Foshan Huaxin Packaging Co., Ltd.

Auditor's Report

Da Hua Audit Report [2018] No. 001266

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, 2017 to December 31, 2017）

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

I. Opinion

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

In our opinion, the financial statements attached were prepared in line with the regulations of Accounting Standards for Business Enterprises in all significant aspects which gave a true and fair view of the consolidated and parent financial position of Foshan Huaxin Packing Co., Ltd. as at Dec. 31, 2017 and the consolidated and parent business performance and cash flow for 2017.

II. Basis for Opinion

We conducted our audit in accordance with Standards on Auditing for Certified Public Accountants. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. In accordance with professional ethics for certified public accountants, we are independent with Foshan Huaxin Packing Co., Ltd. and we have fulfilled our other ethical responsibilities. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the Current Period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit events we have identified during the audit include:

1. High altitude falling production safety accident event caused by a flash burn (hereinafter referred to as "3.4 Safety Accident");

2. Typhoon Hato disaster loss event

(I). "3.4" production safety accident event

1. Event description

As described in Note 7 and Note 54, Note VI to the financial statements and in Note (I), Note XII to the financial statements, when the construction company of Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”), a subsidiary of Huaxin Packaging, carried out the maintenance of 120m reinforced concrete chimney anti-corrosion project, 6 construction workers fell down from a high altitude and died due to a sudden flash burn. Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) paid a total compensation of RMB11.16 million to relatives of the victims for Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. and Wuhan Kedio Electric Power Technology Co., Ltd. By December 31, 2017, RMB9.76 million paid by Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) for the two companies above hadn't been repaid. Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) has brought a lawsuit against Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. and Wuhan Kedio Electric Power Technology Co., Ltd. for recovering the sum. As the case is under trial, whether the sum can be collected involves major judgment of the management, and as the accident led to abnormal suspension of production of Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) and the loss incurred by shutdowns has a great impact on the profit of financial statements of the period, therefore, we will take this event as a key audit event.

2. Audit response

Audit procedures we implemented against the event include:

(1) Understand, evaluate and test the relevant internal control systems that Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) has established for the lawsuit and accounts receivable involved in the "3.4 Safety Accident" and the situation of their execution, so as to decide whether the internal control of the management of Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) for providing of bad debt provisions over accounts receivable is conforming and valid;

(2) Check the bidding documents, notification of award and construction contract concerning the project, and understand whether the tender process of the company is conforming and whether project subcontracting and safety responsibility have been clearly prescribed;

(3) Check meeting minutes and public announcement concerning the "3.4 Safety Accident", and understand the concrete process of the safety accident and the impact of the handling results on the company;

(4) Check the proof of payment of compensation to the relatives of the victims, indemnity agreement signed with the relatives of the victims, bank statement record and other supporting materials;

(4) Send balance confirmation request to Jiangsu Tianxing and online inquire the credit information of Jiangsu Tianxing and other contractors and construction companies that are related to the case;
(6) Discuss the concrete situation of the lawsuit with relevant personnel of the Political and Legal Supervision Department and understand the undertaking of relevant accident liability and the possibility of collection of the compensation amount that the company paid for above liability companies;
(7) Send confirmation request to the external law firm and the responsible lawyer hired by the management of Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) and obtain legal opinion, understand the progress of the case, and make a judgment on possible results of the lawsuit, the recovery and potential risks;
(8) Obtain the judgment and assessment of the management of Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) on the collection of the compensation amount that the company paid for above liabilities companies, and analyze the rationality of such judgment and assessment based on the procedures above;
(9) Check the account handling of the loss incurred by abnormal shutdowns of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") caused by the "3.4 Safety Accident" and the accuracy of the loss amount.
Based on the audit executed, we draw the following conclusion: The judgment and assessment of the management on the collection of the compensation amount that the company paid for above liabilities companies is rational; the presentation and disclosure of the loss incurred by abnormal shutdowns of Zhuhai Huafeng Paper Co., Ltd. ("Zhuhai Huafeng") caused by the "3.4 Safety Accident" conforms to the accounting standard.

(II). Typhoon Hato disaster loss event

1. Event description

As described in Note 9 and Note 54, Note VI to the financial statements and in Note (II), Note XII to the financial statements, Zhuhai Hongta Renheng Packaging Co., Ltd. (“Hongta Renheng”) and Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”), subsidiaries of Huaxin Packaging, suffered from Typhoon Hato natural disaster on August 23, 2017; the stock and fixed assets of these two companies were damaged to some extent. At present, the companies are in negotiations with the property insurance company for specific compensation scheme. By December 31, 2017, the specific compensation amount hadn't been confirmed. Relevant property loss that the company may suffer from the typhoon natural disaster involves major judgment of the management, and the loss incurred by abnormal shutdowns of the company caused by the typhoon natural disaster has a great impact on the profit of financial statements of the period, therefore, we will take this event as a key audit event.

2. Audit response

Audit procedures we implemented against the event include:

(1) Understand, evaluate and test the relevant internal control systems that the company has established for the typhoon Hato disaster loss event and the situation of their execution, so as to decide whether the internal control of the company over the judgment on relevant property loss that the company may suffer from the typhoon natural disaster is conforming and valid;

(2) Obtain the internal relevant meeting minutes and public announcement of Zhuhai Hongta Renheng Packaging Co., Ltd. (“Hongta Renheng”) and Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”), and understand the loss of stock and fixed assets or maintenance expenditure in connection with the typhoon disaster;

(3) Obtain the draft assessment report on the loss caused by the typhoon disaster issued by a third party assessment institution accepted by Zhuhai Hongta Renheng Packaging Co., Ltd. (“Hongta Renheng”), Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) and the insurance company, and review, analyze and calculate the accuracy and rationality of the compensation amount that Zhuhai Hongta Renheng Packaging Co., Ltd. (“Hongta Renheng”) and Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) have obtained according to claim clauses in the insurance contract and preliminary assessment results;

(4) Conduct a telephone interview with the responsible person of the third party assessment institution, understand the pricing basis and coverage of the damaged property claims from the assessor, discuss the rationality of the assessment method and critical assumptions, and understand the calculation process of agreed amount and claim amount;

(5) Conduct a telephone interview with the responsible person of the insurance agency, and understand the specific progress of the claim, the selection of claim scheme and the judgment on estimated loss amount;

(6) Obtain the insurance contract signed by Zhuhai Hongta Renheng Packaging Co., Ltd. (“Hongta Renheng”), Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) and PICC Property and Casualty Company Limited, and check contract terms such as insurance object and compensation scope;

(7) Obtain the Calculation Table for the Amount of Losses Caused by the Typhoon Disaster prepared by the management of Zhuhai Hongta

Renheng Packaging Co., Ltd. (“Hongta Renheng”) and Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) and analyze the rationality of the judgment according to procedures above;
(8) Obtain relevant documents with respect to the application submitted by Zhuhai Hongta Renheng Packaging Co., Ltd. (“Hongta Renheng”) and Zhuhai Huafeng Paper Co., Ltd. (“Zhuhai Huafeng”) to Zhuhai Municipal Government for government subsidy for losses in relation to the typhoon disaster and the reply of the government, and verity the accuracy of the account handling;
(9) Check the account handling of the loss of stock and fixed assets or maintenance expenditure in connection with the typhoon disaster and the loss incurred by abnormal shutdowns caused by the typhoon disaster and the accuracy of the loss amount.
Based on the audit executed, we draw the following conclusion: the presentation and disclosure of the loss incurred by abnormal shutdowns caused by the typhoon disaster made by the management of the company conforms to the accounting standard.

IV. Other Information

The management of Foshan Huaxin Packing Co., Ltd. is responsible for the other information. The other information comprises all of the information included in the annual report for 2017 other than the financial statements and our auditor’s report thereon.
Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.
In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.
If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

V. Responsibility of Management and Those Charged with Governance for the Financial Statements

The management of the Company is responsible for the preparation and fair presentation of these financial statements in accordance with Accounting Standards for Business Enterprises to make them a fair presentation and 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.

In preparing the financial statements, the management of Foshan Huaxin Packing Co., Ltd. is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. CPA's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. We report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with auditing standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with auditing standards, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

1. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

2. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.

3. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.

4. Conclude on the appropriateness of the management' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are

required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

5. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

6. Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the Company's audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the Current Period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Da Hua Certified Public Accountants
(Special General Partnership)

CPA:

(Engagement Partner)

Beijing ·China

CPA:

March 15, 2018

Foshan Huaxin Packaging Co., Ltd.
Notes to Financial Statements 2017

I. Company Profile

(I) 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. 2017, 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 2nd. Floor, No. 7 Building, No. 3 Luogeyuan Keyang Road, Chancheng Economic Development Zone, Nanzhuang Town, Chancheng District, Foshan City, Guangdong Province.

(II) Nature of Business and Main Operation Activities

The Company is in the industry of papermaking, paper packaging and printing

Business scope: 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 or services include high-grade coated white cardboard and color packages printing products, and etc.

(III) The Names of the Parent Company and Group Headquarter

The parent company of the Company is Foshan Huaxin Development Co., Ltd. The actual controller of the Company is China Paper Corporation, and the final controller is China Chengtong Holdings Group Ltd.

(IV) Approval of Financial Statements

The financial statements have been approved by the Board of Directors on March 15, 2018.

II. Consolidated Financial Statements Scope

(I) List of Subsidiary

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

Name of subsidiaries	Main premises	Registered place	Business nature	Shareholding percentage(%)		Method
				direct	indirect	
Huaxin (Foshan) Color Printing Co., Ltd.	Foshan	Foshan	Manufacturing	100.00	---	Established
Zhuhai Huafeng Paper Co., Ltd.	Zhuhai	Zhuhai	Manufacturing	---	100.00	Business merger under the same control

Name of subsidiaries	Main premises	Registered place	Business nature	Shareholding percentage(%)		Method
				direct	indirect	
Zhuhai Hongta Renheng Packaging Co., Ltd.	Zhuhai	Zhuhai	Manufacturing	41.9653	---	Business merger not under the same control
Kunshan Focai Packaging & Printing Co., Ltd.	Suzhou	Suzhou	Manufacturing	100.00	---	Established
Zhuhai Golden Pheasant Chemical Co., Ltd.	Zhuhai	Zhuhai	Manufacturing	---	51.00	Business merger not under the same control
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	Jiaxing	Jiaxing	Manufacturing	100.00	---	Established

(II) Entity not Inclueded into the Scope of Consolidation in the Current Period

Name	reason
Foshan Hongta Liyan Material Technology Co., Ltd.	cancelled

III. Basis for the Preparation of Financial Statements

(I) 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).

(II) 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

(I) 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.

(II) Fiscal Period

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

(III) Standard Currency of Accounts

The Company adopts Renminbi as a standard currency of accounts.

(IV) Book-keeping Basis and Valuation Principle

The Company takes the accrual system as the accounting basis. The Company generally adopts the historical cost in the measurement of the accounting elements. The Company will give special explanations on the measurement of other attributes such as replacement cost, net realizable value, present value or fair value according to the standards.

(V) 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) combing 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 “acquisition date” refers to the date on which the Company actually obtains the control on the acquiree, that is, the date on which acquiree’s net asset or the right of control of production decision are transferred to the Company. The right of control is thought to be transferred when the following conditions are simultaneously satisfied:

① The contract or agreement of business combination has been approved by the internal authority of the Company.

② The events of business combination in need of the approval of relevant national authorities have been approved.

③ The necessary property rights transfer has been made.

④ The Company has paid the most of the combination price, and the Company is able to pay the rest of it with plans.

⑤ The Company actually has controlled the finance and operation policy of the acquire, enjoying the corresponding benefits and taking corresponding risks.

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.

(VI) 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.

Owning 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.

Owning 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

1) 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.

2) 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.

(VII) 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.

(VIII) Foreign Currency Businesses

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.

(IX) 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 changes 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:

1). The purpose of obtaining the financial assets or financial liabilities is to sell, repurchase or redeem it in a short time;

2). 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;

3). 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:

1). 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;

2). 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.

3). 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;

4). 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:

1). 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.

2). The enterprise has got back almost all the initial principal in the mode of payment as specified in the contract.

3). 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 form 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 contact, 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.

(X) Accounts Receivable

1. Bad Debt Provision for Individually Significant Accounts Receivable

Judgment basis of bad debt provision for individually significant accounts receivable:

An account receivable exceeds 10 million, or another 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

(1) Recognition basis of credit risk characteristics

Receivables with insignificant single amount are classified into several groups according to their credit risk characteristics together with the receivables with significant single amounts that have not been impaired after being tested individually. The provision for bad debts should be determined on the basis of the actual loss rate of accounts receivable with similar credit risk characteristics of previous receivables and the current situation.

Recognition basis:

Name of the group	Bad debt provision method	Recognition basis of group
Amounts of related-parties within the scope of consolidation	No impairment provision withdrawn	The accounts receivable included into the consolidated financial statements scope share similar credit risk characteristics.
Aging analysis method group	Aging analysis method	Aging analysis method: The ratio of provision for bad debts shall be determined on the basis of the actual loss rate of previous receivables classified by aging and the current situation. The provision for bad debts in this year shall be withdrawn based on that.

(2) Withdrawl method recognized according to the credit risk characteristics

①Adopting aging analysis method to withdraw bad debt provision

Aging	Withdrawal proportion for accounts receivable	Withdrawal proportion for other accounts receivable
1-3 months	---	---
4-12 months	5	5
1-2 years	10	10
2-3 years	20	20
Over 3 years	50	50

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.

(XI) Inventory

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.

(XII) 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 “Accounting disposal method of the enterprise merger under or not under the same control” under Note 5.

(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 reason s 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;

(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.

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:

(1). 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.

(2). 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:

(1). 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.

(2). 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. (1). Have representatives in the Board of Directors of investee or similar organ of authority; (2). Take part in the establish progress of finance and operation policies of investee; (3). Have significant transaction with the investee; (4). Send administrators to the investee; (5). Provide key technology information to investee.

(XIII) Investment Property

The term "investment real estate" refers to the real estate held for generating rent and/or capital appreciation, including the right to use any land which has already been rented, the right to use any land which is held and prepared for transfer after appreciation, and the right to use any building which has already been rented. Besides, the vacant buildings held by the Company for renting are also presented and listed as investment real estate if the Board of Directors made the written decision to confirm it to be used for renting with no change of the purposes in the short term.

The investment real estate of the Company is regarded as entry value according to its costs. The cost of an investment real estate by acquisition consists of the acquisition price, relevant taxes, and other expenses directly relegated to the asset; the cost of a self-built investment real estate composes of the necessary expenses for building the asset to the hoped condition for use.

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	30-40 years	5%	2.38%-3.17%

When the usage of investment real estate is changed for being used for its own, the Company will convert the investment real estate into fixed assets or intangible assets from the date of change. When the usage of real estate used for its own was changed for generating rents or capital appreciation, the Company will convert fixed assets or intangible assets into investment real estate from the date of change. The book value before converting is taken as entry value after converting when converted.

If an investment real estate is disposed of, or if it withdraws permanently from use and if no economic benefit will be obtained from the disposal, the recognition of it as an investment real estate shall be terminated. The disposal income of investment real estate's sales, transfer, discards, or damage deducting the book value of the investment real estate as well as the relevant taxes shall be included the current profits and losses.

(XIV) 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. Initial Measurement of Fixed Assets

The fixed assets of the Company are initially measured at cost.

(1) The cost of fixed assets purchased includes the purchase price, import duties and other related taxes and fees, as well as other expenses that can be directly attributable to the assets before they become ready for their intended use.

(2) The cost of constructing fixed assets by itself is composed of the necessary expenditures incurred before the assets are ready for their intended use.

(3) The fixed assets invested by investors shall be recorded as the value stipulated in the investment contract or agreement, but the contractual or agreed contractual value shall be unfairly recorded at fair value.

(4) If the price of the purchased fixed assets exceeds the normal credit terms and deferred payment, which is substantially of a financing nature, the cost of the fixed assets shall be determined on the basis of the present value of the purchase price. The difference between the actually paid price and the present value of the purchase price shall be included in the current profit and loss within the credit period except for the capitalization.

2. Sbusequent Measurement and Disposal of Fixed Assets

(1) Fixed Assets Depreciation

Depreciation of fixed assets is accrued over its estimated useful life, based on its carrying amount less its estimated residual value. For a fixed asset provided for impairment, the amount of depreciation will be determined based on the carrying amount after deducting the impairment provision and its remaining useful life in future periods; the fixed assets that have been fully depreciated and still in use are not depreciated.

The Company determines the useful life and estimated net salvage value of fixed assets based on the nature and usage of the fixed assets. At the end of the year, the service life of the fixed assets, estimated net salvage value and depreciation method shall be reviewed. If there is any discrepancy with the original estimate, the corresponding adjustments shall be made.

The depreciation method, useful life and annual depreciation rate are listed as follows:

Category	Depreciation method	Useful life (year)	Expected net salvage value (%)	Annual deprecation (%)
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

(2) Subsequent Expenses of Fixed Assets

The subsequent expenses which meet the recognition condition of fixed assets are recored into the cost of fixed assets, otherwise included into the current gains and losses.

(3) Disposal of Fixed assets

When a fixed asset is disposed of or it is not expected to generate any economic benefits through its use or disposal, the fixed asset is derecognized. The amount of disposal income of disposal, transfer, scrapping or damage of fixed assets after deducting the book value and related taxes and fees shall be included in the current profits and losses.

4. 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.

(XV) Construction in Progress

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.

(XVI) 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:

(1). 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;

(2). The borrowing costs have already incurred; and

(3). 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.

(XVII) Intangible Assets and R&D Expenses

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

(1). 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.

(2). 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.

3. 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.

4. 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:

(1). It is feasible technically to finish intangible assets for use or sale;

(2). It is intended to finish and use or sell the intangible assets;

(3). 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;

(4). It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and

(5). The development expenditures of the intangible assets can be reliably measured.

The 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.

(XVIII) 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.

(XIX) 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

(XX) Payroll

Payroll refers to the remuneration or compensation paid by the Company in various forms for the aqusition of services provided by employees or severing labor relations, which includes short-term compensation, welfare demission, dismissal welfare, and other welfare of the long-term employees.

1. 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. Welfare after Dimission

Welfare after dimission 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 dimission plans are setting drawing plans.

The setting drawing plan of welfare after dimission is the social basic pension insurance, unemployment insurance, etc, which implemented by the local labor and social security offices. In addition to social basic pension insurance and unemployment insurance, the Company participated in corporation pension scheme of China Chengtong Holdings Group Ltd. In the framework of Corporation Pension Scheme of China Chengtong Holdings Group Ltd, employees can voluntarily take part in the pension plan before January 1, 2017 according to the corporation pension scheme of Implementing Rules for China Paper Corporation Pension Scheme. 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. Dismissal Welfare

Dimissal 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 dimissal welfare, should recognize the payroll liabilities from the dimissal welfare and include in the current gains and losses.

4. 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.

(XXI) 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:

The obligation is a current obligation of the company;

It is likely to cause any economic benefit to flow out of the Company as a result of performance of the obligation; and

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.

(XXII) Revenue

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.

If the collection of the price as stipulated in the contract or agreement is delayed and if it has the financing nature, the revenue incurred by selling goods shall be ascertained in accordance with the fair value of the receivable price as stipulated in the contract or agreement.

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:

(1). The amount of revenue can be measured in a reliable way.

(2). Relevant economy profits may inflow enterprises

(3). The schedule of completion of the transaction can be measured in a reliable way.

(4). 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't, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall be handled under the following conditions:

(1). 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;

(2). 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.

(XXIII) Government Subsidies

1. Category

Government subsidies refer to the monetary assets and non-monetary assets obtained by the Company from the government for free. Government subsidies are classified into government subsidies related to assets and government subsidies related to income by the subsidiy object stipulated in relative official documents.

Government grants related to assets refer to the government subsidies obtained by the Compay for purchase or contruction or forming long-term assets by other ways. Government grants related to income refer to the government subsidies except the government subsidies related to assets.

2. Recognition of Government Subsidies

Where there is evidence at the end of the period that the Company can meet the relevant conditions stipulated in the financial support policy and that the Company is expected to receive the financial support fund, the government subsidies shall be recognized according to the receivable amount. In addition, government grants are recognized when actually received.

Government grants which are monetary assets shall be measured at the amount received or receivable. Government grants which are non-monetary assets shall be measured at fair value. Where the fair value cannot be obtained in a reliable way, it is measured at the nominal amount (RMB1). The government subsidies measured at the nominal amount shall be directly included in the current profits and losses.

3. Accounting Treatment

Government subsidies related to assets are recognized as deferred income and recorded into gains/losses in reasonable and systematic way by stage in line with service life of assets purchased or constructed;

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 into the current gains/losses during the period when the relevant expenses or losses are recognized; those subsidies used for compensating the related expenses or losses incurred to the enterprise shall be directly included into the current gains/losses.

Government subsidies related to daily activities of enterprises shall be recorded into other incomes; government subsidies that have nothing to do with daily activities of enterprises shall be recorded into non-operating revenues and expenditure.

The obtained government subsidies closely related to policy concessional loan write-downs related borrowing costs; when getting the loans with policy preferential interest rate provided by lending bank, the Company shall take the actual obtained borrowing balance as entry value of borrowings, and calculate related borrowing costs in accordance with loan principal and policy preferential interest rate.

The government recognized need to return, which write-downs related assets book value when initially recognized, adjusting assets book value; 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.

(XXIV) Deferred Income Tax Assets and 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 deductable 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 deductable 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 deductable 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.

(XXV) Lease

A lease transferring all risks and remuneration related to the ownership of the leasing assets throught lease articles in nature is a financing lease. Others are operating leases.

1. Accounting Treatment of Operating Lease

(1) Operating Leasing Assets

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) Operation Renting out Assets

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.

(XXVI) Changes in Main Accounting Policies and Estimates

1. Change of Accounting Policies

(1) Particulars of change of accounting policies

Contents and reasons	Procedures	Remarks
On May 10, 2017, Ministry of Finance announced the revised The Accounting Standards for Enterprises No. 16 - Governmental Subsidies. The Company made corresponding adjustment according to the revised rules	According to the related regulations of Rules of Floatation of shares in Shenzhen Stock Exchange and Guidelines for Standard Operation of Main-board Companies in Shenzhen Stock Exchange,	---

Contents and reasons	Procedures	Remarks
On April 28, 2017, Ministry of Finance announced The Accounting Standards for Enterprises No. 42-Non Current Assets Held for Sale, Disposal Group, and Operation Termination. The Company made corresponding adjustment according to the rules and Notes of revising and Printing the Format of General Enterprises Financial Statement	this part of accounting policy changes has been reviewed by the eighth Meeting of the seventh Board of Directors of the Company in 2017, no need of being reviewed by General Meetings of Shareholders.	---

Notes of accounting policy changes:

(1) On May 10, 2017, Ministry of Finance announced the revised The Accounting Standards for Enterprises No. 16 - Governmental Subsidies implemented from June 12, 2017, which requires companies to deal with the government subsidies that exist on January 1, 2017 by prospective application, and adjust the added government subsidies between January 1, 2017 and the implementation day of the rules in line with the revised rules.

The Company began to adopt the revised rules from June 12, 2017, and made adjustment to the government subsidies between January 1, 2017 and the implementation day of the rules according to the requirement of the new rules. Retroactive adjustment would not to be done to the transaction before January 1, 2017, nor did the financial statement in the period of comparison of 2017 financial statement.

(2) On April 28, 2017, Ministry of Finance announced The Accounting Standards for Enterprises No. 42-Non Current Assets Held for Sale, Disposal Group, and Operation Termination implemented from May 28, 2017. The Company newly added the item of “Income of Assets Disposal” in income statement, and presented and listed classifiably net profits in business continuity according to the rules and Notes of revising and Printing the Format of General Enterprises Financial Statement (CK〔2017〕No. 30). The Company made the adjustment to comparative date in the period of comparison according to the related regulation of The Accounting Standards for Enterprises No. 30-the Presentation of Financial Statement. The influences of implementing the new rules on the comparative financial statement are as follows:

Item	Amount incurred in the previous period	
	Before adjustment	After adjustment
Asset disposal income	---	(192,618.05)
Non-operating income	29,182,787.72	28,489,936.98
Non-operating expenses	4,113,896.86	3,228,428.07

2. Changes in Accounting Estimates

No such cases in the Current Period.

V. Taxation

(I) Main Taxes and Tax Rate

Category of taxes	Tax basis	Tax rate
VAT	Revenue from sale of goods, taxable revenue from rendering services	Rental income was 5%, interest income was 6%, water fee income was 11%, and others income was 17%
Urban maintenance and	Turnover tax actually paid	7%
Enterprise income tax	Taxable income	25%
Property tax	70% of the original value of the	1.2%
	Rental income as tax base	12%

Notes of the taxpaying bodies with different enterprises income tax rate:

Name	Income tax rate
The Company	25%
Hongta Renheng	15%
Golden Pheasant Chemical	15%
Huaxin Color Printing	15%
Zhuhai Huafeng	15%

Kunshan Focai	25%
Zhejiang Hongta	25%

(II) Tax Preference Policies and Basis

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 2017, 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 Golden Pheasant 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). 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 Golden Pheasant Chemicals Co., Ltd. had passed the affirmation of high-tech enterprise. Thus the sub-subsidiary Zhuhai Golden Pheasant Chemicals Co., Ltd. shall pay the corporate income tax according to the corporate income tax rate of 15% in 2017.

3. According to the First 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, the subsidiary of the Company, Zhuhai Huafeng Paper Co., Ltd. had passed the affirmation of the first name list high-tech enterprise of 2016 in Guangdong Province, and gained Certificate for Hi-tech Enterprise (Certificate No.: GR201644001293, with three years of validity). Thus Zhuhai Huafeng Paper Co., Ltd. shall pay the corporate income tax according to the corporate income tax rate of 15% in 2017.

4. 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% in 2017.

VI. Notes to Major Items in the Consolidated Financial Statements of the Company

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

Note 1. Monetary Funds

Item	Closing balance	Opening balance
Cash on hand	173,601.37	137,530.97
Bank deposits	254,078,310.38	356,966,169.85
Other monetary funds	33,400,956.90	176,891,765.59
Total	287,652,868.65	533,995,466.41
Of which: the total deposits kept overseas	---	---

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

Item	Closing balance	Opening balance
Deposit of bank acceptance	---	126,634,278.53
Cash Deposit	6,284,026.90	50,056,233.21
Other use restricted deposits	27,116,930.00	201,253.85

Total	33,400,956.90	176,891,765.59

Note 2. Financial Assets Measured by Fair Value and the Changes Included in the Current Gains and Losses

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
Total	---	1,571,341.66

Other Notes:

The opening balance was the bank's structural deposits of financial products purchased by the company's subsidiaries Hongta Renheng Paper Co., Ltd. and Zhuhai Huafeng. The fair value of the floating interest calculated on December 31, 2016 as per the contract was taken back at maturity in the current period.

Note 3. Notes Receivable

1. Notes Receivable Listed by Category

Item	Closing balance	Opening balance
Bank acceptance bill	428,945,798.73	418,475,541.19
Commercial acceptance bill	1,753,865.72	2,365,076.97
Total	430,699,664.45	420,840,618.16

2. Notes Receivable Pledged by the Company at the End of the Period

Item	Amount
Bank acceptance bill	70,176,980.33
Total	70,176,980.33

3. Notes Receivable Endorsed by the Company and not due on the Balance Sheet Date at the End of the Period

Item	Derecognized Amount at the end of the period	Non-derecognized amount at the end of the period
Bank acceptance bill	520,975,787.99	---
Total	520,975,787.99	---

4. Notes Receivable Discounted by the Company and not due on the Balance Sheet Date at the End of the Period

Item	Derecognized Amount at the end of the period	Non-derecognized amount at the end of the period
Bank acceptance bill	380,257,050.48	---
Total	380,257,050.48	---

5. Notes Transferred to Accounts Receivable because Drawer of the Notes Failed to Execute the Contract or Agreement

Note 4. Accounts Receivable

1. Accounts Receivable Classified by Category

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion	
Accounts receivable with significant single amount	---	---	---	---	---

for which bad debt provision separately accrued					
Accounts receivable withdrawal of bad debt provision by credit risks characteristics:	733,348,714.44	94.67	3,218,491.38	0.44	730,130,223.06
Accounts receivable with insignificant single amount for which bad debt provision separately accrued	41,284,524.04	5.33	41,284,524.04	100.00	---
Total	774,633,238.48	100.00	44,503,015.42	5.75	730,130,223.06

Continued:

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion (%)	Amount	Withdrawal proportion	
Accounts receivable with significant single amount for which bad debt provision separately accrued	---	---	---	---	---
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
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	---
Total	869,337,972.47	100.00	43,172,986.28	4.97	826,164,986.19

Notes of the classification of accounts receivable:

(1) No Accounts receivable with significant single amount for which bad debt provision separately accrued at the end of the period

(2)Among these groups, accounts receivable adopting aging analysis method to withdraw bad debt provision

Aging	Closing balance		
	Account receivable	Bad debt provision	Withdrawal proportion
1-3 months	678,512,032.99	---	---
4-12 months	51,433,124.03	2,571,656.21	5.00
1 to 2 years	2,574,649.38	257,464.94	10.00
2 to 3 years	83,612.64	16,722.53	20.00
Over 3 years	745,295.40	372,647.70	50.00
Total	733,348,714.44	3,218,491.38	0.44

(3) The account receivable with insignificant single amount for which bad debt provision separately accrued at the end of the period is caused by unability to contact the customer since there is no longer business contact between the two parties.

2. Bad Debt Provision Withdrawal, Reversed or Recovered in the Reporting Period

The withdrawal amount of the bad debt provision during the Reporting Period was of RMB

2,933,213.16; the amount of the reversed or collected part during the Reporting Period was of RMB1,603,184.02.

3. 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	38,614,878.47	4.98	50,000.00
Customer B	28,038,481.31	3.62	222,649.87
Customer C	27,230,747.81	3.52	---
Customer D	23,479,982.97	3.03	---
Customer E	22,351,131.01	2.89	92,042.09
Total	139,715,221.57	18.04	364,691.96

4. Refer to Note IX. (V) for Details about the Accounts Receivable Paid by Related Parties in the Accounts Receivable at the End of the Period

Note 5. Prepayment

1. List by Aging Analysis

Aging	Closing balance		Opening balance	
	Amount	Proportionv(%)	Amount	Proportion (%)
Within 1 year	106,169,940.89	81.48	129,394,303.41	98.57
1 to 2 years	23,790,082.66	18.26	725,582.93	0.55
2 to 3 years	---	---	155,097.35	0.12
Over 3 years	337,286.50	0.26	1,003,364.28	0.76
Total	130,297,310.05	100	131,278,347.97	100.00

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	36,516,917.46	28.03	Within 1 year	Did not arrived in the settlement period
Customer B	23,772,770.08	18.25	1-2years	Did not arrived in the settlement period
Customer C	13,484,347.63	10.35	Within 1 year	Did not arrived in the settlement period
Customer D	13,226,824.58	10.15	Within 1 year	Did not arrived in the settlement period
Customer E	6,214,564.92	4.77	Within 1 year	Did not arrived in the settlement period
Total	93,215,424.67	71.54		

3. Refer to Note IX. (V) for details about the prepayment of related parites in the prepayment at the end of the Reporting Period.

Note 6. Interest Receivable

1. Category of Interest Receivable

Item	Closing balance	Opening balance
Fixed time deposits	141,388.09	358,066.39
Interest of Foreign Loan	---	5,950,976.18
Total	141,388.09	6,309,042.57

2. Notes of Interest Receivable

The closing balance of interest receivable decreased 97.76% compared with that of opening balance which was mainly the whole received principal and interest of Foshan Chengtong.

Note 7. Other Accounts Receivable

1. Other Account Receivable Classified by Category

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	18,582,481.20	40.04	18,582,481.20	100.00	---
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	21,621,356.32	46.60	1,513,213.18	7.00	20,108,143.14
Other accounts receivable with insignificant single amount for which bad debt provision separately accrued	6,198,529.18	13.36	6,198,529.18	100.00	---
Total	46,402,366.70	100.00	26,294,223.56	56.67	20,108,143.14

Continued:

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	19,464,553.91	51.88	19,464,553.91	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
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	---
Total	37,517,215.70	100.00	25,309,646.96	67.46	12,207,568.74

Notes of the category of other accounts receivable

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

Other accounts receivable	Closing balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason

Other accounts receivable	Closing balance			
	Other accounts receivable	Bad debt provision	Withdrawal proportion	Withdrawal reason
Hong Kong Hang Fung Holdings Limited Co., Ltd.	12,582,481.2	12,582,481.2	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	18,582,481.20	18,582,481.20	100.00	

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

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
1-3 months	3,608,477.00	---	---
4-12 months	12,062,200.73	603,110.03	5.00
1 to 2 years	4,201,942.26	420,194.23	10.00
2 to 3 years	1,281,530.81	256,306.16	20.00
Over 3 years	467,205.52	233,602.76	50.00
Total	21,621,356.32	1,513,213.18	7.00

(3) Other accounts receivable woth insignificant single amount for which bad debt provision separately accrued at the end of the period: it was an issue left over by history. The Company was unable to contact the other party when collected the said accounts for no business contact between the two parties.

2. Bad Debt Provision Withdrawal, Reversed or Recovered in the Current Period

The withdrawal amount of the bad debt provision in the Current Period was of RMB1,108,150.75; the amount of the reversed or collected part in the Current Period was of RMB123,574.15.

3. Particulars of the Other Accounts Receivable without Actual Verification in the Current Period

4. Other Account Receivable Classified by Account Nature

Nature	Closing balance	Opening balance
Margin	5,129,666.50	4,557,712.86
Pretty cash	1,563,520.43	2,212,246.03
Freight and miscellaneous charges on behalf	3,088,597.59	3,374,742.46
Compensation for victim’s families on behalf	9,760,000.00	---
Other intercourse funds	26,860,582.18	27,372,514.35
Total	46,402,366.70	37,517,215.70

5. Top 5 of the Closing Balance of the Other Accounts Receivable Collected according to the Arrears Party

Name of the entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Hong Kong Hang Fung Holdings Limited Co., Ltd.	Other intercourse funds	12,582,481.20	Over 3 years	27.12	12,582,481.20
Jiangsu Tianxing High-Altitute Anti-corrosion Engineering	Compensation for victim’s families on	9,760,000.00	Within 1 year	21.03	488,000.00

Name of the entity	Nature	Closing balance	Aging	Proportion%	Closing balance of bad debt provision
Co., Ltd.	behalf				
Zhuhai Yidesheng Industrial Co., Ltd.	Other intercourse funds	6,000,000.00	Over 3 years	12.93	6,000,000.00
Total	Margin	2,000,000.00	Over 3 years	4.31	2,000,000.00
Pinghu Land Resources Bureau	Margin	1,520,000.00	1-2 years	3.28	152,000.00
Total		31,862,481.20		68.67	21,222,481.20

6. Refer to Note IX. (V) for Details about the Accounts Payable by Related Party in Other Accounts Receivable

7. Other Notes of Other Accounts Receivable

The account receivable at the end of the Reporting Period from JIANGSU TIANXING HIGH-ALTITUDE ANTI-CORROSION ENGINEERING CO., LTD. was RMB9,760,000.00 which was the advance paid by Zhuhai Huafeng Paper Co., Ltd., the Company's holding subsidiary, to families of the victims who died in "3.4 Safety Accident". For details, please refer to Note XII. (I).

Note 8. Inventory

1. Category of Inventory

Item	Closing balance			Opening balance		
	Book balance	Falling price reserves	Book value	Book balance	Falling price reserves	Book value
Raw materials	307,249,280.55	4,405,881.46	302,843,399.09	204,284,126.92	4,389,802.22	199,894,324.70
Goods in process	37,051,626.77	---	37,051,626.77	41,566,211.76	---	41,566,211.76
Inventory goods	252,774,871.60	6,490,549.35	246,284,322.25	377,910,881.78	7,134,685.44	370,776,196.34
Total	597,075,778.92	10,896,430.81	586,179,348.11	623,761,220.46	11,524,487.66	612,236,732.80

2. Falling Price Reserves of Inventory

Item	Opening balance	Withdrawal	Reverse	write-off	Closing Balance
Raw materials	4,389,802.2	105,254.54	---	89,175.30	4,405,881.46
Inventory goods	7,134,685.4	5,955,765.24	3,665,402.37	2,934,498.96	6,490,549.35
Total	11,524,487.	6,061,019.78	3,665,402.37	3,023,674.26	10,896,430.81

The write-off of the falling price reserves of inventory was caused by the sales of raw materials and inventory goods for this Current Period.

Note 9. Other Current Assets

Item	Closing balance	Opening balance
The VAT deduction	22,185,700.04	8,698,861.83
Structural Deposits	1,000,000.00	209,000,000.00
Advance Payment of corporate income tax	13,826.63	172,635.86
Damaged property to be disposed for typhoon	20,961,100.36	---
Total	44,160,627.03	217,871,497.69

1. Other Notes of Other Current Assets

(1) Other current assets at the end of the Reporting Period decreased 79.73% compared to that at the beginning of the period, resulting from the calling back of structural deposits at maturity.
(2) The damaged properties to be disposed for typhoon were mainly the properties of the Company's subsidiaries Zhuhai Hongta Renheng Packaging Co., Ltd. and Zhuhai Huafeng Paper Co., Ltd. damaged for typhoon "Hato" in the Current Period which have not been disposed by the end of Dec. 31, 2017.

Note 10. Available-for-sale Financial Assets

1. List of Available-for-sale Financial Assets

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
Available-for-sale equity instruments:	627,643,841.04	---	627,643,841.04	288,700.00	---	288,700.00
Measured at cost	627,643,841.04	---	627,643,841.04	288,700.00	---	288,700.00

2. Available-for-sale Financial Assets Measured by Fair Value at the End of the Period

Investee	Shareholding proportion among the investees	Book balance			
		Opening period	Increase	Decrease	Closing period
China Guangfa Bank Co., Ltd.	0.0004248	288,700.00	---	---	288,700.00
China Chengtong Finance Corporation Ltd.	10.00	---	627,355,141.04	---	627,355,141.04
Total	---	288,700.00	627,355,141.04	---	627,643,841.04

Continued:

Investee	Depreciation reserves				Cash bonus of the Reporting Period
	Opening period	Increase	Decrease	Closing period	
China Guangfa Bank Co., Ltd.	---	---	---	---	---
China Chengtong Finance Corporation Ltd.	---	---	---	---	6,995,738.12
Total	---	---	---	---	6,995,738.12

(1) In 2015, the Company was transferred to 0.0004248% of shares of China Guangfa Bank Co., Ltd. by its former subsidiary Foshan Chengtong Paper Co., Ltd. that has been disposed.
(2) The Company's former associated enterprise China Chengtong Finance Corporation Ltd. increased its registered capital by RMB4 billion in this year, of which 0.3 billion shares were invested by the Company at RMB1.32 per share. The actual investment was RMB396 million. After the capital increase, the proportion of shares in China Chengtong Finance Corporation Ltd. held by the Company decreased from 20.00% to 10.00% without control or joint control rights as well as significant influence. The Company would transfer the investment in China Chengtong Finance Corporation Ltd. to available-for-sale financial assets that would be measured at cost.

3. 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.

Note 11. Long-term Accounts Receivable

Nature	Closing balance	Opening balance
Loan	---	490,240,600.41

In line with the Creditor's Rights and Debts Settlement Agreement signed with Foshan Chengtong Paper Co., Ltd., the Company began to charge Foshan Chengtong Paper Co., Ltd interest quarterly for capital occupation at the benchmark interest rate for 3-year fixed loan published by People's Bank of China since Jan. 1, 2016 taking the accounts receivable from Foshan Chengtong Paper Co., Ltd. amounting to RMB490,240,600.41 as the principal. As of Dec. 31, 2017, the Company had called back all principal and corresponding interest from Foshan Chengtong Paper Co., Ltd.

Note 12. Long-term Equity Investment

Investee	Opening balance	Increase/decrease in Reporting Period			
		Additional investment	Negative investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive income
I. Associated enterprises					
Guangdong Chengtong Logistics Co., Ltd.	8,367,444.28	---	---	294,342.54	---
Chengtong Finance Co., Ltd.	244,408,251.27	396,000,000.00	---	22,059,145.80	---
Subtotal	252,775,695.55	396,000,000.00	---	22,353,488.34	---

Continued:

Investee	Increase/decrease in Reporting Period				Closing balance	Closing balance of impairment provision
	Other equity changes	Declaration of cash dividends or profits	Withdrawn impairment provision	Other		
I. Associated enterprises						
Guangdong Chengtong Logistics Co., Ltd.	---	367,421.65	---	---	8,294,365.17	---
Chengtong Finance Co., Ltd.	---	35,112,256.03	---	(627,355,141.04)		---
Subtotal	---	35,479,677.68	---	(627,355,141.04)	8,294,365.17	---

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) In line with the Proposal on Increasing Investment to China Chengtong Finance Co., Ltd. reviewed and approved on the Fourth Meeting of the 7th Board of Directors for 2017, the Company increased 0.3 billion shares of investment to Chengtong Finance Co., Ltd. at RMB1.32 per share. The actual investment by the Company was RMB396 million. After the investment increase, the proportion of shares in China Chengtong Finance Corporation Ltd. held by the Company decreased from 20.00% to 10.00% without control or joint control rights as well as significant influence. The Company would transfer the investment in China Chengtong Finance Corporation Ltd. to available-for-sale financial assets that would be measured at cost and reclassified into available-for-sale financial assets.

Note 13. Investment Property

1. List of Investment Property

Item	Houses and buildings	Total
I. Original book value		
1. Opening balance	34,075,727.12	34,075,727.12
2. Increased amount of the period	12,430,308.90	12,430,308.90
3. Decreased amount of the period	---	---
4. Closing balance	46,506,036.02	46,506,036.02
II. Accumulative depreciation and accumulative amortization		
1. Opening balance	9,481,983.41	9,481,983.41
2. Increased amount of the period	4,931,696.32	4,931,696.32
Withdrawal or amortization	999,157.38	999,157.38
Transferred-in amount for the Current Period	3,932,538.94	3,932,538.94
3. Decreased amount of the period	---	---
4. Closing balance	14,413,679.73	14,413,679.73
III. Depreciation reserves		
1. Opening balance	---	---
2. Increased amount of the period	---	---
3. Decreased amount of the period	---	---
4. Closing balance	---	---
IV. Book value		
1. Book value of the period-end	32,092,356.29	32,092,356.29
2. Opening book value	24,593,743.71	24,593,743.71

2. No Impairment Provision Withdrawn for there Is no Circumstance where the Recorvable Amount Was Lower than Its Book Value at the End of the Period.

3. The original value of investment property increased 36.48% at the end of the period when compared to that at the beginning of the period because the plants of Huaxin (Foshan) Color Printing Co., Ltd., the wholly-owned subsidiary of the Company was leased out.

Note 14. Fixed Assets and Accumulated Depreciation

1. List of Fixed Assets

Item	House and buildings	Machinery equipment	Transportation	Electronic equipment and others	Total
I. Original book value					
1. Opening balance	1,167,346,002.05	2,826,731,928.68	49,123,987.84	133,174,810.81	4,176,376,729.38
2. Increased amount of the period	3,333,876.63	13,063,691.32	794,039.74	1,732,658.98	18,924,266.67
Purchase	3,333,876.63	4,972,738.18	794,039.74	1,732,658.98	10,833,313.53
Transfer of project under construction	---	8,090,953.14	---	---	8,090,953.14
3. Decreased amount of the period	12,430,308.90	13,883,254.52	5,272,689.33	693,805.56	32,280,058.31
Disposal or Scrap	---	13,883,254.52	5,272,689.33	693,805.56	19,849,749.41
Other transfers	12,430,308.90	---	---	---	12,430,308.90

Item	House and buildings	Machinery equipment	Transportation	Electronic equipment and others	Total
4. Closing balance	1,158,249,569.78	2,825,912,365.48	44,645,338.25	134,213,664.23	4,163,020,937.74
II. Accumulative depreciation					
1. Opening balance	371,188,488.98	1,148,693,834.19	40,265,745.95	87,754,105.35	1,647,902,174.47
2. Increased amount of the period	33,269,089.38	111,856,523.17	2,651,668.50	10,624,321.67	158,401,602.72
Withdrawal	33,269,089.38	111,856,523.17	2,651,668.50	10,624,321.67	158,401,602.72
3. Decreased amount of the period	3,932,538.94	12,891,286.30	4,767,411.62	672,748.99	22,263,985.85
Disposal or Scrap	---	12,891,286.30	4,767,411.62	672,748.99	18,331,446.91
Other transfers	3,932,538.94	---	---	---	3,932,538.94
4. Closing balance	400,525,039.42	1,247,659,071.06	38,150,002.83	97,705,678.03	1,784,039,791.34
III. Depreciation reserves					
1. Opening balance	---	76,679,757.00	---	---	76,679,757.00
2. Increased amount of the period	---	---	---	---	---
3. Decreased amount of the period	---	---	---	---	---
4. Closing balance	---	76,679,757.00	---	---	76,679,757.00
IV. Book value					
1. Closing book value	757,724,530.36	1,501,573,537.42	6,495,335.42	36,507,986.20	2,302,301,389.40
2. Opening 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. No Temporarily-idle Fixed Assets at the End of the Period

3. Fixed Assets Leased in from Financing Lease at the End of the Period

Item	Original book value	Accumulative depreciation	Impairment provision	Book value
Houses and buildings	12,212,610.00	11,012,048.34	---	1,200,561.66
Machinery equipment	3,160,000.00	3,002,000.00	---	158,000.00
Total	15,372,610.00	14,014,048.34	---	1,358,561.66

4. No Fixed Assets Leased out from Operation Lease at the End of the Period

5. Fixed Assets Failing to Accomplish Certification of Property at the End of the Period

Item	Book value	Reason
Houses and buildings	105,519,188.92	Property right certificate was under processing.
Total	105,519,188.92	

6. No Fixed Assets Used for Guarantee or Mortgage

7. Other Transfers of Houses and Buildings in the Current Period Caused by the Lease out of Plants by the Company and Being Reclassified into Investment Property from Fixed Assets.

8. Except for the Equipment with Provision for Impairment at the Beginning of the Period, there Was no Recoverable amount of Other Fixed Assets at the End of the Period Lower than Its Book Value. In the Current Period, there Was no Provision for Impairment of Fixed Assets

Note 15. Construction in Progress

1. List of Construction in Progress

Item	Closing balance			Opening balance		
	Book balance	Depreciation reserves	Book value	Book balance	Depreciation reserves	Book value
BM3 Tetra project	5,168,440.11	---	5,168,440.11	4,985,121.78	---	4,985,121.78
Upscale special white cardboard BM4 new project	2,480,438.79	---	2,480,438.79	2,480,438.79	---	2,480,438.79
Latex phase II matching raw material tank farm project	15,918,047.55	---	15,918,047.55	8,835,858.29	---	8,835,858.29
Advanced waste-water treatment and water reuse project	2,431,959.91	---	2,431,959.91	2,394,735.57	---	2,394,735.57
Equipment under Construction	5,047,332.75	---	5,047,332.75	1,951,641.12	---	1,951,641.12
BM3 coating draught fan energy saving renovation project	1,070,085.47	---	1,070,085.47	---	---	---
BM3 Reel alternation of hydro-acupuncture renovation project	1,967,411.17	---	1,967,411.17	---	---	---
Others	5,232,058.44	---	5,232,058.44	3,279,932.27	---	3,279,932.27
Total	39,315,774.19	---	39,315,774.19	23,927,727.82	---	23,927,727.82

2. Changes of Significant Construction in Progress

Name of item	Opening balance	Increase	Amount that transferred to fixed assets of the period	Closing balance
BM3 Tetra project	4,985,121.78	183,318.33	---	5,168,440.11
Latex phase II matching raw material tank farm project	8,835,858.29	7,082,189.26	---	15,918,047.55
Advanced waste-water treatment and water reuse project	2,394,735.57	37,224.34	---	2,431,959.91
BM3 coating draught fan energy saving renovation project	---	1,070,085.47	---	1,070,085.47
BM3 Reel alternation of hydro-acupuncture renovation project	---	1,967,411.17	---	1,967,411.17
Total	16,215,715.64	10,340,228.57	---	26,555,944.21

Continued:

Name of item	Estimated number (RMB'0,000)	Project progress	Accumulative amount of capitalized interests	Of which: the amount of the capitalized interests of the period	Capitalization rate of the interests of the period	Capital resources
BM3 Tetra project	1,873.00	30.00	---	---	---	Self-raised
Latex phase II matching raw material tank farm project	2,000.00	80.00	---	---	---	Self-raised
Advanced waste-water treatment and water reuse project	1,800.00	25.00	---	---	---	Self-raised
BM3 coating draught fan energy saving renovation project	130.00	80.00	---	---	---	Self-raised
BM3 Reel alternation of hydro-acupuncture renovation project	200.00	98.00	---	---	---	Self-raised
Total	6,003.00		---	---	---	

3. Construction in Process during the Current Period Transferred into Fixed Assets Was RMB8,090,953.14 Mainly Resulting from the Transfer of Equipment Purchased to Fixed Assets after It Passed the Test of Trial Production.

4. No Impairment Provision Withdrawn for Construction in Progress since there Is no Circumstance where the Recorvable Amount Was Lower than Its Book Value at the End of the Period.

Note 16. Intangible Assets

1. List of Intangible Assets

Item	Land use right	Software and others	Non-patent right	Total
I. Original book value				
1. Opening balance	146,944,298.89	8,274,998.81	37,784,158.74	193,003,456.44
2. Increased amount of the period	25,795.00	378,220.59	19,038,707.23	19,442,722.82
Purchase	25,795.00	378,220.59	---	404,015.59
Internal R &D	---	---	19,038,707.23	19,038,707.23
3. Decreased amount	---	---	---	---
Other transfer	---	---	---	---
4.Closing Balance	146,970,093.89	8,653,219.40	56,822,865.97	212,446,179.26
II. Total accrued amortization				
1. Opening balance	46,626,522.07	2,931,352.25	15,177,849.69	64,735,724.01
2. Increased amount of the period	2,968,785.93	980,826.10	4,043,628.00	7,993,240.03
Withdrawal	2,968,785.93	980,826.10	4,043,628.00	7,993,240.03
3. Decreased amount	---	---	---	---
Other transfer	---	---	---	---
4.Closing Balance	49,595,308.00	3,912,178.35	19,221,477.69	72,728,964.04
III. Depreciation reserves				
1. Opening balance	---	---	---	---
2. Increased amount of the period	---	---	---	---
3. Decreased amount	---	---	---	---
4.Closing Balance	---	---	---	---
IV. Book value				
1. Closing book value	97,374,785.89	4,741,041.05	37,601,388.28	139,717,215.22

Item	Land use right	Software and others	Non-patent right	Total
2. Opening book value	100,317,776.82	5,343,646.56	22,606,309.05	128,267,732.43

2. The Proportion of the Intangible Assets' Original Book Value Formed from the Internal R&D through the Company amount that of the Total Intangible Assets at the End of the Period was 8.96%

3. No Intangible Assets for Mortgage or Guarantee at the End of the Period

4. No Impairment Provision Withdrawn for Intangibale Assets since there Is no Circumstance where the Recorvable Amount Was Lower than Its Book Value at the End of the Period.

Note 17. R&D Expenses

Item	Opening Balance	Increase		Current transfer		Closing balance
		Internal R&D	Others	Recorded into the Current gains and losses	Recognized as intangible assets	
Lemei White Liquid Package Project	3,205,846.39	---	---	---	3,205,846.39	---
Gaosong Thick Paper Cup Re-coating Project	839,338.16	1,253,270.54	---	---	2,092,608.70	---
Lightweight environmentally friendly cigarette box board	---	1,397,911.00	---	---	1,397,911.00	---
Special-hue ivory board	---	1,890,797.00	---	---	1,890,797.00	---
R&D of digital board	---	100,000.00	---	100,000.00	---	---
R &D of coating ivory and cigarette box board with fragrance and moisture retention	---	2,216,887.04	---	---	2,216,887.04	---
Special ivory board for low white cigarette package in casting and coating crafts	---	2,296,073.36	---	---	2,296,073.36	---
Gaosong Thick coating ivory board(food grade)	---	3,012,777.60	---	---	3,012,777.60	---
Special-gloss Paperboard	---	100,000.00	---	100,000.00	---	---
Gaosong Thick coating ivory board (yellow bottom)	---	1,953,434.18	---	---	1,953,434.18	---
Coating ivory board (light coated)	---	972,371.96	---	---	972,371.96	---
Total	4,045,184.55	15,193,522.68	---	200,000.00	19,038,707.23	---

Note 18. Goodwill

1. Original Book Value of Goodwill

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 Golden Pheasant 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

Name of the investees or the events formed goodwill	Opening balance	Increase	Decrease	Closing balance
Zhuhai S.E.Z. Hongta Renheng Paper Co., Ltd.	---	---	---	---
Zhuhai Golden Pheasant Chemicals Co., Ltd.	---	---	---	---
Total	---	---	---	---

No provision for impairment loss since there was no sign of goodwill impairment during the testing process of goodwill impairment at the end of the period.

3. Other Notes of Goodwill

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 RMB808,448,702.06, and obtained the fair value of the identifiable net assets of the Company RMB799,319,677.05. Combination cost being larger than the fair value of the identifiable net assets balance formed goodwill RMB9,129,025.01. 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 the analysis of the present value of the expected future cash flow of Zhuhai Jinji Chemicals Co., Ltd., there was no sign of goodwill impairment, thus no provision for impairment loss.

Note 19. Long-term Unamortized Expenses

Item	Opening balance	Increase	Amortization amount	Decrease	Closing balance
Decoration expense for rent-in plant	79,966.80	224,548.54	91,194.24	---	213,321.10
Fee for technical service	320,109.48	---	87,302.64	---	232,806.84
Maintaining renovation of construction project	2,899,610.42	1,000,143.61	1,088,991.80	---	2,810,762.23
Total	3,299,686.70	1,224,692.15	1,267,488.68	---	3,256,890.17

Note 20. Deferred Income Tax Assets/Deferred Income Tax Liabilities

1. Deferred Income Tax Assets that Had Been Set-off

Item	Closing Balance		Opening Balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Bad-debt provision	70,797,238.98	10,634,635.19	68,482,633.24	10,273,807.47
Inventory falling price provision	10,896,430.81	1,634,464.64	11,524,487.66	1,728,673.17
Fixed assets impairment provision	62,400,272.04	9,360,040.80	64,174,427.45	9,626,164.11
Withholding sales agency fee	11,004,330.01	1,650,649.50	10,829,370.22	1,624,405.53
Accrued liabilities	760,457.18	114,068.58	929,802.09	139,470.31
Accrued expenses	25,610,056.09	3,841,508.41	6,276,223.65	941,433.55
Net amount of change in fair value of trading financial assets	2,394,879.25	359,231.89	---	---
Total	183,863,664.36	27,594,599.01	162,216,944.31	24,333,954.14

2. Deferred Income Tax Liabilities that Had not Been Set-off

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	14,923,964.07	2,238,594.61	16,622,301.67	2,493,345.25
Net amount of change in fair value of trading financial assets	---	---	1,571,341.66	235,701.25
Total	14,923,964.07	2,238,594.61	18,193,643.33	2,729,046.50

3. List of Deductible Temperary Difference for Unrecognized Deferred Income Tax Assets

Item	Closing Balance	Opening Balance
Deductible losses	67,269,298.96	105,598,840.28
Fixed assets depreciation reserves	201,333.37	201,333.37
Total	67,470,632.33	105,800,173.65

4. Deductible Losses of Unrecognized Deferred Income Tax Assets Due in the Following Years

Years	Closing balance
2018	13,206,217.94
2019	0
2020	49,162,723.17
2021	1,734,170.90
2022	3,166,186.95
Total	67,269,298.96

Note 21. Other Non-current Assets

Item	Closing Balance	Opening Balance
Prepayment of equipment	5,235,044.33	5,147,078.23
Total	5,235,044.33	5,147,078.23

Note 22. Short-term Loans

1. Category of Short-term Loans

Item	Closing Balance	Opening Balance
Pledge loan	199,095,460.59	158,177,940.16
Guaranteed loan	698,330,783.93	563,722,059.84
Credit loan	---	100,000,000.00
Total	897,426,244.52	821,900,000.00

(1) Pledge loan:

Zhuhai Hongta Renheng Packaging Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB100,000,000.00 from Shanghai Pudong Development Bank—Zhuhai Branch taking the domestic L/C received as the pledge.

Zhuhai Huafeng Paper Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB51,000,000.00 from Agricultural Bank of China—Zhuhai qianshan Branch taking the bank's acceptance bill as the pledge.

Zhuhai Huafeng Paper Co., Ltd., the holding subsidiary of the Company, obtained a loan of USD4,031,933.61 translated into RMB26,345,460.59 at the end of the Reporting Period from

China Zheshang Bank—Guangzhou Branch taking the certificate of deposit, a total of USD4,150,000.00 as the pledge.

Zhuhai Golden Pheasant Chemical Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB21,750,000.00 from Agricultural Bank of China—Zhuhai Jida Branch taking the bank's acceptance bill as the pledge.

(2) Guaranteed loan:

Zhuhai Hongta Renheng Packaging Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB100,000,000.00 from Bank of China—Zhuhai Gongbei Branch through the joint liability guarantee provided by the Company.

Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB190,000,000.00 from Agricultural Bank of China—Zhuhai Qianshan Branch through the joint liability guarantee provided by the Company.

Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB100,000,000.00 from China Construction Bank—Zhuhai Branch through the joint liability guarantee provided by the Company.

Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB12,000,000.00 from Industrial and Commercial Bank of China—Gongbei Branch through the joint liability guarantee provided by the Company.

Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a loan of USD14,939,420.64 converted into RMB97,617,162.35 at the end of the Reporting Period from China Construction Bank—Macao Branch through the joint liability guarantee provided by the Company.

Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a loan of USD1,333,540.69 converted into RMB8,713,621.58 at the end of the Reporting Period from Bank of East Asia—Zhuhai Branch through the joint liability guarantee provided by the Company.

Zhuhai Huafeng Paper Co., Ltd., the holding subsidiary of the Company, obtained a loan of RMB100,000,000.00 from Agricultural Bank of China—Zhuhai Qianshan Branch through the joint liability guarantee provided by the Company.

Zhuhai Golden Pheasant Chemical Co., Ltd., the subsidiary of Zhuhai Hongta Renheng Packing Co., Ltd., the holding subsidiary of the Company, obtained a guaranteed loan of RMB40,000,000.00 from Bank of China—Zhuhaigang Branch through the joint liability guarantee provided by Zhuhai Hongta Renheng Packing Co., Ltd.

Huaxin (Foshan) Color Printing Co., Ltd., the wholly owned subsidiary of the Company, obtained a guaranteed loan of RMB50,000,000.00 from China Construction Bank—Lanshi Branch through the joint liability guarantee provided by the Company.

2. No Short-term Loans Overdue but not Returned at the End of the Period

Note 23. Financial Liabilities Measured by Fair Value and the Changes Included in the Current Gains and Losses

Item	Closing Balance	Opening Balance
Financial liabilities specified as measured by fair value and the changes included in the current gains and losses	2,394,879.25	---
Total	2,394,879.25	---

Notes:

The closing balance was the fair value generated from the bank's forward foreign exchange contract product purchased by Zhuhai Hongta Renheng Packing Co., Ltd., the subsidiary of the Company, measured at the difference between the exchange rate of US dollar locked in the contract and the actual exchange rate on Dec. 31, 2017.

Note 24. Notes Payable

Category	Closing Balance	Opening Balance
Bank acceptance bill	8,530,196.41	217,381,869.35

1. No Notes Payable Overdue but not Returned at the End of the Period

2. Notes payable takes the RMB1,000,000.00 of bank's structural depoit of Huaxin (Foshan)Color Printing Co., Ltd., the Company's wholly-owned subsidiary, as the margin.

3. Notes payable of the end of the period decreased 96.08% compared to that of the beginning of the Period due to the good international market of wood pulp as the seller's market. The Company has no speech right when purchasing pulp and the number of payment in notes relatively decreased.

Note 25. Accounts Payable

Item	Closing Balance	Opening Balance
Payment of material	257,450,045.60	328,808,851.45
Payment of equipment	9,163,006.20	16,512,842.23
Payment of freight	53,544,546.45	13,845,621.54
Others	21,089,564.14	24,215,849.83
Total	341,247,162.39	383,383,165.05

1. Notes of the Significant Accounts Payable Aging over One Year

Item	Closing Balance	Reason
TEMBEL INC.	3,459,076.04	Unsettled
Marubeni Corporation	2,207,483.88	Unsettled
Guangzhou Dingsheng Ind. And Trade Co., Ltd.	2,419,153.83	Unsettled
Total	8,085,713.75	

2. Refer to Note IX, (V) for Details about Related Party's Accounts Payable in Accounts Payable at the End of the Period

Note 26. Advance from Customers

1. List of Advance from Customers

Item	Closing Balance	Opening Balance
Within 1 year	21,099,280.81	38,345,372.77
1-2 years	185,873.32	580,149.32
2-3 years	239,511.43	308,888.09
Over 3 years	245,079.52	565,572.21
Total	21,769,745.08	39,799,982.39

2. Refer to Note IX, (V) for Details about Related Party's Advance from Customers in Advance from Customers at the End of the Period

Note 27. Payroll Payable

1. List of Payroll Payable

Item	Opening balance	Increase	Decrease	Closing balance
Short-term salary	28,332,211.67	177,173,484.44	176,436,928.25	29,068,767.86
Termination benefits	---	5,379,501.90	5,379,501.90	---
Post-employment benefit-defined contribution plans	---	17,355,412.31	17,162,021.84	193,390.47
Total	28,332,211.67	199,908,398.65	198,978,451.99	29,262,158.33

2. List of Short-term Salary

Item	Opening balance	Increase	Decrease	Closing balance
Salary, bonus, allowance, subsidy	20,163,839.67	152,505,465.11	153,212,694.62	19,456,610.16
Employee welfare	---	8,566,329.72	8,566,329.72	---
Social insurance	---	7,069,008.36	7,069,008.36	---
Including: 1. Medical insurance premiums	---	6,117,677.06	6,117,677.06	---

Item	Opening balance	Increase	Decrease	Closing balance
Work-related injury insurance	---	438,678.92	438,678.92	---
Maternity insurance	---	512,652.38	512,652.38	---
Housing fund	114,394.00	5,079,261.66	5,193,655.66	---
Labor union budget and employee education budget	8,053,978.00	3,953,419.59	2,395,239.89	9,612,157.70
Total	28,332,211.67	177,173,484.44	176,436,928.25	29,068,767.86

3. List of Drawing Scheme

Item	Opening Balance	Increase	Decrease	Closing Balance
Basic pension benefits	---	12,561,381.34	12,561,381.34	---
Unemployment insurance	---	303,833.90	303,833.90	---
Enterprise annuity		4,490,197.07	4,296,806.60	193,390.47
Total	---	17,355,412.31	17,162,021.84	193,390.47

Note 28. Taxes Payable

Item	Closing Balance	Opening Balance
VAT	9,173,589.49	16,754,326.63
Corporate income tax	4,829,691.00	8,941,924.35
Personal income tax	220,969.58	172,153.74
Urban maintenance and construction tax	443,966.24	902,485.46
Property tax	3,997,526.54	6,286,965.76
Education Surcharge	317,118.82	644,860.36
Stamp tax	149,295.59	107,199.04
Land use tax	2,264,945.84	2,277,941.49
Total	21,397,103.10	36,087,856.83

Note 29. Interest Payable

Item	Closing Balance	Opening Balance
Enterprise bond interest	4,455,452.06	9,031,776.01
Interest payable of loans provided by banks	3,354,342.94	2,414,317.93
Interest payable of loans provided by related parties	55,585.83	---
Total	7,865,380.83	11,446,093.94

Refer to Note IX. (V) for details about related party's interest payable in interest payable at the End of the Period.

Note 30. Dividends Payable

Item	Closing Balance	Opening Balance
Dividends payable	12,116,789.76	3,468,350.84
Total	12,116,789.76	3,468,350.84

Closing balance of dividends payable mainly was the profits of minority shareholder of Golden Pheasant Chemicals Co., Ltd.

Note 31. Other Accounts Payable

1. Other Accounts Payable Listed by Nature of the Account

Item	Closing Balance	Opening Balance
Pledged and margin	13,124,079.64	7,469,278.11
Prepayment	6,232,605.94	6,530,702.85
Capital of related parties	8,110,384.98	570,384.98

Final payment of engineering	1,158,579.69	1,433,095.30
Others	2,203,530.86	2,422,821.83
Total	30,829,181.11	18,426,283.07

2. Other Accounts Payable of the End of the Period Increase 67.31% Compared to that of the Beginning of the Period Caused by the Increase of Intercourse Funds of Related Parties at the End of the Period

3. Refer to Note IX. (V) for Details about Accounts Payable of Related Parties in Other Accounts Payable at the End of the Period

Note 32. Non-current Liabilities Due within 1 Year

Item	Closing Balance	Opening Balance
12HuabaoDebt	---	798,066,823.66
15Huabao MTN001	199,834,258.85	
Total	199,834,258.85	798,066,823.66

1. Changes on 12HuabaoDebt

Bond Name	Nominal Value	Date of Issue	Term of Bond	Amount	Opening Balance
12HuabaoDebt	800,000,000.00	2012/11/26	5 years	791,700,000.00	798,066,823.66
Total	800,000,000.00	2012/11/26	5 years	791,700,000.00	798,066,823.66

Continued:

Bond Name	The current issue	Withdraw interest at par	Overflow discount amortization	Payment in current period	Closing Balance
12HuabaoDebt	---	41,822,516.05	1,911,935.78	796,154,887.88	---
Total	---	41,822,516.05	1,911,935.78	796,154,887.88	---

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 bonus has been paid on Nov. 26, 2017 when it was due.

2. Refer to Note VI. Note 34. for Details of 15Huabao MTN001

Note 33. Long-term Loan

1. Category of Long-term Loan

Item	Closing Balance	Opening Balance
Guaranteed loan	200,000,000.00	---
Total	200,000,000.00	---

The guaranteed loan was a 2-year loan from Export-Import Bank of China obtained by Zhuhai Hongta Renheng Packing Co., Ltd., the subsidiary of the Company, through the joint liability guarantee provided by the Company.

2. No Long-term loan Overdue but not Returned at the End of the Period

Note 34. Bonds Payable

1. Categorty of Bonds Payable

Item	Closing Balance	Opening Balance
Medium-term notes of the bank	---	199,520,397.22

Total	---	199,520,397.22

2. Changes on Bonds Payable

Name of the bond	Book value	Issue date	Period	Issue amount	Opening balance
15Huabao MTN001	200,000,000.00	2015/7/31	3 years	199,100,000.00	199,520,397.22
Total	200,000,000.00			199,100,000.00	199,520,397.22

Continued:

Name of the bond	The current issue	Withdraw interest at par	Overflow discount amortization	Reclassified into non-current liability due within 1 year in the Current Period	Closing Balance
15Huabao MTN001	---	10,560,000.00	313,861.63	199,834,258.85	---
Total	---	10,560,000.00	313,861.63	199,834,258.85	---

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. It will be due on Jul. 31, 2018 and was listed under the item of “Non-current Liability due within 1 year” at the end of the Reporting Period.

Note 35. Long-term Payable

1. Category of Long-term Payable

Item	Closing Balance	Opening Balance
Finance lease	825,912.17	3,137,995.76
Loan from non-financial institution	16,000,000.00	---
Total	16,825,912.17	3,137,995.76

The loan from non-financial institution was a loan of RMB16,000,000.00 with 4.35% of annual interest rate obtained by Zhujiang Golden Pheasant Chemical Co., Ltd., the holding subsidiary of the Company, provided by its shareholder, Zhejiang Golden Pheasant Group Co., Ltd.

Note 36. Accrued Liabilities

Item	Closing Balance	Opening Balance	Formation reasons
Pending litigation	1,366,445.61	1,691,834.27	Estimated litigation compensation
Product quality guarantee	---	425,523.53	Predicted losses resulting from any product quality problem
Total	1,366,445.61	2,117,357.80	

Note 37. Deferred Income

Item	Opening Balance	Increase	Decrease	Closing Balance
Government subsidies related to assets	18,225,377.45	15,463,800.00	2,915,637.18	30,773,540.27

1. Deferred Income Related to Government Subsidies

Item	Opening balance	Amount of newly subsidy	Amount accrued in other income	Closing balance

Item	Opening balance	Amount of newly subsidy	Amount accrued in other income	Closing balance
Renovation project of the information system of paper-making enterprise energy management center (1)	752,000.00	---	32,000.00	720,000.00
Project of the information system of paper-making enterprise energy management center (1)	350,000.00	---	350,000.00	---
No. 1 paper machine update & renovation project (2)	233,600.00	---	9,600.00	224,000.00
Liquid paper renovation project (3)	268,333.24	---	35,000.04	233,333.20
Funds for energy-saving and emission-reduction (4)	300,000.00	---	300,000.00	---
Renovation project of the information system of energy management center (5)	1,376,666.67	---	279,999.96	1,096,666.71
Steam condensation water recycling and energy saving projects (5)	1,920,000.00	---	384,000.00	1,536,000.00
Subsidy of improvement of Zhuhai motor efficiency (6)	2,098,191.57	---	699,397.24	1,398,794.33
Subsidy of latex phase II production line technological transformation (7)	342,000.00	---	114,000.00	228,000.00
BM1 ink-jet printer system and drive system upgrade synthesis technique transformation project (8)	7,907,152.67	2,471,300.00	346,824.96	10,031,627.71
Zhuhai Gaolan Port national treasury equipment renewal (Robot Application) special fund subsidies (9)	1,001,866.63	---	41,600.04	960,266.59
Energy management center energy-saving technological innovation support fund (10)	1,119,426.67	---	227,679.96	891,746.71
Post-awarded subsidies of Automatic packaging line technical innovation (11、12)	556,140.00	3,747,398.54	35,377.14	4,268,161.40
Post-awarded subsidies of HCB-Turn Nozzle optimization and technological transformation project (12)	---	1,760,175.14	6,069.57	1,754,105.57
Post-awarded subsidies of TP liquid food packing board synthesis technique transformation project (12)	---	4,937,748.66	---	4,937,748.66
Post-awarded subsidies of MES technical renovation project of Zhuhai Huafeng Paper Co., Ltd. (12)	---	1,947,177.66	54,088.27	1,893,089.39
Support funds for restoring production after typhoon (13)	---	600,000.00	---	600,000.00
Total	18,225,377.45	15,463,800.00	2,915,637.18	30,773,540.27

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 2016, 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 2016 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 in 2016, and shall be amortized since 2016 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 based on the service life period of the assets.
(3) 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 RMB2,471,300.00 as the subsidies for BM1 ink-jet printer system and drive system upgrade synthesis technique transformation project on December 26, 2017, and the related subsidiaries shall be amortized based on the residual service life period of the assets.
9. 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 in 2016, which shall be amortized based on the service life period of the assets.

10. 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.
11. 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.
12. 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 Company's subsidiary Zhuhai Huafeng received RMB 3,747,398.54 as the automatic packaging line project technical innovation post-awarded subsidies, RMB1,760,175.14 as the HCB-Turn Nozzle optimization and technological transformation project post-awarded subsidies, RMB4,937,748.66 as the TP liquid food packing board synthesis technique transformation project post-awarded subsidies and RMB1,947,177.66 as the Post-awarded subsidies of MES technical renovation project of Zhuhai Huafeng Paper Co., Ltd. And the related subsidiaries shall be amortized based on the residual service life period of the assets.
13. According to the Policies and Measures Pertaining to Enhancing Industrial Enterprise to Restore Production after Disasters in Jinwan District issued by Jinwan District People's Government Office in Zhujiang City, the Company's subsidiary Zhuhai Huafeng received RMB600,000.00 as the support funds for restoring production after typhoon on Dec. 26, 2017. See Note XII. (II) for details.

Note 38. Share Capital

Item	Opening balance	Increase/decrease	Closing balance
The sum of shares	505,425,000.00	---	505,425,000.00

Note 39. Capital Reserves

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

Note 40. Other Comprehensive Income

Item	Opening Balance	Increase	Decrease	Closing Balance
Shares in other comprehensive income shall be reclassified into profits or losses in future in investee entity under the equity method	169,714.39	---	---	169,714.39

Note 41. Surplus Reserves

Item	Opening Balance	Increase	Decrease	Closing Balance
Statutory surplus reserves	190,275,071.84	2,372,378.77	---	192,647,450.61
Total	190,275,071.84	2,372,378.77	---	192,647,450.61

Note 42. Retained Profits

Item	Amount	Withdrawl or distribution ratio (%)
Opening balance of retained profits before adjustments	1,027,703,010.59	—
Total amount of retained profits at the beginning of adjustment (up"+", down"-")	---	—
Opening balance of retained profits after adjustments	1,027,703,010.59	—
Add: Net profit attributable to owners of the Company	18,637,865.97	—
Less: Withdrawal of statutory surplus reserves	2,372,378.77	10% of net profits of the parent company
Dividend of common stock payable	16,173,600.00	
Add: surplus reserves compensated for losses	---	
Closing retained profits	1,027,794,897.79	

Note 43. Revenues and Operating Costs

1. Revenues and Operating Costs

Item	2017		2016	
	Revenue	Cost	Revenue	Cost
Main business	3,387,712,195.06	2,948,469,093.13	3,063,791,535.10	2,565,346,640.38
Other business	195,445,451.31	159,896,380.04	543,967,368.91	521,730,590.17
Total	3,583,157,646.37	3,108,365,473.17	3,607,758,904.01	3,087,077,230.55

2. Main Business Listed by the Category of Product

Name of product	2017		2016	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Ivory Board	2,788,623,257.46	2,440,020,977.87	2,622,125,437.41	2,187,372,839.10
Printed matter	255,573,322.07	218,608,477.34	262,692,818.33	218,370,022.14
Latex	343,515,615.53	289,839,637.92	178,973,279.36	159,603,779.14
Total	3,387,712,195.06	2,948,469,093.13	3,063,791,535.10	2,565,346,640.38

3. Main Business Listed by Region

Name of region	2017		2016	
	Operating revenues	Operating costs	Operating revenues	Operating costs
Sale in domestic market	2,910,276,642.73	2,497,855,659.76	2,593,974,435.92	2,147,307,785.27
Export	477,435,552.33	450,613,433.37	469,817,099.18	418,038,855.11
Total	3,387,712,195.06	2,948,469,093.13	3,063,791,535.10	2,565,346,640.38

4. Main Business Listed by Industry

Industry	2017		2016	
	Revenue	Cost	Revenue	Cost
Industry	3,387,712,195.06	2,948,469,093.13	3,063,791,535.10	2,565,346,640.38

5. Operation Revenues of the Top 5 Customers of the Company

Name of entity	Relationship with the Company	Amount	Proportion to the total of operationg revenues
No. 1	Non-related party	168,782,353.27	4.71
No. 2	Non-related party	108,546,766.74	3.03

No. 3	Non-related party	107,280,875.89	2.99
Guangzhou Chenhui Pulp & PaperTrading Co., Ltd.	Related party	107,144,946.76	2.99
No. 5	Non-related party	102,134,334.21	2.85
Total		593,889,276.87	16.57

Note 44. Business Tax and Surcharges

Item	Reporting Period	Same period of last year
Urban maintenance and construction tax	6,902,983.13	9,299,355.68
Education Surcharge	4,933,650.70	6,647,644.32
Dike Fees	---	229,590.28
Property Tax	6,460,903.34	3,510,734.89
Land use tax	2,412,212.48	1,607,318.60
Stamp Duty	2,213,596.95	1,342,996.36
Vehicle and vessel use tax	43,663.68	33,613.92
Total	22,967,010.28	22,671,254.05

Note 45. Sales Expenses

Item	Reporting Period	Same period of last year
Salary and benefits	13,510,588.27	12,796,044.47
Business entertainment fees	6,092,497.55	5,285,187.73
Packing charges	10,055,322.24	9,580,068.52
Warehousing fees	4,020,228.11	3,466,319.28
Transport fees	141,141,510.57	134,309,505.72
Office expenses	726,361.44	1,067,253.08
Others	7,377,215.37	15,459,529.51
Total	182,923,723.55	181,963,908.31

Note 46. Administrative Expenses

Item	Reporting Period	Same period of last year
Salary and benefits	43,313,668.97	39,144,638.78
Social insurance	20,611,798.52	17,429,542.48
Housing fund	4,287,169.43	4,197,117.76
Tax	---	3,956,658.53
Amortization of depreciation fee	19,587,722.05	19,381,114.99
Office expenses	3,422,223.93	3,057,375.69
R&D expenses	5,134,464.54	4,914,523.37
Employ agency fee	7,384,158.05	5,872,853.30
Water & electricity fees	4,858,252.20	4,280,847.73
Rental fee	1,209,743.51	1,828,796.99
Business travel charges	2,726,094.32	3,118,674.68
Business entertainment fees	1,982,313.19	2,244,273.23
Material Consumption	3,156,395.79	2,550,902.70
Others	7,802,803.78	9,146,484.02

Item	Reporting Period	Same period of last year
Total	125,476,808.28	121,123,804.25

Note 47. Financial Expenses

Item	Reporting Period	Same period of last year
Interest expenses	122,634,675.32	113,981,677.05
Less: Interest income	20,462,322.12	26,563,359.13
Exchange gains and losses	15,787,286.73	(6,945,672.70)
Others	3,668,284.72	3,276,983.15
Total	121,627,924.65	83,749,628.37

Financial expenses resulting during this period increased 45.23% when compared to that of last year due to loan interest expenses from non-financial institutes and the increase in exchange loss.

Note 48. Asset Impairment Loss

Item	Reporting Period	Same period of last year
Bad debt loss	2,314,605.74	377,092.02
Inventory falling price loss	2,395,617.41	(4,448,233.15)
Total	4,710,223.15	(4,071,141.13)

Influenced by the bad debt reserve and inventory falling price accrued in accordance with the accounting policy by Hongta Renheng and Zhuhai Huafeng in the Current Period, the asset impairment loss during this period increased 215.70% when compared to that last year.

Note 49. Gains on the Changes in the Fair Value

Source	Reporting Period	Same period of last year
Financial assets measured by fair value and the changes be included in the current profits and losses	(1,571,341.66)	1,571,341.66
Financial liabilities measured by fair value and the changes included in the current gains and losses	(2,394,879.25)	---
Total	(3,966,220.91)	1,571,341.66

The gains on the changes in the fair value was the fair value of floating interest receivable generated from the financial product of bank's structural deposit purchased by Zhuhai Hongta Renheng Packing Co., Ltd. and Zhuhai Huafeng Paper Co., Ltd., the Company's subsidiaries, that became due in the Current Period confirmed in the earlier stage of its redemption and rushing back for expiration, as well as the fair value of change in exchange rate of FX Forward signed by Zhuhai Hongta Renheng Packing Co., Ltd.

Note 50. Investment Income

1. List of Investment Income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by equity method	22,353,488.34	15,434,824.76
Investment income received from disposal of financial assets measured by fair value and the changes be included in the current profits and losses	5,292,680.54	3,965,056.76
Investment income received from disposal of available-for-sale financial assets	6,995,738.12	---
Total	34,641,907.00	19,399,881.52

2. Note of Investment Income

Investment income in the Current Period increased 78.57% compared to that of last year mainly caused by the increase of revenues of Chengtong Finance Co., Ltd. and the recognition of investment income resulting from the redemption of early structural financial product when it was due.

Note 51. Gains on the Disposal of Assets

Item	Reporting Period	Same period of last year
Gains or losses on the disposal of fixed assets	689,820.93	(192,618.05)
Total	689,820.93	(192,618.05)

Note 52. Other Income

Item	Reporting Period	Recorded in the amount of the non-recurring gains and losses
I. The government subsidy amortization amount in deferred revenues	2,915,637.18	2,915,637.18
Subtotal	2,915,637.18	2,915,637.18
II. Government subsidy related to revenues		
Differential subsidy for industrial water	3,283,000.00	3,283,000.00
2016 Special fund for Science & Technology development (R & D subsidy	1,806,625.00	1,806,625.00
Government subsidy from Zhuhai International Container Terminals (Gaolan) Limites	493,500.00	493,500.00
2016 Provincial financial aid for enterprise’s R & D	530,700.00	530,700.00
2015 Hi-tech Enterprise Cultivating Subsidy	300,000.00	300,000.00
2016 Hi-tech Enterprise Subsidy	202,000.00	202,000.00
2015 Subsidy for industrial technological transformation as support funds	703,500.00	703,500.00
2016 Provincial post-awarded subsidy for technological transformation	292,000.00	292,000.00
Subsidy for R & D institutions as the incentive	500,000.00	500,000.00
The matching funds for expanding import from Jan. to Jun. 2017	962,469.48	962,469.48
2017 Funds for the cognizance and cultivation of High-tech Enterprise	300,000.00	300,000.00
2015 Surplus of Special Funds for Provincial technological transformation	450,000.00	450,000.00
Others	1,052,080.13	1,052,080.13
Subtotal	10,875,874.61	10,875,874.61
Total	13,791,511.79	13,791,511.79

Note 53. Non-operating Gains

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Compensation income	1,504,158.25	556,269.23	1,504,158.25
Government subsidies	---	26,022,524.47	---
Others	2,908,797.32	1,911,143.28	2,908,797.32
Total	4,412,955.57	28,489,936.98	4,412,955.57

The non-operating gains in the Reporting Period decreased 84.51% compared to that of last year because the government subsidies related to the Company’s daily running of business was recorded into other income in line with the new accounting standard.

Note 54. Non-operating Expenses

Item	Reporting Period	Same period of last year	Recorded in the amount of the non-recurring gains and losses
Damage and abandonment loss on non-current assets	414,517.07	497,426.66	414,517.07
Donation	29,750.00	100,000.00	29,750.00

Fines, compensation, fine for delaying payment	815,704.33	650,989.04	815,704.33
Raw material abandoning loss	132,982.11	1,601,538.57	132,982.11
Loss on abnormal cessation	27,797,264.89	---	27,797,264.89
Others	66,618.45	378,473.80	66,618.45
Total	29,256,836.85	3,228,428.07	29,256,836.85

The non-operating expenses in the Reporting Period decreased 806.23% compared to that of last year mainly caused by the loss on abnormal cessation of Hongta Renheng and Zhuhai Huafeng, the Company's holding subsidiaries, for "3.4 Safety Accident" and "Hato" Typhoon. Refer to Note XII. (I), (II).

Note 55. Income Tax Expense

1. Lists of Income Tax Expense

Item	Reporting Period	Same period of last year
Current income tax expense	5,922,905.23	13,453,252.51
Deferred income tax expense	(3,751,096.76)	8,729,598.56
Total	2,171,808.47	22,182,851.07

2. Adjustment Process of Accounting Profit and Income Tax Expense

Item	Reporting Period
Total profits	37,399,620.82
Current income tax expense accounted by tax and relevant regulations	9,349,905.21
Influence of different tax rate suitable to subsidiary	(1,699,053.78)
Influence of income tax before adjustment	(3,001,477.07)
The influence of R&D fee plus the deduction	(274,619.37)
Influence of non-taxable income	(782,392.15)
Influence of not deductible costs, expenses and losses	4,813,423.22
Influence of deductible losses of unrecognized deferred income tax assets used in previous years	(6,411,230.85)
Influence of deductible temporary difference or deductible losses of unrecognized deferred income tax assets	177,253.26
Income tax expense	2,171,808.47

Note 56. Note of Cash Flow Statement

1. Other Cash Received Related to Operating Activities

Item	Reporting Period	Same period of last year
Intercourse funds	20,712,965.39	54,360,640.47
Government subsidies	11,475,874.61	23,868,796.04
Interest income	26,629,976.60	26,781,477.65
Others	7,944,511.69	870,813.21
Total	66,763,328.29	105,881,727.37

2. Other Cash Paid Related to Operating Activities

Item	Reporting Period	Same period of last year
Intercourse funds	55,652,086.82	28,158,591.74
Expense	51,716,874.45	60,825,338.63
Employee pretty cash	2,761,745.19	5,873,971.96

Total	110,130,706.46	94,857,902.33

3. Other Cash Received Related to Investment Activity

Item	Reporting Period	Same period of last year
Government subsidies	14,863,800.00	11,178,200.00
Principal of structural deposit	209,000,000.00	---
Principal and corresponding interest of lending	511,909,915.83	---
Total	735,773,715.83	11,178,200.00

4. Other Cash Paid Related to Investment Activity

Item	Reporting Period	Same period of last year
Principal of structural deposit	1,000,000.00	209,000,000.00
Total	1,000,000.00	209,000,000.00

5. Other Cash Received Related to Financing Activities

Item	Reporting Period	Same period of last year
Restricted monetary capital used for margin or pledge	176,891,765.59	323,746,286.83
Non-financial institute's Loans	16,000,000.00	2,000,000.00
Total	192,891,765.59	325,746,286.83

6. Other Cash Paid Related to Financing Activities

Item	Reporting Period	Same period of last year
Restricted monetary capital used for margin or pledge	33,400,956.90	176,891,765.59
The related party's Loans	---	2,000,000.00
Total	33,400,956.90	178,891,765.59

Note 57. Supplementary Information to Cash Flow Statement
1. Supplementary Information to Cash Flow Statement

Item	Reporting Period	Same period of last year
1. Reconciliation of net profit to net cash flows generated from operating activities		
Net profit	35,227,812.35	139,101,482.58
Add: Provision for impairment of assets	4,710,223.15	(4,071,141.13)
Depreciation of fixed assets, of oil-gas assets, of productive biological assets	159,400,760.10	158,767,541.49
Amortization of intangible assets	7,993,240.03	6,626,299.17
Long-term unamortized expenses	1,267,488.68	1,101,810.87
Losses on disposal of fixed assets, intangible assets and other long-term assets	(689,820.93)	192,618.05
Losses on abandonment of fixed assets	414,517.07	497,426.66
Losses from variation of fair value	3,966,220.91	(1,571,341.66)
Financial cost	108,435,156.14	100,551,844.85
Investment loss	(34,641,907.00)	(19,399,881.52)
Decrease in deferred income tax assets	(3,260,644.87)	8,875,684.14
Increase in deferred income tax liabilities	(490,451.89)	(146,085.58)
Decrease in inventory	26,685,441.54	114,436,773.04
Decrease in accounts receivable from operating activities	(3,060,477.48)	(180,524,601.22)

Item	Reporting Period	Same period of last year
Increase in payables from operating activities	(342,732,278.88)	84,672,681.34
Others	---	---
Net cash flows generated from operating activities	(36,774,721.08)	409,111,111.08
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	254,251,911.75	357,103,700.82
Less: Opening balance of cash	357,103,700.82	185,960,324.24
Add: Closing balance of cash equivalents	---	---
Less: opening balance of cash equivalents	---	---
Net increase in cash and cash equivalents	(102,851,789.07)	171,143,376.58

2. Cash and Cash Equivalents

Item	Closing Balance	Opening Balance
I. Cash	254,251,911.75	357,103,700.82
Including: Cash on hand	173,601.37	137,530.97
Bank deposit on demand	254,078,310.38	356,966,169.85
Other monetary capital on demand	---	---
II. Cash equivalents	---	---
III. Closing balance of cash and cash equivalents	254,251,911.75	357,103,700.82

Note 58. The Assets with the Ownership or Use Right Restricted

Item	Balance	Reason
Monetary Capital	33,400,956.90	Margin
Notes receivable	70,176,980.33	
Other current assets	1,000,000.00	
Total	104,577,937.23	

Note 59. Foreign Currency Monetary Items

1. Foreign Currency Monetary Items

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
Monetary capital			
Of which: Dollars	15,309,312.23	6.5342	100,034,107.97
Hong Kong Dollars	247,974.34	8.7792	2,177,016.33
Pounds	14,325.04	0.8359	11,974.30
Accounts receivable			
Of which: Dollars	5,256,773.12	6.5342	34,348,806.92
Hong Kong Dollars	2,982,178.46	0.8359	2,492,802.97
Other accounts receivable			
Of which: Hong Kong Dollars	15,052,435.31	0.8359	12,582,330.68
Short-term loans			
Of which: Dollars	20,304,894.94	6.5342	132,676,244.52
Accounts payable			
Of which: Dollars	19,808,200.18	6.5342	129,430,741.58

Item	Closing foreign currency balance	Exchange rate	Closing convert to RMB balance
EUR	12,444.00	8.7792	109,248.36

VII. Fair Value

(I) Financial Instrument Measured at Fair Value

The Company listed the book value of financial assets instruments measured at fair value on Dec. 31, 2017 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.

(II) Fair Value Measurement at the End of the Period

1. Consistent Fair Value Measurement

Item	Closing fair value			
	Level 1	Level 2	Level 3	Total
Trading financial assets				
Derivative financial asets	---	---	---	---
Trading financial liabilities				
Derivative financial liabilities	2,394,879.25	---	---	2,394,879.25

VIII. Equity in Other Entities

(I) Equity in Subsidiary

No.	Subsidiary	Level	Type of subsidiary	Registered place	Main business place	Business nature
1	Zhuhai Hongta Renheng Packing Co., Ltd.	Primary	Holding subsidiary	Zhuhai	Zhuhai	Manufacturing industry
2	Zhuhai Huafeng Paper Co., Ltd.	Secondary	Holding subsidiary	Zhuhai	Zhuhai	Manufacturing industry
3	Zhuhai Golden Pheasant Chemical Co., Ltd.	Secondary	Holding subsidiary	Zhuhai	Zhuhai	Manufacturing industry
4	Huaxin (Foshan) Color Printing Co., Ltd.	Primary	Wholly-owed subsidiary	Foshan	Foshan	Manufacturing industry
5	Kunshan Focai Packaging & Printing Co., Ltd.	Primary	Wholly-owed subsidiary	Suzhou	Suzhou	Manufacturing industry
6	Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	Primary	Wholly-owed subsidiary	Jiaxing	Jiaxing	Manufacturing industry

Continued:

No.	Subsidiary	Paid-in capital (RMB'0,000)	Holding percentage (%)	Voting rights(%)	Investment amount (RMB'0,000)	Way of gaining
1	Zhuhai Hongta Renheng Packing Co., Ltd.	60,000.00	41.9653	41.9653	92,757.07	Business combination not under the same control
2	Zhuhai Huafeng Paper Co., Ltd.	98,455.93	100.00	100.00	106,897.15	Business combination under the same control
3	Zhuhai Golden Pheasant Chemical Co., Ltd.	6,927.19	51.00	51.00	6,900.00	Business combination not under the same control
4	Huaxin (Foshan) Color Printing Co., Ltd.	9,689.56	100.00	100.00	12,253.67	Establishment
5	Kunshan Focai Packaging & Printing Co., Ltd.	500.00	100.00	100.00	500.00	Establishment
6	Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	1,500.00	100.00	100.00	1,500.00	Establishment

(II) Reason why the Parent Company Has Control Rights over the Investee with Voting Right of the Investee Less than Half

No.	Name of enterprise	Holding percentage (%)	Voting rights(%)	Registered capital (RMB'0,000)	Investment amount (RMB'0,000)	Level	Reason for being included into consolidated scope
1	Zhuhai Hongta Renheng Packing Co., Ltd.	41.9653	41.9653	60,000.00	92,757.07	Primary	Note 1

Note 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, 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, Yunnan Hongta Group Co., Ltd. sent two directors, 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.

(III) Significant Non-wholly-owned Subsidiary

1. Minority Shareholders

No.	Subsidiary	Shareholding proportion of minority shareholder	The profits and losses arbitrated to the minority shareholders	Dividends paid to minority shareholders in the Current Period	Accumulated minority equity at the end of the Period

		(%)			
1	Zhuhai Hongta Renheng Packing Co., Ltd.	58.0347	16,528,082.84	15,278,449.35	1,619,569,460.66

2. Main Financial Information

Item	Zhuhai Hongta Renheng Packing Co., Ltd.	
	Closing balance/reporting Period	Opening balance/same period of last year
Current assets	2,066,887,651.66	2,625,951,940.55
Non-current assets	2,341,311,528.10	2,445,344,768.25
Total assets	4,408,199,179.76	5,071,296,708.80
Current liabilities	1,247,248,199.38	1,388,151,886.13
Non-current liabilities	374,334,704.45	893,624,199.66
Total liabilities	1,621,582,903.83	2,281,776,085.79
Operating revenues	3,320,528,760.26	3,349,262,558.37
Net profits	17,181,492.24	125,460,098.44
Total comprehensive income	17,181,492.24	125,460,098.44
Cash flow related to operating acivities	(63,846,227.22)	405,950,591.71

VI. Related Party and Related Transaction

(I) Holding Shareholders of the Company

Name of holding shareholders	Registration place	Nature of business	Registered capital	Proportion of share against the Company (%)	Proportion of voting rights against the Company (%)
Foshan Huaxin Development Co., Ltd.	Foshan	Manufacturing industry	45,793.00	65.20	65.20
China National Paper Industry Investment Corp.	Beijing	Comprehensive	503,300.00	65.31	65.31
China Chengtong Holdings Group Co., Ltd.	Beijing	Comprehensive	938,016.50	65.31	65.31

1. Notes of Holding Shareholders of the 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.

(II) Refer to Note VIII (I) Equity in Subsidiary for Details of Subsidiaries of the Company

(III) Associated Enterprises of the Company

Name	Relationship
Chengtong Finance Co., Ltd.	Former associated enterprise *1

Guangdong Chengtong Logistics Co., Ltd.	Associated enterprise

*1 The Company originally held 20.00% of shares in Chengtong Finance Co., Ltd. measured by equity method. In accordance with the Proposal on Increasing Investment to Chengtong Finance Co., Ltd., the Company increased 0.3 billion shares of investment to Chengtong Finance Co., Ltd. The actual investment by the Company was RMB396 million. After the investment increase, the proportion of shares in China Chengtong Finance Corporation Ltd. held by the Company decreased from 20.00% to 10.00% without control or joint control rights as well as significant influence. The Company would transfer the investment in China Chengtong Finance Corporation Ltd. to available-for-sale financial assets that would be measured at cost and reclassified into available-for-sale financial assets.

(IV) 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
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
Guangdong Guanhao High-tech Co., Ltd.	Under the control of the same ultimate controller
Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	Under the control of the independent director of the actual controller
Chengtong Energy (Guangdong) Co., Ltd.	Under the control of the same ultimate controller
Chengtong Real Estate Investment Co., Ltd.	Under the control of the same ultimate controller
Foshan Chengtong Paper-Industry Co., Ltd. (Note 1)	Under the control of the same ultimate controller

Note 1: At the begaining of the Reporting Period, Foshan Chengtong Paper-Industry Co., Ltd. was non-related party. It began to act as the related party of the Company from Sep. 2017 when it started to be under the same control of China Chengtong Holdings Group Co., Ltd. with the Company.

(V) Related-party Transactions

1. The Transactions Made among Subsidiaries with Controlling Relationship and Included into the Consolidated Financial Statements of the Company Had Been Offset as well as Those between the Company and Subsidiaries.

2. Related Transactions for Acquisition of Goods and Reception of Labor Service

Related-party	Content	Reporting Period	Same period of last year
China National Paper Industry Investment Corp.	Purchase of raw material	192,949,030.08	148,252,577.79
Guangdong Guanhao High-tech Co., Ltd.	Purchase of raw material	---	13,967.35
Tianjin Port Free Trade Zone Zhongwu Investment Development Co., Ltd.	Purchase of raw material	3,913,511.43	---
Guangdong Chengtong Logistics Co., Ltd.	Providing logistics services	17,407,421.76	15,499,988.56
Guangdong Guanhao High-tech Co., Ltd.	Purchase of raw material	369,490.76	413,718.56
China Chengtong International Co., Ltd.	Purchase of raw material	---	89,829,578.15
HONG KONG DRAGON STATE YAN WING INTERNATIONAL COMPANY	Purchase of raw material	---	8,601,905.87

Related-party	Content	Reporting Period	Same period of last year
Yueyang Antai Industrial Co., Ltd.	Purchase of raw material	663,229.06	219,759.19
Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	Purchase of raw material	6,453,777.61	---
Subtotal		221,756,460.70	262,831,495.47
Foshan Huaxin Import and Export Co., Ltd.	Purchase of fixed assets	---	180,116.60

3. Related Transactions for Sales of Goods and Provision of Labor Service

Related-party	Content	Reporting Period	Same period of last year
China National Paper Industry Investment Corp.	Sales of raw material	34,121,462.56	134,681,889.58
Yueyang Forest & Paper Co., Ltd.	Sales of products	25,872,112.25	19,279,321.75
Guangdong Guanhao High-tech Co., Ltd.	Sales of products and raw materials	12,646,501.73	6,668,453.70
Zhanjiang Guanhao Paper Co., Ltd.	Sales of products and raw materials	65,290.60	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
Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	Sales of products and raw materials	107,144,946.76	---
Guangdong Chengtong Logistics Co., Ltd.	Others	63,600.00	---
Total		179,913,913.90	194,025,991.11

4. Information of Related Lease

(1) The Company was lessor:

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	737,413.33	1,210,342.86
Chengtong Energy (Guangdong) Co., Ltd.	Houses and buildings	5,714.29	---
Total		743,127.62	1,210,342.86

(2) The Company was lessee:

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

5. Related-party Guarantee

Guarantor	Secured party	Guarantee amount(RMB'0,000)	Start date	End date	Execution accomplished or not
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	33,000.00	2014/5/7	2017/5/6	Yes
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	20,000.00	2016/2/1	2017/1/21	Yes
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	10,000.00	2016/1/14	2017/1/13	Yes
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	10,000.00	2016/5/30	2017/2/2	Yes

Guarantor	Secured party	Guarantee amount(RMB'0,000)	Start date	End date	Execution accomplished or not
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	10,000.00	2017/2/23	2017/4/29	Yes
Zhujiang Hongta Renheng Packing Co., Ltd.	Zhuhai Huafeng Paper Co., Ltd.	20,000.00	2016/7/8	2017/12/31	Yes
	Subtotal	103,000.00			
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	18,000.00	2017/3/1	2017/10/28	No (Note 1)
Zhujiang Hongta Renheng Packing Co., Ltd.	Zhuhai Huafeng Paper Co., Ltd.	10,000.00	2016/12/1	2017/10/28	No (Note 1)
The Company	Huaxin (Foshan) Color Printing Co., Ltd.	2,000.00	2016/12/23	2017/10/23	No (Note 1)
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	20,000.00	2016/3/1	2019/12/31	No
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	3,880.00	2017/9/27	2020/3/13	No
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	20,000.00	2017/2/28	2019/2/28	No
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	33,000.00	2017/5/23	2020/5/22	No
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	20,000.00	2017/7/15	2019/7/15	No
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	10,000.00	2017/2/24	2018/2/24	No
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	10,000.00	2017/7/28	2018/5/14	No
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	10,000.00	2017/9/12	2019/3/31	No
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	10,000.00	2017/11/10	2019/11/9	No
The Company	Zhujiang Hongta Renheng Packing Co., Ltd.	10,000.00	2017/11/13	2018/9/3	No
Zhujiang Hongta Renheng Packing Co., Ltd.	Zhuhai Golden Pheasant Chemical Co., Ltd.	10,000.00	2015/8/31	2018/8/30	No
The Company	Zhuhai Huafeng Paper Co., Ltd.	35,000.00	2016/10/29	2019/10/28	No
The Company	Huaxin (Foshan) Color Printing Co., Ltd.	6,000.00	2016/1/1	2020/12/31	No

Guarantor	Secured party	Guarantee amount(RMB'0,000)	Start date	End date	Execution accomplished or not
Zhujiang Hongta Renheng Packing Co., Ltd.	Zhuhai Huafeng Paper Co., Ltd.	15,000.00	2017/12/31	2018/7/13	No
	Subtotal	242,880.00			
	Total	345,880.00			

Note 1: The guarantee agreement signed by the Company was due. But the principal debt under the said guarantee has not expired yet.

6. Inter-bank Lending of Capital of Related Parties

(1) Borrowed

Related-party	Amount borrowed	Interest	Initial date	Due date
Foshan Huaxin Development Co., Ltd.	7,000,000.00	55,585.83	10/27/2017	12/31/2018

7. Rewards for the Key Management Personnel

Item	Reporting Period	Same period of last year
Rewards for the key management personnel	3,845,000.00	5,128,714.50

8. Other Related-party Transactions

(1) 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, 2017, outstanding of deposits of the Company in Chengtong Finance Co., Ltd. was RMB120,798,009.23, notes discounted was RMB308,331,654.66, and the interest generated from bill discounting was RMB4,389,665.21.

(2) In accordance with the Proposal on Increasing Investment to Chengtong Finance Co., Ltd. reviewed and approved on the 4th Meeting of the 7th Board of Directors, the Company increased 0.3 billion shares of investment at 1.32 per share to Chengtong Finance Co., Ltd. The actual investment by the Company was RMB396 million. After the investment increase, the proportion of shares in China Chengtong Finance Corporation Ltd. held by the Company decreased from 20.00% to 10.00%.

(3) On Sep. 1, 2017, the Company recovered a debt of RMB490,240,600.41 from Chengtong Real Estate Investment Co., Ltd. paid on behalf of Foshan Chengtong Paper Co., Ltd.

9. Receivables and Payables of Related Parties

(1) Receivables

Item and name of related party	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Accounts receivable:				
Guangdong Guanhao High-tech Co., Ltd.	4,380,668.14	---	2,990,446.69	95.85
Yueyang Forest & Paper Co., Ltd.	7,043,454.67	---	5,321,659.50	---
Yueyang Antai Industrial Co., Ltd	5,302.10	5,302.10	5,302.10	2,651.05
China National Paper Industry Investment Corp.	---	---	33,263.08	102.86

Item and name of related party	Closing balance		Opening balance	
	Book balance	Bad debt provision	Book balance	Bad debt provision
Foshan Huaxin Import & Export Co., Ltd.	549,882.60	201,380.64	549,882.60	201,380.64
Long Bond Investment Development Co., Ltd.	176.14	88.07	2,755,688.24	---
Zhanjiang Guanhao Paper Co., Ltd.	---	---	1,545.27	---
Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	2,018,375.33	---		
Subtotal	13,997,858.98	206,770.81	11,657,787.48	204,230.40
Prepayment:				
China National Paper Industry Investment Corp.	1,939,495.40	---	---	---
Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	3,259,470.15	---		
Subtotal	5,198,965.55	---	---	---
Other accounts receivable:				
Guangdong Chengtong Logistics Co., Ltd.	1,019,540.63	62,254.41	893,243.15	22,847.25
Subtotal	1,019,540.63	62,254.41	893,243.15	22,847.25
Interest receivable				
Foshan Chengtong Paper Co., Ltd.	---	---	5,950,976.18	---
Subtotal	---	---	5,950,976.18	---
Long-term accounts receivable				
Foshan Chengtong Paper Co., Ltd.	---	---	490,240,600.41	---
Subtotal	---	---	490,240,600.41	---

(2) Payables

Item and name of related party	Closing balance	Opening balance
Accounts payable:		
China National Paper Industry Investment Corp.	19,794,676.49	87,600,898.59
Guangdong Chengtong Logistics Co., Ltd.	4,413,891.39	1,973,769.75
Guangdong Guanhao Hi-tech Industry Co., Ltd.	135,922.28	102,183.57
Guangdong Guanhao High-tech Co., Ltd.	---	3,483.37
Yueyang Antai industrial Co., Ltd	298,400.00	127,312.00
Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	1,726,693.70	---
Tianjin Port Free Trade Zone Zhongwu Investment Development Co., Ltd.	2,052,704.73	---
Subtotal	28,422,288.59	89,807,647.28
Advance from customers:		
Guangzhou Chenhui Pulp & Paper Trading Co., Ltd.	1,992,812.03	---
China National Paper Industry Investment Corp.	573,515.79	---
Subtotal	2,566,327.82	---
Interest payable		
Foshan Huaxin Import & Export Co., Ltd.	55,585.83	---

Item and name of related party	Closing balance	Opening balance
Subtotal	55,585.83	---
Other accounts payable:		
Guangdong Chengtong Logistics Co., Ltd.	1,110,384.98	570,384.98
Foshan Huaxin Import & Export Co., Ltd.	7,000,000.00	---
Subtotal	8,110,384.98	570,384.98

X. Commitments and Contigency

(I) Significant Commitments

Up to 31 Dec. 2017, there were no significant commitments to be disclosed.

(II) Significant Contingency on Balance Sheet Date

1. 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. Up to Dec. 31, 2017, 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 for the difficulty of recovery.

(2) Up to Dec. 31, 2017, 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 and that Regall Group should pay Hongta Renheng the debt of RMB9,786,596.96. 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, 2017, RMB 127,836.00 was received by Hongta Renheng. Hongta Renheng has withdrawn 100% bad debt provision for the said residual uncollected amount due to the difficulty of recovery.

(3) Up to Dec. 31, 2017, 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, 2017, 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, 2017, 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. However Shenzhen Xieji Industry Co., Ltd. was unable to repay. Therefore, it continued to withdraw 100% bad debt provision for the said account receivable.

(6) Up to Dec. 31, 2017, 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, 2017, 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. The collectability of the balance of RMB3,152,239.70 was uncertain. Therefore, the balance of RMB3,152,239.70 shall be withdrawn 100% bad debt provision.

(8) Up to Dec. 31, 2017, 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, 2017, RMB922,328.60 in total was not taken back, Corresponding bad debt provision shall be withdrawn for the balance of the account receivable with uncertainty of collectability at 100%.

(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. In accordance with the (2017) Y04MZ No. 1759 Civil Judgment in which Hongta Renheng won the appeal, Zhuhai Bidao Energy Co., Ltd. shall return the occupied land of Hongta Renheng and pay the land occupation fee at RMB48 per square meter each year.

(10）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 Meditation 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, 2017, 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 100% bad debt provision for RMB 240,500.00 that shall be paid by Hunan Henghan due to the difficulty of recovery.

(11) Hengyang Feier Cultural Goods (Electrical Appliances) Co., Ltd. prosecuted Zhuhai Huafeng due to the dispute in product quality in Zhuhai Jinwan District Intermediate People's Court in Guangdong Province, requiring the compensation of RMB 2.96 million. According to (2017) Y04MZ No. 728 Civil Judgment, such claim was rejected.

(12) Zhuhai Huafeng brought a lawsuit against Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. and Wuhan Kedio Electric Power Technology Co., Ltd. on March 16, 2017. In the lawsuit, Zhuhai Huafeng asked Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. and Wuhan Kedio Electric Power Technology Co., Ltd. to repay the compensation

amount of RMB 9.76 million that was paid by Zhuhai Huafeng to relatives of the victims in the 3.4 safety accident for Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. and Wuhan Kedio Electric Power Technology Co., Ltd. Then, Wuhan Kedio Electric Power Technology Co., Ltd. applied to add Yancheng Xinda High-Altitude Anti-Corrosion Co., Ltd. as a defendant and Yancheng Xinda High-Altitude Anti-Corrosion Co., Ltd. applied to add Liu Jiechun, the actual constructor, as a defendant. The court opened a court session on November 20, 2017. As the four defendants requested that the civil compensation case be tried after the trial of the "3.4 Safety Accident" criminal case and after the liability of each party is determined, Zhuhai Jinwan District People's Court suspended the trial of the civil compensation case. Refer to Note XII. (I) for details.

2. Contigency Generated from Provision of Debt Guarantee and Its Financial Influence

Refer to Note IX. (V). 5 for details of guarantees provided for relaed parties.

Except for above contingencies, there was no significant contingency of the Company to disclose up to Dec.1,2017.

XI. Events after Balance Sheet Date

(I) Profit Distribution

On March 15, the Company held the Second Meeting of the 6th Board of Directors on which the Plan for Profit Distribution in 2017 was reviewed and approved. Based on the total share capital of 505.425 million shares on December 31, 2017, the Company proposed to distribute a cash dividend of RMB0.18 (tax inclusive) for every 10 shares to all shareholders, with no bonus issue and no capitalization of common reserve fund. The Company paid a cash dividend of RMB9,097,650.00, of which RMB6,003,000.00 was paid to legal person shareholders and RMB3,094,650.00 to tradable shareholders.

The said profit distribution plan remains to be submitted to shareholders meeting for review.

Except for the above-mentioned event after balance sheet date, as of the approval date of financial statements, there was no significant event after balace sheet date to disclose.

XII. Note of Other Significant Events

(1) High altitude falling production safety accident event caused by a flash burn (hereinafter referred to as "3.4 Safety Accident")

A major production safety accident occurred in the site area of Zhuhai Huafeng, a holding subsidiary of the company, at 9:15 am, March 4, 2017. Case background: Wuhan Kedio Electric Power Technology Co., Ltd. (hereinafter referred to as "Wuhan Kedio ") undertook the 120m reinforced concrete chimney anti-corrosion project of Zhuhai Huafeng in the name of Jiangsu Tianxing High-Altitude Anti-Corrosion Engineering Co., Ltd. (hereinafter referred to as "Jiangsu Tianxing"); then Wuhan Kedio Ltd. subcontracted the project to Liu Jiechun in the way of labor and material contract; then Liu Jiechun undertook the anti-corrosion project in the name of Yancheng Xinda High-Altitude Anti-Corrosion Co., Ltd. (hereinafter referred to as "Yancheng Xinda"). On March 4, 2017, when Liu Jiechun and 9 workers (including the 6 workers who died in the accident) were carrying out the construction operation of the 120m reinforced concrete chimney anti-corrosion project, 6 construction workers fell down from a high altitude and died due to a sudden flash burn.

After the accident, as the owner, Zhuhai Huafeng immediately launched the emergency plan for safety accident. The emergency group comprising principal leaders of Zhuhai Huafeng rushed to the scene to handle the accident at the first time and transferred RMB 11.16 million to the regulatory bank account of Zhuhai Gaolan Port Economic Zone in accordance with the requirements of the government of Zhuhai Gaolan Port Economic Zone to compensate the relatives of the victims. Then Jiangsu Tianxing also transferred RMB 1.4 million to the regulatory bank account. After handling the accident, the government of Zhuhai Gaolan Port Economic Zone returned the remaining RMB 1.4 million in the regulatory bank account to Zhuhai Huafeng, so Zhuhai Huafeng actually paid RMB 9.76 million to the relatives of victims.

On March 16, 2017, Zhuhai Huafeng brought a recovery action against Jiangsu Tianxing and Wuhan Kedio to Zhuhai Jinwan District People's Court. Then Wuhan Kedio applied to add Yancheng Xinda as a co-defendant; and Yancheng Xinda applied to add Liu Jiechun, the actual constructor, as a co-defendant. The court opened a court session on November 20, 2017. As the four defendants requested that the civil compensation case be tried after the trial of the "3.4 Safety

Accident" criminal case and after the liability of each party is determined, Zhuhai Jinwan District People's Court suspended the trial of the civil compensation case.
Given that the case has been suspended and the criminal case shall be tried before civil compensation case, it is expected that the final judgment of the case will take a long time. The management of the company attached great importance to this civil compensation case and directed that evidence and property preservation measures shall be actively taken. Without the judgment results of the court, the management of the company can't confirm whether the sum can be collected completely, but, we can see from the current progress that, Zhuhai Huafeng has applied for property preservation against the defendant companies. Since both Jiangsu Tianxing and Wuhan Kedio are qualified corporations in the same industry and have always been in normal business, the company believes that, the property reserved is enough to cover the compensation amount, therefore, the management of the company believes that providing of bad debt provisions as per the account age over the claim of RMB 9.76 million is rational.
After the "3.4 Safety Accident", the government of Zhuhai Gaolan Port Economic Zone ordered Zhuhai Huafeng to stop production and identify any hidden danger. Normal production was not restored until May 4, 2017. Zhuhai Huafeng suffered a loss of RMB 18,712,379.13 incurred by abnormal shutdowns caused by the event. The company included the loss caused by shutdowns into the subject of "Non-Operating Expenses" for accounting and disclosure.
(2) Typhoon Hato Disaster Loss Event
Affected by Typhoon Hato that occurred on August 23, 2017, the stock and fixed assets of Hongta Renheng and Zhuhai Huafeng, subsidiaries of the company were damaged to some extent. And at the same time, some losses were incurred by abnormal shutdowns caused by the typhoon disaster.
1) Loss of real assets
As Hongta Renheng and Zhuhai Huafeng have purchased Property All Risks Insurance from PICC Property and Casualty Company Ltd. (hereinafter referred to as PICC P&C), according to the insurance contract, the stock and fixed assets of Hongta Renheng and Zhuhai Huafeng that were damaged in the typhoon disaster are covered within the scope of insurance claims.
By December 31, 2017, the company had paid maintenance fee of fixed assets of RMB 4,811,697.17 cumulatively and incurred an accumulative net loss of RMB 1,687,621.24 after the damaged wood pulp was soled according to the scheme accepted by PICC P&C. The company reclassified the maintenance fee of fixed assets, net loss incurred by selling the damaged wood pulp, damaged finished products that haven't been handled and the book amount of the packaging materials (total RMB 20,961,100.36) into the subject of "Other Current Assets" for accounting.
In accordance with the adjustment table (draft) provided by a third party assessment institution which is accepted by the company and PICC P&C, it is expected that, Hongta Renheng and Zhuhai Huafeng will incur a net loss of RMB 5.5 million in this typhoon disaster. According to the notice of Zhuhai Jinwan District People's Government Office on Issuing the *Policies and Measures of Jinwan District for Facilitating Recovery of Production by Industrial Enterprises after Disaster*, the company applied for government subsidy. The application was then approved by the government. The company received the special government subsidy of RMB 600,000 from the post-disaster production recovery support foundation on December 26, 2017 and received the special government subsidy of RMB 3.5 million from the post-disaster production recovery support foundation on January 18, 2018 (RMB 4.1 million in total). After deducting foregoing government subsidy, the net loss that the company actually incurred is about RMB 1.4 million.
As the adjustment result hasn't been finally decided, Hongta Renheng and Zhuhai Huafeng are in negotiations with PICC P&C and the assessment institution.
2) Loss incurred by shutdowns caused by the typhoon disaster
Abnormal shutdowns were caused by Typhoon Hato. A total loss of RMB 9,084,885.76 is incurred by the shutdown. The company reclassified the part of loss caused by natural disaster from the subject of "Production Cost" to the subject of "Non-Operating Expenses" for accounting and disclosure.
(III) Other Important Transactions and Events Having an Impact on Investors' Decision-making
(1) 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.

(2) 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 Dec. 31, 2017, Japanese company collected the principal RMB 490,240,600.41 and all corresponding interest back.

(3) 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. Annuity payment is divided into enterprise contribution and individual contribution. The total annual contribution of the enterprise is 5% of the total salary of the previous year, the individual contribution of the employee is 25% of the contribution of the enterprise, and the employee who is in service before January 1, 2017 of the Company can volunteer to participation in the annuity plan.

XIII. Notes of Main Items in the Financial Statements of the Parent Company

Note 1. Other Accounts Receivable

1. Other Accounts Receivable Classified by Category

Category	Closing balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	---	---	---	---	---
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	263,378.03	0.14	---	---	263,378.03
Related party's accounts within the consolidated scope	186,766,283.28	99.86	---	---	186,766,283.28
Total	187,029,661.31	100.00	---	---	187,029,661.31

Continued:

Category	Opening balance				
	Book balance		Bad debt provision		Book value
	Amount	Proportion	Amount	Withdrawal proportion	
Other accounts receivable with significant single amount for which bad debt provision separately accrued	---	---	---	---	---
Other accounts receivable withdrawn bad debt provision according to credit risks characteristics	21,131.24	---	---	---	21,131.24
Intercourse funds within the	979,745,515.37	100.00	---	---	979,745,515.37

consolidated scope					
Total	979,766,646.61	100.00	---	---	979,766,646.61

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

Aging	Closing balance		
	Other accounts receivable	Bad debt provision	Withdrawal proportion
1-3 months	263,378.03	---	---

2. No Accounts Receivable Withdraw, Reversed or Collected during the Reporting Period

3. No Other Accounts Receivable with Actual Verification during the Reporting Period

4. Other Accounts Receivable Classified by the Nature

Item	Closing balance	Opening balance
Pretty cash, etc.	263,378.03	21,131.24
Intercourse fund within the consolidated scope	186,766,283.28	979,745,515.37
Total	187,029,661.31	979,766,646.61

5. Particulars of Other Accounts Receivable at the End of the Period

Name of the entity	Nature of the account	Closing balance	Aging	Proportion to the closing balance of other accounts receivable (%)
Zhuhai Hongta Renheng Packaging Co., Ltd.	Loan and Interest	105,224,419.88	Within 1 year	56.26
Huaxin (Foshan) Color Printing Co., Ltd.	Loan and Interest	79,064,614.38	1-2 years	42.27
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	Loan and Interest	2,477,249.02	1-2 years	1.33
Subtotal		186,766,283.28		99.86

Note 2. Long-term Equity Investment

Nature	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	1,070,107,442.14	---	1,070,107,442.14
Investment to joint ventures and associated enterprises	---	---	---	244,408,251.27	---	244,408,251.27
Total	1,070,107,442.14	---	1,070,107,442.14	1,314,515,693.41	---	1,314,515,693.41

1. Investment to the Subsidiary

Investee	Initial investment cost	Opening balance	Increase	Decrease	Closing balance	Closing balance of impairment provision
Huaxin (Foshan) Color Printing Co., Ltd.	122,536,745.03	122,536,745.03	---	---	122,536,745.03	---
Zhuhai Hongta Renheng Packaging	927,570,697.11	927,570,697.11	---	---	927,570,697.11	---

Co., Ltd.						
Kunshan Focai Packaging & Printing Co., Ltd.	5,000,000.00	5,000,000.00	---	---	5,000,000.00	---
Zhejiang Hongta Renheng Packaging Technology Co., Ltd.	15,000,000.00	15,000,000.00	---	---	15,000,000.00	---
Total	1,070,107,442.14	1,070,107,442.14	---	---	1,070,107,442.14	---

2. Investment to Associated Enterprises

Investee	Opening balance	Increase/decrease in Reporting Period			
		Additional investment	Negative investment	Investment profit and loss recognized under the equity method	Adjustment of other comprehensive incomes
I. Associated enterprises					
Chengtong Finance Co., Ltd.	244,408,251.27	396,000,000.00	---	22,059,145.80	---
Total	244,408,251.27	396,000,000.00	---	22,059,145.80	---

Continued:

Investee	Increase/decrease in Reporting Period				Closing Balance	Closing Balance of impairment reserves
	Other equity changes	Declaration of cash dividends or profits	Withdrawn impairment provision	Others		
I. Associated enterprise						
Chengtong Finance Co., Ltd.	---	35,112,256.03	---	(627,355,141.04)	---	---
Total	---	35,112,256.03	---	(627,355,141.04)	---	---

3. Notes of Long-term Equity Investment

(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, Yunnan Hongta Group Co., Ltd. sent two directors, 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) In accordance with the Proposal on Increasing Investment to Chengtong Finance Co., Ltd. reviewed and approved on the 4th Meeting of the 7th Board of Directors, the Company increased 0.3 billion shares of investment to Chengtong Finance Co., Ltd at RMB1.32 per share. The actual investment by the Company was RMB396 million. After the investment increase, the proportion of shares in China Chengtong Finance Corporation Ltd. held by the Company decreased from 20.00% to 10.00% without control or joint control rights as well as significant influence. The Company would transfer the investment in China Chengtong Finance Corporation Ltd. to available-for-sale financial assets that would be measured by cost method and reclassified into available-for-sale financial assets.

Note 3. Investment Income

Item	Reporting Period	Same period of last year
Long-term equity investment income accounted by cost method	11,803,128.09	16,988,226.64
Long-term equity investment income accounted by equity method	22,059,145.80	14,902,809.13
Total	33,862,273.89	31,891,035.77

XIV. Supplementary Materials

(I) Non-recurring Gains and Losses during this Reporting Period

Item	Amount	Explanation
Profit or loss on disposal of non-current assets	275,303.86	
Tax refunds or reductions with ultra vires approval or without official approval documents	---	
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	13,791,511.79	
Income earned from lending funds to non-financial institutions and recognized in profit or loss	14,745,309.37	
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures	---	
Profit or loss on exchange of non-monetary assets	---	
Profit or loss on entrusted investments or assets management	---	
Impairment losses on assets due to force majeure events, e.g, natural disasters	---	
Profit or loss on debt restructuring	---	
Entity restructuring expenses, e.g., expenditure for layoff of employees, integration expenses, etc.	---	
Profit or loss attributable to the evidently unfair portion of transaction price, being transacted price in excess of fair transaction price, of a transaction	---	
Net profit or loss of subsidiaries from the beginning of the period up to the business combination date recognized as a result of business combination of enterprises under common control	---	
Profit or loss arising from contingencies other than those related to normal operating business	---	
Profit or loss on changes in the fair value of held-for-trade financial assets, and held-for-trade financial liabilities and financial assets	1,326,459.63	

Item	Amount	Explanation
available-for-sale, other than those used in the effective hedging activities relating to normal operating business		
Reversal of provision for account receivables that are tested for impairment losses individually	---	
Profit or loss on entrusted loans	---	
Profit or loss on changes in the fair value of investment properties that are subsequently measured using the fair value model	---	
Effects on profit or loss of one-off adjustment to profit or loss for the period according to the period requirements of tax laws and accounting laws and regulations	---	
Custodian fees earned from entrusted operation	---	
Other non-operating income or expenses other than the above	(24,429,364.21)	
Less: Tax effects	(661,998.98)	
Effects attributable to minority interests (after tax)	70,872.49	
Total	6,300,346.93	

(II) 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	0.94	0.04	0.04
Net profit attributable to common shareholders of the Company after deduction of non-recurring profit and loss	0.62	0.02	0.02

Foshan Huaxin Packaging Co., Ltd.
（Company Stamp）
March 15, 2018