non-operating revenue	12	205,267.97	175,707.83
Less: Non-operating expenditures	13	1,126,471.01	5,578,765.29
IV. Profit before tax (or less: total loss)		186,237,649.82	159,706,130.01
Less: Income tax	14	33,276,917.03	39,113,968.39
V. Net profit (or less: net loss)		152,960,732.79	120,592,161.62
(I) Categorized by the continuity of operations			
1. Net profit from continuing operations (or less: net loss)		152,960,732.79	120,592,161.62
2. Net profit from discontinued operations (or less: net loss)			
(II) Categorized by the portion of equity ownership			
1. Net profit attributable to owners of parent company (or less: net loss)		152,522,160.42	122,781,939.98
2. Net profit attributable to non-controlling shareholders (or less: net loss)		438,572.37	-2,189,778.36
VI. Other comprehensive income after tax	15	20,925,429.26	102,502,739.00
Items attributable to the owners of the parent company	15	25,326,460.88	102,879,293.60
(I) Not to be reclassified subsequently to profit or loss			
1. Changes in remeasurement on the net defined benefit plan			
2. Items under equity method that will not be reclassified to profit or loss			
3. Changes in fair value of other equity instrument investments			
4. Changes in fair value of own credit risk			
5. Others			
(II) To be reclassified subsequently to profit or loss		25,326,460.88	102,879,293.60
1. Items under equity method that may be reclassified to profit or loss			
2. Changes in fair value of other debt investments			
3. Profit or loss from changes in fair value of available-for-sale financial assets			
4. Profit or loss from reclassification of financial assets into other comprehensive income			
5. Profit or loss from reclassification of held-to-maturity investments as available-for-sale financial assets			
6. Provision for credit impairment of other debt investments			
7.Cash flow hedging reserve (profit or loss on cash flow hedging)			
8. Translation reserve		25,326,460.88	102,879,293.60
9. Others			
Items attributable to non-controlling shareholders	15	-4,401,031.62	-376,554.60
VII. Total comprehensive income		173,886,162.05	223,094,900.62
Items attributable to the owners of the parent company		177,848,621.30	225,661,233.58
Items attributable to non-controlling shareholders		-3,962,459.25	-2,566,332.96
VIII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		0.18	0.14
(II) Diluted EPS (yuan per share)		0.18	0.14

For business combination under common control incurred in the current period. the combined party generated net profit of 1,158,915.69 yuan before combination, and generated net profit of 1,287,696.53 yuan in the preceding period.

V. Total comprehensive income		
VI. Earnings per share (EPS):		
(I) Basic EPS (yuan per share)	0.30	0.25
(II) Diluted EPS (yuan per share)	0.30	0.25

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Cash receipts from sale of goods or rendering of services		2,958,201,308.07	2,956,972,206.63
Net increase of client deposit and interbank deposit			
Net increase of central bank loans			
Net increase of loans from other financial institutions			
Cash receipts from original insurance contract premium			
Net cash receipts from reinsurance			
Net increase of policyholder deposit and investment			
Cash receipts from interest, handling charges and commission			
Net increase of loans from others			
Net increase of repurchase			
Net cash receipts from agency security transaction			
Receipts of tax refund		27,953,737,533	86,341,225.67
Other cash receipts related to operating activities	1	302,478,883.24	110,352,525.74
Subtotal of cash inflows from operating activities		3,285,636,920.84	3,296,767,048.04
Cash payments for goods purchased and services received		2,220,665,552.37	2,081,058,114.39
Net increase of loans and advances to clients			
Net increase of central bank deposit and interbank deposit			
Cash payments for insurance indemnities of original insurance contracts			
Net increase of loans to others			
Cash payments for interest, handling charges and commission			
Cash payments for policy bonus			
Cash paid to and on behalf of employees		539,267,979.89	534,737,547.65
Cash payments for taxes and rates		129,454,610.05	203,948,485.99
Other cash payments related to operating activities	2	367,222,812.69	335,590,768.58
Subtotal of cash outflows from operating activities		3,256,610,955.00	3,155,334,916.61
Net cash flows from operating activities		29,025,965.84	141,432,131.43
II. Cash flows from investing activities:			
Cash receipts from withdrawal of investments			
Cash receipts from investment income			
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets		4,926,663.16	4,315,028.94
Net cash receipts from the disposal of subsidiaries & other business units			
Other cash receipts related to investing activities	3		126,352,965.89
Subtotal of cash inflows from investing activities		4,926,663.16	130,667,994.83
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets		744,344,544.91	1,381,835,041.87
Cash payments for investments			
Net increase of pledged borrowings			
Net cash payments for the acquisition of subsidiaries & other business units			
Other cash payments related to investing activities	4		125,000,000.00
Subtotal of cash outflows from investing activities		744,344,544.91	1,506,835,041.87
Net cash flows from investing activities		-739,417,881.75	-1,376,167,047.04
III. Cash flows from financing activities:			
Cash receipts from absorbing investments			
Including: Cash received by subsidiaries from non-controlling shareholders as investments			
Cash receipts from borrowings		1,731,233,018.72	2,393,340,918.21
Other cash receipts related to financing activities	5		127,560,570.00
Subtotal of cash inflows from financing activities		1,731,233,018.72	2,520,901,488.21
Cash payments for the repayment of borrowings		1,136,894,009.79	1,010,943,502.07
Cash payments for distribution of dividends or profits and for interest expenses		195,032,059.60	173,030,211.26
Including: Cash paid by subsidiaries to non-controlling shareholders as dividend or profit		1,000,000.00	2,000,000.00
Other cash payments related to financing activities	6	9,385,825.89	
Subtotal of cash outflows from financing activities		1,341,311,895.28	1,183,973,713.33
Net cash flows from financing activities		389,921,123.44	1,336,927,774.88
IV. Effect of foreign exchange rate changes on cash & cash equivalents		20,225,041.29	115,209,303.61
V. Net increase in cash and cash equivalents		-300,245,751.18	217,402,162.88
Add: Opening balance of cash and cash equivalents		739,081,474.57	521,679,311.69
VI. Closing balance of cash and cash equivalents		438,835,723.39	739,081,474.57

Net cash flows from operating activities	164,426,034.96	338,134,556.09
II. Cash flows from investing activities:		
Cash receipts from withdrawal of investments		
Cash receipts from investment income	227,500,000.00	167,500,000.00
Net cash receipts from the disposal of fixed assets, intangible assets and other long-term assets	362,028.08	112,007.65
Net cash receipts from the disposal of subsidiaries & other business units		
Other cash receipts related to investing activities	43,638,965.49	126,685,688.95
Subtotal of cash inflows from investing activities	271,500,993.57	294,297,696.60
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	22,379,737.92	3,322,756.12
Cash payments for investments	359,182,748.53	769,834,010.00
Net cash payments for the acquisition of subsidiaries & other business units		
Other cash payments related to investing activities	383,454,590.00	134,000,000.00
Subtotal of cash outflows from investing activities	766,417,076.45	907,356,766.12
Net cash flows from investing activities	-494,916,082.88	-613,059,068.52
III. Cash flows from financing activities:		
Cash receipts from absorbing investments		
Cash receipts from borrowings	1,169,524,000.00	1,484,568,000.00
Other cash receipts related to financing activities		73,000,000.00
Subtotal of cash inflows from financing activities	1,169,524,000.00	1,557,568,000.00
Cash payments for the repayment of borrowings	1,030,000,000.00	874,568,000.00
Cash payments for distribution of dividends or profits and for interest expenses	117,482,231.97	110,158,934.84
Other cash payments related to financing activities		
Subtotal of cash outflows from financing activities	1,147,482,231.97	984,726,934.84
Net cash flows from financing activities	22,041,768.03	572,841,065.16
IV. Effect of foreign exchange rate changes on cash and cash equivalents	98,165.50	2,897,291.80
V. Net increase in cash and cash equivalents	-308,350,114.39	300,813,844.53
Add: Opening balance of cash and cash equivalents	483,426,405.69	182,612,561.16
VI. Closing balance of cash and cash equivalents	175,076,291.30	483,426,405.69

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Zhejiang Kaishan Compressor Co., Ltd.

Consolidated statement of changes in equity for the year ended December 31, 2019 (continued)

(Expressed in Renminbi Yuan)

Items	Equity attributable to parent company									Non-controlling interest	Total equity
	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds	Other equity instruments: Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		
I. Balance at the end of prior year	858,000,000.00				1,505,661,101.32		-31,023,359.51		170,199,884.09		878,468,707.70	-27,831.44	3,384,301,502.16
Add: Cumulative changes of accounting policies													
Error correction of prior period													
Business combination under common control					2,500,000.00						-1,394,849.62		1,105,150.38
Others													
II. Balance at the beginning of current year	858,000,000.00				1,508,161,101.32		-31,023,359.51		170,199,884.09		877,073,858.08	-27,831.44	3,385,406,652.54
III. Current period increase (or less: decrease)					-4,729,941.94		102,879,293.60		21,060,163.31		15,921,776.67	-3,726,204.44	131,305,086.20
(I) Total comprehensive income							102,879,293.60				122,781,939.98	-2,566,332.96	223,094,900.62
(II) Capital contributed or withdrawn by owners													
1. Ordinary shares contributed by owners													
2. Capital contributed by holders of other equity instruments													
3. Amount of share-based payment included in equity													
4. Others													
(III) Profit distribution									21,060,163.31		-106,860,163.31	-2,000,000.00	-87,800,000.00
1. Appropriation of surplus reserve									21,060,163.31		-21,060,163.31		
2. Appropriation of general risk reserve													
3. Appropriation of profit to owners											-85,800,000.00	-2,000,000.00	-87,800,000.00
4. Others					-4,729,941.94								-4,729,941.94
(IV) Internal carry over within equity													
1. Transfer of capital reserve to capital													
2. Transfer of surplus reserve to capital													
3. Surplus reserve to cover losses													
4. Changes in defined benefit plan carried over to retained earnings													
5. Other comprehensive income carried over to retained earnings													
6. Others					-4,729,941.94								-4,729,941.94
(V) Special reserve													
1. Appropriation in current period													
2. Application in current period													
(VI) Others													
IV. Balance at the end of current period	858,000,000.00				1,503,431,159.38		71,855,934.09		191,260,047.40		892,995,634.75	-3,754,035.88	3,516,711,738.74

Zhejiang Kaishan Compressor Co., Ltd.

Parent company statement of changes in equity for the year ended 31 December 2019

(Expressed in Renminbi Yuan)

Items	Share capital	Other equity instruments: Preferred shares	Other equity instruments: Perpetual bonds
I. Balance at the end of prior year	858,000,000.00		
Add: Cumulative changes of accounting policies			
Error correction of prior period			
Others			
II. Balance at the beginning of current year	858,000,000.00		
III. Current period increase (or less: decrease)			
(I) Total comprehensive income			
(II) Capital contributed or withdrawn by owners			
1. Ordinary shares contributed by owners			
2. Capital contributed by holders of other equity instruments			
3. Amount of share-based payment included in equity			
4. Others			
(III) Profit distribution			
1. Appropriation of surplus reserve			
2. Appropriation of profit to owners			
3. Others			
(IV) Internal carry-over within equity			
1.Transfer of capital reserve to capital			
2.Transfer of surplus reserve to capital			
3.Surplus reserve to cover losses			
4. Changes in defined benefit plan carried over to retained earnings			
5. Other comprehensive income carried over to retained earnings			
6. Others			
(V) Special reserve			
1. Appropriation of current period			
2. Application of current period			
(VI) Others			
IV. Balance at the end of current period	858,000,000.00		

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II. Bal	
III. Cu	
(I) Tot	
(II) Ca	
1. Ord	
2. Cap instru	
3. Am equity	
4. Oth	
(III) F	
1. Ap	
2. Ap	
3. Oth	
(IV) I	
1.Tra	
2.Tra	
3.Sur	
4. Ch retain	
5. Ot retain	
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(V) S	
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2. Ap	
(VI)	
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* *The English names are for identification purpose only.*

天健会计师事务所(特殊普通合伙)
审核之章

[redacted]

(II) Assessment of the ability to continue as a going concern

The Company has no events or conditions that may cast significant doubts upon the Company's ability to continue as a going concern within the 12 months after the balance sheet date.

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* *The English names are for identification purpose only.*

[redacted]

classified as current if it is expected to be realized or due within 12 months.

(IV) Functional currency

The Company's functional currency is Renminbi (RMB) Yuan.

(V) Accounting treatments of business combination under and not under common control

1. Accounting treatment of business combination under common control

Assets and liabilities arising from business combination are measured at carrying amount of the combined party included in the consolidated financial statements of the ultimate controlling party at the combination date. Difference between carrying amount of the equity of the combined party included in the consolidated financial statements of the ultimate controlling party and that of the combination consideration or total par value of shares issued is adjusted to capital reserve, if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

2. Accounting treatment of business combination not under common control

When combination cost is in excess of the fair value of identifiable net assets obtained from the acquiree at the acquisition date, the excess is recognized as goodwill; otherwise, the fair value of identifiable assets, liabilities and contingent liabilities, and the measurement of the combination cost are reviewed, then the difference is recognized in profit or loss.

(VI) Compilation method of consolidated financial statements

The parent company brings all its controlled subsidiaries into its consolidation scope. The consolidated financial statements are compiled by the parent company according to "CASBE 33 - Consolidated Financial Statements", based on relevant information and the financial statements of the parent company and its subsidiaries.

(VII) Classification of joint arrangements and accounting treatment of joint operations

1. Joint arrangements include joint operations and joint ventures.

2. When the Company is a joint operator of a joint operation, it recognizes in relation to its interest in a joint operation:

(1) its assets, including its share of any assets held jointly;

(2) its liabilities, including its share of any liabilities incurred jointly;

(3) its revenue from the sale of its share of the output arising from the joint operation;

(4) its share of the revenue from the sales of the output by the joint operation; and

(5) its expenses, including its share of any expenses incurred jointly.

(VIII) Recognition criteria of cash and cash equivalents

Cash, as presented in cash flow statement, refers to cash on hand and deposit on demand for payment. Cash equivalents refer to short-term, highly liquid investments that can be readily converted to cash and that are subject to an insignificant risk of changes in value.

(IX) Foreign currency translation

1. Translation of transactions denominated in foreign currency

Transactions denominated in foreign currency are translated into RMB yuan at the spot exchange rate at the transaction date at initial recognition. At the balance sheet date, monetary items denominated in foreign currency are translated at the spot exchange rate at the balance sheet date with difference, except for those arising from the principal and interest of exclusive borrowings eligible for capitalization, included in profit or loss; non-cash items carried at historical costs are translated at the spot exchange rate at the transaction date, with their RMB amount unchanged; non-cash items carried at fair value in foreign currency are translated at the spot exchange rate at the date when the fair value was determined, with difference included in profit or loss or other comprehensive income.

2. Translation of financial statements measured in foreign currency

The assets and liabilities in the balance sheet are translated into RMB at the spot rate at the balance sheet date; the equity items, other than undistributed profit, are translated at the spot rate at the transaction date; the revenues and expenses in the income statement are translated into RMB at the spot exchange rate at the transaction date. The difference arising from foreign currency translation is included in other comprehensive income.

(X) Financial instruments

1. Classification of financial assets and financial liabilities

Financial assets are classified into the following three categories when initially recognized: (1) financial assets at amortized cost; (2) financial assets at fair value through other comprehensive income; (3) financial assets at fair value through profit or loss.

Financial liabilities are classified into the following four categories when initially recognized: (1) financial liabilities at fair value through profit or loss; (2) financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement

approach applies; (3) financial guarantee contracts not fall within the above categories (1) and (2), and commitments to provide a loan at a below-market interest rate, which do not fall within the above category (1) ; (4) financial liabilities at amortized cost.

2. Recognition criteria, measurement method and derecognition condition of financial assets and financial liabilities

(1) Recognition criteria and measurement method of financial assets and financial liabilities

When the Company becomes a party to a financial instrument, it is recognized as a financial asset or financial liability. The financial assets and financial liabilities initially recognized by the Company are measured at fair value; for the financial assets and liabilities at fair value through profit or loss, the transaction expenses thereof are directly included in profit or loss; for other categories of financial assets and financial liabilities, the transaction expenses thereof are included into the initially recognized amount. However, at initial recognition, for accounts receivable that do not contain a significant financing component or contracts in which the financing components with associated period less than one year are not considered, the Company measures at their transaction price.

(2) Subsequent measurement of financial assets

1) Financial assets measured at amortized cost

The Company measures its financial assets at the amortized costs using effective interest method. Gains or losses on financial assets that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial assets are derecognized, reclassified, through the amortization process or in order to recognize impairment gains or losses.

2) Debt instrument investments at fair value through other comprehensive income

The Company measures its debt instrument investments at fair value. Interests, impairment gains or losses, and gains and losses on foreign exchange that calculated using effective interest method shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into profit or loss when the financial assets are derecognized.

3) Equity instrument investments at fair value through other comprehensive income

The Company measures its equity instrument investments at fair value. Dividends obtained (other than those as part of investment cost recovery) shall be included into profit or loss, while other gains or losses are included into other comprehensive income. Accumulated gains or losses that initially recognized as other comprehensive income should be transferred out into retained earnings when the financial assets are derecognized.

4) Financial assets at fair value through profit or loss

The Company measures its financial assets at fair value. Gains or losses arising from changes in

[redacted]

b. the financial assets have been transferred and the transfer qualifies for derecognition in accordance with "CASBE 23 – Transfer of Financial Assets".

2) Only when the underlying present obligations of a financial liability are relieved totally or

[redacted]

substantially all of the risks and rewards related to the ownership of the financial asset, it continues recognizing the financial asset. Where the Company does not transfer or retain substantially all of the risks and rewards related to the ownership of a financial asset, it is dealt with according to the circumstances as follows respectively: (1) if the Company does not retain its control over the financial asset, it derecognizes the financial asset, and any right or liability arising from such transfer is recognized independently as an asset or a liability; (2) if the Company retains its control over the financial asset, according to the extent of its continuing involvement in the transferred financial asset, it recognizes the related financial asset and recognizes the relevant liability accordingly.

If the transfer of an entire financial asset satisfies the conditions for derecognition, the difference between the amounts of the following two items are included in profit or loss: (1) the carrying amount of the transferred financial asset as of the date of derecognition; (2) the sum of consideration received from the transfer of the financial asset, and the accumulative amount of the changes of the fair value originally included in other comprehensive income proportionate to the transferred financial asset (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income). If the transfer of financial asset partially satisfies the conditions to derecognition, the entire carrying amount of the transferred financial asset is, between the portion which is derecognized and the portion which is not, apportioned according to their respective relative fair value, and the difference between the amounts of the following two items are included into profit or loss: (1) the carrying amount of the portion which is derecognized; (2) the sum of consideration of the portion which is derecognized, and the portion of the accumulative amount of the changes in the fair value originally included in other comprehensive income which is corresponding to the portion which is derecognized (financial assets transferred refer to debt instrument investments at fair value through other comprehensive income).

4. Fair value determination method of financial assets and liabilities

The Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value. The inputs to valuation techniques used to measure fair value are arranged in the following hierarchy and used accordingly:

(1) Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Company can access at the measurement date.

(2) Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include: quoted prices for

[redacted]

amount equal to the lifetime expected credit losses if the credit risk on that financial instrument has increased significantly since initial recognition; otherwise, the Company shall measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit loss.

reversed amounts of loss allowance arising therefrom shall be included into profit or loss as impairment losses or gains. For a financial asset measured at amortized cost, the loss allowance reduce the carrying amount of such financial asset presented in the balance sheet; for a debt investment measured at fair value through other comprehensive income, the loss allowance shall be recognized in other comprehensive income and shall not reduce the carrying amount of such financial asset.

(2) Financial instruments with expected credit risk assessed and expected credit losses measured on a collective basis

Items	Basis for determination of portfolio	Method for measuring expected credit loss
[redacted]		
Other receivables – Portfolio grouped with ages	Ages	experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and 12-month or lifetime expected credit loss rate.

(3) Accounts receivable and contract assets with expected credit losses measured on a collective basis

1) Specific portfolios and method for measuring expected credit loss

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Bank acceptance receivable	Type of notes	Based on historical credit loss experience, the current situation and the forecast of future economic conditions, the Company calculates expected credit loss through exposure at default and lifetime expected credit loss rate.
Trade acceptance receivable		
Accounts receivable –	Ages	Based on historical credit loss

[redacted]

or to realize the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the Company does not offset the transferred asset and the associated liability.

(XI) Inventories

1. Classification of inventories

Inventories include finished goods or goods held for sale in the ordinary course of business, work in process in the process of production, and materials or supplies etc. to be consumed in the production process or in the rendering of services.

2. Accounting method for dispatching inventories:

Inventories dispatched from storage are accounted for with weighted average method at the end of each month.

3. Basis for determining net realizable value

At the balance sheet date, inventories are measured at the lower of cost and net realizable value; provisions for inventory write-down are made on the excess of its cost over the net realizable value. The net realizable value of inventories held for sale is determined based on the amount of the estimated selling price less the estimated selling expenses and relevant taxes and surcharges in

[redacted]

investments plus the carrying amount of the consideration paid for the newly acquired equity is

When long-term equity investments are obtained through business combination not under common control achieved in stages, the Company determined whether they are stand-alone financial statements or consolidated financial statements in accounting treatment:

1) In the case of stand-alone financial statements, investment cost is initially recognized at the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity.

2) In the case of consolidated financial statements, the Company determines whether it is a "bundled transaction". If it is a "bundled transaction", stages as a whole are considered as one transaction in accounting treatment. If it is not a "bundled transaction", the carrying amount of the acquirer's previously held equity interest in the acquire is re-measured at the acquisition-date fair value, and the difference between the fair value and the carrying amount is recognized in investment income; when the acquirer's previously held equity interest in the acquire involves other comprehensive income under equity method, the related other comprehensive income is reclassified as income for the acquisition period, excluding other comprehensive income arising from changes in net liabilities or assets from re-measurement of defined benefit plan of the acquiree.

(3) Long-term equity investment obtained through ways other than business combination: the initial cost of a long-term equity investment obtained by making payment in cash is the purchase cost which is actually paid; that obtained on the basis of issuing equity securities is the fair value of the equity securities issued; that obtained through debt restructuring is determined according to "CASBE 12 - Debt Restructuring"; and that obtained through non-cash assets exchange is determined according to "CASBE 7 - Non-cash Assets Exchange".

3. Subsequent measurement and recognition method of gain or loss

For long-term equity investment with control relationship, it is accounted for with cost method; for long-term equity investment with joint control or significant influence relationship, it is accounted for with equity method.

4. Disposal of a subsidiary in stages resulting in the Company's loss of control

(1) Stand-alone financial statements

The difference between the carrying amount of the disposed equity and the consideration obtained thereof is recognized in profit or loss. If the disposal does not result in the Company's loss of significant influence or joint control, the remained equity is accounted for with equity method; however, if the disposal results in the Company's loss of control, joint control, or significant

[redacted]

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
Buildings and structures	Straight-line method	20	5, 10	4.50-4.75

[redacted]

designed usable conditions. When the construction completion cost reaches final estimating and auditing of the construction in progress was not finished while reaching the designed usable conditions, it is transferred to fixed assets using estimated value first, and then adjusted accordingly when the actual cost is settled, but the accumulated depreciation is not to be adjusted retrospectively.

(XV) Borrowing costs

1. Recognition principle of borrowing costs capitalization

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it is capitalized and included in the costs of relevant assets; other borrowing costs are recognized as expenses on the basis of the actual amount incurred, and are included in profit or loss.

2. Borrowing costs capitalization period

(1) The borrowing costs are not capitalized unless the following requirements are all met: 1) the asset disbursements have already incurred; 2) the borrowing costs have already incurred; and 3) the acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Suspension of capitalization: where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs is suspended; the borrowing costs incurred during such period are recognized as expenses, and are included in profit or loss, till the acquisition and construction or production of the asset restarts.

(3) Ceasing of capitalization: when the qualified asset under acquisition and construction or

production is ready for the intended use or sale, the capitalization of the borrowing costs is ceased.

3. Capitalization rate and capitalized amount of borrowing costs

For borrowings exclusively for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests is determined in light of the actual interest expenses incurred (including amortization of premium or discount based on effective interest method) of the special borrowings at the present period minus the income of interests earned on the unused borrowings as a deposit in the bank or as a temporary investment; where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the Company calculates and determines the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used.

(XVI) Intangible assets

1. Intangible assets include land use right, patent right and non-patented technology etc. The initial measurement of intangible asset is based on its cost.

2. For intangible assets with finite useful lives, their amortization amounts are amortized within their useful lives systematically and reasonably, if it is unable to determine the expected realization pattern reliably, intangible assets are amortized by the straight-line method with details as follows:

Items	Amortization period (years)
Land use right	50
Patents and proprietary technology	5-10
Commercial software	5

3. Expenditures on the research phase of an internal project are recognized as profit or loss when it is incurred. An intangible asset arising from the development phase of an internal project is recognized if the Company can demonstrate all of the following: (1) the technical feasibility of completing the intangible asset so that it will be available for use or sale; (2) its intention to complete the intangible asset and use or sell it; (3) how the intangible asset will generate probable future economic benefits. Among other things, the Company can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset; (4) the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and (5) its ability to measure reliably the expenditure attributable to the intangible asset during its development.

(XVII) Impairment of part of long-term assets

For long-term assets such as long-term equity investments, fixed assets, construction in progress,

[redacted]

profit or loss or the cost of a relevant asset.

(2) Accounting treatment by the Company for defined benefit plan usually involves the following steps:

1) In accordance with the projected unit credit method, using unbiased and mutually compatible actuarial assumptions to estimate related demographic variables and financial variables, measure the obligations under the defined benefit plan, and determine the periods to which the obligations are attributed. The Company discounts obligations under the defined benefit plan using the discount rate to determine the present value of the defined benefit plan obligations and the current service cost;

2) When a defined benefit plan has assets, the Company recognizes the deficit or surplus by

net assets of other long-term employee benefits. As a practical expedient, the net total of the aforesaid amounts is recognized in profit or loss or included in the cost of a relevant asset.

(XX) Provisions

1. Provisions are recognized when fulfilling the present obligations arising from contingencies such as providing guarantee for other parties, litigation, products quality guarantee, onerous contract, etc., may cause the outflow of the economic benefit and such obligations can be reliably measured.

2. The initial measurement of provisions is based on the best estimated expenditures required in fulfilling the present obligations, and its carrying amount is reviewed at the balance sheet date.

(XXI) Revenue

[redacted]

it is probable that economic benefits associated with the transaction will flow to the Company; and the costs of the transaction incurred and to be incurred can be measured reliably. Revenue from overseas sales is recognized if, and only if, the Company has declared goods to the customs and the goods have departed from the port to the purchaser based on contractual agreements; the Company has obtained a bill of lading; sales revenue is determined; goods payment has been

[redacted]

those two parts are blurred and thus collectively classified as government grants related to income. For government grants related to income used for compensating the related future cost, expenses or losses of the Company, they are recognized as deferred income and are included in profit or loss or offset relevant cost during the period in which the relevant cost, expenses or losses are recognized; for government grants related to income used for compensating the related cost, expenses or losses incurred to the Company, they are directly included in profit or loss or directly offset relevant cost.

4. Government grants related to the ordinary course of business shall be included into other income or offset relevant cost based on business nature, while those not related to the ordinary

course of business shall be included into non-operating revenue or expenditures.

(XXIII) Deferred tax assets/Deferred tax liabilities

1. Deferred tax assets or deferred tax liabilities are calculated and recognized based on the difference between the carrying amount and tax base of assets and liabilities (and the difference of the carrying amount and tax base of items not recognized as assets and liabilities but with their tax base being able to be determined according to tax laws) and in accordance with the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

2. A deferred tax asset is recognized to the extent of the amount of the taxable income, which it is most likely to obtain and which can be deducted from the deductible temporary difference. At the balance sheet date, if there is any exact evidence that it is probable that future taxable profits will be available against which deductible temporary differences can be utilized, the deferred tax assets unrecognized in prior periods are recognized.

3. At the balance sheet date, the carrying amount of deferred tax assets is reviewed. The carrying amount of a deferred tax asset is reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow the benefit of the deferred tax asset to be utilized. Such reduction is subsequently reversed to the extent that it becomes probable that sufficient taxable income will be available.

4. The income tax and deferred tax for the period are treated as income tax expenses or income through profit or loss, excluding those arising from the following circumstances: (a) business combination; and (b) the transactions or items directly recognized in equity.

(XXIV) Operating leases

When the Company is the lessee, lease payments are recognized as cost or profit or loss with straight-line method over the lease term. Initial expenses are recognized directly into profit or loss. Contingent rents are charged as profit or loss in the periods in which they are incurred.

When the Company is the lessor, lease income is recognized as profit or loss with straight-line method over the lease term. Initial expenses, other than those with material amount and eligible for capitalization which are recognized as profit or loss by installments, are recognized directly as profit or loss. Contingent rents are charged into profit or loss in the periods in which they are incurred.

(XXV) Segment reporting

Reportable segments are identified based on operating segments which are determined based on the structure of the Company's internal organization, management requirements and internal reporting system. An operating segment is a component of the Company that:

1. engages in business activities from which it may earn revenues and incur expenses;

2. whose financial performance are regularly reviewed by Management to make decisions about resource to be allocated to the segment and assess its performance; and

3. for which financial information regarding financial position, financial performance and cash flows is available.

(XXVI) Significant changes in accounting policies

1. The Company prepared the financial statements for the year ended December 31, 2019 in accordance with "Notice of the Ministry of Finance on Revising and Issuing Financial Statement Templates for General Enterprises" (numbered Cai Kuai [2019] 6), "Notice on Revising and Issuing the Format of Consolidated Financial Statements (2019 Edition)" (numbered Cai Kuai [2019] 16) and CASBEs, and changes in accounting policies are applicable to retrospective application method. Items of financial statement for the year ended December 31, 2018 significantly affected and their amounts are as follows:

Original financial statement items and amounts		Revised financial statement items and amounts	
Notes receivable and accounts receivable	996,316,458.79	Notes receivable	435,054,077.29
		Accounts receivable	561,262,381.50
Notes payable and accounts payable	1,348,035,226.35	Notes payable	598,478,590.07
		Accounts payable	749,556,636.28

2. The Company has adopted "CASBE 22 – Financial Instruments: Recognition and Measurement", "CASBE 23 – Transfer of Financial Assets", "CASBE 24 - Hedging" and "CASBE 37 - Presentation of Financial Instruments" (collectively, the "revised financial instrument standard") revised by Ministry of Finance of PRC since January 1, 2019. Pursuant to regulations on convergence between old and new standards, no adjustment shall be made on comparable information, and the difference arising from adoption on the adopting date shall be retrospectively adjusted into retained earnings or other comprehensive income at the beginning of the reporting period.

The revised financial instrument standard changes classification and measurement method of financial assets, and determines three major categories of measurement: amortized cost; fair value through other comprehensive income; fair value through profit or loss. The Company makes the above classification based on its own business model and the contractual cash flow characteristics of the financial assets. The Company measures equity investments at fair value through profit or loss, but may make an irrevocable election at initial recognition to measure them at fair value through other comprehensive income (gains or losses on disposal can't be reversed into profit or loss, but dividend income can be included into profit or loss).

The revised financial instrument standard requires for an "expected credit loss model" instead of "incurred loss model", which is applicable to financial assets at amortized cost, financial assets, lease receivable at fair value through other comprehensive income.

balances				
Notes receivable	Loans and receivables	435,054,077.29	Financial assets at amortized cost	435,054,077.29
Accounts receivable	Loans and receivables	561,262,381.50	Financial assets at amortized cost	561,262,381.50
Other receivables	Loans and receivables	25,522,928.98	Financial assets at amortized cost	25,522,928.98
Short-term borrowings	Other financial liabilities	901,704,998.21	Financial assets at amortized cost	902,765,987.93
Notes payable	Other financial liabilities	598,478,590.07	Financial assets at amortized cost	598,478,590.07
Accounts payable	Other financial liabilities	749,556,636.28	Financial assets at amortized cost	749,556,636.28
Other payables	Other financial liabilities	51,701,912.23	Financial assets at amortized cost	48,936,742.11
Non-current liabilities due within one year	Other financial liabilities	27,960,064.25	Financial assets at amortized cost	27,987,213.86
Long-term borrowings	Other financial liabilities	1,357,833,199.65	Financial assets at amortized cost	1,359,510,230.44

(3) On January 1, 2019, the reconciliation statement on the carrying amount of the financial assets and financial liabilities under revised financial instrument standard is as follows:

Items	Carrying amount under original standard (Dec. 31, 2018)	Reclassification	Remeasurement	Carrying amount under revised standard (Jan. 1, 2019)
A. Financial instruments				
a. Measured at amortized cost				

[redacted]

[redacted]

accounting policies are applicable to prospective application method.

IV. Taxes

(I) Main taxes and tax rates

Taxes	Tax bases	Tax rates
Value-added tax (VAT)	The taxable revenue from sales of goods or rendering of services	16%, 13% [Note]
Housing property tax	For housing property levied on the basis of price, housing property tax is levied at the rate of 1.2% of the balance after deducting 30% of the cost; for housing property levied	1.2%, 12%

implementing the West Development Strategy numbered SAT [2012] 12, the subsidiary

certification in October 2019. The qualification is valid for three years from January 1, 2019 to December 31, 2021, during which, this subsidiary is entitled to enjoy the income tax preferential policies. It is levied at 15% in 2019 for enterprise income tax.

7. Pursuant to the Letter of Response on Record of Zhejiang Provincial First Batch of Hi-tech Enterprise of 2017 numbered Guo Ke Huo Zi [2017] 201 issued by the national hi-tech enterprise accreditation administration leading group office, the subsidiary Zhejiang Energy Company passed the hi-tech enterprise qualification re-identification in November 2017. The qualification is valid for three years from January 1, 2017 to December 31, 2019, during which, this subsidiary is entitled to enjoy the income tax preferential policies. It is levied at 15% in 2019 for enterprise

[redacted]

Remarks: "Opening balance" in this report refers to balances as at January 1, 2019 after the adjustments of balances as at December 31, 2018 under the revised financial instrument standard.

Including: Deposited overseas	88,256,758.41	108,760,501.53

Note: Closing balance of other cash and bank balances includes deposit for bank acceptance of 117,268,962.63 yuan, deposit for L/G of 41,789,098.66 yuan, deposit for L/C of 9,621,615.15 yuan, and deposit for foreign currencies of 2,950,000.00 yuan.

2. Notes receivable

(1) Details

1) Details of different categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	381,427,335.43	100.00			381,427,335.43
Including: Bank acceptance	379,762,335.43	99.56			379,762,335.43
Trade acceptance	1,665,000.00	0.44			1,665,000.00
Total	381,427,335.43	100.00			381,427,335.43

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision for bad debts made on a collective basis	435,054,077.29	100.00			435,054,077.29
Including: Bank acceptance	433,254,077.29	99.59			433,254,077.29
Trade acceptance	1,800,000.00	0.41			1,800,000.00
Total	435,054,077.29	100.00			435,054,077.29

2) Notes receivable with provision for bad debts made on a collective basis

Items	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Bank acceptance portfolio	379,762,335.43		
Trade acceptance portfolio	1,665,000.00		
Subtotal	381,427,335.43		

(2) Endorsed or discounted but undue notes at the balance sheet date

Items	Closing balance derecognized	Closing balance not yet derecognized
Bank acceptance	158,775,868.39	
Subtotal	158,775,868.39	

Due to the fact that the acceptor of bank acceptance is commercial bank, which is of high credit level, there is very little possibility of failure in recoverability when it is due. Based on this fact, the Company derecognized the endorsed or discounted bank acceptance. However, if any bank acceptance is not recoverable when it is due, the Company still holds joint liability on such acceptance, according to the China Commercial Instrument Law.

3. Accounts receivable

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	57,919,520.07	8.03	57,919,520.07	100.00	
Receivables with provision made on a collective basis	663,513,335.74	91.97	89,397,907.75	13.47	574,115,427.99
Total	721,432,855.81	100.00	147,317,427.82	20.42	574,115,427.99

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	55,011,974.81	7.85	55,011,974.81	100.00	
Receivables with provision made on	645,698,823.54	92.15	84,436,442.04	13.08	561,262,381.50

provision made on an individual basis	57,919,520.07	57,919,520.07	100.00	Expected to be irrecoverable
Subtotal	57,919,520.07	57,919,520.07	100.00	

3) Accounts receivable with provision made on a collective basis using portfolio grouped with ages

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	471,297,957.11	23,564,897.80	5.00
1-2 years	82,756,200.21	8,275,620.02	10.00
2-3 years	38,653,562.00	5,798,034.30	15.00
3-4 years	27,302,237.54	13,651,118.77	50.00
4-5 years	17,983,806.75	12,588,664.73	70.00
Over 5 years	25,519,572.13	25,519,572.13	100.00
Subtotal	663,513,335.74	89,397,907.75	13.47

(2) Age analysis

Ages	Closing balance
Within 1 year	471,297,957.11
1-2 years	84,171,980.26
2-3 years	44,477,532.49
3-4 years	30,824,583.35
4-5 years	19,885,348.61
Over 5 years	70,775,453.99
Subtotal	721,432,855.81

provision made on an individual basis	55,011,974.81	3,357,545.26	-450,000.00					57,919,520.07
Receivables with provision made on a collective basis	84,436,442.04	4,961,465.71						89,397,907.75
Subtotal	139,448,416.85	8,319,010.97	-450,000.00					147,317,427.82

(4) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of accounts receivable (%)	Provision for bad debts
PT PLN (PERSERO)	30,081,890.29	4.17	1,504,094.51
LMF Gulf Pneumatics	15,902,194.88	2.20	813,946.04
开山（北京）通用机械有限公司 (Kaishan (Beijing) General Machinery Co., Ltd.*)	15,524,519.99	2.15	776,226.00
新疆信汇峡清洁能源有限公司 (Xinjiang Xinhuixia Clean Energy Co., Ltd.*)	14,622,950.00	2.03	1,462,295.00
中钢设备有限公司 (Sinosteel Corporation*)	10,394,520.00	1.44	519,726.00
Subtotal	86,526,075.16	11.99	5,076,287.55

4. Advances paid

(1) Age analysis

Ages	Closing balance				Opening balance			
	Book balance	% to total	Provision impairment	Carrying amount	Book balance	% to total	Provision for impairment	Carrying amount
Within 1 year	61,787,953.80	90.66		61,787,953.80	32,294,915.58	71.67		32,294,915.58
1-2 years	2,105,861.84	3.09		2,105,861.84	9,043,773.64	20.07		9,043,773.64
2-3 years	925,004.78	1.36		925,004.78	558,195.12	1.24		558,195.12
Over 3 years	3,335,904.57	4.89		3,335,904.57	3,165,006.21	7.02		3,165,006.21
Total	68,154,724.99	100.00		68,154,724.99	45,061,890.55	100.00		45,061,890.55

(2) Details of the top 5 debtors with largest balances

Debtors	Book balance	Proportion to the total balance of advances paid (%)
Zeppelin Österreich GmbH	9,653,158.52	14.16
广西玉柴机器股份有限公司 (Guangxi Yuchai Machinery Co., Ltd.*)	5,731,552.31	8.41

* *The English names are for identification purpose only.*

Debtors	Book balance	Proportion to the total balance of advances paid (%)
DMG/MORI SEIKI AUSTRIA GMBH	3,754,106.34	5.51
无锡市亚迪流体控制技术有限公司 (Wuxi Yadi Fluid Control Technology Co., Ltd.*)	2,344,366.73	3.44
苏州纽威阀门股份有限公司 (Suzhou Neway Valve Co., Ltd.*)	2,036,379.33	2.99
Subtotal	23,519,563.23	34.51

5. Other receivables

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	30,437,158.66	100.00	2,876,059.03	9.45	27,561,099.63
Total	30,437,158.66	100.00	2,876,059.03	9.45	27,561,099.63

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	27,453,602.30	100.00	1,930,673.32	7.56	25,522,928.98
Total	27,453,602.30	100.00	1,930,673.32	7.56	25,522,928.98

2) Accounts receivable with provision made on a collective basis using portfolio grouped with ages

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with ages	30,437,158.66	2,876,059.03	9.45
Including: Within 1 year	19,081,931.26	954,096.51	5.00
1-2 years	8,191,169.43	819,116.94	10.00
2-3 years	1,662,407.21	249,361.08	15.00
3-4 years	1,288,920.12	644,460.06	50.00
4-5 years	12,354.00	8,647.80	70.00

* *The English names are for identification purpose only.*

Opening balance	1,029,220.23	520,047.28	381,405.81	1,930,673.32
Opening balance in the current period	——	——	——	
--Transferred to phase II	-40,955.85	40,955.85		
--Transferred to phase III		-12,468.05	12,468.05	
--Reversed to phase II				
--Reversed to phase I				
Provision made in the current period	-34,167.87	270,581.86	708,971.72	945,385.71
Provision recovered in current period				
Provision reversed in current period				
Provision written-off in current period				
Other changes				
Closing balance	954,096.51	819,116.94	1,102,845.58	2,876,059.03

(3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Security deposit	8,051,491.00	2,337,170.69
Export tax refund	7,240,108.18	4,244,131.54
Temporary advance payment receivable	15,145,559.48	20,872,300.07
Total	30,437,158.66	27,453,602.30

[redacted]

Work in process		7,940,352.61				7,940,352.61
Goods on hand	17,550,467.74	6,744,821.67		8,957,509.62		15,337,779.79
Revolving materials	158,194.31			5,631.06		152,563.25
Subtotal	28,885,637.35	25,157,860.18		14,773,087.89		39,270,409.64

* *The English names are for identification purpose only.*

(Kaishan Anbao Co., Ltd.*)	[illegible]				[illegible]
Subtotal	72,576,929.14			7,291,424.72	

(Continued)

* *The English names are for identification purpose only.*

construction in progress						
3) Translation reserve	878,484.13	-72,587.80	15,527,241.09	254,495.65		16,587,633.07
Decrease	6,625,969.49	1,187,852.83	20,444,532.34	4,002,089.35	16,711.11	32,277,155.12
1) Disposal/scrap	6,625,969.49	1,187,852.83	20,444,532.34	4,002,089.35	16,711.11	32,277,155.12
2) Translation reserve						
Closing balance	645,264,341.54	171,848,473.60	2,375,421,745.89	36,955,689.32	8,166,516.63	3,237,656,766.98
Accumulated depreciation						
Opening balance	223,645,357.89	123,829,919.74	655,677,905.28	17,775,873.14	4,650,255.59	1,025,579,311.64
Increase	31,588,500.37	8,425,112.24	86,767,233.71	6,790,252.83	425,983.72	133,997,082.87
1) Accrual	32,239,826.14	8,579,484.77	86,685,687.18	6,722,852.40	425,983.72	134,653,834.21
2) Translation reserve	-651,325.77	-154,372.53	81,546.53	67,400.43		-656,751.34
Decrease	2,303,644.76	962,395.59	18,753,244.01	2,810,242.35	15,875.55	24,845,402.26
1) Disposal/scrap	2,303,644.76	962,395.59	18,753,244.01	2,810,242.35	15,875.55	24,845,402.26
2) Translation reserve						
Closing balance	252,930,213.50	131,292,636.39	723,691,894.98	21,755,883.62	5,060,363.76	1,134,730,992.25
Provision for impairment						
Opening balance						
Increase						
Decrease						

[redacted]

Projects	Budgets	Opening balance	Increase	Translation reserve	Transferred to fixed assets	Other decrease	Closing balance
Geothermal project of SMGP Company in Indonesia	USD 850.55 million	2,339,855,708.73	537,158,485.67	36,360,781.50	1,118,734,210.22	80,864,499.94	1,713,776,265.74
Geothermal project of SGI Company in Indonesia	USD 134.44 million	324,697,650.62	251,984,413.28	7,512,182.12			584,194,246.02
Geothermal project phase I of OME Company in USA	USD 73 million	57,615,092.33	16,776,403.74	1,102,125.89	5,799,213.74		69,694,408.22

Items	Closing balance	Opening balance
Special materials	40,182,797.31	29,086,943.29
Total	40,182,797.31	29,086,943.29

11. Intangible assets

(1) Details

Items	Land use right	Patent right and proprietary technology	Commercial software	Total
Cost				
Opening balance	262,446,439.64	8,042,100.00	26,209,983.25	296,698,522.89
Increase	18,989,996.11		617,538.34	19,607,534.45
1) Acquisition	17,266,285.35		655,555.82	17,921,841.17
2) Translation reserve	1,723,710.76		-38,017.48	1,685,693.28
Decrease	1,293,649.44		510,949.06	1,804,598.50
1) Disposal	1,293,649.44		510,949.06	1,804,598.50
2) Translation reserve				
Closing balance	280,142,786.31	8,042,100.00	26,316,572.53	314,501,458.84
Accumulated amortization				
Opening balance	30,108,260.40	8,042,100.00	20,555,283.27	58,705,643.67
Increase	3,116,345.58		2,040,432.94	5,156,778.52

Items	Land use right	Patent right and proprietary technology	Commercial software	Total
1) Accrual	3,116,345.58		2,259,990.05	5,376,335.63
2) Translation reserve			-219,557.11	-219,557.11
Decrease			504,872.69	504,872.69
1) Disposal			504,872.69	504,872.69
2) Translation reserve				
Closing balance	33,224,605.98	8,042,100.00	22,090,843.52	63,357,549.50
Provision for impairment				
Opening balance				
Increase				
Decrease				
Closing balance				
Carrying amount				
Closing balance	246,918,180.33		4,225,729.01	251,143,909.34
Opening balance	232,338,179.24		5,654,699.98	237,992,879.22

11. Goodwill

(1) Cost

Investees or events resulting in goodwill	Opening balance	Due to business combination in current period	Decrease	Closing balance
Australian SPstar Company	25,917,059.14			25,917,059.14
Guangdong Ganey Company	12,129,784.35			12,129,784.35
LMF Company	202,114,854.78			202,114,854.78
KS ORKA Company	14,998,864.17			14,998,864.17
SGI Company	916,788.36			916,788.36
Total	256,077,350.80			256,077,350.80

(2) Provision for impairment of goodwill

Investees or events resulting in goodwill	Opening balance	Increase	Decrease	Closing balance
LMF Company	15,930,956.91	17,966,734.14		33,897,691.05
Total	15,930,956.91	17,966,734.14		33,897,691.05

(3) Impairment test process of goodwill

The recoverable amount of goodwill is computed based on the present value of estimated future cash flows, which is based on the estimated 5-year cash flow approved by the Company. The discount rate used in estimating the annual cash flow is 10.98%, and the cash flow subsequent to the estimated period is inferred by a growth rate of 0%, which is in line with the overall long-term

(4) Maturity years of deductible losses of unrecognized deferred tax assets

Maturity years	Closing balance	Opening balance	Remarks
Year 2019		85,735.21	

Maturity years	Closing balance	Opening balance	Remarks
Year 2020	997,224.61	1,631,983.97	
Year 2021	4,817,083.54	4,817,083.54	
Year 2022	8,618,191.11	12,519,623.39	
Year 2023	4,676,017.30	5,531,174.36	
Year 2024	25,538,642.19		
Subtotal	44,647,158.75	24,585,600.47	

14. Other non-current assets

Items	Closing balance	Opening balance
Prepayment for engineering and equipment	89,781,960.63	36,520,490.64
Permission for exploration and development of geothermal energy	6,976,200.00	
Total	96,758,160.63	36,520,490.64

15. Short-term borrowings

Items	Closing balance	Opening balance [note]
Guaranteed borrowings	250,209,343.75	330,334,285.41
Credit borrowings	493,207,785.52	490,726,704.31
Notes and L/C borrowings	230,506,518.72	81,704,998.21
Total	973,923,647.99	902,765,987.93

Note: Please refer to section III (XXVI) 2 of the notes to the financial statements for difference between opening balance and balance as at December 31, 2018.

16. Notes payable

Items	Closing balance	Opening balance
Bank acceptance	503,903,028.80	598,478,590.07
Total	503,903,028.80	598,478,590.07

17. Accounts payable

1) Details

Items	Closing balance	Opening balance
Goods payment	480,110,701.41	550,676,960.24
Payment for engineering and equipment	235,500,089.52	198,879,676.04
Total	715,610,790.93	749,556,636.28

2) No material balance with age over one year.

and subsidy				
Employee welfare fund		10,633,249.19	10,633,249.19	
Social insurance premium	562,621.13	15,384,617.34	15,446,084.07	501,154.40
Including: Medicare premium	551,455.72	13,105,254.35	13,166,076.26	490,633.81
Occupational injuries premium	5,608.10	1,193,556.83	1,193,713.15	5,451.78
Maternity premium	5,557.31	1,085,806.16	1,086,294.66	5,068.81
Housing provident funds		3,821,714.72	3,821,714.72	
Trade union fund	11,110.68	2,822,532.44	2,756,089.99	77,553.13
Employee education fund		172,505.36	172,505.36	
Subtotal	18,830,843.87	516,231,559.04	512,486,202.02	22,576,200.89

(3) Details of defined contribution plan

Items	Opening balance	Increase	Decrease	Closing balance
Basic endowment insurance premium	7,188,912.97	25,079,525.17	24,924,715.70	7,343,722.44
Unemployment insurance premium	3,452.32	860,285.04	860,529.27	3,208.09
Subtotal	7,192,365.29	25,939,810.21	25,785,244.97	7,346,930.53

20. Taxes and rates payable

Items	Closing balance	Opening balance
VAT	8,181,351.72	8,132,892.13
Enterprise income tax	14,767,047.72	23,932,126.03
Individual income tax withheld for tax authorities	1,200,164.87	767,461.06
Urban maintenance and construction tax	287,710.68	639,296.86
Housing property tax	1,762,468.21	
Land use tax	1,049,504.80	
Education surcharge	289,951.62	466,932.48
Local education surcharge	193,301.08	227,601.23
Stamp duty	96,199.96	77,957.10
Total	27,827,700.66	34,244,266.89

21. Other payables

(1) Details

Items	Closing balance	Opening balance [Note]
Dividend payable	693,312.52	693,312.52
Other payables	38,825,905.34	48,243,429.59
Total	39,519,217.86	48,936,742.11

Note: Please refer to section III (XXVI) 2 of the notes to the financial statements for difference between opening balance and balance as at December 31, 2018.

(2) Dividend payable

Items	Closing balance	Opening balance
Dividend payable to non-controlling shareholder of subsidiaries	693,312.52	693,312.52
Total	693,312.52	693,312.52

(3) Other payables

1) Details

Items	Closing balance	Opening balance
Temporary receipts payable	14,940,614.85	22,019,084.41
Security deposit	11,393,237.48	10,851,401.35
Others	12,492,053.01	15,372,943.83
Subtotal	38,825,905.34	48,243,429.59

2) No material balance with age over one year.

[redacted]

[redacted]	[redacted]	[redacted]
Closing balance	33,933,932.01	31,127,582.16

25. Provisions

Items	Closing balance	Opening balance	Reasons for balance
Disposal expenses	2,812,964.29	2,606,382.56	Future disposal expenses for geothermal projects
Total	2,812,964.29	2,606,382.56	

26. Deferred income

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance

Items	Opening balance	Increase	Decrease	Closing balance	Reasons for balance
Government grants	25,798,300.00		3,430,400.00	22,367,900.00	Related to assets
Government grants	7,965,000.00			7,965,000.00	Related to income
Total	33,763,300.00		3,430,400.00	30,332,900.00	

(2) Details of government grants

Items	Opening balance	Increase	Included in profit or loss or offsetting relevant costs [Note 1]	Closing balance	Related to assets/income
Project with annual production of 50 KSG series large-scale processing gas screw compressors [Note 2]	3,100,000.00		620,000.00	2,480,000.00	Related to assets
Project with annual production of 2000 sets of high-efficiency and energy-saving screw vacuum pumps and 5000 high-efficiency and energy-saving screw blowers [Note 3]	7,098,300.00		860,400.00	6,237,900.00	Related to assets
Project with annual production of 500000KW/1000 sets of screw expander generator unit [Note 4]	15,600,000.00		1,950,000.00	13,650,000.00	Related to assets
The breakthrough project of the world's first 4.3MW, 5.4MW and 6.5MW geothermal steam screw generator unit [Note 5]	7,965,000.00			7,965,000.00	Related to income
Subtotal	33,763,300.00		3,430,400.00	30,332,900.00	

Note 1: Please refer to section V (IV) 3 of the notes to the financial statements for details on grants included in profit or loss or offsetting relevant costs.

Note 2: Pursuant to "Circular on the Appropriation of the Second Batch of Central Infrastructure Investment Budget of 2013 for Industry Promotion and Technology Transformation" numbered Zhe Cai Jian [2013] 331 by Zhejiang Provincial Department of Finance, the Company received grant for project of 5 million yuan from Quzhou Municipal Finance Bureau in 2013 and received 1.20 million yuan from Quzhou Municipal Finance Bureau in 2015. The grant is amortized along with the assets related to the grant.

Note 3: Pursuant to "Approval of the Second Batch of Strategic Project Fund for Emerging Industry" numbered Hu Lin Di Guan Wei Ji [2014] 133 by Shanghai Municipal Lingang District Development Administration Committee, the Company received grant for project totaling 9.56

million yuan from Shanghai Municipal Lingang District Development Administration Committee in 2014 and 2016, of which, 956,000 yuan was related to income and 8,604,000 yuan was related to assets. The grant is amortized along with the assets related to the grant.

Note 4: Pursuant to "Circular on Central Budget Investment Plan of Strategic Project Fund for Emerging Industry (Energy-saving) of 2015" numbered Zhe Fa Gai Tou Zi [2015] 397 by Zhejiang Provincial Development and Reform Commission, the Company received grant for project of 19.50 million yuan from Zhejiang Provincial Department of Finance respectively in 2015 and 2017. The grant is amortized along with the assets related to the grant.

Note 5: Pursuant to "Circular on Fund Plan of 2018 for Industrial Transformation and Upgrading of Special Projects in Lingang District, Shanghai" numbered Hu Lin Di Guan Wei Ji [2018] 104 by Shanghai Municipal Lingang District Development Administration Committee, the Company received grant for project of 7.965 million yuan from Shanghai Municipal Lingang District Development Administration Committee in 2018.

27. Share capital

Items	Opening balance	Movements					Closing balance
		Issue of new shares	Bonus shares	Reserve transferred to shares	Others	Subtotal	
Total shares	858,000,000						858,000,000

28. Capital reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Share premium	1,503,431,159.38		12,952,304.52	1,490,478,854.86
Total	1,503,431,159.38		12,952,304.52	1,490,478,854.86

(2) Remarks on change of capital reserve

1) In the current period, the Company acquired Kaitec Company under common control and correspondingly decreased capital reserve of 2,980,000.00 yuan.

2) In the current period, the Company acquired 39.20% non-controlling interest of the subsidiary Turawell Geothermal Company with consideration of EUR 0.8 million (equivalent to 6,405,825.89 yuan), the capital reserve is decreased by 9,972,304.52 yuan based on the difference between the consideration paid and net assets shares increased due to the holding proportion increase.

[redacted]

approved by the 14th meeting of the fourth session of the Board of Directors dated April 28, 2020.

31. Undistributed profit

(1) Details

Items	Current period cumulative	Preceding period comparative
Balance before adjustment at the end of preceding period	892,369,673.21	878,468,707.70
Add: Increase due to adjustment (or less: decrease)	625,961.54	-1,394,849.62
Opening balance after adjustment	892,995,634.75	877,073,858.08
Add: Net profit attributable to owners of the parent company	152,522,160.42	122,781,939.98
Less: Appropriation of statutory surplus reserve	26,147,977.29	21,060,163.31
Dividend payable on ordinary shares	85,800,000.00	85,800,000.00
Closing balance	933,569,817.88	892,995,634.75

(2) Adjustment on opening balance of undistributed profit is due to retrospective adjustments on business combination under common control.

(II) Notes to items of the consolidated income statement

1. Operating revenue/Operating cost

[redacted]

Freight and miscellaneous expenses	33,682,056.31	39,269,647.33
Maintenance service fees	12,076,012.82	7,657,142.13
Others	19,623,458.05	18,495,103.92
Total	139,318,064.84	129,602,944.67

4. Administrative expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	155,096,963.70	143,067,394.65
Amortization and depreciation of assets	22,048,604.32	17,084,828.77
Office expenses	15,513,811.35	16,959,705.36
Business travelling expenses	16,515,914.80	15,926,989.19
Consultation fee	18,229,742.66	23,966,268.26
Others	40,821,216.39	38,406,934.25

[redacted]

[illegible] related to assets [Note]	3,430,400.00	3,430,400.00	3,430,400.00
Government grants related to income [Note]	15,861,481.87	7,614,157.04	15,861,481.87
Total	19,291,881.87	11,044,557.04	19,291,881.87

Note: Please refer to section V (IV) 3 of the notes to the financial statements for details on grants included into other income.

8. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under equity method	7,291,424.72	7,671,575.80
Investment income from financial products		1,352,965.89

Items	Current period cumulative	Preceding period comparative
Total	7,291,424.72	9,024,541.69

9. Credit impairment loss

Items	Current period cumulative
Bad debts	-8,814,396.68

Total	1,126,471.01	5,578,765.29	1,126,471.01

14. Income tax expenses

(1) Details

[redacted]

people with disabilities		
Income tax expenses	33,276,917.03	39,113,968.39

15. Other comprehensive income, net of income tax

Please refer to section V (I) 29 of the notes to the financial statements for details.

(III) Notes to items of the consolidated cash flow statement

1. Other cash receipts related to operating activities

Items	Current period cumulative	Preceding period comparative
Recovery of operating security deposits	271,554,114.36	77,947,672.44
Government grants	15,861,481.87	14,912,093.17
Operating interest income	14,858,019.04	15,843,102.91
Others	205,267.97	1,649,657.22
Total	302,478,883.24	110,352,525.74

2. Other cash payments related to operating activities

Items	Current period cumulative	Preceding period comparative
Payment of operating security deposits	168,207,916.99	129,646,147.68

(1) Reconciliation of net profit to cash flow from operating activities:		
Net profit	152,960,732.79	120,592,161.62
Add: Provision for assets impairment loss	51,938,991.00	27,775,555.18
Depreciation of fixed assets, oil and gas assets, productive biological assets	134,653,834.21	117,420,780.63
Amortization of intangible assets	5,376,335.63	5,117,794.55

Supplement information	Current period cumulative	Preceding period comparative
Amortization of long-term prepayments		
Loss on disposal of fixed assets, intangible assets and other long-term assets (Less: gains)	-330,375.10	-230,977.72
Fixed assets retirement loss (Less: gains)	650,496.00	4,537,699.19
Losses on changes in fair value (Less: gains)		
Financial expenses (Less: gains)	51,350,827.10	23,805,276.58
Investments losses (Less: gains)	-7,291,424.72	-9,024,541.69
Decrease of deferred tax assets (Less: increase)	-11,370,969.93	-28,040,899.60
Increase of deferred tax liabilities (Less: decrease)	5,904,362.17	
Decrease in inventories (Less: increase)	-281,259,340.98	-161,288,204.76
Decrease in operating receivables (Less: increase)	122,866,754.16	-18,204,643.32
Increase of operating payables (Less: decrease)	-196,424,256.49	58,972,130.77
Others		
Net cash flow from operating activities	29,025,965.84	141,432,131.43
(2) Significant investing and financing activities not related to cash receipts and payments:		
Conversion of debt into share capital		
Convertible bonds due within one year		
Fixed assets rented in under finance leases		
(3) Net changes in cash and cash equivalents:		
Cash at the end of the period	438,835,723.39	739,081,474.57
Less: Cash at the beginning of the period	739,081,474.57	521,679,311.69
Add: Cash equivalents at the end of the period		
Less: Cash equivalents at the beginning of the period	-300,245,751.18	217,402,162.88
Net increase of cash and cash equivalents		

(2) Cash and cash equivalents

Items	Closing balance	Opening balance
1) Cash	438,835,723.39	739,081,474.57
Including: Cash on hand	548,504.34	196,462.95
Cash in bank on demand for payment	438,287,219.05	738,883,626.59
Other cash and bank balances on demand for payment		1,385.03
Central bank deposit on demand for payment		
Deposit in other banks		
Loans to other banks		
2) Cash equivalents		

INR	4,245,268.96	0.1021	433,441.96
Accounts receivable			362,450,317.20
Including: USD	30,697,648.64	6.9762	214,152,936.44
TWD	17,725,226.00	0.2323	4,117,570.00
AUD	1,389,625.68	4.8843	6,787,348.71
EUR	17,579,484.62	7.8155	137,392,462.05
Short-term borrowings			140,786,614.69
Including: USD	20,180,988.89	6.9762	140,786,614.69
Accounts payable			390,307,015.14
Including: USD	44,927,875.30	6.9762	313,425,843.66
TWD	15,236,963.99	0.2323	3,539,546.73

[redacted]

OME Company	100.00	USA	June 2016	USD	Investment, development and operation of recyclable energy	Establishment
LMF Company	95.50	Austria	July 2016	EUR	Production and sale of compressor products	Business combination not under common control
OTP Company	90.00	Singapore	August 2016	USD	Geothermal	Business

[redacted]

KS ORKA Company, and KS ORKA Company holds 95% equity of SGI Company, therefore, the Company holds 85.50% equity of SGI Company.

3. Government grants

(1) Details

1) Government grants related to assets

Gross method

Items	Opening balance of deferred income	Increase	Amortization	Closing balance of deferred income	Amortization presented under	Remarks
Project with annual production of 50 KSG series large-scale processing gas screw compressors	3,100,000.00		620,000.00	2,480,000.00	Other income	Pursuant to the document numbered Zhe Cai Jian [2013] 331
Project with annual production of 2000 sets of high-efficiency and energy-saving screw vacuum pumps and 5000 high-efficiency and energy-saving screw blowers	7,098,300.00		860,400.00	6,237,900.00	Other income	Pursuant to the document numbered Hu Lin Di Guan Wei Ji [2014] 133

of screw expander generator unit						Fa Gai Tou Zi [2015] 397
Subtotal	25,798,300.00		3,430,400.00	22,367,900.00		

2) Government grants related to income and used to compensate future relevant costs, expenses or losses

Items	Opening balance of deferred income	Increase	Amounts carried forward	Closing balance of deferred income	Amounts carried forward presented under	Remarks
The breakthrough project of the world's first 4.3MW, 5.4MW and 6.5MW geothermal steam screw generator unit [Note 4]	7,965,000.00			7,965,000.00		Pursuant to the document numbered Hu Lin Di Guan Wei Ji [2018] 104
Subtotal	7,965,000.00			7,965,000.00		

3) Government grants related to income and used to compensate incurred relevant costs, expenses or losses

Items	Amounts	Presented under	Remarks
Refund of social insurance expenses	7,233,252.38	Other income	
Subsidies for stabilizing employment	2,750,496.81	Other income	
Special subsidies for transformation and upgradation of foreign trade and economies	1,230,700.00	Other income	Pursuant to the document numbered Qu Shang Wu (2019) 82
Others	4,647,032.68	Other income	
Subtotal	15,861,481.87		

(2) In the current period, government grants included into profit or loss totaled 19,291,881.87 yuan.

VI. Changes in the consolidation scope

(I) Business combination under common control

1. Business combination under common control in current period

Acquirees	Proportion of equity acquired (%)	Determine basis for business combination under common control	Acquisition date	Determine basis for acquisition date
Kaitec Company	100.00%	Under common control of Kaishan Group	October 31, 2019	Acquisition of control

(Continued)

(II) Changes in consolidation scope due to other reasons

Entities	Equity acquisition method	Equity acquisition date	Capital contribution	Capital contribution proportion (%)
Kaishan India Company	Establishment	August 2019	USD 1 million	100.00
开山欧洲有限公司 (Kaishan Machinery	Establishment	November 2019	USD 1 million	100.00

(Europe) Private Limited*)				
浙江开山地热电厂运维服务有限公司 (Zhejiang Kaishan Geothermal Power Plant Operation and Maintenance Service Co., Ltd.*)	Establishment	November 2019	20 million yuan	100.00

VII. Interest in other entities

(I) Interest in significant subsidiaries

1. Information of significant subsidiaries

Subsidiaries	Main operating place	Place of registration	Business nature	Holding proportion (%)		Acquisition method
				Direct	Indirect	
Kaishan Kevin Screw Company	Quzhou	Quzhou	Manufacturing	100.00		Business combination under common control
Kaishan Foundry Company	Quzhou	Quzhou	Manufacturing		100.00	Business combination under common control
Kaishan Pressure Vessel Company	Quzhou	Quzhou	Manufacturing	100.00		Business combination under common control
Power Tech Screw Company	Shanghai	Shanghai	Manufacturing	100.00		Business combination under common control
Guangdong Ganey Company	Guangdong Province	Guangdong Province	Manufacturing	98.25		Business combination not under common control
Kaishan Refrigeration Company	Shanghai	Shanghai	Manufacturing	100.00		Establishment
Shanghai Energy Company	Shanghai	Shanghai	Manufacturing	100.00		Establishment
Zhejiang Energy Company	Quzhou	Quzhou	Manufacturing	100.00		Establishment
Chongqing Compressor Company	Chongqing	Chongqing	Manufacturing	100.00		Establishment
Kaishan Hong Kong Company	Hong Kong	Hong Kong	Trade	100.00		Establishment
KS ORKA Company	Singapore	Singapore	Manufacturing		90.00	Establishment
Kaishan Recycling Company	Singapore	Singapore	Manufacturing	100.00		Establishment
LMF Company	Austria	Austria	Manufacturing		95.50	Business combination not under common control
OME Company	USA	USA	Manufacturing		100.00	Establishment
KCA Company	USA	USA	Manufacturing	100.00		Establishment

2. Significant not wholly-owned subsidiaries

Subsidiaries	Holding proportion of non-controlling interest	Profit or loss attributable to non-controlling interest	Dividend declared to non-controlling interest	Closing balance of non-controlling interest
Guangdong Ganey Company	1.75	70,862.42		2,039,834.89
KS ORKA Company	10.00	-432,281.11		-2,874,259.42
LMF Company	4.50	-253,918.65		-12,389,152.80

* *The English names are for identification purpose only.*

[redacted]

	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guangdong Ganey Company	90,260,739.12	50,273,468.22	140,534,207.34	56,447,406.46		56,447,406.46
KS ORKA Company	181,193,427.12	3,272,807,000.02	3,454,000,427.14	2,056,453,793.23	1,354,888,867.57	3,411,342,660.80
LMF Company	289,208,222.18	64,113,574.25	353,321,796.43	608,355,844.67	29,579,100.11	637,934,944.78

(2) Profit or loss and cash flows

Subsidiaries	Current period cumulative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Guangdong Ganey Company	121,799,182.74	4,828,073.30	4,828,073.30	2,849,951.61
KS ORKA Company	54,336,463.61	-4,322,811.14	-4,322,811.14	303,618,953.32
LMF Company	468,246,751.15	-5,642,636.66	-5,642,636.66	-61,592,562.06

(Continued)

Subsidiaries	Preceding period comparative			
	Operating revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Guangdong Ganey Company	153,761,932.63	7,639,567.90	7,639,567.90	-21,682,591.47
KS ORKA Company	2,101,979.24	-17,296,946.02	-17,296,946.02	-116,299,988.44
LMF Company	334,302,438.73	-35,124,834.13	-35,124,834.13	-49,896,041.43

(II) Transactions resulting in changes in subsidiaries' equity but without losing control

1. Changes in subsidiaries' equity

Subsidiaries	Date of change	Holding proportion before change	Holding proportion after change
Turawell Company	June 25, 2019	51.00% [Note]	90.20%

Note: The holding proportion of KS ORKA Company over its directly-owned subsidiary Turawell Geothermal Company has changed from 51.00% to 90.20%.

Items	Turawell Company
Acquisition costs	
Cash	6,405,825.89
Total acquisition costs	6,405,825.89
Less: Share in subsidiaries' net assets based on acquired net assets proportion	-3,566,478.63
Balance	9,972,304.52
Including: Capital reserve adjusted	-9,972,304.52

(III) Interest in joint venture or associates

1. Significant joint ventures or associates

Joint ventures or associates	Main operating place	Place of registration	Business nature	Holding proportion		Accounting treatment
				Direct	Indirect	
Kaishan Yinlun Company	Quzhou	Quzhou	Manufacturing	50.00%		Equity method
Wolong Kaishan Company	Quzhou	Quzhou	Manufacturing	45.00%		Equity method

2. Main financial information of significant joint ventures

Items	Closing balance/ Current period cumulative		Opening balance/ Preceding period comparative	
	Kaishan Yinlun Company	Wolong Kaishan Company	Kaishan Yinlun Company	Wolong Kaishan Company
Current assets	89,774,828.51	42,095,490.51	63,405,180.71	39,617,414.53
Long-term assets	36,348,715.49	49,214,354.56	37,631,380.82	51,945,946.15
Total assets	126,123,544.00	91,309,845.07	101,036,561.53	91,563,360.68
Current liabilities	35,276,267.89	8,055,729.13	25,516,188.39	8,586,755.50
Non-current liabilities		4,558,333.40		4,558,333.40
Total liabilities	35,276,267.89	12,614,062.53	25,516,188.39	13,145,088.90
Non-controlling interest				
Equity attributable to owners of parent company	90,847,276.11	78,695,782.54	75,520,373.14	78,418,271.78
Proportionate share in net assets	45,423,638.06	35,413,102.14	37,760,186.57	35,288,222.30
Adjustments	-1,969,780.56		-1,469,722.80	
Goodwill				
Unrealized profit in internal trading	-1,969,780.56		-1,469,722.80	
Others				
Carrying amount of investments in associates	43,453,857.50	35,413,102.14	36,290,463.77	35,288,222.30
Fair value of equity investments in associates				

management policies are established to identify and analyze [redacted], to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Company has exposure to the following risks from its use of financial instruments, which mainly include: credit risk, liquidity risk, and market risk. Management have deliberated and approved policies concerning such risks, and details are:

(I) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

1. Credit risk management practice

(1) Evaluation method of credit risk

At each reporting date, the Company assesses whether the credit risk on a financial instrument has

[redacted]

financial position, present or expected changes in technology, market, economy or legal environment that will have significant adverse impact on the debtor's repayment ability;

(2) Definition of default and credit-impaired asset

When a financial instrument satisfies one or more of the followings, the Company defines the financial asset as defaulted, of which the standard is in line with the definition of credit-impaired:

① significant financial difficulty of the debtor;

② a breach of binding clause of contract;

③ it is very likely that the debtor will enter bankruptcy or other financial reorganization;

④ the creditor of the debtor, for economic or contractual reasons relating to the debtor's financial difficulty, having granted to the debtor a concession(s) that the creditor would not otherwise consider.

2. Measurement of expected credit losses

The key factors in the measurement of expected credit loss include the probability of default, loss rate of default, and exposure to default risk. The Company develops a model of the probability of default, loss rate of default, and exposure to default risk on the basis of quantitative analysis of historical data (e.g. counterparty rating, guarantee measures and collateral type, payment method, etc.) and forward-looking information.

3. Please refer to section V (I) 2, 3 and 5 for details on the reconciliation table of opening balance and closing balance of provision for losses of financial instrument.

4. Exposure to credit risk and concentration of credit risk

The Company's credit risk is primarily attributable to cash and bank balances and receivables. In

Bank borrowings	2,892,771,544.94	2,977,486,276.93	1,062,924,460.11	817,029,692.05	1,097,532,124.77
Notes payable	503,903,028.80	503,903,028.80	503,903,028.80		
Accounts payable	715,610,790.93	715,610,790.93	715,610,790.93		
Other payables	39,519,217.86	39,519,217.86	39,519,217.86		
Subtotal	4,151,804,582.53	4,236,519,314.52	2,321,957,497.70	817,029,692.05	1,097,532,124.77

(Continued)

Items	Opening balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
Bank borrowings	2,290,263,432.23	2,485,096,153.26	935,589,925.17	563,464,577.89	986,041,650.20

[redacted]

(I) Related party relationships

1. Parent company

(1) Parent company of the Company

Parent company	Place of registration	Business nature	Registered capital	Holding proportion over the Company (%)	Voting right proportion over the Company (%)
开山控股集团股份有限公司 (Kaishan Group Co., Ltd.*, hereinafter referred to as the "Kaishan Group")	Quzhou	Industrial investment	113.40 million	57.72	57.72

(2) The Company's ultimate controlling party is 曹克坚 (Cao Kejian), who holds 82.34% equity of the parent company. The parent company holds 495,262,198 shares of the Company, besides, Cao Kejian directly holds 49,800,000 shares of the Company, thus Cao Kejian holds 545,062,198 shares of the Company both directly and indirectly, accounting for 63.52% of the Company's registered capital.

2. Please refer to section VII of the notes to the financial statements for details on the Company's significant subsidiaries.

3. Joint ventures and associates of the Company

Please refer to section VII (III) of the notes to the financial statements for details on the Company's significant joint ventures and associates. Details of other joint ventures or associates carrying out related party transactions with the Company in current period or in preceding period but with balance in current period are as follows:

Joint ventures or associates	Relationships with the Company
Kaishan Yinlun Company	Associate
Wolong Kaishan Company	Associate

4. Other related parties of the Company

Related parties	Relationships with the Company
浙江开山重工股份有限公司 (Zhejiang Kaishan Heavy Co., Ltd.*)	Under common control of the parent company
浙江开山缸套有限公司 (Zhejiang Kaishan Cylinder Co., Ltd.*)	Under common control of the parent company
浙江同荣节能科技服务有限公司(Zhejiang Tongrong Energy-saving Technology Service Co., Ltd.*)	Under common control of the parent company
浙江开山钎具有限公司 (Zhejiang Kaishan Drill Co., Ltd.*)	Under common control of the parent company
浙江开山联合节能科技服务有限公司 (Zhejiang Kaishan Joint Energy-saving Technology Service Co., Ltd.*)	Under common control of the parent company
阿拉玛发（上海）压缩技术有限公司 (LMF (Shanghai) Compression Technology Co., Ltd.*)	Under common control of the parent company

* *The English names are for identification purpose only.*

[redacted]

	938,000,000.00			

[redacted]

Items	Current period cumulative	Preceding period comparative
Key management's emoluments	6.29 million	7.21 million

5. Other related party transactions

Based on the electricity price charged by power department and electricity usage by each company, in the current period, the Company charged electricity fees of 8,657,783.77 yuan from Zhejiang Kaishan Heavy Co., Ltd., Zhejiang Kaishan Drill Co., Ltd., Kaishan Yinlun Company and Wolong Kaishan Company, and paid electricity fee of 421,607.32 yuan to Wolong Kaishan Company, and the subsidiary Kaishan Foundry Company paid electricity fee of 13,984,463.19 yuan to Zhejiang Kaishan Cylinder Co., Ltd.

(III) Balance due to or from related parties

1. Balance due from related parties

Items	Related parties	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Accounts receivable	Zhejiang Tongrong Energy-saving Technology Service Co., Ltd.	8,541,613.42	726,699.00	8,557,675.14	427,883.76
	Zhejiang Kaishan Drill Co., Ltd.	3,097,023.42	154,851.17	468,933.92	23,446.70
	Zhejiang Kaishan Joint Energy-saving Technology Service Co., Ltd.	2,160,274.00	108,013.70	903,481.20	45,174.06
	Zhejiang Kaishan Heavy Co., Ltd.	1,650,262.05	86,791.92	543,269.96	27,163.50
	LMF (Shanghai) Compression Technology Co., Ltd.	5,256,907.18	375,996.13	5,036,620.07	251,831.00
Subtotal		20,706,080.07	1,452,351.92	15,509,980.29	775,499.02

Extraordinary Shareholders' Meeting in 2020

(1) Number of shares allowed for issuance

The number of shares issued via stock private placement shall not exceed 184,956,843 shares (inclusive), and the maximum of number of shares issued via stock private placement shall not exceed 30% of the total shares of the Company before this issuance. The number of shares for actual issuance will be decided by the Board of Directors based the authorization by the shareholders' meeting and the actual situation at the time of actual issuance, after this issuance is verified by China Securities Regulatory Commission.

(2) Issuing price and pricing principles

The price for shares issued via private placement is 8.11 yuan/share. The pricing benchmark date is the announcing date for resolution of the 13th meeting of the fourth session of the Board of Directors dated March 11, 2020. The issuing price is not less than 80% of the average price of A shares 20 trading days before the pricing benchmark date (Average trading price of A shares 20 trading days before the pricing benchmark date = the total trading amount of A shares in the 20 trading days before the pricing benchmark date/the total trading number of A shares in the 20 trading days before the pricing benchmark date).

(3) Issuance target and ways to subscribe

The issuance target is Kaishan Group, which shall be subscribed all the shares issued in private placement in RMB cash.

(4) Uses of the raised fund

The total raised fund of such private placement shall not exceed 1.50 billion yuan, and will be used for the 240MW Geothermal Power Generation Project Phase II of SMGP Company in Indonesia and working fund supplementary after deducting issuing expenses. Details of project invested by the raised fund:

Items	Investment amount	Proposed amount of raised fund
240MW Geothermal power generation project phase II of SMGP Company in Indonesia	USD 477 million	1,050.00 million yuan
Supplementary of working fund		450.00 million yuan
Total	USD 477 million	1,500.00 million yuan

The application has been accepted by China Securities Regulatory Commission on April 1, 2020, and still to be reviewed and verified by China Securities Regulatory Commission.

XII. Other significant events

(I) Segment information

1. Identification basis for reportable segments

The Company identified reportable segments based on geographic information, revenue from main operations and costs of main operations are allocated between segments based on locations where sales realized, and assets and liabilities are allocated based on locations of operating entities.

2. Financial information of reportable segments

Geographic segment

Items	Domestic	Overseas	Inter-segment offset	Total
Revenue from main operations	2,172,667,648.51	724,708,304.81	296,414,069.98	2,600,961,883.34
Cost of main	1,649,060,177.58	482,018,271.74	272,289,498.50	1,858,788,950.82

[redacted]

Service Co., Ltd.

In November 2019, the Company established the wholly-owned subsidiary Zhejiang Kaishan Geothermal Power Plant Operation and Maintenance Service Co., Ltd., with registered capital of 20 million yuan. It completed the registration for industry and commerce at Quzhou Market Supervision and Administration on November 11, 2019, and obtained a business license with unified social credit code of 91330800MA2DHJK71A. As of the approved issuing date of this financial report, the Company has paid in 1million yuan.

4. Acquisition of Kaitec Company under common control

Please refer to section VI (I) for details.

5. Acquisition of non-controlling interest of the subsidiary Turawell Geothermal Company

Please refer to section VII (II) for details.

6. Capital increase in Kaishan Hong Kong Company

In the current period, investment of USD 25.23 million and 7.50 million yuan (with RMB equivalent totaling 1,790.89 million yuan) has been increased in Kaishan Hong Kong Company.

In the current period, investment of USD [illegible] (RMB [illegible] equivalent of [illegible] million yuan) has been increased in the wholly-owned subsidiary KCA Company.

(III) Power generation events of SMGP Company

The Indonesian SMGP geothermal project is the SMGP 240 MW geothermal project that KS ORKA Company purchased from Indonesia in 2016, which is one of the global geothermal projects. SMGP Company has obtained the Exploration License issued by the Indonesian government. In October 2016, the Indonesian geothermal project officially started the Phase I drilling, and the machine unit 45MW has been put into business operation since September 28, 2019. As of December 31, 2019, the Company has received income in amount of USD 6.869 million from power generation.

XIII. Notes to items of parent company financial statements

(I) Notes to items of the parent company balance sheet

1. Accounts receivable

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	11,165,693.92	2.18	11,165,693.92	100.00	
Receivables with provision made on a collective basis	501,257,015.64	97.82	55,239,232.71	11.02	446,017,782.93
Total	512,422,709.56	100.00	66,404,926.63	12.96	446,017,782.93

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on an individual basis	3,680,000.00	0.76	3,680,000.00	100.00	
Receivables with provision made on a collective basis	481,012,723.43	99.24	50,712,406.89	10.54	430,300,316.54
Total	484,692,723.43	100.00	54,392,406.89	11.22	430,300,316.54

2) Accounts receivable with provision made on an individual basis

Items	Book balance	Provision for bad debts	Provision proportion (%)	Reasons
Receivables with provision made on an individual basis	11,165,693.92	11,165,693.92	100.00	Expected to be irrecoverable
Subtotal	11,165,693.92	11,165,693.92	100.00	

3) Accounts receivable with provision made on a collective basis using portfolio grouped with ages

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Within 1 year	375,534,237.38	18,776,711.88	5.00
1-2 years	59,715,907.96	5,971,590.80	10.00
2-3 years	30,109,967.34	4,516,495.10	15.00
3-4 years	10,140,094.87	5,070,047.44	50.00
4-5 years	16,174,735.32	11,322,314.72	70.00
Over 5 years	9,582,072.77	9,582,072.77	100.00
Subtotal	501,257,015.64	55,239,232.71	11.02

(2) Age analysis

Ages	Closing balance
Within 1 year	375,534,237.38
1-2 years	60,813,498.13
2-3 years	30,609,567.34
3-4 years	10,791,594.87
4-5 years	17,152,985.32
Over 5 years	17,520,826.52
Subtotal	512,422,709.56

[redacted]

FABRIK GMBH [Note]	[redacted]	[redacted]	[redacted]
Kaitec Company	22,614,375.70	4.41	1,130,718.79
North America Development Center	20,476,664.04	4.00	1,275,914.49
Subtotal	173,902,581.12	33.94	9,459,648.54

Note: LEOBERSDORFER MASCHINEN FABRIK GMBH is a wholly-owned subsidiary of LMF Company.

2. Other receivables

(1) Details

1) Details on categories

Categories	Closing balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	359,120,483.69	100.00	17,956,024.18	5.00	341,164,459.51
Total	359,120,483.69	100.00	17,956,024.18	5.00	341,164,459.51

(Continued)

Categories	Opening balance				
	Book balance		Provision for bad debts		Carrying amount
	Amount	% to total	Amount	Provision proportion (%)	
Receivables with provision made on a collective basis	9,000,000.00	100.00	450,000.00	5.00	8,550,000.00
Total	9,000,000.00	100.00	450,000.00	5.00	8,550,000.00

2) Other receivables with provision made on a collective basis

Portfolios	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Portfolio grouped with ages	359,120,483.69	17,956,024.18	5.00
Including: Within 1 year	359,120,483.69	17,956,024.18	5.00
Subtotal	359,120,483.69	17,956,024.18	5.00

(2) Changes in provision for bad debts

Items	Phase I	Phase II	Phase III	Total
	12-month expected credit losses	Lifetime expected credit losses (credit not impaired)	Lifetime expected credit losses (credit impaired)	
Opening balance	450,000.00			450,000.00
Opening balance in current period	450,000.00			450,000.00
--Transferred to phase II				
--Transferred to phase III				
--Reversed to phase II				
--Reversed to phase I				
Provision made in current period	17,506,024.18			17,506,024.18
Provision recovered in current period				
Provision reversed in current period				
Provision written-off in current period				
Other changes				
Closing balance	17,956,024.18			17,956,024.18

Items	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in subsidiaries	3,816,903,089.24		3,816,903,089.24	3,457,720,340.71		3,457,720,340.71
Investments in associates and joint ventures	78,866,959.64		78,866,959.64	71,578,686.07		71,578,686.07
Total	3,895,770,048.88		3,895,770,048.88	3,529,299,026.78		3,529,299,026.78

(2) Investments in subsidiaries

Investees	Opening balance	Increase	Decrease	Closing balance	Provision for impairment made in current period	Closing balance of provision for impairment
Kaishan Kevin Screw Company	371,940,605.60			371,940,605.60		
Power Tech Screw Company	265,810,014.65			265,810,014.65		
Power Tech System Company	92,000,000.00			92,000,000.00		
North America Development Center	27,381,924.70			27,381,924.70		
Chongqing Compressor Company	50,000,000.00			50,000,000.00		
Kaishan Pressure Vessel Company	42,244,490.76			42,244,490.76		
Kaishan Hong Kong Company	2,152,729,065.00	179,088,788.00		2,331,817,853.00		
Kerry Filtration Company	3,000,000.00			3,000,000.00		
Kaishan Refrigeration Company	30,000,000.00			30,000,000.00		
Kerry Auto-control Company	2,000,000.00	1,000,000.00		3,000,000.00		
Shanghai Energy Company	30,000,000.00			30,000,000.00		
Centrifugal Machinery Company	30,000,000.00			30,000,000.00		
Kaishan Gas Company	10,000,000.00			10,000,000.00		
Guangdong Ganey Company	110,000,000.00			110,000,000.00		
Kaishan Cleaning Company	5,000,000.00			5,000,000.00		
Kaishan Recycling Company	145,919,440.00	72,465,046.67		218,384,486.67		
Zhejiang Energy Company	50,000,000.00			50,000,000.00		
KCA Company	39,694,800.00	103,578,650.00		143,273,450.00		
Kaitec Company		2,980,000.00		2,980,000.00		
Kaishan India Company		70,263.86		70,263.86		
Subtotal	3,457,720,340.71	359,182,748.53		3,816,903,089.24		

(3) Investments in associates

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
Kaishan Yinlun Company	36,290,463.77			7,163,393.73	
Wolong Kaishan Company	35,288,222.30			124,879.84	
Subtotal	71,578,686.07			7,288,273.57	

(Continued)

Investees	Increase/Decrease				Closing balance	Closing balance of provision for impairment
	Changes in other equity	Cash dividend/ Profit declared for distribution	Provision for impairment	Others		
Associates						
Kaishan Yinlun Company					43,453,857.50	
Wolong Kaishan Company					35,413,102.14	
Subtotal					78,866,959.64	

(II) Notes to items of the parent company income statement

1. Operating revenue/Operating cost

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	1,550,656,988.58	1,373,839,471.73	1,727,727,701.34	1,574,126,246.43
Other operations	5,143,963.41	3,819,422.37	4,858,255.36	3,452,044.85
Total	1,555,800,951.99	1,377,658,894.10	1,732,585,956.70	1,577,578,291.28

2. Investment income

Items	Current period cumulative	Preceding period comparative
Investment income from long-term equity investments under cost method	227,500,000.00	165,500,000.00
Investment income from long-term equity investments under equity method	7,288,273.57	7,793,525.61
Gains from financial products		1,352,965.89
Total	234,788,273.57	174,646,491.50

XIV. Other supplementary information

(I) Non-recurring profit or loss

Items	Amount	Remarks
Gains on disposal of long-term assets, including written-off of provision for impairment	-320,120.90	
Tax refund, credit or exemption approved beyond the power of authorities, without formal documents, or with occasionality		
Government grants included in profit or loss (excluding those closely related to operating activities, or regular government grants)	19,291,881.87	Refer to notes to government grants
Fund possession charge from non-financial entities and included in profit or loss		
Gains on acquisition of subsidiaries, joint ventures and associates due to the surplus of acquisition-date fair value of net identifiable assets in acquiree over the acquisition cost		
Gains on non-cash assets exchange		

[redacted]

or loss			

2. Calculation process of weighted average RONA

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary shares	A	152,522,160.42
Non-recurring profit or loss	B	15,514,613.51
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	C=A-B	137,007,546.91
Opening balance of net assets attributable to shareholders of ordinary shares	D	3,517,542,775.62
Net assets attributable to shareholders of ordinary shares increased due to offering of new shares or conversion of debts into shares	E	
Number of months counting from the next month when the net assets were increased to the end of the reporting period	F	
Net assets attributable to shareholders of ordinary shares decreased due to dividends appropriation	G	-89,197,160.00
Number of months counting from the next month when the net assets were decreased to the end of the reporting period	H	7
Others	Translation reserve	I1	25,326,460.88
	Number of months counting from the next month when net assets were increased or decreased to the end of the reporting period	J1	6
	Acquisition of non-controlling interest of Turawell Geothermal Company	I2	-3,372,394.52
	Number of months counting from the next month when net assets were increased or decreased to the end of the reporting period	J2	6
	Acquisition of Kaitec Company under common control	I3	-3,125,961.54
	Number of months counting from the next month when net assets were increased or decreased to the end of the reporting period	J3	6
Number of months in the reporting period		K	12
Weighted average net assets		L=D+A/2+E×F/K-G×H/K±I×J/K	3,549,867,953.24
Weighted average RONA		M=A/L	4.30%
Weighted average RONA after deducting non-recurring profit or loss		N=C/L	3.86%

3. Calculation process of basic EPS and diluted EPS

(1) Calculation process of basic EPS

Items	Symbols	Current period cumulative
Net profit attributable to shareholders of ordinary	A	152,522,160.42

Opening balance of total shares	D	858,000,000.00
Number of shares increased due to conversion of reserve to share capital or share dividend appropriation	E	
Number of shares increased due to offering of new shares or conversion of debts into shares	F	
Number of months counting from the next month when the share was increased to the end of the reporting period	G	
Number of shares decreased due to share repurchase	H	
Number of months counting from the next month when the share was decreased to the end of the reporting period	I	
Number of shares decreased in the reporting period	J	
Number of months in the reporting period	K	12
Weighted average of outstanding ordinary shares	L=D+E+F×G/K-H×I/K-J	858,000,000.00
Basic EPS	M=A/L	0.18
Basic EPS after deducting non-recurring profit or loss	N=C/L	0.16

(2) The calculation process of diluted EPS is the same as the calculation process of basic EPS.

Zhejiang Kaishan Compressor Co., Ltd.

April 28, 2020