

**Shanghai Young Sun Investment
Co., Ltd.
Annual Financial Statements and
Audit Report in 2014**

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Audit Report

ZKZ (2015) No.0299

To Shareholders of Shanghai Young Sun Investment Co., Ltd.:

We have audited the accompanying financial statements of Shanghai Young Sun Investment Co., Ltd. (hereafter referred to as Young Sun Investment), which comprise the consolidated and company balance sheet as at December 31, 2014, the consolidated and company income statement and cash flow statement of 2014, consolidated statement of changes in equity and company statement of changes in equity and notes to financial statements.

I. Management's Responsibility for the Consolidated and Company Financial Statements

The management of Young Sun Investment is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the regulations of *Accounting Standards for Business Enterprises*, and to realize fair presentation; (2) designing, implementing and maintaining necessary internal control, so as to make the financial statements free from material misstatement, whether due to fraud or error.

II. CPAs' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the regulations of Auditing Standards for CPAs of China. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the CPAs' judgment, including the assessment to the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the CPAs consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

III. Audit Opinion

In our opinion, the financial statements of Young Sun Investment have been prepared in accordance with the regulations *Accounting Standards for Business Enterprises* in all material respects, and present fairly, the consolidated and company financial position of Young Sun Investment as at Dec. 31, 2014 and consolidated and company financial performance and cash flows of the year 2014.

Zhonghua Certified Public Accountants LLP



Chinese Certified Public Accountant
Li Wenxiang



Chinese Certified Public Accountant
Zhou Min



Shanghai, China

Mar. 26, 2015

Shanghai Young Sun Investment Co., Ltd.

Consolidated and company balance sheet as at December 31, 2014
(Unit: RMB Yuan)

Assets	Notes	Dec. 31, 2014 Consolidated	Dec. 31, 2013 Consolidated	Dec. 31, 2014 Company	Dec. 31, 2013 Company
Current Asset					
Monetary fund	5.1	221,910,942.08	129,707,732.92	16,321,073.16	17,296,113.48
Financial assets measured at fair value and of which the changes are recorded into current profits and loss					
Derivative financial assets					
Notes receivable					
Account receivable	5.2/15.1	2,726,856.78	1,386,356.98	156.78	656.98
Advance payment	5.3	538,922.52	216,026.10		
Interest receivables					
Dividend receivables					
Other receivables	5.4/15.2	5,985,615.77	5,466,478.98	3,449,008.80	27,095,495.20
Inventories	5.5	505,683.40	146,763.40		
Assets holding for sale					
Non-current assets due					
Other current assets					
Total current assets		231,668,020.55	136,923,358.38	19,770,238.74	44,392,265.66
Non-current Assets					
Financial assets available for sale					
Held to maturity investments					
Long-term receivables					
Long-term equity	15.3			235,133,037.70	210,293,037.70
Investment properties					
Fixed assets	5.6	127,626,738.17	146,364,192.58	127,223,237.31	146,228,486.03
Construction in progress	5.7	17,833,998.80	11,135,194.75	16,070,798.80	9,371,994.75
Engineering materials and equipment					
Liquidation of fixed assets					
Productive biological asset					
Oil-and-gas assets					
Intangible assets	5.8	1,484,737,726.64	1,633,153,078.88	81,960,180.10	84,091,488.34
Development expenditures					
Goodwill	5.9	22,644,681.99	22,644,681.99		
Long-term unamortized					
Deferred income tax assets	5.10				
Other non-current assets					
Total non-current assets		1,652,843,145.60	1,813,297,148.20	460,387,253.91	449,985,006.82
Total assets		1,884,511,166.15	1,950,220,506.58	480,157,492.65	494,377,272.48

The attached notes to the financial statements are an essential part of the financial statements.

Legal representative: Jian Yong Li

Financial Head: Zheng Qi Liu

Accounting Organ Head: Da Nian Chen

Shanghai Young Sun Investment Co., Ltd.

Consolidated and company balance sheet as at December 31, 2014 (continued)
(Unit: RMB Yuan)

Liabilities and Owner's Equity	Notes	Dec. 31, 2014 Consolidated	Dec. 31, 2013 Consolidated	Dec. 31, 2014 Company	Dec. 31, 2013 Company
Current liabilities					
Short-term loans	5.11	50,000,000.00	59,150,000.00	50,000,000.00	59,150,000.00
Financial liabilities measured at fair value and of which the changes are recorded into current profits and loss					
Derivative financial liabilities					
Note payables					
Account payables	5.12	173,286,953.26	176,303,104.34	11,217,462.25	8,779,241.83
Advances from customers	5.13	2,926,694.50	2,926,694.50	1,852,389.50	1,852,389.50
Employee benefits payable	5.14	1,591,750.62	159,015.17	415,641.23	88,877.20
Taxes and expenses payable	5.15	15,498,662.71	20,943,370.31	277,688.69	516,826.56
Interest payable	5.16	1,152,098.73	1,368,408.15	91,666.57	143,148.87
Dividend payable					
Other payables	5.17	7,703,751.31	6,291,082.25	3,787,637.91	3,577,735.08
Liabilities holding for sale					
Non-current liabilities due	5.18	98,960,270.93	93,380,270.93	355,053.36	20,075,053.36
Other current liabilities					
Total current liabilities		351,120,182.06	360,521,945.65	67,997,539.51	94,183,272.40
Non-current Liabilities					
Long-term loans	5.19	513,800,000.00	607,800,000.00		
Bond payables					
Including: Preferred stock					
Perpetual capital					
Long-term payables	5.20	13,636,360.00	20,827,415.00		
Long-term employee					
Special payables					
Estimated liabilities	5.21	60,503,577.85	61,156,662.18		
Deferred income	5.22	1,666,884.87	2,081,700.80	1,153,922.86	1,508,976.22
Deferred tax liabilities					
Other non-current liabilities					
Total non-current liabilities		589,606,822.72	691,865,777.98	1,153,922.86	1,508,976.22
Total liabilities		940,727,004.78	1,052,387,723.63	69,151,462.37	95,692,248.62
Owner's Equity					
Capital stock	5.23	244,596,000.00	244,596,000.00	244,596,000.00	244,596,000.00
Other equity instruments					
Including: Preferred stock					
Perpetual capital					
Capital reserve	5.24	143,140,855.12	143,722,534.13	62,891,426.69	62,891,426.69
Subtract: Treasury stock					
Other comprehensive income					
Special reserve					
Surplus reserve	5.25	22,576,670.40	20,366,185.76	21,579,147.83	19,368,663.19
Undistributed profits	5.26	196,221,338.97	157,507,816.06	81,939,455.76	71,828,933.98
Total owner's equity attributable to the company		606,534,864.49	566,192,535.95	411,006,030.28	398,685,023.86
Minority interests		337,249,296.88	331,640,247.00		
Total owner's equity		943,784,161.37	897,832,782.95	411,006,030.28	398,685,023.86
Total liabilities and owner's equity		1,884,511,166.15	1,950,220,506.58	480,157,492.65	494,377,272.48

The attached notes to the financial statements are an essential part of the financial statements.

Legal representative: Jian Yong Li

Financial Head: Zheng Qi Liu

Accounting Organ Head: Da Nian Chen

Shanghai Young Sun Investment Co., Ltd.

Consolidated and company income statement of 2014

(Unit: RMB Yuan)

Item	Notes	Year 2014 Consolidated	Year 2013 Consolidated	Year 2014 Company	Year 2013 Company
I. Operating income	5.27/15.4	464,082,366.55	451,030,876.23	68,975,677.32	68,933,025.72
Subtract: Operating costs	5.27/15.4	323,822,955.86	309,635,050.94	53,884,485.51	49,139,206.59
Business tax and surcharges	5.28	142,653.93	366,948.03	52,930.47	108,753.91
Selling expenses					
Administrative expense	5.29	34,238,669.72	31,375,781.30	17,720,866.24	16,959,481.03
Finance costs	5.30	43,288,975.58	63,294,468.96	3,542,889.30	5,021,058.72
Assets impairment losses	5.31	-217,777.60	-131,110.24	2,000.20	-127,672.74
Add: Gain on changes in fair value					
Investment income	15.5			24,776,086.96	
Including: Investment gains from associated enterprises and joint ventures					
II. Operating profit		62,806,889.06	46,489,737.24	18,548,592.56	-2,167,801.79
Add: Non-operating income	5.32	44,738,650.89	46,516,220.50	5,903,088.36	2,886,394.93
Including: Disposal profit of non-current assets			243,980.58		243,980.58
Subtract: Non-operating expenses	5.33	2,529,547.59	979,921.55	2,478,045.70	874,741.33
Including: Disposal loss of non-current assets		2,484,547.59	876,893.68	2,478,045.70	874,741.33
III. Total profit		105,015,992.36	92,026,036.19	21,973,635.22	-156,148.19
Subtract: Income tax expenses	5.34	5,050,000.04	21,565,197.21	-131,211.20	-1,241,873.32
IV. Net profit		99,965,992.32	70,460,838.98	22,104,846.42	1,085,725.13
Net profits attributed to owners of the company		50,707,847.55	37,304,359.32	22,104,846.42	1,085,725.13
Profit and loss of minority		49,258,144.77	33,156,479.66		
V. Net after-tax amount of other comprehensive income					
Net after-tax amount of other comprehensive income attributed to the owners of the company					
(I) Other comprehensive income that cannot be reclassified and recorded as the profit and loss later					
1. Variation of net indebtedness or net assets due to re-measurement and setting of the profit plan					
2. Shares held by the investees in other comprehensive income that cannot be reclassified and recorded as profit or loss under the equity law					
(II) Other comprehensive income to be reclassified and recorded as profit or loss later					
1. Shares held by the investees in other comprehensive income that cannot be reclassified and recorded as profit or loss later under the equity law					
2. Variation of profit or loss of the fair value of the sellable financial assets					
3. Profit or loss of the investment that is held to the expiration and reclassified as sellable financial assets					
4. Effective part of the profit or loss of the cash flow hedge					
5. Converted balance of the financial statements in foreign currencies					
6. Others					
Net after-tax amount of other comprehensive income attributable to the minority shareholders					
VI. Total comprehensive income		99,965,992.32	70,460,838.98	22,104,846.42	1,085,725.13
Total comprehensive income attributed to owners of the company		50,707,847.55	37,304,359.32	22,104,846.42	1,085,725.13
Total comprehensive income attributed to minority shareholders		49,258,144.77	33,156,479.66		
VII. Earnings per share (based on the consolidated net profit attributable to the common share shareholders of the company)					
(I) Basic Earnings per Share		0.21	0.15		
(II) Diluted Earnings per Share		0.21	0.15		

In case of combination of business under the same control in the current period, the net profit of the merged enterprise before combination is RMB 0.00 Yuan and the one of the merged enterprise in the previous period was RMB 0.00 Yuan.

The attached notes to the financial statements are an essential part of the financial statements.

Legal representative: Jian Yong Li

Financial Head: Zheng Qi Liu

Accounting Organ Head: Da Nian Chen

Shanghai Young Sun Investment Co., Ltd.

Consolidated and company cash flow statement of 2014
(Unit: RMB Yuan)

Item	Notes	Year 2014 Consolidated	Year 2013 Consolidated	Year 2014 Company	Year 2013 Company
I. Cash flows from operating activities					
Receipts from sale of goods and rendering of services		462,755,489.63	453,126,962.69	68,975,677.32	69,075,212.18
Taxes refund			1,576,026.09		1,576,026.09
Other cash received relating to operating activities	5.35.1	46,092,330.06	46,475,881.67	29,603,831.44	2,284,644.06
Subtotal of cash inflows from operating activities		508,847,819.69	501,178,870.45	98,579,508.76	72,935,882.33
Cash paid for goods and services		149,257,906.15	124,259,670.66	33,516,357.32	30,266,153.45
Payments to and on behalf of employees		37,542,069.31	34,772,271.61	9,710,612.78	9,809,021.49
Taxes and Fees Paid		12,577,380.57	15,099,473.54	2,036,096.04	2,120,937.24
Other cash paid relating to operating activities	5.35.2	11,060,071.35	13,392,062.40	5,127,849.03	4,745,863.47
Subtotal of cash outflow from operating activities		210,437,427.38	187,523,478.21	50,390,915.17	46,941,975.65
Net cash flow from operating activities		298,410,392.31	313,655,392.24	48,188,593.59	25,993,906.68
II. Cash flows from investing activities					
Cash received from withdrawing capital					
Cash receipts from investment income				24,776,086.96	
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		18,500.00	1,765.00	11,950.00	945.00
Net cash receipts from disposal of subsidiaries and other businesses					
Other cash received relating to investing activities					
Subtotal of cash inflows from investing activities		18,500.00	1,765.00	24,788,036.96	945.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		6,973,752.05	14,265,340.36	6,736,485.05	9,231,635.25
Investment payments				24,840,000.00	
Net cash paid for acquisition of subsidiaries and other business units					
Other cash paid relating to investing activities					
Subtotal of cash outflows from investing activities		6,973,752.05	14,265,340.36	31,576,485.05	9,231,635.25
Net cash flows from investing activities		-6,955,252.05	-14,263,575.36	-6,788,448.09	-9,230,690.25
III. Cash flows from financing activities					
Proceeds from investments		2,760,000.00			
Including: Cash received by minor shareholder's equity in subsidiaries					
Cash Received from Borrowings		50,000,000.00	59,500,000.00	50,000,000.00	59,500,000.00
Cash received from bonds issued					
Other cash received relating to financing activities					
Subtotal of cash inflow from financing activities		52,760,000.00	59,500,000.00	50,000,000.00	59,500,000.00
Payments for debt redemption		152,115,455.00	276,675,455.00	78,870,000.00	68,630,000.00
Payments of dividends, profits and interests		87,497,512.72	54,927,453.15	13,480,571.26	5,145,163.33
Including: Dividends and profits paid by subsidiaries to minority shareholders		34,616,425.08			
Other cash paid relating to financing activities		12,374,348.82	300,000.00		
Subtotal of cash outflows from financing activities		251,987,316.54	331,902,908.15	92,350,571.26	73,775,163.33
Net cash flows from financing activities		-199,227,316.54	-272,402,908.15	-42,350,571.26	-14,275,163.33
IV. Effect of changes in exchange rate on cash and cash equivalents					
		-24,614.56	-1,348.84	-24,614.56	-1,348.84
V. Net Increase in cash and cash equivalents		92,203,209.16	26,987,559.89	-975,040.32	2,486,704.26
Add: Beginning Balance of Cash and Cash Equivalents		129,707,732.92	102,720,173.03	17,296,113.48	14,809,409.22
VI. The Ending Balance of Cash and Cash Equivalents		221,910,942.08	129,707,732.92	16,321,073.16	17,296,113.48

The attached notes to the financial statements are an essential part of the financial statements.

Legal representative: Jian Yong Li

Financial Head: Zheng Qi Liu

Accounting Organ Head: Da Nian Chen

Shanghai Young Sun Investment Co., Ltd.

Consolidated statement of changes in equity of 2014

(Unit: RMB Yuan)

Item	Current Period											
	Owner's equity attributable to the company											Minority Interests
	Capital stock	Preferred stock	Other equity instruments Perpetual capital securities	Others	Capital reserve	Subtract: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Others	
I. Ending balance of last period	244,596,000.00				143,722,534.13				20,366,185.76	157,507,816.06		331,640,247.00
Add: Changes in accounting policies												
Corrections of Prior Period Errors												
Business combinations under the same control												
Others												
II. Beginning balance of current period	244,596,000.00				143,722,534.13				20,366,185.76	157,507,816.06		331,640,247.00
III. Increase and Decrease Amount of the Current					-581,679.01				2,210,484.64	38,713,522.91		45,951,378.42
(I) Total comprehensive income										50,707,847.55		99,965,992.32
(II) Contribution and withdrawal of capital by shareholders												-9,032,669.81
1. Common stock invested by shareholders												2,760,000.00
2. Capital by other equity instruments holders												
3. Amounts of share-based payments recognized in shareholder's equity												
4. Others												-11,792,669.81
(III) Profit Distribution									2,210,484.64	-11,994,324.64		-34,616,425.08
1. Appropriation of surplus reserves									2,210,484.64	-2,210,484.64		
2. Profits to owners (shareholders)										-9,783,840.00		-34,616,425.08
3. Others												
(IV) Owner's equity carried forward internally												
1. Increase of capital (or stock) by capital reserves												
2. Increase of capital (or stock) by surplus												
3. Surplus reserves for covering up losses												
4. Others												
(V) Special reserve												
1. Provision in current period												
2. Used in current period												
(VI) Others					-581,679.01							-581,679.01
IV. Ending Balance of Current Period	244,596,000.00				143,140,855.12				22,576,670.40	196,221,338.97		337,249,296.88

The attached notes to the financial statements are an essential part of the financial statements.

Legal representative: Jian Yong Li

Financial Head: Zheng Qi Liu

Accounting Organ Head: Da Nian Chen

Shanghai Young Sun Investment Co., Ltd.

Consolidated statement of changes in equity of 2014 (continued)

(Unit: RMB Yuan)

Item	Last Period												
	Owner's equity attributable to the company											Minority Interests	Total Owner' Equity
	Capital stock	Other equity instruments			Capital reserve	Subtract: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Others		
Preferred stock		Perpetual capital securities	Others										
I. Ending balance of last period	244,596,000.00				144,051,953.70				20,257,613.25	120,312,029.25		298,454,347.77	827,671,943.97
Add: Changes in accounting policies													
Corrections of Prior Period Errors													
Business combinations under the same control													
Others													
II. Beginning balance of current period	244,596,000.00				144,051,953.70				20,257,613.25	120,312,029.25		298,454,347.77	827,671,943.97
III. Increase and Decrease Amount of the Current					-329,419.57				108,572.51	37,195,786.81		33,185,899.23	70,160,838.98
(I) Total comprehensive income										37,304,359.32		33,156,479.66	70,460,838.98
(II) Contribution and withdrawal of capital by shareholders					-329,419.57							29,419.57	-300,000.00
1. Common stock invested by shareholders												-300,000.00	-300,000.00
2. Capital by other equity instruments holders													
3. Amounts of share-based payments recognized in shareholder's equity													
4. Others					-329,419.57							329,419.57	
(III) Profit Distribution									108,572.51	-108,572.51			
1. Appropriation of surplus reserves									108,572.51	-108,572.51			
2. Profits to owners (shareholders)													
3. Others													
(IV) Owner's equity carried forward internally													
1. Increase of capital (or stock) by capital reserves													
2. Increase of capital (or stock) by surplus													
3. Surplus reserves for covering up losses													
4. Others													
(V) Special reserve													
1. Provision in current period													
2. Used in current period													
(VI) Others													
IV. Ending Balance of Current Period	244,596,000.00				143,722,534.13				20,366,185.76	157,507,816.06		331,640,247.00	897,832,782.95

The attached notes to the financial statements are an essential part of the financial statements.

Legal representative: Jian Yong Li

Financial Head: Zheng Qi Liu

Accounting Organ Head: Da Nian Chen

Shanghai Young Sun Investment Co., Ltd.

Company statement of changes in equity of 2014

(Unit: RMB Yuan)

Item	Capital stock	Other equity instruments			Current Period						
		Preferred stock	Perpetual capital securities	Others	Capital reserve	Subtract: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total Owner' Equity
I. Ending balance of last period	244,596,000.00				62,891,426.69				19,368,663.19	71,828,933.98	398,685,023.86
Add: Changes in accounting policies											
Corrections of Prior Period Errors											
Others											
II. Beginning balance of current period	244,596,000.00				62,891,426.69				19,368,663.19	71,828,933.98	398,685,023.86
III. Increase and Decrease Amount of the Current Period									2,210,484.64	10,110,521.78	12,321,006.42
(I) Total comprehensive income										22,104,846.42	22,104,846.42
(II) Contribution and withdrawal of capital by shareholders											
1. Common stock invested by shareholders											
2. Capital by other equity instruments holders											
3. Amounts of share-based payments recognized in shareholder's equity											
4. Others											
(III) Profit Distribution									2,210,484.64	-11,994,324.6	-9,783,840.00
1. Appropriation of surplus reserves									2,210,484.64	-2,210,484.64	
2. Profits to owners (shareholders)										-9,783,840.00	-9,783,840.00
3. Others											
(IV) Owner's equity carried forward internally											
1. Increase of capital (or stock) by capital reserves											
2. Increase of capital (or stock) by surplus											
3. Surplus reserves for covering up losses											
4. Others											
(V) Special reserve											
1. Provision in current period											
2. Used in current period											
(VI) Others											
IV. Ending Balance of Current Period	244,596,000.00				62,891,426.69				21,579,147.83	81,939,455.76	411,006,030.28

The attached notes to the financial statements are an essential part of the financial statements.

Legal representative: Jian Yong Li

Financial Head: Zheng Qi Liu

Accounting Organ Head: Da Nian Chen

Shanghai Young Sun Investment Co., Ltd.

Company statement of changes in equity of 2013(continued)

(Unit: RMB Yuan)

Item	Last Period										
	Capital stock	Other equity instruments			Capital reserve	Subtract: treasury stock	Other comprehensive income	Special reserves	Surplus reserve	Undistributed profits	Total Owner' Equity
		Preferred stock	Perpetual capital securities	Others							
I. Ending balance of last period	244,596,000.00				62,891,426.69				19,260,090.68	70,851,781.36	397,599,298.73
Add: Changes in accounting policies											
Corrections of Prior Period Errors											
Others											
II. Beginning balance of current period	244,596,000.00				62,891,426.69				19,260,090.68	70,851,781.36	397,599,298.73
III. Increase and Decrease Amount of the Current Period									108,572.51	977,152.62	1,085,725.13
(I) Total comprehensive income										1,085,725.13	1,085,725.13
(II) Contribution and withdrawal of capital by shareholders											
1. Common stock invested by shareholders											
2. Capital by other equity instruments holders											
3. Amounts of share-based payments recognized in shareholder's equity											
4. Others											
(III) Profit Distribution									108,572.51	-108,572.51	
1. Appropriation of surplus reserves									108,572.51	-108,572.51	
2. Profits to owners (shareholders)											
3. Others											
(IV) Owner's equity carried forward internally											
1. Increase of capital (or stock) by capital reserves											
2. Increase of capital (or stock) by surplus											
3. Surplus reserves for covering up losses											
4. Others											
(V) Special reserve											
1. Provision in current period											
2. Used in current period											
(VI) Others											
IV. Ending Balance of Current Period	244,596,000.00				62,891,426.69				19,368,663.19	71,828,933.98	398,685,023.86

The attached notes to the financial statements are an essential part of the financial statements.

Legal representative: Jian Yong Li

Financial Head: Zheng Qi Liu

Accounting Organ Head: Da Nian Chen

1 Basic information about the company

1.1 Overview of the company

Shanghai Young Sun Investment Co., Ltd (hereinafter referred to as “This Company”), the former Shanghai Jin Tai Co., Ltd (hereinafter referred to as “Jin Tai”), was approved and incorporated on July 28, 1995 by means of issuing 80,000,000 RMB special shares namely B shares, registered in Shanghai Administration for Industry and Commerce on July 30, 1995 and became a Sino-foreign joint-stock company. In 2002, this company underwent the assets reorganization, transferred the primary service and the corresponding most assets and liabilities to Shanghai State-owned Assets Operation Co., Ltd (hereinafter referred to as “State-owned Company”) and Shanghai Jin Tai Engineering Machinery Co., Ltd (hereinafter referred to as “Jin Tai Engineering company”) respectively, and purchased the wastewater treatment service from Shanghai City Drainage Co., Ltd (hereinafter referred to as “City Drainage company”) and the fixed assets and land usage right related to the wastewater treatment of Long Hua Water Purification Plant, Chang Qiao Water Purification Plant and Min Hang Water Purification Plant under it. After assets reorganization, this company formally ran the new service as of Jan. 1, 2003 and its scope of primary service was changed into the environmental protection project such as the urban wastewater treatment, the investment, operation and management of other municipal infrastructures as well as the related consultation and financial advising and so on. After approval, this company altered the business license for enterprise as a legal person on Feb. 14, 2003 and the name of the company was changed into Shanghai Young Sun Investment Co., Ltd and the registration No. of the business license for enterprise as a legal person after alteration was 310000400119570 (municipal bureau). The registered address of this company was No. 2 Guiqing Road Shanghai City and the office address of the headquarters is Room 1602 and 1603 Floor 16 No. 130 Wusong Road Shanghai City.

According to the resolutions of general meeting of shareholders in 2003, this company, with the shareholding equity of 185,300,000 shares as the reference number on Dec. 31, 2003, transferred 2 shares per 10 shares to all shareholders with the capital surplus, and totally transferred 37,060,000 shares with the amount of RMB 37,060,000 Yuan and it was implemented in 2004. According to the resolutions of general meeting of shareholders in 2006, this company, with the shareholding equity of 222,360,000 shares as the reference number on Dec. 31, 2005, transferred 1 share per 10 shares to all shareholders as the bonus share and totally transferred 22,236,000 shares with the amount of RMB 22,360,000.00 Yuan and it was implemented in 2006. After two transfers, the registered and paid-in capital stock was increased to RMB 244,596,000 Yuan.

1 Basic information about the company (continued)

On Oct. 9, 2011, this company received The Letter of Non-remunerative Transfer of Shares Held by State-owned Shareholders Company from State-owned Assets Supervision and Administration Commission of Shanghai Municipal Government and agreed to non-remuneratively transfer 56.83% of the shareholding equity of this company, namely 138,996,000 shares held by the state-owned assets company to Shanghai Urban Investment (Group) Co., Ltd (the former Shanghai Urban Construction, Investment and Development HQ, hereinafter referred to as “Shanghai Urban Investment”). On Feb. 8, 2012, Shanghai Urban Investment (Group) Co., Ltd signed Report on Acquisition of Shanghai Young Sun Investment Co., Ltd and obtained No.170 (2012) securities regulatory permit from China Securities Regulatory Commission on Feb.24, namely A Reply to Authorization of Announcement of Shanghai Urban Construction, Investment and Development HQ for Report on Acquisition of Shanghai Young Sun Investment Co., Ltd and Exemption from its Obligations for Tender Offer. After the transfer of the state-owned stock rights, the shareholding equity of this company was still 244,596,000 shares, after that, the state-owned company did not hold any share of this company and Shanghai Urban Investment Co., Ltd held 138,996,000 shares and became the holding shareholder of this company. On Aug. 17, 2012, this company completed the alteration of industry and commerce regarding the legal representative.

Now the registered capital of this company is RMB 244,596,000.00 Yuan, the registered address is No.2 Guiqing Road Shanghai City, the form of organization is joint-stock company limited (Sino-foreign joint venture, listed) and the address of HQ is Room 1602 and 1603 Floor 16 No. 130 Wusong Road Shanghai City. The business scope of this company covers the environmental protection project such as the urban wastewater treatment, the investment, operation and management of other municipal infrastructures as well as the related consultation and financial advising and so on, the nature of the business is wastewater treatment. The approved reporting date of the financial statements is Mar. 26, 2015.

1 Basic information about the company (continued)

1.2 Range of consolidated financial statements in this year (Unit of the amount: RMB 10000 Yuan)

1.2.1 The information about the company included into the range of the consolidated financial statements in this year: see Foot-note 7.1 for details.

S/ N	Name of subsidiary	Type of subsidiary	Registered place	Nature of business	Registered capital	Scope of business	Amount of actually subscribed capital at the end of the year
1	Shanghai Young Sun Drainage Operation Co., Ltd.	Sole investment	Shanghai, China	Wastewater treatment	270.00	Maintenance, installation, commissioning and operation of the wastewater treatment and reutilization facilities as well as the related consulting service	270.00
2	Shanghai Younglong Investment & Consulting Co., Ltd.	Sole investment	Shanghai, China	Investment consulting	9,752.296	Investment in the industries encouraged and permitted by the state and the related investment consulting and trade consulting	10,495.744
3	Chengdu Wenjiang District Young Sun Water Purification Co., Ltd.	Holding	Chengdu, China	Wastewater treatment	2,860.00	Wastewater treatment and its reutilization	2,574.00
4	Chengdu Wenjiang District New Young Sun Wastewater Treatment Co., Ltd.	Holding	Chengdu, China	Wastewater treatment	1,480.00	Construction, maintenance, installation, commissioning and operation of the wastewater treatment and reutilization facilities	1,332.00
5	Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd.	Holding	Shanghai, China	Wastewater treatment	46,000.00	Construction of wastewater treatment project, wastewater treatment, wastewater treatment process consulting, curing and maintenance of wastewater treatment equipment, production of wastewater treatment coagulant, special machinery and tools for wastewater treatment, electromechanical products, fittings for automobiles, metallic material, chemical and light products (excluding hazardous goods), building materials, wood, instruments and meters	20,072.069

1 Basic information about the company (continued)

1.2 Range of consolidated financial statements in this year (continued)

1.2.1 The information about the company included into the range of the consolidated financial statements in this year: see Foot-note 7.1 for details.(continued)

Nu m	Name of subsidiaries	Shareholding ratio (%)	Voting ratio (%)	Consolidated or not	Minority equity	Identify with the consolidated statements last year or not
1	Shanghai Young Sun Drainage Operation Co., Ltd.	100.00	100.00	Yes	-	Yes
2	Shanghai Younglong Investment & Consulting Co., Ltd.	100.00	100.00	Yes	-	Yes
3	Chengdu Wenjiang District Young Sun Water Purification Co., Ltd.	90.00	90.00	Yes	3,678,373.47	Yes
4	Chengdu Wenjiang District New Young Sun Wastewater Treatment Co., Ltd.	90.00	90.00	Yes	1,336,941.08	Yes
5	Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd	25.11	51.69	Yes	332,233,982.33	Yes

1.2.2 Range of consolidated financial statements in this year coincides to last year, no changes.

2 Preparation basis of the financial statements

2.1 Preparation basis

The Company's financial statements were prepared based on continuing operations, according to the actual transactions and matters after confirmed and measured in accordance with the provisions of *Accounting Standard for Business Enterprise---Basic Standard* and other accounting standards.

In accordance with the provisions of 7 notices such as Notice of Issuing and Revising Accounting Standards for Enterprises No. 2 - Long-term Equity Investments by the Ministry of Finance (CK [2014] No. 6~8, 10~11, 14 and 16), this company adopted the foregoing 7 accounting standards for enterprises issued by the Ministry of Finance as of July 1, 2014, including Accounting Standards for Enterprises No. 39- Measurement of Fair Value, Accounting Standards for Enterprises No. 30- Presentation of Financial Statements, Accounting Standards for Enterprises No. 9- Employee Compensation, Accounting Standards for Enterprises No. 33-Consolidated Financial Statements, Accounting Standards for Enterprises No. 40-Arrangement for Joint Operation, Accounting Standards for Enterprises No. 2 - Long-term Equity Investments by the Ministry of Finance and Accounting Standards for Enterprises No. 41-Disclosure of Rights and Interests among Other Entities.

According to No. 76 Decree of the Ministry of Finance of P.R. China- Decision of the Ministry of Finance about Modifying Accounting Standards for Enterprises-Basic Standards, this company adopted this decision as of July 23, 2014.

In accordance with the provision of Notice of Issuing and Revising Accounting Standards for Enterprises No. 37- Representation of Financial Instruments (CK [2014] No. 23), this company has adopted this provision since 2014.

The financial statements made the retroactive adjustment of the project requiring the retroactive adjustment in the related fiscal year and defined the financial statements again in accordance with the related provisions of the foregoing accounting standards.

2.2 Sustainable operation

Through evaluation of this company, within 12 months as of the end of the report period, the sustainable operation capability of this company is good and no factor exists that may result in the major doubt about the sustainable operation capability of this company.

3 Important Accounting Policy and Accounting Estimate

3.1 Declaration on compliance with the Accounting Standards for Enterprises

The Company's financial statements meet the requirements of the Accounting Standards for Enterprises, truthfully and completely reflecting information on its financial condition, results of operations, cash flows and the change in shareholders' equity.

3.2 Accounting period

The accounting year starts on 1 January and ends on 31 December of Gregorian calendar.

3.3 Business cycle

The business cycle of the Company is 12 months.

3.4 Reporting currency

RMB is adopted as the reporting currency.

3.5 Accounting treatment of business combination under common control and not under common control

3.5.1 Business combination under common control

A business combination under the same control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or the same parties both before and after the business combination and on which the control is not temporary.

If the consideration of the merging enterprise is that it makes payment in cash, transfers non-cash assets or bears its debts, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The difference between the initial cost of the long-term equity investment and the payment in cash, non-cash assets transferred as well as the book value of the debts borne by the merging party shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

If the consideration of the merging enterprise is that it issues equity securities, it shall, on the date of merger, regard the share of the book value of the owner's equity of the merged enterprise as the initial cost of the long-term equity investment. The total book value of the stocks issued shall be regarded as the capital stock, while the difference between the initial cost of the long-term equity investment and total book value of the shares issued shall offset against the capital reserve. If the capital reserve is insufficient to dilute, the retained earnings shall be adjusted.

The agency fees such as the auditing, legal service, evaluation and consultation and other related overhead expenses occurring in the business combination of the merging enterprise shall be included in the current profit and loss upon the occurrence.

3 Important Accounting Policy and Accounting Estimate (continued)

3.5 Accounting treatment of business combination under common control and not under common control (continued)

3.5.2 Business combination not under common control

A business combination not under the same control is a business combination in which the combining enterprises are not ultimately controlled by the same party or the same parties both before and after the business combination.

For a business combination realized by a transaction of exchange, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquiree. For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions. The expenses for audit, legal services, assessment consulting and other relevant administrative costs for the business combination of the combining party shall be recorded into the profits and losses at the current period. The transaction cost for equity securities or debt securities issued by the acquirer as the purchase price shall be recorded into the initial recognition amount.

The combination cost of the acquirer and the identifiable net assets obtained by the acquirer in the combination can be measured as per the fair value on the date of purchase. The acquirer shall recognize the positive balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree as business reputation. If the combination costs are less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the profits and losses of the current period.

3.5.3 In case of control over the invested enterprises not under the common control due to additional investment and other reasons

In preparing the individual financial statements, based on the sum of the book value of the equity investment held previously and the newly increased cost of investment, it is changed into the initial cost of investment calculated as per the cost method. As to the equity investment held before the date of acquisition, other comprehensive income recognized through the measurement with the equity method is subject to the accounting treatment in disposal of the investment based on the same direct disposal method for the related assets or liabilities of the invested enterprise. In case of the accounting treatment for the equity investment held before the date of acquisition in accordance with the related provisions of Accounting Standards for Enterprises No. 22 Recognition and Measurement of Financial Instruments, the variation of the accumulative fair value included into other comprehensive income previously shall be recorded as the current profit or loss as per the cost method.

3 Important Accounting Policy and Accounting Estimate (continued)

3.5.3 In case of control over the invested enterprises not under the common control due to additional investment and other reasons (continued)

In the consolidated financial statements, as to the stock rights of the acquiree held before the date of acquisition, it shall be re-measured as per the fair value of the stock right on the date of acquisition and the balance between the fair value and the book value shall be recorded into the current investment income; in case that the stock right of the acquiree held before the date of acquisition involves other comprehensive income under the equity method, other related comprehensive income shall be recorded as the current income on the date of acquisition.

3.6 Preparation method of the consolidated financial statements

3.6.1 Consolidated range

The consolidated range of consolidated financial statements involves the company and all its subsidiaries. The consolidated range of the consolidated financial statements shall be determined based on the control.

3.6.2 Basis of control

Where the investor owns the power over the investees, enjoys the variable return through participation in the related activities of the investees and has the capability to affect the amount of return by virtue of the power of the investees, it shall be deemed that the investor controls the investees. The related activities, shall be deemed as the ones with significant effect on the return to the investees.

3.6.3 Decision-maker and the agent

The agent only exercises the decision making power in and on behalf of the person chiefly in charge and it does not control the investees. Where the investor assigns the decision making power of the related activities of the investees to the agent, the decision-making power shall be deemed to be directly held by itself.

In determining whether the decision-maker is the agent or nor, the company shall take into full account the relationship between the decision-maker and the investees and other investors.

1) Where an individual party owns the material power to unconditionally dismiss the decision-maker, the decision-maker is the agent;

2) Except the instance stipulated in 1), the related factors, such as the scope of the decision making power of the decision-maker to the investees, the material rights of other parties, the remuneration of the decision-maker, the risks of the decision-maker of variable return assumed due to holding other equities of the investees, shall be taken into full account for judgment.

3 Important Accounting Policy and Accounting Estimate (continued)

3.6 Preparation method of the consolidated financial statements (continued)

3.6.4 Investment subject

The one satisfying the following conditions synchronously shall be deemed as the investment subject:

- 1) That company is targeted towards providing the investment management to the investor and it obtains the capital from one or more investors;
- 2) The sole purpose of operation of that company is to return the investors through capital appreciation, earning on investment or both of them;
- 3) That company measures and evaluates almost all of the investment performance as per the fair value.

Generally, the investment subject conforms to all of the following characteristics:

- 1) Owning one or more investments;
- 2) Owning one or more investors;
- 3) The investor is not the affiliated party of this subject;
- 4) Its owner's equity exists in form of stock rights or similar rights and interests.

3.6.5 Consolidated process

The accounting policy or the accounting period of the subsidiary is different from which of this company, the financial statements of the subsidiaries shall be necessarily adjusted as per the accounting policy or accounting policy of this company; or it is required that the subsidiaries should additionally prepare the financial statements as per the accounting policy or accounting period.

The consolidated balance sheet, consolidated profit statement, consolidated cash flow statement and consolidated statement of changes in equity of the owners (shareholders), based on the balance sheet, profit statement, cash flow statement and statement of changes in equity of the owners (shareholders) of this company and its subsidiaries, are consolidated and prepared by this company after setting off the effects from internal transaction occurring between this company and the subsidiaries and the ones among the subsidiaries on the consolidated balance sheet, consolidated profit statement, consolidated cash flow statement and consolidated statement of changes in equity of the owners (shareholders).

The unrealized profit or loss from the internal transaction arising from the sale of the assets to the subsidiaries by this company shall offset "the net profit attributable to the parent company" with full amount. The unrealized profit or loss from the internal transaction arising from the sale of the assets to this company by the subsidiaries shall be distributed and offset between "the net profit attributable to the parent company" and "profit or loss of the minority shareholders" as per the allocation proportion of this company to the subsidiaries. The unrealized profit or loss from the internal transaction arising from the sale of the assets among the subsidiaries shall be distributed and offset between "the net profit attributable to the parent company" and "profit or loss of the minority shareholders" as per the allocation proportion of this company to the subsidiaries selling the assets.

3 Important Accounting Policy and Accounting Estimate (continued)

3.6 Preparation method of the consolidated financial statements

3.6.5 Consolidated process (continued)

The share of the owner's equity of the subsidiaries not attributable to this company, as the rights and interests of the minority shareholders, shall be represented as "the rights and interests of the minority shareholders" under the item of "the owner's equity" in the consolidated balance sheet. The share of the current net profit or loss of the subsidiaries attributable to the rights and interests of the minority shareholders shall be represented as "rights and interests of the minority shareholders" under the item of the net profit in the consolidated profit statement. The share of the current comprehensive income of the subsidiaries attributable to the rights and interests of the minority shareholders shall be represented as "total of the comprehensive income attributable to the minority shareholders" under the item of the total of the comprehensive income in the consolidated profit statement. In case of minority shareholders, the item of "rights and interests of the minority shareholders" shall be increased in the consolidated statement of changes in equity of the owners to reflect the changes in the equity of the minority shareholders. In case that the current loss assumed by the minority shareholders of the subsidiaries exceeds the share of the minority shareholders in owner's equity at the beginning of the subsidiaries, the balance shall write down the rights and interests of the minority shareholders.

In the period of report, for the added subsidiary companies and business controlled by the same enterprise preparing the balance sheet, the company shall adjust the beginning balance of the consolidated financial statement. In preparing the consolidated profit statement, the income, cost and profit of the subsidiaries and the business from the beginning of the current consolidation period to the end of the report period shall be included into the consolidated profit statement; in preparing the cash flow statement, the cash flow of the subsidiaries and the business from the beginning of the current consolidation period to the end of the report period shall be included into the consolidated cash flow statement; meanwhile, the related items in the comparative statements shall be adjusted and it shall be deemed that the consolidated reporting subject exists as always from the time point of control by the final controller.

As to the subsidiaries and business increased in manner of business combination or in other manners not under the common control, in preparing the consolidated balance sheet, the beginning balance of the consolidated balance sheet shall not be adjusted; in preparing the consolidated profit statement, the income, cost and profit of the subsidiaries and the business from the date of purchase to the end of the report period shall be included into the consolidated profit statement; in preparing the consolidated cash flow statement, the cash flow of the subsidiaries from the date of the purchase to the end of the report period shall be included into the consolidated cash flow statement.

When this company disposes the subsidiaries and the business within the report period, in preparing the consolidated balance sheet, the beginning balance of the consolidated balance sheet shall not be adjusted; in preparing the consolidated profit statement, the income, cost and profit of the subsidiaries and the business from the beginning of the period to the date of disposal shall be included into the consolidated profit statement; in preparing the consolidated cash flow statement, the cash flow of the subsidiaries and the business from the beginning of the period to the date of disposal shall be included into the consolidated cash flow statement.

3 Important Accounting Policy and Accounting Estimate (continued)

3.6 Preparation method of the consolidated financial statements (continued)

3.6.6 Accounting treatment for special transaction

3.6.6.1 Purchase of the stock rights of the subsidiaries owned by the minority shareholders of the subsidiaries

In the consolidated financial statement, as to the balance between the long-term equity investment obtained from the purchase of the minority equity and the share of the net assets of the subsidiaries continuously calculated as of the date of purchase or combination to be enjoyed as per the newly increased shareholding proportion, the capital surplus (capital premium or share premium) shall be adjusted; in case that the capital surplus is insufficient for write-down, the earning retained shall be adjusted.

3.6.6.2 Disposal of the long-term equity investment in the subsidiaries without the loss of the control power

In the disposal of the long-term equity investment in the subsidiaries without the loss of the control power, in the consolidated financial statements, as to the balance between the disposal price and the share of the net assets of the subsidiaries continuously calculated as of the date of purchase or combination to be enjoyed due to the disposal of the long-term equity investment, the capital surplus (capital premium or share premium) shall be adjusted; in case that the capital surplus is insufficient for write-down, the earning retained shall be adjusted.

3.6.6.3 Treatment of the residual equity in the loss of control power to the investees due to the disposal of some equity investment

In preparing the consolidated financial statements, as to the residual equity, it shall be re-measured as per the fair value on the date of the loss of the control power. The sum of the consideration obtained from the disposal of the equity and the fair value of the residual equity, minus the balance between the shares of the net assets of the former subsidiaries continuously calculated as of the date of purchase or combination to be enjoyed as per the original shareholding proportion, shall be included into the current investment income with the loss of the control power, meanwhile, it shall write down the goodwill. As to other comprehensive income related to the equity investment of the former subsidiaries, in case of loss of the control power, it shall be converted into the current investment income.

3.6.6.4 Where the enterprise disposes the equity investment in the subsidiaries step by step until it loses the control power and the multiple transactions belong to the treatment of a package deal.

Where the transactions for disposal of the equity investment in the subsidiaries until the loss of the control power belong to a package deal, the transactions shall be deemed as a transaction disposing the subsidiaries and losing the control power for the accounting treatment; however, before the loss of the control power, in case that the balance between the disposal price and the share of the net assets of the subsidiaries enjoyed corresponding to the disposal of the investment is confirmed as the other comprehensive income in the consolidated financial statements, it shall be included into the profit or loss in the current period in which the control power is lost in case of loss of the control power.

3 Important Accounting Policy and Accounting Estimate (continued)

3.6 Preparation method of the consolidated financial statements (continued)

3.6.6 Accounting treatment for special transaction (continued)

3.6.6.4 Where the enterprise disposes the equity investment in the subsidiaries step by step until it loses the control power and the multiple transactions belong to the treatment of a package deal (continued)

The principle for judging whether the transactions for disposal of the equity step by step until the loss of the control power belong to a package deal is shown as follows:

Where the clauses, conditions and economic impacts of disposal of the equity investment in the subsidiaries conform to one or more instances, it generally indicates that the multiple transactions belong to a package deal:

- (1) These transactions are concluded synchronously or with the consideration of the mutual effects;
- (2) Only these transactions are regarded as a whole can they achieve a complete commercial result;
- (3) The occurrence of one transaction depends on the one of at least one transaction;
- (4) One individual transaction appears uneconomical, however, it is economical when considered with other transactions.

3.7 Classification of joint arrangement and accounting process for joint operation

3.7.1 Classification of joint arrangement

The joint arrangement is divided into the joint operation and the joint venture.

3.7.2 Accounting treatment of the joint operation participants

The joint venture party confirms the following items related to the share of its benefits in the joint operation and carries out the accounting treatment in accordance with the provisions of the related accounting standards for the enterprises:

- 1) Confirming the assets solely held by itself and the assets jointly held according to its share;
- 2) Confirming the liabilities to be assumed solely and the ones to be jointly assumed according to their shares;
- 3) Confirming the income arising from sale of the share in the joint operation income that they are held;
- 4) Confirming the income arising from the sale of the outcome of the joint operation as per the share;
- 5) Confirming the cost arising herefrom solely and the cost arising from the joint operation as per their shares.

In case of input of sale of the assets by the joint operation parties (except that the assets compose of the business), before the assets are sold to the third party by the joint operation, only the share in the profit or loss arising from the transaction that is attributable to other joint operation participants is confirmed. Where the assets output or sold meet with the assets impairment-related losses in accordance with the provisions of Accounting Standard for Enterprise No. 8-Assets Impairment, the joint venture party confirms the losses with full amount.

As to the assets purchased by the joint venture party from the joint operation (except the business composed of the assets), before the assets are sold to the third party, only the share in the profit or loss arising from this transaction that is attributable to other joint operation participants is confirmed. Where the assets purchased meet with the assets impairment-related losses in accordance with the provisions of Accounting Standard for Enterprise No. 8-Assets Impairment, the joint venture parties confirm the losses as per the shares undertaken by them.

3 Important Accounting Policy and Accounting Estimate (continued)

3.7 Classification of joint arrangement and accounting process for joint operation (continued)

As to the participants not jointly controlling the joint operation, where they enjoy the related assets of the joint operation and assume the related liabilities of the joint operation, the above-mentioned method shall be adopted for accounting treatment; otherwise, it shall adopt the provisions of the related accounting standards for enterprises for the accounting treatment.

3.8 Recognition criteria of cash and cash equivalents

The term "cash" listed in the cash flow statement refers to cash on hand and deposits that are readily available for payment. The term "cash equivalents" refers to short-term (generally, it becomes due within 3 months as of the date of purchase) and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of change in value.

3.9 Translation of foreign currency transactions and statements

3.9.1 Foreign currency transactions

For foreign currency transactions, the amount in the foreign currency is translated into USD amount at the spot exchange rate of the transaction date.

On the balance sheet date, the foreign currency monetary items are translated into USD at the spot exchange rate of that day. The balance of exchange arising from the exchange rate difference, except the exchange balance of principal and interest of foreign currency borrowings used in acquisition and construction of assets eligible for capitalization, is recorded into the profits and losses at the current period. The foreign currency non-monetary items are translated at the spot exchange rate of that day on the balance sheet date.

3 Important Accounting Policy and Accounting Estimate (continued)

3.9 Translation of foreign currency transactions and statements (continued)

3.9.2 Translation of foreign currency statements

The asset and liability items in the balance sheets prepared based on non-recording currency are translated at a spot exchange rate to recording currency on the balance sheet date. Among the owner's equity items, except the ones as "undistributed profits", others are translated at the spot exchange rate at the time when they are incurred. The income and expense items in the profit statements prepared based on non-recording currency are translated at the spot exchange rate of the transaction date. The balance arisen from the translation of foreign currency financial statements in compliance with the aforesaid translation methods is presented separately under the owner's equity item of the balance sheets. The cash flows in cash flow statement prepared based on non-recording currency are translated to recording currency at the spot exchange rate at the time when they are incurred. The influence of foreign rate changes on cash is presented separately in cash flow statement.

3.10 Financial instruments

3.10.1 Recognition and derecognition of financial instruments

When the Company becomes a party to a financial instrument, it recognizes a financial asset or financial liability.

Where a financial asset satisfies any of the following requirements, the recognition of it shall be terminated:

- (1) Financial assets are derecognized as the rights to receive cash flows from the investments have expired;
- (2) Where the said financial asset has been transferred and meets the conditions for recognizing the termination of financial assets as provided for in Accounting Standards for Enterprises No. 23 - Transfer of Financial Assets.

When all or part of the current obligation of the financial liability is discharged, the financial asset or part of it is derecognized subsequently.

3 Important Accounting Policy and Accounting Estimate (continued)

3.10 Financial instruments (continued)

3.10.2 Classification of financial assets

Financial assets are classified into the following categories when they are initially recognized: Financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period, loans and the account receivables, and financial assets available for sale, and the investments which will be held to their maturity. The classification of the financial assets depends on the intent and ability of this company to hold the financial assets.

(1) Financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period

Financial assets which are measured at their fair values and the variation of which is recorded into the profits and losses of the current period include the financial assets held for sale in the short term, which is listed as transactional financial assets in balance sheet.

(2) Account receivables

Accounts receivable refers to the non-derivative financial assets for which there is no quoted price in the active market and of which the repo-amount is fixed or determinable, including accounts receivable, other receivables and long-term receivables.

(3) Financial assets available for sale

Financial assets available for sale include the non-derivative financial assets for sale designated at the initial confirmation and the financial assets not classified into other catalogues. The financial assets for sale to be sold within 12 months as of the date of the balance sheet shall be listed as the non current assets to be due within one year in the balance sheet.

(4) Investments which will be held to their maturity

The term "held-to-maturity investment" refers to a non-derivative financial asset with a fixed date of maturity, a fixed or determinable amount of repo price and which the enterprise holds for a definite purpose or the enterprise is able to hold until its maturity. The investment to be due within 12 months as of the date of the balance sheet that is held to its due date shall be listed as the non-current assets to be due within one year in the balance sheet.

3 Important Accounting Policy and Accounting Estimate (continued)

3.10 Financial instruments (continued)

3.10.3 Measurement of financial assets

When the Company becomes a party to a financial instrument, it recognizes a financial asset in the balance sheet by fair value. For financial assets measured by fair value and their change is recorded in the current profit and loss, their related transaction expenses are directly recorded in current profit and loss. For financial assets of other categories, their related transaction expenses are recorded in the initially recognized amount.

The Company makes subsequent measurement on its financial assets, measured by fair value and their change recorded in the current profit and loss, and financial assets available for sale according to their fair values. The equity instrument investments for which there is no quotation in the active market and whose fair value cannot be measured reliably are measured on the basis of their costs. The loans and accounts receivable and investments held until their maturity are measured on the basis of the post-amortization costs by adopting the actual interest rate method

The change in the fair value of the financial asset or financial liability which is measured at its fair value and of which the variation is recorded into the profits and losses of the current period, are recorded into the profits and losses on the changes in fair value. The interests or cash dividends obtained during the holding of assets and the disposal profit and loss upon disposal are recorded into the profits and losses of the current period.

Except the depreciation loss and the exchange profit and loss formed by the foreign currency financial assets, the variation in the fair value of the financial assets available for sale shall be recorded into the shareholder's equity; when the termination of the financial assets is confirmed, the progressive total of the variation in the fair value directly recorded into the equity shall be shifted to the current profit and loss. The interest of the investment in the debt instrument available for sale shall be accrued as per the method of effective interest rate and recorded into the earning on investment; the cash dividends of the sellable equity instrument investments shall be recorded into the profits and losses of the current period when the investee announces the distribution of dividends.

3.10.4 Recognition and measurement of transfer of financial assets

Where an enterprise has transferred nearly all of the risks and rewards related to the ownership of the financial asset to the transferee, it shall stop recognizing the financial asset. If it retained nearly all of the risks and rewards related to the ownership of the financial asset, it shall not stop recognizing the financial asset.

3 Important Accounting Policy and Accounting Estimate (continued)

3.10 Financial instruments (continued)

3.10.4 Recognition and measurement of transfer of financial assets (continued)

If the transfer of an entire financial asset satisfies the conditions for stopping recognition, the difference between the amounts of the following two items shall be recorded in the profits and losses of the current period:

- 1) The book value of the transferred financial asset;
- 2) The sum of consideration received from the transfer, and the accumulative amount of the changes of the fair value originally recorded in the owner's equities (in the event that the financial asset involved in the transfer is a financial asset available for sale).

Where an enterprise obtains a new financial asset or undertakes a new financial liability due to the transfer of a financial asset, it shall, on the date of transfer, recognize the financial asset or liability according to its fair value (including the call option, put option, guaranteed liability, future contract, interchange, etc.) , and shall treat the net amount as an integral part of the aforesaid consideration through deducting the financial liability from the financial asset.

Where an enterprise concludes a service contract with the transferee of a financial asset on providing relevant services (including receiving cash flow of the financial asset and delivering the received cash flow to the fund preservation institution as designated), it shall recognize a service asset or liability based on the service contract. The service liability shall be subject to the initial measurement according to its fair value and shall be treated as an integrate part of the aforesaid consideration.

If the transfer of partial financial asset satisfies the conditions to stop the recognition, the entire book value of the transferred financial asset shall, between the portion whose recognition has been stopped and the portion whose recognition has not been stopped (under such circumstance, the service asset retained shall be deemed as a portion of financial asset whose recognition has not been stopped), be apportioned according to their respective relative fair value, and the difference between the amounts of the following two items shall be included into the profits and losses of the current period:

- 1) The book value of the portion whose recognition has been stopped;
- 2) The sum of consideration of the portion whose recognition has been stopped, and the portion of the accumulative amount of the changes in the fair value originally recorded in the owner's equities which is corresponding to the portion whose recognition has been stopped (in the event that the financial asset involved in the transfer is a financial asset available for sale).

The portion of the accumulative amount of changes in the fair value originally recorded in the owner's equities which corresponds to the portion whose recognition has been stopped, shall be recognized after the apportionment of the accumulative amount according to the relative fair values of the portion of financial asset whose recognition has been stopped and the portion of financial asset whose recognition has not been stopped.

3.10.5 Classification of financial liabilities

Financial liabilities are classified into the following categories when they are initially recognized: Financial liabilities measured by fair value with their changes recorded in current profit and loss, and other financial liabilities. The financial liabilities measured by fair value with their changes recorded in current profit and loss include transactional financial liabilities and the financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses.

3 Important Accounting Policy and Accounting Estimate (continued)

3.10 Financial instruments (continued)

3.10.6 Measurement of financial liabilities

When the Company becomes a party to a financial instrument, it recognizes a financial liability in the balance sheet by fair value. For financial liabilities measured by fair value and their change is recorded in the current profit and loss, their related transaction expenses are directly recorded in current profit and loss. For financial liabilities of other categories, their related transaction expenses are recorded in the initially recognized amount.

The Company makes subsequent measurement on the financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, and may not deduct the transaction expenses that may occur when it settles the said financial liabilities in the future.

3.10.7 Recognition method for the fair value of the financial assets and liabilities

The fair value of financial assets and liabilities in active markets is determined according to the quoted price in the market. The fair value of financial assets and liabilities not in active markets is determined by valuation techniques (including the prices adopted by the parties, who are familiar with the condition, in the latest market transaction upon their own free will, the current fair value obtained by referring to other financial instruments of the same essential nature, the cash flow capitalization method and the option pricing model, etc.).

3.10.8 Test method and accounting process for the impairment of the financial assets

The Company carries out an inspection, on the balance sheet day, on the carrying amount of the financial assets other than those measured at their fair values and of which the variation is recorded into the profits and losses of the current period. Where there is any objective evidence proving that such financial asset has been impaired, an impairment provision is made.

For any financial asset measured on the basis of post-amortization costs, the impairment-related losses are recognized according to the difference between its carrying amount and present value of estimated future cash flow (excluding future credit losses not incurred). If there is any objective evidence showing that the value of such financial asset has been recovered and is objectively related to the subsequent events that occur after the losses were recognized, the originally recognized impairment-related losses are reversed and recorded into the profits and losses of the current period.

3 Important Accounting Policy and Accounting Estimate (continued)

3.10 Financial instruments (continued)

Where the fair value of the sellable financial asset drops significantly or not contemporary, the accumulated losses of the fair value that have been originally recorded in owner's equity are transferred out and recorded in the impairment-related losses. As for the sellable debt instrument investment whose impairment-related losses have been recognized, if, after the accounting period, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment- related losses were recognized, the originally recognized impairment-related losses are reversed and be recorded into the profits and losses of the current period. As for the sellable equity instrument investment whose impairment-related losses have been recognized, if, after the accounting period, the fair value has risen and are objectively related to the subsequent events that occur after the originally impairment- related losses were recognized, the originally recognized impairment-related losses are reversed and be recorded into the owner's equity. As for the equity instrument investment which has no quotation in active market and of which the fair value can't be reliably measured, the impairment-related losses are not reversed even if the value can be recovered in subsequent period.

3.11 Receivables and bad debt provision

3.11.1 Receivables with single bad debt provision in significant single amount:

Recognition criteria or amount standard of provision for bad debt in receivables of significant single amount	The sum of "the top 5 balance of the receivables" or the amount accounting for "10% of the balance of the receivables"
Method of provision for single bad debt in significant single amount	The Company takes individual impairment test for those significant receivable accounts to determine the impairment loss and makes provision for bad debts based on the difference between their future cash flow value and carrying amount.

3.11.2 Receivables characterized as portfolio for bad debt provision:

Method of provision for bad debts made on the basis of credit risk characteristics portfolio	
Portfolio of Age	Provision for bad debts made on the basis of age analysis
Receivables with less risk and no necessity of provision for bad debt	No provision for bad debts

3 Important Accounting Policy and Accounting Estimate (continued)

3.11 Accounts receivable (continued)

3.11.2 Receivables characterized as portfolio for bad debt provision (continued):

Provision for bad debts made on the basis of age analysis:

Age	Proportion of provision for accounts receivable	Proportion of provision for other receivables
Within 1 year (inclusive 1 year)	0%	0%
1 to 2 years(inclusive 2 years)	20%	20%
2 to 3 years(inclusive 3 years)	40%	40%
Over 3 years	90%	90%

3.11.3 Receivables without significant single amount but with single bad debt provision

Reason for single bad debt provision	The receivables without significant single amount and not reflecting the risk characteristics based on the bad debt provision as a portfolio
Method of bad debt provision	In case that it is expected that the present value of future cash flow is lower than the balance of the book value based on this amount, the bad debt provision shall be made.

3.12 Inventories

3.12.1 Classification of inventories

The inventories, including the raw materials, shall be listed as per the lower between the cost and the net realizable value

3.12.2 Valuation method of dispatched inventories

The raw materials shall be entered into the account as per the actual cost and the cost in dispatch shall be calculated with the method of weighted mean.

3 Important Accounting Policy and Accounting Estimate (continued)

3.12 Inventories (continued)

3.12.3 Basis for determining the net reliable value of different kinds of inventories

If the cost of inventories is higher than the net realizable value, the provision for the loss on decline in value of inventories shall be made and be included in the current profits and losses. The net realizable value refers to in the daily business activity the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of inventories. The company shall confirm the net realizable value of inventories on the ground of reliable evidence obtained, taking into consideration of the purpose for holding inventories and the effects of events occurring after the date of the balance sheet.

The materials held for production shall be measured at cost if the net realizable value of the finished products is higher than the cost. If a decline of the value of materials shows that the net realizable value of the finished products is lower than the cost, the materials shall be measured at the net realizable value.

The net realizable value of inventories held for the execution of sales contracts or labor contracts shall be calculated on the ground of the contract price. If the inventories are more than the quantities subscribed in the sales contract, the net realizable value of the excessive part of the inventories shall be calculated on the ground of the general sales price.

3.12.4 Inventory system

This company adopts the perpetual inventory system.

3.12.5 Amortization methods of low-value consumables and package materials

One-off amortization method is adopted for cost accounting of low-value consumables on requisition.

One-off amortization method is adopted for cost accounting of package materials on requisition.

3.13 Assets determined to be held for sale

The assets synchronously satisfying the following conditions shall be determined as the assets to be held for sale:

- 1) The assets must be immediately sold in accordance with the common and conventional clauses for sale of this kind of assets under the current conditions;
- 2) The company has made the resolutions for disposal of the assets;
- 3) The company has signed the irrevocable transfer agreement with the assignee;
- 4) The transfer will be accomplished within one year.

3 Important Accounting Policy and Accounting Estimate (continued)

3.14 Long-term equity investment:

3.14.1 Recognition criterion for common control and significant impact

In case of the common control over a certain arrangement in accordance with the related provisions, only when the related activities of this arrangement must be agreed by the participants sharing the control power before the decision is made, can it be deemed as the common control. In case that two or more participant portfolios can collectively control a certain arrangement, it shall not be deemed as the common control.

In case of power of participation in the decision-making regarding the financial and operation policy of the investees, if it cannot control or jointly control with other participants the stipulation of these policies, it shall be deemed that they have significant impacts on the investees.

3.14.2 Determination of initial investment cost

For long-term equity investments formed by the merger of enterprises, the initial investment cost shall be determined according to the “3.4 Accounting treatment of business combination under common control and not under common control”. Besides the long-term equity investments formed by the merger of enterprises, the initial cost of a long-term equity investment obtained by other means shall be ascertained in accordance with the provisions as follows:

- 1) The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses.
- 2) The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued. The expenses directly related to issuing equity securities shall be determined in accordance with the regulations of *Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments*.
- 3) In case that the transaction is commercial in nature; and the fair value of the assets received or surrendered can be measured reliably at the same time, the long-term equity investment received of the non-monetary asset shall determine the initial investment cost based on the fair value of the assets surrendered, unless it is indicated by the authentic evidences that the fair value of the assets received is more reliable; as to the exchange of the non-monetary assets not satisfying the above-mentioned preconditions, the book value of the assets received and the related taxes payable shall be regarded as the initial investment cost of the long-term equity investment;
- 4) The initial cost of a long-term equity investment obtained by recombination of liabilities shall be ascertained at fair value.

3 Important Accounting Policy and Accounting Estimate (continued)

3.14 Long-term equity investment (continued)

3.14.3 Subsequent measurement and the profit and loss determination

3.14.3.1 Subsequent measurement of cost method

The price of a long-term equity investment of the invested entity controlled by the company and measured by employing the cost method shall be included at its initial investment cost. If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted. The dividends or profits declared to distribute by the invested entity shall be recognized as the current investment income.

3.14.3.2 Subsequent measurement of equity method

The company shall adopt equity method for accounting the long-term equity investment of joint ventures and associated enterprises. If the initial cost of a long-term equity investment is more than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the initial cost of the long-term equity investment may not be adjusted. If the initial cost of a long-term equity investment is less than the investing enterprise' attributable share of the fair value of the invested entity's identifiable net assets for the investment, the difference shall be included in the current profits and losses and the cost of the long-term equity investment shall be adjusted simultaneously.

When adopting equity method for accounting, after an investing enterprise obtains a long-term equity investment, it shall, in accordance with the attributable share of the net profits or losses of the invested entity and other comprehensive income, recognize the investment profits or losses and other comprehensive income respectively and adjust the book value of the long-term equity investment. The investing enterprise shall, in the light of the profits or cash dividends declared to distribute by the invested entity, calculate the proportion it shall obtain, and shall reduce the book value of the long-term equity investment correspondingly. Where any change is made to the owner's equity other than the net profits and losses, other comprehensive income and profit distribution of the invested entity, the book value of the long-term equity investment shall be adjusted and be included in the owner's equity. The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. If the accounting policies and accounting periods adopted by the invested entity are different from those adopted by the investing enterprise, an adjustment shall be made to the financial statements of the invested entity in accordance with the accounting policies and accounting periods of the investing enterprise and recognize the investment profits or losses and other comprehensive income.

3 Important Accounting Policy and Accounting Estimate (continued)

3.14 Long-term equity investment (continued)

An investing enterprise shall recognize the net losses of the invested enterprise until the book value of the long-term equity investment and other long-term rights and interests which substantially form the net investment made to the invested entity are reduced to zero, unless the investing enterprise has the obligation to undertake extra losses. If the invested entity realizes any net profits later, the investing enterprise shall, after the amount of its attributable share of profits offsets against its attributable share of the unrecognized losses, resume to recognize its attributable share of profits.

When the investors calculate and confirm the net profit or loss of the investees to be enjoyed or assumed, the unrealized profit or loss from the internal transaction with the affiliated business or the joint venture company shall be offset by the share attributable to the investors calculated as per the proportion and then the investment income shall be confirmed based on it. As to the unrealized loss from the internal transaction between the investors and the investees, if it belongs to the assets impairment loss in accordance with the related provisions of Accounting Standard for Enterprise No. 8-Assets Impairment, it shall be confirmed with the full amount.

As to the equity investment of the investors in the affiliated business, if one part of it is indirectly held by the venture capital institutions, common fund, trust company or the similar organs such as the Investment linked insurance fund, no matter whether the above-mentioned organs have significant impacts on the investment, the investors shall select the measurements of the investment indirectly held with the fair value and include the variation into the profit or loss and check other part of the investment with the equity method in accordance with the related provisions of the policy for Financial Instruments.

3.14.3.3 If an enterprise is able to do joint control or significant influence, which does not constitute control, over the invested entity as a result of additional investment or other reasons, it shall be treated as follows:

The sum of the fair value of the previously held equity investment determined as per Accounting Standard for Enterprises No. 22 Recognition and Measurement of Financial Instruments and the newly increased investment cost, shall be regarded as the initial investment cost to be checked with the equity method. If the previously held equity investment can be classified into the sellable financial assets, the balance between the fair value and the book value as well as the variation of the accumulative fair value previously included into other comprehensive income shall be recorded as the current profit or loss to be checked in accordance with the equity method.

3 Important Accounting Policy and Accounting Estimate (continued)

3.14 Long-term equity investment (continued)

3.14.3.4 Treatment for disposal of some equities

In case of loss of common control over or significant impact on the investees due to the disposal of some equities, the residual equities after disposal shall be accounted as per the policy regarding “financial instruments” in this footnote and the balance between the fair value and the book value on the date of loss of the common control or the significant impact shall be recorded into the current profit or loss. As to other comprehensive income of the previous equity investment confirmed due to accounting with the equity method, in case of termination of the accounting with the equity method, it is subject to the accounting treatment with the same basis as the direct disposal of the related assets or liabilities by the investees.

In case of loss of the control over the investees due to the disposal of some equity investment, in preparing the individual financial statements, if the residual equities after disposal have the common control over or significant impact on the investees, it shall be accounted with the equity method and it shall be deemed that the residual equities are adjusted with the accounting with equity method upon acquisition; in case that the residual equity after disposal loses the common control over or significant impact on the investees, they shall be accounted as per the policy regarding “financial instruments” in this footnote and the balance between the fair value and the book value on the date of loss of control or shall be recorded into the current profit or loss. In preparing the consolidated financial statements, it shall be in accordance with the related contents of “preparation method of the consolidated financial statements” in this footnote.

3.14.3.5 Disposal of the equity investment in the affiliated business or joint venture wholly or partially classified as the assets to be held for sale

The equity investment in the affiliated business or joint venture classified as the assets to be held for sale shall be represented as the amount of the book value and the fair value minus the disposal expenses, whichever is lower. In case that the fair value minus the disposal expenses is lower than the amount of the original book value, it shall be determined as the assets impairment loss. As to the residual equity investment not classified as the assets to be held for sale, it is subject to the accounting treatment with the equity method. As to the equity investment in the affiliated business or joint venture classified as the assets to be held for sale, if it does not conform to the classification condition of the assets to be held for sale any more, it is subject to the retroactive adjustment as of the date of classification as the assets to be held for sale. The financial statements in the period of classification as the assets to be held for sale are subject to the corresponding adjustment.

3.14.3.6 Treatment of disposal of long-term equity investment

When disposing of a long-term equity investment, the difference between its book value and the actual purchase price shall be included in the current profits and losses. As to the long-term equity investment subject to the accounting with the equity method, in disposal of the investment, it adopts the same basis as the direct disposal of the related assets or liabilities by the investees and the part previously included into other comprehensive income as per the corresponding ratio is subject to the accounting treatment.

3 Important Accounting Policy and Accounting Estimate (continued)

3.15 Fixed assets

3.15.1 Recognition of fixed assets

Fixed assets represent the tangible assets held for production or supply of goods or services, rental or for administrative purposes with useful life of over one accounting year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows:

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

3.15.2 Depreciation methods for different types of fixed assets

Type	Depreciation method	Useful Life (Years)	Residual Value Rate (%)	Annual Depreciation Rate (%)
Houses and buildings	Composite life method	20-40 years	10%	2.25%-4.5%
Machinery and equipment	Composite life method	5-10 years	10%	9%-18%
Transport equipment	Composite life method	5-10 years	10%	9%-18%
Electronic equipment	Composite life method	5 years	10%	18%
Other equipment	Composite life method	5 years	10%	18%
Improvement of fixed assets for operation and renting	Composite life method	5 years	0%	20%

3.16 Construction-in-progress

The construction-in-progress shall be measured as per the actual cost. The actual cost includes the construction cost, other necessary expenditure for guaranteeing the construction-in-progress up to the scheduled available state and borrowing costs satisfying the capitalization conditions occurring before the assets reach up to the scheduled available state. When the construction-in-progress reaches up to the scheduled available state, it shall be transformed to the fixed assets and the accrual of depreciation shall be carried out as of the next month.

3 Important Accounting Policy and Accounting Estimate (continued)

3.17 Borrowing costs:

As to the borrowing costs occurring for purchasing and building the fixed assets to guarantee it up to the scheduled available state over a long term, when the expenditure to acquire and borrowing costs have occurred and the necessary purchase and building activities to guarantee the assets up to the scheduled available state have initiated, the capitalization shall be initiated and shall be included into the cost of the assets. When the purchased and built assets reach up to the scheduled available state, the capitalization shall be terminated and the borrowing costs occurring after that shall be recorded into the current profit and loss. Capitalization of borrowing costs should be suspended when abnormal interruption has occurred in asset acquisition and construction activities and lasted for more than three month until asset acquisition and construction activities resume.

For specific borrowings (used to acquire, construct or produce assets qualified for capitalization), the amount of interest costs actually incurred on such borrowings for the period shall be capitalized after deducting any interest earned from depositing the unused borrowings in the bank or any investment income arising from the temporary investment of those borrowings during the capitalization period. The capitalized amount of interests on general borrowings shall be determined on the basis that the weighted average of the excess of cumulative assets expenditures over the specific borrowings times capitalization rate of used general borrowings. The capitalization rate is calculated and determined according to the weighted average interest rate of general borrowings.

Where there is any discount or premium, the amount of discounts or premiums that shall be amortized during each accounting period shall be determined by the real interest rate method, and an adjustment shall be made to the amount of interests in each period.

3 Important Accounting Policy and Accounting Estimate (continued)

3.18 Intangible asset:

3.18.1 Valuation method, service life and depreciation test

The intangible assets include the land use right, patent right, financial software and the assets obtained by means of building, operation and transfer (BOT) and so on. The intangible assets shall be measured with the actual cost. The intangible assets input by the state-owned shareholders in the corporate system reforming shall be recorded as the booking-in value in accordance with the evaluation value conformed by the state-owned administration.

Estimation of service life of the intangible assets with the limited service life:

Item	Expected service life	Basis
Land use right	50 year	Period of validity stipulated by the ownership of the real estate
Franchise rights (BOT)	20-25 year	Period of operation stipulated by the related agreement
Returned cost of franchise rights	20-25 year	Period of operation stipulated by the related agreement
Patent right	16 year	Serviceable life stipulated by the related certificate of title.
Financial software	5 year	Serviceable period

An enterprise shall, at least at the end of each year, check the service life and the amortization method of intangible assets with limited service life and adjust accordingly.

3 Important Accounting Policy and Accounting Estimate (continued)

3.18.2 Accounting policy for internal research, development expenditures

Based on whether the intangible assets finally formed has great uncertainty or not according to the nature of the expenditure for the internal research and development projects and the R&D activities, it can be divided into the research expenditures and the development expenditures.

The research expenditures shall be recorded into the profit or loss for the current period. The development expenditures may be confirmed as intangible assets when they satisfy the following conditions simultaneously:

- (1) It is feasible technically to finish intangible assets for use or sale;
- (2) The management intend to finish and use or sell the intangible assets;
- (3) It is able prove how intangible assets to generate economic benefits shall be proved;
- (4) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and
- (5) The development expenditures of the intangible assets can be reliably measured.

The development expenditures not satisfying the above conditions shall be recorded into the profit or loss for the current period. The development expenditures recorded into the previous profit and loss shall not be confirmed as the assets in the following period. The capitalized development expenditures shall be listed as the development expenditure on the balance sheet and shall be transformed into the intangible assets as of the date on which the project reaches up to the available state.

When the amount recoverable of the development expenditure is lower than its book value, the book value shall be reduced to the amount recoverable.

3.19 Long-term assets depreciation

As to the goodwill and the intangible assets with uncertain service life that are separately listed in the financial statements, no matter whether it shows the depreciation or not, they shall be annually tested for depreciation. As to the fixed assets, intangible assets, investment in the real estate measures in the mode of cost and the long-term equity investment, if they shows the depreciation, the depreciation test shall be carried out. In case that the depreciation test results show the amount recoverable of the assets is lower than the book value, The provision for impairment shall be accrued as per the balance and be recorded into the depreciation loss. The recoverable amount shall be determined in light of the higher one of the net amount of the fair value of the assets minus the disposal expenses and the current value of the expected future cash flow of the assets. The provision for impairment of the assets shall be calculated and confirmed based on the single asset; if it is difficult to estimate the amount recoverable of a single asset, the assets group in which the asset is located shall be used to determine the amount recoverable of the assets group. The assets group is the min. assets combination that can separately produce the cash in-flow. Once any loss of asset impairment is recognized, it shall not be switched back in the future accounting periods.

3 Important Accounting Policy and Accounting Estimate (continued)

3.20 Long-term prepaid expenses

The long-term prepaid expenses, including the betterment in operation and renting and other expenses to be born in this year and the coming periods with the apportionment period of over one year, shall be apportioned on average in installments of the expected benefit period and shall be listed as the net amount of the actual expenses minus the accumulative apportionment.

3.21 Employee compensation

3.21.1 Short-term compensation

In the accounting period of the employee providing the service to the company, the short-term compensation actually occurring herefrom shall be determined as the liabilities and included into the current profit or loss or the assets-related cost. As to the welfare for workers and staff, when it actually occurs, it shall be recorded in the current profit or loss or the assets-related cost according to the actual amount occurring. In case that the welfare for workers and staff is the non-monetary welfare, it shall be measured as per the fair value. As to the social insurance and public accumulation fund for housing construction, such as the medical insurance, industrial injury insurance and birth insurance paid for the workers and staff, as well as the trade union outlays and staff training expense withdrawn as per the provisions, in the accounting period of the employee providing the service to the company, according to the defined withdrawing basis and ratio, the corresponding employee compensation shall be calculated and determined as the corresponding employee compensation, the corresponding liabilities shall be determined and recorded into the current profit or loss or the assets-related cost.

When the employees provide the service, resulting in the increase in the right of absence from duty with salary, the employee compensation related to the accumulative absence from duty with salary shall be confirmed and measured with the expected payment amount increased due to the accumulative non-performance of the rights. In the accounting period in which the employee is actually absent from the duty, the employee compensation related to the non-accumulative absence from the duty with salary shall be confirmed.

When the profit sharing plan synchronously satisfies the following conditions, the company shall conform the related employee compensation payable:

- 1) Legal obligation or illative obligation for payment to the employee compensation at present due to the previous matters;
- 2) The obligatory amount of the employee compensation payable due to the profit sharing plan can be reliably estimated.

3 Important Accounting Policy and Accounting Estimate (continued)

3.21 Employee compensation (continued)

3.21.2 Welfare after demission

3.21.2.1 Defined drawing plan

In the accounting period in which the employee provides the service to the company, the company shall confirm the liabilities according to the amount payable calculated based on the drawing plan and record it into the current profit or loss or the assets-related cost. According to the set drawing plan, if it is expected all of the amount payable is paid within 12 months after the completion of the annual report period in which the employee provides the related service, the company shall measure the employee compensation payable as per the discounted amount of the payable amount.

3.21.2.2 Defined benefit plan

The accounting treatment of the set benefit plan by the company includes the following four steps:

- 1) According to the projected unit credit method, the unbiased actuarial assumption of mutual consistency is adopted to estimate the related population statistics variable and financial variables, measure the obligations arising from the defined benefit plan and determine the ascription period of the related obligations. The company shall discount the obligations arising from the defined benefit plan so as to determine the present value and the current service cost of the defined benefit plan.
- 2) In case of assets in the defined benefit plan, the company shall determine the deficit or surplus from the present value of the defined benefit plan minus the fair value of the assets of the defined benefit plan as the net liabilities or net assets of a defined benefit plan. In case of surplus in the defined benefit plan, the company shall measure the net assets of the defined benefit plan based on the surplus or the defined benefit plan and the upper limit of the assets, whichever is lower.
- 3) Determining the amount to be recorded into the current profit or loss.
- 4) Determining the amount to be recorded into other comprehensive income.

Based on the formula determined with the projected unit credit method, the company shall attribute the welfare obligation arising from the defined benefit plan to the period in which the employee provides the service and record it into the current profit or loss or the assets-related cost. When the service of the employee in the subsequent years may cause the welfare level of the defined benefit plan to be enjoyed to be higher than the one in the previous years, according to the line method, the apportionment of the accumulative obligations of the defined benefit plan shall be confirmed in the period when the employee provides the service, resulting in the welfare obligation of the enterprise under the defined benefit plan firstly, until the service provided by the employee does not result in the significant increase in the welfare obligations.

At the end of the report period, the company determines the cost for employee compensation arising from the defined benefit plan as: service cost, net amount of the interest of the net liabilities or net assets of the defined benefit plan as well as the changes in the net liabilities or net assets re-measured under the defined benefit plan.

3 Important Accounting Policy and Accounting Estimate (continued)

3.21 Employee compensation (continued)

3.21.2.2 Defined benefit plan (continued)

Under the defined benefit plan, the company shall confirm the previous service cost as the current expenses on the following dates, whichever is earlier:

- 1) Modifying the defined benefit plan;
- 2) When the enterprise confirms the related reorganization expenses or demission welfare.

The company confirms the settlement profit or loss in the settlement of the defined benefit plan.

3.21.3 Demission welfare

In case the company provides the demission welfare to the employee, the liabilities for the employee compensation arising from the demission welfare shall be determined on the following date and recorded into the current profit or loss, whichever is earlier:

- 1) When the company cannot withdraw the demission welfare provided due to the cancellation of the labor relation plan or job displacement suggestion unilaterally;
- 2) When the company confirms the cost or expenses related to the reorganization involving the payment of the demission welfare.

The company shall reasonably forecast and confirm the employee compensation payable arising from the demission welfare in accordance with the provisions of the job displacement plan.

3.21.4 Other long-term employee welfare

When the company provides other long-term employee benefit to the employees, if it conforms to the conditions of the defined drawing plan, it is subject to the treatment in accordance with the related policy of the defined drawing plan.

Besides the above-mentioned instances, the company shall confirm and measure the net liabilities or net assets of other long-term employee welfare in accordance with the related policy of the defined benefit plan. At the end of the report period, the cost of the employee compensation arising from other long-term employee welfare shall be confirmed as the following constituent parts:

- (I) Service cost.
 - (II) Net amount of interest arising from the net liabilities or net assets of other long-term employee welfare;
 - (III) The changes in the net liabilities or net assets of other long-term employee welfare measured again;
- In order to simplify the related accounting treatment, the total net amount of the above-mentioned items shall be recorded into the current profit or loss or the assets-related cost.

If the long-term disability welfare level depends on the service life of the employees, the company shall confirm the long-term disability welfare obligations payable in the period of service provided by the employee; If the long-term disability welfare is not related to the service life of the employee, the company shall confirm the long-term disability welfare obligations payable in the current period in which the employee meets with the long-term disability.

3 Important Accounting Policy and Accounting Estimate (continued)

3.22 Estimated liabilities

Estimated liabilities are recognized when the Company has a present obligation as a result of contingencies such as provision of quality warranty and onerous contract, and it is probable that an outflow of economic benefits will be required to settle the obligation and the amount of the obligation expenditure can be reliably measured. For future operating losses, estimated liabilities are not recognized.

In accordance with the related provisions of Clause 5: Accounting Treatment for Participation of Enterprises in Construction of Infrastructure in Manner of BOT (building, operation and transfer) in No. 2 Interpretation of Accounting Standards for Enterprises: the engineering price paid in the process of building, with the consideration of the provisions of the contract and the conditions for confirming the income, shall be determined as the financial assets or intangible assets (the infrastructure built in manner of BOT shall not be deemed as the fixed assets of the project company) respectively. In accordance with the provisions of the contract, in order to keep the related infrastructure at a certain service ability or keep it at a certain use state before transfer to the contract awarding party, it is expected that some disbursements will be occur in the enterprise, it is subject to the treatment in accordance with Accounting Standards for Enterprises No. 13--- Miscellaneous and is determined as the expected liabilities.

Estimated liabilities are initially measured at the best estimate of the expenditure required to settle the present obligation and comprehensive consideration of contingency-related risk, uncertainty and time value of money. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash. As to the increased amount of the book value of the expected liabilities arising from the discounting and recovery carried out with time going on shall be confirmed as the interest charges.

Carrying amounts of all estimated liabilities are reviewed and adjusted appropriately at each balance sheet date, to reflect the current best estimate.

3 Important Accounting Policy and Accounting Estimate (continued)

3.23 Share-based payments and equity instruments

3.23.1 Types of share-based payments

It includes equity-settled share-based payment and cash-settled share-based payment.

3.23.2 Accounting for implementation, amendment and termination of share-based payments

For equity-settled share-based payment made in return for the rendering of employee services that may be exercised immediately after the grant, the fair value of such instrument shall, on the date of the grant, be recognized in relevant costs or expenses and capital reserve. For equity-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully rendered 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 capital reserves at the fair value of such instruments on the date of the grant.

For the cash-settled share-based payment made in return for the rendering of employee services that may be exercised immediately after the grant, the fair value of the liability incurred by the Company shall, on the date of the grant, be recognized in relevant costs or expenses and corresponding liabilities. For cash-settled share-based payment made in return for the rendering of employee services that cannot be exercised until the services are fully provided during the 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 Company.

3 Important Accounting Policy and Accounting Estimate (continued)

3.24 Revenue recognition

The amount received shall be determined as per the fair value of the contracted price received or receivable in selling the commodities or providing labor service by this company in the routine operation activities. The income shall be listed as the net amount after deduction of the VAT, commercial discount, sales allowance and sales return.

When the economic benefit related to the transaction can flow into this company and the related revenue can be measured reliably and satisfies the following specific income identification criteria for the operation activities, the related revenue shall be confirmed.

3.24.1 Sales of goods

The operating revenue is recognized when the significant risks and rewards of product ownership have been transferred to the buyer, the Company maintains neither managerial right usually associated with ownership nor effective control over products sold, it is probable that the economic benefits will flow to the Company, and relevant revenue and costs can be measured reliably.

3.24.2 Rendering of services

As to the labor service initiated and accomplished in the same accounting year, when the labor service is provided, the purchase price is received or the evidence for collecting the purchase price is obtained, the realization of the business income is confirmed; if the rendering of services starts and completes in different fiscal years, when the gross income of service contract and the completion schedule can be identified reliably, related economic benefits will flow to the Company, and related costs incurred or to be incurred can be measured reliably, it will be recognized upon completion percentage method. When the contract results of the long-term contract works can be reasonably predicted, the realization of the business income shall be confirmed as per the percentage of the project schedule in settlement.

The specific judgment criterion of recognition standard and income recognition time to be confirmed by the company in providing the service income for the wastewater treatment:

This company shall confirm the service income from the wastewater treatment in accordance with the displacement of related confirmed wastewater treatment service and the unit price of the wastewater treatment service.

3 Important Accounting Policy and Accounting Estimate (continued)

3.24 Revenue recognition (continued)

3.24.3 Transfer of asset use rights

The interest income and use fee income from transfer of asset use rights is recognized when the relevant economic benefits will probably flow to the Company, and the amount of revenue can be measured reliably.

3.24.4 BOT business related revenue recognition

3.24.4.1 Principles of BOT business related revenue recognition

During construction, the project company shall recognize related income and cost of the construction services provided in accordance with the *Accounting Standards for Business Enterprise No. 15 – Construction Contract*. After the completion of infrastructures, the project company shall recognize related income and cost of follow-up operations and services in accordance with *Accounting Standards for Business Enterprise No. 14 – Revenues*. The construction contract shall be measured as per the fair value of consideration received or receivable, and the financial assets and intangible assets shall be recognized respectively at the time of recognizing revenues depending on the following situations:

- 1) Where the contract stipulates that within certain period after the completion of infrastructures, the project company may unconditionally collect certain amount of monetary fund or financial assets from the contract awarding party, or the fees of operating services provided by project company are lower than certain limited amount, and the awarding party shall make price difference compensation for project company as stipulated in the contract, the financial assets formed shall be treated according to the provisions in *Accounting Standards for Business Enterprise No. 22 – Recognition and Measurement of Financial Instruments*. The project company shall, based on the fair value received or receivable, debit the subjects of “bank deposit” and “accounts receivable” and credit “engineering settlement”.
- 2) Where the contract stipulates that after the completion of infrastructures, the project company has the right to charge from the objects getting services but the charge amount is uncertain, such right shall not constitute an unconditional right to collect cash and the project company shall recognize intangible assets at the time of recognizing revenue. In case of any loan interest in construction process, it shall be treated according to the regulations of *Accounting Standards for Business Enterprise No. 17 – Borrowing Costs*. The project company shall, based on the fair value of receivable consideration, debit the subject of “intangible assets” and credit the subject of “engineering settlement”.

3 Important Accounting Policy and Accounting Estimate (continued)

3.24 Revenue recognition (continued)

3.24.4 BOT business related revenue recognition (continued)

3.24.4.1 Principles of BOT business related revenue recognition (continued)

If the project company had not provided actual construction services but contracted the infrastructure construction out to other parties, construction service revenue shall not be recognized but shall be recognized as financial assets or intangible assets according to the projects costs paid in construction process and considering the contract provisions.

3.24.4.2 Recognition principle of revenue relating to BOT business of the company

When the construction of infrastructures has been completed, project company shall be engaged in wastewater treatment services and charge fees from the objects getting services. The revenue from wastewater treatment services shall be determined according to related confirmed displacement and unit price of wastewater treatment services.

3.25 Government grants

3.25.1 Judgment and accounting treatment methods of asset-related government grants

Long-term assets used for construction and production or formed in other ways are recognized as asset-related government grants. Asset-related government grants are recognized as a deferred income and allocated to current profit or loss over the expected useful life of the relevant asset by equal annual installments. But the government grant measured at the nominal value is directly recognized in current profit and loss.

3.25.2 Judgment and accounting treatment methods of income-related government grants

The government grants other than asset-related government grants are income-related government grants. Income-related government grants are applied to reimbursement of related costs or losses in subsequent periods are recognized as deferred income and taken to current profit or loss for the period when the related costs are recognized. Government grants applied to reimbursement of related costs or losses already incurred are directly recognized in current profit or loss.

3 Important Accounting Policy and Accounting Estimate (continued)

3.26 Deferred tax assets and deferred tax liabilities

Deferred tax assets or deferred tax liabilities are calculated based on the difference between the carrying amounts of the assets or liabilities and their tax bases (including taxable temporary differences and deductible temporary differences). As to the deductible losses that can be used to deduct the taxable income in the following years in accordance with the provisions of the tax law, it shall be deemed as the deductible temporary differences. As to the temporary differences occurring in the initial confirmation of the goodwill, the corresponding deferred income tax liability shall not be confirmed. As to the temporary differences formed in the initial confirmation of the assets or liability occurring in the non-business combination transaction not affecting the accounting profit or the taxable income (or deductible loss), the corresponding deferred income tax assets and the deferred income tax liability shall not be confirmed. On the balance sheet day, the deferred income tax assets and deferred income tax liabilities shall be measured at the tax rate applicable to the period during which the assets are expected to be recovered or the liabilities are expected to be settled.

Deferred income tax assets are recognized for all deductible temporary differences if it is probable that taxable income will be available against which the deductible temporary differences and deductible loss and the taxable income can be utilized.

The deferred income tax assets and the deferred income tax liability occurring from the temporary differences related to the subsidiaries, jointly-run business and the joint venture, shall be confirmed. The deferred income tax liabilities arising from the taxable temporary differences related to the investments of subsidiary companies, associated enterprises and contractual enterprises shall be recognized. If the investing enterprise can control the time of the reverse of temporary differences and the temporary differences are unlikely to be reversed in the excepted future, it shall not be recognized

3 Important Accounting Policy and Accounting Estimate (continued)

3.27 Lease

The "finance lease" shall refer to a lease that has transferred in substance all the risks and rewards related to the ownership of an asset. Others shall be operating lease

3.27.1 Operating lease

The rent expenditure for operational leasing shall be recorded into the related assets cost or the current profit and loss in the leasing period as per the method of lines.

3.27.2 Financing leases

A lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the balance between the entering value in an account and the amount of the minimum lease payments as unrecognized financing charges which shall be amortize at actual interest rate over the lease term. The balance after deducting unrecognized financing charges from the amount of the minimum lease payments shall be listed in long-term payables.

3.28 Goodwill

The goodwill refers to the balance between the equity investment cost and the fair value quota of the invested unit to be enjoyed on the investment acquisition date or the balance between the business combination cost not under common control and the fair value quota of the identifiable net assets of the acquiree on the acquisition date obtained in the business combination.

The goodwill formed in the business combination shall be separately listed on the consolidated financial statements. The balance between the equity investment cost of the jointly-run business and the joint venture and the fair value quote of the invested unit to be enjoyed shall be included into the long-term equity investment.

3 Important Accounting Policy and Accounting Estimate (continued)

3.29 Changes in significant amounting policies and accounting estimates

3.29.1 Changes in accounting policies

Reasons and details of changes in accounting policies	Review/Approval Process	Notes
In compliance with the revised Accounting Standards for Business Enterprises No.30 – Presentation of Financial Statements, differed income will be listed separately and a statement of differed income will be prepared.	The 28th meeting of the sixth term board of directors reviewed and passed Resolutions regarding the implementation of relevant accounting standards newly issued or amended by the ministry of finance in 2014.	

Starting from July 1st, 2014, the company adapts to following accounting standards newly issued by the Ministry of Finance in 2014: Accounting Standards for Business Enterprises No.39 – Fair Value Measurement, Accounting Standards for Business Enterprises No.40 - Joint Arrangements, Accounting Standards for Business Enterprises No.41 - Disclosure of Interests in Other Entities, and to following accounting standards newly revised by the Ministry of Finance in 2014: Accounting Standards for Business Enterprise No.2 - Long-term Equity Investments, Accounting Standards for Business Enterprise No.9 - Employee Compensation, Accounting Standards for Business Enterprise No.30 - Presentation of Financial Statements, Accounting Standards for Business Enterprise No.33 - Consolidated Financial Statements, and also adapts to the newly revised Accounting Standards for Business Enterprise No.37 – Presentation of Financial Instruments in the preparation of financial statements for the fiscal year 2014.

In accordance with the revised Accounting Standards for Business Enterprise No.30 – Presentation of Financial Statements, deferred income will be listed as a separate statement. In compliance with the revised policy, the differed income items with the total amount of 414,815.93 yuan reported on the statement of other non-current liabilities has been relisted onto the statement of non-current liabilities due within one year; the deferred income items with the total amount of 2,081,700.80 reported on the statement of other non-current liabilities has been relisted onto the statement of deferred income.

Such changes will not affect total revenue, total liabilities, total shareholders' equality and total net income attributable to shareholders listed on consolidated financial statements of 2013.

3.29.2 Changes in accounting estimates

No changes in significant accounting estimates occurred during this fiscal year.

4 Taxation

4.1 Main tax types and tax rates

Tax type	Basis of taxation	Tax rate
Business tax	Taxable turnover	5%
Urban maintenance and construction tax	Turnover tax payables	7%
Enterprise income tax	Taxable income	25%

Entity with different tax rate of income tax ,

Name of subject of taxation	Tax rate of enterprise income tax
Shanghai Young Sun Investment Co., Ltd	15%
Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd	15%
Chengdu Wenjiang District Young Sun Water Purification Co., Ltd.	15%

4.2 Tax preference and approvals

4.2.1 As stipulated in the *Notice of Ministry of Finance and State Administration of Taxation on Comprehensive Utilization and Other Products' Value-added Tax Policy* (CS (2008) No. 156) released by the Ministry of Finance and State Administration of Taxation that "Wastewater treatment service shall be exempted from value-added tax. Wastewater treatment refers to the business that make the wastewater met with the water quality standards specified in GB18918-2002 after treatment.", Shanghai Xuhui Office, SAT issued the *Tax Reduction and Exemption Notice* on Jan. 30, 2013 and agreed that the company shall be exempted from value-added tax for wastewater treatment income during the exemption term from Jan. 1, 2013 to Sept. 16, 2015.

4.2.2 This Company obtained No. GF201231000359 *High-tech Enterprise Certificate* issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, Shanghai Municipal Office, SAT and Shanghai Municipal Bureau of Local Taxation on Nov. 18, 2011, with the term of validity of 3 years.

From Jan. 1, 2012 to Dec. 31, 2014, the corporate income tax of the Company shall be levied at a reduced rate of 15% for high-tech enterprises.

4 Taxation (continued)

4.2 Tax preference and approvals (continued)

4.2.3 Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd, a subsidiary of this Company, obtained No. GR201331000572 *High-tech Enterprise Certificate* issued by Science and Technology Commission of Shanghai Municipality, Shanghai Municipal Finance Bureau, Shanghai Municipal Office, SAT and Shanghai Municipal Bureau of Local Taxation on Nov. 19, 2013, with the term of validity of 3 years. From Jan. 1, 2013 to Dec. 31, 2015, the corporate income tax of the subsidiary shall be levied at a reduced rate of 15% for high-tech enterprises.

4.2.4 Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd, a subsidiary of this Company, was identified as a general taxpayer on Dec. 1, 2012 according to the qualification certificate No. HGSPEE [2002] 000073 of Shanghai Pudong New Area Office, SAT, and the income shall be declared as value-added tax. On Dec. 20, 2012, the company obtained the *Tax Preference Notice* of No. HSPHZ (2012) No. 444 under the *Notice of Ministry of Finance and State Administration of Taxation on Comprehensive Utilization and Other Products' Value-added Tax Policy* (CS (2008) No. 156), the wastewater treatment service revenue belongs to comprehensive utilization of resources and shall exempt from value-added tax, with the exemption term from Dec. 1, 2012 to Nov., 30, 2014. According to the notices of such files as the *Notice of Ministry of Finance and State Administration of Taxation on Comprehensive Utilization and Other Products' Value-added Tax Policy* (CS (2008) No. 156), *Notice of Ministry of Finance and State Administration of Taxation on Adjustment and Improvement of Value-added Tax Policy for Products and Services from Comprehensive Utilization of Resources* (CS (2011) No. 115) and *Notice of Ministry of Finance and State Administration of Taxation on the Problems Relating to Observation of Pollutants Discharge Standards by Taxpayers Enjoying Value-added Tax Preference Policy for Comprehensive Utilization of Resources* (CS (2013) No. 23), the company obtained the *Tax Preference Notice* of No. HSPHZ (2014) No. 11004763 on Dec. 19, 2014, the wastewater treatment service revenue belongs to comprehensive utilization of resources and shall exempt from value-added tax, with the exemption term from Dec. 1, 2014 to Nov., 30, 2016.

4.2.5 Shanghai Young Sun Drainage Operation Co., Ltd., a subsidiary of this Company, according to relevant regulations of GSH [2004] No. 1366 "Approval of State Administration of Taxation about Levying No Business Tax on Wastewater Treatment Fee" released on Dec. 24, 2004 by State Administration of Taxation, i.e. "The wastewater treatment service provided by entity or individual does not belong to the taxable services of business tax, and no business tax shall be imposed to the wastewater treatment fee received from wastewater treatment.", is in compliance with relevant regulations, so no business tax shall be imposed.

4 Taxation (continued)

4.2 Tax preference and approvals (continued)

4.2.6 Chengdu Wenjiang District Young Sun Water Purification Co., Ltd., a subsidiary of this Company, was registered in Sichuan Province. As stipulated in the *Notice on Taxation Policy Issues Concerning In-depth Implementation of the Western Development Strategy* (CS (2011) No. 58), the corporate income tax of encouraged industries and enterprise in western China shall be levied at a reduced tax rate of 15% from Jan. 1, 2011 to Dec. 31, 2020. The company meets relevant requirements, and the corporate income tax rate applicable in 2014 was 15%.

5 Notes to the Items in the Consolidated Financial Statements

5.1 Cash on hand and in bank

Items	Dec. 31, 2014	Dec. 31, 2013
Cash	135,513.85	238,317.76
Cash in bank	221,775,428.23	129,469,415.16
Total	221,910,942.08	129,707,732.92
Including: total amount deposited abroad	-	-

5.1.1 Compared with the beginning balance, the ending balance of cash on hand and in bank increased by RMB 92,203,209.16 Yuan, with the increase percentage of 71.09%, which is mainly caused that the company is not necessary to pay large cost of assets intangible, refer to notes 5.36.1 for details.

5.2 Accounts receivable

5.2.1 Disclosure of accounts receivable on classification:

Classification	Dec. 31, 2014					Dec. 31, 2013				
	Book balance		Provision for bad account		Book value	Book balance		Provision for bad account		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount and provision for bad debts individually	-	-	-	-	-	-	-	-	-	-
Accounts receivable with provision for bad debts as per the portfolio of credit risk characteristics	2,728,267.76	100.00	1,410.98	0.05	2,726,856.78	1,387,267.76	100.00	910.78	0.07	1,386,356.98
Accounts receivable with no significant single amount but with provision for bad debts individually	-	-	-	-	-	-	-	-	-	-
Total	2,728,267.76	100.00	1,410.98		2,726,856.78	1,387,267.76	100.00	910.78		1,386,356.98

The accounts receivable accrued for provision of bad debt by age analysis method in portfolio:

Age	Dec. 31, 2014		
	Accounts receivable	Provision for bad debt	Proportion (%)
Within 1 year	2,726,700.00	-	-
1-2 years	-	-	-
2-3 years	-	-	-
Over 3 years	1,567.76	1,410.98	90.00
Total	2,728,267.76	1,410.98	

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.2 Accounts receivable (continued)

5.2.2 Bad debt recovery and bad debt allowance

This year, the total amount of bad debt allowance is RMB 500.20 yuan, and the total amount of bad debt recovery is 0.00 yuan

5.2.3 No write-off of bad debts occurred during this fiscal year.

5.2.4 Top 5 account receivables sorted by ending balance of debtors

Name of company	Nature of account	Ending balance	Age	Proportion in total accounts receivable (%)	Ending balance of provision for bad debts
Sichuan Province Chengdu Wenjiang District Water Affairs Bureau	Wastewater treatment charge	2,726,700.00	Within 1 year	99.94	-

5.2.5 Compared with the beginning balance, the ending balance of accounts receivable increased by RMB 1,340,499.80 Yuan, with the increase percentage of 96.69%, which is mainly caused by the increase in wastewater treatment charge receivable

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.3 Advance payment

5.3.1 Sorted by age:

Age	Dec. 31, 2014		Dec. 31, 2013	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	514,576.42	95.48	62,205.50	28.80
1~2 years	18,225.50	3.38	40,020.60	18.53
2~3 years	6,120.60	1.14	113,800.00	52.67
Over 3 years	538,922.52	100.00	216,026.10	100.00

5.3.2 Top 5 sorted by the objects of advance payment

Unit name	Relationship with the company	Amount	Age	Reason of outstanding
Sichuan Datong Mechanical and Electrical Equipment Co., Ltd	Suppliers	325,000.00	Within 1 year	Pending acceptance
Sichuan kaishibifa Sales Center	Suppliers	69,360.60	Within 1 year	Pending acceptance
Chinese Southwest Municipal Engineering Design & Research Institute Co., Ltd.	Suppliers	50,000.00	Within 1 year	Pending acceptance
Chengdu Enhao Technology Co., Ltd	Suppliers	31,200.00	Within 1 year	Pending acceptance
Chengdu Muqing Environmental Protection Science&Technology Co., Ltd	Suppliers	23,800.00	Within 1 year	Pending acceptance
Total		499,360.60		

5.3.3 Compared with the beginning balance, the ending balance of advance payment increased by RMB 322,896.42 Yuan, with an increment of 1.49 times, which was caused by the increase in prepayment for materials and equipments.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.4 Other receivables

5.4.1 Analysis of other receivables on classification:

Classification	Dec. 31, 2014					Dec. 31, 2013				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant single amount and provision for bad debts individually	-	-	-	-	-	-	-	-	-	-
Other receivables with provision for bad debts as per the portfolio of credit risk characteristics	6,114,315.77	99.95	128,700.00	2.10	5,985,615.77	5,575,278.98	99.95	108,800.00	1.95	5,466,478.98
Other receivables with no significant single amount but with provision for bad debts individually	3,000.00	0.05	3,000.00	100.00	-	3,000.00	0.05	3,000.00	100.00	-
Total	6,117,315.77	100.00	131,700.00		5,985,615.77	5,578,278.98	100.00	111,800.00		5,466,478.98

The other receivables accrued for provision of bad debt by age analysis method in portfolio:

Age	Dec. 31, 2014		
	Other receivables	Provision for bad account	Proportion (%)
Within 1 year	5,474,468.27	-	-
1~2 years	-	-	-
2~3 years	-	-	-
Over 3 years	143,000.00	128,700.00	90.00
Total	5,617,468.27	128,700.00	

Details for confirmation of this portfolio: Method of provision for bad debts made on the basis of credit risk characteristics portfolio

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.4 Other receivables (continued)

In portfolio, other receivables with less risk and no necessity of provision for bad debts

Age	Dec. 31, 2014		
	Other receivables	Provision for bad debts	Proportion
1-2 years	496,847.50	-	-

Details for confirmation of this portfolio: Method of provision for bad debts made on the basis of credit risk characteristics portfolio

5.4.2 Bad debt recovery and bad debt allowance

This year, the amount of bad debt allowance is RMB 26,500.00 yuan, and the amount of bad debt recovery is RMB 6600.00 yuan

5.4.3 No write-off of bad debts occurred during this fiscal year.

5.4.4 Classification of other receivables on nature

Name of Money Payable	Ending Book Balance	Beginning Book Balance
Electric charge	4,676,600.00	4,235,000.00
Deposits	564,973.00	562,973.00
Interenterprise current funds	496,847.50	521,947.00
Advance money for another	378,593.18	254,342.58
Others	302.09	4,016.40
Total	6,117,315.77	5,578,278.98

5.4.5 Top 5 other receivables sorted by ending balance of debtors

Unit name	Nature of money payable	Ending balance	Age	Proportion in total ending balance of accounts receivable (%)	Ending balance of provision for bad debts
Shanghai Municipal Electric Power Company	Prepay electric charge	4,536,600.00	Within 1 year	74.16	-
Shanghai Chenghong Real Estate Co., Ltd.	Rental deposit	558,473.00	Within 1 year	9.13	-
Sichuan Young Sun Investment Environment Engineering Investment Co., Ltd.	Interenterprise current funds	470,000.00	1-2 years	7.68	-
Chengdu Electric Power Bureau Wenjiang power Supply Bureau	Prepay electric charge	140,000.00	Over 3 years	2.29	126,000.00
Shanghai Dingren Industrial Co., Ltd.	Fee for technical service	40,000.00	Within 1 year	0.65	-
Total		5,745,073.00		93.91	126,000.00

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.5 Inventories

5.5.1 Classification of inventories

Item	Dec. 31, 2014			Dec. 31, 2013		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
Raw materials	505,683.40	-	505,683.40	384,941.20	238,177.80	146,763.40
Total	505,683.40	-	505,683.40	384,941.20	238,177.80	146,763.40

5.5.2 Inventory depreciation reserve

Classification of inventories	Beginning Book Balance	Provision in 2014		Decrease in 2014		Ending Book Balance
		Pvision	Other	Reversal or write-off	Other	
Raw materials	238,177.80	-	-	238,177.80	-	
Total	238,177.80	-	-	238,177.80	-	

Write-off provision for depreciation in 2014 is caused by receiving raw materials.

5.5.3 Compared with the beginning balance, the ending balance of inventory increased by RMB 358,920.00 Yuan, with an increment of 2.45 times, which was caused by the increase in reserve of raw materials for waster water treatment and write-off depreciation reserve.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.6 Fixed assets

5.6.1 Information for fixed assets

Item	Buildings and constructions	Machinery equipment	Transportation equipment	Transportation equipment	Other equipment	Improvement of fixed assets for operation and renting	Total
I. Original book value							
1. Beginning balance	128,181,848.83	110,363,421.81	1,443,650.59	1,276,964.58	897,805.00	2,340,000.00	244,503,690.81
2. Increased amount in current period	-	-	108,968.00	165,980.00	-	-	274,948.00
(1) Purchase	-	-	108,968.00	165,980.00	-	-	274,948.00
(2) Transferred from construction in progress	-	-	-	-	-	-	-
3. Decreased amount in current period	-	5,333,903.64	74,928.00	161,053.41	-	-	5,569,885.05
(1) Disposal or obsolescence	-	5,333,903.64	74,928.00	161,053.41	-	-	5,569,885.05
4. Ending balance	128,181,848.83	105,029,518.17	1,477,690.59	1,281,891.17	897,805.00	2,340,000.00	239,208,753.76
II. Accumulated depreciation							
1. Beginning balance	60,252,741.23	35,716,126.55	1,062,417.14	752,108.34	161,604.96	194,500.01	98,139,498.23
2. Increased amount in current period	5,952,550.89	9,892,876.68	107,461.51	120,105.49	161,604.96	467,999.99	16,702,599.52
(1) Provision	5,952,550.89	9,892,876.68	107,461.51	120,105.49	161,604.96	467,999.99	16,702,599.52
3. Decreased amount in current period	-	3,048,094.97	68,482.00	143,505.19	-	-	3,260,082.16
(1) Disposal or obsolescence	-	3,048,094.97	68,482.00	143,505.19	-	-	3,260,082.16
4. Ending balance	66,205,292.12	42,560,908.26	1,101,396.65	728,708.64	323,209.92	662,500.00	111,582,015.59
III. Impairment provision							
1. Beginning balance	-	-	-	-	-	-	-
2. Increased amount in current period	-	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-	-
3. Decreased amount in current period	-	-	-	-	-	-	-
(1) Disposal or obsolescence	-	-	-	-	-	-	-
4. Ending balance	-	-	-	-	-	-	-
IV. Book value							
1. Ending book value	61,976,556.71	62,468,609.91	376,293.94	553,182.53	574,595.08	1,677,500.00	127,626,738.17
2. Beginning book value	67,929,107.60	74,647,295.26	381,233.45	524,856.24	736,200.04	2,145,499.99	146,364,192.58

5.6.2 The company has no temporarily idle fixed assets

5.6.3 The company has no fixed assets acquired by financial leasing

5.6.4 The company has no fixed assets acquired by financial leasing

5.6.5 The company does not fixed assets without proper ownership certificate.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.7 Construction in progress

5.7.1 Information for construction in progress

Item	Dec. 31, 2014			Dec. 31, 2013		
	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Renovation project of Longhua, Changqiao and Minhang Waste Water Treatment Factories	16,070,798.80	-	16,070,798.80	9,371,994.75	-	9,371,994.75
On-line monitoring system	1,038,000.00	-	1,038,000.00	1,038,000.00	-	1,038,000.00
Equipment of central control technology reform	725,200.00	-	725,200.00	725,200.00	-	725,200.00
Total	17,833,998.80	-	17,833,998.80	11,135,194.75	-	11,135,194.75

5.7.2 Schedule in major constructions in progress

Name of project	Budget	Beginning book balance	Increase in 2014	Transfer to fixed assets in 2014	Other decrease in 2014	Ending book balance	Proportion of project investment in budger (%)	Schedule of project	Accumulated capitalization amount of interest	Including: capitalization amount of interest in 2014	Capitalization rate of interest in 2014 (%)	Fund source
Renovation project of Longhua, Changqiao and Minhang Waste Water Treatment Factories	29,180,000.00	9,371,994.75	6,698,804.05	-	-	16,070,798.80	55.08%	90%	-	-	-	Self-financing
Total		9,371,994.75	6,698,804.05	-	-	16,070,798.80			-	-	-	

5.7.3 The company's board of directors considered, constructions in progress as at December 31, 2013 no occurred situation of recoverable amounts is lower than its book value, in order to unnecessary to accrue provision for bad debts.

5.7.4 Compared with the beginning balance, the ending balance of construction in progress increased by RMB 6,698,804.05 Yuan, with the increase percentage of 60.16%, which was caused by the increase in renovation project of Longhua, Changqiao and Minhang Waste Water Treatment Factories.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.8 Intangible assets

5.8.1 Information for intangible assets

Item	Land use right	Franchise right (BOT)	Return cost of Franchise right	Patent right	Others	Total
I. Original book value						
1. Beginning balance	106,088,970.00	2,179,568,537.42	28,731,342.25	200,000.00	29,120.00	2,314,617,969.67
2. Increased amount in current period	-	-	-	-	-	-
(1) Purchase	-	-	-	-	-	-
3. Decreased amount in current period	-	2,397,546.00	-	-	-	2,397,546.00
(2) Other	-	2,397,546.00	-	-	-	2,397,546.00
4. Ending balance	106,088,970.00	2,177,170,991.42	28,731,342.25	200,000.00	29,120.00	2,312,220,423.67
II. Accumulated amortization						
1. Beginning balance	22,081,312.59	654,858,402.55	4,379,886.58	126,288.46	19,000.61	681,464,890.79
2. Increased amount in current period	2,122,298.76	142,099,032.72	1,787,465.28	6,185.52	2,823.96	146,017,806.24
1) Provision	2,122,298.76	142,099,032.72	1,787,465.28	6,185.52	2,823.96	146,017,806.24
3. Decreased amount in current period	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-
4. Ending balance	24,203,611.35	796,957,435.27	6,167,351.86	132,473.98	21,824.57	827,482,697.03
III. Impairment provision						
1. Beginning balance	-	-	-	-	-	-
2. Increased amount in current period	-	-	-	-	-	-
(1) Provision	-	-	-	-	-	-
2. Decreased amount in current period	-	-	-	-	-	-
(1) Disposal	-	-	-	-	-	-
4. Ending balance	-	-	-	-	-	-
IV. Book value						
1. Ending book value	81,885,358.65	1,380,213,556.15	22,563,990.39	67,526.02	7,295.43	1,484,737,726.64
2. Beginning book value	84,007,657.41	1,524,710,134.87	24,351,455.67	73,711.54	10,119.39	1,633,153,078.88

Year-end intangible assets generated by internal research and development accounts for 0.00% of total intangible assets.

5.8.2 The company does not possess right to use land without proper ownership certificate.

5.8.3 The Board of Directors of the Company held that: the situation that the recoverable amount is lower than the book value has not occurred in intangible assets at the end of year, so it is not necessary to make the provision for impairment.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.9 Goodwill

5.9.1 Original book value of goodwill

Name of invested entity or the event forming goodwill	Beginning balance of the year	Increase of the year	Decrease of the year	Ending balance of the year
Shanghai Zhu Yuan No. 1 Wastewater Treatment Investment Development Co., Ltd	22,644,681.99	-	-	22,644,681.99
Total	22,644,681.99	-	-	22,644,681.99

5.9.2 Provision for impairment of goodwill

Name of invested entity or the event forming goodwill	Beginning balance of the year	Increase of the year	Decrease of the year	Ending balance of the year
Shanghai Youlian Zhuyuan No. 1 Wastewater Treatment Investment Development Co., Ltd	-	-	-	-
Total	-	-	-	-

5.9.3 Goodwill impairment test process, parameters and determination of goodwill impairment loss:

The recoverable amount of infrastructure assets group shall be determined according to the expected future cash flow of the asset group, and the company shall determine according to the cash flow forecasts based on the discharge capacity and water rate stipulated in the franchise contract of Shanghai Youlian Zhuyuan No. 1 Wastewater Treatment Investment Development Co., Ltd. The discount rate of cash flow forecast is 3.99% the 10-year treasury rate published in 2014. The age limit of future cash inflow shall be the remaining time of franchise stipulated in franchise contract, and the remaining time is 10 years up to the end of the report period. Test result: there is no impairment in recognized goodwill amount during the reporting period.

5.9.4 Calculation process of goodwill

This company and its subsidiary Shanghai Yang Long Investment Consulting Co., Ltd paid RMB 156,711,577.82Yuan combined cost and acquired 100% equity of Shanghai Zhu Yuan No. 1 Wastewater Treatment Investment Development Co., Ltd in 2006. The difference of RMB 134,066,895.83 Yuan that between the combined cost exceeding and the fair value of identifiable assets and liabilities of Shanghai Youlian Zhuyuan No. 1 Wastewater Treatment Investment Development Co., Ltd acquired in proportion shall be determined as the goodwill related to Shanghai Youlian Zhuyuan No. 1 Wastewater Treatment Investment Development Co., Ltd.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.10 Deferred tax assets

5.10.1 Details of unrecognized deferred income tax assets

Item	Dec. 31, 2014	Dec. 31, 2013
Deductible temporary differences	1,395,481.60	388,847.78
Deductible loss	3,266,415.33	861,837.58
Total	<u>4,661,896.93</u>	<u>1,250,685.36</u>

5.10.2 Matured deductible losses of unrecognized deferred income tax assets in next period

Year	Dec. 31, 2014	Dec. 31, 2013	Annex
Year 2014	-	30,141.43	
Year 2017	558,275.03	831,696.15	
Year 2019	2,708,140.30	-	
Total	<u>3,266,415.33</u>	<u>861,837.58</u>	

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.11 Short-term loans

5.11.1 Classification of short-term loan

Type	Dec. 31, 2014	Dec. 31, 2013
Credit loan	50,000,000.00	59,150,000.00
Total	50,000,000.00	59,150,000.00

5.11.2 Overdue for short-term loan

Overdue for short-term loan in current period is RMB 0.00 yuan.

5.12 Accounts payable

5.12.1 Accounts payable is following:

Item	Dec. 31, 2014	Dec. 31, 2013
Estimated project funds	165,671,355.29	168,354,044.12
Equipment amount	5,255,476.90	6,722,763.92
Electric charge	1,248,586.94	1,184,179.25
Others	1,111,534.13	42,117.05
Total	173,286,953.26	176,303,104.34

5.12.2 Accounts payable with significant amount and aging of over one year

Name of creditor	Dec. 31, 2014	Reason of outstanding
Shanghai Meili Yuan City Environmental Protection Engineering Co., Ltd.	4,000,000.00	To be settled after the price of the phase II project of Zhuyuan is audited

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.13 Accounts received in advance

5.13.1 Accounts received in advance is following:

Item	Dec. 31, 2014	Dec. 31, 2013
Accounts received in advance	2,926,694.50	2,926,694.50
waste water treatment cost		

5.14 Employee benefits payable

5.14.1 Changes in employee benefits payable

Item	Dec. 31, 2013	Increase in current period	Decrease in current period	Dec. 31, 2014
I. Short-term compensation	101,879.87	33,816,540.33	32,389,056.78	1,529,363.42
II. Defined benefit plan	57,135.30	4,962,390.09	4,957,138.19	62,387.20
III. Dismissal welfare	-	-	-	-
IV. Other long-term employee benefits	-	-	-	-
Total	159,015.17	38,778,930.42	37,346,194.97	1,591,750.62

5.14.2 Presentation of short-term compensation

Item	Dec. 31, 2013	Increase in current period	Decrease in current period	Dec. 31, 2014
I. Wages, Bonuses, Allowances and Subsidies	40,959.20	22,175,560.36	20,774,875.94	1,441,643.62
II. Employee Welfare Fund	-	2,958,509.54	2,958,509.54	-
III. Social Security Charges	31,741.90	2,047,048.56	2,044,130.76	34,659.70
Including: 1. Medical Insurance Premium	27,932.80	1,713,055.98	1,710,488.28	30,500.50
2. Premium on Work Injury	1,269.70	82,551.76	82,435.06	1,386.40
3. Premium on Maternity	2,539.40	148,136.82	147,903.42	2,772.80
4. Disabled security fund	-	102,332.00	102,332.00	-
5. Protection of Wages fund	-	972.00	972.00	-
IV. Housing Fund	-	2,205,837.00	2,205,837.00	-
V. Labor union expenditures and employee education expenses	29,178.77	555,527.05	531,645.72	53,060.10
VI. Short-term paid absence	-	-	-	-
VII. Short-term profit-sharing plan	-	-	-	-
VIII. Other	-	3,874,057.82	3,874,057.82	-
Total	101,879.87	33,816,540.33	32,389,056.78	1,529,363.42

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.14 Employee benefits payable (continued)

5.14.3 Defined drawing plan

Item	Dec. 31, 2013	Increase in 2014	Decrease in 2014	Dec. 31, 2014
1. Basic endowment insurance expenses	53,326.20	3,463,835.96	3,458,934.16	58,228.00
2. Unemployment insurance expenses	3,809.10	232,668.38	232,318.28	4,159.20
3. Annuity	-	1,265,885.75	1,265,885.75	-
Total	57,135.30	4,962,390.09	4,957,138.19	62,387.20

5.14.3 Compared with the beginning balance, the ending balance of employee benefits payable increased by RMB 1,432,735.45 Yuan, with an increasement of 9.01 times, because the company and the subsidiaries accrued the payroll for year 2014 which will be paid in the year 2015.

5.15 Taxes and expenses payables

Tax type	Dec. 31, 2014	Dec. 31, 2013
Business tax	7,484.73	80,255.84
Urban maintenance and construction tax	524.31	5,617.91
Enterprise income tax	14,958,480.30	20,342,590.68
Individual income tax	531,724.28	510,090.52
Educational surtax	339.06	4,012.80
River management expenses	110.03	802.56
Total	15,498,662.71	20,943,370.31

5.16 Interests payable

Item	Dec. 31, 2014	Dec. 31, 2013
Interest of long-term borrowings with interest paid in installment and principal repaid upon maturity	1,060,432.16	1,259,966.48
Interest payable of short-term loan	91,666.57	108,441.67
Total	1,152,098.73	1,368,408.15

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.17 Other payables

5.17.1 Sorted by nature of funds

Item	Dec. 31, 2014	Dec. 31, 2013
Social insurance charges	79,065.68	66,375.80
Electric charge	4,943,089.07	3,630,065.43
Labor union expenditures	59,847.18	72,021.18
Intermediary organs	819,433.13	750,000.00
Guarantee funds	531,800.00	432,800.00
Deposits	376,400.00	336,400.00
Other	894,116.25	1,003,419.84
Total	7,703,751.31	6,291,082.25

5.17.2 Details of other payables over 1 year with large amount

Item	Amount	Reason of unsettlement
Shanghai Jinshan Municipal Construction (Group)Co., Ltd.	422,800.00	Quality warranty deposit, to be returned after completion of settlement

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.18 Non-current liabilities maturing within 1 year

Item	Dec. 31, 2014	Dec. 31, 2013
Long-term loans maturing within 1 year	94,000,000.00	88,420,000.00
Long-term payable maturing within 1 year	4,545,455.00	4,545,455.00
Long-term deferred income	414,815.93	414,815.93
Total	98,960,270.93	93,380,270.93

5.19 Long-term loans

5.19.1 Classification of Long-term loans

Item	Dec. 31, 2014	Dec. 31, 2013
Pledged loan	510,000,000.00	600,000,000.00
Guaranteed loan	3,800,000.00	7,800,000.00
Total	513,800,000.00	607,800,000.00

5.19.2 Interest rate and term of long-term loans and term

Name of creditor	Starting date	Ending date	Currency type	Interest rate (%)	Dec. 31, 2014	Dec. 31, 2013
ICBC Shanghai Branch Waigaoqiao Bonded Zone Sub-branch	Dec. 16, 2008	Dec. 15, 2020	RMB	Float on the basis of benchmark interest rate	510,000,000.00	600,000,000.00
Bank of Communications Chengdu Branch	Feb. 26, 2009	Dec. 30, 2016	RMB	Float on the basis of benchmark interest rate	3,800,000.00	7,800,000.00
Total					513,800,000.00	607,800,000.00

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.20 Long-term payables

5.20.1 Sorted by nature of funds

Item	Dec. 31, 2014	Dec. 31, 2013
Pledged loan by Shanghai Municipal Oceanic Bureau	13,636,360.00	20,827,415.00

5.20.2 Information for long-term payables

Name of creditor	Term	Initial amount	Interest rate (%)	Accrued interest	Ending book value	Loan requirement
Shanghai Municipal Oceanic Bureau	2003.12.16 – 2018-12-15	50,000,000.00	2.28	-	13,636,360.00	Pledged

5.20.3 Compared with the beginning balance, the ending balance of construction in progress decreased by RMB 7,191,055.00 Yuan, with the decrease percentage of 34.53%, which was caused by Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd, this subsidiary returned the loan by Shanghai Municipal Oceanic Bureau and Chengdu Wenjiang District Young Sun Water Purification Co., Ltd., this subsidiary returned long-term payables to minority shareholders.

5.21 Estimated liabilities

Item	Dec. 31, 2014	Dec. 31, 2013	Reason of Formation
Returned cost of franchise rights	60,503,577.85	61,156,662.18	Estimated overhaul and change expenditure relating to BOT franchise rights
Total	60,503,577.85	61,156,662.18	

5.21.1 Notes to important assumption and estimates relating to estimated liabilities:

As stipulated in *Notice on Issuing Interpretations to Accounting Standards for Business Enterprises No. 2 by Ministry of Finance* (CK [2008] No. 11), when the enterprise adopts build-operate-transfer mode (BOT) to engage in public infrastructure construction business, the estimated expenditures for keeping certain service capacity of related infrastructures or keeping certain service state before transferring to contract awarding party shall be treated according to the provisions of *Accounting Standards for Business Enterprises No. 13 – Contingencies*. Returned cost of franchise rights is the obligation bearable by the enterprise as specified in the contract, is the present value of future cash flow to be spent for keeping certain service capacity of related infrastructure or keeping certain service state before transferring to contract awarding party, constitutes part of the original value of intangible assets, and shall be adjusted accordingly according to the changes in replacement value of related infrastructures.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.22 Deferred income

Item	Dec. 31, 2013	Increase of this period	Decrease of this period	Dec. 31, 2014	Reason of formation
Online monitoring system subsidies	2,081,700.80	-	414,815.93	1,666,884.87	Government grants

5.22.1 Items relating to government grants

Item	Balance at the beginning of the year	Newly increased subsidy amount of this year	Amount included in non-operating income of this year	Other changes	Balance at the end of the year	Relating to assets/revenue
Online monitoring system subsidies	2,081,700.80	-	414,815.93	-	1,666,884.87	Relating to assets

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.23 Paid-in capital

	Dec. 31, 2013	Increase/Decrease in 2014					Dec. 31, 2014
		New issue of shares	Dividend	Share transferred from Reserves	Other	Subtotal	
The sum of share	244,596,000.00	-	-	-	-	-	244,596,000.00

5.23.1 The Company's registered capital consistent with share capital, all amounted to RMB 244,596,000.00 yuan, consistent with the business license, the articles of association or other legal documents, etc.

5.23.2 The company's controlling shareholder is Shanghai Chentou (Group) Co., Ltd., the ratio of shareholding is 56.83%.

5.24 Capital reserves

Item	Dec. 31, 2013	Increase in current period	Decrease in current period	Dec. 31, 2014
Capital premium (equity premium)	89,923,737.20	-	-	89,923,737.20
Other capital reserves	53,798,796.93	-	581,679.01	53,217,117.92
Total	143,722,534.13	-	581,679.01	143,140,855.12

5.24.1 Compared with the beginning balance, the ending balance of Capital reserve decreased by RMB 581,679.01 Yuan, with the decrease percentage of 0.04%, which was caused by the subsidiary Shanghai Younglong Investment & Consulting Co., Ltd., the minority shareholders of Yanglong decreased the paid-in-capital in accordance with the appraised net assets value and its corresponding investment. In the end of year, the part of the company's investment cost in Yanglong more than net assets, write-off other capital reserves.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.25 Surplus reserves

Item	Dec. 31, 2013	Appropriate in 2014	Decrease in 2014	Dec. 31, 2014
Statutory surplus reserves	20,366,185.76	2,210,484.64	-	22,576,670.40
Total	20,366,185.76	2,210,484.64	-	22,576,670.40

5.26 Undistributed profits

Item	Current period	Previous period
Undistributed profit at the end of previous period before adjustment	157,507,816.06	120,312,029.25
Undistributed Profit after Adjustment at the Beginning of This Period (increase +, decrease -)	-	-
Undistributed Profit after Adjustment at the Beginning of This Period	157,507,816.06	120,312,029.25
Add: Net profit attributable to the owners of the company for the period	50,707,847.55	37,304,359.32
Subtract: Statutory surplus reserve	2,210,484.64	108,572.51
Withdrawal of free surplus reserve	-	-
Common stock dividends payable	9,783,840.00	-
Common stock dividends converted to capital stock	-	-
Undistributed Profit at the end of period	196,221,338.97	157,507,816.06

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.27 Operating income and cost

Item	Year 2014		Year 2013	
	Income	Cost	Income	Cost
Main business	461,494,936.70	322,165,012.68	444,499,918.37	308,508,303.28
Other business	2,587,429.85	1,657,943.18	6,530,957.86	1,126,747.66
Total	464,082,366.55	323,822,955.86	451,030,876.23	309,635,050.94

5.28 Business tax and surcharges

Item	Year 2013	Year 2012	Tax rate
Business tax	124,617.65	324,607.38	5%
Urban maintenance and construction tax	9,711.86	22,798.80	7%
Education surcharge	6,901.85	16,284.87	5%
River expenses	1,422.57	3,256.98	1%
Total	142,653.93	366,948.03	

5.28.1 Compared with the beginning balance, the ending balance of business tax and surcharges decreased by RMB 224,294.10 Yuan, with the decrease percentage of 61.12%, which was caused by the subsidiary Shanghai Young Sun Drainage Operation Co., Ltd., this subsidiary decreased rental income in current period.

5.29 Administrative expense

Item	Year 2014	Year 2013
Wages	10,469,066.27	8,276,865.79
Welfares	1,753,892.55	1,588,421.96
Social insurance expenses, housing provident funds	4,744,104.29	4,838,750.78
Amortization of intangible assets	4,152,295.08	4,152,295.08
Depreciation of fixed assets	609,869.16	382,678.60
Business entertainments	570,758.48	819,090.43
Labor charges	4,132,300.02	2,879,101.79
Rental fees	2,231,892.00	2,184,290.00
Costs for hiring agency	1,633,703.00	1,508,300.00
Office expenses	458,794.31	667,917.44
Fees for using vehicle	442,870.74	564,461.61
Travelling expenses	292,957.00	497,784.36
Disclosure expenses	558,675.00	479,040.00
Conference expenses	82,000.00	417,350.50
Insurance expenses	139,661.14	145,750.56
Others	1,965,830.68	1,973,682.40
Total	34,238,669.72	31,375,781.30

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.30 Financial cost

Item	Year 2014	Year 2013
Interest expense	43,847,310.68	63,803,643.29
Subtract: interest income	613,548.41	540,140.50
Net interest expense/ (net income)	43,233,762.27	63,263,502.79
Add: Net exchange loss (net benefit)	24,614.56	1,348.84
Commission charges and others	30,598.75	29,617.33
Total	43,288,975.58	63,294,468.96

5.30.1 Compared with the beginning balance, the ending balance of financial cost decreased by RMB 20,005,493.38 Yuan, with the decrease percentage of 31.61%, which was caused return short-term loan and long-term loan, decreased interest expenses in the current period.

5.31 Losses from asset impairment

Item	Year 2014	Year 2013
1. Losses from bad debt	20,400.20	-105,272.74
2. Losses from inventory depreciation	-238,177.80	-25,837.50
3. Losses from available-for-sale financial assets impairment	-	-
4. Losses from held-to-maturity investments impairment	-	-
5. Losses from long-term equity investments impairment	-	-
6. Losses from investment property impairment	-	-
7. Losses from fixed asset impairment	-	-
8. Losses from project materials impairment	-	-
9. Losses from construction in progress impairment	-	-
10. Losses from productive biological assets impairment	-	-
11. Losses from oil and gas assets impairment	-	-
12. Losses from intangible assets impairment	-	-
13. Losses from goodwill impairment	-	-
14. Others	-	-
Total	-217,777.60	-131,110.24

5.31.1 Compared with the beginning balance, the ending balance of Losses from asset impairment decreased by RMB 86,667.36 Yuan, with the decrease percentage of 66.10%, which was caused move back the loss on decline in value of inventories.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.32 Non-operating income

5.32.1 Non-operating income

Item	Year 2014	Year 2013	Amount included in the current non-recurring profit and loss
Total gains on disposal of non-current assets	189,280.96	243,980.58	189,280.96
Including: gain on disposal of fixed assets	189,280.96	243,980.58	189,280.96
Government subsidies	44,549,369.93	46,157,278.93	44,549,369.93
Others	-	114,960.99	-
Total	44,738,650.89	46,516,220.50	44,738,650.89

5.32.2 Breakdown of government subsidies

Item	Year 2013	Year 2012	Associated with asset/ Associated with earning	Note
Subsidies for reducing main pollutants excess	42,678,293.00	44,361,396.00	Associated with earning	Fiscal allocation
Supporting subsidies for Pudong District Jin-qiao Economic Development & Promotion Center	1,270,261.00	1,108,542.00	Associated with earning	Fiscal allocation
Subsidies for constructing on-line monitoring facilities of sewage plant	489,815.93	414,815.93	Associated with earning	Fiscal allocation
Special appropriation of environmental protection	-	111,000.00	Associated with earning	Fiscal allocation
Cleaner Production Audit in 2012	-	100,000.00	Associated with earning	Fiscal allocation
Special subsidies for reduction of pollutant emissions	-	40,000.00	Associated with earning	Fiscal allocation
Special funds for pollution discharge fees	-	15,000.00	Associated with earning	Fiscal allocation
Special subsidies for technology	-	6,525.00	Associated with earning	Fiscal allocation
Other subsidies	111,000.00	-	Associated with earning	Fiscal allocation
Total	44,549,369.93	46,157,278.93		

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.33 Non-operating expenses

Item	Year 2014	Year 2013	Amount included in the current non-recurring profit and loss
Total Loss on Disposal of Non-Current Assets	2,484,547.59	876,893.68	2,484,547.59
Including: Loss on Disposal of Fixed Assets	2,484,547.59	876,893.68	2,484,547.59
Penalty and fine for delaying payment	35,000.00	-	35,000.00
External donation	10,000.00	-	10,000.00
Others	-	103,027.87	-
Total	<u>2,529,547.59</u>	<u>979,921.55</u>	<u>2,529,547.59</u>

5.33.1 Compared with previous period, the non-operating expenses of current period increased by RMB 1,549,626.04 Yuan, with an increment of 1.58, which was caused by the company increased loss on disposal of fixed assets.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.34 Income tax expenses

5.34.1 Table of income tax expenses

Item	Year 2014	Year 2013
Income tax expenses of current period	5,050,000.04	21,565,197.21
Adjustment of deferred income tax	-	-
Total	5,050,000.04	21,565,197.21

5.34.2 Adjustment process of accounting profit and income tax expenses

Item	Year 2014
Total profit	105,015,992.36
Income tax expenses calculated as per statutory/applicable tax rate	26,253,998.10
Influence of different tax rate applicable to subsidiary	-338,722.37
Influence of income tax adjustment of previous period	-14,777,607.93
Influence of non-taxable income	-10,216,359.57
Influence of nondeductible costs, expenses and losses	3,114,492.03
Influence of deductible losses using unrecognized deferred income tax assets in previous period	-162,695.73
Influence of deductible and temporary difference or deductible losses of unrecognized deferred income tax assets in current period	1,176,895.51
Income tax expenses	5,050,000.04

5.34.3 Compared with previous period, income tax expenses of current period decreased by RMB 16,515,197.17 Yuan, with the decrease percentage of 76.58%, which was caused by Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd., this subsidiary was awarded with High-tech Enterprise, the corporate income tax of the subsidiary shall be levied at a reduced rate of 15%, write-off the provision of income tax in accordance with income tax final settlement in year 2013, and income tax was levied at a reduced rate of 15%.

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.35 Notes to Cash Flow Statement

5.35.1 Other cash received relating to operating activities

Item	Year 2014	Year 2013
Special subsidies and grants	44,134,554.00	45,743,558.00
Amount reactivated by the court	1,344,227.65	192,183.17
Recovery of current funds and advance money for another	613,548.41	540,140.50
Total	46,092,330.06	46,475,881.67

5.35.2 Other cash paid relating to operating activities

Item	Year 2014	Year 2013
Cost and expenses	8,087,961.41	11,102,520.11
Interenterprise current amount	2,972,109.94	2,289,542.29
Total	11,060,071.35	13,392,062.40

5.35.3 Other cash received relating to investment activities

Item	Year 2014	Year 2013
Payment of reduction capital of shareholders	12,374,348.82	300,000.00
Total	12,374,348.82	300,000.00

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.36 Supplementary information on cash flow statements

5.36.1 Supplementary information on cash flow statements

Item	Year 2014	Year 2013
1. To Adjust the Net-profit as Cash Flow of Operating Activities:		
Net profit	99,965,992.32	70,460,838.98
Add: Provision for asset impairment	-217,777.60	-131,110.24
Fixed assets depreciation, oil and gas assets depreciation, productive biological assets depreciation	16,509,354.82	16,500,029.60
Amortization of intangible assets	146,017,806.24	161,226,311.07
Amortization of long-term deferred expenses	-	-
Losses on Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets (Income marked "-")	2,484,547.59	632,913.10
Fixed Asset Abandoned Losses (Income marked "-")	-	-
Loss from Fair Value Change (Income marked "-")	-	-
Financing Expense (Income marked "-")	43,871,925.24	63,804,992.13
Investment Loss (Income marked "-")	-	-
Decrease in Deferred Income Tax Assets (Increase marked "-")	-	-
Increase in Deferred Income Tax Liabilities (Decrease marked "-")	-	-7,133,797.16
Decrease in inventory (Increase marked "-")	-120,742.20	545,073.00
Decrease in Operating Items Receivable (Increase marked "-")	18,712,482.92	-23,385,600.93
Increase of Operating Payables (Decrease marked "-")	-28,813,197.02	31,135,742.69
Others	-	-
Net cash flow from operating activities	298,410,392.31	313,655,392.24
2. Significant investment and financing activities without cash receipts and payments:		
Conversion of Debt into Capital	-	-
Convertible Bonds Due within One Year	-	-
Fixed Assets under Finance leases	-	-
3. Change in Cash and Cash Equivalents:		
Cash balance at the end of the Period	221,910,942.08	129,707,732.92
Subtract: amount at the beginning period	129,707,732.92	102,720,173.03
Add: amount of cash equivalents at the end of period	-	-
Subtract: amount of cash equivalents at the beginning period	-	-
Net Increase in cash and cash equivalents	92,203,209.16	26,987,559.89

5 Notes to the Items in the Consolidated Financial Statements (continued)

5.36 Supplementary information on cash flow statements (continued)

5.36.2 Composition of cash and cash equivalents

Item	Dec. 31, 2014	Dec. 31, 2013
I. Cash	221,910,942.08	129,707,732.92
Including: Cash in Stock	135,513.85	238,317.76
Bank deposit available for immediate payment	221,775,428.23	129,469,415.16
Other currency available for immediate payment	-	-
II. Cash equivalents	-	-
III. Balance of cash and cash equivalents at the end of the period	221,910,942.08	129,707,732.92
Including: restricted cash and cash equivalents used by parent company or subsidiaries of the group	-	-

5.37 Foreign currency monetary items

5.37.1 Foreign currency monetary items

Item	Ending foreign monetary book value	Translation rate	Ending book value represented in RMB
Monetary fund			
Including: USD	7,159.78	6.1190	43,810.70

6 Change of Range of consolidated financial statements

The range of consolidated financial statements of the company not changed in current period.

7 Disclosure of Equity in Other Entities

7.1 Equity in subsidiary

7.1.1 Composition of enterprise group

Name of subsidiary	Main business location	Registration place	Nature of business	Shareholding proportion (%)		Form of achievement
				Direct	Indirect	
Shanghai Young Sun Drainage Operation Co., Ltd.	Shanghai, China	Shanghai, China	Wastewater Treatment	100.00	-	Establish
Shanghai Younglong Investment & Consulting Co., Ltd.	Shanghai, China	Shanghai, China	Wastewater Treatment	100.00	-	Obtain by business combination under common control and not under common control
Chengdu Wenjiang District Young Sun Water Purification Co., Ltd.	Chengdu, China	Chengdu, China	Wastewater Treatment	90.00	-	Establish
Chengdu Wenjiang District New Young Sun Wastewater Treatment Co., Ltd.	Chengdu, China	Chengdu, China	Wastewater Treatment	90.00	-	Establish
Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd.	Shanghai, China	Shanghai, China	Investment Consulting	25.11	26.58	Obtain by business combination not under common control

Not existed the subsidiaries's shareholding proportion is different than voting proportion.

7.1.2 Significant non-wholly-owned subsidiaries

Name of subsidiaries	Minority shareholder's Shareholding proportion (%)	Profits and loss attributable to the minority shareholders in 2014	The dividends declared to distribute to the minority shareholders in 2014	Ending Book value of Minority Interests
Chengdu Wenjiang District Young Sun Water Purification Co., Ltd.	10.00%	163,764.69	-	3,678,373.47
Chengdu Wenjiang District New Young Sun Wastewater Treatment Co., Ltd.	10.00%	65,603.86	-	1,336,941.08
Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd	48.31%	49,028,776.22	-	332,233,982.33

Not exist the subsidiaries's shareholding proportion is different than voting proportion.

The subsidiary Chengdu Wenjiang District Young Sun Water Purification Co., Ltd. increased capital RMB 2,760,000.00 Yuan, the paid-in-capital increased from 1,000,000.00 yuan to RMB 28,600,000.00 yuan. The Shareholding proportion still contains 90%.

Shanghai Young Sun Investment Co., Ltd.
Footnote to Annual Financial Statements in 2014
(Except indicated specially, otherwise, the amount unit is RMB Yuan.)

7 Disclosure of Equity in Other Entities (continued)

7.1.3 Main financial information for significant non-wholly-owned subsidiaries

Name of subsidiaries	Dec. 31, 2014						Dec. 31, 2013					
	Current assets	Non-current Assets	Total assets	Current liabilities	Non-current Liabilities	Total liabilities	Current assets	Non-current Assets	Total assets	Current liabilities	Non-current Liabilities	Total liabilities
Chengdu Wenjiang District Young Sun Water Purification Co., Ltd.	24,032,628.46	24,621,209.36	48,653,837.82	620,952.09	11,249,151.07	11,870,103.16	27,240,369.46	26,136,547.52	53,376,916.98	556,674.29	37,274,154.85	37,830,829.14
Chengdu Wenjiang District New Young Sun Wastewater Treatment Co., Ltd.	3,712,017.25	43,662,729.61	47,374,746.86	17,825,352.52	16,179,983.57	34,005,336.09	3,531,185.44	46,373,477.61	49,904,663.05	13,846,683.52	23,344,607.33	37,191,290.85
Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd	190,061,562.23	1,333,596,690.50	1,523,658,252.73	277,736,971.47	561,023,765.22	838,760,736.69	97,258,954.18	1,475,419,904.66	1,572,678,858.84	262,298,833.46	657,248,439.58	919,547,273.04

Name of subsidiaries	Dec. 31, 2014				Dec. 31, 2013			
	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities	Operating income	Net profit	Total comprehensive income	Cash flows from operating activities
Chengdu Wenjiang District Young Sun Water Purification Co., Ltd.	7,117,500.00	1,637,646.82	1,637,646.82	-23,012,462.50	7,117,500.00	421,529.73	421,529.73	2,862,703.10
Chengdu Wenjiang District New Young Sun Wastewater Treatment Co., Ltd.	9,198,000.00	656,038.57	656,038.57	3,529,762.10	8,702,400.00	1,144,261.73	1,144,261.73	6,649,658.65
Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd	358,800,020.22	101,765,930.24	101,765,930.24	270,115,512.05	344,015,662.63	66,172,126.29	66,172,126.29	277,702,290.54

8 Risks Related to Financial Instruments

Main financial instruments of the company include cash on hand and in bank, accounts receivable, advance payment, other receivables, accounts payable, advance from customers and other payables, which are held mainly for the routine operation of the company. This company generates financial assets and liabilities directly from operating its own games or games for which it acts, such as accounts receivable and accounts payable. Refer to Note V for details of all kinds of financial instruments. The risks related to these financial instruments and the risk management policies adopted by the company for reducing these risks are described below. The management of the company shall manage and control these risk exposures, so as to control above risks within limited scope.

8.1 Risk management objectives and policies

The risk management objective of the company is to achieve proper balance between risks and benefits, to minimize the negative influence of risk on operating performance of the company, and to maximize the interests of investors. Based on this risk management objective, the basic strategy of risk management of the company is to determine and analyze all kinds of risks the company faces, set up appropriate acceptable risk baseline and carry out risk management, and monitor all risks timely and reliably, to control the risks in a limited range.

8.1.1 Market risk

8.1.1.1 Foreign exchange risk

Foreign exchange risk is the possible loss caused by changes in foreign exchange rates. When the company does business in currencies other than yuan, fluctuations in other currencies' exchange rates against yuan may impact the company's financial and business performance. Such risk will arise when business entities make purchases or sales in currencies other than its base currency. Since the company has no foreign subsidiary and mainly deal with domestic business, the company management believes fluctuations of currency exchange rates against yuan will not have material impact on company's financial performance.

8.1.1.2 Interest rate risk

The management of the company holds that interest rate risk has no significant influence on financial statements, so the sensitivity analysis of interest rate risk has not been disclosed.

8 Risks Related to Financial Instruments (continued)

8.1.2 Liquidity risk

When manage liquidity risk, the management of the company holds that the company should have sufficient cash and cash equivalents and manage them, to meet the operation needs of the company and to reduce the influence of fluctuation of cash flow.

The company's financial assets mainly consist of cash or cash equivalent, notes receivables, accounts receivables and other receivables. As of December 31st, 2014, the company believes its financial assets have no significant realizable limit.

The company's sources of financing include cash platform and other financing channels. The company's financial liabilities mainly consist of notes receivables, accounts receivables and other receivables due within 3 months, all generated from operating activities. The year-end recoverable amount of each financial liability is equal to its year-end carrying amount. The company believes by ways of financing mentioned above and timely management of its financial liabilities, enough funds will be raised to repay all financial liabilities due, no significant liquidity risk exists.

9 Disclosure of fair value

Not existed assets and liabilities measured at fair value in reporting period.

10 Associated Party and Their Transactions

10.1 The parent company of the Company

Name of the parent company	Registration place	Business nature	Registered capital	Voting ratio in the Company (%)	Shareholding ratio in the Company (%)
Shanghai Chentou (Group) Co., Ltd	Shanghai, China	Urban construction and public service investment, Marketing, project investment and assets management, industrial investment, stock investment	RMB 50,000,000,000.00 Yuan	56.83	56.83

The parent company of the company was named Shanghai Urban Construction Investment and Development Corporation. As of Nov. 26, 2014, the parent company officially changed its name to Shanghai Chentou (Group) Co., Ltd. The parent company changed its share capital from RMB 2,040,593.90 yuan to RMB 5,000,000 yuan, and the enterprise nature of the parent company changed from enterprise owned by the whole people to limited liability company (solely state-owned)

Final controller of the company: Shanghai Chentou (Group) Co., Ltd.

10.2 Subsidiaries of the Company

Refer to Notes 7.1 for details of the subsidiaries of the company.

10.3 Other associated parties

Name of Other Associated Parties	Relationship between Other Associated Parties and the Company
Shanghai Urban Drainage Co., Ltd	Under common control
Shanghai Chenghong Real Estate Co., Ltd.	Under common control
Shanghai SMI Environmental Industry Co., Ltd.	Under common control
Shanghai Water Assets Development Co., Ltd.	Under common control

10 Associated Party and Their Transactions (continued)

10.4 Associated transactions

10.4.1 Associated transactions of merchandise purchase/receiving labor services

10.4.1.1 Table of merchandise purchase/receiving labor services

Associated transactions	Content of Associated Transactions	Year 2014	Year 2013
Shanghai SMI Environmental Industry Co., Ltd.	Wastewater treatment settlement	7,840,386.66	8,368,112.01

10.4.1.2 Table of selling goods/rendering service

Associated transactions	Content of Associated Transactions	Year 2014	Year 2013
Shanghai Urban Drainage Co., Ltd	Wastewater treatment settlement	445,179,436.70	428,680,018.37

10.4.2 Leasing of associated transactions

10.4.2.1 The company is as Lessee

Name of the lessor	Leased asset types	Rental expenses in 2014	Rental expenses in 2013
Shanghai Chenghong Real Estate Co., Ltd.	Room 1602 and 1603 Floor 16 No. 130 Wusong Road Shanghai City	2,231,892.00	1,539,454.00

10 Associated Party and Their Transactions (continued)

10.4 Associated transactions (continued)

10.4.3 Guarantee of associated transactions

10.4.3.1 The company is Guarantor

Guarantee	Amount of Guarantee	Starting date	Ending date	the guarantee is completed or not
Chengdu Wenjiang District New Young Sun Wastewater Treatment Co., Ltd.	7,800,000.00	2009-02-26	2016-12-30	not

10.4.4 Remuneration of key management

Item	Year 2014	Year 2013
Remuneration of key management	2,630,000.00	2,628,600.00

10.5 Accounts receivable and payable of associated parties

10.5.1 Receivables

Item	Associated party	Dec 31, 2014		Dec 31, 2013	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Other receivables	Shanghai Chenghong Real Estate Co., Ltd.	558,473.00	-	558,473.00	-

10.5.2 Payables

Item	Associated party	Dec 31, 2014	Dec 31, 2013
		Book balance	Book balance
Accounts payable	Shanghai SMI Environmental Industry Co., Ltd.	695,802.80	390,559.80
Accounts payable	Shanghai Water Assets Development Co., Ltd.	178.00	178.00
Accounts received in advance	Shanghai Urban Drainage Co., Ltd	2,926,694.50	2,926,694.50

10.6 Commitments of Associated transactions

There are not commitments of associated transactions in current period

11 Share-based payment

There are not share-based payments in current period.

12 Commitments and contingencies

12.1 Significant commitment issues

12.1.1 Significant commitments , natures and amounts as at December 31, 2014

12.1.1.1 The Company pledged the charging right for its sewage discharge services to secure a fixed-asset loan of RMB 840,000,000.00 from ICBC Shanghai Branch Waigaoqiao Bonded sub-branch, the loan term is from Jan. 16, 2008 to Dec. 15, 2020, the loan balance is RMB 600,000,000.00 as at Dec. 31, 2014.

12.1.1.2 The Company pledged the charging right for its sewage discharge services to secure treasury-bond funds of RMB 50,000,000.00 from Shanghai Municipal Oceanic Bureau, the loan term is from Dec. 16, 2003 to Dec. 15, 2018, the loan balance is RMB 18,181,815.00 as at Dec. 31, 2013.

Save as disclosed above, as at December 31, 2014, no occurred other significant commitments, which impacted to read and understand this financial statement by the Company.

12.2 Contingencies

As of Dec. 31, 2014, the company had no contingency to be disclosed.

13 Events after the balance sheet date

13.1 Information for Profit distribution

The 28th meeting of the sixth term board of directors reviewed and passed pre-arranged planning of profit distribution, decided to donate to all shareholders RMB 0.65 yuan dividends for each 10 shares on the basis of share capital as at December 31, 2014.

Save as disclosed above, by the date of issuance of the financial statements on Mar. 26, 2015, the company had no other events after the balance sheet date to be disclosed.

14 Other significant issues

14.1 Annuity plan

In accordance with *Trial Measures for Enterprise Annuity*, *Trial Measures for Enterprise Annuity Fund Management* and *Notice on Certain Issues Related to Implementation of Enterprise Annuity of Shanghai City*, the company shall set up an enterprise annuity payment plan with voluntary fixed amount contribution. The contents of the plan include: I. The annual annuity payment of the company shall be one-twelfth of total staff wages of last year, and the individual contribution of the staff shall defer to their own willingness as arranged of RMB 1,000 Yuan per person per year. II. The company shall adopt trust model to operate the enterprise annuity.

14.2 Segment information

14.2.1 Basis for determining and accounting policies of reportable segments

14.2.1.1 Basis for determining of reportable segments

The company shall determine the reportable segments according to business segment or geographic segment.

If most of the revenue of the business segment or geographic segment is foreign trade revenue and satisfies any of the following conditions, it shall be identified as a reportable segment:

- 1) The income of the segment accounts for 10% or more of total income of all segments;
- 2) The absolute profit (loss) of the segment accounts for 10% or more of the absolute total profits of all profitable segments or absolute total losses of all loss-making segments, whichever is larger;
- 3) The assets of the segment accounts for 10% or more of the total assets of all segments.

If any business segment or geographic segment fails to satisfy above conditions, treat it according to the following provisions:

- 1) Directly specify it as a reportable segment regardless of its size.
- 2) Don't specify such segment as a reportable segment, but merge it and one or more similar and unsatisfactory segment(s) into a reportable segment;
- 3) The segment shall neither be specified as a reportable segment nor be merged with other segment(s), and shall be disclosed separately as other items during disclosing segment information.

The company shall divide the reportable segment according to operating region, and the reportable segments shall be divided into eastern China and southwestern China region.

14.2.1.2 Accounting policies of reportable segment

The company shall divide the reportable segment according to operating region, and shall implement unified accounting policies within the scope of combination.

14 Other significant issues (continued)

14.2 Segment information (continued)

14.2.2 Financial information of reportable segment

Item	Eastern China	Southwestern China	Offset among Divisions	Total
I. Operating income	447,766,866.55	16,315,500.00	-	464,082,366.55
Including: prime operating income	445,179,436.70	16,315,500.00	-	461,494,936.70
II. Operating cost	313,847,034.74	9,975,921.12	-	323,822,955.86
Including: Prime operating cost	312,189,091.56	9,975,921.12	-	322,165,012.68
III. Total profit (loss)	101,866,141.73	3,149,850.63	-	105,015,992.36
IV. Income tax expenses	4,193,834.80	856,165.24	-	5,050,000.04
V. Net profit (loss)	97,672,306.93	2,293,685.39	-	99,965,992.32
VI. Total assets	1,788,482,581.47	96,028,584.68	-	1,884,511,166.15
VII. Total liabilities	894,851,565.53	45,875,439.25	-	940,727,004.78

14.3 Other significant transactions and issues impacting investors' decision-making

The company received the notice from its controlling shareholder Shanghai Chengtou (Group) Co., Ltd (hereafter referred to as Shanghai Chengtou) on Oct. 31, 2014 that Shanghai Chentou was planning major assets reconstructing issues involving this company. In order to ensure fair information disclosure, protect the interests of the investors and avoid abnormal fluctuation of stock price of the company, the stock of the company has been suspended from Nov. 3, 2014 on application by this company.

As of the reporting date of the company, the company and its associated parties are actively promoting the work of major assets reconstructing. Considering that such major assets reconstructing involves B-shares reform and other significant issues and may be an unprecedented significant issue with great uncertainty, the stock of the company will continue to be suspended on application at Shanghai Stock Exchange in accordance with the provisions of *Rules Governing the Listing of Stocks on Shanghai Stock Exchange*. The company will pay close attention to the progress of aforesaid issues during the suspension period and timely perform its information disclosure obligations according to relevant provisions.

In addition to the above-mentioned matters, as of the date of issue of the report, Mar. 26, 2015, there is no other significant issue to be disclosed by the company.

15 Notes to Main Items in the company Financial Statements

15.1 Accounts receivable

15.1.1 Disclosure of accounts receivable on classification:

Classification	Dec. 31, 2014					Dec. 31, 2013				
	Book balance		Provision for bad account		Book value	Book balance		Provision for bad account		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable with significant single amount and provision for bad debts individually	-	-	-	-	-	-	-	-	-	-
Accounts receivable with provision for bad debts as per the portfolio of credit risk characteristics	1,567.76	100.00	1,410.98	90.00	156.78	1,567.76	100.00	910.78	58.09	656.98
Accounts receivable with no significant single amount but with provision for bad debts individually	-	-	-	-	-	-	-	-	-	-
Total	1,567.76	100.00	1,410.98		156.78	1,567.76	100.00	910.78		656.98

The accounts receivable accrued for provision of bad debt by age analysis method in portfolio:

Age	Dec. 31, 2014		
	Accounts receivable	Provision for bad debt	Proportion (%)
Within 1 year	-	-	-
1-2 years	-	-	-
2-3 years	-	-	-
Over 3 years	1,567.76	1,410.98	90.00
Total	1,567.76	1,410.98	

15.1.2 Bad debt recovery and bad debt allowance

This year, the total amount of bad debt allowance is RMB 500.20 yuan, and the total amount of bad debt recovery is 0.00 yuan

15.1.3 No write-off of bad debts occurred during this fiscal year.

15.1.4 Compared with the beginning balance, the ending balance of accounts receivable decreased by RMB 500.20 Yuan, with the increase percentage of 76.14%, which is mainly caused by the increase in provision for bad debt.

15 Notes to Main Items in the company Financial Statements (continued)

15.2 Other receivables

15.2.1 Analysis of other receivables on classification:

Classification	Dec. 31, 2014					Dec. 31, 2013				
	Book balance		Provision for bad debt		Book value	Book balance		Provision for bad debt		Book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables with significant single amount and provision for bad debts individually	-	-	-	-	-					
Other receivables with provision for bad debts as per the portfolio of credit risk characteristics	3,451,708.80	100.00	2,700.00	0.078	3,449,008.80	27,096,695.20	100.00	1,200.00	0.004	27,095,495.20
Other receivables with no significant single amount but with provision for bad debts individually	-	-	-	-	-					
Total	3,451,708.80	100.00	2,700.00		3,449,008.80	27,096,695.20	100.00	1,200.00		27,095,495.20

The other receivables accrued for provision of bad debt by age analysis method in portfolio:

Age	Dec. 31, 2014		
	Other receivables	Provision for bad account	Proportion (%)
Within 1 year	3,448,708.80	-	-
1~2 years	-	-	-
2~3 years	-	-	-
Over 3 years	3,000.00	2,700.00	90.00
Total	3,451,708.80	2,700.00	

Details for confirmation of this portfolio: Method of provision for bad debts made on the basis of credit risk characteristics portfolio

15 Notes to Main Items in the company Financial Statements (continued)

15.2 Other receivables (continued)

15.2.2 Bad debt recovery and bad debt allowance

This year, the amount of bad debt allowance is RMB 1,500.00 yuan, and the amount of bad debt recovery is RMB 0.00 yuan.

15.2.3 No write-off of bad debts occurred during this fiscal year.

15.2.4 Classification of other receivables on nature

Name of Money Payable	Ending Book Balance	Beginning Book Balance
Advance money for another	49,620.00	3,000.00
Interenterprise current funds	2,838,615.80	26,530,575.80
Deposits	563,473.00	561,473.00
Others	-	1,646.40
Total	3,451,708.80	27,096,695.20

15.2.5 Top 5 other receivables sorted by ending balance of debtors

Unit name	Nature of money payable	Ending balance	Age	Proportion in total ending balance of accounts receivable (%)	Ending balance of provision for bad debts
Shanghai Young Sun Drainage Operation Co., Ltd.	Interenterprise current funds	2,838,615.80	Within 1 year	82.24	-
Shanghai Chenghong Real Estate Co., Ltd.	Rental Deposits	558,473.00	Within 1 year	16.18	-
Personal	Advance money for another	45,100.00	Within 1 year	1.31	-
Shanghai operator talent Company	Deposits	2,000.00 3,000.00	Within 1 year Over 3 year	0.14	2,700.00
Public utilities environmental detection cost	Advance money for another	4,520.00	Within 1 year	0.13	-
Total		3,451,708.80		100.00	2,700.00

15 Notes to Main Items in the company Financial Statements (continued)

15.3 Long-term equity investment

15.3.1 Table of long-term equity investment

Item	Dec. 31, 2014			Dec. 31, 2013		
	Book balance	Provision for impairment	Book value	Book balance	Provision for impairment	Book value
Investment in subsidiaries	235,133,037.70	-	235,133,037.70	210,293,037.70	-	210,293,037.70
Total	235,133,037.70	-	235,133,037.70	210,293,037.70	-	210,293,037.70

15.3.2 Investment in subsidiaries

Name of invested entity	Dec. 31, 2013	Increase in current period	Decrease in current period	Dec. 31, 2014	Provision for impairment of current period	Ending balance of provision for impairment
Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd	88,415,597.70	-	-	88,415,597.70	-	-
Shanghai Younglong Investment & Consulting Co., Ltd.	104,957,440.00	-	-	104,957,440.00	-	-
Shanghai Young Sun Drainage Operation Co., Ltd.	2,700,000.00	-	-	2,700,000.00	-	-
Chengdu Wenjiang District Young Sun Water Purification Co., Ltd.	900,000.00	24,840,000.00	-	25,740,000.00	-	-
Chengdu Wenjiang District New Young Sun Wastewater Treatment Co., Ltd.	13,320,000.00	-	-	13,320,000.00	-	-
Total	210,293,037.70	24,840,000.00	-	235,133,037.70	-	-

15 Notes to Main Items in the company Financial Statements (continued)

15.4 Operating income and cost

Item	Year 2014		Year 2013	
	Income	Cost	Income	Cost
Main business	68,038,854.39	53,117,657.75	67,008,178.11	48,215,556.17
Other business	936,822.93	766,827.76	1,924,847.61	923,650.42
Total	<u>68,975,677.32</u>	<u>53,884,485.51</u>	<u>68,933,025.72</u>	<u>49,139,206.59</u>

15.5 Investment income

Item	Year 2014	Year 2013
Long-term equity investment income accounted for under the cost method	24,776,086.96	-
Long-term equity investment income accounted for under the equity method	-	-
Gain from the disposition of properly held for long-term equity investments	-	-
Investment incomes measured at fair market value and recorded in profits and losses in the current period	-	-
Gain from the disposition of properly held for long-term equity investments, measured at fair market value and recorded in profits and losses in the current period	-	-
Investment income generated from held-to-maturity investment during holding period	-	-
Investment income generated from financial assets available for sale during holding period	-	-
Gain from disposition of financial assets available for sale	-	-
Gain from remaining equity measured at fair market value after loses control of subsidiaries.	-	-
Total	<u>24,776,086.96</u>	<u>-</u>

15.5.1 Compared with the beginning balance, the ending balance of Investmnt income increased by RMB 24,776,086.96 Yuan, with an increasement of 9.01 times, which was caused by the increase in Shanghai Youlian Zhuyuan No.1 Wastewater Treatment Investment Development Co., Ltd and Chengdu Wenjiang District Young Sun Water Purification Co., Ltd., these subsidiaries distributed dividends in current year.

16 Supplementary information

16.1 Details of non-recurring profit and loss of current period

Item	Year 2014	Notes
Profit or loss from disposal of illiquid assets, including the write-off part of the provision for assets impairment	-2,484,547.59	
Unauthorized approval, or without formal approval document, or accidental tax returns and deductions and exemptions	-	
The government subsidies included in the current profits and losses. The government subsidiary is closely related with normal business of the company, it keeps with the state industrial policy, but it does not include the government subsidiaries which based on standard quota or quantitative continuous enjoyment.	31,782,201.23	
Fund possession cost collected from non-financial enterprise and included in current profits or losses	-	
Income from sharing the fair value of identifiable net assets of the invested entity when the investment costs for acquiring subsidiaries, associated enterprise and joint ventures are less than the investment obtained	-	
Profit or loss of non-monetary assets transaction	-	
Profit or loss from entrusting others to invest or manage assets	-	
Provision for the impairment of each asset due to force majeure, such as natural disasters	-	
Profit or loss of debt reconstructing	-	
Corporate reconstructing charges, such as the expenditures for staffing and integration cost	-	
The part of profit or loss exceeding the fair value and generating from transactions with unreasonable transaction price	-	
Net profit or loss of subsidiaries from the beginning of the period to combining date due to business combination under the same control	-	
Profit or loss of contingencies unrelated to the normal operations of the company	-	
In addition to effective hedging business relating to the normal operations of the company, profit or loss of fair value change arising from holding trading financial assets and liabilities, and investment profit or loss from disposal of trading financial assets and liabilities and available-for-sale financial assets	-	
Returns of provision for impairment of accounts receivable for separate impairment test	-	
Profit or loss made from foreign entrusted loans	-	
Profit or loss of fair value change of investment real restate subsequently measured with fair value model	-	
Influence of one-time adjustment on current profit or loss according to the requirements of tax and accounting laws and regulations	-	
Trustee fee income from entrusted operation	-	
Other operating income and expenditure except the items mentioned above	219,280.96	
Other Profit or loss items in accordance with the definition of non-recurring profits and losses	-	
Amount affected by income tax	-4,423,390.00	
The influence amount of the minority interests (after tax)	-10,669,649.67	
Total	14,423,894.93	

16 Supplementary information (continued)

16.2 Net return on assets and earnings per share

Net profit in reporting period	Weighted average net return on assets	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to common stockholder of the company	8.57%	0.21	0.21
Net profit attributable to common stockholder of the company after deducting non-recurring Profit or loss	6.13%	0.15	0.15

16.3 Supplementary information on changes in accounting policies

The company has changed relevant accounting policies and made retroactive restatement of comparative financial statements according to the eight accounting standards released by the Ministry of Finance in 2014, such as *Accounting Standards for Business Enterprise No. 2 – Long-term Equity Investment*. The restated consolidated balance sheets on Jan. 1, 2013 and Dec. 31, 2013 are as follows:

16 Supplementary information (continued)

16.3 Supplementary information on changes in accounting policies (continued)

Item	Jan. 1, 2013	Dec. 31, 2013	Dec. 31, 2014
Current Asset			
Monetary fund	102,720,173.03	129,707,732.92	221,910,942.08
Financial assets measured at fair value and of which the changes are recorded into current profits and loss			
Derivative financial assets			
Notes receivable			
Account receivable	4,172,927.20	1,386,356.98	2,726,856.78
Advance payment	347,711.05	216,026.10	538,922.52
Interest receivables			
Dividend receivables			
Other receivables	3,861,436.94	5,466,478.98	5,985,615.77
Inventories	665,998.90	146,763.40	505,683.40
Assets holding for sale			
Non-current assets due within one year			
Other current assets			
Total current assets	111,768,247.12	136,923,358.38	231,668,020.55
Non-current Assets			
Financial assets available for sale			
Held to maturity investments			
Long-term receivables			
Long-term equity investments			
Investment properties			
Fixed assets	160,663,197.86	146,364,192.58	127,626,738.17
Construction in progress	4,726,865.50	11,135,194.75	17,833,998.80
Engineering materials and equipment			
Liquidation of fixed assets			
Productive biological asset			
Oil-and-gas assets			
Intangible assets	1,738,056,555.27	1,633,153,078.88	1,484,737,726.64
Development expenditures			
Goodwill	22,644,681.99	22,644,681.99	22,644,681.99
Long-term unamortized assets			
Deferred income tax assets			
Other non-current assets			
Total non-current assets	1,926,091,300.62	1,813,297,148.20	1,652,843,145.60
Total assets	2,037,859,547.74	1,950,220,506.58	1,884,511,166.15

16 Supplementary information (continued)

16.3 Supplementary information on changes in accounting policies (continued)

Item	Jan. 1, 2013	Dec. 31, 2013	Dec. 31, 2014
Current liabilities			
Short-term loans	62,000,000.00	59,150,000.00	50,000,000.00
Financial liabilities measured at fair value and of which the changes are recorded into current profits and loss			
Derivative financial liabilities			
Note payables			
Account payables	18,094,385.70	176,303,104.34	173,286,953.26
Advances from customers	2,926,694.50	2,926,694.50	2,926,694.50
Employee benefits payable	1,430,285.31	159,015.17	1,591,750.62
Taxes and expenses payable	3,947,905.68	20,943,370.31	15,498,662.71
Interest payable	1,778,767.02	1,368,408.15	1,152,098.73
Dividend payable			
Other payables	7,497,749.40	6,291,082.25	7,703,751.31
Liabilities holding for sale			
Non-current liabilities due within one year	134,960,270.93	93,380,270.93	98,960,270.93
Other current liabilities			
Total current liabilities	232,636,058.54	360,521,945.65	351,120,182.06
Non-current Liabilities			
Long-term loans	776,000,000.00	607,800,000.00	513,800,000.00
Bond payables			
Including: Preferred stock			
Perpetual capital securities			
Long-term payables	25,372,870.00	20,827,415.00	13,636,360.00
Long-term employee compensation payable			
Special payables			
Estimated liabilities	166,548,361.34	61,156,662.18	60,503,577.85
Deferred income	2,496,516.73	2,081,700.80	1,666,884.87
Deferred tax liabilities	7,133,797.16		
Other non-current liabilities			
Total non-current liabilities	977,551,545.23	691,865,777.98	589,606,822.72
Total liabilities	1,210,187,603.7	1,052,387,723.6	940,727,004.78
Owner's Equity			
Capital stock	244,596,000.00	244,596,000.00	244,596,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual capital securities			
Capital reserve	144,051,953.70	143,722,534.13	143,140,855.12
Subtract: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	20,257,613.25	20,366,185.76	22,576,670.40
Undistributed profits	120,312,029.25	157,507,816.06	196,221,338.97
Total owner's equity attributable to the company	529,217,596.20	566,192,535.95	606,534,864.49
Minority interests	298,454,347.77	331,640,247.00	337,249,296.88
Total owner's equity	827,671,943.97	897,832,782.95	943,784,161.37
Total liabilities and owner's equity	2,037,859,547.74	1,950,220,506.58	1,884,511,166.15

17 Approval of Financial Statements

The financial statements have been approved by the board of directors of the company.

Shanghai Young Sun Investment Co., Ltd.

Chairman of the Board:_____

Financial Head:_____

Accounting Organ Head:_____

Date: Mar. 26, 2015