

CHENGDE NANJIANG CO., LTD.

REPORT OF THE AUDITORS

DAHUASHENZI [2016]NO. 005872 (EN)

CHENGDE NANJIANG CO., LTD.
REPORT OF THE AUDIORS & FINANCIAL STATEMENTS
YEAR 2015

<u>CONTENTS</u>	<u>PAGES</u>
1. AUDITOR'S REPORT -----	1-2
2. THE (CONSOLIDATED) FINANCIAL STATEMENTS	
STATEMENT OF (CONSOLIDATED) FINANCIAL POSITION -----	1-3
STATEMENT OF (Parent Company) FINANCIAL POSITION -----	4-6
STATEMENT OF (CONSOLIDATED) COMPREHENSIVE INCOME-----	7-8
STATEMENT OF (Parent Company) COMPREHENSIVE INCOME-----	9
STATEMENT OF (CONSOLIDATED) CHANGES IN OWNERS' EQUITY -----	10-13
STATEMENT OF (Parent Company) CHANGES IN OWNERS' EQUITY -----	14-17
STATEMENT OF (CONSOLIDATED) CASH FLOWS -----	18
STATEMENT OF (Parent Company) CASH FLOWS-----	19
3. NOTES TO (CONSOLIDATED) FINANCIAL STATEMENTS -----	1-72

**The auditors' report and the accompanying financial statements are English translations
of the Chinese auditors' report and financial statements.**

In case the English version does not conform to the Chinese version, the Chinese version is the standard.

Auditors' Report

DAHUASHENZI [2016] NO. 005872(EN)

To all shareholders of CHENGDE NANJIANG CO., LTD.,

We have audited the accompanying financial statements of CHENGDE NANJIANG CO., LTD. (hereinafter referred to as — “CDNJ”), including the consolidated and company’s balance sheets on December 31, 2015, the consolidated and company’s income statements, the consolidated and company’s cash flow statements and the consolidated and company’s statements of changes in owners’ equity for the year 2015 and notes to financial statements.

I. Management's Responsibility for the Financial Statements

The management of CDNJ is responsible for the preparation and the true and fair presentation of these financial statements. These responsibilities include: (1) prepare the financial statements in accordance with Accounting Standard for Business Enterprises and China Accounting System For Business Enterprises to fairly and truly reflect situation of the Company; (2) design, implement and maintain the internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

II. Auditor's responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audits in accordance with Auditing Standards for CPAs of China. We conducted our audit in accordance with the Standards on Auditing for Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor’s judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity’s preparation of the financial statements and fair statement in order to design audit procedures that are appropriate in the circumstances.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

III. Audit opinion

In our opinion, the above financial statements of CDNJ have been prepared in accordance with

the Accounting Standards for Business Enterprises in all material respects and give a fair view of the Company and its subsidiaries' consolidated financial positions as at 31 Dec. 2015 and the consolidated business results and cash flows for the year 2015, as well as the Company's financial positions as at 31 Dec. 2015 and business results and cash flows for the year then ended.

Da Hua Certified Public Accountants
(Special General Partnership)

Certified Public Accountants: Fan Rong

Han Junmin

Beijing, the People's Republic of China

April 26, 2016

STATEMENT OF (CONSOLIDATED) FINANCIAL POSITION

December 31, 2015

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Note	Ending balance	Beginning balance
Current assets:			
Monetary funds	1	88,237,416.98	36,998,545.17
Derivative financial assets			
Financial assets measured at fair value with changes included in current profits and losses			
Notes receivable			
Accounts receivable	2	156,113.53	2,722,676.66
Prepayments	3	1,105,122.95	7,780,145.39
Interest receivable			
Dividends receivable			
Other receivables	4	88,149,302.51	11,008,292.44
Inventory	5	619,241,374.72	515,713,286.09
Divided into assets held for sale			
Non-current assets due within one year			
Other current assets	6	33,761,457.51	24,131,851.80
Total current assets		830,650,788.20	598,354,797.55
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investments	7	2,343,974.43	6,684,960.46
Investment property			
Fixed assets	8	8,905,699.17	10,294,681.90
Construction in progress			
Biological assets	9	148,509.76	640,727.71
Engineering material			
Liquidation of fixed assets			
Intangible assets	10	6,392,510.57	11,902,512.97
Development expenses		172,416.18	
Goodwill	11		
Long-term deferred expenses	12	202,353.97	8,588,027.16
Deferred income tax assets	13	775,645.41	834,223.19
Other non-current assets	14	5,201,365.53	5,201,365.53
Total non-current assets		24,142,475.02	44,146,498.92
Total assets		854,793,263.22	642,501,296.47

The Notes are the integral part of the financial statement, and the financial statement is signed by the following persons

Legal representative: zhaoyongsheng

Accounting supervisor: zhaoyongsheng

Legal representative of the accounting firm: liufengguo

STATEMENT OF (CONSOLIDATED) FINANCIAL POSITION (Continued)

December 31, 2015

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term loans			
Financial liabilities measured at fair value with changes included in current profits and losses			
Notes payable	16		
Accounts payable	17	35,013,234.30	10,425,920.41
Advance received	18	435,991,938.57	290,954,152.81
Payroll payable	19	9,929.42	6,233,580.16
Tax payable	20	21,343.61	10,023,172.67
Interests payable			
Dividends payable			
Other payables	21	12,746,101.70	14,624,828.17
Divided into liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		483,782,547.60	332,261,654.22
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: preferred shares			
Perpetual capital securities			
Long-term payables			
Long-term payroll payable			
Special payables			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		483,782,547.60	332,261,654.22
Owners' equity:			
Share capital	22	706,320,000.00	706,320,000.00
Other equity instruments			
Including: preferred shares			
Perpetual capital securities			
Capital reserve	23	452,767,424.55	456,470,388.64
Less: treasury stocks			
Other comprehensive income			
Special reserves			

Item	Note	Ending balance	Beginning balance
Surplus reserve	24	76,791,550.17	76,791,550.17
Undistributed profits	25	-883,628,320.90	-949,599,922.37
Total owners' equity attributable to parent company		352,250,653.82	289,982,016.44
Minority shareholders' equity		18,754,592.06	20,257,625.81
Total shareholders' equity		371,005,245.88	310,239,642.25
Total liabilities and shareholders' equity		854,787,793.48	642,501,296.47

The Notes are the integral part of the financial statement, and the financial statement is signed by the following persons

Legal representative: zhaoyongsheng

Accounting supervisor: zhaoyongsheng

Legal representative of the accounting firm: liufengguo

STATEMENT OF (Parent Company) FINANCIAL POSITION

December 31, 2015

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Note	Ending balance	Beginning balance
Current assets:			
Monetary funds		25,647,536.08	18,291,266.59
Derivative financial assets			
Financial assets measured at fair value with changes included in current profits and losses			
Notes receivable			
Accounts receivable			
Prepayments		10,000.00	1,372,194.98
Interest receivable			
Dividends receivable			
Other receivables	1	13,893,565.73	16,638,184.13
Inventory		599,128,751.32	490,087,338.82
Divided into assets held for sale			
Non-current assets due within one year			
Other current assets		32,139,201.03	19,420,345.47
Total current assets		670,819,054.16	545,809,329.99
Non-current assets:			
Available-for-sale financial assets			
Held-to-maturity investment			
Long-term accounts receivable			
Long-term equity investments	2	202,284,836.37	157,284,836.37
Investment property			
Fixed assets		1,906,708.89	1,183,425.73
Construction in progress			
Biological assets			
Engineering material			
Liquidation of fixed assets			
Intangible assets			
Development expenses			
Goodwill			
Long-term deferred expenses		130,322.92	172,589.80
Deferred income tax assets		750.00	750.00
Other non-current assets			
Total non-current assets		204,322,618.18	158,641,601.90
Total assets		875,141,672.34	704,450,931.89

The Notes are the integral part of the financial statement, and the financial statement is signed by the following persons

Legal representative: zhaoyongsheng

Accounting supervisor: zhaoyongsheng

Legal representative of the accounting firm: liufengguo

STATEMENT OF (Parent Company) FINANCIAL POSITION (Continued)

December 31, 2015

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Note	Ending balance	Beginning balance
Current liabilities:			
Short-term loans			
Financial liabilities measured at fair value with changes included in current profits and losses			
Notes payable			
Accounts payable		25,479,538.71	3,625,964.00
Advance received		430,730,271.19	277,140,032.59
Payroll payable		628.22	628.22
Tax payable		2,174.06	49,975.30
Interests payable			
Dividends payable			
Other payables		246,243,610.32	243,993,740.20
Divided into liabilities held for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		702,456,222.50	524,810,340.31
Non-current liabilities:			
Long-term loans			
Bonds payable			
Including: preferred shares			
Perpetual capital securities			
Long-term payables			
Long-term payroll payable			
Special payables			
Estimated liabilities			
Deferred income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities			
Total liabilities		702,456,222.50	524,810,340.31
Owners' equity:			
Share capital		706,320,000.00	706,320,000.00
Other equity instruments			
Including: preferred shares			
Perpetual capital securities			
Capital reserve		452,767,424.55	449,366,024.55
Less: treasury stocks			
Other comprehensive income			
Special reserves			
Surplus reserve		76,791,550.17	76,791,550.17

Item	Note	Ending balance	Beginning balance
Undistributed profits		-1,063,193,524.88	-1,052,836,983.14
Total owners' equity attributable to parent company			
Minority shareholders' equity			
Total shareholders' equity		172,685,449.84	179,640,591.58
Total liabilities and shareholders' equity		875,141,672.34	704,450,931.89

The Notes are the integral part of the financial statement, and the financial statement is signed by the following persons

L Legal representative: zhaoyongsheng

Accounting supervisor: zhaoyongsheng

Legal representative of the accounting firm: liufengguo

STATEMENT OF (CONSOLIDATED) COMPREHENSIVE INCOME
2015

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Note	Amount incurred in this year	Amount incurred in previous year
I. Total operating income		141,221,936.00	322,502,631.63
Including: operating income	26	141,221,936.00	322,502,631.63
II. Total operating cost		175,958,802.74	358,297,490.43
Including: operating cost	26	132,726,960.01	325,795,009.31
Operating taxes and surcharges	27	3,682,470.14	608,376.03
Sales expenses	28	2,411,839.88	4,299,230.07
Management expenses	28	30,697,053.62	21,550,755.68
Financial expenses	28	33,089.91	1,816,023.18
Assets impairment losses	29	6,407,389.18	4,228,096.16
Add: income from changes in fair value (---I indicates the loss)			
Investment profit (---I indicates the loss)	30	11,424,439.83	229,054.97
III. Operating profit ("-" indicates the loss)		-23,312,426.91	-35,565,803.83
Add: non-operating income	31	104,222,251.52	117,700,572.71
Including: gains from disposal of non-current assets		104,222,251.52	
Less: non-operating expenditure	32	6,184,684.92	7,947,685.38
Including: loss from disposal of non-current assets		776,688.73	
IV. Total profit ("-" indicates the total loss)		74,725,139.69	74,187,083.50
Less: income tax	33	22,360,936.07	951,857.73
V. Net profit (---I indicates the net loss)		52,364,203.62	73,235,225.77
Net profits attributable to the parent company shareholders		58,872,707.12	80,280,395.81
Gain and loss of minority shareholders		-6,503,033.76	-7,045,170.04
VI. After-tax net of other comprehensive incomes			
After-tax net of other comprehensive incomes owned by the owner of the parent company			
(I) Other comprehensive incomes that cannot be classified into profit and loss in the future			
1. Re-measurement of changes in net liabilities or net assets in defined benefit plan			
2. Share in other comprehensive incomes that cannot be reclassified into profit and loss in investee by equity method			
(II) Other comprehensive incomes that would be classified into profit and loss in the future			
1. Shares in other comprehensive incomes that can be reclassified into profit and loss in investee by equity method in the future			
2. Loss and profit of change in fair value of available-for-sale financial assets			
3. Loss and profit of available-for-sale financial assets of held-to-maturity investments			
4. Effective part of hedge profit and loss of cash flow			
5. Translation difference in the foreign currency financial statement			
6. Others			
Net of tax from other comprehensive incomes owned by minority stockholders			
VII. Total comprehensive income		59,468,567.71	73,235,225.77
Total consolidated income attributable to the shareholder of the parent company		65,971,601.47	80,280,395.81

Total consolidated income attributable to minority shareholders		-6,503,033.76	-7,045,170.04
VIII. Earnings per share:			
(I) Basic earnings per share		0.08	0.11
(II) Diluted earnings per share		0.08	0.11

STATEMENT OF (Parent Company) COMPREHENSIVE INCOME
2015

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Note	Amount incurred in this year	Amount incurred in previous year
I. Total operating income		43,323,398.13	8,217,142.76
Including: operating income	3	43,323,398.13	8,217,142.76
II. Total operating cost		44,782,333.72	14,127,309.81
Including: operating cost	3	28,048,885.03	988,187.82
Operating taxes and surcharges		3,540,970.51	396,000.00
Sales expenses		185,090.00	529,129.10
Management expenses		12,727,362.70	11,207,134.69
Financial expenses		-143,391.30	961,779.78
Assets impairment losses		423,416.78	45,078.42
Add: income from changes in fair value (— indicates the loss)			
Investment profit (— indicates the loss)		-4608125.64	
III. Operating profit (“-” indicates the loss)		-6,067,061.23	-5,910,167.05
Add: non-operating income		50,000.00	168,058,111.85
Including: gains from disposal of non-current assets			
Less: non-operating expenditure		4,339,480.51	4,870,865.53
Including: loss from disposal of non-current assets			
IV. Total profit (“-” indicates the total loss)		-10,356,541.74	157,277,079.27
Less: income tax			
V. Net profit (— indicates the net loss)		-10,356,541.74	157,277,079.27
VI. After-tax net of other comprehensive incomes			
After-tax net of other comprehensive incomes owned by the owner of the parent company			
(I) Other comprehensive incomes that cannot be classified into profit and loss in the future			
1. Re-measurement of changes in net liabilities or net assets in defined benefit plan			
2. Share in other comprehensive incomes that cannot be reclassified into profit and loss in investee by equity method			
(II) Other comprehensive incomes that would be classified into profit and loss in the future			
1. Shares in other comprehensive incomes that can be reclassified into profit and loss in investee by equity method in the future			
2. Loss and profit of change in fair value of available-for-sale financial assets			
3. Loss and profit of available-for-sale financial assets of held-to-maturity investments			
4. Effective part of hedge profit and loss of cash flow			
5. Translation difference in the foreign currency financial statement			
6. Others			
VII. Total comprehensive income		-10,356,541.74	157,277,079.27

STATEMENT OF (CONSOLIDATED) CHANGES IN OWNERS' EQUITY
2015

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Current year												Minority shareholders' equity	Total owners' equity
	Total shareholders' equity attributed to parent company													
	Share capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profits			
Preferred share		Perpetual capital securities	Others											
I. Balances at the end of previous year	706,320,000.00				456,470,388.64				76,791,550.17		-949,599,922.37	20,257,625.81	310,239,642.25	
Add: profit or loss from accounting policy changes														
Fund for corrections of errors of previous period														
Corporate combination under common control														
Others														
II. Balances at the beginning of this year	706,320,000.00				456,470,388.64				76,791,550.17		-949,599,922.37	20,257,625.81	310,239,642.25	
III. Increased/decreased amount this year ("-" indicates decrease)					3,401,400.00						65,971,601.47	-1,503,033.76	60,765,603.62	
(I) Total comprehensive income											65,971,601.47	-6,503,033.76	59,468,567.71	
(II) Capital paid in and reduced by shareholders					3,401,400.00							5,000,000	1,297,035.91	
1. Ordinary share invested by shareholders					3,401,400.00							5000000	5000000	

2. Capital invested by other equity instruments holders													
3. Amounts of share-based payments recognized in shareholders' equity													
4. Others													-3702964.09
(III) Profit distribution													
1. Appropriation to surplus reserves													
2. Appropriation of general risk reserves													
3. Distribution to owners (or shareholder)													
4. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Capital reserves transferred to share capital													
2. Surplus reserves transferred to share capital													
3. Surplus reserves for making up losses													
4. Others													
(V) Special reserve													
1. Withdrawn amount of this year													
2. Utilization amount of this year													
(VI) Others													
IV. Balance at the end of this year	706,320,000.00				459,871,788.64				76,791,550.17		-883,628,320.90	18,754,592.05	371,005,245.87

STATEMENT OF (CONSOLIDATED) CHANGES IN OWNERS' EQUITY

2014

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Current year												
	Total shareholders' equity attributed to parent company											Minority shareholders' equity	Total owners' equity
	Share capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus reserve	General risk provisions	Undistributed profits		
Preferred share		Perpetual capital securities	Others										
I. Balances at the end of previous year	706,320,000.00				456,470,250.78				76,791,550.17		-1,029,880,318.18	27,302,795.85	237,004,278.62
Add: profit or loss from accounting policy changes													
Fund for corrections of errors of previous period													
Corporate combination under common control													
Others													
II. Balances at the beginning of this year	706,320,000.00				456,470,250.78				76,791,550.17		-1,029,880,318.18	27,302,795.85	237,004,278.62
III. Increased/decreased amount this year ("-" indicates decrease)					137.86						80,280,395.81	-7,045,170.04	73,235,363.63
(I) Total comprehensive income											80,280,395.81	-7,045,170.04	73,235,225.77
(II) Capital paid in and reduced by shareholders					137.86								137.86
1. Ordinary share invested by shareholders													

2. Capital invested by other equity instruments holders													
3. Amounts of share-based payments recognized in shareholders' equity													
4. Others					137.86								137.86
(III) Profit distribution													
1. Appropriation to surplus reserves													
2. Appropriation of general risk reserves													
3. Distribution to owners (or shareholder)													
4. Others													
(IV) Internal carry-forward of shareholders' equity													
1. Capital reserves transferred to share capital													
2. Surplus reserves transferred to share capital													
3. Surplus reserves for making up losses													
4. Others													
(V) Special reserve													
1. Withdrawn amount of this year													
2. Utilization amount of this year													
(VI) Others													
IV. Balance at the end of this year	706,320,000.00				456,470,388.64				76,791,550.17	-949,599,922.37	20,257,625.81	310,239,642.25	

STATEMENT OF (Parent Company) CHANGES IN OWNERS' EQUITY
2015

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Current year										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferre d share	Perpetual capital securities	Others							
I. Balances at the end of previous year	706,320,000.00				449,366,024.55			76,791,550. 17		-1,052,836,983.14	179,640,591.58
Add: profit or loss from accounting policy changes											
Fund for corrections of errors of previous period											
Others											
II. Balances at the beginning of this year	706,320,000.00				449,366,024.55			76,791,550. 17		-1,052,836,983.14	179,640,591.58
III. Increased/decreased amount this year ("-" indicates decrease)					3,401,400.00					-10,356,541.74	-6,955,141.74
(I) Total comprehensive income										-10,356,541.74	-10,356,541.74
(II) Capital paid in and reduced by shareholders					3,401,400.00						3,401,400.00
1. Ordinary share invested by shareholders					3,401,400.00						
2. Capital invested by other equity instruments holders											

Item	Current year										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferre d share	Perpetual capital securities	Others							
3. Amounts of share-based payments recognized in shareholders' equity											3,401,400.00
4. Others											
(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to owners (or shareholder)											
3. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Capital reserves transferred to share capital											
2. Surplus reserves transferred to share capital											
3. Surplus reserves for making up losses											
4. Others											
(V) Special reserve											
1. Withdrawn amount of this year											
2. Utilization amount of this year											
(VI) Others											
IV. Balance at the end of this year	706,320,000.00				452,767,424.55			76,791,550.17		-1,063,193,524.88	172,685,449.84

STATEMENT OF (Parent Company) CHANGES IN OWNERS' EQUITY
2014

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Current year										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred share	Perpetual capital securities	Others							
I. Balances at the end of previous year	706,320,000.00				449,365,886.69				76,791,550.17	-1,210,114,062.41	22,363,374.45
Add: profit or loss from accounting policy changes											
Fund for corrections of errors of previous period											
Others											
II. Balances at the beginning of this year	706,320,000.00				449,365,886.69				76,791,550.17	-1,210,114,062.41	22,363,374.45
III. Increased/decreased amount this year ("-" indicates decrease)					137.86					157,277,079.27	157,277,217.13
(I) Total comprehensive income					137.86					157,277,079.27	157,277,079.27
(II) Capital paid in and reduced by shareholders											137.86
1. Ordinary share invested by shareholders											
2. Capital invested by other equity instruments holders											

Item	Current year										
	Share capital	Other equity instruments			Capital reserve	Less: treasury stocks	Other comprehensive income	Special reserve	Surplus reserve	Undistributed profits	Total owners' equity
		Preferred share	Perpetual capital securities	Others							
3. Amounts of share-based payments recognized in shareholders' equity											
4. Others					137.86						137.86
(III) Profit distribution											
1. Appropriation to surplus reserves											
2. Distribution to owners (or shareholder)											
3. Others											
(IV) Internal carry-forward of shareholders' equity											
1. Capital reserves transferred to share capital											
2. Surplus reserves transferred to share capital											
3. Surplus reserves for making up losses											
4. Others											
(V) Special reserve											
1. Withdrawn amount of this year											
2. Utilization amount of this year											
(VI) Others											
IV. Balance at the end of this year	706,320,000.00				449,366,024.55				76,791,550.17	-1,052,836,983.14	179,640,591.58

STATEMENT OF (CONSOLIDATED) CASH FLOWS
2015

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Note	Amount incurred in this year	Amount incurred in previous year
I. Cash flows from operating activities:			
Cash received from sales of commodities and provision of services		283,465,295.71	554,077,939.01
Refunds of taxes and levies		302,041.39	1175356.96
Cash received from other operating activities	34	43,239,009.63	31,593,592.22
Sub-total of cash inflows from operating activities		327,006,346.73	586,846,888.19
Cash paid for purchasing goods and services		179,630,816.56	599,771,483.46
Cash paid to and on behalf of employees		11,308,046.10	10,237,228.89
Payments of taxes and rates		41,378,704.14	34,673,738.35
Other cash paid relating to operating activities	34	74,876,722.08	76,494,361.57
Sub-total of cash outflows from operating activities		307,194,288.88	721,176,812.27
Net cash flows from operating activities		19,812,057.85	-134,813,943.32
II. Cash flows from investing activities:			
Cash received from withdrawal of investments			38,000,000.00
Cash received from returns on investments			171,000.00
Net cash received from disposal of fixed assets, intangible assets & other long-term assets		28,598,914.86	85,000,000.00
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities	34		
Sub-total of cash inflows from investing activities		28,598,914.86	123,171,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		2,421,206.16	3,149,781.23
Cash paid to acquire investments			38000000
Net cash received from payment of subsidiaries and other business units			
Cash payments relating to other investment activities			
Sub-total of cash outflows from investing activities		2,421,206.16	41,149,781.23
Net cash flows from investing activities		26,177,708.70	82,021,218.77
III. Cash flows from financing activities:			
Cash received from capital contribution		5,000,000	
Cash received from borrowings			
Cash from issue of bonds			
Other cash received relating to financing activities	34		10029217.89
Sub-total of cash inflows from financing activities		5,000,000.00	10,029,217.89
Cash repayments of amounts borrowed			
Cash payments for interest expenses and distribution of dividends or profit			
Other cash payments relating to financing activities	34	2,277,554.26	
Sub-total of cash outflows from financing activities		2,277,554.26	
Net cash flows from financing activities		2,722,445.74	10,029,217.89
IV. Influence of exchange rate change on cash and cash equivalents		249,105.26	-119640.74
V. Net increase of cash and cash equivalents		48,961,317.55	-42,883,147.40
Add: balance of cash and cash equivalents at the beginning of period		35,582,359.90	77,981,488.06
VI. Balance of cash and cash equivalents at the end of period		84,543,677.45	35,582,359.90

STATEMENT OF (Parent Company) CASH FLOWS
2015

Prepared by: CHENGDE NANJIANG Co., Ltd.

Unit: Yuan

Item	Note	Amount incurred in this year	Amount incurred in previous year
I. Cash flows from operating activities:			
Cash received from sales of commodities and provision of services		167,953,196.30	187,363,242.41
Refunds of taxes and levies		191094.28	
Cash received from other operating activities		50,972,901.14	38,138,466.36
Sub-total of cash inflows from operating activities		219,117,191.72	225,501,708.77
Cash paid for purchasing goods and services		73,096,022.78	201,137,420.79
Cash paid to and on behalf of employees		6,559,550.54	5,802,550.51
Payments of taxes and rates		17,931,811.23	22,685,179.55
Other cash paid relating to operating activities		68,128,661.55	96,706,176.51
Sub-total of cash outflows from operating activities		165,716,046.10	326,331,327.36
Net cash flows from operating activities		53,401,145.62	-100,829,618.59
II. Cash flows from investing activities:			
Cash received from withdrawal of investments			
Cash received from returns on investments			
Net cash received from disposal of fixed assets, intangible assets & other long-term assets			85,000,000.00
Net cash received from disposal of subsidiaries and other business units			
Other cash received relating to investing activities			
Sub-total of cash inflows from investing activities			85,000,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,044,876.13	60,090.00
Cash paid to acquire investments		45,000,000.00	5,000,166.64
Net cash received from payment of subsidiaries and other business units			
Cash payments relating to other investment activities			
Sub-total of cash outflows from investing activities		46,044,876.13	5,060,256.64
Net cash flows from investing activities		-46,044,876.13	79,939,743.36
III. Cash flows from financing activities:			
Cash received from capital contribution			
Cash received from borrowings			43,700,000.00
Cash from issue of bonds			
Other cash received relating to financing activities			
Sub-total of cash inflows from financing activities			43,700,000.00
Cash repayments of amounts borrowed			10,200,000.00
Cash payments for interest expenses and distribution of dividends or profit			
Other cash payments relating to financing activities		2,309,878.89	665,866.06
Sub-total of cash outflows from financing activities		2,309,878.89	10,865,866.06
Net cash flows from financing activities		-2,309,878.89	32,834,133.94
IV. Influence of exchange rate change on cash and cash equivalents			
V. Net increase of cash and cash equivalents		5,046,390.60	11,944,258.71
Add: balance of cash and cash equivalents at the beginning of period		17,625,400.53	5,681,141.82
VI. Balance of cash and cash equivalents at the end of period		22,671,791.13	17,625,400.53

NOTES TO FINANCIAL STATEMENTS

December 31, 2015

CURRENCY UNIT: RMB

I. Company Profile

1. Background

The predecessor of ChengDe NanJiang Corporation, Ltd. ("the Company") was ChengDe DiXian Textile Corporation, Ltd ("DiXian"). According to the approval of JiGuBan(1999) No.36 issued by the People's Government of HeBei Province, DiXian was established in the People's Republic of China (the "PRC") and obtained the Corporate Business License from HeBei Administration for Industry and Commerce ("CSRC"). The initial registered capital of DiXian was RMB 100,000,000 (divided into 100,000,000 shares, one Yuan per share): ShuXian Wang contributed RMB 85,100,000, accounting for 85.1% of the total; HeBei province ChengDe County North Industrial Company contributed RMB 7,564,400, accounting for 7.56% of the total; ZhengSong Wang contributed RMB 5,444,400, accounting for 5.44% of the total; ChengDe LongFeng Cosmetic Co., Ltd. contributed RMB 945,600, accounting for 0.95% of the total; Chengde County Board Town of Red Star plastic products factory contributed RMB 945,600, accounting for 0.95% of the total.

According to the issue [2000] 121 by the China Securities Regulatory Commission on August 29, 2000, the company issued 100,000,000 foreign capital stocks listed in China (hereinafter referred to as the "B") on September 19, 2000 on Shenzhen stock exchange; and excised the overallotment option to increase issuing 15,000,000 B shares from September 29 to October 29, 2000. The registered capital of the company after the issuance of B shares was RMB 215,000,000, and was divided into 215,000,000 shares with one Yuan of face value per share.

According to the resolution of the shareholder's meeting on March 12, 2002, The Company allotted 43,000,000 bonus shares to all of the shareholders according to the proportion of 2 free shares for every 10 shares, and meanwhile increased 107500000 shares to all of the shareholding by transferring from capital reserve according to 5 shares free for every 10 shares. The registered capital of the company was changed to RMB 365,500,000 after it allotted bonus shares and increased by transferring.

According to the resolution of the shareholder's meeting on July 22, 2003, The Company allotted 73,100,000 bonus shares to all of the shareholders according to the proportion of 2 free shares for every 10 shares, and the registered capital of the company was changed to RMB 438,600,000 after such bonus shares were allotted.

On March 11, 2004, approved by the Ministry of Commerce of the People's Republic of China, the company was allowed to be changed to Foreign-Funded Joint Stock Companies Limited.

On July, 2004, the company increased 150,000,000 B shares directionally, during which 91,300,000 shares were subscribed in HK\$, and another 58,700,000 shares were subscribed in RMB, upon check by China Securities Regulatory Commission with the issue [2004] No.101.

According to the resolution of the shareholder's meeting on June 8, 2006, The Company allotted 117,720,000 bonus shares to all of the shareholders according to the proportion of 2 free shares for every 10 shares,

On August 4, 2008, according to the judgment ruled by Shenzhen Intermediate People's court,

112,324,800 sponsor shares held by ShuXian Wang was compensated to Rong Chen for RMB 45,491,544 Yuan, and on August 15, 2008, 96,000,000 sponsor shares held by ShuXian Wang was compensated to Rong Chen for RMB 38,880,000 Yuan according to the judgment ruled by Dalian Intermediate People's court.

On November 11, 2009, according to “reply to the approval of capital increase, and change of share as well as name of Chengde DiXian Knitting Co., Ltd” with No.143 [2009] by Bureau of Commerce of Hebei Province, it agreed that the company increased 150,000,000 foreign shares listed in China in 2004 and allotted 2 bonus shares free for every 10 shares in 2006; and it agreed that 208324800 shares of DiXian stock held by ShuXian Wang. DiXian was changed to Rong Chen; as well as the name of the company changed to Chengde DaLu Co., Ltd. The total share capital was 706,320,000 shares and the registered capital of the company was RMB 706,320,000 Yuan after the company increased and allotted, which has been validated by ZhongLei CPA Co., Ltd, who provided the capital verification report with [2010] No. 10009.

On August 23 ,2011, the company renewed its Corporate Business License that was issued by HeBei Administration for Industry and Commerce. The new registration number was 130000400001225. Both registered capital and paid-in capital are RMB 706,320,000. The company type was a foreign joint stock limited company.

On April 6, 2012, an equity transfer agreement was signed between corporate shareholder Rong Chen and Dong Wang. According to the agreement, Rong Chen transferred 208,324,800 shares, which occupied 29.49% of the total share capital, to Dong Wang. After the transfer of equity, Shareholders proportion of capital contribution was: Dong Wang (RMB 208,324,800, accounted for 29.49%); HeBei province ChengDe County North Industrial Company (RMB 18,517,651, accounted for 2.62%); Zhengsong Wang(RMB 13,327,891, accounted for 1.89%); ChengDe City LongFeng Cosmetic company (RMB 2,314,829, accounted for 0.33%); Chengde County Board Town of Red Star plastic products factory (RMB 2,314,829, accounted for 0.33%), shareholders of domestically listed foreign shares (RMB 461,520,000, accounted for 65.34%).

On September 19, 2012, with the authorization of HeBei Administration for Industry and Commerce, the company name was changed from ChengDe DaLu Corporation, Ltd. to ChengDe NanJiang Corporation, Ltd.

2. Business scope

New energy , R&D of new material product、sales and technology promotion、technology service ; R&D of modern agricultural production,technology promotion service, wholesale of ecological agricultural products; international trading of products and technology; project HuiJingTianDi (2013-12 , 2013-13) : the development and construction of common residence and supporting commercial facilities based on two land、 sales and operation; property management.

3. Nature of Business

The company major in real estate development and management; Subsidiaries engage in real estate development,international trading and ecological agriculture planting and breeding.

4. Major products and labour service

Sales of real estate,plastic raw material trading and sales of products of ecological agriculture planting and breeding.

5. Fundamental structure of the company

The highest authority is board minutes and the company adopts the managerial responsibility system. According to requirements from the business, the company set up Securities Department, Administrative Department, Human Resource Department, Financial Department, Auditing Department, Sales Department, Research and Development Department.

II. Scope of consolidated financial statements

The consolidated financial statements of the Group involve 8 companies ,including Chengde Nanjiang Real Estate Development Co., Ltd, Runhua Rural Water (Tianjin) International Trade Co., Ltd., Chengde Nanjiang Investment Co., Ltd., Chengde Nanjiang Ecological Agriculture Co., Ltd., Hangzhou Dongfeng Stealth Technology Co., Ltd., Nanjiang Asia Investment Co., Ltd., Chengde Morsh Technology Co., Ltd.and Chengde HuiJing property Co., Ltd.

One subsidiary- Hangzhou Dongfeng Stealth Technology Co., Ltd has been set up in the year 2015 and One subsidiary - Chengde XingYe Paper Co., Ltd.has been made in liquidation and cancellation in the reporting period .

For details, see Note VII Change in consolidation scope and VIII Rights and interests in other parties.

III. Basis for preparation of financial statements

1. Preparation basis

The financial statements were prepared on the basis of transactions and other events that actually occurred,in accordance with <The Accounting Standards for Business Enterprises—Basic Standard> issued by the Ministry of Finance and revised with the specific accounting standards, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations (hereinafter jointly referred to as “the Accounting Standards for Business Enterprises”), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting (revised in 2014) by China Securities Regulatory Commission.

2. Continuation

There will be no such events or situations in the 12 months from the end of the reporting period that will cause material doubts as to the continuation capability of the Company.

IV. Significant Accounting Policies and Accounting Estimates

1. Statement for Compliance with Enterprise Accounting System

The financial statements prepared by the Company fully comply with Accounting Standards for Business Enterprise and demonstrate truly and completely the financial status of the Company and the

Group, operating performance and cash flow.

2. Accounting period

The fiscal year of the Group runs from January 1 to December 31 of each calendar year.

3. Reporting Currency

RMB is adopted as the functional currency of the Group.

4. Accounting methods for corporate merger under the same control and not under the same control

(1)The terms, conditions and economic impact of the various transactions in the process of enterprise merger are in accordance with one or more of the following conditions, we will deal with multiple transactions as a package deal when making accounting treatment:

- a. These transactions are made at the same time or considering the effects of each other
- b. These transactions only in entirety can achieve a complete business results only when
- c. The occurrence of a transaction depends on the happening of at least one other transaction
- d. A single transaction is not economical, but it is economical when being considered together with other transactions

(2)Business combinations involving entities under common control

For a business combination involving enterprises under common control, assets and liabilities that are obtained in a business combination is measured at the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date, except for the adjustments of different accounting policies. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or total par value of shares issued) is adjusted to capital reserve, if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. Business combinations involving entities under common control achieved in stages that involves multiple transactions.

In the separate financial statements, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date. The difference between initial investment cost and original investment carrying amount prior combination plus newly paid consideration at the combination date is adjusted to capital reserve (share/capital premium), if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings.

In the consolidated financial statements, assets and liabilities that are obtained in a business combination are measured at their carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at combination date, except for the adjustments of different accounting policies. The difference between the original investment carrying amount prior combination plus newly paid consideration at the combination date and the carrying amount of the net assets obtained is adjusted to capital reserve (share/capital premium), if the capital reserve is not sufficient to absorb the difference, any excess is adjusted against retained earnings. The long-term equity investment of the absorbing party prior to combination, profit or loss, other comprehensive income and changes of other owners' equity recognized between the later of combination date and the date that the absorbing party and the absorbed party are under common ultimate control are offset the opening retained earnings or profit or loss for the current period in the comparative statement.

(3)Business combination involving entities not under common control

For business combinations involving entities not under common control, the consideration for each combination is measured at the aggregate of the fair values, at the acquisition date, of assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. At the acquisition date, the acquired assets, liabilities and contingent liabilities of the acquiree are measured at their fair value.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, and measured on the basis of its costs minus the accumulative impairment provisions. Where the cost of combination is less than the

acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current period after reassessment.

Business combinations involving entities not under common control achieved in stages that involves multiple transactions. In the separate financial statements, the initial investment cost is the sum of the carrying amount of equity investment of the acquiree held prior to the acquisition date and the additional investment cost at the acquisition date. When the previously-held equity investment is accounted for under the equity method, any other comprehensive income previously recognized is not changed on the combination date and is accounted for on the same basis as would have been required if the investor had directly disposed of the related assets or liabilities. The owners' equity recognized as the changes of the investee's other owners' equity except for net profit or loss, other comprehensive income and profit distribution are transferred to profit or loss for the current period when disposing the investment. For the previously-held equity investment which was accounted for using fair value, the accumulated changes in fair value included in other comprehensive income is transferred to profit or loss for the current period upon commencement of the cost method.

In the consolidated financial statements, the cost of business combination is the sum of the consideration paid at the acquisition date plus the fair value of equity investment of the acquiree held prior to the acquisition date. The cost of equity investment of the acquiree held prior to the acquisition date is re-measured at the fair value at the acquisition date, the difference between the fair value and carrying value is recognized as profit or loss for the current period. Other comprehensive income and changes of other owners' equity from the equity interest held in the acquiree prior to the acquisition date are transferred to profit or loss for the current period except for other comprehensive income due to the movement of net liabilities or assets in the investee's re-measurement defined benefit plan.

(4) Transaction costs for business combination

The intermediary and other relevant administrative expenses such as audit, legal and valuation advisory for business combinations are recognized in profit or loss for the current year when incurred. Transaction costs of equity or debt securities issued as the considerations of business combination are included in the initial recognition amounts.

The assets and debts acquired by the Group (as the merging party) through merging with other enterprises under common control shall be measured as per the book value of the merged party in the consolidated financial statements of the ultimate controller on the day of merger. The difference between the book value of net assets acquired and the book value of the combination paid is used to adjust the capital reserves, and the retained earnings are adjusted in case of insufficient capital reserves.

Regarding combination not under common control, the recognizable assets, liabilities and contingent liabilities of the seller are measured upon fair value on the purchase day. The merger cost is the sum of cash or the fair value of non-cash assets, issued or borne debts and issued equity securities paid by the Group for acquiring the control over the acquired on the purchase day and all of the expenses incurred to the Group directly relevant to the merging. In case of merging by step, the merger cost is the sum of the cost of every single transaction. Where the merger cost is more than acquired definable net assets fair proportion of the acquired, the balance is recognized as goodwill. Where the merger cost is less than acquired definable net assets fair proportion of the acquired, the definable assets, debts, fair value of contingent liabilities and the fair value of the non-cash assets or issued equity securities as merger consideration are rechecked first, and in case the merger cost is less than acquired definable net assets fair proportion of the acquired after recheck, the balance is included in current nonrevenue receipt.

5. Preparation method of consolidated financial statements

The consolidation scope for financial statements is determined on the basis of control. The consolidated financial statements comprise the financial statements of the Group and its subsidiaries. A subsidiary is an enterprise or entity controlled by the Group.

The Group incorporates all of the subsidiaries and structured entities under its control into the consolidated financial statements.

For any difference occurring in accounting policies and accounting periods between the Company and its subsidiaries when preparing consolidated financial statements, necessary adjustments shall be made based on accounting policies and periods of the Company.

The company prepare consolidated financial statements based on its own and the subsidiaries' financial statements as well as other relevant information. In the preparation of the consolidated financial statements, the group are identified as an accounting entity to reflect the overall financial position, operating results and cash flow, according to the requirements of the related accounting standards for business enterprises recognition, measurement and presentation, in accordance with the unified accounting policy.

All the subsidiaries in the consolidation scope are as consistent in subsidiary accounting policies, accounting period with the company. If those above are inconsistent, when preparing the consolidated financial statements, it need make necessary adjustments according to the company's accounting policies and accounting period .

In the process of consolidation, it is necessary to offset the impact on consolidated income statement, consolidated cash flow statement, consolidated statement of changes in equity which are caused by occurrence of insider trading between the company and subsidiary and also between each subsidiary. If there is different opinion on the identity of the same transaction when standing on the point of the consolidation statement on the enterprise group or which the company and subsidiary are the main body of accounts , it need make adjust from the perspective of the enterprise group.

The balance which are formed because that the loss minority shareholders bear in the current period are more than the share of the owner's equity minority shareholders have in the early period, offset the interests minority shareholders have. For the subsidiary acquired in a business consolidation under the same control , adjustment is made based on its book value in the financial statements with ultimate control. For the subsidiary acquired in a business consolidation not under the same control, adjustment is made based on the fair value of the identifiable net assets on purchasing day.

The acquired in a business combination under the same control subsidiary, with its assets and liabilities (including the ultimate controlling party acquisition of the subsidiaries and the formation of goodwill) adjustment is based on its financial statements on financial statements in the book value of ultimate control.

For the subsidiary companies under the control of non identical control, the fair value of the identifiable net assets of the company is adjusted on the basis of the fair value of the net assets.

Where the Group disposed part of long-term equity investment in the subsidiaries without losing control over of such subsidiaries, in the financial statements, the balance between the income from disposal and the net assets proportion of the subsidiaries entitled by the disposed long-term equity investment and continually calculated from the purchase day or day of merger is adjusted as the capital stock premium of the capital public reserve and retained earnings is adjusted in case of the capital public reserve not enough for deduction.

Where the Group lost the control over the invested party for such reason as disposing partial equity

investment, the remaining equity was re-measured as per the fair value of such equity on the day of losing controlling right when preparing the consolidated financial statements. The balance between the sum of the consideration from the disposal of equity and the fair value of the remaining equity and the net assets proportion of the subsidiaries entitled by the disposed long-term equity investment and continually calculated from the purchase day or day of merger is included in the investment income for the period and the goodwill is deducted. Other consolidated income related to the equity investment of the original subsidiary shall be transferred into current investment profit and loss upon losing control.

Where the Group lost control over a subsidiary through multiple transactions and step-by-step disposal of the equity of the subsidiary, and such multiple transactions to a package deal, the multiple transactions shall be deemed one transaction in which the control in the subsidiary was lost; however, the balance between the disposal price and the net assets proportion of the subsidiaries entitled by the disposed long-term equity investment prior losing control over the subsidiary was recognized as other comprehensive income and was transferred to the profits and losses of current period at the time of losing control.

6. Classification of joint arrangement and accounting methods for joint operation

The joint arrangement of the Group includes joint operation and joint venture. For jointly operated projects, the Group as a partner recognizes the assets and debts it holds independently and proportionally as well as recognizes the income and expenses as agreed. Where purchase and sale of an asset during joint operation does not constitute a business, only the part in the profits and losses from the transaction belonging to other partners is recognized.

(1) Category of the joint arrangement

A joint arrangement refers to an arrangement jointly controlled by two participants or above. The Group classifies joint arrangements into joint operations and joint ventures according to its rights and duties in the joint arrangements. A joint operation refers to a joint arrangement where the Group enjoys assets and has to bear liabilities related to the arrangement. A joint venture refers to a joint arrangement where the Group is only entitled to the net assets of the arrangement.

The joint arrangement achieves not through the individual main body should be divided as joint operation. Individual main body refers to the entity owns individual distinguishable financial structure, including the individual legal entities and the entities without legal entity qualification but gains the legal permits. The joint arrangement achieves through individual main body is usually divided into the joint venture, but for the joint arrangement with definite evidence vindicates that meet with any condition of the followings and meet with the regulations of the relevant laws and regulations should be divided into joint operation; the legal form of other joint arrangement indicates that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement; the clauses of the contacts of the joint arrangement agrees that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement; other relevant facts and situation indicates that, the jointly owned party respectively enjoys the rights and burdens the obligations of the relevant assets and liabilities among the arrangement, for example, the jointly owned party enjoys almost all of the output related to the joint arrangement and the liquidation of the liabilities of the arrangement constantly depends on the support of the jointly owned party. It's forbidden to regard the jointly owned party which provides the liabilities for the joint arrangement as it has the responsibility to bear the relevant liabilities. For the jointly owned party takes the responsibility to pay the attributive obligations for the joint arrangement, not be considered to undertake the relevant liabilities related to

the arrangement. For the relevant facts and the changes of the situation leads the rights enjoyed and the liabilities undertook amount the joint arrangement change, the Group should re-assess the category of the joint arrangement. For the structure agreement setting various joint arrangements for achieving different activities, the Group respectively recognizes each category of the joint arrangement.

For the details of the basis of recognizing the joint control and the accounting policies of the measurement of the joint venture, please refer to Notes (IV) 13.

(2) Accounting treatment of joint operations

The following projects related to the interests portion among the joint operation recognized by the Group and be executed according to the regulations of the relevant ASBE: recognizes the assets held alone and the assets joint held by recognizing according to the portion; recognizes the jointly-held assets and jointly-borne liabilities according to the Group's stake in the joint operation; recognizes the income from sale of the Group's share in the output of the joint operation; recognizes the income from sale of the joint operation's outputs according to the Group's stake in it; and recognizes the expense solely incurred to the Group and the expense incurred to the joint operation according to the Group's stake in it.

When the Group, as a joint operator, transfers or sells assets (except for the assets constituting business) to the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in <The Accounting Standard No. 8 for Business Enterprises—Asset Impairment>, the Group shall fully recognizes the loss. When the Group, purchases assets from the joint operation (except for the assets constituting business) to the joint operation, before the assets are sold to a third party, the Group only recognizes the share of the other joint operators in the gains and losses arising from the sale. Where impairment occurs to the assets as prescribed in <The Accounting Standard No. 8 for Business Enterprises—Asset Impairment>, the Group shall fully recognizes the loss according to its stake in the joint operation for a purchase of assets from the joint operation.

If the Group attributes to the participate party without joint control on the joint operation, if enjoys the relevant assets and undertakes the relevant liabilities of the joint operation, should execute accounting treatment according to the above principles; otherwise, should execute the accounting treatment according to the accounting policies of the measurement of the financial instruments or the long-term equity investment formulated by the Group.

7. Recognition standard for cash and cash equivalents

Cash in the Cash Flow Statement refers to cash in hold and deposits which can be used for payment at any time. Cash equivalents in the Cash Flow Statements refer to short-lived (generally not more than 3 months) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

8. Foreign currency businesses and translation of foreign currency financial statements

(1) Accounting treatments for translation of foreign currency transactions

The transactions denominated in foreign currency of the Group are converted in the initial recognition at the rate which is approximate to the spot exchange rate on the transaction day, which shall

be the spot exchange rate of the beginning of the month when the transaction occurs.

On the balance sheet date, the monetary items denominated in foreign currency are translated to RMB at the spot exchange rate at the balance sheet date, and the balance between the spot exchange rate at the balance sheet date and the rate in the initial recognition or on the last balance sheet date is included in current profits and losses except for 1) the balance from exchange of specific borrowings that is capitalized and included as part of the cost qualifying asset; 2) the balance from exchange of hedge instrument adopted for evading the exchange risks that is treated according to hedge accounting; 3) the balance from exchange arising from the foreign currency non-monetary items available for sale (e.g. the stock) and that arising from the change in the book value of the monetary items available for sale except for amortized cost is recognized as other comprehensive income. Non-monetary items of foreign currency measured by historical cost still adopt spot exchange rate of transaction date for conversion with functional currency amount unchanged. As for the foreign currency non-monetary items measured by fair value, the spot exchange rate on the date when the fair value is confirmed is adopted for conversion. The amount differences between functional currency amount after conversion and the original functional currency amount, processed as fair value changes (including change in exchange rate), are recognized into current profits and losses or recognized into other comprehensive incomes.

(2) Translation of foreign currency financial statements

The asset and liability items in the balance sheets shall be translated at a spot exchange rate ruling at the balance sheet date. Among the owner's equity items, except the ones as "retained earnings", others shall be translated at the spot exchange rate ruling at the time when they occurred. The income and expense items in the income statements shall be translated at an exchange rate which is determined in a systematic and reasonable way and is approximate to the spot exchange rate (calculated by the average of starting rate and closing rate on the reporting period) ruling at the transaction date. The foreign exchange difference arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity in the balance sheet.

Disposal in overseas business, the balance sheet items of other comprehensive income is presented, and the overseas business translation of foreign currency financial statements related to difference from other comprehensive income items into the disposal of profits and losses of the current period; in the disposal of equity investment or other reasons lead to hold environment operating outside the ratio of equity to reduce but not a loss of overseas business control, and the offshore disposal operations in part related to the translation of foreign currency statements difference will belong to minority interests. Do not turn into the profits and losses of the current period. When dealing with overseas operations as an affiliated enterprise or part of the equity of the joint venture, the foreign currency statement translation difference with the overseas operation shall be transferred to the current profit and loss.

9. Financial assets and liabilities

All of or part of the current obligations of financial liabilities have been canceled. Derecognize the financial liabilities or part with obligations being derecognized. The balance between partial book value and the consideration paid shall be included in the current profit or loss.

Financial instruments refer to the contracts of forming enterprise financial assets and other entities' financial liabilities or equity instruments.

(1) Financial assets

a. Classification, recognition basis and measurement method of financial assets

The financial assets of the Group are divided into the following categories in accordance with investment purposes and economic substance: the financial assets at fair value through profit or loss; held-to-maturity investments, loans and receivables; and available-for-sale financial assets.

The financial assets that are measured by fair value and the changes are recognized into current profit or loss include trading financial assets and the financial assets that are measured by fair value and the changes are recognized into current profit or loss when they are initially recognized. This kind of financial assets designated by the Group includes mainly the financial assets it holds for sale in the short period of time. For such financial assets, fair value is adopted for subsequent measurement. Variations of fair value are recognized into current profits and losses are recognized in the fair value variation profits and losses; interest or cash dividends acquired during the asset holding period are recognized as investment income; and the difference between its fair value and initial recognition amount shall be recognized as investment profits and losses upon disposal, and fair value variation profits and losses shall be adjusted simultaneously.

Held-to-maturity investment refers to non-derivative financial assets which have fixed due date and fixed or confirmed recovery amount and which the Group is determined and able to hold till maturity. As to held-to-maturity investment, effective interest method is adopted for subsequent measurement as per amortized cost. The profit or loss occurred by amortization, impairment or de-recognition are all recognized into current profit or loss.

Receivables refer to non-derivative financial assets which have no quotation in active market and fixed or determined recovery amount. Effective interest method is adopted for subsequent measurement as per amortized cost. The profit or loss occurred by amortization, impairment or de-recognition are all recognized into current profit or loss.

Available-for-sale financial assets are those non-derivative financial assets that are designated as available-for-sale at initial measurement or are not classified in any of the three preceding categories. For this kind of assets, the equity instrument investment with no price in active market and its fair value not reliably measured and the derivative financial assets linked with the equity instrument and settled through the delivery of the equity instrument are subsequently measured as per the cost; those with quotation in active market and the fair value reliably measured are measured as per the fair value and the changes in fair value are included in other comprehensive income. Fair value is adopted for subsequent measurement for such financial assets. In addition to exchange gains or losses generated from impairment loss and foreign currency financial assets, changes in fair value of available-for-sale financial assets will be directly included in shareholder' equity and the accumulative amount of the changes in the fair value that is originally directly included in equity shall be transferred in current profit or loss upon the de-recognition of the financial assets. For the available-for-sale liability instruments, the interest is calculated with actual interest rate during the holding period, together with the cash dividend of the available-for-sale equity instrument investments shall be recognized into current profits and losses as investment incomes when the invested company distributes the dividend. The investments in equity instruments not quoted in an active market and whose fair value cannot be reliably measured is subsequently measured based on the cost.

b. Recognition basis and measurement method for financial asset transfer

Where a financial asset satisfies any of the following requirements, the recognition shall be terminated: (1) the contractual rights for collecting the cash flow of the said financial asset are terminated;

(2) the said financial asset has been transferred with almost all risks and remunerations thereof transferred to the transferee; (3) the said financial asset has been transferred and the Group gives up the control over the financial assets even though it neither transfers nor retains almost all risks and remunerations thereof.

Where the Company neither transfers/retains almost all risks and remunerations in connection with the financial assets nor gives up the control over the financial assets, it shall recognize related financial assets as well as related financial liabilities according to its continuing involvement in the transferred financial assets.

If the overall transfer of financial assets meets the conditions for derecognition, the balance between the following two amounts shall be recognized into current profits and losses: (1) book value of transferred financial assets; (2) the sum of the consideration received from the transfer and the accumulative amount of changes in the fair value that is originally and directly recognized into other comprehensive income.

If the partial transfer of financial assets does not meet the conditions of de-recognition, the overall book value of transferred financial assets between de-recognition and non-de-recognition shall be amortized based on relative fair value. The balance between following two amounts shall be recognized into current loss and profit; (1) the sum of the consideration received from the transfer and the accumulative amount of changes in fair value that shall be amortized for de-recognition and recognized into other comprehensive income and (2) the balance of the amortized of the aforesaid carrying amount.

c. Financial asset depreciation test and accounting methods

The Group examines the book value of other financial assets except those which are measured at their fair value and of which the variation is recorded into the profits and losses of current period on each balance sheet date and accrues the provisions for impairment if any objective evidences prove the impairment of the financial assets.

In case of impairment of financial assets measured by amortized cost, the impairment provision of assets is accrued based on the shortfall of book value over its present value (excluding future credit losses that have not been incurred). The formerly recognized impairment shall be reversed and recognized into the current profit or loss if there is objective evidence showing that the financial assets are recovered and it objectively has relations with the items happened after the impairment is recognized.

If there is impairment loss of available-for-sale financial assets, the accumulated loss due to the decline of fair value that is previously and directly included in the owners' equity shall be transferred and recognized into impairment loss. As for available-for-sale debt instruments with impairment affirmed, the fair value has been increased in the subsequent accounting period and objectively has relations with the items happened after the recognition of former impairment, the formerly recognized impairment shall be reversed and recognized into the current profit or loss. As for available-for-sale debt instruments with impairment affirmed, the increased fair value in the subsequent accounting period shall be directly included in the shareholder's equity.

(2) Financial liabilities

a. Classification, recognition basis and measurement method of financial liabilities

Financial liabilities are divided into the following categories at the initial recognition: the financial liabilities that are measured by fair value and whose changes are included in current profit or loss, and other financial liabilities.

For the financial liabilities measured with fair value and the changes recognized into current profit

or loss including trading financial liabilities and the financial liabilities that are measured with fair value and the changes recognized into current profit or loss on initial recognition, fair value is adopted for subsequent measurement; and all profits or losses from change in fair value as well as dividend and interest income relevant to such financial liabilities shall be recognized into current profits and losses.

Other financial liabilities adopt effective interest method for subsequent measurement according to amortized cost.

b. De-recognition of financial liabilities

All of or part of the current obligations of financial liabilities have been canceled, confirm the termination of the financial liabilities or part of it. If the company signed an agreement with the creditors to take on new financial liabilities to replace the existing financial liabilities and ,new financial liabilities and the existing financial liabilities of the contract clause are essentially different , make the termination of recognition of the existing financial liability and simultaneous make confirmation of new financial liabilities.

All or part of the current obligations of financial liabilities has been lifted, confirm the termination of the financial liabilities or part of it, the company and the creditors signed an agreement, to take on new financial liabilities to replace the existing financial liabilities, and new financial liabilities and the existing financial liabilities of the contract clause essentially different, the termination of recognition of the existing financial liability and simultaneous confirmation of new financial liabilities.

If the existing financial liabilities of all or part of the contract terms make substantive changes, confirm the termination of existing financial liabilities or part of it, at the same time confirm the financial liability clause after modification as a new financial liability.

Financial liabilities, in whole or in part, make the termination of recognition, the difference between the book value of financial liabilities which are in the termination of recognition and payment of price (including transferred non cash assets or undertake new financial liabilities) , are included in the profits and losses of the current period.

If the company buy back some of the financial liabilities, the book value of the whole financial liabilities will be divided according to the relative fair value of the termination part and confirmation part on repurchase date .The difference between the book value which divide to the termination part and payment of price (including transferred non cash assets or new financial liabilities borne) , are included in the profits and losses of the current period.

(3) Offset between financial assets and financial liabilities

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. Otherwise, financial assets and financial liabilities are separately shown in the balance sheet and not allowed to offset.

10. Provision for bad debts of accounts receivable

(1) Receivables of individual account with significant amount and accrued provision for bad debt

Recognition Criterion for individually significant amounts:

The receivables with more than RMB 1 million shall be recognized as the significant receivables;

The accruing method of the receivables with individually significant amounts:

The Group should make the impairment test separately or in combination and accrue the bad debt

provisions which shall be recorded into current profit or loss at the end of the period. If there is defined evidence for the receivables not to or not likely to be received, which shall be recognized as the loss of bad debt and write off the accrued bad debts provisions after going through the approval procedure of the Group.

(2) Accounts receivable accrued bad debt provision by portfolio

a. The basis for determining the characteristics of credit risk:

For accounts receivable of which the single amount is not significant, together with which the single amount is significant by testing alone without impairment, are divided into several portfolio according to the characteristics of credit risk. Considering the actual loss rate of receivable portfolio of significant individual amount of receivables with division according to the features of credit risk with similar credit risk characteristics in previous years and the situation in the year, we determined the amount of provision.

The basis for determining the portfolio:

Portfolio name	provisioning approach	The basis for determining the portfolio
Portfolio of related party in consolidation	no provision for bad debts	Portfolio of related party in consolidation
No risk portfolio	no provision for bad debts	According to the nature of the business, identified as no credit, including employees public reserve fund, social security, payment in advance and employee loan
Portfolio of the aging analysis method	aging analysis method	Accounts receivable besides the portfolio mentioned above, company make a best estimate on the proportion of accounts receivable according to the previous experience, and carry on the classification on credit risk portfolio considering the age of receivables

Accounting aging analysis method:

Use the accounting aging of the receivables as the credit risk characteristics to classify the portfolio. Accrue the bad debt provision by accounting aging analysis method.

Aging	Proportion for Provision for bad debt (receivable) %	Proportion for Provision for bad debt (other receivable) %
Within 1 year	5	5
1-2 years	20	20
2-3 years	50	50
Over 3 years	100	100

(3) Individually insignificant amount accounts receivable but accrued bad debt provision

Recognition Criterion for individually insignificant amounts:

Where there are obvious evidences suggesting impairment: debtor has been log-out, bankruptcy, minus net asset, significant poor cash flow and significant nature disaster leads to discontinue production and the debtors could not pay for the debts within the foreseeable time.

The accruing method of the receivables with individually insignificant amounts:

The Group should make the impairment test separately or in combination and accrue the bad debt provisions which shall be recorded into current profit or loss at the end of the period. If there is defined evidence for the receivables not to or not likely to be received, which shall be recognized as the loss of bad debt and write off the accrued bad debts provisions after going through the approval procedure of the

Group.

11. Inventory

The inventories of the Group include mainly property development products, raw materials, commodity stocks, low-value consumables and others.

The property development products include the properties under construction (including the land to be developed) and as-built properties (including the leased property available for sale). Actual costs of real estate development products include land-transferring cost, supporting infrastructure cost, construction & installation cost, loans before completion of the development projects and other relevant cost during development. Actual costs of delivered real estate development products are determined by specific identification of costs.

Actual cost accounting is adopted for construction contract, including direct costs and indirect costs from contract signing to completion of the contract and related to fulfillment of the contract. The net amount after the offset of accumulated cost and accumulated recognized gross profits (loss) for the properties under construction and the settlement is listed as net amount after offset in the balance sheet. Where the sum of accumulated cost and accumulated recognized gross profits (loss) for the properties under construction is more than the settlement, the balance is listed as inventories; where the latter is more than the former, the balance is listed as unearned revenue.

Travel expenses, tender expenses, etc. for construction contract signing can be separately distinguished and reliably calculated. For contracts probably to be concluded, expenses are recognized into contract cost upon receiving the contract; otherwise, expenses are recognized into current profits or losses.

One-off amortization method is adopted for receipt of low-value consumables and other inventories.

The ending inventory is measured by the cost and net reliable value whichever is lower. When the net reliable value of the property development product is less than the cost, the inventory falling price reserve shall be withdrawn. Net reliable value refers to the amount of the predicted sale price less predicted as-built cost and expenses arising from sale and taxes during normal production and operation process. Estimates of net realizable value are based on the most reliable evidence available at the time the estimates are made and take into consideration the purpose for which the inventory is held and the influences of events occurring after the balance sheet day.

After the accrual of devaluation provision for inventory, where affecting factors for former write-down of inventory value has disappeared, the write-down amount shall be recovered and reversed in the formerly accrued depreciation provision amount, and reversed amount shall be included in current profit or loss and reversed amount shall be included in current profit or loss.

12. Divided as assets held for sale

(1) Recognition criteria of the assets held for sale

The Group recognizes the enterprise compose part (or the non-current assets, similarly hereinafter) that simultaneously meets with the following conditions as assets held for sale:

- a. The compose part must be immediately sold only according to the usual terms of selling the compose part of this kind under the current conditions;
- b. The relevant power institutions of the Group had made agreement on disposing the compose part,

if receive the approval from the shareholders according to the rules, which equals to had received the approved of the Annual General Meeting or the corresponding power institution;

- c. The Group has signed the irrevocable transfer agreement with the assignee;
- d. The sale transaction is highly probable to be completed within one year.

(2) Accounting treatments of the assets held for sale

Non-current assets held for sale include single-item assets and disposal groups. Where a disposal group is an asset group and the goodwill obtained in the business combination is apportioned to the asset group according to the “Accounting Standard No. 8 for Business Enterprises—Asset Impairment”, or a disposal group is an operation in such an asset group, the disposal group shall include the goodwill in the business combination.

As for the non-current assets and disposal group which be classified held for sale by the Group, shall be measured at the lower one of the net amounts of the book value and the fair value after deducting the disposal expense. If the net amount the fair value minus the disposal expenses is lower than the original book value, the difference should be included in the current gains and losses as the assets impairment losses; if the held for sale is the disposal group, the assets impairment losses should be firstly distributed to the goodwill and then included in the current gains and losses by amortized according to the proportion and attributed to the other non-current assets within the held for sale assets scope. The deferred income tax assets, the financial assets standardized by No.22 of ASBE-Recognition and Measurement of Financial Instruments, investment property and biological assets measured by fair value, contacts rights occurred from the insurance contacts and the assets occurred from the employee benefits are not suit for the held.

13. Long-term equity investments

The long-term equity investment of the Group includes mainly the investment to the subsidiaries, associated enterprises and joint ventures.

The basis for the Group to define joint control is that all participating parties or the combination of the parties control the arrangement jointly and the policies relevant to the activities of the arrangement must be agreed by such parties.

The Group will be generally deemed to have significant impact on the invested entity if the Group holds 20% (inclusive) to 50% of voting right of an invested entity directly or indirectly through its subsidiaries. Where the Group holds less than 20% of voting right of an invested entity, the Group’s significant impact on the invested entity will depend on whether the Group has its representative in the Board of Director or any similar organ of power of the invested entity, whether the Group participates in the formulation of financial and operation policies of the invested entity, whether the Group has important deals with the invested entity, whether the Group dispatches management personnel to the invested entity or whether the Group provides the invested entity with key technical data.

Any entity under the control of the Group is the subsidiary of the Group. The long-term equity investment acquired through merging with an enterprise under common control, the book value of net asset of the acquire in the consolidated financial statements of the ultimate controller on the day of merger is taken as the initial investment cost of the long-term equity investment. Where the book value of net asset of the acquiree on the day of merger is negative, the cost of the long-term equity invest is recognized as zero.

Where the long-term equity investment is acquired thorough merging with an enterprise not under common control, the merger cost is taken as initial investment cost. The merger cost is the fair value of

the assets given, debt occurred or borne and equity securities issued by the Group for acquiring the controlling right of the acquiree on the day of merger

Aside from the above long-term equity investment acquired by the merger of enterprises, long-term equity investment acquired by cash payment adopts the actual paid purchase amount as the investment cost; long-term equity investment acquired by issuance of equity securities adopts the fair value of issued equity securities as the investment cost; long-term equity investment invested by investors adopts the value reached in the investment contract or agreement as the investment cost.

The investment of the Group to the subsidiaries is calculated with cost method, and equity method is applied for joint ventures and associated enterprises.

For the long-term equity investment with cost method applied for subsequent measurement, in case investment is added, the book value of the long-term equity investment cost is added with the fair value of additional investment cost and resulting transaction expenses. The cash dividend or profit distributed by an invested entity is recognized as current return on investment based on the distributed amount.

For the long-term equity investment with equity method applied for subsequent measurement, the book value of the long-term equity investment is increased or decreased with the change in the ownership equity of the invested entity. The proportion of net profit or loss of the invested company to be enjoyed or assumed by the Group is confirmed by taking the fair value of recognizable assets of the invested company upon obtaining the investments as the base, and offsetting the proportion of internal transaction profits and losses occurring between the associated enterprises and joint ventures which is due to the investing enterprise according to shareholding proportion and adjusting the net profit of the invested unit.

For disposal of long-term equity investment, the difference between the book value and the actual received payment shall be recognized into current income. For the disposal of the long-term equity investments which are calculated with equity method and recognized into the owner equity due to the changes in owner equity other than the net profits and losses of the invested company, the part initially recognized into the owner equity shall be carried over to current income and losses in corresponding proportion.

Where losing joint control over or significant impact on the invested entity is a result of such fact as disposing partial equity investment, the remaining equity is calculated as the finance asset available for sale and the balance between the fair value and the book value of the remaining equity on the day of losing joint control or significant impact is included in current profits and losses. For other comprehensive income of the original equity investment recognized with equity method, the basis same as that of the invested entity directly disposing relevant asset or debts is applied for accounting when the equity method is ceased to be used.

Where losing control over the invested entity is a result of disposing partial long-term equity investment and the Group has a common control over or have significant impact on the invested entity by using the remaining equity, the equity method is applied, the balance between the book value and disposal consideration of the disposed equity is included in the return on investment, and the remaining equity is adjusted as if it was calculated with equity method since the acquiring of such equity. In case the Group cannot have a common control over or have significant impact on the invested entity by using the remaining equity, regulations for financial assets available for sale are applied and the balance between the book value and disposal consideration of the disposed equity is included in the return on investment, and the balance between the fair value and book value of the remaining equity on the day of losing control is included in current profits and losses.

14. Investment property

The investment property of the Group includes the leased land use right, the land use right it is entitled to for assignment after appreciation, the leased properties and the properties it holds for sale. Cost model is applied for measurement.

The investment property of the Group is amortized with the average service life method. Estimated service life, net residual value rate and annual amortization rate of investment property are as follows:

Items	Useful Lives	Residual Rates (%)	Annual Depreciation Rates (%)
land usage rights	50 years	0.00-10.00	1.80-2.00
House and Building	20-28 years	0.00-10.00	3.56-4.50

After initial recognition, the Company adopts the cost model to measure its investment properties. The Company amortizes or depreciates its investment properties measured using cost model in the same way as fixed assets and intangible assets. If the Group had definite evidence indicated the usage of the property had changed, when transferring the self-used real estate or the inventories as the investment real estate or transferring the investment real estate as the self-used real estate, the book value before the transfer should be regarded as the entry value after transfer.

The Group values the investment property measured using cost model at the lower of its cost and its recoverable amount at the end of the period. Where the cost exceeds the recoverable amount, the difference shall be recognized as impairment loss. Once a provision for impairment loss is made, it cannot be reversed.

An investment real estate is derecognized on disposal or when the investment real estate is permanently withdrawn from use and no future economic benefits are expected from its disposal. The amount of proceeds on sale, transfer, retirement or damage of an investment real estate less its carrying amount and related taxes and expenses is recognized in profit or loss in the period in which it is incurred.

15. Fixed assets

The Group's fixed assets are tangible assets that: (1) are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes; (2) have useful lives more than one year; and (3) have unit value more than RMB 2,000.

The fixed assets can be recognized only when their economic interests may flow into the Group and their costs can be reliably measured. Fixed assets of the Group are classified as houses and buildings, machines and equipment, transportation equipment, office facility, etc.

All fixed assets, apart from those fixed assets that have been depreciated and accrued but are still in use and those lands that are transferred into fixed assets separately according to actual values, are depreciated and accrued by the Group. The average service life method is applied for accrual of depreciation.

The classification, depreciation years, estimated net residual value rate and depreciation rate of fixed assets are as follows:

Items	Useful Lives	Residual Rates (%)	Annual Depreciation Rates (%)
House and Building	20-28 years	5.00	3.39-4.75
Machinery equipment	4-5 years	5.00	19.00-23.75
Transportation equipment	5-20 years	5.00	4.75-19.00

Items	Useful Lives	Residual Rates (%)	Annual Depreciation Rates (%)
Other equipment	3.0-5 years	5.00	19.00-31.67

The Group shall check the useful life of fixed assets, expected net salvage value and depreciation method not later than the end of the year. Any change will be disposed as accounting estimation change.

16. Construction in progress

The valuation of the construction in progress: recognizes the engineering cost according to the cost actual occurred. The cost of construction in progress also includes the borrowing expenses and exchange gains and losses which should be capitalized.

The company should transfer the construction in progress into fixes assets when the construction in progress is ready for their intended use. If the built construction had reached the state ready for intended use but had not settled the fixed assets of completion settlement, should recognized as fixed assets according to the estimated value as well withdrew and depreciated; after execute the completion settlement procedure, it should adjust the original provisional estimate value according to the actual cost but not the original withdrew depreciation amount.

Impairment of construction in progress refers to accounting policy “Long-term assets impairment” of the Group.

17. Biological Assets

The biological assets in the company are consumptive biological assets and productive biological assets. Consumptive biological assets include baby breeding and fat breeding. Productive biological assets are hens.

Biological assets are recognized only when the following criteria are met simultaneously:

- (1) The company acquired the biological assets because of past transactions or events.
- (2) The potential economic benefits generated by the biological assets may flow into the company
- (3) The cost of biological assets can be calculated reliably

The purchase and disposal of biological assets: the costs of biological assets after the transfer of purpose are same as the book value before the transfer of purpose; When biological assets are sold, destroyed or have inventory loss, the differences between the proceeds of disposal and the book value plus relevant taxes are included in the profit and loss of the current period.

The initial cost of biological assets includes purchase price, transportation cost, insurance cost, and other cost directly attributed to purchasing the assets. The initial cost of self-breeding productive biological assets (before the expected condition for use) includes breeding cost, wages and other indirect costs. Before the expected condition for use, cost of biological assets, including breeding and protection, are recorded in profits and losses of the current period.

Biological assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated useful lives. For the biological assets being provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

The estimated useful lives, residual rates and annual depreciation rates are as follows:

Items	Useful Lives	Residual Rates (%)	Annual Depreciation Rates (%)
Chicken and Eggs	1 years	5.00	95

boar、 sheep for breeding	3 years	5.00	31.67
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At the balance sheet date, if potential impairment of biological assets exists, estimation of its net realizable value shall be made. Recognizing impairment loss where net realizable value below its book value. Once an impairment loss is recognized, it is not reversed in a subsequent period.

When biological assets are sold, destroyed or have inventory loss, the difference between the revenue from disposal and its book value plus relevant taxation are recorded into profits and losses of the current period.

18. Borrowing costs

(1) Recognition principles for capitalization of borrowing costs and capitalization period

The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balance on foreign currency borrowings. When the borrowing costs can be directly attributable to the construction or production of assets eligible for capitalization, and the asset disbursements or the borrowing costs have already incurred, and the construction or production activities which are necessary to prepare the asset for its intended use or sale have already started, the capitalization of borrowing costs begins. When the asset eligible for capitalization under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased. Other borrowing costs shall be recognized as expenses when incurred.

The assets which can fulfill the principles for capitalization refers to fixed assets, investment property and inventories which need a long time to be in use or for sale .Capitalization of borrowing costs starts when:

- a. The assets expenditures have incurred.Asset expenditures include the payment of cash, transfer of non-cash assets or the occurrence of interest bearing debt in the form of assets that are in line with the conditions of capitalization for the purchase and construction or production;
- b. The borrowing costs have incurred;
- c. The acquisition and construction activities that are necessary to bring the asset to its expected usable condition have commenced.

(2) Capitalization of borrowing costs

The period of capitalization refers to the period from the start point of capitalization to the stop point of capitalization , the suspension period is not included.

When the assets in construction or production which can meet the capitalization conditions were in use or sale status, the cost of borrowing need stop the capitalization.

When the assets in construction or production which can meet the capitalization conditions were partly completed and can be used separately, the cost of borrowing need stop the capitalization.

Each part of the assets in construction or production are respectively completed, and it can only be used or sold after the completion of the whole,at the time when the asset wholly completed need the cost of borrowing stop the capitalization.

(3) Suspended during the period of capitalization

Capitalization of borrowing costs should be suspended during periods in which the acquisition or construction is interrupted abnormally, and the interruption period is three months or longer. These borrowing costs should be recognized directly in profit or loss during the current period. However, capitalization of borrowing costs during the suspended periods should continue when the interruption is a

necessary part of the process of bringing the asset to working condition for its intended use.

(4) Calculation method of capitalized amount of borrowing costs

To the extent that funds are borrowed specifically for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization on that asset is determined as the actual borrowing costs incurred on that borrowing during the period less any investment income on the temporary investment of the borrowing.

To the extent that funds are borrowed generally and used for the purpose of acquiring or constructing a qualifying asset, the amount of borrowing costs eligible for capitalization shall be determined by applying a capitalization rate to the weighted average of excess of accumulated expenditures on qualifying asset over that on specific purpose borrowing. The capitalization rate is the weighted average rate of the general borrowings.

During the period of capitalization, the exchange balance on foreign currency special borrowings shall be capitalized; the exchange balance on foreign currency general borrowings shall be recorded into current profits and losses.

19. Intangible assets

The intangible assets of the Group include the land use right and software acquired for the construction of self-used properties. The land use right acquired for daily operation is calculated as the inventory. Intangible assets are measured at actual cost upon acquisition, where, the actual cost of intangible assets purchased consists of the actual payment and relevant expenses; and the cost input by the investors in intangible assets is determined in accordance with the value stipulated in the investment contract or agreement; unless the contract or agreement stipulates that the value is not fair, then the actual cost is measured at the fair value.

Land use right is amortized averagely according to transfer term counted from transferring date; software and other intangible assets shall be amortized averagely according to the shortest term among anticipated service life, beneficiary years stipulated in contract and valid terms formulated by law. Amortized amount is included in relevant asset cost and current profit or loss by beneficiaries. Estimated service life and amortization method of intangible assets with limited service life are recheck at the end of each year, treatment of changes in accounting estimates is adopted for any change.

As for the intangible assets with limited life, its service life shall be estimated at the year-end

Item	Amortisation periods	Basis
Land use rights	50 years	Less than the period stated at contracts or included in other legal rights
Patent, brand, software and technology	5 years	Less than the period stated at contracts or included in other legal rights

20. Impairment of long-term assets

For non-current financial Assets of fixed Assets, projects under construction, intangible Assets with limited service life, investing real estate with cost model, long-term equity investment of subsidiaries, cooperative enterprises and joint ventures, the Group should judge whether decrease in value exists on the date of balance sheet. Recoverable amounts should be tested for decrease in value if it exists. Other intangible Assets of reputation and uncertain service life and other non-accessible

intangible assets should be tested for decrease in value no matter whether it exists.

If the recoverable amount is less than book value in impairment test results, the provision for impairment of differences should include in impairment loss. Recoverable amounts would be the higher of net value of asset fair value deducting disposal charges or present value of predicted cash flow. Asset fair value should be determined according to negotiated sales price of fair trade. If no sales agreement exists but with asset active market, fair value should be determined according to the Buyer's price of the asset. If no sales agreement or asset active market exists, asset fair value could be acquired on the basis of best information available. Disposal expenses include legal fees, taxes, cartage or other direct expenses of merchantable Assets related to asset disposal. Present value of predicted asset cash flow should be determined by the proper discount rate according to Assets in service and predicted cash flow of final disposal. Asset depreciation reserves should be calculated on the basis of single Assets. If it is difficult to predict the recoverable amounts for single Assets, recoverable amounts should be determined according to the belonging asset group. Asset group is the minimum asset combination producing cash flow independently.

In impairment test, book value of the business reputation in financial report should be shared to beneficial asset group and asset group combination in collaboration of business merger. It is shown in the test that if recoverable amounts of shared business reputation asset group or asset group combination are lower than book value, it should determine the impairment loss. Impairment loss amount should firstly be deducted and shared to the book value of business reputation of asset group or asset group combination, then deduct book value of all assets according to proportions of other book value of above assets in asset group or asset group combination except business reputation.

After the asset impairment loss is determined, recoverable value amounts would not be returned in future.

21. Goodwill

The balance of the equity investment costs or consolidation costs not under the same control greater than the fair value of the share of net assets or recognizable net assets of the invested unit or seller acquired from enterprise consolidation is recognized as goodwill.

Goodwill related to the subsidiary is separately listed on the consolidated financial statements; goodwill related to the associated enterprises and joint ventures is included in the book value of long-term equity investment.

Impairment test is carried out for goodwill at the end of the year, no matter whether there is any sign of impairment. The goodwill was, together with the related asset group or combination of asset groups, subject to the impairment test. That is, the book value of goodwill was reasonably apportioned to the asset group or combination of asset groups which benefit from the synergy of business merger from the purchase date. If the recoverable amount of the asset group or combination of asset groups of goodwill with apportionment is less than its book value, the related impairment loss shall be recognized. Impairment loss is firstly amortized to the carrying values of goodwill in asset group or asset group portfolio, and then deducted for the carrying value of other assets in according to the percentage occupied of other assets (except goodwill) in the asset group or asset group portfolio.

22. Long-term deferred expenses

The Company recognizes all expenses which have occurred during the period but shall be amortized beyond one year, such as improvement expenditures of operating leased fixed assets, as

long-term deferred expenses. The Company amortizes long-term deferred expenses using straight-line method according to relevant beneficial periods.

Long term deferred expenses which have a clear benefit period are made according to the average amortization period, in other situation , amortization need be made according to the average amortization period of 5 years.

23. Employee remuneration

(1) Accounting treatment of short-term compensation

Employee compensation refers to the reward or compensation of various modes provided by the Group which wants to receive the service offering by the employees or to execute the release of the labor relationship. The employee compensation including the short-term salary, departure benefits, demission benefits and other long-term employee benefits. The Group provides the benefits for the spouses, children, supported families of the employees, the members of the deceased's employees and other beneficiaries, which are also employee compensations.

The short-term compensation actually happened during the accounting period when the active staff offering the service for the Group should be recognized as liabilities and is included in the current gains and losses or relevant assets cost except for those be required or permitted to included in the assets cost by other ASBE.

(2) Accounting treatment of the welfare after demission

The Group divides the departure benefits plan into defined contribution plans and defined benefit plans. Benefits plan of after demission refer to the agreement between the Group and employees on the departure benefits, or the regulations or methods formulated by the Group for providing welfare after demission for the employees. Of which, defined contribution plans refers to the departure benefits plan that the Group no more undertake the further payment obligations after the payment and deposit of the fixed expenses for the independent funds; defined benefit plans refers to the departure benefits plan except for the defined contribution plans.

a. Defined contribution plans

During the accounting period when providing the service for the employees, the Group will recognize the deposited amount as the liabilities which measured by defined contribution plans and include in the current gains and losses or the relevant assets cost.

b. Defined benefit plans

Other long-term employee benefits the Group had not executed the defined contribution plans or met with the conditions of defined benefit plans.

(3) Accounting treatment of the demission welfare

When the Company is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal, or when recognizing the costs or expenses (the earlier one between the two) related to the reorganization of paying the demission welfare, should recognize the payroll liabilities from the demission welfare and include in the current gains and losses.

24. Estimated liabilities

When the businesses related to contingencies like external guarantee and pending actions or arbitration conform to the following conditions at the same time, they will be recognized as the debt by the Group: the obligation is the current obligation undertaken by the Group; the implementation of such obligation may probably cause the outflow of economic interests from the Group; and the amount of that

obligation can be measured reliably.

(1) Recognition criteria of estimated liabilities

The company should recognize the related obligation as a provision for liability when the obligation meets the following conditions: That obligation is a present obligation of the enterprise; It is probable that an outflow of economic benefits from the enterprise will be required to settle the obligation; A reliable estimate can be made of the amount of the obligation.

(2) Measurement of estimated liabilities

To fulfill the present obligations, which initially measured by the best estimate of the expenditure required to settle the liability. Where there is a continuous range of possible amounts of the expenditure required to settle the liability, as all kinds of possibilities are at same level, the best estimate should be determined according to the average of the lower and upper limit of the range. In other cases, the best estimate should be determined in accordance with the following methods:

Where the contingency involves a single item, the best estimate involves a single item, the best estimate should be determined according to the most likely outcome;

Where the contingency involves several items; The best estimate should be determined by weighting all possible outcomes by their associated probabilities of occurrence.

To determine the best estimate, it should be considered with factors such as: related contingency risks, uncertain matters and time value of currency. If time value of currency has a significant impact, the best estimate should be measured at its converted present value through the relevant future cash outflows.

Where some or all of the expenditures are expected to be reimbursed by a third party, the reimbursement should be separately recognized as an asset only when it is virtually received. The amount of the reimbursement should not exceed the carrying amount of the liability recognized.

25. Share payment

The equity-settled share-based payment to exchange the provision of service by employees is measured by the fair value of the equity instrument conferred to the employees on the grant date. Where it is exercisable upon finishing the service within the waiting period or satisfying the regulated performance conditions, based on the optimal estimation of the exercisable equity instrument quantity within the waiting period, the fair value amounts are included in relevant cost or expense after calculation by the method of line, with relevant capital surplus increased.

26. Recognition and measurement of income

The operation revenue of the Group mainly include the sales revenue, lease revenue and property management revenue of real estate development products and revenue recognition policies are as follows:

(1) The revenue of real estate development products are recognized under the following conditions:

- a. Seller and Purchaser sign the sales contract and file a record in the land department;
- b. The revenue of real estate development products are completed and are qualified in acceptance;
- c. The company has received full house-purchase price or obtained the right of collecting the full purchase price (e.g. the written commitment letter for releasing mortgage payment from bank);
- d. The formalities of property delivery are handled or the customers are deemed to accept the property according to the terms in the purchase contract.

(2) Lease revenue:

The lease revenue of investment property is recognized as the lease revenue by the method of line according to rent agreed in the contract or agreement over the lease term.

(3) Property management revenue:

When property management service has been provided and its relevant economic benefit has obtained by the Company, meanwhile, relevant revenue and cost can be measured reliably, the realization of utilities revenue is recognized.

27. Government subsidies

Government subsidies refer to monetary assets and non-monetary assets acquired without any charge from the government. Government subsidies can only be recognized upon meeting the condition that the Company meets all conditions of government subsidy and is able to receive the government subsidy.

If government subsidies are monetary assets, it shall be calculated according to the received; if the government subsidy is distributed subject to fixed quota standard or if there is definite evidence showing that it is in conformity with relevant requirements of the financial support policies, it shall be calculated according to the receivable amount; and if the government subsidy is non-monetary assets, it shall be measured at the fair value; and if the fair value fails to be obtained reliably, it shall be calculated according to nominal amount (RMB 1).

Government subsidies in relation to assets are recognized as deferred income and allocated equally within the service life of relevant assets, which will then be included in current profit or loss. Government subsidies relevant with incomes and that are used to make up future expenses or losses will be recognized as deferred income and recognized into current profits and losses within the recognition period of relevant expenses; government subsidies used to make up incurred relevant expenses or losses are included into current profits or losses directly.

28. Deferred income tax assets and deferred income tax liabilities

The Company executes the accounting treatments of the income tax by adopting the balance sheet liability method.

(1) Deferred income tax assets

Where there are deductible temporary differences between the carrying amount of assets or liabilities in the balance sheet and their tax bases, a deferred tax asset shall be recognized for all those deductible temporary differences to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilized. Deferred tax assets arising from deductible temporary differences should be measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

At the balance sheet date, where there is strong evidence showing that sufficient taxable profit will be available against which the deductible temporary difference can be utilized, the deferred tax asset unrecognized in prior period shall be recognized.

The Company assesses the carrying amount of deferred tax asset at the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of deferred tax asset, or reverse the amount written down later when it's probable that sufficient taxable profit will be available.

(2) Deferred income tax liabilities

A deferred tax liability shall be recognized for all taxable temporary differences, which are differences between the carrying amount of an asset or liability in the balance sheet and its tax base, and measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

(3) Other notes

The current income tax assets and liabilities of the Group should be listed by the written-off net amount which intend to executes the net amount settlement as well as the assets acquiring and liabilities liquidation at the same time while owns the legal rights of settling the net amount.

The deferred income tax assets and liabilities of the Group should be listed as written-off net amount when having the legal rights of settling the current income tax assets and liabilities by net amount and the deferred income tax and liabilities is relevant to the income tax which be collected from the same taxpaying bodies by the same tax collection and administration department or is relevant to the different taxpaying bodies but during each period which there is significant reverse of the deferred income assets and liabilities in the future and among which the involved taxpaying bodies intend to settle the current income tax and liabilities by net amount or are at the same time acquire the asset as well as liquidate the liabilities.

29. Leasing

The leasing business of the Group is operating lease.

The rent paid by the Group as the Lessee in the operating lease is included in related asset costs or current profits and losses by the method of line over the lease term.

30. Change in significant accounting policies and accounting estimates

(1) Changes in significant accounting policies

Not Applicable.

(2) Significant changes in accounting estimates

Not Applicable.

31.early error correction

Not Applicable.

V. Taxation

1. Main taxes and tax rates

Tax category	Tax basis	Tax rate
Business tax	Housing prepayment; taxable income	5%
Land value-added tax	Land VAT or pre-requisitioned	Super rate progressive rate
City maintenance and construction tax	Transfer tax payable	5%
Education surcharge	Transfer tax payable	3%
Local education surcharge	Transfer tax payable	2%
Housing property tax	Rental income or original value of real estate	12% or 1.2%

2. Corporate income tax

Company	Tax rate
Parent company	25%
Chengde Nanjiang Real Estate Development Co., Ltd	25%
Runhua Rural Water (Tianjin) International Trade Co., Ltd.	25%
ChengDe NanJiang Investment Co., Ltd.	25%
ChengDe NanJiang Ecological Agriculture Co., Ltd.	25%
Hangzhou Dongfeng Stealth Technology Co., Ltd.	25%
NanJiang Asia Investment Co., Ltd.	16.5%
Chengde Morsh Technology Co., Ltd	25%
Chengde HuiJing property Co., Ltd	25%

NOTE: NanJiang Asia Investment Co., Ltd. is in special administrative region, and the applicable corporate income tax rate is 16.5%.

3. The company withhold individual income tax.

V. Notes to Major Items in Consolidated Financial Statement

With respect to the following data disclosed in the Financial Statements, unless otherwise stated, "the beginning of the year" refers to January 1, 2015; "the end of the year" refers to December 31, 2015; "this year" refers to the period between January 1, 2015 to December 31, 2015, and the "previous year" refers to the period between January 1, 2014 to December 31, 2014. The currency unit is RMB.

1. Monetary fund

Items	Closing Balance	Opening Balance
Cash on hand	70,613.10	33,252.06
Bank deposit	84,473,064.35	35,549,107.84
Other monetary fund	3,693,739.53	1,416,185.27
Total	88,237,416.98	36,998,545.17
Of which: the total amount deposited overseas	---	---

At the end of December 31, 2015, the company does not exist pledging, freezing and Monetary fund with recycling risk.

(1) Restricted monetary fund during the reporting period are shown below:

Item	Closing Balance	Opening Balance
guaranteed deposit for housing mortgages	3,693,739.53	1,416,185.27
deposit for notes payable	---	---
Total	3,693,739.53	1,416,185.27

NOTE: Compared to the Opening Balance, the Closing Balance of monetary fund increased by RMB 51,238,871.81, with the increased rate of 138.49%. The main reason for the increase was: the income of house pre-sale grew.

2. Accounts receivable

(1) Types of accounts receivable

Categories	Closing Balance				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount with bad debt provision separately accrued	2,320,047.40	92.86	2,320,047.40	100.00	---
Accounts receivable withdrawn bad debt provision by portfolio	178,497.35	7.14	22,383.82	12.54	156,113.53
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	---	---	---	---	---
Total	2,498,544.75	100.00	2,342,431.22	93.75	156,113.53

Continued:

Categories	Opening Balance				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount with bad debt provision separately accrued	---	---	---	---	---
Accounts receivable withdrawn bad debt provision by portfolio	2,876,727.75	100.00	154,051.09	5.36	2,722,676.66
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	---	---	---	---	---
Total	2,876,727.75	100.00	154,051.09	5.36	2,722,676.66

Notes for Category:

- a. Accounts receivable with significant single amount with bad debt provision separately accrued:

Accounts receivable (classified by units)	Closing balance			
	Accounts receivable	Bad debt provision	Proportion (%)	Reason
Beijing xiang e qing industry and trade co., LTD	2,320,047.40	2,320,047.40	100	Uncollectible
Total	2,320,047.40	2,320,047.40	---	---

b. In the groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

Aging	Closing balance		
	Accounts receivable	Bad debt provision	Withdrawal proportion (%)
Within 1 year	106,167.00	5,308.35	5
1 to 2 years	63,632.35	12,726.47	20
2 to 3 years	8,698.00	4,349.00	50
Total	178,497.35	22,383.82	12.54

c. Accounts receivable with insignificant single amount for which bad debt provision separately accrued are inapplicable.

(2) Accounts receivable withdraw, reversed or collected during the reporting period.

The withdrawal amount of the bad debt provision during the reporting period was of RMB 2,225,917.63; the amount of the reversed or collected part during the reporting period was of RMB 37,537.50.

(3) There was no write-off the accounts receivable during the reporting period.

(4) Top 5 of the closing balance of the accounts receivable collected according to the arrears party.

Name of units	Closing balance	Proportion of the total year end balance of the accounts receivable(%)	Closing balance of bad debt provision
Beijing xiang e qing industry and trade co., LTD	2,320,047.40	92.86	2,320,047.40
Chengde Great wall Group	12,611.00	0.5	3,277.30
Electricity Authority of Chengde county	65,886.35	2.64	14,106.52

Inner Mongolia A Jin Nai Ma culture development co., LTD	100,000.00	4	5,000.00
合计	2,498,544.75	100	2,342,431.22

(5) There was no account receivable which terminate the recognition owing to the transfer of the financial assets during the reporting period.

(6) There was no amount of the assets and liabilities formed by the transfer and the continues involvement of accounts receivable during the reporting period.

3.Prepayments

(1) The aging analysis of prepayments is as follows:

Aging	Closing Balance		Opening Balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	1,105,122.95	100	7,748,545.39	99.60
1-2 years	---	---	---	---
2-3 years	---	---	3,400.00	0.04
Over 3 years	---	---	28,200.00	0.36
Total	1,105,122.95	100	7,780,145.39	100

(2) There was no prepayment with an aging above 1 year as.

(3) Top 5 of the closing balance of the prepayment collected according to the prepayment target

Name of Units	Closing balance	Closing balance of bad debt provision	Aging	Reason
Hangzhou KangNuo Electromechanical Technology Co. Ltd.	5,490,100.00	5,490,100.00	Within 1 year	before the settlement period
science and Trade of Xiong County Co., Ltd.	759,994.98	759,994.98	Within 1 year	the credit period in transit
Qinhuangdao Shun Hao Trading Co., Ltd.	520,000.00	520,000.00	Within 1 year	the credit period in transit

Prepaid expenses-decoration cost	508,750.00	508,750.00	Within 1 year	before the settlement period
Surveying and Mapping Center of Chengde County	270,616.50	270,616.50	Within 1 year	before the settlement period
Total	7,549,461.48	7,549,461.48	---	---

NOTE:compared to the opening balance, the amount of prepayment decreased by RMB 6,675,022.44 at the end of 2015 , with the drop of 85.8%. The main reason for the decrease was the prepayment of goods has reduced for the period.

4. Other receivables

(1) Classification of other receivables

Type	Closing Balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables of individual account with significant amount and accrued for provision for bad debts	2,709,273.00	2.90	2,709,273.00	100.00	---
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	88,424,018.54	94.90	274,716.03	0.31	88,149,302.51
Other receivables of individual account with insignificant amount and accrued for provision for bad debts	2,046,957.70	2.20	2,046,957.70	100.00	---
Total	93,180,249.24	100.00	5,030,946.73	5.40	88,149,302.51

Continued:

Type	Opening Balance				
	Book balance		Provision for bad debts		Book value
	Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables of individual account with significant amount and accrued for provision for bad	2,709,273.00	17.08	2,709,273.00	100.00	---

Type	Opening Balance				Book value
	Book balance		Provision for bad debts		
	Amount	Proportion (%)	Amount	Proportion (%)	
debts					
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	11,220,393.72	70.76	212,101.28	1.89	11,008,292.44
Other receivables of individual account with insignificant amount and accrued for provision for bad debts	1,927,957.70	12.16	1,927,957.70	100.00	---
Total	15,857,624.42	100.00	4,849,331.98	30.58	11,008,292.44

a. Other receivables which single amount is significant and bad debts reserve is withdrawn at the end of the year

Name of Units	Closing Balance			Reasons for Accrual
	Other receivables	Provision for bad debts	Accruing proportion (%)	
Chengde county administration of non-tax revenue	1,500,000.00	1,500,000.00	100	Expected irrecoverable
Creditor's right from auctions	1,209,273.00	1,209,273.00	100	Expected irrecoverable
Total	2,709,273.00	2,709,273.00	100	

Other receivables which single amount is significant refer to receivables which the single amount is not less than RMB 1,000,000. After specific identification of those which single amount is significant, the receivables from Chengde county administration of non-tax revenue(RMB 1,500,000.00) and Creditor's right from auctions(RMB1,209,273.00) are identified irrecoverable and were made Provision for bad debts totally.

b. Other receivable with provisions of bad debts accrued by aging analysis method in the portfolio

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Accruing proportion (%)
Within 1 year	781,665.96	39,083.31	5.00
1 to 2 years	911,108.61	182,221.72	20.00

2 to 3 years	20,000.00	10,000.00	50.00
Over 3 years	43,411.00	43,411.00	100.00
Total	1,756,185.57	274,716.03	15.64

c. Other receivable with provisions of bad debts accrued by other method in the portfolio

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Accruing proportion (%)
The prepayment of oil company	98,836.28	---	---
The purchase payment of land of Chengde county land reserve center	86,025,400.00	---	---
Special fund of cement	90,421.00	---	---
Staff's loan	453,175.69	---	---
Total	86,667,832.97	---	---

d. Other receivables of individual account with insignificant amount and accrued for provision for bad debts at the end of the year

Accounts Receivable	Book Amount	Bad debt provision	Aging(year)	Accruing proportion(%)	Reasons for Accrual
Qizhong Yan	270,000.00	270,000.00	3-4	100.00	Expected irrecoverable
Ansheng Wang	141,005.79	141,005.79	2-3	100.00	Expected irrecoverable
Degang Bao	356,838.00	356,838.00	2-4	100.00	Expected irrecoverable
Chengquan Liu	300,000.00	300,000.00	2-3	100.00	Expected irrecoverable
Tianhong Li	217,424.66	217,424.66	3-4	100.00	Expected irrecoverable
Haihong Zhou	642,689.25	642,689.25	1-2	100.00	Expected irrecoverable
Guang Tong Company	119,000.00	119,000.00	2-3	100.00	Expected irrecoverable
Total	2,046,957.70	2,046,957.70	---	---	

(2) Provision for bad debts withdrawn and returned back (taken back) in this year

Provision for bad debts extract in this year is RMB 538,117.72; bad debts reserve returned back or taken back in this year is RMB 356,502.97.

(3) Classification of other receivables by nature

Fund nature	Book balance at the end of the year	Book balance at the beginning of the year
Earnest money	1,550,000.00	4,753,400.00
Employees deposit	3,883,802.72	4,091,754.69
Creditor's right from auctions	1,209,273.00	1,209,273.00
The purchase payment of land	86,025,400.00	3,678,200.00
To offset tariff	---	430,723.08
Others	511,773.52	1,694,273.65
Total	93,180,249.24	15,857,624.42

(4) The top five other accounts receivable

Debtors Ranking	Fund nature	Ending balance	Aging	Proportion in total year-end balance of other receivables (%)	Year-end balance of provision for bad debts
Customer I	Land acquisition	86,025,400.00	Within 1 year, 1-2 years	92.32	---
Customer II	bid fund use for land	1,500,000.00	1-2 years	1.61	1,500,000.00
Customer III	deposit	965,087.36	Within 1 year, 1-2 years	1.04	152,334.17
Customer I V	deposit	200,000.00	Within 1 year	0.21	10,000.00
Customer IV	others	98,836.28	Within 1 year	0.11	---
Total	---	88,789,323.64	---	95.29	1,662,334.17

NOTE: Compared to the opening balance, the closing balance of other receivables increased by RMB 77,322,624.82, with the increase rate of 487.61%. The purchase payment of land and increasing guarantee for project increased was the main reason.

5. Inventories

(1) Inventories Classification

Items	Closing Balance			Opening Balance		
	Book Balance	Provision	Net Book Balance	Book Balance	Provision	Net Book Balance
Raw Material	596,830.85	---	596,830.85	906,724.95	---	906,724.95
Cost of production	61,739.48	---	61,739.48	565,568.78	---	565,568.78
Finished goods	13,571,110.15	127,945.20	13,443,164.95	16,200,791.75	161,182.20	16,039,609.55
Circulation materials	18,498.40	---	18,498.40	18,498.40	---	18,498.40

Items	Closing Balance			Opening Balance		
Consumptive biological assets	130,431.42	5,795.58	124,635.84	2,827,887.88	669,082.19	2,158,805.69
Development costs	432,613,281.99	---	432,613,281.99	490,087,338.82	---	490,087,338.82
Product development	172,383,223.21	---	172,383,223.21	5,936,739.90	---	5,936,739.90
Total	619,375,115.50	133,740.78	619,241,374.72	516,543,550.48	830,264.39	515,713,286.09

(2) Provision for diminution in value of inventories

Category	Opening Balance	Increase during the current accounting period		Decrease during the current accounting period			Closing Balance
		Accrual	Other	Reversal	Written off	Other	
Finished goods	161,182.20	---	---	---	33,237.00	---	127,945.20
Consumptive biological assets	669,082.19	---	---	---	663,286.61	---	5,795.58
Total	830,264.39	---	---	---	696,523.61	---	133,740.78

Note: After a comprehensive check of inventories at end of the year, provision for obsolete stock would be extracted or adjusted depend on the less one between the cost and the net realizable. Provision for inventory was made by single item at the end of the year.

(3) Development Cost

Item	Time for commencement	Estimation of time for completion	Estimation of total investment amount	Closing Balance	Opening Balance
HuiJingTian Di	2013	2016	5.7billion	432,613,281.99	490,087,338.82
Total	---	---	---	432,613,281.99	490,087,338.82

(4) Product development

Item	Time for completion	Opening Balance	Increase during the current accounting period	Decrease during the current accounting period	Closing Balance
QianYuan	December 2012	5,936,739.90	---	68,986.02	5,867,753.88

Item	Time for completion	Opening Balance	Increase during the current accounting period	Decrease during the current accounting period	Closing Balance
Area					
HuiJingTianDi	August 2015	---	166,446,483.31	---	166,446,483.31
Total	---	5,936,739.90	166,446,483.31	68,986.02	172,314,237.19

(5) Consumptive biological assets

Item	Closing Balance	Opening Balance
Chick	7,854.00	421,413.94
Hybrid boar	---	1,348,806.41
Dual boar	---	949,176.52
Boer goat	122,577.42	108,491.01
Total	130,431.42	2,827,887.88

NOTE: Compared to the opening balance, the closing balance of inventories increased by RMB 103,528,088.63, with the increased rate of 20.07%.

6. Other Current Assets

Items	Closing Balance	Opening Balance
Provisional tax	33,761,457.51	24,131,851.80
Total	33,761,457.51	24,131,851.80

NOTE: Compared to the opening balance, the closing balance of inventories increased by RMB 9,629,605.71, with the increased rate of 39.9%. The provisional tax increased for the growth of the advance from HuiJing TianDi was the main reason.

7. Long-term equity investments

Invested Company	Accounting method	Investment at cost	Opening Balance	Increase, decrease in this period (decrease -)	Closing Balance
RunHua (TianJin) Water Saving Tech Co., Ltd.	Equity method	2,000,000.00	2,229,410.53	114,563.90	2,343,974.43
MinFeng (TianJin) Material Industry Chemical Trading Co., Ltd.	Equity method	4,410,000.00	4,455,549.93	---	4,455,549.93
Total	---	6,410,000.00	6,684,960.46	114,563.90	6,799,524.36
Invested Company	Stake ratio (%)	Voting right ratio (%)	Provision	Provision for impairment loss in this period	Cash Dividend in this period

Invested Company	Accounting method	Investment at cost	Opening Balance	Increase, decrease in this period (decrease -)	Closing
RunHua (TianJin) Water Saving Tech Co., Ltd.	31.75	31.75	---	---	---
MinFeng (TianJin) Material Industry Chemical Trading Co., Ltd.	49.00	49.00	---	4,455,549.93	---
Total	---	---	---	4,455,549.93	---

(1) On October 14 2011, RunHua (TianJin) Water Saving Tech Co., Ltd. was established and obtained the business licence, with the registered capital of RMB 6,300 thousand, including RunHua developing Co., Ltd. Contribute RMB 3000 thousand, accounting for 47.619% of the total share capital, subsidiary RunHua contribute RMB 2000 thousand, accounting for 31.746% of the total share capital, LangFang ChunYuan irrigating project Co., Ltd contribute RMB 1000 thousand, accounting for 15.873% of total share capital, HePing Zhang contribute RMB 300 thousand, accounting for 4.7619% of total share capital.

(2) On December 21 2012, MinFeng (TianJin) Material Industry Chemical Trading Co., Ltd. was established, with the registered capital of RMB 9000 thousand, including MinFeng (ShanXi) Material Industry Chemical Trading Co., Ltd contribute 459 thousand, accounting for 51% of the total share capital, subsidiary RunHua contribute RMB 4410 thousand, accounting for 49% of the total share capital.

8. Fixed assets

(1) Statement of Fixed Assets

Item	Buildings	Machinery equipment	Transportation vehicles	Other equipment	Total
I. Original carrying value					
1. Beginning balance	8,095,437.08	1,246,415.43	3,836,318.14	740,355.25	13,918,525.90
2. Increase in the year	---	64,400.00	887,371.42	186,639.71	1,138,411.13
(1) Purchasing	---	64,400.00	887,371.42	186,639.71	1,138,411.13
(2) Carried over from inventory/fixed assets/ intangible assets	---	---	---	---	---
(3) Other increases	---	---	---	---	---
(4) Increase of corporate combination	---	---	---	---	---
3. Decrease in the year	---	---	716,610.41	171,162.59	887,773.00

Item	Buildings	Machinery equipment	Transportation vehicles	Other equipment	Total
(1) Disposal	---	---	716,610.41	171,162.59	887,773.00
(2) Carried over to inventory/fixed assets/ intangible assets	---	---	---	---	---
(3) Other decreases	---	---	---	---	---
4. Ending balance	8,095,437.08	1,310,815.43	4,007,079.15	755,832.37	14,169,164.03
II. Accumulative depreciation and amortization					
1. Beginning balance	1,538,133.00	175,842.36	1,571,208.32	338,660.32	3,623,844.00
2. Increase in the year	307,626.60	1,005,288.46	506,566.82	227,528.51	2,047,010.39
(1) Withdrawing or amortization	307,626.60	1,005,288.46	506,566.82	227,528.51	2,047,010.39
(2) Carried over from inventory/fixed assets/ intangible assets	---	---	---	---	---
(3) Other increases	---	---	---	---	---
3. Decrease in the year	---	---	322,387.72	85,001.81	407,389.53
(1) Disposal	---	---	322,387.72	79,479.46	401,867.18
(2) Other transfer-out	---	---	---	---	---
(3) Other decreases	---	---	---	5,522.35	5,522.35
4. Ending balance	1,845,759.60	1,181,130.82	1,755,387.42	481,187.02	5,263,464.86
III. Provision for impairment					
1. Beginning balance	---	---	---	---	---
2. Increase in the year	---	---	---	---	---
(1) Withdrawing	---	---	---	---	---
(2) Carried over from inventory/fixed assets/ intangible assets	---	---	---	---	---
(3) Increase of corporate combination	---	---	---	---	---

Item	Buildings	Machinery equipment	Transportation vehicles	Other equipment	Total
3. Decrease in the year	---	---	---	---	---
(1) Disposal	---	---	---	---	---
(2) Carried over to inventory/fixed assets/ intangible assets	---	---	---	---	---
4. Ending balance	---	---	---	---	---
IV. Book value					
1. Ending book value	6,249,677.48	129,684.61	2,251,691.73	274,645.35	8,905,699.17
2. Beginning book value	6,557,304.08	1,070,573.07	2,265,109.82	401,694.93	10,294,681.90

(2) Fixed assets which has not completed the property right certificate at the end of the period

Item	Book value	The reason for not completing the property right certificate	The estimated time of obtaining property certificate
Houses and buildings	6,249,677.48	All assets are released of the mortgage, transfer procedures have not been completed yet	Can not expected
合计	6,249,677.48	---	---

NOTES: Houses and buildings were originally the collateral for a bank loan of the company's predecessor - ChengDe DiXian Textile Corporation and its subsidiary in bankruptcy. They were totally transferred to the company in bankruptcy reorganization of 2009. Although the intermediate people's court of Chengde City in Hebei Province, has issued a "people's court notice for assistance in execution" to Chengde County Housing and Urban Construction Bureau, The notice requested for assistance in execution to transfer the Chengde County No.000196 and No.000108 building to the company. Because many departments are involved, procedures relevant to the release of the collateral are still in process and cannot do the property transfer.

9. Productive Biological Assets

Item	Planting industry	Husbandry industry	Fishing industry	Total
I. Original carrying value				
1. Beginning balance	---	1,786,621.96	---	1,786,621.96
2. Increase in the year	---	1,146,405.24	---	1,146,405.24
(1) Purchasing	---	---	---	---
(2) cultivate	---	1,146,405.24	---	1,146,405.24

Item	Planting industry	Husbandry industry	Fishing industry	Total
3. Decrease in the year	---	2,743,363.59	---	2,743,363.59
1) Disposal or discard as useless	---	2,743,363.59	---	2,743,363.59
4. Ending balance	---	189,663.61	---	189,663.61
II. Accumulated depreciation				
1. Beginning balance	---	1,145,894.25	---	1,145,894.25
2. Increase in the year	---	662,332.37	---	662,332.37
(1) Withdrawing	---	662,332.37	---	662,332.37
3. Decrease in the year	---	1,767,072.77	---	1,767,072.77
(1) Disposal or discard as useless	---	1,767,072.77	---	1,767,072.77
4. Ending balance	---	41,153.85	---	41,153.85
III. Provision for impairment				
1. Beginning balance	---	---	---	---
2. Increase in the year	---	---	---	---
3. Decrease in the year	---	---	---	---
4. Ending balance	---	---	---	---
IV. Book value				
1. Ending book value	---	148,509.76	---	148,509.76
2. Beginning book value	---	640,727.71	---	640,727.71

10. Intangible assets

(1) Details of intangible assets

Item	Land use rights	Software	other	Total
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I. Original carrying value				
1. Beginning balance	13,238,578.04	228,000.00	---	13,466,578.04
2. Increase in the year	968,608.96	---	---	968,608.96
(1) Purchasing	968,608.96	---	---	968,608.96
(2) Increase of corporate combination	---	---	---	---
(3) Other increases	---	---	---	---
3. Decrease in the year	7,164,395.99	---	---	7,164,395.99
(1) Disposal	7,164,395.99	---	---	7,164,395.99
(2) Decrease of corporate combination	---	---	---	---
(3) Other decreases	---	---	---	---
4. Ending balance	7,042,791.01	228,000.00	---	7,270,791.01
II. Accumulated amortization				
1. Beginning balance	1,375,465.07	188,600.00	---	1,564,065.07
2. Increase in the year	202,790.98	39,400.00	---	242,190.98
(1) Withdrawing	202,790.98	39,400.00	---	242,190.98
(2) Increase of corporate combination	---	---	---	---
(3) Other increases	---	---	---	---
3. Decrease in the year	927,975.61	---	---	927,975.61
(1) Disposal	927,975.61	---	---	927,975.61
(2) Decrease of corporate combination	---	---	---	---
(3) Other decreases	---	---	---	---

4. Ending balance	650,280.44	228,000.00	---	878,280.44
III. Provision for impairment				
1. Beginning balance	---	---	---	---
2. Increase in the year	---	---	---	---
(1) Withdrawing	---	---	---	---
(2) Other increases	---	---	---	---
3. Decrease in the year	---	---	---	---
(1) Disposal	---	---	---	---
(2) Other decreases	---	---	---	---
4. Ending balance	---	---	---	---
IV. Book value				
1. Ending book value	6,392,510.57	---	---	6,392,510.57
2. Beginning book value	11,863,112.97	39,400.00	---	11,902,512.97

NOTE: Compared to the opening balance, the closing balance of Intangible assets decreased by RMB 5,510,002.40, with the decrease rate of 46.29%. The main reason for the increase was some land had been taken back by Chengde County land reserve center.

11. Development expenditure

Item	Beginning balance	Increase in the year		Decrease in the year		Ending balance
		Development expenditure inside	Other	Included in the current profits and losses	fix as intangible assets	
The airship project	---	172,416.18	---	---	---	172,416.18
Total	---	172,416.18	---	---	---	172,416.18

12. Goodwill

(1) Original value of goodwill

The company be invested or the events formed	Beginning balance	Increase in the year		Decrease in the year		Ending balance
		Fromed of corporate	Other	Disposal	Other	

goodwill		combination				
RunHua	1,809,762.89	---	---	---	---	1,809,762.89
Total	1,809,762.89	---	---	---	---	1,809,762.89

(2) Provision for goodwill

Invested company	Beginning balance	Increase of this year		Decrease of this year		Ending balance
		Withdrawing	Others	Disposal	Others	
RunHua	---	1,809,762.89	---	---	---	1,809,762.89
合计	---	1,809,762.89	---	---	---	1,809,762.89

NOTE: Runhua was under deficit in the year 2014,2015,and failed to meet the performance objectives.Goodwill impairment has already happened.

13. Long Term Deferred Expenses

Items	Opening Balance	Increase in this period	Amortization amount in this period	Other decrease in this period	Closing Balance
Office's Decoration fee	388,069.20	---	185,715.23	---	202,353.97
Factory Decoration fee	8,199,957.96	---	8,199,957.96	---	---
Total	8,588,027.16	---	8,385,673.19	---	202,353.97

14. Deferred income tax assets and deferred income tax liabilities

(1) Non-offset deferred income tax assets

Item	Ending balance		Beginning balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for assets impairment	775,645.41	3,102,581.64	834,223.19	3,336,892.76
Total	775,645.41	3,102,581.64	834,223.19	3,336,892.76

(2) Unconfirmed details of deferred income tax assets

Item	Ending balance	Beginning balance
Deductible temporary difference	2,369,994.88	1,588,068.88
Deductible losses	79,895,176.78	105,931,221.32
Total	82,265,171.66	107,519,290.20

Whether sufficient taxable income in the future can be obtained is uncertain, so there is no deductible temporary difference and deductible losses deferred income tax assets which can be recognized as

deferred income tax assets in this period.

(3) Unrecognized deductible losses of deferred income tax assets will be expired at the end of following years

Year	Amount at the end of the year	Amount at the beginning of the year	Remarks
2015	---	1,707,747.80	---
2016	---	---	---
2017	12,891,377.63	22,943,240.64	---
2018	---	---	---
2019	30,576,125.82	81,280,232.88	---
2020	34,719,925.53	---	---
Total	79,895,176.78	105,931,221.32	---

15. Other non-current assets

Items	Closing Balance	Opening Balance
Advance payment of housing	5,201,365.53	5,201,365.53
Total	5,201,365.53	5,201,365.53

NOTE:the balance of other non-current assets were the advance payment of housing from Runhua.

16. Provision for assets impairment

Items	Opening Balance	Increase in this period	Decrease in this period		Closing Balance
			Reversal	Written off	
Bad debt provision	5,003,383.07	2,764,035.35	394,040.47	---	7,373,377.95
Provision for obsolete stock	830,264.39	---	696,523.61	---	133,740.78
Impairment provision for goodwill	1,809,762.89	---	---	---	1,809,762.89
Total	7,643,410.35	2,764,035.35	1,090,564.08	---	9,316,881.62

17. Accounts payable

(1) Accounts payable

Item	Ending balance	Beginning balance
Payment of construction	22,867.00	318,150.00
Payment of raw material	25,947,762.55	4,613,124.04
Payment of goods	8,813,034.75	5,494,646.37
Payments of equipments	80,000.00	---
Others	149,570.00	---

Total	35,013,234.30	10,425,920.41
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(2) Significant accounts payable aging over one year

Company Name	Closing Balance	Reason for unseattle
HanYi(Handan) Construction Co., Ltd.	2,400,000.00	before settlement period
XingCheng(Chengde) Construction Co., Ltd.	146,058.39	before settlement period
LiCheng(Chengde) Construction Co., Ltd.	44,129.43	before settlement period
Hebei Fire Products and Quality Experience Station	37,170.00	before settlement period
Chao Xiang(Chengde)Water Conservancy Construction Team	22,867.00	before settlement period
Long Teng(Chengde) Concrete Barrier Construction Co., Ltd.	14,562.65	before settlement period
Total	2,664,787.47	---

NOTE:Compared to the opening balance, the closing balance increased by RMB 24,587,313.89, with the increase rate of 235.83%, the main reason for the increase was that the projects payable and goods payable are still before the settlement date .

18. Advance from customers

(1) List of advance from customers by aging:

Aging	Closing Balance	Opening Balance
Within 1 year	435,991,938.57	290,954,152.81
Total	435,991,938.57	290,954,152.81

(2) List of advance from customers by item:

Item	Opening Balance	Closing Balance	Completion time estimated	Propotion of pre-sale (%)
House' receivable in advance-Project Of HuiJing TianDi	430,730,271.19	277,140,032.59	December 2016	54.70
Goods' receivable in advance	3,955,757.50	12,929,706.15	---	---
Heating fee receivable in advance	1,113,841.30	---	---	---
Others	192,068.58	884,414.07	---	---
Total	435,991,938.57	290,954,152.81	---	---

(3) There is no receivable in advance from the company where shareholders with more than 5% (including 5%) voting share belong to at the end of year.

(4) There is no receivable in advance from any related parties.

(5) Other notes:

Advance from customers increased by RMB 145,037,785.76,comparing the beginning balance, with a rise of 49.85%.Receivable from HuiJingTianDi's house pre-sale increased was the main reason.

19. Payroll payable

(1) List of Payroll payable:

Item	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
The short-term salary	126,700.56	4,165,645.67	4,288,609.11	3,737.12
Post-employment benefit-defined contribution	9,393.00	918,749.69	921,950.39	6,192.30
Termination benefits	6,097,486.60	---	6,097,486.60	---
Total	6,233,580.16	5,084,395.36	11,308,046.10	9,929.42

NOTE: Termination benefits RMB 6,097,486.60 was the resettlement fee paid for staffs by subsidiary company XingYe Paper .

(2) List of the short-term salary:

Item	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
1.Wage, bonus, allowance and subsidy	105,516.34	3,234,954.58	3,340,470.92	---
2.Employee welfare	---	318,612.60	318,612.60	---
3.Social insurance charges	20,556.00	289,514.29	306,961.39	3,108.90
Including: a. Essential medical insurance charges	20,180.70	210,540.87	227,860.07	2,861.50
b.Supplement medical insurance charges	---	---	---	---
c. Work related injury	---	59,050.77	59,050.77	---
d. Maternity insurance	375.30	19,922.65	20,050.55	247.40
4.Housing fund	---	314,161.56	314,161.56	---
5.Trade union and educational fees	628.22	8,402.64	8,402.64	628.22
6.Short-term accumulation of absence with pay	---	---	---	---
7.Short-term profit sharing plan	---	---	---	---
8.Other	---	---	---	---
Total	126,700.56	4,165,645.67	4,288,609.11	3,737.12

(3) List of Defined Contribution Plan(DCP):

Item	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
Essential endowment insurance	8,624.60	856,770.68	859,709.58	5,685.70
Unemployment insurance	768.40	61,979.01	62,240.81	506.60
Total	9,393.00	918,749.69	921,950.39	6,192.30

20. Tax payable

Items	Closing Balance	Opening Balance
VAT	971.36	1,923.47
Business tax	3,663.76	94,797.17
Urban construction tax	231.26	6,027.43
Land VAT	---	---
Corporate income tax	---	3,953,440.14
Land use tax	---	2,993,193.91
Individual taxable income	10,315.24	1,433.95
Education surcharge	137.96	3,006.46
Stamp tax	5,930.73	68,843.33
Local education surcharge	93.30	2,004.31
Housing property tax	---	2,897,994.17
River defense fare	---	508.33
Total	21,343.61	10,023,172.67

NOTE: Total tax payable decrease by RMB 10,001,829.06 at the end of the year ,comparing with the amount in the beginning, with a drop of 99.79%, for the reason that XingYe Paper has make the process of liquidation and nullification .

21. Other accounts payable

(1) Other accounts payable listed by nature of the account

Categories	Closing Balance	Opening Balance
Deposit and margin	1,276,413.11	13,859,648.05
Loan	---	---
The intermediary expenses	---	370,000.00
Intercourse funds	10,020,000.00	341,650.42
Withholding and remitting tax	19,480.82	21,518.37
Others	1,430,207.77	32,011.33
Total	12,746,101.70	14,624,828.17

(2) There is no accounts payable from the company where shareholders with more than 5% (including 5%) voting share belong to at the end of the reporting period.

(3)There is no important accounts payable with an aging of over 1 year at the end of the reporting period.

(4) Other accounts payable in significant amount:

Item	Amount	Nature or content
Chengjin Liu	10,000,000.00	Current account
Cheng Jin (ChengDe) Trading Co., Ltd.	500,000.00	Deposit of lease
Ling Rui(ChengDe) Accounting service Co., Ltd.	450,000.00	Taxation consultancy fees
Total	10,950,000.00	---

22.Share capital

Items	Opening Balance	Increase (+) and decrease (-) in this period					Closing Balance
		Issue new shares	Share bonus	Reserves transfer to shares	Other	Sub-total	
1 limited shares							
(1)shares held by government	---	---	---	---	---	---	---
(2)shares held by State-own Legal-person	---	---	---	---	---	---	---
(3)shares held by other domestic capital	---	---	---	---	---	---	---
Including: shares held by Legal person	23,147,309.00	---	---	---	---	---	23,147,309.00
Shares held by natural person	221,652,691.00	---	---	---	---	---	221,652,691.00
(4)shares held by foreign capital	---	---	---	---	---	---	---
Including: shares held by foreign Legal person	---	---	---	---	---	---	---
shares held by foreign nature person	---	---	---	---	---	---	---
(5) Other	---	---	---	---	---	---	---
Sub-total for limited shares	244,800,000.00	---	---	---	---	---	244,800,000.00
2. Unlimited shares							
(1) Ordinary shares in RMB	---	---	---	---	---	---	---
(2) Domestic listed foreign shares	461,520,000.00	---	---	---	---	---	461,520,000.00
(3) Foreign listed foreign shares	---	---	---	---	---	---	---
(4) Other	---	---	---	---	---	---	---
Sub-total for unlimited shares	461,520,000.00	---	---	---	---	---	461,520,000.00

Items	Opening Balance	Increase (+) and decrease (-) in this period					Closing Balance
		Issue new shares	Share bonus	Reserves transfer to shares	Other	Sub-total	
Total	706,320,000.00	---	---	---	---	---	706,320,000.00

23. Capital reserves

Items	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
1. Capital premium (share capital premium)	---	---	---	---
(1) Capital from investors	390,597,169.41	3,401,400.00	---	393,998,569.41
(2) Effect of business combination under the common control	---	---	---	---
Sub-total	390,597,169.41	3,401,400.00	---	393,998,569.41
2. Other capital reserve*	65,873,219.23	---	---	65,873,219.23
Total	456,470,388.64	3,401,400.00	---	459,871,788.64

NOTE: The amount increased in this period was RMB3,401,400.00, came from the Performance bonuses for big shareholder.

24. Surplus reserves

Items	Opening Balance	Increase in this period	Decrease in this period	Closing Balance
Statutory surplus reserves	76,791,550.17	---	---	76,791,550.17
Total	76,791,550.17	---	---	76,791,550.17

25. Retained profits

Items	Closing Balance	Withdrawal or allocation proportion
Opening balance of retained profits before adjustments	-949,599,922.37	---
Total opening balance of retained profits before adjustments (increase+, decrease -)	---	---
Opening balance of retained profits after adjustments	-949,599,922.37	---
Add: Net profit attributable to owners of the Company	58,872,707.12	---
Less: Withdrawal of statutory surplus reserves	---	---
Withdrawal of discretionary surplus reserves	---	---
Dividend of common stock payable	---	---
Dividend of common stock transfer into share capital	---	---
Add: Other transfer	---	---
Less: surplus reserves for recovery of loss	---	---
Closing Balance	-890,727,215.25	---

26. Revenues and operating costs

(1) Classification of Revenues and operating costs

Items	This period	Last Period
Business income	141,221,936.00	322,502,631.63
Principal business income	139,960,362.91	321,397,845.14
Other business income	1,261,573.09	1,104,786.49
Business cost	132,726,960.01	325,795,009.31
Principal business cost	131,825,386.92	324,806,821.49
Other business cost	901,573.09	988,187.82

(2) Principal business income and cost (by industry)

Industry	This period		Last Period	
	Income	Cost	Income	Cost
Agriculture	3,689,064.91	5,747,403.41	5,642,269.36	7,487,431.46
Commerce	99,654,943.04	98,793,309.48	312,436,023.98	315,629,299.95
Real Estate industry	36,501,825.04	27,216,297.96	3,319,551.80	1,690,090.08
Tourism and restaurant	114,529.92	68,376.07	---	---
Total	139,960,362.91	131,825,386.92	321,397,845.14	324,806,821.49

(3) Principal business income and cost (by products)

Product	This period		Last Period	
	Income	Cost	Income	Cost
Agriculture product	3,689,064.91	5,747,403.41	5,642,269.36	7,487,431.46
Chemical Material	97,624,160.58	97,500,069.15	312,436,023.98	315,629,299.95
Heating and Property management	2,030,782.46	1,293,240.33	---	---
Robots and robot vision system	114,529.92	68,376.07	---	---
Real Estate	36,501,825.04	27,216,297.96	3,319,551.80	1,690,090.08
Including: QianYuan Aera	90,000.00	68,986.02	3,319,551.80	1,690,090.08
Hui Jing Tian Di	36,411,825.04	27,147,311.94	---	---
Total	139,960,362.91	131,825,386.92	321,397,845.14	324,806,821.49

(4) Principal business income and cost (by district)

District	This period		Last Period	
	Income	Cost	Income	Cost
Chengde District	42,221,672.41	34,256,941.70	8,961,821.16	9,177,521.54
Tianjin District	97,624,160.58	97,500,069.15	312,436,023.98	315,629,299.95
Zhejiang District	114,529.92	68,376.07	---	---
Total	139,960,362.91	131,825,386.92	321,397,845.14	324,806,821.49

(5) The operating income from the top five customers

Customer name	Principal business income	Proportion of company's total business income(%)
BoLv (BeiJing) Tech Co., Ltd.	13,000,940.17	9.29
RunGuan (ZiBo) chemical industry sale Co.Ltd	8,431,330.11	6.02
XuXin trading (ShangHai) Co., Ltd.	7,199,414.50	5.14
WeiNaKang (AnHui) Co., Ltd.	6,295,972.23	4.50
Hua Su (Shan Xi) plastic packaging trading Co., Ltd.	5,103,038.46	3.65
Total	40,030,695.47	28.60

27. Business tax and surcharges

Items	This Period	Last Period	Tax rate
Business tax	2,205,002.33	549,375.17	5%
Urban maintenance and construction tax	110,718.39	26,857.53	5%
Education surcharge	66,250.23	16,226.65	3%
Local education surcharge	44,168.18	11,817.73	2%
Land VAT	773,431.93	3,959.57	Super rate progressive rate
Others	482,899.08	139.38	---
Total	3,682,470.14	608,376.03	---

NOTE: Compared to the opening balance, the closing balance of business tax and surcharges increased by RMB 3,074,094.11, with a rise of 505.30% .The main reason for the increase was from the house sales of HuiJing Tiandi.

28. Sales expenses, Administrative expenses and financial expenses

(1) Sales expenses

Item	This Period	Last Period
Printing expense	1,800.00	16,388.00
Repair expense	10,809.02	37,985.06
Warehouse expense	31,673.06	16,027.89
Wages	179,766.00	333,297.73
Advertise expense	104,790.00	141,992.00
Harbor expense	693,698.50	153,068.85
Manufacturing expense for unfolded plank	---	127,191.00
Contract fee	268,860.30	569,080.62
Transportation expense	1,048,992.17	2,098,042.30
Depreciation/ Amortization	3,580.88	437,332.06
Material consumption	20,800.00	88,314.00
Product packing	19,134.01	90,748.83
Others	27,935.94	189,761.73
Total	2,411,839.88	4,299,230.07

(2) Administrative expenses

Item	This Period	Last Period
Wages	5,887,235.45	5,157,622.44
Intermediary fees	2,359,318.07	1,157,509.29
Land use tax	993,320.75	2,866,606.56
Business entertainment	1,854,692.89	1,673,528.24
Accumulated amortization	10,181,276.35	1,812,529.94
Travel expense	1,585,708.09	1,292,323.42
Welfare	2,339,685.61	950,060.65
Office expense	914,658.13	629,720.11
Insurance	720,528.82	895,186.95
Stamp tax	117,074.73	515,735.21
Transportation	325,913.19	342,033.01
Low-valued consumption goods	43,284.00	103,321.43

Item	This Period	Last Period
Housing provident fund	239,677.56	201,245.00
Long-term deferred expenses	185,715.23	138,644.68
Repair charge	281,839.19	382,736.95
Material consumption	407,446.75	378,471.90
Educational fund	240.00	692,090.36
Rental fees	293,460.40	311,998.78
Insurance expenses	409,398.55	305,353.89
Others	1,556,579.86	1,744,036.87
Total	30,697,053.62	21,550,755.68

(3) Financial expenses

Item	This Period	Last Period
Interest expense	541,657.65	1,855,248.49
Less: interest income	562,040.16	354,411.83
Exchange gain or loss	---	126,499.41
Bank charges	53,472.42	188,687.11
Total	33,089.91	1,816,023.18

NOTE: The financial expenses in this period decreased by RMB 1,782,933.27, with the reduction rate of 98.18%, for the reason of the reduction from the interest expense within the past period .

29. Asset impairment loss

Item	This Period	Last Period
Provision for bad debt	2,648,362.86	1,588,068.88
Provision for long-term equity investment	4,455,549.93	---
Provision for inventory	-696,523.61	830,264.39
Provision for goodwill	---	1,809,762.89
Total	6,407,389.18	4,228,096.16

NOTE: The asset impairment loss increased by RMB 2,179,293.02, with a rise of 51.54%,for the reason that the provision for long-term equity increased in this period.

30. Investment income

Item	This Period	Last Period
1.Financial assets	---	---
Investment income from bank financial products in this period	---	171,000.00

Item	This Period	Last Period
2.Long-term equity	---	---
Long-term equity (investment income accounted by equity)	114,563.90	58,054.97
3.Investment income arising from disposal of long-term equity investments	11,309,875.93	---
Total	11,424,439.83	229,054.97

31. Non-operating gains

Item	This Period	Last Period	Recorded in the amount of the non-recurring gains and losses this period
Disposal of non-current assets	104,022,338.58	113,807,781.40	104,022,338.58
Profit from disposal of fixed assets	---	730.00	---
Profit from disposal of intangible assets	103,610,779.62	113,647,960.69	103,610,779.62
Profit from disposal of biological assets	411,558.96	159,090.71	411,558.96
Government subsidies	2,720.00	---	2,720.00
Other	197,192.94	3,892,791.31	197,192.94
Total	104,222,251.52	117,700,572.71	104,222,251.52

(1) Government subsidies recorded into current profits and losses

Items	This period	Last period	Relevant to assets/income
Financial subsidy	2,720.00	---	Related to the income
Total	2,720.00	---	---

NOTE:Chengde County land reserve center reserved Cheng County (2013) No.22 Land of company according to "land reserve management approach" issued by the Ministry of land and resources and the Chengde County Government. The net revenue of transfer in this period was RMB 103,610,779.62.

32. Non-operating expenses

Item	This period	Last period	Recorded in the amount of the non-recurring gains and losses in this period
Disposal of non-current assets	776,688.73	989,275.20	776,688.73
Including: Disposal of fixed assets	263,014.00	---	263,014.00
Disposal of intangible assets	---	787,348.56	---

Item	This period	Last period	Recorded in the amount of the non-recurring gains and losses in this period
Disposal of biological assets	513,674.73	201,926.64	513,674.73
Loss on debt restructuring	---	---	---
Loss on exchange of non-monetary assets	---	---	---
Donations contributed	2,020,000.00	1,500,000.00	2,020,000.00
Including: Public welfare donations contributed	2,020,000.00	1,500,000.00	2,020,000.00
Compensation and Tax penalty	3,310,100.39	3,469,375.11	3,310,100.39
Inventory loss of fixed assets	---	---	---
Other	72,426.06	1,989,035.07	72,426.06
Total	6,179,215.18	7,947,685.38	6,179,215.18

NOTE: Non-operating expense decreased by RMB1,768,470.20, with a drop of 22.25% in this period.

33. Income tax expense

(1) Lists of income tax expense

Item	This Period	Last Period
Current income tax calculated based on tax law and relevant rules	22,302,358.29	951,857.73
Deferred income tax adjustment	58,577.78	---
Total	22,360,936.07	951,857.73

(2) Adjustment process of accounting profit and income tax expense

Item	This period
Total profits	81,834,973.52
Current income tax expense accounted by tax and relevant regulations	23,311,916.06
Influence of different tax rate suitable to subsidiary	---
Influence of income tax adjustment for the internal transaction	---
Impact from tax preferential rate in certain subsidiaries	---
Influence of income tax before adjustment	58,577.78
Influence of non taxable income	---

Influence of not deductible costs, expenses and losses	---
Influence of deductible losses of deferred income tax assets derecognized used in previous period	-1,009,557.77
Influence of deductible temporary difference or deductible losses of deferred income tax assets derecognized in reporting period.	---
Income tax expense	22,360,936.07

NOTE: Income tax expense increase by RMB 21,409,078.34, with the growth of 2249.19%. It brought by the income from land reserve in this period.

34. Supplementary information to cash flow statement

(1) Other cash receive relevant from operating activities

Item	This Period	Last Period
Interest income	562,040.16	354,411.83
Current accounts received	40,681,464.92	27,346,389.08
Subsidy income	2,720.00	---
Other	1,992,784.55	3,892,791.31
Total	43,239,009.63	31,593,592.22

(2) Other cash paid relevant to operating activities

Item	This Period	Last Period
Expenditure	16,080,175.32	11,849,634.17
Donation expense	2,020,000.00	1,500,000.00
Intercourse funds	51,364,514.05	57,686,317.22
Penalty and late fee	3,310,100.39	3,469,375.11
Other expense	2,101,932.32	1,989,035.07
Total	74,876,722.08	76,494,361.57

(3) Other cash receive relevant from investment activities

Item	This Period	Last Period
Restricted cash at bank and in hand	---	10,029,217.89
Total	---	10,029,217.89

(4) Other cash paid relevant to investment activities

Item	This Period	Last Period
------	-------------	-------------

Item	This Period	Last Period
Restricted cash at bank and in hand	2,277,554.26	---
Total	2,277,554.26	---

(5) Supplemental information for statement of cash flow:

Supplemental information	This Period	Last Period
1. Adjustments to reconcile net profit to net cash provided by operating activities:		
Net profit	52,369,673.36	73,235,225.77
Add: impairment provision for assets	6,407,389.18	4,228,096.16
Depreciation of fixed assets, consumption & depreciation of fuel and gas, depreciation of productive biological assets	936,747.64	2,528,200.02
Amortization for intangible assets	242,190.98	578,052.57
Amortization for long-term prepayment	8,385,673.19	2,280,843.52
Loss on disposal of fixed assets, intangible assets and other long-term assets	-102,834,090.89	-112,818,506.20
Loss upon rejection of fixed assets	---	---
Loss on variance of fair value	---	---
Finance cost	-281,429.89	1,855,248.49
Loss in investment	-11,424,439.83	-229,054.97
Decrease of deferred tax assets	58,577.78	---
Increase of deferred tax liability	---	---
Decrease of inventories	-102,831,565.02	-325,973,586.16
Decrease of operating receivable account items	17,262,437.97	31,682,338.60
Increase of operating payable account items	151,520,893.38	188,303,218.12
Other	---	---
Net cash flow from operating activities	19,812,057.85	-134,329,924.08
2 Significant investing and financing activities for non-cash items		
Liabilities capitalized	---	---
Convertible bonds payable mature in one year	---	---
Financing leased fixed assets	---	---
3. Net increase (decrease) for cash and cash equivalents		
Closing balance for cash	84,543,677.45	35,582,359.90

Supplemental information	This Period	Last Period
Less: opening balance for cash	35,582,359.90	77,981,488.06
Add: closing balance for cash equivalent	---	---
less: opening balance for cash equivalent	---	---
Net increase (decrease) for cash and cash equivalents	48,961,317.55	-42,399,128.16

(6) Cash and cash equivalent

Item	This Period	Last Period
1 Cash	84,543,677.45	35,582,359.90
Including: Cash in hand	70,613.10	33,252.06
Cash at bank	84,473,064.35	35,549,107.84
Other cash and cash equivalents	---	---
2 Cash equivalent	---	---
Including: Bond matured within three months	---	---
3 Closing balance for cash and cash equivalents	84,543,677.45	35,582,359.90

35. Restricted the right of use of assets

Item	Closing balance	Reason
Cash at bank and in hand	3,693,739.53	Housing mortgage deposit
Total	3,693,739.53	

VI. Consolidation scope change

1. Set up a subsidiary through the investment in this period

Name of subsidiary	Invest method	The date to set up	Shareholding ratio(%)	Net assets at the end of the period	Net profit at the end of the period
Hangzhou Dongfeng	newly established	October 13 2015	100	49,998,200.00	-1,800.00
Total	---	---	---	49,998,200.00	-1,800.00

Hangzhou Dong Feng was established in October 13, 2015, with a registered capital of RMB 100 million and a paid-in capital of RMB 50 million .

2. The subsidiary which is no longer included in the consolidated scope in this period is as follows:

Name of subsidiary	Reason for transfer	The date to set up	Shareholding ratio(%)	Net assets on the date of disposal	Net profit from the beginning to the date of
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					disposal
Xing Ye Paper	Liquidation cancellation	December 8 2015	100%	-15,918,001.58	0
Total	---	---	---	-15,918,001.58	0

On October 26 2001, Chengde XingYe Paper Limited company was established by the company together with (Hong Kong) Zhanxi International Group Co., Ltd. the registered capital of Chengde XingYe Paper Limited company was 250 million U.S. dollars, the paid-in capital was \$100,000,000.00, Shareholders' contribution accounted for 40% of the registered capital, and in which the company invested 75,000,000.00 dollar (accounting for 75%), (Hong Kong)Zhanxi invested 25,000,000.00 dollar (proportion 25%).On October 28, 2002, according to the regulation of “ reply to investment increase of joint ventures of Chengde XingYe Paper Limited company” approved by the people's Republic of China Ministry of foreign trade and Economic Cooperation (the former of the Ministry of Commerce) with the issuance of No.[2001]969, the registered capital was increased to \$ 250 million from \$ 10,000 million, The new registered capital had been paid by the two sides in accordance with the contract, articles of agreement within three years from the date of the business license renewal. The registered capital of Chengde XingYe Paper Limited Company was not paid fully within the prescribed period. Chengde XingYe Paper Limited company had been shut down completely suffered from December 2006 serious loss since the original largest shareholder Wang Shuxian and senior executives involved in smuggling effect, On December 8, 2008, Hebei province Chengde City Intermediate People's Court issued the No (2008)13 Chengde Civil Award and confirmed the bankruptcy liquidation of the application of Chengde XingYe Paper Limited company. On March 11, 2009, Hebei province Chengde City Intermediate People's Court approved the settlement request of Chengde XingYe Paper Limited Company according to the Civil Award with No. (2008)13. On May 10, 2009, Hebei province Chengde City Intermediate People's Court confirmed the settlement agreement reached on May 8, 2009 between Chengde XingYe Paper Limited Company and the creditors and terminated the reconciliation procedure. On April 23, 2009, the Hebei Provincial Higher People's Court issued No.(2009) 44 Hebei ”criminal Award” and confirmed that Chengde XingYe Paper Limited company was a false foreign investment enterprise which was registered in the name of the Hong Kong ZhanXi by the company's original shareholders of Wang Shuxian. In October 2012, the company received civil conciliation No.[2011]76 from ChengDe Intermediate People's court. The civil conciliation confirmed the dispute settlement between the company and ShuXian Wang: ShuXian Wang was responsible for coordinating minority of ChengDe XingYe Paper Co., Ltd to abandon their equity, assisting the company to complete the liquidation and cancellation of XingYe. After the above works were done, the company agreed to transfer 20% equity of Suning Banhe Chemical Fiber Facsimile Fabric Co., Ltd, land of industrial park (34.03 acre), factory (25596.87 square meter) and land of No.131 (44.4 acre) to ShuXian Wang. On December 8,2015, XingYe Paper made Liquidation cancellation.

VI. Rights and interests in other parties

1. Rights and interests in subsidiary

(1) Organization of enterprise group

Name of subsidiary	Main businesses	Registered address	Business nature	hareholding ratio (%)		Acquisition method
				Directly	Indirectly	
Chengde Nanjiang Real Estate Development Co.,Ltd. *1	Real Estate Development	ChengDe County, HeBei Province	Real Estate Development; textile, clothes manufacture, import & export of clothes, leasing service	100	---	Corporate consolidation under the same control
ChengDe NanJiang Investment Co., Ltd. *2	Investment	ChengDe County, HeBei Province	Investment of new energy, new material, mining industry, modern agriculture project, Real Estate, construction project; investment management, investment consultancy, trade of import and export	100	---	set up
ChengDe NanJiang Ecological Agriculture Co., Ltd. *3	Ecological Agriculture Planting and Breeding	ChengDe County, HeBei Province	Production of coarse cereals and edible fungus; Planting of fruit, vegetable and Chinese medical herbs	---	100	set up
Hangzhou Dongfeng Stealth Technology Co., Ltd. *4	Stealth Technology	ChengDe County, HeBei Province	Production and marketing of high-grade coated paper and kraft liner board paper series	90	---	set up
NanJiang Asia Investment Co., Ltd. *5	Trading	HongKong,China	International investment and trading	100	---	set up

Chengde Morsh Technology Co., Ltd. *6	Energy Research and Development	ChengDe County, HeBei Province	Research, development, sales, technical marketing and technical services of grapheme and its application materials	---	90	set up
Chengde HuiJing property Co., Ltd. *7	Property management service	ChengDe County, HeBei Province	Property management service	---	100	set up
Runhua Rural Water (Tianjin) International Trade Co., Ltd*8	International trading	TianJing	International trading of plastic material	30	---	Corporate consolidation not under the same control

*1. On February 20 2009, Chengde Rongyida Real Estate Development Co., Ltd was established with registered capital of RMB 10,000,000.00 (Fei Wang contributed RMB 9,000,000.00, accounted for 90% of the total equity; LiPing Chen contributed RMB 1,000,000.00, accounted for 10% of the total equity). On July 27 2009, Fei Wang and LiPing Chen transfer 90% of Rongyida's and 10% of RongYiDa's equity to former largest shareholder Rong Chen at the price of RMB 9,000,000.00 and RMB 1,000,000.00 respectively. At the same day, Rong Chen transfer 100% of RongYiDa's equity to the company at the price of RMB 1.00. After the transfer, the company held 100% of RongYiDa's equity.

On April 3, 2014, Chengde Rongyida Real Estate Development Co., Ltd was renamed Chengde Nanjiang Real Estate Development Co.,Ltd.

*2. On October 9 2012, ChengDe NanJiang Investment Co., Ltd. was established and invested by Chengde Rongyida Real Estate Development Co., Ltd. The registered capital was RMB 50,000,000.00 and RongYiDa accounted for 100% of NanJiang Investment's equity. On December 21 2012, RongYiDa transfer 100% of NanJiang Investment's equity to the company at the price of RMB 50,000,000.00. After the transfer, the company held 100% of NanJiang Investment's equity. On January 6 2013, NanJiang increase share capital of NanJiang Investment by RMB 40,000,000.00. After the increment, the registered capital of NanJiang Investment reach RMB 90,000,000.00.

*3. On October 24 2012, ChengDe NanJiang Ecological Agriculture Co., Ltd. established and invested by ChengDe NanJiang Investment Co., Ltd. The registered capital was RMB 5,000,000.00 and NanJiang Investment held 100% of Ecological Agriculture's equity. On April 18 2013, NanJiang Investment increase share capital of NanJiang Ecological Agriculture by RMB 5,000,000.00. After the increment, the registered capital of NanJiang Ecological Agriculture reach RMB 10,000,000.00.

*4. On October 13, 2015, Hangzhou Dongfeng Stealth Technology Co., Ltd. ("Hangzhou Dongfeng") was invested by NanJiang and Eagles Men Aeronautic Science and Technology Group Co.,Ltd , with the register capital of RMB 100,000,000.00, and the paid-in capital of RMB 50,000,000.00: NanJiang contribute RMB 45,000,000.00, accounting for 90% of the total share capital; agles Men Aeronautic

Science and Technology Group Co.,Ltd contribute RMB 5,000,000.00, accounting for 10% of the total share capital.

*5. On November 14, 2013, NanJiang Asia Investment Co., Ltd. (“NanJiang Asia”) was invested by NanJiang, with the register capital of USD 20 million. Paid-in share capital is USD 797,538.34 and the register place is Hong Kong.

*6. On January 24, 2013, Chengde Morsh Technology Co., Ltd. (“Morsh Technology”) was invested by NanJiang and Morsh (NingBo) Technology Co., Ltd, with the register capital of RMB 50,000,000.00: NanJiang contribute RMB 45,000,000.00, accounting for 90% of the total share capital; Morsh (NingBo) Technology contribute RMB 5,000,000.00, accounting for 10% of the total share capital.

*7. On November 18, 2013, Chengde HuiJing property Co., Ltd (“HuiJing Property”) was invested by NanJiang Investment, with the register capital of RMB 500,000.00. NanJiang Investment contributes RMB 500,000.00, accounting for 100% of share capital.

*8. Runhua Rural Water (Tianjin) International Trade Co., Ltd. (“RunHua”) is a limited liability company registered through TianJing BinHai New District Administration for Industry and Commerce (Runhua’s business license is 120192000028688). The initial registered capital is RMB 30 million, including: Runhua Rural Water developing Co., Ltd contribute 4 million, accounting for 13.34% of the total registered capital, BaoSheng Yang contribute 1 million, accounting for 3.33% of the total registered capital, QianYing Wang contribute 2 million, accounting for 6.67% of the total registered capital, PeiWen Ren contribute 2.01 million, accounting for 6.70% of the total registered capital, XiaoFan Zhang contribute 1 million, accounting for 3.33% of the total registered capital, ChunHong Lan contribute 9.03 million, accounting for 30.10% of the total registered capital, QinHua Zhao contribute 7 million, accounting for 23.33% of the total registered capital, ZhengHong Jia contribute 3 million, accounting for 10.00% of the total registered capital, Kai Li contribute 0.96 million, accounting for 3.20% of the total registered capital.

On June 25 2013, according to the equity’s transfer agreement, ChunHong Lan and QinHua Zhao transfer 6.67% and 23.33% of share capital respectively to NanJiang. After the transfer, Nanjiang contribute 9 million, accounting for 30% of the total share capital. After the transfer, the capital ratio is: Runhua Rural Water developing Co., Ltd contribute 4 million, accounting for 13.34% of the total registered capital, BaoSheng Yang contribute 1 million, accounting for 3.33% of the total registered capital, QianYing Wang contribute 2 million, accounting for 6.67% of the total registered capital, PeiWen Ren contribute 2.01 million, accounting for 6.70% of the total registered capital, XiaoFan Zhang contribute 1 million, accounting for 3.33% of the total registered capital, ChunHong Lan contribute 7.03 million, accounting for 23.43% of the total registered capital, ZhengHong Jia contribute 3 million, accounting for 10.00% of the total registered capital, Kai Li contribute 0.96 million, accounting for 3.20% of the total registered capital, Nanjiang contribute 9 million, accounting for 30% of the total share capital.

2. Change of owner’s equity share in subsidiaries and subsidiaries still under control

Not Applicable.

3. Equity in joint ventures or associated enterprises

Important joint ventures or associated enterprises

Name of joint ventures or associated enterprises	Main business place	Registered place	Business nature	Shareholding ratio (%)		Accounting treatment method
				Directly	Indirectly	
Joint venture						
MinFeng (TianJin) Material industry chemical industry Co.Ltd	Tianjin	Tianjin	International trade	---	31.75	equity
Runhua Rural Water (Tianjin)Water Saving Technology Co., Ltd	Tianjin	Tianjin	Agricultural water saving technology development, transfer, promotion services	---	49	equity

VII. Related parties and related transaction

1. Relation of affiliated parties

(1) Controlling shareholder and ultimate controller

The company has no parent company. The related parties with controlling relationship of the Company refer to Mr. Rong Chen, who held 29.49% equity of the Company.

(2) Subsidiary

See VIII-1-(1) - Organization of enterprise group.

(3) Joint ventures and associated enterprises

Name of related parties	Relationship	Organizational Code
MinFeng (TianJin) Material industry chemical industry Co.Ltd	Joint venture	05874083-7
Runhua Rural Water (Tianjin) Water Saving Technology Co., Ltd	Joint venture	58327621-9

(4) Other related party:

Name of related parties	Relationship
Runhua Rural Water Industrial development Co.	The controller of Joint venture
MinFeng (ShanXi) Material industry chemical industry Co.Ltd	The controller of Joint venture

2. Related transactions

(1) The subsidiaries which are under control in the consolidation, its transaction with each other and with parent company and have already been set off in consolidation scope.

(2) Related transaction regarding purchasing products and obtaining labor services

Not Applicable.

(3) Related transactions regarding selling goods and providing services

Name of related parties	Trading content	This period	Last Period
-------------------------	-----------------	-------------	-------------

Name of related parties	Trading content	This period	Last Period
MinFeng (TianJin) Material industry chemical industry Co.Ltd	Sale goods	---	168,562,321.06
Total	---	---	168,562,321.06

(4) Associated managed enterprise

Not Applicable.

(5) Related contract situation

Not Applicable.

(6) Associated rental condition

Not Applicable.

(7) Status of Associated Guarantee

Not Applicable.

(8) Inter-bank lending of affiliated parties

Not Applicable.

(9) Important related transactions with joint investments

Not Applicable.

(10) Re-numeration for key management personnel

Not Applicable.

(11) Key management personnel compensation

Unit: RMB 10,000

Item name	This period	Last period
Key management personnel compensation	190.62	144.29

(12) Accounts receivable from related parties

a. Receivables

Not Applicable.

b. payables

Item name	Related party	Ending balance	Beginning balance
Other payables	MinFeng (TianJin) Material industry chemical industry Co.Ltd	---	12,000,000.00
Deferred revenue	MinFeng (TianJin) Material industry chemical industry Co.Ltd	---	12,032,434.62

VIII. Contingency

By the end of December 31, 2015, the closing balance of housing mortgage deposit, for the purchaser of commercial houses, was RMB 32,470,000.

IX. Other significant events

Not Applicable.

X. Commitment

Not Applicable.

XI. Events after the Balance Sheet Date

Not Applicable.

XII. Notes to Main Items of Financial Statements of Parent Company

1. Other receivable

(1) Disclosure of other receivables by category

Categories	Closing Balance				Book value
	Book balance		Bad debt provision		
	Amount	Ratio (%)	Amount	Ratio (%)	
Other receivables of individual account with significant amount and accrued for provision for bad debts	---	---	---	---	---
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	14,087,692.95	99.51	194,127.22	1.38	13,893,565.73
Other receivables of individual account with insignificant amount and accrued for provision for bad debts	70,000.00	0.49	70,000.00	100.00	---
Total	14,157,692.95	100.00	264,127.22	1.87	13,893,565.73

Continue:

Categories	Opening Balance				Book value
	Book balance		Bad debt provision		
	Amount	Ratio (%)	Amount	Ratio (%)	
Other receivables of individual account with significant amount and accrued for provision for bad debts	---	---	---	---	---
Other accounts receivable withdrawn provision for bad debts based on credit risk feature combination	16,687,262.55	99.58	49,078.42	0.29	16,638,184.13
Other receivables of individual account with insignificant amount and accrued for provision for bad debts	70,000.00	0.42	70,000.00	100.00	---
Total	16,757,262.55	100.00	119,078.42	0.71	16,638,184.13

a. Other receivables which single amount is significant and bad debts reserve is withdrawn at the end of the year.

Not Applicable.

b. Other receivable with provisions of bad debts accrued by aging analysis method in the portfolio

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Accruing proportion (%)
Within 1 year	660,362.94	33,018.15	5
1 to 2 years	805,545.36	161,109.07	20
2 to 3 years	---	---	50
Over 3 years	---	---	100
Total	1,465,908.30	194,127.22	13.24

C. Other receivable with provisions of bad debts accrued by other method in the portfolio

Aging	Closing Balance		
	Other receivables	Provision for bad debts	Accruing proportion (%)
ChengDe NanJiang Ecological Agriculture Co., Ltd.	8,012,123.82	---	---
Chengde Morsh Technology Co., Ltd.	284,228.00	---	---
NanJiang Asia Investment Co., Ltd.	4,799.86	---	---
Prepaid for oil	98,836.28	---	---
Balance payment of land acquisition Chengde County Land Reserve Center land acquisition tail	3,678,200.00	---	---
Cement special fund	90,421.00	---	---
Employee loan	453,175.69	---	---
Total	12,621,784.65	---	---

Notes for determining the basis of the portfolio:

In the portfolio, provision for bad debts by other method amounted to RMB0.00, mainly taking into account of their estimated irrecoverable risk is extremely low.

d. Other receivables of individual account with insignificant amount and accrued for provision for bad debts at the end of the year

Accounts Receivable	Book Amount	Bad debt provision	Accruing proportion (%)	Reasons for Accrual
Qizhong Yan	70,000.00	70,000.00	100.00	Expected irrecoverable
Total	70,000.00	70,000.00	---	

(2) Provision for bad debts withdrawn and returned back (taken back) in this year

Provision for bad debts extract in this year is RMB423,416.78, bad debts reserve returned back or taken back in this year is RMB278,367.98.

(3) Classification of other receivables by nature

Fund nature	Book balance at the end of the year	Book balance at the beginning of the year
Intercourse fund	8,301,151.68	6,537,617.91
Earnest money	---	3,203,400.00
Employees deposit	1,862,870.77	3,139,131.81
The purchase payment of land	3,678,200.00	3,678,200.00
Others	315,470.50	198,912.83
Total	14,157,692.95	16,757,262.55

(4) The top five other accounts receivable

Debtors Ranking	Fund nature	Ending balance	Aging	Proportion in total year-end balance of other receivables (%)	Year-end balance of provision for bad debts
ChengDe NanJiang Ecological Agriculture Co., Ltd.	Intercourse fund	8,012,123.82	Within 1 year	56.59	---
Land Reserve Center of Chengde County	Land acquisition	3,678,200.00	1-2years	25.98	---
Haipeng Ma	Deposit	965,087.36	Within 1 year, 1-2years	6.82	152,334.17
Chengde Morsh Technology Co., Ltd.	Intercourse fund	284,228.00	Within 1 year, 1-2years	2.01	---
Guishuang Wu	Deposit	200,000.00	Within 1 year	1.41	10,000.00
Total	---	13,139,639.18	---	92.81	162,334.17

(5) No other receivables are derecognized for the transfer of financial assets.

(6) There was no other receivables which are in termination due to the transfer of financial assets .

(7) There was no amount of assets and liabilities that are formed by the transfer of other receivables and the continued involvement.

2. Long-term equity investments

Nature	opening balance			Book balance
	Book balance	Bad debt provision	Book value	
Subsidiaries	783,852,164.40	626,567,328.03	157,284,836.37	202,284,836.37
Joint venture/affiliated concern	---	---	---	---
Total	783,852,164.40	626,567,328.03	157,284,836.37	202,284,836.37

(1) Subsidiaries

Invested Company	Accounting method	Initial investment cost	Opening Balance	Increase	decrease	Closing Balance	In a t
NanJiang Real Estate	53,114,299.73	53,114,299.73	---	---	53,114,299.73	---	
NanJiang Investment	90,000,000.00	90,000,000.00	---	---	90,000,000.00	---	
XingYe Paper	626,567,328.03	626,567,328.03	---	626,567,328.03	---	---	
RunHua Water	9,170,370.00	9,170,370.00	---	---	9,170,370.00	---	
NanJiang Asia	---	5,000,166.64	---	---	5,000,166.64	---	
HangZhou DongFeng	45,000,000.00	---	45,000,000.00	---	45,000,000.00	---	
Total	823,851,997.76	783,852,164.40	45,000,000.00	626,567,328.03	202,284,836.37	---	

(2) No long-term equity investments of Joint venture/affiliated concern.

3. Revenues and operating costs

(1) Classification of Revenues and operating costs

Items	This period	Last Period
Business income	43,323,398.13	8,217,142.76
Principal business income	36,411,825.04	---
Other business income	6,911,573.09	8,217,142.76
Business cost	28,048,885.03	988,187.82
Principal business cost	27,147,311.94	---
Other business cost	901,573.09	988,187.82

(2) Principal business income and cost (by industry)

Industry	This period		Last Period	
	Income	Cost	Income	Cost
Real Estate industry	36,411,825.04	27,147,311.94	---	---
Total	36,411,825.04	27,147,311.94	---	---

(3) Principal business income and cost (by products)

Product	This period		Last Period	
	Income	Cost	Income	Cost
Hui Jing Tian Di	36,411,825.04	27,147,311.94	---	---
Total	36,411,825.04	27,147,311.94	---	---

(4) Principal business income and cost (by district)

District	This period		Last Period	
	Income	Cost	Income	Cost
Chengde District	36,411,825.04	27,147,311.94	---	---
Total	36,411,825.04	27,147,311.94	---	---

(5) The operating income from the top five customers

Customer name	Principal business income	Proportion of company's total business income(%)
YaLi Wang	2,429,720.00	5.61
LiChao Liu	1,227,800.00	2.83
Wanhai He	842,580.00	1.94
XiaoLe Zhang	668,400.73	1.54
HuaiCheng Li	665,330.19	1.54
Total	5,833,830.92	13.46

4. Supplemental information for statement of cash flow

Supplemental information	This period	Last Period
1.Adjustments to reconcile net profit to net cash provided by operating activities:		
Net profit	-10,356,541.74	157,277,079.27
Add: impairment provision for assets	423,416.78	45,078.42
Depreciation of fixed assets, consumption & depreciation of fuel and gas, depreciation of productive biological assets	193,855.14	155,256.08
Amortization for intangible assets	---	245,889.05
Amortization for long-term prepayment	42,266.88	38,744.64
Loss on disposal of fixed assets, intangible assets and other long-term assets	---	-113,647,960.69
Loss upon rejection of fixed assets	---	---
Loss on variance of fair value	---	---
Finance cost	---	572,000.00
Loss in investment	-4,608,125.64	---

Supplemental information	This period	Last Period
Decrease of deferred tax assets	---	---
Increase of deferred tax liability	---	---
Decrease of inventories	-109,041,412.50	-328,486,677.42
Decrease of operating receivable account items	4,106,813.38	5,934,406.38
Increase of operating payable account items	172,640,873.32	177,036,565.68
Other	---	---
Net cash flow from operating activities	53,401,145.62	-100,829,618.59
2 Significant investing and financing activities for non-cash items	---	---
Liabilities capitalized	---	---
Convertible bonds payable mature in one year	---	---
Financing leased fixed assets	---	---
3. Net increase (decrease) for cash and cash equivalents	---	---
Closing balance for cash	22,671,791.13	17,625,400.53
Less: opening balance for cash	17,625,400.53	5,681,141.82
Add: closing balance for cash equivalent	---	---
less: opening balance for cash equivalent	---	---
Net increase (decrease) for cash and cash equivalents	5,046,390.60	11,944,258.71

XIII. Supplemental information

1. Current non-recurring gains and losses

Items	This period	Notes
1 Losses/gains on disposal of non-current assets	103,245,649.85	---
2. Government subsidies included in the current profits and losses (government subsidies which are closely related to the Company's business and received at national statutory standard and amount are excluded)	2,720.00	---
3. Gains or loss from delegation investment	---	---
4. Other non- recurring loss and profits other than the above	---	---
5. Gains or loss from the contingency irrelevant with normal operation	11,309,875.93	---
6. Other non-operating revenue and expense	-5,205,333.51	---
7. Effect of minority interest on non-recurring losses or gains	-6,503,033.76	---

Items	This period	Notes
8. Effect of income tax on non-recurring losses and gains	25,812,092.46	---
Total	90,043,853.57	---

Notes: All non-recurring items are disclosed before taxation.

2. Return on equity and earnings per share

Profit in the reporting period	Weighted average of Return on equity (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to shareholders holding ordinary shares of the Company	18.43	0.08	0.08
Net profit attributable to shareholders holding ordinary shares of the Company after deducting non-recurring gains and losses	-9.76	---	---

Legal representative: zhaoyongsheng Accounting supervisor: zhaoyongsheng Legal representative of the accounting firm: liufengguo

Chengde NanJiang Co., Ltd. April 26, 2016