



**CHENGDE NANJIANG CO., LTD**

**ANNUAL REPORT 2015**

**April 2016**

## **Section I. Important Notice, Contents and Paraphrase**

**Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Chengde Nanjiang Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take legal liability, individual and/or joint, for the whole contents.**

**Zhao Yongsheng, Principal of the Company, Zhao Yongshen, person in charger of accounting works and Liu Fengguo, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2015 Annual Report is authentic, accurate and complete.**

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

**If the Report related to the forward-looking statements about future business environment and business planning, and benefit forecasting of investment projects, it does not constitute a substantive commitment to investors of the Company, investors pay attention to investment risks.**

**The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.**

**Note: The Report is prepared in bilingual versions of Chinese and English respectively, in the event of any discrepancy in understanding the two aforementioned versions, the Chinese version shall prevail.**

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## Paraphrase

Items	Refers to	Contents
CSRC, SRC	Refers to	China Securities Regulatory Commission
SZ Stock Exchange, Exchange	Refers to	Shenzhen Stock Exchange
Company, The Company or Chengde Nanjiang	Refers to	Chengde Nanjiang Co., Ltd.
Nanjiang Investment	Refers to	Chengde Nanjiang Investment Co., Ltd.
Nanjiang Real Estate	Refers to	Chengde Nanjiang Real Estate Development Co., Ltd.
Chengde Morsh, Morsh Technology	Refers to	Chengde Morsh Technology Co., Ltd.
Nanjiang Ecological Agriculture, Ecological Agriculture,	Refers to	Chengde Nanjiang Ecological Agriculture Co., Ltd.
Asia Investment, Nanjiang Asia	Refers to	Nanjiang Asia Investment Co., Ltd.
Runhua RW	Refers to	Runhua Rural Water (Tianjin) International Trade Co., Ltd.
Eagles Men	Refers to	Eagles Men Aeronautic Science and Technology Group Co., Ltd.
Xingye Papermaking	Refers to	Chengde Xingye Papermaking Co., Ltd.
Hangzhou Dongfeng Stealth	Refers to	Hangzhou Dongfeng Stealth Technology Co. Ltd.
<i>Company Law</i>	Refers to	Company Law of the People's Republic of China
<i>Securities Law</i>	Refers to	Securities Law of the People's Republic of China
<i>Rules Governing the Listing of Securities</i>	Refers to	<i>Rules Governing the Listing of Securities on Shenzhen Stock Exchange</i>
Yuan, 10 thousand Yuan	Refers to	RMB, RMB 10 thousand

## Section II Company Profile and Main Financial Indexes

### I. Company information

Short form of the stock	Nanjiang-B	Stock code	200160
Short form of the Stock after changed (if applicable)	--		
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	承德南江股份有限公司		
Short form of the Company (in Chinese)	南江 B		
Foreign name of the Company(if applicable)	CHENGDE NANJIANG CO.,LTD		
Short form of foreign name of the Company(if applicable)	NANJIANG-B		
Legal representative	Zhao Yongsheng		
Registrations add.	XiaBanCheng Town, Chengde County, Hebei Province, P.R.C		
Code for registrations add	067400		
Offices add.	XiaBanCheng Town, Chengde County, Hebei Province, P.R.C		
Codes for office add.	067400		
Website	--		
E-mail	--		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Li Wenyong	Wang Haijian
Contact add.	XiaBanCheng Town, Chengde County, Hebei Province	XiaBanCheng Town, Chengde County, Hebei Province
Tel.	0314-3115049	0314-3115048
Fax.	0314-3111475	0314-3111475
E-mail	liwy@cdnanjiang.com	wanghj@cdnanjiang.com

### III. Information disclosure and preparation place

Media appointed for information disclosure	In China: <i>Securities Times</i> ; overseas: <i>Hong Kong Commercial Daily</i>
Website for annual report publish appointed by CSRC	Juchao website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Preparation place for annual report	Security department of the Company

### IV. Registration changes of the Company

Organization code	106576876
Changes of main business since listing (if applicable)	No changes
Previous changes for controlling shareholders (if applicable)	No changes

### V. Other relevant information

CPA engaged by the Company

Name of CPA	Dahua Certified Public Accountants (Limited Liability Partnership)
Offices add. for CPA	No. 689, Tianhe Road (N), Guangzhou
Signing Accountants	Fan Rong, Han Junmin

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

Applicable  Not applicable

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

Applicable  Not applicable

### VI. Main accounting data and financial indexes

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

Yes  No

	2015	2014	Changes over last year	2013
Operating income (RMB)	141,221,936.00	322,502,631.63	-56.21%	363,952,258.89
Net profit attributable to shareholders of the listed company(RMB)	58,872,707.12	80,280,395.81	-26.67%	94,806,811.16
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	-31,171,146.45	3,121,357.84	-1,098.64%	-5,614,485.87
Net cash flow arising from	19,812,057.85	-134,329,924.08	114.75%	-204,553,032.66

operating activities(RMB)				
Basic earnings per share (RMB/Share)	0.08	0.11	-27.27%	0.13
Diluted earnings per share (RMB/Share)	0.08	0.11	-27.27%	0.13
Return on Equity	18.43%	32.13%	-13.70%	58.42%
	End of 2015	End of 2014	Changes over end of last year	End of 2013
Total assets (RMB)	854,793,263.22	642,501,296.47	33.04%	380,763,274.72
Net assets attributable to shareholder of listed company (RMB)	352,256,123.56	289,982,016.44	21.48%	209,701,482.77

## VII. Difference of the accounting data under accounting rules in and out of China

### 1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

### 2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

## VIII. Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	26,398,533.74	25,978,138.42	51,910,279.59	36,934,984.25
Net profit attributable to shareholders of the listed company	-6,204,376.06	81,606,964.44	-13,616,154.87	-2,913,726.39
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	-6,248,039.03	-19,208,310.28	-12,847,019.78	7,132,222.64
Net cash flow arising from	-13,134,238.84	45,490,269.47	-15,874,308.52	3,330,335.74

operating activities				
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Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

Yes  No

The above-mentioned financial index or its total number and the financial indicators related to the quarterly reports and semi-annual reports disclosed by the company have differences, some sold products of Nanjiang Huijing Tiandi Community project developed and constructed by the Company has not been handled with property right registration procedures, resulting in the recognition criteria not completely meeting the revenue, the company has adjusted the data of this part after the confirmation of accountants, resulting in the differences between the above-mentioned financial index and the financial indicators related to the disclosed quarterly reports and semi-annual reports.

## IX. Items and amounts of extraordinary profit (gains)/loss

Applicable  Not applicable

In RMB

Item	2015	2014	2013	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	103,245,649.85	112,818,506.20	131,918,787.19	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	2,720.00		193,601.01	
Gains/losses from entrust investment or assets management		171,000.00	111,230.13	
Gains/losses from contingency without routine business concerned	11,309,875.93			
Other non-operating income and expenditure except for the aforementioned items	-5,205,333.51	-3,065,618.87	-514,148.27	
Less: Impact on income tax	25,812,092.46	25,719,679.32	33,473,765.68	
Impact on minority shareholders' equity (post-tax)	-6,503,033.76	7,045,170.04	-2,185,592.65	
Total	90,043,853.57	77,159,037.97	100,421,297.03	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/Loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/Loss*, explain reasons

Applicable  Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/Loss*



## Section III Summary of Company Business

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

During the reporting period, the company's main business is the real estate development, primarily engaged in the development of residential real estate and commercial real estate, the business scope mainly locates in Chengde. The main products of residential real estate development business are all types of housing products, including small high-rise buildings, garden houses and superimposed buildings; commercial real estate development are mainly in the development of shops. The company business model is independent development, and provides residential property management at the same time.

In 2015, Chinese real estate market has been focusing on promoting consumption and reducing inventory, in the face of changes in external environment, the company has combined with the actual situation, positively complied with the market trends, taken the market as orientation, mainly focused on improving houses, insisted to creating district high-quality and high-level residences, obtain good local market and reputation, and achieved good sales performance at the same time.

### II. Major changes in main assets

#### 1. Major changes in main assets

Major assets	Note of major changes
Fixed assets	No Major change
Intangible assets	A decrease of 46.29% over the same period, the current government to recover land assets to reduce intangible assets.

#### 2. Main overseas assets

Applicable  Not applicable

### III. Core Competitiveness Analysis

1. Team advantages. The company has an excellent management team who has an acute sense of market judgment, efficient decision-making and executive capacity, rich management experience, strong adaptability and innovation ability, and is strong backing to protect the company's development and promote the company's strategic transformation.

2. Brand advantages. The company has strictly controlled the quality, built high-quality and high-level residences, established a good corporate image and reputation by precisely positioning the market.

## Section IV Discussion and Analysis by the Management Team

### I. Introduction

In 2015, the overall global economic recovery has been weak, in the face of complicated international situation and increasing economic downward pressure, Chinese real estate market has been focusing on promoting consumption and reducing inventory, unveiled several rounds of policies to reduce the reserve requirement ratio and interest rate, decreased the down payment, reduced or exempted the taxes and dues, promoted the market demands, at the same time, controlled the scale and adjusted the structure of land supply, increased the monetization resettlement of affordable housing, improved the market environment, and promoted the rebound of real estate industry to a certain extent. In view of the whole year, the real estate market has accelerated the differentiation trend, first-tier cities and some second-tier cities are appeared a trend of supply exceeding demand, and the housing prices have continued to rise. The housing market in some three & four-tier cities has showed a situation of supply exceeding demand in varying degrees, the inventory has been high, and the downward pressure on housing prices has been rather large.

During the reporting period, the company has continued to take real estate development and operation as the core, and steadily developed property management, ecological agriculture, trade and other services at the same time. In the face of economic downward pressure and adverse marketing environment, the company has adopted a series of measures to stabilize and improve performance, and actively responded to market changes. The company has precisely positioned the market, created high-end residence Nanjiang · Huijing Tiandi project which has been completed acceptance, achieved good sales performance, and become a local demonstration housing estate.

During the reporting period, strategic transformation has become the focus of the company. The company has continued to implement the transformation strategy, adhere to seek progress and changes in stability, ensure the stable development of real estate business segment, plan to solve the problems left over by history of the company's B shares, and actively promote the company's strategic transformation.

Up to December 31, 2015, the company's total assets has reached 854,793,300 yuan, net assets attributable to shareholders of listed company is 352,256,100 yuan; in 2015, the company has achieved operating income of 141,221,900 yuan, net profit attributable to shareholders of listed company is 58,872,700 yuan.

Main items of the Company during the reporting period:

Region	Item	Project status	Equity ratio	Area (m <sup>2</sup> )	The total construction area (m <sup>2</sup> )	Construction area at the end of the reporting period has completed (m <sup>2</sup> )	Total investment amount (in 100 million yuan)
				97627.39	180957.98	180957.98	6.4
Chengde	Nanjiang Huijing Tiandi	Already completed	100%	Type	Available for sale area (m <sup>2</sup> )	Pre-sale area (m <sup>2</sup> )	The settlement area (m <sup>2</sup> )

				Residence	140,330.88	83,804.70	8,438.03
				Business	24,305.52	3,313.74	555.68

## II. Main business analysis

### 1. Introduction

See the “I-Introduction” in “Discussion and Analysis by the Management Team”

### 2. Revenue and cost

#### (1) Constitute of operation revenue

In RMB

	2015		2014		Y-o-y changes
	Amount	Ratio in operation revenue	Amount	Ratio in operation revenue	
Total operation revenue	141,221,936.00	100%	322,502,631.63	100%	-56.21%
According to industries					
(1) Agriculture	3,689,064.91	2.61%	5,642,269.36	1.75%	-34.62%
(2) Business	97,624,160.58	69.13%	312,436,023.98	96.88%	-68.75%
(3) Real estate	36,501,825.04	25.85%	3,319,551.80	1.03%	999.60%
(4) Property management and others	3,406,885.47	2.41%	1,104,786.49	0.34%	208.38%
According to products					
(1) Agricultural products	3,689,064.91	2.61%	5,642,269.36	1.75%	-34.62%
(2) Chemical materials	97,624,160.58	69.13%	312,436,023.98	96.88%	-68.75%
(3) Estate sales	36,501,825.04	25.85%	3,319,551.80	1.03%	999.60%
(4) Property management and others	3,406,885.47	2.41%	1,104,786.49	0.34%	208.38%
According to region					
Chengde	43,483,245.50	30.79%	10,066,607.65	3.12%	331.96%
Tianjin	97,624,160.58	69.13%	312,436,023.98	96.88%	-68.75%
Zhejiang	114,529.92	0.08%			

**(2) About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit**√Applicable  Not applicable

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase/decrease of operating revenue y-o-y	Increase/decrease of operating cost y-o-y	Increase/decrease of gross profit ratio y-o-y
According to industries						
(1) Business	97,624,160.58	97,500,069.15	0.13%	-68.75%	-69.11%	1.15%
(2) Real estate	36,501,825.04	27,216,297.96	25.44%	999.60%	1,510.35%	-23.65%
According to products						
(1) Chemical materials	97,624,160.58	97,500,069.15	0.13%	-68.75%	-69.11%	1.15%
(2) Estate sales	36,501,825.04	27,216,297.96	25.44%	999.60%	1,510.35%	-23.65%
According to region						
(1) Chengde	43,483,245.50	35,226,890.86	18.99%	385.21%	283.84%	21.40%
(2) Tianjin	97,624,160.58	97,500,069.15	0.13%	-68.75%	-69.11%	1.15%

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

 Applicable  Not applicable**(3) Income from physical sales larger than income from labors** Yes  No**(4) Fulfillment of the company's signed significant sales contracts up to this reporting period** Applicable  Not applicable**(5) Constitute of operation cost**

Industry and Product classification

In RMB

Industry classification	Item	2015		2014		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
(1) Agriculture	Agriculture	5,747,403.41	4.33%	7,487,431.46	2.30%	-23.24%
(2) Business	Business	97,500,069.15	73.46%	315,629,299.95	96.88%	-69.11%
(3) Real estate	Real estate	27,216,297.96	20.51%	1,690,090.08	0.52%	1,510.35%
(4) Property	Property	2,263,189.49	1.71%	988,187.82	0.30%	129.02%

management and others	management and others					
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In RMB

Product classification	Item	2015		2014		Increase/decrease y-o-y
		Amount	Ratio in operation cost	Amount	Ratio in operation cost	
(1) Agricultural products	Agriculture	5,747,403.41	4.33%	7,487,431.46	2.30%	-23.24%
(2) Chemical materials	Business	97,500,069.15	73.46%	315,629,299.95	96.88%	-69.11%
(3) Estate sales	Real estate	27,216,297.96	20.51%	1,690,090.08	0.52%	1,510.35%
(4) Property management and others	Property management and others	2,263,189.49	1.71%	988,187.82	0.30%	129.02%

Note

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

√ Yes □ No

**(I) Obtain the subsidiary through the investment in Period**

Name	Investment way	Date of establishment	Shareholding ratio	Net assets at period-end	Net profit for the Period
Hangzhou Dongfeng	New-established	2015-10-13	90%	49,998,200.00	-1,800.00
Total	---	---	---	49,998,200.00	-1,800.00

Hangzhou Dongfeng was established in 13 October 2015, registered capital of 100 million yuan, and paid in capital 50 million yuan.

**(II) No longer included in the consolidated scope of the subsidiary in Period as follows:**

Name	Reason of chang	Liquidation date	Shareholding ratio	Net asset on disposal date	Net profit from the period-begin to disposal date
Xingye Papermaking	Liquidation cancellation	2015-12-8	100%	-15,918,001.58	0.00
Total	---	---	---	-15,918,001.58	0.00

Xingye Papermaking Making was founded jointly by Nanjiang Company and (Hong Kong) Zhanxi International Group Co., Ltd (hereinafter referred to as Hong Kong Zhanxi) on 26<sup>th</sup> Oct. 2001 authorized by the 'Approval Certificate' issued by WJMZSAZ[2001] NO. 0065. Ruled by the Response to Joint Operation on Fund-Adding to Chengde Xingye Papermaking making Co., Ltd, which was issued on 28<sup>th</sup> Oct. 2002 by Ministry of Foreign Trade and Economic Cooperation of the Republic of China (former Commerce Ministry) authorized by WJMZEH[2001]NO. 969, register capital has to be raised to US\$ 250 million from US\$ 100 million; newly added register capital should be paid out within 3 years since operation certificate was changed in accordance with methods both parties ruled according to the contract and article of association. The paid-up capital of Xingye Papermaking was US\$ 100 million.

Its register capital didn't paid out within required period though shareholder had investment involved taking up 40% of the whole register capital, including Nanjiang Company gave US\$75 million with 75% equity and Hong Kong Zhanxi invested US\$ 25 million with 25% equity. In December of 2006, affected by smuggler affair on the largest shareholder Wang Shuxian and other senior directors of Nanjiang Company, Xingye Papermaking suspended all its business, which led sharp loss to business. On 8<sup>th</sup> Dec. of 2008, Hebei Province Chengde Intermediate People's Court confirmed liquidation for Xingye Papermaking raised by Chengde Yonghe and Cement Co., Ltd, by the Civil Ruling (2008) CMPZ NO. 13. On 11<sup>th</sup> of Mar. 2009, Hebei Province Chengde Intermediate People's Court approved reconciliation request raised by Xingye Papermaking by the Civic Ruling (2008) CMPZ NO. 13-2. On 23<sup>rd</sup> of Apr 2009, Hebei Province Chengde Intermediate People's Court confirmed that largest shareholder of Xingye ever stole the name of Hong Kong Zhanxi and set up a false foreign-capital corporation, by the Criminal Ruling (2009) JXEZZ NO. 44. On 10<sup>th</sup> May of 2009, Hebei Province Chengde Intermediate People's Court confirmed that Xingye Papermaking had reconciled with its creditor on 8<sup>th</sup> of May 2009 and ended the reconciliation procedure, by the Civil Ruling (2008) CMPZ NO. 13-3. In Oct of 2012, the Chengde Intermediate People's Court issued Civil Mediation Agreement (2011) CMCZ NO. 76 which showed that Wang Shuxian reached a reconciliation agreement with Nanjiang Company and that Wang Shuxian coordinated small shareholders of Xingye Papermaking to give up their own equity as well as interests. As return, Nanjiang Company agreed to transfer its 20% equity from Suning Banhe, land of industry-park (34.03 acres), plant (25596.87sqm) and No. 131 land (44.4 acres) to Wang Shuxian. After reconciliation, Nanjiang Company wholly owns Xingye Papermaking, Xingye Papermaking had the liquidation cancellation on 8 December 2015.

### (7) Major changes or adjustment in business, product or service of the Company in Reporting Period

Applicable  Not applicable

### (8) Major sales and main suppliers

Major sales client of the Company

Total top five clients in sales (RMB)	40,030,695.47
Proportion in total annual sales volume for top five clients	28.60%

Information of top five clients of the Company

Serial	Name	Sales (RMB)	Proportion in total annual sales
1	Beijing Bolu Jinghua Technology Co., Ltd.	13,000,940.17	9.21%
2	Zibo Runguan Chemical Sales Co., Ltd.	8,431,330.11	5.97%
3	Shanghai Xurui Trade Co., Ltd.	7,199,414.50	5.10%
4	Anhui Weina Kang Trade Co., Ltd.	6,295,972.23	4.46%
5	Shanxi Huashuo packaging Co., Ltd.	5,103,038.46	3.61%
Total	--	40,030,695.47	28.35%

Other situation of main clients

Applicable  Not applicable

Main suppliers of the Company

Total purchasing amount from top five suppliers (RMB)	242,566,073.88
Ratio of total purchasing amount from top five suppliers in total annual purchasing amount	68.88%

Information of top five suppliers of the Company

Serial	Supplier	Purchasing amount (RMB)	Ratio in total annual purchasing amount
1	SABIC (Shanghai) Trading Co., Ltd.	112,985,600.00	32.09%
2	Chengde Greatwall Construction Group Co., Ltd.	61,264,696.33	17.40%
3	Chengde Licheng Construction and Installation Engineering Co., Ltd.	30,056,641.26	8.54%
4	Chengde Xingcheng Construction and Installation Engineering Co., Ltd.	20,518,916.64	5.83%
5	Chengde Yongwang Construction Engineering Co., Ltd.	17,740,219.65	5.04%
Total	--	242,566,073.88	68.88%

Other notes of main suppliers of the Company

Applicable  Not applicable

### 3. Expenses

In RMB

	2015	2014	Increase/decrease y-o-y	Note of major changes
Sales expense	2,411,839.88	4,299,230.07	-43.90%	Sales and transportation costs decreased in the Period
Management expense	30,697,053.62	21,550,755.68	42.44%	Development project and management cost increases in the Period
Financial expense	33,089.91	1,816,023.18	-98.18%	Interest expenditure decreased in the Period

### 4. R&D investment

Applicable  Not applicable

### 5. Cash flow

In RMB

Item	2015	2014	Y-o-y changes
Subtotal of cash in-flow from operation activity	327,006,346.73	586,846,888.19	-44.28%
Subtotal of cash out-flow from operation activity	307,194,288.88	721,176,812.27	-57.40%
Net cash flow from operation activity	19,812,057.85	-134,329,924.08	114.75%

Subtotal of cash in-flow from investment activity	28,598,914.86	123,171,000.00	-76.78%
Subtotal of cash out-flow from investment activity	2,421,206.16	41,149,781.23	-94.12%
Net cash flow from investment activity	26,177,708.70	82,021,218.77	-68.08%
Subtotal of cash in-flow from financing activity	5,000,000.00	10,029,217.89	-50.15%
Subtotal of cash out-flow from financing activity	2,277,554.26		
Net cash flow from financing activity	2,722,445.74	10,029,217.89	-72.85%
Net increased amount of cash and cash equivalent	48,961,317.55	-42,399,128.16	-215.48%

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

Applicable  Not applicable

Net amount of cash flow from operating activities has increased, mainly due to the increase in sales outstanding and the decrease in paid payment for goods in current period;

Net amount of cash flow from investing activities has decreased, mainly due to the decrease in cash taken back from government purchasing and storage of land in current period;

Net amount of cash flow from financing activities has decreased, mainly due to the decrease in cash deposit of retired bill in current period;

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

Applicable  Not applicable

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

Applicable  Not applicable

### IV. Assets and liability

#### 1. Major changes of assets composition

In RMB

	End of 2015		End of 2014		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	88,237,416.98	10.32%	36,998,545.17	5.76%	4.56%	The housing fund for advance sale increased in the Period



Account receivable	156,113.53	0.02%	2,722,676.66	0.42%	-0.40%	
Inventory	619,241,374.72	72.44%	515,713,286.09	80.27%	-7.83%	Development costs increased in the Period
Long-term equity investment	2,343,974.43	0.27%	6,684,960.46	1.04%	-0.77%	
Fix assets	8,905,699.17	1.04%	10,294,681.90	1.60%	-0.56%	

## 2. Assets and liability measured by fair value

Applicable  Not applicable

## V. Investment

### 1. Overall situation

Applicable  Not applicable

Investment in the reporting (RMB)	Investment in the same period of last year (RMB)	Changes
90,000,000.00	0.00	100.00%

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

Applicable  Not applicable

In RMB

Name of investee	Principal businesses	Method of investment	Amount of investment	Shareholding	Capital sources	Partners	Term of investment	Type of products	Status as of the balance sheet date	Expected return	Current investment profit and loss	Whether litigation	Date of disclosure (if applicable)	Index of disclosure (if applicable)
Hangzhou Dongfeng Stealth Technology Co. Ltd.	Super materials, new materials, stealth technology and	New-established	90,000,000.00	90.00%	Self-owned capital	Eagles Men Aeronautic Science and Technology	Long-term	Super materials, new materials, stealth technology and	Complete industrial and commercial registration	----	0.00	No	2015-09-26	Securities Times; Hong Kong Commercial Daily;

	electron ic product s develop ment					Group Co., Ltd.		electron ic product s						Juchao Website http://w ww.cni nfo.co m.cn
Total	--	--	90,000, 000.00	--	--	--	--	--	--	0.00	0.00	--	--	--

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

Applicable  Not applicable

In RMB

Project	Investment way	Whether be fixed asset investment	Industry involved by investment project	Amount invested in the reporting period	Accumulative amount actually invested ended as period-end	Sources of funds	Progress of project	Expected return	Accumulative revenue achieved ended as period-end	Not achieved the planned progress and reasons of expected return	Date of disclosure (if applicable)	Index of disclosure (if applicable)
Nanjiang Huijin Tiandi Project	Self-established	No	Real estate development	136,119,738.42	626,207,077.24	Self-owned	100.00%	----	6,515,420.31	No		
Total	--	--	--	136,119,738.42	626,207,077.24	--	--	0.00	6,515,420.31	--	--	--

### 4. Financial assets investment

#### (1) Securities investment

Applicable  Not applicable

The company had no securities investment in the reporting period

#### (2) Derivative investment

Applicable  Not applicable

The Company has no derivatives investment in the Period

## 5. Application of raised proceeds

Applicable  Not applicable

The company had no application of raised proceeds in the reporting period.

## VI. Sales of major assets and equity

### 1. Sales of major assets

Applicable  Not applicable

The Company had no sales of major assets in the reporting period.

### 2. Sales of major equity

Applicable  Not applicable

## VII. Analysis of main holding company and stock-jointly companies

Applicable  Not applicable

Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

Company name	Type	Main business	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Chengde Nanjiang Real Estate Development Co., Ltd.	Subsidiary	Development and sales of real estate	10,000,000	338,720,020.18	262,426,401.23	450,000.00	-9,071,812.27	70,945,305.95
Chengde Nanjiang Investment Co., Ltd.	Subsidiary	Industrial investment, investment management, investment consulting and import & export trading	90,000,000	89,437,067.09	89,437,067.09	0.00	-232,958.14	-232,958.14
Chengde Nanjiang Ecological Agriculture Co., Ltd.	Subsidiary	Cultivation and sales of field crop, edible mushrooms, fruit and	10,000,000	3,744,562.12	-11,716,736.53	3,689,064.91	-14,418,838.70	-14,406,816.06

		vegetables as well as Chinese Herbs; breeding and sales of livestock						
Chengde Morsh Technology Co., Ltd.	Subsidiary	R&D, manufacture and sales of grapheme, grapheme application materials, power cell & battery materials, high-performance membrane material and nano materials as well as the technology promotion and technical service for the above said products.	50,000,000	48,862,437.12	48,078,209.12	0.00	-122,908.55	-122,908.55
Chengde Huijing Property Service Co., Ltd.	Subsidiary	Property management service	500,000	2,349,176.51	-50,890.07	2,030,782.46	-379,776.37	-379,776.37
Nanjiang Asia Investment Co., Ltd.	Subsidiary	International investment and trading, ship sales and purchase and lease	US\$ 20 million	5,161,292.38	5,156,492.52	0.00	279,399.41	279,399.41
Hangzhou	Subsidiary	Technology	100,000,000	50,078,200.0	49,998,200.0	114,529.92	-1,800.61	-1,800.00

Dongfeng Stealth Technology Co. Ltd.		development and application of super materials and stealth technology, development of new materials and applications, technical services, electronic products development, sales, technical services, software development, technical services.		0	0			
Runhua Rural Water (Tianjin) International Trade Co., Ltd.	Subsidiary	Import trade, domestic agents and distribution of the plastic raw materials of polyethylene (PE) and polypropylene (PP)	30,000,000	25,570,959.98	12,781,358.79	97,624,160.58	-9,214,672.02	-9,272,232.71

Particular about subsidiaries obtained or disposed in report period

Applicable  Not applicable

Company Name	The method of obtaining and handling subsidiaries during the report period	The influence to the whole production and performance
Hangzhou Dongfeng Stealth Technology Co. Ltd.	New- established	The preparatory phase with no income
Chengde Xingye Papermaking Co., Ltd.	Dissolution and liquidation	It has been discontinued for many years, and will not have a greater impact on the

		company operating and performance
--	--	-----------------------------------

Notes of holding and shareholding companies

During the reporting period, the international crude oil prices continued to slump, the domestic economic slowed down, which had a huge impact on bulk commodity trading, bulk commodity overall has a operating difficulties. In order to reduce losses, reduce costs, Runhua Nongshui reduced sales of business scale, resulting in Runhua Nongshui operating income over the previous year appear sharply.

## VIII. Structured vehicle controlled by the Company

Applicable  Not applicable

## IX. Future Development Prospects

(I) Industry structure and trend

In 2016, from a macroeconomic perspective, the international market situation is not optimistic, the domestic economy not only has to face the severe external environment, but also has to meet all kinds of serious internal challenges, the national economy will remain in the bottom phase, and the de-capacity, de-stocking, de-leveraging will be in full swing. In the macro background of economic structural adjustment and transformation and upgrading, the supply-side reform is the general direction of China's future economic development, and the liquidity is expected to remain a loose pattern.

In the future, the real estate market will continue to follow the differentiation pattern. In the short term, most areas across the country still face a large pressure on de-stocking, but the population has continued to flow into the hot first-tier and second-tier cities, the demand space is great, the pressure on stock is small, the turnover in some cities has even rebounded sharply in 2015, facing with the pressure on insufficient, demand exceeding supply, and rising housing prices. On the other hand, some second-tier cities and most of the third-tier and four-tier cities still have a big pressure on de-stocking, and the market competition will become more intense.

(II) The company's development strategy and business plan

In the de-stocking background of current real estate market, the company will use its own advantages and rely on a variety of advantageous resources to increase the real estate sales, endeavor to reduce the stocked real estate projects, rapidly recoup funds, reduce the company's financial costs, and achieve the company's long-term sustainable development. Meanwhile, the company will use its own advantages and rely on the large shareholder resources to develop new profit growth point and accelerate the company's strategic transformation.

(III) Possible risks

1. Policy risk.

The real estate industry is affected by the macro policy, land policy, real estate tax policy, financial policy for the real estate industry will have a direct impact on the real estate business. The company will pay close attention to the macro situation, strengthen the research and tracking policy, rational analysis of the market, to adapt to changes in market adjustment, and to improve the company's ability to resist risks.

2. Market risk.

In the background of economic slowdown, the real estate market differentiation is obvious, market competition grows increasingly fierce, and pressure of destocking is greater. The company will increase marketing efforts with rapid withdrawal from circulation of funds. At the same time, accelerate the strategic transformation of the company, open up new profit growth point, and enhance the overall competitiveness of the company.

## X. Reception of research, communication and interview

### 1. In the report period, reception of research, communication and interview

Applicable  Not applicable

Time	Way	Type	Basic situation index of investigation
------	-----	------	--

2015-01-27	Telephone communication	Individual	Daily operation of the Company, no materials required
2015-03-10	Telephone communication	Individual	Current condition of the Company, no materials required
2015-03-25	Telephone communication	Individual	Progress of the suspension of the Company, no materials required
2015-06-05	Telephone communication	Individual	Progress of the suspension of the Company, no materials required
2015-07-23	Telephone communication	Individual	Progress of the suspension of the Company, no materials required
2015-09-17	Telephone communication	Individual	Current condition of the Company, no materials required
2015-11-11	Telephone communication	Individual	Daily operation of the Company, no materials required
2015-12-07	Telephone communication	Individual	Progress of the suspension of the Company, no materials required
Reception (times)			8
Number of hospitality			0
Number of individual reception			8
Number of other reception			0
Disclosed, released or let out major undisclosed information	No		

## Section V. Important Events

### I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

Applicable Not applicable

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

In latest three years, net profit of the Company after making up the annual losses of previous years, retained profit at end of the Period still negative, being deliberated and approved by the Board and General Meeting, the Company has no profit distributed carried out. The Company has no plan of cash dividend distributed, bonus shares and capitalizing from common shares conducted either for year of 2015.

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

In RMB

Year for bonus shares	Amount for cash bonus (tax included)	Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year	Ratio in net profit attributable to common stock shareholders of listed company contained in consolidation statement	Amount for cash bonus by other ways	Proportion for cash bonus by other ways
2015	0.00	58,872,707.12	0.00%	0.00	0.00%
2014	0.00	80,280,395.81	0.00%	0.00	0.00%
2013	0.00	94,806,811.16	0.00%	0.00	0.00%

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

Applicable  Not applicable

### II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable  Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the year

### III. Implementation of commitment

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



## the end of reporting period

√Applicable □ Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for Share Merger Reform						
Commitments in report of acquisition or equity change	Controlling shareholder	Commitments in horizontal competition, related transactions, and capital occupying	1. Commitments in aspect of independency of listed company: For the equity changes, that is 208,324,800 shares of Chengde Dalu Co., Ltd held by Chen Rong was transfer, Wang Dong guarantee there are no influence on the independent of employee, financial, institution, business and integrity of assets of Chengde Dalu Co., Ltd. After transaction, Chengde Dalu Co., Ltd still has the ability of independent operation and owes independent legal person, and continues to owes the independency of institution, assts, employees, production and financial. 2. Commitments for horizontal competition: after 208,324,800 shares of Chengde Dalu Co., Ltd held by Chen Rong was transfer, Wang Dong guarantee there are no or potential horizontal competition between the Chengde Dalu Co., Ltd and Wang Dong and related parties of Wang Dong	2012-04-24	Duration of the Company	Implementing
Commitments in assets reorganization	Controlling shareholder	Performance commitment and compensation arrangements	The performance compensation commitment: net profit (deducting non-recurring gains and losses) for 2012, 2013, 2014 and 2015 for Runhua RW (Tianjin) International Trade Co., Ltd. Respectively can't be less than 306,300 Yuan, 904,000 Yuan, 1,500,000 Yuan and 3,400,000 year. If the actual net profit is less than the promised, the controlling shareholders shall perform the obligations of profit compensation accordingly.	2013-04-10	2012-2015	After auditing, net profit for year of 2015 under the name of Runhua RW (Tianjin) International Trade Co., Ltd. was -9.2722 million Yuan, which is short of the commitment of performance for year of

						2015. the Company will supervise and urge the controlling shareholder to implement compensation commitment according to the auditing results.
Commitments in initial public offering or re-financing						
Commitments in stock option incentive plan						
Other commitments for medium and small shareholders						
Completed on time	Yes					

**2. Concerning assts or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast**

Applicable  Not applicable

**IV. Non-operational fund occupation from controlling shareholders and its related party**

Applicable  Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

**V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA**

Applicable  Not applicable

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

Applicable  Not applicable

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

**VII. Major accounting errors within reporting period that needs retrospective restatement**

Applicable  Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

**VIII. Compare with last year's financial report; explain changes in consolidation statement's scope**

Applicable  Not applicable

1. On September 25, 2015, the third meeting of the company's sixth board of directors considered and approved the company and EMAST to jointly invest 100 million yuan to establish Hangzhou Dongfeng Stealth Technology Co., Ltd., of which the company invested 90 million yuan, accounting for 90% of the total amount of contribution, after the establishment, Hangzhou Dongfeng Stealth would become a subsidiary of the company and be included into the company's consolidated financial statements.

2. On October 27, 2015, the fourth meeting of the company's sixth board of directors considered and approved the "Proposal on dissolution and liquidation of a wholly owned subsidiary Chengde Xingye Papermaking Co., Ltd." for its dissolution and liquidation according to the law because it had discontinued operation for many years. Up to the ends of the reporting period, the company has completed the liquidation of Xingye Papermaking which would no longer be included in the company's consolidated statements.

Name	Equity disposal method	Equity disposal time	Net asset disposal date net assets (Yuan)	Net profit for the period-begin to the disposal date (Yuan)
Chengde Xingye Papermaking Co., Ltd.	Cancellation	December 2015	-1591.80	0

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

Accounting firm appointed

Name of domestic accounting firm	Dahua Certified Public Accountants (Limited Liability Partnership)
Remuneration for domestic accounting firm (10 thousand Yuan)	50
Continuous life of auditing service for domestic accounting firm	4
Name of domestic CPA	Fan Rong, Han Junmin
Name of foreign accounting firm (if applicable)	N/A
Continuous life of auditing service for foreign accounting firm (if applicable)	N/A
Name of foreign CPA (if applicable)	N/A

Whether re-appointed accounting firms in this period or not

Yes  No

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

Applicable  Not applicable

The Company engaged Dahua CPA (LLP) as the internal control auditing organ in the Year; the auditing costs paid amounting to 250,000 Yuan in reporting period.

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

Applicable  Not applicable

**XI. Bankruptcy reorganization**

Applicable  Not applicable

No bankruptcy reorganization for the Company in reporting period

**XII. Significant lawsuits and arbitrations of the Company**

Applicable  Not applicable

No significant lawsuits and arbitrations occurred in the reporting period

**XIII. Penalty and rectification**

Applicable  Not applicable

Name	Type	Reasons	Type of investigation and penalty	Conclusion (if applicable)	Disclosure date	Index of disclosure
Original Chengde Dalu Co., Ltd.	Company	Violation of securities laws and regulations	Violation of securities laws and regulations	Give a warning to Chengde Dalu Co., Ltd. and impose a fine of 300 thousand yuan.	2015-06-02	Find more in Hong Kong Commercial Daily, Securities Times, Juchao Website on June 12, 2015

**XIV. Integrity of the company and its controlling shareholders and actual controllers**

Applicable  Not applicable

**XV. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives**

Applicable  Not applicable

During the reporting period, the company has no stock incentive plan, employee stock ownership plan or other employee incentives that have not been implemented.

**XVI. Major related transaction****1. Related transaction with routine operation concerned**

Applicable  Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions	Trading limit approved (in 10 thousand Yuan)	Whether approved limited or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
Hao Guangxin, Sun Dasen	Related natural persons	Daily operation	Purchase of the company's commercial housing	Fair market pricing	Market price	104.73	100%	104.73	N	Cash settlement	RMB 1,207,300	2015-06-12	Details were disclosed on "Hong Kong Commercial Daily", "Securities Times" and Juchao network on 12 June 2015.
Total				--	--	104.73	--	104.73	--	--	--	--	--
Detail of sales return with major amount involved				N/A									
Report the actual implementation of the daily related transactions which were projected about their total amount by types during the reporting period(if applicable)				N/A									
Reasons for major differences between trading price and market reference price				The price of this related transaction is decided by the market price of real estate, as the company's employee and family member of employee, Mr. Hao Guangxin and Mr. Sun Dawei would enjoy the company's preferential policy of reducing 80,000 yuan at one time.									

## 2. Related transactions by assets acquisition and sold

Applicable     Not applicable

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

## 3. Main related transactions of mutual investment outside

Applicable     Not applicable

The common invest party	Related relation	Name of the invested enterprise	The main business of the invested enterprise	The registered capital of the invested enterprise	The total assets of the invested enterprise (in 10 thousand yuan)	Net assets of the invested enterprises (in 10 thousand yuan)	Net profit of the invested enterprises (in 10 thousand yuan)
Eagles Men Aeronautic Science and Technology Group Co., Ltd.	Related legal person	Hangzhou Dongfeng Stealth Technology Co. Ltd.	Technology development and application of super materials and stealth technology, development of new materials and applications, technical services, electronic products development, sales, technical services, software development, technical services.	100 million yuan	5,007.82	4,999.82	-0.18
The progress of major construction projects of invested enterprises (if applicable)		N/A					

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

Applicable     Not applicable

The Company had no contact of related credit and debt in the reporting period.

#### 5. Other related transactions

Applicable     Not applicable

The company had no other significant related transactions in reporting period.

## **XVII. Significant contract and implementations**

### **1. Trusteeship, contract and leasing**

#### **(1) Trusteeship**

Applicable  Not applicable

No trusteeship for the Company in reporting period

#### **(2) Contract**

Applicable  Not applicable

No contract for the Company in reporting period

#### **(3) Leasing**

Applicable  Not applicable

No leasing for the Company in reporting period

### **2. Major guarantees**

Applicable  Not applicable

No guarantee for the Company in reporting period

### **3. Entrust others to cash asset management**

#### **(1) Trust financing**

Applicable  Not applicable

The company had no trust financing in the reporting period.

#### **(2) Entrusted loans**

Applicable  Not applicable

The company had no entrusted loans in the reporting period.

### **4. Other material contracts**

Applicable  Not applicable

No other material contracts for the Company in reporting period

## **XVIII. Explanation on other significant events**

Applicable  Not applicable

During the reporting period, the company's stock has been suspended since the opening date on January 23, 2015 for planning to solve the historical issues of B shares. The above-mentioned issue is still under way, and the company releases the suspension progress announcement about the major issues for every five trading days.

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

Applicable  Not applicable

## **XX. Social responsibility**

Applicable  Not applicable

## **XXI. Issuance of corporate bonds**

Whether the company has corporate bonds that have been publicly issued and listed on the stock exchange, and not yet due or due but not fully cashed on the approval date of annual report

No



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

### I. Changes in Share Capital

#### 1. Changes in Share Capital

In Share

	Before the Change		Increase/Decrease in the Change (+, -)					After the Change	
	Amount	Proportion	New shares issued	Bonus shares	Capitalization of public reserve	Others	Subtotal	Amount	Proportion
I. Unlisted shares	244,800,000	34.66%						244,800,000	34.66%
1. Sponsor's shares	244,800,000	34.66%						244,800,000	34.66%
Domestic legal person's shares	23,147,309	3.28%						23,147,309	3.28%
Other	221,652,691	31.38%						221,652,691	31.38%
II. Listed shares	461,520,000	65.34%						461,520,000	65.34%
2. Domestically listed foreign shares	461,520,000	65.34%						461,520,000	65.34%
III. Total shares	706,320,000	100.00%						706,320,000	100.00%

Reasons for share changed

 Applicable  Not applicable

Approval of share changed

 Applicable  Not applicable

Ownership transfer of share changed

 Applicable  Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

 Applicable  Not applicable

Other information necessary to disclose for the Company or need to disclosed under requirement from security regulators

 Applicable  Not applicable

#### 2. Changes of restricted shares

 Applicable  Not applicable

## II. Securities issuance and listing

### 1. Security offering (without preferred stock) in Reporting Period

Applicable  Not applicable

### 2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Applicable  Not applicable

### 3. Existing internal staff shares

Applicable  Not applicable

## III. Particulars about shareholder and actual controller of the Company

### 1. Amount of shareholders of the Company and particulars about shares holding

In Share

Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total shareholders at the end of report period	Changes in report period	Amount of un-listed shares held	Amount of listed shares held	Number of share pledged/frozen	
							State of share	Amount
Total common stock shareholders in reporting period-end	19,555	Total common stock shareholders at end of last month before annual report disclosed	19,555	Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note8)	0	0
Particulars about shares held above 5% by shareholders or top ten shareholders								
Wang Dong	Domestic nature person	29.49%	208,324,800	0	208,324,800	0	frozen	208,324,800
Everbright Securities (H.K.) Co., Ltd.	Overseas legal person	13.28%	93,833,093	422,900	0	93,833,093		
GUOTAI JUNAN SECURITIES(HONGKONG)	Overseas legal person	6.87%	48,524,062	-40,000	0	48,524,062		

LIMITED							
Chengde North Industrial Corporation	Domestic non-state owned legal person	2.62%	18,517,651	0	18,517,651	0	
Wang Zhengsong	Domestic nature person	1.89%	13,327,891	0	13,327,891	0	
Wang Wensheng	Domestic nature person	1.03%	7,258,007	0	7,258,007	0	
Zhou Haihong	Domestic nature person	0.95%	6,708,495	0	6,708,495	0	
Li Tianyun	Domestic nature person	0.73%	5,158,000	0	5,158,000	0	
Shanghai Wanguo (H.K) Securities	Overseas legal person	0.71%	4,995,920	0	4,995,920	0	
Chen Yan	Domestic nature person	0.57%	4,023,256	0	4,023,256	0	
Strategy investors or general legal person becomes top 10 shareholders due to rights issued (if applicable) (see note 3)	N/A						
Explanation on associated relationship among the aforesaid shareholders	The Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “management method for acquisition of listed company” among the above said shareholders.						
Particular about top ten circulated shareholders							
Shareholders' name	Amount of listed shares held at period-end	Type of shares					
		Type	Amount				
Everbright Securities (H.K.) Co., Ltd.	93,833,093	Domestically listed foreign shares	93,833,093				
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	48,524,062	Domestically listed foreign shares	48,524,062				
Wang Wensheng	7,258,007	Domestically listed foreign shares	7,258,007				
Zhou Haihong	6,708,495	Domestically listed foreign shares	6,708,495				
Li Tianyun	5,158,000	Domestically	5,158,000				

		listed foreign shares	
Shanghai Wanguo (H.K) Securities	4,995,920	Domestically listed foreign shares	4,995,920
Chen Yan	4,023,256	Domestically listed foreign shares	4,023,256
Zhao Ziyang	3,286,616	Domestically listed foreign shares	3,286,616
VANGUARD TOTAL INTERNATIONAL STOCK INDEX FUND	3,182,875	Domestically listed foreign shares	3,182,875
Peng Wei	2,978,525	Domestically listed foreign shares	2,978,525
Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders	The Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “management method for acquisition of listed company” among the above said shareholders.		
Explanation on shareholders involving margin business about top ten common shareholders with un-restrict shares held (if applicable) (see Note 4)	N/A		

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

Yes  No

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

## 2. Controlling shareholder of the Company

Nature of controlling shareholders: natural person holding

Type of controlling shareholders: natural person

Controlling shareholder	Nationality	Enjoy the residence power in the other country or area (Y/N)
Wang Dong	P.R.C	N
Main occupation or position	Successively hold the position of Chairman and Director of Guangzhou Lezent	

	Communications Technology Co., Ltd. from September 2009 to January 2012; serves as Director of NANJIANG DIAMOND CO., LIMITED since February 2012, an director of Nanjiang Investment Co., Ltd. (H.K company) and executive director of Shanghai Nanjian Investment Co., Ltd.; an executive director of Beijing Nanjiang Investment Co., Ltd since March 2012; an executive director of Chengdu Nanjiang Engineering Technology Co., Ltd. since April 2012; served as chairman of Ningbo Morsh Technology Co., Ltd. from May 2012 to April 2013; executive director of Chongqing Nanjiang Investment Co., Ltd. since March 2013 and chairman of Beijing Moxi Group Holding Group Co., Ltd. since May 2013.
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Changes of controlling shareholders in reporting period

Applicable  Not applicable

The Company had no changes of controlling shareholders in reporting period

### 3. Actual controller of the Company

Nature of actual controller: domestic natural person

Type of actual controller: natural person

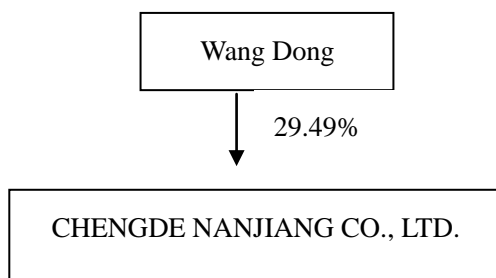
Actual controller	Nationality	Enjoy the residence power in the other country or area (Y/N)
Wang Dong	P.R.C	N
Main occupation or position	Successively hold the position of Chairman and Director of Guangzhou Lezent Communications Technology Co., Ltd. from September 2009 to January 2012; serves as Director of NANJIANG DIAMOND CO., LIMITED since February 2012, an director of Nanjiang Investment Co., Ltd. (H.K company) and executive director of Shanghai Nanjian Investment Co., Ltd.; an executive director of Beijing Nanjiang Investment Co., Ltd since March 2012; an executive director of Chengdu Nanjiang Engineering Technology Co., Ltd. since April 2012; served as chairman of Ningbo Morsh Technology Co., Ltd. from May 2012 to April 2013; executive director of Chongqing Nanjiang Investment Co., Ltd. since March 2013 and chairman of Beijing Moxi Group Holding Group Co., Ltd. since May 2013.	
Listed companies in and out of China that controlled in last 10 years	N/A	

Changes of actual controller in reporting period

Applicable  Not applicable

No changes of actual controllers for the Company in reporting period.

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

Applicable  Not applicable

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

Applicable  Not applicable

**5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects**

Applicable  Not applicable

## **Section VII. Preferred Stock**

Applicable     Not applicable

The Company had no preferred stock in the Period.

## Section VIII. Particulars about Directors, Supervisors, Senior

### Executives and Employees

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

Name	Title	Working status	Sex	Age	Start dated of office term	End date of office term	Shares held at period-begin (Share)	Amount of shares increased in this period (Share)	Amount of shares decreased in this period (Share)	Other changes (share)	Shares held at period-end (Share)
Zhao Yongsheng	Chairman	Currently in office	M	39	2015-06-11	2018-06-10	0	0	0		0
Zhao Yongsheng	Director&GM	Leave office	M	39	2012-04-27	2015-06-10	0	0	0		0
Zhao Yongsheng	CFO	Currently in office	M	39	2013-07-25	2018-06-10	0	0	0		0
Li Weimin	Chairman	Leave office	M	53	2012-12-28	2015-06-10	0	0	0		0
Li Weimin	Deputy chairman	Currently in office	M	53	2015-06-11	2018-06-10	0	0	0		0
Shen Linxiang	Director&GM	Currently in office	M	52	2015-06-11	2018-06-12	0	0	0		0
Cheng Ducai	Director	Leave office	M	47	2012-04-27	2016-04-25	0	0	0		0
Wang Dong	Director	Leave office	M	43	2012-07-31	2016-04-25	208,324,800	0	0		208,324,800
Chen Weihuan	Director	Currently in office	M	41	2012-07-31	2018-06-10	0	0	0		0
Guo Huibin	Independent director	Currently in office	M	45	2012-07-31	2018-06-10	0	0	0		0
Zhang Zhiyong	Independent	Currently in office	M	62	2012-07-31	2018-06-10	0	0	0		0



	director										
Cao Guohua	Independent director	Currently in office	M	49	2012-04-27	2018-06-10	0	0	0		0
Xie Yu	Chairman of Supervisory Committee	Currently in office	M	42	2012-04-27	2018-06-10	0	0	0		0
Wei Lei	Supervisor	Currently in office	F	38	2012-04-27	2018-06-10	0	0	0		0
Hao Guangxin	Employee supervisor	Currently in office	M	40	2012-04-27	2018-06-10	5,900	0	0		5,900
Sun Hongwei	Deputy GM	Currently in office	M	52	2015-06-11	2018-06-10	0	0	0		0
Sun Hongwei	GM assistant	Leave office	M	52	2013-10-11	2015-06-10	0	0	0		0
Li Wenying	Secretary of the Board	Currently in office	F	31	2014-07-04	2018-06-10	0	0	0		0
Wang Xiashu	Deputy GM	Leave office	M	59	2013-10-11	2015-06-10	0	0	0		0
Total	--	--	--	--	--	--	208,330,700	0	0		208,330,700

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

Name	Title	Type	Date	Reasons
Zhao Yongsheng	Chairman	Appointed and removed	2015-06-11	General election
Li Weimin	Deputy chairman	Appointed and removed	2015-06-11	General election
Shen Linxiang	Director	Appointed and removed	2015-06-11	General election
Shen Lin xiang	GM	Appointed and removed	2015-06-11	Appointment of senior executives
Sun Hongwei	Deputy GM	Appointed and removed	2015-06-11	Position change

Zhao Yongsheng	GM	Appointed and removed	2015-06-11	Position change
Li Weimin	Chairman	Appointed and removed	2015-06-11	General election
Sun Hongwei	GM assistant	Appointed and removed	2015-06-11	Position change
Wang Xiashu	Deputy GM	Term of office has run out and leave the office	2015-06-11	Term of office has run out and leave the office
Wang Dong	Director	Leave office	2016-04-26	Leave office
Cheng Ducai	Director	Leave office	2016-04-26	Leave office

### III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive

Zhao Yongsheng, male, born in January 1977, he owes a university degree. He served as GM for WholeWise Sci.& Tech. Co., Ltd and Netcom division from 1999 to 2006; and served as GM of Shenzhen XinJinDa Investment Co., Ltd. from 2006 to 2012. He serves as director, GM of the Company from 2012 to June 2015; and served as chairman and CFO of the Company since June 2015.

Li Weimin: male, born in 1963 and has a graduate diploma. He worked in 1<sup>st</sup> section of Ministry of Metallurgical Industry and Zhongjian Law Practice Center; he works in China Kejian Co., Ltd. since October 2001 to May 2014; hold secretary of the Board for China Kejian Co., Ltd. since April 2003 to July 2013; hold director for China Kejian Co., Ltd. since April 2003 to May 2014; and he successively serves as Director, chairman and deputy chairman of the Company since July 2012, he is the deputy chairman of the Company right now.

Shen Lin Xiang, male, born in November 1964, bachelor's degree, member of Communist Party of China. Served as director in planning center of CPPCC of Zhejiang Province, director in bond department of Wanxiang Qianchao Co., Ltd. of Wanxiang Group, office director of Wanxiang Nade Co., Ltd. of Wanxiang Group, office director of Zhejiang Guanglian Information Network Co., Ltd. of Zhejiang Radio & TV Group, general manager of Zhejiang Merchants Network Alliance Information Development Co., Ltd., president of Zhongmeng Investment Management Co., Ltd., and secretary-general of enterprise alliance non-profit foundation in China Green Foundation; serves as the director and general manager of the Company since June 2015.

Chen Weihuan, male, born in December 1975, an accountant with university degree. He successively served as manager of financial dept. of WholeWise Sci.& Tech. Co., Ltd, as CFO of China Kejian Co., Ltd., CFO of the Shanghai Nanjiang Group Co.,Ltd., deputy GM of Shenzhen DongFeng Group Co., Ltd., Director of the Beijing Moxi Group Co., Ltd. Now he is the Director of the Company.

Cao Guohua, male, born in 1967, PhD in Management, professor and tutor of a Ph.D student for School of Economics and Business Administration, Chongqing University. He was selected as the elite talent of new century of Ministry of Education in 2007. He successively served as independent directors of Guizhou Lark Co., Ltd. and Balance Auto Insurance Co., Ltd. Serves as independent director of the Chongqing Yukaifa Co., Ltd. since August 2012; the outside director of Chongqing Tourism Investment Group Co., Ltd. since June 2014 and independent director of Chongqing Rural Commercial Bank Co., Ltd. He served as the independent director

of Chongqing Jianfeng Chemical Co., Ltd. since January 2015. Now he is the independent director of the Company.

Guo Huibin, male, born in September 1971, an accountant, master of economics. He served as financial analyst of financial dept. of China Railway Signal & Communication Corp. from April 1996 to March 1997; worked in management dept. of branch of Lenovo from March 1997 to February 1999; worked as GM of Kunming Branch from March 1999 to February 2001; from March 2001 to September 2004 he worked as deputy GM of business management dept. of Digital China Integrated System; from June 2005 to September 2007 he served as GM for Beijing XinNuo Zhiye Technology Development Co., Ltd.; he served as GM of Beijing Fangbo Shidai Technology Co., Ltd. from October 2007 to March 2011 and served as Chairman of Tianjin One-Selected Equity Fund Management Co., Ltd. from March 2011 to July 2012; and served as the independent director of Beijing constable instrument technology Co., Ltd. since December 2015. Now he is the independent director of the Company.

Zhang Zhiyong, male, born in November 1954 and on-job postgraduates, a chief editor (deputy senior). He dedicated to news for almost thirty years, and he successively served as the director of People's Broadcasting Station of Baicheng City, Jilin Province, the director of Baicheng Daily; director of editorial board for Shenzhen Financial Post; he serves as director, member of editorial board and deputy President of Securities Times since February 1994; also he took post of independent director of China Kejian Co., Ltd. since May 2010 to June 2014, serves as independent director of the Shenzhen Agricultural Products Co., Ltd. since March 2015 and independent director of Guangdong Silver Age Holdings LTD. since July 2014. now he is independent director of the Company.

Xie Yu, male, born in 1974, graduated from Chongqing University; from September 1998 to May 2000 he served as engineers for Chongqing Branch of China Unicom; from May 2000 to January 2003 he served as Manager of WholeWise Sci.& Tech. Co., Ltd; served as deputy GM of Beijing Times WholeWise Software Tech. Co., Ltd. from January 2003 to September 2004; from September 2004 to September 2007 he served as GM for Beijing Tibet Beidou Star Group Co., Ltd; he successively serves as GM assistant, director and deputy president of Sichuan Direction Photoelectricity Co., Ltd. since September 2007 to March 2012; deputy GM of Beijing Nanjiang Investment Co., Ltd. from March 2012 to September 2014, and serves as GM of Hangzhou NanjianG Robot Co., Ltd since September 2014, now he is the chairman of supervisory committee of the Company.

Wei Lei, female, born in 1978, the junior college educational background; from July 1997 to December 2008 she worked as accountant for Xinzhi Technology Co., Ltd. and act as financial manager of Shenzhen Branch of Xinzhi Technology Co., Ltd.; she serves as accountant of Shenzhen Xinjinda Investment Holding Co., Ltd. since January 2009, now she is the supervisor of the Company.

Hao Guangxin, male, born in 1976, graduated from technical secondary school; he worked in former Dixian Co., Ltd in 1996; and he successively act as director of Making Factory, officer and director of comprehensive business division and office director of Chengde Dalu Co., Ltd.; now he serves as employee supervisor of the Company.

Sun Hongwei, male, born in 1964, a high school background, worked in Chengde Dixian Knitting Co., Ltd. in 1986, and successively served as chief of electrical and mechanical department of Dye Plant, GM of infrastructure division for electromechanical device, person in charge of the preparatory office of Xingye Paper Making, manager of Xingye Paper Making Company and manager of engineering department of Chengde Nanjiang Co., Ltd. He served as GM assistant of the Company from October 2013 to June 2015; and served as the deputy GM of the Company since June 2015.

Li Wenying, female, was born in 1985, a university degree. She served as planning specialist and system support administrator of the Joyoung Co., Ltd. from July 2008 to October 2010; and worked in security department of Chengde Nanjiang Co., Ltd. in November 2010; she serves as GM of the security department of Chengde Nanjiang Co., Ltd. since April 2012; and serves as Secretary of the

Board of the Company since July 2014.

Post-holding in shareholder's unit

Applicable  Not applicable

Post-holding in other unit

Applicable  Not applicable

Name	Name of other units	Position in other unit n	Start dated of office term	End date of office term	Received remuneration from other unit (Y/N)
Wei Lei	Shenzhen XinJinDa Investment Co., Ltd	Accountant	2009-01-15		Y
Xie Yu	Hangzhou Nanjiang Robot Co., Ltd.	GM	2014-09-30		Y
Chen Weihuan	Shenzhen DongFeng Group Co., Ltd.	CFO	2011-04-19		N
Chen Weihuan	Beijing Moxi Group Co., Ltd	Director	2013-05-06		N
Chen Weihuan	Dongguan Dongfeng New energy technology Co., Ltd.	Chairman	2015-11-13		N
Li Weimin	Shenzhen DongFeng Group Co., Ltd.	Deputy GM	2011-04-19		N
Explanation on post-holding in other unit	The above mentioned was the post-holding conditions for director, supervisor and senior executives of the Company; post-holding of independent directors found more in individual CV.				

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable  Not applicable

#### IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

Decision-making procedures: remuneration & appraisal committee proposed remuneration plan, and being approved after deliberation by the Board, submitted for approval to shareholders' general meeting.

Recognition basis: based on the industry and scales of the remuneration standards, formulate remuneration combine with actual operation status of the Company.

Payment: distribute monthly according to remuneration plan

In reporting period, the in-post directors, supervisors and senior executives (not including independent directors) received remuneration from the Company totally approximately as RMB 1,906,200.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

Name	Title	Sex	Age	Post-holding status	Total remuneration obtained from the	Whether remuneration obtained from
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					Company (before taxes)	related party of the Company
Zhao Yongsheng	Chairman& CFO	M	39	Currently in office	27.2	N
Li Weimin	Deputy Chairman	M	53	Currently in office	11.69	N
Shen Linxiang	GM	M	52	Currently in office	18.51	N
Wang Dong	Director	M	43	Currently in office	11.69	N
Chen Weihuan	Director	M	41	Currently in office	11.69	N
Cheng Ducai	Director	M	47	Currently in office	17.69	N
Guo Huibin	Independent director	M	44	Currently in office	11.69	N
Zhang Zhiyong	Independent director	M	62	Currently in office	11.14	N
Cao Guohua	Independent director	M	49	Currently in office	11.69	N
Xie Yu	Chairman of supervisory committee	M	42	Currently in office	0	N
Wei Lei	Supervisor	F	38	Currently in office	0	N
Hao Guangxin	Employee supervisor	M	40	Currently in office	13.71	N
Sun Hongwei	Deputy GM	M	52	Currently in office	13.71	N
Li Wenying	Secretary of the Board	F	31	Currently in office	13.71	N
Wang Xiashu	Deputy GM	M	59	Leave office	16.5	N
Total	--	--	--	--	190.62	--

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

Applicable  Not applicable

## V. Particulars of workforce

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

Employee in-post of the parent Company (people)	65
Employee in-post of main Subsidiaries (people)	92
The total number of current employees (people)	157
The total number of current employees to receive pay (people)	157
Retired employee' s expenses borne by the parent Company and main Subsidiaries (people)	0
Professional composition	
Category of professional composition	Numbers of professional composition (people)
Production personnel	52
Sales personnel	12
Technical personnel	26
Financial personnel	13
Administrative personnel	54
Total	157
Education background	
Category of education background	Numbers (people)
Doctor	1
Master	6
Bachelor degree	27
College	32
High school or below	91
Total	157

### 2. Remuneration Policy

In accordance with national labor laws and policies and combining the company's actual situation, the company has established the salary management system, and pays the salary according to the assessment of salary management system. The employees' remuneration and benefit level are adjusted appropriately according to the company's operating conditions, and the local living standards, and the changes in the price index.

The company strictly obeys the "Labor Law" and the relevant national and local labor laws and regulations; signs labor contracts with employees, and pays the employee insurances by rule.

### 3. Training programs

The company focuses on staff training and career planning, actively carries out staff training, and organizes various business skill

trainings from time to time.

#### **4. Labor outsourcing**

Applicable  Not applicable

## Section IX. Corporate Governance

### I. Corporate governance of the Company

In reporting period, the Company complied to laws and rules such as the Company Law, the Security Law, the Governance Rules of Listed Companies, related regulations of CSRC and the Stock Listing Rules for Shenzhen Stock Exchange, the Normalized Operation Norms for Listed Companies as well as relevant laws and regulations, standardized the operation, continues to improved and perfected the structure for corporate governance. Actual condition of the corporate governance almost consistent with requirement and regulations of normative documents of relevant laws and statute

#### 1. Shareholders and the Shareholders' General Meeting:

The Company set up Rules of Procedure of Shareholders' General Meeting and was able to convene and hold the Shareholders' General Meeting strictly according to the requirement of normative opinions of the Shareholders' General Meeting and the procedure of the meeting was legal. The Company ensures that all shareholders share the actual information of the Company equally and guarantee the legal rights of medium and small shareholders.

#### 2. Relation of the controlling shareholder and the listed company:

The Company is completely independent from the controlling shareholder in terms of personnel; assets, finance, organization and business, there are no decision-making and operation activities of the Company that being interfered directly or indirectly by controlling shareholder over the shareholders' general meeting, and no condition of capital and assets of the Company occupied by controlling shareholder and its related parties either.

#### 3. Directors and the Board of Directors:

The Company elected directors strictly according to the procedure stated in the Articles of Association and engaged independent directors according to relevant requirements. All directors can take the responsibilities in a diligent attitude on behalf of the maximum interests of the Company and the shareholders. The Board of Directors established Rules of procedure of the Board of Directors, implemented patiently the regulations of the laws, regulations and the Articles of Association of the Company, treated all shareholders fairly and concentrated on the interest of relevant beneficial parties.

Specialized commissions were set up in the board of directors such as audit commission, remuneration and appraisal commission, strategy commission and nomination commission. They respectively take over function of discussion and determination of significant events according to corresponding working details.

#### 4. Supervisors and the Supervisory Committee:

The population and constitution of the board of supervisors conform to requirements of the Articles of Association, including 1 staff representative among the 3 members. The supervisors could carefully exert duties, take necessary check and supervision on finance, directors, general managers and other senior managerial personnel, thus maintain lawful interests of the Company. The procedure of assembling and holding of the board of supervisors conform to relevant rules of the Listing Rules, the Articles of Association and the Parliamentary Procedures of the Board of Supervisor.

#### 5. In aspect of relevant beneficial parties

The company fully respects and safeguards the legitimate rights and interests of stakeholders, achieves the coordination and balance of the interests of shareholders, employees, and community, jointly promotes the sustainable and healthy development of the company.

#### 6. In aspect of information disclosure and transparency:

The Company authorized the secretary of the Board of Directors to be responsible for information disclosure, reception of the



shareholders' interviewing and consultation. The Company could disclose relevant information in a true, accurate, complete and timely manner strictly according to provisions of laws, regulations and the Articles of Association so as to ensure equal chances for all shareholders to obtain information.

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

Yes  No

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

Specific activity of the corporate governance as well as formulation and implementation of registration mechanism for insiders

In the reporting period, in strict accordance with relevant requirement and regulations of "Management System for Information Disclosure" and "Management System of Information Registration for Person with Knowledge of Inside Information" that formulated, the Company earnestly does a good job in registration management for information and information submit. Name lists of the person with knowledge of inside information have been well-recorded completely before disclosed in aspect of reporting, submit, preparation, approval and disclosure. No violation behavior been found in directors, supervisors and senior executives and other persons with knowledge of inside information, and no supervision measures and administrative penalty been taken for being suspected of inside trading by supervision departments either.

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

The company is completely independent from the controlling shareholder in terms of personnel, assets, finance, organization and business for independent responsibility and risks undertake, owes an independent business and ability of self operation.

1. In aspect of personnel: The Company has an independent management of labor force, human resources and salary. Senior executive of the Company did not take double position in the listed company and controlling shareholders and with no remuneration received either.
2. In aspect of assets: the Company has clear property relations with its controlling shareholder, and assets of the Company are totally independent of controlling shareholder. The Company holds completely control and disposition over the assets, there are no assets or capital occupied by controlling shareholders with interest of the Company damaged.
3. In aspect of finance: The Company has independent financial department, whole, independent and normatively operated business accounting system and financial administration system and independent bank account.
4. In aspect of organization independence: The Company's organizations are wholly independent and the offices of the Company are wholly separated from the controlling shareholder.
5. In aspect of business: The Company is independent from the controlling shareholder in terms of businesses and has independent and whole business and operating ability.

## **III. Horizontal competition**

Applicable  Not applicable

## **IV. In the report period, the Company held annual shareholders' general meeting and extraordinary shareholders' general meeting**

### **1. Annual Shareholders' General Meeting in the report period**

Session of meeting	Type	Ratio of investor participation	Date	Date of disclosure	Index of disclosure
Annual general meeting of 2014	Annual general meeting	0.15%	2015-06-11	2015-06-12	Securities Times, Hong Kong

					Commercial Daily and Juchao Website http://www.cninfo.com.cn
The first extraordinary shareholders' general meeting 2015	extraordinary shareholders' general meeting	0.15%	2015-10-12	2015-10-13	Securities Times, Hong Kong Commercial Daily and Juchao Website http://www.cninfo.com.cn

## 2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable  Not applicable

## V. Responsibility performance of independent directors

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

The attending of independent directors to Board Meeting						
Name of independent director	Times of Board meeting supposed to attend in the report period	Times of Presence	Times of attending by communication	Times of entrusted presence	Times of Absence	Absent the Meeting for the second time in a row (Y/N)
Cao Guohua	6	1	5	0	0	N
Guo Huibin	6	0	5	1	0	N
Zhang Zhiyong	6	1	5	0	0	N
Times for attending general meeting from independent directors		2				

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

Nil

### 2. Objection for relevant events from independent directors

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

Yes  No

Independent directors has no objections for relevant events in reporting period

### 3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes  No

Explanation on advice that accepted/not accepted from independent directors

According to the requirement of Company Law, Security Laws, Rules for Stock Listing, Article of Association and Working Mechanism for Independent Directors, independent directors of the Company pay attention to operation of the Company, performing

vary responsibility of independent directors seriously; furthermore, they proactively investigate and studied operation status, business development and financial status of the Company, strictly supervise standard operation of the Company. Concerning the engagement of accounting firm, external guarantee, profit distribution plan and self-evaluation report of internal control, they carry out specific explanation and independent opinions; and fulfill responsibility to propose scientific and reasonable opinions and recommendation for operation and development of the Company base on their own professional knowledge, which protect all interest of the shareholders for the Company. In the report period, independent directors have no objections on relevant issues of the Company.

## **VI. Duty performance of the special committees under the board during the reporting period**

### 1. Responsibility performance of Auditing Committee

In the report period, auditing committee followed related regulation of Annual Report Work Regulations of Audit Committee, seriously fulfilled their duties: examine accounting policy, financial system and financial status of the Company for year of 2014 as well as the improvement and implementation of internal control; auditing company's periodic report and financial report; during the preparation, they cooperated with auditing institution to ensure the reality, accuracy and completeness of periodic report, and summary the annual work of auditing institution

### 2. Responsibility performance of Nomination Committee

In the reporting period, nomination committee in line with related regulation of CSRC and Shenzhen Stock Exchange, conscientiously performed their duties, reviewed the appointment qualification and competency-based for the Board, supervisory committee and senior executives: the person shall required relevant professional knowledge and ability of decision-making, supervision and cooperation, and be qualified for relevant positions, the qualification meets regulations from the Company Law, Governance Rules for Listed Companies and Article of Association.

### 3. Responsibility performance of Remuneration and Appraisal Committee

In reporting period, in strict accordance with "Working Rules of Remuneration and Appraisal Committee", the committee earnestly perform their duties, mainly in charge of the formulation of assessment standards for directors and senior executives, and carried out evaluations; formulated and reviewed the remuneration policy and plan for directors and managers and directing the Board to improve remuneration system of the Company.

### 4. Responsibility performance of Strategy Committee

In the reporting period, strategy committee in line with related regulation of CSRC and Shenzhen Stock Exchange, conscientiously performed their duties, carried on research and proposed advice on the development strategy plans of the Company as well as the major events that may impact on the Company's development in the future; they broadly responsible for the strategic macro management of the Company, strategy formulation, planning approval and supervision implementation, and study the annual strategy development needs of the Company, development planning, strengthen scientific of decision-making, improved the decision-making efficiency for major investment and decision-making quality, perfected the structure of corporate governance.

## **VII. Works from Supervisory Committee**

The Company has risks in reporting period that found in supervisory activity from supervisory committee

Yes  No

Supervisory committee has no objection about supervision events in reporting period

In 2015, all supervisor of the supervisory committee in a responsible manner for general meeting and whole shareholders, conscientiously abide by the State Laws, regulations and Article of Association, diligent and responsible, forge ahead, giver full play to the due role of supervisory committee in the Company.

(I) Meeting of the supervisory committee and resolutions in Period

Supervisory committee held 4 meetings in the Period with contents as:

1. On 27 April 2015, the 12<sup>th</sup> meeting of 5<sup>th</sup> session of supervisory committee was held on way of communication. Proposals below are been deliberated and approved:

- (1) Deliberated and passed the “Working Report of Supervisory Committee for year of 2014”;
- (2) Deliberated and passed the “Financial Report of 2014”;
- (3) Deliberated and passed the “Annual Report of 2014 and Summary”
- (4) Deliberated and passed the “General Election of the board of supervisors of the company”;
- (5) Deliberated and passed the “Appraisal Report of Internal Control for year of 2014”
- (6) Deliberated and passed the “1Q Report of 2015 and Summary”
- (7) Deliberated and passed the “Changes in accounting policies”.

The resolution notice was released on Hong Kong Commercial Daily, Securities Times and Juchao Website <http://www.cninfo.com.cn> dated 29 April 2015.

2. On 11 June 2015, the 1<sup>st</sup> meeting of 6<sup>th</sup> session of supervisory committee was held on way of communication.

Deliberated and approved the “Election of the Chairman of the 6<sup>th</sup> session of supervisory committee of the company”.

The resolution notice was released on Hong Kong Commercial Daily, Securities Times and Juchao Website <http://www.cninfo.com.cn> dated 12 June 2015.

3. On 27 August 2015, the 2<sup>nd</sup> meeting of 6<sup>th</sup> session of supervisory committee was held on way of communication. Deliberated and approved the “Semi-Annual Report of 2015 and Summary”. The resolution was submitted for a record in Shenzhen Stock Exchange on 27 August 2015.

4. On 27 October 2015, the 3<sup>rd</sup> meeting of 6<sup>th</sup> session of supervisory committee was held on way of communication. Deliberated and approved the “3Q Report of 2015 and Summary”. The resolution was submitted for a record in Shenzhen Stock Exchange on 27 October 2015.

(II) Independent opinion on relevant events of the Company for year of 2015

1. Independent opinion on operate according to law regulations

In accordance with relevant laws and regulations of the State, supervisory committee supervised the convening procedures of the Board Meeting and resolutions, execution of general meeting’s resolution by the Board, duty performance of senior executives and management system of the Company. They considered that as for the work for year of 2013, the Board carried out standard operations in strict accordance with the Company Law, Securities Law, Listing Rules, Article of Association as well as other regulations and mechanism, responsible and conscientious, making operation decisions scientifically and reasonably, further to improved the internal management system and internal control mechanism, established a favorable IC mechanism; no interest of the Company was violated and behavior against the laws, regulations, article of associations in way of duty performance from the directors and managers been found.

2. Independent opinion on financial condition of the Company

Supervisory committee exercise carefully and diligent examination on the financial system and financial status of the Company, they considered that real financial status and operation results of the Company have been reflected in the financial report of 2015.

3. Independent opinion on latest actual investment of raised fund

The Company has no fund raised in the reporting period.

4. Independent opinion on related transaction

Related transactions occurred in the Period:

(1) On June 11, 2015, the company’s related natural person Mr. Hao Guangxin and Mr. Sun Dasen purchased commodity houses in Jiangnan · Huijing Tiandi developed by the company. The purchase of commodity houses of the company’s related natural person from the company belongs to the related transactions generated from the company’s daily business activities. The related natural person has not utilized their related relationships to seek illegitimate interests in the company’s related transactions. The above-mentioned related transaction price is fair and will not affect the company’s financial condition and operating performance. There is no damage to the rights and interests of the company and its shareholders or causing loss of assets.

(2) On September 25, 2015, the company and EMAST have jointly invested to establish Hangzhou Dongfeng Stealth Technology Co., Ltd., and registered capital of 100 million yuan, of which the company has invested 90 million yuan, accounting for 90% of the total amount of contribution, and EMAST has invested 10 million yuan, accounting for 10% of the total amount of contribution. The associate directors Mr. Zhao Yongsheng and Mr. Shen Linxiang avoided the vote. The main purpose of this foreign investment and related transaction is to cooperate with Professor Chen Hongsheng of Zhejiang University and implement research on Professor Chen Hongsheng's core metamaterials, stealth technology and applications, proceed with the productization and industrialization of core technologies according to the needs of market and industry development, realize the combination involving production, teaching and research in core metamaterials and stealth technology, and further lay the foundation for strategic transformation of the company. This matter conforms to the company's long-term interests, accords with relevant regulations of China Securities Regulatory Commission and Shenzhen Stock Exchange, and has no damage to the interests of the company and its shareholders, especially the minority shareholders.

#### 5. Independent opinion on acquisition of assets sold

Acquisition and sales of the assets are runs in a reasonable price, no interest of part of the shareholders been violated or assets of the Company loss been found.

#### 6. Self-appraisal of internal control

In line with relevant regulation of CSRC and Shenzhen Stock Exchange, the Company follow basic principle of internal control, according to actual condition, established and improved an internal control system that covers all aspects of the Company, guarantee business activities operates normally, protect the safety and completion of assets. In the reporting period, no situation of violation of "Guideline of Internal Control for Listed Companies" and IC system of the Company been found. In conclusion, the supervisory committee considered that the self-appraisal report of the internal control reflects a real, accurate condition of the Company in aspect of internal control, therefore, supervisory show no objections.

### VIII. Examination and incentives of senior management

Senior executives' annual remuneration is paid monthly. They based on rules of salary management and level standard made by the company. They made the remuneration case for senior manager based on the annual examination of their work ability, performance and accomplishment of duty goals.

### IX. Internal Control

#### 1. Details of major defects in IC appraisal report that found in reporting period

Yes  No

#### 2. Appraisal Report of Internal Control

Disclosure date of full internal control evaluation report	2016-04-28
Disclosure index of full internal control evaluation report	"Appraisal report of internal control for year of 2015." published on Juchao Website ( <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a> )
The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements	100.00%

The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements	100.00%	
Defects Evaluation Standards		
Category	Financial Reports	Non-financial Reports
Qualitative criteria	<p>(1) Major deficiencies: major violations found in the company's financial statements, financial reports and information disclosure, the company's audit committee and internal audit service failed to effectively play their supervision functions, the CPA issued there kinds of opinion reports to the company's financial statements except for clean opinion. (2) Significant deficiencies: the establishment of the company's accounting statements and financial reports does not fully comply with the accounting standards for business enterprises and disclosure requirements, resulting in the material misstatements of financial statements, the company's financial reports declared in previous years have material misstatements and need to be retrospectively adjusted. (3) General deficiencies: other internal control deficiencies do not constitute major or significant deficiencies.</p>	<p>(1) Major deficiencies: the company's important businesses are lack of system control or have system failure, the security of information systems has significant risks, and major deficiencies of internal control assessment are not rectified and reformed completely. (2) Significant deficiencies: the company's general businesses are lack of system control or have system failure, and the security of information systems has risks. (3) General deficiencies: other internal control deficiencies do not constitute major or significant deficiencies.</p>
Quantitative standard	<p>(1) Amount of potential mistakes and omissions in operating income: major deficiencies: amount of mistakes and omissions <math>\geq 3\%</math> of total operating income or 10 million yuan; significant deficiencies: <math>1\%</math> of total operating income or 5 million yuan <math>\leq</math> mistakes and omissions <math>&lt; 3\%</math> of total operating income or 10 million yuan; general deficiencies: mistakes and omissions <math>&lt; 1\%</math> of total operating income or 5 million yuan.</p> <p>(2) Amount of potential mistakes and omissions in expenses: major deficiencies: amount of mistakes and omissions <math>\geq 3\%</math> of total expenses or 5 million yuan; significant deficiencies: <math>2\%</math> of total expenses or 3</p>	<p>(1) Major deficiencies: direct property loss <math>\geq 10</math> million yuan, and punished by national authorities; (2) Significant deficiencies: 5 million yuan <math>\leq</math> direct property loss <math>&lt; 10</math> million yuan, and punished by the provincial government; (3) General deficiencies: direct property loss <math>&lt; 5</math> million yuan, and punished by the municipal or below government.</p>

	<p>million yuan <math>\leq</math> mistakes and omissions <math>&lt;</math> 3% of total expenses or 5 million yuan; general deficiencies: mistakes and omissions <math>&lt;</math> 2% of total expenses or 3 million yuan.</p> <p>(3) Amount of potential mistakes and omissions in total assets: major deficiencies: amount of mistakes and omissions <math>\geq</math> 1% of total assets or 30 million yuan; significant deficiencies: 0.5% of total assets or 20 million yuan <math>\leq</math> mistakes and omissions <math>&lt;</math> 1% of total assets or 30 million yuan; general deficiencies: mistakes and omissions <math>&lt;</math> 0.5% of total assets or 20 million yuan.</p>	
Amount of significant defects in financial reports		0
Amount of significant defects in non-financial reports		0
Amount of important defects in financial reports		0
Amount of important defects in non-financial reports		0

## X. Auditing report of internal control

Applicable  Not applicable

Deliberations in Internal Control Audit Report	
We think that Nanjiang Stock has maintained the effective internal control over financial reporting in all material respects in accordance with the "Basic Norms of Enterprise Internal Control" and related regulations on December 31, 2015.	
Disclosure details of audit report of internal control	Disclosed
Disclosure date of audit report of internal control (full-text)	2016-04-28
Index of audit report of internal control (full-text)	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>
Opinion type of auditing report of IC	Standard unqualified
Whether the non-financial report had major defects	No

Carried out modified opinion for internal control audit report from CPA

Yes  No

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

Yes  No



## Section X. Financial Report

### I. Audit report

Type of audit opinion	Standard unqualified opinion
Signing date of audit report	2016-04-26
Name of audit institute	Da Hua Certified Public Accountants (LLP)
Number of audit report	Dahua Shen Zi [2016]No. 005872
Name of CPA	Fan Rong, Han Junmin

Text of Auditor's Report

#### Auditor's Report

Dahua Shen Zi [2016]No. 005872

#### To Chengde Nanjiang Co., Ltd.:

We have audited the Companying consolidated and parent Company's financial statements of Chengde Nanjiang Co., Ltd. ("Chengde Nanjiang" for short), including balance sheet of 31 December 2015, and profit statement for year of 2015, cash flow statement and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

#### (I) Management's Responsibilities for the Financial Statements

Management of the Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the requirements of Accounting Standards for Business Enterprises to achieve a fair presentation; (2) designing, implementing and maintaining internal control that is necessary to ensure that the financial statements are free from material misstatements, whether due to frauds or errors.

#### (II) Auditor's Responsibilities

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Auditing Standards for Certified Public Accountants in China. Those standards require that we comply with professional and ethical requirements of Chinese certified public accountants, and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatements.

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 judgments, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control other than the effective-ness of the internal

control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

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

### (III) Opinion

In our opinion, in all material aspects, Chengde Nanjiang's financial statements have been prepared in accordance with the Accounting Standards for Business Enterprise, and they fairly present the financial status of the consolidated and parent company's as of December 31, 2015, and its operation results and cash flows for the year ended.

DaHua CPA (LLP)

Certified Public Accountant of China: Fan Rong

Shanghai, China

Certified Public Accountant of China: Han Junmin

26 April 2016

## II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

### 1. Consolidated Balance Sheet

Prepared by Chengde Nanjiang Co., Ltd

2015-12-31

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	88,237,416.98	36,998,545.17
Settlement provisions		
Capital lent		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable	156,113.53	2,722,676.66
Accounts paid in advance	1,105,122.95	7,780,145.39

Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividend receivable		
Other receivables	88,149,302.51	11,008,292.44
Purchase restituted finance asset		
Inventories	619,241,374.72	515,713,286.09
Divided into assets held for sale		
Non-current asset due within one year		
Other current assets	33,761,457.51	24,131,851.80
Total current assets	830,650,788.20	598,354,797.55
Non-current assets:		
Loans and payments on behalf		
Finance asset available for sales		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment	2,343,974.43	6,684,960.46
Investment property		
Fixed assets	8,905,699.17	10,294,681.90
Construction in progress		
Engineering material		
Disposal of fixed asset		
Productive biological asset	148,509.76	640,727.71
Oil and gas asset		
Intangible assets	6,392,510.57	11,902,512.97
Expense on Research and Development	172,416.18	
Goodwill		
Long-term expenses to be apportioned	202,353.97	8,588,027.16
Deferred income tax asset	775,645.41	834,223.19
Other non-current asset	5,201,365.53	5,201,365.53
Total non-current asset	24,142,475.02	44,146,498.92
Total assets	854,793,263.22	642,501,296.47

Current liabilities:		
Short-term loans		
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	35,013,234.30	10,425,920.41
Accounts received in advance	435,991,938.57	290,954,152.81
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	9,929.42	6,233,580.16
Taxes payable	21,343.61	10,023,172.67
Interest payable		
Dividend payable		
Other accounts payable	12,746,101.70	14,624,828.17
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Divided into liability held for sale		
Non-current liabilities due within 1 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 stock		
Perpetual capital securities		
Long-term account payable		

Long-term wages payable		
Special accounts payable		
Projected 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
Owner's equity:		
Share capital	706,320,000.00	706,320,000.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	459,871,788.64	456,470,388.64
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	76,791,550.17	76,791,550.17
Provision of general risk		
Retained profit	-890,727,215.25	-949,599,922.37
Total owner's equity attributable to parent company	352,256,123.56	289,982,016.44
Minority interests	18,754,592.06	20,257,625.81
Total owner's equity	371,010,715.62	310,239,642.25
Total liabilities and owner's equity	854,793,263.22	642,501,296.47

Legal Representative: Zhao Yongsheng

Person in charge of Accounting Works: Zhao Yongsheng

Person in charge of Accounting Institution: Liu Fengguo

## 2. Balance Sheet of Parent Company

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	25,647,536.08	18,291,266.59
Financial liability measured by fair		

value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable		
Account paid in advance	10,000.00	1,372,194.98
Interest receivable		
Dividends receivable		
Other receivables	13,893,565.73	16,638,184.13
Inventories	599,128,751.32	490,087,338.82
Divided into assets held for sale		
Non-current assets maturing 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 investments		
Long-term receivables		
Long-term equity investments	202,284,836.37	157,284,836.37
Investment property		
Fixed assets	1,906,708.89	1,183,425.73
Construction in progress		
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets		
Research and development costs		
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

Current liabilities:		
Short-term borrowings		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	25,479,538.71	3,625,964.00
Accounts received in advance	430,730,271.19	277,140,032.59
Wage payable	628.22	628.22
Taxes payable	2,174.06	49,975.30
Interest payable		
Dividend payable		
Other accounts payable	246,243,610.32	243,993,740.20
Divided into liability held for sale		
Non-current liabilities due within 1 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 stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected 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 capita	706,320,000.00	706,320,000.00

Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	452,767,424.55	449,366,024.55
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	76,791,550.17	76,791,550.17
Retained profit	-1,063,193,524.88	-1,052,836,983.14
Total owner's equity	172,685,449.84	179,640,591.58
Total liabilities and owner's equity	875,141,672.34	704,450,931.89

### 3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	141,221,936.00	322,502,631.63
Including: Operating income	141,221,936.00	322,502,631.63
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	175,958,802.74	358,297,490.43
Including: Operating cost	132,726,960.01	325,795,009.31
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Operating tax and extras	3,682,470.14	608,376.03



Sales expenses	2,411,839.88	4,299,230.07
Administration expenses	30,697,053.62	21,550,755.68
Financial expenses	33,089.91	1,816,023.18
Losses of devaluation of asset	6,407,389.18	4,228,096.16
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	11,424,439.83	229,054.97
Including: Investment income on affiliated company and joint venture		58,054.97
Exchange income (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	-23,312,426.91	-35,565,803.83
Add: Non-operating income	104,222,251.52	117,700,572.71
Including: Disposal gains of non-current asset	104,022,338.58	113,807,781.40
Less: Non-operating expense	6,179,215.18	7,947,685.38
Including: Disposal loss of non-current asset	776,688.73	989,275.20
IV. Total Profit (Loss is listed with “-”)	74,730,609.43	74,187,083.50
Less: Income tax expense	22,360,936.07	951,857.73
V. Net profit (Net loss is listed with “-”)	52,369,673.36	73,235,225.77
Net profit attributable to owner’s of parent company	58,872,707.12	80,280,395.81
Minority shareholders’ gains and losses	-6,503,033.76	-7,045,170.04
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent company		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		

2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	52,369,673.36	73,235,225.77
Total comprehensive income attributable to owners of parent Company	58,872,707.12	80,280,395.81
Total comprehensive 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

Enterprise combine under the same control in the Period, the combined party realized net profit of 0 Yuan before combination, and realized 0 Yuan at last period for combined party

Legal Representative: Zhao Yongsheng

Person in charge of Accounting Works: Zhao Yongsheng

Person in charge of Accounting Institution: Liu Fengguo

**4. Profit Statement of Parent Company**

In RMB

Item	Current Period	Last Period
I. Operating income	43,323,398.13	8,217,142.76
Less: Operating cost	28,048,885.03	988,187.82
Operating tax and extras	3,540,970.51	396,000.00
Sales expenses	185,090.00	529,129.10
Administration expenses	12,727,362.70	11,207,134.69
Financial expenses	-143,391.30	961,779.78
Losses of devaluation of asset	423,416.78	45,078.42
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	-4,608,125.64	
Including: Investment income on affiliated company and joint venture		
II. Operating profit (Loss is listed with “-”)	-6,067,061.23	-5,910,167.05
Add: Non-operating income	50,000.00	168,058,111.85
Including: Disposal gains of non-current asset		
Less: Non-operating expense	4,339,480.51	4,870,865.53
Including: Disposal loss of non-current asset		
III. Total Profit (Loss is listed with “-”)	-10,356,541.74	157,277,079.27
Less: Income tax expense		
IV. Net profit (Net loss is listed with “-”)	-10,356,541.74	157,277,079.27
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		

1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	-10,356,541.74	157,277,079.27
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		

Cash received from selling commodities and providing labor services	283,465,295.71	554,077,939.01
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received	302,041.39	1,175,356.96
Other cash received concerning operating activities	43,239,009.63	31,593,592.22
Subtotal of cash inflow arising from operating activities	327,006,346.73	586,846,888.19
Cash paid for purchasing commodities and receiving labor service	179,630,816.56	599,771,483.46
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission		

charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	11,308,046.10	10,237,228.89
Taxes paid	41,378,704.14	34,673,738.35
Other cash paid concerning operating activities	74,876,722.08	76,494,361.57
Subtotal of cash outflow arising from operating activities	307,194,288.88	721,176,812.27
Net cash flows arising from operating activities	19,812,057.85	-134,329,924.08
II. Cash flows arising from investing activities:		
Cash received from recovering investment		38,000,000.00
Cash received from investment income		171,000.00
Net cash received from disposal of fixed, intangible and other long-term assets	28,598,914.86	85,000,000.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities	28,598,914.86	123,171,000.00
Cash paid for purchasing fixed, intangible and other long-term assets	2,421,206.16	3,149,781.23
Cash paid for investment		38,000,000.00
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	2,421,206.16	41,149,781.23
Net cash flows arising from investing activities	26,177,708.70	82,021,218.77

III. Cash flows arising from financing activities		
Cash received from absorbing investment	5,000,000.00	
Including: Cash received from absorbing minority shareholders' investment by subsidiaries	5,000,000.00	
Cash received from loans		
Cash received from issuing bonds		
Other cash received concerning financing activities		10,029,217.89
Subtotal of cash inflow from financing activities	5,000,000.00	10,029,217.89
Cash paid for settling debts		
Cash paid for dividend and profit distributing or interest paying		
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	2,277,554.26	
Subtotal of cash outflow from financing activities	2,277,554.26	
Net cash flows arising from financing activities	2,722,445.74	10,029,217.89
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	249,105.26	-119,640.74
V. Net increase of cash and cash equivalents	48,961,317.55	-42,399,128.16
Add: Balance of cash and cash equivalents at the period -begin	35,582,359.90	77,981,488.06
VI. Balance of cash and cash equivalents at the period -end	84,543,677.45	35,582,359.90

## 6. Cash Flow Statement of Parent Company

In RMB

Item	Current Period	Last Period
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I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	167,953,196.30	187,363,242.41
Write-back of tax received	191,094.28	
Other cash received concerning operating activities	50,972,901.14	38,138,466.36
Subtotal of cash inflow arising from operating activities	219,117,191.72	225,501,708.77
Cash paid for purchasing commodities and receiving labor service	73,096,022.78	201,137,420.79
Cash paid to/for staff and workers	6,559,550.54	5,802,550.51
Taxes paid	17,931,811.23	22,685,179.55
Other cash paid concerning operating activities	68,128,661.55	96,706,176.51
Subtotal of cash outflow arising from operating activities	165,716,046.10	326,331,327.36
Net cash flows arising from operating activities	53,401,145.62	-100,829,618.59
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets		85,000,000.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		85,000,000.00
Cash paid for purchasing fixed, intangible and other long-term assets	1,044,876.13	60,090.00



Cash paid for investment	45,000,000.00	5,000,166.64
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	46,044,876.13	5,060,256.64
Net cash flows arising from investing activities	-46,044,876.13	79,939,743.36
III. Cash flows arising from financing activities		
Cash received from absorbing investment		43,700,000.00
Cash received from loans		
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		43,700,000.00
Cash paid for settling debts		10,200,000.00
Cash paid for dividend and profit distributing or interest paying		
Other cash paid concerning financing activities	2,309,878.89	665,866.06
Subtotal of cash outflow from financing activities	2,309,878.89	10,865,866.06
Net cash flows arising from financing activities	-2,309,878.89	32,834,133.94
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		
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 period -begin	17,625,400.53	5,681,141.82
VI. Balance of cash and cash equivalents at the period -end	22,671,791.13	17,625,400.53

## 7. Statement of Changes in Owners' Equity (Consolidated)

This Period

In RMB

Item	This Period													
	Owners' equity attributable to parent company											Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit			
		Preferred stock	Perpetual capital securities	Other										
I. Balance at the end of the last year	706,320,000.00				456,470,388.64							-949,599,922.37	20,257,625.81	310,239,642.25
Add: Changes of accounting policy														
Error correction of the last period														
Enterprise combine under the same control														
Other														
II. Balance at the beginning of this year	706,320,000.00				456,470,388.64							-949,599,922.37	20,257,625.81	310,239,642.25
III. Increase/Decrease in this year (Decrease is listed with "-")					3,401,400.00							58,872,707.12	-1,503,033.75	60,771,073.37
(i) Total comprehensive income												58,872,707.12	-6,503,033.75	52,369,673.37
(ii) Owners' devoted and decreased capital					3,401,400.00								5,000,000.00	8,401,400.00
1. Common shares invested by shareholders					3,401,400.00								5,000,000.00	8,401,400.00
2. Capital invested by holders of other equity instruments														

3. Amount reckoned into owners equity with share-based payment														
4. Other														
(III) Profit distribution														
1. Withdrawal of surplus reserves														
2. Withdrawal of general risk provisions														
3. Distribution for owners (or shareholders)														
4. Other														
(IV) Carrying forward internal owners' equity														
1. Capital reserves converted to capital (share capital)														
2. Surplus reserves converted to capital (share capital)														
3. Remedying loss with surplus reserve														
4. Other														
(V) Reasonable reserve														
1. Withdrawal in the report period														
2. Usage in the report period														
(VI) Others														
IV. Balance at the end of the report period	706,320,000.00				459,871,788.64				76,791,550.17			-890,727,215.25	18,754,592.06	371,010,715.62

Last Period

In RMB

Item	Last Period												
	Owners' equity attributable to the parent Company											Minority interest	Total owners' equity
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit		
Preferred stock		Perpetual capital securities	Other										
I. Balance at the end of the last 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: Changes of accounting policy													
Error correction of the last period													
Enterprise combine under the same control													
Other													
II. Balance at the beginning of this year	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. Increase/Decrease in this year (Decrease is listed with "-")					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) Owners' devoted and decreased capital					137.86								137.86
1. Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													

4 Other					137.86								137.86
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Others													
IV. Balance at the end of the report period	706,320,000.00				456,470,388.64			76,791,550.17		-949,599,922.37	20,257,625.81	310,239,642.25	

## 8. Statement of Changes in Owners' Equity (Parent Company)

This Period

In RMB

Item	This Period									
	Share	Other equity instrument	Capital reserve	Less: Inventory	Other comprehensive	Reasonable reserve	Surplus reserve	Retained	Total	

	capital	Preferred stock	Perpetual capital securities	Other		shares	nsive income			d profit	owners' equity
I. Balance at the end of the last year	706,320,000.00				449,366,024.55				76,791,550.17	-1,052,836,983.14	179,640,591.58
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance 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. Increase/Decrease in this year (Decrease is listed with "-")					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) Owners' devoted and decreased capital					3,401,400.00						3,401,400.00
1.Common shares invested by shareholders					3,401,400.00						3,401,400.00
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											

3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves converted to capital (share capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI) Others											
IV. Balance at the end of the report period	706,320,000.00				452,767,424.55				76,791,550.17	-1,063,193,524.88	172,685,449.84

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Total owners' equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	706,320,000.00				449,365,886.69				76,791,550.17	-1,210,14,062.41	22,363,374.45
Add: Changes of accounting policy											
Error correction of the last period											

Other											
II. Balance at the beginning of this year	706,320,000.00				449,365,886.69				76,791,550.17	-1,210,14,062.41	22,363,374.45
III. Increase/Decrease in this year (Decrease is listed with “-”)					137.86					157,277,079.27	157,277,217.13
(i) Total comprehensive income										157,277,079.27	157,277,079.27
(ii) Owners' devoted and decreased capital					137.86						137.86
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other					137.86						137.86
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves conversed to capital (share capital)											
2. Surplus reserves conversed to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											



(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI)Others											
IV. Balance at the end of the report period	706,320,000.00				449,366,024.55				76,791,550.17	-1,052,836,983.14	179,640,591.58

### III. Company profile

Chengde Nanjiang Co., Ltd. (Hereinafter referred to as "Nanjiang" or the "the Company") was formerly known as Chengde Dixian Knitting Co., Ltd., and was reorganized on 3 November 1999 by sponsorship, approved by the People's Government of Hebei Province with the issue of Ji Gu Ban [1999]No.: 36 with license of the business corporation obtained from Hebei Administration for Industry & Commerce; registered capital while established amounting as RMB 100,000,000, and RMB 1.00 per share. Among the abovementioned, RMB 85.10 million contributed by Wang Shuxian, representing 7.56 percent of the registered capital; Wang Zhengsong invested RMB 5.4444 million with 5.44 percent in total registered capital presented; Chengde Longfeng Cosmetics Co., Ltd. contributed RMB 0.9456 million, a 0.95 percent in registered capital and RMB 0.9456 million contributed by Chengde Xiabancheng Hongxing Plastics Products Plant with 0.95 percent in registered capital presented.

On 29 August 2000, according to the Zheng Jian Fa Xing Zi [2000] No.: 121 issued by the China Securities Regulatory Commission, the Company issued 100,000,000 domestically listed foreign shares in Shenzhen Stock Exchange dated 19 September 2000; and excised the over-allotment option to increase issuing 15,000,000 B shares from September 29, 2000 to October 29, 2000. The registered capital of the Company after the issuance of B shares was RMB 215,000,000 with one Yuan of face value per share.

According to the resolution of the shareholder's general 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 107,500,000 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 general 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 as a foreign investment limited liability company.

In 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 general 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 Wang Shuxian was compensated to Chen Rong for 45,491,544 Yuan, and on August 15, 2008, 96,000,000 sponsor shares held by Wang Shuxian was compensated to Chen Rong for 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 domestically listed foreign shares in 2004 and allotted 2 bonus shares free for every 10 shares in 2006; and it agreed that 208,324,800 shares of Dixian stock held by Wang Shuxian was changed to Chen Rong ; as well as the name of the Company changed to Chengde Dalu Co., Ltd. Total share capital of the Company was 706,320,000 shares and the registered capital of the Company was 706,320,000 Yuan after the Company's share increased and allotted,

On 23 August 2011, the Company received the enterprise corporate business license issued from Chengde Administration for Industry and Commerce, register serial was No.: 130000400001225; registered capital and paid-up capital was 706.32 million Yuan with corporate type of limited liability company (Sino-foreign joint venture, listed)

On April 6, 2012, Chen Rong, shareholder of Company, signed a share transfer agreement with Mr. Wang Dong for transferred all of the 208,324,800 shares held by himself (accounting for 29.49% of total capital of the Company) to Mr. Wang Dong; After equity transfer the above mentioned, capital contribution proportion of the shareholders of the Company were: 208.3248 million Yuan invested by Wang Dong, representing 29.49 percent of the register capital; 18517651 Yuan contributed by Hebei Chengde Northern Industrial Corporation, representing 2.62 percent of the register capital; 13327891 Yuan invested by Wang Zhengsong, a 0.33 percent in register capital; 2314829 Yuan invested by Chengde Xiabancheng Hongxing Plastics Products Plant, a 0.33 percent in register capital and 461.52 million Yuan contributed by shareholders of domestically listed foreign shares, representing 65.34 percent of the register capital.

On 19 September 2012, being verified and approved by Chengde Administration for Industry and Commerce, the

Company's name changed as Chengde Nanjiang Co., Ltd.

Over the years of bonus issue, rights issue and capitalization, up to 31st December 2014, the issued shares totally amounting to 706.32 million shares, registered capital of the Company was 706.32 million Yuan; registered address: Xiabancheng Town, Chengde County, Hebei Province; HQ: Xiabancheng Town, Chengde County, Hebei Province. The Company has no parent company and Mr. Wang Dong is the first largest shareholder of the Company and also is the controller of the Company.

#### (II) Business scope

R&D and sales of new energy, and new material products as well as technology promotion and technical service; scientific research of modern eco-agriculture and technology promotion service, wholesales of eco-agriculture products; import and export trade of goods and technology; development and construction as well as sales and operation of general residential and supporting commercial facilities for the two lands of Nanjiang · Huijing Tiandi (2013-12 and 2013-13); property management.

#### (III) Business nature and main operating activities of the Company

Nanjiang engaged in the operation and development of real estate, subsidiary of the Company engaged in real estate industry, international trading and agricultural farming industry

#### (IV) Report approval for the financial statement

The statement has been approved by all Directors of the Company dated 26 April 2016 for reporting

Totally 8 subjects are included in consolidate financial statement, mainly including:

Subsidiaries	Type	Level	Shareholding ratio (%)	Voting rights ratio (%)
Chengde Nanjiang Real Estate Development Co., Ltd. (Nanjiang Real Estate for short)	Wholly-owned subsidiary	2	100.00	100.00
Chengde Nanjiang Investment Co., Ltd. (Nanjiang Investment for short)	Wholly-owned subsidiary	2	100.00	100.00
Chengde Nanjiang Ecological Agriculture Co., Ltd. (Ecological Agriculture for short)	Wholly-owned sub-subsidiary	3	100.00	100.00
Hangzhou Dongfeng Yinshen Technology Co., Ltd. (Hangzhou Dongfeng for short)	Controlling subsidiary	2	90.00	90.00
Nanjiang Asia Investment Co., Ltd. (Nanjiang Asia for short)	Wholly-owned subsidiary	2	100.00	100.00
Chengde Morsh Technology Co., Ltd. (Morsh Technology for short)	Holding sub-subsidiary	3	90.00	90.00
Chengde Huijing Property Service Co., Ltd. (Huijing Property for short)	Wholly-owned sub-subsidiary	3	100.00	100.00
Runhua Rural Water (Tianjin) International Trade Co., Ltd (Runhua RW for short)	Holding subsidiary	2	30.00	53.43

(1) Subsidiary, special purpose vehicle and operational entity with control over by means of entrusted management or lessee newly included in the consolidate scope in the Period

Name	Reason for changes
Hangzhou Dongfeng	New established

(2) Subsidiary, special purpose vehicle and operational entity with control lost by means of entrusted management or rent-out, which no longer include in consolidate scope in the Period

Name	Reason for changes
Chengde Xingye Paper-making Co., Ltd. (Xingye Paper-making for short)	Liquidation

#### IV. Basis of preparation of financial statements

##### 1. Preparation basis

The Company conducts recognition and measurement according to actual occurrence of transactions and issues, pursuant to the accounting principles for enterprise-basic rules and specific accounting principle as well as the application guidance for the accounting principles for enterprise, interpretation to the accounting principles for enterprise and other related requirements (hereinafter referred to as Enterprise Accounting Principles) issued by the ministry of finance, on that basis, combining the Information Disclosure Preparation Rules for Company Public Issuing Securities No.15-General Rules for Financial Report (amended in 2014) of the CSRC for statement preparation.

##### 2. Going concern

There are no substantial doubtful events or conditions on sustainable operation ability of the Company been found in 12 months since end of the reporting period. The financial statement is prepared base on going concern assumption.

#### V. Major accounting policy and accounting estimation

Notice of specific accounting policy and estimation:

In accordance with the actual production characteristic of the Company, formulate specific accounting policy and estimation aim at bad debt provision for account receivable, fixed assets depreciation, intangible assets amortization and revenue recognition.

##### 1. Statement of Compliance with the Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of the Accounting Standards for Business Enterprises; truthfully and completely reflect the financial status, operation results and cash flow etc. of the Company.

##### 2. Fiscal period

The fiscal year of the Company is from 1 January to 31 December on basis of Gregorian calendar.

##### 3. Operating cycle

Main business of the Company is developing the real estate products for sale purpose, the period from land purchased to the cash and cash equivalent obtained from selling the constructed development products is the operating cycle of the Company. The cycle is

usually larger than 12 months.

#### **4. Standard currency**

The Company and its subsidiaries take RMB as the standard currency for bookkeeping.

#### **5. Accounting treatment for business combinations under the same control and those not under the same control**

**1. If the terms, conditions, and economic impact of each transaction involved in business combination achieved in stages fall within one or more of the following situations, such transactions will be accounted for as a package deal:**

- 1) such transactions are entered into simultaneously or in the case of considering the impact of each other;
- 2) such transactions as a whole in order to reach a complete business results;
- 3) the occurrence of a transaction subject to that of at least one other transaction;
- 4) one transaction alone is not economic, but otherwise when considered with other transactions.

#### **2. Business combination under the same control**

The Company's assets and liabilities acquired in a business combination are measured by the book value in the consolidated financial statements of ultimate controlling party in accordance with the assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition to the combined party) of combined party on combining date. If there is balance between the book value of net assets obtained in merger and the book value of paid merger consideration (or total face value of issued shares), adjust the stock premium in capital reserve, and adjust the retained earnings if the stock premium in capital reserve is not enough for writing down.

If there is a contingent consideration needs to confirm the expected liabilities or assets, and there is balance between the expected liabilities or assets amount and the settlement amount of follow-up contingent consideration, adjust the capital reserve (capital premium or stock premium), and adjust the retained earnings if the capital reserve is not enough

As for business combination realized through numbers of transactions, and if these transactions belong to a bundle of transactions, then each of them shall be accounted as a transaction to acquire controlling right; and if not belong to a bundle of transactions, then the difference between the initial investment cost of the long term equity investment as of the date on which the Company obtains controlling right and the carrying value of the long term equity investment prior to combination plus the carrying value of the new consideration paid for further acquisition of shares as of the combination date shall be used to adjust capital reserve; in case of insufficient capital reserve, adjust retained earnings. For equity investment held prior to the combination date, the other comprehensive income recognized due to calculation by equity method or based on recognition and measurement principles for financial instruments would not be accounted for temporarily until the Company disposes of this investment on the same basis as the investee directly disposes of relevant assets or liabilities; other changes of owners' equity in the net assets of investee as recognized under equity method, except for net profit or loss, other comprehensive income and profit distribution, shall not be accounted for until being transferred to current profit or loss when this investment is disposed of.

#### **3. Business combination not under the same control**

The Company's assets paid as the consideration of business merger or liabilities occurred or assumed on the acquisition date are measured by the fair value, and the balance between fair value and its book value is included in the current profit and loss.

The Company confirms the balance that the combined cost is greater than the fair value shares of acquiree's recognizable net assets obtained in the combination as the goodwill; the balance that the combined cost is less than the fair value shares of acquiree's net identifiable assets obtained in the combination is included in the current profit and loss after re-checking.

As for the business combination not under the same control realized through several exchange transactions step by step, part of the package deal, than carrying accounting treatment on transactions with controlling rights obtained through vary transactions; for equity investment held prior to combination date which is calculated under equity method, the sum between carrying value of the equity investment prior to acquisition date and cost of additional investment made on the acquisition date is deemed to be the initial investment cost of this investment. Other comprehensive income recognized for equity investment held prior to combination date under equity method shall be accounted for when the Company disposes of this investment on the same basis as the investee directly disposes of relevant assets or liabilities. In case that equity investment held prior to combination date is calculated based on recognition and measurement principles for financial instruments, then the fair value of this equity investment as of combination date plus new investment cost shall be deemed as initial investment cost. The difference between fair value and carrying value of the originally held equity interests and the accumulated fair value movements as originally recorded in other comprehensive income shall be all transferred to investment income of the period in which the combination date falls.

#### **4. Relevant expenses from combination**

The intermediate expenses occurred for business combination such as audit, legal service and appraisal consultation expenses and other related expenses shall be recorded in current gains and losses when occurred; the trading expenses for equity securities offering shall be excluded while reckoned into equity transaction directly.

### **6. Methods for preparation of consolidated financial statements**

#### **1. Consolidated scope**

The consolidation scope of the consolidated financial statements of the Company is fixed on the basis of control, and all subsidiaries (including the independent subject control by the Company) have been consolidated.

#### **2. Consolidated procedure**

Based on financial statements of its own and the subsidiaries, the Company establishes the consolidated financial statements according to other relevant data. The consolidated financial statements established by the Company regard the whole enterprise group as an accounting subject, and reflect the overall financial situation, operating results and cash flow of the enterprise group by the uniform accounting policies in accordance with the relevant confirmation, measurement and presentation requirements of accounting standards.

The accounting policies and accounting period adopted by the subsidiaries taken into account of the consolidation scope are in line with the Company. If it is not the same as the Company, necessary adjustments will be made when preparing consolidated financial statements according to the accounting policy and accounting period of the Company.

When consolidating financial statements, the Company shall offset all effects upon consolidated balance sheet, consolidated profit statement, consolidated cash flow statement and consolidated statement of changes in equity arising from the internal transactions between the Company and each subsidiary and between various subsidiaries. If there is difference between the point of view of consolidated financial statements of enterprise group and the affirmation to the same transaction by taking the Company or its subsidiaries as the accounting subject, adjust the transaction from the enterprise group's point of view.

The ownership interests of subsidiaries, current net profits or losses and shares of current comprehensive income belonging to minority shareholders are respectively and separately listed under the ownership interest item of consolidated balance sheet, the net profit item of consolidated profit statement and the total comprehensive income item. The balance that the current losses shared by the subsidiary's minority shareholders is greater than the shares in the ownership interests held by the minority shareholders in the beginning period of this subsidiary offsets against the minority stockholders' interests.

For the subsidiaries acquired through business combination under the same control, take the fair value of its assets and liabilities (including the goodwill formed by the ultimate controlling party's acquisition to the combined party) in the financial statements of ultimate controlling party as a basis to adjust its financial statements.

For the subsidiaries acquired through business combination not under the same control, take the fair value of net identifiable assets on acquisition date to adjust its financial statements.

#### (1) Increase subsidiaries or businesses

During the reporting period, if there are subsidiaries or businesses increased by the business combination under the same control, adjust the opening balance of consolidated balance sheet; include the income, expenses and profits of the subsidiaries or business combination from the beginning of the period to the end of the reporting period into the consolidated profit statement; include the cash flow of the subsidiaries or business combination from the beginning of the period to the end of the reporting period into the consolidated statement of cash flows, adjust the relevant items of comparative statements at the same time, and regard that the reporting entity after combination has been existing since the ultimate controller starts controlling.

If the control can be implemented to the investees under the same control due to the additional investment, it can be regarded that all parties in the combination can be adjusted when the ultimate controller starts controlling, i.e. by the current status and existence. For the equity investment held before obtaining the control power of combined party, the relevant profit and loss, other comprehensive income and other changes in net assets from the later date between the acquisition date of original stock right and the date when the combining party and combined party are under the same control to the combination date respectively offset against the retained earnings at the beginning of the period or the current profit and loss in the comparative statement period.

During the reporting period, if there are subsidiaries or businesses increased by the business combination not under the same control, don't adjust the opening balance of consolidated balance sheet; include the income, expenses and profits of the subsidiaries or business combination from the purchase date to the end of the reporting period into the consolidated profit statement; include the cash flow of the subsidiaries or business combination from the purchase date to the end of the reporting period into the consolidated statement of cash flows.

If the control can be implemented to the investees not under the same control due to the additional investment, the Company re-measures the stock right of acquiree held before the purchase date according to the fair value of this stock right on the purchase date, the balance between fair value and its book value is included in the current investment income. Other comprehensive income that the stock right of acquiree held before the purchase date involving in equity method business accounting and other changes in ownership interest except for net profit or loss, other comprehensive income and profits distribution, together with its relevant other comprehensive income and other changes in ownership interest are transferred into the current investment income attributable to the

purchase date, besides the other comprehensive income generated by the changes in the net indebtedness and net assets re-measured and defined benefit plans by investees.

## (2) Disposal of subsidiaries or businesses

### 1) General approaches

During the reporting period, if the Company disposes a subsidiary or business, the income, expense and profit of this subsidiary or business from the beginning of the period to the disposal date are included in the consolidated income statement; the cash flow of this subsidiary or business from the beginning of the period to the disposal date are included in the consolidated statement of cash flows.

When control power over investees are lost due to disposal of some equity investment or other reasons, the Company re-measure the remaining equity investment after disposal in accordance with its fair value on the date to lose the control power. The balance by subtracting the sum of consideration obtained by disposing stock right and fair value of residual equity from the sum of the shares of net assets continuously calculated according to the original shareholding ratio since the purchase date or combination date of the original subsidiary and the goodwill are included in the investment income of the current period of losing control power. Other comprehensive income related to the equity investment of original subsidiary and other changes in ownership interest except for other net profit and loss, other comprehensive income and profits distribution are transferred into current investment income when losing the control power, besides the other comprehensive income generated by the changes in the net indebtedness and net assets re-measured and defined benefit plans by investees.

### 2) Dispose subsidiaries step by step

Dispose a subsidiary's equity investment until losing the control power step by step through multiple transactions, if the terms, conditions and economic impact of the disposal to various transactions of the subsidiary's equity investment conform to following one or various conditions, it means that the multiple transactions should have accounting treatment as a package deal:

- A. These transactions are made by considering each other's impacts;
- B. These transactions can only reach a complete business result as a whole;
- C. The occurrence of one transaction depends on the occurrence of at least one other transaction;
- D. One transaction alone is not economical, but it is economical when it is considered together with other transactions.

The various transactions that dispose a subsidiary's equity investment until losing the control power belong to a package deal, the Company handles accounting treatment to various transactions by taking them as a transaction disposing a subsidiary's equity investment and losing the control power; however, the balance between every disposal price before losing control power and net asset shares of the subsidiary corresponding to disposal of investment should be confirmed as other comprehensive income in the consolidated financial statements and transferred into the profit and loss of the current period of losing control power when losing the control power.

The various transactions that dispose a subsidiary's equity investment until losing the control power and don't belong to a package deal, before losing control power, are handled with accounting treatment according to relevant policies which used to partly dispose the subsidiary's equity investment on the condition of not losing the control power; when losing the control power, they are handled with accounting treatment according to the general handling methods used to dispose the subsidiary.

### (3) Purchase the minority shareholding of a subsidiary

If there is balance between the Company's long-term equity investment newly obtained by purchasing the minority shareholding and the net asset shares of the subsidiary continuously calculated from the acquisition date (or combination date) according to the newly increased shareholding ratio, adjust the capital stock premium in capital reserve on consolidated balance sheet, if the capital stock premium in capital reserve is not enough for



offset, adjust the retained earnings.

(4) The partial disposal of equity investments in subsidiaries without losing the control power

If there is balance between the disposal price obtained by the partial disposal of long-term equity investments in subsidiaries without losing the control power and the net asset shares of the subsidiary continuously calculated from the acquisition date or combination date corresponding to the disposal of long-term equity investments, adjust the capital stock premium in capital reserve on consolidated balance sheet, if the capital stock premium in capital reserve is not enough for offset, adjust the retained earnings.

## **7. Classification of joint arrangement and accounting for joint operations**

### **1. Classification of joint arrangement**

The Company classifies joint venture arrangement into joint operations and joint ventures based on the structure, legal form, agreed terms of the arrangement and other related facts and conditions.

Joint venture arrangement not concluded through separate entity is classified as joint operation; and those concluded through separate entity are generally classified as joint ventures. However, joint venture arrangement which meets any of the following conditions as proven by obvious evidence and satisfies relevant laws and rules is grouped as joint operation:

(1) the legal form of the arrangement shows that parties to the arrangement are entitled to and assume rights and obligations in respect of the relevant assets and liabilities.

(2) it is agreed by the terms of the arrangement that parties to the arrangement are entitled to and assume rights and obligations in respect of the relevant assets and liabilities.

(3) other related facts and conditions shows that parties to the arrangement are entitled to and assume rights and obligations in respect of the relevant assets and liabilities. For instance, joint parties are entitled to almost all the output related to joint venture arrangement and settlement of the liabilities under the arrangement continues to rely on supports from the joint parties.

### **2. Accounting for joint operations**

The Company recognizes its proportion of interests in joint operation as related to the Company, and accounts for under relevant business accounting principles:

(1) to recognize separately-held assets and jointly-held assets under its proportion;

(2) to recognize separately-assumed liabilities and jointly-assumed liabilities under its proportion;

(3) to recognize revenue from disposal of the output which the Company is entitled to under the proportion;

(4) to recognize revenue from disposal of the output under the proportion;

(5) to recognize separately occurred expenses, and to recognize expenses occurred for joint operations under its proportion.

For injection to or disposal of assets of joint operations (other than those assets constituting business operation), gain or loss arising from the transaction is only recognized to the extent it is attributable to other parties to the

joint operation before the joint operation is sold to any third party. In case that assets injected or disposed satisfy the condition for asset impairment loss under Business Accounting Principle No.8-Assets Impairment, the Company recognizes this loss in full.

For acquisition of assets from joint operations (other than those assets constituting business operation), gain or loss arising from the transaction is only recognized to the extent it is attributable to other parties to the joint operation before the relevant assets are sold to any third party. In case that the acquired assets satisfy the condition for asset impairment loss under Business Accounting Principle No.8-Assets Impairment, the Company recognizes relevant loss according to the proportion it assumes.

The Company exercises no common control over joint operations. If the Company is entitled to relevant assets of the joint operation and assure relevant liabilities, it shall be accounted for under the above principle, otherwise it would be accounted for under the relevant business accounting principles.

## **8. Recognition standards for cash and cash equivalents**

When preparing cash flow statement, the Company recognized the stock cash and deposits available for payment at any time as cash, and investments featuring with the following four characters at the same time as cash equivalents: short term (expire within 3 months commencing from purchase day), active liquidity, easy to convert to already-known cash, and small value change risks.

## **9. Foreign currency business and conversion of foreign currency statement**

### **1. Foreign currency business**

For the foreign currency business, the Company converts the foreign currency into RMB for book-keeping based on spot exchange rate at date of trading occurred while initially recognized.

On balance sheet date, balance of foreign currency monetary items shall be converted based on the spot rate as at the balance sheet date, and the arising exchange difference shall be recorded in current gains and losses other than those arising from the special foreign currency borrowings related to purchasing assets qualifying for capitalization which is treated under the principle of borrowing expense capitalization. As for the foreign currency non-monetary items measured in historical cost, conversion is still conducted with the spot rate as at the transaction date, without any change to its functional currency.

As for the foreign currency non-monetary items measured in fair value, conversion is conducted with the spot rate as at the date for determination of fair value, and the arising exchange difference shall be recorded in current gains and losses as the changes of fair value. if the foreign currency non-monetary items belongs to foreign currency available for sale, the arising exchange difference shall be recorded in other comprehensive income.

### **2. Translation of foreign currency financial statement**

Assets and liabilities in balance sheet are translated at the spot exchange rate at the balance sheet date. Equity

items, excluding “undistributed profit”, are translated at the spot exchange rates at the transaction dates. As for those translated at the spot exchange rates at the transaction dates or those recognized in line with the reasonable method in system, translated at the similar exchange rate as at the transaction date. The resulting translation differences are recognized in other comprehensive income.

When disposing overseas operations, the foreign currency financial statement translation differences listed under items of other comprehensive income in balance sheet and which are directly related to the overseas operations are transferred to profit or loss in the period when the overseas operation is disposed; In case of partial disposal or the overseas business, which has lower operation ratio overseas without operation controlling loss due to other reason, the translation differences related to disposal part shall including in equity of minority shareholders, no need to transfer into current gains/losses. In case of partial disposal of associated or joint venture, foreign currency translation differences shall be calculated in respect of the disposed part under disposal proportion and transferred to profit or loss in the period when the overseas operation is disposed.

## **10. Financial instruments**

Financial instruments include financial assets, financial liabilities and equities instruments.

### **1. Categories of financial instruments**

According to the contract terms of the financial instrument issued and economic substance reflects by such instrument, not only in form of law, combine with purposes held for financial assets and liabilities, the management categorizes financial assets and liability into different types: financial assets (or financial liabilities) at fair value through current gains and losses; accounts receivable; financial assets available for sale; other financial liabilities, etc.

### **2. Recognition and measurement for financial instrument**

(1) financial assets or liabilities at fair value through profit or loss

Financial assets or liabilities at fair value through profit or loss include transactional financial assets or financial liabilities and financial assets or liabilities directly designated at fair value through profit or loss.

Transactional financial assets or financial liabilities refer to those meeting any of the following conditions:

- 1) purpose for holding the assets or liabilities is to disposal, repurchase or redemption in a short time;
- 2) constitute part of the identifiable financial instrument group for central management, and there is objective evidence proving that the Company manages this group in a short-time-return way recently;
- 3) belong to derivative financial instrument, other than those derivatives designated as effective hedge instruments, belonging to financial guarantee contracts and those linked to equity instrument investment which is not quoted in an active market and whose fair cannot be measured reliably and the settlement of which is conditional upon delivery of the equity instrument.

Subject to satisfaction of any of the following conditions, financial assets or liabilities can be designated as financial assets or liabilities at fair value through profit or loss upon initial measurement:

- 1) The designation can eliminate or substantially eliminate the inconsistencies between profit or loss from the financial assets arising from different measurement basis;

- 2) The portfolio of financial assets and liabilities in which the financial asset belongs to are designated as measured at fair value in the risk management report or investment strategic report handed in to key management personnel;
- 3) Hybrid instruments which contains one or more embedded derivatives, unless the containing of embedded derivatives does not have substantial effect on the cash flows of the hybrid instruments, or the embedded derivatives obviously should not be separated from relevant hybrid instruments;
- 4) Hybrid instruments which contains embedded derivatives that should split, but cannot be measured separately when acquired or on the subsequent balance sheet date.

Amount is initially measured by the sum of fair value (deducted bond interest expired without received) while obtained and relevant transaction expenses.

Interest or cash dividend in period of holding shall be recognized as investment income, and reckoned into current gains/losses with the variation of fair value at period-end.

In case of disposal, the difference between the amount while obtained and book value of the investment shall reckon into investment income, and gains/loses of variation of the fair value shall be adjusted correspondingly.

#### (2) Account receivables

The contract price charged to the buyers shall be recognized as initial value for those account receivables which mainly comprise the receivable creditor's right caused by the sale of goods and providing of labor service to external customers by the Company, and receivables in other companies excluding debt instruments priced in active markets, includes but not limited to trade receivables, notes receivables, account paid in advance and other receivables. If characterized as of financing nature, the initial recognition shall be priced at the present value.

Upon disposal, the difference between the sale value and the book value of the receivables shall be accounted into current profit or loss on its recovery or disposal.

#### (3) Held-to-maturity investment

he non-derivative financial assets with maturity date, fix return amount or amount able to determined, and the Company held with specific intention and ability.

The Company takes the sum of fair value (after deducting bond interests which is due for interest payment but not received) and related transaction fee as initial recognition amount in respect of held-to-maturity investment upon acquisition of the investment. During the holding period, the Company recognizes interest income at amortized cost and effective interest rate which is included in investment income. The effective interest rate is determined upon acquisition of the investment and remains unchanged for the expected continuous period or appropriate shorter period. Difference between sale price and carrying value of the investment is included in investment income.

If held-to-maturity investment is disposed or reclassified as other types of financial asset, and the relevant amount is relatively bigger than the total amount of our all held-to-maturity investments prior to disposal or reclassification, the remaining held-to-maturity investments shall be reclassified as available-for-sale financial

assets immediately following such disposal or reclassification. On the reclassification date, difference between the carrying value and fair value of the investment is included in other comprehensive income and is transferred out into current profit or loss when the available-for-sale financial assets experience impairment or derecognition. However, the followings are exceptions:

- 1) the date of disposal or reclassification is approaching to the date of expiration or redemption of the investment (such as three months prior to expiration), and change of market rate has no material influences over the fair value of the investment.
- 2) company has already recovered nearly all initial principal under the repayment means as agreed in contract.
- 3) disposal or reclassification is arising from separate matters which are out of our control, which are expected not to occur repeatedly and which are difficult to predict reasonably.

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

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale upon initial recognition and financial assets other than other categories of financial assets.

The Company initially measures available-for-sale financial assets at the sum between their fair values when acquiring the assets or liabilities (after deducting cash dividend already declared but not paid or bond interests which is due for interest payment but not received) and the relevant transaction fee.

Interest or cash dividend acquired during the holding period shall be recognized as investment income. Gains or losses arising from movement of fair value is directly included in other comprehensive income except for impairment loss and exchange difference arising from foreign currency monetary financial assets.

When disposing available-for-sale financial assets, the Company includes the difference between the acquired price and carrying value of the financial assets into investment profit or loss. Meanwhile, accumulated fair value movement attributable to the disposed part which is originally directly included in other comprehensive income is transferred out and included investment profit or loss.

For equity instrument investment which is not quoted in an active market and whose fair value cannot be reliably measured, and derivative financial assets which are linked to the equity instrument and whose settlement is conditional upon delivery of the equity instrument, they are stated at cost by the Company.

#### (5) Other financial liabilities

Initial recognition amount is determined at the sum of fair value and relevant transaction fee. Subsequent measurement is conducted at amortized cost.

#### (6) Held-to-maturity investment for sales or reclassify as financial assets available for sale:

In case that the amount of held-to-maturity investments disposed or reclassified into other categories of financial assets is greater than the total amount of all the held-to-maturity investment of the Company before the disposal or

reclassification, the remaining held-to-maturity investment shall be recorded as financial assets available for sale immediately after such disposal or reclassification, unless:

- 1)the date of disposal or reclassification is relatively close to the maturity date or redemption date of the investment (such as three months before expiration), and change of market rate has no material affects on the fair value of the investment.
- 2)the enterprise has nearly recovers the entire initial principal under the payment method as agreed by contract.
- 3)the disposal or reclassification is due to such independent matter that the enterprise is not able to control, will not happen again as expected and can not predicted reasonably.

### **3. Confirmation evidence and measurement methods for transfer of financial assets**

When transfer of financial assets occurs, the Company shall stop recognition of such financial assets if all risks and remunerations related to ownership of such financial assets have almost been transferred to the receiver; while shall continue to recognize such financial assets if all risks and remunerations related to ownership of such financial assets have almost been retained.

When judging whether or not the aforesaid terminal recognition condition for financial assets is arrived at for transfer of financial assets, the Company generally adopts the principle that substance overweighs format. The Company divides such transfer into entire transfer and part transfer. As for the entire transfer meeting condition for discontinued recognition, balance between the following two items is recorded in current gains and losses:

(1)Carrying value of financial assets in transfer;

(2)Aggregate of the consideration received from transfer and accumulative movements of fair value originally recorded in owners' equity directly (applicable when financial assets involved in transfer belong to financial assets available for sale).

As for the part transfer meeting condition for discontinued recognition, entire carrying value of financial assets in transfer is shared by discontinued recognition part and continued recognition part, in light of their respective fair value. Balance between the following two items is recorded in current gains and losses:

(1)Carrying value of discontinued recognition part;

(2)Aggregate of the consideration of discontinued recognition part and amount of such part attributable to accumulative movements of fair value originally recorded in owners' equity directly (applicable when financial assets involved in transfer belong to financial assets available for sale).

Financial assets are still subject to recognition if transfer of such assets doesn't satisfy the condition for discontinued recognition. And consideration received is recognized as financial liability.

#### **4. De-recognition condition for financial liability**

As for the financial liabilities with its whole or part present obligations released, the company shall de-realize such financial liabilities or part of it. if the company enters into agreement with its creditor to substitute for the existing financial liabilities by means of assuming new financial liabilities, then the company shall de-realize the existing financial liabilities and realize the new financial liabilities provided that the contract clauses of the new and the existing financial liabilities are different in substance.

If the company makes substantial amendment to the whole or part contract clauses of the existing financial liabilities, it shall de-realize the existing financial liabilities or part of it. Meanwhile, the financial liabilities with amendment to its clauses shall be realized as new financial liabilities.

In case of derecognizing of financial liabilities in whole or part, the difference between the carrying value of such de-realized financial liabilities and consideration paid (including the non-cash assets exchanged or new financial liabilities assumed) shall be recorded in current gains and losses.

In case that the company repurchases part of financial liabilities, based on the comparative fair value of the continuing recognition part and the derecognizing part, the company shall allocate the carrying value of the financial liabilities in whole on the repurchase date. Difference between the carrying value allocated to the derecognizing part and the consideration paid (including the non-cash assets exchanged or new financial liabilities assumed) shall be recorded in current gains and losses.

#### **5. Determination method for fair value of financial assets and financial liabilities**

As for the financial assets and financial liabilities measured by fair value and in case that there are active market for those assets and liabilities, then the fair value shall be determined based on the quotation on active market; as for the financial assets initially acquired or financial liabilities assumed, their fair value are determined based on the market transaction prices; in case that there are no such active market for financial assets and financial liabilities, the fair value shall be determined by evaluation technology. At time of evaluation, the applicable evaluation technology, in the prevailing circumstance, and those have available date and other information supporting shall be adopted, choose the input value, same with the assets or liability features that consider in transaction by market participants, and use the relevant observable input values as far as possible. Use the un-observable input values when relevant observable input values unable to obtained or obtained without feasible.

#### **6. Provision of impairment reserve for impairment of financial assets (excluding account receivables)**

The company reviews the carrying value of the financial assets (excluding those measured by fair value and the change thereof is recorded in current gains and losses) on the balance sheet date, if there is objective evidence

showing impairment of the financial assets, it shall provide impairment reserve.

Objective evidence that a financial asset is impaired includes the following observable events:

Significant financial difficulty of the issuer or obligor;

A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;

The creditor, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;

It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;

The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including: adverse changes in the payment status of borrowers in the group, an increase in the unemployment rate in the country or geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;

Significant adverse changes in the technological, market, economic or legal environment in which the issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;

A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost;

Details for impairment of financial assets are set out below:

(1) Impairment provision for available-for-sale financial assets

The Group has separately tested various available-for-sale equity instruments at the balance sheet date. It will be defined as impairment if the fair value is lower than the initial investment cost by more than 50% (including 50%) or the low state has lasted for no less than 1 year. While the lower proportion is between 20% and 50%, the Group will take other factors such as price fluctuation into consideration to estimate whether the equity instrument has impaired or not.

Cost stated in the above paragraph is determined based on the initial acquisition cost of available for sale equity instrument investment less recovered principal and amortized amount as well as impairment loss originally included in profit or loss; fair value is determined at the closing price quoted on stock exchange at period end, unless the available for sale equity instrument investment is limited for sale for certain periods. For available for sale equity instrument investment which is limited for sale for certain periods, fair value is determined at the



closing price quoted on stock exchange at period end less the compensation required by market participator who would otherwise assume risks due to impossibility of selling the equity instrument on open market in designated period.

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value that had been recognized in other comprehensive income is reclassified to the profit or loss even though the financial asset has not been derecognized. The amount of the cumulative loss that is removed from equity is the difference between the acquisition cost (net of any principal repayment and amortization) and current fair value, less any impairment loss on that financial asset previously recognized in profit or loss.

If there are objective evidences showing that the value of available-for-sale debt instrument is recovered and it relates to the matters happened after the impairment loss recognition, the impairment loss recognized shall be reversed and accounted in current profit or loss. Impairment losses recognized for equity instrument investments classified as available-for-sale are reversed through equity. However, impairment loss occurred by equity instrument investment which is not quoted in an active market and whose fair value cannot be measured reliably and derivative financial assets which are linked to the equity instrument and whose settlement is conditional upon delivery of the equity instrument, shall not be reversed.

## (2) Impairment provision for held-to-maturity investment

For held-to-maturity investment, if there is object evidence showing the investment is impaired, then impairment loss is determined based on the difference between its fair value and present value of predicted future cash flow. After provision, if there is evidence showing its value has been restored, the originally recognized impairment loss can be reversed and included in current profit or loss, provided that the reversed carrying value shall not exceed the amortized cost of the financial asset as at reversal date assuming no impairment provision had been made.

## 7. Offset of financial assets and financial liabilities

Financial assets and financial liabilities are stated in balance sheet separately without inner-offset. However, the net amount after inner offset is stated in balance sheet date when the following conditions are all met:

- (1) the Company has legal right to offset recognized amount and the right is enforceable;
- (2) the Company plans to settle on a net basis, or simultaneously realize the financial assets and settle the financial liabilities.

## 11. Account receivable

### (1) Account receivable with single significant amount and withdrawal single item bad debt provision

Determine basis or amount standards for single significant amount	Account with single significant amount not less than RMB 1 million
Withdrawal method for bad debt provision of account receivable with single significant amount:	Conducted impairment testing separately, balance between the present value of future cash flow and its carrying value, bad debt provision withdrawal and reckoned into current gains/losses.

**(2) Accounts receivable whose bad debts provision was accrued by combination of credit risk characteristics portfolio**

Combination	Methods on withdrawal of bad debt provision
Age combination	Age analysis method
No risk portfolio	Other method
Related party combination in combined range	Other method

Accrued for provision of bad debt by aging analysis method in portfolio:

Applicable  Not-applicable

Account age	Rate for receivables	Rate for other receivables
Within one year (one year included)	5.00%	5.00%
1—2 years	20.00%	20.00%
2—3 years	50.00%	50.00%
Over 3 years	100.00%	100.00%

In combination, withdrawal proportion of bad debt provision based on balance proportion:

Applicable  Not-applicable

In combination, withdrawal proportion of bad debt provision based on other methods

Applicable  Not-applicable

**(3) Accounts receivable with single significant amount and bad debts provision accrued individually**

Reasons for withdrawal single item bad debt provision	There is an objective evidence of impairment which is probably about to occurred, such as revocation from the debtor, bankruptcy or dead, and still able to recover after liquidated by the bankruptcy property or heritage as well as serious insufficient cash flow etc.
Withdrawal method for bad debt provision	For those account receivable with objective evidence of impairment been found, separated them from the relevant groups for impairment testing independently, and impairment losses shall recognized and withdrawal bad debt reserves on the difference between the present values of estimated future cash flow which is lower than its carrying value,

**12. Inventories**

**1. Classification of inventories**

Inventories are categorized into development cost, development products, relocation housing animals & plants aquaculture plant products, finished goods of polyethylene and low value consumables etc.

**2. Valuing of inventory**

The Company adopts the historical cost for obtaining or the planned cost to value the inventory according to its actual situation, and specific identification method for the development projects.

**3. Confirmation of net realizable value for the inventory and provision for inventory impairment**

Making an overall check of the inventory at end of the year, withdrawal the lower one according to the cost or the net realizable value, or adjusted the provision for inventory impairment. Withdrawal the impairment provisions for the single inventory at end of the year.

In case the influencing factor for write-down of the inventory values has disappeared, the amount which has been written down can be recover, and shall switch back within the inventory falling price reserves which has been accrual originally, the amount switch back shall reckoned into current gains/losses.

**4. Inventory System**

Perpetual inventory system

**5. Low-value consumables are amortized on one-off amortization method**

**6. Relocation housing refers to the house for turnover purpose to arrange for relocation of residents, and amortized evenly in 50 years.**

**7. Calculation method of the lands for development purpose**

As for the pure land development project, the costs constitute costs of the land development; the project develops along with the real estate, costs with clear burden of objects shall split into commercial house costs with actual area.

**8. Calculation method of the expenses of public supporting facilities**

Public supporting facilities cannot be transfer with compensation: reckoned into commercial house costs by the benefit ratio;

Public supporting facilities can transfer with compensation: take all supporting facilities as the cost calculation subject, summarize the costs occurred.

**13. Classified as assets held for sale****1. Recognition criteria of assets held for sale**

The Company's component (or non-current asset) will recognize as held-for-sale while satisfied the followed conditions simultaneously:

- (1) the component can be promptly sold at its existing status only according to the practice terms in connection with disposal of this kind of assets;
- (2) the Company has already made resolution on disposal of such component, such as approved by shareholders in line with regulations, have already approved by general meeting or relevant authority;
- (3) the Company entered into irrevocable transfer agreement with the transferee;
- (4) and this transfer will be completed within one year.

**2. Accounting for assets held for sale**

The company will adjust the predicted net residual value of the held for sale fixed assets so that the predicted net residual value can reflect its fair value minus the costs of disposal, but the predicted net residual value should not exceed the book value of the fixed asset when it was recognized as held for sale. If the book value is higher, the difference between them should be charged into profit or loss for the current period as asset impairment loss.

Fixed assets held for sale shall not be depreciated or amortized, and is measured at carrying value and fair value less costs of disposal (whichever is lower).

Other non-current assets like equity investments and intangible assets satisfying condition for held for sale should be accounted for as shown above, other than deferred income tax assets, financial assets under Business Accounting Standard No. 22-Measurement and Recognition of Financial Instruments, investment property measured at fair value, biological assets, and rights from insurance contract.

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

### **1. Recognition of investment cost**

(1) As for the long-term equity investment formed from business combination under the same control, accounting policy found in (IV) Accounting method for business combination (not) under the same control of Note IV

(2) Long-term equity investment obtained by other means

For long-term equity investments obtained through payment with cash, then the actual payment shall be viewed as initial investment cost. Initial investment cost including the expenses, taxes and other necessary costs that directly concerned with the long-term equity investment that acquired.

For long-term equity investments obtained through issuance of equity securities, then the fair value of such securities shall be viewed as initial investment cost; for transaction expenses from issuing or own equity instrument acquired, it can be deducted from the equity when such expenses attributable directly to equity transaction.

Under the precedent condition that non-monetary assets exchanges are featured with commercial nature and fair values of exchange-in or exchange-out assets can be reliably measured, long-term equity investment exchange-in through non-monetary assets exchange shall be recognized with initial investment cost on the basis of the fair value of the assets exchange-out, unless there is obvious evidence showing that fair value of exchange-in assets is more reliable; as for non-monetary assets exchanges not satisfying such precedent condition, initial investment cost of exchange-in long-term equity investment falls to the carrying value of exchange-out assets and relevant taxes payable.

For long-term equity investments obtained through debt reorganization, its initial investment cost is recognized based on fair value.

### **2. Subsequent measurement and recognition of gains and losses**

(1) Subsequent measurement

(1) Cost method

The long-term equity investment control by invested entity shall counted by cost method, and pricing on initial investment cost, cost of the long-term equity investment shall be adjusted while additional investment or dis-investment.

Other than payment actually paid for obtaining investment or cash dividend or profit included in consideration which has been declared while not granted yet, the Company recognizes investment income according to its share in the cash dividend or profit declared for grant by the invested unit.

## (2)Equity method

The Company calculates long term equity investment in associates and joint ventures under equity method. For certain equity investments in associates indirectly held through risk investment institutions, joint funds, trust companies or similar entities including investment linked insurance fund, the Company measures the investment at fair value through profit or loss.

where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period.

Return on investments and other comprehensive income is recognized respectively by shares of net gains and losses realized by the invested company and other comprehensive income after acquisition of long-term equity, and book value of such investment is adjusted accordingly. Profit or cash dividends pro rata distributed by the invested company are to minus book value of the relative long-term investment. Book value of long-term investment is adjusted when changes occur other than net gains and losses, other comprehensive income and profit distribution of the invested company, and is to reported in owners' equity accordingly

The Company should recognized net profit of invested unit after adjustment, based on fair value of vary identifiable assets of invested unit while obtained investment, while recognized net profit or net losses of invested units that should be enjoy by investment enterprise. the un-realized transaction gains/losses attributable to investment enterprise, internally occurred between the Company, affiliated units and joint-ventures should calculated by proportion of shares-holding which should be offset, than recognized investment gains/losses.

When the Company is confirmed to share losses of the invested units, the following order shall prevail for disposal: first of all, offset carrying value of long-term equity investment. Second, for long-term equity investment whose carrying value is not enough for offset, investment loss should be continued to recognize within the limit of carrying value of other long-term equity which substantially forms net investment to invested units, to offset carrying value of long-term items receivable. At last, after the aforesaid treatment, if enterprise still bears additional duties according to investment contract or agreement, projected liabilities are recognized in accordance to the the obligations which are expected to undertake, and then recorded in current gains and losses.

In the event that the invested unit realizes profit in later periods, the Company will adopt disposal adversed to the above order after deduction the unrecognized share of loss, i.e. write off the carrying value of the recognized projected liabilities, recover carrying value of long-term equity which substantially forms net investment to

invested unit and long-term equity investment, and recognize investment income at the same time.

### **3. Transfer of calculation for long term equity investment**

#### **(1) measure at fair value transfer to equity method**

For the equity investment originally held by the Company in which it has no control, common control or significant influence over the investee and which is accounted for under recognition and measurement principle as financial assets, in case that the Company becomes able to exercise significant influence or common control upon the investee due to additional investment while no control is reached, the sum of fair value of the originally held equity investment as determined under Business Accounting Principles No.22- Recognition and Measurement Principle as Financial Assets plus cost of the new investment shall be deemed as the initial investment cost upon calculation under equity method.

If the originally held equity investment is classified as available for sale financial assets, the difference between its fair value and carrying value and the accumulated fair value movement which is originally included in other comprehensive income shall be transferred to current period gains and losses under equity method.

In case that the initial investment cost under equity method is lesser than share of fair value of the investee's net identifiable assets as of the date when additional investment is made as calculated based on the latest shareholding proportion upon additional investment, carrying value of the long term equity investment shall be adjusted against such difference which is included in current period non-operating income.

#### **(2) measure at fair value or calculation under equity method transfer to calculation under cost method**

For the equity investment originally held by the Company in which it has no control, common control or significant influence over the investee and which is accounted for under recognition and measurement principle as financial instrument, or for long term equity investment originally held in associates or joint ventures, in case that the Company becomes able to exercise control over investee not under common control due to additional investment, the sum of fair value of the originally held equity investment plus cost of the new investment shall be deemed as the initial investment cost upon calculation under cost method when preparing separate financial statement.

For other comprehensive income as recognized under equity method in respect of equity investment held prior to acquisition date, when the Company disposes this investment, the aforesaid income shall be accounted for on the same basis as the investee would otherwise adopt when it directly disposes relevant assets or liabilities.

For equity investment held prior to acquisition date which is accounted for under Business Accounting Principles No.22- Recognition and Measurement of Financial Assets, the accumulated fair value movement which originally included in other comprehensive income shall be transferred to current period gains and losses upon calculation under cost method.

#### **(3) calculation under equity method transfer to fair value measurement**

In case that the Company lost common control or significant influence upon investee due to disposal of part equity investment, the remaining equity investment shall be calculated under Business Accounting Principles No.22- Recognition and Measurement of Financial Assets, and the difference between its fair value and carrying value as of the date when the Company lost common control or significant influence shall be included in current period gains and losses.

For other comprehensive income as recognized under equity method in respect of the original equity investment, when the Company ceases calculation under equity method, the aforesaid income shall be accounted for on the same basis as the investee would otherwise adopt when it directly disposes relevant assets or liabilities.

(4)cost method transfer to equity method

In case that the Company lost control upon investee due to disposal of part equity investment, and if the remaining equity investment can exercise common control or significant influence over the investee, equity method shall be adopted when preparing separate financial statement, and the remaining equity investment shall be adjusted as if it had been stated under equity method since the acquisition.

(5)cost method transfer to fair value measure

In case that the Company lost control upon investee due to disposal of part equity investment, and if the remaining equity investment cannot exercise common control or significant influence over the investee, Business Accounting Principles No.22- Recognition and Measurement of Financial Assets shall be adopted for accounting treatment when preparing separate financial statement, and the fair value and carrying value as of the date when control is lost shall be included in current period gains and losses.

#### **4. Disposal of long term equity investment**

Difference between carrying value and actual acquisition price in respect of disposal of long term equity investment shall be included in current period gains and losses. For long term equity investment under equity method, the Company shall adopt the same basis as the investee directly disposes relevant assets or liabilities when disposing this investment, and account for the part originally included in other comprehensive income under appropriate proportion.

If the terms, conditions and economic impact of each transaction involved in the disposal by steps of investment in subsidiaries fall into one or more of the following situations, such transactions will be accounted for as a package deal:

- (1) such transactions are entered into simultaneously or in the case of considering the impact of each other;
- (2) such transactions as a whole in order to reach a complete commercial results;
- (3) the occurrence of one transaction is subject to that of at least one other transaction;
- (4) a transaction alone is not economic, but otherwise when considered with other transactions.

Enterprises that lose control of their original subsidiaries due to the disposal of partial equity investment or otherwise, and therefore disqualify a package deal, should prepare the relevant accounting treatment in differentiation with individual financial statements and consolidated financial statement:

(1) in separate financial statement, as for disposal of equity interest, difference between carrying value and actual acquisition price shall be included in current period gains and losses. In case that the remaining equity interests can exercise common control or significant influence over investee, it shall be stated under equity method in stead, and shall be adjusted as if the remaining equity interests had been stated under equity method since the acquisition. In case that the remaining equity interests cannot exercise common control or significant influence over investee, it shall be accounted for under Business Accounting Principles No.22- Recognition and Measurement Principle of Financial Instruments, and the difference between its fair value and carrying value as of the date then the Company lost control shall be included in current period gains and losses.

(2) in consolidated financial statement, for those transactions occurred before lost of control in subsidiaries, the difference between disposal price and share of net assets of subsidiaries since purchase date or combination date shall be used to adjust capital reserve (equity premium), and if capital reserve is insufficient to offset, then it shall adjust retained earnings; when the Company lost control in a subsidiary, the remaining equity interests would be re-measured at the fair value as of the control-lost date. The sum of consideration gained from the disposal of equity and the fair value of remaining equity minus the share of net assets of original subsidiaries since the day of purchase and based on its original shareholding ratio is credited into investment gain for the current period, and off-set the goodwill at the same time. Other comprehensive income in relation to equity investments of original subsidiaries should be transferred to investment gain for the period at the time of loss of control.

Each transaction involved in the disposal of equity investments of subsidiaries until loss of control falls into a package deal, carrying accounting treatment on transaction of losing control rights and disposing the company, and should be accounted for accordingly in differentiation with individual financial statements and consolidated financial statements:

(1) In consolidated financial statements, difference between each payment from disposal of an equity and the book value of such long-term equity investment before the loss of control should be recognized as other comprehensive income and at the time of loss of control, transferred to profit or loss for the current period.

(2) In consolidated financial statements, difference between each payment from disposal of a subsidiary and the share of its net assets through investment before the loss of control should be recognized as other comprehensive income and at the time of loss of control, transferred to profit or loss for the current period.

#### **5. Criteria for common control and significant influence**

Where the Company jointly controls an arrangement with other participators under agreed terms, and decisions which materially affect return of such arrangement can only exist when other participators unanimously agree on the decisions, the Company is deemed to jointly control this arrangement with other participators, and the arrangement belongs to joint venture arrangement.

In case of a joint venture arrangement concluded through separate entity, when the Company is judged to be entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint venture under equity method. However, when the Company is judged to be not entitled to the net assets of the



separate entity under relevant agreements, the entity shall be viewed as a joint operation, in which case, the Company recognizes items relating to its share of interests from the joint operation and accounts for according to relevant business accounting rules.

Significant influence refers to that investor has right to participate in making decisions relating to the financial and operational policies of the investee, while not able to control or jointly control (with others) establishment of these policies. The following one or more conditions are based to judge whether the Company has significant influence over investee with consideration of all facts and situations: (1)has delegate in the board of directors or similar authority organs of investee; (2)participate in establishing financial and operational policies of the investee; (3)occur material transactions with the investee; (4)delegate management to the investee; (5)provide key technical data to the investee.

## 15. Investment real estate

Measurement model of investment real estate

Measure by cost

Depreciation or amortization method

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

The investment property of the Company is accounted at its cost. Cost of investment property purchased from the external sources includes purchase payment, related taxes and other expenditures which can be directly attributable to such assets; Cost of investment property constructed by the Company comprise of the necessary expenditure occurred during the construction for reaching the condition of planned use.

Consequent measurement of investment estate shall be measured by cost method. Depreciation and amortization are provided to the buildings and land use right pursuant to the predicted service life and net rate of salvage value. The predicted service life and net rate of salvage value and annual depreciation (amortization) are listed as follows:

Type	Expected operating life (year)	Predicted rate of net salvage value	Depreciation(amortizati on) rate per annum
Land Use Right	50	0%-10%	1.80%-2.00%
House and buildings	20-28	0%-10%	3.56%-4.50%

When investment real estate turns to be used by holders, it shall switch to fixed assets or intangible assets commencing from the date of such turning. And when self-used real estate turns to be leased out for rental or additional capital, the fixed assets or intangible assets shall switch to investment real estate commencing from the date of such turning. In situation of switch, the carrying value before the switch shall be deemed as the credit value after the switch.

Indication of impairment is assessed, the recoverable amount shall be estimated and the impairment shall be recognizing while the recoverable amount lower than its book value.

Impairment loss once recognized shall not be reversed.

When investment is disposed, or out of utilization forever and no economic benefit would be predicted to obtain through the disposal, the Company shall terminate recognition of such investment real estate. The amount of income from disposal, transfer, discarding as scrap or damage of investment real estate after deducting the asset's carrying value and relevant taxation shall be written into current gains and losses.

## 16. Fixed asset

### (1) Recognition

Fixed assets is defined as the tangible assets which are held for the purpose of producing goods, providing services, lease or for operation & management, and have more than one year of service life. Fixed assets should be recognized for qualified the followed conditions at the same time:

- (1) It is probable that the economic benefits associated with the assets will flow into the Company; and
- (2) The cost of the assts can be measured reliably.

### (2) Depreciation method

Category	Depreciation method	Estimated useful life	Estimated residual rate	Annual depreciation rate
Houses and buildings	Straight-line depreciation	20-28	5%	3.39%-4.75%
Machinery equipment	Straight-line depreciation	4-5	5%	19.00%-23.75%
Transportation equipment	Straight-line depreciation	5-20	5%	4.75%-19.00%
Other equipment	Straight-line depreciation	3-5	5%	19.00-31.67%

### (3) Basis of asserting, pricing and depreciation method on fixed assets under financing lease

A fixed asset leased by the Company is recognized as the fixed asset held under finance lease if one or more of the following criteria is met:

- (1) Upon the expiry of the lease term, the ownership is transferred to the Company.
- (2) the Company has the option to purchase the asset at a predetermined price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and it is reasonably ascertained at the inception of lease that the option will be exercised.
- (3) the lease term approximates the useful life of the relevant asset even if the ownership is not transferred.
- (4) at the inception of the lease, the present value of the minimum lease payments is substantially equivalent to the fair value of the leased asset.
- (5) the leased assets are of such a specialized nature that only the Company can use them without major

modification.

A fixed asset held under finance lease is initially recognized at the lower of fair value of the leased asset and the present value of the minimum lease payments, while the amount of the minimum lease payments will be recognized as the entry value of long-term account payable, the difference between them will be recognized as unrecognized financing costs. The initial direct costs such as commissions, attorney's fees, travelling expenses, stamp duties attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value. Unrealized finance costs will be amortized using actual interest rate method over each period during the lease terms.

The Company adopts depreciation policies for leased assets consistent with those of self-owned fixed assets for the purpose of calculating the depreciation of a leased asset. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

## **17. Construction in process**

### **1. Classification of constructions under progress**

The constructions under progress of the Company are accounted for by fund project.

### **2. Standard and point of time for construction in process carrying forward to fixed assets**

Fixed asset is booked with the entire expenditures occurred in the construction in process till it arrives at predicted state for use. For those constructions in process of fixed assets which have already arrived at the predicted state for use, while still with absence of completion settlement, they shall be carried forward to fixed assets at the estimated value based on engineering budget, construction cost or actual cost commencing from the date of arrival of the predicted state for use. Meanwhile, they shall be also subject to the depreciation policies applicable to fixed assets of the Company for provision of depreciation. Once completion settlement is made, the original temporary estimated value shall be adjusted at the effective cost. However, the original provision of depreciation remains unchanged.

### **3. Impairment test and impairment provision for construction in process**

The Company determines whether there is evidence of impairment that may occur upon construction in progress at end of each period.

If there is indication of impairment of construction in progress, the Company shall estimate its recoverable amount. The recoverable amount is to be determined by the higher between the net price of the fair value of construction in progress after subtracting costs of disposal and the present value of expected future cash flow from construction in progress.

When the recoverable amount of construction in progress is below their book value, the book value of construction in progress shall be written down to its recoverable amount, and the amount of write-down shall

recognized as impairment loss of construction in progress, and included into current profits and losses. At the same time, the provision for depreciation of construction in progress shall be accrued.

After the recognition, the impairment loss of construction in progress shall not be reversed in subsequent accounting period.

If there are indications showing that impairment of certain construction in progress is possible, the Company shall estimate its recoverable amount based on individual construction. If difficult to do so, the Company shall determine the recoverable amount of the assets group on basis of the asset groups to which the construction in progress belongs.

## **18. Borrowing expenses**

### **1. Recognition of the borrowing expenses capitalization**

Borrowing expenses that attributed for purchasing or construction of assets that are complying with capitalizing conditions start to be capitalized and counted as relevant assets cost; other borrowing expenses, reckoned into current gains and losses after expenses recognized while occurred.

Assets satisfying the conditions of capitalization are those assets of fixed, investment real estate etc. which need a long period of time to purchase, construct, or manufacturing before becoming usable.

Capitalizing for borrowing expenses by satisfying the followed at same time:

- (1) Assets expense occurred, and paid as expenses in way of cash, non-cash assets transfer or debt with interest taken for purchasing, constructing or manufacturing assets that complying with capitalizing condition;
- (2) Borrowing expenses have occurred;
- (3) Necessary activities occurred for reaching predicted usable status or sale-able status for assets purchased, constructed or manufactured.

### **2. Period of capitalization**

Capitalizing period was from the time start capitalizing until the time of suspended capitalization. The period for borrowing expenses suspended excluded in the period.

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization reached its predicted usable status or sale-able status, capitalization suspended for borrowing expenses.

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization completed projects and usable independently for part of the projects, borrowing expenses for this kind of assets shall suspended capitalization.

If the assets have been completed in every part, but can be reached the useful status or sale-able status while completed entirely, the borrowing expense shall be suspended for capitalization while the assets completely finished in whole.

### 3. Period of suspended

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization is suspended abnormally for over 3 months, capitalizing of borrowing expenses shall be suspended; the suspended assets that satisfying the conditions of capitalization meets the necessary procedure of reaching predicted usable status or sellable status, capitalizing of borrowing expenses shall be resumed. The borrowing expenses occurred during the period of suspended shall reckon into current gains and losses until the purchasing, construction, or manufacturing process is resumed for capitalizing.

### 4. Calculation for capitalization amount

Interest expenses practically occurred at the current term of a special borrowing are capitalized after deducting of the bank saving interest of unused borrowed fund or provisional investment gains

Capitalization amounts of common borrowings are decided by the weighted average of exceeding part of accumulated asset expenses over the special borrowing assets multiply the capitalizing rate of common borrowings adopted. Capitalization rates are decided by the weighted average of common borrowings.

For those expenses with discount or premium, determined the amortizable discount or premium in every fiscal year by effective interest method, than adjusted interest amount in every period

## 19. Biological assets

The biological assets of the Company refer to consumptive biological assets and productive biological assets. The consumptive biological assets including young and livestock etc., productive biological assets including eggs etc.

Biological assets are recognized upon satisfaction of the following conditions:

- (1) the company owns or controls the biological asset due to the past transaction or proceeding;
- (2) the economic benefits or service potential related to the biological assets are likely to flow into the company;
- (3) cost of the biological assets can be measured reliably.

Acquisition and disposal of biological assets: cost of biological assets upon change of use is determined based on the carrying value when use changes; the disposal income arising from disposal, damage or inventory losses of biological assets less the carrying value and related taxes shall be recorded in current profit and loss.

The productive biological assets are initially measured according to the cost. The cost of the outsourcing productive biological assets includes purchase cost, related taxes and dues, transportation charge, insurance expenses and other expenses directly belonging to the purchase of this asset. The book value of the productive biological assets of the investors is measured by adding the value on the investment contract or the value stipulated by agreement to the payable taxes and dues, but if the contract or agreement appoints the value as unfair, the actual cost is determined by the fair value. The cost of the progenitive productive biological assets is determined according to the necessary expenses occurred before achieving the anticipated production and management purposes, including the feed cost, labor cost and indirect expenses to be shared, etc.

The closing or the management and feeding costs occurred after achieving the predetermined production and management purposes of the productive biological assets of the Company are reckoned in the current profit and loss.

The Company withdraws and depreciates the productive biological assets, and the depreciation adopts the straight-line depreciation method. The Company determines its service life and anticipated net residual value according to the nature and service condition of the productive biological assets and the anticipated implementation way of the related economic interests. At the end of the year, the Company re-checks the service life, anticipated net residual value and depreciation method of the productive biological assets, and adjusts correspondingly if it differs from the original assessment.

The expected service life, anticipated net residual value and yearly depreciation of the productive biological assets of the Company are as follows:

Category	Estimated useful life (Year)	Estimated residual rate	Annual depreciation rate
Eggs	1	5%	95%
Sheep and pigs	3	5%	31.67%

On balance sheet date, the Company measures the productive biological assets in accordance with the lower one of its book value and the recoverable amount, withdraws the provision for impairment of productive biological assets according to the balance between the book value and the recoverable amount of the single assets. The impairment loss of the productive biological assets cannot be reversed in the subsequent accounting periods once recognized.

Gain and disposal of the biological assets: The cost of the biological assets after changing the purposes are recognized according to the book value at the time when changing the purposes; when the biological assets being sold, damaged or having inventory losses, reckon the balance after deducting the book value and related taxes and dues from the disposal consideration in the current profit and loss.

## 20. Intangible assets

### (1) Pricing method, service life and impairment test

An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company, including land use right and non-patented technology etc.

#### a. Initial measurement of intangible assets

For those intangible assets purchased from outside, the purchase value, relevant taxes and other payments attributable to predicted purpose obtained should recognized as cost for this assets. For those purchased amount that paid overdue exceeded the normal credit condition, owns financing natures actually, the cost should be recognized based on the current value while purchased

As for the intangible assets acquired from the debtor in debt restructuring for the purpose of settlement of debt, the fair value of the intangible assets shall be based to determine the accounting value. The difference between the carrying value of restructured debt and the fair value of the intangible assets use for settlement of debt shall be recorded in current gains and losses.

With the preceding conditions that non-monetary assets exchange has commerce nature and the fair value of the

assets exchanged in or out can be measured reliably, the intangible assets exchanged in through non-monetary assets exchange are accounted at the value based on the fair value of assets exchanged out, unless there is obvious evidence showing the fair value of assets exchanged in is more reliable; for non-monetary assets exchange not qualifying for the preceding conditions, the carrying value of assets exchanged out and related taxes payable shall be viewed as the cost of intangible assets exchanged in, without recognition of gains and losses.

Intangible assets obtained by means of enterprise merged under common control, recognized book-keeping value by the book value of merged party; Intangible assets obtained by means of enterprise merged under different control, recognized book-keeping value by the its fair value.

For those cost of intangible assets development internally including: the used materials, labor cost and register charge for development; amortization for other patent and concession used and interest expense satisfying the capitalization condition during process of development; other directly expense before reached its predated useful purpose.

#### **b. Subsequent measurement**

Analysis and determined the service life for intangible assts while obtained. And calssified into intangible assets with limited useful life and assets without certain service life

##### (1) Intangible assets with limited useful life

Those intangible assets with limited useful life are evenly amortized on straight basis from the date when they become useable to the end of expected useful life. Particular about the estimation on intangible assets with limited service life:

Item	Predicted useful life	Basis
Patent right, trademark right, non-patents and outsourcing software	5-year	Within the terms of contractual rights or other statutory rights
Land use right	50-year	Within the terms of contractual rights or other statutory rights

At end of year, revising will be performed on the useful life of intangible assets with limited useful life and the methods of amortizing.

Being revised, the useful life of intangible assets and amortization method at period-end shows the same as previous

##### (2) Criterion for intangible assets without certain service life

Intangible assets for which it is impossible to predict the term during which the assets can bring in economic benefits are viewed as intangible assets with indefinite life.

Intangible assets with indefinite life are not amortized during the holding period, and useful life is re-reviewed at the end of each accounting period. In case that it is still determined as indefinite after such re-review, then

impairment test will be conducted continuously in every accounting period.

At end of year, revising will be performed on the useful life of intangible assets with uncertain life

The Company has no such intangible assets without certain service life after review.

## **(2) Accounting policy for expenditure of internal R&D**

### **1. Detail standard for classification on research stage and exploitation stage**

Research stage: stage of the investigation and research activities exercising innovative-ness for new science or technology knowledge obtained and understanding.

Exploitation stage: stage of the activities that produced new or material advance materials, devices and products that by research results or other knowledge adoption in certain plan or design before the commercial production or usage.

The expenditure of the research stage in R&D project internally shall reckon into current gains and losses while occurred.

### **2. Standards for capitalization satisfaction of expenditure in exploitation state**

Intangible assets recognized for expenditure in exploitation stage by satisfying the followed at same time:

- (1) Owes feasibility in technology and completed the intangible assets for useful or for sale;
- (2) Owes the intention for completed the intangible assets and for sale purpose;
- (3) Way of profit generated including: show evidence that the products generated from the intangible assets owes a market or owes a market for itself; if the intangible assets will use internally, than show evidence of useful-ness;
- (4) Possess sufficient technique, financial resources and other resources for the development of kind of intangible assets and has the ability for used or for sale;
- (5) The expenditure attributable to the exploitation stage for intangible assets could be measured reliably.

## **21. Impairment of long term assets**

Long term asset is judged whether for which there is indication of impairment on balance sheet date. If there is indication of impairment, the Company would estimate its recoverable amount based on single asset; if it is difficult to estimate the recoverable amount of single asset, then the assets group which the single asset belongs to is based to determine the recoverable amount of the assets group.

Recoverable amount of an asset is determined at the higher of its fair value less disposal fee and present value of its predicted future cash flow.

If measurement of recoverable amount shows that the recoverable amount of long term asset is lower than carrying value, then the carrying value shall be deducted to recoverable amount, with the deducted amount recognized as impairment loss which is included in current period gains and losses, meanwhile, asset impairment



provision shall be made accordingly. Once recognized, asset impairment loss would not be reversed in future accounting period.

Once an asset is recognized for impairment loss, its depreciation or amortization expense would be adjusted in future periods, so as to systematically allocate the adjusted asset carrying value (after deduction of predicted net residual value) during the remaining useful life.

Goodwill arising from business combination and intangible assets with indefinite useful life shall be tested annually for impairment whether or not there is indication of impairment.

Goodwill is tested for impairment with the related assets group. When conducting impairment test for relevant asset group with inclusion of goodwill, in case that there is indication of impairment for such asset group, impairment test would be firstly conducted in respect of the asset groups without inclusion of goodwill. Then, it shall calculate the recoverable amount and determine the corresponding impairment loss as compared to its carrying value. Second, asset group with inclusion of goodwill would be tested for impairment. If it is found after comparison between the carrying value and recoverable amount of the asset group that the recoverable amount is less than carrying value, the Company would recognize impairment loss for goodwill.

## **22. Long term prepaid expense**

### **1. Amortization method**

Long term prepaid expense represents the expense which the Company has occurred and shall be amortized in the current and later periods with amortization period exceeding one year. Long term prepaid expense amortized on straight-line method by stages in benefit period.

### **2. Amortization term**

Amortized equally during the benefit period for those long-term expenses whose has a defined benefit period, for those without a defined benefit period, amortized equally within 5 years.

## **23. Staff remuneration**

### **(1) Accounting treatment of short-term remuneration**

Short term remuneration refers to all the staff remuneration payable by the Company to its staff within 12 months after the end of annual reporting period in which staff provides relevant services, other than post office benefit and dismissal benefits. The Company recognizes short term remuneration payables as liabilities during the accounting period during which staff provides services, and includes in cost and expense of relevant asset according to the beneficial parties of such services.

## **(2) Accounting treatment of post office benefits**

Post office benefits refer to kinds of remuneration or benefits granted by the Company to staff for their provision of service upon retirement or release of employment, other than short term remuneration and dismissal benefits. Post benefit plan is categorized as defined withdraw plan and defined benefit plan.

Defined withdraw plan under post office benefit mainly represents participation into social basic pension insurance and unemployment insurance operated by labor and social security authorities. During the accounting period when employee provides services for the Company, the contribution calculated under defined withdraw plan would be recognized as liabilities and included in current gains and losses or relevant asset cost.

Defined benefit plans for post-employment benefits are primarily a clear and standard outside-plan welfare to pay the retirees and pay the living expenses for the deceased employees' family members. For the obligation assumed in the defined benefit plans, the independent actuaries will accurately calculate by using the expected cumulative actuarial unit credit method on the balance sheet date, attribute the benefit obligations arising from defined benefit plan to the period of employee providing services, and include in the current profit or loss or associated asset cost, thereinto, unless other accounting standards require or allow the employee benefits costs to be included in the asset cost, the service costs of defined benefit plans and the net interest of net indebtedness and net assets of defined benefit plans should be included in the current profit and loss in the current occurrence period; changes in the net indebtedness and net assets of re-measured defined benefit plans should be included in the other comprehensive income in the current occurrence period, and are not allowed to switch back to profit and loss in the follow-up accounting period.

## **(3) Accounting treatment of dismissal benefit**

Dismissal benefit represents compensation paid to employees for release of employment before expiration or as compensation for their willing of cut, If the Company cannot recall the dismissal unilaterally or re-organization-related costs with dismissal benefit involved in cutting down, the liability arising from compensation for recognition of labor relationship released, reckoned into current gains/losses at the same time.

## **(4) Accounting treatment of other long term staff benefits**

Other long-term employee benefits refer to all other employee benefits except for short-term remuneration, post-employment benefits, and dismissal welfare.

For the other long-term employee benefits in line with the conditions of defined contribution plans, the deposit amount will be recognized as liabilities during the accounting period when employees provide services to the Company, and included in the current profit and loss or related asset cost; for other long-term employee benefits except for above-mentioned situation, the independent actuaries (according to their actual situation) will accurately calculate by using the expected cumulative actuarial unit credit method on the balance sheet date, attribute the benefit obligations arising from defined benefit plan to the period of employee providing services, and include in the current profit or loss or associated asset cost.

## **24. Accrual liability**

When the Company is involved in proceedings, debt guarantees, onerous contracts and reorganization events, if such events may require delivery of assets or rendering of services in the future and the amounts of such events

can be reliably measured, accrued liabilities are recognized.

### **1. Recognition criteria of accrued liability**

The Company recognizes the accrued liabilities when obligations related to contingencies satisfy all the following conditions:

- This obligation is a present obligation of the Company;
- The performance of such obligation is likely to result in outflow of economic benefits from the Company; and
- The amount of the obligation can be measured reliably.

### **2. Method of measuring of accrued liabilities**

Accrued liabilities shall be initially measured at the best estimate of the expenditure required to settle the related present obligation.

The Company, when determining the best estimate, has had a comprehensive consideration of risks with respect to contingencies, uncertainties and the time value of money. If the time value of money is significant, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate will be dealt with separately in the following circumstances:

The expenses required have a successive range (or band), in which the possibilities of occurrence of each result are the same, and the best estimate should be determined as the middle value for the range, i.e. the average of the upper and lower limit.

The expenses required does not have a successive range (or band), or although there is a successive range (or band), the possibilities of occurrence of each result are not the same, if the contingency is related to individual item, the best estimate should be determined as the most likely amount; where the contingency is related to a number of items, the best estimate should be calculated and determined according to the possible results and the relevant possibilities.

When all or part of the expenses necessary for the settlement of an estimated liability of the Company is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the compensation will be received. The amount recognized for the compensation should not exceed the book value of the estimated liability.

## **25. Share-based payment**

### **1. Category of share-based payment**

Share-based payment of the Company divided into share-based payment settled by equity and by cash

### **2. Determination of fair value of equity instruments**

If there is an active market for an equity instrument granted such as share option, the quoted price in the active market is used to establish the fair value of the equity instrument. If there is no active market for the equity instrument granted such as share option, the option pricing model is used to determine the fair value. Option pricing model is elected after taking into account the following factors: (1)exercise price of the option; (2)effective period of the option; (3)prevailing price of the subject shares; (4)predicted fluctuation rate of share prices; (5)predicted dividend of shares; (6)risk-free interest rate of the option in effective period.

When determining fair value of equity instruments on the date of grant, influences from market conditions among conditions available for exercising rights and those not available for exercising rights as provided in share-based payment agreement should be considered. If there is condition not available for exercising rights in respect of share-based payment, cost expenses attributable to services received can be recognised provided that employees or other parties satisfy all the non-market conditions among conditions available for exercising rights (such as service term).

### 3. Bases for determining the best estimate for exercisable equity instruments

On each balance sheet date during the vesting period, best estimate shall be made based on the latest available information on change of employees who are entitled to exercise right, and number of exercisable equity instruments shall be amended accordingly. On exercise date, number of the final predicted exercisable equity instruments shall accord to the actual number of exercisable instruments.

### 4. Accounting for implementation, amendment or termination of share-based payment plan

Equity-settled share-based payment is measured at fair value of equity instruments granted to staff. For equity instruments which are exercisable immediately upon grant, they are included in relevant costs or expenses at fair value of the instruments as of the date of grant, with increase of capital reserve accordingly. For instruments for which exercise is conditional upon completion of service in vesting period or satisfaction of required results, services received in current period are included in relevant costs or expenses and capital reserve at the fair value of the equity instrument as of the date of grant based on the best estimate of the numbers of exercisable equity instruments on each balance sheet date during the vesting period. Recognized relevant costs or expense and total owners' equity will not be adjusted after the exercise date.

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

account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the profit or loss for the period.

#### 5. Amendment and relevant accounting treatment for those with amendment clauses and condition concerned

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

## 26. Revenue

Revenue of the Company mainly including revenue from goods selling, sale of real estate, and revenue from property rent-out and labor service revenue etc.

### 1. Recognition standards of income from commodity sales:

When main risks and rewards attached to the ownership of goods have been transferred to the buyer, reserved neither continuous management power nor effective control over the goods, incoming payment can be measured reliably, relative financial benefit possibly inflow to the company, cost occurred or will occur can be reliably measured, sales income of goods is recognized.

### 2. Sales revenue recognition for property industry:

- (1) construction completion and qualified acceptance of properties;
- (2) commercial property pre-sale license granted by relevant state resources and housing bureau;
- (3) enter into sales contract;
- (4) sales contract has been certified and confirmed by property exchange center;
- (5) receive property price or obtain payment certificate from buyers;
- (6) complete deliver procedure for commercial properties.

Upon satisfaction of all the above conditions, the Company recognizes sales revenue

### 3. Recognition of property leasing revenue:

Property leasing revenue is recognised when the Company receives rental or obtain payment certificate from buyers based on the payment date and rental amount to be paid by lessee as provided in the contract or agreement entered into between the Company and the lessee.

### 4. Labor service revenue

- (1) Income of the contract can be measured reliably
- (2) Financial benefit attached to the contract is possibly inflow to the company
- (3) Schedule of the contracted project can be determined reliably;
- (4) and the relevant amount of cost incurred or to be incurred can be measured reliably

## **5. Recognition basis of revenue from transferring the use right of assets**

The economic benefits related to transactions are probable to flow into the Company; and amount of revenue can be measured reliably

## **27. Government grants**

### **(1) Criterion and accounting treatment on government grants with assets concerned**

The government grants that the company has obtained and used for acquisition and construction or forming long-term assets in other ways are classified as asset-related government subsidies. Asset-related government grants are recognized as deferred income and equally distributed within the useful life of related assets, and included in the current profit or loss. However, the government grants measured according to the nominal amount are directly included in the current profit or loss.

### **(2) Criterion and accounting treatment on government grants with revenue concerned**

Except for government grants related to assets, the government grants are classified as income-related government grants. The income-related government grants used for compensating the relevant expenses or losses in subsequent periods are recognized as deferred income, and included in the current profit and loss during the period of confirming the relevant expenses; those used for compensating the relevant occurred expenses or losses are directly included in the current profit and loss.

## **28. Deferred income tax assets and deferred income tax liabilities**

Deferred tax assets and deferred tax liabilities are calculated and recognized according to the balance between the tax base and the book value of assets and liabilities (temporary differences). At the balance sheet date, the deferred tax assets and deferred tax liabilities are measured by the applicable tax rate during the period of expected recovery of assets or clearing off the liability.

### **1. The basis for confirming deferred tax assets**

The Company takes the taxable income which is likely to be obtained for deducting the deductible temporary differences and can carry over the deductible loss and tax credits as the limit to confirm the deferred income tax assets generated by deductible temporary differences. However, the deferred income tax assets generated by the initial recognition of assets or liabilities in the transactions with following characteristics shall not be recognized: (1) the transaction is not a business combination; (2) the occurrence of transaction affects neither the accounting profit nor the taxable income or deductible loss.

For the deductible temporary differences associated with investments in associated enterprises and satisfying the following conditions, confirm the corresponding deferred income tax assets: temporary difference is likely to be reversed back in the foreseeable future, and it is likely to obtain the taxable income used for deducting the deductible temporary differences in the future.

### **2. The basis for confirming deferred tax liabilities**

The company recognizes the currently and previously payable but not paid taxable temporary differences as the deferred income tax liabilities. But not including:

(1) The temporary differences formed in the initial recognition of goodwill;

(2) Transactions or events formed by non-business combination, and it affects neither the accounting profit nor the temporary differences formed by taxable income (or deductible loss) when the transactions or events occur;

(3) For the taxable temporary differences related to the subsidiary companies and investments in associated enterprises, the reversal time of this temporary difference can be controlled and this temporary difference is unlikely to be reversed back in the foreseeable future.

**3. Deferred tax assets and liabilities are offset if all the following conditions are met**

(1) an enterprise has the legal rights to settle the income tax assets and income tax liabilities for the current period by net amount;

(2) they relate to income taxes levied by the same tax authority on either the taxable entity has a legally enforceable right or set off current income tax assets against current income tax liabilities, and different taxable entities which either intend to settle the current income tax liabilities and assets on a net basis, or to realize the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

## **29. Lease**

### **(1) Accounting treatment of operation lease**

(1) The lease payment paid for leasing assets is amortized under straight line method in the entire lease period without deduction of lease-for-free period, and is recorded in current expenses. The initial direct expenses paid by the Company related to lease transactions shall be recorded in current expenses.

If asset leaser assumes the lease related expenses which shall be assumed by the Company, the Company shall deduct such expenses from the total rental and amortize based on the deducted rental expenses during the lease period and record in current expenses.

(2) The lease fee collected by the Company for assets lease is amortized under straight line method in the entire lease period without deduction of lease-for-free period, and is realize as lease income. The initial direct expenses paid by the Company related to lease transactions shall be recorded in current expenses; for significant amount, it shall be capitalized and recorded in current income in phases under the same basis as realization of lease income in the entire lease period.

If the Company assumes the lease related expenses which shall be assumed by the lessee, the Company shall deduct such expenses from the total rental income and allocate based on the deducted rental expenses during the lease period.

### **(2) Accounting treatment of financing lease**

(1) Assets leased by financing lease: the Company accounts the leased assets at the lower of the fair value of leased assets and present value of the minimum lease payment on the inception date of the lease, and the minimum lease payment is deemed as the accounting value of long term account payables, and the difference is

taken as unrealized financing expenses.

The Company amortizes the unrealized financing expenses at effective interest rate method in the asset lease period and records in finance expenses.

(2) Assets leased out by financing lease: on the inception date of the lease, the Company realizes the difference between the sum of financing lease account receivables and unguaranteed remaining value and its present value as unrealized financing income which is conformed as lease income in future periods involving lease. The initial direct expenses occurred by the Company related to lease transaction shall be recorded in the initial measurement of financing lease account receivables. And income realized in lease period shall be reduced accordingly.

### 30. Changes of main accounting policy and estimate

#### (1) Changes of accounting policies

Applicable  Not-applicable

#### (2) Changes in accounting estimates

Applicable  Not-applicable

## VI. Taxes

### 1. Main tax category and tax rate:

Taxes	Basis	Rate
VAT	Sale of goods or providing taxable labor	3%, 6%, 13%, 17%
Business tax	Money of house received in advance and taxable income	5%
Urban maintenance and construction tax	Turnover tax payable	5%
Enterprise income tax	Taxable income	16.5%, 25%
Educational surtax	Turnover tax payable	3%
Local educational surtax	Turnover tax payable	2%
Property tax	Rental income or original value of the property	12% or 1.2%
Land appreciation tax	Appreciation value or pre-requisitioned	Progressive rates

As for the taxpaying body with different tax rate for enterprise income tax, disclosed explanations:

Taxpaying body	Rate for income tax
The Company	25%
Nanjing Real Estate	25%
Nanjiang Investment	25%
Ecological Agriculture	25%



Hangzhou Dongfeng	25%
Nanjiang Asia	16.5%
Morsh Technology	25%
Huijing Property	25%
Runhua RW	25%

## 2. Tax preference

## 3. Other

Nanjiang Asia tax in Hong Kong Special Administrative Region with rate of 16.5% for income tax

## VII. Notes to the main items of consolidate financial statements

### 1. Monetary funds

In RMB

Item	Ending balance	Opening balance
Cash	70,613.10	33,252.06
Bank deposit	84,473,064.35	35,549,107.84
Other monetary funds	3,693,739.53	1,416,185.27
Total	88,237,416.98	36,998,545.17

Other explanation

#### Monetary fund with restrictions:

Item	Ending balance	Opening balance
Margin of housing mortgage	3,693,739.53	1,416,185.27
	---	---
Total	3,693,739.53	1,416,185.27

#### Other explanation on monetary fund:

Closing balance of monetary fund increased 51,238,871.81 Yuan over that of period-begin with 138.49% up, mainly because the money for house selling in advance in the period increased

## 2. Accounts receivable

### (1) Accounts receivable by type

In RMB

Type	Ending balance			Opening balance		
	Book balance	Provision for bad debts	Book value	Book balance	Provision for bad debts	Book value

	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Accounts receivable with large single amount and accrued for provision of bad debt on a single basis	2,320,047.40	92.86%	2,320,047.40	100.00%						
Accounts receivable accrued for provision of bad debt by portfolio	178,497.35	7.14%	22,383.82	12.54%	156,113.53	2,876.727.75	100.00%	154,051.09	5.36%	2,722,676.66
Total	2,498,544.75	100.00%	2,342,431.22	93.75%	156,113.53	2,876.727.75	100.00%	154,051.09	5.36%	2,722,676.66

Accounts receivable with large single amount and accrued for provision of bad debt on a single basis at period-end:

Applicable  Not-applicable

In RMB

Accounts receivable (unit)	Ending balance			
	Accounts receivable	Provision for bad debts	Provision ratio	Reasons
Beijing Xiangeqing Industrial & Trade Co., Ltd.	2,320,047.40	2,320,047.40	100.00%	Uncollectible
Total	2,320,047.40	2,320,047.40	--	--

Accounts receivable accrued for provision of bad debt by aging analysis method in portfolio:

Applicable  Not-applicable

In RMB

Aging	Ending balance		
	Accounts receivable	Provision for bad debts	Provision ratio
Within 1 year			
Subtotal within one year	106,167.00	5,308.35	5.00%
1-2 years	63,632.35	12,726.47	20.00%
2-3 years	8,698.00	4,349.00	50.00%
Total	178,497.35	22,383.82	12.54%

Portfolio recognized:

Accounts receivable accrued for provision of bad debt by percentage of balance in portfolio:

Applicable  Not-applicable

Accounts receivable accrued for provision of bad debt by other methods in portfolio:

**(2) Provision for bad debts accrued, regain or switch back in the Period**

In the Period, 2,225,917.63 Yuan accrued for provision of bad debts; 37,537.50 Yuan provision for bad debts regains or switch back in the Period.

Including major amount of bad debt provision regain or switch back in the Period:

In RMB

Unit	Amount regain or switch back	Way of regain
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**(3) Account receivable actual charge off in the Period**

In RMB

Item	Amount written off
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Written-off for the major receivable:

In RMB

Unit	Nature	Amount written off	Reasons	Procedures	Arising from related transaction (Y/N)
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Explanation on written off:

**(4) Top five account receivables collected by arrears party at ending balance**

Unit	Ending balance	Ratio in account receivable at period-end (%)	Bad debt provision accrued
Beijing Xiangeqing Industrial & Trade Co., Ltd.	2,320,047.40	92.86	2,320,047.40
Inner Mongolia Ajinnai Horse Culture Development Co., Ltd.	100,000.00	4.00	5,000.00
Electricity Authority of Chengde County	65,886.35	2.64	14,106.52
Greatwall Group of Chengde County	12,611.00	0.50	3,277.30
Total	2,498,544.75	100.00	2,342,431.22

**(5) Account receivable de-recognition due to financial assets transfer****(6) Assets and liabilities resulted by account receivable transfer and continues involvement**

Other explanation:

**3. Prepayments**

**(1) Aging analysis of repayment**

In RMB

Aging	Ending balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	1,105,122.95	100.00%	7,748,545.39	99.60%
2-3 years			3,400.00	0.04%
Over 3 years			28,200.00	0.36%
Total	1,105,122.95	--	7,780,145.39	--

Reasons for significant repayment with over one year age without settle:

**(2) Top five prepayment collected by objects at ending balance**

Unit	Ending amount	Ratio in prepayment (%)	Time of repayment	Un-settle reasons
Hangzhou Kangnuo Mechanical & Electric S&T Co., Ltd,	636,000.00	57.55	Within 1 year	Before the settlement period
Kepu Commerce Trading C., Ltd. in Xiong County	301,950.00	27.32	Within 1 year	Account in transit during credit period
Qinghuangdao SHunhao Commerce Trading C., Ltd.	79,162.32	7.16	Within 1 year	Account in transit during credit period
Prepayment to be amortized - remodeling costs	67,772.00	6.13	Within 1 year	Before the settlement period
Chende County Mapping Center	10,000.00	0.90	Within 1 year	Before the settlement period
Total	1,094,884.32	99.06	---	---

Other explanation:

Prepayment in the period decreased 6,675,022.44 Yuan over that of last period with 85.8% declined, mainly due to the prepayment for goods declined in the Period

**4. Other account receivables****(1) Other account receivables by type:**

In RMB

Type	Ending balance	Opening balance
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	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Other receivables with large single amount and accrued for provision of bad debt on a single basis	2,709,273.00	2.90%	2,709,273.00	100.00%		2,709,273.00	17.08%	2,709,273.00	100.00%	
Other receivables accrued for provision of bad debt by portfolio	88,424,018.54	94.90%	274,716.03	0.31%	88,149,302.51	11,220,393.72	70.76%	212,101.28	1.89%	11,008,292.44
Other receivables with minor single amount but accrued for provision of bad debt on a single basis	2,046,957.70	2.20%	2,046,957.70	100.00%		1,927,957.70	12.16%	1,927,957.70	100.00%	
Total	93,180,249.24	100.00%	5,030,946.73	5.40%	88,149,302.51	15,857,624.42	100.00%	4,849,331.98	30.58%	11,008,292.44

Other receivables with large single amount and accrued for provision of bad debt on a single basis at period-end:

Applicable  Not-applicable

In RMB

Other account receivables(by unit)	Ending balance			
	Other account receivable	Provision for bad debts	Provision ratio	Reason for provision
Non-Taxable Revenue Authority of Chengde County	1,500,000.00	1,500,000.00	100.00%	Uncollectible
Claims obtained from auction	1,209,273.00	1,209,273.00	100.00%	Uncollectible
Total	2,709,273.00	2,709,273.00	--	--

Other receivables accrued for provision of bad debt by aging analysis method in portfolio:

Applicable  Not-applicable

In RMB

Aging	Ending balance		
	Other account receivable	Provision for bad debts	Provision ratio
Within 1 year			
Subtotal within one year	781,665.96	39,083.31	5.00%

1-2 years	911,108.61	182,221.72	20.00%
2-3 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%

Portfolio recognized:

Other accounts receivable accrued for provision of bad debt by percentage of balance in portfolio:

Applicable  Not-applicable

Other accounts receivable accrued for provision of bad debt by other methods in portfolio:

Applicable  Not-applicable

Portfolio	Ending balance		
	Other accounts receivable	Provision for bad debts	Provision ratio(%)
Land reserve center of Chengde County	86,025,400.00	---	---
Loans for employees	453,175.69	---	---
Chengde Petroleum Branch	98,836.28	---	---
Office of material reformation for wall in the County	90,421.00	---	---
Total	86,667,832.97	---	---

## (2) Bad debt provision accrual collected or switch back

There is 538,117.72 Yuan provision for bad debts accrued in the Period; and 356,502.97 Yuan gains or switch back in the Period. Including the followed significant amount:

In RMB

Unit	Regains or switch back	Way of regain

## (3) Other receivables actually written-off during the reporting period

In RMB

Item	Amount written-off

Major other account receivables written-off:

In RMB

Name	Nature	Amount written-off	Reasons	Procedures	Arising from related transaction (Y/N)

Explanation on other account receivable:

**(4) Other account receivables category by nature of money**

In RMB

Nature of money	Ending book balance	Beginning book balance
Land acquisition account	86,025,400.00	3,678,200.00
Margin	1,550,000.00	4,753,400.00
Petty cash	3,883,802.72	4,091,754.69
Debt auction	1,209,273.00	1,209,273.00
Tariff ready for offset	0.00	430,723.08
Other	511,773.52	1,694,273.65
Total	93,180,249.24	15,857,624.42

**(5) Top five other account receivables collected by arrears party at ending balance**

In RMB

Unit	Nature	Ending balance	Aging	Proportion in total other receivables	Ending balance of bad debt provision
Land Reserve Center of Chengde County	Final payment for land acquisition	86,025,400.00	1-2 years	92.32%	
Non-Taxable Revenue Authority of Chengde County	Margin for land bidding	1,500,000.00	1-2 years	1.61%	1,500,000.00
Ma Haipeng	Petty cash	965,087.36	Within one year; 1-2 years	1.04%	152,334.17
Wu Guishuang	Petty cash	200,000.00	Within one year	0.21%	10,000.00
Chengde Petroleum Branch	Other	98,836.28	Within one year	0.11%	
	---		---		
Total	--	88,789,323.64	--	95.29%	1,662,334.17

**(6) Account receivables related to government subsidies**

In RMB

Unit	Item	Ending balance	Ending age 期末账龄	Time and amount collected and basis
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**(7) Other receivable for termination of confirmation due to the transfer of financial assets**

**(8)The amount of assets and liabilities that are transferred other receivable and continued to be involved**

Other explanation:

Ending balance of other receivables increased 77,322,624.82 Yuan over that of period begin with 487.61% up, mainly because the amount collected for land reserves are increased in the Period

**5. Inventories****(1) Classification of inventories**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Raw materials	596,830.85		596,830.85	906,724.95		906,724.95
Goods in process	61,739.48		61,739.48	565,568.78		565,568.78
Stock products	13,571,110.15	127,945.20	13,443,164.95	16,200,791.75	161,182.20	16,039,609.55
Revolving materials	18,498.40		18,498.40	18,498.40		18,498.40
Consumptive biological assets	130,431.42	5,795.58	124,635.84	2,827,887.88	669,082.19	2,158,805.69
Development cost	432,613,281.99		432,613,281.99	490,087,338.82		490,087,338.82
Development products	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) Inventory depreciation reserve**

In RMB

Item	Opening balance	Increased in 2015		Decreased in 2015		Ending balance
		Accrual	Other	Reversing or write-off	Other	
Stock products	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

After complete checking at year-end for the inventory, accrual or adjusted the inventory depreciation reserves on the lower one between costs and net realizable value. Accrual the depreciation reserves for each inventory at end of the year



**(3) Explanation on capitalization of borrowing costs at ending balance of inventory****(4) Assets completed without settlement from construction contract at period-end**

In RMB

Item	Amount
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Other explanation:

Balance of inventory at period-end increase 103,528,088.63 Yuan over that of period-begin with 20.07% growth, mainly because more development cost expend in the Huijing Tiandi project, the project completed for development basically, and the completed part are transfer to inventory

**6. Other current assets**

In RMB

Item	Ending balance	Opening balance
Taxes paid in advance	33,761,457.51	24,131,851.80
Total	33,761,457.51	24,131,851.80

Other explanation:

Balance at period-end increased 9, 629, 605. 71 Yuan over that of period-begin with 39. 90% up, mainly because account received in advance for house of Huijing Tiandi project in Period increased, thus taxes paid in advance increased

**7. Long-term equity investment**

In RMB

Invested company	Opening balance	Changes in 2015								Ending balance	Impairment provision at ending balance
		Additional investment	Capital reduction	Investment gains/losses recognized by equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividend or profit declare to issue	Provision for impairment losses	Other		
I. Joint venture											
II. Associated enterprise											
Runhua RW (Tianjin) Water-saving Technology	2,229,410.53			114,563.90						2,343,974.43	

gy Co., Ltd.										
Wuchan Minfeng (Tianjin) Chemical Trade Co., Ltd.	4,455,549.93						4,455,549.93		4,455,549.93	4,455,549.93
Subtotal	6,684,960.46			114,563.90			4,455,549.93		6,799,524.36	4,455,549.93
Total	6,684,960.46			114,563.90			4,455,549.93		6,799,524.36	4,455,549.93

Other explanation

(1) Runhua RW (Tianjin) Water-Saving Technology Co., Ltd obtained the corporation certificate on 14<sup>th</sup> Oct. 2011 with register capital of RMB 6.3 million included, Runhua RW Industrial Development invested RMB 3 million with ratio of 47.62%. The Company invested RMB 2 million with ratio of 31.75% in registered capital; Langfang Chunyuan Minor Watering Engineer Co., Ltd invested RMB one million with ratio of 15.87% and Zhang Heping invested RMB 300,000 with ratio of 4.76% in registered capital.

(2) Wuchan Minfeng (Tianjin) Chemical Trade Co., Ltd had risen up the register capital of shareholders on 21<sup>st</sup> Dec. 2012, totaling RMB 9 million included, Shanxi Wuchan Minfeng Chemistry Co., Ltd invested RMB 4.59 million with ratio of 51%. The Company invested RMB 4.41 million with ratio of 49% in registered capital.

## 8. Investment real estate

### (1) Investment real estate measured at cost

Applicable Not applicable

### (2) Investment real estate measured at fair value

Applicable Not applicable

### (3) Investment real estate without property certificate

In RMB

Item	Book value	Reasons
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Other explanation

## 9. Fixed assets

### (1) fixed assets

In RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Other	Total
I. Original book value					
1. Opening balance	8,095,437.08	1,246,415.43	3,836,318.14	740,355.25	13,918,525.90
2. Increased in 2015		64,400.00	887,371.42	186,639.71	1,138,411.13
(1) Purchase		64,400.00	887,371.42	186,639.71	1,138,411.13
(2) Transferred from construction in process					
(3) Increased by enterprise combination					
3. Decreased in 2015			716,610.41	171,162.59	887,773.00
(1) Disposal or scrap			716,610.41	171,162.59	887,773.00
4. Ending balance	8,095,437.08	1,310,815.43	4,007,079.15	755,832.37	14,169,164.03
II. Accumulated depreciation					
1. Opening balance	1,538,133.00	175,842.36	1,571,208.32	338,660.32	3,623,844.00
2. Increased in 2015	307,626.60	1,005,288.46	506,566.82	227,528.51	2,047,010.39
(1) Accrual	307,626.60	1,005,288.46	506,566.82	227,528.51	2,047,010.39
3. Decreased in 2015			322,387.72	85,001.81	407,389.53
(1) Disposal or scrap			322,387.72	79,479.46	401,867.18
4. Ending balance	1,845,759.60	1,181,130.82	1,755,387.42	481,187.02	5,263,464.86
III. Depreciation reserves					
1. Opening balance					

2.Increased in 2015					
(1) Accrual					
3.Decreased in 2015					
(1) Disposal or scrap					
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. Opening book value	6,557,304.08	1,070,573.07	2,265,109.82	401,694.93	10,294,681.90

**(2) Temporarily idle fixed assets**

In RMB

Item	Original book value	Cumulative depreciation	Depreciation reserves	Book value	Note

**(3) Fixed assets acquired by financing lease**

In RMB

Item	Original book value	Cumulative depreciation	Depreciation reserves	Book value

**(4) Fixed assets acquired by operating lease**

In RMB

Item	Ending book value
Houses and buildings	1,125,417.75

**(5) Fixed assets without property certificates**

In RMB

Item	Book value	Reasons
Houses and buildings	6,249,677.48	The pledge of the assets are released, ownership procedures still in process

Other explanation

The buildings are originally the guarantee of the Company's predecessor Dixian Stock and its bankrupt subsidiary for the bank loans and have been completely transferred to the Company in the bankruptcy reorganization in 2009, though Chengde Intermediate People's Court of Hebei Province has issued the "Notice to assist in enforcement of people's court" to housing urban and rural construction bureau of Chengde County and required to assist in enforcement of transferring the ownership of buildings with property right certificates CXFZ No. 000196 and 000108 to the Company, the transfer of property right cannot proceed because many departments have involved in it and the released mortgage procedures of related assets are still in the process of transaction.

## 10. Productive biological assets

### (1) Measured by cost

√ Applicable □ Not-applicable

In RMB

Item	Plantation	Livestock	Forestry	Aquaculture	Total
I. original book value					
1. Opening balance		1,786,621.96			1,786,621.96
2. Increased in 2015		1,146,405.24			1,146,405.24
(1) Outsourcing					
(2) Self-cultivation		1,146,405.24			1,146,405.24
3. Decreased in 2015		2,743,363.59			2,743,363.59
(1) Disposal		2,743,363.59			2,743,363.59
(2) Other					
4. Ending balance		189,663.61			189,663.61
II. accumulated depreciation					
1. Opening balance		1,145,894.25			1,145,894.25
2. Increased in 2015		662,332.37			662,332.37
(1) Accrual		662,332.37			662,332.37
3. Decreased in		1,767,072.77			1,767,072.77

2015					
(1) Disposal		1,767,072.77			1,767,072.77
(2) Other					
4. Ending balance		41,153.85			41,153.85
III. Depreciation reserves					
1. Opening balance					
2. Increased in 2015					
(1) Accrual					
3. Decreased in 2015					
(1) Disposal					
(2) Other					
4. Ending balance					
IV. Book value					
1. Ending book value		148,509.76			148,509.76
2. Opening book value		640,727.71			640,727.71

**(2) Measured by fair value**

Applicable  Not-applicable

**11. Intangible assets****(1) Intangible assets**

In RMB

Item	Land use right	Patent right	Non-patent technology	Software	Total
I. Original book value					
1. Opening	13,238,578.04			228,000.00	13,466,578.04

balance					
2. Increased in 2015	968,608.96				968,608.96
(1) Purchase	968,608.96				968,608.96
(2) Internal R&D					
(3) Increased by enterprise combination					
3. Decreased in 2015	7,164,395.99				7,164,395.99
(1) Disposal	7,164,395.99				7,164,395.99
4. Ending balance	7,042,791.01		228,000.00		7,270,791.01
II. Accumulated amortization					
1. Opening balance	1,375,465.07		188,600.00		1,564,065.07
2. Increased in 2015	202,790.98		39,400.00		242,190.98
(1) Accrual	202,790.98		39,400.00		242,190.98
3. Decreased in 2015	927,975.61				927,975.61
(1) Disposal	927,975.61				927,975.61
4. Ending balance	650,280.44		228,000.00		878,280.44
III. Depreciation reserve					
1. Opening balance					
2. Increased in 2015					
(1)					

Accrual					
3. Decreased in 2015					
(1) Disposal					
4. Ending balance					
IV. Booking 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

Intangible assets formulated no by means of internal R&D in balance of total intangible assets at period-end

## (2) Land use right without property certificate

In RMB

Item	Book value	Reasons
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Other explanation:

Original value of intangible assets at period-end decreased 5,510,002.40 Yuan over that of period-begin with 46.29% down, mainly because Chengde Land Reserve Center purchasing and storage the lands of the Company

## 12. Development expenditure

In RMB

Item	Opening balance	Increased in 2015			Decreased in 2015			Ending balance
Airship		172,416.18						172,416.18
Total		172,416.18						172,416.18

Other explanation

## 13. Goodwill

### (1) Original book value of goodwill

In RMB

Name of invested company or items	Opening balance	Increased in 2015	Decreased in 2015	Ending balance
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formed goodwill					
Runhua RW	1,809,762.89				1,809,762.89

**(2) Impairment loss of goodwill**

In RMB

Name of invested company or items formed goodwill	Opening balance	Increased in 2015		Decreased in 2015		Ending balance
Runhua RW	1,809,762.89					1,809,762.89

Process of impairment testing, parameter and recognition method for impairment losses

Other explanation

Runhua RW has deficit in 2014 and 2015 continuously, and did not completed the performance commitment; goodwill has impairment

**14. Long-term unamortized expenses**

In RMB

Item	Opening balance	Increased in 2015	Amortized in 2015	Other decrease	Ending balance
Office remodeling costs	388,069.20		185,715.23		202,353.97
Repairing charges of aquaculture workshop	8,199,957.96		8,199,957.96		
Total	8,588,027.16		8,385,673.19		202,353.97

Other explanation

**15. Deferred income tax assets and deferred income tax liabilities****(1) Deferred income tax assets un-offset**

In RMB

Item	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Preparations of assets depreciation	3,102,581.64	775,645.41	3,336,892.76	834,223.19
Total	3,102,581.64	775,645.41	3,336,892.76	834,223.19

**(2) Deferred income tax liabilities un-offset**

In RMB

Item	Ending balance		Opening balance	
	Taxable temporary differences	Deferred income tax liabilities	Taxable temporary differences	Deferred income tax liabilities

**(3) Deferred income tax assets and deferred income tax liabilities listed after off-set**

In RMB

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets		775,645.41		834,223.19

**(4) details of unrecognized deferred income tax assets**

In RMB

Item	Ending balance	Opening balance
Deductible temporary differences	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

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

In RMB

Year	Ending amount	Opening amount	Note
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	78,187,428.98	105,931,221.32	--

Other explanation:

**16. Other non-current assets**

In RMB

Item	Ending balance	Opening balance
Account paid in advance for house purchase	5,201,365.53	5,201,365.53
<b>Total</b>	<b>5,201,365.53</b>	<b>5,201,365.53</b>

Other explanation:

Refers to the account paid in advance for house purchase from subsidiary Runhua RW

**17. Account payable****(1) Account payable**

In RMB

Item	Ending balance	Opening balance
Account payable for materials	22,867.00	318,150.00
Account payable for engineering	25,947,762.55	4,613,124.04
Account payable for goods	8,813,034.75	5,494,646.37
Account payable for equipment	80,000.00	
Other	149,570.00	
<b>Total</b>	<b>35,013,234.30</b>	<b>10,425,920.41</b>

**(2) Accounts payable with major amount and aging of over one year**

In RMB

Item	Ending balance	Reasons of un-paid or carry-over
Handan Hanyi Architectural Engineering Co., Ltd.	2,400,000.00	Before the accounting period
Xingcheng Company	146,058.39	Before the accounting period
Licheng Company	44,129.43	Before the accounting period
Quality experience station for fire products in Hubei	37,170.00	Before the accounting period
Chengde Chaoxiang hydraulic engineering team	22,867.00	Before the accounting period
Chengde Longteng Concrete Barrier Engineering Co., Ltd.	14,562.65	Before the accounting period

Total	2,664,787.47	--
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Other explanation:

Balance of account payable at period-end increased 24,587,313.89 Yuan over that of period-begin with 235.83% up, mainly because the account payable for goods and engineering are before the settlement period

## 18. Account received in advance

### (1) Account received in advance

In RMB

Item	Ending balance	Opening balance
Deposit received for house-Huijing Tiandi	430,730,271.19	277,140,032.59
Deposit received for goods	3,955,757.50	12,929,706.15
Resident heating fees received in advance	1,113,841.30	
Other	192,068.58	884,414.07
Total	435,991,938.57	290,954,152.81

### (2) Major account received in advance for over one year age

In RMB

Item	Ending balance	Reasons

### (3) Project closed for account without complete in construction from construction contract at period-end

In RMB

Item	Amount

Other explanation:

Ending balance of account received in advance increase 145,037,785.76 Yuan over that of period-begin with 49.85% up, mainly because the account received in advance for house of Huijing Tiandi increased in the Period

## 19. Wages payable

### (1) Wages payable

In RMB

Item	Opening balance	Increased in 2015	Decreased in 2015	Ending balance
I. Short-term employee benefits	126,700.56	4,165,645.67	4,288,609.11	3,737.12

II. Post-employment benefits - defined contribution plans	9,393.00	918,749.69	921,950.39	6,192.30
III. Dismissal welfare	6,097,486.60		6,097,486.60	
Total	6,233,580.16	5,084,395.36	11,308,046.10	9,929.42

**(2) Short-term employee benefits**

In RMB

Item	Opening balance	Increased in 2015	Decreased in 2015	Ending balance
1. Salary, 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 premium	20,556.00	289,514.29	306,961.39	3,108.90
Of which: including: medical insurance expenses	20,180.70	210,540.87	227,860.07	2,861.50
Work injury insurance expenses		59,050.77	59,050.77	
Maternity insurance	375.30	19,922.65	20,050.55	247.40
4. Housing provident funds		314,161.56	314,161.56	
5. Labor union expenditures and employee education expenses	628.22	8,402.64	8,402.64	628.22
Total	126,700.56	4,165,645.67	4,288,609.11	3,737.12

**(3) Details of defined contribution plans**

In RMB

Item	Opening balance	Increased in 2015	Decreased in 2015	Ending balance
1. Basic endowment insurance expenses	8,624.60	856,770.68	859,709.58	5,685.70
2. Unemployment insurance expenses	768.40	61,979.01	62,240.81	506.60

Total	9,393.00	918,749.69	921,950.39	6,192.30
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Other explanation:

## 20. Tax payable

In RMB

Item	Ending balance	Opening balance
VAT	971.36	1,923.47
Business tax	3,663.76	94,797.17
Enterprise income tax		3,953,440.14
Individual income tax	10,315.24	1,433.95
Urban maintenance and construction tax	231.26	6,027.43
Land use tax		2,993,193.91
Educational surtax	137.96	3,006.46
Stamp tax	5,930.73	68,843.33
Local educational surtax	93.30	2,004.31
Property tax		2,897,994.17
Embankment protection fees		508.33
Total	21,343.61	10,023,172.67

Other explanation:

Balance of tax payable at period-end decreased 10,001,829.06 Yuan over that of period-begin with 99.79% down, mainly because Xingye Paper-making cancel for liquidation in the Period

## 21 .Other account payables

### (1) Other account payables by nature

In RMB

Item	Ending balance	Opening balance
Deposit and margin	1,276,413.11	13,859,648.05
Borrowings		
Agency fee		370,000.00
Intercourse funds	10,020,000.00	341,650.42
Withhold and remit tax	19,480.82	21,518.37
Other	1,430,207.77	32,011.33

Total	12,746,101.70	14,624,828.17
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**(2) Other payables with large amount and aging of over one year**

In RMB

Item	Ending balance	Reason for non-repayment or carryover
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Other explanation

**22. Share capital**

In RMB

	Opening balance	Increased (decreased) in 2015					Ending balance
		New shares issued	Bonus shares	Shares converted from public reserve	Other	Sub-total	
Total shares	706,320,000.00						706,320,000.00

Other explanation:

**23. Capital reserves**

In RMB

Item	Opening balance	Increased in 2015	Decreased in 2015	Ending balance
Capital premium (share premium)	390,597,169.41	3,401,400.00		393,998,569.41
Other capital reserves	65,873,219.23			65,873,219.23
Total	456,470,388.64	3,401,400.00		459,871,788.64

Other explanation, including changed in Period as well as reasons for changes:

The increasing amount refers to the performance compensation from majority shareholder in the Period, the decreasing amount refers to the consolidation scope change, such as disposal of Xingye Paper-making, the share premium purchase last period has written off

**24. Surplus reserves**

In RMB

Item	Opening balance	Increased in 2015	Decreased in 2015	Ending balance
Statutory surplus reserves	76,791,550.17			76,791,550.17
Total	76,791,550.17			76,791,550.17

Explanation on surplus reserve, including changed in Period as well as reasons for changes:

**25. Retained profits**

In RMB

Item	2015	2014
Retained profits at the end of last period before adjustment	-949,599,922.37	
Retained profits at the beginning of the period after adjustment	-949,599,922.37	
Add: The net profits belong to owners of patent company of this period	58,872,707.12	
Retained profits at the end of the period	-890,727,215.25	

Details about adjusting the retained profits at the beginning of the year:

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the undistributed profits at the beginning of the year amounting to 0 Yuan.
- 2) The changes in accounting policies affect the undistributed profits at the beginning of the year amounting to 0 Yuan.
- 3) The major accounting error correction affects the undistributed profits at the beginning of the year amounting to 0 Yuan.
- 4) Merge scope changes caused by the same control affect the undistributed profits at the beginning of the year amounting to 0 Yuan.
- 5) Other adjustments affect the undistributed profits at the beginning of the year amounting to 0 Yuan.

## 26. Operating income and operating cost

In RMB

Item	2015		2014	
	Income	Cost	Income	Cost
Main business	139,960,362.91	131,825,386.92	321,397,845.14	324,806,821.49
Other business	1,261,573.09	901,573.09	1,104,786.49	988,187.82
Total	141,221,936.00	132,726,960.01	322,502,631.63	325,795,009.31

## 27 .Business tax and surcharges

In RMB

Item	2015	2014
Consumption tax	2,205,002.33	549,375.17
Urban maintenance and construction tax	110,718.39	26,857.53
Educational surtax	66,250.23	16,226.65
Local educational surtax	44,168.18	11,817.73
Land VAT	773,431.93	3,959.57
Other	482,899.08	139.38
Total	3,682,470.14	608,376.03

Other explanation:

Business tax and surcharge increased 3,074,094.11Yuan over that of last period with 505.30% up, mainly because sale of Huijing



Tiandi carry over increased in the Period

In RMB

Item	2015	2014
Printing costs	1,800.00	16,388.00
Repair charge	10,809.02	37,985.06
Storage fee	31,673.06	16,027.89
Salary	179,766.00	333,297.73
Advertising fees	104,790.00	141,992.00
Port charges	693,698.50	153,068.85
Production costs		127,191.00
Lump sum	268,860.30	569,080.62
Transport charge	1,048,992.17	2,098,042.30
Depreciation and amortization	3,580.88	437,332.06
Material consumption	20,800.00	88,314.00
Packaging fee	19,134.01	90,748.83
Other	27,935.94	189,761.73
<b>Total</b>	<b>2,411,839.88</b>	<b>4,299,230.07</b>

Other explanation:

**29. Administration expenses**

In RMB

Item	2015	2014
Salary	5,887,235.45	5,157,622.44
Agency fee	2,359,318.07	1,157,509.29
Tenure tax	993,320.75	2,866,606.56
Business entertainment	1,854,692.89	1,673,528.24
Depreciation and amortization	10,181,276.35	1,812,529.94
Business-travel expense	1,585,708.09	1,292,323.42
Welfare expenses	2,339,685.61	950,060.65
Office allowance	914,658.13	629,720.11
Social insurance fee	720,528.82	895,186.95
Stamp duty	117,074.73	515,735.21
Travelling expenses	325,913.19	342,033.01
Amortization of low value consumables	43,284.00	103,321.43

Housing 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 expenditure	240.00	692,090.36
Rental fee	293,460.40	311,998.78
Premium	409,398.55	305,353.89
Other	1,556,579.86	1,744,036.87
<b>Total</b>	<b>30,697,053.62</b>	<b>21,550,755.68</b>

Other explanation:

### 30. Financial expenses

In RMB

Item	2015	2014
Interest expenses	541,657.65	1,855,248.49
Less: Interest income	562,040.16	354,411.83
Profit/loss on exchange		126,499.41
Bank handling charges	53,472.42	188,687.11
<b>Total</b>	<b>33,089.91</b>	<b>1,816,023.18</b>

Other explanation:

Financial expenses decrease 1,782,933.27 Yuan over that of last period with 98.18% declined, mainly because interest expenditure decreased in the period

### 31. Asset impairment loss

In RMB

Item	2015	2014
I. Bad debt loss	2,648,362.86	1,588,068.88
II. Loss on inventory valuation	-696,523.61	830,264.39
V. Impairment losses of long-term equity investment	4,455,549.93	
XIII. Impairment losses of goodwill		1,809,762.89
<b>Total</b>	<b>6,407,389.18</b>	<b>4,228,096.16</b>

Other explanation:

Assets impairment losses increase 2,179,293.02 Yuan over that of last period with 51.54% up, mainly because the accrual in the

period increased

### 32. Investment income

In RMB

Item	2015	2014
Long-term equity investment income calculated on equity method	114,563.90	58,054.97
Investment income from disposal of long-term equity investment	11,309,875.93	
Other		171,000.00
Total	11,424,439.83	229,054.97

Other explanation:

### 33. Non-operating income

In RMB

Item	2015	2014	Amount reckoned into current non-recurring gains/losses
Total income from disposal of non-current assets	104,022,338.58	113,807,781.40	104,022,338.58
Including: income from disposal of fixed assets		730.00	
Income from disposal of intangible assets	103,610,779.62	113,647,960.69	103,610,779.62
Government grants	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

Government grants reckoned into current gains/losses:

In RMB

Item	Distributed by	Reasons	Nature	Impact on current gains/losses (Y/N)	Special grants (Y/N)	2015	2014	Assets-related /income-related
Grant-in-aid						2,720.00		Income-related
Total	--	--	--	--	--	2,720.00		--

Other explanation:

In accordance with the “Measures of the Land Reserves” printed and issued by Government of Chengde County and Ministry of Land and Resources as well as the relevant regulations of Chengde People’s Government’s specialized note [2012] No.59, lands of the Company Chengde County Guo Yong (2013) Zi No.22 are reserved by Land Reserve Center of Chengde County, net revenue from transferred amounting to 103,610,779.62 Yuan.

### 34. Non-operating expenditure

In RMB

Item	2015	2014	Amount reckoned into current non-recurring gains/losses
Total losses on disposal of non-current assets	776,688.73	989,275.20	776,688.73
Including: Losses from disposal of fixed assets	263,014.00		263,014.00
Losses from disposal of intangible assets		787,348.56	
Donating	2,020,000.00	1,500,000.00	2,020,000.00
Penalty and overdue fine	3,310,100.39	3,469,375.11	3,310,100.39
Other	72,426.06	1,989,035.07	72,426.06
Total	6,179,215.18	7,947,685.38	6,179,215.18

Other explanation:

### 35. Income tax expense

#### (1) Statement of income tax expenses

In RMB

Item	2015	2014
Current income tax	22,302,358.29	951,857.73
Deferred income tax	58,577.78	
Total	22,360,936.07	951,857.73

#### (2) Adjustment on accounting profit and income tax expenses

In RMB

Item	2015
Total profit	74,730,609.43
Income tax measured by statutory/applicable tax rate	23,311,916.06

Adjusted the previous income tax	58,577.78
Impact by the deductible losses of the un-recognized previous deferred income tax	-1,009,557.77
Income tax expenses	22,360,936.07

Other explanation

Income tax expenses increase 21,409,078.34 Yuan over that of last period with 2249.19% up, mainly because tax paid for land reserves increased in the period

### 36. Other comprehensive income

Found in Note

### 37. Notes to statement of cash flow

#### (1) Other cash received in relation to operation activities

In RMB

Item	2015	2014
Intercourse funds	40,681,464.92	27,346,389.08
Interest income	562,040.16	354,411.83
Subsidy income	2,720.00	
Other	1,992,784.55	3,892,791.31
Total	43,239,009.63	31,593,592.22

Explanation on other cash received in relation to operation activities

#### (2) Other cash paid in relation to operation activities

In RMB

Item	2015	2014
Disbursement costs	16,080,175.32	11,849,634.17
Intercourse funds	51,364,514.05	57,686,317.22
Donation costs	2,020,000.00	1,500,000.00
Penalty and overdue fine	3,310,100.39	3,469,375.11
Other	2,101,932.32	1,989,035.07
Total	74,876,722.08	76,494,361.57

Explanation on other cash paid in relation to operation activities

#### (3) Cash received from other investment activities

In RMB

Item	2015	2014
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Explanation on cash received from other investment activities

#### (4) Cash paid related with other investment activities

In RMB

Item	2015	2014
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Explanation on cash paid related with other investment activities

#### (5) Cash received from other financing activities

In RMB

Item	2015	2014
Change of monetary fund restricted		10,029,217.89
Total		10,029,217.89

Explanation on cash received from financing activities

#### (6) Cash paid related with other financing activities

In RMB

Item	2015	2014
Change of monetary fund restricted	2,277,554.26	
Total	2,277,554.26	

Change of monetary fund restricted

### 38. Supplementary information to statement of cash flow

#### (1) Supplementary information to statement of cash flow

In RMB

Supplementary information	2015	2014
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	52,369,673.36	73,235,225.77
Add: Preparations of assets depreciation	6,407,389.18	4,228,096.16
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	936,747.64	2,528,200.02
Amortization of intangible assets	242,190.98	578,052.57
Amortization of long-term deferred expenses	8,385,673.19	2,280,843.52

Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”)	-102,834,090.89	-112,818,506.20
Financial expenses (gain is listed with “-”)	-281,429.89	1,855,248.49
Investment losses(gain is listed with “-”)	-11,424,439.83	-229,054.97
Decrease of deferred income tax assets (gain is listed with “-”)	58,577.78	
Decrease of inventory (increase is listed with “-”)	-102,831,565.02	-325,973,586.16
Decrease of operating receivable accounts (increase is listed with “-”)	17,262,437.97	31,682,338.60
Increase of operating payable accounts (decrease is listed with “-”)	151,520,893.38	188,303,218.12
Net cash flow arising from operating activities	19,812,057.85	-134,329,924.08
2. Material investment and financing not involved in cash flow	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	84,543,677.45	35,582,359.90
Less: Balance of cash equivalent at year-begin	35,582,359.90	77,981,488.06
Net increase of cash and cash equivalents	48,961,317.55	-42,399,128.16

## (2) Net cash payment for the acquisition of a subsidiary of the current period

In RMB

	Amount
Including:	--
Including:	--
Including:	--

Other explanation:

## (3) Net cash received from the disposal of subsidiaries

In RMB

	Amount
Including:	--
Including:	--

Including:	--
------------	----

Other explanation:

#### (4) Constitution of cash and cash equivalent

In RMB

Item	Ending balance	Opening balance
I . Cash	84,543,677.45	35,582,359.90
Including: stock cash	70,613.10	33,252.06
Bank deposit available for payment at any time	84,473,064.35	35,549,107.84
III. Balance of cash and cash equivalent at period-end	84,543,677.45	35,582,359.90

Other explanation:

#### 39. Notes on items of changes of owner's equity

Name and adjusted amount on "Other" at balance of year-end of last year :

#### 40. Assets with ownership or right-to-use restricted

In RMB

Item	Ending book value	Restriction reasons
Monetary fund	3,693,739.53	Margin for housing mortgage
Total	3,693,739.53	--

Other explanation:

#### 41. Foreign currency monetary items

##### (1) Foreign currency monetary items

In RMB

Item	Balance of foreign currency at period-end	Exchange rate convert	RMB concert at Period-end
Moentary fund	--	--	5,161,974.04
Including: USD	794,898.76	6.4936	5,161,754.62
EURO			
HKD	261.91	0.83778	219.42



Other explanation:

**(2) Explanation on foreign operational entity, as for major foreign operational entity, disclosed foreign main operation land, book-keeping currency and basis; and disclosed reasons if the book-keeping currency changed**

Applicable  Not-applicable

#### 42. Other

### VIII. Changes of consolidation range

#### 1. Enterprise merger not under the same control

##### (1) Enterprise merger not under the same control

In RMB

Acquiree	Time for equity obtained	Cost for equity obtained	Ratio of equity obtained	Way to obtained	Purchasing date	Basis of the purchasing date	Revenue of the acquiree from purchasing date to period-end	Net profit of the acquiree from purchasing date to period-end

Other explanation:

##### (2) Combined cost and goodwill

In RMB

Combine cost	
--------------	--

Explanation on determination method for fair value of combine cost, contingent consideration and its changes:

Reason of major goodwill resulted:

Other explanation:

##### (3) Acquiree's identifiable assets and liabilities on purchasing date

In RMB

	Fair value on purchasing date	Book value on purchasing date

Determination method for fair value of the identifiable assets and liabilities:

Contingent liability of the acquiree taken during enterprise merger:

Other explanation:

**(4) Gains/losses arising from re-calculation on fair value for the equity held before purchasing date**

Whether the enterprise combine through multiple transaction by steps or not and obtained controlling rights during the reporting period

Y N

**(5) Explanation on the combination consideration, which is unable to confirm rationally on purchasing date or combination date or on the fair value of identifiable assets and liabilities for the acquiree****(6) Other explanation****2. Enterprise merger under the same control****(1) Enterprise merger under the same control**

In RMB

Combined party	Equity ratio in combination	Basis for merger under the same control	Combination date	Basis of combination date	Revenue of the combined party from period of combined to combination date	Net profit of the combined party from period of combined to combination date	Revenue of the combined party during comparative period	Net profit of the combined party during comparative period

Other explanation:

**(2) Combine cost**

In RMB

Combine cost	
--------------	--

Explanation on contingent consideration and its changes:

Other explanation:

**(3) Book value of the combined party's assets and liabilities on combine date**

In RMB

	Combination date	End of last period

Contingent liability of the combined party taken in combination

Other explanation:

### 3. Counter purchase

Transaction information, basis of counter purchase, whether the assets and liability of the listed company constitute a business and its basis, determination of combined cost, the amount and calculation that adjusted while in treatment of equity transaction

### 4. Subsidiary disposal

Whether there is a single disposal of the investment in subsidiaries that is the loss of control

Yes  No

Whether there is disposal of the investment in subsidiaries through multiple transactions step by step and loss of control in the current period

Yes  No

### 5. Other reasons for consolidation range changed

Reasons for changed on consolidation range (such as new subsidiary established, subsidiary liquidated etc.)And relevant information:

#### (I) Subsidiary acquired by investment

Name	Investment way	Established	Shareholding ratio	Net assets at period-end	Current net profit
Hangzhou Dongfeng	New invested	2015-10-13	90%	49,998,200.00	-1,800.00
Total	---	---	---	49,998,200.00	-1,800.00

Hangzhou Dongfeng established on 13 October 2015, register capital was 100 million Yuan; paid-up capital was 50 million Yuan.

#### (II) Companies exclude in consolidate scope in the Period

Name	Reasons	Disposal date	Shareholding ratio	Net assets on disposal date	Net profit from period-begin to disposal date
Xingye Paper-making	Liquidation	2015-12-8	100%	-15,918,001.58	0.00
Total	---	---	---	-15,918,001.58	0.00

Xingye Papermaking Making was founded jointly by Nanjiang Company and (Hong Kong) Zhanxi International Group Co., Ltd (hereinafter referred to as Hong Kong Zhanxi) on 26<sup>th</sup> Oct. 2001 authorized by the 'Approval Certificate' issued by WJMZSAZ[2001] NO. 0065. Ruled by the Response to Joint Operation on Fund-Adding to Chengde Xingye Papermaking making Co., Ltd, which was issued on 28<sup>th</sup> Oct. 2002 by Ministry of Foreign Trade and Economic Cooperation of the Republic of China (former Commerce Ministry) authorized by WJMZE[2001]NO. 969, register capital has to be raised to US\$ 250 million from US\$ 100 million; newly added register capital should be paid out within 3 years since operation certificate was changed in accordance with methods both parties ruled according to the contract and article of association. The paid-up capital of Xingye Papermaking was US\$ 100 million. Its register capital didn't paid out within required period though shareholder had investment involved taking up 40% of the whole register capital, including Nanjiang Company gave US\$75 million with 75% equity and Hong Kong Zhanxi invested US\$ 25 million with 25% equity. In December of 2006, affected by smuggler affair on the largest shareholder Wang Shuxian and other senior directors of Nanjiang Company, Xingye Papermaking suspended all its business, which led sharp loss to business. On 8<sup>th</sup> Dec. of

2008, Hebei Province Chengde Intermediate People's Court confirmed liquidation for Xingye Papermaking raised by Chengde Yonghe and Cement Co., Ltd, by the Civil Ruling (2008) CMPZ NO. 13. On 11<sup>th</sup> of Mar. 2009, Hebei Province Chengde Intermediate People's Court approved reconciliation request raised by Xingye Papermaking by the Civic Ruling (2008) CMPZ NO. 13-2. On 23<sup>rd</sup> of Apr 2009, Hebei Province Chengde Intermediate People's Court confirmed that largest shareholder of Xingye ever stole the name of Hong Kong Zhanxi and set up a false foreign-capital corporation, by the Criminal Ruling (2009) JXEZZ NO. 44. On 10<sup>th</sup> May of 2009, Hebei Province Chengde Intermediate People's Court confirmed that Xingye Papermaking had reconciled with its creditor on 8<sup>th</sup> of May 2009 and ended the reconciliation procedure, by the Civil Ruling (2008) CMPZ NO. 13-3. In Oct of 2012, the Chengde Intermediate People's Court issued Civil Mediation Agreement (2011) CMCZ NO. 76 which showed that Wang Shuxian reached a reconciliation agreement with Nanjiang Company and that Wang Shuxian coordinated small shareholders of Xingye Papermaking to give up their own equity as well as interests. As return, Nanjiang Company agreed to transfer its 20% equity from Suning Banhe, land of industry-park (34.03 acres), plant (25596.87sqm) and No. 131 land (44.4 acres) to Wang Shuxian. After reconciliation, Nanjiang Company wholly owns Xingye Papermaking. On 8 Dec. 2015, Xingye Papermaking handling the liquidation procedures

## 6. Other

## IX. Equity in other entity

### 1. Equity in subsidiary

#### (1) Constitute of enterprise group

Subsidiary	Main operation place	Registered place	Business nature	Share-holding ratio		Acquired way
				Directly	Indirectly	
Nanjing Real Estate *1	Chengde City	Chengde City	Real estate development	100.00%		Enterprise merger under the same control
Nanjiang Investment*2	Chengde City	Chengde City	Industrial investment	100.00%		Establishment
Ecological Agriculture*3	Chengde City	Chengde City	Animal husbandry		100.00%	Establishment
Hangzhou Dongfeng *4	Hangzhou	Hangzhou	Stealth technology	90.00%		Establishment
Nanjiang Asia*5	Hong Kong	Hong Kong	International investment	100.00%		Establishment
Morsh Technology *6	Chengde City	Chengde City	Production and sale of Graphene		90.00%	Establishment
Huijing Property *7	Chengde City	Chengde City	Property management		100.00%	Establishment
Runhua RW*8	Tianjin City	Tianjin City	International	30.00%		Enterprise merger not under the

			trading			same control
--	--	--	---------	--	--	--------------

Explanation on share-holding ratio in subsidiary different from ratio of voting right:

On 25 June 2013, Nanjiang Company completed the equity acquisition of Runhua RW with 9 million Yuan, representing 30 percent equity of Runhua RW, and became the first largest shareholder of Runhua RW; shareholder of the Runhua RW all agreed to restructuring the Board of Directors, totally five members in the Board and Nanjiang Company takes 3 of them; the second largest shareholder, who holds 7.03 million Yuan equity of the Runhua RW (representing 23.43 percent of the Runhua RW)- Lan Chunhong come to an agreement of persons acting in concert with Nanjiang Company; the shareholder's rights (excluding the right of self-benefit as dividend rights and assignment right ) under the name of Lan Chunhong with the equity ratio holding are totally entrusted to Nanjiang Company for execution, and Nanjiang Company holds 53.43 percent voting rights in Runhua RW.

Basis for controlling the invested entity with half or below voting rights held and without controlling invested entity but with over half and over voting rights:

Pursuit to the Article 8 "As for the half or below voting rights of the invested company are held by parent company, consider as such parent company is able to control the invested company while satisfied one of the conditions as follow, and the invested company shall recognized as the subsidiary included in consolidate scope of the consolidate financial statement. However, except for there is evidence to show that the parent company is not able to control the invested company":

- (i) Holds more than half of the voting rights of invested company through the agreement with invested company and other investors;
- (ii) have rights to determine the financial and operation policy of the invested company in line with the Article of Association or Agreement;
- (iii) have the rights to appoint and dismiss majority members of the BOD or similar institution of the invested company;
- (iv) takes majority voting rights in the BOD or similar institution of the invested company." carried in Accounting Standards for Business Enterprise No. 33 – Consolidate Financial Statement.

After equity acquisition, among the five members of the Board of Runhua RW, there are three members on behalf of the Nanjiang Company, and main production managerial force will dispatch at the same time to Runhua RW; furthermore, Nanjiang Company has 53.43 percent voting rights of the Runhua RW in line with the agreement with other investors. Satisfied the regulations of Article 8 "Holds more than half of the voting rights of invested company through the agreement with invested company and other investors" and "have the rights to appoint and dismiss majority members of the BOD or similar institution of the invested company" carried in Accounting Standards for Business Enterprise No. 33 – Consolidate Financial Statement, thus Runhua RW was included in consolidate financial statement scope of the Nanjiang Company.

Controlling basis for the structuring entity included in consolidated range:

No such event occurred in the year

Basis on determining to be a agent or consignor:

No such event occurred in the year

Other explanation:

\*1 Chengde Rongyida Real Estate Development Co., Ltd (“Rongyida” for short) was established on 20 February 2009 with registered capital of 10 million Yuan, of which, Wang Fei invested 9 million Yuan, representing 90 percent of the registered capital while one million Yuan contributed by Chen Liping, presenting 10 percent of the registered capital; On 27<sup>th</sup> July 2009, Wang Fei and Chen Liping transferred all their shares to the controlling shareholder Chen Rong. At the same time, Chen Rong transferred 100% shares to Nanjiang Company with RMB1.00. After the transfer, Nanjiang Company wholly owned the Rongyida. On 3 April 2014, as approved by Industry & Commercial Bureau of Chengde County, Rongyida changed its name to Chengde Nanjiang Real Estate Development Co., Ltd. (“Nanjiang Real Estate” for short)

\*2 Nanjiang Investment was established by Nanjiang Real Estate dated 9 October 2012, original registered capital was 50 million Yuan, shareholder Nanjiang Real Estate contribute 50 million Yuan, presenting 100 percent of the registered capital; on 21 December 2012, the 100 percent equity held by Nanjiang Real Estate are transferred to Nanjiang Company with 50 million Yuan, after transferred, Nanjiang Company holds total equity of the Nanjiang Investment; on 6 January 2013, Nanjiang Company increase capital 40 million Yuan to Nanjiang Investment, and registered capital comes to 90 million Yuan after capital increased.

\*3 Ecological Agriculture was established by Nanjiang Investment on 24 October 2012, original registered capital was 5 million Yuan, shareholder Nanjiang Investment contributes 5 million Yuan with 100 percent held in total registered capital. On 18 April 2013, Nanjiang Investment increase 5 million Yuan to Ecological Agriculture and the registered capital turns to 10 million Yuan after increased.

\*4 Hangzhou Dongfeng was jointly invested by Nanjiang Company and Eagles Men Aeronautic Science and Technology Group Co., Ltd. On 13 Oct. 2015 with register capital amounting to 100 million Yuan, paid-up capital was 50 million Yuan, among which, Nanjiang Company contributes 45 million Yuan, a 90% of the total capital while Eagles invested 5 million Yuan, a 10% in total capital.

\*5 Nanjiang Asia was founded by Nanjiang Company on 14<sup>th</sup> Nov. 2013, located in Hong Kong, with register capital of US\$ 20 million, the paid-up was US\$ 797, 583.34.

\*6 Morsh Technology was founded jointly by Nanjiang Investment and Ningbo Morsh Technology on 24<sup>th</sup> Jan. 2013 with register capital of RMB50 million, including Nanjiang Investment invested RMB45 million taking up 90% of the total investment; Ningbo Morsh Technology invested RMB5 million taking up 10%.

\*7 Huijing Property was founded by Nanjiang Investment on 18<sup>th</sup> Nov. 2013 with register capital of RMB500,000. Shareholder Nanjiang Investment invested RMB500,000 wholly owning it.

\*8 Runhua Rural Water was founded on 28<sup>th</sup> Aug. 2008 after Tianjin Binhai New District Commercial Administration Bureau registered and approved, with corporation Certificate with registration No. 120192000028688. Original register capital was RMB30 million, including, Runhua RW Industrial Development Company invested RMB 4 million with 13.34% ratio, Yang Shengbao invested RMB one million with ratio of 3.33%, Wang Qianying invested RMB2 million with ratio of 6.67%, Ren Peiwen invested RMB2.01 million with ratio of 6.7%, Zhang Xiaofan invested RMB one million with ratio of 3.33%, Lan Chunhong invested RMB9.03 million with ratio of 30.10%, Zhao Qinghua invested RMB7 million with ratio of 23.33%, Jia Zhenghong invested RMB3 million with ratio of 10.00% and Li Kai invested RMB960,000 with ratio of 3.2%. On 25<sup>th</sup> June 2013, in accordance with the signed equity transfer agreement, Lan Chunhong and Zhao Qinghua respectively transferred 6.67% and 23.33% of shares they held from the Company to Nanjiang Holding. After transfer Nanjiang Holding invested RMB9 million taking up 30% of the register capital. After this change, investment ratio of shareholders particularized as: Runhua RW Development invested RMB4 million with ratio of

13.34%, Yang Shengbao invested RMB one million with ratio of 3.33%, Wang Qianying invested RMB2 million with ratio of 6.67%, Ren Peiwen invested RMB2.01 million with ratio of 6.7%, Zhang Xiaofan invested RMB one million with ratio of 3.33%, Lan Chunhong invested RMB7.03 million with ratio of 23.43%, Jia Zhenghong invested RMB3 million with ratio of 10.00%, Li Kai invested RMB960,000 with ratio of 3.2%. Nanjiang holding invested RMB9 million with ratio of 30%.

## (2) Important non-wholly-owned subsidiary

In RMB

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Morsh Technology	10.00%	-12,290.85		4,807,820.91
Runhua RW	70.00%	-6,490,562.90		8,946,951.15
Hangzhou Dongfeng	10.00%	-180.00		4,999,820.00

Explanation on share-holding ratio of minority different from ratio of voting right:

On 25 June 2013, Nanjiang Company completed the equity acquisition of Runhua RW with 9 million Yuan, representing 30 percent equity of Runhua RW, and became the first largest shareholder of Runhua RW; shareholder of the Runhua RW all agreed to restructuring the Board of Directors, totally five members in the Board and Nanjiang Company takes 3 of them; the second largest shareholder, who holds 7.03 million Yuan equity of the Runhua RW (representing 23.43 percent of the Runhua RW)- Lan Chunhong come to an agreement of persons acting in concert with Nanjiang Company; the shareholder's rights (excluding the right of self-benefit as dividend rights and assignment right ) under the name of Lan Chunhong with the equity ratio holding are totally entrusted to Nanjiang Company for execution, and Nanjiang Company holds 53.43 percent voting rights in Runhua RW.

Other explanation:

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

In RMB

Subsidiary	Ending balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Runhua RW	17,962,529.56	7,608,430.42	25,570,959.98	12,789,601.19		12,789,601.19	40,529,209.40	12,069,211.90	52,598,421.30	30,544,829.80		30,544,829.80
Morsh Technology	48,862,437.12		48,862,437.12	784,228.00		784,228.00	48,868,135.67		48,868,135.67	667,018.00		667,018.00
Hangzhou Dongfeng	49,725,910.99	352,289.01	50,078,200.00	80,000.00		80,000.00						

g												
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In RMB

Subsidiary	2015				2014			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Runhua RW	97,624,160.58	-9,272,232.71	-9,272,232.71	-9,603,704.17	313,501,245.01	-9,837,898.75	-9,837,898.75	-50,422,057.02
Morsh Technology		-122,908.55	-122,908.55	-5,698.55		-1,586,409.14	-1,586,409.14	-919,391.14
Hangzhou Dongfeng	114,529.92	-1,800.00	-1,800.00	-645,297.54				

Other explanation:

**(4) Significant restrictions on the use of enterprise group assets and pay off debts of the enterprise group****(5) Financial or other supporting offer to structuring body included in consolidate statement scope**

Other explanation:

**2. Transaction that has owners equity shares changed in subsidiary but still with controlling rights****(1) Explanation on changes in owner's equity in subsidiaries****(2) Impact on minority interest and owner's equity attributable to parent company from transaction**

In RMB

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Other explanation

**3. Equity in joint venture and cooperative enterprise****(1) Important joint venture and cooperative enterprise**

Name	Main operation place	Registered place	Business nature	Share-holding ratio		Accounting treatment on investment for joint venture and cooperative enterprise
				Directly	Indirectly	



Runhua RW (Tianjin) Water-saving Technology Co., Ltd.	Tianjin City	Tianjin City	Development, transfer and promotion service of the water-saving technology for agriculture		31.75%	Equity method
Wuchan Minfeng (Tianjin) Chemical Trade Co., Ltd.	Tianjin City	Tianjin City	International trading		49.00%	Equity method

Share-holding ratio or shares enjoyed different from voting right ratio:

Basis of the voting rights with 20% below but with major influence, or without major influence but with over 20% (20% included) voting rights hold:

## (2) Main financial information of the important joint venture

In RMB

	Ending balance/2015	Opening balance/2014

Other explanation

## (3) Main financial information of the important affiliated business

In RMB

	Ending balance/2015	Opening balance/2014

Other explanation

## (4) Financial summary for non-important Joint venture and affiliate enterprise

In RMB

	Ending balance/2015	Opening balance/2014
Joint venture:	--	--
Total on below item by shareholding ratio	--	--
Affiliated enterprise:	--	--
Total on below item by shareholding ratio	--	--

Other explanation

## (5) Major limitation on capital transfer ability to the Company from joint venture or affiliates

## (6) Excess loss occurred in joint venture or affiliates

In RMB

Name	Cumulated previous losses determined	Losses un-determined in the Period(net profit share in the Period)	Cumulated losses un-determined at period-end
------	--------------------------------------	--	--

Other explanation

**(7) Unconfirmed commitment with joint venture investment concerned****(8) Intangible liability with joint venture or affiliates investment concerned****4. Major conduct joint operation**

Joint operation	Main operation site	Register place	Business	Shareholding ratio/quota enjoy	
				Directly	Indirectly

Explanation on shareholding ratio or quota enjoy in joint operation different from voting rights:

If the joint operation was the independent body, basis of classification of joint operation:

Other explanation

**5. Structured body excluding in consolidate financial statement**

Relevant explanation:

**6. Other****X. Related party and related transactions****1. Parent company of the enterprise**

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
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Explanation on parent company of the enterprise

The Company has no parent company; controller refers to the first largest shareholder Mr. Wang Dong, who holds 29.49% equity of the Company

Ultimate controller of the Company: Mr. Wang Dong

Other explanation:

**2. Subsidiary of the Enterprise**

Found more in Note IX(I) equity in subsidiary

**3. Cooperative enterprise and joint venture**

Found more in Note IX.-equity in joint venture or affiliated

Other cooperative enterprise and joint venture that have related transaction with the Company in the Period or occurred in pervious period

Name	Relationship
Runhua RW (Tianjin) Water-saving Technology Co., Ltd.	Joint venture
Wuchan Minfeng (Tianjin) Chemical Trade Co., Ltd.	Joint venture

Other explanation

#### 4. Other related party

Other related party	Relationship with the Enterprise
---------------------	----------------------------------

Other explanation

#### 5. Related transaction

##### (1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB

Related party	Content	2015	Amount approved	Whether over the transaction limit	2014
---------------	---------	------	-----------------	------------------------------------	------

Goods sold/labor service providing

In RMB

Related party	Content	2015	2014
Wuchan Minfeng (Tianjin) Chemical Trading Co., Ltd.	Sales of goods	0.00	168,562,321.06

Explanation on goods purchasing, labor service providing and receiving

##### (2) Related trusteeship management/contract & entrust management/ outsourcing

Trusteeship management/contract:

In RMB

Client/contract-ou t party	Commissioned party/contractor	Assets type	Start date	Expire date	Pricing basis	Income recognized in the period
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Explanation

N/A

Entrust management/ outsourcing:

In RMB

Client/contract-out party	Commissioned party/contractor	Assets type	Start date	Expire date	Pricing basis	Expenses recognized in the period
---------------------------	-------------------------------	-------------	------------	-------------	---------------	-----------------------------------

Explanation

N/A

### (3) Related leasing

As a lessor for the Company:

In RMB

Lessee	Assets type	Lease income recognized in the Period	Lease income recognized in last Period
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As a lessee for the Company:

In RMB

Lessor	Assets type	Rental fee recognized in the Period	Rental fee recognized in last Period
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Explanation on related lease

### (4) Related guarantee

The Company acts as a secured party

In RMB

Secured party	Guarantee amount	Start date	Expiry date	Whether the guarantee implemented or not
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As a secured party by the Company

In RMB

Guarantor	Guarantee amount	Start date	Expiry date	Whether the guarantee implemented or not
-----------	------------------	------------	-------------	--

Explanation on related guarantee

### (5) Borrowed funds from related party

In RMB

Related party	Borrowing amount	Start date	Expiry date	Note
Inter-bank borrowing				
Lending transaction				

### (6) Related party's assets transfer and debt reorganization

In RMB

Related party	Content	2015	2014
---------------	---------	------	------

**(7) Remuneration of key management personnel**

In RMB

Item	2015	2014
Remuneration of key management personnel	190.62	144.29

**(8) Other related transaction****6. Account receivable/payable from/to related party****(1) Account receivables**

In RMB

Item	Related party	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision
Other account receivable	Wuchan Minfeng (Tianjin) Chemical Trade Co., Ltd.	0.00	0.00	12,000,000.00	0.00

**(2) Account payable**

In RMB

Item	Related party	Ending book balance	Opening book balance
Account received in advance	Wuchan Minfeng (Tianjin) Chemical Trade Co., Ltd.	0.00	12,032,434.62

**7. Commitment of related party****8. Other****XI. Share-based payment****1. Share-based payment**

Applicable     Not applicable

**2. Share-based payment settled by equity**

Applicable     Not applicable

**3. Share-based payment settled by cash**

Applicable     Not applicable

**4. Modification and termination of the share-based payment**

Nil

**5. Other****XII. Commitment and contingency****1. Important commitment**

Important commitment on balance sheet date

No such commitment need to disclose in the Year

**2. Contingency****(1) Important contingency on balance sheet date**

Up to 31st December 2015, balance of guarantee offer to the mortgage loan for owner of commercial house purchased was 32.47 million Yuan.

**(2) If the Company has no important contingency need to disclosed, explain reasons**

The Company has no important contingency that need to disclose.

**3. Other****XIII. Events after balance sheet date****1. Important non adjustment matters**

In RMB

Item	Content	Impact on financial status and operation results	Reasons of fails to estimate the impact
------	---------	--	---

**2. Profit distribution**

In RMB

**3. Sales return****4. Other events after balance sheet date**

Nil

**XIV. Other important events****1. Previous accounting errors collection****(1) Retrospective restatement**

In RMB

Content	Treatment procedure	Items impact during vary comparative period	Accumulated impact

**(2) Prospective application**

Content	Approval procedure	Reasons

**2. Debt restructuring**

Nil

**3. Assets replacement****(1) Non-monetary assets**

Nil

**(2) Other assets**

Nil

**4. Pension plan**

Nil

**5. Discontinuing operation**

In RMB

Item	Revenue	Expenses	Total profit	Income tax	Net profit	Profit of discontinuing operation

						attributable to owners of parent company
--	--	--	--	--	--	--

Other explanation

Nil

## 6. Segment

### (1) Recognition basis and accounting policy for reportable segment

### (2) Financial information for reportable segment

In RMB

Item		Offset of segment	Total
------	--	-------------------	-------

(3) The Company has no segment, or unable to disclose total assets and liability of the segment, explain reasons

### (4) Other explanation

Nil

## 7. Major transaction and events makes influence on investor's decision

Nil

## 8. Other

## XV. Principle notes of financial statements of parent company

### 1. Other accounts receivable

#### (1) Other accounts receivable

In RMB

Type	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual ratio		Amount	Proportion	Amount	Accrual ratio	
Other receivables accrued for provision of bad debt by portfolio	14,087,692.95	99.51%	194,127.22	1.38%	13,893,565.73	16,687,262.55	99.58%	49,078.42	0.29%	16,638,184.13



Other receivables with minor single amount but accrued for provision of bad debt on a single basis	70,000.00	0.49%	70,000.00	100.00%		70,000.00	0.42%	70,000.00	100.00%	
Total	14,157,692.95	100.00%	264,127.22	1.87%	13,893,565.73	16,757,262.55	100.00%	119,078.42	0.71%	16,638,184.13

Other receivables with large single amount and accrued for provision of bad debt on a single basis at period-end:

Applicable  Not-applicable

Other account receivables accrued for provision of bad debt by aging analysis method in portfolio:

Applicable  Not-applicable

In RMB

Aging	Ending balance		
	Other account receivable	Provision for bad debts	Provision ratio
Within one year			
Subtotal within one year	660,362.94	33,018.15	5.00%
1- 2 years	805,545.36	161,109.07	20.00%
Total	1,465,908.30	194,127.22	13.24%

Portfolio recognized:

Other accounts receivable accrued for provision of bad debt by percentage of balance in portfolio:

Applicable  Not-applicable

Other accounts receivable accrued for provision of bad debt by other methods in portfolio:

Applicable  Not-applicable

Portfolio	Ending balance		
	Other account receivable	Provision for bad debts	Provision ratio(%)
Ecological Agriculture	8,012,123.82	---	---
Morsh Technology	284,228.00	---	---
Nanjiang Asia	4,799.86	---	---
Petroleum account paid in advance to Petroleum Company	98,836.28	---	---
Land Reserve Center of Chengde County Final payment for land acquisition	3,678,200.00	---	---
Specific fund of cement	90,421.00	---	---
Loan for staff	453,175.69	---	---
Total	12,621,784.65	---	---

**(2) Provision for bad debts accrued, regain or switch back in the Period**

There is 423,416.78 Yuan provision for bad debts accrued in the Period; and 278,367.98 Yuan regains or switch back in the Period.

Including the followed significant amount regains or switch back in the Period:

In RMB

Unit	Regains or switch back	Way of regain
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**(3) Other account receivable actually written off in the Period**

In RMB

Item	Amount written off
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Including important account written off:

In RMB

Unit	Nature	Amount written off	Reasons	Written off procedures	Generated from related transaction (Y/N)
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Explanation on written off for other account receivable:

**(4) Other account receivables category by nature of money**

In RMB

Nature of money	Ending book balance	Opening book balance
Intercourse funds	8,301,151.68	6,537,617.91
Margin		3,203,400.00
Pretty cash	1,862,870.77	3,139,131.81
Land purchase	3,678,200.00	3,678,200.00
Other	315,470.50	198,912.83
Total	14,157,692.95	16,757,262.55

**(5) Top five other account receivables collected by arrears party at ending balance**

In RMB

Unit	Nature of money	Ending balance	Aging	Proportion in total other receivables	Ending balance of bad debt provision
Nanjing Ecological Agriculture	Intercourse funds	8,012,123.82	Within one year	56.59%	

Land Reserve Center of Chengde County	Final payment for land acquisition	3,678,200.00	1-2 years	25.98%	
Ma Haipeng	Petty cash	965,087.36	Within one year ; 1-2 years	6.82%	152,334.17
Morsh Technology Company	Intercourse funds	284,228.00	Within one year ; 1-2 years	2.01%	
Wu Guishuang	Petty cash	200,000.00	Within one year	1.41%	10,000.00
Total	--	13,139,639.18	--	92.81%	162,334.17

**(6) Account receivable with government grand involved**

In RMB

Name	Government grand	Ending balance	Ending age	Time and amount collected and basis

**(7) Other account receivable de-recognition due to financial assets transfer****(8) Assets and liabilities resulted by other account receivable transfer and continues involvement**

Other explanation:

**2. Long-term equity investment**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment for subsidiary	202,284,836.37		202,284,836.37	783,852,164.40	626,567,328.03	157,284,836.37
Total	202,284,836.37		202,284,836.37	783,852,164.40	626,567,328.03	157,284,836.37

**(1) Investment for subsidiary**

In RMB

Invested company	Opening balance	Increased in 2015	Decreased in 2015	Ending balance	Depreciation reserves accrual in the Period	Ending balance of depreciation reserves
Nanjing Real Estate	53,114,299.73			53,114,299.73		
Nanjiang	90,000,000.00			90,000,000.00		

Investment						
Xingye Papermaking	626,567,328.03		626,567,328.03			
Runhua RW	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		
Total	783,852,164.40	45,000,000.00	626,567,328.03	202,284,836.37		

## (2) Investment for joint venture and associated enterprise

In RMB

Unit of investment	Opening balance	Changes in 2015								Ending balance	Ending balance of depreciation reserves
		Additional investment	Negative investment	Investment gains/losses recognized by equity	Other comprehensive income adjustment	Other equity changes	Cash dividend or profit announced to distributed	Depreciation reserves accrual	Other		
I. Joint venture											
II. Associated enterprise											

## (3) Other explanation

### 3. Operation income and operation cost

In RMB

Item	2015		2014	
	Income	Cost	Income	Cost
Main business	36,411,825.04	27,147,311.94		
Other business	6,911,573.09	901,573.09	8,217,142.76	988,187.82
Total	43,323,398.13	28,048,885.03	8,217,142.76	988,187.82

Other explanation:

## 4. Investment gains

In RMB

Item	2015	2014

Income of long-term equity investment calculated based on equity	-4,608,125.64	
Total	-4,608,125.64	

## 5. Other

## XVI. Supplementary information

### 1. Details of current non-recurring profits and losses

Applicable  Not-applicable

In RMB

Item	Amount	Remark
Gains/losses from the disposal of non-current asset	103,245,649.85	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	2,720.00	
Gains/losses from contingency without normal business concerned	11,309,875.93	
Other non-operating income and expense other than the abovementioned ones	-5,205,333.51	
Less: Impact on income tax	25,812,092.46	
Impact on minority shareholders equity	-6,503,033.76	
Total	90,043,853.57	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable  Not-applicable

### 2. REO and earnings per share

Profits during report period	Weighted average ROE	Earnings per share	
		Basic EPS (Yuan/share)	Diluted EPS (Yuan/share)

Net profits belong to common stock stockholders of the Company	18.43	0.08	0.08
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	-9.76	0	0

### 3. Difference of the accounting data under accounting rules in and out of China

#### (1) Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not-applicable

#### (2) Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable  Not-applicable

#### (3) Explanation on data differences under the accounting standards in and out of China; as for the differences adjustment audited by foreign auditing institute, listed name of the institute

### 4. Other

## **Section XI. Documents available for reference**

1. Financial statement carried with the signature and seal of the Person in charge of the Company, person in charge of the accounting works and accountant in charge.
2. Original audit report seal with accounting firms and signature and seal from CPA;
3. Text and original draft of the notice that disclosed in reporting period on newspapers appointed by CSRC;