

# **Shenzhen China Bicycle Company (Holdings) Limited**

## **SEMI-ANNUAL REPORT 2015**

**August 2015**

## **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 plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve 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 2015 Semi-Annual Report is authentic, accurate and complete.**

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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)                   | 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 2014

#### 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 2014

### 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 2014.

## 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)   | 76,536,800.68         | 85,666,634.40            | -10.66%   |
| Net profit attributable to shareholders of the listed company(RMB)  | 416,172.86            | 1,874,649.46             | -77.80%   |
| Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB) | 383,148.86            | -2,694,064.82            | -114.22%  |
| Net cash flow arising from operating activities(RMB)  | -5,618,253.35         | 2,745,840.89             | -304.61%  |
| Basic earnings per share (RMB/Share)  | 0.0008                | 0.0034                   | -76.47%   |
| Diluted earnings per share (RMB/Share)  | 0.0008                | 0.0034                   | -76.47%   |
| Weighted average ROE  | 3.44%                 | 23.61%                   | -20.17%   |
|   | End of current period | End of last period       | Increase/decrease in this report-end over that of last period-end |
| Total assets (RMB)  | 56,305,899.30         | 51,489,647.55            | 9.35%   |
| Net assets attributable to shareholder of listed company(RMB)   | 12,319,520.53         | 11,903,347.67            | 3.50%   |

### 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 loss/profit qualified definition of extraordinary profit and loss | 44,032.00 |      |
| Less: Impact on income tax  | 11,008.00 |      |
| Total   | 33,024.00 | --   |

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 2015, domestic macro-economic situation remains severe, as in the field of traditional manufacturing, the bicycle industry continues to face the difficulties in soaring material costs, manufacture costs and capital costs, total available market continue to fall. In conference of the low market entry barriers and multiple vendors, market is extremely competitive. However, with the development of social economic in China and changes of the concept of life, the consciousness of green travel and practice relaxation continues been around, bicycle industry stands in the opportunity of structural development. In 2015 Semi-Annual, on basis of maintain key market areas of northern and eastern China, the Company emphasize market development in the South and northwest through gridding method in aspect of business development; while in aspect of operation method, gradually establish the mode of supermarket-operation and E-commerce; in aspect of product research, continues to strengthen the development of mid-to high-end bicycles, E-bike and auxiliaries; meanwhile, improve supporting and cooperation standards towards front office for the back office via reinforcing back office management and office automation. Through carrying out various operations, under the circumstances of slightly down in bicycle business over that of last year, in 2015 Semi-Annual, the gross profit from bicycle operation stands the same as last year's, business operation of the bicycle maintains a smooth and healthy running.

From January to June of 2015, the Company achieved operating income of RMB76,536,800, total profit of RMB832,500, and net profit attributable to shareholders of the listed corporation of RMB 416,200.

### 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                                | 76,536,800.68  | 85,666,634.40            | -10.66%                 | Sales drops                                      |
| Operation cost                                   | 69,992,522.11  | 80,326,800.62            | -12.87%                 | Sales drops                                      |
| Sales expenses                                   | 3,611,607.87   | 1,856,602.82             | 94.53%                  | Sales expenses from subsidiary EMMELLE increased |
| Administrative expenses                          | 2,555,069.40   | 5,077,370.04             | -49.68%                 |  |
| Financial cost                                   | -620,228.45    | -98,274.42               | 531.12%                 | Interest income increased                        |
| Income tax expense                               | 239,892.79     | 789,686.25               | -69.62%                 | The net profit drops                             |
| Net cash flow arising from operation activities  | -5,618,253.35  | 2,745,840.89             | -304.61%                |  |
| Net cash flow arising from investment activities | -222,222.22    | -219,304.27              | 1.33%                   |  |



|  |               |               |          |  |
|--|---------------|---------------|----------|--|
| Net increase of cash and cash equivalent | -5,840,475.57 | 2,526,536.62  | -331.17% |  |
| Note receivable                          | 3,342,714.00  | 2,200,000.00  | 51.94%   |  |
| Advance payment                          | 806,345.01    | 348,277.01    | 131.52%  |  |
| Inventory                                | 14,959,855.12 | 6,171,307.53  | 142.41%  | Grows dramatically compare with period-begin refers to the inventory for peak season   |
| Fixed assets                             | 1,051,862.95  | 773,961.84    | 35.91%   | Purchasing new fix assets in the Period  |
| Account payables                         | 14,754,811.13 | 10,278,377.96 | 43.55%   | Grows dramatically compare with period-begin refers to the unpaid purchases increased due to prepare goods   |
| Account received in advance              | 5,283,273.78  | 2,595,736.07  | 103.54%  |  |
| Wages payable                            | 853,053.95    | 1,772,814.72  | -51.88%  |  |
| Taxes payable                            | 783,347.69    | 2,232,187.80  | -64.91%  |  |
| Assets impairment loss                   | -21,848.43    | -13,244.86    | 64.96%   |  |
| Non-operation revenue                    | 49,388.00     | 4,902,358.37  | -98.99%  | Receiving the operation fund for year of 2014 retained as reorganization plan distributed by administrator at same period of last yera, which comes as the non-operation revenue |
| Non-operation expenditure                | 5,356.00      | 23,054.00     | -76.77%  |  |

Major changes on profit composition or profit resources in reporting period

Applicable  Not applicable

Change of the performance mainly because receiving the operation fund for year of 2014 retained as reorganization plan distributed by administrator at same period of last yera, which comes as the non-operation revenue

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

### 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 | 73,267,509.78     | 68,162,375.38  | 6.97%              | -11.10%   | -12.32%  | 1.30%  |
| According to products            |                   |                |                    |   |  |  |
| Electric vehicle                 | 54,835,830.13     | 50,940,014.83  | 7.10%              | -12.00%   | -13.33%  | 1.43%  |
| Bicycle                          | 18,391,940.77     | 17,198,432.07  | 6.49%              | -8.23%  | -8.88%   | 0.66%  |
| Other                            | 39,738.88         | 23,928.48      | 39.79%             | -31.98%   | -74.07%  | 97.72%   |
| According to region              |                   |                |                    |   |  |  |
| Shenzhen                         | 503,282.05        | 468,347.90     | 6.94%              | -23.02%   | -23.63%  | 0.75%  |
| Other places                     | 72,764,227.73     | 67,694,027.48  | 6.97%              | -11.00%   | -12.23%  | 1.31%  |

### 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 and quality management 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.

### 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 | Main | Registered | Total assets | Net assets | Operation | Operation | Net profit |
|------|------|----------|------|------------|--------------|------------|-----------|-----------|------------|
|------|------|----------|------|------------|--------------|------------|-----------|-----------|------------|

|                                     |            | involved   | products or service               | capital |               |              | revenue       | profit     |            |
|-------------------------------------|------------|------------|-----------------------------------|---------|---------------|--------------|---------------|------------|------------|
| Shenzhen Emmelle Industry Co., Ltd. | Subsidiary | Home trade | Sales of bicycles and accessories | 2000000 | 49,889,827.06 | 5,897,207.99 | 73,914,096.70 | 826,387.58 | 588,013.32 |

## 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 2015

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 |
|--------------|-------------|---------------------|------------|---------------------|--|
| Jan-Jun 2015 | The Company | Phone communication | Individual | Public shareholders | Debt restructure progress of the Company |

## Section V. Important Events

### I. Corporate governance

During the report period, in accordance with its actual situation, the Company has constantly improved the corporate governance structure of the company and strived to establish the modern enterprise system by strictly following the requirements of the Company Law, the Securities Law, and the Governance Standards for Listed Companies, and the normative documents. The Company also has operated and convoked the stockholders' meeting, the board meeting and the meeting of the board of directors by strictly following the relevant rules and procedures of the Articles of Association, and has maintained the interests of the company. The actual situation of the corporate governance structure meets requirements of the normative documents about the governance of listed companies issued by the China Securities Regulatory Commission.

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) |
|---------------|----------------------|----------------|---|---|--|--|---------------|--|---|
|               |                      |                |   |   |  |  |               |  |   |

Debts payable to related party:

| Related party | Related | Forming | Balance of | Amount | Amount | Interest rate | Current | Balance at |
|---------------|---------|---------|------------|--------|--------|---------------|---------|------------|
|               |         |         |            |        |        |               |         |            |

|   | relationship               | reason                          | period-begin<br>(in 10<br>thousand<br>Yuan) | increased in<br>the Period (in<br>10 thousand<br>Yuan) | returned in<br>the Period (in<br>10 thousand<br>Yuan) |       | interest (in 10<br>thousand<br>Yuan) | period-end<br>(in 10<br>thousand<br>Yuan) |
|---|----------------------------|---------------------------------|---|--|---|-------|--------------------------------------|---|
| Shenzhen<br>Guosheng<br>Energy<br>Investment<br>Development<br>Co., Ltd | The largest<br>shareholder | Subsidiary<br>borrow<br>capital | 650   | 0  | 0   | 0.00% | 0                                    | 650                                       |

## 5. Other significant related transactions

Applicable  Not applicable

The Company had no other related transactions in the 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 are as:

1. The Company entered into a long-term house-leasing contract with Shenzhen Material Group Co., Ltd. dated 1 May 2014, 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 May 2014 to 30 April 2017, the floor area leased counted as 681.34 M<sup>2</sup>. The Company has payable rent of 474,200 Yuan for one year since 1 May 2014 in line with the contract, till end of the contract or resind



the contract by two parties.

2. The Company entered into 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 resind 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

## 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                      | 8,232              | 0.00%      |  |              |                                 | -2,025 | -2,025   | 6,207             | 0.00%      |
| 1. State-owned shares                     | 0                  | 0.00%      |  |              |                                 |        |          | 0                 | 0.00%      |
| 2. State-owned legal person's shares      | 0                  | 0.00%      |  |              |                                 |        |          | 0                 | 0.00%      |
| 3. Other domestic shares                  | 8,232              | 0.00%      |  |              |                                 | -2,025 | -2,025   | 6,207             | 0.00%      |
| Including: Domestic legal person's shares | 0                  | 0.00%      |  |              |                                 |        |          | 0                 | 0.00%      |
| Domestic natural person's shares          | 8,232              | 0.00%      |  |              |                                 | -2,025 | -2,025   | 6,207             | 0.00%      |
| 4. Foreign shares                         | 0                  | 0.00%      |  |              |                                 |        |          | 0                 | 0.00%      |
| Including: Foreign legal person's shares  | 0                  | 0.00%      |  |              |                                 |        |          | 0                 | 0.00%      |
| Foreign natural person's shares           | 0                  | 0.00%      |  |              |                                 |        |          | 0                 | 0.00%      |
| II. Unrestricted shares                   | 551,339,715        | 100.00%    |  |              |                                 | 2,025  | 2,025    | 551,341,740       | 100.00%    |
| 1. RMB Ordinary shares                    | 302,976,733        | 54.95%     |  |              |                                 | 2,025  | 2,025    | 302,978,758       | 54.95%     |
| 2. Domestically listed foreign shares     | 248,362,982        | 45.05%     |  |              |                                 |        |          | 248,362,982       | 45.05%     |
| 3. Overseas listed foreign shares         | 0                  | 0.00%      |  |              |                                 |        |          | 0                 | 0.00%      |
| 4. Others                                 | 0                  | 0.00%      |  |              |                                 |        |          | 0                 | 0.00%      |
| III. Total shares                         | 551,347,947        | 100.00%    |  |              |                                 |        | 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

| Shareholders   | Nature of shareholder                 | Proportion of shares held | Number of common shares held at period-end | Changes in reporting period | Amount of restrict common shares held  | Amount of un-restrict common shares held | Number of share pledged/frozen |        |
|--|---------------------------------------|---------------------------|--|-----------------------------|--|--|--------------------------------|--------|
|  |                                       |                           |  |                             |  |  | State of share                 | Amount |
| Total common shareholders at period-end  |                                       |                           |  | 42,768                      | 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 |                                       |                           |  |                             |  |  |                                |        |
| Shenzhen Guosheng Energy Investment Development Co., Ltd                                     | Domestic non-State-owned legal person | 11.52%                    | 63,508,747                                 | 0                           | 0  | 63,508,747                               |                                |        |
| Specific account of property disposition for bankruptcy enterprise of CBC                    | Domestic non-State-owned legal person | 1.53%                     | 8,450,002                                  | 0                           | 0  | 8,450,002                                |                                |        |
| Zeng Ying  | Domestic nature person                | 1.15%                     | 6,352,517                                  | 0                           | 0  | 6,352,517                                |                                |        |

| Zhongrong International Trust – Rongxiang No.3 structured Security Group Capital Trust                                       | Other  | 1.02%                              | 5,639,218  | 5639218 | 0 | 5,639,218 |  |  |
|--|--|------------------------------------|------------|---------|---|-----------|--|--|
| Yao Ming   | Domestic nature person   | 0.84%                              | 4,611,456  | 4611456 | 0 | 4,611,456 |  |  |
| Shang H.K. Wanguo Securities   | Foreign legal person   | 0.79%                              | 4,361,568  | 4361568 | 0 | 4,361,568 |  |  |
| Li Huili   | Domestic nature person   | 0.71%                              | 3,891,124  | 0       | 0 | 3,891,124 |  |  |
| CMS H.K. Co., Ltd.   | State-owned legal person   | 0.67%                              | 3,691,386  | 3691386 | 0 | 3,691,386 |  |  |
| Xu Hongbo  | Domestic nature person   | 0.57%                              | 3,137,419  | 0       | 0 | 3,137,419 |  |  |
| BOCI SECURITIES LIMITED  | Foreign legal person   | 0.53%                              | 2,927,271  | 2927271 | 0 | 2,927,271 |  |  |
| Strategy investors or general corporate becomes top 10 common shareholders due to rights issued (if applicable) (see Note 3) | N/A  |                                    |            |         |   |           |  |  |
| 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     |         |   |           |  |  |
| Shenzhen Guosheng Energy Investment Development Co., Ltd   | 63,508,747   | RMB common shares                  | 63,508,747 |         |   |           |  |  |
| Specific account of property disposition for bankruptcy enterprise of CBC  | 8,450,002  | RMB common shares                  | 4,655,913  |         |   |           |  |  |
|  |  | Domestically listed foreign shares | 3,794,089  |         |   |           |  |  |

|   |  |                                    |           |
|---|--|------------------------------------|-----------|
| Zeng Ying   | 6,352,517  | Domestically listed foreign shares | 6,352,517 |
| Zhongrong International Trust – Rongxiang No.3 structured Security Group Capital Trust  | 5,639,218  | RMB common shares                  | 5,639,218 |
| Yao Ming  | 4,611,456  | Domestically listed foreign shares | 4,611,456 |
| Shang H.K. Wanguo Securities  | 4,361,568  | Domestically listed foreign shares | 4,361,568 |
| Li Huili  | 3,891,124  | Domestically listed foreign shares | 3,891,124 |
| CMS H.K. Co., Ltd.  | 3,691,386  | Domestically listed foreign shares | 3,691,386 |
| Xu Hongbo   | 3,137,419  | Domestically listed foreign shares | 3,137,419 |
| BOCI SECURITIES LIMITED   | 2,927,271  | Domestically listed foreign shares | 2,927,271 |
| 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. |                                    |           |
| Explanation on shareholders involving margin business about top ten common shareholders with un-restrict shares held(if applicable) (see note4)   | N/A  |                                    |           |

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 in (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 Zhonghua | Supervisor | Currently in office | 8,276                                  | 0   | 2,000   | 6,276                             | 6,207   | 0   | 6,207   |
| Total          | --         | --                  | 8,276                                  | 0   | 2,000   | 6,276                             | 6,207   | 0   | 6,207   |

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

√ Applicable □ Not applicable

| Name       | Title              | Type           | Date       | Reason   |
|------------|--------------------|----------------|------------|--|
| Luo Guiyou | Director, chairman | Office leaving | 2015-04-13 | Resigned as director and chairman of the Company due to personal reasons |
| Li Hai     | Director, chairman | Be elected     | 2015-04-15 | Be elected as Chairman of the Company                                    |

## 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

2015-06-30

In RMB

| Item   | Closing balance | Opening balance |
|--|-----------------|-----------------|
| Current assets:  |                 |                 |
| Monetary funds   | 24,323,391.21   | 30,163,866.78   |
| Settlement provisions  |                 |                 |
| Capital lent   |                 |                 |
| Financial liability measured by fair value and with variation reckoned into current gains/losses |                 |                 |
| Derivative financial liability   |                 |                 |
| Notes receivable   | 3,342,714.00    | 2,200,000.00    |
| Accounts receivable  | 7,008,963.97    | 6,790,982.50    |
| Accounts paid in advance   | 806,345.01      | 348,277.01      |
| Insurance receivable   |                 |                 |
| Reinsurance receivables  |                 |                 |
| Contract reserve of reinsurance receivable   |                 |                 |
| Interest receivable  |                 |                 |
| Dividend receivable  |                 |                 |
| Other receivables  | 659,269.96      | 511,254.81      |
| Purchase restituted finance asset  |                 |                 |

|  |               |               |
|--|---------------|---------------|
| Inventories  | 14,959,855.12 | 6,171,307.53  |
| Divided into assets held for sale  |               |               |
| Non-current asset due within one year  |               |               |
| Other current assets   |               |               |
| Total current assets   | 51,100,539.27 | 46,185,688.63 |
| 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   | 1,051,862.95  | 773,961.84    |
| Construction in progress   |               |               |
| Engineering material   |               |               |
| Disposal of fixed asset  |               |               |
| Productive biological asset  |               |               |
| Oil and gas asset  |               |               |
| Intangible assets  | 4,141,500.00  | 4,518,000.00  |
| Expense on Research and Development  |               |               |
| Goodwill   |               |               |
| Long-term expenses to be apportioned   |               |               |
| Deferred income tax asset  | 11,997.08     | 11,997.08     |
| Other non-current asset  |               |               |
| Total non-current asset  | 5,205,360.03  | 5,303,958.92  |
| Total assets   | 56,305,899.30 | 51,489,647.55 |
| 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                          | 14,754,811.13 | 10,278,377.96 |
| Accounts received in advance              | 5,283,273.78  | 2,595,736.07  |
| Selling financial asset of repurchase     |               |               |
| Commission charge and commission payable  |               |               |
| Wage payable                              | 853,053.95    | 1,772,814.72  |
| Taxes payable                             | 783,347.69    | 2,232,187.80  |
| Interest payable                          |               |               |
| Dividend payable                          |               |               |
| Other accounts payable                    | 20,542,729.82 | 21,114,424.93 |
| 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                 | 42,217,216.37 | 37,993,541.48 |
| 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                         | 42,217,216.37 | 37,993,541.48 |

|   |                   |                   |
|---|-------------------|-------------------|
| 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                              | 627,834,243.83    | 627,834,243.83    |
| 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                                     | -1,199,535,897.31 | -1,199,952,070.17 |
| Total owner's equity attributable to parent company | 12,319,520.53     | 11,903,347.67     |
| Minority interests                                  | 1,769,162.40      | 1,592,758.40      |
| Total owner's equity                                | 14,088,682.93     | 13,496,106.07     |
| Total liabilities and owner's equity                | 56,305,899.30     | 51,489,647.55     |

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   | 965,340.25      | 1,363,097.01    |
| Financial liability measured by fair value and with variation reckoned into current gains/losses |                 |                 |
| Derivative financial liability   |                 |                 |
| Notes receivable   |                 |                 |
| Accounts receivable  | 694,416.00      | 694,416.00      |
| Account paid in advance  | 258,070.50      | 140,275.00      |
| Interest receivable  |                 |                 |
| Dividends receivable   |                 |                 |

|  |               |               |
|--|---------------|---------------|
| Other receivables  | 11,670,722.64 | 13,714,033.12 |
| Inventories  | 46,730.10     |               |
| Divided into assets held for sale  |               |               |
| Non-current assets maturing within one year  |               |               |
| Other current assets   |               |               |
| Total current assets   | 13,635,279.49 | 15,911,821.13 |
| 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   | 794,668.68    | 624,330.89    |
| Construction in progress   |               |               |
| Project materials  |               |               |
| Disposal of fixed assets   |               |               |
| Productive biological assets   |               |               |
| Oil and natural gas assets   |               |               |
| Intangible assets  | 4,141,500.00  | 4,518,000.00  |
| Research and development costs   |               |               |
| Goodwill   |               |               |
| Long-term deferred expenses  |               |               |
| Deferred income tax assets   |               |               |
| Other non-current assets   |               |               |
| Total non-current assets   | 4,946,548.41  | 5,152,710.62  |
| Total assets   | 18,581,827.90 | 21,064,531.75 |
| 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   |               | 294,300.00    |

|   |                |                |
|---|----------------|----------------|
| Accounts received in advance              |                |                |
| Wage payable                              | 22,308.47      | 568,210.39     |
| Taxes payable                             | -309,038.85    | 309,944.51     |
| Interest payable                          |                |                |
| Dividend payable                          |                |                |
| Other accounts payable                    | 10,666,703.61  | 11,694,785.72  |
| Divided into liability held for sale      |                |                |
| Non-current liabilities due within 1 year |                |                |
| Other current liabilities                 |                |                |
| Total current liabilities                 | 10,379,973.23  | 12,867,240.62  |
| 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                         | 10,379,973.23  | 12,867,240.62  |
| Owners' equity:                           |                |                |
| Share capita                              | 551,347,947.00 | 551,347,947.00 |
| Other equity instrument                   |                |                |
| Including: preferred stock                |                |                |
| Perpetual capital securities              |                |                |
| Capital public reserve                    | 627,834,243.83 | 627,834,243.83 |
| Less: Inventory shares                    |                |                |
| Other comprehensive income                |                |                |

|                                      |                   |                   |
|--------------------------------------|-------------------|-------------------|
| Reasonable reserve                   |                   |                   |
| Surplus reserve                      | 32,673,227.01     | 32,673,227.01     |
| Retained profit                      | -1,203,653,563.17 | -1,203,658,126.71 |
| Total owner's equity                 | 8,201,854.67      | 8,197,291.13      |
| Total liabilities and owner's equity | 18,581,827.90     | 21,064,531.75     |

### 3. Consolidated Profit Statement

In RMB

| Item  | Current Period | Last Period   |
|---|----------------|---------------|
| I. Total operating income                                   | 76,536,800.68  | 85,666,634.40 |
| Including: Operating income                                 | 76,536,800.68  | 85,666,634.40 |
| Interest income   |                |               |
| Insurance gained  |                |               |
| Commission charge and commission income                     |                |               |
| II. Total operating cost                                    | 75,748,363.03  | 87,395,185.64 |
| Including: Operating cost                                   | 69,992,522.11  | 80,326,800.62 |
| 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                                    | 231,240.53     | 245,931.44    |
| Sales expenses  | 3,611,607.87   | 1,856,602.82  |
| Administration expenses                                     | 2,555,069.40   | 5,077,370.04  |
| Financial expenses  | -620,228.45    | -98,274.42    |
| Losses of devaluation of asset                              | -21,848.43     | -13,244.86    |
| 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 “-”)   | 788,437.65 | -1,728,551.24 |
| Add: Non-operating income   | 49,388.00  | 4,902,358.37  |
| Including: Disposal gains of non-current asset  |            | 39,731.46     |
| Less: Non-operating expense   | 5,356.00   | 23,054.00     |
| Including: Disposal loss of non-current asset   |            | 5,880.00      |
| IV. Total Profit (Loss is listed with “-”)  | 832,469.65 | 3,150,753.13  |
| Less: Income tax expense  | 239,892.79 | 789,686.25    |
| V. Net profit (Net loss is listed with “-”)   | 592,576.86 | 2,361,066.88  |
| Net profit attributable to owner’s of parent company  | 416,172.86 | 1,874,649.46  |
| Minority shareholders’ gains and losses   | 176,404.00 | 486,417.42    |
| 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  | 592,576.86 | 2,361,066.88 |
| Total comprehensive income attributable to owners of parent Company  | 416,172.86 | 1,874,649.46 |
| Total comprehensive income attributable to minority shareholders   | 176,404.00 | 486,417.42   |
| VIII. Earnings per share:  |            |              |
| (i) Basic earnings per share   | 0.0008     | 0.0034       |
| (ii) Diluted earnings per share  | 0.0008     | 0.0034       |

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 | 3,838,933.33   | 3,703,766.10 |

|   |              |               |
|---|--------------|---------------|
| Less: Operating cost  | 1,830,146.73 | 2,536,032.31  |
| Operating tax and extras  | 150,658.40   | 192,196.65    |
| Sales expenses  |              |               |
| Administration expenses   | 1,895,716.02 | 4,731,814.61  |
| Financial expenses  | 362.11       | 1,132.90      |
| Losses of devaluation of asset  |              | 1,356.41      |
| 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 “-”)  | -37,949.93   | -3,758,766.78 |
| Add: Non-operating income   | 49,388.00    | 4,762,626.91  |
| Including: Disposal gains of non-current asset  |              |               |
| Less: Non-operating expense   | 5,356.00     | 17,174.00     |
| Including: Disposal loss of non-current asset   |              |               |
| III. Total Profit (Loss is listed with “-”)   | 6,082.07     | 986,686.13    |
| Less: Income tax expense  | 1,518.53     | 247,010.64    |
| IV. Net profit (Net loss is listed with “-”)  | 4,563.54     | 739,675.49    |
| 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   | 4,563.54 | 739,675.49 |
| VII. Earnings per share:   |          |            |
| (i) Basic earnings per share   | 0.0000   | 0.0013     |
| (ii) Diluted earnings per share  | 0.0000   | 0.0013     |

## 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 | 34,158,138.33  | 43,219,779.00 |
| 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   | 3,482,868.77  | 110,619,815.38 |
| Subtotal of cash inflow arising from operating activities   | 37,641,007.10 | 153,839,594.38 |
| Cash paid for purchasing commodities and receiving labor service  | 31,689,708.37 | 42,938,795.58  |
| 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  | 3,739,557.53  | 5,398,978.85   |
| Taxes paid  | 2,433,552.58  | 93,668,033.13  |
| Other cash paid concerning operating activities   | 5,396,441.97  | 9,087,945.93   |

|   |               |                |
|---|---------------|----------------|
| Subtotal of cash outflow arising from operating activities                                | 43,259,260.45 | 151,093,753.49 |
| Net cash flows arising from operating activities  | -5,618,253.35 | 2,745,840.89   |
| 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           |               | 100,500.00     |
| Net cash received from disposal of subsidiaries and other units                           |               |                |
| Other cash received concerning investing activities                                       |               |                |
| Subtotal of cash inflow from investing activities   |               | 100,500.00     |
| Cash paid for purchasing fixed, intangible and other long-term assets                     | 222,222.22    | 319,804.27     |
| 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  | 222,222.22    | 319,804.27     |
| Net cash flows arising from investing activities  | -222,222.22   | -219,304.27    |
| 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                                   | -5,840,475.57 | 2,526,536.62  |
| Add: Balance of cash and cash equivalents at the period -begin                 | 30,163,866.78 | 26,834,171.59 |
| VI. Balance of cash and cash equivalents at the period -end                    | 24,323,391.21 | 29,360,708.21 |

## 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                                      | 6,815,760.81   | 116,130,748.61 |

|   |              |                |
|---|--------------|----------------|
| operating activities  |              |                |
| Subtotal of cash inflow arising from operating activities                       | 6,815,760.81 | 116,130,748.61 |
| Cash paid for purchasing commodities and receiving labor service                | 565,829.60   |                |
| Cash paid to/for staff and workers  | 1,464,271.76 | 3,769,818.64   |
| Taxes paid  | 802,407.36   | 92,786,756.90  |
| Other cash paid concerning operating activities                                 | 4,158,786.63 | 19,248,933.80  |
| Subtotal of cash outflow arising from operating activities                      | 6,991,295.35 | 115,805,509.34 |
| Net cash flows arising from operating activities                                | -175,534.54  | 325,239.27     |
| 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           | 222,222.22   | 316,300.00     |
| 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                              | 222,222.22   | 316,300.00     |



|  |              |              |
|--|--------------|--------------|
| Net cash flows arising from investing activities                               | -222,222.22  | -316,300.00  |
| 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                                   | -397,756.76  | 8,939.27     |
| Add: Balance of cash and cash equivalents at the period -begin                 | 1,363,097.01 | 1,080,836.82 |
| VI. Balance of cash and cash equivalents at the period -end                    | 965,340.25   | 1,089,776.09 |

## 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   | Other equity instrument | Capital reserve | Less: Invento | Other compre | Reason able | Surplus reserve | Provisio n of | Retaine d profit |                    |                      |
|      |   |                         |                 |               |              |             |                 |               |                  |                    |                      |

|   | capital        | Prefer<br>red<br>stock | Perpet<br>ual<br>capita<br>l<br>securi<br>ties | Other |                | ry<br>shares | hensive<br>income | reserve |               | general<br>risk |                   |              |               |
|---|----------------|------------------------|--|-------|----------------|--------------|-------------------|---------|---------------|-----------------|-------------------|--------------|---------------|
| 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 |
| III. Increase/Decrease in this year (Decrease is listed with "-") |                |                        |  |       |                |              |                   |         |               |                 | 416,172.86        | 176,404.00   | 592,576.86    |
| (i) Total comprehensive income                                    |                |                        |  |       |                |              |                   |         |               |                 | 416,172.86        | 176,404.00   | 592,576.86    |
| (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 converted to capital (share capital) |                |  |  |  |                |  |  |  |               |  |                   |              |               |
| 2. Surplus reserves converted to capital (share capital) |                |  |  |  |                |  |  |  |               |  |                   |              |               |
| 3. Remedying loss with surplus reserve                   |                |  |  |  |                |  |  |  |               |  |                   |              |               |
| 4. Other   |                |  |  |  |                |  |  |  |               |  |                   |              |               |
| (V) Reasonable reserve                                   |                |  |  |  |                |  |  |  |               |  |                   |              |               |
| 1. Withdrawal in the report period                       |                |  |  |  |                |  |  |  |               |  |                   |              |               |
| 2. Usage in the report period                            |                |  |  |  |                |  |  |  |               |  |                   |              |               |
| (VI)Others   |                |  |  |  |                |  |  |  |               |  |                   |              |               |
| IV. Balance at the end of the report period              | 551,347,947.00 |  |  |  | 627,834,243.83 |  |  |  | 32,673,227.01 |  | -1,199,535,897.31 | 1,769,162.40 | 14,088,682.93 |

Last Period

In RMB

| Item              | Last Period                                       |                              |       |  |                 |                        |                            |                    |                 |                           |                 |         | Minority interest | Total owners' equity |
|-------------------|---|------------------------------|-------|--|-----------------|------------------------|----------------------------|--------------------|-----------------|---------------------------|-----------------|---------|-------------------|----------------------|
|                   | Owners' equity attributable to the parent Company |                              |       |  |                 |                        |                            |                    |                 |                           |                 |         |                   |                      |
|                   | 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 | 551,347,947.                                      |                              |       |  | 627,819         |                        |                            |                    | 32,673,         |                           | -1,204,837,748. | 695,437 | 7,698,7           |                      |

|   |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
|---|------------------------|--|--|--|--------------------|--|--|--|-------------------|--|---------------------------|----------------|------------------|
| end of the last year  | 00                     |  |  |  | ,910.12            |  |  |  | 227.01            |  | 73                        | .78            | 73.18            |
| Add:<br>Changes of<br>accounting policy                                     |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| Error<br>correction of the<br>last period                                   |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| Enterprise<br>combine under the<br>same control                             |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| Other   |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| II. Balance at the<br>beginning of this<br>year                             | 551,34<br>7,947.<br>00 |  |  |  | 627,819<br>,910.12 |  |  |  | 32,673,<br>227.01 |  | -1,204,8<br>37,748.<br>73 | 695,437<br>.78 | 7,698,7<br>73.18 |
| III. Increase/<br>Decrease in this<br>year (Decrease is<br>listed with “-”) |                        |  |  |  | 14,333.<br>71      |  |  |  |                   |  | 4,885,6<br>78.56          | 897,320<br>.62 | 5,797,3<br>32.89 |
| (i) Total<br>comprehensive<br>income  |                        |  |  |  |                    |  |  |  |                   |  | 4,885,6<br>78.56          | 897,320<br>.62 | 5,782,9<br>99.18 |
| (ii) Owners’<br>devoted and<br>decreased capital                            |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| 1.Common shares<br>invested by<br>shareholders                              |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| 2. Capital invested<br>by holders of other<br>equity instruments            |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| 3. Amount<br>reckoned into<br>owners equity with<br>share-based<br>payment  |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| 4 Other   |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| (III) Profit<br>distribution  |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| 1. Withdrawal of<br>surplus reserves  |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| 2. Withdrawal of<br>general risk<br>provisions                              |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| 3. Distribution for<br>owners (or<br>shareholders)                          |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| 4. Other  |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |
| (IV) Carrying   |                        |  |  |  |                    |  |  |  |                   |  |                           |                |                  |

|  |                |  |  |  |                |  |  |               |  |                   |              |               |           |
|--|----------------|--|--|--|----------------|--|--|---------------|--|-------------------|--------------|---------------|-----------|
| forward internal owners' equity                          |                |  |  |  |                |  |  |               |  |                   |              |               |           |
| 1. Capital reserves converted to capital (share capital) |                |  |  |  |                |  |  |               |  |                   |              |               |           |
| 2. Surplus reserves converted to capital (share capital) |                |  |  |  |                |  |  |               |  |                   |              |               |           |
| 3. Remedying loss with surplus reserve                   |                |  |  |  |                |  |  |               |  |                   |              |               |           |
| 4. Other   |                |  |  |  |                |  |  |               |  |                   |              |               |           |
| (V) Reasonable reserve                                   |                |  |  |  |                |  |  |               |  |                   |              |               |           |
| 1. Withdrawal in the report period                       |                |  |  |  |                |  |  |               |  |                   |              |               |           |
| 2. Usage in the report period                            |                |  |  |  |                |  |  |               |  |                   |              |               |           |
| (VI) Others  |                |  |  |  | 14,333.71      |  |  |               |  |                   |              |               | 14,333.71 |
| IV. Balance at the end of the report period              | 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 |           |

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

This Period

In RMB

| Item                                   | This Period    |                         |                              |       |                 |                        |                            |                    |                 |                   |  | Total owners' equity |  |
|--|----------------|-------------------------|------------------------------|-------|-----------------|------------------------|----------------------------|--------------------|-----------------|-------------------|--|----------------------|--|
|  | Share capital  | Other equity instrument |                              |       | Capital reserve | Less: Inventory shares | Other comprehensive income | Reasonable reserve | Surplus reserve | 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   | -1,203,658,126.71 |  | 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 "-") |                |  |  |  |                |  |  |  |               | 4,563.54          | 4,563.54     |
| (i) Total comprehensive income                                    |                |  |  |  |                |  |  |  |               | 4,563.54          | 4,563.54     |
| (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                                  |                |  |  |  |                |  |  |  |               |                   |              |
| IV. Balance at the end of the report period | 551,347,947.00 |  |  |  | 627,834,243.83 |  |  |  | 32,673,227.01 | -1,203,653,563.17 | 8,201,854.67 |

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 |                         |                              |       | 627,819,910.12  |                        |                            |                    | 32,673,227.01   | -1,206,450,057.15 | 5,391,026.98         |
| Add: Changes of accounting policy                                 |                |                         |                              |       |                 |                        |                            |                    |                 |                   |                      |
| Error correction of the last period                               |                |                         |                              |       |                 |                        |                            |                    |                 |                   |                      |
| Other   |                |                         |                              |       |                 |                        |                            |                    |                 |                   |                      |
| II. Balance at the beginning of this year                         | 551,347,947.00 |                         |                              |       | 627,819,910.12  |                        |                            |                    | 32,673,227.01   | -1,206,450,057.15 | 5,391,026.98         |
| III. Increase/Decrease in this year (Decrease is listed with "-") |                |                         |                              |       | 14,333.71       |                        |                            |                    |                 | 2,791,930.44      | 2,806,264.15         |
| (i) Total comprehensive income                                    |                |                         |                              |       |                 |                        |                            |                    |                 | 2,791,930.44      | 2,791,930.44         |

|  |                |  |  |  |                |  |  |  |               |                 |              |           |
|--|----------------|--|--|--|----------------|--|--|--|---------------|-----------------|--------------|-----------|
| (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. Remediating loss with surplus reserve                       |                |  |  |  |                |  |  |  |               |                 |              |           |
| 4. Other   |                |  |  |  |                |  |  |  |               |                 |              |           |
| (V) Reasonable reserve   |                |  |  |  |                |  |  |  |               |                 |              |           |
| 1. Withdrawal in the report period                             |                |  |  |  |                |  |  |  |               |                 |              |           |
| 2. Usage in the report period                                  |                |  |  |  |                |  |  |  |               |                 |              |           |
| (VI)Others   |                |  |  |  | 14,333.71      |  |  |  |               |                 |              | 14,333.71 |
| IV. Balance at the end of the report period                    | 551,347,947.00 |  |  |  | 627,834,243.83 |  |  |  | 32,673,227.01 | -1,203,658,126. | 8,197,291.13 |           |



**III. Company Profile****I. 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 2015, 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 18 August 2015

**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**

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

Tips for specific accounting policy and estimate:

### **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 2015 and operation results and cash flows for the first half year of 2015. 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 assets'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 IV 5(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 IV 4, 13 "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 IV 13 "Long-term equity investments" or Note IV 9 "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: (i) The transactions are entered into after considering the mutual consequences of each individual transaction; (ii) The transactions need to be considered as a whole in order to achieve a deal in commercial sense; (iii) The occurrence of an individual transaction depends on the occurrence of one or more individual transactions in the series; (iv) 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 IV 13 (2) (iv)) 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 IV.13.(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 (i) 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; (ii) 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 (iii) 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.

### ②Held-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.

### ③Loan 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 divide 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.

### ②Other 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.

### ③Financial 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%                                    |

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 realizablevalue 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, amortisation 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 10. “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 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 IV.20 “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 “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**

## **20. Oil-and-gas assets**

## **21. Intangible assets**

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

#### **(1) Intangible assets**

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 (e.g. plants), 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.

## 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 be 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 be 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 recognize 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 recognize 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) Contact 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.

### ①equity 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 securiteis 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 recognised 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 capitalisation (please refer to note 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 dose not recognises 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**

##### **A. 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.

##### **B. 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**

##### **A. 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.

##### **B. 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 value 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 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

## VI. Taxes

### 1. Mai 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 | 17%      |
| 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 | 142,091.02     | 2,894.71        |
| Cash in bank | 24,181,300.19  | 30,160,972.07   |
| Total        | 24,323,391.21  | 30,163,866.78   |

Other explanation

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

In RMB

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

Other explanation:

### 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 | 3,342,714.00   | 2,200,000.00    |
| Trade acceptance     | 0.00           | 0.00            |
| Total                | 3,342,714.00   | 2,200,000.00    |

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

In RMB

| Item                 | Amount pledge at period-end |
|----------------------|-----------------------------|
| Bank acceptance bill | 0.00                        |
| Trade acceptance     | 0.00                        |
| 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 | 59,026,004.68                      | 0.00                                   |
| Total                | 59,026,004.68                      | 0.00                                   |

**(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 |
|------------------|---|
| Trade acceptance | 0.00  |
| 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 | 8,320,487.45 | 100.00% | 1,311,523.48       | 15.76%        | 7,008,963.97 | 8,101,919.90 | 100.00% | 1,310,937.40       | 16.18%        | 6,790,982.50 |
| Total   | 8,320,487.45 | 100.00% | 1,311,523.48       | 15.76%        | 7,008,963.97 | 8,101,919.90 | 100.00% | 1,310,937.40       | 16.18%        | 6,790,982.50 |

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          | 6,852,746.52       | 20,488.62          | 0.30%         |
| Subtotal within one year | 6,852,746.52       | 20,488.62          | 0.30%         |
| 1-2 years                | 117,506.98         | 352.52             | 0.30%         |
| 2-3 years                | 59,730.80          | 179.19             | 0.30%         |
| Over 3 years             | 1,290,503.15       | 1,290,503.15       | 100.00%       |
| Total                    | 8,320,487.45       | 1,311,523.48       |               |

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:

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

Bad debt provision accrual was 24,531.27 Yuan; the amount collected or switches back amounting to 0.00 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:

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

Total year-end balance of top five receivables by arrears party amounting to 6,506,979.28 Yuan, takes 78.20 percent of the total account receivable at year-end, bad debt provision accrual correspondingly at year-end amounting as 1,191,481.48 Yuan.

**(5) Receivable derecognition due to transfer of financial assets****(6) Assets and liability resulted by receivable transfer and continuous involvement**

Other explanation:

**6. Advance payment****(1) Advance payment by age**

In RMB

| Age             | Ending balance |         | Opening balance |         |
|-----------------|----------------|---------|-----------------|---------|
|                 | Amount         | Ratio   | Amount          | Ratio   |
| within one year | 806,345.01     | 100.00% | 348,277.01      | 100.00% |
| Total           | 806,345.01     | --      | 348,277.01      | --      |

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

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

Total year-end balance of top five advance payment by prepayment object amounting to 296,220.50 Yuan, takes 36.74 percent of the total advance payment at year-end

Other explanation:

**7. Interest receivable****(1) Category**

In RMB

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

**(2) Important overdue interest**

| Borrower | Ending balance | Overdue time<br>Overdue time | Overdue reason | Impairment (Y/N) and<br>judgment basis |
|----------|----------------|------------------------------|----------------|--|
|----------|----------------|------------------------------|----------------|--|

Other explanation:

**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<br>entity) | Ending balance | Age | Reasons | Impairment (Y/N) and<br>judgment basis |
|---------------------------------|----------------|-----|---------|--|
|---------------------------------|----------------|-----|---------|--|

Other explanation:

**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 | 1,087,109.35   | 100.00% | 427,839.39         | 39.36%        | 659,269.96 | 961,528.71      | 100.00% | 450,273.90         | 46.83%        | 511,254.81 |
| Total   | 1,087,109.35   | 100.00% | 427,839.39         | 39.36%        | 659,269.96 | 961,528.71      | 100.00% | 450,273.90         | 46.83%        | 511,254.81 |

|  |      |  |    |  |   |     |  |   |  |
|--|------|--|----|--|---|-----|--|---|--|
|  | 9.35 |  | 39 |  | 6 | .71 |  | 0 |  |
|--|------|--|----|--|---|-----|--|---|--|

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          | 649,253.72                | 1,947.76           | 0.30%         |
| Subtotal within one year | 649,253.72                | 1,947.76           | 0.30%         |
| 1-2 years                | 12,000.00                 | 36.00              | 0.30%         |
| Over 3 years             | 425,855.63                | 425,855.63         | 100.00%       |
| Total                    | 1,087,109.35              | 427,839.39         |               |

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 445.38 Yuan; the amount collected or switches back amounting to 22,879.89 Yuan

Important bad debt provision collected or switch back:

In RMB

| Company | Amount reversal or collected | Collection way |
|---------|------------------------------|----------------|
|         |                              |                |

## (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:

#### (4) Other receivables by nature

In RMB

| Nature        | Ending book balance | Opening book balance |
|---------------|---------------------|----------------------|
| Deposit       | 220,999.00          | 220,999.00           |
| Current money | 866,110.35          | 740,529.71           |
| Total         | 1,087,109.35        | 961,528.71           |

#### (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.,  | Intercourse funds | 300,000.00     | Over 3 years    | 27.60%   | 300,000.00                          |
| Shenzhen Anjinheng Industrial Co., Ltd.                                      | Deposit           | 141,964.00     | within one year | 13.06%   | 425.89                              |
| After-sale service dept. Fuxin Electric vehicle, Beilin District, Xi'an City | Intercourse funds | 100,000.00     | within one year | 9.20%  | 300.00                              |
| Shenzhen Material Group  | Deposit           | 79,035.00      | within one year | 7.27%  | 237.11                              |
| Total  | --                | 620,999.00     | --              | 57.12%   | 300,963.00                          |

#### (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**

Other explanation:

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

In RMB

| Item           | Ending balance |                      |               | Opening balance |                      |              |
|----------------|----------------|----------------------|---------------|-----------------|----------------------|--------------|
|                | Book balance   | Depreciation reserve | Book value    | Book balance    | Depreciation reserve | Book value   |
| Raw materials  | 327,321.13     |                      | 327,321.13    | 302,597.03      |                      | 302,597.03   |
| Finished goods | 14,632,533.99  |                      | 14,632,533.99 | 5,868,710.50    |                      | 5,868,710.50 |
| Total          | 14,959,855.12  | 0.00                 | 14,959,855.12 | 6,171,307.53    | 0.00                 | 6,171,307.53 |

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

In RMB

| Item                                 | Amount |
|--------------------------------------|--------|
| Accumulative costs                   | 0.00   |
| Accumulative gross profit recognized | 0.00   |
| Less: accrual losses                 | 0.00   |
| Amount settle                        | 0.00   |

Other explanation:

**11. Assets holding ready for sold**

In RMB

| Item | Ending book value | Fair value | Expected disposal | Expected disposal time |
|------|-------------------|------------|-------------------|------------------------|
|------|-------------------|------------|-------------------|------------------------|

|       |      |      |          |    |
|-------|------|------|----------|----|
|       |      |      | expenses |    |
| Total | 0.00 | 0.00 | 0.00     | -- |

Other explanation:

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

In RMB

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

Other explanation:

## 13. Other current assets

In RMB

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

Other explanation:

## 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 |
|------|--------------------------------------|------------------------------------|--|-------|
|------|--------------------------------------|------------------------------------|--|-------|

### (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 |
|------|--------------------------------------|------------------------------------|--|-------|
|      |                                      |                                    |  |       |

**(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

**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**

Other explanation

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

Other explanation

**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 |                |  |
| 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               | 0.00  | 0.00           | 0.00                                   |

Other explanation

**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 |
|------|------------|--------------------------|
|------|------------|--------------------------|

Other explanation

**19. Fixed assets**

(1) Fixed assets

In RMB

| Item                                      | Machines and equipment | Transportation equipment | Electronic and other equipment | Total        |
|---|------------------------|--------------------------|--------------------------------|--------------|
| I. Original book value :                  |                        |                          |                                |              |
| 1. Opening balance                        | 194,406.84             | 515,814.24               | 637,606.48                     | 1,347,827.56 |
| 2. increased in the Period                | 222,222.22             | 122,831.69               |                                | 345,053.91   |
| (1) Purchase                              | 222,222.22             | 122,831.69               |                                | 345,053.91   |
| (2) Transfer from construction in process |                        |                          |                                |              |
| (3) Increased by enterprise combination   |                        |                          |                                |              |
| 3. decreased in the Period                |                        |                          |                                |              |
| (1) Disposal or scrap                     |                        |                          |                                |              |
| 4. Ending balance                         | 416,629.06             | 638,645.93               | 637,606.48                     | 1,692,881.47 |
| II. Accumulative depreciation             |                        |                          |                                |              |
| 1. Opening balance                        | 1,474.16               | 155,799.08               | 416,592.48                     | 573,865.72   |
| 2. increased in the Period                | 14,030.36              | 39,716.28                | 13,406.16                      | 67,152.80    |
| (1) Accrual                               | 14,030.36              | 39,716.28                | 13,406.16                      | 67,152.80    |
| 3. decreased in the Period                |                        |                          |                                |              |
| (1) Disposal or scrap                     |                        |                          |                                |              |
| 4. Ending balance                         | 15,504.52              | 195,515.36               | 429,998.64                     | 641,018.52   |
| 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       | 401,124.54 | 443,130.57 | 207,607.84 | 1,051,862.95 |
| 2. Opening book value      | 192,932.68 | 360,015.16 | 221,014.00 | 773,961.84   |

**(2) Fixed assets temporary idle**

In RMB

| Item | Original book value | Accumulated depreciation | Depreciation reserves | Book value | Note |
|------|---------------------|--------------------------|-----------------------|------------|------|
|      |                     |                          |                       |            |      |

**(3) Fixed assets leased through operating lease**

In RMB

| Item | Original book value | Accumulated depreciation | Depreciation reserves | Book value |
|------|---------------------|--------------------------|-----------------------|------------|
|      |                     |                          |                       |            |

**(4) Fixed assets leased through idle operating lease**

In RMB

| Item | Ending book value |
|------|-------------------|
|      |                   |

**(5) Certificate of title un-completed**

In RMB

| Item | Book value | Reasons |
|------|------------|---------|
|      |            |         |

Other explanation

## 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

## 21. Engineering materials

In RMB

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

Other explanation:

## 22. Disposal of fixed assets

In RMB

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

Other explanation:

## 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             |  |  |  | 753,000.00   | 753,000.00   |
| 2.increased in the Period     |  |  |  | 376,500.00   | 376,500.00   |
| (1) Accrual                   |  |  |  | 376,500.00   | 376,500.00   |
|                               |  |  |  |              |              |
| 3. decreased in the Period    |  |  |  |              |              |
| (1) Disposal                  |  |  |  |              |              |
|                               |  |  |  |              |              |
| 4.Ending balance              |  |  |  | 1,129,500.00 | 1,129,500.00 |
| 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           |  |  |  | 4,141,500.00 | 4,141,500.00 |
| 2. Opening book value         |  |  |  | 4,518,000.00 | 4,518,000.00 |

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

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

In RMB

| Item | Book value | Reasons |
|------|------------|---------|
|------|------------|---------|

Other explanation:

**26. Development expense**

In RMB

| Item | Opening balance | increased in the Period | Decreased Amount | Ending balance |
|------|-----------------|-------------------------|------------------|----------------|
|------|-----------------|-------------------------|------------------|----------------|

Other explanation

**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 |
|------------------------------|-----------------|--------------------------|---------------------------|----------------|
|------------------------------|-----------------|--------------------------|---------------------------|----------------|

**(2) Depreciation reserves of goodwill**

In RMB

| The invested entity or items | Opening balance | Increase during the year | Decreased during the year | Ending balance |
|------------------------------|-----------------|--------------------------|---------------------------|----------------|
|------------------------------|-----------------|--------------------------|---------------------------|----------------|

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

Other explanation

**28. Long-term unamortized expenses**

In RMB

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

Other explanation

**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 | 47,988.32                       | 11,997.08                  | 47,988.32                       | 11,997.08                  |
| Total                       | 47,988.32                       | 11,997.08                  | 47,988.32                       | 11,997.08                  |

**(2) Deferred income tax liabilities un-offset**

In RMB

| Item | Ending balance                |                                 | Opening balance               |                                 |
|------|-------------------------------|---------------------------------|-------------------------------|---------------------------------|
|      | Taxable temporary differences | Deferred income tax liabilities | Taxable temporary differences | Deferred income tax liabilities |
|      |                               |                                 |                               |                                 |

**(3) Deferred income tax assets and deferred income tax liabilities listed after off-set**

In RMB

| Item                       | Trade-off between the deferred income tax assets and liabilities | Ending balance of deferred income tax assets or liabilities after off-set | Trade-off between the deferred income tax assets and liabilities at period-begin | Opening balance of deferred income tax assets or liabilities after off-set |
|----------------------------|--|---|--|--|
| Deferred income tax assets | 47,988.32  | 11,997.08   | 47,988.32  | 11,997.08  |

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

In RMB

| Item  | Ending balance | Opening balance |
|-------|----------------|-----------------|
| Total | 0.00           |                 |

**(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:

**30. Other non-current assets**

In RMB

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

Other explanation:

### 31. Short-term loans

#### (1) Types of short-term loans

In RMB

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

Explanation on short-term loans category

#### (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 |
|------|----------------|--------------|--------------|--------------|
|------|----------------|--------------|--------------|--------------|

Other explanation:

### 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:

### 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 | 14,754,811.13  | 10,278,377.96   |
| Total             | 14,754,811.13  | 10,278,377.96   |

**(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:

There are no important account payable with over one year book age in the Peirod

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

In RMB

| Item              | Ending balance | Opening balance |
|-------------------|----------------|-----------------|
| payment for goods | 5,283,273.78   | 2,595,736.07    |
| Total             | 5,283,273.78   | 2,595,736.07    |

**(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 account received in advance in the Peirod

**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                              | 1,767,497.76    | 2,410,970.36             | 3,341,436.77              | 826,573.92     |
| II. Post-employment welfare- defined contribution plans | 5,316.96        | 210,044.04               | 188,880.97                | 26,480.03      |

|       |              |              |              |            |
|-------|--------------|--------------|--------------|------------|
| Total | 1,772,814.72 | 2,621,014.40 | 3,530,317.74 | 853,053.95 |
|-------|--------------|--------------|--------------|------------|

**(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                | 1,526,329.12    | 2,108,854.87             | 3,060,906.14              | 563,820.42     |
| 3. Social insurance  | 1,293.08        | 92,248.68                | 81,791.25                 | 11,750.51      |
| Including: Medical insurance                               | 1,293.08        | 73,875.90                | 64,907.97                 | 10,261.01      |
| Work injury insurance                                      |                 | 3,878.58                 | 3,216.58                  | 662.00         |
| Maternity insurance  |                 | 14,494.20                | 13,666.70                 | 827.50         |
| 4. Housing accumulation fund                               | 11,334.44       | 175,380.92               | 158,529.54                | 28,185.82      |
| 5. Labor union expenditure and personnel education expense | 228,541.12      | 34,485.89                | 40,209.84                 | 222,817.17     |
| Total  | 1,767,497.76    | 2,410,970.36             | 3,341,436.77              | 826,573.92     |

**(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        | 199,569.24               | 181,571.53                | 23,170.03      |
| 2. Unemployment insurance    | 144.64          | 10,474.80                | 7,309.44                  | 3,310.00       |
| Total                        | 5,316.96        | 210,044.04               | 188,880.97                | 26,480.03      |

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                        | 580,489.54     | 1,256,783.68    |
| Business tax                           | 37,059.17      | 25,782.60       |
| Enterprise income tax                  | 54,192.84      | 745,109.42      |
| Individual income tax                  | 38,128.41      | 40,662.68       |
| Urban maintenance and construction tax | 16,932.67      | 64,952.41       |
| Educational surtax                     | 7,275.83       | 41,575.59       |
| Embankment expenses                    | 4,198.63       | 4,198.63        |
| House property tax                     | 45,070.60      | 53,122.79       |
| Total                                  | 783,347.69     | 2,232,187.80    |

Other explanation:

**39. Interest payable**

In RMB

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

Interest overdue without paid:

In RMB

| Borrower | Amount overdue | Reasons |
|----------|----------------|---------|
|----------|----------------|---------|

Other explanation:

**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:

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

In RMB

| Item                               | Ending balance | Opening balance |
|------------------------------------|----------------|-----------------|
| Custodian and common benefit debts | 9,816,853.85   | 9,840,809.85    |
| Intercourse funds                  | 8,757,397.97   | 9,370,269.08    |
| Margin                             | 1,968,478.00   | 1,903,346.00    |

|       |               |               |
|-------|---------------|---------------|
| Total | 20,542,729.82 | 21,114,424.93 |
|-------|---------------|---------------|

**(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 | 9,816,853.85   | Un-cleared                       |
| Guosheng Energy                    | 6,500,000.00   | Interest-free loans              |
| Total                              | 16,316,853.85  | --                               |

Other explanation

**42. Liability holding ready for sold**

In RMB

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

Other explanation:

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

In RMB

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

Other explanation:

**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 |
|------|------------|--------------|-------------|----------------|-----------------|----------------------|--------------------------------|-------------------------------|--------------------|--|----------------|
|------|------------|--------------|-------------|----------------|-----------------|----------------------|--------------------------------|-------------------------------|--------------------|--|----------------|

Other explanation:

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

In RMB

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

Explanation:

Other explanation, including interest rate section:

**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

**(3) Convertible conditions and time for shares transfer for the convertible bonds****(4) Other financial instruments classify as financial liability**

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

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 |

Basis for financial liability classification for other financial instrument

Other explanation

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

In RMB

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

Other explanation:

**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:

Major actuarial assumption and sensitivity analysis:

Other explanation:

**49. Special payable**

In RMB

| Item | Opening balance | Increase during the year | Decreased | Ending balance | Causes |
|------|-----------------|--------------------------|-----------|----------------|--------|
|------|-----------------|--------------------------|-----------|----------------|--------|

Other explanation:

**50. Accrued liability**

In RMB

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

Other explanation, including relevant important assumptions and estimation:

**51. Deferred income**

In RMB

| Item | Opening balance | Increase during the year | Decreased | Ending balance | Causes |
|------|-----------------|--------------------------|-----------|----------------|--------|
|------|-----------------|--------------------------|-----------|----------------|--------|

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 |
|------|-----------------|--------------------------|--|---------------|----------------|-------------------------------|
|------|-----------------|--------------------------|--|---------------|----------------|-------------------------------|

Other explanation:

**52. Other non-current liability**

In RMB



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

Other explanation:

### 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:

### 54. Other equity instrument

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

(2) 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 |
|                                  |              |            |                          |            |           |            |            |            |

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

Other explanation:

### 55. Capital reserve

In RMB

| Item                                      | Opening balance | Increase during the year | Decreased | Ending balance |
|---|-----------------|--------------------------|-----------|----------------|
| Other capital reserve                     | 627,834,243.83  |                          |           | 627,834,243.83 |
| Including: income from debt restructuring | 482,580,588.23  |                          |           | 482,580,588.23 |
| Other                                     | 145,253,655.60  |                          |           | 145,253,655.60 |
| Total                                     | 627,834,243.83  |                          |           | 627,834,243.83 |

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 | Decreased | Ending balance |
|------|-----------------|--------------------------|-----------|----------------|
|------|-----------------|--------------------------|-----------|----------------|

Other explanation, including changes and reasons for changes:

**57. Other comprehensive income**

In RMB

| Item | Opening balance | Current amount                        |  |                           |                                    |   | Ending balance |
|------|-----------------|---------------------------------------|--|---------------------------|------------------------------------|---|----------------|
|      |                 | Account before income tax in the year | Less: written in other comprehensive income in previous period and carried forward to gains and losses in current period | Less : income tax expense | Belong to parent company after tax | Belong to minority shareholders after tax |                |

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

**58. Special reserves**

In RMB

| Item | Opening balance | Increase during the year | Decreased | Ending balance |
|------|-----------------|--------------------------|-----------|----------------|
|------|-----------------|--------------------------|-----------|----------------|

Other explanation, including changes and reasons for changes:

**59. Surplus reserves**

In RMB

| Item                      | Opening balance | Increase during the year | Decreased | 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:

**60. Retained profit**

In RMB

| Item   | Current period    | Last period       |
|--|-------------------|-------------------|
| Retained profit at period-end before adjustment  | -1,199,952,070.17 | -1,204,837,748.73 |
| Retained profit at period-begin after adjustment | -1,199,952,070.17 | -1,204,837,748.73 |
| Add: net profit attributable to shareholders of  | 416,172.86        | 4,885,678.56      |

|                               |                   |                   |
|-------------------------------|-------------------|-------------------|
| parent company for this year  |                   |                   |
| Retained profit at period-end | -1,199,535,897.31 | -1,199,952,070.17 |

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  | 73,267,509.78  | 68,162,375.38 | 82,413,282.09 | 77,743,826.24 |
| Other business | 3,269,290.90   | 1,830,146.73  | 3,253,352.31  | 2,582,974.38  |
| Total          | 76,536,800.68  | 69,992,522.11 | 85,666,634.40 | 80,326,800.62 |

## 62. Business tax and surcharge

In RMB

| Item                                   | Current amount | Last amount |
|--|----------------|-------------|
| Business tax                           | 134,516.43     | 171,604.15  |
| Urban maintenance and construction tax | 56,422.39      | 43,357.58   |
| Educational surtax                     | 40,301.71      | 30,969.71   |
| Total                                  | 231,240.53     | 245,931.44  |

Other explanation:

## 63. Sales expense

In RMB

| Item                               | Current amount | Last amount  |
|------------------------------------|----------------|--------------|
| Salary, social insurance           | 1,481,509.71   | 1,246,169.99 |
| Development costs for new products | 537,519.41     | 45,540.34    |
| Advertising promotion costs        | 771,999.30     |              |
| Lease and property management fee  | 272,867.70     | 262,879.39   |
| Travel expenses                    | 172,991.20     | 199,145.50   |

|       |              |              |
|-------|--------------|--------------|
| Other | 374,720.55   | 102,867.60   |
| Total | 3,611,607.87 | 1,856,602.82 |

Other explanation:

#### 64. Administration expense

In RMB

| Item   | Current amount | Last amount  |
|--|----------------|--------------|
| Salary, social insurance and public reserves | 1,598,310.64   | 1,669,744.66 |
| Lease and property management fee            | 595,190.26     | 1,509,289.55 |
| Other  | 361,568.50     | 1,898,335.83 |
| Total  | 2,555,069.40   | 5,077,370.04 |

Other explanation:

#### 65. Financial expense

In RMB

| Item                  | Current amount | Last amount |
|-----------------------|----------------|-------------|
| Interest expenditure  |                |             |
| Less: Interest income | -629,395.63    | -113,868.86 |
| exchange loss         |                |             |
| Other                 | 9,167.18       | 15,594.44   |
| Total                 | -620,228.45    | -98,274.42  |

Other explanation:

#### 66. Loss from Assets depreciation

In RMB

| Item               | Current amount | Last amount |
|--------------------|----------------|-------------|
| I. Bad debt losses | -21,848.43     | -13,244.86  |
| Total              | -21,848.43     | -13,244.86  |

Other explanation:

#### 67. Changes in fair value gains

In RMB

| Changes resources | Current amount | Last amount |
|-------------------|----------------|-------------|
|                   |                |             |

Other explanation:

**68. Investment income**

In RMB

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

Other explanation:

**69. Non-operation revenue**

In RMB

| Item  | Current amount | Last amount  | Amount reckoned into non-recurring gains/losses in the Year |
|---|----------------|--------------|---|
| Total gains from disposal of non-current assets |                | 39,731.46    |   |
| Including: Gains from disposal of fixed assets  |                | 39,731.46    |   |
| Other   | 49,388.00      | 4,862,626.91 | 49,388.00   |
| Total   | 49,388.00      | 4,902,358.37 | 49,388.00   |

Government grants reckoned into current gains/losses:

In RMB

| Item | Current amount | Last amount | Assets-related/gains-related |
|------|----------------|-------------|------------------------------|
|------|----------------|-------------|------------------------------|

Other explanation:

**70. Non-operating expenditure**

In RMB

| Item                                     | Current amount | Last amount | Amount reckoned into non-recurring gains/losses in the Year |
|--|----------------|-------------|---|
| Total non-current assets disposal losses |                | 5,880.00    |   |
| Including: fixed assets disposal losses  |                | 5,880.00    |   |
| Other                                    | 5,356.00       | 17,174.00   | 5,356.00  |
| Total                                    | 5,356.00       | 23,054.00   | 5,356.00  |

Other explanation:

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

In RMB

| Item               | Current amount | Last amount |
|--------------------|----------------|-------------|
| Current income tax | 239,892.79     | 789,686.25  |
| Total              | 239,892.79     | 789,686.25  |

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

In RMB

| Item   | Current amount |
|--|----------------|
| Total profit   | 832,469.65     |
| Income tax measured by statutory/applicable tax rate | 239,892.79     |
| income tax expenses                                  | 239,892.79     |

Other explanation

**72. Other comprehensive income**

Found more in Note

**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. | 1,536,196.28   | 2,270,088.04   |
| Other intercourse funds | 1,946,672.49   | 108,349,727.34 |
| Total                   | 3,482,868.77   | 110,619,815.38 |

Explanation on other cash received in relation to operation activities

**(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 | 5,396,441.97   | 9,087,945.93 |
| Total  | 5,396,441.97   | 9,087,945.93 |

Explanation on other cash paid in relation to operation activities

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

In RMB

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

Explanation on cash received from other investment activities

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

In RMB

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

Explanation on cash paid related with investment activities

#### (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

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

In RMB

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

Explanation on cash paid related with financing activities

### 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  | 592,576.86    | 2,361,066.88   |
| Add: Assets impairment provision  | -21,848.43    | -13,244.86     |
| Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets     | 67,152.80     | 28,846.25      |
| Amortization of intangible assets   | 376,500.00    | 376,500.00     |
| Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with "-") |               | -33,851.46     |
| Financial expenses gain is listed with "-")   | -620,228.45   |                |
| Decrease of inventory (increase is listed with "-")   | -8,788,547.59 | -18,301,324.25 |
| Decrease of operating receivable accounts (increase is listed with "-")                                   | -1,966,778.62 | 101,120,144.74 |
| Increase of operating payable accounts (decrease is listed with "-")                                      | 4,742,920.08  | -82,792,296.41 |
| Net cash flow arising from operating  | -5,618,253.35 | 2,745,840.89   |

|  |               |               |
|--|---------------|---------------|
| activities   |               |               |
| 2. Material investment and financing not involved in cash flow | --            | --            |
| 3. Net change of cash and cash equivalents:                    | --            | --            |
| Balance of cash at period end                                  | 24,323,391.21 | 29,360,708.21 |
| Less: Balance of cash at year-begin                            | 30,163,866.78 | 26,834,171.59 |
| Net increasing of cash and cash equivalents                    | -5,840,475.57 | 2,526,536.62  |

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

In RMB

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

Other explanation:

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

In RMB

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

Other explanation:

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

In RMB

| Item   | Ending balance | Opening balance |
|--|----------------|-----------------|
| I . Cash   | 24,323,391.21  | 30,163,866.78   |
| Including: Cash on hand                                | 142,091.02     | 2,894.71        |
| Bank deposit available for payment at any time         | 24,181,300.19  | 30,160,972.07   |
| III. Balance of cash and cash equivalent at period-end | 24,323,391.21  | 30,163,866.78   |

Other explanation:



**75. Notes of changes of owners' equity**

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

**76. Assets with ownership or use right restricted**

In RMB

| Item | Ending book value | Restriction reasons |
|------|-------------------|---------------------|
|------|-------------------|---------------------|

Other explanation:

**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:

**(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:

**79. Other****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 | Net profit of acquiree from purchasing date to |
|----------|--------------------------------|-------------------------|--------------------------|----------------------------------|-----------------|---|--|--|
|----------|--------------------------------|-------------------------|--------------------------|----------------------------------|-----------------|---|--|--|

|  |  |  |  |  |  |  |            |            |
|--|--|--|--|--|--|--|------------|------------|
|  |  |  |  |  |  |  | period-end | period-end |
|--|--|--|--|--|--|--|------------|------------|

Other explanation:

## (2) Combination cost and goodwill

In RMB

|                  |  |
|------------------|--|
| Combination cost |  |
|------------------|--|

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

Main reasons for large goodwill resulted:

Other explanation:

## (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:

Contingent liability of the acquiree bear during combination:

Other explanation:

## (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

## (6) Other explanation

## 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 | Net profit of the combined party from period-begin of combination | Income of the combined party during the comparison period | Net profit of the combined party during the comparison period |
|----------|--------------------------------------|--|------------------|--|---|---|---|---|
|          |                                      |  |                  |  |   |   |   |   |

|  |  |  |  |  |                               |                               |  |  |
|--|--|--|--|--|-------------------------------|-------------------------------|--|--|
|  |  |  |  |  | to the<br>combination<br>date | to the<br>combination<br>date |  |  |
|--|--|--|--|--|-------------------------------|-------------------------------|--|--|

Other explanation:

## (2) Combination cost

In RMB

|                  |  |
|------------------|--|
| Combination cost |  |
|------------------|--|

Explanation on contingent consideration and its changes:

Other explanation:

## (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

Other explanation:

## 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

## 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

## 6. Other

### IX. Equity in other entity

#### 1. Equity in subsidiary

##### (1) Constitute of enterprise group

| Subsidiary                            | Main operation place | Registered place | Business nature                      | Share-holding ratio |            | Acquired way |
|---------------------------------------|----------------------|------------------|--------------------------------------|---------------------|------------|--------------|
|                                       |                      |                  |                                      | Directly            | Indirectly |              |
| 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:

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

Controlling basis for the structuring entity included in consolidated range

Basis on determining to be a agent or consignator:

Other explanation:

##### (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%                          | 176,404.00  |   | 1,769,162.40              |

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

Other explanation:

##### (3) Main finance of the important non-wholly-owned subsidiary

In RMB

| Subsidiary | Ending balance |                    |              |                   |                       |                 | Opening balance |                    |              |                   |                       |                 |
|------------|----------------|--------------------|--------------|-------------------|-----------------------|-----------------|-----------------|--------------------|--------------|-------------------|-----------------------|-----------------|
|            | Current assets | Non-current assets | Total assets | Current liability | Non-current liability | Total liability | Current assets  | Non-current assets | Total assets | Current liability | Non-current liability | Total liability |
| Shenzhen   | 49,620,6       | 269,191.           | 49,889,8     | 43,992,6          |                       | 43,992,6        | 44,487,1        | 161,628.           | 44,648,7     | 39,339,5          |                       | 39,339,5        |

|                                       |       |    |       |       |  |       |       |    |       |       |  |       |
|---------------------------------------|-------|----|-------|-------|--|-------|-------|----|-------|-------|--|-------|
| n<br>Emmelle<br>Industry<br>Co., Ltd. | 35.71 | 35 | 27.06 | 19.07 |  | 19.07 | 41.91 | 03 | 69.94 | 75.27 |  | 75.27 |
|---------------------------------------|-------|----|-------|-------|--|-------|-------|----|-------|-------|--|-------|

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. | 73,914,096.70    | 588,013.32 | 588,013.32                 | -5,442,718.81                     | 83,395,111.04    | 1,621,391.39 | 1,621,391.39               | 2,420,601.62                      |

Other explanation:

**(4) Major restriction on using corporate's assets and liquidate corporate's debts****(5) Financial or other supporting provided to structuring entity that included in consolidated financial statement**

Other explanation:

**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 cooperative |
|------|----------------------|------------------|-----------------|---------------------|------------|--|
|      |                      |                  |                 | Directly            | Indirectly |  |
|      |                      |                  |                 |                     |            |  |

|  |  |  |  |  |  |            |
|--|--|--|--|--|--|------------|
|  |  |  |  |  |  | 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****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 | --                | --           | --          | --    |
| II. Non-persistent measure           | --                | --           | --          | --    |

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

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

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

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

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

7. Changes of valuation technique in the Period

8. Financial assets and liability not measured by fair value

9. Other

## 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) | 220000000.00       | 11.52%   | 11.52%                               |

Explanation on parent company of the enterprise

Ultimate controller of the Company is Ji Hanfei

Other explanation:



## 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 pervious period

| Name | Relationship |
|------|--------------|
|------|--------------|

Other explanation

## 4. Other related party

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

Other explanation

## 5. Related transaction

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

Goods purchasing/labor service receiving

In RMB

| Related party | Content | 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

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

Trusteeship/contract

In RMB

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

Explanation on related trusteeship/contract

Delegated administration/outsourcing

In RMB

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

Explanation on related administration/outsourcing

### (3) Related lease

As a lessor for the Company

In RMB

| Lessee | Assets type | Lease income in recognized in<br>the Period | Lease income in recognized last<br>the Period |
|--------|-------------|---|---|
|--------|-------------|---|---|

As a lessee for the Company

In RMB

| Lessor | Assets type | Lease income in recognized in<br>the Period | Lease income in recognized last<br>the Period |
|--------|-------------|---|---|
|--------|-------------|---|---|

Explanation on related lease

### (4) Related guarantee

As a guarantor for the Company

In RMB

| Secured party | Amount guarantee | Starting date | Maturity date | Guarantee completed<br>(Y/N) |
|---------------|------------------|---------------|---------------|------------------------------|
|---------------|------------------|---------------|---------------|------------------------------|

As a secured party for the Company

In RMB

| Guarantor | Amount guarantee | Starting date | Maturity date | Guarantee completed<br>(Y/N) |
|-----------|------------------|---------------|---------------|------------------------------|
|-----------|------------------|---------------|---------------|------------------------------|

Explanation on related guarantee

### (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 |
|---------------|---------------------|----------------|-------------|
|---------------|---------------------|----------------|-------------|

## 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

## 8. Other

## 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

#### 5. Other

### XIV. Commitment or contingency

#### 1. Important commitments

Important commitments in balance sheet date

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

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

1. The Company entered into a long-term house-leasing contract with Shenzhen Material Group Co., Ltd. dated 1 May 2014, 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 May 2014 to 30 April 2017, the floor area leased counted as 681.34 M<sup>2</sup>. The Company has payable rent of 474,200 Yuan for one year since 1 May 2014 in line with the contract, till end of the contract or rescind the contract by two parties.

2. The Company entered into 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 rescind the contract by two parties.

#### 2. Contingency

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

##### (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

### 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****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****3. Assets replacement****(1) Non-monetary assets change****(2) Other assets replacement****4. Pension plan****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

## 6. Segment

### (1) Recognition basis and accounting policy for reportable segment

### (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

### (4) Other explanation

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

## 8. Other

## 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 | 694,416.00     | 100.00% |                    |               | 694,416.00 | 694,416.00      | 100.00% |                    |               | 694,416.00 |
| Total   | 694,416.00     | 100.00% |                    |               | 694,416.00 | 694,416.00      | 100.00% |                    |               | 694,416.00 |

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 | 694,416.00 |  |  |
| within one year | 694,416.00 |  |  |
| Total           | 694,416.00 |  |  |

Explanations on combination determine:

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:

## (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

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

Account receivable has one subsidiary Shenzhen Emmelle Industry Co., Ltd. has the account receivable. The number is 694,416.00 Yuan.

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

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

Other explanation:

## 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 | 11,671,309.93  | 100.00% | 587.29             |               | 11,670,722.64 | 13,714,620.41   | 100.00% | 587.29             |               | 13,714,033.12 |
| Total   | 11,671,309.93  | 100.00% | 587.29             |               | 11,670,722.64 | 13,714,620.41   | 100.00% | 587.29             |               | 13,714,033.12 |

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 | 11,671,309.93    | 587.29              |               |
| within one year | 11,671,309.93    | 587.29              |               |
| Total           | 11,671,309.93    | 587.29              |               |

Explanations on combination determine:

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:

**(4) Other receivables by nature**

In RMB

| Nature            | Ending book balance | Opening book balance |
|-------------------|---------------------|----------------------|
| Intercourse funds | 11,460,959.93       | 13,518,858.41        |
| Deposit           | 182,762.00          | 182,762.00           |
| Employee borrows  | 27,588.00           | 13,000.00            |
| Total             | 11,671,309.93       | 13,714,620.41        |

**(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 | 11,460,959.93  | within one year | 98.20%   |                                     |
| Shenzhen Anjinheng Industrial Co., Ltd. | Deposit           | 90,100.00      | within one year | 0.77%  |                                     |
| Shenzhen Material Group CO., Ltd.       | Deposit           | 79,035.00      | within one year | 0.68%  |                                     |
| Employee borrows                        | Employee borrows  | 27,588.00      | within one year | 0.24%  |                                     |
| Shenzhen Baifanghe Property Co., Ltd.   | Deposit           | 13,627.00      | within one year | 0.11%  |                                     |
| Total                                   | --                | 11,671,309.93  | --              | 100.00%  |                                     |

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

In RMB

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

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

Other explanation:

**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    |           |           | 1,400,000.00   |                    | 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 | Impairment accrual | Other |                |  |

|                           |      |      |      |      |      |      |        |      |      |      |      |
|---------------------------|------|------|------|------|------|------|--------|------|------|------|------|
|                           |      |      |      |      | t    |      | issued |      |      |      |      |
| 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****4. Operating income and cost**

In RMB

| Item           | Current amount |              | Last amount  |              |
|----------------|----------------|--------------|--------------|--------------|
|                | Income         | Cost         | Income       | Cost         |
| Other business | 3,838,933.33   | 1,830,146.73 | 3,703,766.10 | 2,536,032.31 |
| Total          | 3,838,933.33   | 1,830,146.73 | 3,703,766.10 | 2,536,032.31 |

Other explanation:

**5. Investment gains**

In RMB

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

**6. Other****XVIII. Supplementary Information****1. Current non-recurring gains/losses**

√ Applicable □ Not applicable

In RMB

| Item  | Amount    | Note |
|---|-----------|------|
| Gains/losses items qualify definition of non-recurring gains/losses | 44,032.00 |      |
| Less: Impact on income tax  | 11,008.00 |      |
| Total   | 33,024.00 | --   |

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 stockholders of the Company   | 3.44%                | 0.0008                | 0.0008                  |
| Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses | 3.16%                | 0.0007                | 0.0007                  |

## 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**

## 4. Other

## **Section XII. 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 2015