

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.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not express a separate opinion on these matters.

(I) Impairment of accounts receivable

1. Key audit matters

Please refer to section III (X) and V (I) 3 of the notes to the financial statements for details.

As of December 31, 2019, book balance of accounts receivable amounted to 721.43 million yuan, with provision for bad debts of 147.32 million yuan, and carrying amount of accounts receivable amounted to 574.11 million yuan.

Based on credit risk features of accounts receivable, the Company's management (the "Management") measures the provision for bad debts at the amount of expected credit losses during the whole life, either on an individual basis or on a collective basis. For accounts receivable with expected credit losses measured on an individual basis, the Management estimates the expected cash flows, so as to identify the provision for bad debts to be accrued, based on a comprehensive consideration of information with reasonableness and evidence, which is related to the past events, the current situation and the forecast of future economic conditions. For accounts receivable with expected credit losses measured on a collective basis, the Management classifies portfolios on the basis of ages, adjusts them based on historical credit risk loss experience and forward-looking estimations, prepares the comparison table of ages and expected 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

loss in geothermal project assets; and

(7) We checked whether information related to geothermal project assets had been presented and disclosed appropriately in the financial statements.

(III) Impairment of goodwill

1. Key audit matters

Please refer to section III (XVII) and V (I) 12 of the notes to the financial statements for details.

As of December 31, 2019, the book balance of goodwill amounted to 256.08 million yuan, with provision for impairment of 33.90 million yuan, and the carrying amount amounted to 222.18 million yuan.

The Management will perform impairment test on goodwill when there is evidence indicating impairment loss in asset group or asset group portfolio related to goodwill and at the end of each year. The Management perform impairment test on goodwill in the combination with related asset group or asset group portfolio, and the recoverable amount of related asset group or asset group portfolio is determined based on the estimated present value of future cash flow. Key assumptions adopted in the impairment test include: revenue growth rate in detailed forecast period, growth rate in perpetual forecast period, gross margin, discount rate, etc.

As the amount of goodwill is significant and impairment test involves significant 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

statements in accordance with China Accounting Standards for Business Enterprises, as well as designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Management either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. Certified Public Accountant's Responsibilities for the Audit of the Financial Statements

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

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

expressing an opinion on the effectiveness of the Company's internal control.

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

(IV) Conclude on the appropriateness of the Management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in 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.



Zhejiang Kaishan Compressor Co., Ltd.
Consolidated 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	1	610,465,399.83	1,014,057,348.38
Settlement funds			
Loans to other banks			
Held-for-trading financial assets			
Financial assets at fair value through profit or loss			
Derivative financial assets			
Notes receivable	2	381,427,335.43	435,054,077.29
Accounts receivable	3	574,115,427.99	561,262,381.50
Receivables financing			
Advances paid	4	68,154,724.99	45,061,890.55
Premiums receivable			
Reinsurance accounts receivable			
Reinsurance reserve receivable			
Other receivables	5	27,561,099.63	25,522,928.98
Financial assets under reverse repo			
Inventories	6	1,114,714,411.54	1,020,759,674.22
Contract assets			
Assets classified as held for sale			
Non-current assets due within one year			
Other current assets	7	30,761,151.23	40,473,414.42
Total current assets		2,807,199,550.64	3,142,191,715.34
Non-current assets:			
Loans and advances paid			
Debt investments			
Available-for-sale financial assets			
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	8	79,868,353.86	72,576,929.14
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



Zhejiang Kaishan Compressor Co., Ltd.
Consolidated balance sheet as at December 31, 2019 (continued)
(Expressed in Renminbi Yuan)

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			
Reinsurance accounts payable			
Liabilities classified as held for sale			
Non-current liabilities due within one year	22	154,583,748.64	27,960,064.25
Other current liabilities			
Total current liabilities		2,725,315,227.80	2,654,159,020.59
Non-current liabilities:			
Insurance policy reserve			
Long-term borrowings	23	1,764,264,148.31	1,357,833,199.65
Bonds payable			
Including: Preferred shares			
Perpetual bonds			
Lease liabilities			
Long-term payables			
Long-term employee benefits payable	24	33,933,932.01	31,127,582.16
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 or loss			
Derivative financial assets			
Notes receivable		362,480,909.63	403,250,829.73
Accounts receivable	1	446,017,782.93	430,300,316.54
Receivables financing			
Advances paid		146,698,806.74	140,453,336.69
Other receivables	2	341,164,459.51	8,550,000.00
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			
Other debt investments			
Held-to-maturity investments			
Long-term receivables			
Long-term equity investments	3	3,895,770,048.88	3,529,299,026.78
Other equity instrument investments			
Other non-current financial assets			
Investment property			
Fixed assets		134,202,921.08	134,651,350.08
Construction in progress		522,123.89	
Productive biological assets			
Oil & gas assets			
Right-of-use assets			
Intangible assets		51,041,426.26	45,201,354.87
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



Zhejiang Kaishan Compressor Co., Ltd.

Parent company balance sheet as at December 31, 2019 (continued)

(Expressed in Renminbi Yuan)


Liabilities & Equity	Note No.	Closing balance	December 31, 2018
Current liabilities:			
Short-term borrowings		721,417,129.27	820,000,000.00
Held-for-trading financial liabilities			
Financial liabilities at fair value through profit or loss			
Derivative financial liabilities			
Notes payable		735,240,302.20	667,300,349.82
Accounts payable		586,369,350.56	600,469,045.13
Advances received		173,136,661.26	319,455,409.76
Contract liabilities			
Employee benefits payable		1,174,012.00	919,111.68
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			
Provisions			
Deferred income		16,130,000.00	18,700,000.00
Deferred tax liabilities			
Other non-current liabilities			
Total non-current liabilities		254,470,068.34	18,700,000.00
Total liabilities		2,483,086,258.51	2,432,912,723.09
Equity:			
Share capital		858,000,000.00	858,000,000.00
Other equity instruments			
Including: Preferred shares			
Perpetual bonds			
Capital reserve		1,506,872,933.97	1,504,052,732.66
Less: Treasury shares			
Other comprehensive income			
Special reserve			
Surplus reserve		217,408,024.69	191,260,047.40
Undistributed profit		878,972,222.16	729,440,426.55
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



Zhejiang Kaishan Compressor Co., Ltd.
Consolidated income statement for the year ended December 31, 2019
(Expressed in Renminbi Yuan)


Items	Note No.	Current period cumulative	Preceding period comparative
I. Total operating revenue	1	2,633,306,709.24	2,612,059,689.15
Including: Operating revenue	1	2,633,306,709.24	2,612,059,689.15
Interest income			
Premium earned			
Revenue from handling charges and commission			
II. Total operating cost		2,421,122,547.07	2,439,475,022.95
Including: Operating cost	1	1,871,078,584.52	1,929,380,141.21
Interest expenses			
Handling charges and commission expenditures			
Surrender value			
Net payment of insurance claims			
Net provision of insurance policy reserve			
Premium bonus expenditures			
Reinsurance expenses			
Taxes and surcharges	2	14,237,207.21	19,531,809.83
Selling expenses	3	139,318,064.84	129,602,944.67
Administrative expenses	4	268,226,253.22	255,412,120.48
R&D expenses	5	86,961,116.59	92,017,687.68
Financial expenses	6	41,301,320.69	13,530,319.08
Including: Interest expenses		44,099,429.62	28,708,013.08
Interest income		14,858,019.04	14,838,870.58
Add: Other income	7	19,291,881.87	11,044,557.04
Investment income (or less: losses)	8	7,291,424.72	9,024,541.69
Including: Investment income from associates and joint ventures		7,291,424.72	7,671,575.80
Gains from derecognition of financial assets at amortized cost			
Gains on foreign exchange (or less: losses)			
Gains on net exposure to hedging risk (or less: losses)			
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)	12	187,158,852.86	165,109,187.47
Add: Non-operating revenue	13	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.



Zhejiang Kaishan Compressor Co., Ltd.
 Parent company income statement for the year ended December 31, 2019
 (Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Operating revenue	1	1,555,800,951.99	1,732,585,956.70
Less: Operating cost	1	1,377,658,894.10	1,577,578,291.28
Taxes and surcharges		3,901,298.96	6,633,479.40
Selling expenses		37,512,046.30	37,085,820.70
Administrative expenses		33,589,863.04	41,005,115.99
R&D expenses		4,227,121.92	5,159,157.32
Financial expenses		16,898,589.90	10,390,483.47
Including: Interest expenses		34,940,153.43	25,242,841.26
Interest income		20,362,650.67	13,073,607.89
Add: Other income		8,988,902.13	4,785,869.87
Investment income (or less: losses)	2	234,788,273.57	174,646,491.50
Including: Investment income from associates and joint ventures		7,288,273.57	7,793,525.61
Gains from derecognition of financial assets at amortized cost			
Gains on net exposure to hedging risk (or less: losses)			
Gains on changes in fair value (or less: losses)			
Credit impairment loss		-29,518,543.92	
Assets impairment loss		-19,882,318.84	-10,737,790.54
Gains on asset disposal (or less: losses)			11,361.42
II. Operating profit (or less: losses)		276,389,450.71	223,439,540.79
Add: Non-operating revenue		8,218.30	8,041.56
Less: Non-operating expenditures		362,249.75	
III. Profit before tax (or less: total loss)		276,035,419.26	223,447,582.35
Less: Income tax		14,555,646.36	12,845,949.29
IV. Net profit (or less: net loss)		261,479,772.90	210,601,633.06
(I) Net profit from continuing operations (or less: net loss)		261,479,772.90	210,601,633.06
(II) Net profit from discontinued operations (or less: net loss)			
V. Other comprehensive income after tax			
(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			
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			
9. Others			
VI. Total comprehensive income		261,479,772.90	210,601,633.06
VII. Earnings per share (EPS):			
(I) Basic EPS (yuan per share)		0.30	0.25
(II) Diluted EPS (yuan per share)		0.30	0.25



Zhejiang Kaishan Compressor Co., Ltd.
Consolidated cash flow statement for the year ended December 31, 2019
(Expressed in Renminbi Yuan)

Items	Note No.	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities			
Cash receipts from sale of goods or rendering of services		2,955,204,305.07	3,098,073,296.63
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 policy-holder 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		27,953,732.53	88,341,225.67
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



Zhejiang Kaishan Compressor Co., Ltd.
 Parent company cash flow statement for the year ended December 31, 2019
 (Expressed in Renminbi Yuan)

Items	Current period cumulative	Preceding period comparative
I. Cash flows from operating activities:		
Cash receipts from sale of goods and rendering of services	1,611,124,005.67	2,085,869,069.23
Receipts of tax refund	13,150,572.70	431,512.16
Other cash receipts related to operating activities	274,202,359.12	82,046,063.18
Subtotal of cash inflows from operating activities	1,898,476,937.49	2,168,346,644.57
Cash payments for goods purchased and services received	1,440,970,684.45	1,564,281,810.97
Cash paid to and on behalf of employees	63,512,734.07	66,849,285.55
Cash payments for taxes and rates	29,187,964.04	32,614,984.76
Other cash payments related to operating activities	200,379,519.97	166,466,007.20
Subtotal of cash outflows from operating activities	1,734,050,902.53	1,830,212,088.48
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	126,685,689.95
Subtotal of cash inflows from investing activities	271,500,993.57	294,297,697.60
Cash payments for the acquisition of fixed assets, intangible assets and other long-term assets	23,779,737.92	3,522,756.12
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

Zhejiang Kaishan Compressor Co., Ltd.

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

(Expressed in Renminbi Yuan)

Items	Current period cumulative											
	Equity attributable to parent company											
	Share capital	Other equity instruments		Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit	Non-controlling interest	Total equity
	Preferred shares	Perpetual bonds	Others									
I. Balance at the end of prior year	858,000,000.00			1,500,931,159.38		71,855,934.09		191,260,047.40		892,369,673.21	-3,754,035.88	3,510,662,778.20
Add: Cumulative changes of accounting policies												
Error correction of prior period												
Business combination under common control				2,500,000.00						625,961.54		3,125,961.54
Others												
II. Balance at the beginning of current year	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	3,513,788,739.74
III. Current period increase (or less: decrease)				-12,952,304.52		25,326,460.88		26,147,977.29		40,574,183.13	-3,225,343.50	75,870,973.28
(I) Total comprehensive income						25,326,460.88				152,522,160.42	-3,962,459.25	173,886,162.05
(II) Capital contributed or withdrawn by owners				-12,952,304.52								-12,952,304.52
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				-12,952,304.52						-111,947,977.29	-1,000,000.00	-12,952,304.52
(III) Profit distribution								26,147,977.29		-26,147,977.29		-86,800,000.00
1. Appropriation of surplus reserve								26,147,977.29				
2. Appropriation of general risk reserve												
3. Appropriation of profit to owners												
4. Others										-85,800,000.00	-1,000,000.00	-86,800,000.00
(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			1,490,478,854.86		97,182,394.97		217,408,024.69		933,569,817.88	-6,979,379.38	3,589,659,713.02

Zhejiang Kaishan Compressor Co., Ltd.

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

(Expressed in Renminbi Yuan)

Items	Preceding period comparative											
	Equity attributable to parent company										Total equity	
	Share capital	Preferred shares	Other equity instruments	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General risk reserve	Undistributed profit		Non-controlling interest
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	3,381,278,502.16
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	3,382,383,652.54
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	131,405,087.20
(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												
1. Appropriation of surplus reserve								21,060,163.31		-106,860,163.31	-2,000,000.00	-87,800,000.00
2. Appropriation of general risk reserve								21,060,163.31		-21,060,163.31		
3. Appropriation of profit to owners										-85,800,000.00	-2,000,000.00	-87,800,000.00
4. Others												
(IV) Internal carry-over within equity				-4,729,941.94								-4,729,941.94
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 of current period												
2. Application of 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	840,128.52	3,513,788,739.74

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Zhejiang Kaishan Compressor Co., Ltd.

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

(Expressed in Renminbi Yuan)

Items	Current period cumulative									
	Share capital	Other equity instruments		Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
		Preferred shares	Perpetual bonds							
I. Balance at the end of prior year	858,000,000.00			1,504,052,732.66				191,260,047.40	729,440,426.55	3,282,753,206.61
Add: Cumulative changes of accounting policies										
Error correction of prior period										
Others										
II. Balance at the beginning of current year	858,000,000.00			1,504,052,732.66				191,260,047.40	729,440,426.55	3,282,753,206.61
III. Current period increase (or less: decrease)				2,820,201.31				26,147,977.29	149,531,795.61	178,499,974.21
(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								26,147,977.29	-111,947,977.29	-85,800,000.00
2. Appropriation of profit to owners								26,147,977.29	-26,147,977.29	
3. Others									-85,800,000.00	-85,800,000.00
(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				2,820,201.31						2,820,201.31
IV. Balance at the end of current period	858,000,000.00			1,506,872,933.97				217,408,024.69	878,972,222.16	3,461,253,180.82

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审核之章

Zhejiang Kaishan Compressor Co., Ltd.
Parent company statement of changes in equity for the year ended December 31, 2019 (continued)
(Expressed in Renminbi Yuan)

Items	Preceding period comparative										
	Share capital	Preferred shares	Perpetual bonds	Others	Capital reserve	Less: treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profit	Total equity
I. Balance at the end of prior year	858,000,000.00				1,504,052,732.66				170,199,884.09	625,698,956.80	3,157,951,573.55
Add: Cumulative changes of accounting policies											
Error correction of prior period											
Others											
II. Balance at the beginning of current year	858,000,000.00				1,504,052,732.66				170,199,884.09	625,698,956.80	3,157,951,573.55
III. Current period increase (or less: decrease)									21,060,163.31	103,741,469.75	124,801,633.06
(I) Total comprehensive income										210,601,633.06	210,601,633.06
(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									21,060,163.31	-106,860,163.31	-85,800,000.00
2. Appropriation of profit to owners									21,060,163.31	-21,060,163.31	
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				1,504,052,732.66				191,260,047.40	729,440,426.55	3,282,753,206.61

[Name]
 [Legal representative]
 (Signature and stamp)

[Name]
 [Officer in charge of accounting]
 (Signature and stamp)

[Name]
 [Head of accounting department]
 (Signature and stamp)



Zhejiang Kaishan Compressor Co., Ltd.

Notes to Financial Statements

For the year ended December 31, 2019

Monetary unit: RMB Yuan

I. Company profile

Zhejiang Kaishan Compressor Co., Ltd. (the “Company”) is a limited company by shares transformed on an integral basis from 浙江开山通用机械有限公司 (Zhejiang Kaishan General Machinery Co., Ltd.*). Headquartered in Quzhou City, Zhejiang Province, the Company was registered at Zhejiang Administration for Industry and Commerce on July 11, 2002 and currently holds a business license with unified social credit code of 9133000074100296XK, with registered capital of 858 million yuan, total share of 858 million shares (each with par value of one yuan), of which, 40,276,867 shares are restricted outstanding A shares, and 817,723,133 shares are unrestricted outstanding A shares. The Company’s shares were listed at Shenzhen Stock Exchange on August 19, 2011.

The Company belongs to compressor manufacturing industry and is mainly engaged in manufacturing, sales and rental of compressor, vacuum pump, expander, expansion power generator, air blower, blower and accessories; sales of lubricating oil and engine oil (excluding hazardous chemicals); construction and operation maintenance of air compressor station project and geothermal power station project; and import and export of goods and technology. (For items required with special permit, the Company operates under permission of relevant authorities.) The Company’s main products and services are compressor series products and geothermal services.

The financial statements were approved and authorized for issue by the 14th meeting of the fourth session of the Board of Directors dated April 28, 2020.

The Company has brought 56 subsidiaries including 浙江开山凯文螺杆机械有限公司 (Zhejiang Kaishan Kevin Screw Machinery Co., Ltd.* , hereinafter referred to as “Kaishan Kevin Screw Company”) into the consolidation scope. List of subsidiaries is as follows:

Full name	Abbreviations	Full name	Abbreviations
Zhejiang Kaishan Kevin Screw Machinery Co., Ltd.	Kaishan Kevin Screw Company	浙江开山压力容器有限公司 (Zhejiang Kaishan Pressure Vessel Co., Ltd.*)	Kaishan Pressure Vessel Company
浙江开山离心机械有限公司 (Zhejiang Kaishan Centrifugal Machinery Co., Ltd.*)	Centrifugal Machinery Company	浙江开山铸造有限公司 (Zhejiang Kaishan Foundry Co., Ltd.*)	Kaishan Foundry Company

* The English names are for identification purpose only.

Full name	Abbreviations	Full name	Abbreviations
上海维尔泰克螺杆机械有限公司 (Shanghai Power Tech Screw Machinery Co., Ltd.*)	Power Tech Screw Company	浙江开山净化设备有限公司 (Zhejiang Kaishan Cleaning Equipment Co., Ltd.*)	Kaishan Cleaning Company
上海恺雷自控系统有限公司 (Shanghai Kerry Auto-control System Co., Ltd.*)	Kerry Auto-control Company	维尔泰克(上海)压缩空气系统技术有限公司 (Power Tech (Shanghai) Compressed Air System Technic Co., Ltd.*)	Power Tech System Company
上海开山恺雷滤清器有限公司 (Shanghai Kaishan Kerry Filtration Co., Ltd.*)	Kerry Filtration Company	上海恺雷压缩机有限公司 (Shanghai Kerry Compressor Co., Ltd.*)	Kerry Compressor Company
上海开山能源装备有限公司 (Shanghai Kaishan Energy Equipment Co., Ltd.*)	Shanghai Energy Company	上海开山冷冻系统技术有限公司 (Shanghai Kaishan Refrigeration System Technology Co., Ltd.*)	Kaishan Refrigeration Company
重庆开山压缩机有限公司 (Chongqing Kaishan Compressor Co., Ltd.*)	Chongqing Compressor Company	上海开山气体压缩机有限公司 (Shanghai Kaishan Gas Compressor Co., Ltd.*)	Kaishan Gas Company
广东正力精密机械有限公司 (Ganey Precision Machinery Co., Ltd.*)	Guangdong Ganey Company	重庆开山压力容器有限公司 (Chongqing Kaishan Pressure Vessel Co., Ltd.*)	Chongqing Pressure Vessel Company
浙江开山能源装备有限公司 (Zhejiang Kaishan Energy Equipment Co., Ltd.*)	Zhejiang Energy Company	开泰克压缩机(上海)有限公司 (Kaitec Compressor (Shanghai) Co., Ltd.)	Kaitec Company
开山压缩机(香港)有限公司 (Kaishan Compressor (Hong Kong) Co., Ltd.*)	Kaishan Hong Kong Company	台湾开山压缩机有限公司 (Taiwan Kaishan Compressor Co., Ltd.*)	Taiwan Kaishan Company
开山压缩机亚太营销(香港)有限公司 (Kaishan Compressor Asia-pacific Marketing (Hong Kong) Co., Ltd.*)	Asia-pacific Hong Kong Company	New Jersey North America Development Center	North America Development Center
Kaitain Assets Management (Australia) Co., Ltd.	Australia Management Company	SPstar Compressor (Australia) Co., Ltd.	Australian SPstar Company
Kaishan Machinery (India) Private Limited	Kaishan India Company	Kaishan Technologies of America, LLC	America Technologies Company
KS ORKA 可再生能源有限公司 (KS PRKA Recycling Energy Co., Ltd.*)	KS ORKA Company	开山可再生能源发展有限公司 (Kaishan Recycling Energy Development Co., Ltd.*)	Kaishan Recycling Company
LMF Unternehmensbeteiligungs GmbH	LMF Company	Open Mountain Energy LLC	OME Company
Hungary Turawell Geothermal Co., Ltd.	Turawell Geothermal Company	OTP Geothermal Pte. Limited	OTP Company
PT SOKORIA GEOTHERMAL INDONESIA	SGI Company	PT SorikMarapi Geothermal Power	SMGP Company
Kaishan Compressor (USA) LLC	KCA Company		

II. Preparation basis of the financial statements

(I) Preparation basis

The financial statements have been prepared on the basis of going concern.

(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.

* The English names are for identification purpose only.

III. Significant accounting policies and estimates

(I) Statement of compliance

The financial statements have been prepared in accordance with the requirements of China Accounting Standards for Business Enterprises (CASBEs), and present truly and completely the financial position, results of operations and cash flows of the Company.

(II) Accounting period

The accounting year of the Company runs from January 1 to December 31 under the Gregorian calendar.

(III) Operating cycle

The Company has a relatively short operating cycle for its business, an asset or a liability is 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

fair value (including interests and dividends) shall be included into profit or loss, except for financial assets that are part of hedging relationships.

(3) Subsequent measurement of financial liabilities

1) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss include held-for-trading financial liabilities (including derivatives that are liabilities) and financial liabilities designated as at fair value through profit or loss. The Company measures such kind of liabilities at fair value. The amount of changes in the fair value of the financial liabilities that are attributable to changes in the Company's own credit risk shall be included into other comprehensive income, unless such treatment would create or enlarge accounting mismatches in profit or loss. Other gains or losses on those financial liabilities (including interests, changes in fair value that are attributable to reasons other than changes in the Company's own credit risk) shall be included into profit or loss, except for financial liabilities that are part of hedging relationships. Accumulated gains or losses that originally recognized as other comprehensive income should be transferred out into retained earnings when the financial liabilities are derecognized.

2) Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies

The Company measures its financial liabilities in accordance with "CASBE 23 – Transfer of Financial Assets".

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)

The Company measures its financial liabilities at the higher of: a. the amount of loss allowances in accordance with impairment requirements of financial instruments; b. the amount initially recognized less the amount of accumulated amortization recognized in accordance with relevant regulations.

4) Financial liabilities at amortized cost

The Company measures its financial liabilities at amortized cost using effective interest method. Gains or losses on financial liabilities that are measured at amortized cost and are not part of hedging relationships shall be included into profit or loss when the financial liabilities are derecognized and through the amortization process.

(4) Derecognition of financial assets and financial liabilities

1) Financial assets are derecognized when:

- a. the contractual rights to the cash flows from the financial assets expire; or
- 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

partly may the financial liability be derecognized accordingly.

3. Recognition criteria and measurement method of financial assets transfer

Where the Company has transferred substantially all of the risks and rewards related to the ownership of 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. If it retained 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

similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; inputs other than quoted prices that are observable for the asset or liability, for example, interest rates and yield curves observable at commonly quoted intervals; market-corroborated inputs;

(3) Level 3 inputs are unobservable inputs for the asset or liability. Level 3 inputs include interest rate that is not observable and cannot be corroborated by observable market data at commonly quoted intervals, historical volatility, future cash flows to be paid to fulfill the disposal obligation assumed in business combination, and financial forecast developed using the Company's own data, etc.

5. Impairment of financial instruments

(1) Measurement and accounting treatment

The Company, on the basis of expected credit loss, recognizes loss allowances of financial assets at amortized cost, debt instrument investments, contract assets or lease receivable at fair value through other comprehensive income, loan commitments other than financial liabilities at fair value through profit or loss, financial guarantee contracts not belong to financial liabilities at fair value through profit or loss or financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies.

Expected credit losses refer to the weighted average of credit losses with the respective risks of a default occurring as the weights. Credit loss refers to the difference between all contractual cash flows that are due to the Company in accordance with the contract and all the cash flows that the Company expects to receive (i.e. the present value of all cash shortfalls), discounted at the original effective interest rate. Purchased or originated credit-impaired financial assets are discounted at the credit-adjusted effective interest rate.

On the balance sheet date, the Company shall only recognize the cumulative changes in the lifetime expected credit losses since initial recognition as a loss allowance for purchased or originated credit-impaired financial assets.

For accounts receivable 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 chooses simplified approach to measure the loss allowance at an amount equal to lifetime expected credit losses.

For financial assets other than the above, on each balance sheet date, the Company shall assess whether the credit risk on the financial instrument has increased significantly since initial recognition. The Company shall measure the loss allowance for the financial instrument at an 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.

Considering reasonable and supportable forward-looking information, the Company compares the risk of a default occurring on the financial instrument as at the balance sheet date with the risk of a default occurring on the financial instrument as at the date of initial recognition, so as to assess whether the credit risk on the financial instrument has increased significantly since initial recognition.

The Company may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk on the balance sheet date.

The Company shall estimate expected credit risk and measure expected credit losses on an individual or a collective basis. When the Company adopts the collective basis, financial instruments are grouped with similar credit risk features.

The Company shall remeasure expected credit loss on each balance sheet date, and increased or 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
Other receivables – Portfolio grouped with ages	Ages	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 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

Items	Basis for determination of portfolio	Method for measuring expected credit loss
Portfolio grouped with ages		experience, the current situation and the forecast of future economic conditions, the Company prepares the comparison table of ages and lifetime expected credit loss rate of accounts receivable, so as to calculate expected credit loss.

2) Accounts receivable – comparison table of ages and lifetime expected credit loss rate

Ages	Expected credit loss rate (%)
Within 1 year (inclusive, the same hereinafter)	5
1-2 years	10
2-3 years	15
3-4 years	50
4-5 years	70
Over 5 years	100

6. Offsetting financial assets and financial liabilities

Financial assets and financial liabilities are presented separately in the balance sheet and are not offset. However, the Company offsets a financial asset and a financial liability and presents the net amount in the balance sheet when, and only when, the Company: (a) currently has a legally enforceable right to set off the recognized amounts; and (b) intends either to settle on a net basis, 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

the ordinary course of business; the net realizable value of materials to be processed is determined based on the amount of the estimated selling price less the estimated costs of completion, selling expenses and relevant taxes and surcharges in the ordinary course of business; at the balance sheet date, when only part of the same item of inventories have agreed price, their net realizable value is determined separately and is compared with their costs to set the provision for inventory write-down to be made or reversed.

4. Inventory system

Perpetual inventory method is adopted.

5. Amortization method of low-value consumables and packages

(1) Low-value consumables

Low-value consumables are amortized with one-off method.

(2) Packages

Packages are amortized with one-off method.

(XII) Long-term equity investments

1. Judgment of joint control and significant influence

Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of these policies.

2. Determination of investment cost

(1) For business combination under common control, if the consideration of the combining party is that it makes payment in cash, transfers non-cash assets, assumes its liabilities or issues equity securities, on the date of combination, it regards the share of the carrying amount of the equity of the combined party included the consolidated financial statements of the ultimate controlling party as the initial cost of the investment. The difference between the initial cost of the long-term equity investment and the carrying value of the combination consideration paid or the par value of shares issued offsets capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When long-term equity investments are obtained through business combination under common control achieved in stages, 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”, investment cost is initially recognized at the share of the carrying amount of net assets of the combined party included the consolidated financial statements of the ultimate controlling party. The difference between the acquisition-date investment cost of long-term equity investments and the carrying amount of the previously held long-term equity investments plus the carrying amount of the consideration paid for the newly acquired equity is

adjusted to capital reserve; if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

(2) For business combination not under common control, investment cost is initially recognized at the acquisition-date fair value of considerations paid.

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

influence, the remained equity is accounted for according to CASBE 22 –Financial Instruments: Recognition and Measurement.

(2) Consolidated financial statements

1) Disposal of a subsidiary in stages not qualified as “bundled transaction” resulting in the Company’s loss of control

Before the Company’s loss of control, the difference between the disposal consideration and the proportionate share of net assets in the disposed subsidiary from acquisition date or combination date to the disposal date is adjusted to capital reserve (capital premium), if the balance of capital reserve is insufficient to offset, any excess is adjusted to retained earnings.

When the Company loses control, the remained equity is re-measured at the loss-of-control-date fair value. The aggregated value of disposal consideration and the fair value of the remained equity, less the share of net assets in the disposed subsidiary held before the disposal from the acquisition date or combination date to the disposal date is recognized in investment income in the period when the Company loses control over such subsidiary, and meanwhile goodwill is offset correspondingly. Other comprehensive income related to equity investments in former subsidiary is reclassified as investment income upon the Company’s loss of control.

2) Disposal of a subsidiary in stages qualified as “bundled transaction” resulting in the Company’s loss of control

In case of “bundled transaction”, stages as a whole are considered as one transaction resulting in loss of control in accounting treatment. Before the Company loses control, the difference between the disposal consideration at each stage and the proportionate share of net assets in the disposed subsidiary is recognized as other comprehensive income at the consolidated financial statements and reclassified as profit or loss in the period when the Company loses control over such subsidiary.

(XIII) Fixed assets

1. Recognition principles of fixed assets

Fixed assets are tangible assets held for use in the production of goods or rendering of services, for rental to others, or for administrative purposes, and expected to be used during more than one accounting year. Fixed assets are recognized if, and only if, it is probable that future economic benefits associated with the assets will flow to the Company and the cost of the assets can be measured reliably.

2. Depreciation method of different categories of fixed assets

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

Categories	Depreciation method	Useful life (years)	Estimated residual value proportion (%)	Annual depreciation rate (%)
General equipment	Straight-line method	3-5	5, 10	18.00-31.67
Special equipment	Straight-line method	10-30 [Note]	5, 10	3.00-9.50
Transport facilities	Straight-line method	5	5, 10	18.00-19.00
Other equipment	Straight-line method	3-5	5, 10	18.00-31.67

Note: Useful life of geothermal equipment is 20 to 30 years.

(XIV) Construction in progress

1. Construction in progress is recognized if, and only if, it is probable that future economic benefits associated with the item will flow to the Company, and the cost of the item can be measured reliably. Construction in progress is measured at the actual cost incurred to reach its designed usable conditions.

2. Construction in progress is transferred into fixed assets at its actual cost when it reaches its 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,

intangible assets with finite useful life, etc., if at the balance sheet date there is indication of impairment, the recoverable amount is estimated. For goodwill recognized in business combination and intangible assets with indefinite useful life, no matter whether there is indication of impairment, impairment test is performed annually. Impairment test on goodwill is performed on related group of assets or a portfolio of groups of assets.

When the recoverable amount of such long-term assets is lower than their carrying amount, the difference is recognized as provision for assets impairment loss through profit or loss.

(XVIII) Long-term prepayments

Long-term prepayments are expenses that have been recognized but with amortization period over one year (excluding one year). They are recorded with actual cost, and evenly amortized within their beneficiary period or stipulated period. If items of long-term prepayments fail to be beneficial to the following accounting periods, residual values of such items are included in profit or loss.

(XIX) Employee benefits

1. Employee benefits include short-term employee benefits, post-employment benefits, termination benefits and other long-term employee benefits.

2. Short-term employee benefits

The Company recognizes, in the accounting period in which an employee provides service, short-term employee benefits actually incurred as liabilities, with a corresponding charge to profit or loss or the cost of a relevant asset.

3. Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans.

(1) The Company recognizes in the accounting period in which an employee provides service the contribution payable to a defined contribution plan as a liability, with a corresponding charge to 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

deducting the present value of the defined benefit plan obligation from the fair value of defined benefit plan assets as a net defined benefit plan liability or net defined benefit plan asset. When a defined benefit plan has a surplus, the Company measures the net defined benefit plan asset at the lower of the surplus in the defined benefit plan and the asset ceiling;

3) At the end of reporting period, the Company recognizes the following components of employee benefits cost arising from defined benefit plan: a. service cost; b. net interest on the net defined benefit plan liability (asset); and c. changes as a result of re-measurement of the net defined benefit liability (asset). Item a and item b are recognized in profit or loss or the cost of a relevant asset. Item c is recognized in other comprehensive income and is not to be reclassified subsequently to profit or loss. However, the Company may transfer those amounts recognized in other comprehensive income within equity.

4. Termination benefits

Termination benefits provided to employees are recognized as an employee benefit liability for termination benefits, with a corresponding charge to profit or loss at the earlier of the following dates: a. when the Company cannot unilaterally withdraw the offer of termination benefits because of an employment termination plan or a curtailment proposal; or b. when the Company recognizes cost or expenses related to a restructuring that involves the payment of termination benefits.

5. Other long-term employee benefits

When other long-term employee benefits provided by the Company to the employees satisfied the conditions for classifying as a defined contribution plan, those benefits are accounted for in accordance with the requirements relating to defined contribution plan. The Company recognizes and measures the net liability or net asset of other long-term employee benefits in accordance with the requirements relating to defined benefit plan. At the end of the reporting period, the Company recognizes the components of cost of employee benefits arising from other long-term employee benefits as the followings: a. service cost; b. net interest on the net liability or net assets of other long-term employee benefits; and c. changes as a result of re-measurement of the net liability or 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

1. Revenue recognition principles

(1) Sale of goods

Revenue from sale of goods is recognized if, and only if, the following conditions are all satisfied:

a) significant risks and rewards of ownership of the goods is transferred to the buyer; b) the Company retains neither continuing managerial involvement of ownership nor effective control over the goods sold; c) the amount of revenue can be measured reliably; d) it is probable that the economic benefits of the transaction will flow to the Company; and e) the costs of the transaction incurred and to be incurred can be measured reliably.

(2) Rendering of services

When the outcome of the transaction can be estimated reliably (the amount of revenue can be measured reliably, it is probable that the economic benefits will flow to the Company, the percentage of completion of the transaction can be determined reliably, and the costs of the transaction incurred and to be incurred can be measured reliably), revenue from rendering of services is recognized using the percentage of completion method, and the stage of completion is determined at the proportion of costs incurred to the estimated total costs. When the outcome of the transaction cannot be estimated reliably at the balance sheet date, revenue is recognized based on the amount of the costs incurred and the costs incurred are charged off at the same amount when the costs incurred are expected to be recoverable; and no revenue is recognized and the costs incurred are charged off as an expense of the period when the costs incurred are not expected to be recovered.

(3) Revenue arising from use by others of assets

Revenue arising from use by others of assets is recognized if, and only if, it is probable that economic benefits associated with the transaction will flow to the Company and the amount of the revenue can be measured reliably. Interest income is recognized based on the length of time for which the Company's cash is used by others and the effective interest rate; and royalties are recognized according to the period and method of charging as specified in relevant contract or agreement.

2. Revenue recognition method adopted by the Company

The Company's majority sales are from compressor products, geothermal businesses, etc. Revenue from domestic sales is recognized if, and only if, the following conditions are all met: the Company has delivered goods to the purchaser based on contractual agreements; sales revenue is determined; goods payment has been collected or the Company has obtained receipts invoices and 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

collected or the Company has obtained receipts invoices and 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 geothermal electricity is recognized based on electricity output records confirmed by electricity measuring instrument, which are delivered or can be delivered to the purchaser; electricity sales revenue is determined; goods payment has been collected or the Company has obtained receipts invoices and 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.

(XXII) Government grants

1. Government grants shall be recognized if, and only if, the following conditions are all met: (1) the Company will comply with the conditions attaching to the grants; (2) the grants will be received. Monetary government grants are measured at the amount received or receivable. Non-monetary government grants are measured at fair value, and can be measured at nominal amount in the circumstance that fair value can't be assessed.

2. Government grants related to assets

Government grants related to assets are government grants with which the Company construct or otherwise acquire long-term assets under requirements of government. In the circumstances that there is no specific government requirement, the Company shall determine based on the primary condition to acquire the grants and government grants related to assets are government grants whose primary condition is to construct or otherwise acquire long-term assets. They offset carrying amount of relevant assets, or they are recognized as deferred income. If recognized as deferred income, they are included in profit or loss on a systematic basis over the useful lives of the relevant assets. Those measured at notional amount are directly included into profit or loss. For assets sold, transferred, disposed or damaged within the useful lives, balance of unamortized deferred income is transferred into profit or loss of the year in which the disposal occurred.

3. Government grants related to income

Government grants related to income are government grants other than those related to assets. For government grants that contain both parts related to assets and parts related to income, in which 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.

(1) Main effects on the financial statements as at January 1, 2019 due to adoption of revised financial instrument standard are as follows:

Items	Balance sheet		
	Dec. 31, 2018	Effect due to revised financial instrument standard	Jan. 1, 2019
Short-term borrowings	901,704,998.21	1,060,989.72	902,765,987.93
Other payables	51,701,912.23	-2,765,170.12	48,936,742.11
Non-current liabilities due within one year	27,960,064.25	27,149.61	27,987,213.86
Long-term borrowings	1,357,833,199.65	1,677,030.79	1,359,510,230.44

(2) On January 1, 2019, the comparison table of categories and measuring result of the Company's financial assets and financial liabilities under revised and old financial instrument standards is as follows:

Items	Original standard		Revised standard	
	Category	Carrying amount	Category	Carrying amount
Cash and bank balances	Loans and receivables	1,014,057,348.38	Financial assets at amortized cost	1,014,057,348.38
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				
Cash and bank balances	1,014,057,348.38			1,014,057,348.38

Notes receivable	435,054,077.29			435,054,077.29
Accounts receivable	561,262,381.50			561,262,381.50
Other receivables	25,522,928.98			25,522,928.98
Total financial assets at amortized cost	2,035,896,736.15			2,035,896,736.15
B. Financial liabilities				
a. Amortized cost				
Short-term borrowings	901,704,998.21	1,060,989.72		902,765,987.93
Notes payable	598,478,590.07			598,478,590.07
Accounts payable	749,556,636.28			749,556,636.28
Other payables	51,701,912.23	-2,765,170.12		48,936,742.11
Non-current liabilities due within one year	27,960,064.25	27,149.61		27,987,213.86
Long-term borrowings	1,357,833,199.65	1,677,030.79		1,359,510,230.44
Total financial liabilities at amortized cost	3,687,235,400.69			3,687,235,400.69

(4) On January 1, 2019, the reconciliation statement on the provision for impairment of the financial assets under revised financial instrument standard is as follows:

Items	Provision for impairment made under original financial instrument standard/Accrued liabilities under contingencies standard (Dec. 31, 2018)	Reclassification	Remeasurement	Provision for impairment under revised financial instrument standard (Jan. 1, 2019)
Accounts receivable	139,448,416.85			139,448,416.85
Other receivables	1,930,673.32			1,930,673.32

3. The Company has adopted the revised “CASBE 7 – Non-cash Assets Exchange” since June 10, 2019, and the revised “CASBE 12 – Debt Restructuring” since June 17, 2019, and changes in 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%

Taxes	Tax bases	Tax rates
	on the basis of rent, housing property tax is levied at the rate of 12% of rent revenue.	
Urban maintenance and construction tax	Turnover tax payable	7%, 1%
Education surcharge	Turnover tax payable	3%
Local education surcharge	Turnover tax payable	2%
Enterprise income tax	Taxable income	25%, 15%

Note: Pursuant to the Announcement of the Ministry of Finance, the State Taxation Administration and General Administration of Customs on Deepening the Relevant Policies of VAT Reform (Announcement 2019 No. 39), since April 1, 2019, the original tax rate of 16% is adjusted to 13%.

Different enterprise income tax rates applicable to different taxpayers:

Taxpayers	Income tax rate
Kaishan Kevin Screw Company, Power Tech Screw Company, Chongqing Compressor Company, Guangdong Ganey Company, Kaishan Refrigeration Company, Shanghai Energy Company, and Zhejiang Energy Company	15%
Overseas subsidiaries including Taiwan Kaishan Company, Kaishan Hong Kong Company, North America Development Center, Asia-pacific Hong Kong Company, Australian SPstar Company, Australia Management Company, America Technologies Company, Kaishan Recycling Company, KS ORKA Company, OME Company, LMF Company, OTP Company, Turawell Geothermal Company, SGI Company, SMGP Company and KCA Company	Applicable to local tax laws
Taxpayers other than the above-mentioned	25%

(II) Tax preferential policies

1. 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 Kaishan Kevin Screw 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 income tax.

2. Pursuant to the Hi-tech Accreditation Administration Measures numbered Guo Ke Fa Huo [2016] 32 and the Hi-tech Accreditation Administration Guidance numbered Guo Ke Fa Huo [2016] 195, the subsidiary Power Tech Screw Company passed the hi-tech enterprise qualification 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.

3. Pursuant to the Announcement on Issues Concerning Enterprise Income Tax Arising in Further Implementing the West Development Strategy numbered SAT [2012] 12, the subsidiary

Chongqing Compressor Company passed the hi-tech enterprise qualification review in July 2014. The qualification is valid from January 1, 2014 to December 31, 2020, during which, this subsidiary is entitled to enjoy the income tax preferential policies. Pursuant to the Letter of Response on Record of Chongqing Municipal First Batch of Hi-tech Enterprise of 2017 numbered Guo Ke Huo Zi [2018] 21 issued by the National Hi-Tech Enterprise Accreditation Administration Leading Group Office, the subsidiary Chongqing Compressor Company passed the hi-tech enterprise qualification identification in December 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 income tax.

4. Pursuant to the Letter of Response on Record of Second Batch of Guangdong Provincial High-tech Enterprises of 2017, the subsidiary Guangdong Ganey Company passed the hi-tech enterprise qualification review in December 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 income tax.

5. Pursuant to the Circular on Shanghai Municipal Third Batch of Hi-Tech Enterprise of 2018 numbered issued by the Shanghai Hi-Tech Enterprise Accreditation Guiding Group, the subsidiary Kaishan Refrigeration Company is expected to pass the hi-tech enterprise qualification identification in November 2018. The qualification is valid for three years from January 1, 2018 to December 31, 2020, during which, this subsidiary is to enjoy the income tax preferential policies. It is levied at 15% in 2019 for enterprise income tax.

6. Pursuant to the Hi-tech Accreditation Administration Measures numbered Guo Ke Fa Huo [2016] 32 and the Hi-tech Accreditation Administration Guidance numbered Guo Ke Fa Huo [2016] 195, the subsidiary Shanghai Energy Company passed the hi-tech enterprise qualification 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 income tax.

V. Notes to items of consolidated financial statements

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.

This is also applicable to that of the parent company.

(I) Notes to items of the consolidated balance sheet

1. Cash and bank balances

Items	Closing balance	Opening balance
Cash on hand	548,504.34	196,462.95
Cash in bank	438,287,219.05	738,883,626.59
Other cash and bank balances [Note]	171,629,676.44	274,977,258.84
Total	610,465,399.83	1,014,057,348.38
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				Carrying amount
	Book balance		Provision for bad debts		
	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				Carrying amount
	Book balance		Provision for bad debts		
	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

Categories	Opening balance				Carrying amount
	Book balance		Provision for bad debts		
	Amount	% to total	Amount	Provision proportion (%)	
a collective basis					
Total	700,710,798.35	100.00	139,448,416.85	19.90	561,262,381.50

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	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

(3) Changes in provision for bad debts

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Written off	Others	
Receivables with 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 Xinhui Xia 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				Carrying amount
	Book balance		Provision for bad debts		
	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				Carrying amount
	Book balance		Provision for bad debts		
	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.

Ages	Closing balance		
	Book balance	Provision for bad debts	Provision proportion (%)
Over 5 years	200,376.64	200,376.64	100.00
Subtotal	30,437,158.66	2,876,059.03	9.45

(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	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

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

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
Export tax refund	Export tax refund	7,240,108.18	Within 1 year	23.79	362,005.41
Ningbo Customs Field Service	Security deposit	3,330,000.00	Within 1 year	10.94	166,500.00
浙江省成套设备进出口有限公司 (Zhejiang Complete Equipment Import and Export Co., Ltd. *)	Temporary advance payment receivable	2,961,500.00	Within 1 year	9.73	148,075.00
Non-Entry Customs Bond	Security deposit	1,569,645.00	Within 1 year	5.16	78,482.25
上海亿钶气体有限公司 (Shanghai Eaco Gases Co., Ltd. *)	Security deposit	1,000,000.00	Within 1 year	3.29	50,000.00
Subtotal		16,101,253.18		52.91	805,062.66

6. Inventories

(1) Details

Items	Closing balance			Opening balance		
	Book balance	Provision for write-down	Carrying amount	Book balance	Provision for write-down	Carrying amount
Raw materials	481,085,915.69	15,839,733.99	465,246,181.70	469,933,280.37	11,176,975.30	458,756,305.07
Work in process	278,622,986.99	7,940,332.61	270,682,654.38	190,950,983.93		190,950,983.93
Goods on hand	378,552,064.67	15,337,779.79	363,214,284.88	374,365,609.72	17,550,467.74	356,815,141.98
Revolving materials	15,723,853.83	152,563.25	15,571,290.58	14,395,437.55	158,194.31	14,237,243.24
Total	1,153,984,821.18	39,270,409.64	1,114,714,411.54	1,049,645,311.57	28,885,637.35	1,020,759,674.22

(2) Provision for inventory write-down

1) Details

Items	Opening balance	Increase		Decrease		Closing balance
		Accrual	Others	Reversal or written-off	Others	
Raw materials	11,176,975.30	10,472,705.90		5,809,947.21		15,839,733.99
Work in process		7,940,332.61				7,940,332.61
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.

2) Determination basis of net realizable value and reasons for the reversal or written-off of provision for inventory write-down

Please refer to section III (XI) 3 of the notes to the financial statements for details on determination basis of net realizable value. Decrease of provision for inventory write-down is reversed due to sales or requisitions.

7. Other current assets

Items	Closing balance	Opening balance
Input VAT to be credited	28,654,024.90	40,273,035.63
Prepaid taxes	2,107,126.33	200,378.79
Total	30,761,151.23	40,473,414.42

8. Long-term equity investments

(1) Categories

Items	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Investments in associates	79,868,353.86		79,868,353.86	72,576,929.14		72,576,929.14
Total	79,868,353.86		79,868,353.86	72,576,929.14		72,576,929.14

(2) Details

Investees	Opening balance	Increase/Decrease			
		Investments increased	Investments decreased	Investment income recognized under equity method	Adjustment in other comprehensive income
Associates					
浙江开山银轮换热器有限公司 (Zhejiang Kaishan Yinlun Heat Exchanger Co., Ltd.)*	36,290,463.77			7,163,393.73	
浙江卧龙开山电机有限公司 (Zhejiang Wolong Kaishan Motor Co., Ltd.)*	35,288,222.30			124,879.84	
上海开弘节能科技有限公司 (Shanghai Kaihong Energy-saving Technology Co., Ltd.)*					
开山安葆股份有限公司 (Kaishan Anbao Co., Ltd.)*	460,781.39			3,151.15	
Beteiligung OOO LMF RUS	537,461.68				
Subtotal	72,576,929.14			7,291,424.72	

(Continued)

* The English names are for identification purpose only.

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						
Zhejiang Kaishan Yinlun Heat Exchanger Co., Ltd.					43,453,857.50	
Zhejiang Wolong Kaishan Motor Co., Ltd.					35,413,102.14	
Shanghai Kaihong Energy-saving Technology Co., Ltd. [Note]						
Kaishan Anbao Co., Ltd.					463,932.54	
Beteiligung OOO LMF RUS					537,461.68	
Subtotal					79,868,353.86	

Note: The carrying amount is 0 due to excess losses.

9. Fixed assets

(1) Details

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
Cost						
Opening balance	598,909,410.71	152,929,371.80	1,204,959,194.43	35,592,940.22	7,877,710.59	2,000,268,627.75
Increase	52,980,900.32	20,106,954.63	1,190,907,083.80	5,364,838.45	305,517.15	1,269,665,294.35
1) Acquisition	24,290,331.19	20,179,542.43	26,944,411.52	5,110,342.80	305,517.15	76,830,145.09
2) Transferred in from construction in progress	27,812,085.00		1,148,435,431.19			1,176,247,516.19
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						

Items	Buildings and structures	General equipment	Special equipment	Transport facilities	Other equipment	Total
Closing balance						
Carrying amount						
Closing balance	392,334,128.04	40,555,837.21	1,651,729,850.91	15,199,805.70	3,106,152.87	2,102,925,774.73
Opening balance	375,264,052.82	29,099,452.06	549,281,289.15	17,817,067.08	3,227,455.00	974,689,316.11

(2) Fixed assets with certificate of titles being unsettled

Items	Carrying amount	Reasons for unsettlement
Buildings and structures	51.31 million yuan	Not yet processed
Subtotal	51.31 million yuan	

10. Construction in progress

(1) Details

Items	Closing balance	Opening balance
Construction in progress	2,452,598,842.54	2,772,078,328.20
Construction materials	40,182,797.31	29,086,943.29
Total	2,492,781,639.85	2,801,165,271.49

(2) Construction in progress

1) Details

Projects	Closing balance			Opening balance		
	Book balance	Provision for impairment	Carrying amount	Book balance	Provision for impairment	Carrying amount
Geothermal project of SMGP Company in Indonesia	1,713,776,265.74		1,713,776,265.74	2,339,855,708.73		2,339,855,708.73
Geothermal project of SGI Company in Indonesia	584,194,246.02		584,194,246.02	324,697,650.62		324,697,650.62
Geothermal project phase I of OME Company in USA	69,694,408.22		69,694,408.22	57,615,092.33		57,615,092.33
Project of KCA Company in USA	51,321,391.83		51,321,391.83	23,127,360.24		23,127,360.24
Other piecemeal projects	33,612,530.73		33,612,530.73	26,782,516.28		26,782,516.28
Total	2,452,598,842.54		2,452,598,842.54	2,772,078,328.20		2,772,078,328.20

2) Changes in significant projects

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

Projects	Budgets	Opening balance	Increase	Translation reserve	Transferred to fixed assets	Other decrease	Closing balance
Project of KCA Company in USA	USD 20 million	23,127,360.24	48,182,407.43	306,851.07	20,295,226.91		51,321,391.83
Other piecemeal projects		26,782,516.28	38,019,879.77	229,000.00	31,418,865.32		33,612,530.73
Subtotal		2,772,078,328.20	892,121,589.89	45,510,940.58	1,176,247,516.19	80,864,499.94	2,452,598,842.54

(Continued)

Projects	Accumulated investment to budget (%)	Completion percentage (%)	Accumulated amount of borrowing cost capitalization	Amount of borrowing cost capitalization in current period	Annual capitalization rate (%)	Fund source
Geothermal project of SMGP Company in Indonesia	49.04	50.00	118,599,446.25	57,850,088.00	4.10	Self-raised fund
Geothermal project of SGI Company in Indonesia	61.91	60.00	3,517,371.86	3,517,371.86	5.28	Self-raised fund
Geothermal project phase I of OME Company in USA	34.45	35.00				Self-raised fund
Project of KCA Company in USA	51.33	50.00				Self-raised fund
Other piecemeal projects						Self-raised fund
Subtotal			122,116,818.11	61,367,459.86		

(3) Construction materials

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

average growth rate in the machinery industry.

Other key data used in the impairment test include: the estimated selling price, sales amount, cost of product, and other relevant expenses.

Such key data are determined by the Company based on its experience and its prediction towards market development. The discount rate used by the Company is the pre-tax interest rate that reveals the time value of currency under the current market situation and risks of certain assets portfolio.

The estimation of the recoverable amount of goodwill based on the aforementioned method suggests that, after test, goodwill impairment loss of LMF Company that shall be recognized in the current period amounts to 17,966,734.14 yuan.

13. Deferred tax assets

(1) Deferred tax assets before offset

Items	Closing balance		Opening balance	
	Deductible temporary difference	Deferred tax asset	Deductible temporary difference	Deferred tax asset
Provision for impairment of assets	95,341,911.40	23,372,951.12	80,576,060.43	19,663,081.68
Unrealized profit from internal transactions	479,868,701.55	74,144,349.82	411,031,234.15	66,831,884.05
Expenses to be paid	7,395,591.44	1,848,897.86	6,001,052.56	1,500,263.14
Total	582,606,204.39	99,366,198.80	497,608,347.14	87,995,228.87

(2) Deferred tax liabilities before offset

Items	Closing balance		Opening balance	
	Taxable temporary difference	Deferred tax liabilities	Taxable temporary difference	Deferred tax liabilities
Accelerated depreciation of fixed assets	35,197,742.97	5,904,362.17		
Total	35,197,742.97	5,904,362.17		

(3) Details of unrecognized deferred tax assets

Items	Closing balance	Opening balance
Provision for impairment of assets	94,121,985.09	88,639,089.94
Deductible losses	44,647,158.75	24,585,600.47
Subtotal	138,769,143.84	113,224,690.41

(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.

18. Advances received

(1) Details

Items	Closing balance	Opening balance
Payment for goods in advance	280,023,961.50	264,489,343.50
Total	280,023,961.50	264,489,343.50

(2) No material balance with age over one year.

19. Employee benefits payable

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Short-term employee benefits	18,830,843.87	516,231,559.04	512,486,202.02	22,576,200.89
Post-employment benefits - defined contribution plan	7,192,365.29	25,939,810.21	25,785,244.97	7,346,930.53
Total	26,023,209.16	542,171,369.25	538,271,446.99	29,923,131.42

(2) Details of short-term employee benefits

Items	Opening balance	Increase	Decrease	Closing balance
Wage, bonus, allowance and subsidy	18,257,112.06	483,396,939.99	479,656,558.69	21,997,493.36
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.

22. Non-current liabilities due within one year

Items	Closing balance	Opening balance [Note]
Non-current liabilities due within one year	154,583,748.64	27,987,213.86
Total	154,583,748.64	27,987,213.86

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.

23. Long-term borrowings

Items	Closing balance	Opening balance [Note]
Mortgaged borrowings	33,869,546.89	41,158,928.30
Guaranteed and pledged borrowings	1,680,332,851.42	1,318,351,302.14
Credit borrowings	50,061,750.00	
Total	1,764,264,148.31	1,359,510,230.44

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.

24. Long-term employee benefits payable

(1) Details

Items	Closing balance	Opening balance
Post-employment benefits - defined benefit plan	33,933,932.01	31,127,582.16
Total	33,933,932.01	31,127,582.16

(2) Changes of defined benefit plan

Items	Current period cumulative	Preceding period comparative
Opening balance	31,127,582.16	32,962,511.03
Components of defined benefit costs recognized in profit or loss	4,235,586.56	521,559.84
Benefit paid	1,429,236.71	2,356,488.71
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
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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 50000KW/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.

29. Other comprehensive income (OCI)

Items	Opening balance	Current period cumulative						Closing balance
		Current period cumulative before income tax	Less: OCI carried forward transferred to profit or loss	Less: OCI carried forward transferred to retained earnings	Less: income tax	Attributable to parent company	Attributable to non-controlling shareholders	
Items to be reclassified subsequently to profit or loss	71,855,934.09	20,925,429.26				25,326,460.88	-4,401,031.62	97,182,394.97
Including: Translation reserve	71,855,934.09	20,925,429.26				25,326,460.88	-4,401,031.62	97,182,394.97
Total	71,855,934.09	20,925,429.26				25,326,460.88	-4,401,031.62	97,182,394.97

30. Surplus reserve

(1) Details

Items	Opening balance	Increase	Decrease	Closing balance
Statutory surplus reserve	191,260,047.40	26,147,977.29		217,408,024.69
Total	191,260,047.40	26,147,977.29		217,408,024.69

(2) The increase is due to the appropriation of the statutory surplus reserve at 10% of the net profit generated by the parent company in 2019, according to the profit distribution proposal of 2019 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

Items	Current period cumulative		Preceding period comparative	
	Revenue	Cost	Revenue	Cost
Main operations	2,600,961,883.34	1,858,788,950.82	2,567,035,857.30	1,909,773,549.36
Other operations	32,344,825.90	12,289,633.70	45,023,831.85	19,606,591.85
Total	2,633,306,709.24	1,871,078,584.52	2,612,059,689.15	1,929,380,141.21

2. Taxes and surcharges

Items	Current period cumulative	Preceding period comparative
Urban maintenance and construction tax	3,779,505.84	6,266,177.87
Education surcharge	2,318,970.56	3,712,669.65
Local education surcharge	1,367,902.78	2,226,894.56
Stamp duty	905,623.22	1,162,421.71
Housing property tax	3,273,561.52	3,185,704.51
Land use tax	1,947,055.52	2,871,990.13
Land appreciation tax	543,506.79	
Vehicle and vessel tax	10,402.63	10,659.12
Environmental protection tax	90,678.35	95,292.28
Total	14,237,207.21	19,531,809.83

3. Selling expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	64,486,459.77	55,527,890.64
Business travelling expenses	9,450,077.69	8,653,160.63
Freight and miscellaneous expenses	33,682,056.51	39,269,647.35
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

Items	Current period cumulative	Preceding period comparative
Total	268,226,253.22	255,412,120.48

5. R&D expenses

Items	Current period cumulative	Preceding period comparative
Employee benefits	40,069,931.71	30,281,590.24
Direct materials	20,946,296.69	27,106,736.08
Equipment testing expenses	5,716,868.02	12,497,525.19
Amortization and depreciation expenses	12,849,755.98	10,376,905.65
Power expenses	3,695,877.29	5,188,542.94
Others	3,682,386.90	6,566,387.58
Total	86,961,116.59	92,017,687.68

6. Financial expenses

Items	Current period cumulative	Preceding period comparative
Interest expenses	44,099,429.62	28,708,013.08
Less: Interest income	14,858,019.04	14,838,870.58
Gains/Losses on foreign exchange	7,251,397.48	-4,902,736.50
Others	4,808,512.63	4,563,913.08
Total	41,301,320.69	13,530,319.08

7. Other income

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Government grants 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	-8,814,396.68

10. Assets impairment loss

Items	Current period cumulative	Preceding period comparative
Bad debts		9,472,301.27
Inventory write-down loss	-25,157,860.18	-21,316,899.54
Impairment loss of goodwill	-17,966,734.14	-15,930,956.91
Total	-43,124,594.32	-27,775,555.18

11. Gains on asset disposal

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Gains on disposal of non-current assets	330,375.10	230,977.72	330,375.10
Total	330,375.10	230,977.72	330,375.10

12. Non-operating revenue

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Others	205,267.97	175,707.83	205,267.97
Total	205,267.97	175,707.83	205,267.97

13. Non-operating expenditures

Items	Current period cumulative	Preceding period comparative	Amount included in non-recurring profit or loss
Losses on damage or scrap of non-current assets	650,496.00	4,537,699.19	650,496.00
Others	475,975.01	1,041,066.10	475,975.01
Total	1,126,471.01	5,578,765.29	1,126,471.01

14. Income tax expenses

(1) Details

Items	Current period cumulative	Preceding period comparative
Current period income tax expenses	38,743,524.79	67,154,867.99
Deferred income tax expenses	-5,466,607.76	-28,040,899.60
Total	33,276,917.03	39,113,968.39

(2) Reconciliation of accounting profit to income tax expenses

Items	Current period cumulative	Preceding period comparative
Profit before tax	186,237,649.82	159,706,130.01
Income tax expenses based on tax rate applicable to the parent company	46,559,412.46	39,926,532.50
Effect of different tax rate applicable to subsidiaries	-9,911,863.90	-33,928,906.99
Effect of prior income tax reconciliation	-1,324,095.01	-151,615.05
Effect of non-taxable income	-1,822,856.18	-1,917,893.95
Effect of non-deductible costs, expenses and losses	201,332.36	205,305.93
Utilization of deductible losses not previously recognized as deferred tax assets	-52,731.96	-1,273,831.51
Effect of deducible temporary differences or deductible losses not recognized as deferred tax assets	14,967,649.57	50,240,337.47
Effect of cost plus deduction of technical development expenses and wages of the people with disabilities	-15,339,930.31	-13,985,960.01
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

Items	Current period cumulative	Preceding period comparative
Payment of operating expenses	191,478,840.49	200,111,842.76
Others	7,536,055.21	5,832,778.14
Total	367,222,812.69	335,590,768.58

3. Other cash receipts related to investing activities

Items	Current period cumulative	Preceding period comparative
Recovery of the principal and income of financial products		126,352,965.89
Total		126,352,965.89

4. Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Principal of financial products		125,000,000.00
Total		125,000,000.00

5. Other cash receipts related to financing activities

Items	Current period cumulative	Preceding period comparative
Redemption of the pledged deposit for borrowings		127,560,570.00
Total		127,560,570.00

6. Other cash payments related to financing activities

Items	Current period cumulative	Preceding period comparative
Purchase of non-controlling interest	6,405,825.89	
Payments for business combination under common control	2,980,000.00	
Total	9,385,825.89	

7. Supplement information to the cash flow statement

(1) Supplement information to the cash flow statement

Supplement information	Current period cumulative	Preceding period comparative
(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		

Items	Closing balance	Opening balance
Including: Bond investments maturing within three months		
3) Cash and cash equivalents at the end of the period	438,835,723.39	739,081,474.57

(3) Cash and bank balances that are not cash and cash equivalents

Items	Closing balance	Opening balance
deposits that are not cash and cash equivalents	171,629,676.44	274,975,873.81
Subtotal	171,629,676.44	274,975,873.81

(IV) Others

1. Assets with title or use right restrictions

Items	Closing carrying amount	Reasons for restrictions
Cash and bank balances	171,629,676.44	Security deposit
Notes receivable	348,310,804.12	Pledged notes
Fixed assets	37,894,342.11	Debt collateral
Intangible assets	20,939,913.11	Debt collateral
Total	578,774,735.78	

2. Monetary items in foreign currencies

(1) Details

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
Cash and bank balances			168,052,855.64
Including: USD	10,708,055.94	6.9762	74,701,540.21
TWD	10,906,930.00	0.2323	2,533,679.84
AUD	1,033,789.70	4.8843	5,049,339.03
EUR	10,918,668.62	7.8155	85,334,854.60
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

Items	Closing balance in foreign currencies	Exchange rate	RMB equivalent
AUD	1,484,752.88	4.8843	7,251,978.49
EUR	8,456,227.53	7.8155	66,089,646.26
Non-current liabilities due within one year			114,178,700.26
Including: USD	15,519,461.42	6.9762	108,266,866.76
HUF	250,000,000.00	0.0236	5,911,833.50
Long-term borrowings			624,321,935.90
Including: USD	84,638,028.40	6.9762	590,451,813.72
HUF	1,250,000,000.00	0.0236	29,559,167.49
TWD	18,557,704.21	0.2323	4,310,954.69

(2) Foreign operations

Company name	Holding proportion (%)	Place of registration	Acquisition date	Functional currency	Business scope	Acquisition method
Kaishan Hong Kong Company	100.00	Hong Kong	September 2009	USD	Products sales and investment management	Establishment
North America Development Center	100.00	USA	December 2009	USD	Products R&D	Establishment
Asia Pacific Hong Kong Company	100.00	Hong Kong	July 2012	USD	Products sales	Establishment
Taiwan Kaishan Company	100.00	Taiwan	July 2012	TWD	Products sales	Establishment
Australia SPstar Company	100.00	Australia	February 2013	AUD	Production and sale of compressor products	Business combination not under common control
Australia Management Company	100.00	Australia	May 2013	AUD	Investment management	Establishment
America Technologies Company	100.00	USA	February 2015	USD	Products sales	Establishment
Kaishan Recycling Company	100.00	Singapore	November 2015	USD	Technology, equipment information consulting on geothermal projects	Establishment
KS ORKA Company	90.00	Singapore	November 2015	USD	Investment, development and operation of recyclable energy	Establishment
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

Company name	Holding proportion (%)	Place of registration	Acquisition date	Functional currency	Business scope	Acquisition method
[Note 1]					development	combination not under common control
Turawell Geothermal Company [Note 2]	81.18	Hungary	September 2016	USD	Geothermal development	Business combination not under common control
SGI Company [Note 3]	85.50	Indonesia	January 2017	USD	Geothermal development	Business combination not under common control
KCA Company	100.00	USA	March 2018	USD	Production and sale of compressor products	Establishment
Kaishan India Company	100.00	India	August 2019	INR	Sale and after-sale service of compressor and other machinery	Establishment

Note 1: OTP Company is a wholly-owned subsidiary of KS ORKA Company, and the Company holds 90% equity of KS ORKA Company, therefore, the Company holds 90% equity of OTP Company.

Note 2: Turawell Geothermal Company is a subsidiary of KS ORKA Company. The Company holds 90% equity of KS ORKA Company, and KS ORKA Company holds 90.2% equity of Turawell Geothermal Company, therefore, the Company holds 81.18% equity of Turawell Geothermal Company.

Note 3: SGI Company is a subsidiary of KS ORKA Company. The Company holds 90% equity of 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

Items	Opening balance of deferred income	Increase	Amortization	Closing balance of deferred income	Amortization presented under	Remarks
Project with annual production of 500000KW/1000 sets of screw expander generator unit	15,600,000.00		1,950,000.00	13,650,000.00	Other income	Pursuant to the document numbered Zhe 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)

Acquirees	Acquiree's income from period beginning to acquisition date	Acquiree's net profit from period beginning to acquisition date	Acquiree's income from acquisition date to period end	Acquiree's net profit from acquisition date to period end
Kaitec Company	72,625,825.29	1,158,915.69	97,726,275.25	1,287,696.53

2. Combination costs

Items	Kaitec Company
Combination costs	2,980,000.00
Cash	2,980,000.00

3. Acquisition-date identifiable assets and liabilities of acquirees

Items	Kaitec Company	
	Acquisition date	Preceding period end
Assets		
Cash and bank balances	10,014,401.18	8,003,742.01
Notes receivable	2,426,539.18	4,061,700.00
accounts receivable	43,855,013.05	32,189,183.96
Advances paid	501,360.53	862,416.02
Other receivables	687,281.64	680,888.30
Inventories	3,022,242.18	1,954,350.69
Other current assets	358,664.90	152,471.43
Fixed assets	43,418.15	83,859.46
Deferred tax assets	637,017.21	450,695.43
Liabilities		
Accounts payable	45,022,979.53	41,692,122.21
Advances received	12,802,025.34	4,553,700.63
Taxes and rates payable	642,454.31	273,713.81
Other payables	351,306.89	351,514.39
Net assets	2,727,171.95	1,568,256.26
Net assets acquired	2,727,171.95	1,568,256.26

(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.

3. Main financial information of significant not wholly-owned subsidiaries

(1) Assets and liabilities

Subsidiaries	Closing balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guangdong Ganey Company	94,351,557.28	44,621,498.94	138,973,056.22	50,058,182.04		50,058,182.04
KS ORKA Company	96,740,542.72	4,139,540,935.91	4,236,281,478.63	2,707,460,947.89	1,524,684,400.57	4,232,145,348.46
LMF Company	338,080,709.72	56,339,724.81	394,420,434.53	638,871,708.96	30,863,232.01	669,734,940.97

(Continued)

Subsidiaries	Opening balance					
	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%.

2. Effect of transactions on non-controlling interest and equity attributable to parent company

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				

Items	Closing balance/ Current period cumulative		Opening balance/ Preceding period comparative	
	Kaishan Yinlun Company	Wolong Kaishan Company	Kaishan Yinlun Company	Wolong Kaishan Company
with quoted price				
Operating revenue	162,871,207.11	34,573,816.65	162,343,826.22	36,958,873.42
Net profit	15,326,902.97	277,510.76	18,367,104.05	177,103.08
Net profit of discontinued operations				
Other comprehensive income				
Total comprehensive income	15,326,902.97	277,510.76	18,367,104.05	177,103.08
Dividend from associates received in current period				

3. Aggregated financial information of insignificant associates

Items	Closing balance/Current period cumulative	Opening balance/Preceding period comparative
Associates		
Total carrying amount of investments	1,001,394.22	998,243.07
Proportionate shares in the following items	3,151.15	-121,949.81
Net profit	3,151.15	-121,949.81
Other comprehensive income		
Total comprehensive income	3,151.15	-121,949.81

VIII. Risks related to financial instruments

The Company aims to seek the appropriate balance between the risks and benefits from its use of financial instruments and to mitigate the adverse effects that the risks of financial instruments have on the Company's financial performance. Based on such objectives, the Company's risk management policies are established to identify and analyze the risks faced by the Company, 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

increased significantly since initial recognition. When assessing whether the credit risk has increased significantly since initial recognition, the Company takes into account reasonable and supportable information, which is available without undue cost or effort, including qualitative and quantitative analysis based on historical data, external credit risk rating, and forward-looking information. The Company determines the changes in default risk of financial instruments during the estimated lifetime through comparison of the default risk at the balance sheet date and the initial recognition date, on an individual basis or a collective basis.

The Company considers the credit risk on a financial instrument has increased significantly when one or more of the following qualitative and quantitative standards are met:

- 1) Quantitative standard mainly relates to the scenario in which, on the balance sheet date, the probability of default in the remaining lifetime has risen by more than a certain percentage compared with the initial recognition;
- 2) Qualitative standard mainly relates to significant adverse changes in the debtor's operation or 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

order to control such risks, the Company has taken the following measures:

(1) Cash and bank balances

The Company deposits its cash and bank balances in financial institutions with relatively high credit levels, hence, its credit risk is relatively low.

(2) Receivables

The Company performs credit assessment on customers who uses credit settlement on a regular basis. The Company selects credible and well-reputed customers based on credit assessment result, and conducts ongoing monitoring on receivables, to avoid significant risks in bad debts.

As the Company's credit risks fall into several business partners and customers, as of December 31 2019, 11.99% (December 31, 2018: 17.99%) of the total accounts receivable was due from the five largest customers of the Company, hence, the Company has no significant central credit risk.

The maximum amount of exposure to credit risk of the Company is the carrying amount of each financial asset on the balance sheet.

(II) Liquidity risk

Liquidity risk is the risk that the Company may encounter deficiency of funds in meeting obligations associated with cash or other financial assets settlement, which is possibly attributable to failure in selling financial assets at fair value on a timely basis, or failure in collecting liabilities from counterparts of contracts, or early redemption of debts, or failure in achieving estimated cash flows.

In order to control such risk, the Company utilized financing tools such as notes settlement, bank borrowings, etc. and adopts long and short financing methods to optimizing financing structures, and finally maintains a balance between financing sustainability and flexibility. The Company has obtained credit limit from several commercial banks to meet working capital requirements and expenditures.

Financial instruments classified based on remaining time period till maturity

Items	Closing balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
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

Items	Opening balance				
	Carrying amount	Contract amount not yet discounted	Within one year	1-3 years	Over 3 years
Notes payable	598,478,590.07	598,478,590.07	598,478,590.07		
Accounts payable	749,556,636.28	749,556,636.28	749,556,636.28		
Other payables	48,936,742.11	48,936,742.11	48,936,742.11		
Subtotal	3,687,235,400.69	3,882,068,121.72	2,332,561,893.63	563,464,577.89	986,041,650.20

(III) Market risk

Market risk is the risk that the Company may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market price.

1. Interest risk

Interest risk is the risk that an enterprise may encounter fluctuation in fair value of financial instruments or future cash flows due to changes in market interest. The Company's fair value interest risks arise from fixed-rate financial instruments, while the cash flow interest risks arise from floating interest financial instruments. The Company determines the proportion of fixed-rate financial instruments and floating interest rate financial instruments based on the market environment, and maintains a proper financial instruments portfolio through regular review and monitoring. The Company's interest risk relates mainly to bank borrowings with floating interest rate.

As of December 31, 2019, balance of borrowings with interest accrued at floating interest rate totaled 2,124.794 million yuan (December 31, 2018: 1,385.7933 million yuan). If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Company's gross profit and equity will not be significantly affected.

2. Foreign currency risk

Foreign currency risk is the risk arising from changes in fair value or future cash flows of financial instrument resulted from changes in exchange rate. The Company's foreign currency risk relates mainly to foreign currency monetary assets and liabilities. For enterprises located in the mainland of China, the Company mainly conducts procurement, sales, and financing in RMB, and the main activities are denominated in RMB; for enterprises located outside the mainland of China, the Company mainly conducts procurement, sales, and financing in USD and EUR, so as to reduce the exchange risks. When short-term imbalance occurred to foreign currency assets and liabilities, the Company may trade foreign currency at market exchange rate when necessary, in order to maintain the net risk exposure within an acceptable level.

Please refer to section V (IV) 2 of the notes to the financial statements for details in foreign currency financial assets and liabilities at the end of the period.

IX. Related party relationships and transactions

(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.

(II) Related party transactions

1. Purchase and sale of goods, rendering and receiving of services

1) Purchase of goods and receiving of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Kaishan Yinlun Company	Goods	130,050,297.54	128,075,473.83
Wolong Kaishan Company	Goods	31,096,284.18	35,576,494.22
Zhejiang Kaishan Cylinder Co., Ltd.	Goods	22,029,339.23	16,641,018.58
Zhejiang Kaishan Heavy Co., Ltd.	Goods	2,929,172.86	2,296,550.00
Kaishan Group	Goods	466,792.89	429,156.09
Zhejiang Tongrong Energy-saving Technology Service Co., Ltd.	Goods	86,206.90	315,362.07
Zhejiang Kaishan Drill Co., Ltd.	Goods	15,541.32	1,703.45
Subtotal		186,673,634.92	183,335,758.24

2) Sale of goods and rendering of services

Related parties	Content of transaction	Current period cumulative	Preceding period comparative
Zhejiang Kaishan Joint Energy-saving Technology Service Co., Ltd.	Goods	14,535,148.98	17,199,460.59
Zhejiang Kaishan Heavy Co., Ltd.	Goods	13,619,991.95	10,256,212.77
Zhejiang Tongrong Energy-saving Technology Service Co., Ltd.	Goods	1,271,630.67	5,605,102.15
LMF (Shanghai) Compression Technology Co., Ltd.	Goods	2,669,208.85	5,139,050.75
Zhejiang Kaishan Cylinder Co., Ltd.	Goods	5,442,824.40	4,060,853.92
Kaishan Yinlun Company	Goods	1,040,382.63	1,682,495.42
Zhejiang Kaishan Drill Co., Ltd.	Goods	279,518.18	404,630.23
Kaishan Group	Goods	41,024.84	77,236.10
Wolong Kaishan Company	Goods	738.58	19,704.24
Subtotal		38,900,469.08	44,444,746.17

2. Related party guarantees

The Company and its subsidiaries as the guaranteed parties

Guarantor	Guaranteed amount	Commencement date	Maturity date	Whether the guarantee is mature
Kaishan Group	50,000,000.00	8/6/2019	1/22/2020	No
	100,000,000.00	8/30/2019	8/18/2020	No
	50,000,000.00	9/29/2019	3/25/2020	No
	50,000,000.00	9/18/2019	9/17/2020	No
	190,000,000.00	12/29/2019	12/18/2022	No
	USD100,000,000.00	7/3/2017	4/18/2027	No
	938,000,000.00			

Note: Kaishan Group pledges the Company's shares it holds to provide guarantee for the Company's borrowings. As of the approved issuing date of this financial report, Kaishan Group holds 495,262,198 shares of the Company, accounting for 57.72% of the Company's total shares; shares pledged total 275,000,000 shares, accounting for 55.53% of the Company's total shares and 32.05% of the Company's share capital.

3. Assets transfer with related parties

Related parties	Content of related party transactions	Current period cumulative	Preceding period comparative
Kaishan Group	Purchase of buildings and structures	2,625,260.95	
Kaishan Group	Purchase of land use right	2,956,293.33	

4. Key management's emoluments

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

2. Balance due to related parties

Items	Related parties	Closing balance	Opening balance
Accounts payable	Zhejiang Kaishan Cylinder Co., Ltd.	9,726,242.60	4,617,322.31
	Kaishan Yinlun Company	33,576,847.11	10,813,689.54
	Wolong Kaishan Company	2,761,353.80	3,016,538.85
	Kaishan Group	856,260.70	307,018.32
Subtotal		46,920,704.21	18,754,569.02
Other payables	Kaishan Group	3,738,677.83	3,706,516.96
Subtotal		3,738,677.83	3,706,516.96

X. Commitments and contingencies

(I) As of the balance sheet date, the Company has no significant commitments to be disclosed.

(II) As of the balance sheet date, the Company has no significant contingencies to be disclosed.

XI. Events after the balance sheet date

(I) Profit distribution plan of 2019

Pursuant to the Bill on Profit Distribution Plan of 2019 deliberated and passed by the 14th meeting of the fourth session of the Board of Directors dated April 28, 2020, the Company decided not to distribute cash dividend and not to convert reserves to share capital.

(II) Stock private placement

1. Pursuant to the Proposal on Stock Private Placement deliberated and approved by the 2018 Shareholders' Meeting, after comprehensive consideration about factors including actual conditions, development plan and capital market environmental changes, the Company passed the Proposal on Termination of Stock Private Placement in 2019 and Withdrawal of the Application on the 13th meeting of the fourth session of the Board of Directors dated March 11, 2020, decided to terminate the stock private placement, and applied to withdraw the application for stock private placement from China Securities Regulatory Commission.

2. Pursuant to the Bill on Stock Private Placement of 2020 deliberated and approved by the first 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

Items	Domestic	Overseas	Inter-segment offset	Total
operations				
Total assets	8,986,204,887.84	4,855,087,364.21	5,689,069,004.45	8,152,223,247.60
Total liabilities	1,979,347,034.69	4,919,069,923.17	2,335,853,423.28	4,562,563,534.58

(II) Investments in subsidiaries

1. Establishment of Kaishan India Company

In August 2019, the Company and the subsidiary Kaishan Hong Kong Company established the wholly-owned subsidiary Kaishan India Company in India with total investments of USD 1 million. It completed the registration procedures in India on July 4, 2019 and obtained a registration certificate with enterprise identification number of U51909MH2019FTC327571. Kaishan India Company is mainly engaged in sales of compressor and other machinery and rendering of after-sale services. In the current period, the Company and Kaishan Hong Kong Company have paid in INR 6.9694 million (equivalent to 0.6971 million yuan) to Kaishan India Company.

2. Establishment of Kaishan Europe Company

In November 2019, the Company established the wholly-owned subsidiary Kaishan Europe Company in Poland, with total investment of USD 1 million. Kaishan Europe Company is mainly engaged in sales of compressor and other machinery and related supporting parts and rendering of after-sale services. As of the approved issuing date of this financial report, the Company has paid in USD 0.54 million.

3. Establishment of Zhejiang Kaishan Geothermal Power Plant Operation and Maintenance 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.

7. Capital increase in Kerry Auto-control Company

In the current period, investment of 1 million yuan has been increased in Kerry Auto-control Company.

8. Capital increase in Kaishan Recycling Company

In the current period, investment of USD 10.6033 million (with RMB equivalent of 72.4650 million yuan) has been increased in the wholly-owned subsidiary, Kaishan Recycling Company.

9. Capital increase in KCA Company

In the current period, investment of USD 15.10 million (with RMB equivalent of 103.5787 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				Carrying amount
	Book balance		Provision for bad debts		
	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

(3) Changes in provision for bad debts

Items	Opening balance	Increase			Decrease			Closing balance
		Accrual	Recovery	Others	Reversal	Written off	Others	
Receivables with provision made on an individual basis	3,680,000.00	7,935,693.92	-450,000.00					11,165,693.92
Receivables with provision made on a collective basis	50,712,406.89	4,526,825.82						55,239,232.71
Subtotal	54,392,406.89	12,462,519.74	-450,000.00					66,404,926.63

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
Zhejiang Energy Company	67,379,323.83	13.15	3,368,966.19
KCA Company	37,126,072.94	7.25	1,856,303.65
LEOBERSDORFER MASCHINEN FABRIK GMBH [Note]	26,306,144.61	5.13	1,827,745.42
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				Carrying amount
	Book balance		Provision for bad debts		
	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

(3) Other receivables categorized by nature

Nature of receivables	Closing balance	Opening balance
Current accounts	356,256,114.12	9,000,000.00
Export tax refund	1,883,838.81	
Security deposit	900,000.00	
Temporary advance payment receivable	80,530.76	
Total	359,120,483.69	9,000,000.00

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

Debtors	Nature of receivables	Book balance	Ages	Proportion to the total balance of other receivables (%)	Provision for bad debts
PT SORIK MARAPI GEOTHERMAL POWER [Note]	Current accounts	246,565,276.99	Within 1 year	68.66	12,328,263.84
PT SOKORIA GEOTHERMAL INDONESIA [Note]	Current accounts	109,690,837.13	Within 1 year	30.54	5,484,541.86
Export tax refund	Export tax refund receivable	1,883,838.81	Within 1 year	0.52	94,191.94
Customs deposit	Security deposit	900,000.00	Within 1 year	0.25	45,000.00
Payment for individual part of social insurance on behalf of others	Temporary advance payment receivable	80,530.76	Within 1 year	0.02	4,026.54
Subtotal		359,120,483.69		100.00	17,956,024.18

Note: PT SORIK MARAPI GEOTHERMAL POWER and PT SOKORIA GEOTHERMAL INDONESIA are both subsidiaries of KS ORKA Company.

3. Long-term equity investments

(1) Details

Items	Closing balance			Opening balance		
	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		

Items	Amount	Remarks
Gains on assets consigned to the third party for investment or management		
Assets impairment loss incurred due to force majeure such as natural disasters		
Gains on debt restructuring		
Entity restructuring expenses, such as staffing and integrating expenses		
Gains on transactions with unfair value		
Net profit on subsidiaries acquired through business combination under common control from the beginning of the period to the combination date	758,739.43	
Contingent gains on non-operating activities		
Gains on changes in fair value of financial assets and liabilities at fair value through profit or loss and investment income from disposal of financial assets and liabilities at fair value through profit or loss, and available-for-sale financial assets, excluding those arising from hedging business related to operating activities		
The reversed provision for impairment of receivables based on impairment testing on an individual basis		
Gains on designated loans		
Gains on changes in fair value of investment properties with subsequent measurement at the fair value mode		
Gains on reconciliation of current period profit or loss following legal and regulative requirements involving taxation, accounting, etc.		
Management charges for consigned operations		
Other non-operating revenue or expenditures	-270,707.04	
Other profit or loss satisfying the definition of non-recurring profit or loss		
Subtotal	19,459,793.36	
Less: enterprise income tax affected	3,851,758.58	
Non-controlling interest affected (after tax)	93,421.27	
Net non-recurring profit or loss attributable to shareholders of the parent company	15,514,613.51	

(II) RONA and EPS

1. Details

Profit of the reporting period	Weighted average RONA (%)	EPS (yuan/share)	
		Basic EPS	Diluted EPS
Net profit attributable to shareholders of ordinary shares	4.30	0.18	0.18
Net profit attributable to shareholders of ordinary shares after deducting non-recurring profit or loss	3.86	0.16	0.16

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 share repurchase or cash dividends appropriation	G	85,800,000.00	
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	-9,972,304.52
	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	$L = \frac{D+A/2+E \times F/K - G \times H/K \pm I \times J/K}{K}$	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

Items	Symbols	Current period cumulative
shares		
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 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	$L=D+E+F \times G / K - H \times I / K - J$	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

