
Foshan Huaxin Packaging Co., Ltd.

Auditor's Report

Da Hua Audit Report [2017] No. 001457

Da Hua Certified Public Accountants (Special General Partnership)

Foshan Huaxin Packaging Co., Ltd.
Auditor's Report and Financial Statements
(For the period from January 1, 2016 to December 31, 2016)

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Auditor's Report

Da Hua Audit Report [2017] No. 001457

All shareholders of Foshan Huaxin Packaging Co., Ltd.,

We have audited the accompanying financial statements of Foshan Huaxin Packaging Co., Ltd. (the “Company”), which comprise the Company’s and consolidated balance sheets as at December 31, 2016, the Company’s and consolidated income statements, the Company’s and consolidated cash flow statements, the Company’s and consolidated statements of changes in shareholders’ equity for the year then ended, as well as the notes to the financial statements.

1. The management’s responsibility for the financial statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements. Such a responsibility includes: (1) preparing financial statements according to the Accounting Standards for Business Enterprises and make them a fair presentation; and (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

2. Auditor’s responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We have conducted our audit in accordance with the Audit Standards for Chinese Registered Accountants, which require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the

auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risks assessments, the auditor considers the internal control related to the preparation of the financial statements so as to design proper audit procedures. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate, which provides a basis for us to express auditing opinion.

3. Auditor's opinion

In our opinion, the financial statements of the Company have been prepared according to the Accounting Standards for Business Enterprises in all material aspects, which give a fair view of the Company's and consolidated financial positions as at December 31, 2016 and the Company's and consolidated operating results and cash flows for the year then ended.

Da Hua Certified Public Accountants (Special
General Partnership)
Beijing · China

CPA:

CPA:

March 27, 2017

Consolidated Balance Sheet			
December 31, 2016			
Prepared by Foshan Huaxin Packaging Co., Ltd.			(Unless otherwise stated, all amounts are stated in RMB Yuan)
Assets	Note VII	Closing balance	Opening balance
Current assets			
Monetary funds	Note 1	533,995,466.41	509,706,611.07
Financial assets at fair value through profit/loss	Note 2	1,571,341.66	1,741,500.00
Notes receivable	Note 3	420,840,618.16	265,679,151.34
Accounts receivable	Note 4	826,164,986.19	791,325,305.79
Accounts paid in advance	Note 5	131,278,347.97	116,290,696.98
Interest receivable	Note 6	6,309,042.57	5,233,556.60
Dividends receivable		-	-
Other accounts receivable	Note 7	12,207,568.74	143,862,308.16
Inventories	Note 8	612,236,732.80	712,880,811.93
Assets held for sale		-	-
Non-current assets due within one year		-	-
Other current assets	Note 9	217,871,497.69	17,147,074.25
Total current assets		2,762,475,602.19	2,563,867,016.12
Non-current assets:			
Available-for-sale financial assets	Note 10	288,700.00	288,700.00
Held-to-maturity investments		-	-
Long-term accounts receivable	Note 11	490,240,600.41	490,240,600.41
Long-term equity investments	Note 12	252,775,695.55	262,089,226.45
Investment property	Note 13	24,593,743.71	11,945,127.02
Fixed assets	Note 14	2,451,794,797.91	2,539,372,551.91
Construction in progress	Note 15	23,927,727.82	28,305,202.78
Engineering materials		-	-
Disposal of fixed assets		-	-
Productive living assets		-	-
Oil-gas assets		-	-
Intangible assets	Note 16	128,267,732.43	108,048,541.44
R&D expenses	Note 17	4,045,184.55	-

Goodwill	Note 18	11,547,305.29	11,547,305.29
Long-term deferred expenses	Note 19	3,299,686.70	2,903,771.31
Deferred tax assets	Note 20	24,333,954.14	33,209,638.28
Other non-current assets	Note 21	5,147,078.23	7,519,746.40
Total non-current assets		3,420,262,206.74	3,495,470,411.29
Total assets		6,182,737,808.93	6,059,337,427.41

(The accompanying notes form an integral part of these consolidated financial statements)

Legal representative: Accounting head for this Report: Head of the accounting department:

Consolidated Balance Sheet (Continued)

December 31, 2016

Prepared by Foshan Huaxin Packaging Co., Ltd.

(Unless otherwise stated,
all amounts are stated in
RMB Yuan)

Liabilities and shareholders' equity	Note VII	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings	Note 22	821,900,000.00	912,724,440.16
Financial liabilities at fair value through profit/loss		-	212,689.24
Notes payable	Note 23	217,381,869.35	127,562,392.61
Accounts payable	Note 24	383,383,165.05	365,555,758.89
Accounts received in advance	Note 25	39,799,982.39	9,817,369.72
Payroll payable	Note 26	28,332,211.67	33,391,126.62
Taxes payable	Note 27	36,087,856.83	37,570,856.48
Interest payable	Note 28	11,446,093.94	10,684,484.26
Dividends payable	Note 29	3,468,350.84	11,019,644.79
Other accounts payable	Note 30	18,426,283.07	24,761,471.30
Liabilities held for sale		-	-
Non-current liabilities due within one year	Note 31	798,066,823.66	-
Other current liabilities		-	-
Total current liabilities		2,358,292,636.80	1,533,300,234.07
Long-term borrowings		-	-
Bonds payable	Note 32	199,520,397.22	995,587,962.29
Of which: Preference shares			-
Perpetual bonds			-
Long-term accounts payable	Note 33	3,137,995.76	7,630,748.49
Long-term payroll payable		-	-
Special payables		-	-

Provisions	Note 34	2,117,357.80	1,758,780.68
Deferred income	Note 35	18,225,377.45	9,200,905.88
Deferred tax liabilities	Note 20	2,729,046.50	2,875,132.08
Other non-current liabilities		-	-
Total non-current liabilities		225,730,174.73	1,017,053,529.42
Total liabilities		2,584,022,811.53	2,550,353,763.49
Share capital	Note 36	505,425,000.00	505,425,000.00
Other equity instruments			-
Of which: Preference shares			-
Perpetual bonds			-
Capital reserve	Note 37	256,822,373.42	256,822,373.42
Less: Treasury shares		-	-
Other comprehensive income	Note 38	169,714.39	169,714.39
Special reserve			-
Surplus reserve	Note 39	190,275,071.84	187,280,095.40
Retained earnings	Note 40	1,027,703,010.59	988,580,048.92
Equity attributable to owners of the Company		1,980,395,170.24	1,938,277,232.13
Minority interests		1,618,319,827.16	1,570,706,431.79
Total shareholders' equity		3,598,714,997.40	3,508,983,663.92
Total liabilities and shareholders' equity		6,182,737,808.93	6,059,337,427.41
(The accompanying notes form an integral part of these consolidated financial statements)			
Legal representative: Accounting head for this Report: Head of the accounting department:			

Consolidated Income Statement			
2016			
Prepared by Foshan Huaxin Packaging Co., Ltd.		(Unless otherwise stated, all amounts are stated in RMB Yuan)	
Item	Note VII	Current amount	Last term amount
1. Operating revenues	Note 41	3,607,758,904.01	3,282,043,995.12
Less: operating costs		3,492,514,684.40	3,240,504,576.79
Cost of sales	Note 41	3,087,077,230.55	2,733,163,536.13
Taxes and surtaxes	Note 42	22,671,254.05	16,325,153.64
Selling expenses	Note 43	181,963,908.31	172,400,338.43
Administrative expenses	Note 44	121,123,804.25	158,119,192.47
Finance costs	Note 45	83,749,628.37	133,872,055.72
Asset impairment loss	Note 46	-4,071,141.13	26,624,300.40
Add: Profit on fair value changes	Note 47	1,571,341.66	1,528,810.76
Return on investment	Note 48	19,399,881.52	121,166,566.33
Including: Share of profit/loss of associates and joint ventures		15,434,824.76	15,711,019.67
2. Operating profit		136,215,442.79	164,234,795.42
Add: Non-operating income	Note 49	29,182,787.72	23,729,196.71
Including: Profit on disposal of non-current assets		692,850.74	2,265,238.32
Less: Non-operating expense	Note 50	4,113,896.86	1,263,680.97
Including: Loss on disposal of non-current assets		1,382,895.45	955,586.75
3. Total profit		161,284,333.65	186,700,311.16
Less: Corporate income tax	Note 51	22,182,851.07	15,784,568.82
4. Net profit		139,101,482.58	170,915,742.34
Where business mergers under the same control occurred, the net profit achieved by the merged parties before the business mergers		-	-
Net profit attributable to owners of the Company		61,324,088.11	133,094,696.66
Minority interests' income		77,777,394.47	37,821,045.68
5. Other comprehensive income net of tax		-	-
Other comprehensive income net of tax		-	-

attributable to owners of the Company				
(1) Other comprehensive income that will not be reclassified into profit/loss			-	-
(2) Other comprehensive income that will be subsequently reclassified into profit/loss			-	-
1.	Share of other comprehensive income of investees that will be reclassified into profit/loss under the equity method			-
Other comprehensive income net of tax attributable to minority interests				-
6. Total comprehensive income			139,101,482.58	170,915,742.34
Attributable to owners of the Company			61,324,088.11	133,094,696.66
Attributable to minority interests			77,777,394.47	37,821,045.68
7. Earnings per share:				
(1) Basic earnings per share			0.12	0.26
(2) Diluted earnings per share			0.12	0.26
(The accompanying notes form an integral part of these consolidated financial statements)				
Legal representative: Accounting head for this Report Head of the accounting department:				

Consolidated Cash Flow Statement			
Year 2016			
Prepared by Foshan Huaxin Packaging Co., Ltd.		(Unless otherwise stated, all amounts are stated in RMB Yuan)	
Item	Note VII	Current amount	Last term amount
1. Cash flows from operating activities:			
Cash received from sale of commodities and rendering of service		3,268,199,277.63	3,039,588,223.77
Tax refunds received		115,664.68	80,290.26
Cash received from other operating activities	Note 52	105,881,727.37	123,953,129.73
Subtotal of cash inflows from operating activities		3,374,196,669.68	3,163,621,643.76
Cash paid for goods and services		2,484,300,356.98	1,989,083,751.81
Cash paid to and for employees		203,207,101.35	203,434,376.23
Taxes paid		182,720,197.94	179,765,117.75
Cash paid for other operating activities	Note 52	94,857,902.33	177,847,068.21
Subtotal of cash outflows from operating activities		2,965,085,558.60	2,550,130,314.00
Net cash flows from operating activities		409,111,111.08	613,491,329.76
2. Cash flows from investing activities:			
Cash received from retraction of investments		-	-
Cash received as return on investments		24,748,355.66	370,307.68
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		643,600.00	68,780,908.16
Net cash received from disposal of subsidiaries or other business units		105,000,000.00	44,869,829.86
Cash received from other investing activities	Note 52	11,178,200.00	4,066,986.00
Subtotal of cash inflows from investing activities		141,570,155.66	118,088,031.70
Cash paid to acquire fixed assets, intangible assets and other long-term		75,441,479.47	56,315,072.57

assets			
Cash paid for investment			-
Net cash paid to acquire subsidiaries and other business units		-	-
Cash paid for other investing activities	Note 52	209,000,000.00	-
Subtotal of cash outflows from investing activities		284,441,479.47	56,315,072.57
Net cash flows from investing activities		-142,871,323.81	61,772,959.13
3. Cash flows from financing activities:			
Cash received from capital contributions		-	-
Including: Cash received from minority shareholder investments by subsidiaries	-		-
Cash received as borrowings		1,269,760,258.44	2,177,214,602.70
Cash received from other financing activities	Note 52	325,746,286.83	37,554,493.73
Subtotal of cash inflows from financing activities		1,595,506,545.27	2,214,769,096.43
Repayment of borrowings		1,360,092,249.37	2,648,801,607.88
Cash paid for interest expenses and distribution of dividends or profit		153,771,923.50	174,086,048.88
Including: dividends or profit paid by subsidiaries to minority interests		36,684,507.41	41,400,266.00
Cash paid for other financing activities	Note 52	178,891,765.59	-
Sub-total of cash outflows from financing activities		1,692,755,938.46	2,822,887,656.76
Net cash flows from financing activities		-97,249,393.19	-608,118,560.33
4. Effect of foreign exchange rate changes on cash and cash equivalents		2,152,982.50	5,565,972.68
5. Net increase in cash and cash equivalents	Note 52	171,143,376.58	72,711,701.24
Add: Balance of cash and cash equivalents at the beginning of the year	Note 52	185,960,324.24	113,248,623.00
6. Closing balance of cash and cash	Note 52	357,103,700.82	185,960,324.24

Foshan Huaxin Packaging Co., Ltd.

2016

Notes to Financial Statements

equivalents			
(The accompanying notes form an integral part of these consolidated financial statements)			
Legal representative:	Accounting head for this Report:	Head of the accounting department:	

Statement of Changes in Shareholders' Equity of the Company

Year 2016

Prepared by Foshan Huaxin Packaging Co., Ltd.

((Unless otherwise stated, all amounts are stated in RMB Yuan))

Item	Note VII	Current amount									
		Equity Attributable to Shareholders of the Company									
		Other equity instruments	Capital reserve	Less: Treasury shares	Other compre hensive income	Special reserve	Surplus reserve	Retained earnings	Minority interests	Total shareholders' equity	Other equity instruments
1. Balance at the end of the prior year		505,425,000.00	-	256,822,373.42	-	169,714.39	-	187,280,095.40	988,580,048.92	1,570,706,431.79	3,508,983,663.92
Add: Changes in accounting policies		-	-	-	-	-	-	-	-	-	-
Correction of errors in prior periods		-	-	-	-	-	-	-	-	-	-
Business mergers under the same control		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
2. Balance at the beginning of the year		505,425,000.00	-	256,822,373.42	-	169,714.39	-	187,280,095.40	988,580,048.92	1,570,706,431.79	3,508,983,663.92
3. Increase/ decrease in the period		-	-	-	-	-	-	2,994,976.44	39,122,961.67	47,613,395.37	89,731,333.48
(1) Total						-	-	-	61,324,088.11	77,777,394.47	139,101,482.58

comprehensive income											
(2) Capital increased and reduced by shareholders		-	-	-	-	-	-	-	-	-	-
1. Ordinary shares increased by shareholders		-	-	-	-	-	-	-	-	-	-
2. Capital increased by holders of other equity instruments		-	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments charged to shareholders' equity		-	-	-	-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-	-	-	-
(3) Profit distribution		-	-	-	-	-	-	2,994,976.44	-22,201,126.44	-30,163,999.10	-49,370,149.10
1. Appropriation to surplus reserve		-	-	-	-	-	-	2,994,976.44	-2,994,976.44	-	-
2. Appropriation to shareholders		-	-	-	-	-	-	-	-19,206,150.00	-30,163,999.10	-49,370,149.10
3. Other		-	-	-	-	-	-	-	-	-	-
(4) Internal carry-forward of shareholders' equity		-	-	-	-	-	-	-	-	-	-

1. New increase of share capital from capital reserve		-	-	-	-	-	-	-	-	-	-
2. New increase of share capital from surplus reserve		-	-	-	-	-	-	-	-	-	-
3. Surplus reserve for making up loss		-	-	-	-	-	-	-	-	-	-
4. Carry-forward of remeasuring the variation of net indebtedness or net asset of defined benefit plans		-	-	-	-	-	-	-	-	-	-
5. Other		-	-	-	-	-	-	-	-	-	-
(5) Special reserve		-	-	-	-	-	-	-	-	-	-
1. Withdrawn for the period			-	-	-	-	-	-	-	-	-
2. Used in the period			-	-	-	-	-	-	-	-	-
(6) Other			-	-	-	-	-	-	-	-	-
4. Closing balance		505,425,000.00	-	256,822,373.42	-	169,714.39	-	190,275,071.84	1,027,703,010.59	1,618,319,827.16	3,598,714,997.40

(The accompanying notes form an integral part of these consolidated financial statements)

Legal representative:

Accounting head for this Report:

Head of the accounting department:

Prepared by Foshan Huaxin Packaging Co., Ltd.	(Unless otherwise stated, all amounts are stated in RMB Yuan)										
Item	Note VII	Last term amount									
		Equity Attributable to Shareholders of the Company								Minority interests	Total shareholders' equity
		Share capital	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings		
1. Balance at the end of the prior year		505,425,000.00	-	256,822,373.42	-	169,714.39	-	187,280,095.40	863,066,727.26	1,609,955,356.23	3,422,719,266.70
Add: Changes in accounting policies		-	-	-	-	-	-	-	-	-	-
Correction of errors in prior periods		-	-	-	-	-	-	-	-	-	-
Business mergers under the same control		-	-	-	-	-	-	-	-	-	-
Other		-	-	-	-	-	-	-	-	-	-
2. Balance at the beginning of the year		505,425,000.00	-	256,822,373.42	-	169,714.39	-	187,280,095.40	863,066,727.26	1,609,955,356.23	3,422,719,266.70
3. Increase/ decrease in the period		-	-	-	-	-	-	-	125,513,321.66	-39,248,924.44	86,264,397.22
(1) Total											

comprehensive income		-	-	-	-	-	-	-	133,094,696.66	37,821,045.68	170,915,742.34
(2) Capital increased and reduced by shareholders		-	-	-	-	-	-	-	-	-12,343,394.48	-12,343,394.48
1. Ordinary shares increased by shareholders		-	-	-	-	-	-	-	-	-12,343,394.48	-12,343,394.48
2. Capital increased by holders of other equity instruments		-	-	-	-	-	-	-	-	-	-
3. Amounts of share-based payments charged to shareholders' equity		-	-	-	-	-	-	-	-	-	-
4. Other		-	-	-	-	-	-	-	-	-	-
(3) Profit distribution		-	-	-	-	-	-	-	-7,581,375.00	-64,726,575.64	-72,307,950.64
1. Appropriation to surplus reserve		-	-	-	-	-	-	-	-	-	-
2. Appropriation to shareholders		-	-	-	-	-	-	-	-7,581,375.00	-60,332,548.87	-67,913,923.87
3. Other		-	-	-	-	-	-	-	-	-4,394,026.77	-4,394,026.77
(4) Internal carry-forward of shareholders' equity		-	-	-	-	-	-	-	-	-	-

1. New increase of share capital from capital reserve		-	-	-	-	-	-	-	-	-	-
2. New increase of share capital from surplus reserve		-	-	-	-	-	-	-	-	-	-
3. Surplus reserve for making up loss		-	-	-	-	-	-	-	-	-	-
4. Carry-forward of remeasuring the variation of net indebtedness or net asset of defined benefit plans		-	-	-	-	-	-	-	-	-	-
5. Other		-	-	-	-	-	-	-	-	-	-
(5) Special reserve		-	-	-	-	-	-	-	-	-	-
1. Withdrawn for the period		-	-	-	-	-	-	-	-	-	-
2. Used in the period		-	-	-	-	-	-	-	-	-	-
(6) Other		-	-	-	-	-	-	-	-	-	-
4. Closing balance		505,425,000.00	-	256,822,373.42	-	169,714.39	-	187,280,095.40	988,580,048.92	1,570,706,431.79	3,508,983,663.92

Consolidated Balance Sheet			
December 31, 2016			
Prepared by Foshan Huaxin Packaging Co., Ltd.			(Unless otherwise stated, all amounts are stated in RMB Yuan)
Assets	Note VII	Closing balance	Opening balance
Current assets			
Monetary funds			
Financial assets at fair value through profit/loss		8,409,271.75	68,234,826.12
Derivative financial assets		-	-
Notes receivable		-	-
Accounts receivable	Note 1	-	-
Accounts paid in advance		-	12,775,461.68
Interest receivable		141,509.43	141,509.43
Dividends receivable		5,950,976.18	-
Other accounts receivable	Note 2	-	-
Inventories		979,766,646.61	964,414,178.70
Assets held for sale		-	-
Non-current assets due within one year		-	-
Other current assets		-	-
Total current assets		813,127.39	1,432,574.60
Non-current assets:			
Available-for-sale financial assets		288,700.00	288,700.00
Held-to-maturity investments		-	-
Long-term accounts receivable		490,240,600.41	490,240,600.41
Long-term equity investments	Note 3	1,314,515,693.41	1,312,361,239.94
Investment property		-	-
Fixed assets		266,429.96	380,975.78
Construction in progress		-	-
Engineering materials		-	-
Disposal of fixed assets		-	-
Productive living assets		-	-
Oil-gas assets		-	-
Intangible assets		141,444.24	433,782.13

R&D expenses		-	-
Goodwill		-	-
Long-term deferred expenses		-	-
Deferred tax assets		-	-
Other non-current assets		-	-
Total non-current assets			
Total assets			
(The accompanying notes form an integral part of these consolidated financial statements)			
Legal representative: Accounting head for this Report: Head of the accounting department:			
Consolidated Balance Sheet (Continued)			
December 31, 2016			
Prepared by Foshan Huaxin Packaging Co., Ltd.			(Unless otherwise stated, all amounts are stated in RMB Yuan)
Liabilities and shareholders' equity	Note VII	Closing balance	Opening balance
Current liabilities:			
Short-term borrowings		100,000,000.00	100,000,000.00
Financial liabilities at fair value through profit/loss		-	-
Derivative financial liabilities		-	-
Notes payable		-	45,000,000.00
Accounts payable		-	12,775,461.68
Accounts received in advance		-	-
Payroll payable		-	-
Taxes payable		2,491.38	142,128.32
Interest payable		9,164,692.68	9,179,970.44
Dividends payable		201,107.63	179,458.65
Other accounts payable		-	5,003,595.00
Liabilities held for sale		-	-
Non-current liabilities due within one year		798,066,823.66	-
Other current liabilities		-	
Total current liabilities		907,435,115.35	172,280,614.09
Non-current liabilities:			
Long-term borrowings		-	-
Bonds payable			

		199,520,397.22	995,587,962.29
Of which: Preference shares		-	-
Perpetual bonds		-	-
Long-term accounts payable		-	-
Long-term payroll payable		-	-
Special payables		-	-
Provisions		-	-
Deferred income		-	-
Deferred tax liabilities		-	-
Other non-current liabilities		-	-
Total non-current liabilities		199,520,397.22	995,587,962.29
Total liabilities		1,106,955,512.57	1,167,868,576.38
Shareholders' equity			
Share capital		505,425,000.00	505,425,000.00
Other equity instruments		-	-
Of which: Preference shares		-	-
Perpetual bonds		-	-
Capital reserve		250,531,482.00	250,531,482.00
Less: Treasury shares		-	-
Other comprehensive income		-	-
Special reserve		-	-
Surplus reserve		190,275,071.84	187,280,095.40
Retained earnings		747,347,332.97	739,598,695.01
Total shareholders' equity		1,693,578,886.81	1,682,835,272.41
Total liabilities and shareholders' equity		2,800,534,399.38	2,850,703,848.79
(The accompanying notes form an integral part of these consolidated financial statements)			
Legal representative: Accounting head for this Report: Head of the accounting department:			

Consolidated Income Statement			
2016			
Prepared by Foshan Huaxin Packaging Co., Ltd.		(Unless otherwise stated, all amounts are stated in RMB Yuan)	
Item	Note VII	Current amount	Last term amount
1. Sales income	Note 4	-	255,247,489.31
Less: cost of sales	Note 4	-	255,247,489.31
Taxes and surtaxes		86,188.67	208,990.35
Selling expenses		-	-
Administrative expenses		7,268,079.51	10,678,245.22
Finance costs		-5,464,736.96	-11,234,310.55
Asset impairment loss		-	-
Add: Profit on fair value changes		-	-
Return on investment	Note 5	31,891,035.77	-39,467,993.33
Including: Share of profit/loss of associates and joint ventures		14,902,809.13	15,735,223.61
2. Operating profit		30,001,504.55	-39,120,918.35
Add: Non-operating income		-	1,473,110.14
Including: Profit on disposal of non-current assets		-	1,108,861.40
Less: Non-operating expense		51,740.15	1,860.53
Including: Loss on disposal of non-current assets		-	-
3. Total profit		29,949,764.40	-37,649,668.74
Less: Corporate income tax		-	-
4. Net profit		29,949,764.40	-37,649,668.74
5. Other comprehensive income net of tax		-	-
6. Total comprehensive income		29,949,764.40	-37,649,668.74
(The accompanying notes form an integral part of these consolidated financial statements)			
Legal representative: Accounting head for this Report Head of the accounting department:			

Consolidated Cash Flow Statement			
Year 2016			
Prepared by Foshan Huaxin Packaging Co., Ltd.		(Unless otherwise stated, all amounts are stated in RMB Yuan)	
Item	Note VII	Current amount	Last term amount
1. Cash flows from operating activities:			
Cash received from sale of commodities and rendering of service		12,775,461.68	328,257,641.76
Tax refunds received		-	-
Cash received from other operating activities		281,378,754.06	731,296,731.46
Subtotal of cash inflows from operating activities		294,154,215.74	1,059,554,373.22
Cash paid for goods and services		57,775,461.68	328,257,641.77
Cash paid to and for employees		4,178,230.91	6,744,701.10
Taxes paid		861,532.43	2,878,820.20
Cash paid for other operating activities		346,401,234.86	591,337,365.04
Subtotal of cash outflows from operating activities		409,216,459.88	929,218,528.11
Net cash flows from operating activities		-115,062,244.14	130,335,845.11
2. Cash flows from investing activities:			
Cash received from retraction of investments		-	-
Cash received as return on investments		41,736,582.30	19,796,783.06
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		14,100.00	65,610,551.60
Net cash received from disposal of subsidiaries or other business units		105,000,000.00	45,000,000.00
Cash received from other investing activities		-	-
Subtotal of cash inflows from investing activities		146,750,682.30	130,407,334.66
Cash paid to acquire fixed assets, intangible assets and other long-term		-	201,641.91

assets			
Cash paid for investment		12,000,000.00	3,288,700.00
Net cash paid to acquire subsidiaries and other business units		-	-
Cash paid for other investing activities		-	-
Subtotal of cash outflows from investing activities		12,000,000.00	3,490,341.91
Net cash flows from investing activities		134,750,682.30	126,916,992.75
3. Cash flows from financing activities:			-
Cash received from capital contributions		-	-
Cash received as borrowings		100,000,000.00	449,100,000.00
Cash received as borrowings		4,500,000.00	-
Cash received from other financing activities		104,500,000.00	449,100,000.00
Subtotal of cash inflows from financing activities		100,000,000.00	568,770,000.00
Repayment of borrowings		79,513,992.53	79,411,991.70
Cash paid for interest expenses and distribution of dividends or profit		-	4,500,000.00
Cash paid for other financing activities		179,513,992.53	652,681,991.70
Sub-total of cash outflows from financing activities		-75,013,992.53	-203,581,991.70
Net cash flows from financing activities			-
4. Effect of foreign exchange rate changes on cash and cash equivalents		-55,325,554.37	53,670,846.16
5. Net increase in cash and cash equivalents		63,734,826.12	10,063,979.96
Add: Balance of cash and cash equivalents at the beginning of the year		8,409,271.75	63,734,826.12
6. Closing balance of cash and cash equivalents		12,775,461.68	328,257,641.76
(The accompanying notes form an integral part of these consolidated financial statements)			
Legal representative: Accounting head for this Report: Head of the accounting department:			

Statement of Changes in Shareholders' Equity of the Company

Year 2016

Prepared by Foshan Huaxin Packaging Co., Ltd.		(Unless otherwise stated, all amounts are stated in RMB Yuan)								
Item	Note XIV	Current amount								
		Other equity instruments	Capital reserve	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
1. Balance at the end of the prior year		505,425,000.00		250,531,482.00				187,280,095.40	739,598,695.01	1,682,835,272.41
Add: Changes in accounting policies										
Correction of errors in prior periods										
Other										
2. Balance at the beginning of the year		505,425,000.00	-	250,531,482.00				187,280,095.40	739,598,695.01	1,682,835,272.41
3. Increase/ decrease in the period								2,994,976.44	7,748,637.96	10,743,614.40
(1) Total comprehensive income									29,949,764.40	29,949,764.40
(2) Capital increased and										

Prepared by Foshan Huaxin Packaging Co., Ltd.		(Unless otherwise stated, all amounts are stated in RMB Yuan)								
Item	Note XIV	Current amount								
		Other equity instruments	Capital reserve	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
reduced by shareholders										
1. Ordinary shares increased by shareholders										
2. Capital increased by holders of other equity instruments										
3. Amounts of share-based payments charged to shareholders' equity										
4. Other										
(3) Profit distribution								2,994,976.44	-22,201,126.44	-19,206,150.00
1. Appropriation to surplus reserve								2,994,976.44	-2,994,976.44	
2. Appropriation to									-19,206,150.00	-19,206,150.00

Prepared by Foshan Huaxin Packaging Co., Ltd.		(Unless otherwise stated, all amounts are stated in RMB Yuan)								
Item	Note XIV	Current amount								
		Other equity instruments	Capital reserve	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
shareholders										
3. Other										
(4) Internal carry-forward of shareholders' equity										
1. New increase of share capital from capital reserve										
2. New increase of share capital from surplus reserve										
3. Surplus reserve for making up loss										
4. Carry-forward of remeasuring the variation of net indebtedness or net asset of defined										

Prepared by Foshan Huaxin Packaging Co., Ltd.		(Unless otherwise stated, all amounts are stated in RMB Yuan)								
Item	Note XIV	Current amount								
		Other equity instruments	Capital reserve	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
benefit plans										
5. Other										
(5) Special reserve										
1. Withdrawn for the period										
2. Used in the period										
(6) Other										
4. Closing balance		505,425,000.00		250,531,482.00				190,275,071.84	747,347,332.97	1,693,578,886.81

Prepared by Foshan Huaxin Packaging Co., Ltd.		(Unless otherwise stated, all amounts are stated in RMB Yuan)								
Item	Note XIV	Last term amount								
		Other equity instruments	Capital reserve	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
1. Balance at the end of the prior year		505,425,000.00		250,531,482.00				187,280,095.40	784,829,738.75	1,728,066,316.15
Add: Changes in accounting policies										
Correction of errors in prior periods										
Other										
2. Balance at the beginning of the year		505,425,000.00		250,531,482.00				187,280,095.40	784,829,738.75	1,728,066,316.15
3. Increase/ decrease in the period									-45,231,043.74	-45,231,043.74
(1) Total comprehensive income									-37,649,668.74	-37,649,668.74
(2) Capital increased and reduced by shareholders										
1. Ordinary shares increased by shareholders										

Prepared by Foshan Huaxin Packaging Co., Ltd.		(Unless otherwise stated, all amounts are stated in RMB Yuan)								
Item	Note XIV	Last term amount								
		Other equity instruments	Capital reserve	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
2. Capital increased by holders of other equity instruments										
3. Amounts of share-based payments charged to shareholders' equity										
4. Other										
(3) Profit distribution									-7,581,375.00	-7,581,375.00
1. Appropriation to surplus reserve										
2. Appropriation to shareholders									-7,581,375.00	-7,581,375.00
3. Other										
(4) Internal carry-forward of shareholders' equity										
1. New increase of share capital from capital reserve										
2. New increase of share capital										

Prepared by Foshan Huaxin Packaging Co., Ltd.		((Unless otherwise stated, all amounts are stated in RMB Yuan))								
Item	Note XIV	Last term amount								
		Other equity instruments	Capital reserve	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	Retained earnings	Total shareholders' equity
from surplus reserve										
3. Surplus reserve for making up loss										
4. Carry-forward of remeasuring the variation of net indebtedness or net asset of defined benefit plans										
5. Other										
(5) Special reserve										
1. Withdrawn for the period										
2. Used in the period										
(6) Other										
4. Closing balance		505,425,000.00		250,531,482.00				187,280,095.40	739,598,695.01	1,682,835,272.41

Foshan Huaxin Packaging Co., Ltd.

Notes to Financial Statements 2016

I Company profile

1. Place of incorporation, organization form and address of headquarters

Foshan Huaxin Packaging Co., Ltd. (hereinafter referred to as the Company) was promoted by Foshan Huaxin Development Co., Ltd., as a main sponsor, under approval of People's Government of Guangdong Province with YBH (1999) No. 297 document and Economic System Reform Committee of Guangdong Province with YTG (1999) No. 032 document, and jointly invested by seven shareholders such as Foshan Municipal Investment General Corporation, Foshan Xinhui Industrial Development Co., Ltd., China Packaging General Corporation, China Material Development & Investment General Corporation, Guangdong Technical Reforming & Investment Co., Ltd., China Chemistry & Light Industry General Corporation, and Foshan Light Industry Company by promotion with total share capital of RMB290,000,000 at par value of RMB1 per share. The Company is joint-stock company who was registered in Administration Bureau for Commerce & Industry of Guangdong Province on June 21, 1999. In the year of 2000, the Company successfully placed domestically listed foreign shares (B shares) amounting to 149,500,000 by mean of private placing, which was listed in Shenzhen Stock Exchange for trade. After offering, the Company's total share capital was increased to RMB439,500,000.00. In June 2007, the Company distributed dividends of 65,925,000 shares, thus, the total share capital was changed into RMB505,425,000.00. The credibility code of the Company is 914406007076822793. As at 31 Dec. 2016, the Company accumulatively issued 505,425,000 shares in number and the registered capital stood at RMB505,425,000. The Company's registered address is No. 18; Jihua 5th Road, Foshan, Guangdong, and the office address of headquarters is 19/F, Jinghua Bldg., Jihua Rd., Foshan. The parent company of the Company is Foshan Huaxin Development Co., Ltd., and the ultimate controller of the Company is China Chengtong Holdings Group Ltd.

2. Nature of business and main operation activities

The Company is in the industry of papermaking, paper packaging and printing, and mainly manufactures (operated by subsidiary companies under the Company) and sells packaging materials, and packaging products, materials for decoration and aluminum and plastic compound materials; sells and maintains package machinery; invests in industry in terms of package and printing. Main products include high-grade coated white cardboard and color packages printing products.

3. Approval of financial statements

The financial statements have been approved by the Board of Directors on 27 Mar. 2017.

II Scope of the consolidated financial statements

7 subsidiaries were included in the consolidated financial statements of the current period, which are as follows:

Subsidiary	Type	Tier	The	Voting stock
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			Company's shareholding percentage (%)	percentage (%)
Zhuhai Hongta Renheng Packaging Co., Ltd.*1 ("Hongta Renheng")	Controlled subsidiary	Tier 1	41.9653%	41.9653%
Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng")	Controlled subsidiary	Tier 2	100%	100%
Zhuhai Golden Pheasant Chemical Co., Ltd. ("Golden Pheasant Chemical")	Controlled subsidiary	Tier 2	51%	51%
Huaxin (Foshan) Color Printing Co., Ltd. ("Huaxin Color Printing")	Wholly-owned subsidiary	Tier 1	100%	100%
Kunshan Focai Packaging & Printing Co., Ltd. ("Kunshan Focai")	Wholly-owned subsidiary	Tier 1	100%	100%
Foshan Hongta Liyan Material Technology Co., Ltd.*2 ("Hongta Liyan")	Wholly-owned subsidiary	Tier 2	100%	100%
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.*3 ("Zhejiang Hongta Renheng")	Wholly-owned subsidiary	Tier 1	100%	100%

*1: Zhuhai Hongta Renheng Packaging Co., Ltd. was formerly known as "Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd." until 1 Mar. 2016.

*2: Foshan Hongta Liyan Material Technology Co., Ltd. was formerly known as "Foshan Chancheng Pearl River Color Printing Co., Ltd." until 17 Oct. 2016.

*3: Zhejiang Hongta Renheng Packaging Technology Co., Ltd. was formerly known as "Pinghu Huaxin Packing Material Co., Ltd." until 31 Mar. 2016.

The Company's control over Hongta Renheng:

On 30 June 2009, the Company acquired 40.176% equities of Hongta Renheng through capital increase and share expansion method. There were 5 members of the Board of Directors of Hongta Renheng, of which 3 of them were sent by the Company, 1 from Yunnan Hongta Group Co., Ltd. and 1 from Renheng Industrial Co., Ltd.. The Chairman (legal representative) was appointed from the Company with the GM and the CFO were both the expatriate personnel from the Company. The Company could control the routine production and operating activities of Hongta Renheng and thus from July of 2009, Hongta Renheng began to be included in the consolidated financial statement scope of the Company. On 1 February 2010, Hongta Renheng completed the industrial and commercial alternation procedures of the capital increase with the equities of Hongta Renheng that held by the Company increased to 41.9653%, and at the same time according to the resolution of the Board of Directors held on 25 February 2010 by Hongta Renheng, the contracts, articles of Hongta Renheng had altered with the Board members changed from 5 to 7 Directors, of which 4 of them (originally were 3) sent by the Company. 2 of them by Yunnan Hongta Group (originally was 1), 1 of them by Renheng Industrial Co., Ltd. and none of them by Dragon State International

Limited. The Company still could decide the financial and operating policies of Hongta Renheng as well as could execute the control, thus would continue to include Hongta Renheng into the consolidated scope of the Company.

For reasons why the Company's shareholding percentage in a subsidiary is different from the voting stock percentage, as well as why the Company holds only 50% or below of the voting stock in an investee but still controls it, see "(I) Equity interests in subsidiaries" under "Note IX Equity interests in other entities".

The entities included in the consolidated financial statements of the current period are the same with the last period.

III Basis for the preparation of financial statements

1. Preparation basis

With the going-concern assumption as the basis and based on transactions and other events that actually occurred, the Group prepared financial statements in accordance with <The Accounting Standards for Business Enterprises—Basic Standard> issued by the Ministry of Finance and with each specific accounting standard, the Application Guidance of Accounting Standards for Business Enterprises, the Interpretation of Accounting Standards for Business Enterprises and other regulations (hereinafter jointly referred to as "the Accounting Standards for Business Enterprises", "China Accounting Standards" or "CAS"), as well as the Rules for Preparation Convention of Disclosure of Public Offering Companies No.15 – General Regulations for Financial Reporting by China Securities Regulatory Commission (revised in 2014).

2. Continuation

The Company evaluated the processes constantly operation ability with 12 months since the Reporting Period. There was no significant suspect event to the continuation. Thus, the financial statement was prepared on the base of the assumption of continuation

IV Important accounting policies and estimations

Is the Company subject to any disclosure requirements for special industries?

No.

Indication of specific accounting policies and estimations:

Naught

1. Statement for complying with the accounting standard for business enterprise

The financial statements for the Reporting Period prepared by the Company are in compliance with the requirements of the accounting standard for business enterprise, and have reflected the Company's financial status, operating results and cash flows in an accurate and complete way.

2. Fiscal period

The fiscal year of the Company is a solar calendar year, which is from January 1 to December 31.

3. Operating cycle

The operating cycle of the Company is 12 months.

4. Standard currency of accounts

The Company adopts Renminbi as a standard currency of accounts.

5. Accounting process of business combinations under the same control and not under the same control

(1) Each transaction items, conditions and economy influence in confirm with the following one or several conditions, when realizing enterprise combination by steps. Several transaction events were considered as a package deal and conducted accounting method

- 1) The transaction was set up in the same time or had considered the influence to each others;
- 2) The transaction only stand as a whole, a perfect commercial result can be arrived.
- 3) A transaction incurred depends on at least one transaction occurred;
- 4) A transaction is not economical, however, together with other transaction are economical.

(2) Business combination under the same control

The assets and liabilities that the combining party obtains in a business combination shall be measured on the basis of their carrying amount in the combined party (including goodwill formed from the final control party purchase combined party) combining party on the combining date. As for the balance between the carrying amount of the net assets obtained by the combining party and the carrying amount of the consideration paid by it (or the total par value of the shares issued), the additional paid-in capital shall be adjusted. If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.

In the event that the contingent consideration exists and the accrued liabilities or assets need to be recognized, the difference between the accrued liabilities or assets and the settlement amount of subsequent contingent consideration shall adjust the capital surplus (capital premium or stock premium), and if the capital surplus is not sufficient, adjust the retained earnings.

Where the corporate merger and acquisition is realized through multiple transactions, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, on the date the right to control is obtained, the difference between the initial investment costs of the

long-term equity investment and the carrying value of long-term equity investment before the M&A plus the carrying value of the new consideration paid to further get the shares on the date of M&A shall be charged against the capital surplus, and if the capital surplus is insufficient, the difference shall be charged against the remaining earnings. For the equity investment held before the date of M&A, the other comprehensive earnings accounted for using the equity method or recognized with the financial tool and accounted for and recognized using the measurement criteria shall not be accounted, until the investment is disposed, at which time, the investment shall be accounted on the same basis as the investee directly disposes related assets or liabilities; the changes to the owner's equity in the investee's net assets accounted and recognized using the equity method other than the net profit or losses, other comprehensive earnings and profit distribution, shall not be accounted, until the investment is disposed, at which time, it shall be carried over to the current profits or losses.

(3) Business combination not under the same control

The Company shall, on the acquisition date, measure the assets given and liabilities incurred or assumed by an enterprise for a business combination in light of their fair values, and shall record the balances between them and their carrying amounts into the profits and losses at the current period.

The Company 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. The Company shall record, upon recheck, the negative balance between the combination costs and the fair value of the identifiable net assets it obtains from the acquiree into the profit and loss of the current period.

Where a merger of enterprises not under the same control is realized through multiple transactions step by step, if these transactions belong to a package transaction, each transaction shall be accounted as a transaction to obtain the right to control; if these transactions do not belong to a package transaction, and the equity investment held before the date of M&A is accounted using the equity method, the sum of the carrying value of the equity investment in the acquiree held before the date of the acquisition, plus the new investment costs on the date of the acquisition shall be the initial investment costs of the investment; other comprehensive earnings of the equity investment held before the date of acquisition accounted and recognized using the equity method shall be accounted on the same basis as the investee directly disposes relevant assets or liabilities when the investment is disposed. If the equity investment held before the date of M&A is recognized using the financial tool and accounted using the measurement criterion, the sum of the fair value of the equity investment on the date of M&A plus the new investment costs shall be the initial investment costs at the date of M&A. The difference between the fair value and carrying value of the held equity and changes to the accumulated fair value charged against other comprehensive earnings shall be fully converted the current investment earnings at the date of M&A.

(4) Relevant costs incurred from the business combination

The intermediary fees (fees for audit, legal and evaluation & consulting services, etc.) and other relevant management expenses incurred on the acquirer for the business combination shall be recorded into current gains and losses when incurred. The trading expenses arising from the

acquirer's issuing equity securities or debt securities as the combination consideration shall be included in the initially recognized amount of the equity securities or debt securities.

6. Methods for preparing consolidated financial statements

(1) Consolidation scope

The scope of consolidated financial statements shall be confirmed based on the control. All subsidiaries (including individual entities controlled by the Company) of the Company shall be included into the consolidated financial statement.

(2) Consolidation process

The Company based on the financial statements of itself and its subsidiaries, in line with other relevant information, prepare the consolidated financial statements. The consolidated financial statements the Company prepare was considered the whole enterprise group as a accountant entity, in line with the requirement of presentation, recognition and calculation in ASBE and a uniform accountant policies, reflect the financial situation, operation results and cash flows of the whole enterprise group.

The accounting policies and accounting period adopted by the subsidiaries that are included into the scope of consolidated financial statement consistent with those the Company adopts. If the accounting policies and accounting period adopted by a subsidiary are different from those adopted by the Company, necessary adjustments shall be made to the financial statements under the accounting policies and accounting period adopted by the Company.

Consolidated financial statement shall be prepared by the parent company after the effects of the internal transactions between the Company and its subsidiaries and between its subsidiaries themselves on the consolidated balance sheets, consolidated income statement, consolidated cash flow and consolidated statement of change in owners' equity are offset. If standing at the point of view of enterprise group consolidated financial statement, and its recognition of common trade differ from the accounting entity of Company or subsidiary, adjust it from the point of view of the enterprise group.

Minority shareholders' portions of equities and income in subsidiaries shall be separately stated respectively under owners' equity in the consolidated balance sheet and net profit in the consolidated income statement. For the deficit of current period exceeding the share in the beginning of owner's equity, the balance shall offset against the minority shareholder's equity.

For subsidiary obtained by business combination under same control, adjust the financial statement on the base of book value of assets, liabilities (including goodwill formed by the financial control party purchasing the subsidiary) in financial statement of final control party.

For subsidiary obtained by business combination not under same control, adjust the financial statement on the base of identifiable net assets on purchase date

1) Increasing the subsidiaries or business

During the Reporting Period, for the added subsidiary companies for business combination under the same control, shall adjust the beginning balance of the consolidated balance sheet, and shall involve the incomes, expenses and profits of the subsidiary companies incurred from the beginning of the current period to the end of reporting year into consolidated income statement;

and shall include the cash flow of the subsidiary companies from the beginning of the current period to the Reporting Period into the consolidated cash flow statement. Meanwhile, relevant items in the statements shall be compared and adjusted with the reporting subject after the consolidation being regarded to have always existed since the control party start to control.

Owing to the reasons such as the additional investment, for the subsidiaries could execute control on the investees under the same control, should be regard as the individuals participated in the combination that to execute adjustment by existing as the current state when the ultimate control party began to control. For the equity investment held before acquiring the control right of the combined parties, the confirmed relevant gains and losses, other comprehensive income and the changes of other net assets since the date of the earlier one between the date when acquiring the original equity right and the date when the combine parties and combined ones were under the same control to the combination date, should be respectively written down and compared with the beginning balance of retained earnings or the current gains and losses during the statement period. During the Reporting Period, for the added subsidiary companies for business combination note under the same control, shall adjust the beginning balance of the consolidated balance sheet, and shall involve the incomes, expenses and profits of the subsidiary companies incurred from purchase date to the end of reporting year into consolidated income statement; and shall include the cash flow of the subsidiary companies from purchase date to the Reporting Period into the consolidated cash flow statement.

Owing to the reasons such as the additional investment that the subsidiaries could execute the control of the investees under different control, the Company shall re-measure the equity interests in the acquiree held by it before the acquisition date according to the equity interests' fair value on the acquisition date. And the difference between the fair value and the book value is recorded into current investment gains. Where the equity interests in the acquiree held by the Company which involved with the other comprehensive profits and changes of the other owners' equities except for the net gains and losses, other comprehensive profits as well as the profits distribution under the measurement of equity method before the acquisition date involves other comprehensive incomes, the relevant other comprehensive incomes and the changes of the other owners' equities are restated as investment gains for the period which the acquisition date belongs to, with the exception of the other comprehensive incomes occurred because of the changes of net liabilities or net assets of the defined benefit pension plans be re-measured for setting by the investees.

2) Disposal of the subsidiaries or business

A. General disposing method

The consolidated cash flow statement shall include the cash flow from the beginning of the current period to the settlement date.

Where the Company loses the control over a former subsidiary due to disposal of some equity investments or other reasons, the Company re-measures the remaining equity investments after the disposal according to the fair value on the date when the control ceases. The consideration obtained in the equity disposal, plus the fair value of the remaining equities, less the Company's share of net assets in the former subsidiary calculated from the acquisition date according to the former shareholding ratio, is recorded into the investment gains for the period when the control ceases. Other comprehensive incomes in relation to the equity investments in the former subsidiary are restated as investment gains for the period when the control ceases. Where the

equity interests in the subsidiary held by the Company which involved with the other comprehensive profits and changes of the other owners' equities except for the net gains and losses, other comprehensive profits as well as the profits distribution when losing control, the relevant other comprehensive incomes and the changes of the other owners' equities are restated as investment gains for current period, with the exception of the other comprehensive incomes occurred because of the changes of net liabilities or net assets of the defined benefit pension plans be re-measured for setting by the investees.

B. Step by step disposing the subsidiaries

Where the Company losses control on its original subsidiaries due to step by step disposal of equity investments through multiple transactions, all the transaction terms, conditions and economic impact of the disposal of subsidiaries' equity investment are in accordance with one or more of the following conditions, which usually indicate the multiple transactions should be considered as a package deal for accounting treatment:

- a. The transaction was set up in the same time or had considered the influence to each others;
- b. The transaction only stand as a whole, a perfect commercial result can be arrived.
- c. A transaction incurred depends on at least one transaction occurred;
- d. A transaction is not economical, however, together with other transaction are economical.

When disposing each transaction of the Company losses control on its subsidiaries due to disposal of equity investments belonging to a package deal, should be considered as a transaction and conduct accounting treatment. However, Before losing control, every disposal cost and corresponding net assets balance of subsidiary of disposal investment are confirmed as other comprehensive income in consolidated financial statements, which together transferred into the current profits and losses in the loss of control, when the Company losing control on its subsidiary.

When disposing each transaction of the Company losses control on its subsidiaries due to disposal of equity investments not belonging to a package deal, before which losing the control right, should execute the accounting disposal according to the partly dispose the equity investment of the subsidiaries under the situation not losing the control right; when losing the control right, should execute accounting disposal according to the general disposing method disposal of the subsidiaries.

3) Purchasing minority equities of the subsidiaries

If there is any difference between the newly obtained long-term equity investment due to the Company's acquisition of minority interests and the Company's share of identifiable net assets which began to be calculated from the purchase date (or the combination date) in the subsidiary calculated according to the newly increased shareholding ratio, the stock premium under capital reserve in the balance sheet shall be adjusted according to the said difference. If the stock premium under capital reserve is not sufficient to be offset, the retained profit is adjusted.

4) Disposing the equity investment of the subsidiaries under the situation not losing the control right

The differences between the disposal income due to the Company's disposal of some equity investments in a subsidiary without losing the control over the subsidiary and the Company's share of net assets in the subsidiary calculated according to the disposed long-term equity investments, the stock premium under capital reserve in the balance sheet shall be adjusted

according to the said difference. If the stock premium under capital reserve is not sufficient to be offset, the retained profit is adjusted.

7. Classification of joint arrangements and accounting treatment of joint operations

8. Recognition standard for cash and cash equivalents

When preparing the cash flow statement, the term “cash” refers to cash on hand and deposits that are available for payment at any time. The term “cash equivalents” refers to short-term (within 3 months from the purchase date) 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.

9. Foreign currency businesses and translation of foreign currency financial statements

As for a foreign currency transaction, the amount in the foreign currency shall be translated into the amount in the Renminbi at the spot exchange rate of the transaction date.

On balance sheet date, the foreign currency monetary items shall be translated as the spot exchange rate on the balance sheet date, the balance occurred thereof shall be recorded into the profits and losses at the current period except that the balance of exchange arising from foreign currency borrowings for the purchase and construction or production of assets eligible for capitalization shall be measured in the light of capitalization principle. The foreign currency non-monetary items measured at the historical cost shall still be translated at the spot exchange rate on the transaction date, of which the amount of functional currency shall not be changed.

The foreign currency non-monetary items measured at the fair value shall be translated at the spot exchange rate on the confirming date of fair value, of which the balance of exchange shall be included into the profit and loss of the current period or capital reserve. If it belongs available for sale foreign currency non-monetary items, the difference form of exchange record into other comprehensive income.

10. Financial instruments

Financial instruments include financial assets and liabilities and equity instruments.

(1) Categorization of financial instruments

The Company divides the financial instruments pursuant to the purpose to acquire the said financial assets or undertake the financial liabilities: the financial assets and liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial assets and liabilities and the designated financial assets and liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; the investments which will be held to their maturity; accounts receivable; financial assets available for sale; and other financial liabilities.

(2) Recognition basis and calculation method of financial instrument

1) Financial assets (liabilities) measured by fair value and the changes included in the current gains and losses

The financial assets (or financial liabilities) that are measured by fair value with its change s recognized in the current profits and losses, including the transactional financial assets or financial liability and the financial assets or financial liabilities that are directly designated to be measured by fair value with its change recognized in the current losses and profits.

Transactional financial assets or financial liabilities mean the financial assets or financial liabilities that meet any one of the following conditions:

- A. The purpose of obtaining the financial assets or financial liabilities is to sell, repurchase or redeem it in a short time;
- B. It is a part of the identifiable combination of financial instrument that the company manages together and there is objective evidence of a recent pattern of short-term profit making;
- C. It belongs to the derivative financial instrument, but is designated as the derivative instrument of valid arbitrage instrument or belongs to the derivation instrument of financial guarantee contract, or it is connected to the equity instrument investment for which there is no quotation in active market and its fair value cannot be reliably measured, the derivative tool that shall be settled through delivering the equity instrument excluded.

Only if one of the following conditions is met, could the financial assets or financial assets be designated as the financial assets or financial liability that shall be measured by fair value with changes recognized in profit or loss in the period:

- A. The designation is able to eliminate or obviously reduce the discrepancies in the recognition or measurement of relevant gains or losses arising from the different basis of measurement of the financial assets or financial liability;
- B. The official written document of risk management or investment strategies of the enterprise concerned have described that the said combination of financial assets, the combination of financial liabilities, or the combination of financial assets and financial liabilities will be managed and evaluated on the basis of their fair values and will be reported to the key management personnel.
- C. The mixed instruments include one or more embedded derivative instrument, unless the embedded derivative instrument does not materially change the cash flow of the mixed instrument, or it is obvious that the embedded instrument shall not be split from the relevant mixed instrument;
- D. The mixed instrument that include the embedded derivative instrument that shall be split but cannot be separately measured when it is obtained or on the subsequent date of balance sheet.

For the financial assets or financial liabilities that is measured by fair value with its change recognized in the current profits or losses, the company will use the fair value (deducting the cash dividend that is announced but not issued, or the bond interest that is due but has not be claimed) as the initially recognized amount, and the related transaction costs shall be recognized in the current profits and losses. The interest or cash dividend obtained during the holding period shall be recognized as the investment earning, and at the end of the period, the change in fair value shall be recognized in the current profits and losses. At the time of disposal, the difference between its

fair value and the initially recognized amount shall be recognized as the investment earnings, and at the same time, the change in fair value shall be recognized as the profit or loss.

2) Accounts receivable

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.

The creditor's rights arising from selling goods or providing service by the Company and other creditor's rights to other enterprises held by the company that are not quoted in an active market, including accounts receivable, notes receivable, other receivables, long-term receivables, etc., the contract or agreement price should be taken as the initial recognition amount. If it has the nature of financing, it shall be recognized by present value.

Difference between the amount received and book value of the receivables shall be included into the profit or loss of the current period upon collection or disposal.

3) Held-to-maturity investments

Held-to-maturity investment means those non-derivative financial assets with fixed maturity date and fixed or determinable recoverable amount and that company has both the positive intention and the ability to hold to maturity.

When the Company obtains the held-to-maturity investment (less the unpaid interest on bonds which has been accrued), the sum of the fair value and related transaction costs will be treated as initial confirmation amount. During the holding period, interest income shall be calculated in accordance with the amortized cost and the actual interest rate and included in investment income. The actual interest rates are determined upon acquisition and remain unchanged during the expected holding period or a shorter period if applicable. Difference between the proceeds received and book value of the investment is charged to investment income.

If the amount of other type of financial assets that are acquired through the disposal or reclassification of held-to-maturity investments is greater than the total amount of all held-to-maturity investments held by the Company prior to sales or reclassification, after such disposal or reclassification, the remaining held-to-maturity investments shall be reclassified into available-for-sale financial assets; on the date of reclassification, the difference between book value of the investment and the fair value shall be charged to investment income except the following circumstances:

- A. The sales date or reclassification date is close to the maturity date or redemption date (e.g., with three months prior to the maturity date) and the change of market interest rate didn't exert a great influence on the fair value of the investment.
- B. The enterprise has got back almost all the initial principal in the mode of payment as specified in the contract.
- C. The sales or reclassification is resulted from an independent event which is out of the control of the enterprise, will not occur repeatedly based on the predication and is difficult to estimate reasonably.

4) Available-for-sale financial assets

Available-for-sale financial assets were referred to the non-derivative financial assets available for sale, as well as the financial assets other than the other financial asset classes in the initial recognition.

When available-for-sale financial assets are acquired, its initial amount shall be recognized at the fair value (excluding cash dividends that have been declared but not yet distributed or bond interests that have matured but not yet received) plus transaction expense thereof. Interest or cash dividend received in holding period were recognized as investment income. Profits or losses from the change in fair value of available-for-sale financial assets except impairment losses and translation balance from foreign monetary financial assets, directly record into other comprehensive income. When disposing available-for-sale financial assets recorded the difference between the price and the book value of the financial assets into investment profits or losses, meanwhile, roll out the disposal part of the accumulative amount of change in fair value originally and directly recorded into other comprehensive income and record into investment profits or losses.

The equity instrument investment without offer and its fair value without reliable calculation, and derivative financial assets linked to and settled by the equity instruments, measured at cost.

5) Other financial liabilities

Other financial liabilities shall be initially recognized at fair value plus transaction costs. The subsequent measurement shall be made by adopting amortized costs.

(3) Recognition and measurement of transfer of financial assets

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

Substance over form philosophy should be adopted to determine whether the transfer of a financial asset can satisfy the conditions as described in these Standards for de-recognition of a financial asset. An enterprise shall differentiate the transfer of a financial asset into the entire transfer and the partial transfer of financial assets. If the transfer of an entire financial asset satisfies the conditions for stop recognition, the difference between the amounts of the following 2 items shall recorded in the profits and losses of the current period:

- 1) The carrying amount of the transferred financial asset;
- 2) The aggregate 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).

If the transfer of partial financial asset satisfies the conditions for stopping recognition, the carrying amount of the entire financial asset transferred shall be allocated at their respective relevant fair value, between the portion whose recognition has stopped and the portion whose recognition has not stopped, and the difference between the amounts of the following 2 items:

- 1) The carrying amount of the portion whose recognition has stopped;
- 2) The aggregate consideration of the portion whose recognition has 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 stopped (in the event that the financial asset involved in the transfer is a financial asset available for sale).

The transfer of financial assets does not meet the de-recognition condition, the financial assets shall continue to be recognized, and the consideration received will be recognized as financial liabilities.

(4) Termination of recognition of financial liabilities

Only when the prevailing obligations of a financial liability are relieved in all or in part may the recognition of the financial liability be terminated in all or partly. Where the Company (debtor) enters into an agreement with a creditor so as to substitute the existing financial liabilities by way of any new financial liability, and if the contractual stipulations regarding the new financial liability is substantially different from that regarding the existing financial liability, it shall terminate the recognition of the existing financial liability, and shall at the same time recognize the new financial liability.

Where the Company makes substantial revisions to some or all of the contractual stipulations of the existing financial liability, it shall terminated the recognition of the existing financial liability or part of it, and at the same time recognize the financial liability after revising the contractual stipulations as a new financial liability.

Where the recognition of a financial liability is totally or partially terminated, the Company concerned shall include into the profits and losses of the current period the gap between the carrying amount which has been terminated from recognition and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed).

Where the Company buys back part of its financial liabilities, it shall distribute, on the report day, the carrying amount of the whole financial liabilities in light of the comparatively fair value of the part that continues to be recognized and the part whose recognition has already been terminated. The gap between the carrying amount which is distributed to the part whose recognition has terminated and the considerations it has paid (including the non-cash assets it has transferred out and the new financial liabilities it has assumed) shall be recorded into the profits and losses of the current period.

(5) Determination of the fair value of financial assets and financial liabilities

As for the financial assets and liabilities in an active market, the closing quoted prices in the active market shall be used to determine the fair values thereof. The closing quoted prices in the active market includes the quoted prices of relevant assets and liabilities which are easy to be acquired from exchange, dealer, broker, industrial group, pricing institution or regulatory institution regularly and which can represent the market trading that occur actually and frequently on the basis of fair trade.

The fair value of initially obtained or derivative financial assets or borne financial liabilities shall be determined according to the market transaction price thereof;

Where there is no active market for a financial assets and financial liabilities, the Company concerned shall adopt value appraisal techniques to determine its fair value. When evaluating, the Company adopt the valuation technique with sufficient useful data and supported by other information which suitable for the current situation, choose a input in concern with the characteristics of assets or liabilities considered in relevant assets or liabilities transaction with the market players, and as much as possible, give prior to using the relevant observable input under the situation that, the observable input value or it is not feasible to obtain, use unobservable input value.

(6) Withdrawal method of provision for impairment on financial assets (excluding accounts receivable)

Except for financial assets which are measured at their fair values and of which the variation is included in the current profits and losses, the Company checks the book values of all other financial assets on the balance sheet date. If there is objective evidence proving that a financial asset is impaired, an impairment provision is made.

The objective evidences of impairment provision of financial assets include but not limited to:

- 1) Issuer or debtor had serious financial difficulties;
- 2) The debtor violates the items of the contract, such as violate a treaty or overdue to repay the interest or principal, etc;
- 3) The creditor considering the factors of economy or law makes concession to the debtor who had serious financial difficulty;
- 4) The debtor probably may go out of business or had other financial recombination;
- 5) Due to the issuer had serious financial difficulty; the financial assets cannot continue to trade in the active market;
- 6) The cash flow of a kind of asset in a group of financial assets decrease or not was beyond recognition, however, after conducting the overall evaluation in line with the public data, the estimate cash flow of the group of financial assets actually decrease and gaugeable since initial recognition, if the repay ability of the debtor steadily worsened, or the increase of unemployment rate, the decrease in the price of guaranty or the industry downturn that the district or country the debtor in, etc;
- 7) The great disadvantage change in technology, market, economy or legal environment that operation place that issuer of equity instrument locate at, which lead to the irrecoverable of investment cost of the equity instrument investors;
- 8) The fair value occurred seriously or non-transient decrease;

The specific impairment provision methods of financial assets were as follows:

- 1) Provision for impairment of available-for-sale financial assets:

On balance sheet date, the Company separately examines each available-for-sale equity instrument investment. If the fair value of the equity instruments which invests on the balance sheet date is lower than its initial investment cost for more than 50% (including 50%) or lower than its initial investment cost for the duration time for more than 1 year (including 1 year), which indicates that it had occurred impairment; if the fair value of the equity instruments which invests on the balance sheet date is lower than its initial investment cost for more than 20% (including 20%) but not reaches at 50%, the Company will comprehensively considerate the other relevant factors such as the price volatility etc. and will judge the equity investment whether had occurred impairment.

The aforesaid "cost" recognized in line with the initial investment cost of available for sale financial instrument deducting principal recovered, amount amortized and the impairment losses recorded into profits or losses. The fair value of available-for-sale equity instrument investments that do not exist in active market shall be determined in accordance with the present value obtained from the discount of future cash flow with the present market return of similar financial assets; the fair value of available-for-sale equity instrument investment that has provided a quoted price in active market shall be determined in accordance with the final closing price of stock exchange, unless the available-for-sale equity instrument investment has a restricted stock trade period. The fair value of available-for-sale equity instrument investment with a restricted stock trade period shall be determined in accordance with the final closing price of stock exchange less

the compensation claimed by market participants who have to bear the risk that they can't sale the equity instrument at a public market in the specified period.

Where a sellable financial asset is impaired, even if the recognition of the financial asset has not been terminated, the accumulative losses arising from the decrease of the fair value of the owner's equity which was directly included shall be transferred out of the owners' equities and recorded into the profits and losses of the current period. The accumulative losses that are transferred out shall be the balance obtained from the initially obtained costs of the sold financial asset after deducting the principals as taken back, the current fair value and the impairment-related losses as was recorded into the profits and losses of the current period.

As for the sellable debt instruments whose impairment-related losses have been recognized, if, within the accounting period thereafter, 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 shall be reversed and be recorded into the profits and losses of the current period as for the impairment-related losses incurred to a sellable equity instrument investment, should be reversed by equity when the value raised of the equity instruments; however, the impairment-related losses incurred to an equity instrument investment for which there is no quoted price in the active market and whose fair value cannot be reliably measured, or incurred to a derivative financial asset which is connected with the said equity instrument and which shall be settled by delivering the said equity instrument, may not be reversed.

2) Impairment provision for held-to-maturity investments

If any objective evidence shows that a held-to-maturity investment has been impaired, the impairment loss shall be recognized at the gap between its book value and the present value of its estimated future cash flow; after the impairment provision is made, if there is any evidence proving that the value of the said held-to-maturity investment has been restored, the impairment loss as originally recognized may be reversed and be recorded into the profits and losses of the current period, but the reversed book value shall not be any more than the post-amortization costs of the said held-to-maturity investment on the day of reverse under the assumption that no provision is made for the impairment.

(7) The offset of financial assets and financial liabilities

Financial assets and financial liabilities are shown separately in balance sheet However, if they satisfy the following conditions, shown the net amount in the balance sheet after the offset;

- 1) The Company had legal rights of offsetting the recognition amount, and the legal right is executable in recently;
- 2) The Company plans to settle at net amount, or meanwhile realize the financial assets and pay off the financial liabilities.

11. Accounts receivable

(1) Bad debt provision for individually significant accounts receivable

Judgment basis or monetary standards of provision for	An account receivable exceeds 10 million, or another
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bad debts of the individually significant accounts receivable	account receivable exceeds five million
Accounts receivable with significant single amount for which bad debt provision separately accrued at the period-end	An impairment test shall be conducted on the account receivable and the difference of the present value of expected future cash flow less than its book value shall be withdrawn as the bad debt provision and recorded into current gains/losses. Where an impairment test is conducted on an account receivable and no impairment occurs, classify into relevant group and withdraw bad debt provision.

(2) Accounts receivable which the bad debt provision is withdrawn by credit risk characteristics

Name of the group	Bad debt provision method
Certain accounts receivable groups divided by aging characteristics	
Aging analysis method group	Aging analysis method

In the groups, adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Aging	Withdrawal proportion for accounts receivable	Withdrawal proportion for other accounts receivable
1-3 months	0.00%	0.00%
4-12 months	5.00%	5.00%
1-2 years	10.00%	10.00%
2-3 years	20.00%	20.00%
Over 3 years	50.00%	50.00%

In the groups, adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

In the groups, adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(3) Accounts receivable with an insignificant single amount but for which the bad debt provision is made individually

Reason of individually withdrawing bad debt provision:	There existing evidence that the Company unable to recover the account receivable in line with the original items.
Withdrawing bad debt provision method	At the gap between the carrying amount and the present value of the estimated future cash flow (lower) of the account receivable

12. Inventory

Is the Company subject to any disclosure requirements for special industries?

No.

(1) Category

Inventory was referred to the finished goods or commodities for sale, products in the process, materials in production or providing services, etc. Mainly include: raw materials, revolving materials, merchandise inventory, goods in process, goods sent out, goods in outside processing and etc.

(2) Pricing method for outgoing inventories

When obtaining, the cost was considered as the initial calculation, including purchase cost, conversion cost and other cost. Adopting the weighted average method for pricing when outgoing inventories according to the end of the month at a time

(3) Recognition of net realizable value and withdrawal of provision for falling price of inventory

At the end of every year, the Company shall make an overall checking to inventory, thereafter, the provision for falling price of inventory shall be measured according to its cost or its net realizable value, whichever is lower.

Finished goods, merchandise inventories, and available for sale materials which are applied directly for sales of stock inventory, under normal producing process, to the amount after deducting the estimated sale expense and relevant taxes from the estimated sell price of the inventory, the net realizable value has been recognized. Material inventories which need to be processed, under normal producing process, to the amount after deducting the estimated cost of completion, estimated sale expense and relevant taxes from the estimated sale price of produced finished goods, the net realizable value has been recognized. The net realizable value of inventories held for the execution of a sales contract or labor contract shall be calculated on the basis of the contract price. If an enterprise holds more inventories than the quantities subscribed in the sales contract, the net realizable value of the excessive inventories shall be calculated on the basis of the general sales price.

Ordinarily the Company shall make provision for falling price of inventories on the ground of each item of inventories. For inventories with large quantity and relatively low unit prices, the provision for falling price of inventories shall be made on the ground of the categories of inventories. For the inventories related to the series of products manufactured and sold in the same area, and of which the final use or purpose is identical or similar thereto, and if it is difficult to measure them by separating them from other items, the provision for falling price of inventories shall be made on a combination basis.

If the factors causing any write-down of the inventories have disappeared, the amount of write-down shall be resumed and be reversed from the provision for the loss on decline in value of inventories that has been made. The reversed amount shall be included in the current profits and losses.

(4) Inventory system for inventories:

Inventory system: Perpetual inventory system

(5) Amortization method of the low-value consumption goods and packing articles

- 1) One-off amortization method for the low-value consumption goods;
- 2) One-off amortization method for the packaging articles; and
- 3) One-off amortization method for other revolving materials.

13. Divided as assets held for sale

14. Long-term equity investment

(1) The recognition of investment cost

1) The relevant accounting policy of long term equity investment formed by enterprise combination, please refer to “(5) Accounting disposal method of the enterprise merger under or not under the same control” under Note 4.

2) Long-term equity investment gained by other methods

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 of a long-term equity investment includes the cost, tax and other necessary expense directly relevant to gaining long-term equity investment

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.

As for a non-monetary assets transaction, under the premise that the transaction is commercial in nature and the fair value of the assets received or surrendered can be measured reliably, the initial cost of the fair value of the long-term equity investment received shall be recognized based on the fair value of the assets surrendered, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where any non-monetary assets transaction does not meet the conditions as prescribed in the above premises at the same time, the book value and relevant payable taxes of the assets surrendered shall be the initial cost of the long-term equity investment received.

The initial cost of a long-term equity investment obtained by debts restructuring shall be recognized based on the fair value.

(2) Subsequent measurement and gain/loss recognition method

1) Long-term equity investment measured by adopting cost method

The Company adopts cost method for measurement of the long-term equity investment controlled by invested entities, and shall be calculated at its initial investment cost, add or withdraw investment and adjust the cost of the long-term equity investment.

The return on investment at current period shall be recognized in accordance with the cash dividend or profit announced to distribute by the invested entity, except the announced but not distributed cash dividend or profit included in the actual payment or consideration upon gaining the investment.

2) Long-term equity investment measured by adopting equity method

The Company adopts the equity method to measure the long-term equity investment of the associated enterprises and joint ventures. for part of equity investment of associated enterprise through risk investment institutions, mutual funds, trust companies or directly held by including

within unit-linked insurance fund similar entities, adopts fair value method, and its change records into profits or losses.

The long-term equity investment that does joint control or significant influences over the Company shall be measured by employing the equity method. 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.

The Company should respectively recognize investment income and other comprehensive income according to the net gains and losses as well as the portion of other comprehensive income which should be enjoyed or be shared, and at the same time adjust the book value of the long-term equity investment; corresponding reduce the book value of the long-term equity investment according to profits which be declared to distribute by the investees or the portion of the calculation of cash dividends which should be enjoyed; for the other changes except for the net gains and losses, other comprehensive income and the owners' equity except for the profits distribution of the investees, should adjust the book value of the long-term equity investment as well as include in the capital reserve.

The investing enterprise shall, on the ground of the fair value of all identifiable assets of the invested entity when it obtains the investment and according to the accounting policies as well as the accounting period of the Company, recognize the attributable share of the net profits and losses of the invested entity after it adjusts the net profits of the invested entity. For the transaction happened between the Company and associated enterprises as well as joint ventures, the portion of the unrealized gains and losses of the internal transaction, which belongs to the Company according to the calculation of the enjoyed proportion, should offset and recognized the investment gains and losses on the basis.

The Company shall handle to the net losses of the invested enterprise recognized by it: A. offset book value of long-term equity investment; B. if the book value of long-term equity investment is insufficient to dilute, investment loss shall be recognized based on the book value of other long-term rights and interests (reminder: should clearly confirm the specific content and the recognition standard of the sort of long-term rights and interest) which substantially form the net investment made to the invested entity, to offset book value of long-term receivables items; and C. through the above treatment, where the Company still has the obligation to undertake extra losses as per investment contracts or agreements, the obligation that is expected to undertake shall be recognized the project liabilities, and recorded into losses on investment of the current period.

The investee profit in the subsequent periods, the Company after deducting unrecognized share loss amount, adopts the aforesaid progress. Writes off the book value of estimated liabilities recognized, recovers others actual form the book value of long term equity and long term equity investment of the net investment of investee, and recovers the recognition of investment income.

(3) The accounting method transfer of long-term equity investment

1) Fair value calculation transfer to equity method

The Company's original holding of investee's equity investment that without control, common control or significant influence recognized at financial tools and accounted at standards of

measurement, due to the additional investment and other reasons that had significant influence to the investee or implement of common control but not form control of the investee, in line with the Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments, recognized the total of original holding of fair value of equity investment plus the newly increase investment cost, which considered as the initial investment cost changing measurement at equity method.

The difference between the fair value and carrying value of the original held equity investment classify as available for sale financial assets, and changes to the accumulated fair value charged against other comprehensive earnings shall be fully converted the current profits or losses change measurement at equity method.

The initial investment cost measured at equity method which smaller than the difference between the fair value of net identifiable assets on additional date the investee enjoyed recognized in line with the new shareholding proportion measurement after additional investment, adjust the book value of long term equity investment, and record into current non-operation income.

2) Fair value calculation or equity method accounting transfer to cost method

The Company's original holding of investee's equity investment that without control, common control or significant influence recognized at financial tools and accounted at standards of measurement, or original holding of long term equity investment to joint venture or associated enterprise, due to the additional investment and other reasons that control the investee not under same control, When preparing individual financial statement, in line with the total of the book value of equity investment original held plus the newly increase investment cost, which considered as the initial investment cost changing measurement at cost method.

The original held of equity investment was recognized as other comprehensive income due to adopting equity accounting, when disposing the investment adopt accounting treatment on the same basis with that the investee directly disposing the relevant assets or liabilities.

The equity investment before purchase date, adopt accounting treatment in line with the stipulations of Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments, and the change in fair value originally recorded into other comprehensive income record into current profits or losses when changing accounting method as cost method .

3) Equity method transfer into fair value calculation

The remained equity due to the disposal of part of equity and other reason losing common control or significant influence to the investee, calculated in line with the Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments after disposal. The difference between the fair value and book value on the date of losing common control or significant influence was record into current profit or losses.

The original held of equity investment was recognized as other comprehensive income due to adopting equity accounting, when terminating adopt equity method, adopt accounting treatment on the same basis with that the investee directly disposing the relevant assets or liabilities.

4) Cost method transfer into equity method

The remained equity implementing common control or had significant influence to the investee, due to the Company's disposal of part of equity investment losing the control to the investee,

changes accounting treatment as equity method, When preparing individual financial statement, adjusts the remained equity adopt equity method since gained.

5) Cost method to fair value measurement

The remained equity cannot implementing common control or had significant influence to the investee, due to the Company's disposal of part of equity investment losing the control to the investee, calculated in line with stipulation of the Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments, when preparing individual financial statement, The difference between the fair value and book value on the date of losing control was record into current profit or losses.

(4) Disposal of long-term equity investment

When disposing long term equity investment, the difference between the book value and actual purchase price shall be record into current profits or losses. The equity investment adopting equity accounting, when disposing the investment, adopt accounting treatment on the same basis with that the investee directly disposing the relevant assets or liabilities and conducts accounting treatment to part of them originally recorded into other comprehensive income in line with relevant proportion.

Each transaction items, conditions and economy influence in confirm with the following one or several conditions, several transaction events were considered as a package deal and conducted accounting method;

- A. The transaction was set up in the same time or had considered the influence to each others;
- B. The transaction only stand as a whole, a perfect commercial result can be arrived;
- C. A transaction incurred depends on at least one transaction occurred;
- D. A transaction is not economical, however, together with other transaction are economical.

For that the Company's disposal of part of equity investment losing the control to the investee and not belonging to a package deal, conducts accounting treatment to the individual financial statement and consolidated financial statement respectively:

A. In the individual financial statement, for the disposal equity, the difference between the book value and actual purchase price was recorded into current profits or losses. The remained equity cannot implementing common control or had significant influence to the investee, changes accounting treatment as equity method, when preparing individual financial statement, adjusts the remained equity adopt equity method since gained, the remained equity cannot implementing common control or had significant influence to the investee, after disposal, calculated in line with stipulation of the Accounting Standards for Business Enterprises No. 22--Recognition and Measurement of Financial Instruments, the difference between the fair value and book value on the date of losing control was record into current profit or losses.

B. In consolidated financial statement, for each transaction before losing the control to the subsidiary, the difference between the disposal price and the corresponding net assets share enjoyed of subsidiary when disposing long term equity investment since purchase date or start calculation, adjusts capital reserve (stock premium), capital reserve is insufficient for write-downs, adjusts the retained earnings. The difference between the consideration obtained in the equity disposal, plus the fair value of the remaining equities, less the Company's share of net assets net assets share enjoyed of subsidiary when disposing long term equity investment since purchase date or start calculation according to the former shareholding ratio, is recorded into the investment

gains for the period when the control ceases, meanwhile, writes down goodwill. Other comprehensive income related to former subsidiary's equity investment, transfer into current investment income when the control ceases.

When disposing each transaction of the Company losses control on its subsidiaries due to disposal of equity investments belonging to a package deal, should be considered as a transaction of disposing equity investment of subsidiary and losing control, conduct accounting treatment, conducts accounting treatment to the individual financial statement and consolidated financial statement respectively:

A. In individual financial statement, the difference between each disposal price before losing control and the book value of corresponding long term equity investment in the disposal of equity, recognized as other comprehensive income, when the control ceases, transfers into current profits or losses of the period of losing control.

B. In consolidated financial statement, the difference between each disposal price before losing the control, and the corresponding net assets share enjoyed of subsidiary when disposing long term equity investment, recognized as other comprehensive income, when the control ceases, transfers into current profits or losses of the period of losing control.

(5) Judgment standard of joint control and significant influences

If the Company implements a collective control arrangement together with other participants in line with relevant agreement, and the activity decision with significant influence to the reward of the arrangement only exist when the participants who sharing the control power have a common agreement, which was considered as the Company and the participants are in control of a arrangement, and the arrangement was belong to the joint venture arrangement.

The joint venture arrangement arrived at individual entity, in line with the relevant agreements, when judging the power the Company enjoy the net assets in the individual entity, considers the individual entity as joint venture, and adopts equity method. If, in line with the relevant agreements, when judging the power the Company does not enjoy the net assets in the individual entity, considers the individual entity as joint operation, the Company recognized the relevant items of the profits of joint operation, and conducts accounting treatment in line with the stipulations of relevant Accounting Standards for Business Enterprises.

The term "significant influence" means having the power to participate in the formulation of financial and operating policies of an enterprise, but not the power to control or jointly control the formulation of these policies together with other parties. The Company through the follow one or several situations and comprehensively consider all the facts and conditions to judge the significant influence to the investee. A. Have representatives in the Board of Directors of investee or similar organ of authority; B. Take part in the establish progress of finance and operation policies of investee; C. Have significant transaction with the investee; D. Send administrators to the investee; E. Provide key technology information to investee.

15. Investment property

Measurement mode of investment real estates

Measurement of cost method

Depreciation or amortization method

The Company adopts the cost method in the subsequent measurement of investment property. In line with the estimate useful life and net ratio of remaining value withdrawing depreciation or amortization. The lists of investment property in line with the estimate useful life and net ratio of remaining value withdrawing depreciation or amortization are as follows:

Category	Estimate useful life (year)	Estimate net ratio of remaining value	The rate of depreciation (amortization)
Houses and buildings	30	5%	3.17%

16. Fixed assets

(1) Recognized standard of fixed assets

The term "fixed assets" refers to the tangible assets that simultaneously possess the features as follows: they are held for the sake of producing commodities, rendering labor service, renting or business management; and their useful life is in excess of one fiscal year. No fixed asset may be recognized unless it simultaneously meets the conditions as follows: (1) The economic benefits pertinent to the fixed asset are likely to flow into the enterprise; (2) The cost of the fixed asset can be measured reliably

(2) Depreciation method

Category	Depreciation method	Useful life	Expected net salvage value	Annual depreciation
Houses and buildings	Straight-line depreciation	30-40	5	2.375-3.17
Machinery equipment	Straight-line depreciation	10-25	5	3.80-9.50
Transportation	Straight-line depreciation	5	5	19.00
Electronic equipment and other	Straight-line depreciation	5-10	5	9.50-19.00

(3) Recognition basis and pricing method of fixed assets by finance lease

Where one of the following provisions is regulated in the rental agreement signed between the Company and the leaser, is shall be recognized as an asset acquired under finance leases: (1) the ownership of the leased asset is transferred to the Company after the term of lease expires; (2) the Company has the option to buy the asset at a price which is far lower than the fair value of the asset at the date when the option becomes exercisable; (3) the lease term covers the major part of the use life of the leased asset; (4) in the case of the lessee, the present value of the

minimum lease payments on the lease beginning date amounts to substantially all of the fair value of the leased asset. (5) When nature of the leased asset is special, if there is no great transform, only the Company can use it, As for the fixed assets by finance lease, the Company shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. When the negotiation of lease and signing lease contract occurred simultaneously, the handling charge, attorney's fees and traveling expenses, stamp duty, and other direct cost belonging to the lease project, recorded into value of leased assets. The unrecognized financing cost was amortized by effective interest method at each period within the lease term. The Company adopting depreciation policies in concern with self-owned fixed assets withdraw depreciation of fixed assets under financing lease. The ownership of fixed assets under financing lease reasonably ensured to obtain the expiration of the lease term, withdraw depreciation within useful life; The ownership of fixed assets under financing lease cannot reasonably ensured to obtain the expiration of the lease term, withdraw depreciation within the shorter one of useful life and lease term.

17. Construction in progress

Is the Company subject to any disclosure requirements for special industries?

No.

(1) Initial measurement of construction in progress

The valuation of the Company's self-construction of construction in progress is in line with the actual cost which was formed by all the necessary expenditures that the asset of construction arrived at the expected useful status, including cost of engineering materials, labor cost, and the relevant cost of tax, the borrowing cost of should being capitalization and the indirect cost should be amortized.

(2) Standard and time point of construction in progress transferring into fixed assets

All expenditure occurred before the assets are brought to the expected conditions for use shall be recognized as the entering value of fixed assets. The construction in progress of fixed assets has been reached to the expected conditions for use but has not yet has handle completion and settlement procedures, the construction in progress shall be transferred into the fixed assets at the appraisal value in accordance with construction budget, cost or actual cost since the date that the construction in progress reaches to the expected conditions for use, and the depreciation of the fixed assets shall withdrawn in the light of the depreciation policy of fixed assets. After completion and settlement procedures, the Company shall adjust the original provisional estimate price at the actual cost, but not adjust original depreciation withdrawn.

18. Borrowing costs

(1) Recognition principle of capitalization of borrowing costs

Where the borrowing costs incurred to the Company can be directly attributable to the acquisition and construction or production of assets eligible for capitalization, it shall be capitalized and recorded into the costs of relevant assets. Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. The term “assets eligible for capitalization” shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time to get ready for its intended use or for sale.

The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

- A. The asset disbursements have already incurred, which shall include the cash, transferred non-cash assets or interest bearing debts paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;
- B. The borrowing costs have already incurred; and
- C. The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

(2) Capitalization period

The capitalization period shall refer to the period from the commencement to the cessation of capitalization of the borrowing costs, excluding the period of suspension of capitalization of the borrowing costs.

When the qualified asset under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

When the part of projects in the qualified asset under acquisition and construction or production are completed separately and is ready for use alone, the capitalization of the borrowing costs of such part of assets shall be ceased.

Where each part of an asset under acquisition and construction or production is completed separately and is ready for use or sale during the continuing construction of other parts, but it cannot be used or sold until the asset is entirely completed, the capitalization of the borrowing costs shall be ceased when the asset is completed entirely.

(3) The period of suspension of capitalization of the borrowing costs

Where the acquisition and construction or production of a qualified asset is interrupted abnormally and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts.

(4) Calculation method of capitalized amount of borrowing costs

Interest of specific loan (deducting interest income of loan capital deposit in the bank or investment income obtained from temporary investment) and its subsidiary expenses before the construction or production of assets eligible for capitalization arrived at available for use or sale, capitalized them.

The enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the

accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

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.

19. Biological assets

20. Oil and gas assets

21. Intangible assets

(1) Pricing method, useful life and impairment test

Intangible assets refer to identifiable non-monetary assets that are owned or controlled by the Company without material state, including right to use land sites, software and non-patented technology.

1) Initial measurement of intangible assets

The cost of outsourcing intangible assets shall include the purchase price, relevant taxes and other necessary expenditures directly attributable to intangible assets for the expected purpose. Where the payment of purchase price for intangible assets is delayed beyond the normal credit conditions, which is of financing intention, the cost of intangible assets shall be determined on the basis of the current value of the purchase price.

For intangible assets obtained through debt restructuring, which are pay a debt by the debtor, its entering value shall be recognized based on the fair value of such intangible assets. The balance between book value for debt restructuring and the fair value of the intangible assets shall be recorded into the profits and losses of the current period.

As for a non-monetary assets transaction, under the premise that the transaction is commercial in nature and the fair value of the assets received or surrendered can be measured reliably, the initial cost of the fair value of the intangible assets received shall be recognized based on the fair value of the assets surrendered, unless there is any exact evidence showing that the fair value of the assets received is more reliable. Where any non-monetary assets transaction does not meet the conditions as prescribed in the above premises at the same time, the book value and relevant payable taxes of the assets surrendered shall be the initial cost of the intangible assets received.

As for intangible assets through business combination under the same control, its entering value shall be recognized based on the book value of combined party. As for intangible assets through business combination not under the same control, its entering value shall be recognized at its fair value.

The cost of self-developed intangible assets shall include: materials used, service cost, registration fee when developing such intangible assets, and amortization expenses of other patent right used

in the course of development and interest expense eligible for capitalization, as well as other direct cost incurred before the expected purposes of use of such intangible assets are realized.

2) Subsequent measurement

The Company shall analyze and judge the service life of intangible assets, classify as intangible assets with limited service life and intangible assets with uncertain service life

A. Intangible assets with limited service life

With regard to intangible assets with limited service life, shall be amortized by the straight-line method within the period when the intangible asset can bring economic benefits to the Company.

Estimated useful life of intangible assets with limited useful life:

Item	Estimated useful life	Basis
Software	2-10 years	Estimated useful life
Land use right	50 years	Property ownership certificate or land use certificate
Non-patent right	10 years	Estimated useful life

The Company shall, at the end of every year, check the useful life and the amortization method of the said intangible assets with limited service life. If there is any difference between the expected useful life and the previously estimated data, the expected useful life shall be adjusted.

After check, useful life and the amortization method of the said intangible assets remained the same as the previous valuation.

B. Intangible assets with uncertain service life

If it is unable to forecast the period when the intangible asset can bring economic benefits to the enterprise, it shall be regarded as an intangible asset with uncertain service life.

The Company shall, at the end of every year, check the useful life and does not conduct the amortization method of the said intangible assets with uncertain service life. If after check, useful life of the said intangible assets remained in uncertainty, the Company shall make an impairment test at the end of year.

After check, the Company has no intangible assets with uncertain service life.

(2) Accounting policies of internal R&D expenses

1) Standard for classifying research phase and development phase of the Company's R&D projects

The term "research" refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge.

The term "development" refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

The expenditures of R&D stage in internal R&D project, was recorded into current profits or losses.

2) Standard for capitalization of development expenditures

The expenses in R&D stage for its internal research and development projects of the Company may be capitalized when they satisfy the following conditions simultaneously:

- A. It is feasible technically to finish intangible assets for use or sale;
- B. It is intended to finish and use or sell the intangible assets;
- C. The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;
- D. 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
- E. The development expenditures of the intangible assets can be reliably measured.

The expenses not meet the aforesaid conditions, record into current profits or losses. R&D expenses had recorded into profits or losses in previous period, was derecognized as assets in the subsequent period. The capitalized expenses in R&D stage had been listed as R&D expenses in the balance sheet; transfer into intangible assets since the project arrived at the date expected use.

22. Impairment of long-term assets

The Company shall, on the day of balance sheet, make a judgment on whether there is any sign of possible assets impairment. If there are signs of long-term assets impairment, on the basis of single item assets, estimate the recoverable amount; for it is difficult to estimate the recoverable amount of an individual asset, determines the recoverable amount of an asset group based on the assets belongs to the group.

The estimation of recoverable amount of assets, recognized according to the higher between the net present value after its fair value minus the disposal expenses and the present value of expected future cash flow of an asset.

The measurement results of the recoverable amount show that, the recoverable amount lower than the book value, writes down the book value of long term assets to recoverable amount which recognized as assets impairment losses, record into current profits or losses. Meanwhile, withdraw relevant assets impairment provision. Once the assets impairment losses are recognized, it will no longer being switch back in subsequent accounting period.

After the recognition of assets impairment losses, the depreciation and amortization expenses of impairment assets adjusted in future period, which ensure the assets systematically amortized the book value of assets after the adjustment (after deducting estimate net salvage) within the remaining service life.

For intangible assets with uncertain goodwill or service life formed by enterprise combination, whatever there is sign of impairment conduct impairment test every year.

When conducting impairment test to the goodwill, share the book value of goodwill to the group assets or combination of group assets estimate benefited from synergistic effect of enterprise combination When conducting impairment test to the relevant group assets or combination of group assets including goodwill, if there is sign of impairment, conduct impairment test to those excluding goodwill, calculate recoverable amount and compare to the relevant book value,

recognize the relevant impairment losses. Then, conduct impairment test to the relevant group assets or combination of group assets including goodwill, compare the book value(including the part of book value of goodwill amortized and its recoverable amount, if the recoverable amount lower than its book value, recognize the impairment losses of goodwill.

23. Long-term unamortized expenses

(1) Amortization method

Long-term deferred expenses refer to general expenses with the apportioned period over one year that have occurred but attributable to the current and future periods. Long-term deferred expense shall be straight-line amortized by stage within benefit period.

2. Amortization period

Type	Amortization period	Remark
Expenses on decoration of rented plants	5 years	According to actual benefit period
Technical service expenses	5 years	According to actual benefit period
Expenses on maintenance and alteration	3-5 years	According to actual benefit period

24. Payroll

(1) Accounting treatment of short-term compensation

Short-term compensation refers to the payroll payment of the employee providing service during the end of Reporting Period within 12 months that the Company should pay, excepting the welfare after demission and termination benefits. During the accounting period that the employees providing the service, should be calculated and recognized the corresponding payroll amount according to the stated withdrawal basic and proportion

(2) Accounting treatment of the welfare after demission

Welfare after demission refers to the Company, in order to obtain services provided by the employees, provide all kinds of rewards and benefits after the retirement of the employees or cancellation of staff employment contracts, excepting short-term compensation and retirement benefits.

All the Company's welfare after demission plans are setting drawing plans.

The setting drawing plan of welfare after demission is the social basic pension insurance, unemployment insurance, etc, which implemented by the local labor and social security offices. During the accounting period that the employee providing service for the Company, the amount

should pay in line with the setting drawing plan will be recognized as liabilities and record into current profits or losses or cost of relevant assets.

Apart from regularly making the aforesaid payments pursuant to the government's standards and the annuity fund plan, the Company bears no responsibility for other payments in this respect.

(3) Accounting treatment of demission welfare

Demission welfare is refers to the Company's cancellation of the labor relationship with the employees before the labor contract maturity or compensation for encouraging the employee voluntarily accept reduction, when the Company is unable to unilaterally withdraw the plan on the cancellation of labor relationship or the layoff proposal, or when recognizing the costs or expenses (the earlier one between the two) related to the reorganization of paying the demission welfare, should recognize the payroll liabilities from the demission welfare and include in the current gains and losses.

(4) Accounting treatment of other welfare of the long-term employees

Other welfare of the long-term employees refers to other welfares excluding short term compensation, welfare after demission and demission welfare.

25. Accrued liabilities

(1) Recognition standard of estimated liabilities

The obligation pertinent to the Contingencies shall be recognized as estimated liabilities when the following conditions are satisfied simultaneously:

- A. The obligation is a current obligation of the company;
- B. It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and
- C. The amount of the obligation can be measured in a reliable way.

(2) Measurement method of estimated liabilities

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

To determine the best estimate, an enterprise shall take into full consideration of the risks, uncertainty, time value of money, and other factors pertinent to the Contingencies. If the time value of money is of great significance, the best estimate shall be determined after discounting the relevant future outflow of cash.

The best estimate shall be conducted in the light of the following situations:

If there is a sequent range for the necessary expenses and if all the outcomes within this range are equally likely to occur, the best estimate shall be determined in accordance with the middle estimate (average number of bound) within the range.

If there is not a sequent range for the necessary expenses, or although there is a sequent range for the necessary expenses but all possible outcomes are not the same within the scope, i.e. If the Contingencies concern a single item, best estimate shall be determined in the light of the most likely outcome; If the Contingencies concern two or more items, the best estimate should be calculated and determined in accordance with all possible outcomes and the relevant probabilities. When all or some of the expenses necessary for the liquidation of an estimated debts of an enterprise is expected to be compensated by a third party, the compensation should be separately recognized as an asset only when it is virtually certain that the reimbursement will be obtained. The amount recognized for the reimbursement should not exceed the book value of the estimated debts.

26. Share-based payment

27. Other financial instruments such as preferred shares and perpetual capital securities

28. Revenue

Is the Company subject to any disclosure requirements for special industries?

No.

(1) Criteria for recognition time of revenue from sale of goods

The significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; The enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; The relevant amount of revenue can be measured in a reliable way; The relevant economic benefits may flow into the enterprise; and the relevant costs incurred or to be incurred can be measured in a reliable way.

Confirmation methods of sales revenues of the Company:

1) Confirmation methods of domestic sales revenue

Shall satisfy following conditions: products should be delivered according to customer's requirements; amount of sales revenues is determined, received or respected to receive; sales slip should be invoiced; costs of sold products should be calculated;

2) Confirmation methods of export sales revenue

Shall satisfy following conditions: products should be produced according to export sales agreement signed with customers, received export declaration after qualified inspection and obtained bill of lading (waybill) after delivery by transport company; amount of sales revenues is determined, received or respected to receive; sales slip should be invoiced; costs of sold products should be calculated.

(2) Recognition basis of revenue from transferring use rights of assets

The relevant economic benefits are likely to flow into the enterprise; and the amount of revenues can be measured in a reliable way. The revenue from a alienating the right to use assets shall be recognized in the light of the following methods:

1) The amount of interest revenue should be measured and confirmed in accordance with the length of time for which the enterprise's cash is used by others and the actual interest rate;

2) The amount of royalty revenue should be measured and confirmed in accordance with the period and method of charging as stipulated in the relevant contract or agreement.

(3) Recognition basis and method for recognizing the revenue from providing labor services

If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method. Schedule of completion under the transaction concerning the providing of labor services shall be recognized in the light of the measurement of the work completed.

The reliably estimate the outcome of a transaction concerning the labor services it provides, which simultaneously meets the following conditions:

- A. The amount of revenue can be measured in a reliable way.
- B. Relevant economy profits may inflow enterprises
- C. The schedule of completion of the transaction can be measured in a reliable way.
- D. The cost occurred or will occur in the transaction can be measured in a reliable way.

The Company shall ascertain the total revenue from the providing of labor services in accordance with the received or to-be-received price of the party that receives the labor services as stipulated in the contract or agreement, unless the received or to-be-received price as stipulated in the contract or agreement is unfair. The Company shall, on the date of the balance sheet, ascertain the current revenue from providing labor services in accordance with the amount of multiplying the total amount of revenues from providing labor services by the schedule of completion then deducting the accumulative revenues from the providing of labor services that have been recognized in the previous accounting periods. At the same time, the enterprise shall carry forward the current cost of labor services in accordance with the sum of multiplying the total amount of revenues arising from the providing of labor services by the schedule of completion and then deducting the accumulative revenues from the providing of labor services.

If the Company can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method.

- A. If the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount;
- B. If the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

If the contracts the Company sign with other enterprises include sale of goods and rendering of service, and both of them can be separated and individually calculated, deal with them separately. For those sale of goods and rendering of service cannot be separated, or though can be separated but not be individually calculated, consider sale of goods and rendering of service as sale of goods.

(4) Assets transfer with repurchase conditions

When selling goods or transferring assets, the Company signs agreement of sale of goods or assets transfer, judges the sale of goods whether meeting the recognition condition of revenue or not in lie with the agreement or not. If sales with Buyback Agreements belong to financing transaction,

the Company derecognizes the revenue of sale, when delivering products or assets. If the price of repurchase is higher than the balance of sale price, withdraw interest on schedule during the repo period, withdraw financial cost.

29. Government subsidies

(1) Judgment basis and accounting treatment of government subsidies related to assets

Government subsidies related to assets are recognized as deferred income and recorded into non-operation revenue by stage in line with service life of assets purchased or constructed.

(2) Judgment basis and accounting treatment of government subsidies related to profits

Government subsidies related to profits, as for those subsidies used for compensating the related future expenses or losses of the enterprise shall be recognized as deferred income and shall included in non-operation revenue during the period when the relevant expenses are recognized; those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included in non-operation revenue of current period.

The government recognized need to return, which deposited in the balance of relevant deferred income, write-downs related deferred income balance, the part beyond include in the current profits and losses, for those not in deferred income, include in current profits or losses directly.

30. Deferred income tax assets/deferred income tax liabilities

Deferred income tax assets and deferred income tax liabilities recognize in line with the difference between tax base of assets and liabilities and their book value. On balance sheet date, deferred income tax assets and deferred income tax liabilities calculated in line with suitable tax rate in the period of estimate recover the assets or pay off the liabilities.

(1) Recognition basis of deferred income tax assets

The Company probably recognizes the deferred income tax assets incurred from deductible temporary difference using the limit of taxable income amount of deductible losses and tax credits deducting temporary differences and can be brought forward to next accounting year. However, derecognize the deferred income tax assets incurred from the initial recognition of assets or liabilities in the transaction of the follows with these characteristics: (1) The transaction is not enterprise combination. (2) When the transaction occurring, it has no influence to the accounting profits, taxable amount or deductible losses.

The deductible temporary difference of relevant association enterprise investment, simultaneously meet the follow conditions, recognize as corresponding deferred tax assets; temporary difference probably switch back in the foreseeable future, and obtain taxable amount using for deducting deductible temporary difference.

(2) Recognition basis of deferred income tax liabilities

The Company recognizes the taxable temporary differences unpaid in the current period or previous period as deferred income tax liabilities. But not include:

- 1) Temporary differences formed by the initial recognition of goodwill
- 2) The transaction or event is not formed by enterprise combination, and the happen of transaction or event has no influence to the accounting profits or temporary differences formed by taxable income (Deductible losses)
- 3) For taxable temporary differences related to the investment with the subsidiary and association enterprise, the time of the reverse of temporary differences can be control and the temporary difference probably does not switch back in the foreseeable future.

(3) Deferred income tax assets and deferred income tax liabilities are stated at net offset amounts when the following conditions are simultaneously satisfied:

- 1) The Company is legally authorized to settle the income tax assets and liabilities of the current period at net amounts; and
- 2) The deferred income tax assets and liabilities are related to the income tax levied by the same tax authority on the same tax payer, or such on different tax payers but in the future period of the reversal of each important deferred income tax assets and liabilities, the involved tax payers intend to settle the income tax assets and liabilities of the current period at net amounts or obtain assets and repay debts at the same time.

31. Lease

(1) Accounting treatment of operating lease

1) Rent charge paid for leasing assets shall be apportioned at the straight-line method and recorded into the current expense within the overall rent period including rent-free period. The initial direct expense paid by the Company related to lease transaction shall be included into the current expense.

Where the lessor undertakes the expenses related to the lease that should be undertaken by the Company, the Company shall deduct such expense from total rental, and such deducted rental fee shall be apportioned within the rent period and included into the current expense.

2) Rent charge received for renting out assets shall be apportioned at the straight-line method and recognized as rental income within the overall rent period including rent-free period. The initial direct expense paid by the Company related to lease transaction shall be included into the current expense. In the event of the larger amount, it shall be capitalized and recoded into the current income by installment within the overall lease period.

Where the Company undertakes the expenses related to the lease that should be undertaken by the lessor, the Company shall deduct such expense from total rental income, and such deducted rental fee shall be apportioned within the rent period.

(2) Accounting treatments of financial lease

1) Assets acquired under finance leases: On the lease beginning date, the Company 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 amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges.

For the recognition standards, measurement and depreciation methods for assets acquired under finance leases, see “(14) Fixed assets” under Note 4 herein.

The unrecognized financing charges are amortized over the lease term and recorded into finance costs adopting the effective interest rate method.

2) Assets lost under finance leases: On the lease beginning date, the Company shall recognize the difference between financing lease receivables and the unguaranteed residual value in a finance lease as unrealized financing income and recognize as income of lease during the future period of receiving lease income. The initial direct cost related to lease transaction occurred in the Company, record into initial calculation of financing lease receivables, decrease the amount of lease income recognized during lease period.

32. Other significant accounting policies and estimates

33. Changes in main accounting policies and estimates

(1) Change of accounting policies

☐ Applicable ☒ Not applicable

(2) Changes in accounting estimates

☐ Applicable ☒ Not applicable

V Notes to the changes in the items of the financial statements

The Ministry of Finance issued the *Provisions Concerning the Accounting Treatments on Value-Added Tax* (CK [2016] No. 22) on 3 Dec. 2016.

The *Provisions Concerning the Accounting Treatments on Value-Added Tax* specifies that: After full trial implementation of the proposals "Change from Business Tax to Value-added Tax", the "Business Taxes and Surcharges" item is adjusted as "Taxes and Additional" item which calculates the consumption tax, urban maintenance and construction tax, resource tax, education surcharges and property tax, land use tax, vehicle and vessel use tax and stamp tax. The "Business Taxes and Surcharges" item in the profit statement is adjusted as "Taxes and Additional" item.

The *Provisions Concerning the Accounting Treatments on Value-Added Tax* also clearly requires that: the ending debit balance of classification items such as "value added tax payable", "unpaid value added tax", "pending deduct VAT on purchase", "pending certification VAT on purchase" and "excess VAT value" under "tax payable" item shall be presented under "other current assets" item or "other non-current assets" item in the balance sheet according to the situation; the ending debit balance of classification items such as "taxes payable (stay - recognition tax)" item shall be presented under the "other current liabilities" item or "other non-current liabilities" item in the balance sheet.

The Company has adjusted the amount of the items that are presented in financial statements such as the balance sheet and the income statement and affected by the *Provisions Concerning the Accounting Treatments on Value-Added Tax* in relation to transactions between 1 May 2016 and the date of implementation of the provisions as specified thereof, including adjustment of the property tax, land use tax, vehicle and vessel use tax and stamp tax (total RMB 6,494,663.77) from "administration expense" item to "taxes and additional" item and adjustment of that (total RMB 8,698,861.83) from "tax payable" item to generated after 1 May. However, as for the transactions between 1 Jan. 2016 and 30 Apr. 2016, no adjustment will be made. Besides, no adjustment will be made to the financial statements in comparable period in 2016.

VI. Taxation

1. Main taxes and tax rate

Category of taxes	Tax basis	Tax rate
VAT	Revenue from sale of goods, taxable revenue from rendering services, intangible assets or real estate	17%
Urban maintenance and construction tax	Turnover tax actually paid	5%, 7%
Enterprise income tax	Taxable income	25%
Business tax	Taxable turnover before the business tax-to-VAT reform	5%
Property tax	70% of the original value of the property considered as tax base	1.2%

Notes of the disclosure situation of the taxpaying bodies with different enterprises income tax rate

Name	Income tax rate
Zhuhai Hongta Renheng Packaging Co., Ltd.	15%
Zhuhai Golden Pheasant Chemical Co., Ltd.	15%
Huaxin (Foshan) Color Printing Co., Ltd.	15%
Zhuhai Huafeng Paper Co., Ltd.	25%
Kunshan Focai Packaging & Printing Co., Ltd.	25%

Foshan Hongta Liyan Material Technology Co., Ltd.	25%
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	25%

2. Tax preference

1) According to the Circular on issuing the First Name List of Hi-tech Enterprise through the review in Guangdong Province for Y2015 (YKGS (2015) Document No. 24) issued by Science & Technology Department of Guangdong Province, Hongta Renheng passed First Batch of Hi-tech Enterprise in Guangdong Province for Y2015, and gained Certificate for Hi-tech Enterprise (Certificate No.: GR201544000238, with three years of validity). So, in 2016, the Hongta Renheng shall pay the corporate income tax according to the corporate income tax rate of 15%.

2) According to the Circular on issuing the Second Name List of Hi-tech Enterprise in Guangdong Province for Y2013 (YKGZi (2014) Document No. 60) jointly issued by Science & Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Office, SAT, Guangdong Local Taxation Bureau, the sub-subsidiary of the Company Zhuhai Jinji Chemicals Co., Ltd. had passed the affirmation of the second name list of high-tech enterprise of 2013 and the gained the Certification of Hi-tech Enterprise (the Certification No.: GR201344000618 with the validity for 3 years). Thus the sub-subsidiary Zhuhai Jinji Chemicals Co., Ltd. had been enjoyed the relevant preferential policies of the high-tech enterprise of the state for continuous three years since 2013 (including 2013), with the corporate income tax be calculated according to the corporate income tax rate of 15%. According to the Circular on Second Name List of Proposed Hi-tech Enterprise in Guangdong Province for Y2016 issued by the National Leading Group Office for the Management of High-tech Enterprises Recognition, Zhuhai Jinji Chemicals Co., Ltd. had passed the affirmation of the second name list of high-tech enterprise of 2016. Thus the sub-subsidiary Zhuhai Jinji Chemicals Co., Ltd. shall pay the corporate income tax according to the corporate income tax rate of 15%.

3) According to the Circular on issuing the Name List of Hi-tech Enterprise in Guangdong Province for Y2015 (YKGZi [2016] Document No. 17) jointly issued by Science & Technology Department of Guangdong Province, Department of Finance of Guangdong Province, Guangdong Provincial Office, SAT, Guangdong Local Taxation Bureau, the subsidiary of the Company Huaxin (Foshan) Color Printing Co., Ltd. had passed the affirmation of high-tech enterprise of 2016 and the gained the Certification of Hi-tech Enterprise (the Certification No.: GR201544001352 with the validity for 3 years). Thus Huaxin (Foshan) Color Printing Co., Ltd. shall pay the corporate income tax according to the corporate income tax rate of 15%.

3. Other

VII. Notes to major items in the consolidated financial statements of the Company

1. Monetary funds

Unit: RMB Yuan

Item	Closing balance	Opening balance
Cash on hand	137,530.97	312,658.48
Bank deposits	356,966,169.85	185,647,665.76
Other monetary funds	176,891,765.59	323,746,286.83
Total	533,995,466.41	509,706,611.07

Other notes:

Of which, the list of restricted monetary capital was as follow:

Item	Closing balance	Opening balance
Deposit of bank acceptance	126,634,278.53	57,756,239.27
L/C Guarantee deposits	---	2,858,600.00
Cash Deposit	50,056,233.21	20,000,000.00
Fixed time deposit or call deposits used for guarantee	---	243,077,190.17
Other use restricted deposits	201,253.85	54,257.39
Total	176,891,765.59	323,746,286.83

2. Financial assets measured by fair value and the changes included in the current gains and losses

Unit: RMB Yuan

Item	Closing balance	Opening balance
Financial assets measured by fair value and the changes included in the current gains and losses	1,571,341.66	1,741,500.00
Total	1,571,341.66	1,741,500.00

Other Notes:

The company's subsidiaries Hongta Renheng Paper Co., Ltd. and Zhuhai Huafeng purchased the bank's structural deposits as financial products, and the fair value of the floating interest was calculated on December 31, 2016 as per the contract.

3. Derivative financial assets

☐ Applicable ☒ Not applicable

4. Notes receivable

(1) Notes receivable listed by category

Unit: RMB Yuan

Item	Closing balance	Opening balance
Bank acceptance bill	418,475,541.19	265,679,151.34
Commercial acceptance bill	2,365,076.97	
Total	420,840,618.16	265,679,151.34

(2) Notes receivable pledged by the Company at the end of the period

Unit: RMB Yuan

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

(3) Notes receivable endorsed by the Company or discounted and not due on the balance sheet date at the end of the period

Unit: RMB Yuan

Item	Derecognized Amount at the end of the period	Non-derecognized amount at the end of the period
Bank acceptance bill	936,475,435.29	
Total	936,475,435.29	

(4) Notes transferred to accounts receivable because drawer of the notes failed to execute the contract or agreement

Unit: RMB Yuan

Item	Amount of the notes transferred to accounts receivable at the end of the period
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Other Notes:

Notes receivable closing balance increased 58.40% when compared to the opening balance mainly because the company's clients completed the settlement by means of notes.

5. Accounts receivable

(1) Accounts receivable classified by category

Unit: RMB Yuan

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book Value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable withdrawal of bad debt provision by credit risks characteristics:	829,359,855.38	95.40%	3,194,869.19	0.39%	826,164,986.19	793,480,231.46	95.26%	6,249,280.00	0.79%	787,230,951.46
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	39,978,117.09	4.60%	39,978,117.09	100.00%		39,491,772.33	4.74%	35,397,418.00	89.63%	4,094,354.33
Total	869,337,972.47	100.00%	43,172,986.28	4.97%	826,164,986.19	832,972,003.79	100.00%	41,646,698.00	5.00%	791,325,305.79

Accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMB Yuan

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
1-3 months	780,287,950.06		
3-12 months	45,196,011.86	2,259,800.59	5.00%
Subtotal of within 1 year	825,483,961.92	2,259,800.59	5.00%
1 to 2 years	1,935,071.33	193,507.13	10.00%
2 to 3 years	762,832.00	152,566.40	20.00%

Over 3 years	1,177,990.13	588,995.07	50.00%
Total	829,359,855.38	3,194,869.19	0.39%

Notes of the basis of recognizing the group:

Among these groups, accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting other methods to withdraw bad debt provision:

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB 1,526,288.28; the amount of the reversed or collected part during the Reporting Period was of RMB 0.0.

Significant amount of reversed or recovered bad debt provision:

Unit: RMB Yuan

Name of the entity	Amount	Method
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(3) Particulars of the actual verification of accounts receivable during the Reporting Period

Unit: RMB Yuan

Item	Amount
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Of which: significant actual verification of accounts receivable

Unit: RMB Yuan

Name of the entity	Nature	Amount	Reason	Procedure	Whether occurred because of related party transactions
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Notes:

(4) Top five of account receivable of closing balance collected by arrears party

Name of the entity	Closing balance	Proportion%	Bad debt provision withdrawn
Customer A	41,717,321.03	4.8	781,701.61
Customer B	33,877,751.08	3.9	242,587.09
Customer C	28,120,990.54	3.23	
Customer D	23,534,239.31	2.71	
Customer E	22,891,063.95	2.63	
Total	150,141,365.91	17.27	1,024,288.70

(5) Derecogniton of account receivable due to the transfer of financial assets

(6) The amount of the assets and liabilities formed due to the transfer and the continued involvement of accounts receivable

Other notes:

6. Prepayment

(1) List by aging analysis:

Unit: RMB Yuan

Aging	Closing balance		Opening balance	
	Amount	Proportion	Amount	Proportion
Within 1 year	129,394,303.41	98.57%	100,305,038.17	86.25%
1 to 2 years	725,582.93	0.55%	14,339,162.73	12.33%
2 to 3 years	155,097.35	0.12%	1,295,593.58	1.12%
Over 3 years	1,003,364.28	0.76%	350,902.50	0.30%
Total	131,278,347.97	--	116,290,696.98	--

Notes of the reasons of the prepayment ages over 1 year with significant amount but failed settled in time:

(2) Top 5 of the closing balance of the prepayment collected according to the prepayment target

Name of the entity	Closing balance	Proportion(%)	Time	Reason
Customer A	29,109,931.09	22.17	Within 1 year	Did not arrived in the settlement period
Customer B	25,238,239.76	19.22	Within 1 year	Did not arrived in the settlement period
Customer C	16,501,895.42	12.57	Within 1 year	Did not arrived in the settlement period
Customer D	16,161,972.38	12.31	Within 1 year	Did not arrived in the settlement period
Customer E	7,436,923.19	5.67	Within 1 year	Did not arrived in the settlement period
Total	94,448,961.84	71.94		

Other Notes:

7. Interest receivable

(1) Category of interest receivable

Unit: RMB Yuan

Item	Closing balance	Opening balance
Fixed time deposits	358,066.39	5,233,556.60
Interest of Foreign Loan	5,950,976.18	
Total	6,309,042.57	5,233,556.60

(2) Significant overdue interest

Entity	Closing balance	Overdue time	Overdue reason	Whether occurred impairment and its judgment basis
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Other Notes:

Interest of foreign loan included in Interest receivable refers to the interest that shall be collected from Foshan Chengtong Paper Co., Ltd. in the 4th quarter for this period, and such interest was received on January 19, 2017.

8. Dividend receivable

(1) Dividend receivable

Unit: RMB Yuan

Item (or investees)	Closing balance	Opening balance
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(2) Significant dividend receivable aged over 1 year

Unit: RMB Yuan

Item (or investees)	Closing balance	Aging	Reason	Whether occurred impairment and its judgment basis
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Other Notes:

9. Other accounts receivable

(1) Other account receivable classified by category

Unit: RMB Yuan

Category	Closing balance			Opening balance		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book Value

	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	19,464,553.91	51.88%	19,464,553.91	100.00%		18,610,629.25	10.93%	18,610,629.25	100.00%	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	12,868,439.14	34.30%	660,870.40	5.14%	12,207,568.74	146,532,231.59	86.03%	2,669,923.43	1.83%	143,862,308.16
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	5,184,222.65	13.82%	5,184,222.65	100.00%		5,178,290.54	3.04%	5,178,290.54	100.00%	
Total	37,517,215.70	100.00%	25,309,646.96	67.46%	12,207,568.74	170,321,151.38	100.00%	26,458,843.22	15.53%	143,862,308.16

Other accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period

√ Applicable □ Not applicable

Unit: RMB Yuan

Other accounts receivable	Closing balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Hong Kong Hang Fung Holdings Limited Co., Ltd.	13,464,553.91	13,464,553.91	100.00%	Not expected to recover
Zhuhai Yidesheng Industrial Co., Ltd.	6,000,000.00	6,000,000.00	100.00%	Not expected to recover
Total	19,464,553.91	19,464,553.91	--	--

Among these groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

√ Applicable □ Not applicable

Unit: RMB Yuan

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
1-3 months	7,853,806.30		
4-12 months	1,848,245.23	92,412.26	5.00%
Subtotal of within 1 year	9,702,051.53	92,412.26	5.00%
1 to 2 years	1,894,504.09	189,450.41	10.00%
2 to 3 years	856,446.79	171,289.36	20.00%
Over 3 years	415,436.73	207,718.37	50.00%
Total	12,868,439.14	660,870.40	5.14%

Notes:

Among these groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

□ Applicable √ Not applicable

Among these groups, other accounts receivable adopting other methods to withdraw bad debt provision:

□ Applicable √ Not applicable

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB ; the amount of the reversed or collected part during the Reporting Period was of RMB1,149,196.26.

Significant amount of reversed or recovered bad debt provision;

Unit: RMB Yuan

Name of the entity	Reversed or collected amount	Method
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(3) Particulars of the actual verification of other accounts receivable during the Reporting Period

Unit: RMB Yuan

Item	Amount
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Of which: significant actual verification of other accounts receivable

Unit: RMB Yuan

Name of the entity	Nature	Amount	Reason	Procedure	Whether occurred because of related party transactions
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Notes of write-off other accounts receivable:

(4) Other account receivable classified by account nature

Unit: RMB Yuan

Nature	Closing book balance	Opening book balance
Margin	4,557,712.86	4,341,696.10
Pretty cash	2,212,246.03	1,862,991.83
Freight and miscellaneous charges on behalf	3,374,742.46	3,036,100.63
Account receivable due to debt restructuring		25,209,797.91
Amount of equity transfer		105,000,000.00
Other intercourse funds	27,372,514.35	30,870,564.91
Total	37,517,215.70	170,321,151.38

(5) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Unit: RMB Yuan

Name of the entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Customer A	Other intercourse funds	13,464,553.91	Over 3 years	35.89%	13,464,553.91
Customer B	Other intercourse funds	6,000,000.00	Over 3 years	15.99%	6,000,000.00
Customer C	Margin	2,000,000.00	Over 3 years	5.33%	2,000,000.00
Customer D	Margin	1,540,000.00	1-3 months	4.10%	
Customer E	Other intercourse funds	1,105,650.00	Over 3 years	2.95%	1,105,650.00
Total	--	24,110,203.91	--	64.26%	22,570,203.91

(6) Account receivable involving government subsidies

Unit: RMB Yuan

Name of the entity	Project of government subsidies	Closing balance	Closing aging	Estimated recovering time, amount and basis
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(7) Other account receivable derecognized due to the transfer of financial assets

(8) Amount of transfer other account receivable and assets and liabilities formed by its continuous involvement

Other Notes:

Other closing accounts receivable decreased 77.97% when compared to the opening accounts receivable, resulting from the amount of equity transfer of Foshan Chengtong Paper Co., Ltd., and the account receivable due to debt restructuring.

10. Inventory

Whether the company need abide by relevant disclosure requirements prevailing among the real estate industries or not?

No

(1) Category of inventory

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	204,284,126.92	4,389,802.22	199,894,324.70	216,300,558.09	13,733,332.71	202,567,225.38
Goods in process	41,566,211.76		41,566,211.76	68,497,349.74		68,497,349.74
Inventory goods	377,910,881.78	7,134,685.44	370,776,196.34	453,400,085.67	11,583,848.86	441,816,236.81
Total	623,761,220.46	11,524,487.66	612,236,732.80	738,197,993.50	25,317,181.57	712,880,811.93

Whether the company need satisfy relevant disclosure requirements stated in SZSE Industrial Information Disclosure Guidance No.4---Listed Company Specialized in Seed Industry and Planting Businesses or not?

No

(2) Falling price reserves of inventory

Unit: RMB Yuan

Item	Opening balance	Increase		Decrease		Closing Balance
		Withdrawal	Other	Reverse write-off	Other	
Raw materials	13,733,332.71	930.27		9,344,460.76		4,389,802.22

Inventory goods	11,583,848.86	6,073,247.02		10,522,410.44		7,134,685.44
Total	25,317,181.57	6,074,177.29		19,866,871.20		11,524,487.66

The write-off of the falling price reserves of inventory was caused by the sales of raw materials for this current period.

(3) Notes of the closing balance of the inventory which includes capitalized borrowing expenses

(4) Completed unsettled assets formed from the construction contract at the end of the period

Unit: RMB Yuan

Item	Amount
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Other Notes:

11. Held-for-sale Assets

Unit: RMB Yuan

Item	Closing book value	Fair value	Estimated disposal expense	Estimated disposal time
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Other Notes:

12. Non-current assets due within 1 year

Unit: RMB Yuan

Item	Closing balance	Opening balance
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Other Notes:

13. Other current assets

Unit: RMB Yuan

Item	Closing balance	Opening balance
The VAT deduction	8,698,861.83	17,147,074.25
Structural Deposits	209,000,000.00	
Advance Payment of corporate income tax	172,635.86	
Total	217,871,497.69	17,147,074.25

Other Notes:

Other current assets at the end of the period increased 1,170.60% when compared to that at the beginning of the period, resulting from the newly-added structural deposits (financial products) in this year.

14. Available-for-sale financial assets

(1) List of available-for-sale financial assets

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments:	288,700.00		288,700.00	288,700.00		288,700.00
Total	288,700.00		288,700.00	288,700.00		288,700.00

(2) Available-for-sale financial assets measured by fair value at the end of the period

Unit: RMB Yuan

Category	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
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(3) Available-for-sale financial assets measured by cost at the end of the period

Unit: RMB Yuan

Investee	Book balance				Depreciation reserves				Shareholding proportion among the investees	Cash bonus of the Reporting Period
	Opening period	Increase	Decrease	Closing period	Opening period	Increase	Decrease	Closing period		
China Guangfa Bank Co., Ltd.	288,700.00			288,700.00					0.00%	
Total	288,700.00			288,700.00					--	

(4) Changes of the impairment of the available-for-sale financial assets during the Reporting Period

Unit: RMB Yuan

Category	Available-for-sale equity instruments	Available-for-sale debt instruments		Total
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(5) Relevant notes of the fair value of the available-for-sale equity instruments which seriously fell or temporarily fell but not withdrawn the impairment provision

Unit: RMB Yuan

Item of available-for-sale equity instruments	Investment cost	Closing fair value	Falling range of the fair value against the cost	Continued falling time (month)	Withdrawn impairment amount	Reason of not withdrawn the impairment
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Other Notes:

The Company received 0.0004248% share equity of China Guangfa Bank Co., Ltd. held by the subsidiary Foshan Chengtong Paper Co., Ltd.

No major falling or temporary falling happened to the available-for-sale equity instruments at the end of the period, and depreciation reserves were not withdrawn.

15. Investment held-to-maturity

(1) List of investment held-to-maturity

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value

(2) Significant held-to-maturity investment at the end of the period

Unit: RMB Yuan

Bond item	Book value	Nominal interest rate	Actual interest rate	Due date
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(3) Re-classified held-to-maturity investment during the Reporting Period

Other Notes:

16. Long-term accounts receivable

(1) Long-term accounts receivable

Unit: RMB Yuan

Item	Closing balance			Opening balance			Discount rate range
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value	
Loan	490,240,600.		490,240,600.	490,240,600.		490,240,600.	

	41		41	41		41	
Total	490,240,600.41		490,240,600.41	490,240,600.41		490,240,600.41	--

(2) Long-term accounts receivable which terminate the recognition owing to the transfer of the financial assets

(3) The amount of the assets and liabilities formed due to the transfer and the continued involvement of long-term accounts receivable

Other Notes:

In Reporting Period, the Company disposes its subsidiary Foshan Chengtong Paper Co., Ltd. which shall pay RMB490,240,600.41 to the Company. In line with the Creditor's Rights and Debts Settlement Agreement signed, since Jan. 1, 2016, the Company charged interests for capital usage quarterly from Foshan Chengtong Paper Co., Ltd., in according to the same period of three-year benchmark loan interest rate on a regular basis issued by People's Bank of China. Foshan Chengtong Paper Co., Ltd. shall return all the principal and interests before Dec. 31, 2019.

17. Long-term equity investment

Unit: RMB Yuan

Investee	Opening balance	Increase/decrease in Reporting Period								Closing balance	Closing balance of impairment provision
		Additio nal investm ent	Negativ e investm ent	Investm ent profit and loss recogniz ed under the equity method	Adjustm ent of other compreh ensive income	Other equity changes	Declarat ion of cash dividend s or profits	Withdra wn impairm ent provisio n	Other		
I. Joint ventures											
II. Associated enterprises											
Guangdong Chengtong Logistics Co., Ltd.	7,835,428.65			532,015.63						8,367,444.28	7,835,428.65
Chengtong Finance	254,253,797.80			14,902,809.13			24,748,355.66			244,408,251.27	254,253,797.80

Co., Ltd.											
Subtotal	262,089,226.45			15,434,824.76			24,748,355.66			252,775,695.55	262,089,226.45
Total	262,089,226.45			15,434,824.76			24,748,355.66			252,775,695.55	262,089,226.45

Other Notes:

Long-term equity investment notes:

(1) In 2012, the subsidiary of the Company Zhuhai S.E.Z.Hongta Renheng Paper Co., Ltd. held 24% of the shares of Guangdong Chengtong Logistics Co., Ltd. of significant influences, and the equity method shall be applied. On Mar. 31, 2013, Guangdong Chengtong Logistics Co., Ltd. executed the shares withdrawal and assets reduction [(Singapore) Renheng Industry Co., Ltd. (occupied 25% shares) withdrawn the equity of Guangdong Chengtong Logistics Co., Ltd.]. Therefore, the shareholding proportion of Guangdong Chengtong Logistics Co., Ltd. by the subsidiary of the Company Zhuhai S.E.Z.Hongta Renheng Paper Co., Ltd. increased from 24% to 32% of significant influences, and shall be measured by equity method.

(2) On Dec. 23, 2013, the Company reviewed and approved Proposal on the Related Transaction of Purchasing 20% Equity of Chengtong Finance Co., Ltd. held by China Investment Ltd. in 2013. The company had signed the Equity Transfer Agreement with China Paper Industry Co., Ltd., planing to transfer 20% equity of Chengtong Finance Co., Ltd. held by China Paper Industry Investment Co., Ltd. with the equity transfer price of RMB 231,450,200 after the negotiation by both parties. Chengtong Finance Co., Ltd. had changed its shareholder registration on Jun. 23, 2014. Therefore, from July 2014 on, the Company held 20% equity of Chengtong Finance Co., Ltd., and the equity method shall be applied.

18. Investment property

(1) Investment property adopting the cost measurement method

√ Applicable □ Not applicable

Unit: RMB Yuan

Item	Houses and buildings	Land use right	Construction progress	Total
I. Original book value				
1. Opening balance	20,444,648.02			20,444,648.02
2. Increased amount of the period	13,631,079.10			13,631,079.10
(1) Outsourcing				
(2) Transfer of inventory\fixed assets\project under				

construction				
(3) Increased from enterprise merger				
(4) Others	13,631,079.10			13,631,079.10
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfers				
4. Closing balance	34,075,727.12			34,075,727.12
II. Accumulative depreciation and accumulative amortization				
1. Opening balance	8,499,521.00			8,499,521.00
2. Increased amount of the period	982,462.41			982,462.41
(1) Withdrawal or amortization	658,724.28			658,724.28
Transferred-in amount for this period	323,738.13			323,738.13
3. Decreased amount of the period				
(1) Disposal				
(2) Other transfers				
4. Closing balance	9,481,983.41			9,481,983.41
III. Depreciation reserves				
1. Opening balance				
2. Increased amount of the period				
(1) Withdrawal				

3. Decreased amount of the period				
(1) Disposal				
(2) Other transfers				
4. Closing balance				
IV. Book value				
1. Book value of the period-end	24,593,743.71			24,593,743.71
2. Opening book value	11,945,127.02			11,945,127.02

(2) Investment property adopting the fair value measurement method

☐ Applicable ☒ Not applicable

(3) Details of investment property failed to accomplish certification of property

Unit: RMB Yuan

Item	Book value	Reason
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Other Notes:

The original value of investment property increased 66.67% at the end of the period when compared to that at the beginning of the period because newly-rent plant was transferred into the investment property.

19. Fixed assets

(1) List of fixed assets

Unit: RMB Yuan

Item	House and buildings	Machinery equipment	Transportation	Other electronic equipment	Total
I. Original book value					
1. Opening balance	1,199,530,571.75	2,761,436,368.89	54,796,625.06	100,099,188.75	4,115,862,754.45
2. Increased amount of the period	14,994,399.80	87,825,038.63	2,334,892.20	33,252,253.90	138,406,584.53
(1) Purchase	1,360,868.45	24,582,006.59	2,334,892.20	7,468,030.82	35,745,798.06

(2) Transfer of project under construction	13,633,531.35	34,510,617.04		2,561,137.77	50,705,286.16
(3) Increased from enterprise merger					
(4) Reclassification		28,732,415.00		23,223,085.31	51,955,500.31
3. Decreased amount of the period	47,178,969.50	22,529,478.84	8,007,529.42	176,631.84	77,892,609.60
(1) Disposal or Scrap		4,121,868.93	8,007,529.42	176,631.84	12,306,030.19
Other transfers	13,631,079.10				13,631,079.10
(3) Reclassification	33,547,890.40	18,407,609.91			51,955,500.31
4. Closing balance	1,167,346,002.05	2,826,731,928.68	49,123,987.84	133,174,810.81	4,176,376,729.38
II. Accumulative depreciation					
1. Opening balance	338,904,428.09	1,049,430,134.46	43,025,451.48	68,450,431.51	1,499,810,445.54
2. Increased amount of the period	32,607,799.02	110,266,352.51	4,564,187.13	19,443,342.75	166,881,681.41
(1) Withdrawal	32,607,799.02	110,266,352.51	4,564,187.13	10,670,478.55	158,108,817.21
(2) Reclassification				8,772,864.20	8,772,864.20
3. Decreased amount of the period	323,738.13	11,002,652.78	7,323,892.66	139,668.91	18,789,952.48
(1) Disposal or Scrap		2,229,788.58	7,323,892.66	139,668.91	9,693,350.15
Other transfers	323,738.13				323,738.13
(3) Reclassification		8,772,864.20			8,772,864.20
4. Closing balance	371,188,488.98	1,148,693,834.19	40,265,745.95	87,754,105.35	1,647,902,174.47

II. Accumulative depreciation					
1. Opening balance		76,679,757.00			76,679,757.00
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal or Scrap					
4. Closing balance		76,679,757.00			76,679,757.00
IV. Book value					
1. Closing book value	796,157,513.07	1,601,358,337.49	8,858,241.89	45,420,705.46	2,451,794,797.91
2. Opening book value	860,626,143.66	1,635,326,477.43	11,771,173.58	31,648,757.24	2,539,372,551.91

(2) List of temporarily-idle fixed assets

Unit: RMB Yuan

Item	Original book value	Accumulative depreciation	Impairment provision	Book value	Notes
None					

(3) Fixed assets leased in from financing lease

Unit: RMB Yuan

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
Houses and buildings	12,212,610.00	8,652,323.69		3,560,286.31
Machinery equipment	3,160,000.00	3,002,000.00		158,000.00
Total	15,372,610.00	11,654,323.69		3,718,286.31

(4) Fixed assets leased out from operation lease

Unit: RMB Yuan

Item	Closing book value
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(5) Details of fixed assets failing to accomplish certification of property

Unit: RMB Yuan

Item	Book value	Reason
Houses and buildings	103,522,569.39	Property right certificate was under processing.

Other Notes:

20. Construction in progress

(1) List of construction in progress

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
BM1 transmission actuator renovation				3,099,922.32		3,099,922.32
BM3 Tetra project	4,985,121.78		4,985,121.78	4,651,150.58		4,651,150.58
Upscale special white cardboard BM4 new project	2,480,438.79		2,480,438.79	2,272,891.62		2,272,891.62
Huafeng OARS library				3,032,611.11		3,032,611.11
BM3 energy management center construction				1,364,476.46		1,364,476.46
BM3 vacuum pump energy saving renovation project				2,228,316.18		2,228,316.18
Automatic packaging line renovation project				7,357,259.18		7,357,259.18
Latex phase II matching raw material tank	8,835,858.29		8,835,858.29	1,025,703.02		1,025,703.02

farm project						
PP diaphragm filter press project				1,043,219.59		1,043,219.59
Advanced waste-water treatment and water reuse project	2,394,735.57		2,394,735.57			
Equipment under Construction	1,951,641.12		1,951,641.12			
Others	3,279,932.27		3,279,932.27	2,229,652.72		2,229,652.72
Total	23,927,727.82		23,927,727.82	28,305,202.78		28,305,202.78

(2) Changes of significant construction in progress

Unit: RMB Yuan

Name of item	Estimated number	Opening balance	Increase	Amount that transferred to fixed assets of the period	Other decreased amount of the period	Closing balance	Proportion estimated of the project accumulative input	Project progresses	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interest s of the period	Capital resources
BM1 transmission actuator renovation	2,600,000.00	3,099,922.32	40,396.58	3,140,318.90				100				Others
BM3 Tetra project	18,730,000.00	4,651,150.58	333,971.20			4,985,121.78		24.83				Others
Upscale special white cardboard BM4 new project	700,000,000.00	2,272,891.62	207,547.17			2,480,438.79		0.22				Others
Huafeng OARS library	26,339,100.00	3,032,611.11	7,722,078.82	10,754,689.93				100				Others
BM3 energy	2,572,000.00	1,364,400.00	76,223.00	1,440,600.00				100				Others

management center construction	00.00	76.46	18	99.64								
BM3 vacuum pump energy saving renovation project	2,600,000.00	2,228,316.18	5,167,089.17	7,395,405.35				100				Others
Automatic packaging line renovation project	7,003,000.00	7,357,259.18	206,312.61	7,563,571.79				100				Others
Latex phase II matching raw material tank farm project	75,000,000.00	1,025,703.02	7,810,155.27			8,835,858.29		11.78				Others
PP diaphragm filter press project	1,400,000.00	1,043,219.59	451,577.02	1,494,796.61				100				Others
BM3 paper defect testing system reconstruction project	2,600,000.00		1,278,014.02	1,278,014.02				100				Others
BM3 coating hot-air box nozzle transformation	5,000,000.00		3,146,499.89	3,146,499.89				100				Others
Advanced waste-water treatment and water reuse project	18,000,000.00		2,394,735.57			2,394,735.57		25				Others
Self -bring heating boiler environmental upgrading technical	25,000,000.00		1,410,137.17	1,410,137.17				100				Others

renovation project												
BM3 Paper-making Plant Low-voltage Power Distribution System Harmonic Suppression Project	1,200,000.00		940,170.94	940,170.94				100				Others
												Others
Total	888,044,100.00	26,075,550.06	31,184,908.61	38,564,304.24		18,696,154.43	--	--				--

(3) List of the withdrawal of the impairment provision of the construction in progress

Unit: RMB Yuan

Item	Withdrawn amount	Reason
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Other Notes:

Construction in process during this period transferred into fixed assets was RMB 50,705,286.16.

21. Engineering material

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
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Other Notes:

22. Liquidation of fixed assets

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
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Other Notes:

23. Productive biological assets

(1) Productive biological assets adopting cost measurement method

☐ Applicable ☒ Not applicable

(2) Productive biological assets adopting fair value measurement method

☐ Applicable ☒ Not applicable

24. Oil and gas assets

☐ Applicable ☒ Not applicable

25. Intangible assets

(1) List of intangible assets

Unit: RMB Yuan

Item	Land use right	Patent right	Non-patent right	Software and others	Total
I. Original book value					
1. Opening balance	131,683,573.11		26,753,152.05	8,187,286.12	166,624,011.28
2. Increased amount of the period	15,260,725.78		11,031,006.69	761,512.69	27,053,245.16
(1) Purchase	15,260,725.78			761,512.69	16,022,238.47
(2) Internal R &D			11,031,006.69		11,031,006.69
(3) Increased from enterprise merger					
3. Decreased amount of the period				673,800.00	673,800.00
(1) Disposal					
4. Closing Balance	146,944,298.89		37,784,158.74	8,274,998.81	193,003,456.44
II. Total accrued amortization					
1. Opening balance	43,293,838.13		12,731,330.10	2,550,301.61	58,575,469.84
2. Increased	3,332,683.94		2,446,519.59	847,095.64	6,626,299.17

amount of the period					
(1) Withdrawal	3,332,683.94		2,446,519.59	847,095.64	6,626,299.17
3. Decreased amount of the period				466,045.00	466,045.00
(1) Disposal					
(2) Other transfers				466,045.00	466,045.00
4. Closing Balance	46,626,522.07		15,177,849.69	2,931,352.25	64,735,724.01
III. Depreciation reserves					
1. Opening balance					
2. Increased amount of the period					
(1) Withdrawal					
3. Decreased amount of the period					
(1) Disposal					
4. Closing Balance					
IV. Book value					
1. Closing book value	100,317,776.82		22,606,309.05	5,343,646.56	128,267,732.43
2. Opening book value	88,389,734.98		14,021,821.95	5,636,984.51	108,048,541.44

The proportion of the intangible assets formed from the internal R&D through the Company amount the balance of the intangible assets at the end of the period was 5.72%.

(2) Details of fixed assets failing to accomplish certification of land use right

Unit: RMB Yuan

Item	Book value	Reason
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Other Notes:

26. R&D expenses

Unit: RMB Yuan

Item	Opening Balance	Increase			Decrease			Closing Balance
Vacuum plating paper project (215gsm/225gsm)		7,068,625.60			7,068,625.60			
Cigarette packet coating highlight ivory board		360,000.00				360,000.00		
Special-gloss Paperboard Research Project		200,000.00				200,000.00		
Lemei White Liquid Package Project		3,205,846.39						3,205,846.39
Lemei Cup Paper Project		3,962,381.09			3,962,381.09			
Gaosong Thick Paper Cup Re-coating Project		839,338.16						839,338.16
Total		15,636,191.24			11,031,006.69	560,000.00		4,045,184.55

Other Notes:

27. Goodwill

(1) Original book value of goodwill

Unit: RMB Yuan

Name of the investees or the events formed goodwill	Opening balance	Increase		Decrease		Closing balance
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	9,129,025.01					9,129,025.01
Zhuhai Jinji Chemicals Co., Ltd.	2,418,280.28					2,418,280.28
Total	11,547,305.29					11,547,305.29

(2) Impairment provision of goodwill

Unit: RMB Yuan

Name of the investees or the events formed goodwill	Opening balance	Increase		Decrease		Closing balance

Notes of the testing process of goodwill impairment, parameters and the recognition method of goodwill impairment losses:

Other Notes:

On Jun. 30, 2009, the Company obtained the control of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. through business combination not under the same control with the combination cost RMB808.4487 million, and obtained the fair value of the identifiable net assets of the Company RMB799,319.7 million. Combination cost being larger than the fair value of the identifiable net assets balance formed goodwill RMB9129025.01. At the end of the period, through combining the analysis of the present value of the expected future cash flow of the assets with the evaluation of assets group of the two production line equipment and recoverable amount, there was no sign of goodwill impairment, thus no provision for impairment loss.

On Jul. 1, 2012, the Company obtained the control of Zhuhai Jinji Chemicals Co., Ltd. through business combination not under the same control with the combination cost RMB69,000,000.00, and obtained the fair value of the identifiable net assets of the Company RMB66,581,719.72. Combination cost being larger than the fair value of the identifiable net assets balance formed goodwill RMB2,418,280.28. At the end of the period, through combining the analysis of the present value of the expected future cash flow of the assets with the evaluation of assets group of

the two production line equipment and recoverable amount, there was no sign of goodwill impairment, thus no provision for impairment loss.

28. Long-term unamortized expenses

Unit: RMB Yuan

Item	Opening balance	Increase	Amortization amount	Decrease	Closing balance
Decoration expense for rent-in plant	239,490.03		159,523.23		79,966.80
Fee for technical service	407,412.12		87,302.64		320,109.48
Maintaining renovation of construction project	2,256,869.16	1,497,726.26	854,985.00		2,899,610.42
Total	2,903,771.31	1,497,726.26	1,101,810.87		3,299,686.70

Other Notes:

29. Deferred income tax assets/deferred income tax liabilities

(1) Deferred income tax assets that had not been set-off

Unit: RMB Yuan

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Assets impairment provision	144,181,548.35	21,628,644.75	159,371,305.68	27,822,494.18
Internal trading unrealized profits			2,953,255.99	632,811.37
Withholding sales agency fee	10,829,370.22	1,624,405.53	9,155,596.07	1,373,339.41
Accrued liabilities	929,802.09	139,470.31	837,738.20	125,660.73
Withholding transportation fee of paper	6,276,223.65	941,433.55	21,702,217.24	3,255,332.59
Total	162,216,944.31	24,333,954.14	194,020,113.18	33,209,638.28

(2) Deferred income tax liabilities that had not been set-off

Unit: RMB Yuan

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred income tax liabilities	Deductible temporary difference	Deferred income tax liabilities
Added value of evaluation of assets not under same control enterprise combination	16,622,301.67	2,493,345.25	17,756,549.66	2,645,810.47
Net amount of change in fair value of trading financial assets	1,571,341.66	235,701.25	1,528,810.76	229,321.61
Total	18,193,643.33	2,729,046.50	19,285,360.42	2,875,132.08

(3) Deferred income tax assets or liabilities listed by net amount after set-off

Unit: RMB Yuan

Item	Mutual set-off amount of deferred income tax assets and liabilities at the end of the period	Amount of deferred income tax assets or liabilities after set-off at the end of the period	Mutual set-off amount of deferred income tax assets and liabilities	Amount of deferred income tax assets or liabilities after set-off at the period-begin
Deferred income tax assets		24,333,954.14		33,209,638.28
Deferred income tax liabilities		2,729,046.50		2,875,132.08

(4) List of unrecognized deferred income tax assets

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Deductible losses	105,598,840.28	88,387,629.70
Fixed assets depreciation reserves	201,333.37	
Total	105,800,173.65	88,387,629.70

(5) Deductible losses of unrecognized deferred income tax assets due in the following years

Unit: RMB Yuan

Years	Closing balance	Opening balance	Notes
2017	17,075,899.85		
2018	13,206,217.94		
2020	72,934,938.44		
2021	2,381,784.05		

Total	105,598,840.28		--
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Other Notes:

30. Other non-current assets

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Prepayment of equipment	5,147,078.23	7,519,746.40
Total	5,147,078.23	7,519,746.40

Other Notes:

31. Short-term loans

(1) Category of short-term loans

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Pledge loan	158,177,940.16	272,724,440.16
Guaranteed loan	563,722,059.84	510,000,000.00
Credit loan	100,000,000.00	130,000,000.00
Total	821,900,000.00	912,724,440.16

Notes of short-term loans category

(1) Pledge Loan means that the company regard the guaranteed loan in other monetary funds as the pledge.

(2) Guaranteed Loan means that the company provide its subsidiary with corresponding guarantee to obtain the loan.

(2) List of the short-term loans overdue but not returned

The total amount of the overdue but not returned short-term borrowings at the end of the period was of RMB 000, of which, the significant short-term borrowings overdue but not returned are as follows:

Unit: RMB Yuan

Entity	Closing balance	Borrowing rate	Overdue time	Overdue rate
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Other Notes:

32. Financial liabilities measured by fair value and the changes included in the current gains and losses

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Financial liabilities specified as measured by fair value and the		212,689.24

changes included in the current gains and losses		
Total		212,689.24

Other Notes:

33. Derivative financial liabilities

☐ Applicable ☒ Not applicable

34. Notes payable

Unit: RMB Yuan

Category	Closing Balance	Opening Balance
Bank acceptance bill	217,381,869.35	127,562,392.61
Total	217,381,869.35	127,562,392.61

The total amount of the due but not paid notes payable at the end of the period was of RMB000.

35. Accounts payable

(1) List of accounts payable

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Payment of material	328,808,851.45	271,218,660.09
Payment of equipment	16,512,842.23	25,102,687.10
Others	38,061,471.37	69,234,411.70
Total	383,383,165.05	365,555,758.89

(2) Notes of the accounts payable aging over one year

Unit: RMB Yuan

Item	Closing Balance	Reason
TEMBEL INC.	3,381,627.71	Unsettled
Marubeni Corporation	2,158,058.57	Unsettled
Total	5,539,686.28	--

Other Notes:

36. Advance from customers

(1) List of advance from customers

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
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Within 1 year	38,345,372.77	8,449,921.92
1-2 years	580,149.32	727,234.35
2-3 years	308,888.09	640,213.45
Over 3 years	565,572.21	
Total	39,799,982.39	9,817,369.72

(2) Significant advance from customers aging over one year

Unit: RMB Yuan

Item	Closing Balance	Reason
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(3) Particulars of settled but unfinished projects formed by construction contract at the end of the period.

Unit: RMB Yuan

Item	Amount
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Other Notes:

Advance collections at the end of the period increased 305.40% when compared to that at the beginning of the period because the advances on sales were largely increased in this year.

37. Payroll payable

(1) List of Payroll payable

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
I. Short-term salary	33,391,126.62	184,216,654.97	189,275,569.92	28,332,211.67
II. Post-employment benefit-defined contribution plans		13,439,239.03	13,439,239.03	
III. Termination benefits		492,292.40	492,292.40	
Total	33,391,126.62	198,148,186.40	203,207,101.35	28,332,211.67

(2) List of Short-term salary

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance
1. Salary, bonus, allowance, subsidy	25,749,217.27	156,213,578.69	161,798,956.29	20,163,839.67
2. Employee welfare		11,802,988.27	11,802,988.27	
3. Social insurance		7,210,564.44	7,210,564.44	
Including: 1.		6,168,796.08	6,168,796.08	

Medical insurance premiums				
Work-related injury insurance		530,692.91	530,692.91	
Maternity insurance		511,075.45	511,075.45	
4. Housing fund	292,844.00	5,060,508.72	5,238,958.72	114,394.00
5. Labor union budget and employee education budget	7,349,065.35	3,929,014.85	3,224,102.20	8,053,978.00
Total	33,391,126.62	184,216,654.97	189,275,569.92	28,332,211.67

(3) List of drawing scheme

Unit: RMB Yuan

Item	Opening Balance	Increase	Decrease	Closing Balance
1. Basic pension benefits		12,761,465.07	12,761,465.07	
2. Unemployment insurance		677,773.96	677,773.96	
Total		13,439,239.03	13,439,239.03	

Other Notes:

38. Taxes payable

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
VAT	16,754,326.63	22,744,304.43
Corporate income tax	8,941,924.35	6,341,081.18
Personal income tax	172,153.74	172,648.12
Urban maintenance and construction tax	902,485.46	1,718,019.44
Business Tax		2,205.00
Property tax	6,286,965.76	3,646,294.99
Education Surcharge	644,860.36	1,228,217.17
Dike fee		154,587.98
Stamp tax	107,199.04	287,791.21
Land use tax	2,277,941.49	1,275,706.96
Total	36,087,856.83	37,570,856.48

Other Notes:

39. Interest payable

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Enterprise bond interest	9,031,776.01	9,031,776.00
Interest payable of short-term loans	2,414,317.93	1,652,708.26
Total	11,446,093.94	10,684,484.26

Particulars of significant overdue unpaid interest:

Unit: RMB Yuan

Entity	Overdue amount	Overdue reason
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Other Notes:

40. Dividends payable

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Common stock dividends	3,468,350.84	11,019,644.79
Total	3,468,350.84	11,019,644.79

Notes: Including significant unpaid dividends payable over one year, relevant reasons shall be disclosed:

Closing balance of interest payable mainly was the profits of minority shareholder of Jinji Chemicals Co., Ltd.

41. Other accounts payable

(1) Other accounts payable listed by nature of the account

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Pledged and margin	7,469,278.11	10,042,416.81
Prepayment	6,530,702.85	5,569,221.82
Capital of related parties	570,384.98	5,000,000.00
Final payment of engineering	1,433,095.30	1,155,901.59
Others	2,422,821.83	2,993,931.08
Total	18,426,283.07	24,761,471.30

(2) Other significant accounts payable with aging over one year

Unit: RMB Yuan

Item	Closing Balance	Unpaid/ Un-carry-over reason
Yunan Yuxi Tengyin Logistics Co., Ltd.	1,050,000.00	Logistics margin, transaction is under processing

Guangdong Chengtong Logistics Co., Ltd.	570,384.98	Margin, transaction is under processing
Eastern Sunday Logistics Co., Ltd.	500,000.00	Logistics margin, transaction is under processing
Total	2,120,384.98	--

Other Notes:

42. Liabilities classified as holding for sale

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
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Other Notes:

43. Non-current liabilities due within 1 year

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Long-term bonds payable due within 1 year	798,066,823.66	
Total	798,066,823.66	

Other Notes:

1. Increase and Decrease of Non-current liability due within one year

Bond Name	Nominal Value	Date of Issue	Term of Bond	Amount	Opening Balance
12HuabaoBebt	800,000,000.00	2012/11/26	5 years	791,700,000.00	796,365,205.30
Total	800,000,000.00	2012/11/26	5 years	791,700,000.00	796,365,205.30

Continued:

Bond Name	The current issue	Withdraw interest at par	Overflow discount amortization	Payment in current period	Closing Balance
12HuabaoBebt	---	46,398,840.00	1,701,618.36	---	798,066,823.66
Total	---	46,398,840.00	1,701,618.36	---	798,066,823.66

2. Notes of Non-current Liability due within 1 year:

In accordance with the Resolution Made at the 6th meeting of the 5th Board of Directors on Dec. 16, 2012, and the Resolution Made at the First Special Shareholders' General Meeting for 2012 on Jan. 4, 2012, as well as the approval of CSRC with the Reply on Approving the Public Issuance of Corporate Bonds for Foshan Huaxin Packaging Co., Ltd. (ZJXK [2012] No. 725) on May 28, 2012, the Company publicly issued 8 million pieces of corporate bonds with the par value of RMB100 per piece by adopting the way of online public issuance for the public investors and off-line inquiry placing for the institution investors, with the nominal rate of 5.8%, and the term of bonds was five years from the date of issuance, and the raised capital after deducting the bond

issuance underwriting fees and custodian fees was RMB791,700,000.00. The bonds using simple interest shall be paid on yearly basis without the compound interest. The final phase of interest was paid together with the principal redemption, and the interest period started from Nov. 26, 2012.

44. Other current-liabilities

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
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Changes on short term bonds payable:

Unit: RMB Yuan

Name of the bond	Book value	Issue date	Period	Issue amount	Opening balance	The current issue	Withdraw interest at par	Overflow discount amortization	Pay in current period		Closing Balance
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Other Notes:

45. Long-term loan

(1) Category of long-term loan

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
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Notes of short-term loans category:

Other notes including interest rate range:

46. Bonds payable

(1) Bonds payable

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Corporation bonds		796,365,205.30
Medium-term notes of the bank	199,520,397.22	199,222,756.99
Total	199,520,397.22	995,587,962.29

(2) Changes on bonds payable (not including other financial instrument classified as preferred stock and perpetual capital securities of financial liabilities)

Unit: RMB Yuan

15HUA	200,000,	2015/7/	3 years	199,100,	199,222,		10,560,0	297,640.			199,520,
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BAO MTN00 1	000.00	31		000.00	756.99		00.00	23			397.22
Total	--	--	--	199,100, 000.00	199,222, 756.99		10,560,0 00.00	297,640. 23			199,520, 397.22

(3) Note to conditions and time of share transfer of convertible bonds

(4) Note to other financial instrument classified as financial liabilities

Basic information of preferred stock, perpetual capital securities and other financial instruments outstanding issued at the end of the period

Change list of preferred stock, perpetual capital securities and other financial instruments outstanding issued at the end of the period

Unit: RMB Yuan

Financial instruments outstanding issued	Opening period		Increase		Decrease		Closing period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Notes to the basis of other financial instrument classified as financial liabilities

Other Notes:

In line with the Second Special Meeting of the General Shareholders held by the company on Nov. 10, 2014, the meeting reviewed and approved the Proposal of the Issue of Medium-Term Notes, agreeing to issue no more than RMB five hundred million of the medium-term notes. The Company received the Acceptance of Registration Notice ZSXZ [2015] No. MTN253, agreeing to accept the Company's registration of Medium-Term Notes. The Company's total issue amount was RMB200, 000,000.00 with the coupon rate 5.28% and the term of Medium-Term Notes was 3 years. Meanwhile, the total raised capital after deducting the bond issuance underwriting fees and custodian fees was RMB199,100,000.00. The bonds using simple interest shall be paid on yearly basis without the compound interest. The final phase of interest was paid together with the principal redemption, and the interest period started from Jul. 31, 2015.

47. Long-term payable

(1) Long-term payable listed by nature of the account

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
Finance lease	3,137,995.76	7,630,748.49
Total	3,137,995.76	7,630,748.49

Other Notes:

48. Long term payroll payable

(1) List of long term payroll payable

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
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(2) Changes of defined benefit plans

Present worth of defined benefit plans obligation:

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
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Plan assets:

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
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Net liabilities (net assets) of defined benefit plans

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
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Notes to the influence of the content and related risk of defined benefit plans to the future cash flows, time and uncertainty of the Company:

Notes to analysis results of major actuarial assumptions and sensibility of defined benefit plans

Other Notes:

49. Special payable

Unit: RMB Yuan

Item	Opening balance	Increase	Decrease	Closing balance	Formation reasons
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Other Notes:

50. Accrued liabilities

Unit: RMB Yuan

Item	Closing Balance	Opening Balance	Formation reasons
Pending litigation	425,523.53		Estimated litigation compensation
Product quality guarantee	1,691,834.27	1,758,780.68	Predicted losses resulting from any product quality problem
Total	2,117,357.80	1,758,780.68	--

Other Notes: including related important assumptions and estimates of accrued liabilities:

51. Deferred income

Unit: RMB Yuan

Item	Opening Balance	Increase	Decrease	Closing Balance	Formation reasons
Government subsidies	9,200,905.88	11,178,200.00	2,153,728.43	18,225,377.45	
Total	9,200,905.88	11,178,200.00	2,153,728.43	18,225,377.45	--

Items involved in government subsidies:

Unit: RMB Yuan

Item	Opening balance	Amount of newly subsidy	Amount accrued in non-business income	Other changes	Closing balance	Related to the assets/ income
Renovation project of the information system of paper-making enterprise energy management center (1)	784,000.00		32,000.00		752,000.00	Related to the assets
Project of the information system of paper-making enterprise energy management center (1)	700,000.00		350,000.00		350,000.00	Related to the assets
No. 1 paper machine update & renovation project (2)	240,000.00		6,400.00		233,600.00	Related to the assets
Liquid paper renovation project (3)	303,333.28		35,000.04		268,333.24	Related to the assets
Funds for energy-saving and emission-reduc	600,000.00		300,000.00		300,000.00	Related to the assets

tion (4)						
Renovation project of the information system of energy management center (4)	1,400,000.00		23,333.33		1,376,666.67	Related to the assets
Steam condensation water recycling and energy saving projects (4)	1,920,000.00				1,920,000.00	Related to the assets
Subsidy of improvement of Zhuhai motor efficiency (6)	2,797,572.60		699,381.03		2,098,191.57	Related to the assets
Subsidy of latex phase II production line technological transformation(7)	456,000.00		114,000.00		342,000.00	Related to the assets
BM1 ink-jet printer system and drive system upgrade synthesis technique transformation project(8)		8,441,800.00	534,647.33		7,907,152.67	Related to the assets
Zhuhai Gaolan Port national treasury equipment renewal (Robot Application) special fund subsidies(9)		1,040,000.00	38,133.37		1,001,866.63	Related to the assets
Energy		1,138,400.00	18,973.33		1,119,426.67	Related to the

management center energy-saving technological innovation support fund (10)						assets
Post-awarded subsidies of Automatic packaging line technical innovation (11)		558,000.00	1,860.00		556,140.00	Related to the assets
Total	9,200,905.88	11,178,200.00	2,153,728.43		18,225,377.45	--

Other Notes:

1. In accordance with the Notice of Zhuhai Municipal Bureau of Finance on Delivering the Interest Subsidy Funds on Technical Renovation of the Provincial Industrial Structure Adjustment Special Funds in 2012 (ZCG [2012] No. 066), the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. gained the government grant of RMB800,000.00 for the information system renovation project of the Paper-making Enterprises Energy. The system had been put into use in 2015, which amortized in line with asset depreciation period. In 2013, the Company received the government subsidiary RMB1.4 million, and the system had been put into use in 2014, which amortized in line with asset depreciation period, and the system had been put into use in 2014, which amortized in line with asset depreciation period.

2. Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. gained the government grant of RMB240,000.00 for No. 1 paper machine update & renovation project in Oct. 2012. Such government subsidies related to the assets were put into use in this year, and shall be amortized based on the assets' service life.

3. RMB350,000 of government subsidies for Tetra liquid paper renovation project was received by Hongta Renheng in Nov. 2013. The system was put in use, and shall be amortized according to their service life from the year 2014 on.

4. RMB1.2 million of special fund for Guangdong Provincial Energy-saving and circular economy project in December 2013 was received by Hongta Renheng. The system was put in use, and shall be amortized according to their service life from the year 2014 on.

5. According to the Announcement on Ordering Special Funds for Province Energy Saving in 2012 (the second) (ZCG [2012] No. 123), the subsidiary of the Company Zhuhai Huafeng Co., Ltd. received RMB1.92 million of government subsidies for steam condensation water recycling and energy saving projects, RMB 1.40 million of government subsidies for information system project and energy management center project in Feb, 2013. The above assets-related government subsidies shall be amortized based on the service life from this year on.

6. In line with the Announcement on Rules for the Implementation of Subsidiary Improvement of Motor Efficiency of Guangdong Province (YCG [2013] No. 389) and the Announcement on Rules for the Implementation of Subsidiary Improvement of Motor Efficiency of Zhuhai (ZKGMX [2014] No. 392) issued by Guangdong Finance Department and Economic and Information Council of Guangdong, the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. received RMB1, 813,877.00 of Government Subsidy for Improvement of Motor Efficiency. Zhuhai Huafeng Co., Ltd.. The Subsidiary of Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd., received RMB1, 683,109.00 of Government Subsidy for Improvement of Motor Efficiency. The purchased equipment was put into use in 2015, and shall be amortized based on its service life from this year on.

7. In line with the spirit of the Announcement on Advice on Implementation of Promoting Industry Structure Adjustment (ZHF[2010] No. 162) and Interim Measures of Zhuhai Technology Innovation Assets Management (ZKGMX [2013] No. 259), Zhuhai Jinji Chemicals Co., Ltd. under the control of the Company received government subsidiary RMB570,000. Latex phase II Project was completed and put into use in 2015 and shall be amortized based on its service life.

8. (1) According to the Notice of Printing and Issuing Guangdong Industrial Enterprise Technical Innovation After-awarded Subsidies Rules published by The Economic & Information Commission of Guangdong Province and Department of Finance of Guangdong Province, the subsidiary Hongta Renheng received RMB 8,201,800.00 as the subsidies for BM1 ink-jet printer system and drive system upgrade synthesis technique transformation project on December 22, 2016, and such subsidiaries were put into use during this period, and shall be amortized in this year based on the service life period of the assets.

(2) According to the Reply on Technical Innovation Capital Allocation in Xiangzhou District for the Year 2015 issued by the people's government in Xiangzhou District of Zhuhai and relevant annexes, the company's subsidiary Hongta Renheng received RMB 240,000.00 granted by the Finance Bureau in Xiangzhou District of Zhuhai as subsidies for BM1 ink-jet printer project on February 29, 2016. Such system was successfully upgraded and put into service this year. The company will receive RMB 8,441,800.00 as subsidies for the project, which shall be amortized in this year based on the service life period of the assets.

8. According to the special recheck on provincial enterprise transformation special equipment upgrade (Robot Application) project conducted by The Economic & Information Commission of Guangdong Province and Department of Finance of Guangdong Province, the company's subsidiary Zhuhai Huafeng received RMB 1.04 million as the special funds for Zhuhai Gaolan Port national treasury equipment renewal (Robot Application) project on February 26, 2016. Such equipment was put into service during this Reporting Period, which shall be amortized in this year based on the service life period of the assets.

9. According to the Notice on 2016 Energy-saving Special Funds Project Declaration issued by Gaolan Port Energy-saving & Cost-reducing Leading Group Office, the company's subsidiary Zhuhai Huafeng received RMB1,138,400.00 as the energy management center energy-saving

technical innovation support funds on December 27, 2016. The company has completed the construction of energy management center energy-saving project which has been transferred into fixed assets, and corresponding amortization shall be conducted based on the service life period of the assets.

10. According to the Notice on 2016 Guangdong Provincial Enterprise Technical Innovation Post-awarded Subsidies Publicity issued by Zhuhai Technology and Industrial Informatization Bureau, the company's subsidiary Zhuhai Huafeng received RMB 558,000.00 as the automatic packaging line project technical innovation post-awarded subsidies on December 16, 2016. The technical innovation project was completed, and corresponding amortization shall be conducted based on the service life period of the assets.

52. Other non-current liabilities

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
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Other Notes:

53. Share capital

Unit: RMB Yuan

	Opening balance	Increase/decrease (+/-)					Closing Balance
		Newly issue share	Bonus shares	Capitalization of public reserves	Other	Subtotal	
The sum of shares	505,425,000.00						505,425,000.00

Other Notes:

54. Other equity instruments

(1) Basic information of preferred stock, perpetual capital securities and other financial instruments outstanding issued at period-begin

(2) Change list of preferred stock, perpetual capital securities and other financial instruments outstanding issued at period-begin

Unit: RMB Yuan

Financial instruments outstanding issued	Opening period		Increase		Decrease		Closing period	
	Amount	Book value	Amount	Book value	Amount	Book value	Amount	Book value

Changes, reason of change and basis of relevant accounting treatment of other equity instruments
in Reporting Period:

Other Notes:

55. Capital reserves

Unit: RMB Yuan

Item	Opening Balance	Increase	Decrease	Closing Balance
Capital premium	256,362,525.38			256,362,525.38
Other capital reserves	459,848.04			459,848.04
Total	256,822,373.42			256,822,373.42

Other Notes: including changes and reason of change:

56. Treasury stock

Unit: RMB Yuan

Item	Opening Balance	Increase	Decrease	Closing Balance
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Other Notes: including changes and reason of change:

57. Other comprehensive income

Unit: RMB Yuan

Item	Opening Balance	Reporting Period					Closing Balance
		Amount incurred before income tax	Less: Amount transferred into profit and loss in the current period that recognized into other comprehensive income in prior period	Less: income tax expense	After-tax attribute to the parent company	After-tax attribute to minority shareholder	
I. Other comprehensive no longer reclassified into profits or losses	169,714.39						169,714.39
Shares in other comprehensive income no longer reclassified into profits or losses in future in investee entity under the equity method	169,714.39						169,714.39

Total	169,714.39						169,714.39
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Other Notes: including the adjustment of the recognition of initial amount of effective part of the cash flow hedging gains and losses transferred into arbitrated items:

58. Special reserves

Unit: RMB Yuan

Item	Opening Balance	Increase	Decrease	Closing Balance
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Other Notes, including changes and reasons of change:

59. Surplus reserves

Unit: RMB Yuan

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserves	187,280,095.40	2,994,976.44		190,275,071.84
Total	187,280,095.40	2,994,976.44		190,275,071.84

Other notes, including changes and reasons of change

60. Retained profits

Unit: RMB Yuan

Item	Reporting Period	Last period
Opening balance of retained profits before adjustments	988,580,048.92	863,066,727.26
Opening balance of retained profits after adjustments	988,580,048.92	863,066,727.26
Add: Net profit attributable to owners of the Company	61,324,088.11	133,094,696.66
Less: Withdrawal of statutory surplus reserves	2,994,976.44	
Dividend of common stock payable	19,206,150.00	7,581,375.00
Closing retained profits	1,027,703,010.59	988,580,048.92

List of adjustment of opening retained profits:

- 1) RMB000 opening retained profits were affected by retrospective adjustment conducted according to the Accounting Standards for Business Enterprises and relevant new regulations.
- 2) RMB000 opening retained profits were affected by changes on accounting policies.
- 3) RMB000 opening retained profits were affected by correction of significant accounting errors.
- 4) RMB000 opening retained profits were affected by changes in combination scope arising from same control.
- 5) RMB000 opening retained profits were affected totally by other adjustments.

61. Revenues and operating costs

Unit: RMB Yuan

Item	Reporting Period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs
Main operations	3,063,791,535.10	2,565,346,640.38	3,203,045,668.83	2,667,631,646.77
Other operations	543,967,368.91	521,730,590.17	78,998,326.29	65,531,889.36
Total	3,607,758,904.01	3,087,077,230.55	3,282,043,995.12	2,733,163,536.13

62. Business tax and surcharges

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	9,299,355.68	8,583,319.05
Education Surcharge	6,647,644.32	6,144,296.15
Property Tax	3,510,734.89	
Land use tax	1,607,318.60	
Vehicle and vessel use tax	33,613.92	
Stamp Duty	1,342,996.36	
Business Tax		379,975.11
Dike Fees	229,590.28	1,217,563.33
Total	22,671,254.05	16,325,153.64

Other Notes:

63. Sales expenses

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Salary and benefits	12,796,044.47	12,957,318.34
Sales agency fee	4,579,860.62	8,525,942.10
Business entertainment fees	5,285,187.73	6,502,420.81
Packing charges	9,580,068.52	9,227,310.96
Warehousing fees	3,466,319.28	4,468,599.38
Transport fees	134,309,505.72	127,476,312.11
Office expenses	1,067,253.08	1,232,279.29
Others	10,879,668.89	2,010,155.44
Total	181,963,908.31	172,400,338.43

Other Notes:

64. Administrative expenses

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Salary and benefits	39,144,638.78	49,783,049.42
Social insurance	17,429,542.48	18,426,517.99
Housing fund	4,197,117.76	4,551,491.31
Tax	3,956,658.53	10,769,454.82
Amortization of depreciation fee	19,381,114.99	16,899,481.64
Office expenses	3,057,375.69	4,173,721.57
R&D expenses	4,914,523.37	21,373,458.01
Employ agency fee	5,872,853.30	5,500,609.79
Water & electricity fees	4,280,847.73	3,109,682.52
Rental fee	1,828,796.99	1,818,076.44
Business travel charges	3,118,674.68	2,685,182.34
Business entertainment fees	2,244,273.23	2,144,447.74
Material Consumption	2,550,902.70	5,233,346.30
Others	9,146,484.02	11,650,672.58
Total	121,123,804.25	158,119,192.47

Other Notes:

65. Financial expenses

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Interest expenses	113,981,677.05	112,147,615.10
Less: Interest income	26,563,359.13	8,764,125.77
Exchange gains and losses	-6,945,672.70	24,566,838.57
Others	3,276,983.15	5,921,727.82
Total	83,749,628.37	133,872,055.72

Other Notes:

Financial expenses resulting during this period decreased 37.44% when compared to that last year due to loan interest revenue from non-financial institutes and the increase in exchange income.

66. Asset impairment loss

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
I. Bad debt loss	377,092.02	21,592,987.90
II. Inventory falling price loss	-4,448,233.15	5,031,312.50
Total	-4,071,141.13	26,624,300.40

Other Notes:

Influenced by the inventory falling price reserves restitution of Hongta Renheng and Zhuhai Huafeng, the asset impairment loss during this period decreased 115.29% when compared to that last year.

67. Gains on the changes in the fair value

Unit: RMB Yuan

Source	Reporting Period	Same period of last year
2. Financial assets measured by fair value and the changes be included in the current profits and losses	1,571,341.66	1,741,500.00
Financial liabilities measured by fair value and the changes included in the current gains and losses		-212,689.24
Total	1,571,341.66	1,528,810.76

Other Notes:

Profits from change in fair value resulted from the fact that the Company's subsidiary Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. purchased the structural deposits (financial product) from the bank, and the fair value was based on the receivable floating interest income.

68. Investment income

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	15,434,824.76	15,711,019.67
Investment income arising from disposal of long-term equity investments		112,969,816.59
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses	3,965,056.76	-7,690,593.72
Investment income received from disposal of available-for-sale financial assets		176,323.79
Total	19,399,881.52	121,166,566.33

Other Notes:

Influence by the disposal of the equity investment of the company's subsidiary Foshan Chengtong Paper Co., Ltd., the investment income during this period decreased 83.99% when compared to that last year.

69. Non-operating gains

Unit: RMB Yuan

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Total gains from disposal of non-current assets	692,850.74	2,265,238.32	692,850.74
Including: Gains from disposal of fixed assets	692,850.74	1,156,376.92	692,850.74
Gains from disposal of intangible assets		1,108,861.40	
Gains from debt restructuring		2,288,256.01	
Government subsidies	26,022,524.47	16,481,293.41	26,022,524.47
Compensation income	556,269.23		556,269.23
Others	1,911,143.28	2,694,408.97	1,911,143.28
Total	29,182,787.72	23,729,196.71	29,182,787.72

Government subsidies recorded into current profits and losses

Unit: RMB Yuan

Item	Distribution entity	Distribution reason	Nature/type	Whether influence the profits or losses of the year or not	Whether Special subsidy or not	Reporting Period	Same period of last year	Related to the assets/income
Amortization of government subsidies in deferred revenue	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	Yes	No	2,153,728.43	1,514,413.44	Related to the assets
Special funds of promoting import (Import discount	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and	Yes	No	640,085.00	993,624.00	Related the income

interest)			local supportive policy etc.					
Import discount interest for promote & encourage important goods	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	Yes	No	2,260,617.00	2,182,820.00	Related the income
The special matching funds for expending import	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	Yes	No	1,359,095.00	1,097,523.00	Related the income
Zhuihai International Freight Terminal (Gaolan) Co., Ltd. government consign subsidy	Zhuihai International Freight Terminal (Gaolan) Co., Ltd.	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	Yes	No	528,460.00	967,010.00	Related the income
Industrial water price difference subsidy	Zhuhai Gaolan Financial Treasury Payment Center	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	Yes	No	4,745,800.00	3,977,454.00	Related the income
Special funds for promoting the transformation and upgrading of	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	No	No		525,000.00	Related the income

processing trade								
Zhuhai technical transformation fund	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	Yes	No	608,900.00	160,000.00	Related the income
Special funds for provincial enterprise transformation and upgrading (two integration management system project)	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	No	No		100,000.00	Related the income
Subsidy for Zhuhai enterprise R&D fee of 2013	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy from R&D Technical updating and transformation, etc.	Yes	No	497,682.00	2,458,331.97	Related the income
Special fund for external economy trade development of 2015	Bureau of finance of Foshan Chancheng District	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	No	No		1,040,000.00	Related the income
Special fund for Province and ministry cooperation of industry, university	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	No	No		500,000.00	Related the income

and research								
Zhuhai Bureau of Quality Supervision Technology Standards Strategy Special Fund Application Project	Zhuhai Municipal Finance Bureau	Award	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	No	No	170,000.00	260,000.00	Related the income
Foshan government bonds support funds	Foshan Municipal Finance Bureau	Award	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	No	No		200,000.00	Related the income
Special funds for energy saving of 2015	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	Yes	No	306,200.00	300,000.00	Related the income
Special Fund for Technology Standards Strategy of Guangdong of 2015	Plan Finance Office of Quality and Technical Supervision of Guangdong Province	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	No	No		100,000.00	Related the income
Hi-tech Enterprise and Enterprise R&D	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting	Yes	No	708,000.00		Related the income

Support Funds			investment and local supportive policy etc.					
Enterprise Listing Subsidy	Finance Bureau in Xiangzhou District of Zhuhai	Award	Government subsidies granted to the listed enterprise.	Yes	No	400,000.00		Related the income
Environmental pollution prevention and control (boiler transformation and air pollution etc.)	Gaolan Port Economic District Finance Treasury Payment Center	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	Yes	No	4,536,600.00		Related the income
Industrial Support Funds	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	Yes	No	5,700,000.00		Related the income
Others	Zhuhai Municipal Finance Bureau	Subsidy	Subsidy gained in conformity with local government attracting investment and local supportive policy etc.	Yes	No	1,407,357.04	105,117.00	Related the income
Total	--	--	--	--	--	26,022,524.47	16,481,293.41	--

Other Notes:

70. Non-operating expenses

Unit: RMB Yuan

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and
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			losses
Loss on disposal of non-current assets	1,382,895.45	955,586.75	1,382,895.45
Including: Loss on disposal of fixed assets	1,382,895.45	955,586.75	1,382,895.45
Donation	100,000.00	54,000.00	100,000.00
Fines, compensation, fine for delaying payment	650,989.04	102,650.00	650,989.04
Raw material abandoning loss	1,601,538.57		1,601,538.57
Others	378,473.80	151,444.22	378,473.80
Total	4,113,896.86	1,263,680.97	4,113,896.86

Other Notes:

Due the increase in assets disposal and raw material abandoning loss during this period, non-operating expenses during this period increased 225.55% when compared to that last year.

71. Income tax expense

(1) Lists of income tax expense

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Current income tax expense	13,453,252.51	13,680,317.37
Deferred income tax expense	8,729,598.56	2,104,251.45
Total	22,182,851.07	15,784,568.82

(2) Adjustment process of accounting profit and income tax expense

Unit: RMB Yuan

Item	Reporting Period
Total profits	161,284,333.65
Current income tax expense accounted by tax and relevant regulations	40,321,083.41
Influence of different tax rate suitable to subsidiary	-10,706,479.60
Influence of income tax before adjustment	-100,503.04
Influence of non-taxable income	-7,972,758.94
Influence of not deductible costs, expenses and losses	2,036,400.07
Influence of deductible losses of unrecognized deferred income tax assets used in previous years	-9,110,220.75
Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax	640,797.65

assets	
Influence of deferred income tax assets and liabilities at the beginning of tax rate change and adjustment period	7,416,265.27
The influence of R&D fee plus the deduction	-341,733.00
Income tax expense	22,182,851.07

Other Notes:

72. Other comprehensive incomes

Refer to the note 57.

73. Supplementary information to cash flow statement

(1) Other cash received related to operating activities

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Intercourse funds	54,360,640.47	103,110,590.80
Government subsidies	23,868,796.04	14,966,879.97
Interest income	26,781,477.65	3,530,569.17
Income of compensation	870,813.21	2,345,089.79
Total	105,881,727.37	123,953,129.73

Notes:

(2) Other cash paid related to operating activities

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Intercourse funds	28,158,591.74	117,650,598.40
Expense	60,825,338.63	56,815,933.81
Employee pretty cash	5,873,971.96	3,380,536.00
Total	94,857,902.33	177,847,068.21

Notes:

(3) Other cash received related to investment activity

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Government subsidies	11,178,200.00	4,066,986.00
Total	11,178,200.00	4,066,986.00

Notes:

(4) Other cash paid related to investment activity

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Principal of Structural Deposits	209,000,000.00	
Total	209,000,000.00	

Notes:

(5) Other cash received related to financing activities

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Restricted monetary capital used for margin or pledge	323,746,286.83	37,554,493.73
The related party's Loans	2,000,000.00	
Total	325,746,286.83	37,554,493.73

Notes:

(6) Other cash paid related to financing activities

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Restricted monetary capital used for margin or pledge	176,891,765.59	
The related party's Loans	2,000,000.00	
Total	178,891,765.59	

Notes:

74. Supplementary information to cash flow statement

(1) Supplementary information to cash flow statement

Unit: RMB Yuan

Supplementary Information	Reporting Period	Last period
1. Reconciliation of net profit to net cash flows generated from operating activities	--	--
Net profit	139,101,482.58	170,915,742.34
Add: Provision for impairment of assets	-4,071,141.13	26,624,300.40
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	158,767,541.49	151,114,049.23
Amortization of intangible assets	6,626,299.17	5,144,973.73

Long-term unamortized expenses	1,101,810.87	794,578.41
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains: negative)	690,044.71	-1,309,651.57
Losses from variation of fair value	-1,571,341.66	-1,528,810.76
Financial cost (gains: negative)	100,551,844.85	140,956,000.53
Investment loss (gains: negative)	-19,399,881.52	-121,166,566.33
Decrease in deferred income tax assets (gains: negative)	8,875,684.14	2,036,896.99
Increase in deferred income tax liabilities ("—" means decrease)	-146,085.58	69,548.08
Decrease in inventory (gains: negative)	114,436,773.04	204,919,569.38
Decrease in accounts receivable from operating activities (gains: negative)	-180,524,601.22	73,634,068.38
Increase in payables from operating activities (decrease: negative)	84,672,681.34	-51,269,611.93
Other		12,556,242.88
Net cash flows generated from operating activities	409,111,111.08	613,491,329.76
2. Investing and financing activities that do not involving cash receipts and payment:	--	--
3. Net increase in cash and cash equivalents	--	--
Closing balance of cash	357,103,700.82	185,960,324.24
Less: Opening balance of cash	185,960,324.24	113,248,623.00
Net increase in cash and cash equivalents	171,143,376.58	72,711,701.24

(2) Net Cash paid obtaining from the subsidiary

Unit: RMB Yuan

	Amount
Of which:	--
Of which:	--
Of which:	--

Other Notes:

(3) Net Cash received from the disposal of the subsidiary

Unit: RMB Yuan

	Amount
Cash or cash equivalents received from disposal of subsidiaries in Reporting Period	105,000,000.00
Of which:	--
Of which:	--
Of which:	--
Net Cash received from disposal of the subsidiary	105,000,000.00

Other Notes:

Cashes received from the disposal of the subsidiary during this period refer to the equity balance from the disposal of Foshan Chengtong Paper Co., Ltd.

(4) Cash and cash equivalents

Unit: RMB Yuan

Item	Closing Balance	Opening Balance
I. Cash	357,103,700.82	185,960,324.24
Including: Cash on hand	137,530.97	312,658.48
Bank deposit on demand	356,966,169.85	185,647,665.76
III. Closing balance of cash and cash equivalents	357,103,700.82	185,960,324.24

Other Notes:

75. Note of statement of changes in the owner's equity

Explain "others" project name and adjustment amount of the adjustment of closing balance in previous year, etc.:

76. The assets with the ownership or use right restricted

Unit: RMB Yuan

Item	Closing book value	Reason
Monetary Capital	176,891,765.59	Bill and LC Margin
Total	176,891,765.59	--

Other Notes:

Restricted Assets mainly include the margin for short-term financing without influencing the company's normal operation.

77. Foreign currency monetary items

(1) Foreign currency monetary items

Unit: RMB Yuan

Item	Closing foreign currency	Exchange rate	Closing convert to RMB
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	balance		balance
Of which: Dollars	41,977,731.16	6.9370	291,192,478.18
Hong Kong Dollars	9,770.69	0.8945	8,739.88
Pounds	190,427.15	8.5094	1,620,420.79
Of which: Dollars	8,954,667.41	6.9370	62,118,537.21
Hong Kong Dollars	3,014,552.88	0.8945	2,696,547.70
Pounds	524,930.56	8.5094	4,466,844.18
Account Payable			
Of which: Dollars	9,705,451.06	6.9370	67,326,714.03
Euro	65,604.91	7.3068	479,361.96

Other Notes:

(2) Notes to overseas entities including: for significant oversea entities, main operating place, recording currency and selection basis shall be disclosed; if there are changes into recording currency, relevant reasons shall be disclosed.

☐ Applicable ☒ Not applicable

78. Arbitrage

Arbitrage item, relevant arbitrage tools and the arbitrated risk qualitative and quantitative information disclosed based on arbitrage category:

79. Others

VIII. Changes of merger scope

1. Business merger not under same control

(1) Business merger not under same control in Reporting Period

Unit: RMB Yuan

Name of acquiree	Time and place of gaining the stock rights	Cost of gaining the stock rights	Proportion of stock rights	Way to gain the stock rights	Purchase date	Recognition basis of purchase date	Income of acquiree during the purchase date to period-end	Net profits of acquiree during the purchase date to period-end
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Other Notes:

(2) Combined cost and goodwill

Unit: RMB Yuan

Combined cost	
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Note to determination method, consideration and changes of fair value of combined cost:

The main formation reason for the large goodwill:

Other Notes:

(3) The identifiable assets and liabilities of acquiree on purchase date

Unit: RMB Yuan

	Fair value on purchase date	Book value on purchase date

The recognition method of the fair value of identifiable assets and liabilities

Contingent liability of acquiree undertaken by business merger

Other Notes:

(4) The profit or loss from equity held by the date before acquisition in accordance with the fair value measured again

Whether there is a transaction that through multiple transaction step by step to realize enterprises merger and gaining the control during the Reporting Period

☐ Yes ☒ No

(5) Notes to reasonable consideration or identifiable assets, fair value of liabilities of the acquiree that cannot be determined on the acquisition date or during the closing period of the merge

(6) Other notes

2. Business combination under the same control

(1) Business combination under the same control during the Reporting Period

Unit: RMB Yuan

Combined party	Proportion of the profits	Basis	Combination date	Recognition basis of combination date	Income from the period-begin to the combination date of the combination	Net profits from the Reporting Period to the combination date of the combination	Income during the period of comparison	Net profits during the period of comparison

Other Notes:

(2) Combination cost

Unit: RMB Yuan

Combination Cost	
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Note to contingent consideration or other changes:

Other Notes:

(3) The book value of the assets and liabilities of the combined party on combining date

Unit: RMB Yuan

	Combination date	Period-end of last period

Contingent liabilities of the combined party undertaken in combination

Other Notes:

3. Counter purchase

Basic transaction information, the basis for transaction constituting counter purchase and the assets and liabilities retained by the listed company could enable the confirmation of business and corresponding basis and the combined cost as well as the amount of adjusted rights and interests when handled based on equity transaction, and corresponding calculation:

4. The disposal of subsidiary

Whether there is a single disposal of the investment to the subsidiary and lost control?

☐ Yes ☒ No

Whether there are several disposals of the investment to the subsidiary and lost controls?

☐ Yes ☒ No

5. Other reasons for the changes in combination scope

Note to reasons for the changes in combination scope (Newly established subsidiary and subsidiary of liquidation) and relevant information:

6. Other

IX. Equity in other entities

1. Equity in subsidiary

(1) The structure of the enterprise group

Name of the subsidiary	Main operating place	Registration place	Nature of business	Holding percentage (%)		Way of Gaining
				Directly	Indirectly	
Huaxin (Foshan) Color Printing Co., Ltd.	Foshan	Foshan	Manufacturing industry	100.00%		Business combination under the same control
Zhuhai Huafeng Paper Co., Ltd.	Zhuhai	Zhuhai	Manufacturing industry		100.00%	Business combination under the same control
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	Zhuhai	Zhuhai	Manufacturing industry	41.97%		Business combination not under the same control
Foshan Hongta Liyan Material Technology Co., Ltd.	Foshan	Foshan	Manufacturing industry		100.00%	Establishment
Kunshan Focai Packaging & Printing Co., Ltd.	Suzhou	Suzhou	Manufacturing industry	100.00%		Establishment
Zhuhai Jinji Chemicals Co., Ltd.	Zhuhai	Zhuhai	Manufacturing industry		51.00%	Business combination not under the same control
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	Jiaxing	Jiaxing	Manufacturing industry	100.00%		Establishment

Notes: holding proportion in subsidiary different from voting proportion:

On acquisition date as Jun. 30, 2009, the Company gained 40.176% shares of Hongta Renheng by the way of capital and share increase. There were five directors in the Board of Directors of Hongta Renheng, of which the Company sent three directors, Yunnan Hongta Group Co., Ltd. and Renheng Industrial Co., Ltd. sent one director respectively. The Chairman of the Board (Legal representative) was sent by the Company, General Manager and Chief Financial Officer were also sent by the Company, so as to control the routine producing and operating activities of Hongta Renheng, and thus it shall be consolidated into the consolidated statement of the Company since Jul. 2009. On Feb. 1, 2010, Hongta Renheng finished relevant change procedures for capital increase in industry and commerce, and thus shares of Hongta Renheng held by the Company increased to 41.9653%. Meanwhile, the contract and Articles of Association of Hongta Renheng was revised according to the resolution of the Board of Directors of Hongta Renheng on Feb. 25, 2010. Afterwards, the directors of the Board of Directors changed from five to seven, as the Company sent four directors (originally three), Yunnan Hongta Group Co., Ltd. sent two directors (originally one), Renheng Industrial Co., Ltd. sent one, Dragon State International Limited didn't send any director. The Company still can decide the financial and operating policies of Hongta Renheng, and shall still be consolidated into the scope of consideration.

Basis of holding half or less voting rights but still controlling the investee and holding more than half of the voting rights but not controlling the investee:

Significant structural entities and controlling basis in the scope of combination:

Basis of determining whether the Company is the agent or the principal:

Other Notes:

(2) Significant non-wholly-owned subsidiary

Unit: RMB Yuan

Name of the subsidiary	Shareholding proportion of minority shareholder	The profits and losses arbitrated to the minority shareholders	Declaring dividends distributed to minority shareholder	Balance of minority shareholder at closing period
Zhuhai Hongta Renheng Packaging Co., Ltd.	58.03%	77,777,394.47	30,163,999.10	1,618,319,827.16

Holding proportion of minority shareholder in subsidiary different from voting proportion:

Other Notes:

(3) The main financial information of significant not wholly owned subsidiary

Unit: RMB Yuan

Name of the subsidiary	Closing balance						Opening balance					
	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities	current assets	Non-current assets	Total assets	Current liabilities	Non-current liability	Total liabilities

Zhuhai Hongta Renheng g Packagi ng Co., Ltd.	2,625,9 51,940. 55	2,445,3 44,768. 25	5,071,2 96,708. 80	1,388,1 51,886. 13	893,62 4,199.6 6	2,281,7 76,085. 79	2,247,6 59,971. 76	2,524,6 48,275. 64	4,772,3 08,247. 40	1,298,1 81,498. 26	762,91 3,998.8 3	2,061,0 95,497. 09
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Unit: RMB Yuan

Name of the subsidiary	Reporting Period				Same period of last year			
	Operation revenue	Net profit	Total comprehen sive income	Operating cash flow	Operation revenue	Net profit	Total comprehen sive income	Operating cash flow
Zhuhai Hongta Renheng Packaging Co., Ltd.	3,349,262,5 58.37	125,460,09 8.44	125,460,09 8.44	405,950,59 1.71	3,032,414,9 54.02	100,626,80 5.71	100,626,80 5.71	579,124,22 3.10

Other Notes:

(4) Significant restrictions of using the enterprise's group assets and paying off the enterprise's group debt.

(5) Financial support or other supports provided to structural entities incorporated into the scope of consolidated financial statements

Other notes:

2. The transaction of the Company with its owner's equity share changed but still controlling the subsidiary

(1) Note to the owner's equity share changed in subsidiary

(2) The transaction's influence on the equity of minority shareholders and the owner's equity attributable to the parent company

Unit: RMB Yuan

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Other Notes:

3. Equity in joint venture arrangement or associated enterprise

(1) Significant joint venture arrangement or associated enterprise

Name	Main operating place	Registration place	Nature of business	Holding percentage (%)		Accounting treatment of the investment of joint venture or associated enterprise
				Directly	Indirectly	
Chengtong Finance Co., Ltd.	Beijing	Beijing	Financial industry	20.00%		Equity method

Notes to holding proportion of joint venture or associated enterprise different from voting proportion:

Basis of holding less than 20% of the voting rights but having a significant impact or holding 20% or more voting rights but not having a significant impact:

(2) Main financial information of significant joint venture

Unit: RMB Yuan

	Closing balance/ Reporting Period	Opening balance /last period

Other Notes:

(3) Main financial information of significant associated enterprise

Unit: RMB Yuan

	Closing balance/ Reporting Period	Opening balance /last period
	Chengtong Finance Co., Ltd.	Chengtong Finance Co., Ltd.
current assets	25,321,260,369.06	7,216,204,389.99
Non-current assets	3,988,760.19	6,659,691.42
Total assets	25,325,249,129.25	7,222,864,081.41
Current liabilities	24,215,863,455.13	6,064,250,674.62
Total liabilities	24,215,863,455.13	6,064,250,674.62
Equity attribute to the parent company	221,877,134.82	231,722,681.36
Net assets proportion measured at shareholding proportion	244,408,251.27	254,253,797.80
Book value of equity investment to associated enterprise	132,120,589.35	131,793,995.59
Operation revenue	74,514,045.63	78,676,118.04
Net profit	74,514,045.63	78,676,118.04

Dividends received from the joint venture in this year	24,748,355.66	
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Other Notes:

(4) Summary financial information of insignificant joint venture or associated enterprise

Unit: RMB Yuan

	Closing balance/ Reporting Period	Opening balance /last period
Joint venture:	--	--
The total of following items according to the shareholding proportions	--	--
Associated enterprise:	--	--
The total of following items according to the shareholding proportions	--	--

Other Notes:

(5) Note to the significant restrictions in the ability of joint venture or associated enterprise to transfer funds to the Company

(6) The excess loss of joint venture or associated enterprise

Unit: RMB Yuan

Name	The cumulative recognized losses in previous accumulative derecognized period	The derecognized losses or the share of net profit in this Reporting Period	The cumulative unrecognized losses in this Reporting Period
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Other Notes:

(7) The unrecognized commitment related to joint venture investment

(8) Contingent liabilities related to joint venture or associated enterprise investment

4. Significant common operation

Name	Main operating place	Registration place	Nature of business	Proportion /share portion	
				Directly	Indirectly

Note to holding proportion or share portion in common operation different from voting proportion:

Basis of common operation as a single entity classified as common operation

Other notes:

5. Equity in the structured entity not included in the scope of consolidated financial statements

Related notes to structured entity not included in the scope of consolidated financial statements

6. Others

X. The risk related financial instruments

XI. The disclosure of the fair value

1. Closing fair value of assets and liabilities calculated by fair value

Unit: RMB Yuan

Item	Closing fair value			
	Fair value measurement at level 1	Fair value measurement items at level 2	Fair value measurement items at level 3	Total
I. Consistent fair value measurement	--	--	--	--
(3)Derivative Financial assets	1,571,341.66			1,571,341.66
II. Inconsistent fair value measurement	--	--	--	--

2. Market price recognition basis for consistent and inconsistent fair value measurement items at level 1

The Company listed the book value of financial assets instruments measured at fair value on Dec. 31, 2016 according to three levels of fair value. When the overall fair value classified in three levels, it's in line with the first level of three levels of each significant input value used in the calculation of fair value. Definitions of three levels were as follows:

The first level, the non-adjustable offer of the same assets or liabilities in the active market on the calculation date;

The second level, the directly or indirectly observable input value of related assets or liabilities except the input value on the first level;

The second level input value including: 1)Offer of similar assets or liabilities in the active market; 2) offer of identical or similar assets or liabilities in the non-active market; 3) Other observable input value except offer, including the observable interest rate during the interval period of common offer, profit rate curve, implied volatility and credit spread etc.; 4) the input value for market verification etc..

The third level was the unobserved input value of related assets or liabilities.

3. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 2

4. Valuation technique adopted and nature and amount determination of important parameters for consistent and inconsistent fair value measurement items at level 3

5. Sensitiveness analysis on unobservable parameters and adjustment information between opening and closing book value of consistent fair value measurement items at level 3

6. Explain the reason for conversion and the policy governing when the conversion happens if conversion happens among consistent fair value measurement items at different levels

7. Changes in the valuation technique in the current period and the reason for such change

8. Fair value of financial assets and liabilities not measured at fair value

9. Others

XII. Related party and related Transaction

1. Information related to the parent company

Name of parent company	Registration place	Nature of business	Registered capital	Proportion of share held by parent company against the Company (%)	Proportion of voting rights owned by parent company against the Company (%)
Foshan Huaxin Development Co., Ltd.	Foshan	Manufacturing industry	457,930,000.00	65.20%	65.20%
China National Paper Industry Investment Corp.	Beijing	Comprehensive	5,033,000,000.00	65.31%	65.31%
China Chengtong Holdings Group Co., Ltd.	Beijing	Comprehensive	9,380,165,000.00	65.31%	65.31%

Notes: information on the parent company:

Foshan Huaxin Development Co., Ltd.

On Jun. 28, 2005, Foshan Gongying Investment Holding Co., Ltd. transferred 62.1142% shares (capital contribution was RMB 284,440,000) of Foshan Huaxin Development Co., Ltd. to China National Materials Development & Investment Corporation which has changed its name to China National Paper-industry Investment Corporation. Foshan Huaxin Development Co., Ltd is the parent company and holds 65.20% shares of the Company.

China National Paper Industry Investment Corp.;

China National Paper-industry Investment Corporation originally held 0.11% shares of the Company, and China National Paper-industry Investment Corporation held 65.31% shares of the Company directly and indirectly as the actual controller of the Company.

China Chengtong Holdings Group Co., Ltd.;

China Chengtong Holdings Group Co., Ltd. holds 100% shares of China National Paper-industry Investment Corporation and has become the ultimate controller of the Company.

The ultimate controller of the Company is China Chengtong Holdings Group Co., Ltd..

Other notes:

2. Subsidiaries of the Company

See details in Notes IX. Equity in other entities,

3. Information on the joint ventures and associated enterprises of the Company

For details of significant joint ventures and associated enterprises of the Company, please refer to Notes IX. Equity in other entities.

Information on other joint ventures and associated enterprises developing related party transactions with the Company in this Reporting Period, or forming balance due to related party transactions in previous periods:

Name	Relationship
Chengtong Finance Co., Ltd.	Subsidiary of joint venture
Guangdong Chengtong Logistics Co., Ltd.	Subsidiary of joint venture

Other Notes:

4. Information on other related parties of the Company

Name	Relationship
Foshan Huaxin Import & Export Co., Ltd.	Under the control of the same actual controller
Guangdong Guanhao High-tech Co., Ltd.	Under the control of the same actual controller
Dragon State International Limited	Under the control of the same ultimate controller
Tianjin Port Free Trade Zone Zhongwu Investment Development Co., Ltd.	Under the control of the same actual controller
Yueyang Forest & Paper Co., Ltd.	Under the control of the same actual controller
Yueyang Antai industrial Co., Ltd	Under the control of the same actual controller
Yuanjian Paper Co., Ltd.	Under the control of the same actual controller
Hunan Juntai Pulp Paper Co., Ltd.	Under the control of the same actual controller
	Under the control of the same ultimate controller
Guangdong Guanhao High-tech Co., Ltd.	Under the control of the same ultimate controller
China Chengtong International Co., Ltd.	Under the control of the same ultimate controller

HONG KONG DRAGON STATE YAN WING INTERNATIONAL COMPANY	Under the control of the same ultimate controller
Zhanjiang Guanhao Paper Co., Ltd.	Under the control of the same ultimate controller

Other Notes:

5. List of related-party transactions

(1) Information on acquisition of goods and reception of labor service (unit: ten thousand Yuan)

Information on acquisition of goods and reception of labor service (unit: ten thousand Yuan)

Unit: RMB Yuan

Related-party	Content	Reporting Period	The approval trade credit	Whether exceed trade credit or not	Same period of last year
China National Paper Industry Investment Corp.	Purchase of raw material	148,252,577.79	287,000,000.00	No	286,476,105.01
Guangdong Guanhao High-tech Co., Ltd.	Purchase of raw material	13,967.35	680,940.17	No	17,245.46
Tianjin Port Free Trade Zone Zhongwu Investment Development Co., Ltd.	Purchase of raw material	0.00	37,000,000.00	No	21,844,699.64
Guangdong Chengtong Logistics Co., Ltd.	Providing logistics services	15,499,988.56	21,000,000.00	No	21,796,488.21
Guangdong Guanhao High-tech Co., Ltd.	Purchase of raw material	413,718.56			582,918.39
China Chengtong International Co., Ltd.	Purchase of raw material	89,829,578.15		No	
HONG KONG DRAGON STATE YAN WING INTERNATIONAL	Purchase of raw material	8,601,905.87		No	

AL COMPANY					
Yueyang Antai Industrial Co., Ltd.	Purchase of raw material	219,759.19			
Foshan Huaxin Import and Export Co., Ltd.	Purchase of fixed assets	180,116.60			

Information of sales of goods and provision of labor service

Unit: RMB Yuan

Related-party	Content	Reporting Period	Same period of last year
China National Paper Industry Investment Corp.	Sales of raw materials	134,681,889.58	24,293,495.59
Yuanjian Paper Co., Ltd.	Sales of raw materials		3,924,986.64
Yueyang Forest & Paper Co., Ltd.	Sales of products	19,279,321.75	12,936,664.65
Guangdong Guanhao High-tech Co., Ltd.	Sales of products and raw materials	6,668,453.70	1,265,830.00
Zhanjiang Guanhao Paper Co., Ltd.	Sales of products and raw materials	370,427.36	
Long Bond Investment Development Co., Ltd.	Sales of raw materials	24,098,726.25	
HONG KONG DRAGON STATE YAN WING INTERNATIONAL COMPANY	Sales of raw materials	8,927,172.47	

Notes

Notes:

Sales of goods and provision of labor service Notes: since the company's actual controller China National Paper Industry Investment Corp. was influenced by the capital arrangement and foreign exchange, various wholly-owned subsidiaries were established in line with the actual production and operation, including Hong Kong Long Bond Investment Development Co., Ltd., HONG KONG DRAGON STATE YAN WING INTERNATIONAL COMPANY (sub-subsidiary) and China Chengtong's subsidiary China Chengtong International Co., Ltd. as the company's object for daily related transactions to jointly use the amount of daily related transactions of China National Paper Industry Investment Corp. and the company. According to the Proposal of the Subsidiary's Daily Related Transaction and Daily Related Transaction Estimation concluded in the 13th meeting held by the 6th Board of Directors in 2016, the approved purchasing amount granted to China National Paper Industry Investment Corp. from May to December in 2016 was RMB 224 million; according to Proposal of the Subsidiary's Daily Related Transaction Estimation (Announcement No.: 2015-005) approved in the 2014 AGM, the approved purchasing amount granted to China National Paper Industry Investment Corp. from January to April in 2016 was RMB 63 million, and the total amount in 2016 was RMB 287 million. In terms of the actual transaction in 2016, the total trading volume of China National Paper Industry Investment Corp.,

Chengtong International and DRAGON STATE YAN WING INTERNATIONAL was RMB 246.68 million within the designated limit (RMB 287 million).

(2) Related trusteeship/contract

Lists of related trusteeship/contract:

Unit: RMB Yuan

Name of the entruster/contractee	Name of the entrustee/contractor	Type	Initial date	Due date	Pricing basis	Income recognized in the Reporting Period
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Notes:

Lists of entrust/contractee

Unit: RMB Yuan

Name of the entruster/contractee	Name of the entrustee/contractor	Type	Initial date	Due date	Pricing basis	Charge recognized in the Reporting Period
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Notes:

(3) Information of related lease

The Company was lessor:

Unit: RMB Yuan

Name of lessee	Category of leased assets	The lease income confirmed in this year	The lease income confirmed in last year
Guangdong Chengtong Logistics Co., Ltd.	Houses and buildings	1,210,342.86	1,328,194.00

The Company was lessee:

Unit: RMB Yuan

Name of lessee	Category of leased assets	The lease income confirmed in this year	The lease income confirmed in last year
Foshan Huaxin Development Co., Ltd.	Office and office equipment	542,285.71	569,400.00

Notes:

(4) Related-party guarantee

The Company was guarantor:

Unit: RMB Yuan

Secured party	Guarantee amount	Start date	End date	Execution accomplished or not
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Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	330,000,000.00	May 7, 2014	May 6, 2017	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	38,800,000.00	March 13, 2015	March 13, 2020	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	200,000,000.00	February 1, 2016	January 21, 2017	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	200,000,000.00	March 1, 2016	December 31, 2019	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	January 14, 2016	January 13, 2017	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	May 30, 2016	February 2, 2017	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	100,000,000.00	June 12, 2016	March 31, 2018	No
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	150,000,000.00	July 1, 2016	July 1, 2018	No
Zhuhai Huafeng Paper Co., Ltd.	200,000,000.00	July 8, 2016	December 31, 2017	No
Zhuhai Jinji Chemicals Co., Ltd.	100,000,000.00	August 31, 2015	August 30, 2018	No
Zhuhai Huafeng Paper Co., Ltd.	350,000,000.00	October 29, 2016	October 28, 2019	No
Huaxin (Foshan) Color Printing Co., Ltd.	60,000,000.00	January 1, 2016	December 31, 2020	No
Huaxin (Foshan) Color Printing Co., Ltd.	20,000,000.00	December 23, 2016	October 23, 2017	No

The Company was Secured party
Unit: RMB Yuan

Guarantor:	Guarantee amount	Start date	End date	Execution accomplished or not
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Notes

(5) Inter-bank lending of capital of related parties:

Unit: RMB Yuan

Related-party	Amount borrowed and loaned	Initial date	Due date	Explanation
Borrowed				
Foshan Huaxin Development Co., Ltd.	2,000,000.00	February 3, 2016	September 23, 2016	
Loaned				

(6) Related party asset transfer and debt restructuring

Unit: RMB Yuan

Related-party	Content	Reporting Period	Same period of last year
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(7) Rewards for the key management personnel

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Rewards for the key management personnel	5,128,714.50	5,600,281.00

(8) Other related-party transactions

According to the 1st Meeting of the 5th Board of Directors of 2013 on 18 April, 2013 and 2012 Annual General Meeting on 15 May, 2013, Financial Services Agreement signed by this Company and Chengtong Finance Co., Ltd. and related transaction bills for financial services were discussed and approved to conduct relevant financial services. The sum of daily maximum outstanding of deposits and interests on deposit of this Company in Chengtong Finance Co., Ltd. shall not be higher than 5% of the total assets audited last year (outstanding of deposits excluding loans or settlement amount); the sum of credit extension and interests shall not be higher than RMB600,000,000; relevant settlement businesses shall also be conducted as required. Up to Dec. 31, 2016, outstanding of deposits of the Company in Chengtong Finance Co., Ltd. was RMB232,403,776.59 and notes discounted RMB4,392,243.22.

6. Receivables and payables of related parties

(1) Receivables

Unit: RMB Yuan

Name of item	Related-party	Closing balance		Opening balance	
		Book	Bad debt	Book balance	Bad debt

		balance	provision		provision
Account receivable:	Guangdong Guanhao High-tech Co., Ltd.	2,990,446.69	95.85	5,973.80	267.32
Account receivable:	Yueyang Forest & Paper Co., Ltd.	5,321,659.50		839,714.61	
Account receivable:	Yueyang Antai industrial Co., Ltd	5,302.10	2,651.05	5,302.10	1,590.63
Account receivable:	Guangdong Chengtong Logistics Co., Ltd.			252,199.10	75,659.73
Account receivable:	China National Paper Industry Investment Corp.	33,263.08	102.86	20,275,925.21	
Account receivable:	Foshan Huaxin Import & Export Co., Ltd.	549,882.60	201,380.64	726,513.19	72,651.32
Account receivable:	Long Bond Investment Development Co., Ltd.	2,755,688.24		168.21	8.41
Account receivable:	Zhanjiang Guanhao Paper Co., Ltd.	1,545.27			
Prepayment:	China National Paper Industry Investment Corp.			27,884,562.96	
Other accounts receivable:	Guangdong Chengtong Logistics Co., Ltd.	893,243.15	22,847.25	1,167,236.74	91,912.67
Other accounts receivable:	China National Paper Industry Investment Corp.			264,600.00	

(2) Payables

Unit: RMB Yuan

Name of item	Related-party	Closing book balance	Opening book balance
Account payable	China National Paper Industry Investment Corp.	87,600,898.59	5,727,471.54
Account payable	Guangdong Chengtong Logistics Co., Ltd.	1,973,769.75	3,257,342.93
Account payable	Guangdong Guanhao Hi-tech Industry Co., Ltd.	102,183.57	109,865.03
Account payable	Guangdong Guanhao Hi-tech Co., Ltd.	3,483.37	
Account payable	Yueyang Antai Industrial Co., Ltd.	127,312.00	
Other accounts payable	Guangdong Chengtong	570,384.98	570,384.98

	Logistics Co., Ltd.		
Other accounts payable	Foshan Huaxin Development Co., Ltd.		5,000,000.00
Interest payable	Chengtong Finance Co., Ltd.		44,458.33

7. Related party commitment

Reviewed and approved by the 4th Meeting of the 6th of the Board of Directors, the Company provided no more than RMB 2.6 billion guarantee for loan to its subsidiaries Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd., Zhuhai Huafeng Co., Ltd., Jinji Chemicals Co., Ltd. and the wholly-owned Foshan Color Printing Co., Ltd., and allowed Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd. to provide its two subsidiaries with the maximum guarantee RMB 400,000,000, in total of RMB 3 billion. When applying for integrated Credit/Loan to the bank within line of guarantee, the Company will provide the joint liability guarantee, and the guarantee amount for each deal and the guarantee period will be agreed in the specific contract. Up to December 31, 2016, the above guarantee amount was not completely used.

8. Others

XIII. Stock payment

1. The Stock payment overall situation

☐ Applicable ☒ Not applicable

2. The Stock payment settled by equity

☐ Applicable ☒ Not applicable

3. The Stock payment settled by cash

☐ Applicable ☒ Not applicable

4. Modification and termination of the stock payment

None

5. Others

XIV. Commitments

1. Significant commitments

Significant commitments on balance sheet date

Up to 31 Dec. 2016, there were no significant commitments to be disclosed.

2. Contingency

(1) Significant contingency on balance sheet date

Pending action, contingency formed by arbitration and its financial influence

(1) The Company's sub-subsidiary Zhuhai Jinji Chemicals Co., Ltd. signed a loan contract with Guangzhou Hong He Gu Kang Ti Leisure Co., Ltd. (hereinafter referred to as "Hong He Gu Company") on Dec. 12, 2011, stating that Hong He Gu Company borrowed RMB 500,000 from Zhuhai Jinji Chemicals Co., Ltd. from Dec. 12, 2011 to May 31, 2012. When the contract expired, Hong He Gu Company shall take the initiative to repay the loan principal and interest. The legal representative Wang Renhe served as the guarantee of Hong He Gu Company, but Hong He Gu Company did not paid the loan as agreed when the contract expired. According to (2015) ZJFPMCZ No. 20 Civil Judgment, Hong He Gu Company shall repay RMB500,000 to the Company and Wang Renhe shall bare the joint liability for satisfaction. Upon to Dec. 31, 2016, Zhuhai Jinji Chemicals Co., Ltd. withdrawn 100% bad debt provision for the said RMB 500,000 payable by Hong He Gu Company in other accounts receivable.

(2) Up to Dec. 31, 2016, Guangdong Regall Group Co., Ltd. (hereinafter referred to as "Regall Group") owed the goods payment of RMB 9,919,562.58 to the Company's subsidiary Zhuhai S.E.Z Hongta Renheng Paper Co., Ltd. (hereinafter referred to as "Hongta Renheng") (with an account age over three years). On Mar. 28, 2008, the said two parties signed an agreement on repayment with wood pulp. According to the said agreement, Regall Group shall repay wood pulp as the consideration, which shall be executed before May 15, 2008. However, Regall Group did not perform the said agreement. Up to Oct. 31, 2008, only RMB 3,099,200.00 was executed as consideration for the debt. On Oct. 29, 2008, Hongta Renheng sent a Notice on Terminating Agreement to Regall Group, but Regall Group asked to continue the execution of the Agreement. On Dec. 6, 2008, Hongta Renheng submitted a bill of compliant on the goods payment dispute to Guangzhou Huangfu District People's Court, requesting the Court to terminate the agreement on repayment with wood pulp and asking Regall Group to repay the goods payment of RMB 10,047,398.58 and take all resulting responsibilities. On Jun. 28, 2009, the Court issued (2009) HMEC Zi No.72 Civil Judgment, stating that the Company's Notice on Terminating Agreement was invalid. Hongta Renheng appealed to Guangzhou Intermediate People's Court against the decision and Guangzhou Intermediate People's Court ruled that the case shall be remanded for retrial in the Court of the first instance. On Jun. 12, 2010, the Court issued (2010) HMEC Zi No.1 Civil Judgment, stating that the Agreement on Setting Debt off with Pulp Payment was legal and

effective. However, as Regall Group wasn't able to supply pulp, it shall pay RMB 9,786, 596.96 back to Hongta Renheng. Regall Group appealed to Guangzhou Intermediate People's Court against the decision. On Nov. 25, 2010, in accordance with (2010) SZFMEZ Zi No. 1851 Civil Judgment Letter, the Court rejected the appeal and maintained the original judgment. Up to December 31, 2016, RMB 127,836.00 was received by Hongta Renheng. Hongta Renheng has withdrawn 100% bad debt provision for the said uncollected amount.

(3) Up to Dec. 31, 2016, Zhuhai Eastern Zhengtai Power Equipment Co., Ltd. owed the goods payment of RMB 2,925,825.54 to the company's subsidiary Hongta Renheng. In line with (2010) XMEC Zi No.641 Civil Judgment, Hongta Renheng won the appeal and Zhuhai East Zhengtai Power Equipment Co., Ltd. shall pay loans of RMB 2,405,789.44 and corresponding penalty back to Hongta Renheng. Zhuhai East Zhengtai Power Equipment Co., Ltd. filed an appeal against the judgment. The court rejected the appeal in the second trial and the decision was upheld on Oct. 12, 2010. Since such payment was difficult to be collected back, Hongta Renheng withdrew 100% bad debt provision for the said amount.

(4) Up to Dec. 31, 2016, Zhuhai Gongbei Ronghui Trade Co., Ltd. owed the goods payment of RMB 1,016,655.73 to the company's subsidiary Hongta Renheng. Hongta Renheng won the appeal at the first instance in accordance with (2009) XMEC Zi No. 2174 Civil Judgment, but Zhuhai Gongbei Ronghui Trade Co., Ltd. owned nothing to execute the judgment. Therefore, the company withdrew 100% bad debt provision for the said amount.

(5) Up to Dec. 31, 2016, Shenzhen Xieji Industry Co., Ltd. owed the goods payment of RMB 3,760,350.10 to Hongta Renheng, in accordance with (2011) SZFMEZ Zi No. 1318 Civil Judgment, Hongta Renheng won the appeal. Therefore, it continued to withdraw 100% bad debt provision for the said account receivable.

(6) Up to Dec. 31, 2016, Qingdao Donglu Packing Development Co., Ltd. owed the goods payment of RMB 450,000.00 to Hongta Renheng. Hongta Renheng won the appeal at the first instance in accordance with (2010) NSC Zi No. 20678 Civil Judgment. Although Hongta Renheng won the first instance, there were no properties to execute the judgment. Therefore, the company withdrew 100% bad debt provision for the said account receivable.

(7) Up to Dec. 31, 2016, Foshan Jiahe Paper Trading Co., Ltd. owed the goods payment of RMB 4,902,239.70 to Hongta Renheng. Hongta Renheng won the appeal at the first instance in accordance with (2011) FCFMEC Zi No. 852 Civil Judgment. Since Hongta Renheng won the first instance, and collected RMB 1.75 million in total. Therefore, the balance of RMB3,152,239.70 shall be withdrawn 100% bad debt provision.

(8) Up to Dec. 31, 2016, Kaifeng Boke Printing Co., Ltd. owned the goods payment of RMB4,635,249.60 to Zhuhai Huafeng Paper Co., Ltd.. In line with (2015) ZJFMECZ No. 609 Civil Judgment, Kaifeng Boke Printing Co., Ltd shall repay RMB4,635,249.60 and relevant interests. However, Zhuhai Huafeng Paper Co., Ltd. applied to the court for property attachment prior to lawsuit, freezing corresponding bank deposits owned by the respondent and closing down the respondent's land and equipment. Up to Dec. 31, 2016, RMB1.75 million in total was taken back, and the full amount was predicted to be recovered. Corresponding bad debt provision shall be withdrawn for the account receivable based on the aging.

(9) Zhuhai Bidao Energy Co., Ltd. occupied an area covering 3,535.34 m² of the company's subsidiary Hongta Renheng, and ignored the notice issued by Hongta Renheng about its

infringement act. In 2016, Hongta Renheng prosecuted Zhuhai Baidao Energy Co., Ltd. in Zhuhai Xiangzhou District People's Court, requiring the other party to stop its infringement act and pay RMB 2.68 million as the land occupation fee. Up to December 31, 2016, the court put it on record, pending for trial.

(10) Yunnan Jiuzhou Fangyuan Law Firm prosecuted Hongta Renheng in Zhuhai Xiangzhou District People's Court, requiring Hongta Renheng to pay corresponding agency service fees resulting from the case related to Regall Group Company and Xieji Company (RMB 1, 611,500 in total). According to (2015)ZXWME Zi No. 1201 Civil Judgment, Hongta Renheng was obliged to pay relevant lawyer's expenses amounting to RMB 425,523.53 to Yunnan Jiuzhou Fangyuan Law Firm. Therefore, Hongta Renheng shall withdraw RMB 425,523.53 as the compensation based on such judgment.

(11) Hengyang Feier Cultural Goods (Electrical Appliances) Co., Ltd. prosecuted Zhuhai Huafeng due to the dispute in product quality in Zhuhai Jinwan District People's Court, requiring the compensation of RMB 2.96 million. According to (2016) Y0404MC No. 1227 Civil Judgment, such claim was rejected.

(12) The company's subsidiary Jinji Chemicals and Hunan Henghan Hi-tech Co., Ltd. (hereinafter referred to as Hunan Henghan) developed mutual business relationship in October 2013. However, Hunan Henghan delayed the payment for goods. According to (2015) NMCZi No. 05988 Civil Mediation Document, Hunan Henghan agreed to pay RMB 290,500.00 for goods and RMB 10,000.00 as the penalty for overdue payment at one time to Jinji Chemicals before April 30, 2016. Up to December 31, 2016, Hunan Henghan paid RMB 50,000.00, but the rest payment for goods amounting to RMB 240,500.00 and RMB 10,000.00 as the penalty for overdue payment remained unpaid. Jinji Chemicals has withdrawn 20% bad debt provision based on the aging for RMB 240,500.00 that shall be paid by Hunan Henghan.

(2) In despite of no significant contingency to disclose, the company shall also make relevant statements.

There was no significant contingency in the Company.

3. Others

XV. Events after balance sheet date

1. Significant non-adjusted events

Unit: RMB Yuan

Item	Content	Number under influence to the financial position and operating results	Reason of unable to estimate influence number
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2. Profit distribution

Unit: RMB Yuan

Profits or dividends planned to be allocated	13,141,050.00
Reviewed and approved Profits or dividends allocation	13,141,050.00

3. Sales return

4. Notes of other significant events after balance sheet date

XVI. Other significant events

1. The accounting errors correction in previous period

(1) Retrospective restatement

Unit: RMB Yuan

Content	Processing program	Name of the influenced report items during comparison period	Cumulative impact
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(2) Prospective application

Content	Processing program	Reason of adopting prospective application
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2. Debt restructuring

3. Replacement of assets

(1) Non-monetary assets exchange

(2) Other assets replacement

4. Pension plan

Approved in the 9th meeting of the 6th of Board of Directors in 2016, the company could participate in the corporate pension plan of China Chengtong Holdings Co., Ltd., and formulate its own pension plan implementation rules under the framework of China Chengtong Holdings Co., Ltd. in line with China National Paper Industry Investment Corp. Pension Plan Implementation Rules and the actual situation. However, relevant pension plan implementation rules were subject to the discussion of the company's congress of workers and staffs and would come into effect and

be implemented upon approved by China Chengtong Holdings Co., Ltd. and Ministry of Human Resources and Social Security.

5. Discontinuing operation

Unit: RMB Yuan

Item	Revenue	Expense	Total profits	Income tax expense	Net profit	Termination of the business profits attributable to the parent company owner

Other Notes:

6. Segment information

(1) Recognition basis and accounting policies of reportable segment

(2) The financial information of reportable segment

Unit: RMB Yuan

Item		Offset in segment	Total

(3) If there was no reportable segment, or the total amount of assets and liabilities of each reportable segment could not be reported, relevant reasons shall be clearly stated.

(4)Other Notes:

7. Other important transactions and events having an impact on investors' decision-making

1. In accordance with the Resolution Made at the 6th meeting of the 5th Board of Directors on Dec. 16, 2012, and the Resolution Made at the First Special Shareholders' General Meeting for 2012 on Jan. 4, 2012, as well as the approval of CSRC with the Reply on Approving the Public Issuance of Corporate Bonds for Foshan Huaxin Packaging Co., Ltd. (ZJXK [2012] No. 725) on May 28, 2012, the Company publicly issued 8 million pieces of corporate bonds with the par value of RMB 100 per piece by adopting the way of online public issuance for the public investors and off-line inquiry placing for the institution investors, with the nominal rate of 5.8%, and the term of bonds was five years from the date of issuance. The issue amounts of bond pre-set online and offline were RMB100, 000,000.00 and 700,000,000.00. Up to Nov. 29, 2012, the total raised capital from the public issuance of corporate bonds in this time was RMB 800,000,000.00, and the actual raised

capital after deducting the bond issuance underwriting fees and custodian fees was RMB 791,700,000.00.

2. In line with the Second Special Meeting of the General Shareholders on Nov. 10, 2014, the meeting reviewed and approved the Proposal of the Issue of Medium-Term Notes, agreeing to issue no more than RMB five hundred million of the medium-term note used for the supplement of the Company's cash flow and working capital. On Jun. 12, 2015, the Company received the Acceptance of ZSXZ [2015] No. MTN253 Registration Notice approving the Company's registration of Medium-Term Notes issued by NAFMII. On Jul. 29, 2015, the Company's total issue amount was RMB200, 000,000.00 with the coupon rate 5.28%, and the term of Medium-Term Notes was 3 years. The raised capital after deducting the bond issuance underwriting fees and custodian fees was RMB199, 100,000.00.

(3) On Dec. 29, 2015, the company disposed 75% stock equity held by Foshan Chengtong Paper Co., Ltd., and Japanese company shall collect RMB 490,240,600.41 from Foshan Chengtong Paper Co., Ltd.. On Dec. 31, 2015, the company signed Credit and Debt Settlement Agreement with the transferee that shall become effective from Jan.1, 2016 on. Meanwhile, based on the benchmark interest rate for the 3-year fixed loan, corresponding capital occupation interest shall be collected from Foshan Chengtong Paper Co., Ltd., and be paid quarterly. Before Dec. 31, 2019, the principal and interest shall be completely settled. Up to the date of report, Japanese company collected all interests back based on the agreement, but the principal RMB 490,240,600.41 was not returned.

8. Others

XVII. Notes of main items in the financial statements of the Parent Company

1. Accounts receivable

(1) Accounts receivable classified by category

Unit: RMB Yuan

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book Value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Accounts receivable withdrawal of bad debt provision by						12,775,461.68	100.00%			12,775,461.68

credit risks characteristics:										
Total						12,775 ,461.6 8				12,775,46 1.68

Accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting balance percentage method to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

Among these groups, accounts receivable adopting other methods to withdraw bad debt provision:

(2) Bad debt provision withdrawal, reversed or recovered in the report period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMBXXX; the amount of the reversed or collected part during the Reporting Period was of RMBXXX.

Significant amounts of reversed or recovered bad debt provision:

Unit: RMB Yuan

Name of the entity	Amount	Method
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(3) Particulars of the actual verification of accounts receivable during the Reporting Period

Unit: RMB Yuan

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

Of which: significant actual verification of accounts receivable

Unit: RMB Yuan

Name of the entity	Nature	Amount	Reason	Procedure	Whether occurred because of related party transactions
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Notes:

(4) Top five of account receivable of closing balance collected by arrears party

(5) Derecogniziton of account receivable due to the transfer of financial assets

(6) The amount of the assets and liabilities formed by the transfer and the continued involvement of accounts receivable

Other Notes:

2. Other accounts receivable

(1) Other account receivable classified by category

Unit: RMB Yuan

Category	Closing balance					Opening balance				
	Book balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book Value
	Amount	Proportion	Amount	Withdrawal proportion		Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	979,766,646.61	100.00 %			979,766,646.61	964,414,178.70	100.00 %			964,414,178.70
Total	979,766,646.61	100.00 %			979,766,646.61	964,414,178.70	100.00 %			964,414,178.70

Other accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period

☐ Applicable ☒ Not applicable

Among these groups, other accounts receivable adopting aging analysis method to withdraw bad debt provision:

☒ Applicable ☐ Not applicable

Unit: RMB Yuan

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
Subentry within 1 year			
1-3 months	21,131.24		
4-12 months			

Subtotal within 1 Year	21,131.24		
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Notes:

Among these groups, other accounts receivable adopting balance percentage method to withdraw bad debt provision

☐ Applicable ☒ Not applicable

Among these groups, other accounts receivable adopting other methods to withdraw bad debt provision:

☐ Applicable ☒ Not applicable

(2) Accounts receivable withdraw, reversed or collected during the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMBXXX; the amount of the reversed or collected part during the Reporting Period was of RMBXXX.

Significant amount of reversed or recovered bad debt provision;

Unit: RMB Yuan

Name of the entity	Reversed or collected amount	Method
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(3) Particulars of the actual verification of other accounts receivable during the Reporting Period

Unit: RMB Yuan

Item	Amount
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Of which: significant actual verification of other accounts receivable

Unit: RMB Yuan

Name of the entity	Nature	Amount	Reason	Procedure	Whether occurred because of related party transactions
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Notes of write-off other accounts receivable:

(4) Other accounts receivable classified by the nature

Unit: RMB Yuan

Nature	Closing book balance	Opening book balance
Pretty cash, etc.	21,131.24	457,276.86
Payment on behalf		163,917.24
Amount of equity transfer		105,000,000.00
Intercourse fund within the consolidated scope	979,745,515.37	858,792,984.60
Total	979,766,646.61	964,414,178.70

(5) Top 5 of the closing balance of the other accounts receivable collected according to the arrears party

Unit: RMB Yuan

Name of the entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Zhuhai Hongta Renheng Packaging Co., Ltd.	Loan and Interest	784,169,466.84	1-3 years	80.04%	
Zhuhai Huafeng Paper Co., Ltd.	Loan and Interest	77,308,601.68	1-3 years	7.89%	
Huaxin (Foshan) Color Printing Co., Ltd.	Loan and Interest	115,978,654.67	1-3 years	11.84%	
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	Loan and Interest	2,288,792.18	Within 1 year	0.23%	
Total	--	979,745,515.37	--	100.00%	

(6) Account receivable involving government subsidies

Unit: RMB Yuan

Name of the entity	Project of government subsidies	Closing balance	Closing aging	Estimated recovering time, amount and basis
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(7) Other accounts receivable derecognized due to the transfer of financial assets

(8) Amount of assets and liabilities due to the transfer of other account receivable and continued involvement

Other Notes:

3. Long-term equity investment

Unit: RMB Yuan

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value

Investment to the subsidiary	1,070,107,442.14		1,070,107,442.14	1,058,107,442.14		1,058,107,442.14
Investment to joint ventures and associated enterprises	244,408,251.27		244,408,251.27	254,253,797.80		254,253,797.80
Total	1,314,515,693.41		1,314,515,693.41	1,312,361,239.94		1,312,361,239.94

(1) Investment to the subsidiary

Unit: RMB Yuan

Investee	Opening balance	Increase	Decrease	Closing balance	Withdrawn impairment provision in the Reporting Period	Closing balance of impairment provision
Huaxin (Foshan) Color Printing Co., Ltd.	122,536,745.03			122,536,745.03		
Zhuhai Hongta Renheng Packaging Co., Ltd.	927,570,697.11			927,570,697.11		
Kunshan Focai Packaging & Printing Co., Ltd.	5,000,000.00			5,000,000.00		
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	3,000,000.00	12,000,000.00		15,000,000.00		
Total	1,058,107,442.14	12,000,000.00		1,070,107,442.14		

(2) Investment to joint ventures and associated enterprises

Unit: RMB Yuan

Investee	Opening balance	Increase/decrease in Reporting Period								Closing Balance	Closing Balance of impairment
		Additio nal investm ent	Negativ e investm ent	Investm ent profit and loss	Adjustm ent of other compreh	Other equity changes	Declarat ion of cash dividend	Withdra wn impairm ent	Others		

				recogniz ed under the equity method	ensive incomes		s or profits	provisio n			reserves
I. Joint ventures											
II. Associated enterprises											
Chengto ng Finance Co., Ltd.	254,253, 797.80			14,902,8 09.13			24,748,3 55.66			244,408, 251.27	
Subtotal	254,253, 797.80			14,902,8 09.13			24,748,3 55.66			244,408, 251.27	
Total	254,253, 797.80			14,902,8 09.13			24,748,3 55.66			244,408, 251.27	

(3)Other Notes:

(1) On acquisition date as Jun. 30, 2009, the Company gained 40.176% shares of Hongta Renheng by the way of capital and share increase, there were five directors in the Board of Directors of Hongta Renheng, of which the Company sent three directors, Yunnan Hongta Group Co., Ltd. and Renheng Industrial Co., Ltd. sent one director respectively. The Chairman of the Board (Legal representative) was sent by the Company, General Manager and Chief Financial Officer were also sent by the Company, so as to control the routine producing and operating activities of Hongta Renheng. Therefore, the company was consolidated into the consolidated statement of the Company since Jul. 2009.

On Feb. 1, 2010, Hongta Renheng finished the change procedures for capital increase in industry and commerce, so shares of Hongta Renheng held by the Company increased to 41.9653%. Meanwhile, the company revised the contract and Articles of Association of Hongta Renheng according to the resolutions of the Board of Directors of Hongta Renheng on Feb. 25, 2010, after which the directors of the Board of Directors changed from five to seven, as the Company sent four directors (originally three), Yunnan Hongta Group Co., Ltd. sent two directors (originally one), Renheng Industrial Co., Ltd. sent one, Dragon State International Limited didn't send any directors. The Company still can decide the financial and operating policies of Hongta Renheng. Therefore, it's still within the consolidated scope during this Reporting Period.

(2) According to the 4th meeting of the 5th Board of Directors held on Jun. 28, 2013, which received and approved the Proposal on Related Transaction of Purchasing Equity of Huaxin (Foshan) Color Printing Co., Ltd. Owned by Longbon International Co., Ltd., the Company purchased 25% equity of Huaxin (Foshan) Color Printing Co., Ltd. owned by Longbon International Co., Ltd. through the Equity Transfer Agreement with the base day of the equity protocol transfer on Jun. 30, 2013. The transfer price took the net assets through assessment of Huaxin (Foshan) Color Printing Co., Ltd. of RMB 199,450,300 as reference, and both parties

agreed to transfer 25% equity with the price of RMB 49,862,600. Relevant equity alternation procedures were completed in September 2013. In October 2013, the Company had completely paid the equity purchasing account of RMB 49,862,600. After the equity transfer, Huaxin (Foshan) Color Printing Co., Ltd. became the wholly-owned subsidiary of the Company.

(3) On Dec. 23, 2013, the Company's Third Special General Meeting of Shareholders reviewed and approved the Proposal on purchasing the 20% equity related transaction of Chengtong Finance Co., Ltd. held by China National Paper Industry Investment Corp. On Jan. 23, 2014, Chengtong Finance Co., Ltd. signed Equity Transfer Agreement with China National Paper Industry Investment Corp., planing to transfer 20% of equity to China National Paper Industry Investment Corp. After friendly negotiation, both parties agreed that the transfer price was RMB 231.4502 million, and Chengtong Finance Co., Ltd. changed its shareholder registration on Jun. 23, 2014. Therefore, from July 2014 on, Chengtong Finance Co., Ltd. held 20% equity of Chengtong Finance Co., Ltd. calculated based on the equity method.

4. Revenues and operating costs

Unit: RMB Yuan

Item	Reporting Period		Same period of last year	
	Revenue	Operating costs	Revenue	Operating costs
Main operations			255,247,489.31	255,247,489.31
Total			255,247,489.31	255,247,489.31

Other Notes:

5. Investment income

Unit: RMB Yuan

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	16,988,226.64	19,796,783.06
Long-term equity investment income accounted by equity method	14,902,809.13	15,735,223.61
Investment income arising from disposal of long-term equity investments		-75,000,000.00
Total	31,891,035.77	-39,467,993.33

6. Others

XV. Supplementary materials

1. Non-recurring Gains and Losses during this Reporting Period

√ Applicable □ Not applicable

Unit: RMB Yuan

Item	Amount	Explanation
Gains/losses on the disposal of non-current assets	-690,044.71	
Tax rebates, reductions or exemptions due to approval beyond authority or the lack of official approval documents	26,022,524.47	
Fund possession expenses collected from non-financial business that included in gains and losses during this period	22,334,467.56	
Gain/loss from change of fair value of transactional assets and liabilities, and investment gains from disposal of transactional financial assets and liabilities and available-for-sale financial assets, other than valid hedging related to the Company's common businesses	5,536,398.42	
Other non-operating incomes and expenses other than the above	-263,588.90	
Less: Income tax effects	2,645,887.81	
Minority interests effects	16,790,647.74	
Total	33,503,221.29	--

Explain the reasons if the Company classifies an item as an extraordinary gain/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Extraordinary Gains and Losses, or classifies any extraordinary gain/loss item mentioned in the said explanatory announcement as a recurrent gain/loss item.

□ Applicable √ Not applicable

2. Return on equity (ROE) and earnings per share (EPS)

Profit Up to Reporting Period	Weighted average ROE (%)	EPS (Yuan/share)	
		EPS-basic	EPS-diluted

Net profit attributable to common shareholders of the Company	3.13%	0.12	0.12
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	1.42%	0.06	0.06

Foshan Huaxin Packaging Co., Ltd.

(Company Seal)

March 27, 2017