

Sino Great Wall Co., Ltd.

Audit Report and Financial Statement

Year 2017

Sino Great Wall Co., Ltd.

Audit Report and Financial Statement

(From January 1, 2017 to December 31, 2017)

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Audit Report

XKSBZ [2018] No. ZB10958

To all shareholders of Sino Great Wall Co., Ltd.,

I. Opinions

We have audited the attached financial statements of Sino Great Wall Co., Ltd (hereinafter referred to as “Sino Great Wall”), including the consolidated and parent company’s balance sheet as of December 31, 2017, the consolidated and parent company’s income statement, the consolidated and parent company’s cash flow statement, the consolidated and parent company’s statement of changes in shareholder’s equity and the notes to financial statements of Year 2017.

In our opinion, the attached financial statements are in conformity with the relevant regulations of Accounting Standards for Business Enterprises in all important aspects, and reflect fairly the consolidated and parent company's financial status as of December 31, 2017 and the consolidated and parent company's business achievements and cash flow of 2017 year of Sino Great Wall.

II. Basis for Forming Audit Opinions

We conducted our audit in accordance with Chinese CPA Standards on Auditing. The section ‘ CPA's Responsibility for Audit of Financial Statements’ in the audit report further provides for our responsibilities under these accounting standards. According to the Code of Ethics for Chinese Certified Public Accountants, we are independent of Sino Great Wall and perform other duties in terms of professional ethics. We believe that we have obtained sufficient and appropriate audit evidences and our auditing work will provide reasonable foundation for the declaration of opinions and suggestions.

III Key Audit Matters

The key audit matters are the matters that we believe are the most important for the audit of the current financial statements based on professional judgment. The handling of these matters is based on the audit of the financial statements as a whole and the formation of an audit opinion. We will not comment on these matters separately. We confirm that the following matters are key audit matters that need to be communicated in the audit report.

Key Audit Matters	How is this matter handled in the audit?
(I) Recognition of income from construction contracts	
<p>The revenue of the Company is primarily from the construction contracts recognized with completion percentage method. In case the results of construction contract could be reliably estimated at balance sheet date, contract revenue and expenses is identified through percentage of completion of works, and completion percentage is determined on the basis of the ratio of the actual contract cost to estimated total contract cost. The percentage of completion method involves major judgment and estimates by the management, including estimate of the percentage of completion, estimated total contract cost, cost</p>	<p>During the audit, the audit procedures we implemented mainly include: 1) test the Company's preparation of estimated total revenue and estimated total cost and related key internal control; 2) recalculate the percentage of completion of the construction contract in the construction contract ledger and compare it with the percentage of completion confirmed by the employer to verify its accuracy; 3) sample the construction contracts to check the construction contract and data for cost budgeting on which the management's estimated total revenue and estimated total cost are based, and thereby</p>

<p>for uncompleted works, total contract revenue, and estimate of contract risks. In addition, the total contract cost and total contract revenue may be different from the original estimate (sometimes significant) due to changes in circumstances, and should be continuously evaluated and revised during the execution of the contract. Therefore, we identify it as a key audit matter.</p>	<p>evaluate whether the management's estimate is reasonable and sufficiently based; 4) sample to test the project construction costs incurred in the current year; 5) sample the construction contracts and conduct on-site inspection of image and progress of the project therein.</p>
<p>(II) Recoverability of accounts receivable</p>	
<p>As of December 31, 2017, the original book value of accounts receivable and bad debt reserves in the consolidated statements of Sino Great Wall were RMB 6,332,915,727.57 and RMB 626,240,483.49 respectively. The recognition of estimated recoverable amount of accounts receivable requires the management of Sino Great Wall to identify the projects that have been impaired and objective evidences, assess expected future cash flows and determine their present value, which involves the management applying significant accounting estimates and judgment and a large amount of money. Therefore, we identify the bad debt reserves of</p>	<p>The audit procedures we implemented for the recoverability of accounts receivable mainly include:</p> <ol style="list-style-type: none"> 1) Test the management's internal control related to the daily management of accounts receivable and assessment of recoverability of the same at the end of the period; 2) Audit the considerations and objective evidence of the management in the impairment test of account receivables, and pay attention to whether the management fully identifies the projects that have been impaired; 3) Sample the accounts receivables with the separate bad debt reserves, and audit the basis

<p>accounts receivable as a key audit matter.</p>	<p>and rationality of the management's estimation of the expected future cash flow;</p> <p>4) For the accounts receivable for which the bad debt reserves are set aside by the management based on the credit risk characteristic combination, assess whether such provision determined by the management is reasonable;</p> <p>5) Implement the external certification procedures, and compare the results thereof with the amount recorded by the management; and</p> <p>6) Perform audit by taking into account A/D payment collection to assess the reasonableness of the bad debt reserves set aside by the management.</p>
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IV Other Information

The management of Sino Great Wall (hereinafter referred to as "the management") is responsible for other information. Other information includes the information covered in Sino Great Wall Yearly Report 2017, excluding the financial statements and our audit report.

Our audit opinions to the financial statements do not cover such other information, and will not give authentication conclusions in any form on such other information.

Our responsibility is to read such other information together with our audit of the financial statements. In this process, we consider whether there is a material inconsistency or other material misstatement between

such other information and the financial statements or what we have learned during the audit process.

If we determine that there is a material misstatement in such other information based on the work we have performed, we should report such material misstatement. In this regard, we have nothing to report.

V The Management and Governance Team’s Responsibilities for the Financial Statements

The management of the Company (hereinafter referred to as “the Management”) shall be responsible for compiling financial statements in accordance with the Accounting Standards for Business Enterprises for the true and fair presentation as well as designing, executing and protecting the internal control related to the compilation of financial statements so as to make the financial statements be free from any serious misstatement caused by frauds and errors.

In the preparation of the financial statements, the management is responsible for assessing the continued operation ability of Sino Great Wall, disclosing the matters related to continued operations (if applicable), and applying the continued operations assumption unless it is planned to liquidate, terminate operations or make other necessary realistic choice.

The governance team is responsible for overseeing the financial reporting process of Sino Great Wall.

VI CPA’s Responsibility for Auditing Financial Statements

Our objective is to obtain reasonable assurance as to whether the entire financial statements are free from material misstatement due to frauds or errors and to present an audit report containing audit opinions. Reasonable assurance is a high level of assurance, but it does not guarantee that the audit performed in accordance with audit standards can always identify all material misstatements. Misstatement may be caused by frauds or errors, and it is generally considered that the misstatement is

significant if it is reasonably expected that the misstatement alone or aggregated may affect the economic decision of the financial statement user based on the financial statements

In the course of carrying out the audit work in accordance with the audit standards, we use professional judgment and maintain professional suspicion. At the same time, we also perform the following tasks:

(1) Identify and assess risks of material misstatement of the financial statements due to fraud or errors, design and implement audit procedures to address these risks, and obtain adequate and appropriate audit evidence as a basis for expressing audit opinions. Since frauds may involve collusion, falsification, intentional omission, misrepresentation or override of internal controls, the risk of failing to identify a material misstatement due to frauds is higher than the risk of failing to identify a material misstatement due to errors.

(2) Understand audit-related internal controls to design appropriate audit procedures.

(3) Evaluate the appropriateness of the accounting policies selected and the reasonableness of the accounting estimates and relevant disclosure by the management;

(4) Draw conclusions on the appropriateness of continued operations assumptions used by the management. Conclude on whether a material uncertainty exists related to events or condition that may cast significant doubt on Sino Great Wall's ability to continue as a going concern based on the audit basis acquired. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the information available as of the date of the audit report. However, future events or circumstances may cause Sino Great Wall not to continue the operation.

(5) Evaluate the overall presentation, structure, and content (including disclosures) of the financial statements, and evaluate whether the financial statements fairly reflect the relevant transactions and events.

(6) Gain sufficient and appropriate audit evidence for the financial information of the entities' or business activities of Sino Great Wall to express audit opinions on the financial statements. We are responsible for directing, supervising and executing audit of the Company, and assume full responsibility for the audit opinions.

We communicate with the governance team on the planned audit scope, timing, and major audit findings, including communication on the internal control deficiencies that we identified during the audit.

We also provide a statement to the governance team on compliance with ethical requirements related to independence, and communicate with the governance team on all relationships and other matters that may reasonably be considered to affect our independence and related preventive measures (if applicable).

From the matters on which we communicate with the governance team, we determine which matters are the most important for the audit of the financial statements for the current period and thus constitute the key audit matters. We describe these matters in our audit report, and unless laws and regulations prohibit the public disclosure of these matters, or in rare cases, if it is reasonably expected that the negative consequences of communicating certain matters in the audit report will outweigh the benefits in the public interest, we determine that such matters should not be communicated in the audit report.

**Lixin Certified Public
Accountants
(Special General
Partnership)**

**Chinese Certified Public Accountant:
Liao Jiahe (Engagement Partner)**

**Chinese Certified Public Accountant:
Feng Xue**

Shanghai, China

April 23, 2018

Sino Great Wall Co., Ltd.

Consolidated Balance Sheet

December 31, 2017

(All amounts expressed in RMB unless otherwise stated)

Assets	Note V	Ending balance	Opening balance
Current assets:			
Monetary Resources	(I)	1,604,973,916.12	1,340,815,821.83
Settlement provisions			
Loans to other banks			
Financial assets measured with fair value and having the change of fair value recorded in the gain or loss of the current period			
Derived financial assets			
Notes Receivable	(II)	288,201,562.88	1,074,390,642.58
Accounts receivable	(III)	5,706,675,244.08	3,725,170,208.31
Advance Payment	(IV)	225,208,527.88	319,206,798.63
Premiums receivable			
Reinsurance receivables			
Reinsurance contract reserve receivable			
Interests Receivable			
Dividends receivable			
Other accounts receivable	(V)	1,674,675,360.28	651,012,132.91
Bought-for-resale financial assets			
Inventories	(VI)	556,839,325.50	332,904,930.36
Assets held for sale			
Non-current Assets Coming Due within One Year	(VII)	0.00	13,462,942.89
Other Current Assets	(VIII)	17,126,911.05	35,450,194.47
Total current assets		10,073,700,847.79	7,492,413,671.98
Non-current assets:			
Loans and advances			
Available-for-Sale Financial Assets	(IX)	10,338,500.00	
Held-to-maturity investments			
Long-Term Accounts Receivable	(X)	14,328,557.82	
Long-term Equity Investments			
Investment Real Estate			
Fixed assets	(XI)	174,537,150.56	128,483,747.74
Construction in Progress	(XII)	4,968,590.96	
Engineering materials			

Assets	Note V	Ending balance	Opening balance
Disposal of fixed assets			
Productive biological assets			
Oil-gas assets			
Intangible assets	(XIII)	127,524,445.00	106,203,443.55
Development expenditure			
Goodwill	(XIV)	64,494,271.55	58,874,144.79
Long-term Deferred Expenses	(XV)	10,124,913.15	7,003,035.94
Deferred income tax assets	(XVI)	118,233,337.36	76,298,659.34
Other Non-current Assets	(XVII)	1,069,594,572.11	116,902,258.30
Total non-current assets		1,594,144,338.51	493,765,289.66
Total assets		11,667,845,186.30	7,986,178,961.63

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative: Chief Accountant: Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Consolidated Balance Sheet (cont.)

December 31, 2017

(All amounts expressed in RMB unless otherwise stated)

Total Liabilities and Owners' Equity	Note V	Ending balance	Opening balance
Current liabilities:			
Short-term Loans	(XVIII)	3,477,200,420.55	1,966,058,357.59
Borrowings from central banks			
Receipt of deposits and deposits from other banks			
Loans from other banks			
Financial liabilities measured with fair value and having the change of fair value recorded in the gain or loss of the current period			
Derived financial liabilities			
Notes Payable	(XXI)	906,597,988.15	706,883,375.54
Accounts payable	(XX)	1,719,579,087.62	1,313,948,990.25
Items Received in Advance	XXI	146,379,852.67	573,784,072.58
Fee for sold-for-buyback financial assets			
Handling charge and commission payable			
Payroll Payable	XXII	21,911,542.07	18,797,546.69
Taxes Payable	XXIII	357,445,477.71	313,483,669.78
Interest Payable	XXIV	16,105,263.85	6,428,493.55
Dividends payable			
Other accounts payable	XXV	520,965,421.13	222,414,975.01
Reinsurance premiums payable			
Insurance contract provisions			
Fee for agency transaction of securities			
Fee for agency underwriting of securities			
Held-for-sale liabilities			
Non-current liabilities coming due within one year	XXVI	820,422,471.45	175,958,998.04
Other Current Liabilities	XXVII	121,529,600.95	30,382,980.72
Total current liabilities		8,108,137,126.15	5,328,141,459.75
Non-current liabilities:			
Long-Term Loans	XXVIII	843,092,471.02	786,858,878.82
Bonds Payable	XXIX	345,000,000.00	
Including: Preferred stock			
Perpetual bond			
Long-term accounts payable	XXX	81,945,567.86	
Long-term payroll payable			

Total Liabilities and Owners' Equity	Note V	Ending balance	Opening balance
Special accounts payable			
Accrued Liabilities	XXXI	3,414,189.15	13,225,861.70
Differed Income			
Deferred income tax liabilities	(XVI)	26,088,961.71	27,469,888.77
Other non-current liabilities			
Total non-current liabilities		1,299,541,189.74	827,554,629.29
Total liabilities		9,407,678,315.89	6,155,696,089.04
Owner's equity			
Capital Stock	XXXII	1,698,245,011.00	1,698,245,011.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital Reserve	XXXIII	-1,299,349,701.74	-1,299,349,701.74
Less: Treasury stock			
Other composite benefits		858,242.13	
Special reserve	XXXIV	164,231,078.18	65,687,868.14
Surplus Reserve	XXXV	84,394,441.23	84,394,441.23
General risk reserve			
Undistributed Profit	XXXVI	1,503,103,396.72	1,228,970,498.86
Total owner's equity attributed to the parent company		2,151,482,467.52	1,777,948,117.49
Minor shareholders' equity		108,684,402.89	52,534,755.10
Total owner's equity		2,260,166,870.41	1,830,482,872.59
Total liabilities and owner's equity		11,667,845,186.30	7,986,178,961.63

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative: Chief Accountant: Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Balance Sheet

December 31, 2017

(All amounts expressed in RMB unless otherwise stated)

Assets	Note XV	Ending balance	Opening balance
Current assets:			
Monetary Resources		407,959,304.60	168,691,344.34
Financial assets measured with fair value and having the change of fair value recorded in the gain or loss of the current period			
Derived financial assets			
Notes Receivable			
Accounts receivable	(I)		6,346.00
Advance Payment		3,865,500.01	1,000,000.00
Interests Receivable			
Dividends receivable		100,000,000.00	
Other accounts receivable	(II)	3,590,967,483.22	1,672,200,041.98
Inventories			
Assets held for sale			
Non-current Assets Coming Due within One Year			
Other Current Assets		2,175,646.45	1,404,744.25
Total current assets		4,104,967,934.28	1,843,302,476.57
Non-current assets:			
Available-for-Sale Financial Assets			
Held-to-maturity investments			
Long-Term Accounts Receivable			
Long-term Equity Investments	(III)	3,311,211,536.66	3,176,451,536.66
Investment Real Estate			
Fixed assets		52,246.48	4,121.50
Construction in Progress			
Engineering materials			
Disposal of fixed assets			
Productive biological assets			
Oil-gas assets			
Intangible assets			
Development expenditure			
Goodwill			
Long-term Deferred Expenses		168,284.84	336,569.60

Assets	Note XV	Ending balance	Opening balance
Deferred income tax assets			
Other Non-current Assets		550,524,570.00	48,960,000.00
Total non-current assets		3,861,956,637.98	3,225,752,227.76
Total assets		7,966,924,572.26	5,069,054,704.33

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative:

Chief Accountant:

Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Balance Sheet (cont.)

December 31, 2017

(All amounts expressed in RMB unless otherwise stated)

Total Liabilities and Owners' Equity	Notes	Ending balance	Opening balance
Current liabilities:			
Short-term Loans		2,287,870,000.00	980,000,000.00
Financial liabilities measured with fair value and having the change of fair value recorded in the gain or loss of the current period			
Derived financial liabilities			
Notes Payable		537,227,578.11	68,000,000.00
Accounts payable			
Items Received in Advance			
Payroll Payable		1,580,335.12	701,792.11
Taxes Payable		97,124,633.81	97,085,106.00
Interest Payable		13,002,236.21	5,150,639.24
Dividends payable			
Other accounts payable		379,420,427.54	13,252,762.06
Held-for-sale liabilities			
Non-current liabilities coming due within one year		700,000,000.00	
Other Current Liabilities			
Total current liabilities		4,016,225,210.79	1,164,190,299.41
Non-current liabilities:			
Long-Term Loans		800,000,000.00	700,000,000.00
Bonds Payable		100,000,000.00	
Including: Preferred stock			
Perpetual bond			
Long-term accounts payable			
Long-term payroll payable			
Special accounts payable			
Accrued Liabilities			
Differed Income			
Deferred income tax liabilities			
Other non-current liabilities			
Total non-current liabilities		900,000,000.00	700,000,000.00
Total liabilities		4,916,225,210.79	1,864,190,299.41
Owner's equity			

Total Liabilities and Owners' Equity	Notes	Ending balance	Opening balance
Capital Stock		1,698,245,011.00	1,698,245,011.00
Other equity instruments			
Including: Preferred stock			
Perpetual bond			
Capital Reserve		1,237,956,472.37	1,237,956,472.37
Less: Treasury stock			
Other composite benefits			
Special reserve			
Surplus Reserve		26,309,287.00	26,309,287.00
Undistributed Profit		88,188,591.10	242,353,634.55
Total owner's equity		3,050,699,361.47	3,204,864,404.92
Total liabilities and owner's equity		7,966,924,572.26	5,069,054,704.33

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative: Chief Accountant: Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Consolidated Profit Statement

Year 2017

(All amounts expressed in RMB unless otherwise stated)

Items	Note V	Amount incurred of current period	Amount incurred of last period
I. Total business income		6,497,124,980.52	4,664,999,117.17
Including: Business income	(XXXVII)	6,497,124,980.52	4,664,999,117.17
Interest income			
Insurance premiums earned			
Handling charges and commission income			
II. Total business costs		5,990,935,078.96	4,110,727,814.01
Including: Business costs	(XXXVII)	4,886,354,499.66	3,459,377,744.66
Interest expenditure			
Handling charges and commissions expenses			
Refund of insurance premiums			
Net payments for insurance claims			
Net provision for insurance contracts			
Commission on insurance policies			
Cession charges			
Taxes and Surcharge	(XXXVIII)	4,533,005.61	9,651,529.46
Selling Expenses	(XXXIX)	32,213,247.97	30,318,688.27
Management Expenses	(XL)	312,957,207.20	313,930,733.56
Financial Expenses	(XLI)	432,590,607.55	127,437,227.95
Asset Impairment Loss	(XLII)	322,286,510.97	170,011,890.11
Plus: Gain on change of fair value (loss represented with “-”)			
Gain on investment (loss represented with “-”)	(XLIII)	-387,601.37	2,226,350.97
Including: Gain on investments in jointly-run enterprises and joint ventures			-564,833.40
Proceeds from asset disposal (loss is represented with “-”)	(XLIV)	-150,250.00	-564,833.40
Gain or loss on foreign exchange transactions (loss filled with “-”)			
Other Income	(XLV)	2,211,128.89	
III. Operating profit (loss represented with “-”)		507,863,179.08	555,932,820.72
Plus: Non-operating income	(XLVI)	156,426.78	26,427,042.86
Less: Non-operating expenditure	(XLVII)	-3,030,152.73	21,022,106.88
IV. Total profit (total loss represented with “-”)		511,049,758.59	561,337,756.70
Less: Expense of income tax	(XLVIII)	127,003,731.76	89,244,861.75
V. Net profit (net loss represented with “-”)		384,046,026.83	472,092,894.95

Items	Note V	Amount incurred of current period	Amount incurred of last period
(I) Classified by business continuity			
1. Net profit from continued operations (net loss is represented with "-")			
2. Net profit from discontinued operations (net loss is represented with "-")		384,046,026.83	472,092,894.95
(II) Classified by ownership			
1. Minor stockholder's gain or loss			
2. Net profits attributable to the Shareholders of the Parent Company		3,955,036.01	-1,568,967.72
VI. After-tax net amount of other composite benefits		380,090,990.82	473,661,862.67
After-tax net amount of other composite benefit attributed to the parent company's owner		858,242.13	
(I) Other composite benefits unavailable to reclassify into gain or loss in future		858,242.13	
1. Change as a result of re-measurement of net liabilities or net assets of defined benefit plan			
2. Shares enjoyed in the other composite benefits which cannot be reclassified into gain or loss of invested units under equity method			
(II) Other composite benefits which will be reclassified into gain or loss in future			
1. Shares enjoyed in the other composite benefits which will be reclassified into gain or loss of invested units under equity method		858,242.13	
2. Gain or loss on the change of fair value of available-for-sale financial assets			
3. Gain or loss on held-to-maturity investments reclassified into available-for-sale financial assets			
4. Effective part of gain or loss on hedging of cash flow			
5. Balance from conversion of foreign-currency financial statements			
6. Others		858,242.13	
After-tax net amount of other composite benefits attributed to minor shareholders			
VII. Total amount of composite benefits			
Total amount of composite benefits attributed to the parent company's owner		384,904,268.96	472,092,894.95
Total amount of composite benefits attributed to minor shareholders		380,949,232.95	473,661,862.67
VIII. Earnings per share:		3,955,036.01	-1,568,967.72
(I) Basic earnings per share (Yuan/ share)			
(II) Diluted earnings per share (Yuan/ share)		0.22	0.28
		0.22	0.28

Enterprise Legal Representative:

Chief Accountant:

Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Profit Statement

Year 2017

(All amounts expressed in RMB unless otherwise stated)

Items	Note XV	Amount incurred of current period	Amount incurred of last period
I. Operating income		240,558.55	238,048.64
Less: Operating cost		1,482.50	
Taxes and Surcharge		486,860.22	192,135.56
Selling Expenses		793,644.62	
Management Expenses		48,845,134.77	34,816,749.95
Financial Expenses		94,901,413.49	5,966,974.50
Asset Impairment Loss		7,489,577.66	781,524.61
Plus: Gain on change of fair value (loss represented with “—”)			
Gain on investment (loss represented with “—”)		100,000,000.00	396,197.49
Including: Gain on investments in jointly-run enterprises and joint ventures			
Proceeds from asset disposal (loss is represented with "-")			
Other Income		7,211.91	
II. Operating profit (loss represented with “—”)		-52,270,342.80	-41,123,138.49
Plus: Non-operating income		0.01	26,315,384.00
Less: Non-operating expenditure			
III. Total profit (total loss represented with “—”)		-52,270,342.79	-14,807,754.49
Less: Expense of income tax			382.68
IV. Net profit (net loss represented with “—”)		-52,270,342.79	-14,808,137.17
(I) Net profit from continued operations (net loss is represented with "-")		-52,270,342.79	-14,808,137.17
(II) Net profit from discontinued operations (net loss is represented with "-")			
V. After-tax net amount of other composite benefits			
(I) Other composite benefits unavailable to reclassify into gain or loss in future			
1. Change as a result of re-measurement of net liabilities or net assets of defined benefit plan			
2. Shares enjoyed in the other composite benefits which cannot be reclassified into gain or loss of invested units under equity method			
(II) Other composite benefits which will be reclassified into gain or loss in future			
1. Shares enjoyed in the other composite benefits which will be reclassified into gain or loss of invested units under equity method			
2. Gain or loss on the change of fair value of available-for-sale financial assets			
3. Gain or loss on held-to-maturity investments reclassified into available-for-sale financial assets			
4. Effective part of gain or loss on hedging of cash flow			

Items	Note XV	Amount incurred of current period	Amount incurred of last period
5. Balance from conversion of foreign-currency financial statements			
6. Others			
VI. Total amount of composite benefits		-52,270,342.79	-14,808,137.17
VII. Earnings per share:			
(I) Basic earnings per share (Yuan/ share)			
(II) Diluted earnings per share (Yuan/ share)			

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative: Chief Accountant: Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Consolidated Cash Flow Statement

Year 2017

(All amounts expressed in RMB unless otherwise stated)

Items	Note V	Amount incurred of current period	Amount incurred of last period
I Cash flow from operating activities			
Cash received from sale of goods or rendering of services		4,642,883,579.49	2,793,118,697.02
Net increment in customer bank deposits and due to banks and other financial institutions			-
Net increment of borrowings from central bank			-
Net increment in placements from other financial institutions			-
Premiums received from original insurance contracts			-
Net cash received from reinsurance business			-
Net increment in deposits from policyholders			-
Net increment from disposal of financial assets measured with fair value and having the change of fair value recorded in the gain or loss of the current period			-
Interest, handling charges and commission received			-
Net increment in placements			-
Net increment in repurchase business capital			-
Tax rebates received		11,520,458.96	6,342,293.39
Cash received relating to other operating activities		6,134,642,883.34	1,818,662,633.63
Subtotal of cash inflows from operating activities		10,789,046,921.79	4,618,123,624.04
Cash paid for goods purchased and services received		5,007,872,564.26	2,879,469,436.78
Net increment in loans and advances to customers			-
Net increment in deposits with central bank and other financial institutions			-
Original insurance contract claims paid			-
Interest, handling charges and commissions paid			-
Policyholder Dividend Paid			-
Cash paid to and for employees		380,713,969.98	345,233,924.96
Various taxes paid		212,006,262.08	92,009,656.66
Cash paid relating to other operating activities		6,970,322,744.12	2,989,286,419.58
Subtotal of cash outflows for operating activities		12,570,915,540.43	6,305,999,437.98
Net amount of cash flow from operating activities		-1,781,868,618.65	-1,687,875,813.94
II Cash flows from investing activities			
Cash received from disinvestments		2,000,000.00	119,902,961.04

Items	Note V	Amount incurred of current period	Amount incurred of last period
Cash received from obtaining of investment yield		-	1,566,217.08
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets		85,000.00	95,937.00
Net amount of cash received from disposal of subsidiaries and other operating units		-	-
Cash received relating to other investment activities		-	-
Subtotal of cash inflows from investment activities		2,085,000.00	121,565,115.12
Cash paid for purchasing and construction of fixed assets, intangible assets and other long-term assets		48,204,408.85	15,582,049.03
Cash paid for investments		840,948,723.77	188,307,635.00
Net increment of pledged loans		-	-
Net amount of cash paid for obtaining subsidiaries and other operating units		2,340,123.50	42,467,736.61
Cash paid relating to other investment activities		131,500,000.00	-
Subtotal of cash outflows for investment activities		1,022,993,256.12	246,357,420.64
Net amount of cash flow from investment activities		-1,020,908,256.12	-124,792,305.52
III Cash flow from financing activities			
Cash received from absorbing investments		30,240,000.00	-
Including: Cash received from subsidiaries' absorbing the investments of minor shareholders		-	-
Cash received from obtaining loans		4,537,777,192.35	3,352,564,898.49
Cash received from issuing bonds		344,800,000.00	-
Cash received relating to other financing activities		179,327,200.00	175,355,000.00
Subtotal of cash inflows from financing activities		5,092,144,392.35	3,527,919,898.49
Cash paid for repaying debts		1,998,607,849.12	676,386,220.35
Cash paid for distributing dividends, profits or paying interests		332,584,990.54	116,576,063.38
Including: Dividends and profits paid by subsidiaries to minor shareholders		-	-
Cash paid relating to other financing activities		233,071,283.83	555,780,295.84
Subtotal of cash outflows for financing activities		2,564,264,123.49	1,348,742,579.57
Net amount of cash flow from financing activities		2,527,880,268.86	2,179,177,318.92
IV Cash and cash equivalents affected by change of exchange rate		-21,586,126.02	-5,549,633.86
V Net increment of cash and cash equivalents		-296,482,731.93	360,959,565.60
Plus: Opening balance of cash and cash equivalents		943,705,322.41	582,745,756.81
VI Ending balance of cash and cash equivalents		647,222,590.48	943,705,322.41

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative: Chief Accountant: Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Cash Flow Statement

Year 2017

(All amounts expressed in RMB unless otherwise stated)

Items	Notes	Amount incurred of current period	Amount incurred of last period
I Cash flow from operating activities			
Cash received from sale of goods or rendering of services		265,320.00	266,133.00
Tax rebates received			
Cash received relating to other operating activities		4,283,071,598.59	822,670,967.58
Subtotal of cash inflows from operating activities		4,283,336,918.59	822,937,100.58
Cash paid for goods purchased and services received			
Cash paid to and for employees		494,240.89	7,388,478.01
Various taxes paid		396,447.37	1,558,123.56
Cash paid relating to other operating activities		5,546,418,464.78	2,332,567,169.66
Subtotal of cash outflows for operating activities		5,547,309,153.04	2,341,513,771.23
Net amount of cash flow from operating activities		-1,263,972,234.45	-1,518,576,670.65
II Cash flows from investing activities			
Cash received from disinvestments			107,000,000.00
Cash received from obtaining of investment yield			396,197.49
Net amount of cash received from disposal of fixed assets, intangible assets and other long-term assets			
Net amount of cash received from disposal of subsidiaries and other operating units			
Cash received relating to other investment activities			
Subtotal of cash inflows from investment activities			107,396,197.49
Cash paid for purchasing and construction of fixed assets, intangible assets and other long-term assets		65,440.00	
Cash paid for investments		696,324,570.00	155,960,000.00
Net amount of cash paid for obtaining subsidiaries and other operating units		-	97,000,000.00
Cash paid relating to other investment activities		-	
Subtotal of cash outflows for investment activities		696,390,010.00	252,960,000.00
Net amount of cash flow from investment activities		-696,390,010.00	-145,563,802.51
III Cash flow from financing activities			
Cash received from absorbing investments			
Cash received from obtaining loans		3,085,070,000.00	1,810,000,000.00
Cash received from issuing bonds		99,800,000.00	-
Cash received relating to other financing activities			12,500,000.00
Subtotal of cash inflows from financing activities		3,184,870,000.00	1,822,500,000.00

Items	Notes	Amount incurred of current period	Amount incurred of last period
Cash paid for repaying debts		980,200,000.00	130,000,000.00
Cash paid for distributing dividends, profits or paying interests		282,451,200.03	74,013,433.81
Cash paid relating to other financing activities		31,000,000.00	24,800,000.00
Subtotal of cash outflows for financing activities		1,293,651,200.03	228,813,433.81
Net amount of cash flow from financing activities		1,891,218,799.97	1,593,686,566.19
IV Cash and cash equivalents affected by change of exchange rate			
V Net increment of cash and cash equivalents		-69,143,444.48	-70,453,906.97
Plus: Opening balance of cash and cash equivalents		168,691,344.34	239,145,251.31
VI Ending balance of cash and cash equivalents		99,547,899.86	168,691,344.34

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative: Chief Accountant: Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Consolidated Statement of Changes in Owner's Equity

Year 2017

(All amounts expressed in RMB unless otherwise stated)

Items	Amount of current period												
	Owner's equity attributed to the parent company											Minor shareholders' equity	Total owner's equity
	Capital Stock	Other equity instruments			Capital Reserve	Less: Treasury stock	Other composite benefits	Special reserve	Surplus Reserve	General risk reserve	Undistributed Profit		
	Preferred stock	Perpetual bond	Others										
I. Closing balance of the prior period	1,698,245,011.00				-1,299,349,701.74			65,687,868.14	84,394,441.23		1,228,970,498.86	52,534,755.10	1,830,482,872.59
Plus: Correction of accounting policies													
Correction of previous errors													
Business combination under the same control													
Others													
II. Beginning balance of this year	1,698,245,011.00				-1,299,349,701.74			65,687,868.14	84,394,441.23		1,228,970,498.86	52,534,755.10	1,830,482,872.60
III. Amount increased or decreased of current period (decrease represented with "-")							858,242.13	98,543,210.04	0.00		274,132,897.86	56,149,647.79	429,683,997.82
(I) Total amount of composite benefits							858,242.13				380,090,990.83	3,955,036.01	384,904,268.97
(II) Capital input and decreased by owners											-4,063,392.31	52,194,611.78	48,131,219.47
1. Common stock input by shareholders												30,240,000.00	30,240,000.00

Items	Amount of current period												Minor shareholders' equity	Total owner's equity
	Owner's equity attributed to the parent company													
	Capital Stock	Other equity instruments			Capital Reserve	Less: Treasury stock	Other composite benefits	Special reserve	Surplus Reserve	General risk reserve	Undistributed Profit			
	Preferred stock	Perpetual bond	Others											
2. Capital input by holders of other equity instruments														
3. Amount of share-based payment recorded in owner's equity														
4. Others											-4,063,392.31	21,954,611.78	17,891,219.47	
(III) Profit distribution									-0.00		-101,894,700.66		-101,894,700.66	
1. Surplus reserve withdrawn									-0.00				0.00	
2. General risk reserve withdrawn														
3. Distribution to owners (or shareholders)											-101,894,700.66		-101,894,700.66	
4. Others														
(IV) Internal carry-forward of owner's equity														
1. Capital reserve converted to increase capital (or capital stock)														
2. Surplus reserve converted to increase capital (or capital stock)														
3. Surplus reserve used to cover losses														
4. Others														

Items	Amount of current period												
	Owner's equity attributed to the parent company											Minor shareholders' equity	Total owner's equity
	Capital Stock	Other equity instruments			Capital Reserve	Less: Treasury stock	Other composite benefits	Special reserve	Surplus Reserve	General risk reserve	Undistributed Profit		
	Preferred stock	Perpetual bond	Others										
(V). Special reserve								98,543,210.04					98,543,210.04
1. Withdrawn in current period								98,543,210.04					98,543,210.04
2. Used in current period													
(VI). Others													
IV. Ending balance of current period	1,698,245,011.00				-1,299,349,701.74		858,242.13	164,231,078.18	84,394,441.23		1,503,103,396.72	108,684,402.89	2,260,166,870.41

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative:

Chief Accountant:

Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Consolidated Statement of Changes in Owner's Equity (cont.)

Year 2017

(All amounts expressed in RMB unless otherwise stated)

Items	Amount of last period												
	Owner's equity attributed to the parent company											Minor shareholders' equity	Total owner's equity
	Capital Stock	Other equity instruments			Capital Reserve	Less: Treasury stock	Other composite benefits	Special reserve	Surplus Reserve	General risk reserve	Undistributed Profit		
Preferred stock	Perpetual bond	Others											
I. Closing balance of the prior period	446,906,582.00				-50,367,862.22			46,014,941.54	84,394,441.23		755,308,636.19	-1,713,075.19	1,280,543,663.55
Plus: Correction of accounting policies													
Correction of previous errors													
Business combination under the same control													
Others													
II. Beginning balance of this year	446,906,582.00				-50,367,862.22			46,014,941.54	84,394,441.23		755,308,636.19	-1,713,075.19	1,280,543,663.55
III. Amount increased or decreased of current period (decrease represented with "-")	1,251,338,429.00				-1,248,981,839.52			19,672,926.60			473,661,862.67	54,247,830.29	549,939,209.04
(I) Total amount of composite benefits											473,661,862.67	-1,327,357.60	472,334,505.07
(II) Capital input and decreased by owners	1,251,338,429.00				2,356,589.48							55,575,187.89	1,309,270,206.37
1. Common stock input by shareholders	1,251,338,429.00												1,251,338,429.00
2. Capital input by holders of													

Items	Amount of last period												
	Capital Stock	Owner's equity attributed to the parent company			Capital Reserve	Less: Treasury stock	Other composite benefits	Special reserve	Surplus Reserve	General risk reserve	Undistributed Profit	Minor shareholders' equity	Total owner's equity
		Other equity instruments											
	Preferred stock	Perpetual bond	Others										
other equity instruments													
3. Amount of share-based payment recorded in owner's equity													
4. Others				2,356,589.48							55,575,187.89	57,931,777.37	
(III) Profit distribution													
1. Surplus reserve withdrawn													
2. General risk reserve withdrawn													
3. Distribution to owners (or shareholders)													
4. Others													
(IV) Internal carry-forward of owner's equity				-1,251,338,429.00								-1,251,338,429.00	
1. Capital reserve converted to increase capital (or capital stock)				-1,251,338,429.00								-1,251,338,429.00	
2. Surplus reserve converted to increase capital (or capital stock)													
3. Surplus reserve used to cover losses													
4. Others													
(V) Special reserve							19,672,926.6					19,672,926.60	

Items	Amount of last period												
	Owner's equity attributed to the parent company											Minor shareholders' equity	Total owner's equity
	Capital Stock	Other equity instruments			Capital Reserve	Less: Treasury stock	Other composite benefits	Special reserve	Surplus Reserve	General risk reserve	Undistributed Profit		
	Preferred stock	Perpetual bond	Others										
								0					
1. Withdrawn in current period								56,095,547.0				56,095,547.05	
2. Used in current period								36,422,620.4				36,422,620.45	
(VI)Others													
IV. Ending balance of current period	1,698,245,011.0				-1,299,349,701.7			65,687,868.1	84,394,441.2		1,228,970,498.8	52,534,755.1	1,830,482,872.5
	0				4			4	3		6	0	9

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative:

Chief Accountant:

Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Statement of Changes in Owner's Equity

Year 2017

(All amounts expressed in RMB unless otherwise stated)

Items	Amount of current period										
	Capital Stock	Other equity instruments			Capital Reserve	Less: Treasury stock	Other composite benefits	Special reserve	Surplus Reserve	Undistributed Profit	Total owner's equity
		Preferred stock	Perpetual bond	Others							
I. Closing balance of the prior period	1,698,245,011.00				1,237,956,472.37				26,309,287.00	242,353,634.55	3,204,864,404.92
Plus: Correction of accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of this year	1,698,245,011.00				1,237,956,472.37				26,309,287.00	242,353,634.55	3,204,864,404.92
III. Amount increased or decreased of current period (decrease represented with "-")										-154,165,043.45	-154,165,043.45
(I) Total amount of composite benefits										-52,270,342.79	-52,270,342.79
(II) Capital input and decreased by owners											
1. Common stock input by shareholders											
2. Capital input by holders of other equity instruments											
3. Amount of share-based payment recorded in owner's equity											
4. Others											
(III) Profit distribution										-101,894,700.66	-101,894,700.66
1. Surplus reserve withdrawn											
2. Distribution to owners (or shareholders)										-101,894,700.66	-101,894,700.66
3. Others											
(IV) Internal carry-forward of owner's equity											
1. Capital reserve converted to increase capital (or capital stock)											
2. Surplus reserve converted to increase capital (or capital stock)											

Items	Amount of current period										
	Capital Stock	Other equity instruments			Capital Reserve	Less: Treasury stock	Other composite benefits	Special reserve	Surplus Reserve	Undistributed Profit	Total owner's equity
		Preferred stock	Perpetual bond	Others							
3. Surplus reserve used to cover losses											
4. Others											
(V)Special reserve											
1. Withdrawn in current period											
2. Used in current period											
(VI)Others											
IV. Ending balance of current period	1,698,245,011.00				1,237,956,472.37				26,309,287.00	88,188,591.10	3,050,699,361.47

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative:

Chief Accountant:

Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Statement of Changes in Owner's Equity (cont.)

Year 2017

(All amounts expressed in RMB unless otherwise stated)

Items	Amount of last period										
	Capital Stock	Other equity instruments			Capital Reserve	Less: Treasury stock	Other composite benefits	Special reserve	Surplus Reserve	Undistributed Profit	Total owner's equity
		Preferred stock	Perpetual bond	Others							
I. Closing balance of the prior period	446,906,582.00				2,489,294,901.37				26,309,287.00	257,161,771.72	3,219,672,542.09
Plus: Correction of accounting policies											
Correction of previous errors											
Others											
II. Beginning balance of this year	446,906,582.00				2,489,294,901.37				26,309,287.00	257,161,771.72	3,219,672,542.09
III. Amount increased or decreased of current period (decrease represented with "-")	1,251,338,429.00				-1,251,338,429.00					-14,808,137.17	-14,808,137.17
(I) Total amount of composite benefits										-14,808,137.17	-14,808,137.17
(II) Capital input and decreased by owners	1,251,338,429.00										1,251,338,429.00
1. Common stock input by shareholders	1,251,338,429.00										1,251,338,429.00
2. Capital input by holders of other equity instruments											
3. Amount of share-based payment recorded in owner's equity											
4. Others											
(III) Profit distribution											
1. Surplus reserve withdrawn											
2. Distribution to owners (or shareholders)											
3. Others											
(IV) Internal carry-forward of owner's equity					-1,251,338,429.00						-1,251,338,429.00
1. Capital reserve converted to increase capital (or capital stock)					-1,251,338,429.00						-1,251,338,429.00

Items	Amount of last period										
	Capital Stock	Other equity instruments			Capital Reserve	Less: Treasury stock	Other composite benefits	Special reserve	Surplus Reserve	Undistributed Profit	Total owner's equity
		Preferred stock	Perpetual bond	Others							
2. Surplus reserve converted to increase capital (or capital stock)											
3. Surplus reserve used to cover losses											
4. Others											
(V)Special reserve											
1. Withdrawn in current period											
2. Used in current period											
(VI)Others											
IV. Ending balance of current period	1,698,245,011.00				1,237,956,472.37				26,309,287.00	242,353,634.55	3,204,864,404.92

The attached notes to the financial statements are integral part of the financial statements.

Enterprise Legal Representative:

Chief Accountant:

Person-in-charge of the accounting agency:

Sino Great Wall Co., Ltd.

Notes to Financial Statements 2017

(All amounts expressed in RMB unless otherwise stated)

I. Basic Information of the Company

(I)

Company Profile

Sino Great Wall Co., Ltd. (hereinafter referred to as "Company" or the "Company") is a limited liability company restructured by Shenzhen Victor Onward Textile Printing Co., Ltd. and altered its name to Shenzhen Victor Onward Textile Industrial Co., Ltd. upon the approval of the People's Government of Shenzhen Municipality on November 19, 1991.

The Company's enterprise uniform social credit code: 91440300618801483A. It was listed on the Shenzhen Stock Exchange in 1992. The industries involved are the architectural decoration industry and other construction industries.

As of December 31, 2017, the Company has issued capital stock of RMB 169,824,500 shares in total with the registered capital of RMB 169,824,500; the registration address is located at No. 26, Kuipeng Road, Baishigang, Kuichong Subdistrict, Dapeng New District, Shenzhen City and the headquarter address is:

Sino Great Wall Tower, No. 3, Jinxiu Road, Beijing Economic-Technological Development Area

. The operating activities of the Company include: production and operation of textile goods and the needed raw materials, accessories, mechanical equipment, clothes of various face fabrics and provision of relevant services (excluding those products managed by the current license, performing as per the license if there is one). 70% of the products are for export. A branch has set up in Shanghai. Supplemented operating activities: engaging in businesses of quota-free license management, acquisition and export of non-monopolized commodity. The actual controller of the Company is Chen Lve.

The financial statements have been reported on April 23, 2018 after the approval of all directors (board of directors) of the Company.

(II) Scope of consolidated financial statements

As of December 31, 2017, the subsidiaries within the scope of the Company's consolidated financial statements were as shown below:

Invested units

Changzhi Shenzhou Laodingshan Industrial Co., Ltd.
Xiangfen County Taoshan Construction Co., Ltd.
Sino Great Wall (Xihua) Economic Development Zone Investment Co., Ltd.
Liupanshui Central People's Hospital Investment Co., Ltd.
Sino Zhigu Industrial (Yueyang) Co., Ltd.
Sino Great Wall Guangxia (Wuhan) Medical Development Co., Ltd.
Sino Great Wall Infrastructure Investment Co., Ltd.
Wuhan Commercial Workers Hospital LLC
Sino Great Wall Medical Investment Management Co., Ltd.
Sino Great Wall International Engineering Co., Ltd.
Fujian Sino Great Wall Mingyihui Medical Investment Co., Ltd.
Sino Great Wall Medical Investment (Hubei) Co., Ltd.
Hubei Yuanyaotong Supply Chain Co., Ltd.
Sino Great Wall Medical Management (Inner Mongolia) Co., Ltd.
Sino Great Wall Health Management (Jiangsu) Co., Ltd.
Sino Great Wall (Beijing) Investment Fund Management Co., Ltd.
Sino Great Wall New Energy (Beijing) Co., Ltd.
Bozhou Guangcheng New Energy LLC
Bozhou Zhaosheng Agricultural Technology LLC
Bozhou Xieying Solar Power Generation LLC
Wu'an Juhe Photovoltaic Power Co., Ltd.
Qian'an Shenzhou Solar Power Generation Co., Ltd.
Shanghai Lingrui International Trading Co., Ltd.
Shenzhen Hongtulve Industrial Co., Ltd.
Guangzhou Herabenna Interior Design Co., Ltd.
Sino Great Wall Southwest Engineering Co., Ltd.
Sino Great Wall Southwest Science and Technology Co., Ltd.
Sino Great Wall Southwest Commercial and Trading Co., Ltd.
Sino Great Wall Southwest Engineering Consultation Co., Ltd.
Shenzhen Yatian Decoration Design Engineering Co., Ltd.
Sino Great Wall Decoration and Design Co., Ltd.
Suzhou Lvbang Wood Industry Technology Co., Ltd.
Huichang County Zhongcheng Construction Engineering Co., Ltd.
Sino Great Wall Zhihui Housing Property (Zhanjiang) Co., Ltd.
Great Wall Biaodian Energy Co., Ltd.
Kunming Sino Forest Industry Development Co., Ltd.
Sino Great Wall Development (Hengqin) Co., Ltd.
Sino Great Wall Construction Construction Co., Ltd.
Sino Great Wall Real Estate (Hubei) Co., Ltd.
SGW America LLC
Sino Great Wall Group Co., Limited
Far Eastern International Engineering Company, LLC
Sino Great Wall (Philippines) International Corporation
Sino Wai Man International Engineering Limited

Sino Great Wall (HK) Property Co., Limited
SGW HP Engineering Construction SDN.BHD
SGW VENTURES SDN.BHD.
SGW CONSTRUCTION (LANGKAWI) SDN.BHD.
Alor Vista Development Sdn Bhd
SINO GREAT WALL GENERAL TRADING & CONTRACTING CO., LTD (Kuwait Branch)
Shenzhou Changcheng (Lao) Co., Ltd.
Sino Great Wall Group (UK) Co., Limited
Sino Great Wall International Engineering (MM) Co., Ltd.
Maldives Branch of Sino Great Wall International Engineering Co., Ltd.
Inrich Me Engineering Co., Ltd.
SINO GREAT WALL INTERNATIONAL ENGINEERING (MACAU) CO., LIMITED
Sino Great Wall International Engineering (Thailand) Co., Ltd.
Sino Great Wall International Engineering (CNMI) Co., LLC.
SINO GREAT WALL (USA).INC
PT.SINO GREAT WALL INVESTMENT INDONESIA
PT.SINO GREAT WALL CONSTRUCTION INDONESIA

For the range of this consolidated financial statement and its change information, see details in Note VI. Change of consolidation range and Note VII. Rights and interests in other subjects.

II. Basis for Preparation of Financial Statements

(I) Basis of Preparation

The Company has prepared financial statements based on sustained operation as basis, according to the transactions and matters having occurred actually, and in accordance with the Accounting Standards for Business Enterprises – Basic Rules, various detailed accounting rules, Guidelines for Application of Accounting Standards for Business Enterprises, Interpretation of Accounting Standards for Business Enterprises and other relevant regulations issued by the Ministry of Finance (hereinafter jointly referred to as “Accounting Standards for Business Enterprises”), as well as the disclosure provisions of the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No.15 – General Provisions on Financial Report issued by China Securities Regulatory Commission.

(II) Sustained Operation

The Company had the ability of sustained operation within 12 months since the end of the reporting period, and did not have significant matters affecting its sustained operation.

III Important Accounting Policies and Accounting Estimates

(I) Statement on Observing Accounting Standards for Business Enterprises

The financial statements prepared by the Company meet the requirements of Accounting Standards for Business Enterprises, and reflect the Company's relevant information like financial standing, operating results, cash flow, etc. in the reporting period authentically and completely.

(II) Fiscal Period

From Jan. 1 to Dec. 31 in the Gregorian calendar is one fiscal year.

(III) Business Cycle

The Company's business cycle is 12 months.

(IV) Recording Currency

The Company adopts RMB as recording currency.

(V) Method for Accounting Treatment of Business Combination under and Not under the Same Control

Business combination under the same control: The assets and liabilities obtained by the Company from business combination are measured as per the book value of the combined party's assets and liabilities (including the goodwill formed from the final controller's acquisition of the combined party) on the date of combination in the final controller's consolidated financial statements. For the balance between the book value of net assets obtained from the combination and the book value of combination consideration paid (or the total book value of shares issued), the capital stock premium in capital reserve will be adjusted; and if the capital stock premium in the capital reserve is insufficient to write down, the retained earnings will be adjusted.

Business combination not under the same control: The assets paid as consideration for business combination and the liabilities incurred or undertaken by the Company on the date of purchasing will be measured as per fair value, and the balance between the fair

value and its book value will be recorded in the gain or loss of the current period. The Company confirms the balance that the “combination cost” is bigger than “the fair value shares of the purchased party’s distinguishable net assets obtained from the combination” as goodwill; and records after checking the balance that the “combination cost” is smaller than “the fair value shares of the purchased party’s distinguishable net assets obtained from the combination” in the gain or loss of the current period.

The intermediary expenses incurred for business combination, like audit, legal service, appraisal and consulting, etc., and other directly related expenses will be recorded in the gain or loss of the current period when incurred; the transaction expenses of equity securities issued for business combination will be used to write down the equity.

(VI)

Method for Preparation of Consolidated Financial Statements

1. Consolidation Scope

The consolidation scope of the Company’s consolidated financial statements is determined based on control, and all subsidiaries (including the divisible parts of the invested parties controlled by the Company) are all incorporated into the consolidated financial statements.

2. Consolidation Procedures

The Company prepares consolidated financial statements based on itself and each subsidiary’s financial statements, and according to other relevant materials. For preparing consolidated financial statements, the Company deems the whole enterprise group as an accounting subject, and reflects the enterprise group’s overall financial standing, operating results and cash flow according to the confirmation, measuring and presentation requirements of relevant enterprise accounting standards, and according to uniform accounting policies.

The accounting policies and accounting period of all the subsidiaries incorporated into the consolidation scope of consolidated financial statements are consistent with those adopted by the Company. If the accounting policies and accounting period adopted by the subsidiaries are inconsistent with those adopted by the Company, then when consolidated financial statements are prepared, necessary adjustments will be made according to the Company’s accounting policies and accounting period. For the subsidiaries obtained through business combination not

under the same control, their financial statements will be adjusted based on the fair value of distinguishable net assets on the date of purchasing. For subsidiaries obtained through business combination under the same control, their financial statements will be adjusted based on the book value of their assets and liabilities (including the goodwill formed from the final controller's acquisition of the subsidiaries) in the final controller's financial statements.

The shares belonging to minor shareholders of subsidiaries' owners' equity, net gain or loss of current period, and composite benefits of current period will be listed independently under the owners' equity in consolidated balance sheet, the net profit and total composite benefit in consolidated profit statement respectively. The balance formed from that "the loss of current period shared by subsidiaries' minor shareholders" exceeds "the shares shared by the minor shareholders in the subsidiaries' owners' equity at the beginning of period" will be used to write down minor shareholders' equity.

(1) Increase of subsidiaries or businesses

In the reporting period, if subsidiaries or businesses are increased for business combination under the same control, the opening amount in the consolidated balance sheet will be adjusted; the income, expense, and profit of the subsidiaries or businesses from the beginning of the very period of combination to the end of the reporting period will be incorporated into the consolidated profit statement; the cash flow of the subsidiaries or businesses from the beginning of the very period of combination to the end of the reporting period will be incorporated into the consolidated cash flow statement, and meanwhile, relevant items in comparative statements will be adjusted, and the report subjects after combination will be deemed as having always existed from the time point when the final controller starts the control.

If it's available to impose control on invested parties under the same control for reason of additional investment, etc., each party participating in the combination will be deemed to exist and make adjustments according to present state when the final controller starts the control. The equity investments held before obtaining the right to control the combined parties, relevant gain or loss already confirmed from "the date when original equity is obtained and the date when the combining party and the combined party are under the same control, whichever is later" to the date

of combination, other composite benefits, and the changes of other net assets will be used to write down the opening retained benefit of the period of comparative statement or the gain or loss of the current period respectively.

In the reporting period, if subsidiaries or businesses are increased for business combination not under the same control, the opening amount of consolidated balance sheet will not be adjusted; the income, expense and profit of the subsidiaries or businesses from the date of purchasing to the end of reporting period will be incorporated into the profit statement respectively; and the cash flow of the subsidiaries or businesses from the date of purchasing to the end of reporting period will be incorporated into the cash flow statement.

If it is available to impose control on the invested parties not under the same control for reason of additional investment, etc., then the purchased parties' stock equity held before the date of purchasing will be re-measured by the Company as per the fair value of the stock equity on the date of purchasing, and the balance between the fair value and its book value will be recorded in the investment yield of the current period. If the purchased parties' equity held before the date of purchasing involves other composite benefits under accounting with equity method, as well as changes of other owners' equity except for net gain or loss, other composite benefit and profit distribution, then relevant other composite benefit and changes of other owner's equity will be converted into the investment yield in the very period to which the date of purchasing belongs, excluding the other composite benefits arising from the changes of the net liabilities or net assets of benefit plan measured and set up over again by the invested parties.

(2) Disposal of Subsidiaries or Businesses

① General Treatment Method

In the reporting period, if the Company disposes some subsidiaries or businesses, then the income, expense and profit of such subsidiaries or businesses from the beginning of the period to the date of disposal will be incorporated into the consolidated profit statement; the cash flow of the subsidiaries or businesses from the beginning of period to the date of disposal will be incorporated into cash flow statement.

If the Company loses the right to control invested parties for disposal of partial equity investments or other reasons, the remained equity investments after disposal

will be re-measured by the Company as per their fair value on the date when the control right is lost. The balance of “the sum of the consideration obtained from disposal of equity and the fair value of the remained stock equity” minus “the sum of the net asset shares enjoyed in original subsidiaries and calculated continuously from the date of purchasing or date of combination according to original shareholding proportion and the goodwill” will be recorded in the investment yield of the very period when control right is lost. Other composite benefits related to original subsidiaries’ equity investments, or the changes of other owners’ equity except for other composite benefits and profit distribution, will be converted into the investment yield of the very period when the control right is lost, excluding the other composite benefits arising from the changes of the net liabilities or net assets of benefit plan measured and set up over again by the invested parties.

In case of any declination on the shareholding proportion of the Company and herein losing the control rights over its subsidiary arising from the capital increase contributed by other investors, it shall conduct accounting treatment in the light of the aforesaid principles.

② Disposal of subsidiaries by steps

If the Company disposes the equity investments in subsidiaries by steps through multiple transactions until losing the right to control the subsidiaries, and if the clauses, terms and economic influences of various transactions for disposing the equity investments in the subsidiaries meet one or several of the following circumstances, such multiple transactions will generally be subject to accounting treatment as package transaction:

- i. These transactions are concluded simultaneously or in condition of considering mutual influences;
- ii. Only the entirety of these transactions could achieve a complete business result;
- iii. The occurrence of a transaction depends on the occurrence of at least one of the other transactions;
- iv. A transaction is not economical independently, but economical if considered together with other transactions.

If various transactions of disposing the equity investments in subsidiaries until losing the control right belong to package transaction, the Company will execute

accounting treatment of various transactions as a transaction of disposing subsidiaries until losing control right; but the balance between the price of every disposal before losing control right and the subsidiaries' net asset shares enjoyed and corresponding to the investments disposed will be confirmed as other composite benefits in the consolidated financial statements, and transferred into the gain or loss of the very period when the control right is lost.

If various transactions of disposing the equity investments in subsidiaries until losing the control right do not belong to package transaction, then before losing control right, the Company will execute accounting treatment according to relevant policies about partial disposal of equity investments in subsidiaries in condition of not losing control right; if control right is lost, the accounting treatment will be carried out according to general method for treatment of subsidiaries.

(3) Purchasing of subsidiaries' minor stock equity

For the balance between "the long-term equity investments newly obtained from purchasing of minor stock equity" and "the net asset shares to be enjoyed in the subsidiaries according to newly increased shareholding proportion and calculated continuously from the date of purchasing (or the date of combination)", the capital stock premium in the capital reserve in the consolidated balance sheet will be adjusted; if the capital stock premium in the capital reserve is not sufficient to write down, the retained benefit will be adjusted.

(4) Disposal of partial equity investments in subsidiary companies in condition of not losing control right

For the balance between "the disposal price obtained from disposal of partial long-term equity investments in subsidiaries in condition of not losing control right" and "the net asset shares to be enjoyed in the subsidiaries, corresponding to the disposal of long-term equity investments, and calculated continuously from the date of purchasing or the date of combination", the capital stock premium in the capital reserve in the consolidated balance sheet will be adjusted; if the capital stock premium in the capital reserve is not sufficient to write down, the retained benefit will be adjusted.

(VII)

Standard for Determination of Cash and Cash Equivalents

When compiling the cash flow statement, the Company's cash on hand and the deposit, which can be used to make payment at any time, should be confirmed as the cash. The investment, having four features of short duration (expired within three months from the acquisition date), strong mobility, being easy to be changed into known cash, low value change risk at the same time, should be confirmed as the cash equivalent.

(VIII) Foreign Businesses and Conversion of Foreign-Currency Statements

1. Foreign-Currency Businesses

Foreign-currency businesses are converted into RMB for book-keeping with the approximate exchange rate of the spot exchange rate on transaction date as the exchange rate for conversion.

The balance of foreign-currency monetary items on the date of balance sheet will be converted with the spot exchange rate on the date of balance sheet, and the balance of exchange arising from hereof will be recorded in the gain or loss of the current period, except for that the balance of exchange arising from special foreign-currency loan related to the purchasing and construction of assets meeting capitalization conditions is treated in line with the principle for capitalization of borrowing costs.

2. Conversion of Foreign-Currency Statements

The asset and liability items in the balance sheet will be converted with the spot exchange rate on the date of balance sheet; for the owner's equity, except for "undistributed profit", all the other items will be converted with the spot exchange rate when they are incurred. The revenue item and the expense item in the Profit Statement are converted with the approximate exchange rate of the spot exchange rate on transaction date.

For disposal of foreign business operation, the balance from conversion of foreign-currency financial statements related to such foreign operation shall be transferred from owner's equity to the gain or loss of the very period of disposal.

(IX) Financial Instruments

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

1. Classification of Financial Instruments

When initially confirmed, financial assets and financial liabilities are classified into: Financial assets or financial liabilities measured with fair value and having the change of fair value recorded in the gain or loss of current period, including tradable financial assets or financial liabilities, and financial assets or financial liabilities directly specified to measure with fair value and having the change of fair value recorded in the gain or loss of the current period; held-to-maturity investments; accounts receivable; available-for-sale financial assets; and other financial liabilities, etc.

2. Confirmation Basis and Measuring Method of Financial Instruments

(1) Financial assets (financial liabilities) measured with fair value and having the change of fair value recorded in the gain or loss of current period

When they are obtained, fair value (after deduction of cash dividends already declared but not paid yet, or bond interests with interest payment period expired but having not been acquired) will be taken as initial confirmed amount, and relevant transaction expenses will be recorded in the gain or loss of the current period.

During the holding period, the interests or cash dividends obtained will be confirmed as investment yield, and at the end of period, the change of fair value will be recorded in the gain or loss of the current period.

During disposal, the balance between the fair value and initial amount entered into account will be confirmed as investment yield, and meanwhile, the gain or loss on change of fair value will be adjusted.

(2) Held-to-maturity investments

When they are obtained, the sum of fair value (after deduction of bond interests with interest payment period expired but having not been acquired) and relevant transaction expenses will be taken as initial confirmed amount.

During the holding period, interest income will be calculated and confirmed as per amortized cost and actual interest rate, and recorded in investment yield. The actual interest rate will be determined when being obtained, and maintained unchanged during the predicted survival period or applicable shorter period.

During disposal, the balance between the acquisition price and the book value of such investment will be recorded in investment yield.

(3) Accounts receivable

For the creditor's rights receivable formed from the Company's sale of goods or rendering of labor services, and the other enterprises' creditor's rights held by the Company and excluding the debt instruments having an offer in active market, including accounts receivable and other accounts receivable, etc., the contract or agreement price receivable from purchasers will be taken as the initially confirmed amount; if the receivables have financing nature, they will be initially confirmed as per their present value.

In case of recovery or disposal, the balance between the acquisition price and the book value of accounts receivable will be recorded in the gain or loss of the current period.

(4) Available-for-Sale Financial Assets

When they are acquired, the sum of fair value (after deduction of cash dividends already declared but not paid yet, or bond interests with interest payment period expired but having not been acquired) and relevant transaction expenses will be taken as initially confirmed amount.

During the holding period, the interests or cash dividends obtained will be confirmed as investment yield. At the end of period, they will be measured as per fair value, and the change of fair value will be recorded in other composite benefit. However, the equity instrument investments which have no offer in active market and of which the fair value cannot be reliably measured, and the derived financial assets which are linked with the equity instruments and settled through delivery of the equity instruments will be measured as per cost.

During disposal, the balance between the acquisition price and the book value of financial assets will be recorded in the gain or loss of investment; meanwhile, the amount of corresponding disposal part and originally recorded in the accumulative amount of change in the fair value of other composite benefit directly will be recorded in the gain or loss of the current period.

(5) Other financial liabilities

The sum of their fair value and relevant transaction expenses will be taken as initially confirmed amount. The amortized cost will be adopted for follow-up measurement.

3. Confirmation Basis and Measurement Method of Financial Assets Transferred

If the Company transfers financial assets, and transfers nearly all risks and rewards on the ownership of such financial assets to the transfer-in party, the Company will terminate the confirmation of the financial assets; if the Company reserves nearly all risks and rewards on the ownership of the financial assets, the Company will not terminate the confirmation of such financial assets.

When judging whether the transfer of financial assets meets the above-mentioned conditions for terminating the confirmation of financial assets, the Company will follow the “Substance Over Form” principle. The Company distinguishes the transfer of financial assets into overall transfer and partial transfer of financial assets. If the overall transfer of financial assets meets the conditions for termination of confirmation, the balance of the following two amounts will be recorded in the gain or loss of the current period:

- (1) The book value of the financial assets transferred;
- (2) The sum of the consideration received for the transfer and the accumulative amount of change in the fair value originally recorded in the owner’s equity directly (involving the circumstance that the financial assets transferred are available-for-sale financial assets);

If partial transfer of financial assets meets the conditions for termination of confirmation, the overall book value of the financial assets transferred will be amortized between the confirmation-terminated part and non-confirmation-terminated part as per respective relative fair value, and the balance of the following two amounts will be recorded in the gain or loss of the current period:

- (1) The book value of the confirmation-terminated part;
- (2) The consideration for the confirmation-terminated part and the amount of corresponding confirmation-terminated part in the accumulative amount of change in the fair value originally recorded in the owner's equity directly (involving the circumstance that the financial assets transferred are available-for-sale financial assets);

If the transfer of financial assets does not meet the conditions for termination of

confirmation, the financial assets will be confirmed continuously, and the consideration received will be confirmed as a financial liability.

4. Conditions for Terminating the Confirmation of Financial Liabilities

If the current obligation of financial liabilities is rescinded completely or partially, the confirmation of such financial liabilities or part of them will be terminated; if the Company signs an agreement with creditors to replace the existing financial liabilities by means of undertaking new financial liabilities, and the contract clauses for new financial liabilities are substantially different from the contract clauses for existing financial liabilities, the confirmation of the existing financial liabilities will be terminated, and new financial liabilities will be confirmed at the same time.

If all or partial contract clauses for existing financial liabilities are amended substantially, the confirmation of the existing financial liabilities or part of them will be terminated, and meanwhile, the financial liabilities after amendment of clauses will be confirmed as a new financial liability.

If the confirmation of financial liabilities is terminated completely or partially, the balance between the book value of the financial liabilities of which the confirmation is terminated and the consideration paid (including non-cash assets transferred out or the new financial liabilities undertaken) will be recorded in the gain or loss of the current period.

If the Company buys back partial financial liabilities, then on the date of buyback, the Company will distribute the overall book value of the financial assets according to the relative fair value of the part confirmed continuously and the confirmation-terminated part. The balance between the book value distributed to the confirmation and the consideration paid (including non-cash assets transferred out or the new financial liabilities undertaken) will be recorded in the gain or loss of the current period.

5. Method for Determining the Fair Value of Financial Assets and Financial Liabilities

For financial instruments having an active market, their fair value will be determined as per the offer in the active market. For financial instruments not

having an active market, their value will be determined by estimation technique. In case of estimation, the Company will adopt estimation techniques which are applicable under present circumstances and supported by sufficient available data and other information, select input values consistent with the asset or liability characteristics considered by market participants in the transactions of relevant assets or liabilities, and preferentially use relevant observable input values. Non-observable input values will be used only under the circumstance that relevant observable input values cannot be obtained or such values obtained are not practicable.

6. Method for Testing and Accounting Treatment of Depreciation of Financial Assets (Excluding Accounts Receivable)

Except for the financial assets measured with fair value and having the change of fair value recorded in the gain or loss of the current period, the Company checks the book value of financial assets on the date of balance sheet. If some objective evidence proves that some financial asset depreciates, the Company will withdraw depreciation reserve for this financial asset.

(1) Depreciation reserve of available-for-sale financial assets:

If the fair value of available-for-sale financial assets drops severely at the end of period, or such trend of drop is predicted to be non-temporary after comprehensively considering various relevant factors, the Company will confirm that the available-for-sale financial assets depreciate, will transfer out the accumulative losses arising from the drop of fair value originally recorded in the owner's equity directly, and confirm the impairment loss.

For available-for-sale debt instruments with impairment loss confirmed, if in a later fiscal period, the fair value rises and the rise is objectively related to the matters occurring after confirmation of original impairment loss, then the originally confirmed impairment loss will be transferred back and recorded in the gain or loss of the current period.

The impairment loss on available-for-sale equity instrument investments will not be transferred back through gain or loss.

(2) Impairment reserve for held-to-maturity investments

The measurement of impairment loss for held-to-maturity investments will be

treated according to the method for measurement of impairment loss of accounts receivable.

(X) Bad Debt Reserves for Accounts Receivable

1. Accounts Receivable with Significant Single Amount and Having Bad Debt Reserve Withdrawn Independently:

Judgment basis or amount standard of significant single amount:

The Company recognizes accounts receivable for a single project with the balance more than RMB 10 million (inclusive) and other accounts receivable from a single relevant unit with the balance more than RMB 2 million (inclusive) as accounts receivable with significant single amount.

Method for withdrawal of bad debt reserve with significant single amount and withdrawn independently:

On the date of balance sheet, the Company will carry out impairment test independently for accounts receivable with significant single amount. If such accounts receivable are proved impairing through the test, the Company will determine the impairment loss and withdraw bad debt reserve according to the balance that the present value of its future cash flow is lower than its book value. The accounts receivable not impairing as proved in single test, will, together with the accounts receivable with insignificant single amount, be divided into many portfolios according to similar credit risk characteristics. Then according to certain proportion of the balance on the date of balance sheet of the portfolios of these accounts receivable, the Company will calculate and determine impairment loss and withdraw bad debt reserve.

2. Accounts Receivable with Bad Debt Reserve Withdrawn as per the Portfolios Classified Based on Credit Risk Characteristics:

(1) Recognition basis for credit risk portfolio

The Company classifies the accounts receivable without significant single amount and those with significant single amount that are not impaired according to separate test into groups in accordance with the similarity and relevance of credit risk characteristics. Bad debt reserves shall be withdrawn in a certain rate of the balance of these accounts

receivable portfolios. Based on the actual loss ratio of the previous year's same or similar portfolio of accounts receivable, combined with the current situation, the rate for withdrawing the bad debt reserves for each portfolio of the current period shall be confirmed, according to which the bad debt reserves to be withdrawn for the current period are calculated.

(2) Method for withdrawing bad debt reserves according to the credit risk feature portfolio

Method for withdrawing bad debt reserves according to the credit risk feature portfolio	
Account aging portfolio	Account age analysis method
Combination of affiliated parties within the range of consolidation	No calculation of bad debt reserves

Those with bad debt reserve withdrawn by means of account analysis in the portfolios:

Account age	Withdrawal rate of accounts receivable (%)	Withdrawal rate of other receivables (%)
Within 1 year	5	5
1 - 2 years	10	10
2 - 3 years	30	30
3 - 4 years	50	50
4 - 5 years	80	80
More than 5 years	100	100

3. Accounts Receivable with Insignificant Single Amount but Having Bad Debt Reserve Withdrawn Separately:

Reasons for independent withdrawal of bad debt reserve

On the date of balance sheet, for the other accounts receivable with insignificant single amount and having obvious sign of impairment, the Company will determine impairment loss and withdraw bad debt reserve according to the balance that the present value of their future cash flow is lower than their book value.

Method for withdrawal of bad debt reserve

On the date of balance sheet, the Company will execute impairment test of the accounts receivable with insignificant single amount but having bad debt reserve withdrawn separately. If such accounts receivable are proved impairing during the test, the Company will determine impairment loss and withdraw bad debt reserve according to the balance that the present value of their future cash flow is lower

than their book value;

(XI) Inventories

1. Classification of Inventories

The stock is divided into: raw materials, engineering construction, merchandise inventory, work-in-process, low value consumables, etc.

2. Method for Pricing of Inventories Delivered

During the delivery of inventory, it is priced in terms of the method of weighted mean.

3. Basis for Determining the Net Realizable Value of Different Types of Inventories

For commodity stocks directly for sale, such as finished products, merchandise inventory, and materials for sale, etc., their net realizable value is confirmed during normal production and operation as per the amount after deduction of estimated selling expenses and relevant taxes from the estimated sales price of such inventories; for material stocks needing processing, their net realizable value will be determined during normal production and operation as per the amount after deduction of costs estimated to incur until completion of work, estimated selling expenses and relevant taxes from the estimated sales price of finished products; for the inventories held for executing sales contract or labor service contract, their net realizable value will be calculated on the basis of contract price.

If the quantity of inventories held is more than the quantity ordered under sales contract, the net realizable value of the excessive inventory will be calculated based on general sales price. At the end of period, inventory depreciation reserve is withdrawn as per single inventory item; however, for plentiful inventories of relatively low unit price, inventory depreciation reserve will be withdrawn by the type of inventory; for inventories related to the product series produced and sold in a same region, having the same or similar final use or objective, and difficult to measure by separating from other items, inventory depreciation reserve will be withdrawn in a consolidated way.

Except for that some conclusive evidence proves abnormality of market price on

the date of balance sheet, the net realizable value of inventory items will be determined based on the market price on the date of balance sheet.

The net realizable value of inventory items at the end of this period will be determined based on the market price on the date of balance sheet.

4. Inventory Taking System

Perpetual inventory taking system is adopted.

5. Method for Amortization of Low-Value Easily-Consumed Articles and Packing

- (1) One-off writing-off method is adopted for low-value easily-consumed articles;
- (2) One-off writing-off method is adopted for packing.

(XII) Assets held for sale

The Company classifies the non-current assets or disposal group meeting the following conditions as assets held for sale:

- (1) Based on the practice of selling such assets or disposal groups in similar transactions, they can be sold immediately under current conditions;
- (2) The sale is very likely to happen, that is, the Company has already made a resolution on a sales plan and obtained an assuring purchase commitment and it is expected that the sale will be completed within one year. Where regulations require the approval of relevant power organ or regulatory department of the Company before they can be sold, the approval has been obtained.

(XIII) Long-term Equity Investments

1. Standards for Judgment of Common Control and Significant Influences

Common control indicates the jointly-owned control on some arrangement as per relevant provisions, and relevant activities of such arrangement must be unanimously agreed by the participants sharing the control right before being decided. If the Company and other joint ventures impose common control on invested units and have the right to the invested units' net assets, the invested units will be the Company's joint ventures.

Significant influences indicate having the right to participate in making decisions

on an enterprise's financial affairs and business operation, but could not control or jointly control together with other parties the making of these policies. If the Company could impose significant influences on invested units, the invested units will be the Company's jointly

2. Determination of Initial Investment Cost

(1) Long-term Equity Investments Formed from Business Combination

Business combination under the same control: If the Company pays combination consideration by paying cash, transferring non-cash assets or undertaking debts and issuing equity securities, the Company will take the book value shares of the combined party's owners' equity obtained on the date of combination in the final controller's consolidated financial statements as the initial investment cost of long-term equity investments. If the Company could impose control on invested units under the same control for reason of additional investment, etc., the Company will confirm on the date of combination the initial investment cost of long-term equity investments as per the book value shares of the combined party's net assets to be enjoyed in the final controller's consolidated financial statements after combination. For the balance between "the initial investment cost of long-term equity investments on the date of combination" and "the sum of the book value of long-term equity investments before combination and the book value of newly paid consideration for further obtaining shares on the date of combination", the Company will adjust the capital stock premium; and if the capital stock premium is not enough to write down, the Company will write down the retained benefits.

Business combination not under the same control: The Company takes the combination cost determined on the date of purchasing as the initial investment cost of long-term equity investments. If the Company could impose control on invested units not under the same control for reason of additional investment, etc., the Company will take the sum of the book value of originally held equity investments and the newly increased investment cost as the initial investment cost of long-term equity investments which are subject to accounting with cost method instead.

(2) Long-term Equity Investments Obtained by Other Means

For long-term equity investments obtained by means of payment in cash, the

purchasing price actually paid will be taken as initial investment cost.

For long-term equity investments obtained by issuing equity securities, the fair value of the equity securities issued will be taken as initial investment cost.

In the precondition that non-monetary asset exchange has business nature, and the fair value of exchanged-in or exchanged-out assets could be measured reliably, the fair value of exchanged-out assets and relevant expenses payable will be determined as the initial investment cost of the long-term equity investments obtained from non-monetary assets exchange, unless some conclusive evidence proves that the fair value of exchanged-in assets is more reliable; for non-monetary assets exchange not meeting the above-mentioned precondition, the book value of exchanged-out assets and relevant taxes payable shall be taken as the initial investment cost of exchanged-in long-term equity investments.

For long-term equity investments obtained through debt reorganization, their initial investment cost will be determined based on fair value.

3. Follow-up Measurement and Gain or Loss Confirmation Method

(1) Long-term Equity Investments Subject to Accounting with Cost Method

The Company adopts cost method for accounting of long-term equity investments in subsidiaries. Except for the cash dividends or profits included in the price or consideration actually paid when investments are obtained, and already announced but not paid, the Company confirms the investment yield of the very period according to the cash dividends or profits enjoyed by the Company and declared to grant by invested units.

(2) Long-term Equity Investments Subject to Accounting with Equity Method

The Company adopts equity method for accounting of long-term equity investments in jointly-run enterprises and joint ventures. For the balance that the initial investment cost is bigger than the fair value shares of invested units' distinguished net assets which shall be enjoyed by the Company, the Company will not adjust the initial investment cost of long-term equity investments; for the balance that the initial investment cost is smaller than the fair value shares of invested units' distinguished net assets which shall be enjoyed by the Company, the Company will adjust the book value of long-term equity investments and record it in owner's equity.

When confirming the shares of invested units' net gain or loss to be enjoyed, the

Company will adjust and confirm the invested units' net profit based on the fair value of the invested units' distinguishable net assets when investments are obtained, and according to the Company's accounting policies and fiscal period. If the invested units prepare consolidated financial statements during the holding of investments, the accounting will be conducted based on the amount attributing to the invested units in the net profit in the consolidated financial statements, other composite benefits, and changes of other owner's equity.

For the gain or loss on the non-realized internal transactions between the Company and jointly-run enterprises/ joint ventures, the part attributing to the Company will be calculated as per the proportion to be enjoyed, will be written down, and on this basis, the investment yield will be confirmed. The gain or loss on non-realized internal transactions done with invested units will be fully confirmed if belonging to asset impairment loss. During the period of holding investment, as for the invested entity preparing consolidated financial statements, carry out accounting based on the invested entity's attributable amount of the net profit, other comprehensive income and other changes in equity in the consolidated financial statements.

The unrealized gains or losses on internal transaction occurring among the company, associates and joint ventures will confirm the investment income on the basis of offsetting the company's attributable part calculated according to the entitlement proportion. The unrealized losses on internal transaction occurring in the invested entity belonging to assets impairment loss will be confirmed in full amount. If the assets of investment or asset-sale transactions occurring among the company, associates and joint ventures constitute the business, the accounting treatment shall be carried out according to the related policies disclosed in "III. (V) Method for Accounting Treatment of Business Combination under and Not under the Same Control" and "III. (VI) Method for Preparation of Consolidated Financial Statements".

When the Company determines to share the losses of the invested entity, it will be treated in the order as follows: firstly, the book value of long-term equity investments will be offset. Secondly, if the book value of the long-term equity investment is not sufficient to be offset, the recognition of losses of the investment will be continued to the extent of the book value of other long-term rights and

interests which substantially form the net investment made to the invested entity, and the book value of long-term accounts receivable will be offset. Finally, after the above-mentioned treatment, if the Company still undertakes extra obligations according to the provisions of investment contract or agreement, the Company will confirm accrued liabilities with obligations predicted to undertake, and record them in the investment loss of the current period.

(3) Disposal of Long-Term Equity Investments

For disposal of long-term equity investments, the balance between their book value and actual acquisition price will be recorded in the gain or loss of the current period.

For long-term equity investments with equity method adopted for accounting, when such investments are disposed, the part originally recorded in other composite benefits will be subject to accounting treatment according to corresponding proportion and on the same basis adopted by invested units to directly dispose relevant assets or liabilities. The owner's equity confirmed for change of other owner's equity except for net gain or loss, other composite benefit and profit distribution of invested units will be carried forward into the gain or loss of the current period, excluding the other composite benefits arising from the change of net liabilities or net assets of invested units' new measurement and setting of benefit plan.

If the Company loses common control or significant influences on invested units for reason of disposal of partial equity investments, etc., the remained equity after disposal will be subject to accounting according to the standards for the confirmation and measurement of financial instruments, and the balance between the fair value and book value of such remained equity investments on the date when the Company losing common control or significant influences will be recorded in the gain or loss of the current period. Other composite benefits confirmed for accounting with equity method of original equity investments will be subject to accounting treatment with the same basis adopted by invested units to directly dispose relevant assets or liabilities when the accounting with equity method is terminated. The owner's equity confirmed for change of other owner's equity except for invested parties' net gain or loss, other composite benefit and profit distribution will be totally transferred in the gain or loss of the current period

when the accounting with equity method is terminated.

In case the control right on the invested unit is deprived due to disposal of part of equity investment, increase of investment by other investment parties on subsidiaries causing decrease of holding proportion of the company, when preparing certain financial statement, the residual equity shall be checked by equity method if having common control or major effect on invested unit, and adjusted as the residual equity is checked by the equity method from being obtained; If the remaining equity cannot exert joint control or significant influence on the invested unit, it shall take accounting treatment according to the relevant provisions of financial tools and measurement rules, and the difference between the fair value and book value on the date of losing control shall be included in the current profits and losses.

If the equity disposed is obtained from business combination for reason of additional investment, and when individual financial statements are prepared, cost method or equity method is adopted for accounting of the remained equity after disposal, the other composite benefits and other owner's equity confirmed for accounting with equity method of the equity investments held before the date of purchasing will be carried forward by proportion; if the remained equity after disposal is subject to accounting treatment according to the standards for confirmation and measurement of financial instruments, the other composite benefits and other owner's equity will be carried forward completely.

(XIV) Investment Real Estate

Investment real estate indicate the real estate held for earning rent or capital increment, or for both, including the land use right already leased, the land use right held and prepared to transfer after increment, the buildings already leased (including the buildings used for leasing after completion of self-construction or development activities, and buildings in construction or development and to be used for leasing in future).

The Company adopts cost mode to measure the existing investment real estates. For investment real estate measured with cost mode – the buildings used for leasing, the Company will adopt the depreciation policy which is the same for fixed assets, and for the land use right for leasing, the Company will adopt the amortization policy which is the same for intangible assets.

(XV) Fixed assets**1. Fixed asset recognition conditions**

Fixed assets indicate the tangible assets held for producing goods, rendering labor services, leasing or operation management, and having a service life of more than one fiscal year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

- (1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise;
- (2) The cost of the fixed asset can be measured reliably.

2. Depreciation method

The depreciation of fixed assets is made by employing the straight-line method, and the depreciation rate is determined in accordance with the category of fixed assets, estimated service life and estimated net salvage value rate. If the fixed assets have different service life or offer economic benefits to the enterprise in different ways, different rate or method of depreciation shall be adopted for separate depreciation.

For a fixed asset leased in the form of finance lease, if it is reasonable to be certain that the ownership of the leased asset can be obtained when the lease term expires, the depreciation of the leased asset will be made over its useful life; if it is not reasonable to be certain that the ownership of the leased asset can be obtained at the expiry of the lease term, the depreciation of the leased asset will be made over the shorter one of the lease term or its useful life.

The depreciation method, depreciation life, salvage value rate and annual depreciation rate of various fixed assets are as follows:

Type	Depreciation method	Depreciation life (Year)	Salvage rate (%)	Annual depreciation rate (%)
Houses and buildings	Straight-line method	20	5.00	4.75
Mechanical equipment	Straight-line method	10	5.00	9.50
Transportation equipment	Straight-line method	7	5.00	13.57
Electronic equipment and other equipment	Straight-line method	3-5	5.00	19.00-31.67

3. Recognition basis and valuation method for fixed assets under financing lease

Where the leasing agreement signed between company and the lessor specifies

either of the conditions as follows, the lease will be recognized as a finance lease:

- (1) The ownership of the leasing asset belongs to this company at the expiration of the lease;
- (2) Company has the option to buy the asset at a price to be far lower than the fair value of the asset at the date when the option becomes exercisable;
- (3) The lease term covers the major part of the use life of the leased asset;
- (4) The present value of the minimum lease payments on the lease beginning date does not have too large differences with the fair value of the asset.

On the starting date of the Company's leasing, the fair value of leased assets and the present value of the minimum rent payment, whichever is lower, will be taken as the entry value of leased-in assets, and the minimum rent payment will be taken as the entry value of long-term accounts payable, and the balance will be taken as non-confirmed financing cost.

(XVI) Construction in Progress

For construction in progress, the necessary expenditure incurred for making the constructed assets reach the predetermined usable state will be taken as the entry value of the fixed assets. If the constructed fixed assets have reached the predetermined usable state, but the completion settlement has not been handled, then since the date when such assets reach the predetermined usable state, the Company will transfer such assets into fixed assets as per estimated value and based on engineering budget, construction cost, or actual cost of engineering, etc., and will withdraw fixed asset depreciation according to the Company's policy for fixed asset depreciation; after handling of completion settlement, the Company will adjust original temporarily estimated value as per actual cost, but will not adjust originally withdrawn depreciation amount.

(XVII) Borrowing Costs

1. Principle for Confirmation of Borrowing Cost Capitalization

Borrowing costs include loan interest, discount or premium amortized, auxiliary expense, and exchange balance arising from foreign-currency loan, etc.

The Company's borrowing costs, if available to directly attribute to the construction or production of assets meeting capitalization conditions, will be capitalized and recorded in the cost of relevant assets; and other borrowing costs

will be confirmed as expenses and recorded in the gain or loss of current period as per their amount incurred when they are incurred.

Assets meeting capitalization conditions indicate the fixed assets which need to experience quite a long term of construction or production activities before reaching the predetermined usable or salable state, as well as investment real estates and inventories, etc.

Borrowing costs will be capitalized if simultaneously meeting the following conditions:

- (1) Asset expenditure has occurred, including the payment in cash for purchasing and construction or production of assets meeting capitalization conditions, transfer of non-cash assets, or undertaking of interest-bearing debts;
- (2) Borrowing costs have occurred;
- (3) The purchasing and construction or production activities necessary for making assets reach predetermined usable or salable state have started.

2. Period for capitalization of borrowing costs

Capitalization period indicates the period of from the time point when capitalization of borrowing costs starts to the time point when capitalization stops, excluding the period when the capitalization of borrowing costs is suspended.

If the assets purchased and constructed or produced and meeting capitalization conditions reach the predetermined usable or salable state, the capitalization of borrowing costs will stop.

If some items of the assets purchased and constructed or produced and meeting capitalization conditions are completed separately and could be used independently, the capitalization of borrowing costs for such assets will stop.

If each part of the assets purchased and constructed or produced is completed respectively, but cannot be used or sold until the whole assets are completed, the capitalization of borrowing costs may be stopped when the assets are totally completed.

3. Period for suspension of capitalization

If the assets meeting capitalization conditions are broken abnormally during purchasing and construction or production process, and the suspension lasts for

more than 3 months successively, the capitalization of borrowing costs will be suspended; if such suspension is a necessary procedure for making the assets purchased and constructed or produced and meeting capitalization conditions reach the predetermined usable state or salable state, the capitalization of borrowing costs will continue. The borrowing costs occurring during suspension period will be confirmed as gain or loss in the current period, and the capitalization of borrowing costs will continue after the construction and purchasing or production activities of such assets restart.

4. Method for calculation of borrowing costs capitalization rate and capitalized amount

For the special loan obtained for purchasing and construction or production of assets meeting capitalization conditions, the capitalized amount of borrowing costs will be determined as per the amount after “the borrowing costs actually incurred in the very period of special loan” minus “the interest income obtained from bank deposit or the investment yield obtained from temporary investment of the non-used loan fund”.

For general loans occupied for purchasing and construction or production of assets meeting capitalization conditions, the borrowing costs amount to be capitalized of general loans shall be calculated and determined as per the “weighted mean of asset expenditure that accumulative asset expenditure exceeds the special loan” multiplied by the capitalization rate of general loan. The capitalization rate is generally calculated and determined as per the weighted mean interest rate of general loan.

(XVIII) Intangible assets

1. Pricing Method of Intangible Assets

(1) The Company initially measures the intangible assets as per the cost when they are acquired.

The cost of purchased intangible assets includes purchasing price, relevant taxes, and other expenditures directly for making the assets reach the predetermined use. If the price for purchasing intangible assets is delayed in payment by exceeding normal credit conditions, and the intangible assets have financing nature

substantially, the cost of intangible assets will be determined based on the present value of purchasing price.

As for the intangible assets obtained from debt reorganization and used by debtors for repaying debts, their entry value will be determined based on the fair value of such intangible assets, and the balance between the book value of reorganized debts and the fair value of the intangible assets used for repaying debts will be recorded in the gain or loss of the current period.

In the precondition that non-monetary asset exchange has the essence of commerce, and the fair value of exchanged-in or exchanged-out assets could be measured reliably, the entry value of the intangible assets obtained from non-monetary asset exchange will be determined based on the fair value of exchanged-out assets, unless conclusive evidence proves that the fair value of exchanged-in assets is more reliable; for the non-monetary asset exchange not meeting the above-mentioned precondition, the book value of exchanged-out assets and relevant taxes payable will be taken as the cost of exchanged-in intangible assets, and the gain or loss won't be confirmed.

(2) Follow-up Measurement

The Company analyzes and judges the service life of intangible assets when obtaining them.

Intangible assets with limited service life are amortized with straight-line method within the period when they bring about economic benefits for the enterprise; if it's impossible to predict the period when the intangible assets could bring about economic benefits to the enterprise, the intangible assets will be deemed to have uncertain service life, and won't be amortized.

2. Estimate on the service life of intangible assets with limited service life:

Items	Predicted service life	Basis
Land use right	50 years	Land use right certificate
Software	5 years	Refer to the same industry

At the end of every year, the Company checks the service life and amortization method of the intangible assets with limited service life.

As checked, the service life and amortization method of intangible assets at the end of this year were not different from previous estimates.

3. Concrete Standard for Division of Research Stage and Development Stage

The Company's expenditure for internal research and development projects is divided into the expenditure at research stage and expenditure at development stage.

Research stage: The stage of unique and planned investigation and research activities conducted for obtaining and understanding new scientific or technological knowledge.

Development stage: The stage of applying research findings or other knowledge to some plan or design, in order to produce new or substantially improved materials, devices and products, etc. before commercial production or use.

4. Concrete Conditions for Capitalization of Expenditure at Development Stage

The expenditure at development stage of internal research and development projects will be confirmed as intangible assets when simultaneously meeting the following conditions:

- (1) It is technically feasible to complete the intangible assets and make them available for use or sale;
- (2) The Company has the intent to complete, use or sell the intangible assets;
- (3) The way by which intangible assets produce economic benefit could prove the usability of such intangible assets, including proving that the products produced with such intangible assets have markets, or such intangible assets have markets, and intangible assets would be used internally;
- (4) The Company has sufficient technical, financial resources and other resources to support the completion of the development of such intangible assets, and the Company has the ability to use or sell such intangible assets.
- (5) The expenditure attributing to the development stage of such intangible assets could be measured reliably.

(XIX) Long-term Asset Impairment

If there is any sign of impairment in long-term equity investments, investment real estates measured by the cost model, fixed assets, construction in progress, intangible assets with finite service life and other long-term assets at the balance sheet date, an impairment test

will be made. If the result of impairment test proves that the recoverable amount of assets is lower than their book value, the depreciation reserve will be withdrawn as per their balance and recorded in the impairment loss. The recoverable amount indicates the net amount after the fair value of assets minus the disposal expenses, and the present value of predicted future cash flow of the assets, whichever is higher. Asset depreciation reserve is calculated and confirmed based on single assets. If it is difficult to estimate the recoverable amount of single assets, the recoverable amount of asset portfolio will be determined as per the asset portfolio to which the assets belong. Asset portfolio indicates the minimum asset group which could independently produce cash inflows.

Goodwill will be subject to impairment test at least at the end of every year.

The Company carries out impairment test of goodwill, and amortizes the book value of the goodwill formed from business combination to relevant asset group by reasonable means since the date of purchasing; if it is difficult to amortize the book value to relevant asset group, the Company will amortize it to relevant asset group, the Company will amortize it to relevant asset group portfolio. When the book value of goodwill is amortized to relevant asset group or asset group portfolio, the Company will execute amortization as per the proportion of the fair value of each asset group or asset group portfolio to the total fair value of relevant asset group or asset group portfolio. If it is difficult to measure the fair value reliably, the Company will execute amortization as per the proportion of the book value of each asset group or asset group portfolio to the total book value of relevant asset group or asset group portfolio.

When impairment test is carried out for relevant asset groups or asset group portfolios including goodwill, if the asset groups or asset group portfolios relevant to goodwill have the sign of impairment, the Company will carry out impairment test of the asset group or asset group portfolio excluding goodwill, calculate recoverable amount, compare it with relevant book value, and confirm corresponding impairment loss. And then conduct impairment test on asset groups or asset group combination with goodwill, compare book values of relevant asset groups or asset group combination (including the book value of amortized goodwill) with recoverable amounts, if the recoverable amounts of relevant asset groups or asset group combination are lower than their book values, the impairment loss of goodwill will be recognized.

Once any loss of asset impairment is recognized, it shall not be turned back in the future accounting period.

(XX) Long-term Deferred Expenses

Long-term deferred expenses indicate various expenses having been incurred, to be shared in present period and later periods, and having an amortization period of more than one year.

1. Amortization Method

Long-term deferred expenses will be averagely amortized within the benefit period;

2. Amortization Life

It shall be determined as agreed in contracts or during the expected benefit period.

(XXI) Employee Compensation

1. Accounting Method of Short-Term Remuneration

During the fiscal period when employees provide services for the Company, the Company confirms the short-term remuneration incurred actually as liabilities, and records them in the gain or loss of the current period or the cost of relevant assets.

For the social insurance premiums and housing fund paid by the Company for employees, the trade union outlay and employee education outlay withdrawn as per regulations, the Company calculates and determines corresponding amount of employees' remuneration as per the withdrawal basis and withdrawal proportion regulated during the fiscal period when employees provide services for the Company.

If employees' welfare expense is non-monetary welfare and could be measured reliably, they will be measured as per fair value.

2. Accounting Method of Post-Demission Welfare

Defined contribution plans

As for the basic pension insurance and unemployment insurance paid by the Company for employees according to relevant provisions of local government, the amount payable will be calculated as per the base amount and proportion of payment regulated by local place and recorded in the gain or loss of the current period or the cost of relevant assets during the fiscal period when the employees provide services for the Company.

3. Accounting Method of Dismissal Welfare

If being unavailable to unilaterally revoke the dismissal welfare provided for rescission of labor relationship plan or staff cut-down suggestions, or when confirming the costs or expenses related to reorganization involving the payment of dismiss welfare (whichever is earlier), the Company will confirm the employee compensation liabilities arising from dismiss welfare, and record them in the gain or loss of the current period.

(XXII) Accrued Liabilities

1. Standard for Confirmation of Accrued Liabilities

If the obligations related to the contingencies like lawsuits, debt guarantees, loss contracts, reorganization matters, etc. simultaneously meet the following conditions, the Company will confirm such obligations as accrued liabilities:

- (1) The obligations are current obligation undertaken by the Company;
- (2) The implementation of such obligations will probably induce that economic benefits flow out of the Company;
- (3) The amount of such obligations could be measured reliably.

2. Measures for Measurement of Various Accrued Liabilities

The Company initially measures the accrued liabilities as per the optimum estimated amount of expenditures necessary for implementation of relevant current obligations.

When determining the optimum estimated amount, the Company comprehensively considers the risks related to contingencies, uncertainty, time value of money, and other factors. If the time value of money has significant influences, the optimum estimated amount will be determined after discounting with relevant future cash outflow.

The optimum estimated amount is treated by the following circumstances respectively:

If the expenditure needed has a continuous scope (or range), and the possibility for various results to occur is the same within this scope, then the optimum estimated amount will be determined as per the middle value of this scope, namely the

average of the upper-limit and lower-limit amounts.

If the expenditure needed does not have a continuous scope (or range), or there is a continuous scope, but the possibility for various results to occur within this scope is not the same, for example, contingencies involve single item, the optimum estimated amount will be determined as per the amount which will occur most possibly; if contingencies involve multiple items, the optimum estimated amount will be calculated and determined as per various possible results and relevant probability.

If the Company's expenditure needed for discharging accrued liabilities is predicted to compensate by third parties fully or partially, then the compensation amount will be confirmed independently as assets when being ascertained basically available to receive, and the compensation amount confirmed won't be more than the book value of the accrued liabilities.

(XXIII) Share-Based Payment

The share-based payment of the Company refers to the transaction through granting equity instruments or undertaking equity-instrument-based liabilities to obtain the services provided by employees [or other parties]. The Company's share-based payment is divided into the share-based payment settled with equity and the share-based payment settled in cash.

1. Share-based payment settled with equity and equity instruments

The share-based payment settled with equity, if used to exchange for employees' services, will be measured with the fair value of the equity instruments granted to employees. If the Company makes share-based payment with restricted shares, then the shares subscribed with investment by employees shall not be circulated in the market or transferred before meeting unlocking conditions and being unlocked; if the unlocking conditions regulated in the final Stock Incentive Plan are not satisfied, the Company will buy back shares at the predetermined price. When obtaining the money paid by employees for subscribing restricted shares, the Company will confirm capital stock and capital reserve (capital stock premium) as per the stock subscription money obtained, and meanwhile, will confirm a liability and inventory stock as per the full amount of buyback obligation. On every date of balance sheet within the waiting period, the Company will make the optimum

estimate on the quantity of exercised equity instruments according to follow-up information such as the latest acquired change in the number of right-exercising employees, whether meeting regulated performance conditions, etc., on this basis, and according to the fair value on the date of granted, the Company will record the services obtained in the very period in relevant cost or expense, and increase capital reserve correspondingly. After exercising date, the Company will not adjust the total amount of relevant confirmed cost or expense and owner's equity. However, it's available to exercise rights immediately after granted, it will be recorded in relevant cost or expense as per fair value on the date of granted, and capital reserve will be increased correspondingly.

For the share-based payment not exercised finally, the Company will not confirm cost or expense, unless the exercise conditions are market conditions or non-excisable conditions. Here, no matter whether market conditions or non-excisable conditions are satisfied, if only non-market conditions among excisable conditions are satisfied, it will be deemed as excisable.

If the clauses of share-based payment settled with equity are amended, the services obtained will be confirmed at least according to the clauses before amendment. In addition, any amendment increasing the fair value of equity instruments granted, or alterations beneficial for employees on the date of amendment will be confirmed as increase of services obtained.

If share-based payment settled with equity is cancelled, the Company will treat it as accelerated exercise on the date of cancellation, and confirm the non-confirmed amount immediately. If employees or other parties could choose to meet non-exercisable conditions, but do not meet such conditions within waiting period, the Company will treat this as cancelation of share-based payment settled with equity. However, if new equity instruments are granted, and the new equity instruments granted are recognized to replace the cancelled equity instruments on the granted date of the new equity instruments, the granted alternative equity instruments will be treated by the means same as those for amending the terms and conditions for treatment of original equity instruments.

(XXIV) Income

1. General principles for recognition of revenue from sales of goods:

(1) The significant risk and the rewards of the goods ownership has been

transferred to the Buyer by the Company.

(2) The Company neither reserves the continuous management right which is generally associated with ownership nor carries out effective control of sold commodities.

(3) Related income amount can be measured in a reliable way;

(4) The relevant economic benefits may flow into the Company;

(5) Relevant costs occurred or to be occurred can be measured in a reliable way.

2. Specific principles

(1) Service revenue

The service revenue provided by the Company mainly refers to the revenue of engineering design. In case that the results from provision of labor transactions can be estimated reliably, the revenue shall be recognized as per the important milestones specified by the design contract. Namely, the revenue is recognized as per the percentage of the workload of important milestones of the completed design in the total design workload and the expected recoverable contract amount.

If the result of providing service transaction cannot be estimated in a reliable way, the service revenue shall be determined according to the service costs which has generated and expected to be compensated. The existing service costs are calculated as the period charges. When it is not probable that the costs incurred will be recovered, revenue is not recognized.

Provided that sales of commodity and provision of labor can be distinguished and separately measured in the contract or agreement signed by the Company with other enterprises, sales of commodity and provision of labor shall be separately disposed. Provided that sales of commodity and provision of labor cannot be distinguished, or can be distinguished but cannot be separately measured, the entire contract shall be disposed as sales of commodity.

(2) Income from construction contracts

Under the circumstance that the outcome of a construction contract can be estimated in a reliable way, the contract revenue and the contract costs shall be recognized in light of the percentage-of-completion method on the date of the balance sheet. The percentage of completion is determined in the proportion of the accumulated actual contract costs among the estimated total contract costs.

If the outcome of a construction contract cannot be estimated in a reliable way, but the contract costs can be recovered, the contract revenue shall be recognized in accordance with the recoverable actual contract costs and the contract costs shall be recognized as contract expenses in the current period they are incurred; if the contract costs cannot be recovered, they shall be recognized as contract expenses immediately when they are incurred and no contract revenue shall be recognized. If uncertainties, due to which the outcome of a construction contract cannot be measured in a reliable way, have passed out of existence, the revenues and expenses pertinent to the construction contract shall be determined in the percentage-of-completion method.

If the estimated total contract costs exceed the total contract revenue, the estimated loss is recognized as the expenses for the period.

The cost and the gross profit (loss) accumulatively incurred and recognized of a construction-in-progress contract and the settled price are presented in the balance sheet with a net amount after offset. The part of the sum of the cost and the gross profit (loss) accumulatively incurred from a construction-in-progress contract exceeding over the settled contract price is presented as inventory; and the part of the settled contract price exceeding over the cost and the gross profit (loss) accumulatively incurred from a construction-in-progress is presented as advance payment.

(3) Recognized income of hospital business

The income of hospital mainly comes from the outpatient and inpatient departments, and the income recognition is done at the time of patient's settlement. For the outpatient income, as the patients turning to the outpatient treatment do not need the inpatient treatment generally, the treatment duration is short, the settlement is made with the hospital at the end of the treatment and treatment and medicine expense is paid. Financially, such outpatient income shall be recognized at the day of receipt.

For the inpatient income, as the patient needs to be treated in the hospital for a certain period and a part of the medical expense shall be prepaid when be admitted to hospital, the inpatient income shall not be recognized at this moment. When discharging from the hospital, the patient will settle the medical expense for the hospitalization and the hospital will issue the invoice to the patient. In such case,

the income from the inpatient is recognized financially.

(XXV) Governmental subsidy

1. Type

A government subsidy means the monetary or non-monetary assets obtained free by this company from the government. Government subsidies consist of the government subsidies pertinent to assets and government subsidies pertinent to income.

The assets-related government subsidy refers to government subsidies that are obtained by the Company used for purchase or construction, or forming the long-term assets by other ways. Government subsidies pertinent to income refer to the governmental subsidies except governmental subsidies pertinent to assets.

2. Recognition time

In case the governmental subsidies are monetary assets, it shall be calculated according to the received amount or the receivable amount. If a governmental subsidy is a nonmonetary asset, it shall be measured at its fair value or at its nominal amount in case that the fair value cannot be reliably obtained. The governmental subsidies calculated according to nominal amount shall be directly included in the current profits and losses.

3. Accounting

Governmental subsidy related to assets will be used to write down the book value of relevant assets or be confirmed as deferred income. If being confirmed as deferred income, the governmental subsidy will be recorded in the gain or loss of the current period within the service life of relevant assets with reasonable and systematic methods (if being related to the Company's daily activities, the governmental subsidy will be recorded in other benefits; if not, they will be recorded in non-operating income).

The governmental subsidy related to income, if being used to compensate the Company's relevant cost expenses or losses in later period, will be confirmed as deferred income, and be recorded in the gain or loss of the current period (if being

related to the Company's daily activities, the governmental subsidy will be recorded in other benefits; if not, they will be recorded in non-operating income) or be used to write down relevant cost expenses or losses during the period of confirmation on relevant cost expenses or losses; if being used to compensate the Company's relevant cost expenses or losses already incurred, the governmental subsidy will be directly recorded in the gain or loss of the current period (if being related to the Company's daily activities, the governmental subsidy will be recorded in other benefits; if not, they will be recorded in non-operating income) or be used to write down relevant cost expenses or losses.

(XXV) Deferred Income Tax Assets and Deferred Income Tax Liabilities

For deductible temporary difference, deferred income tax assets will be confirmed within the limit of the taxable income which will probably be obtained in future period and be used to offset deductible temporary difference. As for deductible losses and taxes rebate which could be carried forward to later years, corresponding deferred income tax assets will be confirmed within the limit of the future taxable income which will probably be obtained to offset deductible losses and taxes.

For taxable temporary difference, deferred income tax liabilities will be confirmed except for under special circumstances.

The special circumstances under which deferred income tax assets or deferred income tax liabilities are not confirmed include: the initial confirmation of goodwill; other transactions or matters (except for business combination) of which the occurrence won't affect accounting profit or taxable income (or deductible loss).

If the Company has statutory right to settle with net amount, and has the intention to settle or obtain assets with net amount, and the discharge of debts is conducted simultaneously, the income tax assets of the current period and the income tax liabilities of the current period will be presented with the net amount after offsetting.

If the Company has the statutory right to settle the income tax assets of the current period and the income tax liabilities of the current period with net amount, and the deferred income tax assets and deferred income tax liabilities are related to the income tax levied by a same tax administration department from a same tax payment subject, or are related to different tax payment subjects, but in every important period when deferred income tax assets and liabilities are transferred back in future, if the tax payment subjects involved

intend to settle the income tax assets and liabilities of the very period with net amount or to obtain assets and discharge liabilities simultaneously, deferred income tax assets and deferred income tax liabilities will be presented with the net amount after offsetting.

(XXVII) Leasing

1. Accounting treatment for operating lease

(1) The rent paid by the Company for rented assets will be amortized with straight-line method within the whole lease term including the rent-free period, and recorded in the expense of the current period. The initial direct expenses paid by the Company and related to leasing transaction will be recorded in the expense of the current period.

If the asset lessor undertakes the lease-related expenses which shall be assumed by the Company, the Company shall deduct such expenses from the total rent, amortize the remained rent within the lease term, and record it in the expense of the very period.

(2) The rent collected by the Company for leasing out assets will be amortized with straight-line method within the whole lease term including the rent-free period, and confirmed as lease-related income. The initial direct expenses paid by the Company and related to leasing transaction will be recorded in the expense of the very period; if the amount is relatively big, the amount will be capitalized, and will be recorded in the income of the very period by installments within the whole lease term on the basis same as that for confirmation of lease-related income.

If the Company undertakes lease-related expenses which shall be undertaken by the lessee, the Company will deduct such expenses from the total amount of rent income, and distributed the remained rent expense within the lease term.

2. Accounting treatment for finance lease

(1) Assets rented through finance lease: On the date when the renting starts, the Company takes the fair value of rented assets and the present value of minimum rent payment, whichever is lower, as the entry value of rented assets, takes the minimum rent payment as the entry value of long-term accounts payable, and takes the balance as non-confirmed financing expense. The Company adopts actual interest rate method to amortize the non-confirmed financing expenses within the

asset lease term, and records them in financial expenses. The Company records the initial direct expenses incurred in the value of rented assets.

(2) Assets leased out through finance lease: On the date when leasing starts, the Company the balance between “the sum of finance lease account receivable and non-guaranteed balance” and their present value as non-realized financing income, and confirms it as lease income within each future period when rents are received. The Company records the initial direct expenses related to leasing transaction in the initial measured amount of finance lease account receivable, and reduces the income amount confirmed within the lease term.

(XXVIII) Discontinuing operation

The discontinuation of operation is a separately identifiable constituent part that meets one of the following conditions and that has been disposed of or classified by the Company as the held for sale:

- (1) This constituent part represents a separate major business or a major business area;
- (2) This constituent part is a part of an associated plan for disposal of a separate major business or business area;
- (3) This constituent part is for a subsidiary acquired only for re-sell.

(XXIX) Changes of Important Accounting Policies and Accounting Estimates

1. Changes of Important Accounting Policies

The Accounting Standard for Business Enterprises No.42 - Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations, the Accounting Standards for Enterprises No.16 - Government Subsidies and the Circular of the Ministry of Finance on Revising and Issuing the Format of Financial Statements of General Enterprises shall apply.

In 2017, the Ministry of Finance promulgated the Accounting Standard for Business Enterprises No. 42 - Non-current Assets or Disposal Groups Held for Sale and Discontinued Operations, which took effect as of May 28, 2017. The non-current assets, disposal groups and termination operations held for sale existing on that date shall be treated with the prospective application method.

In 2017, the Ministry of Finance revised the Accounting Standards for Enterprises No.16 - Government Subsidies, which comes into effect on June 12, 2017. The

Company applies the prospective application method for the government subsidies that exist on January 1, 2017. For the government subsidies added from January 1, 2017 to the implementation date, adjustments were made according to the revised standards.

In 2017, the Ministry of Finance issued the Notice of the Ministry of Finance on Revising the Format of General Financial Statements of Business Enterprises”, which revised the format of general financial statements of business enterprises and shall be applicable to the financial statements 2017 and thereafter.

The main impact of the implementation of the above three regulations by the Company is as follows:

Contents of and reasons for change of accounting policies	Examination and approval procedures	Name and amount of the affected statement item
(1) The "net profits from continued operations" and "net profits from discontinued operations" are listed in the income statement; The comparison data are adjusted accordingly.		The recognized net profit from continued operations was RMB 0.00 in this year, and the recognized net profit from terminating operations was RMB 0.00 in this year.
(2) Part of governmental subsidy related to assets wrote down the book value of relevant assets. The comparison data are not adjusted.		Fixed assets: Less RMB 0.00
(3) Part of governmental subsidy related to income wrote down relevant costs and expenses. The comparison data are not adjusted.		Management expense: Less RMB 0.00
(4) The government subsidies related to the Company's daily operation are included in other profit and are no longer included in non-operating income. The comparison data are not adjusted.		Other income: RMB 2,211,128.89
(5) The "proceeds from assets disposal" was added to the Profit Statement, and some profits and losses from assets disposal that were previously listed as the "non-operating expenses" was reclassified to the "proceeds from assets disposal". The comparison data are adjusted accordingly.		The non-operating expense of 2017 was less by RMB 150,250.00 and reclassified to the proceeds from assets disposal. The non-operating expense of 2016 was less by RMB 564,833.40 and reclassified to the proceeds from assets disposal.

2. Changes of Important Accounting Estimates

The important accounting estimates of the current reporting period remain unchanged.

IV Taxes

(I) Main Types of Taxes and Tax Rate

Type of taxes	Tax base	Tax rate (%)
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Value-added tax	After calculating the deducting the output tax on the basis of the taxable income and deducting the deduction-permitted input tax of current period as per stipulations of tax laws, the value-added tax shall be paid for the balance.	0.3.6.11.17
Sales tax	Paid according to taxable business income (The business tax has been replaced with value-added tax since May 1, 2016)	3.5
Urban maintenance and construction tax	Paid according to actually paid business tax, value-added tax and consumption tax	1.5.7
Educational surtax	Paid as per the turnover tax paid actually.	3
Local educational surtax	Paid as per the turnover tax paid actually.	2
Enterprise income tax	Calculated and paid as per taxable income	15.25

Note 1: according to provisions in the *Notice of the State Administration of Taxation on the Tax Policies for Implementing across the Country the Pilot Program of Levying Value-Added Tax in Lieu of Business Tax on the Transportation Industry and Some Modern Service Industries* (CS (2012) No.71) on July 31, 2012, the design business of Sino Great Wall Decoration and Design Co., Ltd. (hereinafter referred to as the “Sino Great Wall Design”) under the subsidiary company of the Company was changed to taxable item of value-added tax from the that of the business tax with the value-added tax rate of 3% since September 1, 2012 and Sino Great Wall Design was deemed as the small-scale taxpayer.

The income tax rates applicable to the Company and its subsidiaries are as follows:

Name of tax payment subjects	Rate of income tax
Changzhi Shenzhou Laodingshan Industrial Co., Ltd.	25%
Xiangfen County Taoshan Construction Co., Ltd.	25%
Sino Great Wall (Xihua) Economic Development Zone Investment Co., Ltd.	25%
Liupanshui Central People’s Hospital Investment Co., Ltd.	25%
Sino Zhigu Industrial (Yueyang) Co., Ltd.	25%
Sino Great Wall Guangxia (Wuhan) Medical Development Co., Ltd.	25%
Sino Great Wall Infrastructure Investment Co., Ltd.	25%
Wuhan Commercial Workers Hospital LLC	25%
Sino Great Wall Medical Investment Management Co., Ltd.	25%
Sino Great Wall International Engineering Co., Ltd.	15%
Fujian Sino Great Wall Mingyihui Medical Investment Co., Ltd.	25%
Sino Great Wall Medical Investment (Hubei) Co., Ltd.	25%
Hubei Yuanyaotong Supply Chain Co., Ltd.	25%
Sino Great Wall Medical Management (Inner Mongolia) Co., Ltd.	25%
Sino Great Wall Health Management (Jiangsu) Co., Ltd.	25%
Sino Great Wall (Beijing) Investment Fund Management Co., Ltd.	25%
Sino Great Wall New Energy (Beijing) Co., Ltd.	25%

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Bozhou Guangcheng New Energy LLC	25%
Bozhou Zhaosheng Agricultural Technology LLC	25%
Bozhou Xieying Solar Power Generation LLC	25%
Wu'an Juhe Photovoltaic Power Co., Ltd.	25%
Qian'an Shenzhou Solar Power Generation Co., Ltd.	25%
Shanghai Lingrui International Trading Co., Ltd.	25%
Shenzhen Hongtulle Industrial Co., Ltd.	25%
Guangzhou Herabenna Interior Design Co., Ltd.	25%
Sino Great Wall Southwest Engineering Co., Ltd.	25%
Sino Great Wall Southwest Science and Technology Co., Ltd.	25%
Sino Great Wall Southwest Commercial and Trading Co., Ltd.	25%
Sino Great Wall Southwest Engineering Consultation Co., Ltd.	25%
Shenzhen Yatian Decoration Design Engineering Co., Ltd.	25%
Sino Great Wall Decoration and Design Co., Ltd.	25%
Suzhou Lvbang Wood Industry Technology Co., Ltd.	25%
Huichang County Zhongcheng Construction Engineering Co., Ltd.	25%
Sino Great Wall Zhihui Housing Property (Zhanjiang) Co., Ltd.	25%
Great Wall Biaodian Energy Co., Ltd.	25%
Kunming Sino Forest Industry Development Co., Ltd.	25%
Sino Great Wall Development (Hengqin) Co., Ltd.	25%
Sino Great Wall Construction Construction Co., Ltd.	25%
Sino Great Wall Real Estate (Hubei) Co., Ltd.	25%
SGW America LLC	21%
Sino Great Wall Group Co., Limited	17%
Far Eastern International Engineering Company, LLC	20%
Sino Great Wall (Philippines) International Corporation	30%
Sino Wai Man International Engineering Limited	12%
Sino Great Wall (HK) Property Co., Limited	17%
SGW HP Engineering Construction SDN.BHD	24%
SGW VENTURES SDN.BHD.	24%
SGW CONSTRUCTION (LANGKAWI) SDN.BHD.	24%
Alor Vista Development Sdn Bhd	24%
SINO GREAT WALL GENERAL TRADING & CONTRACTING CO., LTD (Kuwait Branch)	15%
Shenzhou Changcheng (Lao) Co., Ltd.	25%
Sino Great Wall Group (UK) Co., Limited	19%
Sino Great Wall International Engineering (MM) Co., Ltd.	25%
Maldives Branch of Sino Great Wall International Engineering Co., Ltd.	0%
Inrich Me Engineering Co., Ltd.	17%
SINO GREAT WALL INTERNATIONAL ENGINEERING (MACAU) CO., LIMITED	12%
Sino Great Wall International Engineering (Thailand) Co., Ltd.	20%
Sino Great Wall International Engineering (CNMI) Co., LLC.	21%
SINO GREAT WALL (USA).INC	21%
PT.SINO GREAT WALL INVESTMENT INDONESIA	25%

(II) Tax Preferences

(1) As verified by Beijing Municipal Office, SAT in 2013 as per *Tax Category Verification Notice*, the taxable income of Sino Great Wall Design shall be 10% of the total income.

(2) According to provisions in *Notice of the State Administration of Taxation on Several Issues Concerning the Administration of Collection of Income Tax of Enterprises Operating Business across Different Regions and Paying Taxes on a Consolidated Basis* (GSF (2008) No.28) on March 10, 2008, the head office (parent company) of the operation units and the place of business, being established within territory of China and running business across China without the legal personality (i.e. running production and operation activity across regions) shall be deemed as the enterprise for consolidated taxation. If the parent company adopt the consolidated taxation method and the head office and the branches intend to prepay the enterprise income tax by stages, 50% of such taxes shall be amortized to the branches and prepaid, while the other 50% shall be prepaid by the head office. The amortization ratio of each branch shall be 0.35:0.35:0.30 among the operating income, the staff salary and the total assets of each; the final settlement of annual corporate income tax shall be made to the tax authority by the parent company and shall never amortized to the branches.

(3) Sino Great Wall Group Co., Limited (hereinafter referred to as “Sino Hong Kong”) and Inrich Me Engineering Co., Ltd. (hereinafter referred to as “Inrich Me”) under the subsidiary company of the Company are enterprises established in the Hong Kong Special Administrative Region, which shall pay the enterprise profit tax at the rate of 16.5%. SINO GREAT WALL INTERNATIONAL ENGINEERING (MACAU) CO., LIMITED (hereinafter referred to as “SINO MACAU”) is an enterprise established in the Macao Special Administrative Region, which shall pay the net profit tax and observe the progressive tax rate.

(4) Sino Great Wall International Engineering Co., Ltd. (hereinafter referred to as the “Sino International”), the wholly-owned subsidiary company of the Company, was granted the Certificate of High & New Technological Enterprise on November 24, 2015 which was jointly approved and issued by Beijing Municipal Science & Technology

Commission, Beijing Finance Bureau, Beijing Municipal Office, SAT and Beijing Local Taxation Bureau. Sino International was identified as the high and new technological enterprise (Certificate No.: GR201511003125; Issue date: November 24, 2015; Term of Validity: Three Years), i.e. Sino International shall pay the enterprise income tax at the rate of 15% in 2015, 2016 and 2017, respectively.

(5) According to Notice of Ministry of Finance and State Administration of Taxation on Pilot for Comprehensive Implementation of Business Tax Replaced by Value-added Tax (CS (2016) No.36), Wuhan Commercial Workers Hospital LLC, the wholly-owned subsidiary company of the Company was entitled to the preferential policies of being exempted from VAT since May 1, 2016.

V Notes to Items in Financial Statements

(I) Monetary Resources

Items	Ending balance	Opening balance
Cash on hand	4,614,087.16	2,974,883.16
Bank deposit	642,608,503.33	940,730,439.25
Other monetary resources	957,751,325.63	397,110,499.42
Total	1,604,973,916.13	1,340,815,821.83
Including: the total amount of overseas funds	221,610,258.90	197,496,287.50

Thereinto, the details of monetary capitals with restrictive use due to mortgage, pledge or freezing etc. and restrictive monetary capitals depositing in overseas and repatriation are as follows:

Items	Ending balance	Opening balance
Bank acceptance guarantee deposit	349,043,551.56	140,689,860.21
Guarantee bond	555,665,432.94	
Performance bond		255,913,019.19
Fixed time deposits or call deposits used for guarantee	50,000,000.00	
Overseas funds with limited remittance	22,098.66	
Bond for wages of migrant workers	3,020,242.47	507,620.02
Total	957,751,325.63	397,110,499.42

(II) Notes Receivable**1. Classified Presentation of Notes Receivable**

Items	Ending balance	Opening balance
Bank acceptance	15,544,160.00	21,300,446.44
Trade acceptance	272,657,402.88	1,053,090,196.14
Total	288,201,562.88	1,074,390,642.58

2. Notes receivable pledged by the Company at the end of the period

None

3. Notes Receivable Already Endorsed or Discounted by the Company at the End of Period, but Not Coming Due Yet on the Date of Balance Sheet

Items	Confirmation-terminated amount at the end of period	Non-confirmation-terminated amount at the end of period
Bank acceptance	24,223,962.36	
Trade acceptance		75,257,402.88
Total	24,223,962.36	75,257,402.88

4. Bills turned into account receivables due to the default of the drawer of the Company at the end of term

Items	End-of-period arrears among the receivables
Trade acceptance	162,632,328.22
Total	162,632,328.22

5. Other description: None

(III) Accounts receivable**1. Classified Disclosure of Accounts Receivable**

Type	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)		Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts Receivable with Significant Single Amount and Having Bad Debt Reserve Withdrawn Independently										
Accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	6,332,915,727.5 ₇	100.00	626,240,483.4 ₉	9.89	5,706,675,244.0 ₈	4,148,182,356.26	99.91	423,012,147.95	10.20	3,725,170,208.31
Accounts receivable with insignificant single amount, but having bad debt reserve withdrawn separately						3,844,309.34	0.09	3,844,309.34	100.00	
Total	6,332,915,727.5 ₇	100.00	626,240,483.4 ₉		5,706,675,244.0 ₈	4,152,026,665.60	100.00	426,856,457.29		3,725,170,208.31

Accounts receivable with bad debt reserve withdrawn by means of account age analysis in the portfolios:

Account age	Ending balance		
	Accounts receivable	Bad debt reserve	Withdrawal proportion (%)
Within 1 year	4,305,576,910.12	215,278,845.52	5.00
1-2 years	1,383,620,160.85	138,362,016.08	10.00
2-3 years	410,525,095.44	123,126,264.90	30.00
3-4 years	138,875,850.66	69,437,925.33	50.00
4-5 years	71,411,394.20	57,129,115.36	80.00
More than 5 years	22,906,316.30	22,906,316.30	100.00
Total	6,332,915,727.57	626,240,483.49	

2. Situations of bad debt reserves withheld, reversed or recycled in this term.

The amount of bad debt reserve withdrawn in the current period was RMB 199,539,145.39; and the amount of bad debt reserve recovered or transferred back in the current period was RMB 0.

3. Accounts Receivable Actually Cancelled after Verification in the Current Period

None

4. Top 5 Owning Parties Classified by Ending Balance of Accounts Receivable

Unit name	Ending balance		
	Accounts receivable	Proportion to total accounts receivable (%)	Bad debt reserve
China Harbor Engineering Company Ltd.	900,646,409.09	14.22%	75,403,763.89
POWERCHINA Construction Group Ltd.	578,903,295.87	9.14	31,594,101.70
OxleyGem (Cambodia) Co., Ltd	438,481,134.91	6.92	21,924,056.75
Cambodia Petrochemical Co., Ltd.	365,835,734.60	5.78	18,291,786.73
Sanya Sente Real Estate Development Co., Ltd.	324,428,947.91	5.12	16,221,447.40
Total	2,608,295,522.38	41.18	163,435,156.47

5. Accounts receivable of which the recognition is terminated due to the transfer of financial assets

Name of debtors	Amount derecognized	Way of transfer of financial assets	Derecognition-related gains or losses
Sanya Hongshulin Tourism, Culture and Real Estate Development Co.,	4,132,384.11	Credit assignment (without right of recourse)	547,127.66

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Ltd.			
Hangzhou Wankun Property Co., Ltd.	3,181,378.08	Credit assignment (without right of recourse)	421,214.46
Zhejiang Golden Shining Real Estate Group Co., Ltd.	3,648,356.96	Credit assignment (without right of recourse)	483,042.46
Jiaying Yongxin Construction Co., Ltd.	2,327,855.00	Credit assignment (without right of recourse)	308,208.00
Dalian Chengbao Hotel Development Co., Ltd.	6,355,712.70	Credit assignment (without right of recourse)	841,496.36
Sanya Jiapeng Science and Technology Development Co., Ltd.	2,492,090.00	Credit assignment (without right of recourse)	329,952.72
Qinhuangdao Evergrande City of China Evergrande Group	3,236,312.07	Credit assignment (without right of recourse)	428,487.72
Taiyuan Hesheng Dijing Construction Co., Ltd.	12,388,341.71	Credit assignment (without right of recourse)	1,640,216.44
Taiyuan Hesheng Dijing Construction Co., Ltd.	581,484.18	Credit assignment (without right of recourse)	76,988.51
Shanxi Causeway Bay International Shopping Mall Co., Ltd.	3,582,922.00	Credit assignment (without right of recourse)	474,378.87
China Tobacco Hebei Industrial Co., Ltd.	4,744,694.34	Credit assignment (without right of recourse)	628,197.53
Fujian New Donghu Science and Technology Park Development Company	16,466,632.00	Credit assignment (without right of recourse)	2,180,182.08
Qian'an Yangang Steel Real Estate Development Co., Ltd.	7,861,704.46	Credit assignment (without right of recourse)	1,040,889.67
Qinhuangdao Runqin Real Estate Development Co., Ltd.	6,506,774.00	Credit assignment (without right of recourse)	861,496.88
Zhuhai Zhongye Property Co., Ltd.	3,629,555.64	Credit assignment (without right of recourse)	480,553.17
Xuzhou Central International Square Property Co., Ltd.	2,399,364.90	Credit assignment (without right of recourse)	317,675.91
Sanya Sunny Bay Development Co., Ltd.	3,700,000.00	Credit assignment (without right of recourse)	489,880.00
Fujian Zhonggeng Property Co., Ltd.	7,441,268.98	Credit assignment (without right of recourse)	985,224.01
Fujian Qinhe Real Estate Development Co., Ltd.	1,263,793.14	Credit assignment (without right of recourse)	167,326.21
Fujian Qinhe Real Estate Development Co., Ltd.	3,204,534.20	Credit assignment (without right of recourse)	424,280.33
Tianjin Jinnan Xincheng Real Estate Development Co., Ltd.	10,444,594.02	Credit assignment (without right of recourse)	1,382,864.25
Yunnan Bangke Hotel Co., Ltd.	2,170,907.03	Credit assignment (without right of recourse)	287,428.09
Chongqing Bayuezhuan Industrial Co., Ltd.	4,658,756.46	Credit assignment (without right of recourse)	616,819.36
Wuxi Maoye Property Co., Ltd.	2,620,352.27	Credit assignment (without right of recourse)	346,934.64
Lijiang Jinlin Property Investment Co., Ltd.	7,061,525.07	Credit assignment (without right of recourse)	934,945.92
Zhejiang Donglin Real Estate Development Co., Ltd.	1,100,670.00	Credit assignment (without right of recourse)	145,728.71

Zhejiang Donglin Real Estate Development Co., Ltd.	1,779,241.19	Credit assignment (without right of recourse)	235,571.53
Shanxi Zhengxin Mechanical Technology Development Co., Ltd.	9,880,000.00	Credit assignment (without right of recourse)	1,308,112.00
Zhejiang Deli Real Estate Development Co., Ltd.	800,000.00	Credit assignment (without right of recourse)	105,920.00
Zhejiang Deli Real Estate Development Co., Ltd.	7,300,000.00	Credit assignment (without right of recourse)	966,520.00
Hangzhou Liangzhu Cultural Village Development Co., Ltd.	6,963,718.43	Credit assignment (without right of recourse)	921,996.32
Fuyang Wanke Real Estate Development Co., Ltd.	2,621,603.89	Credit assignment (without right of recourse)	347,100.36
Ningbo Wangang Real Estate Development Co., Ltd.	89,296.00	Credit assignment (without right of recourse)	11,822.79
Ningbo Wangang Real Estate Development Co., Ltd.	2,805,749.20	Credit assignment (without right of recourse)	371,481.19
Beijing Zhongminjian Hospital Management Co., Ltd.	31,973,141.30	Credit assignment (without right of recourse)	4,233,243.91
Yongkang City Jingxiang Industrial Co., Ltd.	4,938,083.45	Credit assignment (without right of recourse)	653,802.25
Shandong Anbang Real Estate Co., Ltd.	3,869,517.52	Credit assignment (without right of recourse)	512,324.12
Hunan Xinliying Science and Education Co., Ltd.	1,784,370.00	Credit assignment (without right of recourse)	236,250.59
Hunan Xinliying Science and Education Co., Ltd.	30,003,795.00	Credit assignment (without right of recourse)	3,972,502.46
Total	232,010,479.30		30,718,187.48

6. Amount of assets and liabilities formed by transferring accounts receivable and continuous involvement

None

7. Other descriptions: accounts receivable with large single item amount and account age of more than three years

Unit name	Account age	Ending balance	Bad debt reserve	Causes for failure of payment collection
Libo Zhangjiang Buluo Hotel Co., Ltd.	3 - 4 years	34,520,564.47	17,260,282.24	Funds in collection
Qingdao Dinglin Property Co., Ltd.	3 - 4 years	19,376,335.66	9,688,167.83	Funds in collection
Government Office Administration of Hebei Province	3 - 4 years	16,073,718.79	8,036,859.40	Funds in collection
Total		69,970,618.92	34,985,309.47	

(IV)**Advance Payment****1. Presentation of Advance Payments by Account Age**

Account age	Ending balance		Opening balance	
	Book balance	Proportion (%)	Book balance	Proportion (%)
Within 1 year	212,854,246.00	94.51	311,193,306.31	97.49
1-2 years	11,257,454.64	5.00	5,789,414.72	1.81
2-3 years	903,997.25	0.40	1,269,897.25	0.40
More than 3 years	192,829.99	0.09	954,180.35	0.30
Total	225,208,527.88	100.00	319,206,798.63	100.00

2. Top 5 Advance Payment Objects Classified by the Ending Balance of Advance Payments

Advance payment object	Ending balance	Proportion to the total ending balance of advance payments (%)
Wuhan Jiutai Weiye Iron & Steel Co., Ltd.	45,717,600.00	20.30
Zhongcheng Jianye Construction Co., Ltd.	33,040,865.35	14.67
FirstUnitedGeneralTradingandContractingCompanyW.L.L	25,217,059.32	11.20
Nanjing China Construction Chemical Equipment Manufacturing Co., Ltd.	9,028,707.25	4.01
China Harbor Engineering Company Ltd.	8,585,270.20	3.81
Total	121,589,502.12	53.99

(V) Other accounts receivable**1. Classified Disclosure of Other Accounts Receivable:**

Type	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)		Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivables that are individually significant and for which individual bad debt reserves are withdrawn										
Other accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	1,820,332,846.84	100.00	145,657,486.56	8.07	1,674,675,360.28	709,527,391.05	99.93	58,515,258.14	8.25	651,012,132.91
Other accounts receivable with insignificant single amount and having bad debt reserve withdrawn separately						500,000.00	0.07	500,000.00	100.00	
Total	1,820,332,846.84	100.00	145,657,486.59		1,674,675,360.28	710,027,391.05	100.00	59,015,258.14		651,012,132.91

Other accounts receivable with bad debt reserve withdrawn by means of account age analysis in the portfolios:

Account age	Ending balance		
	Other accounts receivable	Bad debt reserve	Withdrawal proportion (%)
Within 1 year	1,451,069,833.10	72,551,395.35	5.00
1-2 years	257,540,559.93	25,753,555.99	10.00
2-3 years	55,478,724.03	16,643,617.20	30.00
3-4 years	49,314,224.53	24,657,112.27	50.00
4-5 years	4,388,497.40	3,510,797.92	80.00
More than 5 years	2,541,007.84	2,541,007.84	100.00
Total	1,820,332,846.84	145,657,486.57	

2. Situations of bad debt reserves withheld, reversed or recycled in this term.

The amount of bad debt reserves withdrawn in current period is RMB 89,420,207.12 and the amount of bad-debt reserves recovered or reversed in current period is RMB 0.00.

3. Status of actual verified other receivables in current period

None

4. Classification of Other Accounts Receivable by Nature

Nature of accounts	Ending book balance	Book balance at the beginning of year
Tender bond, performance bond and deposit	564,988,488.94	366,310,322.14
Pretty cash and intercourse funds of individuals	45,065,829.65	59,867,918.12
Intercourse funds of the organization	1,191,088,012.16	282,984,039.72
Others	19,190,516.09	865,111.07
Total	1,820,332,846.84	710,027,391.05

5. Top 5 Owing Parties Classified by the Ending Balance of Other Accounts Receivable

Unit name	Nature of accounts	Ending balance	Account age	Proportion to total ending balance of other accounts receivable	Bad debt reserve Ending balance
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				(%)	
POWERCHINA Construction Group Ltd.	Intercourse funds of the organization	286,986,392.78	Within 1 year	15.89	14,349,319.64
Wuhan Jiutai Weiye Iron & Steel Co., Ltd.	Intercourse funds of the organization	200,000,000.00	Within 1 year	11.08	10,000,000.00
Chengdu Xianglong Real Estate Development Co., Ltd.	House payment and performance bond	115,452,000.00	Within 1 year	6.39	5,772,600.00
Longyan City Hengda Engineering Co., Ltd.	Intercourse funds of the organization	80,000,000.00	Within 1 year	4.43	4,000,000.00
Qingyuan Hefeng New Energy Technology Co., Ltd.	Intercourse funds of the organization	75,000,000.00	1-2 years	4.15	7,500,000.00
Total		757,438,392.78		41.94	41,621,919.64

6. Accounts Receivable Involving Governmental Subsidy

None

7. Other accounts receivable of which the recognition is terminated due to transfer of financial assets

None

8. Amount of assets and liabilities formed through transfer of other receivables and continuous involvement

None

9. Other description:

None

(VI) Inventories

1. Classification of Inventories

Items	Ending balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Raw materials	1,810,694.49		1,810,694.49	12,078,945.75		12,078,945.75
Merchandise inventory	9,328,819.66		9,328,819.66	43,492,877.62	1,404,765.68	42,088,111.94
Engineering construction	516,478,683.84	5,051,867.60	511,426,816.24	282,911,079.94	5,051,867.60	277,859,212.34
Materials in transit						
Products in				668,934.23		668,934.23

Items	Ending balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
process						
Low-value consumables				209,726.10		209,726.10
Development product	34,272,995.11		34,272,995.11			
Total	561,891,193.10	5,051,867.60	556,839,325.50	339,361,563.64	6,456,633.28	332,904,930.36

2. Depreciation Reserve of Inventories

Items	Opening balance	Amount increased of current period		Amount decreased of current period		Ending balance
		Withdrawn	Others	Transferred-back or written-off	Others	
Merchandise inventory	1,404,765.68			1,404,765.68		
Engineering construction	5,051,867.60					5,051,867.60
Total	6,456,633.28			1,404,765.68		5,051,867.60

3. Description about Capitalized Amount of Borrowing Costs Contained in Ending Balance of Inventories

None

4. The completed unsettlement assets formed by the construction contract

Items	Amount
Cumulative costs incurred	19,958,097,052.45
Cumulative confirmed gross profit	5,029,672,289.20
Less: expected losses	
Already settled amount	24,471,290,657.81
The completed unsettlement assets formed by the construction contract	511,426,816.24

5. Other description: None

(VII) Non-current Assets Coming Due within One Year

Items	Ending balance	Opening balance
Long-term deferred expenses coming due within 1 year		13,462,942.89
Total		13,462,942.89

(VIII) Other Current Assets

Items	Ending balance	Opening balance
Input VAT	15,347,777.42	35,248,102.26
Expense of prepaid income tax	1,779,133.63	202,092.21
Total	17,126,911.05	35,450,194.47

(IX) Available-for-Sale Financial Assets**1. Available-for-Sale Financial Assets**

Items	Ending balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Available-for-sale debt instruments:						
Available-for-sale equity instruments	10,338,500.00		10,338,500.00			
Including: Measured according to fair value						
Measured at Costs						
Total	10,338,500.00		10,338,500.00			

2. Available-for-Sale Financial Assets Measured by Cost at the End of Period

Invested units	Book balance				Depreciation reserve				Proportion of shares held in invested units (%)	Cash dividends of current period
	At the beginning of the year	Amount increased of current period	Amount decreased of current period	Ending amount	At the beginning of the year	Amount increased of current period	Amount decreased of current period	Ending amount		
Zhanjiang Construction & Engineering Co., Ltd.		10,338,500.00		10,338,500.00					19%	
Total		10,338,500.00		10,338,500.00						

The Company entered into the agreement with Industrial Investment and Trade Co., Ltd. and Zhanjiang Infrastructure Construction Investment Group Co., Ltd. on the capital and share increase of Zhanjiang Construction & Engineering Co., Ltd. on the first ten-day period of August 2017. Pursuant to this agreement, the Company shall increase the capital of RMB 38,089,100 to Zhanjiang Construction & Engineering Co., Ltd. (hereinafter referred to as the "Invested Party"), holding 70% of the equity in this Company, and shall own the nomination of three directors in the Board of Directors, one of whom may be appointed as the chairman. The alteration procedures for industrial and commercial registration of capital and share increase of Zhanjiang Construction & Engineering Co., Ltd. shall be completed on August 21st, 2017. As part of the original agreed arrangement, the Company reached the agreement with Industrial Investment and Trade Co., Ltd. on transferring 51% of the equity of the Invested Party held by the Company to this Company at the price of RMB 27,750,600 on the first ten-day period of November 2017. The industrial and commercial registration procedures for such equity transfer shall be completed on November 17, 2017. So far, the Company has held 19% of the equity of the Invested Party.

- 3. Changed situations of impairment of financial assets available for sale in this term: none**

- 4. Other description: None**

(X) Long-Term Accounts Receivable**1. Long-Term Accounts Receivable**

Items	Ending balance			Opening balance			Range of discount rate
	Book balance	Bad debt reserve	Book value	Book balance	Bad debt reserve	Book value	
Long-Term Accounts Receivable	14,328,557.82		14,328,557.82				
Total	14,328,557.82		14,328,557.82				

2. Other notes: Sino Great Wall Group Co., Limited, the subsidiary company of the Company, concluded and signed the cooperation agreement with Hong Kong Yick Hing Construction Co. Ltd. (hereinafter referred to as "Hong Kong Yick Hing") on October 10, 2017 on the jointly founding of SGW. Yick Hing Construction Engineering (Hong Kong) Limited (hereinafter referred to as "SGW. Yick Hing Construction"), with Sino Great Wall Group Co., Limited contributing HKD 6 million and holding 60% shares and Hong Kong Yick Hing contributing HKD 4 million and holding 40% shares. The business of SGW. Yick Hing Construction shall be managed by the Board of Directors. There are three seats in the Board of Directors, with two for Sino Great Wall and one for Hong Kong Yick Hing. However, only the director appointed by Yick Hing can serve as the chairman of the Board of Directors meeting, in case of whose absence from the Board of Directors meeting, an alternate shall take this place. In the event of the same votes, the chairman of the Board of Directors meeting has the right to vote the casting vote; the resolution of the Board of Directors shall be issued via the majority vote but the director of Hong Kong Yick Hing possesses the veto right and has the right to agree that the revenue shall be calculated as the long-term receivables based on constant rate of return.

(XI) Fixed assets**1. Fixed Assets**

Items	Houses and buildings	Mechanical equipment	Transportation equipment	Electronic equipment and other equipment	Total
1. Original book value					
(1) Opening balance	67,969,481.04	81,254,453.35	36,163,316.47	14,705,677.33	200,092,928.19
(2) Amount increased of current period	35,888,246.46	22,331,349.16	6,023,686.53	325,272.30	64,568,554.45
— Purchase	35,888,246.46	22,331,349.16	6,023,686.53	177,388.73	64,420,670.88
— Transfer-in of construction in progress					
— Increase of business combination				147,883.57	147,883.57
--Others					
(3) Amount decreased of current period		4,573,948.00	608,983.63	183,505.00	5,366,436.63
— Disposal or retirement		4,573,948.00	608,983.63	183,505.00	5,366,436.63
— Others					
(4) Ending balance	103,857,727.50	99,011,854.51	41,578,019.37	14,847,444.63	259,295,046.01
2. Accumulative depreciation					
(1) Opening balance	15,127,800.94	30,513,047.92	16,465,368.36	9,502,963.24	71,609,180.46
(2) Amount increased of current period	4,597,621.60	6,452,671.43	4,622,743.27	2,288,588.79	17,961,625.09
— Withdrawn	4,597,621.60	6,452,671.43	4,622,743.27	2,249,981.32	17,923,017.62
— Others				38,607.47	38,607.47
(3) Amount decreased of current period		4,344,350.00	285,055.10	183,505.00	4,812,910.10
— Disposal or retirement		4,344,350.00	285,055.10		4,629,405.10
— Others				183,505.00	183,505.00

Notes to Financial Statement

Items	Houses and buildings	Mechanical equipment	Transportation equipment	Electronic equipment and other equipment	Total
(4) Ending balance	19,725,422.54	32,621,369.35	20,803,056.53	11,608,047.03	84,757,895.45
3. Depreciation reserve					
(1) Opening balance					
(2) Amount increased of current period					
— Withdrawn					
— Others					
(3) Amount decreased of current period					
— Disposal or retirement					
— Others					
(4) Ending balance					
4. Book value					
(1) Ending book value	84,132,304.96	66,390,485.16	20,774,962.84	3,239,397.60	174,537,150.56
(2) Opening book value	52,841,680.10	50,741,405.43	19,697,948.11	5,202,714.09	128,483,747.74

2. Temporarily idle fixed assets

None

3. Fixed asset rented through financing lease

Items	Original book value	Accumulative depreciation	Depreciation reserve	Book value
House buildings	11,152,810.36	10,543,488.71		609,321.65
Mechanical equipment	33,365,334.00	14397622.72		18,967,711.28
Total	44,518,144.36	24,941,111.43	-	19,577,032.93

4. Fixed assets with the certificate of title not transacted

Items	Book value	Reason(s) for the failure to transact the certificate of title
International engineering	32,054,393.00	Being processed
Suzhou plants	8,982,474.09	Being processed

(XII) Construction in Progress**1. Construction in Progress**

Items	Ending balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Equipment constructions and in progress	4,968,590.96		4,968,590.96			
Total	4,968,590.96		4,968,590.96			

2. Change of Important Projects of Construction in Progress in Current Period

Name of items	Budget amount	Opening balance	Amount increased of current period	Amount transferred into fixed assets in current period	Other amount decreased in current period	Ending balance	Proportion of accumulative project input to the budget (%)	Project progress	Accumulative amount of interest capitalization	Including: Amount of interest capitalization in the current period	Current interest capitalization rate (%)	Capital source
Facilities under installation			1,224,800.00			1,224,800.00						Self-raised funds
Liangdu Central Hospital Project			2,630,910.96			2,630,910.96						Self-raised funds
Zhigu Project			1,112,880.00			1,112,880.00						Self-raised funds
Total			4,968,590.96			4,968,590.96						

3. Impairment provision of project under construction withdrawn in the period

None

4. Other description

None

(XIII) Intangible assets**1. Intangible Assets**

Items	Land use right	Software	Total
1. Original book value			
(1) Opening balance	108,621,002.59	4,416,616.07	113,037,618.66
(2) Amount increased of current period	23,839,368.35	134,853.85	23,974,222.20
— Purchase	23,839,368.35	134,853.85	23,974,222.20
— Internal research and development			
— Increase of business combination			
(3) Amount decreased of current period			
— Disposal			
(4) Ending balance	132,460,370.94	4,551,469.92	137,011,840.86
2. Accumulative amortization			
(1) Opening balance	5,054,613.34	1,779,561.77	6,834,175.11
(2) Amount increased of current period	1,827,654.51	825,566.24	2,653,220.75
— Withdrawn	1,827,654.51	825,566.24	2,653,220.75
— Increase of business combination			
(3) Amount decreased of current period			
— Disposal			
(4) Ending balance	6,882,267.85	2,605,128.01	9,487,395.86
3. Depreciation reserve			
(1) Opening balance			
(2) Amount increased of current period			
— Withdrawn			
(3) Amount decreased of current period			
— Disposal			
(4) Ending balance			
4. Book value			
(1) Ending book value	125,578,103.09	1,946,341.91	127,524,445.00
(2) Opening book value	103,566,389.25	2,637,054.30	106,203,443.55

Intangible assets generated via internal R&D of the Company of ending intangible assets

2. Conditions of land use right with incomplete certificates of title: none

(XIV) Goodwill**1. Original Book Value of Goodwill**

Name of invested units or the matters forming goodwill	Opening balance	Amount increased of current period	Amount decreased of current period	Ending balance
		Formed by business combination	Disposal	
Shenzhen Yatian Decoration Design Engineering Co., Ltd.	6,724,316.91			6,724,316.91
Wuhan Commercial Workers Hospital LLC	27,257,314.49			27,257,314.49
Sino Great Wall Southwest Engineering Co., Ltd.	17,948,978.53			17,948,978.53
Sino Great Wall Construction Construction Co., Ltd.	6,943,534.86			6,943,534.86
Alor Vista Development Sdn Bhd		5,609,206.72		5,609,206.72
SAFAT GULF GENERAL TRADING & CONTRACTING COMPANY		5,547,635.00		5,547,635.00
Far Eastern International Engineering Company, LLC		10920.0423		10920.0423
Total	58,874,144.79	11,167,761.76		70,041,906.55

Note: 1. The natural person Pan Huan entered into the *Equity Transfer Agreement* with Sino Great Wall International Engineering Co., Ltd., a wholly-owned subsidiary company of the Company on November 25, 2015, agreeing that the natural person Pan Huan shall transfer 70% of the equity held by Shenzhen Yatian Decoration Design Engineering Co., Ltd. to the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd. Upon the completion of such equity transfer, the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd. shall own 70% of the equity of Shenzhen Yatian Decoration Design Engineering Co., Ltd. The price for acquiring such 70% of the equity of Shenzhen Yatian Decoration Design Engineering Co., Ltd. by the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd. was RMB 4 million. The total amount of the combined cost on the acquisition date, i.e. November 25, 2017 as taken by the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd., was RMB 4 million. The fair value for the net identifiable assets on the acquisition date of the 70% of the equity of Shenzhen Yatian Decoration Design Engineering Co., Ltd. acquired by the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd. was RMB -2,724,316.91, which was less than the balance of the combined cost, RMB 6,724,316.91, so it shall be recorded in the goodwill.

2. On May 1, 2016, Wuhan Commercial Workers Hospital LLC and its management shareholders concluded the *Equity Transfer and Asset Acquisition Contract* with the Company in connection with the former's transferring 100% of the equity held in Wuhan Commercial Workers Hospital LLC by them to the Company. After the equity transfer was completed, the Company shall hold 100% equity in Wuhan Commercial Workers Hospital LLC. The price for acquiring 100% equity in Wuhan Commercial Workers Hospital LLC was RMB 97 million. The total amount of the combined cost on the acquisition date, i.e. June 21, 2016 as taken by the Company, was RMB 97 million. The fair value for the net identifiable assets on the acquisition date of the 100% of the equity of Wuhan Commercial Workers Hospital LLC acquired by the Company was RMB 69,742,685.51, which was less than the balance of the combined cost, RMB 27,257,314.49, so it shall be recorded in the goodwill.

3. On July 27, 2016, the natural persons Ye Jiajun and Zhang Shizhong entered into the *Equity Transfer Agreement* with Sino Great Wall International Engineering Co., Ltd., a wholly-owned subsidiary company of the Company, agreeing that they shall transfer 100% of the equity held in Sichuan Dinghui Construction Co., Ltd. to the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd. Upon the completion of such equity transfer, the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd. shall own 100% of the equity of Sichuan Dinghui Construction Co., Ltd. The price for acquiring such 100% of the equity of Sichuan Dinghui Construction Co., Ltd. by the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd. was RMB 18 million. The total amount of the combined cost on the acquisition date, i.e. August 9, 2016 as taken by the Company, was RMB 18 million. The fair value for the net identifiable assets on the acquisition date of the 100% of the equity of Sichuan Dinghui Construction Co., Ltd. acquired by the Company was RMB 51,021.47, which was less than the balance of the combined cost, RMB 17,948,978.53, so it shall be recorded in the goodwill. After the acquisition was completed, Sichuan Dinghui Construction Co., Ltd. shall change its name to Sino Great Wall Southwest Engineering Co., Ltd.

4. On November 9, 2016, Sichuan Haoyao Construction & Engineering Co., Ltd. and its parent company Chengdu Ruihe Hongsheng Technology Co., Ltd. entered

into the *Capital and Share Increase Agreement* with Sino Great Wall International Engineering Co., Ltd., a wholly-owned subsidiary company of the Company, agreeing that they shall transfer 60% of the equity held in Sichuan Haoyao Construction & Engineering Co., Ltd. to the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd. Upon the completion of such equity transfer, the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd. shall own 60% of the equity of Sichuan Haoyao Construction & Engineering Co., Ltd. The price for acquiring such 60% of the equity of Sichuan Haoyao Construction & Engineering Co., Ltd. by the Company's wholly-owned subsidiary company Sino Great Wall International Engineering Co., Ltd. was RMB 90 million. The total amount of the combined cost on the acquisition date, i.e. November 11, 2016 as taken by the Company, was RMB 90 million. The fair value for the net identifiable assets on the acquisition date of the 60% of the equity of Sichuan Haoyao Construction & Engineering Co., Ltd. acquired by the Company was RMB 83,056,465.14, which was less than the balance of the combined cost, RMB 6,943,534.86, so it shall be recorded in the goodwill.

5. In September 2017, the subsidiary company of the Company Sino Great Wall Group Co., Limited (hereinafter referred to as "Sino Hong Kong") acquired 51% equity of the company Alor Vista in consideration of MYR 15,877,600 and on September 28, 2017, Sino Hong Kong formally became the controlling shareholder of Alor Vista after completing the change procedures for the above equity in Malaysia. The balance between the payment price and the net identifiable assets on the acquisition date shall be confirmed as the goodwill.

6. In January 2017, the Company signed an agreement with SAFAT GULF GENERAL TRADING & CONTRACTING COMPANY at the acquisition price of RMB 5,547,635.00 and the balance between the acquisition price and the net identifiable assets on the acquisition date shall be confirmed as the goodwill.

7. In January 2017, the Company concluded the Equity Transfer Agreement with Mo Ruobin on acquiring 95% equity of Yuandong International Engineering Co., Ltd. at the price of RUB 95,000; the acquisition price and the amount of the fair value for the net identifiable assets on the acquisition date shall be recorded in the goodwill.

2. Depreciation Reserve of Goodwill

Name of invested units or the matters forming goodwill	Opening balance	Amount increased of current period	Amount decreased of current period	Ending balance
		Withdrawn	Disposal	
SAFAT GULF GENERAL TRADING & CONTRACTING COMPANY			5,547,635.00	5,547,635.00
Total			5,547,635.00	5,547,635.00

At the end of period, the Company recognized all assets of every abovementioned unit as one asset group portfolio, and in combination with the analysis on the estimated recoverable amount of the asset group portfolios and present value of predicted future cash flow of assets of the above-mentioned units except for SAFAT GULF GENERAL TRADING & CONTRACTING COMPANY at the end of period, the Company did not discover the impairment sign of goodwill, so the Company did not need to withdraw depreciation reserve.

Shenzhen Yatian Decoration Design Engineering Co., Ltd. executed the Equity Transfer Agreement in December 2017 and completed the change of equity registration in January 2018. Since the equity transfer price was higher than the investment cost of the Company, there is no sign of impairment.

There was no normal business of SAFAT GULF GENERAL TRADING & CONTRACTING COMPANY, so there is doubt about the profitability and the depreciation reserve will be accrued in full.

(XV) Long-term Deferred Expenses

Items	Opening balance	Amount increased of current period	Amount amortized of current period	Other amount decreased	Ending balance
Leasehold improvement	12,028,199.87	56,698.69	5,054,985.41		7,029,913.15
Overseas fees for letter of guarantee	8,437,778.96	6,825,000.00	12,167,778.96		3,095,000.00
Subtotal	20,465,978.83	6,825,000.00	17,222,764.37		10,124,913.15
Minus: long-term deferred expenses coming due within 1 year	13,462,942.89				
Total	7,003,035.94	6,825,000.00	17,222,764.37		10,124,913.15

(XVI) Deferred Income Tax Assets and Deferred Income Tax Liabilities**1. Non-offset Deferred Income Tax Assets**

Items	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Asset depreciation reserve	766,127,594.16	118,233,337.36	484,110,666.81	74,623,400.23
Deductible losses			2,265,150.21	566,287.55
Depreciation Reserve of Inventories			6,456,633.28	1,108,971.56
Total	766,127,594.16	118,233,337.36	492,832,450.30	76,298,659.34

2. Non-offset Deferred Income Tax Liabilities

Items	Ending balance		Opening balance	
	Taxable temporary difference	Deferred income tax liabilities	Taxable temporary difference	Deferred income tax liabilities
Profits from changes in fair value of financial assets measured with fair value and having the change of fair value recorded in the gain or loss of the current period				
Appraised increment of assets for business combination not under the same control	105,725,885.86	26,088,961.71	109,879,555.06	27,469,888.77
Total	105,725,885.86	26,088,961.71	109,879,555.06	27,469,888.77

3. Details of Unconfirmed Deferred Income Tax Assets

Items	Ending balance	Opening balance
Deductible temporary difference	20,178,730.17	1,761,048.62
Deductible losses	79,207,601.38	29,368,743.01
Total	99,386,331.55	31,129,791.63

(XVII) Other Non-current Assets

Items	Ending balance	Opening balance
PPP Project investment	610,524,570.00	48,960,000.00
Advance payment for purchasing long-term assets	283,729,420.79	67,942,258.30
Funds for other projects	175,340,581.32	

Items	Ending balance	Opening balance
Total	1,069,594,572.11	116,902,258.30

Other description:

1. Description of PPP Project

Items	Registered capital (ten thousand Yuan)	Subscribed investment amount (ten thousand Yuan)	Shareholding proportion	Opening balance (ten thousand Yuan)	Amount increased of current year (ten thousand Yuan)	Amount decreased of current period (ten thousand Yuan)	Amount at the end of period (ten thousand Yuan)
Luyi Shuguang Medical Industrial Investment Construction Co., Ltd.	9,600.00	4,896.00	51%	4,896.00			4,896.00
Sino Great Wall (Fugou) Jialu River Comprehensive Control Investment Co., Ltd.	3,986.16	3,587.54	90%		200		200.00
Sino Great Wall (Fugou) High-speed Railways District Investment Co., Ltd.	13,050.65	7,830.39	60%		7,830.39		7,830.39
Sino Great Wall (Fugou) National Fitness Center Investment Co., Ltd.	4,191.00	3,771.90	90%		3,772.56		3,772.56
Huichang County Sino Great Wall Medical Industrial Construction Service Co., Ltd.	9,559.00	8,507.51	89%		8,507.51		8,507.51
Anyang Sino Great Wall Medical Management Service Co., Ltd.		-	90%		25,346.00		25,346.00
Yanjin County Sino Great Wall Construction Co., Ltd.	4,000.00	2,780.00	69.50%				0.00
Sino Great Wall Shaanxi Fuyan Industrial Park Investment Co., Ltd.	5,000.00	4,500.00	90%		4,500.00		4,500.00
Weifang Sino Great Wall Health Development Co., Ltd.	10,000.00	10,000.00	100%				0.00
Gongxian County Sino Medical	15,000.00	13,500.00	90%		6,000.00		6,000.00

Investment Co., Ltd.							
Wuchuan Sino Great Wall TCM Hospital Investment Co., Ltd.	6,000.00	4,800.00	80%				0.00
Total				4,896.00	56,156.46	0.00	61,052.46

The PPP Project Company invested by the Company shall be operated in accordance with the established way. The rights, obligations, and related activities under which the Project Company be controlled are established through explicit contract terms or arrangements at the beginning of the establishment. In addition, there are representatives sent by the government among the members of the Board of Directors of the Project Company and the variable returns of the Project Company are generally fixed. The Project Company is not within the control scope of the Company, so the PPP Project Company is not included in the scope of the consolidation.

2. In prepaid funds for purchasing long-term assets: the funds for fixed assets, equipment or land are RMB 283,729,420.79;

3. Funds for other items are as follows:

SN	Unit name	Amount
1	ACURA Kliniken Group Baden-Baden GmbH	105,075,792.00
2	Cenang Resort Sdn Bhd (Tropicana Project in Malaysia)	60,264,789.32
3	Sino Great Wall Infrastructure Investment Co., Ltd.	10,000,000.00
	Total	175,340,581.32

(1) On June 29, 2017, the *Acquisition Contract for Acura Kliniken Baden-Baden GmbH* was made and entered into by and between Sino Great Wall Group Co., Limited, wholly-owned subsidiary company of Sino International, which is a wholly-owned subsidiary company of Sino Great Wall Co., Ltd., (hereinafter referred to as “Sino Hong Kong”) and bankruptcy trustee of Acura Baden-Baden Kliniken (hereinafter referred to as “Acura Kliniken”), and Sino Hong Kong acquired 100% equity of Acura Kliniken with the considerations of EUR 14,100,000 (equivalent to approximately RMB 110 million). On December 29, 2017, Acura Kliniken completed the registration for transfer with official German business registration department, and Sino Hong Kong formally became the controlling shareholder of Acura Kliniken. The bankrupt procedure of Acura Kliniken was formally completed upon the decision made by Germany's Baden-Baden court on March 15, 2018 and notarization on March 16, and became a common corporation limited,

and the Company completed its acquisition of Acura Kliniken. The Company plans to include Acura Kliniken in the consolidated statements of the Company in March 2018.

(2) On July 25, 2017, the *Equity Subscription and Shareholders Agreement* was made and entered into by and among parties in Malaysia, i.e. ABD RAZAK BIN MOHD OMAR (hereinafter referred to as “RAZAK”); MOHD ZAPI BIN ABDULLAH (hereinafter referred to as “ZAPI”); HAMAL BIN A RAHMAN (hereinafter referred to as “HAMAL”); ISMAIL BIN SALEH (hereinafter referred to as “ISMAIL”); SHAZALLY BIN SULAIMAN (hereinafter referred to as “SHAZALLY”) and the Company. Parties in Malaysia, i.e. RAZAK, ZAPI, HAMAL, ISMAIL and SHAZALLY, agreed to issue and allocate shares to Sino Great Wall Group Co., Limited, and Sino Great Wall Group Co., Limited agreed to subscribe 67 new common shares of CENANG RESORT SDN. BHD. with the amount of MYR 776,119.00, accounting for 40% of enlarged issued shares and paid-in capital of CENANG RESORT SDN. BHD. (“subscribed shares”) with the total subscribed value of MYR 52,000,000.00. The Company paid the subscribed amount by two installments. On August 8, Sino Great Wall Group Co., Limited paid CENANG RESORT SDN. BHD. (USD 3.03 million, equivalent to approximately MYR 13 million, and due to the difference in exchange rate, on September 4, USD 14,800 was paid additionally) MYR 13,000,000.00 as deposit and partial payment for subscription (“initial subscribed fund”). From October 10 to October 13, Sino Great Wall Group Co., Limited paid CENANG RESORT SDN. BHD. (USD 2 million, USD 1 million, USD 2 million and USD 1 million, totally USD 6 million) and USD 3,519,000 on January 9, 2018. The balance amounting to MYR 39 million (“remained subscribed amount”) was paid. So far, the equity subscription was completed. After the subscription, Sino Great Wall accounts for 40% of the issued capital stock and the paid-in capital of CENANG RESORT SDN. BHD. The Company completed change of directors on January 10, 2018. The proportions of shares of other five shareholders, who are persons acting in concert, are 12%, and the Company does not have controlling power, so this company is not included in consolidated statements.

(3) On August 22, 2017, the *Supplementary Agreement of Equity Transfer Agreement* was made and entered into by and among Sino Great Wall Infrastructure Investment Co., Ltd. (hereinafter referred to as “Infrastructure Company”), wholly-owned subsidiary company of the Company, and natural persons, namely Xie Guihua, Xie Rongrong and Xie Rubin, and natural persons, namely Xie Guihua, Xie Rongrong and

Xie Rubin, transferred 80% equity of Longyan City Hengda Engineering Co., Ltd. (hereinafter referred to as “Longyan Hengda”) owned by them to Infrastructure Company. After the equity transfer, Infrastructure Company holds 80% equity of Longyan Hengda, Xie Guihua holds 8% equity of Longyan Hengda, and Xie Rongrong and Xie Rubin respectively holds 6% equity of Longyan Hengda. The equity transfer price was RMB 16 million. The date of commercial alteration registration of the equity transfer was April 18, 2018, and the Company plans to include Sino Hengda in the consolidated statements of the Company in May 2018.

(4) Cangnan Haixi Hospital Co., Ltd.

On December 4, 2017, the Equity Transfer Agreement of Cangnan Haixi Hospital Co., Ltd. was made and entered into by and among Sino Great Wall Medical Investment Management Co., Ltd. (Acquiring Company 1), Sino Global (Beijing) Decoration Engineering Co., Ltd. (Acquiring Company 2) and Yideli Group Co., Ltd., Zhongshan Health Management Co., Ltd. (Acquired Companies); the registered capital of Cangnan Haixi Hospital Co., Ltd. was RMB 100 million and the paid-in capital was RMB 28 million; after the change of equity, the original shareholders acting in concert hold 43%, Acquiring Company 1 holds 40%, Acquiring Company 2 holds 17%; the registered capital is still RMB 100 million and as of the report date, the Company has totally paid RMB 3 million as investment funds.

(XVIII) Short-term Loans

1. Classification of Short-Term Loans

Items	Ending balance	Opening balance
Guaranteed loan	1,189,330,420.55	1,621,515,110.00
Trade acceptance for which endorsement and discounting have been conducted while still being unmatured at the balance sheet date		344,543,247.59
Mortgaged loan	2,137,870,000.00	
Pledged loan	150,000,000.00	
Total	3,477,200,420.55	1,966,058,357.59

2. Overdue but unpaid short-term loans

None

(XIX) Notes Payable

Type	Ending balance	Opening balance
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Type	Ending balance	Opening balance
Bank acceptance	623,407,978.15	397,450,000.00
Trade acceptance	283,190,010.00	309,433,375.54
Total	906,597,988.15	706,883,375.54

The total amount of notes payable having come due but not repaid yet in the current period was RMB 0.00.

(XX) Accounts payable

1. Presentation of Accounts Payable:

Items	Ending balance	Opening balance
Project construction cost	1,704,130,649.60	1,295,611,654.20
Payment for purchasing long-term assets		7,923,625.18
Payment for medicine	15,448,438.02	10,413,710.87
Total	1,719,579,087.62	1,313,948,990.25

2. Significant Accounts Receivable with Account Age of More than 1 Year:

None

(XXI) Items Received in Advance

1. Presentation of Items Received in Advance

Items	Ending balance	Opening balance
Project construction cost	145,513,588.44	572,743,695.28
Advance payment for medical treatment	866,264.23	1,040,377.30
Total	146,379,852.67	573,784,072.58

(XXII) Payroll Payable

1. Presentation of Payroll Payable

Items	Opening balance	Amount increased of current period	Amount decreased of current period	Ending balance
Short-term remuneration	17,637,749.42	359,773,740.57	356,683,592.81	20,727,897.18
Post-demotion welfare-defined	1,159,797.27	22,007,066.01	21,983,218.39	1,183,644.89

contribution plans				
Total	18,797,546.69	381,780,806.58	378,666,811.20	21,911,542.07

2. Presentation of Short-Term Remuneration

Items	Opening balance	Amount increased of current period	Amount decreased of current period	Ending balance
(1) Salary, bonus, allowance and subsidy	16,916,964.73	320,205,852.11	317,047,571.84	20,075,245.00
(2) Employees' welfare expense	0.00	17,411,768.25	17,411,768.25	0.00
(3) Social insurance premium	620,944.70	13,625,683.29	13,647,540.27	599,087.72
Including : Medical insurance premium	516,068.74	12,051,641.09	12,063,678.42	504,031.41
Industrial injury insurance premium	26,369.92	581,662.52	585,364.14	22,668.30
Maternity insurance premium	78,506.04	992,379.68	998,497.71	72,388.01
(4) Housing fund	99,839.99	8,259,881.03	8,306,156.56	53,564.46
(5) Labor union outlay and employees' education outlay	-	270,555.89	270,555.89	-
(6) short-term paid leave	-	-	-	-
(7) short-term profit-sharing	-	-	-	-

Items	Ending balance	Opening balance
Interests payable on short-term loans	5,285,634.63	4,710,255.00
Long-term loan interest payable	10,819,629.22	1,718,238.55
Total	16,105,263.85	6,428,493.55

(XXV) Other accounts payable**1. Presentation of Other Accounts Payable by the Nature of Accounts**

Items	Ending balance	Opening balance
Tender bond, performance bond and deposit	48,363,917.10	26,582,761.45
Personal intercourse funds and withheld items	14,453,897.51	45,650,286.49
Loans of shareholders		-
Intercourse funds of the organization	450,793,562.35	136,613,997.74
Others	2,854,044.18	1,067,929.33
Payment for subscription of non-public offerings	4,500,000.00	12,500,000.00
Total	520,965,421.14	222,414,975.01

2. Other important accounts payable with payment days over a year

None

(XXV) Non-current liabilities coming due within one year

Items	Ending balance	Opening balance
Long-term loans coming due within one year	820,422,471.45	175,958,998.04
Total	820,422,471.45	175,958,998.04

Other description:

(XXVII) Other Current Liabilities

Items	Ending balance	Opening balance
Output taxes to transfer	121,529,600.95	30,382,980.72
Total	121,529,600.95	30,382,980.72

(XXVIII) Long-Term Loans**1. Classification of Long-Term Loans**

Items	Ending balance	Opening balance
Pledged loan		500,000,000.00
Mortgaged loan	16,839,164.49	3,175,860.22
Guaranteed loan	826,253,306.53	283,683,018.60
Total	843,092,471.02	786,858,878.82

(XXIX) Bonds Payable**1. Details of bonds payable**

Items	Ending balance	Opening balance
1 Qianhai Wutong Private Bond No. 2016070	100,000,000.00	
2 First period bond financing plan of Sino Great Wall International Engineering Co., Ltd. in 2017	245,000,000.00	
Total	345,000,000.00	

2. Increase or Decrease of Bonds Payable (Excluding Other Financial Instruments Classified as Financial Liabilities, like Preferred Stocks and Perpetual Bonds, etc.)

Bond name	Par value	Date of issue	Bond period	Issued amount	Opening balance	Issue of current period	Interests withdrawn as per par value	Amortization of premium or discount	Amount repaid of current period	...	Ending balance
1. Qianhai Wutong Private Bond No. 2016070	100,000,000.00	2017/1/6	2019/1/6	99,800,000.00		99,800,000.00	6,200,000.00	0	0		
2. First period bond financing plan of Sino Great Wall International Engineering Co., Ltd. in 2017	245,000,000.00	2017/10/31	2020/10/31	245,000,000.00		245,000,000.00	2,440,334.25	0	0		
Total	345,000,000.00			344,800,000.00		344,800,000.00	8,640,334.25				

(XXX) Long-term accounts payable

Items	Ending balance	Opening balance
Accrued financial lease outlay	81,945,567.86	
Total	81,945,567.86	

(XXXI) Accrued Liabilities

Items	Ending balance	Opening balance	Reason for formation
Pending actions	3,414,189.15	13,225,861.70	Company's accrual for pending actions
Total	3,414,189.15	13,225,861.70	

(XXXII) Capital Stock

Items	Opening balance	Changes during current period: plus (+) minus (-)					Ending balance
		New shares issued	Shares presented for free	Shares converted from public reserve	Others	Subtotal	
Total amount of shares	1,698,245,011.00						1,698,245,011.00

(XXXIII) Capital Reserve

Items	Opening balance	Amount increased of current period	Amount decreased of current period	Ending balance
Capital premium (capital stock premium)	-857,285,524.28			-857,285,524.28
Other capital reserve	-442,064,177.46			-442,064,177.46
Total	-1,299,349,701.74			-1,299,349,701.74

Note: the increase in negative capital reserve in the current period is mainly due to the adjustment of the capital reserve after the acquisition of minority equity in subsidiary company.

(XXXIV) Special reserve

Items	Opening balance	Amount increased of current period	Amount decreased of current period	Ending balance
Work safety expense	65,687,868.14	101,731,018.39	3,187,808.35	164,231,078.18
Total	65,687,868.14	101,731,018.39	3,187,808.35	164,231,078.18

(XXXV) Surplus Reserve

Items	Opening balance	Amount increased of current period	Amount decreased of current period	Ending balance
Statutory surplus reserve	84,394,441.23			84,394,441.23
Total	84,394,441.23			84,394,441.23

(XXXVI) Undistributed Profit

Items	Amount of current period	Amount of last period
Undistributed profit at the end of last period before adjustment	1,228,970,498.86	755,308,636.19
Total of undistributed profit at the beginning of the year of adjustment (increase adjusted +, decrease adjusted -)		
Undistributed profit at the beginning of the year	1,228,970,498.86	755,308,636.19
Plus: Net profit attributed to the parent company's owners in the current period	380,090,990.82	473,661,862.67
Less: Statutory surplus reserve withdrawn		
Common stock dividends payable	-101,894,700.66	
Others	-4,063,392.31	
Ending undistributed profit	1,503,103,396.70	1,228,970,498.86

(XXXVII) Operating Income and Operating Cost

Items	Amount incurred of current period		Amount incurred of last period	
	Income	Cost	Income	Cost
Main businesses	6,496,576,893.36	4,886,041,528.62	4,662,402,374.17	3,459,377,744.66

Notes to Financial Statement

Items	Amount incurred of current period		Amount incurred of last period	
	Income	Cost	Income	Cost
Other businesses	548,087.16	312,971.04	2,596,743.00	
Total	6,497,124,980.52	4,886,354,499.66	4,664,999,117.17	3,459,377,744.66

(XXXVIII) Taxes and Surcharge

Items	Amount incurred of current period	Amount incurred of last period
Sales tax	-141,646.64	8,128,747.41
Urban maintenance and construction tax	1,884,723.85	597,022.91
Educational surtax	1,399,860.90	478,975.13
Other taxes	1,390,067.50	446,784.01
Total	4,533,005.61	9,651,529.46

(XXXIX) Selling Expenses

Items	Amount incurred of current period	Amount incurred of last period
Employee Compensation	8,019,452.92	6,623,108.93
Travel expenses	723,327.21	934,104.49
Business entertainment expense	379,837.66	469,366.01
Advertising and promotion expenses	16,293.68	2,675.00
Construction maintenance fees	16,040,272.66	17,911,593.82
Others	7,034,063.84	4,377,840.02
Total	32,213,247.97	30,318,688.27

(XL) Management Expenses

Items	Amount incurred of current period	Amount incurred of last period
Employee Compensation	146,060,526.13	127,039,183.19
Administrative expenses	15,110,557.60	9,544,489.51
Rental	19,054,037.35	19,084,430.19
Travel expenses	13,611,200.61	12,096,343.79
Business entertainment expense	8,668,113.32	9,828,496.48
Depreciation fees of fixed assets	11,262,728.55	6,848,917.76
Vehicle expenses	3,538,337.07	2,871,639.42
Long-term deferred expense amortization	4,360,113.43	4,308,529.48
Consulting fee	59,415,179.05	79,559,745.78

Items	Amount incurred of current period	Amount incurred of last period
Conference	718,194.44	156,486.46
Others	28,448,104.70	42,592,471.50
Total	310,247,868.40	313,930,733.56

(XLI) Financial Expenses

Type	Amount incurred of current period	Amount incurred of last period
Interest expenditure	294,207,584.82	130,325,289.46
Less: Interest income	14,448,977.61	3,936,374.12
Exchange gain or loss	124,220,566.01	-75,709,807.87
Discount interest		19,445,217.45
Handling charges and others	28,611,434.33	57,312,903.03
Total	432,590,607.55	127,437,227.95

(XLII) Asset Impairment Loss

Items	Amount incurred of current period	Amount incurred of last period
Bad debt loss	316,739,050.51	164,907,841.91
Inventory depreciation loss		5,104,048.20
Goodwill loss	5,547,635.00	
Total	322,286,510.97	170,011,890.11

Assets held for sale are subject to a confirmed impairment loss of RMB 0.00 of held-for-sale assets for the current period, and a reversed impairment loss of RMB 0.00 for the current period.

(XLIII) Investment Yield

Items	Amount incurred of current period	Amount incurred of last period
Gain on long-term equity investments subject to accounting with equity method		
Investment yield obtained from disposal of long-term equity investments	-1,742,270.77	

Items	Amount incurred of current period	Amount incurred of last period
Investment incomes from financial assets which are measured as per fair value and the variation of which is included in current profits and losses statement in the holding period		
Investment incomes from the disposal of financial assets measured by fair value and with the variation recorded into current profits and losses		13,448.02
Investment incomes from held-to-maturity investment in the holding period		
Investment yield during the holding of available-for-sale financial assets		
Investment income from disposal of financial assets available for sale		
Gains from surplus entities remeasured by fair value after the loss of the control right		
Others		2,212,902.95
Total	-1,742,270.77	2,226,350.97

(XLIV) Proceeds from asset disposal

Items	Amount incurred of current period	Amount incurred of last period	Amount recorded in the non-recurring gain or loss of current period
Disposal of fixed assets	-150,250.00		-150,250.00
Total	-150,250.00		-150,250.00

(XLV) Other Income

Subsidy items	Amount incurred of current period	Amount incurred of last period	Related to assets/Related to income
Commerce Commission bounty	1,960,934.00		Related to income
Subsidy for post stabilization	250,194.89		Related to income
Total	2,211,128.89		

(XLVI) Non-Operating Income

Items	Amount incurred of current period	Amount incurred of last period	Amount recorded in the non-recurring gain or loss of current period
Governmental subsidy		108,121.33	
Others	156,426.78	26,318,921.53	156,426.78
Total	156,426.78	26,427,042.86	156,426.78

Governmental subsidies included in non-operating incomes

Subsidy items	Amount incurred of current period	Amount incurred of last period	Related to assets/Related to income
Reward the headquarters enterprises investing in Tongzhou District		72,365.00	Related to income
Job subsidy		35,756.33	Related to income
Total		108,121.33	

(XLVII) Non-Operating Expenditure

Items	Amount incurred of current period	Amount incurred of last period	Amount recorded in the non-recurring gain or loss of current period
Loss from disposal of non-current assets		564,833.40	
Donation outlay	240,000.00		240,000.00
Others	-3,270,152.73	21,022,106.88	-3,270,152.73
Total	-3,030,152.73	21,586,940.28	-3,030,152.73

(XLVIII) Expense of income tax**1. Table of Income Tax**

Items	Amount incurred of current period	Amount incurred of last period
Expense of income tax in the current period	172,349,309.87	115,052,974.76
Deferred income tax expenses	-45,345,578.12	-25,808,113.01
Total	127,003,731.75	89,244,861.75

2. Adjustment Process of Accounting Profit and Expense of Income Tax

Items	Amount incurred of current period
Total profit	511,049,758.58
Expense of income tax calculated with statutory [or applicable] tax rate	127,762,439.65
Influences of different tax rates applicable to subsidiaries	-67,362,980.24
Influences of adjustment of previous income tax	

Items	Amount incurred of current period
Influences of non-taxable income	
Influences of non-deductible costs, expenses and losses	8,067,220.48
Influences of deductible losses of previous non-confirmed deferred income tax assets used	
Influences of deductible temporary difference or deductible loss of non-confirmed deferred income tax assets in the current period	60,054,467.66
Expense of income tax	127,003,731.76

(XLIX) Items of Cash Flow Statement**1. Cash Received Relating to Other Operating Activities**

Items	Amount incurred of current period	Amount incurred of last period
Interest income	6,963,410.83	3,936,374.12
Bond, deposit and other intercourse funds	6,125,468,343.62	1,814,618,138.18
Governmental subsidy	2,211,128.89	108,121.33
Total	6,134,642,883.34	1,818,662,633.63

2. Cash Paid Relating to Other Operating Activities

Items	Amount incurred of current period	Amount incurred of last period
Handling charges	25,037,998.96	15,515,853.49
Warranties and deposit expenses	545,286,663.39	117,417,474.74
Selling Expenses	71,903,447.59	23,695,579.34
Management Expenses	305,349,194.66	175,125,500.48
Current account	6,022,745,439.52	2,657,532,011.53
Total	6,970,322,744.12	2,989,286,419.58

3. Cash Paid Relating to Other Investment Activities

Items	Amount incurred of current period	Amount incurred of last period
Bond paid for land auction	131,500,000.00	
Total	131,500,000.00	

4. Cash Received Relating to Other Financing Activities

Items	Amount incurred of current period	Amount incurred of last period
Received personal or company financing fund	166,727,200.00	162,855,000.00
Non-public warranties	12,600,000.00	12,500,000.00
Total	179,327,200.00	179,327,200.00

5. Cash Paid Relating to Other Financing Activities

Items	Amount incurred of current period	Amount incurred of last period
Paid personal or company financing fund	178,321,283.83	530,980,295.84
Paid trust deposit	48,600,000.00	2,000,000.00
Paid financing fees	6,150,000.00	22,800,000.00
Total	233,071,283.83	555,780,295.84

(L) Supplementary Data of Cash Flow Statement

1. Supplementary Data of Cash Flow Statement

Supplementary Data	Amount of current period	Amount of last period
1. Net profit adjusted to cash flow of operating activities		
Net profit	384,046,026.83	472,092,894.95
Plus: Asset depreciation reserve	322,286,510.97	170,011,890.11
Depreciation of fixed assets	13,148,714.99	8,868,947.59
Intangible asset amortization	78,994.75	1,109,731.85
Long-term deferred expense amortization	16,221,447.22	18,584,438.70
Loss on disposal of fixed assets, intangible assets and other long-term assets (income represented with “ - ”)		564,833.40
Loss from fixed asset retirement (Income is represented with “-”)	150,250.00	
Loss from changes in fair value (income is represented with “-”)		
Financial expenses (income represented with “ - ”)	14,162,456.72	136,256,259.56
Investment loss (income represented with “ - ”)	-3,096,940.17	2,226,350.97
Decrease of deferred income tax assets (increase represented with “ - ”)	-41,934,678.02	1,646,331.60
Increase of deferred income tax liabilities (decrease represented with “ - ”)	-1,380,927.06	-27,454,444.61
Decrease of inventories (increase represented with “ - ”)	-222,529,694.72	-148,243,275.45
Decrease of operating items receivable (increase represented with “ - ”)	-2,467,941,286.77	-2,878,862,492.67

Supplementary Data	Amount of current period	Amount of last period
Increase of operating items payable (decrease represented with “ - ”)	204,920,506.62	555,322,720.06
Others		
Net amount of cash flow from operating activities	-1,781,868,618.65	-1,687,875,813.94
2. Major investment and financing activities not involving cash revenue and expenditure		
Conversion of debt into capital		
Convertible corporate bonds due within one year		
Fixed assets acquired under finance leases		
3. Net change of cash and cash equivalents		
Ending balance of cash	647,222,590.48	943,705,322.41
Less: Opening balance of cash	943,705,322.41	582,745,756.81
Plus: Balance of cash equivalents at the end of the year		
Less: balance of cash equivalents at the beginning of the year		
Net increment of cash and cash equivalents	-296,482,731.93	360,959,565.60

2. Net Amount of Cash Paid for Acquisition of Subsidiaries in Current Period

	Amount
Cash or cash equivalents for business combination of current period and paid in current period	25,313,232.72
Less: Cash and cash equivalents held by subsidiaries on the date of purchasing	22,973,109.23
Plus: Cash or cash equivalents for business combination of previous period and paid in current period	
Net amount of cash paid for acquisition of subsidiaries	2,340,123.50

3. Net Amount of Cash Received from Disposal of Subsidiaries in Current Period

None

4. Composition of Cash and Cash Equivalents

Items	Ending balance	Opening balance
I. Cash	647,222,590.48	943,705,322.41
Including: Cash on hand	4,614,087.17	2,974,883.16

Items	Ending balance	Opening balance
Bank deposit available for payment anytime	642,608,503.33	940,730,439.25
Other monetary capital available for payment		
II. Cash equivalent		
Including: bond investments to be mature within three (3) months		
III Ending balance of cash and cash equivalents	647,222,590.48	943,705,322.41
Including: Cash and cash equivalents the use of which by the parent company or any member of the group is limited		

(LI) Assets with Ownership or Use Right Restricted

Items	Ending book value	Reason for restriction
Monetary Resources	957,751,325.63	Guarantee deposit
Accounts receivable	862,436,053.18	Pledge
Total	1,820,187,378.81	

(XXXXXII) Foreign-Currency Monetary Items**1. Foreign-Currency Monetary Items**

Items	Ending balance in foreign currency	Exchange rate for conversion	Ending balance in RMB after conversion
Monetary Resources			
Wherein: USD	22,202,038.06	6.5342	145,072,557.09
HKD	25,385,021.07	0.8359	21,219,339.11
THB	4,008,097.88	0.1995	799,775.85
QAR	646,404.20	1.7752	1,147,477.34
KWD	315,870.16	21.6271	6,831,355.54
BUK	14,152,354.13	0.0048	68,072.83
IDR	2,955,569.10	0.0005	1,424.58
KHR	2,814,000,000.00	0.0016	4,502,400.00
LKR	13,887,108.86	0.0426	591,532.90
UAE Dirham (AED)	54,806.22	1.7790	97,499.17
Russian Ruble (RUB)	5,189,976.74	0.1132	587,420.40
PHP	10,832,769.80	0.1302	1,410,534.96

Items	Ending balance in foreign currency	Exchange rate for conversion	Ending balance in RMB after conversion
MYR	3,256,061.00	1.6071	5,232,815.63
MOP	109,601.42	0.8006	87,746.90
Other accounts payable	868.79	0.4227	367.24
Including: AED			
PHP	28,480.00	0.56212	16,009.18
HKD	38,447.15	3.0165	115,975.83
KWD	49,108,163.32	0.83591	41,050,004.80
MYR	400,084.01	21.62711	8,652,662.56
LKR	1,028,013.33	0.62224	639,671.01
USD	255,741,160.60	0.042596	10,893,506.46
Other accounts receivable	3,515,185.88	6.5342	22,968,927.57
Including: PHP			
AED	116,997.00	3.0165	352,921.45
KWD	81,600.14	0.56212	45,869.07
QAR	240,764,214.32	0.056848791	13,687,154.42
LAK	165,274,765.76	1.794617	296,604,881.74
MYR	88,456,500.00	0.000785	69,470.25
LKR	993,634.08	0.62224	618,278.87
RUB	11,391,067.30	0.042596	485,211.94
USD	1,948,581.20	8.814	17,174,794.70
EUR	13,909,944.01	6.5342	90,890,356.15
Accounts payable	18,000,000.00	7.8023	140,441,400.00
Including: BHD			
KWD	36.00	17.32842	623.82
LKR	11,272,681.63	21.62711	243,795,572.46
MYR	368,300,617.95	0.042596	15,688,069.74
USD	24,113,547.02	0.62224	15,004,413.50
BUK	68,722,689.46	6.5342	449,047,797.47
THB	1,121,875.00	0.004776	5,358.59
Accounts receivable	353,636.00	0.200048	70,744.18

Items	Ending balance in foreign currency	Exchange rate for conversion	Ending balance in RMB after conversion
Including: KWD			
QAR	53,003,628.62	21.62711	1,146,315,526.86
LKR	326,181,915.40	0.57397	187,218,633.98
MYR	1,161,001,564.95	0.042596	49,453,822.85
USD	75,610,033.35	0.62224	47,047,587.15
THB	150,679,689.73	6.5342	984,571,228.63
Advance Payment	95,183.08	0.200048	19,041.19
Including: KWD			
MYR	3,305,362.27	21.62711	71,485,447.14
USD	1,641,357.42	0.62224	1,021,318.24
LKR	35,700,885.00	6.5342	233,276,722.77
Items Received in			
Advance	8,300,455.56	0.042596	353,564.78
Wherein: USD			
Monetary Resources	1,551,293.67	6.5342	10,136,463.10

VI Change of Combination Scope**(I) Business Combination not Under the Same Control****1. Business combination not under the same control in current term:**

Name of purchased parties	Time point of equity acquisition	Cost of equity acquisition	Proportion of equity acquired (%)	Way to acquire the stock equity	Date of purchasing	Basis for determining the date of purchasing	The purchased party's income from the date of purchasing to the end of period	The purchased party's net profit from the date of purchasing to the end of period
Huichang County Zhongcheng Construction Engineering Co., Ltd.	2017.3.14	10,000.00	100.00	Purchasing	2017.3.14	Obtainment of the control right	196,113,738.58	35,837,282.15
Far Eastern International Engineering Company, LLC	2017.1.1	RUB95,000.00	95.00	Purchasing	2017.1.1	Obtainment of the control right	27,861,516.09	5,808,267.69
SINO GREAT WALL GENERAL TRADING & CONTRACTING CO., LTD (Kuwait Branch)	2017.1.1	RMB5,547,635.00	100.00	Purchasing	2017.1.1	Obtainment of the control right	-	-1,796,820.82
Alor Vista Development Sdn Bhd	2017.9.28	MYR15,877,600	51.00	Purchasing	2017.9.28	Obtainment of the control right		-866,218.22

2. Combination Cost and Goodwill

	Huichang County Zhongcheng Construction Engineering Co., Ltd.	Far Eastern International Engineering Company, LLC	SINO GREAT WA LL GENERAL TR ADING & CONTR ACTING CO., LTD (Kuwait Branch)	Alor Vista Development Sdn Bhd
Combination cost				
— Cash	10,000.00	10,920.04	5,547,635.00	25,292,312. 68
— Fair value of non-cash assets				
— Fair value of issued or undertaken debts				
— Fair value of issued equity securities				
— Fair value of contingent consideration				
— - Purchase-date fair value of entities held before the purchase date				
— Others				
Total combination cost	10,000.00	10,920.04	5,547,635.00	25,292,312. 68
Less: Fair value shares of distinguishable net assets obtained	10,000.00	-		19,683,105. 96
Amount that goodwill/ combination cost is smaller than the fair value shares of distinguishable net assets obtained	-	10,920.04	5,547,635.00	5,609,206.7 2

3. Distinguishable Assets and Liabilities of Purchased Parties on the Date of Purchasing

	Huichang County Zhongcheng Construction Engineering Co., Ltd.		Far Eastern International Engineering Company, LLC		SINO GREAT WALL GENERAL TRADING & CONTRACTING CO., LTD (Kuwait Branch)		Alor Vista Development Sdn Bhd	
	Fair value on the date of purchasing	Book value on the date of purchasing	Fair value on the date of purchasing	Book value on the date of purchasing	Fair value on the date of purchasing	Book value on the date of purchasing	Fair value on the date of purchasing	Book value on the date of purchasing
Assets:	10,000.00	10,000.00	2,439,674.55	2,439,674.55			56,932,291.01	56,932,291.01
Monetary Resources	10,000.00	10,000.00	261,775.85	261,775.85	0	0	22,701,333.38	22,701,333.38
Accounts receivable			1,091,352.75	1,091,352.75	0	0	298,756.33	298,756.33
Inventories			1,086,545.95	1,086,545.95	0	0	32,965,323.27	32,965,323.27
Fixed assets					0	0		
Intangible assets					0	0	966,878.04	966,878.04
Liabilities:			2,439,674.55	2,439,674.55			18,337,965.58	18,337,965.58
Loan					0	0	16,623,744.74	16,623,744.74
Accounts payable			2,439,674.55	2,439,674.55	0	0	1,714,220.84	1,714,220.84
Deferred income tax liabilities					0	0		
Net assets	10,000.00	10,000.00	0	0	0	0	38,594,325.42	38,594,325.42
Less: Minor shareholders' equity	10,000.00	10,000.00			-	-	18,911,219.46	18,911,219.46

Notes to Financial Statement

Net assets obtained	10,000.00	10,000.00	0	0	0	0	19,683,105.96	19,683,105.96
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4. Gain or Loss on Re-measurement as per Fair Value of Equity Held before the Date of Purchasing

None

5. Relevant descriptions for failure to determine consolidated consideration and identified assets after being purchased and fair value of liability at the purchasing date or at the end of current consolidation period.

None

6. Other description

None

(II) Business combination under the same control

None

(III) Counter purchase

None

(IV) Disposal of Subsidiaries

None

(V) Changes of Combination Scope for Other Reasons

Newly established companies in 2017 are as follows:

Invested units	Main business place	Registered place	Business nature	Shareholding proportion (%)		Acquisition method	Establishment date
				Direct	Indirect		
Sino Zhigu Industrial (Yueyang) Co., Ltd.	Yueyang	Yueyang	Building construction	78.3		New establishment	2017/9/29
Changzhi Shenzhou Laodingshan Industrial Co., Ltd.	Changzhi	Changzhi	Urban infrastructure construction and development, construction engineering design, R&D, construction equipment leasing, construction consulting	100		New establishment	2017/5/16
Xiangfen County Taoshan Construction Co., Ltd.	Xiangfen	Xiangfen		100		New establishment	2017/5/11
Sino Great Wall (Xihua) Economic Development Zone Investment Co., Ltd.	Xihua	Xihua	Infrastructure investment, road and bridge construction, water conservancy construction, general airport construction	100		New establishment	2017/8/25
Liupanshui Central People's Hospital Investment Co., Ltd.	Liupanshui	Liupanshui	Hospital management service, pension rehabilitation service, investment, trade, aged articles wholesale and retail	75		New establishment	2017/4/6
Sino Great Wall Guangxia (Wuhan) Medical Development Co., Ltd.	Wuhan	Wuhan	Medical technology development, pharmaceutical sales, medical device wholesale, medical and pension investment	60		New establishment	2017/10/17
Fujian Sino Great Wall Mingyihui Medical Investment Co., Ltd.	Fuzhou	Fuzhou	Investment in medical and pension industry; hospital management; medical device sales	87.5		New establishment	2017/1/4
Sino Great Wall Medical Investment (Hubei) Co., Ltd.	Wuhan	Wuhan	Investment in medical industry projects; self-operation and agency of the import and export business of various goods and technology	100		New establishment	2017/1/3
Hubei Yuanyaotong Supply Chain Co., Ltd.	Wuhan	Wuhan	Pharmaceutical wholesale, self-operation and agency of the import and export of goods and technology	51		New establishment	2017/9/29
Sino Great Wall Medical Management (Inner Mongolia) Co., Ltd.	Hohhot	Hohhot	Pharmaceutical development, pharmaceutical sales, medical device	62		New establishment	2017/4/20

Notes to Financial Statement

			sales				
Sino Great Wall Health Management (Jiangsu) Co., Ltd.	Jingjiang	Jingjiang	Health consulting, fitness, pension service and medical device sales	51		New establishment	2017/12/25
Sino Great Wall Southwest Science and Technology Co., Ltd.	Chengdu	Chengdu	Computer technology service, software and hardware R&D sales, equipment installation	100		New establishment	2017/9/12
Sino Great Wall Southwest Commercial and Trading Co., Ltd.	Chengdu	Chengdu	Wholesale and sales	100		New establishment	2017/9/12
Sino Great Wall Southwest Engineering Consultation Co., Ltd.	Chengdu	Chengdu	Construction engineering design, consulting, survey	100		New establishment	2017/9/12
Sino Great Wall Zhihui Housing Property (Zhanjiang) Co., Ltd.	Zhanjiang	Zhanjiang	Real estate development, interior decoration works for buildings and houses	100		New establishment	2017/6/16
Great Wall Biaodian Energy Co., Ltd.	Beijing	Beijing	Energy trade, R&D, import and export	51		New establishment	2017/3/13
Kunming Sino Forest Industry Development Co., Ltd.	Kunming	Kunming	Development, construction, operation and management of industrial parks	51		New establishment	2017/9/29
Sino Great Wall Development (Hengqin) Co., Ltd.	Zhuhai	Hengqin	Design and construction	85		New establishment	2016/12/8
Sino Great Wall Real Estate (Hubei) Co., Ltd.	Wuhan	Wuhan	Real estate development	80		New establishment	2016/6/14
SGW America LLC	America	America	Construction, design	99	1	New establishment	2017/9/17
Sino Wai Man International Engineering Limited	Macao	Macao	Various construction, design, trade, investment, consulting	60		New establishment	2017/9/28
Sino Great Wall (HK) Property Co., Limited	Hong Kong	Hong Kong	Real estate development and management, land investment, property management, investment and business consulting, trade	100		New establishment	2017/9/25
SGW VENTURES SDN.BHD.	Malaysia	Malaysia	Purchased, or otherwise obtained, attributes, stocks, bonds, reinvested earnings, etc.	100		New establishment	2017/4/7
SGW CONSTRUCTION (LANGKAWI) SDN.BHD.	Malaysia	Malaysia	Building construction, engineering design, installation project, mechanical and electrical installation, etc.	100		New establishment	2017/4/19
Shenzhou Changcheng (Lao) Co., Ltd.	Laos	Laos	Building, construction	100		New establishment	2017/6/6
Sino Oman Refinery and Petrochemicals LLC	Oman	Oman	Oil production, import and export	87		New establishment	2017/12/26

(VI) Others

VII Equity in Other Subjects**(I) Equity in Subsidiaries****1. Composition of the Enterprise Group**

Name of subsidiaries	Main business place	Registered place	Business nature	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
Sino Great Wall International Engineering Co., Ltd.	Beijing	Beijing	Decoration industry	100.00		under non-common control
Sino Great Wall Infrastructure Investment Co., Ltd.	Beijing	Beijing	Investment management, import and export	100.00		Establishment
Sino Great Wall Medical Investment Management Co., Ltd.	Beijing	Beijing	Medical investment	100.00		Establishment
Wuhan Commercial Workers Hospital LLC	Wuhan	Wuhan	Sanitary & medical service	100.00		under non-common control
Sino Great Wall Guangxia (Wuhan) Medical Development Co., Ltd.	Wuhan	Wuhan	Medical technology development, pharmaceutical sales, medical device wholesale, medical and pension investment	60.00		Establishment
Changzhi Laodingshan Shenzhou Industrial Co., Ltd.	Changzhi	Changzhi	Urban infrastructure construction and development, construction engineering design, R&D, construction equipment leasing, construction consulting	100.00		Establishment
Xiangfen County Taoshan Construction Co., Ltd.	Xiangfen	Xiangfen	Urban infrastructure construction, trade	100.00		Establishment
Sino Great Wall (Xihua) Economic Development Zone Investment Co., Ltd.	Xihua	Xihua	Infrastructure investment, road and bridge construction, water conservancy construction, general airport construction	100.00		Establishment
Liupanshui People's Central Hospital Investment Co., Ltd.	Liupanshui	Liupanshui	Hospital management service, pension rehabilitation service, investment, trade, aged articles wholesale and retail	75.00		Establishment
Sino Zhigu Industrial (Yueyang) Co., Ltd.	Yueyang	Yueyang	Building construction	78.3		Establishment
Sino Great Wall Group Co., Limited	Hong Kong	Hong Kong	Construction, design, trade,	100.00		Establishment

Name of subsidiaries	Main business place	Registered place	Business nature	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
			investment consulting			
Sino Great Wall Decoration and Design Co., Ltd.	Beijing	Beijing	Design consulting and	100.00		Establishment
Sino Great Wall International Engineering (Macao) Co., Ltd.	Macao	Macao	Design construction and	96.00	4.00	Establishment
Suzhou Lvbang Wood Industry Technology Co., Ltd.	Suzhou	Suzhou	Production and sales	100.00		Establishment
Shenzhen Yatian Decoration Design Engineering Co., Ltd.	Shenzhen	Shenzhen	Design construction and	70.00		under non-common control
Guangzhou Herabenna Interior Design Co., Ltd.	Guangzhou	Guangzhou	Design	100.00		Establishment
Shenzhen Hongtulve Industrial Co., Ltd.	Shenzhen	Shenzhen	Investment, R&D and sales, trade, import and export	100.00		Establishment
Inrich Me Engineering Co., Ltd.	Hong Kong	Hong Kong	Mechanical and electrical engineering, scientific research, trade, investment consulting	100.00		Establishment
Sino Great Wall Real Estate (Hubei) Co., Ltd.	Wuhan	Wuhan	Real estate development	80.00		Establishment
Sino Great Wall New Energy (Beijing) Co., Ltd.	Beijing	Beijing	Renewable energy technology	100.00		Establishment
Shanghai Lingrui International Trading Co., Ltd.	Shanghai	Shanghai	Trade	100.00		Establishment
Sino Great Wall Construction Construction Co., Ltd.	Chengdu	Chengdu	Building construction	60.00		under non-common control
Sino Great Wall Southwest Engineering Co., Ltd.	Chengdu	Chengdu	Building construction	100.00		under non-common control
Sino Great Wall (Beijing) Investment Fund Management Co., Ltd.	Beijing	Beijing	Investment and Asset Management; economic and trade consulting	100.00		Establishment
Huichang County Zhongcheng Construction Engineering Co., Ltd.	Huichang	Huichang	Medical industry construction, import and export	100.00		under non-common control
Great Wall Biaodian Energy Co., Ltd.	Beijing	Beijing	Energy trade, R&D, import and export	51.00		Establishment
Sino Great Wall Zhihui Housing Property (Zhanjiang) Co., Ltd.	Zhanjiang	Zhanjiang	Real estate development, interior decoration works for buildings	100.00		Establishment

Name of subsidiaries	Main business place	Registered place	Business nature	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
			and houses			
SINO GREAT WALL INTERNETIONAL ENGINEERING(CNMI) CO.,LLC	Saipan	Saipan	Design construction and	100.00		Establishment
SINO GREAT WALL GENERAL TRADING & CONTRACTING CO.LTD	Kuwait	Kuwait	Building construction	49.00		under non-common control
Sino Great Wall International Engineering(MM) Co., Ltd	Burma	Burma	Design construction and	80.00		Establishment
PT.SINO GREAT WALL CONSTRUCTION INDONESIA	Indonesia	Indonesia	Building construction	67.00		Establishment
Shenzhou Changcheng (Lao) Co., Ltd	Laos	Laos	Building, construction	100.00		Establishment
Sino Great Wall International Engineering(Thailand) Co., Ltd.	Thailand	Thailand	Engaged in domestic and international construction contracting, interior and exterior decoration of buildings, accepting bids to obtain bidding civil engineering projects of government agencies (cities, organs, etc.), individuals and legal entities; engaged in leasing, sales, export, purchase of various construction materials and construction equipment, and real estate development, etc.	49.00		Establishment
Sino Great Wall International Engineering Co., Ltd	Maldives	Maldives	Design construction and	100.00		Establishment
PT.SINO GREAT WALL INVESTMENT INDONESIA	Indonesia	Indonesia	Real estate or leasing	99.90		Establishment
SGW America LLC	America	America	Construction, design	99.00	1.00	Establishment
Sino Great Wall Group (UK) Co., Limited	England	England	Design construction and	98.00		Establishment
Kunming Sino Forest Industry Development Co., Ltd.	Kunming	Kunming	Development, construction, operation and	51.00		Establishment

Name of subsidiaries	Main business place	Registered place	Business nature	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
			management of industrial parks			
SINO GREAT WALL(USA).INC	America	America	Legal business practices	100.00		Establishment
Sino Great Wall Development (Hengqin) Co., Ltd.	Zhuhai	Hengqin	Design and construction	85.00		Establishment
Fujian Sino Great Wall Mingyihui Medical Investment Co., Ltd.	Fuzhou	Fuzhou	Investment in medical and pension industry; hospital management; medical device sales	87.50		Establishment
Sino Great Wall Medical Investment (Hubei) Co., Ltd.	Wuhan	Wuhan	Investment in medical industry projects; self-operation and agency of the import and export business of various goods and technology	100.00		Establishment
Sino Great Wall Medical Management (Inner Mongolia) Co., Ltd.	Hohhot	Hohhot	Pharmaceutical development, pharmaceutical sales, medical device sales	62.00		Establishment
Sino Great Wall Health Management (Jiangsu) Co., Ltd.	Jingjiang	Jingjiang	Health consulting, fitness, pension service and medical device sales	51.00		Establishment
Hubei Yuanyaotong Supply Chain Co., Ltd.	Wuhan	Wuhan	Pharmaceutical wholesale, self-operation and agency of the import and export of goods and technology	51.00		Establishment
Bozhou Guangcheng New Energy LLC	Bozhou	Bozhou	Solar power generation	100.00		Establishment
Bozhou Zhaosheng Agricultural Technology LLC	Bozhou	Bozhou	Agriculture	100.00		Establishment
Bozhou Xieying Solar Power Generation LLC	Bozhou	Bozhou	Solar power generation	100.00		Establishment
Wu'an Juhe Photovoltaic Power Co., Ltd.	Wu'an	Wu'an	Solar photovoltaic	100.00		Establishment
Qian'an Shenzhou Solar Power Generation Co., Ltd.	Qian'an	Qian'an	Solar photovoltaic power station	100.00		Establishment
Sino Great Wall Southwest Science and Technology Co., Ltd.	Chengdu	Chengdu	Computer technology service, software and hardware R&D sales, equipment	100.00		Establishment

Name of subsidiaries	Main business place	Registered place	Business nature	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
			installation			
Sino Great Wall Southwest Commercial and Trading Co., Ltd.	Chengdu	Chengdu	Wholesale and sales	100.00		Establishment
Sino Great Wall Southwest Engineering Consultation Co., Ltd.	Chengdu	Chengdu	Construction engineering design, consulting, survey	100.00		Establishment
Gongxian County Sino Medical Investment Co., Ltd.	Gong County	Gong County	Medical investment	50.00		Establishment
Far eastern international engineering company, LLC	Russia	Russia	Building construction, commerce and trade, transport, leasing	95.00		under non-common control
Sino Great Wall(Philippines) International Corporation	the Philippines	the Philippines	Building construction, import and export trade	100.00		Establishment
Sino Great Wall (HK) Property Co., Limited	Hong Kong	Hong Kong	Real estate development and management, land investment, property management, investment and business consulting, trade	100.00		Establishment
SGW HP Engineering Construction SDN.BHD	Malaysia	Malaysia	Building construction, engineering design, installation project, mechanical and electrical installation, etc.	100.00		Establishment
SGW VENTURES SDN.BHD.	Malaysia	Malaysia	Purchased, or otherwise obtained, attributes, stocks, bonds, reinvested earnings, etc.	100.00		Establishment
SGW CONSTRUCTION (LANGKAWI) SDN.BHD.	Malaysia	Malaysia	Building construction, engineering design, installation project, mechanical and electrical installation, etc.	100.00		Establishment
Alor Vista Development Sdn Bhd	Malaysia	Malaysia	Real estate development and management, land investment, building and construction, etc.	51		Combination not under common control
Sino Oman Refinery and Petrochemicals	Oman	Oman	Oil production, import and export	87		Establishment

Notes to Financial Statement

Name of subsidiaries	Main business place	Registered place	Business nature	Shareholding proportion (%)		Acquisition method
				Direct	Indirect	
LLC						
SINO GREAT WALL GENERAL TRADING & CONTRACTING CO.LTD	Kuwait	Kuwait	Building construction	100		Combination not under common control

Important Non-sole Subsidiaries

Name of subsidiaries	Proportion of shares held by minor shareholders	Gain or loss attributed to minor shareholders in current period	Dividends declared to distribute to minor shareholders in current period	Ending balance of minor shareholders' equity
Sino Great Wall Construction Co., Ltd.	60%	4,411,448.72		60,022,959.21

2. Main Financial Information of Important Non-sole Subsidiaries

Name of subsidiaries	Ending balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Sino Great Wall Construction Co., Ltd.	524,593,077.50	65,345,534.17	589,938,611.67	439,881,213.64	0	439,881,213.64	393,681,062.91	3,756,227.56	397,437,290.47	258,408,514.24	-	258,408,514.24

Name of subsidiaries	Amount incurred of current period				Amount incurred of last period			
	Operating income	Net profit	Total amount of composite benefits	Cash flow from operating activities	Operating income	Net profit	Total amount of composite benefits	Cash flow from operating activities
Sino Great Wall Construction Co., Ltd.	674,529,952.42	11,028,621.80	11,028,621.80	-9,740,360.89	421,055,207.64	1,986,128.01	1,986,128.01	-59,821,309.86

VIII Risks Related to Financial Instruments

The Company faces various financial risks in business operation, including credit risk, market risk and fluidity risk. The Company's Board of Directors comprehensively takes charge of determining risk management objectives and policies, and undertakes ultimate responsibility for the risk management objectives and policies. However, the Board of Directors has authorized the Company's management level to design and implement the procedures which could guarantee the effective implementation of the risk management objectives and policies. The Board of Directors reviews the effectiveness of the implemented procedures and the rationality of the risk management targets and policies via monthly reports submitted by the Management. The Company's internal auditor will audit the policies and procedures of risk management and report the findings to the audit committee.

The overall objective of the Company's risk management is to make risk management policies which could lower risks to the greatest extent in condition of not excessively affecting the Company's competitiveness and ability to meet emergencies.

(I) Credit Risk

Credit risk indicates the risk that one party to financial instruments does not implement its obligations, so the other party suffers from financial losses. The Company mainly faces the customer credit risk caused by sales on account. Before signing a new contract, the Company will appraise a new customer's credit risk, including external credit rating and bank credibility letter (if available) under some circumstances. The company has set a credit limit to each customer, which is the maximum amount that does not require additional approval.

The company ensures its whole credit risk is within a controllable range by means of the quarterly monitoring over credit rating of existing customers and the monthly review of aging of accounts receivable. When monitoring customers' credit risk, the Company divides customers into different groups according to their credit characteristics. Customers rated to be "high-risk" level will appear in the shortlist of restricted customers, and only in the precondition of obtaining extra approval, will they enjoy the sales on account in future, or they must pay corresponding accounts in advance.

(II) Market Risk

Market risk of financial instruments indicate the risk that the fair value or future cash flow of financial instruments fluctuates due to change of market price, including exchange rate risk, interest rate risk and other price risk.

(1) Interest Rate Risk

Interest rate risk indicates the risk that the fair value or future cash flow of financial instruments fluctuates due to change of market interest rate. The interest rate risk faced by the Company is mainly sourced from bank loan. By establishing good bank-enterprise relationship, the Company reasonably designs the credit line, credit variety and credit period, guarantees sufficient credit line obtained from banks, meeting the Company's various short-term financing demands. Meanwhile, by shortening the period of single loans, and specially stipulating the clauses of advanced repayment, the Company reasonably lowers the risk of interest rate fluctuation.

On December 31, 2017, if the loan interest rate calculated by the floating interest rate rises or reduces by 100 benchmark points when other variables are kept unchanged, the net profit of the Company will decrease or increase by RMB [] million (December 31, 2016: RMB 2.12 million)

(2) Exchange rate risk

The exchange rate risk refers to the risks of fluctuant fair value of financial instruments or future cash flow due to the change of foreign currency exchange rate. Our company will try to match the foreign currency income and foreign currency expense to reduce the exchange rate risks. Besides, the company may sign a long-term foreign exchange contracts or currency exchange contracts to achieve the purpose of avoiding exchange rate risk.

The exchange rate risk that the Company is faced with mainly comes from financial assets and financial liabilities priced with US dollars. The amount that foreign currency financial assets and foreign currency financial liabilities converting into RMB are listed as follows:

Items	Ending balance			Ending balance		
	USD	Other foreign currencies	Total	USD	Other foreign currencies	Total
Monetary Resources	145,072,557.09	42,577,762.45	187,650,319.54	1,069,830,885.89	18,299,991.93	1,088,130,877.82
Accounts receivable	984,571,228.63	1,430,054,612.03	2,414,625,840.66	761,770,797.71	1,301,117,521.35	2,062,888,319.06
Advance Payment	233,276,722.77	72,860,330.16	306,137,052.93	17,950,907.64	78,735,339.22	96,686,246.86
Other accounts receivable	90,890,356.15	469,479,982.44	560,370,338.59	90,517,446.65	58,320,891.22	148,838,337.87
Subtotal of Assets	1,453,810,864.64	2,014,972,687.08	3,468,783,551.72	1,940,070,037.89	1,456,473,743.72	3,396,543,781.61
Accounts payable	449,047,797.47	274,564,782.29	723,612,579.76	297,374,515.61	318,399,295.82	615,773,811.43
Items Received in Advance	10,136,463.10	0.00	10,136,463.10	10,572,092.06	21,321,289.59	31,893,381.65
Other accounts payable	22,968,927.57	61,367,829.84	84,336,757.41	70,299,852.89	10,091,141.13	80,390,994.02
Liability subtotal	482,153,188.14	335,932,612.13	818,085,800.27	378,246,460.56	349,811,726.54	728,058,187.10
Net	971,657,676.50	1,679,040,074.95	2,650,697,751.45	1,561,823,577.33	1,106,662,017.18	2,668,485,594.51

As of December 31, 2017, if the rate of RMB against USD rises or reduces by 1% with all other variables unchanged, the net profit of the Company will increase or decrease RMB 9,716,600 (December 31, 2016: RMB 15,618,200).

(III) Liquidity risk

Fluidity risk indicates the risk of capital shortage which occurs during the enterprise's implementing the obligation of accounts settlement by delivering cash or other financial assets. The Company's policy is to ensure sufficient cash for repaying debts coming due. Fluidity risk is under the centralized control of the Company's financial department. By monitoring the balance of cash and the securities which could be realized anytime, and through rolling prediction on the cash flow in the upcoming 12 months, the financial department ensures the Company to have sufficient funds to repay debts under all reasonably predicted circumstances. See the related subjects in the Note 5 for the disclosure of all financial liabilities of the Company at non-discounting contractual cash flows are listed as per due date

IX Related party and related transaction

(I) Information about Parent Company of the Company

Name of Parent Company	Amount of holdings	Shareholding proportion of the parent company to the company (%)	Voting right proportion of the parent company to the company (%)

Name of Parent Company	Amount of holdings	Shareholding proportion of the parent company to the company (%)	Voting right proportion of the parent company to the company (%)
Chen Lve	582,944,556	34.33	34.33

(II) Information about Subsidiaries of the Company

Please refer to Note VII. Equities in other subjects for the detailed information of the company's subsidiaries.

(III) Other Affiliated Parties

Name of other affiliated parties	Relationship between other affiliated parties and our company
He Sen	Brother-in-law of the shareholder and actual controller of the Company
He Feiyan	Spouse of the shareholder and actual controller of the Company
Li Erlong, etc.	Director, supervisor and senior executive of the Company
Qinghai Heyi Commerce Co., Ltd.	Enterprise controlled by the director Wang Lei of the Company
Qinghai Heyi Mining Industry Co., Ltd.	Enterprise controlled by the director Wang Lei of the Company
Kunwu Jiuding Investment Management Co. Ltd and the affiliated parties	More than 5% of the shareholders of the Company and the companies under common control
Beijing Baolilai Technology Co., Ltd.	The wholly-owned subsidiary company of which the company director of the Company acts as the director of its parent company

(IV) Affiliated Transactions**1. Affiliated Transactions of Purchasing and Selling Goods, Rendering and Accepting Labor Services**

Form of Information on Purchasing of Goods/ Accepting of Labor Services

(ten thousand Yuan)

Affiliated parties	Contents of affiliated transactions	Amount incurred of current period	Amount incurred of last period
Qinghai Heyi Commerce Co., Ltd.	Payment for materials	319.00	1,959.00

Table of selling commodities/ supplying labor

(unit: ten thousand Yuan)

Affiliated parties	Contents of affiliated transactions	Amount incurred of current period	Amount incurred of last period
Kunwu Jiuding Investment Management Co. Ltd.	Leasehold improvement	122.76	795.13
Beijing Baolilai Technology Co., Ltd. (renamed as: Beijing	Leasehold	16.00	38.2

Shenzhou High-speed Railway Asset Management Co., Ltd.)	improvement		
Shanghai Heyi Supply Chain Management Co., Ltd.	Leasehold improvement	421.69	

2. Related entrusted management/contract and commission management/outsourc situation

None

3. Related-party lease

None

4. Affiliated Guarantees

The Company acting as the secured party

Guaranteed Party	Corresponding Bank	Guaranteed amount	Starting date of guarantee	Expiry date of guarantee	Guarantee completed or not
Sino Great Wall Co., Ltd.	Shanghai Pudong Development Bank Shenzhen Branch	27,000.00	2017.3.13	2018.3.13	No
Sino Great Wall Co., Ltd.	Baoshang Bank Shenzhen Branch	20,000.00	2017.1.13	2018.1.12	No
Sino Great Wall Co., Ltd.	Industrial Bank Houhai Branch	80,000.00	2017.4.17	2018.4.17	No
Sino Great Wall Co., Ltd.	Xiamen International Bank	5,000.00	2017.5.17	2017.5.16	No
Sino Great Wall Co., Ltd.	Chang'an International Trust	40,000.00	2017.6.23	2018.6.22	No
Sino Great Wall Co., Ltd.			2017.7.10	2018.7.9	No
Sino Great Wall Co., Ltd.			2017.8.24	2018.8.23	No
Sino Great Wall Co., Ltd.	China Bohai Bank Shenzhen Branch	10,000.00	2017.6.28	2018.6.27	No
Sino Great Wall Co., Ltd.	Industrial Trust	10,000.00	2017.8.9	2018.8.8	No
Sino Great Wall Co., Ltd.	Bank of Jiujiang	13,000.00	2017.8.22	2018.8.21	No
Sino Great Wall Co., Ltd.			2017.8.23	2018.8.22	No
Sino Great Wall Co., Ltd.	China Minsheng Bank Shenzhen Branch	20,000.00	2017.8.30	2018.8.30	No
Sino Great Wall Co., Ltd.	Shenzhen Rural Commercial Bank	1,000.00	2017.11.17	2018.11.17	No
Sino Great Wall Co., Ltd.	China Zheshang Bank Shenzhen Baoan Subbranch	20,000.00	2017.10.26	2018.5.27	No
Sino Great Wall Co., Ltd.	Bank of Hangzhou Shenzhen Branch	10,000.00	2016.10.27	2017.10.27	No
Sino Great Wall Co., Ltd.	Hunan Trust		2016.4.19	2018.4.19	No

		20,000.00			
Sino Great Wall Co., Ltd.	CITIC Trust	40,000.00	2016.6.28	2018.6.27	No
Sino Great Wall Co., Ltd.	Bohai Trust (Shanghai Pudong Development Bank Shenzhen Branch)	30,000.00	2017.5.10	2020.5.10	No
Sino Great Wall Co., Ltd.	Wanxiang Trust	20,000.00	2017.8.3	2019.2.3	No
Sino Great Wall Co., Ltd.			2017.8.10	2019.2.10	No
Sino Great Wall Co., Ltd.			2017.8.16	2019.2.16	No
Sino Great Wall Co., Ltd.			2017.8.3	2019.8.3	No
Sino Great Wall Co., Ltd.			2017.8.10	2019.8.10	No
Sino Great Wall Co., Ltd.			2017.8.16	2019.8.16	No
Sino Great Wall Co., Ltd.	Zhongjiang Trust	30,000.00	2017.9.18	2019.9.18	No
Sino Great Wall Co., Ltd.			2017.9.25	2019.9.25	No
Sino Great Wall Co., Ltd.			2017.9.29	2019.9.29	No
Sino Great Wall Co., Ltd.			2017.10.13	2019.10.13	No
Sino Great Wall Co., Ltd.			2017.10.18	2019.10.18	No
Sino Great Wall Co., Ltd. Pledge for accounts receivable	China Everbright Bank Shenzhen Branch	25,000.00	2017.1.11	2018.1.10	No
Sino Great Wall Co., Ltd.	China Everbright Bank Co., Ltd. Shenzhen Branch	10,000.00	2016/1/13	2017/1/12	Yes
Sino Great Wall Co., Ltd.	Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch	12,000.00	2016/1/13	2017/1/12	Yes
Sino Great Wall Co., Ltd.	Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch	25,714.00	2016/8/25	2017/8/25	Yes
Sino Great Wall Co., Ltd.	Baoshang Bank Co., Ltd. Shenzhen Branch	20,000.00	2016/1/21	2017/1/20	Yes
Sino Great Wall Co., Ltd.	China Zheshang Bank Co., Ltd. Shenzhen Branch	20,000.00	2016/6/21	2017/6/20	Yes
Sino Great Wall Co., Ltd.	China Bohai Bank Co., Ltd. Shenzhen Branch	10,000.00	2016/4/29	2017/4/28	Yes
Sino Great Wall Co., Ltd.	China Guangfa Bank Co., Ltd. Shenzhen Branch	10,000.00	2016/8/22	2017/8/22	Yes
Sino Great Wall Co., Ltd.	Industrial International Trust	10,000.00	2016.9.30	2018.9.29	No
Sino Great Wall Co., Ltd.	Bank of China Shenzhen Futian Subbranch	50,000.00	2016.11.12	2017.11.12	Yes
Sino Great Wall International Engineering	Bank of Shanghai Beijing Branch	70,000.00	2017.11.16	2018.11.5	No

Co., Ltd.					
Sino Great Wall International Engineering Co., Ltd.	Shanghai Pudong Development Bank Fulicheng Subbranch	13,000.00	2016.10.28	2017.9.28	No
Sino Great Wall International Engineering Co., Ltd.	Haikou United Rural Commercial Bank	7,000.00	2017.2.28	2018.2.27	Yes
Sino Great Wall International Engineering Co., Ltd.	Bank of Ningbo Beijing Branch	20,000.00	2017.4.11	2018.3.31	No
Sino Great Wall International Engineering Co., Ltd.	Bank of Dalian Beijing Branch	18,000.00	2017.1.3	2018.1.2	No
Sino Great Wall International Engineering Co., Ltd.	Harbin Bank Tianjin Branch	12,000.00	2017.6.7	2018.5.22	No
Sino Great Wall International Engineering Co., Ltd.	China Bohai Bank Shenzhen Branch	40,000.00	2017.7.25	2018.7.24	No
Sino Great Wall International Engineering Co., Ltd.	China CITIC Bank Cuiwei Subbranch	22,000.00	2017.6.30	2018.6.30	No
Sino Great Wall International Engineering Co., Ltd.	Huaneng Guicheng Trust Co., Ltd.	20,000.00	2017.10.18	2018.10.17	No
Sino Great Wall International Engineering Co., Ltd.	China Railway Trust Co., Ltd.	10,000.00	2017.11.22	2018.11.21	No
Sino Great Wall International Engineering Co., Ltd.	Shanghai Huarui Bank (Ping An Financial Leasing)	8,400.00	2017.3.31	2019.9.30	No
Sino Great Wall International Engineering Co., Ltd.	Bank of Nanjing Beijing Branch 0801	15,000.00	2016/3/21	2017/3/21	No
Sino Great Wall International Engineering Co., Ltd.	China Minsheng Bank Beijing Jianguomenwai Subbranch	15,000.00	2016/7/19	2017/7/19	No
Sino Great Wall International Engineering Co., Ltd.	China Resources Bank Shenzhen Huaruncheng Subbranch	10,000.00	2017.11.30	2018.11.30	No
Sino Great Wall International Engineering Co., Ltd.	Kincheng Bank of Tianjin Co., Ltd.	5,000.00	2016/8/8	2017/8/8	Yes
Sino Great Wall International Engineering Co., Ltd.	Guangdong Nanyue Bank Shenzhen Branch	5,000.00	2015/11/19	2016/11/19	Yes
Sino Great Wall International Engineering Co., Ltd.	Shanghai Huarui Bank (Ping An Financial Leasing)	8,400.00	2016/12/19	2017/12/19	Yes
Sino Great Wall International Engineering Co., Ltd.	Bank of Shanghai Beijing Branch	14,000.00	2016/7/12	2017/7/12	Yes
Sino Great Wall	Luzhou City		2017.9.30	2018.9.29	No

Construction Construction Co., Ltd.	Commercial Bank	5,000.00			
Wuhan Commercial Worker Hospital	Great Wall Guoxing Financial Leasing Co., Ltd.	10,889.81	2017.1.18	2020.1.17	No
Chen Lve	Chongqing Haier Microfinance Co., Ltd.	6,000.00	2017.5.22	2017.8.22	Yes
Chen Lve	Chongqing Haier Microfinance Co., Ltd.	6,000.00	2017.9.21	2017.12.21	Yes
Chen Lve	Bank of Beijing Shuangxiu Subbranch	1,000.00	2016.12.15	2017.6.14	Yes

The Company acting as the secured party

Guarantor	Corresponding Debit Bank	Guaranteed amount	Starting date of guarantee	Expiry date of guarantee	Guarantee completed or not
Chen Lve, He Feiyan, Sino Great Wall Co., Ltd.	Bank of Shanghai Beijing Branch	70,000.00	2017.11.16	2018.11.5	No
Chen Lve, Sino Great Wall Co., Ltd.	Shanghai Pudong Development Bank Fulicheng Subbranch	13,000.00	2016.10.28	2017.9.28	No
Sino Great Wall Co., Ltd., Chen Lve	Haikou United Rural Commercial Bank	7,000.00	2017.2.28	2018.2.27	Yes
Sino Great Wall Co., Ltd., Chen Lve	Bank of Ningbo Beijing Branch	20,000.00	2017.4.11	2018.3.31	No
Sino Great Wall Co., Ltd., Chen Lve, He Feiyan	Bank of Dalian Beijing Branch	18,000.00	2017.1.3	2018.1.2	No
Sino Great Wall Co., Ltd., Chen Lve	Harbin Bank Tianjin Branch	12,000.00	2017.6.7	2018.5.22	No
Sino Great Wall Co., Ltd.	China Bohai Bank Shenzhen Branch	40,000.00	2017.7.25	2018.7.24	No
Sino Great Wall Co., Ltd., Chen Lve	China CITIC Bank Cuiwei Subbranch	22,000.00	2017.6.30	2018.6.30	No
Sino Great Wall Co., Ltd., Chen Lve	Huaneng Guicheng Trust Co., Ltd.	20,000.00	2017.10.18	2018.10.17	No
Sino Great Wall Co., Ltd., Chen Lve	China Railway Trust Co., Ltd.	10,000.00	2017.11.22	2018.11.21	No
Sino Great Wall Co., Ltd., Chen Lve	Shanghai Huarui Bank	8,400.00	2017.3.31	2019.9.30	No
Chen Lve, Sino Great Wall Co., Ltd.	Bank of Nanjing Beijing Branch 0801	15,000.00	2016/3/21	2017/3/21	No
Chen Lve, Sino Great Wall Co., Ltd., He Feiyan	China Minsheng Bank Beijing Jianguomenwai Subbranch	15,000.00	2016/7/19	2017/7/19	No
Chen Lve, Sino Great Wall Co., Ltd.	China Resources Bank Shenzhen Huaruncheng Subbranch	10,000.00	2017.11.30	2018.11.30	No
Sino Great Wall Co., Ltd.	Kincheng Bank of Tianjin Co., Ltd.	5,000.00	2016/8/8	2017/8/8	Yes

Notes to Financial Statement

Chen Lve, He Feiyan, Sino Great Wall Co., Ltd.	Guangdong Nanyue Bank Shenzhen Branch	5,000.00	2015/11/19	2016/11/19	Yes
Qinghai Heyi Mining CO., Ltd., Chen Lve	Bank of Beijing Lvchang International Center Subbranch 3640	50,000.00	2016.3.10	2017.3.9	Yes
Sino Great Wall Co., Ltd., Chen Lve	Ping'an International Financial Leasing Co., Ltd.	8,400.00	2016/12/19	2017/12/19	Yes
Joint Adventure Guarantee Group Co., Ltd.	Haikou United Rural Commercial Bank	2,800.00	2016/1/8	2017/1/7	Yes
Chen Lve, Sino Great Wall Co., Ltd., He Feiyan	Bank of Shanghai Beijing Branch	14,000.00	2016/7/12	2017/7/12	Yes
Chen Lve, He Feiyan	Ping An Bank Shenzhen Times Finance Center Subbranch 3008	30,000.00	2016.12.21	2017.12.20	No
Beijing Zhongguancun Sci-tech Financing Guaranty Co., Ltd.	The Export-Import Bank of China Beijing Branch 0941	23,000.00	2016/2/22	2018/3/22	No
Chen Lve	Ping'an International Financial Leasing 0171	550.00	2015.2.11	2018.2.11	No
Chen Lve	Ping'an International Financial Leasing 0172	550.00	2015.2.11	2018.2.11	No
Chen Lve	Ping'an International Financial Leasing 0173	550.00	2015.7.30	2018.7.30	No
Chen Lve	Ping'an International Financial Leasing 0174	550.00	2015.8.3	2018.8.3	No
Chen Lve	Ping'an International Financial Leasing Co., Ltd.	1,200.00	2016/1/13	2018/1/13	No
Chen Lve	Ping'an International Financial Leasing Co., Ltd.	1,200.00	2016/3/29	2018/3/29	No
Chen Lve	Ping'an International Financial Leasing Co., Ltd.	1,200.00	2016/3/29	2018/3/29	No
Beijing Zhongguancun Sci-tech Financing Guaranty Co., Ltd.	Bank of Beijing Shuangxiu Subbranch	24,500.00	2017.10.31	2020.10.30	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve, He Feiyan	Shanghai Pudong Development Bank Shenzhen Branch	27,000.00	2017.3.13	2018.3.13	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	Baoshang Bank Shenzhen Branch	20,000.00	2017.1.13	2018.1.12	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	Industrial Bank Houhai Branch	80,000.00	2017.4.17	2018.4.17	No
Chen Lve	Bridge Trust	30,000.00	2017.8.21	2018.8.21	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	Xiamen International Bank	5,000.00	2017.5.17	2017.5.16	No
Sino Great Wall	Chang'an International		2017.6.23	2018.6.22	No

International Engineering Co., Ltd., Chen Lve	Trust	40,000.00			
Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.7.10	2018.7.9	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.8.24	2018.8.23	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	China Bohai Bank Shenzhen Branch	10,000.00	2017.6.28	2018.6.27	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve, He Feiyan	Industrial Trust	10,000.00	2017.8.9	2018.8.8	No
Sino Great Wall International Engineering Co., Ltd.			2017.8.22	2018.8.22	No
Sino Great Wall International Engineering Co., Ltd.	Bank of Jiujiang	13,000.00	2017.8.23	2018.8.22	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	China Minsheng Bank Shenzhen Branch	20,000.00	2017.8.30	2018.8.30	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	Shenzhen Rural Commercial Bank	5,000.00	2017.11.17	2018.11.17	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	China Zheshang Bank Shenzhen Subbranch	20,000.00	2017.10.26	2018.5.27	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	Bank of Hangzhou Shenzhen Branch	10,000.00	2016.10.27	2017.10.27	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve, He Feiyan	Hunan Trust	20,000.00	2016.4.19	2018.4.19	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	CITIC Trust	40,000.00	2016.6.28	2018.6.27	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve, He Feiyan	Bohai Trust (Shanghai Pudong Development Bank Shenzhen Branch)	30,000.00	2017.5.10	2020.5.10	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.8.3	2019.2.3	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	Wanxiang Trust	20,000.00	2017.8.10	2019.2.10	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.8.16	2019.2.16	No

Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.8.3	2019.8.3	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.8.10	2019.8.10	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.8.16	2019.8.16	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	Zhongjiang Trust	30,000.00	2017.9.18	2019.9.18	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.9.25	2019.9.25	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.9.29	2019.9.29	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.10.13	2019.10.13	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve			2017.10.18	2019.10.18	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	China Everbright Bank Shenzhen Branch	2,500.00	2017.1.11	2018.1.10	No
Sino Great Wall International Engineering Co., Ltd., Chen Lve	China Everbright Bank Co., Ltd. Shenzhen Branch	10,000.00	2016/1/13	2017/1/12	Yes
Sino Great Wall International Engineering Co., Ltd., Chen Lve, He Feiyan	Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch	12,000.00	2016/1/13	2017/1/12	Yes
Sino Great Wall International Engineering Co., Ltd., Chen Lve, He Feiyan	Shanghai Pudong Development Bank Co., Ltd. Shenzhen Branch	25,714.00	2016/8/25	2017/8/25	Yes
Sino Great Wall International Engineering Co., Ltd., Chen Lve	Baoshang Bank Co., Ltd. Shenzhen Branch	20,000.00	2016/1/21	2017/1/20	Yes
Chen Lve	Guangdong Huaxing Bank Co., Ltd. Shenzhen Branch	5,000.00	2016/7/29	2017/1/28	Yes
Sino Great Wall International Engineering Co., Ltd., Chen Lve	China Zheshang Bank Co., Ltd. Shenzhen Branch	20,000.00	2016/6/21	2017/6/20	Yes
Sino Great Wall International Engineering Co., Ltd., Zhongcheng Jianye Construction Co., Ltd., Chen Lve	China Bohai Bank Co., Ltd. Shenzhen Branch	10,000.00	2016/4/29	2017/4/28	Yes
Chen Lve	Bank of Ningbo Co., Ltd. Shenzhen Branch	10,000.00	2016/3/21	2017/3/21	Yes
Sino Great Wall International Engineering Co., Ltd., Shenzhen	China Guangfa Bank Co., Ltd. Shenzhen	10,000.00	2016/8/22	2017/8/22	Yes

Co., Ltd., Chen Lve, He Feiyan	Branch				
Chen Lve, He Feiyan	Industrial and Commercial Bank of China	60,000.00	2017.4.7	2018.4.7	Yes
Chen Lve	Bank of Ningbo	10,000.00	2017/4/28	2018/4/28	Yes
Sino Great Wall International Engineering Co., Ltd., Chen Lve, He Feiyan	Industrial International Trust	10,000.00	2016.9.30	2018.9.29	Yes
Shenzhen Small & Medium Enterprises Credit Financing Guarantee Group Co., Ltd.	Guangdong Huaxing Bank Shenzhen Branch	10,000.00	2017.1.6	2019.1.5	No
Sino Great Wall Co., Ltd.	Luzhou City Commercial Bank	5,000.00	2017.9.30	2018.9.29	No
Sino Great Wall Co., Ltd.	Great Wall Guoxing Financial Leasing Co., Ltd.	10,889.81	2017.1.18	2020.1.17	No
Chen Lve	Chongqing Haier Microfinance Co., Ltd.	6,000.00	2017.5.22	2017.8.22	Yes
Chen Lve	Bank of Beijing Shuangxiu Subbranch	1,000.00	2016.12.15	2017.6.14	Yes
Chen Lve	Bank of Beijing Shuangxiu Subbranch	1,000.00	2016.12.15	2017.6.14	Yes
Sichuan Jinyu Financing Guarantee Co., Ltd., Ye Meifu, Yang Qihua	Bank of Chengdu Fuqin Subbranch	800.00	2016/2/17	2017/2/16	No

5. Fund lending/borrowing for related parties

None

6. Assets Transfer and Debts Reorganization of Affiliated Parties

(1) Sale of subsidiaries

On February 10, 2017, the *Equity Transfer Agreement* was made and entered into by and between Sino Great Wall International Engineering Co., Ltd., wholly-owned subsidiary company of the Company, and Shenzhen Sino Dalue Investment Co., Ltd., and Sino International transferred 100% equity of Sino Great Wall (Beijing) Investment Fund Management Co., Ltd. held by it to Sino Dalue. The legal representative and actual controller of Shenzhen Sino Dalue Investment Co., Ltd. shall be the chairman of the company, Mr. Chen Lve, so this equity transfer shall constitute a related party transaction.

On July 27, 2017, Sino Great Wall International Engineering Co., Ltd., Shenzhen Sino Dalue Investment Co., Ltd. and Sino Long-term Investment (Beijing) Co., Ltd. executed the supplementary equity transfer agreement. The International Engineering Co., Ltd. transferred 100% equities of Sino Great Wall (Beijing) Investment Fund Management Co., Ltd. under its control. The transfer price was RMB 1 million and the paid-in capital was RMB 1 million. The transfer of the above equity has completed the change of equity in January 2018.

(2) Selling assets

On March 17, 2018, the Company executed the *Supplemental Agreement of the Economic Compensation Agreement on Subsequent Events of Major Assets Reconstruction of Shenzhen Victor Onward Textile Industrial Co., Ltd.* (hereinafter referred to as the "Supplemental Agreement") with Union Developing Group of China and Mr. Chen Lve. In the *Supplemental Agreement*, the content "In the event the Agreement shall be terminated or cancelled by any reason whatsoever, the effectiveness of the termination of the *Commitment Letter* under the Framework Agreement shall remain the same" in Article 5.4 was deleted. Other contents are consistent with the original announcement.

The period of use of this land lot has expired on April 17, 2017 and cannot be extended upon the reply from the government authority. Meanwhile, this land lot has been included in the planning scope of Urban Update Unit of Union Developing Group of China Zone A, Nanshan District, Shenzhen City. In accordance with the policy related to the urban update and the approval requirements of government special program of Shenzhen City, this land lot will be transferred without compensation to the government as the land intended for education during the urban update. The *Commitment Letter* objectively cannot be performed in practice.

To protect interests of the listed company and other shareholders and properly solve subsequent events of the land lot involved in this reorganization, the *Framework Agreement on Subsequent Events of Major Assets Reorganization of Shenzhen Victor Onward Textile Industrial Co., Ltd.* (hereinafter referred to as the Framework Agreement) was executed by and among the Company, Union Developing Group of China and Mr. Chen Lve on February 22, 2018.

As agreed in the *Framework Agreement*, Union Developing Group of China or its appointed third party shall pay the economic compensation of about RMB 100 million to the Company and the specific amount shall be subject to the assessment result of Pengxin Asset Evaluation Company. On March 9, 2018, Pengxin Asset Evaluation Company issued the *Asset Evaluation Report* (PXZPBZ (2018) No.S012). According to the Asset Evaluation Report, InfoChamp Systems shall be entitled to the rights and interests of RMB 99.953 million as for the land lot and

its ground structures. After friendly negotiation by and among parties, on March 12, 2018, the Company, Union Developing Group of China and Mr. Chen Lve executed the *Economic Compensation Agreement on Subsequent Events of Major Assets Reconstruction of Shenzhen Victor Onward Textile Industrial Co., Ltd.* (hereinafter referred to as the “*Compensation Agreement*”) as for economic compensation affairs of the land lot. As agreed in the *Compensation Agreement*, Union Developing Group of China shall pay the compensation amount totaling RMB 100 million to the Company; Union Developing Group of China agreed to pay the compensation amount of RMB 100 million in full at one time to the Company’s stipulated amount by itself or via a third party within 15 working days upon execution and effectiveness of the agreement.

Upon completion of this economic compensation, the rights and interests, future benefits, risks and others of the subject asset shall be granted to and undertaken by Union Developing Group of China or its specified third party and shall be no longer related to the Company, Mr. Chen Lve or the Company’s affiliated party. The Company, Mr. Chen Lve or the Company’s affiliated party shall not claim any related rights and interests against Union Developing Group of China and any party related to the land lot for any reason or via any way or propose any recourse in any form.

As Union Developing Group of China, China Union Holdings Ltd. and Fuguan Investment Co., Ltd., the latter two of which are owned by Union Developing Group of China, are the persons acting in concert, they hold more than 5% of the Company’s shares in total; Mr. Dong Binggen, the President of the Company’s Board of Supervisors shall act as the Chairman of Union Developing Group of China; Mr. Hu Yongfeng, the Company’s Director, shall act as the Vice President of Union Developing Group of China; and this transaction shall constitute the related transaction.

7. Salary of key management personnel

Items	Amount incurred of current period	Amount incurred of last period
Salary of key management personnel	2,960,600.00	1,696,900.00

(V) Accounts Receivable and Accounts Payable of Affiliated Parties

1. Items Receivable

Name of items	Affiliated parties	Ending balance		Opening balance	
		Book balance	Bad debt reserve	Book balance	Bad debt reserve
Accounts receivable					

	Kunwu Jiuding Investment Management Co. Ltd and the affiliated parties	1,227,613.49	61,380.67	1,609,996.92	80,499.85
	Beijing Baolilai Technology Co., Ltd.	160,000.00	16,000.00	160,000.00	8,000.00

2. Items Payable

Name of items	Affiliated parties	Ending book balance	Book balance at the beginning of year
Accounts payable			
	Qinghai Heyi Commerce Co., Ltd.	3,190,000.00	
	Shanghai Heyi Supply Chain Management Co., Ltd.	2,469,164.81	-1,000,000.00
Other accounts payable			
	Qinghai Heyi Commerce Co., Ltd.		2,999,209.78
	He Sen		4,405,644.43

(VI) Commitments of related parties

None

X Share-Based Payment

None

XI Governmental subsidy

Government subsidies related to income

Type	Amount	Amount transferred to the profit or loss for the period or offset against relevant cost losses		Item transferred to the profit or loss for the period or offset against relevant cost losses
		Amount incurred of current period	Amount incurred of last period	
Job subsidy	250,194.89	250,194.89		250,194.89
Awards for steady growth in foreign trade from Beijing Commerce Commission	159,381.00	159,381.00		159,381.00
Beijing special fund for development of foreign economy and trade	1,801,553.00	1,801,553.00		1,801,553.00

XII Commitments and Contingencies

(I) Important Commitments

1. Important commitments existing on the date of balance sheet

The Company has no significant commitments which require separate disclosure.

(1) Unsettled Letter of Guarantee

In order to ensure the successful completion of the Project, the Company obtained a performance Letter of Guarantee issued by a commercial bank at the request of the Owner. As of December 31, 2017, the outstanding amount under the Letter of Guarantee was:

SN	Currency	Amount (ten thousand Yuan)
1	HKD	10,800.00
2	RMB	90,880.95
3	USD	5,915.93
4	Total amount	107,596.88

(2) The Company has no other significant commitments which require separate disclosure.

(II) Contingencies

For details of external guarantee, see Note IX, Affiliated Party and Related Guarantees (IV), related transaction conditions 5 and information on related-party guarantee.

XIII Matters after the Date of Balance Sheet

(I) Important non-adjusting events

1. Major foreign financing

(1) The Company held the 31st meeting of the Company's 7th Board of Directors on March 22, 2018, in which the *Proposal on Short-term Financing Bonds to Be Issued by the Company* was approved. The Company was intended to apply for the issuance of short-term financing bond with the total amount of not greater than RMB 600 million (inclusive) to the National Association of Financial Market Institutional Investors; the short-term financing bond intended to be registered and issued has been reviewed and approved by the 31st meeting of the Company's 7th Board of Directors, which shall be implemented only with approval of the Company's 2nd extraordinary general meeting of 2018 and the approval for application and registration of the National Association of Financial Market Institutional Investors.

(2) On July 21, 2017, the Company received the *Reply for approval on private stock issuance by Sino Great Wall Co., Ltd.* issued by China Securities Regulatory Commission (hereinafter referred to as the "CSRC", ZJXK (2017) No.1145), which approved that the private stocks issued by the Company shall not be greater than 86,455,330 new shares [since the implementation of the profit distribution scheme of 2016, the issuance number of the

private stock was changed from 86,455,330 shares (inclusive) to not greater than 86,956,520 shares (inclusive)]. The replay was valid for 6 months since the approval issue date (July 5, 2017).

After obtaining the above approval, the Company has been involved in the promotion of issuance. However, due to the change of the capital market environment, the Company failed to complete the private stock issuance within 6 months since the issuance approval date of China Securities Regulatory Commission (i.e. January 4, 2018). Thus, the approval for the Company's private stock issuance approval by China Securities Regulatory Commission was null and void upon its expiration.

(3) Sino Great Wall Co., Ltd. (hereinafter referred to as the "Company") held the 28th meeting of the Company's 7th Board of Directors on January 19, 2018, in which the *Proposal on the Debt Financing Plan to Be Issued by the Company* and the *Proposal on the Receivables Debt Financing Plan to Be Issued by the Company* were reviewed and approved. To meet the demand of the Company's production and operation working capital and widen the financing channel, the Company is intended to list the bond financing plan (hereinafter referred to as the "Bond Financing Plan") in Beijing Financial Asset Exchange (hereinafter referred to as the "Beijing Financial Asset Exchange") as per provisions in the *Business Guide for Bond Financing Plan of Beijing Financial Asset Exchange* and other related laws, regulations and specifications. **The affairs of the bond financing plan were reviewed and approved by the 28th meeting of the Company's 7th Board of Directors. The plan shall be implemented only after review and approval by the Company's 1st extraordinary general meeting in 2018 and the registration by the Beijing Financial Asset Exchange.**

(4) On January 19, 2018, Sino Great Wall Co., Ltd. (hereinafter referred to as the "Company") held the 28th meeting of the Company's Board of Directors, in which the *Proposal on Providing Guarantee to Credit Granting and Other Financial Business of Fully-owned Subsidiary Companies and Holding Subsidiary Companies* was reviewed and approved. The Company agreed to provide guarantee to the comprehensive credit granting and other financial business of applying no more than RMB 10 billion to the financing institutions and other institutions by its fully-owned and holding subsidiary companies.

(II) Condition of profit distribution

As approved by the 32nd meeting of the Company's 7th Board of Directors, 1,698,245,011 shares of the existing share capital shall be used as the capital base, and the bonus dividend RMB 0.40 (tax included) shall be distributed per 10 shares. No bonus shares

shall be transferred and no capital reserve shall be used for increasing the share capital.

(III) Sales return

None

(IV) Assets and disposal group categorized as held-for-sale

1. Held-for-sale assets

None

2. Disposal group categorized as held-for-sale:

None

(V) Description for other events after the balance sheet date:

1. Sale of subsidiary company

(1) Shenzhen Yatian Decoration Design Engineering Co., Ltd.

On December 7, 2017, Sino Great Wall International Engineering Co., Ltd. (hereinafter referred to as the “International Engineering”, the subsidiary company of the Company) the Shenzhen Bojie Investment Holding Co., Ltd., Wan Duanlin and Sino Global (Beijing) Decoration Engineering Co., Ltd. signed the agreement on transfer of 100% equities of Shenzhen Yatian Decoration Design Engineering Co., Ltd. The equity change affairs concerning the above equity transfer affairs have been completed in January 2018.

(2) Sino Great Wall (Beijing) Investment Fund Management Co., Ltd.

On July 27, 2017, Sino Great Wall International Engineering Co., Ltd. (hereinafter referred to as the “International Engineering”, the Company’s subsidiary company), Shenzhen Sino Dalue Investment Co., Ltd. and Sino Long-term Investment (Beijing) Co., Ltd. executed the supplementary equity transfer agreement. The International Engineering transferred

100% equities of Sino Great Wall (Beijing) Investment Fund Management Co., Ltd. under its control. The transfer price was RMB 1 million and the paid-in capital was RMB 1 million. The transfer of the above equity has completed the change of equity in January 2018.

2. Acquisition of equity

(1) On December 12, 2017, Sino Great Wall Medical Investment Management Co., Ltd. (the subsidiary company of the Company) and relevant shareholders of Wuhan Huaye Medicine Co., Ltd. executed the Equity Transfer Agreement. The asset completion and equity change procedure shall be finished in 2018. Upon completion of change, the

Company obtained 51% controlling interests of Wuhan Huaye Medicine Co., Ltd..

(2) On February 12, 2018, the Company, the UPL (Laos) Co., Ltd. (hereinafter referred to as the “UPL Laos”, the “Target Company” or “Party B”) and the UPL (MALAYSIA) SDN. BHD. (hereinafter referred to as “Party C”) executed the *Equity Cooperation Agreement on the Project of Dongphosy Special Economic Zone, Vientiane, Laos* as for the 30% equities purchased from UPL Laos by the Company. The purchase price of the equity was RMB 30 million (including the case of RMB 10 million and the construction loaning of RMB 20 million).

3. Establishment of new subsidiary company

(1) In January 2018, Sino Great Wall International Engineering Co., Ltd. contributed 51% and Shenzhen Shenzhouhong International Soft Decoration and Art Co., Ltd. contributed 49% to jointly establish the Sino Great Wall Engineering Management (Shenzhen) Co., Ltd. with the registered capital of RMB 2 million;

(2) In January 2017, Sino Great Wall Co., Ltd. contributed 62.23% and Lingbao Stated-owned Assets Operation Co., Ltd. contributed 37.77% to jointly establish the Lingbao City Sino Great Wall Medical Management Co., Ltd. with the registered capital of RMB 148.48 million;

(3) In February 2018, Sino Great Wall Co., Ltd. contributed 75% and Beijing Zhongtou Huayi Investment Co., Ltd. contributed 25% to jointly establish Sino Great Wall Medical and Well-being Industrial (Hunan) Investment Co., Ltd. with the registered capital of RMB 100 million;

(4) In February 2018, Sino Great Wall International Engineering Co., Ltd. contributed 100% to establish Sino Great Wall Hebei Xiongan Engineering Co., Ltd. with the registered capital of RMB 100 million;

(5) In March 2018, Sino Great Wall Co., Ltd. contributed 80% and the Wuchuan City People’s Hospital contributed 20% to jointly establish Wuchuan City Sino Great Wall People’s Hospital with the registered capital of RMB 217 million;

(6) In March 2018, Sino Great Wall Co., Ltd. contributed 90% and Renhuai City Maotai-flavor Liquor Industrial Development Co., Ltd. (Guizhou Province) contributed 10% to jointly establish Renhuai City Sino Great Wall Wine Culture Expo Park Development Co., Ltd. with the registered capital of RMB 245.09 million;

4. Cancellation of subsidiary company

In January 2018, the Company handled the industrial and commercial cancellation

formalities for Bozhou Xieying Solar Power Generation LLC, Bozhou Zhaosheng Agricultural Technology LLC and Qian'an Shenzhou Solar Power Generation Co., Ltd., the three of which were under the control of the Company.

XIV Other Important Matters

(I) Correction of early accounting error

1. Retrospective restatement

The company does not have correction of accounting error with retrospective restatement in the current reporting period.

2. Prospective application

The company does not have correction of accounting error with prospective application it in the current reporting period.

(II) Debt restructuring

None

(III) Replacement of assets

1. Exchange of non-monetary assets

None

2. Replacement of other assets

None

(IV) Pension plan

None

(V) Discontinuing operation

None

(VI) Segment Information

1. Determination Basis and Accounting Policies of Report Segment

Accounting Policies of Report Segment:

There is no related business among the domestic construction and decoration section, the overseas construction and decoration section and the medical section, thus there is no price transfer among the various divisions.

The medical section business is implemented by the company and the independent

subsidiary company. The account sets of the overseas construction and decoration section business are set up according to the construction areas of the projects under construction for accounting. There are 8 major account sets respectively for Qatar, Kuwait, Cambodia, Sri Lanka, Malaysia, Burma, Maldives and Saipan for accounting. There is no situation in which the costs indirectly attributing to the various divisions need to be shared. The business data of the overseas construction and decoration section is also composed of the financial data of the above 8 major project account sets.

2. Financial Information of Report Segment

Notes to Financial Statement

Items	Domestic construction and decoration section		Overseas construction and decoration section		Medical section		Set off		Total	
	Amount of current period	Amount of last period	Amount of current period	Amount of last period	Amount of current period	Amount of last period	Amount of current period	Amount of last period	Amount of current period	Amount of last period
I. Operating income	4,055,226,176.75	1,418,192,694.17	2,747,112,360.43	3,165,213,312.57	132,427,255.48	81,593,110.43	-437,640,812.14		6,497,124,980.52	4,664,999,117.17
Including: Income from external transaction	4,055,226,176.75	1,418,192,694.17	2,747,112,360.43	3,165,213,312.57	132,427,255.48	81,593,110.43				4,664,999,117.17
Income from transaction between segments							-437,640,812.14		6,497,124,980.52	-
II. Operating cost	3,376,128,111.31	1,184,945,928.21	1,850,501,055.12	2,216,759,318.30	97,366,145.37	57,672,498.15	-437,640,812.14		4,886,354,499.66	3,459,377,744.66
Including: Cost of external transaction	3,376,128,111.31	1,184,945,928.21	1,850,501,055.12	2,216,759,318.30	97,366,145.37					3,401,705,246.51
Cost of transaction between segments							-437,640,812.14		4,886,354,499.66	-
III Asset Impairment Loss	233,324,136.18	74,286,638.56	92,834,249.44	95,207,208.36	805,778.49	518,043.19	-3,896,559.25		323,067,604.86	170,011,890.11
IV Depreciation costs and amortization charges	8,485,049.12	3,004,474.27	2,669,193.11	30,488.71	5,433,722.50	19,316.10	2,076,834.60	-3,794,638.67	18,664,799.34	6,848,917.76
V Total profit	-3,420,438.20	-304,963,110.16	616,507,925.74	864,476,659.76	396,068.89	3,583,802.03	49,753,168.05	1,759,594.94	663,236,724.48	561,337,756.68
VI Expense of income tax	92,409.54	-10,207,854.94	10,327,779.55	99,038,519.27	1,899,263.79	1,703,401.20	-397,576.47	1,289,203.78	11,921,876.40	89,244,861.75
VII Net profit	-3,512,847.74	-294,755,255.22	606,950,602.75	765,438,140.48	-1,503,194.90	1,880,400.83	49,380,281.33	470,391.16	651,314,841.45	472,092,894.93
VIII Total assets	16,528,958,963.06	10,947,559,949.24	4,411,681,112.49	3,044,412,477.45	220,153,409.38	121,748,481.08	93,583,646.64	6,127,541,946.13	21,254,377,131.56	7,986,178,961.63
IX Total liabilities	16,505,938,299.90	7,089,471,639.73	4,414,287,247.85	1,752,059,212.34	220,153,409.38	136,402,672.37	-5,396,411,791.68	2,822,237,435.41	15,743,967,165.45	6,155,696,089.04

(VII) Others

Sino Great Wall International Engineering Co., Ltd. concluded and signed the *Contract on SOHO Property Cooperation of Ruian Chengzhonghui* with Chengdu Xianglong Real Estate Development Co., Ltd. on December 16, 2016, agreeing that Chengdu Xianglong Real Estate Development Co., Ltd. shall entrust Sino Great Wall International Engineering Co., Ltd. to sell (exclusive sales) the property of the office building located at 7-28 Floors, Building 1 (SOHO), Ruian Chengzhonghui which was developed by Chengdu Xianglong Real Estate Development Co., Ltd., in which, Chengdu Xianglong Real Estate Development Co., Ltd. may obtain the cooperative profit of RMB 230,090,400.00 and Sino Great Wall International Engineering Co., Ltd. obtained the actual selling price and the premium of the cooperative profit and paid relevant taxes while Sino Great Wall International Engineering Co., Ltd. paid 10% of the cooperative profit, namely RMB 23,090,400.00, as the performance bond. On July 12, 2017, Chengdu Xianglong Real Estate Development Co., Ltd. issued the Notification of Termination of Contract to Sino Great Wall International Engineering Co., Ltd. But because of failure of the negotiation, Chengdu Xianglong Real Estate Development Co., Ltd. initiated a civil action to the Intermediate People's Court of Chengdu Municipality, Sichuan Province in connection with the Cooperation Contract in question on August 30, 2017, asking for a judgment to terminate the above-mentioned contract without returning the performance bond. Sino Great Wall International Engineering Co., Ltd. initiated a civil action to the Higher People's Court of Sichuan Province to ask for an order to continue the performance of the Contract and request Chengdu Xianglong Real Estate Development Co., Ltd. to compensate Sino Great Wall International Engineering Co., Ltd. for RMB 10,000,000.00 to cover the loss caused by Xianglong's breach of contract. However, since the case-filing date for the case that Sino Great Wall International Engineering Co., Ltd. should be the plaintiff was later than that for the case that Chengdu Xianglong Real Estate Development Co., Ltd. should be the plaintiff, the Higher People's Court of Sichuan Province decided to transfer this case to the Intermediate People's Court of Chengdu Municipality, Sichuan Province to handle it. This case now is still appealing at the first trial. The company has adopted property preservation measures.

XV Notes to Main Items in the Financial Statements of the Parent Company**(I) Accounts receivable****1. Classified Disclosure of Accounts Receivable**

Type	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)		Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Accounts Receivable with Significant Single Amount and Having Bad Debt Reserve Withdrawn Independently										
Accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics						6,670.00	100.00	334.00	5.01	6,336.00
Accounts receivable with insignificant single amount, but having bad debt reserve withdrawn separately										
Total						6,670.00	100.00	334.00	5.01	6,336.00

2. Receivables withdrawn, recovered or reversed in this period

The amount of bad debt reserve withdrawn in the current period was RMB 0.00; and the amount of bad debt reserve recovered or transferred back in the current period was RMB 334.00.

(II) Other accounts receivable**1. Classified Disclosure of Other Accounts Receivable:**

Type	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion (%)		Amount	Proportion (%)	Amount	Withdrawal proportion (%)	
Other accounts receivables that are individually significant and for which individual bad debt reserves are withdrawn										
Other accounts receivable with bad debt reserve withdrawn as per the portfolio of credit risk characteristics	3,599,182,692.34	100	8,215,209.1 ₂	0.23	3,590,967,483.2 ₂	1,672,982,763.29	100.00	782,721.3 ₁	0.05	1,672,200,041.98
Other accounts receivable with insignificant single amount and having bad debt reserve withdrawn separately										
Total	3,599,182,692.34	100.00	8,215,209.1 ₂	0.23	3,590,967,483.2 ₂	1,672,982,763.29	100.00	782,721.3 ₁		1,672,200,041.98

Other accounts receivable with bad debt reserve withdrawn by means of account age analysis in the portfolios:

Account age	Ending balance		
	Other accounts receivable	Bad debt reserve	Withdrawal proportion (%)
Within 1 year	135,463,984.45	6,773,199.22	5.00
1-2 years	14,420,098.95	1,442,009.90	10.00
2-3 years			
More than 3 years			
3-4 years			
4-5 years			
More than 5 years			
Total	149,884,083.40	8,215,209.12	3,628,861,127.88

Description about the basis for determining the portfolio:

2. Bad Debt Reserves Withdrawn, Recovered or Transferred Back in the Current Period

The amount of bad debt reserves withdrawn in current period is RMB 7,432,487.81 and the amount of bad debt reserves recovered or reversed in current period is RMB 0.

3. Classification of Other Accounts Receivable by Nature

Nature of accounts	Ending book balance	Book balance at the beginning of year
Intercourse funds of the organization	3,506,887,491.95	1,657,328,337.13
Pretty Cash	142,590.46	1,272,085.13
Guarantee, deposit	92,152,609.93	14,382,341.03
Others		
Total	3,599,182,692.34	1,672,982,763.29

4. Top 5 Owing Parties Classified by the Ending Balance of Other Accounts Receivable:

Unit name	Nature of accounts	Ending balance	Account age	Proportion in total receivables (%)	Bad debt reserve Ending balance
Sino Great Wall International Engineering Co., Ltd.	Related party dealing	3,327,283,868.37	Within one year	92.45	
Wuhan Commercial Workers Hospital LLC	Guarantee deposit	107,800,000.00	1 - 2 years	3	
Management Committee of Fuping Hi-Tech Industrial Development Zone	Guarantee deposit	52,000,000.00	Within one year	1.44	2,600,000.00
Yanjin County Sino Great Wall Construction Co., Ltd.	Related party dealing	40,000,000.00	Within one year	1.11	2,000,000.00
Sino Great Wall Infrastructure Investment Co., Ltd.	Related party dealing	11,359,740.57	Within one year	0.32	
Total		3,538,443,608.94		98.32	4,600,000.00

5. Accounts Receivable Involving Governmental Subsidy

None

6. Other accounts receivable of which the recognition is terminated due to transfer of financial assets

None

7. Amount of assets and liabilities formed through transfer of other receivables and continuous involvement:

None

8. Other description: None**(III) Long-term Equity Investments**

Items	Ending balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Investments in Subsidiaries	3,311,211,536.66		3,311,211,536.66	3,176,451,536.66		3,176,451,536.66
Investments in jointly-run enterprises and joint ventures						
Total	3,311,211,536.66		3,311,211,536.66	3,176,451,536.66		3,176,451,536.66

1. Investments in Subsidiaries

Invested units	Opening balance	Amount increased of current period	Amount decreased of current period	Ending balance	Depreciation reserve withdrawn of current period	Ending balance of depreciation reserve
Sino Great Wall International Engineering Co., Ltd.	3,079,451,536.66			3,079,451,536.66		
Wuhan Commercial Workers Hospital LLC	97,000,000.00			97,000,000.00		
Changzhi Shenzhou Laodingshan		10,000,000.00		10,000,000.00		

Notes to Financial Statement

Invested units	Opening balance	Amount increased of current period	Amount decreased of current period	Ending balance	Depreciation reserve withdrawn of current period	Ending balance of depreciation reserve
Industrial Co., Ltd.						
Xiangfen County Taoshan Construction Co., Ltd.		10,000,000.00		10,000,000.00		
Sino Great Wall Medical Investment Management Co., Ltd.		5,000,000.00		5,000,000.00		
Sino Zhigu Industrial (Yueyang) Co., Ltd.		109,760,000.00		109,760,000.00		
Total	3,176,451,536.66	134,760,000.00		3,311,211,536.66		

2. Investments in jointly-run enterprises and joint ventures

None

(IV) Operating Income and Operating Cost

Items	Amount incurred of current period		Amount incurred of last period	
	Income	Cost	Income	Cost
Main businesses				
Other businesses	240,558.55	1,482.50	238,048.64	
Total	240,558.55	1,482.50	238,048.64	

Other descriptions: None

(V) Investment Yield

Items	Amount incurred of current period	Amount incurred of last period
Gain on long-term equity investments subject to accounting with cost method	100,000,000.00	
Investment incomes obtained from the disposal of the disposal group that constitutes the business		396,197.49
Total	100,000,000.00	396,197.49

XVI Supplementary Data**(I) Schedule of Non-recurring Gain or Loss of the Current Period**

Items	Amount	Description
Gain or loss on disposal of non-current assets (including the written-off part with asset depreciation reserve withdrawn)	-150,250.00	
Tax returns and exemption with approval exceeding one's authority or without formal approval document		
Governmental subsidy recorded in the gain or loss of the current period (excluding the governmental subsidy closely related to enterprise's businesses, and enjoyed according to national uniform standard quota or fixed quantity)	2,211,128.89	
Fund possession cost from non-financial business included in current profits and losses statement		
Entitled income generated from fair value of net identifiable assets of invested company when the investment cost obtained by the enterprise from subsidiaries, affiliated enterprises and joint ventures is less than the obtained investment.		
Profit or loss from exchange of non-monetary assets		
Profit or loss of entrusting others to invest or managing assets		
Provision for asset impairment withdrawn due to force majeure factors, such as suffering from natural disaster		
Profit or loss from debt restructuring		

Items	Amount	Description
Enterprise restructuring charge, such as expenditure on staffing, integration cost.		
Profit or loss of part exceeding fair value generated from transaction with unreasonable transaction price		
Subsidiaries' net gain or loss arising from business combination under the same control, and from the beginning of period to the very period of the date of combination		
Profit or loss generated from contingencies unrelated to normal business of company		
Profit or loss of fair value change generated from financial assets for trading and transaction financial liabilities, and investment income obtained from disposing financial assets held for trading, transaction financial liabilities and financial assets available for sale, except for effective hedging business related to normal business of company		
Reversal of provision for receivable impairment with independent impairment test		
Profit or loss obtained from entrust loans		
Profit or loss generated from fair value change of investment real estate whose subsequent measurement is conducted with fair value model		
Influences on current profit and loss of one-time adjustment to current profit and loss statement pursuant to the laws and regulations on tax and accounting		
Trustee fee income obtained from entrusted operation		
Other non-operating income and expenditure except for the above-mentioned items	2,798,978.14	
Other gain or loss items meeting the definition of non-recurring gain or loss		
Amount influencing the income tax	-704,594.91	
Amount affected of minor shareholders' equity (after-tax)		
Total	4,155,262.12	

(II) Net Rate of Return on Assets and Earnings per Share:

Profit in the reporting period	Weighted average net rate of return on assets (%)	Earnings per share (Yuan)	
		Basic earnings per share	Diluted earnings per share
Net profit attributed to the Company's common stock holders	19.35	0.22	0.22
Net profit attributed to the Company's common stock holders after deduction of non-recurring gain or loss	19.26	0.22	0.22

Sino Great Wall Co., Ltd.

(Official seal)

April 23, 2018