



**CHENGDE NANJIANG CO., LTD**

**SEMI-ANNUAL REPORT 2016**

**August 2016**

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

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

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

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

**Zhao Yongsheng, Principal of the Company, Zhao Yongshen, person in charger of accounting works and Liu Fengguo, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2016 Semi-annual Report is authentic, accurate and complete.**

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

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## Paraphrase

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

## Section II Company profile

### I. Company information

Short form for share	Nanjiang-B	Stock code	200160
Listing stock exchange	Shenzhen Stock Exchange		
Chinese name of the Company	承德南江股份有限公司		
Abbr. of Chinese name of the Company(if applicable)	南江 B		
English name of the Company(if applicable)	CHENGDE NANJIANG CO.,LTD		
Abbr. of English name of the Company(if applicable)	NANJIANG-B		
Legal Representative	Zhao Yongsheng		

### II. Person/Way to contact

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

### III. Others

#### 1. Way of contact

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

☐ Applicable    ☒ Not applicable

Registrations address, offices address and codes as well as website and email of the Company has no change in reporting period, found more details in Annual Report 2015.

#### 2. Information disclosure and preparation place

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

☐ Applicable    ☒ Not applicable

The newspaper appointed for information disclosure, website for semi-annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, found more details in Annual Report 2015.

#### 3. Registration changes of the Company

Whether registration has changed in reporting period or not

☐ Applicable    ☒ Not applicable

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

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

### I. Main accounting data and financial indexes

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

√Yes □No

	Current period	Same period of last year		Increase/decrease in this report y-o-y
		Before adjustment	After adjustment	After adjustment
Operating revenue (RMB)	191,414,481.74	357,820,624.60	52,376,672.16	265.46%
Net profit attributable to shareholders of the listed company(RMB)	1,801,869.94	120,145,893.42	75,402,588.38	-97.61%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	2,072,748.29	19,286,955.73	-25,456,349.31	108.14%
Net cash flow arising from operating activities(RMB)	76,854,983.97	32,356,030.63	32,356,030.63	137.53%
Basic earnings per share (RMB/Share)	0.003	0.170	0.110	-97.27%
Diluted earnings per share (RMB/Share)	0.003	0.170	0.110	-97.27%
Weighted average ROE	0.51%	34.32%	23.01%	-22.50%
	End of current period	End of last period		Increase/decrease in this report-end over that of last period-end
		Before adjustment	After adjustment	After adjustment
Total assets (RMB)	786,189,966.12	854,793,263.22	854,793,263.22	-8.03%
Net assets attributable to shareholder of listed company(RMB)	357,859,693.50	352,256,123.56	352,256,123.56	1.59%

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

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

□ Applicable √ Not applicable

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

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

□ Applicable √ Not applicable

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

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

√Applicable □Not applicable

In RMB

Item	Amount	Note
Other non-operating income and expenditure except for the aforementioned items	-270,878.35	
Total	-270,878.35	--

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

☐ Applicable ☒ Not applicable

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

## Section IV. Report of the Board of Directors

### I. Introduction

#### (I) Main business in reporting period

During the Period, the situation in and out of China is complicated and grim, economic downward pressure still exist, however, the activity factors are continuous accumulated, continues to rapid up the structural adjustment. Around the overall tone of “resolve real estate inventory and promoted the continuous and health development of the real estate”, the policies of real estate are easing and trend to holding. Domestic traditional real estate market segmentation are intensified, more and more prime site in core first/second-tier cities are presented, turnover and closing cost for the residential sales are recorded the most in its history, the inventory in cities below the second/third-tier city are still severe. Structural change of the real estate market continues to changes, small and medium enterprises are withdraw from the market by transformation, merger and acquisition, cross-border cooperation turns to be a normal in the development of listed enterprise.

In reporting period, main business of the Company is development of the real estate. In front of the local fierce competition in real estate market, the Company achieved a favorable sales performance by continuously promoting and accelerating de-stocking, make more efforts on the sales of the current inventory houses; meanwhile, the Company continues to improved the corporate governance by carrying out self-inspection activities as protecting investor’s interest and improving information disclosure quality, laying a solid foundation for the standard operation of the Company.

The Company keep carrying forward the strategy transition, on guarantee a steady development of the current business basis, prepared for solving the historical issues with B-share concerned, aggressively expands and cultivate new business.

#### (II) Main operation of the Company

During the Period, the Company achived revenue of main business amounting to RMB 191.4145 million with 265.46% up on a y-o-y basis, the net profit attributable to parent company amounting to RMB 1801900 with 97.61% down from a year earlier. Ended as the reporting period, total asstes of the Company amounting to RMB 786.19 million and net assets amounting to RMB 357.8597 million.

Sales of the property (Nanjiang Huijing Tiandi) for Jan.-June 2016 are as:

Item	Area	Type of operation	Area available for sales (m <sup>2</sup> )	Area presale in first half year of 2016 (m <sup>2</sup> )	Clearing the area in first half year of 2016 (m <sup>2</sup> )	Sales in first half year of 2016 (RMB)
Nanjiang ·Huijing	Chengde	Residence	141,356.81	34,934.74	45,257.61	179,229,459.06
Tiandi		Commerce	24,305.52	4,484.68	---	---
Total shares			165,662.33	39,419.42	45,257.61	179,229,459.06

The Company has no new land reserves and new constructed property in the Period

### II. Main business analysis

Y-o-y changes of main financial data

In RMB

	Current period	Same period of last year	Y-o-y increase/decrease	Reasons for changes
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Operation revenue	191,414,481.74	52,376,672.16	265.46%	The real estate project has close to revenue in the Period increased.
Operation cost	163,182,686.63	53,256,492.38	206.41%	The real estate project has close to cost in the Period increased.
Sales expenses	314,718.06	1,318,219.88	-76.13%	Trading business scale reduced in the Period, expenses declined from a year earlier
Administrative expenses	13,829,541.30	11,680,726.82	18.40%	
Financial cost	-101,786.84	212,670.76	-147.86%	Interest expenses declined in the period
Income tax expense	8,991.27	12,929,483.98	-99.93%	Taxable income tax declined on a y-o-y basis
Net cash flow arising from operation activities	76,854,983.97	32,356,030.63	137.53%	Expenses of the production declined in the Period
Net cash flow arising from investment activities	-26,994,960.98	-184,984.00	-14,493.13%	The amount paid for investment increased in the period
Net cash flow arising from financing activities	-873,435.54	-1,553,600.00	43.78%	Bank margin collected in the Period growth on a y-o-y basis
Net increase of cash and cash equivalent	48,986,587.45	30,617,446.63	60.00%	Expenses of production declined in the Period

Major changes on profit composition or profit resources in reporting period

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

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

Nil

### III. Composition of main business

In RMB

	Operating revenue	Operating cost	Gross profit ratio	Increase or decrease of operating revenue over same period of last year	Increase or decrease of operating cost over same period of last year	Increase or decrease of gross profit ratio over same period of last year

According to industries						
Sales of real estate	179,620,649.06	150,583,023.38	16.17%			
Business	9,397,196.11	8,740,329.32	6.99%	-80.75%	-82.07%	6.86%
Agriculture	650,732.57	670,481.87	-3.03%	-74.70%	-84.43%	64.38%
Other	1,745,904.00	3,188,852.06	-82.65%	75.95%	1,494.15%	-162.49%
According to products						
Sales of real estate	179,620,649.06	150,583,023.38	16.17%			
Chemical materials	9,397,196.11	8,740,329.32	6.99%	-80.75%	-82.07%	6.86%
Agricultural products	650,732.57	670,481.87	-3.03%	-74.70%	-84.43%	64.38%
Other	1,745,904.00	3,188,852.06	-82.65%	75.95%	1,494.15%	-162.49%
According to region						
Chengde	181,913,479.71	154,346,066.13	15.15%	5,003.35%	3,325.00%	41.58%
Tianjin	9,397,196.11	8,740,329.32	6.99%	-80.75%	-82.07%	6.86%
Zhejiang	103,805.92	96,291.18	7.24%			

#### IV. Core competitive-ness analysis

Core competitive-ness of the Company has no major changes in the Period.

#### V. Investment analysis

##### 1. Equity investment outside

##### (1) Investment outside

√ Applicable    □ Not applicable

Investment outside		
Investment in the reporting period (RMB)	Investment in the same period of last year's (RMB)	Changes
25,000,000.00	0.00	100.00%
Invested company		
Name	Main business	Equity proportion in invested company for Listed company
Dongguan Dongfeng New Energy Technology Co., Ltd.	New energy technology development and transfer, etc.	2.44%

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

□ Applicable    √ Not applicable

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

##### (3) Securities investment

□ Applicable    √ Not applicable

The Company has no securities investment in the Period.

##### (4) Explanation on equity of other listed company held

□ Applicable    √ Not applicable

The Company had no equity of other listed company held in Period.

**2. Trust financing, investment of derivatives and entrustment loan****(1) Trust financing**

☐ Applicable ☒ Not applicable

The Company has no trust financing in the Period.

**(2) Investment of derivatives**

☐ Applicable ☒ Not applicable

The Company has no derivatives investment in the Period.

**(3) Entrustment loan**

☐ Applicable ☒ Not applicable

The Company has no entrustment loan in the Period.

**3. Application of raised proceeds**

☐ Applicable ☒ Not applicable

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

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

☒ Applicable ☐ Not applicable

Main subsidiaries and joint-stock companies

In RMB

Company name	Type	Industries	Main products or service	Register capital	Total assets	Net Assets	Operating revenue	Operating profit	Net profit
Chengde Nanjiang Real Estate Development Co., Ltd.	Subsidiary	Real Estate	Development and sales of real estate	10,000,000	334,783,553.45	260,870,241.61	622,390.00	-1,515,195.22	-1,556,159.62
Chengde Nanjiang Investment Co., Ltd.	Subsidiary	Investment	Industrial investment, investment management, investment consulting and import & export trading	90,000,000	89,287,536.98	89,287,536.98	0.00	-149,530.11	-149,530.11
Chengde Nanjiang Ecological Agriculture Co., Ltd.	Subsidiary	Agriculture	Cultivation and sales of field crop, edible mushrooms, fruit and vegetables as well as Chinese Herbs; breeding and sales of livestock	10,000,000	5,421,935.90	-12,378,055.97	650,732.57	-606,281.19	-661,319.44
Chengde Morsh Technology Co., Ltd.	Subsidiary	New energy and new materials	R&D, manufacture and sales of grapheme, grapheme application materials, power cell & battery materials,	50,000,000	48,859,181.75	48,074,953.75	0.00	-3,255.37	-3,255.37

			high-performance membrane material and nano materials as well as the technology promotion and technical service for the above said products.						
Chengde Huijing Property Service Co., Ltd.	Subsidiary	Property management service	Property management service	500,000	508,352.44	-2,408,228.41	1,796,287.78	-2,357,338.34	-2,357,338.34
Nanjiang Asia Investment Co., Ltd.	Subsidiary	Trade	International investment and trading, sales and lease of the ship	US\$ 20 million	5,161,343.36	5,156,372.14	0.00	-120.38	-120.38
Hangzhou Dongfeng Stealth Technology Co. Ltd.	Subsidiary	Development of super materials and stealth technology	Development and technical service of super materials and stealth technology; Development and technical services of new materials and application product; Development, sales and technical services of electronic product; Software development and technical service.	100,000,000	49,814,251.94	49,384,211.06	103,805.92	-608,775.98	-613,988.94
Runhua Rural Water (Tianjin) International Trade Co., Ltd.	Joint stock company	Trading	Import trade, domestic agents and distribution of the plastic raw materials of polyethylene (PE) and polypropylene (PP)	30,000,000	20,042,442.78	11,640,163.27	9,397,196.11	-1,141,195.52	-1,141,195.52

## 5. The significant progress of non-raised proceeds investment

☐ Applicable ☒ Not applicable

The Company has no significant non-raised proceeds in the Period

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

## VIII. Explanation on “Qualified Opinion” of previous year from the Board

☐ Applicable ☒ Not applicable

## IX. Implementation of profit distribution in reporting period

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

☐ Applicable ☒ Not applicable

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

## X. Profit distribution and capitalization of capital reserves in the Period

☐ Applicable ☒ Not applicable

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

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

☒ Applicable ☐ Not applicable

Time	Place	Way	Type	Reception	Contents discussed and material provided
2016-01-20	Security Department	Telephone communication	Individual	Investor	Suspension condition of the Company, no materials required
2016-02-24	Security Department	Telephone communication	Individual	Investor	Operation of the Company, no materials required
2016-03-17	Security Department	Telephone communication	Individual	Investor	Current condition of the Company, no materials required
2016-06-07	Security Department	Telephone communication	Individual	Investor	Suspension condition of the Company, no materials required
2016-06-27	Security Department	Telephone communication	Individual	Investor	Operation of the Company, no materials required
2016-06-30	Security Department	Telephone communication	Individual	Investor	Current condition of the Company, no materials required

## Section V. Important Events

### I. Corporate governance

During the reporting period, the Company constantly improves the corporate governance structure, regulates the operations strictly in accordance with the "Company Law", "Securities Law", "Listing Corporation Management Standards" and other laws, regulations and relevant provisions of the securities regulatory authorities.

During the reporting period, the preparations, organization and resolution disclosure for the general meeting of shareholders, board of directors and board of supervisors were all conducted according to the "Articles of Association" and "Assembly Rules of Shareholders of General Meeting", "Assembly Rules of Board of Directors and "Assembly Rules of Board of Supervisors". All the directors, supervisors, and senior management personnel can perform their duties with honesty, diligence. All these comply with requirements of normative documents for the listing Corporation governance issued by China Securities Regulatory Commission.

### II. Lawsuits

Significant lawsuits and arbitrations

☐Applicable ☒Not applicable

The Company has no significant lawsuits and arbitrations in Period.

Other lawsuits

☐Applicable ☒Not applicable

### III. Questioned from media

☐ Applicable ☒ Not applicable

No common media questioned for the Company in reporting period.

### IV. Bankruptcy reorganization

☐ Applicable ☒ Not applicable

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

### V. Assets trading

#### 1. Acquisition of assets

☐ Applicable ☒ Not applicable

The Company had no acquisition of assets in Period.

#### 2. Sales of assets

☐ Applicable ☒ Not applicable

The Company did not sell assets in the Period.

#### 3. Business combination

☐ Applicable ☒ Not applicable

The Company has no business combined in the Period.

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

☐ Applicable ☒ Not applicable

No equity incentive in reporting period.

### VII. Significant related transaction

#### 1. Related transaction connected to routine operations

☐ Applicable ☒ Not applicable

The Company had no related transaction connected to routine operations in Period.

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

☐ Applicable ☒ Not applicable

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

**3. Related transaction from jointly investment outside**

☐ Applicable ☒ Not applicable

No related transaction from jointly investment outside occurred in Period.

**4. Credits and liability of related party**

☐ Applicable ☒ Not applicable

No credits or liability of related party occurred in Period.

**5. Other related transactions**

☒ Applicable ☐ Not applicable

On March 10, 2016, Chengde Nanjiang Co., Ltd. signed the "Agreement on capital and share increase" with Dongguan Dongfeng New Energy Technology Co., Ltd. and its existing shareholders - Xizang Dongfeng Investment Co., Ltd., Xizang Fengmao Investment Co., Ltd., Eagles Men Aeronautic Science and Technology Group Co., Ltd. (hereinafter referred to as "Eagles Men"), the company plans to increase capital by its own funds of 25 million Yuan to Dongfeng New Energy which is included in the registered capital. After the completion of this capital increase, the company holds 2.44% stock rights of Dongfeng New Energy.

Disclosure information for related transaction temporary disclosed

Temporary notice	Dated disclosed	Website for disclosure
Outward investment and related transactions Notice No.: 2016-011	2016-03-11	Juchao Website: <a href="http://www.cninfo.com.cn">http://www.cninfo.com.cn</a>

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

☐ Applicable ☒ Not applicable

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

**IX. Major contract and implantation****1. Trusteeship, contract and leasing****(1) Trusteeship**

☐ Applicable ☒ Not applicable

The Company had no trusteeship in the reporting period.

**(2) Contract**

☐ Applicable ☒ Not applicable

The Company had no contract in the reporting period.

**(3) Leasing**

☐ Applicable ☒ Not applicable

The Company had no leasing in the reporting period.

**2. Guarantee**

☐ Applicable ☒ Not applicable

The Company had no guarantee in the reporting period.

**3. Other material contracts**

☐ Applicable ☒ Not applicable

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

**4. Other material transactions**

□ Applicable √ Not applicable

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

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

√Applicable □Not applicable

Commitments	Promisee	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for share merger reform					
Commitments in report of acquisition or equity change	Controlling shareholder	1. Commitments in aspect of independency of listed company: For the equity changes, that is 208,324,800 shares of Chengde Dalu Co., Ltd held by Chen Rong was transfer, Wang Dong guarantee there are no influence on the independent of employee, financial, institution, business and integrity of assets of Chengde Dalu Co., Ltd. After transaction, Chengde Dalu Co., Ltd still has the ability of independent operation and owes independent legal person, and continues to owes the independency of institution, assts, employees, production and financial. 2. Commitments for horizontal competition: after 208,324,800 shares of Chengde Dalu Co., Ltd held by Chen Rong was transfer, Wang Dong guarantee there are no or potential horizontal competition between the Chengde Dalu Co., Ltd and Wang Dong and related parties of Wang Dong	2012-04-24	Duration of the Company	Implementing
Commitments in assets reorganization	Controlling shareholder	The performance compensation commitment: net profit (deducting non-recurring gains and losses) for 2012, 2013, 2014 and 2015 for Runhua RW (Tianjin) International Trade Co., Ltd. Respectively can't be less than 306,300 Yuan, 904,000	2013-04-10	2012-2015	Completed



		Yuan, 1,500,000 Yuan and 3,400,000 Yuan. If the actual net profit is less than the promised, the controlling shareholders shall perform the obligations of profit compensation accordingly.			
Commitments in initial public offering or re-financing					
Other commitments for medium and small shareholders					
Completed on time(Y/N)	Yes				

## XI. Engagement and non-reappointment of CPA

Whether the semi-annual report was audited or not

☐ Yes ☒ No

The semi-annual report had not been audited.

## XII. Penalty and rectification

☐ Applicable ☒ Not applicable

No penalty or rectification in Period.

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

☐ Applicable ☒ Not applicable

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

## XIV. Explanation on other significant events

☒ Applicable ☐ Not applicable

1. The company's holding subsidiary Runhua RW (Tianjin) International Trading Co., Ltd. has shut down.

The continuous downturn of international crude oil prices in recent years makes huge impact on bulk commodity trading, the overall bulk chemical raw materials markets are having operational difficulties. The main products of the company's holding subsidiary Runhua RW, i.e. PE and PP plastic materials, are closely related with the international oil prices, so the continuous sluggish of overall market and the continuous downturn of product prices result in Runhua RW's continuous losses in recent two years. In 2014 and 2015, Runhua RW respectively achieved net profits of -9,837,900 Yuan and - 9,272,200 Yuan. To avoid further increase in losses, Runhua RW decided to suspend production and redecide whether to resume production according to the business needs after the industry conditions improve.

2. During the reporting period, the company's stock has been suspended since the opening on January 23, 2015 for planning to solve the historical issues of B shares. The above issues are still underway at present; the company releases the announcement on major issues concerning the suspension once every 5 trading days.

3. On July 4, 2016, the company's wholly owned subsidiary Nanjiang Investment Co., Ltd. signed an equity transfer agreement with Ningbo Morsh Technology Co., Ltd. that Ningbo Morsh Technology Co., Ltd. would transfer 5 million Yuan of its stock rights (accounting for 10% of the registered capital) in Chengde Morsh Technology Co., Ltd. to Nanjiang Investment, and both parties have agreed and confirmed the transfer price to be 4.8 million Yuan according to the audited net assets of the latest period. Ningbo Morsh Technology Co., Ltd. would no longer held stock right of Chengde Morsh after the transfer, and Chengde Morsh becomes the company's wholly owned subsidiary.

## **XV. Issuance of corporate bonds**

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

No

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

### I. Changes in Share Capital

In Share

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

Reasons for share changed

☐ Applicable ☒ Not applicable

Approval of share changed

☐ Applicable ☒ Not applicable

Ownership transfer of share changes

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

Explanation on changes in aspect of total shares, shareholders structures as well as structure of assets and liability of the Company

☐ Applicable ☒ Not applicable

### II. Number of shares and shares held

In Share

Total common shareholders at period-end	19,555			Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (see Note 8)		0		
Particulars about shares held above 5% by common shareholders and top 10 common shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total common shareholders at the end of report period	Changes in report period	Amount of un-listed common shares held	Amount of listed common shares held	Number of share pledged/frozen	
							State of share	Amount
Wang Dong	Domestic nature person	29.49%	208,324,800	0	208,324,800	0	Frozen	208,324,800
Everbright Securities	Overseas legal person	13.28%	93,833,093	0	0	93,833,093		

(H.K.) Co., Ltd.								
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Overseas legal person	6.87%	48,524,062	0	0	48,524,062		
Chengde North Industrial Corporation	Domestic non-state owned legal person	2.62%	18,517,651	0	18,517,651	0		
Wang Zhengsong	Domestic nature person	1.89%	13,327,891	0	13,327,891	0		
Wang Wensheng	Domestic nature person	1.03%	7,258,007	0	0	7,258,007		
Zhou Haihong	Domestic nature person	0.95%	6,708,495	0	0	6,708,495		
Li Tianyun	Domestic nature person	0.73%	5,158,000	0	0	5,158,000		
Shenwan HongYuan (Hong Kong) Co., Ltd.	Overseas legal person	0.71%	4,995,920	0	0	4,995,920		
Chen Yan	Domestic nature person	0.57%	4,023,256	0	0	4,023,256		
Strategy investors or general legal person becomes top 10 common shareholders due to rights issued (if applicable) (see note 3)	N/A							
Explanation on associated relationship among the aforesaid shareholders	The Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “management method for acquisition of listed company” among the above said shareholders.							
Particular about top ten circulated common shareholders								
Shareholders’ name	Amount of listed common shares held at period-end			Type of shares				
				Type		Amount		
Everbright Securities (H.K.) Co., Ltd.	93,833,093			Domestically listed foreign shares				93,833,093
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	48,524,062			Domestically listed foreign shares				48,524,062
Wang Wensheng	7,258,007			Domestically listed foreign shares				7,258,007
Zhou Haihong	6,708,495			Domestically listed foreign shares				6,708,495
Li Tianyun	5,158,000			Domestically listed foreign shares				5,158,000
Shenwan HongYuan (Hong Kong) Co., Ltd.	4,995,920			Domestically listed foreign shares				4,995,920
Chen Yan	4,023,256			Domestically listed foreign shares				4,023,256

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

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

☐ Yes ☒ No

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

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

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

Changes of controlling shareholders had no change in reporting period.

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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

## Section VII. Preferred Stock

☐ Applicable    ☒ Not applicable

The Company had no preferred stock in the reporting.

## Section VIII. Directors, Supervisors and Senior Executives

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

☐ Applicable ☒ Not applicable

Shares held by directors, supervisors and senior executives have no changes in reporting period, found more details in Annual Report 2015.

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

☒ Applicable ☐ Not applicable

Name	Title	Type	Date	Reasons
Chen Gang	Director	Elected	2016-05-26	Election of director
Chen Gang	Vice GM	Appointed	2016-05-26	Appointment of senior executives
Cui Huating	Director	Elected	2016-05-26	Election of director
Hao Guangxin	Chairman of board of supervisors	Elected	2016-05-26	Election of chairman of board of supervisors
Ma Haipeng	Supervisor	Elected	2016-05-26	Election of supervisor
Xiao Yongfu	Supervisor	Elected	2016-05-26	Election of supervisor
Wang Dong	Director	Leave office	2016-04-26	Personal
Cheng Ducai	Director	Leave office	2016-04-26	Personal
Xie Yu	Chairman of board of supervisors	Leave office	2016-05-26	Personal
Wei Lei	Supervisor	Leave office	2016-05-26	Personal

## Section IX. Financial Report

### I. Audit reports

Whether the semi-annual report was audited or not

☐ Yes ☒ No

The financial report of this semi-annual report was unaudited

### II. Financial statements

Units in Notes of Financial Statements is RMB

#### 1. Consolidated balance sheet

Prepared by Chengde Nanjiang Co., Ltd.

2016-06-30

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	138,135,232.83	88,237,416.98
Settlement provisions		
Capital lent		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable	173,815.53	156,113.53
Accounts paid in advance	476,361.30	1,105,122.95
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividend receivable		
Other receivables	89,886,870.26	88,149,302.51
Purchase restituted finance asset		
Inventories	478,454,283.19	619,241,374.72
Divided into assets held for sale		
Non-current asset due within one year		
Other current assets	28,428,183.32	33,761,457.51
Total current assets	735,554,746.43	830,650,788.20
Non-current assets:		
Loans and payments on behalf		
Finance asset available for sales	25,000,000.00	
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment	2,331,040.66	2,343,974.43
Investment property		



Fixed assets	9,385,790.29	8,905,699.17
Construction in progress		
Engineering material		
Disposal of fixed asset		
Productive biological asset	117,851.31	148,509.76
Oil and gas asset		
Intangible assets	6,327,132.59	6,392,510.57
Expense on Research and Development	1,070,065.92	172,416.18
Goodwill		
Long-term expenses to be apportioned	426,327.98	202,353.97
Deferred income tax asset	775,645.41	775,645.41
Other non-current asset	5,201,365.53	5,201,365.53
Total non-current asset	50,635,219.69	24,142,475.02
Total assets	786,189,966.12	854,793,263.22
Current liabilities:		
Short-term loans		
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	21,540,948.19	35,013,234.30
Accounts received in advance	373,255,743.92	435,991,938.57
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	398.22	9,929.42
Taxes payable	949,153.12	21,343.61
Interest payable		
Dividend payable		
Other accounts payable	14,689,998.40	12,746,101.70
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Divided into liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	410,436,241.85	483,782,547.60

Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	410,436,241.85	483,782,547.60
Owner's equity:		
Share capital	706,320,000.00	706,320,000.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	463,673,488.64	459,871,788.64
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus public reserve	76,791,550.17	76,791,550.17
Provision of general risk		
Retained profit	-888,925,345.31	-890,727,215.25
Total owner's equity attributable to parent company	357,859,693.50	352,256,123.56
Minority interests	17,894,030.77	18,754,592.06
Total owner's equity	375,753,724.27	371,010,715.62
Total liabilities and owner's equity	786,189,966.12	854,793,263.22

Legal Representative: Zhao Yongsheng

Person in charge of Accounting Works: Zhao Yongsheng

Person in charge of Accounting Institution: Liu Fengguo

**2. Balance Sheet of Parent Company**

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	74,720,954.42	25,647,536.08
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable		

Account paid in advance	356,310.90	10,000.00
Interest receivable		
Dividends receivable		
Other receivables	18,271,680.13	13,893,565.73
Inventories	462,684,988.38	599,128,751.32
Divided into assets held for sale		
Non-current assets maturing within one year		
Other current assets	27,283,804.00	32,139,201.03
Total current assets	583,317,737.83	670,819,054.16
Non-current assets:		
Available-for-sale financial assets	25,000,000.00	
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	197,699,651.37	202,284,836.37
Investment property		
Fixed assets	1,793,635.97	1,906,708.89
Construction in progress		
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets		
Research and development costs		
Goodwill		
Long-term deferred expenses	167,766.35	130,322.92
Deferred income tax assets	750.00	750.00
Other non-current assets		
Total non-current assets	224,661,803.69	204,322,618.18
Total assets	807,979,541.52	875,141,672.34
Current liabilities:		
Short-term borrowings		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	13,030,586.54	25,479,538.71
Accounts received in advance	372,400,907.26	430,730,271.19
Wage payable	398.22	628.22
Taxes payable	936,727.38	2,174.06
Interest payable		
Dividend payable		

Other accounts payable	242,284,740.91	246,243,610.32
Divided into liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	628,653,360.31	702,456,222.50
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	628,653,360.31	702,456,222.50
Owners' equity:		
Share capita	706,320,000.00	706,320,000.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	456,569,124.55	452,767,424.55
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	76,791,550.17	76,791,550.17
Retained profit	-1,060,354,493.51	-1,063,193,524.88
Total owner's equity	179,326,181.21	172,685,449.84
Total liabilities and owner's equity	807,979,541.52	875,141,672.34

### 3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	191,414,481.74	52,376,672.16
Including: Operating income	191,414,481.74	52,376,672.16
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	190,180,369.70	66,521,798.78

Including: Operating cost	163,182,686.63	53,256,492.38
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Operating tax and extras	12,955,210.55	54,088.94
Sales expenses	314,718.06	1,318,219.88
Administration expenses	13,829,541.30	11,680,726.82
Financial expenses	-101,786.84	212,670.76
Losses of devaluation of asset		-400.00
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	-12,933.77	37,559.09
Including: Investment income on affiliated company and joint venture		
Exchange income (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	1,221,178.27	-14,107,567.53
Add: Non-operating income	69,070.59	104,076,331.26
Including: Disposal gains of non-current asset		103,610,779.62
Less: Non-operating expense	339,948.94	3,217,393.57
Including: Disposal loss of non-current asset		
IV. Total Profit (Loss is listed with “-”)	950,299.92	86,751,370.16
Less: Income tax expense	8,991.27	12,929,483.98
V. Net profit (Net loss is listed with “-”)	941,308.65	73,821,886.18
Net profit attributable to owner’s of parent company	1,801,869.94	75,402,588.38
Minority shareholders’ gains and losses	-860,561.29	-1,580,702.20
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent		

company		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	941,308.65	73,821,886.18
Total comprehensive income attributable to owners of parent Company	1,801,869.94	75,402,588.38
Total comprehensive income attributable to minority shareholders	-860,561.29	-1,580,702.20
VIII. Earnings per share:		
(i) Basic earnings per share	0.003	0.110
(ii) Diluted earnings per share	0.003	0.110

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

Legal Representative: Zhao Yongsheng

Person in charge of Accounting Works: Zhao Yongsheng

Person in charge of Accounting Institution: Liu Fengguo

#### 4. Profit Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Operating income	180,141,392.89	431,217.42
Less: Operating cost	151,288,325.84	431,217.42
Operating tax and extras	12,822,979.94	
Sales expenses	114,165.00	189,210.76
Administration expenses	8,380,621.85	6,720,106.34
Financial expenses	-67,570.12	-59,408.27
Losses of devaluation of asset	4,585,185.00	
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)		
Including: Investment income on affiliated company and joint venture		
II. Operating profit (Loss is listed with “-”)	3,017,685.38	-6,849,908.83
Add: Non-operating income		
Including: Disposal gains of non-current asset		
Less: Non-operating expense	178,654.01	2,877,209.13
Including: Disposal loss of non-current asset		
III. Total Profit (Loss is listed with “-”)	2,839,031.37	-9,727,117.96
Less: Income tax expense		
IV. Net profit (Net loss is listed with “-”)	2,839,031.37	-9,727,117.96
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method		

which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	2,839,031.37	-9,727,117.96
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

## 5. Consolidated Cash Flow Statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	137,650,745.69	225,860,001.44
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		



Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Write-back of tax received	36.00	
Other cash received concerning operating activities	8,055,810.61	44,484,328.26
Subtotal of cash inflow arising from operating activities	145,706,592.30	270,344,329.70
Cash paid for purchasing commodities and receiving labor service	30,339,142.70	178,275,646.38
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	10,973,577.47	5,301,032.75
Taxes paid	10,536,340.72	7,734,842.66
Other cash paid concerning operating activities	17,002,547.44	46,676,777.28
Subtotal of cash outflow arising from operating activities	68,851,608.33	237,988,299.07
Net cash flows arising from operating activities	76,854,983.97	32,356,030.63
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment		

income		
Net cash received from disposal of fixed, intangible and other long-term assets		
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		
Cash paid for purchasing fixed, intangible and other long-term assets	1,994,960.98	184,984.00
Cash paid for investment	25,000,000.00	
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	26,994,960.98	184,984.00
Net cash flows arising from investing activities	-26,994,960.98	-184,984.00
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans		
Cash received from issuing bonds		
Other cash received concerning financing activities	753,264.46	
Subtotal of cash inflow from financing activities	753,264.46	
Cash paid for settling debts		
Cash paid for dividend and profit distributing or interest paying		
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities	1,626,700.00	1,553,600.00

Subtotal of cash outflow from financing activities	1,626,700.00	1,553,600.00
Net cash flows arising from financing activities	-873,435.54	-1,553,600.00
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		
V. Net increase of cash and cash equivalents	48,986,587.45	30,617,446.63
Add: Balance of cash and cash equivalents at the period -begin	84,543,677.45	35,582,359.90
VI. Balance of cash and cash equivalents at the period -end	133,530,264.90	66,199,806.53

## 6. Cash Flow Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	125,007,492.84	83,258,803.42
Write-back of tax received	36.00	
Other cash received concerning operating activities	17,073,078.15	48,876,334.80
Subtotal of cash inflow arising from operating activities	142,080,606.99	132,135,138.22
Cash paid for purchasing commodities and receiving labor service	20,218,504.45	38,815,508.50
Cash paid to/for staff and workers	6,323,092.84	3,508,767.00
Taxes paid	9,928,150.19	6,927,837.65
Other cash paid concerning operating activities	31,528,674.54	47,594,532.13
Subtotal of cash outflow arising from operating activities	67,998,422.02	96,846,645.28
Net cash flows arising from operating activities	74,082,184.97	35,288,492.94
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income		

Net cash received from disposal of fixed, intangible and other long-term assets		
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		
Cash paid for purchasing fixed, intangible and other long-term assets	10,788.00	157,984.00
Cash paid for investment	25,000,000.00	
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	25,010,788.00	157,984.00
Net cash flows arising from investing activities	-25,010,788.00	-157,984.00
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans		
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		
Cash paid for settling debts		
Cash paid for dividend and profit distributing or interest paying		
Other cash paid concerning financing activities	1,626,700.00	1,553,600.00
Subtotal of cash outflow from financing activities	1,626,700.00	1,553,600.00
Net cash flows arising from financing activities	-1,626,700.00	-1,553,600.00
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		
V. Net increase of cash and cash	47,444,696.97	33,576,908.94

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

## This Period

	This Period
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equity instruments													
3. Amount reckoned into owners equity with share-based payment													
4. Other													
(III) Profit distribution													
1. Withdrawal of surplus reserves													
2. Withdrawal of general risk provisions													
3. Distribution for owners (or shareholders)													
4. Other													
(IV) Carrying forward internal owners' equity													
1. Capital reserves converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying loss with surplus reserve													
4. Other													
(V) Reasonable reserve													
1. Withdrawal in the report period													
2. Usage in the report period													
(VI) Others													
IV. Balance at the end of the report period	706,320,000.00				463,673,488.64				76,791,550.17		-888,925,345.31	17,894,030.77	375,753,724.27

Last Period

In RMB

Item	Last Period										
	Owners' equity attributable to the parent Company									Minorit y interest	Total owners' equity
	Share	Other equity instrument	Capital reserve	Less: Invento	Other compre	Reason able	Surplus reserve	Provisio n of	Retaine d profit		



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

## This Period

[illegible]



[illegible]

Last period

	Last period
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equity instruments											
3. Amount reckoned into owners equity with share-based payment											
4. Other											
(III) Profit distribution											
1. Withdrawal of surplus reserves											
2. Distribution for owners (or shareholders)											
3. Other											
(IV) Carrying forward internal owners' equity											
1. Capital reserves converted to capital (share capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedying loss with surplus reserve											
4. Other											
(V) Reasonable reserve											
1. Withdrawal in the report period											
2. Usage in the report period											
(VI) Others											
IV. Balance at the end of the report period	706,320,000.00				452,767,424.55				76,791,550.17	-1,062,564,101.10	173,314,873.62

### III. Company profile

#### 1. Registration place, organization forms and address of the HQ

Chengde Nanjiang Co., Ltd. (Hereinafter referred to as "Nanjiang" or the "the Company") was formerly known as Chengde Dixian Knitting Co., Ltd., and was reorganized on 3 November 1999 by sponsorship, approved by the People's Government of Hebei Province with the issue of Ji Gu Ban [1999] No.: 36 with license of the business corporation obtained from Hebei Administration for Industry & Commerce; registered capital while established amounting as RMB 100,000,000, and RMB 1.00 per share. Among the abovementioned, RMB 85.10 million

contributed by Wang Shuxian, representing 7.56 percent of the registered capital; Wang Zhengsong invested RMB 5.4444 million with 5.44 percent in total registered capital presented; Chengde Longfeng Cosmetics Co., Ltd. contributed RMB 0.9456 million, a 0.95 percent in registered capital and RMB 0.9456 million contributed by Chengde Xiabancheng Hongxing Plastics Products Plant with 0.95 percent in registered capital presented.

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

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

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

On March 11, 2004, approved by the Ministry of Commerce of the People's Republic of China, the Company was allowed to be changed as a foreign investment limited liability company.

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

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

On August 4, 2008, according to the judgment ruled by Shenzhen Intermediate People's Court, 112,324,800 sponsor shares held by Wang Shuxian was compensated to Chen Rong for 45,491,544 Yuan, and on August 15, 2008, 96,000,000 sponsor shares held by Wang Shuxian was compensated to Chen Rong for 38,880,000 Yuan according to the judgment ruled by Dalian Intermediate People's Court.

On November 11, 2009, according to "reply to the approval of capital increase, and change of share as well as

name of Chengde Dixian Knitting Co., Ltd” with No.143 [2009] by Bureau of Commerce of Hebei Province, it agreed that the Company increased 150,000,000 domestically listed foreign shares in 2004 and allotted 2 bonus shares free for every 10 shares in 2006; and it agreed that 208,324,800 shares of Dixian stock held by Wang Shuxian was changed to Chen Rong ; as well as the name of the Company changed to Chengde Dalu Co., Ltd. Total share capital of the Company was 706,320,000 shares and the registered capital of the Company was 706,320,000 Yuan after the Company’s share increased and allotted,

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

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

On 19 September 2012, being verified and approved by Chengde Administration for Industry and Commerce, the Company’s name changed as Chengde Nanjiang Co., Ltd.

Over the years of bonus issue, rights issue and capitalization, up to 30 June 2016, the issued shares totally amounting to 706.32 million shares, registered capital of the Company was 706.32 million Yuan; registered address: Xiabancheng Town, Chengde County, Hebei Province; HQ: Xiabancheng Town, Chengde County, Hebei Province. The Company has no parent company and Mr. Wang Dong is the first largest shareholder of the Company and also is the controller of the Company.

## **(II) Business scope**

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

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

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

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

The statement has been approved by all Directors of the Company dated 29 August 2016 for reporting.

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

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

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

**IV. Basis of preparation of financial statements****1. Preparation basis**

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

**2. Going concern**

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

**V. Major accounting policy and accounting estimation**

Notice of specific accounting policy and estimation:

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

amortization and revenue recognition.

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

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

### **2. Fiscal period**

The fiscal period of the Company refers to annual and interim, the interim refers to the reporting period shorter than one completed fiscal year. The Company choose Gregorian calendar year for its fiscal period, which is from 1 January to 31 December on basis of Gregorian calendar.

### **3. Operating cycle**

A normal operating cycle is the period from purchasing assets used for processing to the cash or cash equivalent achieved. Main business of the Company is developing the real estate products for sale purpose, the period from land purchased to the cash and cash equivalent obtained from selling the constructed development products is the operating cycle of the Company. The cycle is usually larger than 12 months. However, the Company choose one year as the normal operating cycle due to the undetermined normal business cycle, and it is the partition criterion for the liquidity of assets and liabilities

### **4. Standard currency**

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

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

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

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

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

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

If there is a contingent consideration needs to confirm the expected liabilities or assets, and there is balance between the expected liabilities or assets amount and the settlement amount of follow-up contingent consideration, adjust the capital reserve (capital premium or stock premium), and adjust the retained earnings if the capital

reserve is not enough.

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

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

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

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

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

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

The intermediate expenses occurred for business combination such as audit, legal service and appraisal



consultation expenses and other related expenses shall be recorded in current gains and losses when occurred; the trading expenses for equity securities offering shall be excluded while reckoned into equity transaction directly.

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

### **1. Consolidated scope**

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

### **2. Consolidated procedure**

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

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

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

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

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

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

#### **(1) Increase subsidiaries or businesses**

During the reporting period, if there are subsidiaries or businesses increased by the business combination under the same control, adjust the opening balance of consolidated balance sheet; include the income, expenses and profits of the subsidiaries or business combination from the beginning of the period to the end of the reporting period into the consolidated profit statement; include the cash flow of the subsidiaries or business combination

from the beginning of the period to the end of the reporting period into the consolidated statement of cash flows, adjust the relevant items of comparative statements at the same time, and regard that the reporting entity after combination has been existing since the ultimate controller starts controlling.

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

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

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

## (2) Disposal of subsidiaries or businesses

### 1) General approaches

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

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

net indebtedness and net assets re-measured and defined benefit plans by investees.

## 2) Dispose subsidiaries step by step

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

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

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

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

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

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

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

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

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

## 1. Classification of joint arrangement

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

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

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

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

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

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

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

- (1) to recognize separately-held assets and jointly-held assets under its proportion;
- (2) to recognize separately-assumed liabilities and jointly-assumed liabilities under its proportion;
- (3) to recognize revenue from disposal of the output which the Company is entitled to under the proportion;
- (4) to recognize revenue from disposal of the output under the proportion;
- (5) to recognize separately occurred expenses, and to recognize expenses occurred for joint operations under its proportion.

For injection to or disposal of assets of joint operations (other than those assets constituting business operation), gain or loss arising from the transaction is only recognized to the extent it is attributable to other parties to the joint operation before the joint operation is sold to any third party. In case that assets injected or disposed satisfy the condition for asset impairment loss under Business Accounting Principle No.8-Assets Impairment, the Company recognizes this loss in full.

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

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

would be accounted for under the relevant business accounting principles.

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

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

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

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

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

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

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

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

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

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

## 10. Financial instruments

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

### 1. Categories of financial instruments

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

### 2. Recognition and measurement for financial instrument

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

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

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

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

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

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

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

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

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

## (2) Account receivables

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

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

## (3) Held-to-maturity investment

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

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

If held-to-maturity investment is disposed or reclassified as other types of financial asset, and the relevant amount is relatively bigger than the total amount of our all held-to-maturity investments prior to disposal or reclassification, the remaining held-to-maturity investments shall be reclassified as available-for-sale financial assets immediately following such disposal or reclassification. On the reclassification date, difference between the carrying value and fair value of the investment is included in other comprehensive income and is transferred out into current profit or loss when the available-for-sale financial assets experience impairment or derecognition. However, the followings are exceptions:

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

to occur repeatedly and which are difficult to predict reasonably.

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

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

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

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

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

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

#### (5) Other financial liabilities

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

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

In case that the amount of held-to-maturity investments disposed or reclassified into other categories of financial assets is greater than the total amount of all the held-to-maturity investment of the Company before the disposal or reclassification, the remaining held-to-maturity investment shall be recorded as financial assets available for sale immediately after such disposal or reclassification, unless:

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

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

When transfer of financial assets occurs, the Company shall stop recognition of such financial assets if all risks



and remunerations related to ownership of such financial assets have almost been transferred to the receiver; while shall continue to recognize such financial assets if all risks and remunerations related to ownership of such financial assets have almost been retained.

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

(1) Carrying value of financial assets in transfer;

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

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

(1) Carrying value of discontinued recognition part;

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

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

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

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

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

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

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

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

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

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

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

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

Significant financial difficulty of the issuer or obligor;

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

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

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

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

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

property prices for mortgages in the relevant area, or adverse changes in industry conditions that affect the borrowers in the group;

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

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

Details for impairment of financial assets are set out below:

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

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

Cost stated in the above paragraph is determined based on the initial acquisition cost of available for sale equity instrument investment less recovered principal and amortized amount as well as impairment loss originally included in profit or loss; fair value is determined at the closing price quoted on stock exchange at period end, unless the available for sale equity instrument investment is limited for sale for certain periods. For available for sale equity instrument investment which is limited for sale for certain periods, fair value is determined at the closing price quoted on stock exchange at period end less the compensation required by market participator who would otherwise assume risks due to impossibility of selling the equity instrument on open market in designated period.

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

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

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

For held-to-maturity investment, if there is object evidence showing the investment is impaired, then impairment

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

## 7. Offset of financial assets and financial liabilities

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

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

## 11. Account receivable

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

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

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

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

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

☒ Applicable ☐ Not-applicable

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

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

☐ Applicable ☒ Not-applicable

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

☐ Applicable ☒ Not-applicable

Account age	Rate for receivables	Rate for other receivables
Related party combination in combined range	0.00%	0.00%

No risk portfolio	0.00%	0.00%
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**(3) Accounts receivable with single significant amount and bad debts provision accrued individually**

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

**12. Inventories**

**1. Classification of inventories**

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

**2. Valuing of inventory**

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

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

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

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

**4. Inventory system**

Perpetual inventory system

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

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

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

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

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

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

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

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

#### **1. Recognition criteria of assets held for sale**

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

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

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

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

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

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

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

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

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

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

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

Under the precedent condition that non-monetary assets exchanges are featured with commercial nature and fair

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

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

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

### **(1) Subsequent measurement**

#### **(1) Cost method**

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

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

#### **(2) Equity method**

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

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

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

The Company should recognized net profit of invested unit after adjustment, based on fair value of vary identifiable assets of invested unit while obtained investment, while recognized net profit or net losses of invested

units that should be enjoyed by investment enterprise. The un-realized transaction gains/losses attributable to investment enterprise, internally occurred between the Company, affiliated units and joint-ventures should be calculated by proportion of shares-holding which should be offset, than recognized investment gains/losses.

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

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

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

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

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

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

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

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

For the equity investment originally held by the Company in which it has no control, common control or significant influence over the investee and which is accounted for under recognition and measurement principle as



financial instrument, or for long term equity investment originally held in associates or joint ventures, in case that the Company becomes able to exercise control over investee not under common control due to additional investment, the sum of fair value of the originally held equity investment plus cost of the new investment shall be deemed as the initial investment cost upon calculation under cost method when preparing separate financial statement.

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

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

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

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

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

### (4) Cost method transfer to equity method

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

### (5) Cost method transfer to fair value measure

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

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

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

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

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

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

- (1) in separate financial statement, as for disposal of equity interest, difference between carrying value and actual acquisition price shall be included in current period gains and losses. In case that the remaining equity interests can exercise common control or significant influence over investee, it shall be stated under equity method in stead, and shall be adjusted as if the remaining equity interests had been stated under equity method since the acquisition. In case that the remaining equity interests cannot exercise common control or significant influence over investee, it shall be accounted for under Business Accounting Principles No.22- Recognition and Measurement Principle of Financial Instruments, and the difference between its fair value and carrying value as of the date then the Company lost control shall be included in current period gains and losses.
- (2) in consolidated financial statement, for those transactions occurred before lost of control in subsidiaries, the difference between disposal price and share of net assets of subsidiaries since purchase date or combination date shall be used to adjust capital reserve (equity premium), and if capital reserve is insufficient to offset, then it shall adjust retained earnings; when the Company lost control in a subsidiary, the remaining equity interests would be re-measured at the fair value as of the control-lost date. The sum of consideration gained from the disposal of equity and the fair value of remaining equity minus the share of net assets of original subsidiaries since the day of purchase and based on its original shareholding ratio is credited into investment gain for the current period, and off-set the goodwill at the same time. Other comprehensive income in relation to equity investments of original subsidiaries should be transferred to investment gain for the period at the time of loss of control.

Each transaction involved in the disposal of equity investments of subsidiaries until loss of control falls into a package deal, carrying accounting treatment on transaction of losing control rights and disposing the company,

and should be accounted for accordingly in differentiation with individual financial statements and consolidated financial statements:

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

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

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

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

In case of a joint venture arrangement concluded through separate entity, when the Company is judged to be entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint venture under equity method. However, when the Company is judged to be not entitled to the net assets of the separate entity under relevant agreements, the entity shall be viewed as a joint operation, in which case, the Company recognizes items relating to its share of interests from the joint operation and accounts for according to relevant business accounting rules.

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

## **15. Investment real estate**

Measurement model of investment real estate

Measure by cost

Depreciation or amortization method

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

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

expenditure occurred during the construction for reaching the condition of planned use.

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

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

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

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

Impairment loss once recognized shall not be reversed.

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

## 16. Fixed asset

### (1) Recognition

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

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

### (2) Depreciation method

Category	Depreciation method	Estimated useful life	Estimated residual rate	Annual depreciation rate
Houses and buildings	Straight-line depreciation	20.00-28.00	5%	3.39%-4.75%
Machinery equipment	Straight-line depreciation	4.00-5.00	5%	19.00%-23.75%
Transportation equipment	Straight-line depreciation	5.00-20.00	5%	4.75%-19.00%

Other equipment	Straight-line depreciation	3.00-5.00	5%	19.00-31.67%
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### **(3) Basis of asserting, pricing and depreciation method on fixed assets under financing lease**

A fixed asset leased by the Company is recognized as the fixed asset held under finance lease if one or more of the following criteria are met: (1) Upon the expiry of the lease term, the ownership is transferred to the Company. (2) The Company has the option to purchase the asset at a predetermined price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable and it is reasonably ascertained at the inception of lease that the option will be exercised. (3) The lease term approximates the useful life of the relevant asset even if the ownership is not transferred. (4) At the inception of the lease, the present value of the minimum lease payments is substantially equivalent to the fair value of the leased asset. (5) The leased assets are of such a specialized nature that only the Company can use them without major modification. A fixed asset held under finance lease is initially recognized at the lower of fair value of the leased asset and the present value of the minimum lease payments, while the amount of the minimum lease payments will be recognized as the entry value of long-term account payable, the difference between them will be recognized as unrecognized financing costs. The initial direct costs such as commissions, attorney's fees, and travelling expenses, stamp duties attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the asset value. Unrealized finance costs will be amortized using actual interest rate method over each period during the lease terms. The Company adopts depreciation policies for leased assets consistent with those of self-owned fixed assets for the purpose of calculating the depreciation of a leased asset. If it is reasonable to be certain that the lessee will obtain the ownership of the leased asset when the lease term expires, the leased asset shall be fully depreciated over its useful life. If it is not reasonable to be certain that the lessee will obtain the ownership of the leased asset at the expiry of the lease term, the leased asset shall be fully depreciated over the shorter one of the lease term or its useful life.

## **17. Construction in process**

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

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

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

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

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

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

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

When the recoverable amount of construction in progress is below their book value, the book value of construction in progress shall be written down to its recoverable amount, and the amount of write-down shall recognized as impairment loss of construction in progress, and included into current profits and losses. At the same time, the provision for depreciation of construction in progress shall be accrued.

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

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

## **18. Borrowing expenses**

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

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

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

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

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

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

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

If purchasing, construction, or manufacturing process of an asset satisfying the conditions of capitalization

reached its predicted usable status or sale-able status, capitalization suspended for borrowing expenses.

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

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

### **3. Period of suspended**

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

### **4. Calculation for capitalization amount**

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

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

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

## **19. Biological assets**

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

Biological assets are recognized upon satisfaction of the following conditions:

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

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

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

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

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

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

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

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

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

## 20. Intangible assets

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

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

#### 1. Initial measurement of intangible assets

For those intangible assets purchased from outside, the purchase value, relevant taxes and other payments attributable to predicted purpose obtained should recognized as cost for this assets. For those purchased amount



that paid overdue exceeded the normal credit condition, owns financing natures actually, the cost should be recognized based on the current value while purchased.

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

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

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

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

## 2. Subsequent measurement

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

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

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

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

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

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

previous

(2) Criterion for intangible assets without certain service life

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

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

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

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

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

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

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

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

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

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

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

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

**21. Impairment of long term assets**

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

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

If measurement of recoverable amount shows that the recoverable amount of long term asset is lower than carrying value, then the carrying value shall be deducted to recoverable amount, with the deducted amount recognized as impairment loss which is included in current period gains and losses, meanwhile, asset impairment provision shall be made accordingly. Once recognized, asset impairment loss would not be reversed in future accounting period.

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

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

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

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

### **1. Amortization method**

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

### **2. Amortization term**

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

## **23. Staff remuneration**

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

Employee compensation refers to various forms of remuneration or compensation given by the Company for obtaining services provided by employees or severing the labor relations. Employee compensation includes short-term remuneration, post-employment benefits, termination benefits and other long-term employee benefits.

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

period during which staff provides services, and includes in cost and expense of relevant asset according to the beneficial parties of such services.

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

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

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

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

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

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

## **24. Accrual liability**

When the Company is involved in proceedings, debt guarantees, onerous contracts and reorganization events, if such events may require delivery of assets or rendering of services in the future and the amounts of such events can be reliably measured, accrued liabilities are recognized.

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

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

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

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

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

present obligation.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

## 26. Revenue

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

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

When main risks and rewards attached to the ownership of goods have been transferred to the buyer, reserved neither continuous management power nor effective control over the goods, incoming payment can be measured

reliably, relative financial benefit possibly inflow to the company, cost occurred or will occur can be reliably measured, sales income of goods is recognized.

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

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

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

## **3. Recognition of property leasing revenue:**

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

## **4. Labor service revenue**

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

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

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

## **27. Government grants**

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

Government subsidies refer to the monetary assets and non-monetary assets the Company acquired from the government at no cost, but not including the capital the government invests for the enterprise owners. According to the subsidy objects specified by relevant government documents, government subsidies can be classified as the government subsidies related to assets and government subsidies related to incomes.

Government subsidies related to assets refer to the government subsidies that the Company obtains for purchasing and construction or forming long-term assets in other ways. Government subsidies related to incomes are recognized as deferred incomes and included in non-operating incomes by stages according to the useful life of constructed or purchased assets;

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

Government subsidies related to incomes refer to the government subsidies except for those related to assets. Government subsidies related to incomes used for compensating for an enterprise's expenses or losses in the later period are recognized as deferred incomes that shall be included in the current non-operating incomes during the period of confirming relevant expenses; those used for compensating for an enterprise's accrued expenses or losses shall be directly included in the current non-operating incomes when obtaining them.

When a recognized government subsidy needs to be returned and there is related deferred income balance, the book balance of related deferred income shall be offset, and the exceeding part shall be included in current profit and loss; those without related deferred income shall be directly included in current profit and loss.

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

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

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

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

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

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

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

- (1) The temporary differences formed in the initial recognition of goodwill;
- (2) Transactions or events formed by non-business combination, and it affects neither the accounting profit nor the temporary differences formed by taxable income (or deductible loss) when the transactions or events occur;
- (3) For the taxable temporary differences related to the subsidiary companies and investments in associated enterprises, the reversal time of this temporary difference can be controlled and this temporary difference is unlikely to be reversed back in the foreseeable future.

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

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

## **29. Lease**

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

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

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



period and record in current expenses.

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

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

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

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

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

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

## **30. Other main accounting policy and estimate**

## **31. Changes of main accounting policy and estimate**

### **(1) Changes of accounting policies**

☐ Applicable ☒ Not-applicable

### **(2) Changes in accounting estimates**

☐ Applicable ☒ Not-applicable

## **32. Other**

## **VI. Taxes**

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

Taxes	Taxes	Basis
VAT	Selling goods, taxable services income and taxable services income	17%、13%、3%

Business tax	Money of house received in advance and taxable income	5%
Urban maintenance and construction tax	Turnover tax payable	5%
Enterprise income tax	Taxable income	25%、16.5%
Land appreciation tax	Appreciation value or pre-requisitioned	Progressive rates
Educational surtax	Turnover tax payable	3%
Local educational surtax	Turnover tax payable	2%
Property tax	Rental income or original value of the property	12% or 1.2%

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

Taxpaying body	Rate for income tax
The Company	25%
Nanjing Real Estate	25%
Nanjiang Investment	25%
Ecological Agriculture	25%
Hangzhou Dongfeng	25%
Nanjiang Asia (tax in Hong Kong Special Administrative Region)	16.5%
Morsh Technology	25%
Huijing Property	25%
Runhua RW	25%

## 2. Tax preference

## 3. Other

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

### 1. Monetary funds

In RMB

Item	Ending balance	Opening balance
Cash	190,109.74	70,613.10
Bank deposit	133,340,155.16	84,473,064.35
Other monetary funds	4,604,967.93	3,693,739.53
Total	138,135,232.83	88,237,416.98

Other explanation

#### Monetary fund with restrictions:

Item	Ending balance	Opening balance
Margin of housing mortgage	4,604,967.93	3,693,739.53
Total	4,604,967.93	3,693,739.53

Closing balance of monetary fund increased 49,897,815.85 Yuan over that of period-begin with 56.55% up, mainly because the money for house selling in advance in the period increased

## 2. Accounts receivable

### (1) Accounts receivable by type

In RMB

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

			debts		value					
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Accounts receivable with large single amount and accrued for provision of bad debt on a single basis	2,320,047.40	92.20%	2,320,047.40	100.00%	0.00	2,320,047.40	92.86%	2,320,047.40	100.00%	0.00
Accounts receivable accrued for provision of bad debt by portfolio	196,199.35	7.80%	22,383.82	11.41%	173,815.53	178,497.35	7.14%	22,383.82	12.54%	156,113.53
Total	2,516,246.75	100.00%	2,342,431.22	93.09%	173,815.53	2,498,544.75	100.00%	2,342,431.22	93.75%	156,113.53

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

☒ Applicable ☐ Not-applicable

In RMB

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

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

☒ Applicable ☐ Not-applicable

In RMB

Aging	Ending balance		
	Accounts receivable	Provision for bad debts	Provision ratio
Within 1 year			
Subtotal within one year	123,869.00	5,308.35	5.00%
1-2 years	63,632.35	12,726.47	20.00%
2-3 years	8,698.00	4,349.00	50.00%
Total	196,199.35	22,383.82	

Portfolio recognized:

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

☐ Applicable ☒ Not-applicable

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

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

In the Period, 0 Yuan accrued for provision of bad debts; 0 Yuan provision for bad debts regains or switch back in the Period.

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

In RMB

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

In RMB

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

In RMB

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

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

Unit	Ending balance	Ratio in account receivable at period-end (%)	Bad debt provision accrued
Beijing Xiangeqing Industrial & Trade Co., Ltd.	2,320,047.40	92.20%	2,320,047.40
Electricity Authority of Chengde County	68,561.35	2.72%	14,106.52
Inner Mongolia Ajinnai Horse Culture Development Co., Ltd.	44,172.00	1.76%	5,000.00
Greatwall Group of Chengde County	12,611.00	0.50%	3,277.30
Total	2,445,391.75	97.18%	2,342,431.22

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

Other explanation:

**3. Prepayments****(1) Aging analysis of repayment**

In RMB

Aging	Ending balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	476,361.30	100.00%	1,105,122.95	100.00%
Total	476,361.30	--	1,105,122.95	--

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

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

Unit	Ending amount	Ratio in prepayment (%)	Time of repayment	Un-settle reasons
Chengde Hongsheng Construction Installation Co. Ltd.	310,000.00	68.49%	Within 1 year	Before the settlement period
Foshan Sanshui Fenglv Aluminum Co. Ltd.	46,310.90	10.23%	Within 1 year	Before the settlement period
Qinhuangdao Jiuchang Economic and Trade Co., Ltd.	37,431.50	8.27%	Within 1 year	Before the settlement period
Beijing Kegao Dabei Farm Feed Company	6,537.13	1.44%	Within 1 year	Before the settlement

				period
Chengde Power Branch of Jibei Electric Power Company	6,337.76	1.40%	Within 1 year	Before the settlement period
Total	406,617.29	89.83%	---	---

Other explanation:

Prepayment in the period decreased 628,761.65 Yuan over that of last period with 56.9% declined, mainly due to the prepayment for goods declined in the Period

#### 4. Other account receivables

##### (1) Other account receivables by type:

In RMB

Type	Ending balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Proportion	Amount	Provision ratio		Amount	Proportion	Amount	Provision ratio	
Other receivables with large single amount and accrued for provision of bad debt on a single basis	2,709,273.00	2.85%	2,709,273.00	100.00%		2,709,273.00	2.90%	2,709,273.00	100.00%	
Other receivables accrued for provision of bad debt by portfolio	90,161,586.29	94.99%	274,716.03	0.30%	89,886,870.26	88,424,018.54	94.90%	274,716.03	0.31%	88,149,302.51
Other receivables with minor single amount but accrued for provision of bad debt on a single basis	2,046,957.70	2.16%	2,046,957.70	100.00%		2,046,957.70	2.20%	2,046,957.70	100.00%	
Total	94,917,816.99	100.00%	5,030,946.73	5.30%	89,886,870.26	93,180,249.24	100.00%	5,030,946.73	5.40%	88,149,302.51

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

√ Applicable □ Not-applicable

In RMB

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

Total	2,709,273.00	2,709,273.00	--	--
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Other receivables accrued for provision of bad debt by aging analysis method in portfolio:

☒ Applicable ☐ Not-applicable

In RMB

Aging	Ending balance		
	Other account receivable	Provision for bad debts	Provision ratio
Within 1 year			
Subtotal within one year	2,982,409.4	39,083.31	5.00%
1-2 years	911,108.61	182,221.72	20.00%
2-3 years	20,000.00	10,000.00	50.00%
Over 3 years	43,411.00	43,411.00	100.00%
Total	3,956,929.01	274,716.03	6.94%

Portfolio recognized:

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

☐ Applicable ☒ Not-applicable

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

☒ Applicable ☐ Not-applicable

Portfolio	Ending balance		
	Other accounts receivable	Provision for bad debts	Provision ratio(%)
Land reserve center of Chengde County	86,025,400.00	---	---
Office of material reformation for wall in the County	90,421.00	---	---
Chengde Petroleum Branch	88,836.28	---	---
Total	86204657.28	---	---

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

There is 0 Yuan provision for bad debts accrued in the Period; and 0 Yuan regains or switch back in the Period.

Including the followed significant amount:

In RMB

Unit	Regains or switch back	Way of regain
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## (3) Other receivables actually written-off during the reporting period

In RMB

Item	Amount written-off
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Major other account receivables written-off:

In RMB

Name	Nature	Amount written-off	Reasons	Procedures	Arising from related transaction (Y/N)
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Explanation on other account receivable:

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

In RMB

Nature of money	Ending book balance	Beginning book balance
Land acquisition account	86,025,400.00	86,025,400.00

Auction creditor's rights	1,209,273.00	1,209,273.00
Margin	1,550,000.00	1,550,000.00
Other	6,133,143.99	4,395,576.24
Total	94,917,816.99	93,180,249.24

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

In RMB

Unit	Nature	Ending balance	Aging	Proportion in total other receivables	Ending balance of bad debt provision
Land Reserve Center of Chengde County	Final payment for land acquisition	86,025,400.00	Within 1 year, 1-2 years	92.06%	
Non-Taxable Revenue Authority of Chengde County	Margin for land bidding	1,500,000.00	1-2 years	1.61%	1,500,000.00
Auction creditor's rights	Auction creditor's rights	1,209,273.00	Over 3 years	1.29%	1,209,273.00
Zhou Haihong	Other	642,689.25	3-4 years	0.68%	642,689.25
Bao Degang	Other	356,838.00	3-4 years	0.38%	356,838.00
Total	--	89,734,200.25	--	94.54%	3,708,800.25

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

In RMB

Unit	Item	Ending balance	Ending age	Time and amount collected and basis
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**(7) Other receivable for termination of confirmation due to the transfer of financial assets****(8)The amount of assets and liabilities that are transferred other receivable and continued to be involved**

Other explanation:

Ending balance of other receivables increased 1,737,567.75 Yuan over that of period begin with 1.97% up

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

In RMB

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserve	Book value	Book balance	Depreciation reserve	Book value
Raw materials	972,453.83		972,453.83	596,830.85		596,830.85
Goods in process	38,606.33		38,606.33	61,739.48		61,739.48
Stock products	9,638,314.14	133,740.78	9,504,573.36	13,571,110.15	127,945.20	13,443,164.95
Revolving materials	18,498.40		18,498.40	18,498.40		18,498.40
Consumptive biological assets	0.00		0.00	130,431.42	5,795.58	124,635.84
Development cost	366,971,468.55		366,971,468.55	432,613,281.99		432,613,281.99
Development products	100,948,682.72		100,948,682.72	172,383,223.21		172,383,223.21

Total	478,588,023.97	133,740.78	478,454,283.19	619,375,115.50	133,740.78	619,241,374.72
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**(2) Inventory depreciation reserve**

In RMB

Item	Opening balance	Increased in Period		Decreased in Period		Ending balance
		Accrual	Other	Reversing or write-off	Other	
Stock products	127,945.20		5,795.58			133,740.78
Consumptive biological assets	5,795.58				5,795.58	
Total	133,740.78		5,795.58		5,795.58	133,740.78

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

In RMB

Item	Amount
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Other explanation:

Balance of inventory at period-end decrease 140,787,091.53 Yuan over that of period-begin with 22.74% down.

**6. Other current assets**

In RMB

Item	Ending balance	Opening balance
Taxes paid in advance	28,428,183.32	33,761,457.51
Total	28,428,183.32	33,761,457.51

Other explanation:

Balance at period-end decreased 5,333,274.19 Yuan over that of period-begin with 15.80% down.

**7. Finance asset available for sales****(1) Finance asset available for sales**

In RMB

Item	Ending balance			Opening balance		
	Book balance	Impairment loss	Book value	Book balance	Impairment loss	Book value
Equity instrument available for sales	25,000,000.00		25,000,000.00			
Measured by cost	25,000,000.00		25,000,000.00			
Total	25,000,000.00		25,000,000.00			

**(2) Finance asset available for sales measured by cost at year-end**

In RMB

Classification of financial assets available for sale	Instrument equity available for sale	Instrument debt available for sale		Total
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**(3) Financial assets available for sale measured by cost at period-end**

In RMB

The invested company	Book balance				Impairment provision				Shareholding ratio in invested	Cash dividend in Period
	At period-beg	Increase in the period	Decrease in the	At period-end	At period-beg	Increase in the period	Decrease in the	At period-end		



	in		period		in		period		company	
Dongguan Dongfeng New Energy Technology Co. Ltd		25,000,000.00		25,000,000.00					2.44%	
Total		25,000,000.00		25,000,000.00					--	

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

In RMB

Classification of financial assets available for sale	Instrument equity available for sale	Instrument debt available for sale		Total
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**(5) Fair value of equity instrument available for sale sharply declined or other-than-temporary declined at period-end without depreciation reserves accrual:**

In RMB

Item of instrument equity available for sale	Investment cost	Fair value at period-end	Decline of the fair value relative to cost	Continues falling time (Month)	Impairment accrual	Cause of un-accrual
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Other explanation

On 10 March 2016, the Company and Dongguan Dongfeng New-Energy Technology Co., Ltd., and its current shareholder Tibet Dongfeng Investment Co., Ltd, Tibet Fengmao Investment Co., Ltd. and Eagles Men Aeronautic Science and Technology Group Co., Ltd. entered into a Agreement of Increase in Capital and Share. The Company increased RMB 25 million with the own funds to Dongguan Dongfeng New-Energy Technology Co., Ltd and RMB 25 million counted in the registered capital. After capital increased, the 2.44% equity of Dongguan Dongfeng New-Energy Technology Co., Ltd is held by the Company.

**8. Long-term equity investment**

In RMB

Invested company	Opening balance	Changes in Period								Ending balance	Impairment provision at ending balance
		Additional investment	Capital reduction	Investment gains/losses recognized by equity method	Adjustment of other comprehensive income	Other equity changes	Cash dividend or profit declare to issue	Provision for impairment losses	Other		
I. Joint venture											
II. Associated enterprise											
Runhua RW (Tianjin) Water-sav	2,343,974.43			-12,933.77						2,331,040.66	

ing Technolo gy Co., Ltd.											
Wuchan Minfeng (Tianjin) Chemical Trade Co., Ltd.	4,455,549 .93									4,455,549 .93	4,455,549 .93
Subtotal	6,799,524 .36			-12,933.7 7						6,786,590 .59	4,455,549 .93
Total	6,799,524 .36			-12,933.7 7						6,786,590 .59	4,455,549 .93

## Other explanation

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

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

## 9. Fixed assets

### (1) Fixed assets

In RMB

Item	Houses and buildings	Machinery equipment	Transportation equipment	Other	Total
I. Original book value					
1. Opening balance	8,095,437.08	1,310,815.43	4,007,079.15	755,832.37	14,169,164.03
2. Increased in Period		632,136.76	12,271.75	239,155.28	883,563.79
(1) Purchase		632,136.76	12,271.75	239,155.28	883,563.79
(2) Transferred from construction in process					
(3) Increased by enterprise combination					
3. Decreased in Period				726.35	726.35

(1) Disposal or scrap				726.35	726.35
4. Ending balance	8,095,437.08	1,942,952.19	4,019,350.90	994,261.30	15,052,001.47
II. Accumulated depreciation					
1. Opening balance	1,845,759.60	1,181,130.82	1,755,387.42	481,187.02	5,263,464.86
2. Increased in Period	153,813.30	53,247.01	150,699.44	44,986.57	402,746.32
(1) Accrual	153,813.30	53,247.01	150,699.44	44,986.57	402,746.32
3. Decreased in Period					
(1) Disposal or scrap					
4. Ending balance	1,999,572.90	1,234,377.83	1,906,086.86	526,173.59	5,666,211.18
III. Depreciation reserves					
1. Opening balance					
2. Increased in Period					
(1) Accrual					
3. Decreased in Period					
(1) Disposal or scrap					
4. Ending balance					
IV. Book value					
1. Ending book value	6,095,864.18	708,574.36	2,113,264.04	468,087.71	9,385,790.29
2. Opening book value	6,249,677.48	129,684.61	2,251,691.73	274,645.35	8,905,699.17

**(2) Temporarily idle fixed assets**

In RMB

Item	Original book value	Cumulative depreciation	Depreciation reserves	Book value	Note
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**(3) Fixed assets acquired by financing lease**

In RMB

Item	Original book value	Cumulative depreciation	Depreciation reserves	Book value
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**(4) Fixed assets acquired by operating lease**

In RMB

Item	Ending book value
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**(5) Fixed assets without property certificates**

In RMB

Item	Book value	Reasons
Houses and buildings	6,095,864.18	The pledge of the assets are released, ownership procedures still in process

Other explanation

The buildings are originally the guarantee of the Company's predecessor Dixian Stock and its bankrupt subsidiary for the bank loans and have been completely transferred to the Company in the bankruptcy reorganization in 2009, though Chengde Intermediate People's Court of Hebei Province has issued the "Notice to assist in enforcement of people's court" to housing urban and rural construction bureau of Chengde County and required to assist in enforcement of transferring the ownership of buildings with property right certificates CXFZ No. 000196 and 000108 to the Company, the transfer of property right cannot proceed because many departments have involved in it and procedures of transfer procedures are still in the process.

**10. Productive biological assets****(1) Measured by cost**

√ Applicable □ Not-applicable

In RMB

Item	Plantation	Livestock	Forestry	Aquaculture	Total
I. original book value					
1. Opening balance		189,663.61			189,663.61
2. Increased in Period					
(1) Outsourcing		29,624.36			29,624.36
(2) Self-cultivation		29,624.36			29,624.36
3. Decreased in Period					
(1) Disposal		--			--
(2) Other					
4. Ending balance		219,287.97			219,287.97
II. accumulated depreciation					
1. Opening balance		41,153.85			41,153.85
2. Increased in Period		60,282.81			60,282.81
(1) Accrual		60,282.81			60,282.81

3. Decreased in Period					
(1) Disposal					
(2) Other					
4. Ending balance		101,436.66			101,436.66
III. Depreciation reserves					
1. Opening balance					
2. Increased in Period					
(1) Accrual					
3. Decreased in Period					
(1) Disposal					
(2) Other					
4. Ending balance					
IV. Book value					
1. Ending book value		117,851.31			117,851.31
2. Opening book value		148,509.76			148,509.76

**(2) Measured by fair value**

□ Applicable √ Not-applicable

**11. Intangible assets****(1) Intangible assets**

In RMB

Item	Land use right	Patent right	Non-patent technology	Software	Total
I. Original book value					
1. Opening balance	7,042,791.01			228,000.00	7,270,791.01
2. Increased in Period					
(1) Purchase					
(2) Internal R&D					
(3) Increased by enterprise					

combination					
3. Decreased in Period					
(1) Disposal					
4. Ending balance	7,042,791.0			228,000.00	7,270,791.01
II. Accumulated amortization					
1. Opening balance	650,280.44			228,000.00	878,280.44
2. Increased in Period	65,377.98				65,377.98
(1) Accrual	65,377.98				65,377.98
3. Decreased in Period					
(1) Disposal					
4. Ending balance	715,658.42			228,000.00	943,658.42
III. Depreciation reserve					
1. Opening balance					
2. Increased in Period					
(1) Accrual					
3. Decreased in Period					
(1) Disposal					
4. Ending balance					
IV. Booking value					
1. Ending book value	6,327,132.59				6,327,132.59
2. Beginning book value	6,392,510.57				6,392,510.57

Intangible assets formulated no by means of internal R&D in balance of total intangible assets at period-end

**(2) Land use right without property certificate**

In RMB

Item	Book value	Reasons
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Other explanation:

**12. Development expenditure**

In RMB

Item	Opening balance	Increased in Period			Decreased in Period			Ending balance
Airship	172,416.18	897,649.74						1,070,065.92
Total	172,416.18	897,649.74						1,070,065.92

Other explanation

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

In RMB

Name of invested company or items formed goodwill	Opening balance	Increased in Period		Decreased in Period		Ending balance
Runhua RW	1,809,762.89					1,809,762.89
Total	1,809,762.89					1,809,762.89

**(2) Impairment loss of goodwill**

In RMB

Name of invested company or items formed goodwill	Opening balance	Increased in Period		Decreased in Period		Ending balance
Runhua RW	1,809,762.89					1,809,762.89
Total	1,809,762.89					1,809,762.89

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

Other explanation

Runhua RW has deficit in 2014 and 2015 continuously, and did not completed the performance commitment; goodwill has impairment

**14. Long-term unamortized expenses**

In RMB

Item	Opening balance	Increased in Period	Amortized in Period	Other decrease	Ending balance
Office remodeling costs	202,353.97	318,067.01	94,093.00		426,327.98
Total	202,353.97	318,067.01	94,093.00		426,327.98

Other explanation

**15. Deferred income tax assets and deferred income tax liabilities****(1) Deferred income tax assets un-offset**

In RMB

Item	Ending balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Preparations of assets depreciation	3,102,581.64	775,645.41	3,102,581.64	775,645.41

Total	3,102,581.64	775,645.41	3,102,581.64	775,645.41
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**(2) Deferred income tax liabilities un-offset**

In RMB

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

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

In RMB

Item	Trade-off between the deferred income tax assets and liabilities	Ending balance of deferred income tax assets or liabilities after off-set	Trade-off between the deferred income tax assets and liabilities at period-begin	Opening balance of deferred income tax assets or liabilities after off-set
Deferred income tax assets		775,645.41		775,645.41

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

In RMB

Item	Ending balance	Opening balance
Deductible temporary differences	2,369,994.88	2,369,994.88
Deductible losses	84,661,345.43	79,895,176.78
Total	87,031,340.31	82,265,171.66

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

In RMB

Year	Ending amount	Opening amount	Note
2016		1,707,747.80	
2017	12,891,377.63	12,891,377.63	
2018			
2019	30,576,125.82	30,576,125.82	
2020	34,719,925.53	34,719,925.53	
2021	6,473,916.45		
Total	84,661,345.43	79,895,176.78	--

Other explanation:

**16. Other non-current assets**

In RMB

Item	Ending balance	Opening balance
Account paid in advance for house purchase	5,201,365.53	5,201,365.53
Total	5,201,365.53	5,201,365.53

Other explanation:

Refers to the account paid in advance for house purchase from subsidiary Runhua RW

**17. Account payable****(1) Account payable**

In RMB



Item	Ending balance	Opening balance
Account payable for engineering	13,055,030.38	25,947,762.55
Account payable for goods	8,398,787.81	8,813,034.75
Account payable for materials	13,780.00	22,867.00
Account payable for equipment	0.00	80,000.00
Other	73,350.00	149,570.00
Total	21,540,948.19	35,013,234.30

**(2) Accounts payable with major amount and aging of over one year**

In RMB

Item	Ending balance	Reasons of un-paid or carry-over
Handan Hanyi Architectural Engineering Co., Ltd.	400,000.00	Before the accounting period
Chengde Xingcheng Construction Installation Engineering Co., Ltd.	66,058.39	Before the accounting period
Quality experience station for fire products in Hubei	37,170.00	Before the accounting period
Total	503,228.39	--

Other explanation:

Balance of account payable at period-end decreased 13,472,286.11 Yuan over that of period-begin with 38.48% down, mainly because the settlement of account payable for engineering and goods.

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

In RMB

Item	Ending balance	Opening balance
Deposit received for house-Huijing Tiandi	372,400,907.26	430,730,271.19
Deposit received for goods	435,000.00	3,955,757.50
Resident heating fees received in advance	179,276.00	1,113,841.30
Other	240,560.66	192,068.58
Total	373,255,743.92	435,991,938.57

**(2) Major account received in advance for over one year age**

In RMB

Item	Ending balance	Reasons
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**(3) Project closed for account without complete in construction from construction contract at period-end**

In RMB

Item	Amount
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Other explanation:

Ending balance of account received in advance decrease 62,736,194.65 Yuan over that of period-begin with 49.85% up.

**19. Wages payable****(1) Wages payable**

In RMB

Item	Opening balance	Increased in Period	Decreased in Period	Ending balance
I. Short-term employee benefits	3,737.12	11,816,135.74	11,819,474.64	398.22

II. Post-employment benefits - defined contribution plans	6,192.30	468,504.29	474,696.59	
Total	9,929.42	12,284,640.03	12,294,171.23	398.22

**(2) Short-term employee benefits**

In RMB

Item	Opening balance	Increased in Period	Decreased in Period	Ending balance
1. Salary, bonus, allowance and subsidy		11,342,382.01	11,342,382.01	0.00
3. Social insurance premium	3,108.90	229,714.41	232,823.31	
Of which: including: medical insurance expenses	2,861.50	199,066.54	201,928.04	
Work injury insurance expenses		20,634.87	20,634.87	
Maternity insurance	247.40	10,013.00	10,260.40	
4. Housing provident funds		240,068.00	240,068.00	
5. Labor union expenditures and employee education expenses	628.22	3,971.32	4,201.32	398.22
Total	3,737.12	11,816,135.74	11,819,474.64	398.22

**(3) Details of defined contribution plans**

In RMB

Item	Opening balance	Increased in Period	Decreased in Period	Ending balance
1. Basic endowment insurance expenses	5,685.70	436,062.19	441,747.89	0.00
2. Unemployment insurance expenses	506.60	32,442.10	32,948.70	0.00
3. Enterprise annuity payment				0.00
Total	6,192.30	468,504.29	474,696.59	

Other explanation:

**20. Tax payable**

In RMB

Item	Ending balance	Opening balance
VAT	941,243.37	971.36

Business tax	--	3,663.76
Individual income tax	1,397.55	10,315.24
Urban maintenance and construction tax	--	231.26
Educational surtax	--	137.96
Local educational surtax	--	93.30
Stamp tax	6,512.26	5,930.73
Total	949,153.12	21,343.61

Other explanation:

## 21. Other account payables

### (1) Other account payables by nature

In RMB

Item	Ending balance	Opening balance
Intercourse funds	12,720,112.00	10,020,000.00
Deposit and margin	1,003,752.95	1,276,413.11
Withhold and remit tax	21,084.16	19,480.82
Other	945,049.29	1,430,207.77
Total	14,689,998.40	12,746,101.70

### (2) Other payables with large amount and aging of over one year

In RMB

Item	Ending balance	Reason for non-repayment or carryover
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Other explanation

## 22. Share capital

In RMB

	Opening balance	Increased (decreased) in Period					Ending balance
		New shares issued	Bonus shares	Shares converted from public reserve	Other	Sub-total	
Total shares	706,320,000.00						706,320,000.00

Other explanation:

## 23. Capital reserves

In RMB

Item	Opening balance	Increased in Period	Decreased in Period	Ending balance
Capital premium (share premium)	393,998,569.41	3,801,700.00		397,800,269.41
Other capital reserves	65,873,219.23			65,873,219.23
Total	459,871,788.64	3,801,700.00		463,673,488.64

Other explanation, including changed in Period as well as reasons for changes:

RMB 3,801,700.00 increased in the Period, refers to the performance compensation from largest shareholders which was reckoned into the stock premium

## 24. Surplus reserves

In RMB

Item	Opening balance	Increased in Period	Decreased in Period	Ending balance
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Statutory surplus reserves	76,791,550.17			76,791,550.17
Total	76,791,550.17			76,791,550.17

Explanation on surplus reserve, including changed in Period as well as reasons for changes:

## 25. Retained profits

In RMB

Item	The Period	Last Period
Retained profits at the end of last period before adjustment	-890,727,215.25	-949,599,922.37
Retained profits at the beginning of the period after adjustment	-890,727,215.25	-949,599,922.37
Add: The net profits belong to owners of patent company of this period	1,801,869.94	75,402,588.38
Retained profits at the end of the period	-888,925,345.31	-874,197,334.00

Details about adjusting the retained profits at the beginning of the year:

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the undistributed profits at the beginning of the year amounting to 0 Yuan.
- 2) The changes in accounting policies affect the undistributed profits at the beginning of the year amounting to 0 Yuan.
- 3) The major accounting error correction affects the undistributed profits at the beginning of the year amounting to 0 Yuan.
- 4) Merge scope changes caused by the same control affect the undistributed profits at the beginning of the year amounting to 0 Yuan.
- 5) Other adjustments affect the undistributed profits at the beginning of the year amounting to 0 Yuan.

## 26. Operating income and operating cost

In RMB

Item	The Period		Last Period	
	Income	Cost	Income	Cost
Main business	191,078,889.32	163,101,369.56	51,615,454.74	52,825,274.96
Other business	335,592.42	81,317.07	761,217.42	431,217.42
Total	191,414,481.74	163,182,686.63	52,376,672.16	53,256,492.38

## 27. Business tax and surcharges

In RMB

Item	The Period	Last Period
Business tax	8,296,366.53	48,025.25
Urban maintenance and construction tax	497,164.44	3,031.84
Educational surtax	497,014.47	3,031.85
Land VAT	3,664,665.11	0.00
Total	12,955,210.55	54,088.94

Other explanation:

Business tax and surcharge increased 12,901,121.61 Yuan over that of last period with 23851.68% up, mainly because sale of Huijing Tiandi carry over increased in the Period

## 28. Sales expenses

In RMB

Item	The Period	Last Period
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Transport charge	176,729.02	730,843.94
Lump sum	4,483.49	268,860.30
Salary	60,190.00	104,466.00
Repair charge		10,809.02
Advertising fees	71,975.00	96,600.00
Storage fee	1,140.47	9,468.93
Other	200.08	97,171.69
<b>Total</b>	<b>314,718.06</b>	<b>1,318,219.88</b>

Other explanation:

The sales expenses in the Period declined RMB 1,003,501.82 over that of last period with 76.13% down, mainly because the trading business has less expenses from a year earlier

## 29. Administration expenses

In RMB

Item	The Period	Last Period
Salary	6,748,266.03	3,048,150.89
Agency fee	1,085,483.77	969,001.87
Tenure tax	590,196.79	798,359.32
Business entertainment	818,553.45	1,020,771.68
Depreciation and amortization	421,693.46	668,247.48
Business-travel expense	812,495.35	743,858.67
Welfare expenses	661,214.54	1,476,587.95
Office allowance	429,394.93	414,409.56
Social insurance fee	526,608.65	473,866.77
Stamp duty	126,417.27	124,738.87
Amortization of low value consumables	219,071.44	37,309.90
Housing fund	168,697.60	131,695.08
Long-term deferred expenses	78,609.04	828,523.23
Repair charge	98,964.60	84,512.90
Material consumption	98,279.84	174,141.09
Union funds	3,971.32	4,237.32
Property tax	20,558.29	8,976.08
Utilities	19,077.73	63,821.63
Other	901,987.20	609,516.53
<b>Total</b>	<b>13,829,541.30</b>	<b>11,680,726.82</b>

Other explanation:

## 30. Financial expenses

In RMB

Item	The Period	Last Period
Interest expenses		294,828.29
Less: Interest income	121,643.23	103,671.98
Profit/loss on exchange		-4,696.19
Bank handling charges	19,856.39	26,210.64
<b>Total</b>	<b>-101,786.84</b>	<b>212,670.76</b>

Other explanation:

Financial expenses decrease 314,457.6 Yuan over that of last period with 147.86% declined, mainly because interest expenditure decreased in the period

### 31. Asset impairment loss

In RMB

Item	The Period	Last Period
I. Bad debt loss		-400.00
Total		-400.00

Other explanation:

### 32. Investment income

In RMB

Item	The Period	Last Period
Long-term equity investment income calculated on equity method	-12,933.77	37,559.09
Total	-12,933.77	37,559.09

Other explanation:

### 33. Non-operating income

In RMB

Item	The Period	Last Period	Amount reckoned into current non-recurring gains/losses
Total income from disposal of non-current assets		103,610,779.62	
Income from disposal of intangible assets		103,610,779.62	
Other	69,070.59	465,551.64	69,070.59
Total	69,070.59	104,076,331.26	69,070.59

Government grants reckoned into current gains/losses:

In RMB

Item	Distributed by	Reasons	Nature	Impact on current gains/losses (Y/N)	Special grants (Y/N)	The Period	Last Period	Assets-related /income-related

Other explanation:

Non-operation revenue decreased RMB 104,007,260.67 over same period of last year with 99.93% declined, mainly because government land reserves gains more income in last period

### 34. Non-operating expenditure

In RMB

Item	The Period	Last Period	Amount reckoned into current non-recurring gains/losses
Other	339,948.94	3,217,393.57	
Total	339,948.94	3,217,393.57	

Other explanation:

**35. Income tax expense****(1) Statement of income tax expenses**

In RMB

Item	The Period	Last Period
Current income tax	8,991.27	12,929,483.98
Total	8,991.27	12,929,483.98

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

In RMB

Item	2015
Total profit	950,299.92
Income tax measured by statutory/applicable tax rate	237,574.98
Impact by the deductible losses of the un-recognized previous deferred income tax	228,583.71
Income tax expenses	8,991.27

Other explanation

Income tax expenses declined RMB 12,920,492.71 over same period of last year with 99.93% declined, mainly because there was more tax amount for the government land reserves in last period

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

In RMB

Item	The Period	Last Period
Intercourse funds	6,619,861.33	43,150,533.95
Interest income	122,433.28	84,858.23
Other	1,313,516.00	1,248,936.08
Total	8,055,810.61	44,484,328.26

Explanation on other cash received in relation to operation activities

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

In RMB

Item	The Period	Last Period
Disbursement costs	10,713,299.72	9,382,361.01
Intercourse funds	3,632,456.94	34,417,207.14
Other	2,656,790.78	2,877,209.13
Total	17,002,547.44	46,676,777.28

Explanation on other cash paid in relation to operation activities

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

In RMB

Item	The Period	Last Period
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Explanation on cash received from other investment activities

**(4) Cash paid related with other investment activities**

In RMB

Item	The Period	Last Period
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Explanation on cash paid related with other investment activities

**(5) Cash received from other financing activities**

In RMB

Item	The Period	Last Period
Margin of the housing mortgage loan are received	753,264.46	
Total	753,264.46	

Explanation on cash received from financing activities

**(6) Cash paid related with other financing activities**

In RMB

Item	The Period	Last Period
Margin of the housing mortgage loan are paid	1,626,700.00	1,553,600.00
Total	1,626,700.00	1,553,600.00

Change of monetary fund restricted

**37. Supplementary information to statement of cash flow**

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

In RMB

Supplementary information	The Period	Last Period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	941,308.65	73,821,886.18
Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets	464,795.45	955,157.65
Amortization of intangible assets	65,377.98	160,213.00
Amortization of long-term deferred expenses	94,093.00	1,164,572.96
Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with "-")	74,717.58	-103,610,779.62
Financial expenses (gain is listed with "-")		277,316.74
Investment losses(gain is listed with "-")	12,933.77	-37,559.09



Decrease of inventory (increase is listed with “-”)	140,787,091.53	157,446,699.53
Decrease of operating receivable accounts (increase is listed with “-”)	-1,126,508.10	15,933,240.56
Increase of operating payable accounts (decrease is listed with “-”)	-64,458,825.89	-113,754,717.28
Net cash flow arising from operating activities	76,854,983.97	32,356,030.63
2. Material investment and financing not involved in cash flow	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	133,530,264.90	66,199,806.53
Less: Balance of cash equivalent at year-begin	84,543,677.45	35,582,359.90
Net increase of cash and cash equivalents	48,986,587.45	30,617,446.63

**(2) Net cash payment for the acquisition of a subsidiary of the current period**

In RMB

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

Other explanation:

**(3) Net cash received from the disposal of subsidiaries**

In RMB

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

Other explanation:

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

In RMB

Item	Ending balance	Opening balance
I . Cash	133,530,264.90	84,543,677.45
Including: stock cash	190,109.74	70,613.10
Bank deposit available for payment at any time	133,340,155.16	84,473,064.35
III. Balance of cash and cash equivalent at period-end	133,530,264.90	84,543,677.45

Other explanation:

**38. Notes on items of changes of owner's equity**

Name and adjusted amount on “Other” at balance of year-end of last year:

**39. Assets with ownership or right-to-use restricted**

In RMB

Item	Ending book value	Restriction reasons
Monetary fund	4,604,967.93	Margin for housing mortgage
Total	4,604,967.93	--

Other explanation:

#### 40. Foreign currency monetary items

##### (1) Foreign currency monetary items

In RMB

Item	Balance of foreign currency at period-end	Exchange rate convert	RMB concert at Period-end
Moentary fund	--	--	5,162,025.02
Including: USD	778,419.24	6.6312	5,161,853.66
HKD	200.49	0.8547	171.36

Other explanation:

##### (2) Explanation on foreign operational entity, as for major foreign operational entity, disclosed foreign main operation land, book-keeping currency and basis; and disclosed reasons if the book-keeping currency changed

☐ Applicable ☒ Not-applicable

#### 41. Other

### VIII. Changes of consolidation range

#### 1. Enterprise merger not under the same control

##### (1) Enterprise merger not under the same control

In RMB

Acquiree	Time for equity obtained	Cost for equity obtained	Ratio of equity obtained	Way to obtained	Purchasing date	Basis of the purchasing date	Revenue of the acquiree from purchasing date to period-end	Net profit of the acquiree from purchasing date to period-end

Other explanation:

##### (2) Combined cost and goodwill

In RMB

Combine cost	

Explanation on determination method for fair value of combine cost, contingent consideration and its changes:

Reason of major goodwill resulted:

Other explanation:

##### (3) Acquiree's identifiable assets and liabilities on purchasing date

In RMB

	Fair value on purchasing date	Book value on purchasing date

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

Contingent liability of the acquiree taken during enterprise merger:

Other explanation:

##### (4) Gains/losses arising from re-calculation on fair value for the equity held before purchasing date

Whether the enterprise combine through multiple transaction by steps or not and obtained controlling rights during the reporting

period

☐Y ☒N

**(5) Explanation on the combination consideration, which is unable to confirm rationally on purchasing date or combination date or on the fair value of identifiable assets and liabilities for the acquiree**

**(6) Other explanation**

## 2. Enterprise merger under the same control

### (1) Enterprise merger under the same control

In RMB

Combined party	Equity ratio in combination	Basis for merger under the same control	Combination date	Basis of combination date	Revenue of the combined party from period of combined to combination date	Net profit of the combined party from period of combined to combination date	Revenue of the combined party during comparative period	Net profit of the combined party during comparative period
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Other explanation:

### (2) Combine cost

In RMB

Combine cost	
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Explanation on contingent consideration and its changes:

Other explanation:

### (3) Book value of the combined party's assets and liabilities on combine date

In RMB

	Combination date	End of last period

Contingent liability of the combined party taken in combination

Other explanation:

## 3. Counter purchase

Transaction information, basis of counter purchase, whether the assets and liability of the listed company constitute a business and its basis, determination of combined cost, the amount and calculation that adjusted while in treatment of equity transaction

## 4. Subsidiary disposal

Whether there is a single disposal of the investment in subsidiaries that is the loss of control

☐ Yes ☒ No

Whether there is disposal of the investment in subsidiaries through multiple transactions step by step and loss of control in the current period

☐ Yes ☒ No

## 5. Other reasons for consolidation range changed

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

## 6. Other

## IX. Equity in other entity

### 1. Equity in subsidiary

#### (1) Constitute of enterprise group

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

Nanjing Real Estate *1	Chengde City	Chengde City	Real estate development	100.00%		Enterprise merger under the same control
Nanjiang Investment*2	Chengde City	Chengde City	Industrial investment	100.00%		Establishment
Ecological Agriculture*3	Chengde City	Chengde City	Animal husbandry		100.00%	Establishment
Hangzhou Dongfeng *4	Hangzhou	Hangzhou	Stealth technology	90.00%		Establishment
Nanjiang Asia*5	Hong Kong	Hong Kong	International investment	100.00%		Establishment
Morsh Technology *6	Chengde City	Chengde City	Production and sale of Graphene		90.00%	Establishment
Huijing Property *7	Chengde City	Chengde City	Property management		100.00%	Establishment
Runhua RW*8	Tianjin City	Tianjin City	International trading	30.00%		Enterprise merger not under the same control

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

On 25 June 2013, Nanjiang Company completed the equity acquisition of Runhua RW with 9 million Yuan, representing 30 percent equity of Runhua RW, and became the first largest shareholder of Runhua RW; shareholder of the Runhua RW all agreed to restructuring the Board of Directors, totally five members in the Board and Nanjiang Company takes 3 of them; the second largest shareholder, who holds 7.03 million Yuan equity of the Runhua RW (representing 23.43 percent of the Runhua RW)- Lan Chunhong come to an agreement of persons acting in concert with Nanjiang Company; the shareholder's rights (excluding the right of self-benefit as dividend rights and assignment right ) under the name of Lan Chunhong with the equity ratio holding are totally entrusted to Nanjiang Company for execution, and Nanjiang Company holds 53.43 percent voting rights in Runhua RW.

Basis for controlling the invested entity with half or below voting rights held and without controlling invested entity but with over half and over voting rights:

Pursuit to the Article 8 "As for the half or below voting rights of the invested company are held by parent company, consider as such parent company is able to control the invested company while satisfied one of the conditions as follow, and the invested company shall recognized as the subsidiary included in consolidate scope of the consolidate financial statement. However, except for there is evidence to show that the parent company is not able to control the invested company":

- (i) Holds more than half of the voting rights of invested company through the agreement with invested company and other investors;
- (ii) have rights to determine the financial and operation policy of the invested company in line with the Article of Association or Agreement;
- (iii) have the rights to appoint and dismiss majority members of the BOD or similar institution of the invested company;
- (iv) takes majority voting rights in the BOD or similar institution of the invested company." carried in Accounting Standards for Business Enterprise No. 33 – Consolidate Financial Statement.

After equity acquisition, among the five members of the Board of Runhua RW, there are three members on behalf of the Nanjiang Company, and main production managerial force will dispatch at the same time to Runhua RW; furthermore, Nanjiang Company has 53.43 percent voting rights of the Runhua RW in line with the agreement with other investors. Satisfied the regulations of Article 8 “Holds more than half of the voting rights of invested company through the agreement with invested company and other investors” and “have the rights to appoint and dismiss majority members of the BOD or similar institution of the invested company” carried in Accounting Standards for Business Enterprise No. 33 – Consolidate Financial Statement, thus Runhua RW was included in consolidate financial statement scope of the Nanjiang Company.

Controlling basis for the structuring entity included in consolidated range:

Basis on determining to be a agent or consignor:

Other explanation:

\*1 Chengde Rongyida Real Estate Development Co., Ltd (“Rongyida” for short) was established on 20 February 2009 with registered capital of 10 million Yuan, of which, Wang Fei invested 9 million Yuan, representing 90 percent of the registered capital while one million Yuan contributed by Chen Liping, presenting 10 percent of the registered capital; On 27<sup>th</sup> July 2009, Wang Fei and Chen Liping transferred all their shares to the controlling shareholder Chen Rong. At the same time, Chen Rong transferred 100% shares to Nanjiang Company with RMB1.00. After the transfer, Nanjiang Company wholly owned the Rongyida. On 3 April 2014, as approved by Industry & Commercial Bureau of Chengde County, Rongyida changed its name to Chengde Nanjiang Real Estate Development Co., Ltd. (“Nanjiang Real Estate” for short)

\*2 Nanjiang Investment was established by Nanjiang Real Estate dated 9 October 2012, original registered capital was 50 million Yuan, shareholder Nanjiang Real Estate contribute 50 million Yuan, presenting 100 percent of the registered capital; on 21 December 2012, the 100 percent equity held by Nanjiang Real Estate are transferred to Nanjiang Company with 50 million Yuan, after transferred, Nanjiang Company holds total equity of the Nanjiang Investment; on 6 January 2013, Nanjiang Company increase capital 40 million Yuan to Nanjiang Investment, and registered capital comes to 90 million Yuan after capital increased.

\*3 Ecological Agriculture was established by Nanjiang Investment on 24 October 2012, original registered capital was 5 million Yuan, shareholder Nanjiang Investment contributes 5 million Yuan with 100 percent held in total registered capital. On 18 April 2013, Nanjiang Investment increase 5 million Yuan to Ecological Agriculture and the registered capital turns to 10 million Yuan after increased.

\*4 Hangzhou Dongfeng was jointly invested by Nanjiang Company and Eagles Men Aeronautic Science and Technology Group Co., Ltd. On 13 Oct. 2015 with register capital amounting to 100 million Yuan, paid-up capital was 50 million Yuan, among which, Nanjiang Company contributes 45 million Yuan, a 90% of the total capital while Eagles invested 5 million Yuan, a 10% in total capital.

\*5 Nanjiang Asia was founded by Nanjiang Company on 14<sup>th</sup> Nov. 2013, located in Hong Kong, with register capital of US\$ 20 million, the paid-up was US\$ 797, 583.34.

\*6 Morsh Technology was founded jointly by Nanjiang Investment and Ningbo Morsh Technology on 24<sup>th</sup> Jan. 2013 with register capital of RMB50 million, including Nanjiang Investment invested RMB45 million taking up 90% of the total investment; Ningbo Morsh Technology invested RMB5 million taking up 10%.

\*7 Huijing Property was founded by Nanjiang Investment on 18<sup>th</sup> Nov. 2013 with register capital of RMB500,000. Shareholder Nanjiang Investment invested RMB500,000 wholly owning it.

\*8 Runhua Rural Water was founded on 28<sup>th</sup> Aug. 2008 after Tianjin Binhai New District Commercial Administration Bureau registered and approved, with corporation Certificate with registration No. 120192000028688. Original register capital was RMB30 million, including, Runhua RW Industrial Development Company invested RMB 4 million with 13.34% ratio, Yang Shengbao invested RMB one million with ratio of 3.33%, Wang Qianying invested RMB2 million with ratio of 6.67%, Ren Peiwen invested RMB2.01 million with ratio of 6.7%, Zhang Xiaofan invested RMB one million with ratio of 3.33%, Lan Chunhong invested RMB9.03 million with ratio of 30.10%, Zhao Qinghua invested RMB7 million with ratio of 23.33%, Jia Zhenghong invested RMB3 million with ratio of 10.00% and Li Kai invested RMB960,000 with ratio of 3.2%. On 25<sup>th</sup> June 2013, in accordance with the signed equity transfer agreement, Lan Chunhong and Zhao Qinghua respectively transferred 6.67% and 23.33% of shares they held from the Company to Nanjiang Holding. After transfer Nanjiang Holding invested RMB9 million taking up 30% of the register capital. After this change, investment ratio of shareholders particularized as: Runhua RW Development invested RMB4 million with ratio of 13.34%, Yang Shengbao invested RMB one million with ratio of 3.33%, Wang Qianying invested RMB2 million with ratio of 6.67%, Ren Peiwen invested RMB2.01 million with ratio of 6.7%, Zhang Xiaofan invested RMB one million with ratio of 3.33%, Lan Chunhong invested RMB7.03 million with ratio of 23.43%, Jia Zhenghong invested RMB3 million with ratio of 10.00%, Li Kai invested RMB960,000 with ratio of 3.2%. Nanjiang holding invested RMB9 million with ratio of 30%.

## (2) Important non-wholly-owned subsidiary

In RMB

Subsidiary	Share-holding ratio of minority	Gains/losses attributable to minority in the Period	Dividend announced to distribute for minority in the Period	Ending equity of minority
Hangzhou Dongfeng	10.00%	-61,398.89		4,938,421.11
Morsh Technology	10.00%	-325.54		4,807,495.37
Runhua RW	70.00%	-798,836.86		8,148,114.29

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

On 25 June 2013, Nanjiang Company completed the equity acquisition of Runhua RW with 9 million Yuan, representing 30 percent equity of Runhua RW, and became the first largest shareholder of Runhua RW; shareholder of the Runhua RW all agreed to restructuring the Board of Directors, totally five members in the Board and Nanjiang Company takes 3 of them; the second largest shareholder, who holds 7.03 million Yuan equity of the Runhua RW (representing 23.43 percent of the Runhua RW)- Lan Chunhong come to an agreement of persons acting in concert with Nanjiang Company; the shareholder's rights (excluding the right of self-benefit as dividend rights and assignment right ) under the name of Lan Chunhong with the equity ratio holding are totally entrusted to Nanjiang Company for execution, and Nanjiang Company holds 53.43 percent voting rights in Runhua RW.

Other explanation:

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

In RMB

Subsidiary	Ending balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability
Hangzhou Dongfeng	47,549,966.35	2,264,285.59	49,814,251.94	430,040.88		430,040.88	49,725,910.99	352,289.01	50,078,200.00	80,000.00		80,000.00
Morsh Technology	48,859,181.75		48,859,181.75	784,228.00		784,228.00	48,862,437.12		48,862,437.12	784,228.00		784,228.00
Runhua RW	12,451,316.97	7,591,125.81	20,042,442.78	8,402,279.51		8,402,279.51	17,962,529.56	7,608,430.42	25,570,959.98	12,789,601.19		12,789,601.19

In RMB

Subsidiary	The period				Last period			
	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity	Operation Income	Net profit	Total comprehensive income	Cash flow from operation activity
Hangzhou Dongfeng	103,805.92	-613,988.94	-613,988.94	121,239.88				
Morsh Technology		-3,255.37	-3,255.37	-3,255.37		-68,581.86	-68,581.86	-4,051.86
Runhua RW	9,397,196.11	-1,141,195.52	-1,141,195.52	-1,664,979.77	48,812,080.29	-2,248,348.58	-2,248,348.58	-2,654,667.38

Other explanation:

#### (4) Significant restrictions on the use of enterprise group assets and pay off debts of the enterprise group

#### (5) Financial or other supporting offer to structuring body included in consolidate statement scope

Other explanation:

### 2. Transaction that has owners equity shares changed in subsidiary but still with controlling rights

#### (1) Explanation on changes in owner's equity in subsidiaries

#### (2) Impact on minority interest and owner's equity attributable to parent company from transaction

In RMB

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Other explanation

### 3. Equity in joint venture and cooperative enterprise

#### (1) Important joint venture and cooperative enterprise

Name	Main operation place	Registered place	Business nature	Share-holding ratio		Accounting treatment on investment for joint venture and cooperative
				Directly	Indirectly	

						enterprise
Runhua RW (Tianjin) Water-saving Technology Co., Ltd.	Tianjin City	Tianjin City	Development, transfer and promotion service of the water-saving technology for agriculture		31.75%	Equity method
Wuchan Minfeng (Tianjin) Chemical Trade Co., Ltd.	Tianjin City	Tianjin City	International trading		49.00%	Equity method

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

Basis of the voting rights with 20% below but with major influence, or without major influence but with over 20% (20% included) voting rights hold:

**(2) Main financial information of the important joint venture**

In RMB

	Ending balance/the period	Opening balance/last period

Other explanation

**(3) Main financial information of the important affiliated business**

In RMB

	Ending balance/ the period	Opening balance/ last period

Other explanation

**(4) Financial summary for non-important Joint venture and affiliate enterprise**

In RMB

	Ending balance/ the period	Opening balance/ last period
Joint venture:	--	--
Total on below item by shareholding ratio	--	--
Affiliated enterprise:	--	--
Total on below item by shareholding ratio	--	--

Other explanation

**(5) Major limitation on capital transfer ability to the Company from joint venture or affiliates**

**(6) Excess loss occurred in joint venture or affiliates**

In RMB

Name	Cumulated previous losses determined	Losses un-determined in the Period(net profit share in the Period)	Cumulated losses un-determined at period-end

Other explanation

**(7) Unconfirmed commitment with joint venture investment concerned**



**(8) Intangible liability with joint venture or affiliates investment concerned****4. Major conduct joint operation**

Joint operation	Main operation site	Register place	Business	Shareholding ratio/quota enjoy	
				Directly	Indirectly

Explanation on shareholding ratio or quota enjoy in joint operation different from voting rights:

If the joint operation was the independent body, basis of classification of joint operation:

Other explanation

**5. Structured body excluding in consolidate financial statement**

Explanation on structured entity that out of the consolidate financial statement:

On 10 March 2016, the Company and Dongguan Dongfeng New-Energy Technology Co., Ltd., and its current shareholder Tibet Dongfeng Investment Co., Ltd, Tibet Fengmao Investment Co., Ltd. and Eagles Men Aeronautic Science and Technology Group Co., Ltd. entered into a Agreement of Increase in Capital and Share. The Company increased RMB 25 million with the own funds to Dongguan Dongfeng New-Energy Technology Co., Ltd and RMB 25 million counted in the registered capital. After capital increased, the 2.44% equity of Dongguan Dongfeng New-Energy Technology Co., Ltd is held by the Company.

**6. Other****X. Related party and related transactions****1. Parent company of the enterprise**

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
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Explanation on parent company of the enterprise

The Company has no parent company; controller refers to the first largest shareholder Mr. Wang Dong, who holds 29.49% equity of the Company

Ultimate controller of the Company: Mr. Wang Dong

Other explanation:

**2. Subsidiary of the Enterprise**

Found more in Note.

**3. Cooperative enterprise and joint venture**

Found more in Note.

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

Name	Relationship
Runhua RW (Tianjin) Water-saving Technology Co., Ltd.	Joint venture
Wuchan Minfeng (Tianjin) Chemical Trade Co., Ltd.	Joint venture

Other explanation

**4. Other related party**

Other related party	Relationship with the Enterprise
Runhua RW Industrial Development Company	Controller of the joint venture of the Company
Shanxi Wuchan Minfeng Chemical Co., Ltd.	Controller of the joint venture of the Company

Other explanation

**5. Related transaction****(1) Goods purchasing, labor service providing and receiving**

Goods purchasing/labor service receiving

In RMB

Related party	Content	The period	Amount approved	Whether over the transaction limit	Last period
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Goods sold/labor service providing

In RMB

Related party	Content	The period	Last period
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Explanation on goods purchasing, labor service providing and receiving

**(2) Related trusteeship management/contract & entrust management/ outsourcing**

Trusteeship management/contract:

In RMB

Client/contract-ou t party	Commissioned party/contractor	Assets type	Start date	Expire date	Pricing basis	Income recognized in the period
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Explanation

Entrust management/ outsourcing:

In RMB

Client/contract-ou t party	Commissioned party/contractor	Assets type	Start date	Expire date	Pricing basis	Expenses recognized in the period
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Explanation

**(3) Related leasing**

As a lessor for the Company:

In RMB

Lessee	Assets type	Lease income recognized in the Period	Lease income recognized in last Period
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As a lessee for the Company:

In RMB

Lessor	Assets type	Rental fee recognized in the Period	Rental fee recognized in last Period
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Explanation on related lease

**(4) Related guarantee**

The Company acts as a secured party

In RMB

Secured party	Guarantee amount	Start date	Expiry date	Whether the guarantee implemented or not
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As a secured party by the Company

In RMB

Guarantor	Guarantee amount	Start date	Expiry date	Whether the guarantee implemented or not
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Explanation on related guarantee

**(5) Borrowed funds from related party**

In RMB

Related party	Borrowing amount	Start date	Expiry date	Note
Inter-bank borrowing				
Lending transaction				

**(6) Related party's assets transfer and debt reorganization**

In RMB

Related party	Content	The period	Last period
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**(7) Remuneration of key management personnel**

In RMB

Item	The period	Last period
Remuneration of key management personnel	898,000.00	736,100.00

**(8) Other related transaction****6. Account receivable/payable from/to related party****(1) Item receivables**

In RMB

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

**(2) Item payable**

In RMB

Item	Related party	Ending book balance	Opening book balance
------	---------------	---------------------	----------------------

**7. Commitment of related party****8. Other****XI. Share-based payment****1. Share-based payment**
☐ Applicable    ☒ Not applicable
**2. Share-based payment settled by equity**
☐ Applicable    ☒ Not applicable
**3. Share-based payment settled by cash**
☐ Applicable    ☒ Not applicable
**4. Modification and termination of the share-based payment****5. Other****XII. Commitment and contingency****1. Important commitment**

Important commitment on balance sheet date

**2. Contingency****(1) Important contingency on balance sheet date**

Up to 30 June 2016, balance of guarantee offer to the mortgage loan for owner of commercial house purchased was 119.33 million Yuan.

**(2) If the Company has no important contingency need to disclosed, explain reasons**

The Company has no important contingency that need to disclose.

**3. Other****XIII. Events after balance sheet date****1. Important non adjustment matters**

In RMB

Item	Content	Impact on financial status and operation results	Reasons of fails to estimate the impact
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**2. Profit distribution**

In RMB

**3. Sales return****4. Other events after balance sheet date****XIV. Other important events****1. Previous accounting errors collection****(1) Retrospective restatement**

In RMB

Content	Treatment procedure	Items impact during vary comparative period	Accumulated impact
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**(2) Prospective application**

Content	Approval procedure	Reasons
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**2. Debt restructuring****3. Assets replacement****(1) Non-monetary assets****(2) Other assets****4. Pension plan****5. Discontinuing operation**

In RMB

Item	Revenue	Expenses	Total profit	Income tax	Net profit	Profit of discontinuing operation attributable to owners of parent company
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Other explanation

**6. Segment****(1) Recognition basis and accounting policy for reportable segment****(2) Financial information for reportable segment**

In RMB

Item		Offset of segment	Total
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(3) The Company has no segment, or unable to disclose total assets and liability of the segment, explain reasons

(4) Other explanation

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

8. Other

On 4 July 2016, wholly-owned subsidiary Nanjiang Investment entered into an equity transfer agreement with Ningbo Morsh Technology Co., Ltd., the RMB 5 million equity (presenting 10% of the registered capital) of Chengde Morsh Technology Co., Ltd., held by Ningbo Morsh Technology Co., Ltd. are transferred to Nanjiang Investment; in line with the latest audited net assets, the transfer price are determined as RMB 4.8 million by negotiation by two parties. After transferred, no equity of Chengde Morsh are held by Ningbo Morsh Technology, and Chengde Morsh is the wholly-owned sub-subsidiary of the Company

## XV. Principle notes of financial statements of parent company

### 1. Accounts receivable

#### (1) Category

In RMB

Type	Ending balance					Opening balance				
	Book balance		Provision for bad debts		Book value	Book balance		Provision for bad debts		Book value
	Amount	Ratio	Amount	Provision ratio		Amount	Ratio	Amount	Provision ratio	

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

☐ Applicable ☒ Not-applicable

Account receivable provided for bad debt reserve under aging analysis method in the groups:

☐ Applicable ☒ Not-applicable

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

☐ Applicable ☒ Not-applicable

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

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

Accrual bad debt provision 0 Yuan; collected or reversed 0.00 Yuan.

Major bad debt provision reversal or collected in the Period:

In RMB

Company	Amount reversal or collected	Collection way
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#### (3) Receivables actually written-off during the reporting period

In RMB

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

In RMB

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

**(4) Top 5 receivables at ending balance by arrears party****(5) Other account receivable derecognition due to financial assets transfer****(6) Assets and liabilities resulted by other account receivable transfer and continues involvement**

Other explanation:

**2. Other accounts receivable****(1) Other accounts receivable**

In RMB

Type	Ending balance					Opening balance				
	Book balance		Bad debt reserve		Book value	Book balance		Bad debt reserve		Book value
	Amount	Proportion	Amount	Accrual ratio		Amount	Proportion	Amount	Accrual ratio	
Other receivables accrued for provision of bad debt by portfolio	18,465,807.35	99.62%	194,127.22	1.14%	18,271,680.13	14,087,692.95	99.51%	194,127.22	1.38%	13,893,565.73
Other receivables with minor single amount but accrued for provision of bad debt on a single basis	70,000.00	0.38%	70,000.00	100.00%		70,000.00	0.49%	70,000.00	100.00%	
Total	18,535,807.35	1.00%	264,127.22	1.42%	18,271,680.13	14,157,692.95	100.00%	264,127.22	1.87%	13,893,565.73

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

☐ Applicable ☒ Not-applicable

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

☒ Applicable ☐ Not-applicable

In RMB

Aging	Ending balance		
	Other account receivable	Provision for bad debts	Provision ratio
Within one year			
Subtotal within one year	2,920,763.44	135,939.76	5.00%
1- 2 years	290,937.28	58,187.46	20.00%
Total	3,211,700.72	194,127.22	6.04%

Portfolio recognized:

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

☐ Applicable ☒ Not-applicable

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

☒ Applicable ☐ Not-applicable

Portfolio	Ending balance		
	Other account receivable	Provision for bad debts	Provision ratio(%)
Ecological Agriculture	9,689,193.22	---	---
Land Reserve Center of Chengde County	3,678,200.00	---	---

Final payment for land acquisition			
Huijing property	1,597,514.19	---	---
Morsh Technology	284,228.00	---	---
Nanjiang Asia	4,971.22	---	---
Total	15,254,106.63	---	---

Among the portfolio, bad debt provision accrual by other method amounting to RMB 0.00, mainly take the low risks of uncollectable for expectation into account

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

There is 0 Yuan provision for bad debts accrued in the Period; and 0 Yuan regains or switch back in the Period.

Including the followed significant amount regains or switch back in the Period:

In RMB

Unit	Regains or switch back	Way of regain
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## (3) Other account receivable actually written off in the Period

In RMB

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

Including important account written off:

In RMB

Unit	Nature	Amount written off	Reasons	Written off procedures	Generated from related transaction (Y/N)
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Explanation on written off for other account receivable:

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

In RMB

Nature of money	Ending book balance	Opening book balance
Intercourse funds	11,575,906.63	8,301,151.68
Land purchase	3,678,200.00	3,678,200.00
Other	3,281,700.72	2178341.27
Total	18,535,807.35	14,157,692.95

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

In RMB

Unit	Nature of money	Ending balance	Aging	Proportion in total other receivables	Ending balance of bad debt provision
Nanjing Ecological Agriculture	Intercourse funds	9,689,193.22	Within one year	56.78%	
Land Reserve Center of Chengde County	Final payment for land acquisition	3,678,200.00	1-2 years	21.55%	
Huijing property	Intercourse funds	1,597,514.19	Within one year	9.36%	
Morsh Technology Company	Intercourse funds	284,228.00	Within one year	5.18%	
Hongsheng Construction Company	Intercourse funds	92,200.00	Within one year	1.67%	

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

Name	Government grand	Ending balance	Ending age	Time and amount collected and basis
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**(8) Assets and liabilities resulted by other account receivable transfer and continues involvement**

### 3. Long-term equity investment

Item	Ending balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Investment for subsidiary	202,284,836.37	4,585,185.00	197,699,651.37	202,284,836.37		202,284,836.37
Total	202,284,836.37	4,585,185.00	197,699,651.37	202,284,836.37		202,284,836.37

Invested company	Opening balance	Increased in Period	Decreased in Period	Ending balance	Depreciation reserves accrual in the Period	Ending balance of depreciation reserves
Nanjing Real Estate	53,114,299.73			53,114,299.73		
Nanjiang Investment	90,000,000.00			90,000,000.00		
Runhua RW	9,170,370.00			9,170,370.00	4,585,185.00	4,585,185.00
Nanjiang Asia	5,000,166.64			5,000,166.64		
Hangzhou Dongfeng	45,000,000.00			45,000,000.00		
Total	202,284,836.37			202,284,836.37	4,585,185.00	4,585,185.00

Unit of investment	Opening balance	Changes in Period								Ending balance	Ending balance of depreciation reserves
		Additional investment	Negative investment	Investment gains/losses recognized by equity	Other comprehensive income adjustment	Other equity changes	Cash dividend or profit announced to distributed	Depreciation reserves accrual	Other		
I. Joint venture											
II. Associated enterprise											



**(3) Other explanation****4. Operation income and operation cost**

In RMB

Item	The Period		Last Period	
	Income	Cost	Income	Cost
Main business	179,229,459.06	150,397,967.36		
Other business	911,933.83	890,358.48	431,217.42	431,217.42
Total	180,141,392.89	151,288,325.84	431,217.42	431,217.42

Other explanation:

**5. Investment gains**

In RMB

Item	The Period	Last Period
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**6. Other****XVI. Supplementary information****1. Details of current non-recurring profits and losses**

√ Applicable □ Not-applicable

In RMB

Item	Amount	Remark
Other non-operating income and expense other than the abovementioned ones	-270,878.35	
Total	-270,878.35	--

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

□ Applicable √ Not-applicable

**2. REO and earnings per share**

Profits during report period	Weighted average ROE	Earnings per share	
		Basic EPS (Yuan/share)	Diluted EPS (Yuan/share)
Net profits belong to common stock stockholders of the Company	0.51%	0.003	0.003
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	0.59%	0.003	0.003

**3. Difference of the accounting data under accounting rules in and out of China****(1) Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)**

□ Applicable √ Not-applicable

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

☐ Applicable ☒ Not-applicable

**(3) Explanation on data differences under the accounting standards in and out of China; as for the differences adjustment audited by foreign auditing institute, listed name of the institute**

**4. Other**

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

1. Financial statement carried with the signature and seal of the Person in charge of the Company, person in charge of the accounting works and accountant in charge.
2. Text and original draft of the notice that disclosed in reporting period on newspapers appointed by CSRC;