

**Shenzhen China Bicycle Company (Holdings) Limited**  
**SEMI-ANNUAL REPORT 2016**

**August 2016**

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

**Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Shenzhen China Bicycle Company (Holdings) Limited (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.**

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

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

**Li Hai, Principal of the Company, Sun Longlong, person in charge of accounting works and Zhong Xiaojin, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2016 Semi-Annual Report is authentic, accurate and complete.**

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## Paraphrase

Items	Refers to	Contents
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## Section II Company profile

### I. Company information

Short form of the stock	Zhonghua – A, Zhonghua -B	Stock code	000017, 200017
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	深圳中华自行车(集团)股份有限公司		
Short form of the Company (in Chinese) (if applicable)	深中华		
Foreign name of the Company (if applicable)	China Bicycle Company (Holdings) Limited		
Short form of foreign name of the Company (if applicable)	CBC		
Legal representative	Li Hai		

### II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Sun Longlong	Cui Hongxia
Contact add.	Room 1201, Wantong Building, No.3002, Sungang East Road, Shenzhen	Room 1201, Wantong Building, No.3002, Sungang East Road, Shenzhen
Tel.	0755-25516998,28181666	0755-25516998,28181666
Fax.	0755-28181009	0755-28181009
E-mail	dmc@szcbc.com	dmc@szcbc.com

### III. Other

#### 1. Way of contact

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

Applicable  Not applicable

Registration address, office address and code, the website and email of the Company have no changed in the Period, found more in Annual Report 2015.

## 2. Information disclosure and preparation place

Whether information disclosure and preparation place changed in reporting period or not

Applicable  Not applicable

Newspaper appointed for information disclosure, the website for annual report publish appointed by CSRC and the preparation place for annual report under the name of the Company has no changed in the Period, found more in Annual Report 2015.

## 3. Registration changes of the Company

Whether registration has changed in reporting period or not

Applicable  Not applicable

Date/place for registration of the Company, registration number for enterprise legal license, number of taxation registration and organization code have no change in reporting period, found more details in Annual Report 2015.

## Section III. Accounting data and summary of financial indexes

### I. 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

	Current period	Same period of last year	Increase/decrease in this report y-o-y
Operating revenue (RMB)	65,774,013.33	76,536,800.68	-14.06%
Net profit attributable to shareholders of the listed company(RMB)	448,356.29	416,172.86	7.73%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	193,927.51	383,148.86	-49.39%
Net cash flow arising from operating activities(RMB)	-4,748,614.78	-5,618,253.35	-15.48%
Basic earnings per share (RMB/Share)	0.0008	0.0008	0.00%
Diluted earnings per share (RMB/Share)	0.0008	0.0008	0.00%
Weighted average ROE	3.74%	3.44%	0.30%
	End of current period	End of last period	Increase/decrease in this report-end over that of last period-end
Total assets (RMB)	58,478,529.08	45,869,094.97	27.49%
Net assets attributable to shareholder of listed company(RMB)	12,213,402.40	11,765,046.11	3.81%

### II. 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 has no 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) in reporting 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 has no difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles) in reporting period.

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

Applicable  Not applicable

In RMB

Item	Amount	Note
Other non-operating income and expenditure except for the aforementioned items	340,580.82	
Less: Impact on income tax	85,145.21	
Impact on minority shareholders' equity (post-tax)	1,006.83	
Total	254,428.78	--

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 IV. Report of the Board of Directors

### I. Introduction

In first half of 2016, the objective economic situation is grim in domestic, as a traditional manufacturing bicycle industry, the industry continued with the difficulties in aspects of soaring human costs, manufacturing costs, capital costs and material costs. The industry reshuffle intensified due to the violent competition, as a result of the low industry barriers and multiple manufacturer. Accompanied development of the China's social and economic, as well as the changes of life concepts, the awareness of green commuting and leisure exercising are continuously thorough popular feeling, the bicycle industry has a chance of structural development. In operation management, the Company focus on the follow works in first half of 2016: firstly, under the bad operation environment in and out of China in traditional manufacturing industry, the Company safeguard current traditional business mode by all manner of means, the overall business are stand stable; secondly, on base of the traditional mode, strive to develop the E-business mode, combined actual condition of the Company, and use the success-failure experience of E-business for reference, principle with the efficiency benefits, the Company designed and implemented the E-business transformation and the E-business development mind of quotation implementation and external connection as well as the cost-controlling, improved the basic layout of E-business for bicycles, and strengthen the AD presentation and sales of the Emmelle flagship store in the E-business platform as T-mall, JD, Suning, Gome, official website, official Weibo and listed mutual benefit alliance, proactive results are achieved. The sustainable development of the E-business are verified and implemented; thirdly, continued to put more efforts on the R&D, and promotion on the high-end products, actively adopt vary new technologies, closely tracks the frontier innovation technology and app exploitation on super-capacitation intelligent helmet, completed and extend the product lines; fourthly, enhanced supporting standards for the backup dept. against the front desk business by means of strengthen the back-stage management and OA; fifthly, the Company seriously to cooperate with the custodian in aspect of re-organization while actively develop the business.

Under the weak background of traditional manufacturing industry in China, the Company rapid up the self professional transformation, as well as the informatization rebuild and manufacturing miniaturization, strengthen the product mix adjustment and quality management, enhance the cost management and controlling, trying to enhance the ability of new normal economy adaption for traditional enterprise and the market competition. Through the efforts to carrying out the works, the Company achieved revenue in business of RMB 65,774 million in first half of 2016, net profit of RMB 518,900, and the net profit attributable to shareholders of listed company amounting to RMB 448,400.

### II. Main business analysis

Y-o-y changes of main financial data

In RMB

	Current period	Same period of last year	Y-o-y increase/decrease	Reasons for changes
Operation revenue	65,774,013.33	76,536,800.68	-14.06%	Sales drops
Operation cost	60,321,233.37	69,992,522.11	-13.82%	Sales drops
Sales expenses	3,228,182.36	3,611,607.87	-10.62%	
Administrative expenses	2,348,640.07	2,555,069.40	-8.08%	

Financial cost	-544,525.55	-620,228.45	-12.21%	
Income tax expense	195,895.21	239,892.79	-18.34%	
Net cash flow arising from operation activities	-4,748,614.78	-5,618,253.35	-15.48%	
Net cash flow arising from investment activities	-2,959,824.00	-222,222.22	1,231.92%	Purchasing fixed assets in the Period
Net increase of cash and cash equivalent	-7,708,438.78	-5,840,475.57	31.98%	Purchasing fixed assets in the Period
Monetary fund	19,043,626.88	26,752,065.66	-28.81%	Changes of the settlement and purchasing fixed assets
Note receivable	8,485,881.00			Changes of the settlement
Advance payment	1,474,976.50	397,833.20	270.75%	Subsidiary prepare goods for peak season
Inventory	10,555,721.77	4,057,247.68	160.17%	Subsidiary prepare goods for peak season
Fixed assets	3,886,309.13	1,007,906.43	285.58%	Purchasing houses in the Period
Accounts payable	19,591,080.15	7,787,813.83	151.56%	Account payable increased due to the subsidiary prepare goods for peak season
Received in advance	3,655,590.26	2,024,718.30	80.55%	Account received in advance increased due to the subsidiary prepare goods for peak season
Taxes payable	587,684.56	1,271,303.96	-53.77%	The payable taxes are paid in the period
Business taxes and additional	71,125.39	231,240.53	-69.24%	Business tax and surcharge declined due to the business tax change to VAT

Major changes on profit composition or profit resources in reporting period

Applicable  Not applicable

No major changes on profit composition or profit resources occurred in reporting period.

The future development and planning extended to reporting period that published in disclosure documents as prospectus, private placing memorandum and recapitalize statement

Applicable  Not applicable

No future development and planning extended to reporting period that published in disclosure documents as prospectus, private placing memorandum and recapitalize statement.

Review on the previous business plan and its progress during reporting period

Nil

### III. Constitution of main business

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase or decrease of operating revenue over same period of last year	Increase or decrease of operating cost over same period of last year	Increase or decrease of gross profit ratio over same period of last year
According to industries						
Bicycle and sales of spare parts	62,897,880.97	58,317,911.87	7.28%	-14.15%	-14.44%	0.31%
According to products						
Bicycle and sales of spare parts	62,897,880.97	58,317,911.87	7.28%	-14.15%	-14.44%	0.31%
According to region						
Domestic	62,897,880.97	58,317,911.87	7.28%	-14.15%	-14.44%	0.31%

### IV. Core competitive-ness analysis

Despite the fierce market competition in the bicycle industry as a conventional industry, the increased awareness of green commuting, leisure and exercises as a result of the development of China's social economy and the change of people's living concept creates structural development opportunity for the bicycle industry. The Company will continue to do better in various aspects of operation such as market development, product development, quality management and e-commerce sales so as to maintain and improve the Company's ability to continue as a going concern before the restructuring. On the other side, the Company has set out the condition of introduction of investors in the restructuring plan with expectation to restore its ability to continue as a going concern and its continuous profitability through the restructuring of assets. In first half of 2016, core management team, key technical employee, brand patent and business mode are have no shanges. The Company carried out works in line with the operation plan for year of 2016 formulated at beginning of the year: 1. Continue to actively cooperate with shareholders and the Board in reorganization; 2. reforming and perfecting the internal operation mechanism, implemented and distributed the annual targets to every marketing company and regional manager, take the manager responsibility system for follow-up action month by month, and rolling performance appraisal; 3. make

efforts to safeguard traditional business, eyes on the first echelon of large customers, focus on expanding second echelon of customers, actively promote the terminal construction of distribution network for downward stretching, further to exploit new markets and supporting new client's business; 4. create conditions in aspects of human, financial and materials, continued to building the E-business mode comprehensively and promote informatization management, based on E-business of last year, further to training the E-business team, focus on improving the sales ability of Emmelle flagship store in every E-business platform and coverage effect of brand advertisement, improve the official website mall and We-Chat Mall, expanded the brand influence, driven the rapid growth in network marketing for improving the ability of enterprise to participate in market competition and profitability; 5. perfecting the supporting works of off-line business, and makes the traditional network distributor, physical store, OEM factory including in the off-line supporting system by means of reform mechanism and benefit sharing, creating a small-manufacturing for efficiently support of the market requirement and E-business by making use of the Qinghu Base, achieving win-win and mutual development status; 6. Cooperate with the government procurement information center, enlarge the follow-up of bulk orders; 7. carrying out brand and products advertisement by means of combination of E-business and traditional business, making use of the clubs to organized some special contest and cycle track of Qinghai Lake and Central Hainan for brand advertisement and promotion; 8. adjusted the rebate policies, promote the sales in way of monthly- activities and appraisal monthly with rebate monthly; 9. emphasized the development of high&mid bicycle and E-Bike, strength auxiliary parts development and promotion for the high&mid bikes; 10. strictly enforce the access & exit mechanism for the OEM plant and suppliers, controlling the quality in strict rotation, implemente personnel recruitment in an planned way and employee training; 11. strengthen background management and OA, improved supporting standards to the front-desk business from back-up department.

## **V. Investment analysis**

### **1. Equity investment outside**

#### **(1) Investment outside**

Applicable  Not applicable

The Company has no investment outside in the Period.

#### **(2) Holding equity of financial enterprise**

Applicable  Not applicable

The Company has no equity of financial enterprise held in the Period.

#### **(3) Securities investment**

Applicable  Not applicable

The Company has no securities investment in the Period.

#### **(4) Explanation on holding equity of other listed company**

Applicable  Not applicable

The Company did not holding equity of other listed company in the Period.

## 2. Trust financing, investment of derivatives and entrustment loan

### (1) Trust financing

Applicable  Not applicable

The Company has no trust financing in the Period.

### (2) Investment of derivatives

Applicable  Not applicable

The Company has no derivatives investment in the Period.

### (3) Entrustment loan

Applicable  Not applicable

The Company has no entrustment loan in the Period.

## 3. Application of raised proceeds

Applicable  Not applicable

The Company has no application of raised proceeds in the Period.

## 4. Main subsidiaries and joint-stock companies analysis

Applicable  Not applicable

Main subsidiaries and joint-stock companies

In RMB

Name	Type	Industry involved	Main products or service	Registered capital	Total assets	Net assets	Operation revenue	Operation profit	Net profit
Shenzhen Emmelle Industry Co., Ltd.	Subsidiary	Domestic trade	Sales of bicycles and accessories	2000000	49,648,503.24	5,652,535.00	63,060,684.13	332,113.82	235,250.98

## 5. Major project invested by non-raised funds

Applicable  Not applicable

No major project invested by non-raised funds in Period.

## VI. Prediction of business performance from January – September 2016

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

Applicable  Not applicable

## **VII. Explanation from the Board and Supervisory Committee for “Qualified Opinion” from the CPA of this year’s**

Applicable  Not applicable

## **VIII. Explanation from the Board for “Qualified Opinion” of last year’s**

Applicable  Not applicable

On 11<sup>th</sup>, May 2012, the largest shareholder and biggest creditor of the Company, Shenzhen Guosheng Energy Investment and Development Co., Ltd. applied to Shenzhen Municipal Intermediate People's Court for reforming the Company as the Company couldn't pay off the matured debts and was seriously insolvent. On 12<sup>th</sup>, Oct., 2012, Shenzhen Municipal Intermediate People's Court ruled to accept the application proposed by Guosheng Energy according to (2012) Shenzhen Intermediate Court Po Zi No. 30 civil ruling. In late October 2012, Shenzhen Municipal Intermediate People's Court ruled to reform the Company since 25<sup>th</sup>, Oct., 2012 according to (2012) Shenzhen Intermediate Court Po Zi No. 30-1 civil ruling, appointed King&Wood (Shenzhen) Mallesons and Shenzhen Zhengyuan Liquidation Affairs Co., Ltd. as the custodians of the Company. At the same time, Shenzhen Municipal Intermediate People's Court made (2012) Shenzhen Intermediate Court Po Zi No. 30-1 written decision, and approved the Company to manage property and business affairs by itself under the supervision of custodians according to the law. On 5 November 2013, the Shenzhen Intermediate People's Court (2012) Shen Zhong Fa Po Zi No. 30-6 Civil Ruling Paper judged that approved the reorganization plan of the Company. On 27 December 2013, the Civil Ruling Paper Shenzhen Intermediate People's Court (2012) Shen Zhong Fa Po Zi No. 30-10 ruled that the reorganization plan of CBC was completed and bankruptcy procedures of CBC closed down.

The Company has solved the debt problem by reforming, realized the net assets with positive value, the main business of bicycle is able to be maintained and realizes the stable development. The Company has set up the conditions for introducing the recombination party in the reforming plan, and expects to restore the abilities of sustainable operation and sustained profitability by reorganization. The conditions of introducing the recombination party includes: the assessed value of net assets should be no less than 2 billion Yuan, the net assets in the same year for implementing the major reorganization should be no less than 200 million Yuan. The Company doesn't have the recombination party at the moment. The Company will continue to carry out vary related works actively and promote the reorganization work with all efforts.

## **IX. Implementation of profit distribution in reporting period**

Implementation or adjustment of profit distribution plan in reporting period, cash dividend plan and shares converted from capital reserve in particular

Applicable  Not applicable

Previous year's profit distribution plan was no profit distribution and shares converted from capital reserve either.

## X. Profit distribution and capitalization of capital reserves in 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 semi-annual year.

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

Applicable  Not applicable

Time	Place	Way	Type	Reception	Contents discussed and material provided
2016-04-18	The Company	Phone communication	Individual	Tradable shareholders	Restructure of the Company

## Section V. Important Events

### I. Corporate governance

Actual corporate governance of the Company shows no difference with the Company Law and relevant regulations of CSRC.

### II. Lawsuits

Significant lawsuits and arbitrations

Applicable  Not applicable

The Company has no significant lawsuits and arbitrations in reporting period.

Other lawsuits

Applicable  Not applicable

### III. Question from media

Applicable  Not applicable

No universal questioned by media in reporting period.

### IV. Bankruptcy reorganization

Applicable  Not applicable

In reporting period, the Company has no bankruptcy reorganization occurred.

### V. Transaction in assets

#### 1. Assets acquisition

Applicable  Not applicable

The Company did not purchased assets in the Period.

#### 2. Sales of assets

Applicable  Not applicable

The Company did not sell assets in the Period.

#### 3. Business combination

Applicable  Not applicable

The Company has no business combined in the Period.



## VI. Implementation of the company's equity incentive and the effects

Applicable  Not applicable

No equity incentive in reporting period.

## VII. Significant related transaction

### 1. Related transaction routine operations concerned

Applicable  Not applicable

The Company has no related transaction with routine operations concerned occurred in the Period.

### 2. Related transaction incurred by purchase or sales of assets

Applicable  Not applicable

No related transaction incurred by purchase or sales of assets in Period.

### 3. Related transaction from jointly investment outside

Applicable  Not applicable

No related transaction from jointly investment outside occurred in Period.

### 4. Contact of related credit and debt

Applicable  Not applicable

Whether exist non-operating contact of related credit and debt or not

Yes  No

Creditor's rights receivable from related party:

Related party	Related relationship	Forming reason	Whether exist non-operational capital occupying	Balance of period-begin (in 10 thousand Yuan)	Amount increased in the Period (in 10 thousand Yuan)	Amount collected in the Period (in 10 thousand Yuan)	Interest rate	Current interest (in 10 thousand Yuan)	Balance at period-end (in 10 thousand Yuan)
Influence on operation result and financial statue of the Company from related credit		N/A							

Debts payable to related party:

Related party	Relationship	Causes	Balance at period-begin (10 thousand Yuan)	Current newly added (10 thousand Yuan)	Current recovery (10 thousand Yuan)	Interest rate	Current interest (10 thousand Yuan)	Balance at period-end (10 thousand Yuan)
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Shenzhen Guosheng Energy Investment Development Co., Ltd.	The largest shareholder	Borrowing by subsidiary	650	0	0	0.00%	0	650
Influence on operation result and financial status of the Company from related debts		No influence						

## 5. Other related transactions

Applicable  Not applicable

The company had no other related transactions in reporting period.

## VIII. Non-business capital occupying by controlling shareholders and its related parties

Applicable  Not applicable

No non-business capital occupied by controlling shareholders and its related parties in Period.

## IX. Major contract and implantation

### 1. Trusteeship, contract and leasing

#### (1) Trusteeship

Applicable  Not applicable

The Company had no trusteeship in the reporting period.

#### (2) Contract

Applicable  Not applicable

The Company had no contract in the reporting period.

#### (3) Leasing

Applicable  Not applicable

Explanation

Till end of the balance sheet date, the long-term leasing contract signed outside by the Company is as:

1.The Company renewed in to a long-term house-leasing contract with Shenzhen Material Group Co., Ltd. dated 31 May 2016, leased the property located at Room 1201, Wantong Building, No. 3002, Sungang East Road, Luohu District, Shenzhen, as the office floor of the Company. The leasing terms agreed from 1 June 2016 to 31 May 2018, the floor area leased counted as 681.34 M<sup>2</sup>. The

Company has payable rent of 691,700 Yuan for one year since 1 June 2016 in line with the contract, till end of the contract or rescinds the contract by two parties.

2.The Company signed in to a long-term house-leasing contract with Shenzhen Anjingheng Industrial Co., Ltd. dated 18 September 2014, leased the property located at C section, 2/F, D-building, Shengli Industrial Park, Southwest side, Qinghua Road, Longhua Office, Longhua New District, Shenzhen, as the production spot of the Company. The leasing terms agreed from 21 September 2014 to 19 September 2018. The Company has payable rent of 510,600 Yuan for one year since 21 September 2014 in line with the contract, till end of the contract or rescinds the contract by two parties.

Items that have items bringing gains/losses over 10% of the total profit in the Period

Applicable  Not applicable

The Company did not have items bringing gains/losses over 10% of the total profit in the Period.

## 2. Guarantee

Applicable  Not applicable

The Company had no guarantee in Period.

## 3. Other material contracts

Applicable  Not applicable

The Company had no other material contracts in the reporting period.

## 4. Other material transactions

Applicable  Not applicable

The Company had no other material transactions in the reporting period.

## X. Commitments made by the Company or shareholders holding above 5% shares of the Company in reporting period or occurred in the previous reporting period but continued to reporting period

Applicable  Not applicable

The Company had no commitment made by the Company or shareholders holding above 5% shares of the Company in reporting period or occurred in the previous reporting period but continued to reporting period.

## XI. Engagement and non-reappointment of CPA

Whether the semi-annual report was audited or not

Yes  No

The semi-annual report was un-audited.

## XII. Penalty and rectification

Applicable  Not applicable

The Company had no penalty or rectification in the reporting period.

### **XIII. Risk disclosure of delisting with laws and rules violated**

Applicable  Not applicable

The Company has no delisting risks with laws and rules violated in Period.

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

Applicable  Not applicable

The Company has no other significant events that need to explain in the Period.

### **XV. 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 shares

In share

	Before the Changes		Increase/Decrease in the Change (+, -)					After the Changes	
	Amount	Proportion	Newly-issued shares	Bonus shares	Public reserve-converted shares	Others	Subtotal	Amount	Proportion
I. Restricted shares	6,207	0.00%				-1,500	-1,500	4,707	0.00%
1. State-owned shares	0	0.00%				0	0	0	0.00%
2. State-owned legal person's shares	0	0.00%				0	0	0	0.00%
3. Other domestic shares	6,207	0.00%				-1,500	-1,500	4,707	0.00%
Including: Domestic legal person's shares	0	0.00%				0	0	0	0.00%
Domestic natural person's shares	6,207	0.00%				-1,500	-1,500	4,707	0.00%
4. Foreign shares	0	0.00%				0	0	0	0.00%
Including: Foreign legal person's shares	0	0.00%				0	0	0	0.00%
Foreign natural person's shares	0	0.00%				0	0	0	0.00%
II. Unrestricted shares	551,341,740	100.00%				1,500	1,500	551,343,240	100.00%
1. RMB Ordinary shares	302,978,758	54.95%				1,500	1,500	302,980,258	54.95%
2. Domestically listed foreign shares	248,362,982	45.05%				0	0	248,362,982	45.05%
3. Overseas listed foreign shares	0	0.00%				0	0	0	0.00%
4. Others	0	0.00%				0	0	0	0.00%
III. Total shares	551,347,947	100.00%				0	0	551,347,947	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

Explanation on changes of total shares and shareholders structure as well as changes of structure of assets and liability

Applicable  Not applicable

## II. Number of shares and shares held

In Share

Total common shareholders at period-end		51,584		Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (see Note 8)			0	
Particulars about shares held above 5% by common shareholders or top ten common shareholders								
Shareholders	Nature of shareholder	Proportion of shares held	Number of common shares held at period-end	Changes in reporting period	Amount of restricted common shares held	Amount of un-restricted common shares held	Number of share pledged/frozen	
							State of share	Amount
Shenzhen Guosheng Energy Investment Development Co., Ltd	Domestic non-State-owned legal person	11.52%	63,508,747	0	0	63,508,747		
UOB Koy Hian (Hongkong) Co., Ltd.	Foreign legal person	2.89%	15,907,850	3614000	0	15,907,850		
Guosen Securities (Hongkong) brokerage	Foreign legal person	2.54%	13,988,425	8512374	0	13,988,425		

Co., Ltd.								
Shenwan Hongyuan Securities (Hongkong) Co., Ltd.	Foreign legal person	1.08%	5,959,357	-389313	0	5,959,357		
Specific account of property disposition for bankruptcy enterprise of CBC	Domestic non-State-owned legal person	0.94%	5,177,402	-3272600	0	5,177,402		
China Merchants Securities Hong Kong Co., Ltd.	State-owned legal person	0.75%	4,135,290	264318	0	4,135,290		
Li Huili	Domestic nature person	0.71%	3,891,124	0	0	3,891,124		
Zhu Xiaowei	Domestic nature person	0.69%	3,783,100	-229500	0	3,783,100		
Xu Hongbo	Domestic nature person	0.57%	3,137,419	0	0	3,137,419		
Zong Bin	Domestic nature person	0.56%	3,092,000	35600	0	3,092,000		
Explanation on associated relationship among the aforesaid shareholders	Li Huili, the spouse of actual controller Ji Hanfei, holding B-share of the Company on behalf of Shenzhen Guocheng Energy Investment Development Co., Ltd., beyond that, the Company has no idea of whether other circulated shareholders belong to concerted action persons ruled in the Administration Norms for Information Disclosure of Change on Shareholding of Shareholders of Listed Companies.							
Particular about top ten shareholders with un-restrict common shares held								
Shareholders' name	Amount of un-restricted common shares held at period-end		Type of shares					
			Type	Amount				
Shenwan Hongyuan Securities (Hongkong) Co., Ltd.	63,508,747		RMB common shares	63,508,747				
Specific account of property disposition for bankruptcy enterprise of CBC	15,907,850		Domestically foreign shares	15,907,850				

Shenwan Hongyuan Securities (Hongkong) Co., Ltd.	13,988,425	Domestically foreign shares	13,988,425
Shenwan Hongyuan Securities (Hongkong) Co., Ltd.	5,959,357	Domestically foreign shares	5,959,357
Specific account of property disposition for bankruptcy enterprise of CBC	3,794,089	Domestically foreign shares	3,794,089
Specific account of property disposition for bankruptcy enterprise of CBC	1,383,313	RMB common shares	1,383,313
China Merchants Securities Hong Kong Co., Ltd.	4,135,290	Domestically foreign shares	4,135,290
Li Huili	3,891,124	Domestically foreign shares	3,891,124
Zhu Xiaowei	3,783,100	RMB common shares	3,783,100
Xu Hongbo	3,137,419	Domestically foreign shares	3,137,419
Zong Bin	3,092,000	RMB common shares	3,092,100
Expiation on associated relationship or consistent actors within the top 10 un-restrict common shareholders and between top 10 un-restrict common shareholders and top 10 common shareholders	Li Huili, the spouse of actual controller Ji Hanfei, holding B-share of the Company on behalf of Shenzhen Guocheng Energy Investment Development Co., Ltd., beyond that, the Company has no idea of whether other circulated shareholders belong to concerted action persons ruled in the Administration Norms for Information Disclosure of Change on Shareholding of Shareholders of Listed Companies.		

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

Yes  No

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

### III. Changes of controlling shareholders or actual controller

Changes of controlling shareholders in reporting period

Applicable  Not applicable

Changes of controlling shareholders had no change in reporting period.

Changes of actual controller in reporting period

Applicable  Not applicable

Changes of actual controller in reporting period had no change in reporting period.



**IV. Share holding increasing plan proposed or implemented in reporting period from shareholder of the Company and its concerted action person**

Applicable  Not applicable

As far as the Company knows, there are no share holding increasing plan proposed or implemented in Period from shareholder of the Company and its concerted action person.

## Section VII. Preferred Stock

Applicable  Not applicable

The Company had no preferred stock in the reporting.

## Section VIII. Directors, Supervisors and Senior Executives

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

Applicable  Not applicable

Name	Title	Working status	Shares held at period-begin (Share)	Increasing shares held in this period (Share)	Decreasing shares held in this period (Share)	Shares held at period-end(Share)	Restricted shares awarded at period-begin (Share)	Restricted shares awarded in the period (Share)	Restricted shares awarded at period-end (Share)
Zheng Zhonghuan	Supervisor	Currently in office	6,276	0	0	6,276	4,707	0	4,707
Total	--	--	6,276	0	0	6,276	4,707	0	4,707

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

Applicable  Not applicable

Directors, supervisors and senior executives have no changes in reporting period, found more details in Annual Report 2015.

## Section IX. Financial Report

### I. Audit reports

Whether the semi-annual report was audited or not

Yes  No

The financial report of this semi-annual report was unaudited.

### II. Financial statements

Units in Notes of Financial Statements is RMB

#### 1. Consolidated balance sheet

Prepared by SHENZHEN CHINA BICYCLE COMPANY (HOLDINGS) LIMITED

2016-06-30

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	19,043,626.88	26,752,065.66
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable	8,485,881.00	
Accounts receivable	10,772,804.96	9,195,296.32
Accounts paid in advance	1,474,976.50	397,833.20
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividend receivable		
Other receivables	781,642.53	395,523.78
Purchase restituted finance asset		

Inventories	10,555,721.77	4,057,247.68
Divided into assets held for sale		
Non-current asset due within one year		
Other current assets		209,155.59
Total current assets	51,114,653.64	41,007,122.23
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		
Investment property		
Fixed assets	3,886,309.13	1,007,906.43
Construction in progress		
Engineering material		
Disposal of fixed asset		
Productive biological asset		
Oil and gas asset		
Intangible assets	3,388,500.00	3,765,000.00
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned		
Deferred income tax asset	89,066.31	89,066.31
Other non-current asset		
Total non-current asset	7,363,875.44	4,861,972.74
Total assets	58,478,529.08	45,869,094.97
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	19,591,080.15	7,787,813.83
Accounts received in advance	3,655,590.26	2,024,718.30
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	986,501.67	1,384,667.20
Taxes payable	587,684.56	1,271,303.96
Interest payable		
Dividend payable		
Other accounts payable	19,748,509.54	20,010,360.36
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	44,569,366.18	32,478,863.65
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	44,569,366.18	32,478,863.65
Owner's equity:		
Share capital	551,347,947.00	551,347,947.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	627,834,297.85	627,834,297.85
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	32,673,227.01	32,673,227.01
Provision of general risk		
Retained profit	-1,199,642,069.46	-1,200,090,425.75
Total owner's equity attributable to parent company	12,213,402.40	11,765,046.11
Minority interests	1,695,760.50	1,625,185.21
Total owner's equity	13,909,162.90	13,390,231.32
Total liabilities and owner's equity	58,478,529.08	45,869,094.97

Legal Representative: Li Hai

Person in charge of Accounting Works: Sun Longlong

Person in charge of Accounting Institution: Zhong Xiaojin

## 2. Balance Sheet of Parent Company

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	1,118,850.04	1,199,934.09
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable	103,804.81	
Account paid in advance	421,400.00	82,848.00
Interest receivable		

Dividends receivable		
Other receivables	9,701,499.49	12,579,547.00
Inventories		
Divided into assets held for sale		
Non-current assets maturing within one year		
Other current assets		
Total current assets	11,345,554.34	13,862,329.09
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	10,379.73	10,379.73
Investment property		
Fixed assets	3,647,374.09	740,727.77
Construction in progress		
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	3,388,500.00	3,765,000.00
Research and development costs		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets		
Other non-current assets		
Total non-current assets	7,046,253.82	4,516,107.50
Total assets	18,391,808.16	18,378,436.59
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		
Accounts received in advance		
Wage payable	129,363.96	290,130.11
Taxes payable	-226,485.08	-278,741.70
Interest payable		
Dividend payable		
Other accounts payable	10,221,921.65	10,383,721.15
Divided into liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	10,124,800.53	10,395,109.56
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	10,124,800.53	10,395,109.56
Owners' equity:		
Share capita	551,347,947.00	551,347,947.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	627,834,297.85	627,834,297.85

Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	32,673,227.01	32,673,227.01
Retained profit	-1,203,588,464.23	-1,203,872,144.83
Total owner's equity	8,267,007.63	7,983,327.03
Total liabilities and owner's equity	18,391,808.16	18,378,436.59

### 3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	65,774,013.33	76,536,800.68
Including: Operating income	65,774,013.33	76,536,800.68
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	65,399,767.36	75,748,363.03
Including: Operating cost	60,321,233.37	69,992,522.11
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	71,125.39	231,240.53
Sales expenses	3,228,182.36	3,611,607.87
Administration expenses	2,348,640.07	2,555,069.40
Financial expenses	-544,525.55	-620,228.45
Losses of devaluation of asset	-24,888.28	-21,848.43
Add: Changing income of fair		

value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)		
Including: Investment income on affiliated company and joint venture		
Exchange income (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	374,245.97	788,437.65
Add: Non-operating income	342,089.82	49,388.00
Including: Disposal gains of non-current asset		
Less: Non-operating expense	1,509.00	5,356.00
Including: Disposal loss of non-current asset		
IV. Total Profit (Loss is listed with “-”)	714,826.79	832,469.65
Less: Income tax expense	195,895.21	239,892.79
V. Net profit (Net loss is listed with “-”)	518,931.58	592,576.86
Net profit attributable to owner’s of parent company	448,356.29	416,172.86
Minority shareholders’ gains and losses	70,575.29	176,404.00
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	518,931.58	592,576.86
Total comprehensive income attributable to owners of parent Company	448,356.29	416,172.86
Total comprehensive income attributable to minority shareholders	70,575.29	176,404.00
VIII. Earnings per share:		
(i) Basic earnings per share	0.0008	0.0008
(ii) Diluted earnings per share	0.0008	0.0008

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: Li Hai

Person in charge of Accounting Works: Sun Longlong

Person in charge of Accounting Institution: Zhong Xiaojin

## 4. Profit Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Operating income	3,476,770.26	3,838,933.33
Less: Operating cost	2,092,043.56	1,830,146.73
Operating tax and extras	27,518.91	150,658.40
Sales expenses		
Administration expenses	1,314,903.41	1,895,716.02
Financial expenses	172.23	362.11
Losses of devaluation of asset		
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)		
Including: Investment income on affiliated company and joint venture		
II. Operating profit (Loss is listed with “-”)	42,132.15	-37,949.93
Add: Non-operating income	337,615.00	49,388.00
Including: Disposal gains of non-current asset		
Less: Non-operating expense	1,509.00	5,356.00
Including: Disposal loss of non-current asset		
III. Total Profit (Loss is listed with “-”)	378,238.15	6,082.07
Less: Income tax expense	94,557.55	1,518.53
IV. Net profit (Net loss is listed with “-”)	283,680.60	4,563.54
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	283,680.60	4,563.54
VII. Earnings per share:		
(i) Basic earnings per share	0.0005	
(ii) Diluted earnings per share	0.0005	

## 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	26,522,475.87	34,158,138.33
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		
Other cash received concerning operating activities	3,684,052.35	3,482,868.77
Subtotal of cash inflow arising from operating activities	30,206,528.22	37,641,007.10
Cash paid for purchasing commodities and receiving labor service	25,154,241.71	31,689,708.37
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	3,469,307.38	3,739,557.53
Taxes paid	1,339,712.12	2,433,552.58
Other cash paid concerning operating activities	4,991,881.79	5,396,441.97
Subtotal of cash outflow arising from operating activities	34,955,143.00	43,259,260.45
Net cash flows arising from operating activities	-4,748,614.78	-5,618,253.35
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		
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		
Cash paid for purchasing fixed, intangible and other long-term assets	2,959,824.00	222,222.22
Cash paid for investment		
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	2,959,824.00	222,222.22



Net cash flows arising from investing activities	-2,959,824.00	-222,222.22
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans		
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		
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		
Subtotal of cash outflow from financing activities		
Net cash flows arising from financing activities		
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	-7,708,438.78	-5,840,475.57
Add: Balance of cash and cash equivalents at the period -begin	26,752,065.66	30,163,866.78
VI. Balance of cash and cash equivalents at the period -end	19,043,626.88	24,323,391.21

## 6. Cash Flow Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services		
Write-back of tax received		
Other cash received concerning operating activities	7,109,161.66	6,815,760.81
Subtotal of cash inflow arising from operating activities	7,109,161.66	6,815,760.81
Cash paid for purchasing commodities and receiving labor service	32,356.80	565,829.60
Cash paid to/for staff and workers	1,005,191.83	1,464,271.76
Taxes paid	242,875.18	802,407.36
Other cash paid concerning operating activities	2,949,997.90	4,158,786.63
Subtotal of cash outflow arising from operating activities	4,230,421.71	6,991,295.35
Net cash flows arising from operating activities	2,878,739.95	-175,534.54
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		
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		

Subtotal of cash inflow from investing activities		
Cash paid for purchasing fixed, intangible and other long-term assets	2,959,824.00	222,222.22
Cash paid for investment		
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	2,959,824.00	222,222.22
Net cash flows arising from investing activities	-2,959,824.00	-222,222.22
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans		
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		
Cash paid for settling debts		
Cash paid for dividend and profit distributing or interest paying		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities		
Net cash flows arising from financing activities		
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	-81,084.05	-397,756.76

Add: Balance of cash and cash equivalents at the period -begin	1,199,934.09	1,363,097.01
VI. Balance of cash and cash equivalents at the period -end	1,118,850.04	965,340.25

## 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	551,347,947.00				627,834,297.85				32,673,227.01		-1,200,090,425.75	1,625,185.21	13,390,231.32
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	551,347,947.00				627,834,297.85				32,673,227.01		-1,200,090,425.75	1,625,185.21	13,390,231.32
III. Increase/Decrease in this year (Decrease)											448,356.29	70,575.29	518,931.58

is listed with “-”)													
(i) Total comprehensive income											448,3 56.29	70,57 5.29	518,9 31.58
(ii) Owners’ devoted and decreased capital													
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(III) Profit 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 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	551,347,947.00				627,834,297.85				32,673,227.01		-1,199,642,069.46	1,695,760.50	13,909,162.90

Last Period

In RMB

Item	Last Period												
	Owners' equity attributable to the 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	551,347,947.00				627,834,243.83				32,673,227.01		-1,199,952,070.17	1,592,758.40	13,496,106.07
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	551,347,947.00				627,834,243.83				32,673,227.01		-1,199,952,070.17	1,592,758.40	13,496,106.07

	00										7		
III. Increase/ Decrease in this year (Decrease is listed with “-”)					54.02						-138, 355.5 8	32,42 6.81	-105, 874.7 5
(i) Total comprehensive income											-138, 355.5 8	32,42 6.81	-105, 928.7 7
(ii) Owners’ devoted and decreased capital													
1.Common shares invested by shareholders													
2. Capital invested by holders of other equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4 Other													
(III) Profit 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 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					54.02								54.02
IV. Balance at the end of the report period	551,347,947.00				627,834,297.85				32,673,227.01		-1,200,090,425.75	1,625,185.21	13,390,231.32

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

This Period

In RMB

Item	This 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	551,347,947.00				627,834,297.85				32,673,227.01	-1,200,090,425.75	1,625,185.21	7,983,327.03
Add: Changes of accounting policy												
Error correction of the last period												
Other												



II. Balance at the beginning of this year	551,347,947.00				627,834,297.85				32,673,227.01	-1,203,872,144.83	7,983,327.03
III. Increase/Decrease in this year (Decrease is listed with “-”)										283,680.60	283,680.60
(i) Total comprehensive income										283,680.60	283,680.60
(ii) Owners’ devoted and decreased capital											
1.Common shares invested by shareholders											
2. Capital invested by holders of other equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit 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. Remediating 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	551,347,947.00				627,834,297.85				32,673,227.01	-1,203,588,464.23	8,267,007.63

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	551,347,947.00				627,834,243.83				32,673,227.01	-1,203,658,126.71	8,197,291.13
Add: Changes of accounting policy											
Error correction of the last period											
Other											
II. Balance at the beginning of this year	551,347,947.00				627,834,243.83				32,673,227.01	-1,203,658,126.71	8,197,291.13

III. Increase/Decrease in this year (Decrease is listed with “-”)					54.02						-214,018.12	-213,964.10
(i) Total comprehensive income											-214,018.12	-214,018.12
(ii) Owners' devoted and decreased capital												
1.Common shares invested by shareholders												
2. Capital invested by holders of other equity instruments												
3. Amount reckoned into owners equity with share-based payment												
4. Other												
(III) Profit 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					54.02						54.02
IV. Balance at the end of the report period	551,347,947.00				627,834,297.85				32,673,227.01	-1,203,872,144.83	7,983,327.03

### III. Company Profile

#### (I) History

According to the Approval Document SFBF (1991) No. 888 issued by the People's Government of Shenzhen, Shenzhen China Bicycle Company (Holdings) Limited (hereinafter referred to as the Company) was reincorporated as the company limited by shares in November 1991. On 28 December 1991, upon the Approval Document SRYFZ(1991) No. 119 issued by Shenzhen Special Economic Zone Branch of the People's Bank of China, the Company got listed on Shenzhen Stock Exchange. The Company reserves the business license for the enterprise legal person (QGYSZFZ No.101165) [the registered number has been altered as 440301501122085] with the registered capital of RMB551, 347,947.00.

#### (II) Business Scope and Operation

The Company belongs to the machinery manufacture industry and mainly engages in the production and assembly of various bicycles and spare parts, components, parts, mechanical product, sport machinery, fine chemicals, carbon fiber composites material, household electrical appliance and affiliated components (products management by license excluded).

The Company is specialized in making the middle-top rank bicycles, the main brands are EMMELLE and various electrical bicycles.

The majority of its products were previously exported, however, the sales volume sharply declined in recent years because of the antidumping litigation. Hence, the Company commences on the debt reorganization and the reorganization plan was completed on 27 December 2013 with bankruptcy proceedings terminated. Meanwhile, makes greater efforts to develop and research the new products, and creates a range of electrical bicycles to occupy the domestic market. Up to 30 June 2016, shares issued by the Company counted as 551,347,947 shares accumulated.

The financial statement has been deliberated and approved for reported on the Board dated 24 August 2016.

Nil

## IV. Compilation Basis of Financial Statement

### 1. Compilation basis

The Company proceed on continue operating as a premise, according to the actual occurred transactions and events, based on Accounting Standard for Enterprise—Basic Rules(Ministry of Finance Order No. 33, Ministry of Finance Order No. 76 Revised), 41 specific accounting rules issued and revised on 15 February 2006 and later, the Application Guide of Accounting Standard for Enterprise, the Accounting Standard Explanation and other relevant regulations(together as “Accounting Standards for Business Enterprises”) as well as the Information Disclosure Rules of the Company who Publicly Issues Securities No.15—General Rules of Financial Report (2015 Revised) issued by CSRC to prepare financial statements.

Accounting records of the Company is based on accrual basis in line with relevant regulations of Accounting Standards for Enterprise. Except for some financial instruments, the financial statement is calculated based on historical cost. As for the non-current assets ready for sold, amount after deducted estimated cost by fair value and the original book value qualify with condition of hold ready for sold, calculated based on the lower one. If impairment occurred for assets, accrual relevant impairment provision in line with relevant regulations.

### 2. Going concern

On 11<sup>th</sup>, May 2012, the largest shareholder and biggest creditor of the Company, Shenzhen Guosheng Energy Investment and Development Co., Ltd. applied to Shenzhen Municipal Intermediate People's Court for reforming the Company as the Company couldn't pay off the matured debts and was seriously insolvent. On 12<sup>th</sup>, Oct., 2012, Shenzhen Municipal Intermediate People's Court ruled to accept the application proposed by Guosheng Energy according to (2012) Shenzhen Intermediate Court Po Zi No. 30 civil ruling. In late October, 2012, Shenzhen Municipal Intermediate People's Court ruled to reform the Company since 25<sup>th</sup>, Oct., 2012 according to (2012) Shenzhen Intermediate Court Po Zi No. 30-1 civil ruling, appointed King & Wood (Shenzhen) Mallesons and Shenzhen ZhengYuan Liquidation Affairs Co., Ltd. as the custodians of the Company. At the same time, Shenzhen Municipal Intermediate People's Court made (2012) Shenzhen Intermediate Court Po Zi No. 30-1 written decision, and approved the Company to manage property and business affairs by itself under the supervision of custodians according to the law. On 5 November 2013, the Shenzhen Intermediate People's Court (2012) Shen Zhong Fa Po Zi No. 30-6 Civil Ruling Paper judged that approved the reorganization plan of the Company. On 27 December 2013, the Civil Ruling Paper Shenzhen Intermediate People's Court (2012) Shen Zhong Fa Po Zi No. 30-10 ruled that the reorganization plan of CBC was completed and bankruptcy procedures of CBC closed down.

The Company has solved the debt problem by reforming, realized the net assets with positive value, the main business of bicycle is able to be maintained and realizes the stable development. The Company has set up the conditions for introducing the recombination party in the reforming plan, and expects to restore the abilities of sustainable operation and sustained profitability by reorganization. The conditions of introducing the recombination party includes: the assessed value of net assets should be no less than 2 billion Yuan, the net assets in the same year for implementing the major reorganization should be no less than 200 million Yuan. The

Company doesn't have the recombination party at the moment.

## **V. Main accounting policy and Accounting Estimate**

Tips for specific accounting policy and estimate:

Accounting policy and estimation of the Company are exercised strictly in line with the relevant laws and regulation of the State

### **1. Declaration on compliance with accounting standards**

The financial statement prepared by the Company are compliance with the requirement of accounting rules, reflect a true and completed financial status of the Company dated 30 June 2016 and operation results and cash flows for the first half year of 2016. Furthermore, the financial statement, in all major aspects, conform to the Information Disclosure Rules of the Company who Publicly Issues Securities No.15—General Rules of Financial Report issued by CSRC, revised in 2014, and relevant disclosure requirement and its notes.

### **2. Accounting period**

Accounting period of the Company consist of annual and mid-term, mid-term refers to the reporting period shorter than one annual accounting year. The company adopts Gregorian calendar as accounting period, namely form each 1 January to 31 December.

### **3. Business cycles**

Normal business cycle is the period from purchasing assets used for process by the Company to the cash and cash equivalent achieved. The Company's business cycle was 12 months, and it is the determining criterion for asses liquidity and liability liquidity.

### **4. Recording currency**

Renminbi is the operation location and main economy environment's currency for the Company and subsidiaries in China, Renminbi is the book-keeping currency of the Company and subsidiaries. Renminbi is used for recording in the financial statement under the name of the Company.

### **5. Accounting Treatment Method for Business Combinations**

Business combination is the transaction or events that two or two above independent enterprises combined as a reporting entity. Business combination including enterprise combined under the same control and business combined under different control.

(1) The business combination under the same control

Enterprise combination under the same control is the enterprise who take part in the combination are have the same ultimate controller or under the same controller, the control is not temporary. The combining party is the one, on combination day, obtained controlling rights from other participant enterprise. Combination day is the date when combining party obtained controlling rights from the combined party.

The assets and liability acquired by combining party are measured by book value of the combined party on

combination date. Balance of net asset's book value acquired by combining party and combine consideration paid (or total book value of the shares issued), shall adjusted capital reserve (share premium); if the capital reserves (share premium) is not enough for deducted, adjusted for retained earnings.

Vary directly expenses occurred for enterprise combination, the combining party shall reckoned into current gains/losses while occurring.

## (2) Combine not under the same control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. For a business combination not involving entities under common control, the party that, on the acquisition date, obtains control of another entity participating in the combination is the acquirer, while that other entity participating in the combination is the acquiree. Acquisition date refers to the date on which the acquirer effectively obtains control of the acquiree.

For business combinations not under common control, the combination cost is the assets paid, liabilities incurred or assumed and the equity securities issued by the acquirer, at fair value at the acquisition date, in exchange for the control power over the acquiree. The direct cost, of the business combination including the expenses for audit, legal service, valuation and other administrative expenses, is recorded into the profit or loss in the current period. Transaction expenses of the issued equity securities or liability securities for the consideration are recorded into the amount of initial measurement of the equity securities or liability securities. The relevant contingent consideration is recorded into the combination costs at its fair value at the acquisition date, and the goodwill is adjusted if the new or additional evidences of adjustment to contingent considerations emerged within 12 months from the acquisition date. The cost of combination and identifiable net assets obtained by the acquirer in a business combination is measured at fair value at the acquisition date. If the cost of combination exceeds the fair value of the acquirer's share in the identifiable net assets, the difference is recognized as good will; if the cost of combination is lower than the fair value of the acquirer's share in the identifiable net assets, the acquirer shall firstly review the measurement of the fair value of the identifiable assets obtained, liabilities incurred and contingent liabilities incurred, as well as the combination costs. after that, if the combination costs are still lower than the fair value of the identifiable net assets obtained, the acquirer shall recognize the difference as the profit or loss in the current period.

In relation to the deductible temporary difference acquired from the acquiree, which was not recognized as deferred tax assets due to non-fulfillment of the recognition criteria at the date of the acquisition, if new or further information that is obtained within 12 months after the acquisition date indicates that related conditions at the acquisition date already existed, and that the implementation of the economic benefits brought by the deductible temporary difference of the acquiree can be expected, the relevant deferred tax assets shall be recognized and goodwill shall be deducted. When the amount of goodwill is less than the deferred tax assets that shall be recognized, the difference shall be recognized in the profit or loss of the period. Except for the above circumstances, deferred tax assets in relation to business combination are recognized in the profit or loss of the period.

For a business combination not involving enterprises under common control and achieved in stages, the company shall determine whether the business combination shall be regarded as "a bundle of transactions" in accordance

with the standards in relation to judgment of a bundle of transactions in “Notice issued by the Ministry of Finance on Interpretation 5 on Accounting standards for Business Enterprises”(CK(2012)No.19) and rule No. 51 of “No. 33 Accounting standards for Business Enterprises – Consolidated Financial Statement” (Refer to note V 6(2)). When the business combination is regarded as “a bundle of transactions”, the accounting treatment for the business combination shall be in accordance with the previous paragraphs and note V-14 “Long term equity investment”; when the business combination is not regarded as “a bundle of transactions”, the accounting treatment for the business combination in the company’s and the consolidated financial statements shall be as follows:

In the company’s financial statements, the initial cost of the investment shall be the sum of the carrying amount of its previously-held equity interest in the acquiree prior to the acquisition date and the amount of additional investment made to the acquiree at the acquisition date. Other comprehensive income involved in the previously-held equity interest of the acquiree prior to the acquisition date shall be treated on the same basis as if they were disposed of by the acquiree directly, namely be transferred to current investment income other than the relevant part of the movement arising from re-measuring net liabilities or net assets under defined benefit scheme by the acquiree which shall be calculated under equity method.

In the consolidated financial statements, the previously-held equity interest of the acquiree is re-measured according to the fair value at the acquisition date; the difference between the fair value and the carrying amount is recognized as investment income for the current period; other comprehensive income involved in the previously-held equity interest of the acquiree prior to the acquisition date shall be treated on the same basis as if they were disposed of by the acquiree directly, namely be transferred to current investment income other than the relevant part of the movement arising from re-measuring net liabilities or net assets under defined benefit scheme by the acquiree which shall be calculated under equity method.

## **6. Preparation method for consolidated financial statement**

### **(1) Recognition principle of consolidated scope**

The scope of consolidation of consolidated financial statements is ascertained on the basis of effective control. Control is the right to govern an investee so as to obtain variable return through participating in the investee’s relevant activities and the ability to affect such return by use of the aforesaid right over the investee. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. Subsidiaries refer to entities regulated by the Company.

Once certain elements involved in the above definition of control change due to changes of relevant facts or circumstances, the Company will make separate assessment.

### **(2) Preparation of consolidated financial statements**

Subsidiaries are consolidated from the date on which the company obtains their net assets and actual control over their operating decisions, and are deconsolidated from the date that such control ceases. For subsidiaries being disposed, the operating results and cash flows prior to the date of disposal are included in the consolidated income statement and consolidated cash flow statement; for subsidiaries disposed during the period, the opening balances of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination



not under common control, their operating results and cash flows subsequent to the acquisition date are included in the consolidated income statement and consolidated cash flow statement, and the opening balances and comparative figures of the consolidated balance sheet would not be restated. For subsidiaries acquired from a business combination under common control, their operating results and cash flows from the date of commencement of the accounting period in which the combination occurred to the date of combination are included in the consolidated income statement and consolidated cash flow statement, and the comparative figures of the consolidated balance sheet would be restated.

In preparing the consolidated financial statements, where the accounting policies or the accounting periods are inconsistent between the company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the company. For subsidiaries acquired from a business combination not under common control, the financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

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

The portion of a subsidiary's equity and the portion of a subsidiary's net profits and losses for the period not attributable to company are recognized as minority interests and profits and losses attributable to minority interests. Minority interest is presented separately in the consolidated balance sheet within shareholders' equity. Net profit or loss attributable to minority shareholders is presented separately in the consolidated income statement under the net profit line item. When the amount of loss for the current period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of shareholders' equity of the subsidiary, the excess is allocated against the minority interests.

When the control over a subsidiary is ceased due to disposal of a portion of an interest in a subsidiary, the fair value of the remaining equity interest is re-measured on the date when the control ceased. The difference between the sum of the consideration received from disposal of equity interest and the fair value of the remaining equity interest, less the net assets attributable to the company since the acquisition date, is recognized as the investment income from the loss of control. Other comprehensive income relating to original equity investment in subsidiaries shall be treated on the same basis as if the relevant assets or liabilities were disposed of by the acquiree directly when the control is lost, namely be transferred to current investment income other than the relevant part of the movement arising from re-measuring net liabilities or net assets under defined benefit scheme by the original subsidiary.. Subsequent measurement of the remaining equity interests shall be in accordance with relevant accounting standards such as "Accounting Standards for business Enterprises 2 – Long-term Equity Investments" or "Accounting Standards for business Enterprises 22 – Financial Instruments Recognition and Measurement", which are detailed in Note V 14 "Long-term equity investments" or Note V 10 "Financial instruments".

The company shall determine whether loss of control arising from disposal in a series of transactions should be regarded as a bundle of transactions. When the economic effects and terms and conditions of the disposal transactions met one or more of the following situations, the transactions shall normally be accounted for as a bundle of transactions: ① The transactions are entered into after considering the mutual consequences of each

individual transaction; ② The transactions need to be considered as a whole in order to achieve a deal in commercial sense; ③ The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series; ④ The result of an individual transaction is not economical, but it would be economical after taking into account of other transactions in the series. When the transactions are not regarded as a bundle of transactions, the individual transactions shall be accounted as “disposal of a portion of an interest in a subsidiary which does not lead to loss of control” (detailed in Note V 14 (2) ④) and “disposal of a portion of an interest in a subsidiary which lead to loss of control” (detailed in previous paragraph). When the transactions are regarded as a bundle of transactions, the transactions shall be accounted as a single disposal transaction; however, the difference between the consideration received from disposal and the share of net assets disposed in each individual transactions before loss of control shall be recognized as other comprehensive income, and reclassified as profit or loss arising from the loss of control when control is lost.

### **7. Joint arrangement classification and accounting treatment for joint operations**

A joint arrangement refers to an arrangement of two or more parties have joint control. In accordance with the Company’s rights and obligations under a joint arrangement, the Company classifies joint arrangements into: joint ventures and joint operations. Joint operations refer to a joint arrangement during which the Company is entitled to relevant assets and obligations of this arrangement. Joint ventures refer to a joint arrangement during which the Company only is entitled to net assets of this arrangement.

The Company treats investments in joint ventures by using the equity method of accounting in accordance with accounting policies as set out in Note V.14.(2) ② “long-term equity investment by using equity method of accounting”.

The Company shall, as a joint venture, recognize the assets held and obligations assumed solely by the Company, and recognize assets held and obligations assumed jointly by the Company in appropriation to the share of the Company; recognize revenue from disposal of the share of joint operations of the Company; recognize fees solely occurred by Company and recognize fees from joint operations in appropriation to the share of the Company.

When the Company, as a joint venture, invests or sells assets to or purchase assets (the assets dose not constitute a business, the same below) from joint operations, the Company shall only recognize the part of profit or lost from this transaction attributable to other parties of joint operations before these assets are sold to the third party. If the occurrence of these assets meet the impairment loss of asset as set our in “Accounting Standard for Business Enterprises No. 8 – Asset Impairment”, the Company shall recognize the full amount of this loss in relation to the Company invests in or sells assets to joint operations; the Company recognize the loss according to the Company’s share of commitment in relation to the Company purchase assets from joint operations.

### **8. Determining standards for cash and cash equivalent**

Cash and cash equivalent including stock cash, savings available for paid at any time and the cash held by the Company with short terms(expired within 3 months since purchased), and liquid and easy to transfer as known amount and investment with minor variation in risks.

## 9. Foreign currency business and conversion

### (1) Conversion for foreign currency transaction

Foreign currency transactions are, on initial recognition, translated to the functional currency using the exchange rates prevailing at the dates of the transactions, except when the Company carries on a business of currency exchange or involves in currency exchange transactions, at which the actual exchange rates would be used.

### (2) Foreign currency translations for foreign-currency monetary items and foreign-currency non-monetary items

At the balance sheet date, monetary items denominated in foreign currency are translated into the functional currency using the spot rate of the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for ① those attributable to foreign currency borrowings that have been taken out specifically for the acquisition, construction or production of qualifying assets, which are capitalised as part of the cost of those assets; ② exchange difference of hedge instruments used as effective hedging for net investment of overseas operations (this difference is included in other comprehensive income until such net investment is disposed of, and is recognized as profit or loss for the current period upon such disposal); and ③ exchange difference arising from changes in carrying amount of available for sale foreign-currency monetary items other than changes in amortized cost, which is recognized in other comprehensive income.

In case that preparation of consolidated financial statement involves overseas operation, and if there is foreign currency monetary items that indeed constitute net investment in overseas operation, the exchange difference arising from movement of exchange rate shall be included in other comprehensive income, and transferred to current profit or loss for the current period when the overseas operation is disposed of.

Non-monetary items denominated in foreign currency that are measured in terms of historical cost are translated into the functional currency at the balance sheet date using the spot rate at the date of the transactions. Non-monetary items denominated in foreign currency that are measured at fair value are translated into the functional currency using the spot rate on the date when fair value is determined and the resulting exchange differences will be recognized as fair value change (including exchange difference) in profit or loss or in other comprehensive income as capital reserve in the current year.

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

In case that preparation of consolidated financial statement involves overseas operation, and if there is foreign currency monetary items that indeed constitute net investment in overseas operation, the exchange difference arising from movement of exchange rate shall be recognized in other comprehensive income as “foreign statement translation difference”, and transferred to current profit or loss for the current period when the overseas operation is disposed of.

The following displays the methods for translating financial statements involving foreign operations into the statements in RMB: The asset and liability items in the balance sheets for overseas operations are translated at the spot exchange rates on the balance sheet date. Among the shareholders' equity items, the items other than “undistributed profits” are translated at the spot exchange rates of the transaction dates. The income and expense items in the income statements of overseas operations are translated at the spot exchange rates of the transaction dates. Opening balance of undistributed profits is equal to the closing balance of undistributed profits after translation in last year; closing balance of undistributed profit is computed according to the items in profit

distribution after translation. The exchange difference arising from translation of assets, liabilities and equity items are recognized in other comprehensive income and is shown separately under shareholders' equity in the balance sheet, such exchange difference will be reclassified to profit or loss in current year when the foreign operation is disposed according to the proportion of disposal.

The cash flows of overseas operations are translated at the spot exchange rates on the dates of the cash flows. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

The opening balance and the prior year's figures are presented according to the translated amounts of the prior year.

On disposal of the entire owners' equity in a foreign operation of the Company, or upon a loss of control over a foreign operation due to disposal of certain equity investment or other reasons, the Company transfers the exchange differences arising on translation of financial statements of this foreign operation attributable to owners' equity of parent company presented under owners' equity in the balance sheet, to profit or loss in the period in which the disposal took place.

In case of partial disposal of equity investment or other reason that result in reduction in shareholding in a foreign operation without losing control over it, the proportionate share of exchange differences arising from the translation of financial statements will attributable to minority interests and will not recognized in profit or loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the exchange differences arising from the translation of financial statements of foreign operations is reclassified to profit or loss.

## 10. Financial instrument

Financial asset or financial liability will be recognized when the Group became one of the parties under a financial instrument contract. Financial assets and financial liabilities are initially recognized at fair value. For financial assets and financial liabilities at fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the period. For financial assets and financial liabilities classified as other categories, relevant transaction costs are included in the amount initially recognized.

### (1) Determination of fair values for financial assets and financial liabilities

The fair value refers to the price that will be received when selling an asset or the price to be paid to transfer a liability in an orderly transaction between market participants on the date of measurement. Financial instruments exist in an active market. Fair value is determined based on the quoted price in such market. An active market refers to where pricing is easily and regularly obtained from exchanges, brokers, industrial organizations and price fixing service organizations, representing the actual price of a market transaction that takes place in a fair deal. While financial instruments do not exist in an active market, the fair value is determined using valuation techniques. Valuation technologies include reference to be familiar with situation and prices reached in recent market transactions entered into by both willing parties, reference to present fair values of similar other financial instruments, cash flow discounting method and option pricing models.

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

Conventionally traded financial assets shall be recognized and derecognized at the trading date. Financial assets

shall be classified into financial assets at fair value through profit and loss, held-to-maturity investment, loans and accounts receivable and available-for-sale financial assets for initial recognition.

#### ① Financial assets at fair value through profit or loss

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

Financial assets may be classified as financial assets held for trading if one of the following conditions is met: A. the financial assets is acquired or incurred principally for the purpose of selling it in the near term; B. the financial assets is part of a portfolio of identified financial instruments that are managed together and for which there is objective evidence of a recent pattern of short-term profit-taking; or C. the financial assets is a derivative, excluding the derivatives designated as effective hedging instruments, the derivatives classified as financial guarantee contract, and the derivatives linked to an equity instrument investment which has no quoted price in an active market nor a reliably measured fair value and are required to be settled through that equity instrument.

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

A financial asset at fair value through profit or loss is subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial asset are recognized in profit or loss in the current period.

#### ② Held-to-maturity investment

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

Held-to-maturity investment adopts effective interest method and carry out subsequent measure on amortized cost, the incomes and losses arising from derecognition, impairment or amortization shall reckoned into current gains/losses.

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

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

#### ③ Loan and account receivable

Refers to the non-derivative financial assets for which there is no quoted price in the active market and of which

the repo amount is fixed or determinable. The financial assets classify as loans and account receivables including note receivable, account receivable, interest receivable, dividend receivable and other account receivables etc. Loans and account receivables subsequently stated at amortized cost using the effective interest method; the gains or losses arising from derecognition, impairment incurred or amortization shall reckoned into current gains/losses.

#### ④ Financial assets available for sale

Including the non-derivative financial assets initial recognition that is appointed as available for sale, and except for the financial assets measured by fair value and with its variation reckoned into current gains/losses as financial assets, loans and receivables and held-to-maturity investment

The closing cost of available-for-sale debt instrument investment is determined based on its amortized cost, namely the initial recognition amount less the repaid principal plus or less the accumulated amortization amount as amortized against the difference between the initial recognition amount and amount as of the maturity date at effective interest method, and less the occurred impairment loss. The closing cost of available-for-sale equity instrument investment refers to the acquisition cost.

Available-for-sale financial assets are subsequently measured at fair value. The gain or loss on change in fair value are recognized as other comprehensive income, except for impairment loss and exchange differences arising from foreign monetary financial assets and amortized cost which are accounted for through profit or loss for the current period. The financial assets will be transferred out of the financial assets on derecognition and accounted for through profit or loss for the current period. However, equity investment that is not quoted in an active market and the fair value of which cannot be measured reliably and derivative financial assets related to the equity instrument which must be settled by delivery of such equity instrument are subsequently measured at cost.

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

#### (3) Impairment of financial assets

In addition to financial assets at fair value through profit or loss for the current period, the Group reviews the book value of other financial assets at each balance sheet date and provide for impairment where there is objective evidence that financial assets are impaired.

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assess the asset individually for impairment or include the asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, whether the financial asset is individually significant or not, the financial asset is included in a group of financial assets with similar credit risk characteristics and collectively assessed for impairment. Financial assets for which an impairment loss is individually recognized are not included in the collective assessment for impairment.

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

The carrying amount of financial assets measured as costs or amortized costs are subsequently reduced to the present value discounted from its projected future cash flow. The reduced amount is recognized as impairment loss and recorded as profit or loss for the period. After recognition of the impairment loss from financial assets, if

there is objective evidence showing recovery in value of such financial assets impaired and which is related to any event occurring after such recognition, the impairment loss originally recognized shall be reversed to the extent that the carrying value of the financial assets upon reversal will not exceed the amortized cost as at the reversal date assuming there is no provision for impairment.

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

In the event that decline in fair value of the available-for-sale equity instrument is regarded as “severe decline” or “non-temporary decline” on the basis of comprehensive related factors, it indicates that there is impairment loss of the available-for-sale equity instrument. In particular, “severe decline” refers to fair value is lower than 50% of the cost price and last for over one year. “Non-temporary decline” refers to fair value is lower than 80% of the cost price and last for over three years.

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

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

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

#### (4) Recognition and measurement of transfers of financial asset

Financial asset that satisfied any of the following criteria shall be derecognized: ① the contract right to recover the cash flows of the financial asset has terminated; ② the financial asset, along with substantially all the risk and return arising from the ownership of the financial asset, has been transferred to the transferee; and ③ the financial asset has been transferred to the transferee, and the transferor has given up the control on such financial asset, though it does not assign maintain substantially all the risk and return arising from the ownership of the financial asset.

When the entity does not either assign or maintain substantially all the risk and return arising from the ownership of the financial asset and does not give up the control on such financial asset, to the extent of its continuous involvement in the financial asset, the entity recognizes it as a related financial asset and recognizes the relevant liability accordingly. The extent of the continuous involvement is the extent to which the entity exposes to changes in the value of such financial assets.

On derecognition of a financial asset, the difference between the following amounts is recognized in profit or loss for the current period: the carrying amount and the sum of the consideration received and any accumulated gain or loss that had been recognized directly in equity.

If a part of the financial assets qualifies for derecognition, the carrying amount of the financial asset is allocated between the part that continues to be recognized and the part that qualifies for derecognition, based on the fair values of the respective parts. The difference between the following amounts is recognized in profit or loss for the period: the sum of the consideration received and the carrying amount of the part that qualifies for derecognition and the aforementioned carrying amount.

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

#### (5) Category and measurement of financial liability

Financial liability divides into financial liability and other financial liability which are measured by fair value and with its variation reckoned into current gains/losses, while initially recognized. The financial liability initially recognized shall be measured at their fair values. As for the financial liability measured by fair value and with its variation reckoned into current gains/losses, relevant transaction expenses shall reckoned into current gains/losses directly; and for the other financial liability, relevant transaction expenses shall be reckoned as initial recognition amount.

##### ① Financial liability measured by fair value and with its variation reckoned into current gains/losses

Financial liability held for trading and financial liability designated as at fair value through profit and loss meet the same condition to classify financial assets as financial assets held for trading and financial assets designated as at fair value through profit and loss.

Subsequent measurement of liability at fair value through profit or loss is based on fair value. The gain or loss arising from the change in fair value and the dividend and interest expenses related to the financial liability are included into the current profit or loss.

##### ② Other financial liabilities

Other financial liabilities which have no quoted price in an active market, or are linked to equity instrument without a reliably measured fair value and are required to be settled through that equity instrument are subsequently measured based on cost. Other financial liabilities are subsequently measured based on amortized cost using the effective interest rate method. The gain or loss arising from discontinuing recognition or amortization is included in current profit or loss.

##### ③ Financial guarantee contracts and loan commitment

Financial guarantee contracts other than those designated as financial liabilities at fair value through profit or loss or loan commitments that are not designated at fair value through profit or loss and granted at a rate below market rates are initially recognized at fair value, and shall be subsequently measured at the higher of the following: the



amount determined in accordance with CAS 13 “Contingencies” and the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in CAS No. 14”Revenue”.

#### (6) Derecognition of Financial Liabilities

The Group derecognizes a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

#### (7) Derivatives and embedded derivatives

Derivative financial instruments initially recognize at fair value at the contract date, and subsequently measured at their fair value. Except for designated as hedge instrument and high effective hedging instruments, the gain or loss arising from changes in fair value shall be recognized into related period profit or loss on the basis of accounting standards of hedging accounting based on hedge characteristics, and fair value change of other derivative instruments is recorded to current profit or loss.

For hybrid instrument with embedded derivatives, where the hybrid instrument is not designated as a financial asset or financial liability at FVTPL, and the economic characteristics and risks of the embedded derivatives are not closely related to that of the host contract and the conditions of which are the same as that of the embedded derivatives and a separate instrument meet the definition of a derivative, the embedded derivatives are separated from the hybrid instrument. If the Group is unable to measure the embedded derivative separately either at acquisition or at a subsequent balance sheet date, it designates the entire hybrid instrument as a financial asset or financial liability at FVTPL.

#### (8) Offsetting financial assets and financial liabilities

Where the Group has current enforceable legal rights to offset the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, the amount after offsetting the financial assets and the financial liabilities is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

#### (9) Equity instruments

An equity instrument is a contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The Company issues (including refinancing), repurchases, sells or cancels equity instruments as treatment for change of equity. The Company does not recognize change of fair value of equity instrument. Transaction fees related to equity transactions are deducted from equity.

All types of distributions (excluding share dividends) made by the Group to holders of equity instruments are charged to shareholders' equity. The Group does not recognize any changes in the fair value of equity instruments.

## 11. Account receivable

### (1) Account Receivable Withdrawal method on single significant amount and with bad debt provision accrued for single item

Determine basis or amount standards for Single Significant Amount	The account receivable over RMB 5 million
Withdrawal method on single significant amount and with bad debt provision accrued for single item	Impairment testing for the receivables independently with single significant amount, if no impairment being found in financial assets, testing in the assets portfolio with similar risk. If impairment losses being recognized, than not testing in the receivable combination with similar risk.

### (2) Receivables with bad debt provision accrual by credit portfolio

Combination	Bad debt provision accrual
Age group	Aging analysis

Adopt age analysis method for bad debt provision withdrawal in combination:

Applicable  Not applicable

Age	Accrued ratio for account receivable	Accrued ratio for other account receivable
Within one year (1 year included)	0.30%	0.30%
1—2 years	0.30%	0.30%
2—3 years	0.30%	0.30%
Over 3 years	100.00%	100.00%
3-4 years	100.00%	100.00%
4-5 years	100.00%	100.00%
Over 5 years	100.00%	100.00%

In combination, accrual bad debt provision with percentage of receivables:

Applicable  Not applicable

In combination, accrual bad debt provision with other method:

Applicable  Not applicable

### (3) Account receivable with minor single amount but with withdrawal bad debt provision for single item

Reasons of withdrawal bad debt provision for single item	Clearly evidence shows that the account hard to recover
Withdrawal method for bad debt provision	Recognized impairment loss and accrued the bad debt provision according to the balance between future cash flow on account receivable and its book value

## 12. Inventory

### (1) Classification of inventory

The inventory of the Company refers to such seven classifications as the raw materials, product in process, goods

on hand, wrap page, low value consumables, materials for consigned processing and goods sold.

#### (2) Valuing of the delivered and received inventory

Purchasing and storage for the inventory are priced at actual costs, inventory cost including purchasing cost, processing cost and other expenses belongs to the inventory costs, and the expenses qualify capitalization of borrowing costs condition. Determined the amount for inventory by perpetual inventory system.

#### (3) Basis for determining net realizable value of inventories and provision methods for decline in value of inventories

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Provision for decline in value of inventories is generally made based on the difference between the cost of single item of inventory and its net realizable value. As for inventories with huge number and relatively low unit price, such provision is made under categories of inventories; as for inventories related to a series of products produced and sold in the same region, with same or similar ultimate usage or purpose and for which it is difficult to be measured separately from other items, such provision can be made on a consolidated basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

#### (4) Inventory system

Perpetual inventory system.

#### (5) Amortization method for the low-value consumables and wrappage

The Company adopts one-off amortization method to amortize the low-value consumables.

The Company adopts one-off amortization method to amortize the wrappage at the time of receipt.

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

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

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

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

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

Long-term equity investments under this section refer to long-term equity investments in which the Company has control, joint control or significant influence over the investee. Long-term equity investment without control or joint control or significant influence of the Group is accounted for as available-for-sale financial assets or financial assets measured at fair value with any change in fair value charged to profit or loss. Details on its accounting policy please refer to Note IV 9. “Financial instruments”.

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

##### **(1) Determination of investment cost**

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

the long-term equity investment before merging and the carrying amount the additional consideration paid for further share acquisition on the date of combination shall offset against the capital reserve. If the capital reserve is insufficient to offset, the retained earnings shall be adjusted. Other comprehensive income recognized as a result of the previously held equity investment accounted for using equity method on the date of combination or recognized for available-for-sale financial assets will not be accounted for.

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

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

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

## (2) Subsequent measurement and method for profit or loss recognition

Long-term equity investments with joint control (excluding those constitute joint ventures) or significant influence on the investee are accounted for using equity method. In addition, long-term equity investments with control on the investee are accounted for using cost method and record in the Company’s financial statements.

### ① Long-term equity investments accounted for using the cost method

Under the cost method, a long-term equity investment is measured at its initial investment cost. The cost for long-term equity investment is adjusted in the event of additional investment or investment recovery. Except receiving the actual consideration paid for the investment or the declared but not yet distributed cash dividends or profits which is included in the consideration, investment gains for the period is recognized as the cash dividends or profits declared by the investee.

## ② Long-term equity investments accounted for using the equity method

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, no adjustment shall be made to the initial investment cost. Where the initial investment cost is less than the investor's interest in the fair value of the investee's identifiable net assets at the acquisition date, the difference shall be charged to profit or loss for the current period, and the cost of the long term equity investment shall be adjusted accordingly.

Under the equity method, investment gain and other comprehensive income shall be recognized based on the Group's share of the net profits or losses and other comprehensive income made by the investee, respectively. Meanwhile, the carrying amount of long-term equity investment shall be adjusted. The carrying amount of long-term equity investment shall be reduced based on the Group's share of profit or cash dividend distributed by the investee. In respect of the other movement of net profit or loss, other comprehensive income and profit distribution of investee, the carrying value of long-term equity investment shall be adjusted and included in the capital reserves. The Group shall recognise its share of the investee's net profits or losses based on the fair values of the investee's individual separately identifiable assets at the time of acquisition, after making appropriate adjustments thereto. In the event of inconformity between the accounting policies and accounting periods of the investee and the Company, the financial statements of the investee shall be adjusted in conformity with the accounting policies and accounting periods of the Company. Investment gain and other comprehensive income shall be recognized accordingly. In respect of the transactions between the Group and its associates and joint ventures in which the assets disposed of or sold are not classified as operation, the share of unrealised gain or loss arising from inter-group transactions shall be eliminated by the portion attributable to the Company. Investment gain shall be recognized accordingly. However, any unrealised loss arising from inter-group transactions between the Group and an investee is not eliminated to the extent that the loss is impairment loss of the transferred assets. In the event that the Group disposed of an asset classified as operation to its joint ventures or associates, which resulted in acquisition of long-term equity investment by the investor without obtaining control, the initial investment cost of additional long-term equity investment shall be the fair value of disposed operation. The difference between initial investment cost and the carrying value of disposed operation will be fully included in profit or loss for the current period. In the event that the Group sold an asset classified as operation to its associates or joint ventures, the difference between the carrying value of consideration received and operation shall be fully included in profit or loss for the current period. In the event that the Company acquired an asset which formed an operation from its associates or joint ventures, relevant transaction shall be accounted for in accordance with "Accounting Standards for Business Enterprises No. 20 "Business combination". All profit or loss related to the transaction shall be accounted for.

The Group's share of net losses of the investee shall be recognized to the extent that the carrying amount of the

long-term equity investment together with any long-term interests that in substance form part of the investor's net investment in the investee are reduced to zero. If the Group has to assume additional obligations, the estimated obligation assumed shall be provided for and charged to the profit or loss as investment loss for the period. Where the investee is making profits in subsequent periods, the Group shall resume recognizing its share of profits after setting off against the share of unrecognized losses.

### ③Acquisition of minority interest

Upon the preparation of the consolidated financial statements, since acquisition of minority interest increased of long-term equity investment which was compared to fair value of identifiable net assets recognized which are measured based on the continuous measurement since the acquisition date (or combination date) of subsidiaries attributable to the Group calculated according to the proportion of newly acquired shares, the difference of which recognized as adjusted capital surplus, capital surplus insufficient to set off impairment and adjusted retained earnings.

### ④Disposal of long-term equity investments

In these consolidated financial statements, for disposal of a portion of the long-term equity investments in a subsidiary without loss of control, the difference between disposal cost and disposal of long-term equity investments relative to the net assets of the subsidiary is charged to the owners' equity. If disposal of a portion of the long-term equity investments in a subsidiary by the parent company results in a change in control, it shall be accounted for in accordance with the relevant accounting policies as described in Note V 6. (2) "Preparation Method of the Consolidated Financial Statements".

On disposal of a long-term equity investment otherwise, the difference between the carrying amount of the investment and the actual consideration paid is recognized through profit or loss in the current period.

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

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

Movement of other owners' equity (excluding net profit or loss, other comprehensive income and profit distribution under net asset of investee accounted for and recognized using equity method) shall be transferred to profit or loss for the current period at the time when the control over investee is lost. Of which, for the remaining equity interest after disposal accounted for using equity method, other comprehensive income and other owners' equity shall be transferred on pro rata basis. For the remaining equity interest after disposal accounted for using the recognition and measurement standard of financial instruments, other comprehensive income and other owners' equity shall be fully transferred.

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

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

## 15. Investment property

Measurement mode

Measured by cost method

Depreciation or amortization method

Investment property refers to real estate held to earn rentals or for capital appreciation, or both. Including the leased land use right, land use right held for transfer upon appreciation, leased buildings, etc. in addition, in connection with the vacant buildings held by the Company for operating lease, if the board of directors (or similar organ) makes written resolution that the buildings are to be used for operating lease and the holding purpose will not change in a short time, these buildings will be stated as investment properties.

Investment property is initially measured at cost. Subsequent expenditures related to an investment property shall be included in cost of investment property only when the economic benefits associated with the asset will likely flow to the Group and its cost can be measured reliably. All other expenditures on investment property shall be included in profit or loss for the current period when incurred.



The Group adopts cost method for subsequent measurement of investment property, which is depreciated using the same policy as that for buildings and land use rights.

Impairment test method and impairment provision method in relation to investment property is detailed in note V.22 “Long term assets impairment”

In the event that an investment property is converted to an owner-occupied property, such property shall become fixed assets or intangible assets since the date of its conversion. In the event that an owner-occupied property is converted to real estate held to earn rentals or for capital appreciation, such fixed assets or intangible assets shall become an investment property since the date of its conversion. Investment property is measured at cost during its conversion. Upon the conversion, the property shall be stated at the carrying amount prior to the conversion.

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

## 16. Fixed assets

### (1) Confirmation conditions

Fixed assets refer to the tangible assets for production of products, provision of labor, lease or operation, and with a service life in excess of 1 financial year. Fixed assets are recognized while relevant economic interests flow into the Company and the cost is can be reliably measured. Fixed assets shall be initially measured according to the cost and take the predicted discard expenses into consideration.

### (2) Depreciation methods

Categories	Method	Years of depreciation	Scrap value rate	Yearly depreciation rate
Housing buildings	Straight-line depreciation	20	10%	4.5%
Machines and equipment	Straight-line depreciation	10	10%	9%
Office equipment	Straight-line depreciation	5	10%	18%
Electronic equipment	Straight-line depreciation	5	10%	18%
Transportation equipment	Straight-line depreciation	5	10%	18%
Other equipment	Straight-line depreciation	5	10%	18%

### (3) Recognition basis, valuation and depreciation method for financial lease assets

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of asset ownership to the lessee and titles to the assets may or may not eventually be transferred. For fixed assets acquired under finance leases, the basis for provision of leased assets depreciation is the same as that of self-owned fixed assets. When it can be reasonably determined that the ownership of a leased asset will be

transferred at the end of the lease term, it is depreciated over the period of expected use; otherwise, the lease asset is depreciated over the shorter period of the lease term and the period of expected use.

### **17. Project under Construction**

Costs of construction in progress are recognized by actual construction expenses, including vary engineering spendings in construction period, the capitalized borrowing cost and other related costs before the construction reaches condition for planned use. When construction in progress reaches condition for planned use, it shall be carried forward to fixed assets.

Impairment testing and provision for impairment found more in note V “22. Long-term assets impairment”.

### **18. Borrowing costs**

Borrowing costs include interest, amortization of discounts or premiums related to borrowings, ancillary costs incurred in connection with the arrangement of borrowings, and exchange differences arising from foreign currency borrowings. For borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, when expenditures for the asset and borrowing costs are being incurred, activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced, such borrowing costs shall be capitalized as part of the cost of that asset; and capitalization shall discontinue when the qualifying asset is ready for its intended use or sale. Other borrowing costs shall be recognized as expense in the period in which they are incurred.

Where funds are borrowed for a specific purpose, the amount of interest to be capitalized shall be the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used into banks or any investment income on the temporary investment of those funds. Where funds are borrowed for general purpose, the Group shall determine the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess amounts of cumulative expenditures on the asset over and above the amounts of specific-purpose borrowings. The capitalization rate shall be the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalization period, exchange differences on a specific purpose borrowing denominated in foreign currency shall be capitalized. Exchange differences related to general-purpose borrowings denominated in foreign currency shall be included in profit or loss for the current period.

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

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

### **19. Biological assets**

Nil

## 20. Oil-and-gas assets

Nil

## 21. Intangible assets

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

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

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

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

An intangible asset with a finite useful life shall be stated at cost less estimated net residual value and any accumulated impairment loss provision and amortized using the straight-line method over its useful life when the asset is available for use.

Intangible assets with indefinite life are not amortized.

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

### (2) Internal accounting policies relating to research and development expenditures

Research and development expenditure of the Group was divided into expenses incurred during the research phase and expenses incurred during the development phase.

Expenses incurred during the research phase are recognized as profit or loss in the current period.

Expenses incurred during the development phase that satisfy the following conditions are recognized as intangible assets, while those that do not satisfy the following conditions are accounted for in the profit or loss for the current period:

- ① it is technically feasible that the intangible asset can be used or sold upon completion;
- ② there is intention to complete the intangible asset for use or sale;
- ③ the intangible asset can produce economic benefits, including there is evidence that the products produced using

the intangible asset has a market or the intangible asset itself has a market; if the intangible asset is for internal use, there is evidence that there exists usage for the intangible asset;

④there is sufficient support in terms of technology, financial resources and other resources in order to complete the development of the intangible asset, and there is capability to use or sell the intangible asset;

⑤the expenses attributable to the development phase of the intangible asset can be measured reliably.

If the expenses incurred during the research phase and the development phase cannot be distinguished separately, all development expenses incurred are accounted for in the profit or loss for the current period.

### (3) Depreciation test method and depreciation allowance method for intangible assets

Depreciation test method and depreciation allowance method for intangible assets of the Company was been shown on Note V-22 “Long-term assets depreciation”.

## 22. Impairment of long-term asset

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

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

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

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

### **23. Long-term Deferred Expenses**

Long term unamortized expenses represent the occurred expenses which should be shared by the current period and future periods with term more than one year. And shall be amortized by straight-line method during the period for estimated benefit.

### **24. Employee compensation**

#### **(1) Accounting treatment for short-term compensation**

Short-term compensation including salary, bonus, allowance and subsidy, welfare expenses, medical insurance, birth insurance premium, industrial injury insurance premium, housing fund, labor union expenditure, personnel education fund and non-monetary welfare. During the accounting period when staff providing service to the Company, the actual short-term compensation occurred shall recognized as liabilities and reckoned into current gains/losses or relevant assets costs. The non-monetary welfare is measured by fair value.

#### **(2) Accounting treatment for post-employment benefit**

The post-employment benefit including the defined contribution plans. And defined contribution plans including basic endowment insurance, unemployment insurance and annuity, corresponding payable amount will reckoned into relevant assets costs or current gains/losses while occurred.

#### **(3) Accounting for retirement benefits**

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

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

#### **(4) Accounting for other long-term employee benefits**

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

## 25. Accrued liabilities

Obligations pertinent to the contingencies which satisfy the following conditions are recognized as accrued liabilities: (1) The obligation is a current obligation borne by the Company; (2) it is likely that an outflow of economic benefits will be resulted from the performance of the obligation; and (3) the amount of the obligation can be reliably measured.

At the balance sheet date, accrued liabilities shall be measured at the best estimate of the necessary expenses required for the performance of existing obligations, after taking into account relevant risks, uncertainties, time value of money and other factors pertinent to the contingencies.

If all or some expenses incurred for settlement of accrued liabilities are expected to be borne by the third party, the compensation amount shall, on a recoverable basis, be recognized as asset separately, and compensation amount recognized shall not be more than the carrying amount of accrued liabilities.

### (1) Contract in loss

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

### (2) Restructuring obligations

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

## 26. Share-based payment

### (1) Accounting for share-based payment

Share based payment refers to the transactions involving grant of equity instrument or assume liabilities as determined based on equity instrument for the purpose of acquiring services from employees or other parties. Share based payment is divided into the equity settled share based payment and cash settled share based payment.

#### ① equity settled share based payment

Equity settled share based payment for exchange of service provided by employees is measured at the fair value of the equity instrument granted to the employees as at the grant date. Subject to completion of services during the vest period or satisfaction with the required performance conditions for exercising right, the amount of the fair value is included in relevant cost or expense under straight line method based on the best estimate on the number of exercisable equity instruments during the vest period. If it becomes exercisable immediately following the relevant grant, it is included in relevant cost or expense on the grant date and accordingly increase capital reserve.

On each balance sheet date during the vest period, the Company makes the best estimate based on subsequent information such as the latest available information about change of number of exercisable employees, thus to amend the number of equity instruments which are expected to be exercisable. Impact of the above estimate is

included in relevant cost or expense for the current period, with corresponding adjustment in capital reserve.

Equity settled share based payment for exchange of service provided by others is measured at fair value of the service as of the acquisition date provided that such fair value can be measured reliably. If such fair value can not be measured reliably, while fair value of the equity instrument can be measured reliably, the payment shall be measured at the fair value of equity instrument as of the acquisition date, and included in relevant cost or expense with corresponding increase in shareholders' equity.

#### ②cash settled share based payment

As for cash settled share based payment, it is measured at the fair value of the liabilities assumed by the Company as determined based on shares or other equity instruments. If it becomes exercisable immediately following the relevant grant, it is included in relevant cost or expense on the grant date and accordingly increase liabilities. If it is subject to completion of services during the vest period or satisfaction with the required performance conditions for exercising right, on each balance sheet date during the vest period, the Company makes the best estimate on the exercisable rights, and accounts for the service obtained in the current period in relevant cost or expense with corresponding increase of liabilities based on the fair value of the liabilities assumed by the Company.

The Company re-measures the fair value of liabilities on each balance sheet date and settlement date prior to settlement of relevant liabilities, with changes thereof included in profit or loss for the current period.

#### (2) Relevant accounting for amending or terminating share based payment plan

In case that the Company amends share based payment plan which leads to increase of fair value of the granted equity instruments, the Company will correspondingly increase recognition for services obtained according to the increase of fair value of equity instrument. Increase of fair value of equity instrument refers to the difference of fair values of equity instruments as at the revision date before and after such revision. In case that the amendment results in decrease in total fair value of share based payment or adoption of other means which are not beneficial to employees, the Company will continue account for the services obtained as if such amendment had never occurred, unless the Company cancel part or all the granted equity instruments.

During the vest period, if the granted equity instruments are cancelled, the Company will accelerate exercise of rights attaching to the granted equity instruments which are cancelled, and the remaining amount which should be recognized during the vest period is included in profit or loss for the current period promptly, meanwhile to recognise capital reserve. If employees or other parties who can choose to satisfy the non exercisable rights do not satisfy such conditions during the vest period, the Company will regard them as cancellation of granted equity instruments.

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

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

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

If the settlement entity is an investor of the service-acceptance entity, the transaction is recognized as long term equity investment in the service-acceptance entity based on the fair value of the equity instruments as at the grant

date or the fair value of assumed liabilities, with recognition of capital reserve (other capital reserve) or liabilities.

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

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

## **27. Other financial instruments including senior shares and perpetual bonds**

### **(1) Distinguish of perpetual capital securities and preferred stock**

The perpetual bonds and senior shares issued by the Company are treated as equity instruments subject to satisfaction of all the below conditions:

①the financial instrument excludes delivery of cash or other financial assets to others, or exchange for contractual obligations on financial assets or financial liabilities with others under potential negative conditions;

②if its own equity instruments are required or may be used to settle the financial instruments, it excludes the contractual obligation to deliver varied numbers of own equity instruments for settlement provided that the financial instruments are non-derivatives; if the financial instruments are derivatives, the Company can only settle the financial instruments by fixed number of own equity instruments for exchange for fixed amount of cash or other financial assets.

Other than the financial instruments which can be classified as equity instruments under the above conditions, other financial instruments issued by the Company shall be classified as financial liabilities.

In case that financial instruments issued by the Company are compound financial instruments, they shall be recognized as liabilities at the fair value of liabilities portion. The actual amount received less fair value of the liabilities portion shall be recognized as other equity instrument. Transaction expenses occurred in issuance of compound financial instruments are allocated to the portions of liabilities and equities according to their respective proportion to the total issuance price.

### **(2) Accounting for perpetual bonds and senior shares**

For perpetual bonds and senior shares classified into financial liabilities, their relevant interest, dividends, gains or losses and gains or losses arising from redemption or refinancing are all included in current profit or loss other than those borrowing expenses which meet condition for capitalization (please refer to note V 18 “borrowing expenses”).

For perpetual bonds and senior shares classified into equity instruments, their issuance (including refinancing), repurchase, sale or cancel are treated as change of equity, and relevant transaction fees are also deducted from equity. The Company accounts for allocation of holders of equity instruments as profit distribution.

The Company does not recognizes change of fair value of equity instruments.

## **28. Revenue**

### **(1) Income from goods sales**



Income from goods sales are realized when the following conditions are met: the major risks and remuneration entitled to the ownership of goods are transferred to buyer; neither retain the continued management right generally related to ownership, nor exercise effective control over the sold products; the relevant economic benefits are probable to flow into the Company; the relevant income and costs can be measured reliably.

#### (2) Provision of labor services

When the outcome of a transaction involving the rendering of services can be reliably estimated, it shall, on the balance sheet date, recognize the revenue from the rendering of services employing the percentage-of-completion method.

The outcome of a transaction concerning the rendering of services can be reliably estimated, which shall concurrently satisfy: ① The relevant amount of revenue can be reliably measured; ② it is probable that the economic benefits will flow into the enterprise; ③ the completion schedule of the transaction can be reliably ascertained; and ④ transaction costs incurred and to be incurred can be reliably measured.

When the outcome of a transaction involving the rendering of services cannot be reliably estimated, it shall recognize the revenue from the rendering of services based on the cost of rendering services already incurred and expected to be compensated, and the cost of rendering services incurred shall be recognized as an expense for the current period. If the cost of rendering services is expected not to be compensated, it shall be recognized as an expense.

When a contract or agreement signed by the Group includes sales of goods and rendering of services, if sales of goods and rendering of services can be differentiated and separately measured, they will be recognized respectively. If sales of goods and rendering of services cannot be differentiated or cannot be separately measured, they will be recognized as sales of goods in full.

#### (3) Income from charge for use

In line with relevant contract or agreement, recognized income on accrual basis.

#### (4) Interest income

Recognized based on the times and real interest rates for the money used by others.

### 29. Government Grants

#### (1) Determination basis and accounting for government grants related to assets

Government grants are transfer of monetary assets or non-monetary assets from the government to the Group at no consideration, excluding capital considerations from the government as an owner of the Group. Government grants are classified into government grants related to assets and government grants related to income.

If a government grant is in the form of a transfer of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of a transfer of non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognized immediately in profit or loss for the current period.

Government grants are generally recognized when received and measured at the amount actually received, but are

measured at the amount likely to be received when there is conclusive evidence at the end of the accounting period that the Group will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants be confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants be given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the requirements under disclosure of government information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment be specified in related documents and the payment thereof be covered by corresponding budget to ensure such grants will be paid on time as specified; and (4) other relevant conditions which shall be met based on the specific situations of the Company and the subject matter.

A government grant related to an asset shall be recognized as deferred income, and evenly amortized to profit or loss over the useful life of the asset.

For the repayment of a government grant already recognized, if there is any related deferred income, the repayment shall be off set against the carrying amount of the deferred income, and any excess shall be recognized in profit or loss for the current period; if there is no related deferred income, the repayment shall be recognized immediately in profit or loss for the current period.

## **(2) Determination basis and accounting for government grants related to income**

Government grants are transfer of monetary assets or non-monetary assets from the government to the Group at no consideration, excluding capital considerations from the government as an owner of the Group. Government grants are classified into government grants related to assets and government grants related to income.

If a government grant is in the form of a transfer of monetary asset, the item shall be measured at the amount received or receivable. If a government grant is in the form of a transfer of non-monetary asset, the item shall be measured at fair value. If fair value is not reliably determinable, the item shall be measured at a nominal amount and recognized immediately in profit or loss for the current period.

Government grants are generally recognized when received and measured at the amount actually received, but are measured at the amount likely to be received when there is conclusive evidence at the end of the accounting period that the Group will meet related requirements of such grants and will be able to receive the grants. The government grants so measured should also satisfy the following conditions: (1) the amount of the grants be confirmed with competent authorities in written form or reasonably deduced from related requirements under financial fund management measures officially released without material uncertainties; (2) the grants be given based on financial support projects and fund management policies officially published and voluntarily disclosed by local financial authorities in accordance with the requirements under disclosure of government information, where such policies should be open to any company satisfying conditions required and not specifically for certain companies; (3) the date of payment be specified in related documents and the payment thereof be covered by corresponding budget to ensure such grants will be paid on time as specified; and (4) other relevant conditions which shall be met based on the specific situations of the Company and the subject matter.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be

incurred in subsequent periods, the grant shall be recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant shall be recognized immediately in profit or loss for the current period.

For the repayment of a government grant already recognized, if there is any related deferred income, the repayment shall be off set against the carrying amount of the deferred income, and any excess shall be recognized in profit or loss for the current period; if there is no related deferred income, the repayment shall be recognized immediately in profit or loss for the current period.

### **30. Deferred tax assets / deferred income tax liabilities**

#### **(1) Current income tax**

At the balance sheet date, current income tax liabilities (or assets) for the current and prior periods shall be measured at the amount expected to be paid (or recovered) according to the requirements of tax laws. Taxable profits, which are the basis for calculating the current income tax expense, are determined after adjusting the accounting profits before tax for the year in accordance with relevant requirements of tax laws.

#### **(2) Deferred income tax assets and deferred income tax liabilities**

Temporary differences arising from the difference between the carrying amount of an asset or liability and its tax base, and the difference between the tax base and the carrying amount of those items that are not recognized as assets or liabilities but have a tax base that can be determined according to tax laws, shall be recognized as deferred income tax assets and deferred income tax liabilities using the balance sheet liability method.

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

Deferred income tax assets are not recognized for deductible temporary differences related to the initial recognition of an asset or liability in a transaction which is neither a business combination nor affects accounting profit or taxable profit (or deductible loss) at the time of the transaction. In addition, the Group recognises the corresponding deferred income tax asset for deductible temporary differences associated with investments in subsidiaries, associates and joint ventures to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilised, except when both of the following conditions are satisfied: it is not probable that the temporary difference will reverse in the foreseeable future; and it is not probable that taxable profits will be available in the future, against which the temporary difference can be utilised. The Company recognises a deferred income tax asset for the carry forward of deductible losses and tax credits to subsequent periods, to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilised.

At the balance sheet date, deferred income tax assets and deferred income tax liabilities are measured at the tax

rates that are expected to apply to the period when the asset is realised or the liability is settled, according to the requirements of tax laws.

At the balance sheet date, the Company shall review the carrying amount of a deferred income tax asset. If it is probable that sufficient taxable profits will not be available in future periods to allow the benefit of the deferred income tax asset to be utilised, the carrying amount of the deferred income tax asset shall be reduced. Any such reduction in amount shall be reversed when it becomes probable that sufficient taxable profits will be available.

### (3) Income tax expense

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

Current income tax expense (current income tax income) and deferred income tax expense (deferred income tax income) are included in profit or loss for the current period, except for: recognized as other comprehensive income or current income tax and deferred income tax related to transactions or events that are directly recognized in other comprehensive income or owners' equity, which are recognized directly in owners' equity, and deferred income tax arising from a business combination, which is adjusted against the carrying amount of goodwill.

### (4) Presentation of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

## 31. Lease

### (1) Accounting for operating lease

#### 1) Operating lease business with the Group recorded as lessee

Lease payment for operating lease is recognized as related asset cost or profits and losses for the current period using the straight-line method over the lease term. The initial direct cost is directly accounted in profit or loss for the current period. Contingent rent is recognized as profit or loss for the current period upon occurrence.

#### 2) Operating lease business with the Group recorded as lessor

Rental income is recognized in profit or loss for the current period using the straight-line method over the lease term. The initial direct cost where the amount is larger is capitalised when incurred, and accounted for as profit or loss for the current period on the same basis as recognition of rental income over the entire lease period; the initial direct cost where the amount is fewer is included in the profit or loss for the period when incurred. Contingent rental is accounted for as profit or loss for the period in which it is incurred.

### (2) Accounting for financing lease

#### 1) Financing lease business with the Group recorded as lessee

On the beginning date of the lease, the entry value of leased asset shall be at the lower of the fair value of the

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

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

## 2) Financing lease business with the Group recorded as lessor

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

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

## 32. Other important accounting policy and estimation

### (1) Discontinued operation

Discontinued operation refers to the operation disposed or classified as held-for-sale by the Company and presented separately under operation segments and financial statements, which has fulfilled one of the following criteria: ① it represents an independent key operation or key operating region; ② it is part of the proposed disposal plan on an independent key operation or proposed disposal in key operating region; or ③ it only establishes for acquisition of subsidiary through disposal.

Accounting for discontinued operation is set out in note V 13 “classified as assets held for sale”.

## 33. Major accounting policy and changes

### (1) Main accounting policy changes

Applicable  Not applicable

### (2) Changes of important accounting estimate

Applicable  Not applicable

**34. Other**

Nil

**VI. Taxes****1. Main tax category and tax rate**

Tax category	Tax calculation evidence	Tax rate
Value added tax	Sales income, and income from processing, maintenance, making repairs and supplying replacements, and labor service, simplified levy of operating lease	17%, 5%
Sales tax	Taxable labor income	5%
Tax for maintaining and building cities	Amount of value-added tax and sales tax payable	7%
Business income tax	Taxable income	25%
Educational surtax	Amount of value-added tax and sales tax payable	3%
Local educational surtax	Amount of value-added tax and sales tax payable	2%
Property tax	70% of the original value of the property	1.2%

Disclose reasons for different taxpaying body

Taxpaying body	Income tax rate

**2. Tax preference**

Nil

**3. Other**

Nil

**VII. Notes to Items in Consolidated Financial Statements****1. Monetary fund**

In RMB

Item	Ending balance	Opening balance
Cash on hand	107,118.50	141,271.10
Cash in bank	18,936,508.38	26,610,794.56
Total	19,043,626.88	26,752,065.66

Other explanation

Nil

**2. Financial assets measured by fair value and reckoned into current gains/losses with its variation**

In RMB

Item	Ending balance	Opening balance
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Other explanation:

Nil

**3. Derivative financial assets** Applicable  Not applicable**4. Note receivables****(1) Classification of notes receivable**

In RMB

Item	Ending balance	Opening balance
Bank acceptance bill	8,485,881.00	
Total	8,485,881.00	

**(2) Pledge at period-end**

In RMB

Item	Amount pledge at period-end
Total	0.00

**(3) Notes endorsement or discount and undue on balance sheet date**

In RMB

Item	Amount derecognition at period-end	Amount not derecognition at period-end
Bank acceptance bill	37,304,641.10	
Total	37,304,641.10	

**(4) Notes transfer to account receivable due for failure implementation by drawer at period-end**

In RMB

Item	Amount transfer to account receivable at period-end
Total	0.00

Other explanation

There are no notes that transfer to account receivable due for the drawer failure to perform the contract at period-end.

## 5. Accounts receivable

### (1) Accounts receivable by category

In RMB

Category	Ending balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Receivables with bad debt provision accrual by credit portfolio	11,143,456.80	90.11%	1,348,909.12	12.10%	9,794,547.68	9,591,998.29	88.69%	1,374,959.25	14.33%	8,217,039.04
Accounts with single significant amount and bad debts provision accrued individually	1,222,821.60	9.89%	244,564.32	20.00%	978,257.28	1,222,821.60	11.31%	244,564.32	20.00%	978,257.28
Total	12,366,278.40	100.00%	1,593,473.44	12.89%	10,772,804.96	10,814,819.89	100.00%	1,619,523.57	14.98%	9,195,296.32

Receivable with single significant amount and withdrawal bad debt provision separately at end of period:

Applicable  Not applicable

In combination, accounts receivable whose bad debts provision was accrued by age analysis:

Applicable  Not applicable

In RMB

Age	Ending balance		
	Account receivable	Bad debt provision	Accrual ratio
Within one year			
Within one year	9,048,027.41	27,144.08	0.30%
Subtotal within one year	9,048,027.41	27,144.08	0.30%
1-2 years	658,485.35	1,975.46	0.30%
2-3 years	117,506.98	352.52	0.30%
Over 3 years	1,319,437.06	1,319,437.06	100.00%
Total	11,143,456.80	1,348,909.12	

Explanation on combination determines:

According to the business scale, business nature, and customers' settlement, etc., the account receivable with single significant amount is determined to be RMB 5 million. The account receivable with single significant



amount has no depreciation reserve, and the reserve for bad debt provision is withdrawn with age analysis method.

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

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable:

Nil

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

Bad debt provision accrual was 4,746.76 Yuan; the amount collected or switches back amounting to 30,796.89 Yuan

Important bad debt provision collected or switch back:

In RMB

Company	Collected or switch back amount	Collection way
Total	0.00	--

## (3) Account receivable actual charge off in the Period

In RMB

Item	Amount written off
------	--------------------

Written-off for the major receivable:

In RMB

Company	Nature	Amount written off	Reason for write-off	Verification procedures	Arising from related transaction (Y/N)
Total	--	0.00	--	--	--

Explanation for write-off of receivables:

Nil

## (4) Top 5 receivables at ending balance by arrears party

Total year-end balance of top five receivables by arrears party amounting to 7,672,505.40 Yuan, takes 62.04 percent of the total account receivable at year-end, bad debt provision accrual correspondingly at year-end amounting as 263,913.37 Yuan. Specific details are as follows:

Company	Nature	Ending balance	Age	Ratio in total ending balance of accounts receivable	Ending balance of bad bet provision
Customer 1	Payment for goods	2,051,521.50	Within 1 year	16.59%	6,154.56
Customer 2	Payment for	1,871,448.42	Within 1	15.13%	5,614.35

	goods		year		
Customer 3	Payment for goods	1,578,283.50	Within 1 year	12.76%	4,734.85
Customer 4	Payment for goods	1,222,821.60	Within 1 year	9.89%	244,564.32
Customer 5	Payment for goods	948,430.38	Within 1 year	7.67%	2,845.29
Total		7,672,505.40		62.04%	263,913.37

## 6. Advance payment

### (1) Advance payment by age

In RMB

Age	Ending balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within one year	1,463,576.50	99.23%	386,433.20	97.13%
1-2 years	11,400.00	0.77%	11,400.00	2.87%
2-3 years				
Over 3 years				
Total	1,474,976.50	--	397,833.20	--

Explanation on reasons of failure to settle on important advance payment with age over one year:

Nil

### (2) Top 5 advance payment at ending balance by prepayment object

Total year-end balance of top five advance payment by prepayment object amounted to 1,433,786.00 Yuan, takes 97.21 percent of the total advance payment at year-end. Specific details are as follows:

Company	Nature	Ending balance	Age	Ratio in total ending balance of advance payment
Customer A	Advance payment	797,331.00	Within 1 year	54.06%

Customer B	Advance payment	400,000.00	Within 1 year	27.12%
Customer C	Advance payment	200,000.00	Within 1 year	13.56%
Customer D	Advance payment	22,755.00	Within 1 year	1.54%
Customer E	Advance payment	13,700.00	Within 1 year	0.93%
Total		1,433,786.00		97.21%

## 7. Interest receivable

### (1) Category

In RMB

Item	Ending balance	Opening balance
Time deposit		
Loan by mandate		
Bond investment		
Total		

### (2) Important overdue interest

Borrower	Ending balance	Overdue time	Overdue reason	Impairment (Y/N) and judgment basis
Total	0.00	--	--	--

Other explanation:

Nil

## 8. Dividend receivables

### (1) Dividend receivables

In RMB

Item (or the invested entity)	Ending balance	Opening balance
-------------------------------	----------------	-----------------

### (2) Major dividend receivables with over one year age

In RMB

Item or the invested entity)	Ending balance	Age	Reasons	Impairment (Y/N) and judgment basis
Total	0.00	--	--	--

Other explanation:

Nil

## 9. Other accounts receivable

### (1) Other accounts receivable by category

In RMB

Category	Ending balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other receivables with bad debt provision accrual by credit portfolio	1,232,730.04	100.00%	451,087.51	36.59%	781,642.53	845,449.44	100.00%	449,925.66	53.22%	395,523.78
Total	1,232,730.04	100.00%	451,087.51	36.59%	781,642.53	845,449.44	100.00%	449,925.66	53.22%	395,523.78

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period:

 Applicable  Not applicable

In combination, other accounts receivable whose bad debts provision was accrued by age analysis:

 Applicable  Not applicable

In RMB

Age	Ending balance		
	Other accounts receivable	Bad debt provision	Accrual ratio
Within one year			

Within one year	480,552.52	1,441.66	0.30%
Subtotal within one year	480,552.52	1,441.66	0.30%
1-2 years	291,442.00	874.33	0.30%
2-3 years	12,000.00	36.00	0.30%
Over 3 years	448,735.52	448,735.52	100.00%
Total	1,232,730.04	451,087.51	

Explanations on combination determine:

According to the business scale, business nature, and customers' settlement, etc., the other account receivable with single big amount is determined to be RMB 5 million. The other account receivable with single big amount has no depreciation reserve, and the reserve for bad debt provision is withdrawn with age analysis method.

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable:

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable:

Applicable  Not applicable

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

Bad debt provision accrual was 1,161.85 Yuan; the amount collected or switches back amounting to 0.00 Yuan.

Important bad debt provision collected or switch back:

In RMB

Company	Amount reversal or collected	Collection way
Total	0.00	--

Nil

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

In RMB

Item	Amount written off
------	--------------------

Written-off for the major other receivable:

In RMB

Company	Nature of other receivables	Amount written off	Reason for write-off	Verification procedures	Arising from related transaction (Y/N)
Total	--	0.00	--	--	--

Explanation for write-off of other receivables:

Nil

## (4) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Deposit	277,687.00	169,135.00
Current money	955,043.04	676,314.44
Total	1,232,730.04	845,449.44

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

In RMB

Company	Nature	Ending balance	Age	Ratio in total ending balance of other receivables	Ending balance of bad bet provision
Luwei Electrical Equipment Co.,	Loans	300,000.00	Over 3 years	24.34%	300,000.00
Shenzhen Anjinheng Industrial Co., Ltd.	Deposit	141,964.00	1-2 year	11.52%	425.89
Shenzhen Material Group	Deposit	135,723.00	1-2 year	11.01%	407.17
Total	--	577,687.00	--	46.86%	300,833.06

**(6) Account receivable with government grants involved**

In RMB

Company	Item	Ending balance	Ending age	Time, amount and basis of amount collection estimated
Total	--	0.00	--	--

**(7) Other account receivable derecognition due to financial assets transfer****(8) Assets and liability resulted by other account receivable transfer and continuous involvement**

Nil

Other explanation:

Nil

**10. Inventory****(1) Inventory classification**

In RMB

Item	Ending balance	Opening balance
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	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Raw materials	393,753.47	0.00	393,753.47	441,460.58	0.00	441,460.58
Finished goods	10,161,968.30	0.00	10,161,968.30	3,615,787.10	0.00	3,615,787.10
Total	10,555,721.77	0.00	10,555,721.77	4,057,247.68	0.00	4,057,247.68

**(2) Inventory depreciation reserve**

In RMB

Item	Opening balance	Increase in the current period		Decrease in the current period		Ending balance
		Accrual	Other	Switch back or write-off	Other	
Raw material	0.00					0.00
Stock goods	0.00					0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00

**(3) Explanation on capitalization of borrowing costs at ending balance of inventory**

Nil

**(4) Assets that completed without settlement from construction contract**

In RMB

Item	Amount

Other explanation:

Nil

**11. Assets holding ready for sold**

In RMB

Item	Ending book value	Fair value	Expected disposal expenses	Expected disposal time
Total	0.00	0.00	0.00	--

Other explanation:

Nil

**12. Non-current assets due within one year**

In RMB

Item	Ending balance	Opening balance

Other explanation:

Nil

**13. Other current assets**

In RMB

Item	Ending balance	Opening balance
Prepaid tax		209,155.59
Total		209,155.59

Other explanation:

Nil

**14. Financial assets available for sale****(1) Financial assets available for sale**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Total	0.00	0.00		0.00	0.00	

**(2) Financial assets available for sale measured by fair value at period-end**

In RMB

Type	Equity instrument available for sale	Debt instrument available for sale		Total
Cost /liability of equity instrument/ amortization cost of debt instrument				0.00
Fair value				0.00
Amount of fair value changes that accumulatively reckoned in other comprehensive gains				0.00
Amount with impairment accrual				0.00



**(3) Financial assets available for sale measured by cost at period-end**

In RMB

The invested entity	Book balance				Depreciation reserves				Ratio of share-holding in invested entity	Cash dividend
	Period-beginning	Increased	Decreased	Period-end	Period-beginning	Increased	Decreased	Period-end		
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	--	0.00

**(4) Changes of impairment in Period**

In RMB

Type	Equity instrument available for sale	Debt instrument available for sale		Total
Balance of impairment accrual at period-beg				0.00
Current accrual				0.00
Including: transfer-in from other comprehensive income				0.00
Current decrease				0.00
Including: switch back due to fair value rebound at period-end				0.00
Balance of impairment accrual at period-end				0.00

**(5) Fair value of equity instrument available for sale sharply declined or other-than-temporary declined at period-end without depreciation reserves accrual**

In RMB

Item	Investment cost	Ending fair value	Fair value declined relative to cost	Time of drops persistently (month)	Amount with impairment accrual	Reasons for un-accrual
Total	0.00	0.00	--	--	0.00	--

Other explanation

Nil

**15. Held-to-maturity investment****(1) Held-to-maturity investment**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Total	0.00	0.00		0.00	0.00	

**(2) Important held-to-maturity investment at period-end**

In RMB

Bond	Face value	Coupon value	Actual rate	Maturity date
Total	0.00	--	--	--

**(3) Held-to-maturity investment reclassify in the Period**

Nil

Other explanation

Nil

**16. Long-term account receivable****(1) Long-term account receivable**

In RMB

Item	Ending balance			Opening balance			Discount rate section
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Total	0.00	0.00		0.00	0.00		--

**(2) Long-term account receivable derecognition due to transfer of financial assets**

Nil

**(3) Assets and liability resulted by long-term account receivable transfer and continuous involvement**

Nil

Other explanation

Nil

**17. Long-term equity investment**

In RMB

The invested entity	Opening balance	+,-								Ending balance	Ending balance of impairment provision
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
<b>I. Joint venture</b>											
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
<b>II. Associated enterprise</b>											
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Other explanation

Nil

**18. 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) Certificate of title un-completed**

In RMB

Item	Book value	Reasons for un-completed
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Other explanation

Nil

**19. Fixed assets****(1) Fixed assets**

In RMB

Item	Houses and buildings	Machines and equipment	Transportation equipment	Electronic and other equipment	Total
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I. Original book value :					
1. Opening balance		416,629.06	638,645.93	675,329.87	1,730,604.86
2. Increased in the Period					
(1) Purchase	2,959,824.00				2,959,824.00
(2) Transfer from construction in process					
(3) Increased by enterprise combination					
3. Decreased in the Period					
(1) Disposal or scrap					
4. Ending balance	2,959,824.00	416,629.06	638,645.93	675,329.87	4,690,428.86
II. Accumulative depreciation					
1. Opening balance		34,252.84	246,286.52	442,159.07	722,698.43
2. Increased in the Period					
(1) Accrual		18,748.32	50,771.16	11,901.82	81,421.30
3. Decreased in the Period					
(1) Disposal or scrap					
4. Ending balance		53,001.16	297,057.68	454,060.89	804,119.73
III. Impairment provision					
1. Opening balance					
2. Increased in the Period					

(1) Accrual					
3. Decreased in the Period					
(1) Disposal or scrap					
4. Ending balance					
IV. Book value					
1. Ending book value	2,959,824.00	363,627.90	341,588.25	221,268.98	3,886,309.13
2. Opening book value		382,376.22	392,359.41	233,170.80	1,007,906.43

**(2) Fixed assets temporary idle**

In RMB

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value	Note
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**(3) Fixed assets leased through operating lease**

In RMB

Item	Original book value	Accumulated depreciation	Depreciation reserves	Book value
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**(4) Fixed assets leased through operating lease**

In RMB

Item	Ending book value
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**(5) Certificate of title un-completed**

In RMB

Item	Book value	Reasons
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Other explanation

During the Period, the Company entered into an Enterprise Talent Housing Sales Contracts with Housing and Construction Bureau of Luohu Distric, Shenzhen for purchasing the talent house, totally RMB 2,959,824.00 paid for the hosue. The above mentioned house has the limited property rights without trading, and only can buy-back by the government

**20. Construction in progress****(1) Construction in progress**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Total	0.00	0.00		0.00	0.00	

**(2) Changes in significant construction in progress**

In RMB

Item	Budget	Opening balance	increased in the Period	Fixed assets transfer-in in the Period	Other decrease d in the Period	Ending balance	Proporti on of project investme nt in budget	Progress	Accumul ated amount of interest capitaliz ation	including : interest capitaliz ed amount of the year	Interest capitaliz ation rate of the year	Source of funds
Total	0.00	0.00	0.00	0.00	0.00	0.00	--	--	0.00	0.00	0.00%	--

**(3) Depreciation reserves accrual**

In RMB

Item	Accrual Amount	Reasons
Total	0.00	--

Other explanation

Nil

**21. Engineering materials**

In RMB

Item	Ending balance	Opening balance
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Other explanation:

Nil

**22. Disposal of fixed assets**

In RMB

Item	Ending balance	Opening balance
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Other explanation:

Nil

## 23. Productive biological assets

### (1) Productive biological assets measured by cost

Applicable  Not applicable

### (2) Productive biological assets measured by fair value

Applicable  Not applicable

## 24. Oil-and-gas assets

Applicable  Not applicable

## 25. Intangible assets

### (1) Intangible assets

In RMB

Item	Land use right	Patent	Non-patent technology	Trademark	Total
I. Original book value					
1. Opening balance				5,271,000.00	5,271,000.00
2. Increased in the Period					
(1) Purchase					
(2) Internal R&D					
(3) Increased by enterprise combination					
3. Decreased in the Period					
(1) Disposal					

4. Ending balance				5,271,000.00	5,271,000.00
II. Accumulative amortization					
1. Opening balance				1,506,000.00	1,506,000.00
2. Increased in the Period					
(1) Accrual				376,500.00	376,500.00
3. Decreased in the Period					
(1) Disposal					
4. Ending balance				1,882,500.00	1,882,500.00
III. Impairment provision					
1. Opening balance					
2. Increased in the Period					
(1) Accrual					
3. Decreased in the Period					
(1) Disposal					
4. Ending balance					
IV. Book value					
1. Ending book value				3,388,500.00	3,388,500.00
2. Opening book value				3,765,000.00	3,765,000.00

Ratio of the intangible assets from internal R&D in balance of intangible assets at period-end.

## (2) Land use right without certificate of title completed

In RMB

Item	Book value	Reasons
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Other explanation:



Nil

**26. Development expense**

In RMB

Item	Opening balance	increased in the Period			Decreased Amount			Ending balance
Total	0.00	0.00	0.00		0.00	0.00	0.00	

Other explanation

Nil

**27. Goodwill****(1) Original book value of goodwill**

In RMB

The invested entity or items	Opening balance	Increase during the year		Decreased during the year		Ending balance
Total	0.00	0.00		0.00		0.00

**(2) Depreciation reserves of goodwill**

In RMB

The invested entity or items	Opening balance	Increase during the year		Decreased during the year		Ending balance
Total	0.00	0.00		0.00		0.00

Process of impairment testing, parameter and recognition method for impairment losses:

Nil

Other explanation

Nil

**28. Long-term unamortized expenses**

In RMB

Item	Opening balance	increased in the Period	Amortized in the Period	Other decrease	Ending balance

Other explanation

Nil

**29. 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
Asset depreciation reserves	308,276.93	89,066.31	308,276.93	89,066.31
Total	308,276.93	89,066.31	308,276.93	89,066.31

**(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
Total	0.00	0.00	0.00	0.00

**(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	308,276.93	89,066.31	308,276.93	89,066.31

**(4) Details of unrecognized deferred income tax assets**

In RMB

Item	Ending balance	Opening balance

**(5) Deductible losses of un-recognized deferred income tax assets expired on the followed year**

In RMB

Year	Ending amount	Opening amount	Note
Total	0.00	0.00	--

Other explanation:

Nil

**30. Other non-current assets**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

Other explanation:

Nil

**31. Short-term loans****(1) Types of short-term loans**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

Explanation on short-term loans category:

Nil

**(2) Overdue outstanding short-term loans**

Total 0.00 Yuan overdue outstanding short-term loans at period-end, including the followed significant amount:

In RMB

Unit	Ending balance	Lending rate	Overdue time	Overdue rate
Total	0.00	--	--	--

Other explanation:

Nil

**32. Financial liability measured by fair value and with its variation reckoned into current gains/losses**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

Other explanation:

Nil

**33. Derivative financial liabilities** Applicable  Not applicable**34. Notes payable**

In RMB

Type	Ending balance	Opening balance
------	----------------	-----------------

Notes expired at year-end without paid was 0.00 Yuan.

**35. Account payable****(1) Account payable**

In RMB

Item	Ending balance	Opening balance
Payment for goods	19,591,080.15	7,787,813.83
Total	19,591,080.15	7,787,813.83

**(2) Account payable with over one year book age**

In RMB

Item	Ending balance	Reasons of un-paid or carry-over
Total	0.00	--

Other explanation:

1. There are no important account payables with over one year book age in the Period.

2. Top 5 advance payment at Period-end:

Company	Ending balance	Ratio in advance payment at Period-end
Supplier 1	8,397,041.60	42.86%
Supplier 2	2,466,758.97	12.59%
Supplier 3	2,097,365.01	10.71%
Supplier 4	1,654,387.00	8.44%
Supplier 5	1,625,235.00	8.30%
Total	16,240,787.58	82.90%

**36. Account received in advance****(1) Account received in advance**

In RMB

Item	Ending balance	Opening balance
Payment for goods	3,655,590.26	2,024,718.30
Total	3,655,590.26	2,024,718.30

**(2) Account received in advance with over one year book age**

In RMB

Item	Ending balance	Reasons of un-paid or carry-over
Total	0.00	--

**(3) Projects that settle without completed from construction contract at period-end**

In RMB

Item	Amount
------	--------

Other explanation:

There are no important accounts received in advance in the Period.

**37. Wages payable****(1) Wages payable**

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Ending balance
I. Short-term compensation	1,379,350.24	2,698,441.43	3,091,290.00	986,501.67
II. Post-employment welfare- defined contribution plans	5,316.96	178,432.38	183,749.34	
Total	1,384,667.20	2,876,873.81	3,275,039.34	986,501.67

**(2) Short-term compensation**

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Ending balance
1. Wages, bonuses, allowances and subsidies	1,148,241.19	2,398,122.27	2,679,762.46	866,601.00
2. Employee services and benefits		10,300.00	10,300.00	
3. Social insurance	1,293.08	79,773.97	81,067.05	
Including: Medical insurance	1,293.08	63,459.09	64,752.17	
Work injury insurance		4,878.58	4,878.58	
Maternity insurance		11,436.30	11,436.30	
4. Housing accumulation fund	10,267.96	172,775.36	183,043.32	

5. Labor union expenditure and personnel education expense	219,548.01	37,469.83	137,117.17	119,900.67
Total	1,379,350.24	2,698,441.43	3,091,290.00	986,501.67

### (3) Defined contribution plans

In RMB

Item	Opening balance	Increase during the year	Decreased during the year	Ending balance
1. Basic endowment insurance	5,172.32	170,198.70	175,371.02	
2. Unemployment insurance	144.64	8,233.68	8,378.32	
Total	5,316.96	178,432.38	183,749.34	

Other explanation:

The Company participates in the pension insurance and unemployment insurance plans established by government authorities by laws. Under these plans, the Company makes monthly contribution to these plans based on 14% and 2% of the paid salaries of its employees respectively. Other than the aforesaid monthly contribution, the Company takes no further payment obligation. The relevant expenditure is included in current profit or loss or cost of relevant assets when occurs.

### 38. Tax payable

In RMB

Item	Ending balance	Opening balance
Value-added tax	629,150.39	1,074,435.25
Business tax		28,175.45
Enterprise income tax	-130,923.61	
Individual income tax	13,310.60	30,039.52
Urban maintenance and construction tax	18,489.79	54,951.97
Educational surtax	8,388.16	34,432.54
Embankment expenses	4,198.63	4,198.63
House property tax	45,070.60	45,070.60
Total	587,684.56	1,271,303.96

Other explanation:

Housing property tax are paid by the Company on behalf of the administrator

**39. Interest payable**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

Interest overdue without paid:

In RMB

Borrower	Amount overdue	Reasons
Total	0.00	--

Other explanation:

Nil

**40. Dividends payable**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

Other explanation, including dividends payable with over one year age and disclosure un-payment reasons:

Nil

**41. Other payable****(1) Classification of other payable according to nature of account**

In RMB

Item	Ending balance	Opening balance
Custodian	9,536,205.85	9,659,853.85
Intercourse funds	8,588,957.69	8,552,160.51
Margin	1,623,346.00	1,798,346.00
Total	19,748,509.54	20,010,360.36

**(2) Significant other payable with over one year age**

In RMB

Item	Ending balance	Reasons of un-paid or carry-over
Custodian and common benefit debts	9,536,205.85	Un-cleared
Guosheng Energy	6,500,000.00	Interest-free loans
Total	16,036,205.85	--

Other explanation

Nil

**42. Liability holding ready for sold**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

Other explanation:

Nil

**43. Non-current liability due within one year**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

Other explanation:

Nil

**44. Other current liability**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

Changes of short-term bond payable:

In RMB

Bond	Face value	Release date	Bond period	Issuing amount	Opening balance	Issued in the Period	Accrual interest by face value	Premium/discount amortization	Paid in the Period		Ending balance
Total	--	--	--	0.00	0.00	0.00	0.00	0.00	0.00		0.00

Other explanation:

Nil

**45. Long-term loans****(1) Classification of long-term loans**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

Explanation:

Nil

Other explanation, including interest rate section:

Nil



**46. Bonds payable****(1) Bonds payable**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

**(2) Changes of bonds payable (not including the other financial instrument of preferred stock and perpetual capital securities that classify as financial liability)**

In RMB

Total	--	--	--	0.00	0.00	0.00	0.00	0.00	0.00	0.00
-------	----	----	----	------	------	------	------	------	------	------

**(3) Convertible conditions and time for shares transfer for the convertible bonds**

Nil

**(4) Other financial instruments classify as financial liability**

Basic information of the outstanding preferred stock and perpetual capital securities at period-end

Nil

Changes of outstanding preferred stock and perpetual capital securities at period-end

In RMB

Outstanding financial instrument	Period-begin		Increase during the year		Decreased		Period-end	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Total	0	0.00	0	0.00	0	0.00	0	0.00

Basis for financial liability classification for other financial instrument

Nil

Other explanation

Nil

**47. Long-term account payable****(1) Listed by nature**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

Other explanation:

Nil

**48. Long-term employee payable****(1) Long-term employee payable**

In RMB

Item	Ending balance	Opening balance
------	----------------	-----------------

**(2) Changes of defined benefit plans**

Present value of the defined benefit plans:

In RMB

Item	Current amount	Last amount
------	----------------	-------------

Scheme assets:

In RMB

Item	Current amount	Last amount
------	----------------	-------------

Net liability (assts) of the defined benefit plans

In RMB

Item	Current amount	Last amount
------	----------------	-------------

Content of defined benefit plans and relevant risks, impact on future cash flow of the Company as well as times and uncertainty:

Nil

Major actuarial assumption and sensitivity analysis:

Nil

Other explanation:

Nil

**49. Special payable**

In RMB

Item	Opening balance	Increase during the year	Decrease during the year	Ending balance	Causes
Total		0.00	0.00		--

Other explanation:

Nil

**50. Accrued liability**

In RMB

Item	Ending balance	Opening balance	Causes
------	----------------	-----------------	--------

Other explanation, including relevant important assumptions and estimation:

Nil

**51. Deferred income**

In RMB

Item	Opening balance	Increase during the year	Decrease during the year	Ending balance	Causes
Total		0.00	0.00		--

Item with government grants involved:

In RMB

Item	Opening balance	New grants in the Period	Amount reckoned in non-operation revenue	Other changes	Ending balance	Assets-related/ income related
Total		0.00	0.00	0.00		--

Other explanation:

Nil

**52. Other non-current liability**

In RMB

Item	Ending balance	Opening balance

Other explanation:

Nil

**53. Share capital**

In RMB

	Opening balance	Change during the year(+,-)					Ending balance
		New shares issued	Bonus share	Shares transferred from capital reserve	Other	Subtotal	
Total shares	551,347,947.00					0.00	551,347,947.00

Other explanation:

Nil

**54. Other equity instrument****(1) Basic information of the outstanding preferred stock and perpetual capital securities at period-end**

Nil

**(2) Changes of outstanding preferred stock and perpetual capital securities at period-end**

In RMB

Outstanding financial instrument	Period-begin		Increase during the year		Decrease during the year		Period-end	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value
Total	0		0	0.00	0	0.00	0	

Changes of other equity instrument, change reasons and relevant accounting treatment basis:

Nil

Other explanation:

Nil

**55. Capital reserve**

In RMB

Item	Opening balance	Increase during the year	Decrease during the year	Ending balance
Other capital reserve	627,834,297.85			627,834,297.85
Including: income from debt restructuring	482,580,588.23			482,580,588.23
Other	145,253,709.62			145,253,709.62
Total	627,834,297.85			627,834,297.85

Other explanation, including changes and reasons for changes:

Among the other capital reserves, 135,840,297.18 Yuan refers to the payment for creditor from shares assignment by whole shareholders; majority shareholder Guosheng Energy donated 5,390,399.74 Yuan.

**56. Treasury stock**

In RMB

Item	Opening balance	Increase during the year	Decrease during the year	Ending balance
Total		0.00	0.00	

Other explanation, including changes and reasons for changes:

Nil

**57. Other comprehensive income**

In RMB

Item	Opening balance	Current amount					Ending balance
		Account before	Less: written in other comprehensive	Less: income tax expense	Belong to parent company	Belong to minority shareholders	

		income tax in the year	income in previous period and carried forward to gains and losses in current period		after tax	after tax	
Total of other comprehensive income		0.00	0.00	0.00			

Other explanation, including the active part of the hedging gains/losses of cash flow transfer to initial reorganization adjustment for the arbitrated items:

Nil

## 58. Special reserves

In RMB

Item	Opening balance	Increase during the year	Decrease during the year	Ending balance
Total		0.00	0.00	

Other explanation, including changes and reasons for changes:

Nil

## 59. Surplus reserves

In RMB

Item	Opening balance	Increase during the year	Decrease during the year	Ending balance
Statutory surplus reserve	32,673,227.01			32,673,227.01
Total	32,673,227.01			32,673,227.01

Other explanation, including changes and reasons for changes:

Nil

## 60. Retained profit

In RMB

Item	Current period	Last period
Retained profit at period-end before adjustment	-1,200,090,425.75	-1,199,952,070.17
Retained profit at period-begin after adjustment	-1,200,090,425.75	-1,199,952,070.17
Add: net profit attributable to shareholders of parent company for this year	448,356.29	-138,355.58
Retained profit at period-end	-1,199,642,069.46	-1,200,090,425.75

Adjustment for retained profit at period-begin:

- 1) Retroactive adjustment due to the Accounting Standards for Business Enterprise and relevant new regulations, retained profit at period-begin has 0.00 Yuan affected;
- 2) Due to the accounting policy changes, retained profit at period-begin has 0.00 Yuan affected;
- 3) Due to the major accounting errors correction, retained profit at period-begin has 0.00 Yuan affected;
- 4) Consolidation range changed due to the same control, retained profit at period-begin has 0.00 Yuan affected;
- 5) Total other adjustment impacts 0.00 Yuan retained profit at period-begin.

## 61. Operating income and operating cost

In RMB

Item	Current amount		Last amount	
	Income	Cost	Income	Cost
Main business	62,897,880.97	58,317,911.87	73,267,509.78	68,162,375.38
Other business	2,876,132.36	2,003,321.50	3,269,290.90	1,830,146.73
Total	65,774,013.33	60,321,233.37	76,536,800.68	69,992,522.11

## 62. Business tax and surcharge

In RMB

Item	Current amount	Last amount
Business tax	29,766.86	134,516.43
Urban maintenance and construction tax	24,281.09	56,422.39
Educational surtax	17,077.44	40,301.71
Total	71,125.39	231,240.53

Other explanation:

Taxation standards found more in Note –Tax

## 63. Sales expense

In RMB

Item	Current amount	Last amount
Salary, social insurance	1,642,059.12	1,481,509.71
Development costs for new products	378,545.62	537,519.41
Advertising promotion costs	327,449.25	771,999.30
Lease and property management fee	324,646.28	272,867.70
Travel expenses	266,170.42	172,991.20
Other	289,311.67	374,720.55
Total	3,228,182.36	3,611,607.87

Other explanation:

Nil

#### 64. Administration expense

In RMB

Item	Current amount	Last amount
Salary, social insurance and public reserves	1,310,472.25	1,598,310.64
Lease and property management fee	592,893.94	595,190.26
Other	445,273.88	361,568.50
<b>Total</b>	<b>2,348,640.07</b>	<b>2,555,069.40</b>

Other explanation:

Nil

#### 65. Financial expense

In RMB

Item	Current amount	Last amount
Interest expenditure	-551,941.52	-629,395.63
Other	7,415.97	9,167.18
<b>Total</b>	<b>-544,525.55</b>	<b>-620,228.45</b>

Other explanation:

Nil

#### 66. Loss from Assets depreciation

In RMB

Item	Current amount	Last amount
I. Bad debt losses	-24,888.28	-21,848.43
<b>Total</b>	<b>-24,888.28</b>	<b>-21,848.43</b>

Other explanation:

Nil

#### 67. Changes in fair value gains

In RMB

Changes resources	Current amount	Last amount

Other explanation:

Nil

**68. Investment income**

In RMB

Item	Current amount	Last amount
------	----------------	-------------

Other explanation:

Nil

**69. Non-operation revenue**

In RMB

Item	Current amount	Last amount	Amount reckoned into non-recurring gains/losses in the Year
Other	342,089.82	49,388.00	342,089.82
Total	342,089.82	49,388.00	342,089.82

Government grants reckoned into current gains/losses:

In RMB

Item	Issuing subject	Issuing cause	Property type	Whether the impact of subsidies on the current profit and loss	Whether special subsidies	Amount of this period	Amount of last period	Assets related/Income related
Total	--	--	--	--	--	0.00	0.00	--

Other explanation:

Nil

**70. Non-operating expenditure**

In RMB

Item	Current amount	Last amount	Amount reckoned into non-recurring gains/losses in the Year
Other	1,509.00	5,356.00	1,509.00
Total	1,509.00	5,356.00	1,509.00

Other explanation:

Nil



**71. Income tax expense****(1) Income tax expense**

In RMB

Item	Current amount	Last amount
Current income tax	195,895.21	239,892.79
Total	195,895.21	239,892.79

**(2) Adjustment on accounting profit and income tax expenses**

In RMB

Item	Current amount
Total profit	714,826.79
Income tax measured by statutory/applicable tax rate	195,895.21
income tax expenses	195,895.21

Other explanation

Nil

**72. Other comprehensive income**

Found more in Note VII 57.

**73. Items of cash flow statement****(1) Other cash received in relation to operation activities**

In RMB

Item	Current amount	Last amount
Rent and utilities etc.	1,626,821.50	1,536,196.28
Other intercourse funds	2,057,230.85	1,946,672.49
Total	3,684,052.35	3,482,868.77

Explanation on other cash received in relation to operation activities:

Nil

**(2) Other cash paid in relation to operation activities**

In RMB

Item	Current amount	Last amount
Period expenses, operation costs and common benefit debts paid	4,991,881.79	5,396,441.97
Total	4,991,881.79	5,396,441.97

Explanation on other cash paid in relation to operation activities

Nil

### (3) Cash received from other investment activities

In RMB

Item	Current amount	Last amount
------	----------------	-------------

Explanation on cash received from other investment activities:

Nil

### (4) Cash paid related with investment activities

In RMB

Item	Current amount	Last amount
------	----------------	-------------

Explanation on cash paid related with investment activities:

Nil

### (5) Other cash received in relation to financing activities

In RMB

Item	Current amount	Last amount
------	----------------	-------------

Explanation on other cash received in relation to financing activities

Nil

### (6) Cash paid related with financing activities

In RMB

Item	Current amount	Last amount
------	----------------	-------------

Explanation on cash paid related with financing activities

Nil

## 74. Supplementary information to statement of cash flow

### (1) Supplementary information to statement of cash flow

In RMB

Supplementary information	This Period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	518,931.58	592,576.86
Add: Assets impairment provision	-24,888.28	-21,848.43
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	81,421.30	67,152.80
Amortization of intangible assets	376,500.00	376,500.00
Financial expenses gain is listed with “-”)	-544,525.55	-620,228.45
Decrease of inventory (increase is listed with “-”)	-6,498,474.09	-8,788,547.59

Decrease of operating receivable accounts (increase is listed with “-”)	-11,317,496.10	-1,966,778.62
Increase of operating payable accounts (decrease is listed with “-”)	12,659,916.36	4,742,920.08
Net cash flow arising from operating activities	-4,748,614.78	-5,618,253.35
2. Material investment and financing not involved in cash flow	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	19,043,626.88	24,323,391.21
Less: Balance of cash at year-begin	26,752,065.66	30,163,866.78
Net increasing of cash and cash equivalents	-7,708,438.78	-5,840,475.57

## (2) Net cash paid for obtaining subsidiary in the Period

In RMB

	Amount
Including:	--
Including:	--
Including:	--

Other explanation:

Nil

## (3) Net cash received by disposing subsidiary in the Period

In RMB

	Amount
Including:	--
Including:	--
Including:	--

Other explanation:

Nil

## (4) Constitution of cash and cash equivalent:

In RMB

Item	Ending balance	Opening balance
I . Cash	19,043,626.88	26,752,065.66
Including: Cash on hand	107,118.50	141,271.10
Bank deposit available for	18,936,508.38	26,610,794.56

payment at any time		
III. Balance of cash and cash equivalent at period-end	19,043,626.88	26,752,065.66

Other explanation:

Cash and cash equivalents is excluding the parent company or subsidiary of the group using restricted cash and cash equivalents.

## 75. Notes of changes of owners' equity

Explain the name and adjusted amount in "Other" at end of last period:

Nil

## 76. Assets with ownership or use right restricted

In RMB

Item	Ending book value	Restriction reasons
Total	0.00	--

Other explanation:

Nil

## 77. Foreign currency monetary items

### (1) Foreign currency monetary items

In RMB

Item	Ending foreign currency balance	Convert rate	Ending RMB balance converted

Other explanation:

Nil

**(2) Explanation on foreign operational entity, including as for the major foreign operational entity, disclosed main operation place, book-keeping currency and basis for selection; if the book-keeping currency changed, explain reasons**

Applicable  Not applicable

## 78. Hedging

Disclosed hedging items and relevant hedging instrument based on hedging's category, disclosed qualitative and quantitative information for the arbitrage risks:

Nil

**79. Other**

Nil

**VIII. Changes of consolidation range****1. Enterprise combined under different control****(1) Enterprise combined under different control in the Period**

In RMB

Acquiree	Time point for equity obtained	Cost of equity obtained	Ratio of equity obtained	Acquired way Equity obtained way	Purchasing date	Standard to determine the purchasing date	Income of acquiree from purchasing date to period-end	Net profit of acquiree from purchasing date to period-end

Other explanation:

Nil

**(2) Combination cost and goodwill**

In RMB

Combination cost	
------------------	--

Determination method for fair value of the combination cost and contingent consideration and changes:

Nil

Main reasons for large goodwill resulted:

Nil

Other explanation:

Nil

**(3) Identifiable assets and liability on purchasing date under the acquiree**

In RMB

	Fair value on purchasing date	Book value on purchasing date

Determination method for fair value of the identifiable assets and liabilities:

Nil

Contingent liability of the acquiree bear during combination:

Nil

Other explanation:

Nil

**(4) Gains or losses arising from re-measured by fair value for the equity held before purchasing date**

Whether it is a business combination realized by two or more transactions of exchange and a transaction of obtained control rights in the Period or not

Y N

**(5) On purchasing date or period-end of the combination, combination consideration or fair value of identifiable assets and liability for the acquiree are un-able to confirm rationally**

Nil

**(6) Other explanation**

Nil

**2. Enterprise combined under the same control****(1) Enterprise combined under the same control in the Period**

In RMB

Acquiree	Equity ratio obtained in combination	Basis of combined under the same control	Combination date	Standard to determine the combination date	Income of the combined party from period-begin of combination to the combination date	Net profit of the combined party from period-begin of combination to the combination date	Income of the combined party during the comparison period	Net profit of the combined party during the comparison period

Other explanation:

Nil

**(2) Combination cost**

In RMB

Combination cost	
------------------	--

Explanation on contingent consideration and its changes:

Nil

Other explanation:

Nil

**(3) Assets and liability of the combined party on combination date**

In RMB

	Combination date	Ending period of last year

Contingent liability of the combined party bear during combination:

Nil

Other explanation:

Nil

**3. Counter purchase**

Basic transaction information, basis of counter purchase, whether making up business due to the assets and liability reserved by listed company and basis, determination of combination cost, amount and calculation on adjusted equity by equity transaction:

Nil

**4. Subsidiary disposal**

Whether lost controlling rights while dispose subsidiary on one time or not

 Y  N

Whether lost controlling rights in the Period while dispose subsidiary on two or more steps or not

 Y  N**5. Other reasons for consolidation range changed**

Reasons for changed on consolidation range (such as new subsidiary established, subsidiary liquidated etc.)And relevant information:

Nil

**6. Other**

Nil

**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	

Shenzhen Emmelle Industrial Co., Ltd.	Shenzhen	Shenzhen	Bicycle and spare parts distribution	70.00%		Investment
---------------------------------------	----------	----------	--------------------------------------	--------	--	------------

Explanation on share-holding ratio in subsidiary different from ratio of voting right:

Nil

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:

Nil

Controlling basis for the structuring entity included in consolidated range:

Nil

Basis on determining to be a agent or consignator:

Nil

Other explanation:

Nil

## (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
Shenzhen Emmelle Industry Co., Ltd.	30.00%	70,575.29		1,695,760.50

Explanation on share-holding ratio of minority different from ratio of voting right:

Nil

Other explanation:

Nil

## (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
Shenzhen Emmelle Industry Co., Ltd.	49,320,501.89	328,001.35	49,648,503.24	43,995,968.24		43,995,968.24	39,332,970.84	356,244.97	39,689,215.81	34,271,931.79		34,271,931.79



In RMB

Subsidiary	Current amount				Last amount			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Shenzhen Emmelle Industry Co., Ltd.	63,060,684.13	235,250.98	235,250.98	-7,627,354.73	73,914,096.70	588,013.32	588,013.32	-5,442,718.81

Other explanation:

Nil

**(4) Major restriction on using corporate's assets and liquidate corporate's debts**

Nil

**(5) Financial or other supporting provided to structuring entity that included in consolidated financial statement**

Nil

Other explanation:

Nil

**2. Transaction that has owners equity shares changed in subsidiary but still with controlling rights****(1) Owners equity shares changed in subsidiary****(2) Impact on minority's interest and owners' equity attributable to parent company**

In RMB

--	--

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
				Directly	Indirectly	

						cooperative enterprise
--	--	--	--	--	--	------------------------

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 /Current amount	Opening balance /Last amount

Other explanation

## (3) Main financial information of the important cooperative enterprise

In RMB

	Ending balance /Current amount	Opening balance /Last amount

Other explanation

## (4) Financial summary for un-important joint venture or cooperative enterprise

In RMB

	Ending balance /Current amount	Opening balance /Last amount
Joint venture	--	--
Total numbers measured by share-holding ratio	--	--
Cooperative enterprise	--	--
Total numbers measured by share-holding ratio	--	--

Other explanation

## (5) Assets transfer ability has major restriction from joint venture or cooperative enterprise

## (6) Excess losses from joint venture or cooperative enterprise

In RMB

Name	Cumulative un-confirmed losses	Un-confirmed losses not recognized in the Period (or net profit enjoyed in the Period)	Cumulative un-confirmed losses at period-end

Other explanation

**(7) Un-confirmed commitment with investment concerned with joint venture**

**(8) Contingent liability with investment concerned with joint venture or cooperative enterprise**

**4. Co-runs operation**

Name	Main operation place	Registered place	Business nature	Share-holding ratio/ share enjoyed	
				Directly	Indirectly

Share-holding ratio or shares enjoyed different from voting right ratio:

If the co-runs entity is the separate entity, basis of the co-runs classification:

Other explanation

**5. Equity in structuring entity that excluding in the consolidated financial statement**

Relevant explanation:

**6. Other**

**X. Risk related with financial instrument**

Nil

**XI. Disclosure of fair value**

**1. Ending fair value of the assets and liabilities measured by fair value**

In RMB

Item	Ending fair value			
	First-order	Second-order	Third-order	Total
I. Sustaining measured by fair value	--	--	--	--
(I) financial assets measured at fair value and changes accounted in the current profits and losses				0.00
1. transaction financial assets				0.00
(1) investment in debt instruments				0.00

(2) investment in equity instruments				0.00
(3) derivative financial assets				0.00
2. financial assets appointed to measure at fair value and changes accounted in the current profits and losses				0.00
(1) investment in debt instruments				0.00
(2) investment in equity instruments				0.00
(II) financial assets available for sale				0.00
(1) investment in debt instruments				0.00
(2) investment in equity instruments				0.00
(3) other				0.00
(III) investment real estate				0.00
1. rental land use rights				0.00
2. rental buildings				0.00
3. land use rights holding and preparing to transfer after add value				0.00
(IV) biological assets				0.00
1. consumption biological assets				0.00
2. productive biological assets				0.00
Total assets continuously measured by fair value				0.00
(V) transaction financial liabilities				0.00
Among them: issue of transaction bonds				0.00

Derivative financial liabilities				0.00
Other				0.00
(VI) financial liabilities appointed to measure at fair value and changes accounted in the current profits and losses				0.00
Total liabilities continuously measured by fair value				0.00
II. Non-persistent measure	--	--	--	--
(I) assets held for sale				0.00
Total assets non-continuously measured by fair value				0.00
Total liabilities non-continuously measured by fair value				0.00

## 2. Recognized basis for the market price sustaining and non-persistent measured by fair value on first-order

Nil

## 3. Valuation technique and qualitative and quantitative information on major parameters for the fair value measure sustaining and non-persistent on second-order

Nil

## 4. Valuation technique and qualitative and quantitative information on major parameters for the fair value measure sustaining and non-persistent on third-order

Nil

## 5. Adjustment information and sensitivity analysis of unobservable parameters for the fair value measure sustaining and non-persistent on third-order

Nil

**6. Sustaining items measured by fair value, as for the conversion between at all levels, reasons for conversion and policy for conversion time point**

Nil

**7. Changes of valuation technique in the Period**

Nil

**8. Financial assets and liability not measured by fair value**

Nil

**9. Other**

Nil

**XII. 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
Shenzhen Guosheng Energy Investment Development Co., Ltd	Shenzhen	Industrial investment, domestic commerce, supply and marketing materials (excluding monopolized commodities, and commodity under special government control)	446,800,000	11.52%	11.52%

Explanation on parent company of the enterprise

Nil

Ultimate controller of the Company is Ji Hanfei

Other explanation:

Nil

**2. Subsidiary of the Enterprise**

Found more in IX (1) of the Note

### 3. Cooperative enterprise and joint venture

Found more in 3 of Note IX.

Other cooperative enterprise and joint venture that have related transaction with the Company in the Period or occurred in previous period

Name	Relationship
------	--------------

Other explanation

Nil

### 4. Other related party

Other related party	Relationship with the Enterprise
---------------------	----------------------------------

Other explanation

Nil

### 5. Related transaction

#### (1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

In RMB

Related party	Content	Current amount	Approval trading limit	Whether over the trading limit (Y/N)	Last amount
---------------	---------	----------------	------------------------	--------------------------------------	-------------

Goods sold/labor service providing

In RMB

Related party	Content	Current amount	Last amount
---------------	---------	----------------	-------------

Explanation on goods purchasing, labor service providing and receiving

Nil

#### (2) Related trusteeship/contract and delegated administration/outsourcing

Trusteeship/contract:

In RMB

Client/ contract-out party	Entrusting party/ contractor	Assets type	Starting date	Maturity date	Yield pricing basis	Income from trusteeship/contract
-------------------------------	---------------------------------	-------------	---------------	---------------	------------------------	-------------------------------------

Explanation on related trusteeship/contract

Nil

Delegated administration/outsourcing:

In RMB

Client/ contract-out party	Entrusting party/ contractor	Assets type	Starting date	Maturity date	Pricing basis of trustee fee/outsourcing fee	trustee fee/outsourcing fee recognized in the Period
----------------------------------	---------------------------------	-------------	---------------	---------------	---	---

Explanation on related administration/outsourcing

Nil

### (3) Related lease

As a lessor for the Company:

In RMB

Lessee	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
--------	-------------	---	---

As a lessee for the Company:

In RMB

Lessor	Assets type	Lease income in recognized in the Period	Lease income in recognized last the Period
--------	-------------	---	---

Explanation on related lease

Nil

### (4) Related guarantee

As a guarantor for the Company

In RMB

Secured party	Amount guarantee	Starting date	Maturity date	Guarantee completed (Y/N)
---------------	------------------	---------------	---------------	------------------------------

As a secured party for the Company

In RMB

Guarantor	Amount guarantee	Starting date	Maturity date	Guarantee completed (Y/N)
-----------	------------------	---------------	---------------	------------------------------

Explanation on related guarantee

Nil

### (5) Borrowed funds of related party

In RMB

Related party	Borrowed funds	Starting date	Maturity date	Note
Borrowing				
Lending				



**(6) Assets transfer and debt restructuring of related party**

In RMB

Related party	Transaction content	Current amount	Last amount
---------------	---------------------	----------------	-------------

**(7) Remuneration of key manager**

In RMB

Item	Current amount	Last amount
Remuneration of key manager	732,061.00	837,786.00

**(8) Other related transactions**

Nil

**6. Receivable/payable items of related parties****(1) Receivable item**

In RMB

Item	Related party	Ending balance		Opening balance	
		Book balance	Bad debt provision	Book balance	Bad debt provision

**(2) Payable item**

In RMB

Item	Related party	Ending book balance	Opening book balance
Other account payable	Shenzhen Guosheng Energy Investment Development Co., Ltd	6,500,000.00	6,500,000.00

**7. Commitments of related party**

Nil

**8. Other**

Nil

### **XIII. Share-based payment**

#### **1. General 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. Revised and termination on share-based payment**

Nil

#### **5. Other**

Nil

### **XIV. Commitment or contingency**

#### **1. Important commitments**

Important commitments in balance sheet date

Nil

#### **2. Contingency**

##### **(1) Contingency on balance sheet date**

There are no major contingency need to disclosed up to 30 June 2016

##### **(2) For the important contingency not necessary to disclosed by the Company, explained reasons**

The Company has no important contingency that need to disclosed

#### **3. Other**

##### **(1) Commitment of operation leasing**

Till end of the balance sheet date, the long-term leasing contract signed outside by the Company is as:

① The Company renewed in to a long-term house-leasing contract with Shenzhen Material Group Co., Ltd. dated 31 May 2016, leased the property located at Room 1201, Wantong Building, No. 3002, Sungang East Road,

Luohu District, Shenzhen, as the office floor of the Company. The leasing terms agreed from 1 June 2016 to 31 May 2018, the floor area leased counted as 681.34 M<sup>2</sup>. The Company has payable rent of 691,700 Yuan for one year since 1 June 2016 in line with the contract, till end of the contract or rescinds the contract by two parties.

②The Company signed in to a long-term house-leasing contract with Shenzhen Anjingheng Industrial Co., Ltd. dated 18 September 2014, leased the property located at C section, 2/F, D-building, Shengli Industrial Park, Southwest side, Qinghua Road, Longhua Office, Longhua New District, Shenzhen, as the production spot of the Company. The leasing terms agreed from 21 September 2014 to 19 September 2018. The Company has payable rent of 510,600 Yuan for one year since 21 September 2014 in line with the contract, till end of the contract or rescinds the contract by two parties.

(2) Other commitment

The Company has no major commitments need to disclosed up 30 June 2016

## XV. Events after balance sheet date

### 1. Important non-adjustment items

In RMB

Item	Content	Impact on financial status and operation results	Reasons on un-able to estimated the impact number

### 2. Profit distribution

In RMB

### 3. Sales return

### 4. Other events after balance sheet date

Planning of private placement

The Suspension Notice of Private Placement Preparation is released by the Board dated 4 July 2016, and on 29 July 2016. The Pre-proposal of Private Placement of A-share for year of 2016 and Stock Resumption are issued by the Board. Ended as the reporting date, the event is actively pushing forward.

## XVI. Other important events

### 1. Previous accounting errors collection

#### (1) Retrospective restatement

In RMB

Content	Treatment procedures	Impact items of statement during a comparison	Cumulative impacted number

**(2) Prospective application**

Accounting error correction	Approval procedures	Reasons for prospective application adopted
-----------------------------	---------------------	---

**2. Debt restructuring**

On 11<sup>th</sup>, May 2012, the largest shareholder and biggest creditor of the Company, Shenzhen Guosheng Energy Investment and Development Co., Ltd. applied to Shenzhen Municipal Intermediate People's Court for reforming the Company as the Company couldn't pay off the matured debts and was seriously insolvent. On 12<sup>th</sup>, Oct., 2012, Shenzhen Municipal Intermediate People's Court ruled to accept the application proposed by Guosheng Energy according to (2012) Shenzhen Intermediate Court Po Zi No. 30 civil ruling. In late October 2012, Shenzhen Municipal Intermediate People's Court ruled to reform the Company since 25<sup>th</sup>, Oct., 2012 according to (2012) Shenzhen Intermediate Court Po Zi No. 30-1 civil ruling, appointed King & Wood (Shenzhen) Mallesons and Shenzhen Zhengyuan Liquidation Affairs Co., Ltd. as the custodians of the Company. Subsequently, Shenzhen Municipal Intermediate People's Court made (2012) Shenzhen Intermediate Court Po Zi No. 30-1 written decision, and approved the Company to manage property and business affairs by itself under the supervision of custodians according to the law. On 5 November 2013, the Shenzhen Intermediate People's Court (2012) Shen Zhong Fa Po Zi No. 30-6 Civil Ruling Paper judged that approved the reorganization plan of the Company. On 27 December 2013, the Civil Ruling Paper Shenzhen Intermediate People's Court (2012) Shen Zhong Fa Po Zi No. 30-10 ruled that the reorganization plan of CBC was completed and bankruptcy procedures of CBC closed down.

The Company has solved the debt problem by reforming, realized the net assets with positive value, the main business of bicycle is able to be maintained and realizes the stable development. The Company has set up the conditions for introducing the recombination party in the reforming plan, and expects to restore the abilities of sustainable operation and sustained profitability by reorganization. The conditions of introducing the recombination party includes: the assessed value of net assets should be no less than 2 billion Yuan, the net assets in the same year for implementing the major reorganization should be no less than 200 million Yuan. The Company doesn't have the recombination party at the moment. The Company will continue to carry out vary related works actively and promote the reorganization work with all efforts.

**3. Assets replacement****(1) Non-monetary assets change**

Nil

**(2) Other assets replacement**

Nil

**4. Pension plan**

Nil

**5. Discontinued operations**

In RMB

Item	Revenue	Expenses	Total profit	Income tax expenses	Net profit	Discontinued operations profit attributable to owners of parent company

Other explanation

Nil

**6. Segment****(1) Recognition basis and accounting policy for reportable segment**

Nil

**(2) Financial information for reportable segment**

In RMB

Item		Offset between divisions	Total

**(3) The company has no reportable segments, or unable to disclose total assets and total liability for reportable segments, explain reasons**

Nil

**(4) Other explanation**

Nil

**7. Major transaction and events makes influence on investor's decision**

Nil

**8. Other**

Nil

**XVII. Principle notes of financial statements of parent company****1. Accounts receivable****(1) Category**

In RMB

Category	Ending balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Receivables with bad debt provision accrual by credit portfolio	103,804.81	100.00%			103,804.81					
Total	103,804.81	100.00%			103,804.81					

Receivable with single significant amount and withdrawal bad debt provision separately at end of period:

Applicable  Not applicable

In combination, accounts receivable whose bad debts provision was accrued by age analysis:

Applicable  Not applicable

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

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for account receivable:

Nil

**(2) Bad debt provision accrual, collected or reversed**

Accrual bad debt provision 0.00 Yuan; collected or reversed 0.00 Yuan.

Major bad debt provision reversal or collected in the Period:

In RMB

Company	Amount reversal or collected	Collection way
Total	0.00	--

**(3) Receivables actually written-off during the reporting period**

In RMB

Item	Amount written off
Written-off for the major receivable	

In RMB

Company	Nature of receivables	Amount written off	Reason for write-off	Procedures implemented	Arising from related transactions
Total	--	0.00	--	--	--

Explanation for write-off of receivables:

Nil

#### (4) Top 5 receivables at ending balance by arrears party

Ending balance of account receivable amounting to RMB 103,804.81, the receivable from Shenzhen EMMELLE Industrial Co., Ltd. and has been off-set in consolidate statement

#### (5) Receivable derecognition due to transfer of financial assets

Nil

#### (6) Assets and liability resulted by receivable transfer and continuous involvement

Nil

Other explanation:

Nil

## 2. Other accounts receivable

### (1) Classification

In RMB

Category	Ending balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrual ratio		Amount	Ratio	Amount	Accrual ratio	
Other receivables with bad debt provision accrual by credit portfolio	9,702,047.78	100.00%	548.29		9,701,499.49	12,580,095.29	100.00%	548.29		12,579,547.00
Total	9,702,047.78	100.00%	548.29		9,701,499.49	12,580,095.29	100.00%	548.29		12,579,547.00

Other receivable with single significant amount and withdrawal bad debt provision separately at end of period:

Applicable  Not applicable

In combination, other accounts receivable whose bad debts provision was accrued by age analysis:

Applicable  Not applicable

In RMB

Age	Ending balance		
	Other receivable	bad debts provision	Accrual ratio
Within one year			
Within one year	9,702,047.78	548.29	
Subtotal within one year	9,702,047.78	548.29	
Total	9,702,047.78	548.29	

Explanations on combination determine:

Nil

In combination, withdrawal proportion of bad debt provision based on balance proportion for other account receivable:

Applicable  Not applicable

In combination, withdrawal proportion of bad debt provision based on other methods for other account receivable:

Applicable  Not applicable

## (2) Bad debt provision accrual, collected or reversed

Accrual bad debt provision 0.00 Yuan; collected or reversed 0.00 Yuan.

Major bad debt provision reversal or collected in the Period:

In RMB

Company	Amount reversal or collected	Collection way
Total	0.00	--

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

In RMB

Item	Amount written off

Written-off for the major other receivable:

In RMB

Company	Nature of other receivables	Amount written off	Reason for write-off	Procedures implemented	Arising from related transactions
Total	--	0.00	--	--	--

Explanation for write-off of other receivables:

Nil

## (4) Other receivables by nature

In RMB

Nature	Ending book balance	Opening book balance
Employee borrows	15,000.00	



Deposit	239,450.00	182,762.00
Intercourse funds	9,447,597.78	12,397,333.29
Total	9,702,047.78	12,580,095.29

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

In RMB

Company	Nature	Ending balance	Book age	Ratio in total ending balance of other receivables	Ending balance of bad bet provision
Shenzhen Emmelle Industry Co., Ltd.	Intercourse funds	9,447,597.78	Within one year	97.38%	0.00
Shenzhen Material Group CO., Ltd.	Deposit	135,723.00	Within two years	1.40%	0.00
Shenzhen Anjinheng Industrial Co., Ltd.	Deposit	90,100.00	Within two years	0.93%	548.29
Employee	Employee borrows	15,000.00	Within one year	0.15%	0.00
Shenzhen Baifanghe Property Co., Ltd.	Deposit	13,627.00	Within two years	0.14%	0.00
Total	--	9,702,047.78	--	100.00%	548.29

**(6) Account receivable with government subsidy involved**

In RMB

Company	Item	Ending balance	Ending book age	Time, amount and basis for money collected
Total	--	0.00	--	--

**(7) Other receivable derecognition due to transfer of financial assets**

Nil

**(8) Assets and liability resulted by other receivable transfer and continuous involvement**

Other explanation:

Nil

**3. Long-term equity investment**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Investment for subsidiary	1,400,000.00	1,389,620.27	10,379.73	1,400,000.00	1,389,620.27	10,379.73
Total	1,400,000.00	1,389,620.27	10,379.73	1,400,000.00	1,389,620.27	10,379.73

**(1) Investment for subsidiary**

In RMB

The invested entity	Opening balance	Increased	Decreased	Ending balance	Impairment accrual	Ending balance of impairment provision
Shenzhen Emmelle Industry Co., Ltd.	1,400,000.00			1,400,000.00		1,389,620.27
Total	1,400,000.00	0.00	0.00	1,400,000.00	0.00	1,389,620.27

**(2) Investment for associates and joint venture**

In RMB

Company	Opening balance	+,-								Ending balance	Ending balance of impairment provision
		Additional investment	Capital reduction	Investment gains recognized under equity	Other comprehensive income adjustment	Other equity change	Cash dividend or profit announced to issued	Impairment accrual	Other		
I. Joint venture											
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
II. Associated enterprise											
Subtotal	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Total		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		

**(3) Other explanation**

Nil

**4. Operating income and cost**

In RMB

Item	Current amount		Last amount	
	Income	Cost	Income	Cost
Other business	3,476,770.26	2,092,043.56	3,838,933.33	1,830,146.73
Total	3,476,770.26	2,092,043.56	3,838,933.33	1,830,146.73

Other explanation:

Nil

## 5. Investment gains

In RMB

Item	Current amount	Last amount
------	----------------	-------------

## 6. Other

Nil

## XVIII. Supplementary Information

### 1. Current non-recurring gains/losses

Applicable  Not applicable

In RMB

Item	Amount	Note
Other non-operating income and expenditure except for the aforementioned items	340,580.82	
Less: Impact on income tax	85,145.21	
Impact on minority shareholders' equity	1,006.83	
Total	254,428.78	--

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 (RMB/Share)	Diluted EPS (RMB/Share)
Net profits belong to common stock	3.74%	0.0008	0.0008

stockholders of the Company			
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	1.62%	0.0004	0.0004

### 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) Explain accounting difference over the accounting rules in and out of China; as for the difference adjustment for data audited by foreign auditing organ, noted the name of such foreign organ

Nil

### 4. Other

Nil

## **Section X. Documents available for reference**

1. Accounting statement carrying the signatures and seals of the legal representative, person in charge of accounting and person in charge of accounting organ.
2. Originals documents of the Company and manuscripts of public notices that disclosed in the newspaper designated by CSRC in the report period.
3. English version of the Semi-Annual Report 2016.