

[English Translation for Reference Only]

Report of the Auditors

SGZCPAA (2017) No. 290

To the Board of Directors of
Shanghai HiTeC Plastics Co., LTD.:

We have audited the accompanying financial statements of Shanghai HiTeC Plastics Co., LTD. which comprise the balance sheet as at 31 December 2016, the income statement and cash flow statement for the year then ended.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements in accordance with the Accounting Standards for Business Enterprises and the 'Accounting System for Business Enterprises'. This responsibility includes: 1. Designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error; 2. Selecting and applying appropriate accounting policies.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Shanghai HiTeC Plastics Co., LTD. as of 31 December 2016, and of its financial performance and its cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises and the 'Accounting System for Business Enterprises'.

Shanghai Gong Zheng
Certified Public Accountants Co., Ltd.
Shanghai, China

Chinese CPA Fei Mingqi
Chinese CPA Wang ZhiQiang
2017.1.15



Translation
Balance Sheet
As at December 31st, 2016

Item	No.	Ending Balance	Beginning Balance	Item	No.	Ending Balance	Beginning Balance
Current Asset:				Current Liability:			
Cash and bank	1			Short-term Loan	73		
△ Deposit reservation for balance	2	135,943,495.95	85,906,026.04	△ Loans from central bank	74		
△ Ending to banks and other financial institutions	3			△ Deposits from customers and interbank	75		
Financial Assets measured at fair value through profit or loss for the current	4			△ Borrowed inter-bank funds	76		
Derivative Financial Asset	5			Financial Liabilities measured at fair value through profit or loss for the current	77		
Notes Receivable	6			Derivative Financial Liability	78		
Account Receivable	7	1,000,000.00	11,847,313.00	Notes Payable	79		
Prepaid expenses	8	32,400,447.45	33,966,781.07	Account Payable	80		
△ Premium Receivable	9	3,583,766.11	5,387,605.43	Advances from customers	81	18,043,011.01	16,379,733.62
△ Reinsurance Accounts Receivable	10			△ Financial assets sold for repurchase	82	3,366,925.75	3,691,960.31
△ Reinsurance Contract Reserve Receivable	11			△ The bank fees and commissions Payable	83		
Interest Receivable	12	145,267.76	124,638.75	Wage and salary Payable	84		
Dividends Receivable	13			Of which: Accrued payroll	85		
Other Receivables	14	1,033,520.58	1,315,275.74	Accrued welfare expenses	86		
△ Redemptory Monetary Capital for Sale	15			#Of which: Bonus and welfare fund for employee	87		
Inventory	16	737,006,571.68	553,741,351.51	Tax and Expenses Payable	88		
Of which: Raw material	17	52,809,147.89	41,880,313.21	Of which: Tax Payable	89	13,426,698.02	9,716,085.33
Finished Good	18	14,122,468.91	8,684,034.71	Interest Payable	90	134,196,053.37	9,716,085.33
Assets included in disposal groups classified as held for sale	19			Dividends Payable	91		
Non-current assets due within one year	20			Other Payable	92		
Other Current Asset	21			△ Dividend payable for reinsurance	93	3,654,823.61	3,664,021.33
Total Current Asset	22	247,807,255.53	193,865,053.53	△ Provisions of insurance contract	94		
Non-current Asset:	23			△ Receivings from vitaneously traded securities	95		
△ Lease Loans and advances	24			△ Receivings from vitaneously sold securities	96		
Available-for-sale Financial Asset	25			Liabilities included in disposal groups classified as held for sale	97		
Field-to-maturity Investments	26			Non-current liabilities due within one year	98		
Long-term receivable	27			Other Current Liability	99		
Long-term Equity Investment	28			Total Current Liability	100		
Property for investments	29			Non-current Liability:	101	38,491,638.39	33,451,800.59
Original value of Fixed Assets	30			Long-term Loans	102		
Less: Accumulated Depreciation	31			Debentures Payable	103		
Net Fixed Asset	32	143,497,848.18	142,644,496.15	Long-term Account Payable	104		
Less: Impairment Reserve of Fixed Assets	33	36,268,520.15	79,742,770.88	Long-term Wage and Salary Payable	105		
Net Fixed Asset	34	57,229,328.03	62,901,725.27	Special accounts payable	106		
Construction in progress	35	1,541,256.20	563,939.61	Accrued liability	107		
Construction in material	36			Deferred income	108		
Disposal of Fixed Assets	37			Deferred income tax liability	109		
Productive organic assets	38			Other Non-current Liability	110		
Oil & Gas Asset	39			Of which: Authorized reserve fund	111		
Intangible Asset	40			Total Non-current Liability	112	0	0.00
Development Expenditure	41	115,597.97	247,066.69	Total Liability	113	38,491,638.39	33,451,800.59
Goodwill	42			Owner's Equity:	114		
Long-term prepaid expenses	43			Paid in Capital	115		
Deferred Income Tax Asset	44			State-owned capital	116	73,472,572.94	73,472,572.94
Other Non-current Asset	45			Of which: State-own Legal-person capital	117	18,353,247.03	18,353,247.03
Of which: Chartered material reserve	46			Collective capital	118	18,353,247.03	18,353,247.03
Total Non-current Asset	47	58,886,182.20	63,712,731.57	Individual capital	119		
	48			Of which: personal capital	120		
	49			Foreign capital	121		
	50			#less: Investment Returned	122	551,093,251.91	551,093,251.91
	51			Net capital reserves	123		
	52			Other Equity Instruments	124	73,472,572.94	73,472,572.94
	53			Of which: Preferred Stock	125		
	54			Perpetual Capital Securities	126		
	55			Capital surplus	127		
	56			less: Treasury stock	128		
	57			Other Comprehensive Income	129		
	58			Of which: Translation reserve	130		
	59			Special reserve	131		
	60			Surplus reserves	132		
	61			Of which: Legal surplus	133	27,982,870.41	20,975,288.93
	62			Free surplus reserve	134	27,982,870.41	20,975,288.93
	63			#Reserve fund	135		
	64			#Enterprise expansion fund	136		
	65			#Capital redemption	137		
	66			△ General risk reserve	138		
	67			Undistributed profit	139		
	68			Equity vest in Parent Company	140	166,746,355.99	179,678,132.64
	69			*Minority equity	141	268,201,799.34	224,125,984.51
	70			Total owner's equity	142	268,201,799.34	224,125,984.51
	71	306,693,437.73	257,577,785.10	Total Liability & Owner's Equity	143	306,693,437.73	257,577,785.10
Total Asset	72	306,693,437.73	257,577,785.10		144	306,693,437.73	257,577,785.10

Unit: RMB Yuan

Translation

Income Statement For Year 2016

Items	No.	Current year	Last year	Items	No.	Current year	Last year	Unit: RMB Yuan
I. Total Revenue								
Of which: Revenue	1	476,220,864.40	429,007,220.96	Add: Non-business Revenue	30	1,182,202.09	2,415,095.28	
△ Interest Income	2	476,220,864.40	429,007,220.96	Of which: Gain from Disposing Non-current Assets	31		56,772.08	
△ Earned Premium	3			Gain from Trading Non-monetary Assets	32			
△ Fee and commission income	4			Government Subsidy	33	1,164,800.00	1,831,200.00	
II. Total Operating Costs				Gain from Redistribution of Liability	34			
Of which: Operating Costs	5	382,675,484.65	361,862,129.99	Less: Non-operating Expense	35	1,026,016.11	186,262.00	
△ Interest Expense	6	360,582,573.67	337,130,466.09	Of which: Loss from Disposing Non-current Assets	36	954,816.11	186,262.00	
△ Fee and commission Expense	7			Loss from Trading Non-monetary Assets	37			
△ surrender value	8			Loss from Redistribution of Liability	38			
△ Compensation expenses	9			IV. Total profit ("-"loss)	39	93,701,565.73	69,373,924.25	
△ Net provisioning for insurance contract	10			Less: Income Tax Expense	40	23,625,750.90	17,824,480.42	
△ Policy Dividend	11			V. Net profit	41	70,075,814.83	51,549,443.83	
△ Reinsurance Expenses	12			Net profit attributable to parent company	42	70,075,814.83	51,549,443.83	
Tax and surtax of sales	13			*Minority interest equity	43			
Selling expenses	14	67,791.47		VI. Other Net Comprehensive Income After Taxation	44	0.00	0.00	
Management Fees	15	13,376,917.55	14,543,101.08	i. Other comprehensive income that will not be reclassified subsequently to profit or loss	45	0.00	0.00	
Of which: Hospitality Expense	16	14,013,062.67	13,187,984.11	a. Changes of net assets and liabilities after remeasurement and reset of benefit plan	46			
Finance expenses	17			b. Shares of other comprehensive income of the investee accounted using equity method which will not reclassified	47			
Of which: Interest Expense	18			ii. Other comprehensive income that will be reclassified subsequently to profit or loss when specific conditions are met	48	0.00	0.00	
Interest Income	19			of which: a. Shares of other comprehensive income of the investee accounted using equity method which will be reclassified subsequently to profit or loss when specific conditions are met	49			
Net Loss from Exchanging Currency	20	-5,364,860.71	-2,999,421.29	b. Fair value gains/(loss) on available for sale financial assets	50			
Asset impairment losses	21			c. Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial	51			
Others	22	480,351.44	708,923.43	c. The effective hedging portion of gains or losses arising from cash flow hedging instruments	52			
Add: Revenue of fair value change ("-"loss)	23	-5,429,163.80	-2,732,075.48	d. Exchange differences from the translation of foreign operations	53			
Investment revenue ("-"loss)	24			VII. Total Consolidated Income	54	70,075,814.83	51,549,443.83	
Of which: investment revenue of associate (s) and joint ventures	25			Total consolidated income attributable to parent company	55	70,075,814.83	51,549,443.83	
△ exchange gain ("-"loss)	26			*The consolidated income attributable to minority interest equity	56	0.00	0.00	
III. Operating profit ("-"loss)	27	93,545,379.75	67,145,090.97	VIII. EPS	57			
	28			Basic EPS	58			
	29			Diluted EPS	59			

Translation
Cash Flows Statement
Period: 2016

Prepared by: Shanghai Hi Tec Plastics Co., Ltd.

Item		No.	Current year	Last year	Item	No.	Current year	Last year	Unit: RMB Yuan
Item		No.	Current year	Last year	Item	No.	Current year	Last year	Unit: RMB Yuan
I. Cash Flows From Operating Activities:									
Cash received from sales of goods or rendering of services		1	—	—	Net cash received from disposal of fixed assets, intangible assets and other long-term assets	30	254,687.23	152,950.00	
△ Net increase in deposits and due from banks		2	514,806,617.74	461,040,215.61	Cash in from disposing subsidiaries and other Business	31			
△ Net increase in borrowings from central bank		3			Other cash received relating to investing activities	32			
△ Net increase in borrowings from banks and other financial institution		4			Cash inflow from investment activities	33	254,687.23	152,950.00	
△ Receipt from primary insurance premium		5			Cash paid to acquire fixed assets, intangible assets and other long-term assets	34	4,296,686.17	4,781,934.78	
△ Net cash flow from reinsurance		6			Cash paid to acquire investments	35			
△ Net increase in insured savings and sum invested		7			△ Net increase in mortgage loan	36			
△ Net cash received from disposal of Held-for-trade Financial Asset		8			Cash Out for Acquiring subsidiaries and other Business	37			
△ Net cash received from interest, fees and commission		9			Other cash paid relating to investing activities	38			
△ Net increase in borrowings from banks and other financial institution		10			Cash outflow from operating activities	39	4,296,686.17	4,781,934.78	
△ Net increase in repurchase		11			Net cash flows from investment activities	40	-4,041,998.94	-4,628,984.78	
Taxes Refund		12			III. Cash Flows From Financing Activities:	41			
Other cash received relating to operating activities		13	2,229,631.95	1,831,200.00	Net proceeds from issuance of equity securities	42			
Cash inflows from operating activities		14	480,351.44	708,923.43	of which: Proceeds from Subsidiaries's Shareholders	43			
Cash paid for goods and services		15	517,516,601.13	463,580,339.04	Cash in from borrowing	44			
△ Net increase in loans and advances		16	370,996,181.10	346,129,847.05	△ Cash in from bond issuance	45			
△ Net increase in due from central bank and others		17			Other cash received relating to financing activities	46			
△ Payments for primary insurance indemnity		18			Cash inflow from financing activities	47	0.00	0.00	
△ Net cash paid to interest, fees and commission		19			Cash repayments of amounts borrowed	48			
△ Net cash paid to policy dividend		20			Cash payments for distribution of dividends or profits and cash payments of interest expenses	49	26,000,000.00	17,000,000.00	
Cash paid to and on behalf of employees		21			of which: Dividends & Profits paid to Shareholders by Subsidiary	50			
Taxes paid		22	19,214,251.84	18,261,844.06	Other cash paid relating to financing activities	51			
Other cash paid relating to operating activities		23	21,808,885.50	36,417,709.58	Cash outflow for financing activities	52	26,000,000.00	17,000,000.00	
Cash outflow from operating activities		24	30,846,877.63	5,257,773.04	Net cash flow from financing activities	53	-26,000,000.00	-17,000,000.00	
Net cash flows from operating activities		25	442,866,196.08	406,067,173.73	IV. Effect Of Foreign Exchange Rate Changes On Cash	54	5,429,163.80	2,732,075.48	
Net cash flows from investment activities		26	74,650,405.06	57,513,165.32	V. Net increase in cash and cash equivalents	55	50,037,569.92	38,616,256.02	
Net cash flows from financing activities		27	—	—	Add: Cash and cash equivalents balance at the beginning of the period	56	85,906,026.04	47,389,770.02	
Cash received from return of investments		28			VII. Cash and cash equivalents at the end of the period	57	135,943,595.95	85,906,026.04	
Cash received from investment income		29				58			

Statement of Changes in Owners' Equity

Period: 2016

Unit: RMB Yuan

No.	Item	Amount in Current Year											Subtotal	Minority equity	Subtotal Owners' Equity
		Equity vest in Parent Company													
		1	2	3	4	5	6	7	8	9	10	11	12		
		Paid-in capital instruments	Other equity instruments	Capital surplus	Other comprehensive income	Less: treasury stock	Appropriative reserve	Surplus reserves	General risk reserve	Undistributed profit	Others	Subtotal	Minority equity	Subtotal Owners' Equity	
1	I. At the end of last year	73,472,572.94	0.00	0.00	0.00	0.00	0.00	20,975,288.93	0.00	129,678,122.61	0.00	221,125,981.51	0.00	221,125,981.51	
2	Add: Changes of accounting policies														
3	Correct the accounting mistakes before														
4	Others														
5	II. At the beginning of this year	73,472,572.94	0.00	0.00	0.00	0.00	0.00	20,975,288.93	0.00	129,678,122.61	0.00	221,125,981.51	0.00	221,125,981.51	
6	III. Changes amount in this year ("+" loss)	0.00	0.00	0.00	0.00	0.00	0.00	7,007,581.48	0.00	37,068,233.35	0.00	44,075,814.83	0.00	44,075,814.83	
7	I. Total Comprehensive Income							7,007,581.48		37,068,233.35		44,075,814.83		44,075,814.83	
8	2. Increase and decrease investment by owner	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	70,075,814.83	0.00	70,075,814.83	0.00	70,075,814.83	
9	(1) Additional ordinary share														
10	(2) Paid-in capital from other equity instruments														
11	(3) Net amount of stock payment counted in owners' equity														
12	(4) Other														
13	3. Withdrawal and use appropriative reserve														
14	(1) Withdrawal surplus reserves														
15	(2) Distribution to owner														
16	4. Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	7,007,581.48	0.00	-31,007,581.48	0.00	-26,000,000.00	0.00	-26,000,000.00	
17	(1) Withdrawal surplus reserves							7,007,581.48		-7,007,581.48		0.00		0.00	
18	Of which: Legal surplus							7,007,581.48		-7,007,581.48		0.00		0.00	
19	Free surplus reserve														
20	# Reserve fund														
21	# Enterprise expansion fund														
22	# Profit capitalized on return of investment														
23	(2) Withdrawal general risk reserve														
24	(3) Distribution to owner														
25	(4) Other														
26	5. Changes within owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	-26,000,000.00	0.00	-26,000,000.00	0.00	-26,000,000.00	
27	(1) Transfer to paid-in capital by surplus reserves														
28	(2) Transfer to paid-in capital by capital surplus														
29	(3) Recovery of losses by surplus reserves														
30	(4) Carry-over changes of net assets and liabilities after remeasurement and reset of benefit plan														
31	(5) Other														
32	IV. At the end of this year	73,472,572.94	0.00	0.00	0.00	0.00	0.00	27,982,870.41	0.00	166,746,253.99	0.00	268,201,796.34	0.00	268,201,796.34	



Statement of Changes in Owners' Equity

Period: 2016

Unit: RMB Yuan

No.	Item	Amount in Last year											
		Equity vest in Parent Company											
		14	15	16	17	18	19	20	21	22	23	24	25
		Paid-in capital	Other equity instruments	Capital surplus	Other comprehensive income	Less treasury stock	Appropriative reserve	Surplus reserves	General risk reserve	Undistributed profit	Others	Subtotal	Minority interest equity
1	I. At the end of last year	73,472,572.94	0.00	0.00	0.00	0.00	0.00	15,820,344.55	0.00	100,283,623.19	0.00	189,576,510.68	189,576,510.68
2	Add: Changes of accounting policies											0.00	0.00
3	Correct the accounting mistakes before											0.00	0.00
4	Others											0.00	0.00
5	II. At the beginning of this year	73,472,572.94	0.00	0.00	0.00	0.00	0.00	15,820,344.55	0.00	100,283,623.19	0.00	189,576,510.68	189,576,510.68
6	III. Changes amount in this year ("+" for)	0.00	0.00	0.00	0.00	0.00	0.00	5,154,944.38	0.00	29,394,499.45	0.00	34,519,443.83	0.00
7	1. Total Comprehensive Income									51,519,443.83		51,519,443.83	51,519,443.83
8	2. Increase and decrease investment by owner									0.00		0.00	0.00
9	(1) Additional ordinary share									0.00		0.00	0.00
10	(2) Paid-in capital from other equity instruments											0.00	0.00
11	(3) Net amount of stock payment counted in owners' equity											0.00	0.00
12	(4) Other											0.00	0.00
13	3. Withdrawal and use appropriative reserve			0.00		0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
14	(1) Withdrawal surplus reserves											0.00	0.00
15	(2) Distribution to owner											0.00	0.00
16	4. Profit distribution	0.00	0.00	0.00	0.00	0.00	0.00	5,154,944.38	0.00	-22,154,944.38	0.00	-17,000,000.00	-17,000,000.00
17	(1) Withdrawal surplus reserves									-5,154,944.38		0.00	0.00
18	Of which: Legal surplus									-5,154,944.38		0.00	0.00
19	Free surplus reserve											0.00	0.00
20	# Reserve fund											0.00	0.00
21	# Enterprise expansion fund											0.00	0.00
22	# Profits capitalized on return of investment											0.00	0.00
23	(2) Withdrawal general risk reserve									-17,000,000.00		-17,000,000.00	-17,000,000.00
24	(3) Distribution to owner											0.00	0.00
25	(4) Other											0.00	0.00
26	5. Changes within owners' equity	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
27	(1) Transfer to paid-in capital by surplus reserves											0.00	0.00
28	(2) Transfer to paid-in capital by capital surplus											0.00	0.00
29	(3) Recovery of losses by surplus reserves											0.00	0.00
30	(4) Carry-over changes of net assets and liabilities after remeasurement and reset of benefit plan											0.00	0.00
31	(5) Other											0.00	0.00
32	IV. At the end of this year	73,472,572.94	0.00	0.00	0.00	0.00	0.00	20,975,288.93	0.00	129,678,122.64	0.00	224,125,984.51	224,125,984.51



{Translation}

Notes to Financial Statements

Of the Shanghai HiTeC Plastics Co., Ltd. for the Year 2016

I. General Information

The Company was invested by PLASTIKA KRITIS FAREAST LTD., SHANGHAI SAN-HUA FILM PLANT and SHANGHAI LIGHT INDUSTRY CO., LTD FOR FOREIGN ECONOMIC AND TECHNICAL COOPERATION with the registered capital of EUR10,000,000. Its authorities are Shanghai Industry & Commerce Administration Bureau as well as Shanghai Finance & taxation Bureau Fexian Branch.

On 23 March 2001, approved by Shanghai Municipal Government, the Company obtained the approval certificate. On 29 March 2001, it obtained the QHHZNO.028388 Business License of the People's Republic of China issued by State Industry & Commerce Administration Bureau.

The Company's operating period is 50 years. The relative Business Scope are manufacturing of agriculture greenhouse film, multifunctional film for other application, geomembrance, pipe and master batch and sale of self-made products.

II. Basis of preparation for financial statements

The Company is on the basis of continuous operations and the financial statements are prepared on the basis of "Accounting Standards for Enterprises - Basic Standard" and various other accounting standards and other relevant provisions for the recognition and measurement in accordance with the actual transactions and events.

III. The declaration about compliance with the accounting standards for enterprises

The Company follows the requirements of enterprise accounting standards in preparing financial statements, which authentically and completely reflects the financial status, operation result, cash flow and related information of the Company.

IV. Significant Accounting Policies and Estimate Accounting Year

From Jan 1st to Dec 31st on the Gregorian calendar.

a) Recording Currency

The bookkeeping currency of The Company is the Renminbi (RMB).

b) Basis of Accounting and Principle of Measurement

The Company has adopted the accrual basis of accounting and uses the historical cost convention as the principle of measurement except some financial instruments are measured by fair value. If there is any subsequent impairment loss, provision for decline in value should be made in accordance with appropriate standards.

c) The Standard of Recognizing the Cash and Cash Equivalents

The cash listed in the statement of cash flows is cash on hand, bank deposits which can be used at any time to pay and other monetary funds. Cash equivalents are held short-term, highly liquid investments that are readily convertible to a known small amount of cash, the risk of changes in value of investments. (Short-term measured from the date of purchase within 3 months)

d) Accounting Method of Foreign Currency Transaction

Transactions denominated in foreign currencies are translated into RMB by the sight rate (mid-exchange rate quoted by People's Bank of China) on the transaction day. Foreign monetary item denominated in foreign currencies at the balance sheet date are translated into RMB at the exchange rates at sight. Except other regulations form "Accounting Standards for Business Enterprises", exchange differences from the sight rate on the balance sheet date and sight rate confirmed on the date before are booked into current profit and loss.

e) Accounting Method For Provision of Account Receivables Impairment

- a. Judgment and standard for making the provision of accounts receivable with single big amount: closing balance of single amount exceeds RMB 100,000 with 3-year aging account (inclusive). Impairment provision is made by 100% of the amount.
- b. Reasons and method for making the provision of account receivable not with single big amount: closing balance of single amount does not exceed RMB 100,000 and over 3-year aging account (exclusive). Impairment provision is made by 100% of the amount.
- c. Standards and method for making the provision by group of accounts receivable: the provision is based on aging analysis basis. When the aging is over 3 year, the provision is made by 100% of the amount. When the aging is less than 3 years, the provision of account receivable is RMB zero.

f) Fixed Assets

- a. Confirmed condition for fixed assets: Fixed assets are tangible assets related to manufacturing goods and going concern, for use of at least above one year and value per unit is over RMB 2,000.
- b. Categories and depreciation year of fixed assets.

Items	Depreciation period (Year)	Net residual value ration (%)
Building and structure	20	10 %
Machinery	10	0 % 、 10 %
Transportation equipment	5	0 % 、 10 %
Other equipment	5	0 % 、 10 %
Land use right	50	

Annual check is made to the estimated life of use, estimated net residual value and method of depreciation at the end of each report year and necessary adjustment is made as changes in accounting estimates.

- c. Measurement of fixed assets: fixed assets are recorded initially at actual cost on acquisition. Subsequent expenditure related to fixed assets, when related economic benefits will most probably flow in the Company and related cost can be reliably valued, are accounted into fixed assets cost; for the replaced part, related book value ceases confirmation; all other follow-up expenses are booked into current profit and loss.
- d. Provision for impairment of fixed assets: When fixed assets indicated of implement as of the end of the term requires being performed impairment test. If the impairment test results show the recoverable amount of the

asset is below the carrying value, then the difference shall raise the depreciation preparation and account into the impairment loss. If the recoverable amount is higher of an asset's fair value less costs to sell and the present value of the estimated future cash flow expected to be derived from the asset. Depreciation of fixed assets should be rebooked after the provision of impairment of fixed assets is made.

g) Employee Remuneration

- a. Content of employee remuneration: employee's remuneration consists of short-term employee remuneration, post-employment benefits, termination benefit and other long-term employee remuneration.

Short-term employee remuneration include wages, bonuses, allowances and subsidies, employee benefits, social insurance and housing fund, trade union funds and employee education funds, short-term compensated absences, short-term profit distributed plan, non-monetary benefit and other short-term employee remuneration.

Post-employment benefits consists pension and various remuneration and benefit offered after retirement and he labor contract expires.

Termination benefit includes the compensation which the company decided offer to relieve the labor contract before labor contract expires or to encourage employees to accept voluntary redundancy compensation.

Other long-term employee remuneration consists of all employee remuneration including long-term compensated absences, long-term disable benefit and long-term profit-sharing plan except short-term employee remuneration, post-employment benefits and termination benefit.

- b. Recognition principle and accounting treatment for short-term employee remuneration and termination benefit: during the accounting period when an employee has rendered service to the Company, the Company recognized the amount of short-term employee benefit as a liability and booked into current profit and loss and the cost of relevant assets. The employee remuneration booked at fair value if it is non-monetary benefit.

The Company shall pay the medical insurance, work-related injure insurance, maternity insurance, house funding and other social security contributions; and other trade union funds and employee education funds provided according to the Company's policy. During the accounting period, the amount of employee remuneration shall be booked according to the amount basis and ratio in order to confirm the liability. The amount should be booked into current profit and loss or cost of related assets.

The liability of employee remuneration recognized accrued by termination benefit for the plan of relieving the labor contact and redundancy suggestion cannot reverse by the Group only. Cost or expense, which is confirmed earlier, related to organize the termination benefit shall be booked into current profit and loss.

h) Revenue

- a. Revenue from rending of the service should be recognized when all of the following conditions have been satisfied:
- i. Amounts of revenue should be measured reliably.
 - ii. Relevant economic benefit is likely to flow into the enterprise.
 - iii. Relevant costs incurred or to be incurred can be measured in a reliable way

- b. Revenue from rendering of the service should be reliably measured and recognized by using the method of percentage completion when all of the following conditions have been satisfied:
- i. Amounts of revenue should be measured reliably.
 - ii. Relevant costs incurred or to be incurred can be measured in a reliable way

i) **Deferred Income Tax Assets And Liabilities**

a. **Scope and basic approach of deferred income tax assets and liabilities**

The company confirmed deferred income tax assets and deferred income tax liabilities by the difference between the taxable base and the book value, and temporary difference between taxable base and the book value of the items authorized by tax law to confirm the value. The deferred income tax assets and liabilities are confirmed by debt method based on balance sheet. Except some special issues which are not published in "Accounting Standard for Business Enterprise".

b. **Measurement of deferred income tax assets and liabilities**

At the balance sheet date, deferred tax assets and liabilities is measure by the applicable tax rate during the period of expected to collect the related asset or to pay off the liabilities.

At the balance sheet date, the Company reviews the carrying value of the deferred tax assets. Future periods may be unable to obtain sufficient taxable income to the interests of the deduction of deferred income tax assets, write-down the carrying value of deferred income tax assets. Is likely to get a sufficient amount of taxable income, the reduced amount should be reversed.

V. Major changes in accounting policies, accounting estimates, significant accounting errors in the prior periods and other adjusting events: None

VI. Tax

Categories of taxes and relative tax rate

Items	taxation basis	rate
VAT	Assessable sales revenue	17%,13%,export sales are free
Urban construction tax	Flow tax	1%
Educational fee	Flow tax	3%
Local educational fee	Flow tax	2%
River course management fee	Flow tax	1%
Income tax	Taxable income	25%

VII. Explanation of Some Important Items

1. Cash On Hand And Cash In Bank

Item	Closing Balance	Opening Balance
Cash on hand	20,349.48	30,501.05
Cash in Bank	45,021,746.47	27,173,524.99
Other cash and cash equivalent	90,901,500.00	58,702,000.00
Total	135,943,595.95	85,906,026.04

2. Notes receivable

Items	Ending balance	Beginning balance
Banker's acceptance bill	1,000,000.00	11,847,313.00
Total	1,000,000.00	11,847,313.00

3. Interest Receivable

Items	Ending balance	Beginning balance
interest of fixed term deposit	145,267.76	124,638.75
Total	145,267.76	124,638.75

4. Account Receivable

Aging	Closing Balance	Bad-debt Provision
Below one year(including one year)	32,400,447.45	
Total	32,400,447.45	

Aging	Opening Balance	Bad-debt Provision
Below one year(including one year)	33,966,781.07	
Total	33,966,781.07	

5. Advances to suppliers

Items	Ending balance	Beginning balance
Below one year(including one year)	3,583,766.11	5,387,605.43
Below two year(including two year)		
Total	3,583,766.11	5,387,605.43

6. Other Receivable

Aging	Closing Balance	Bad-debt Provision
Below one year(including one year)	740,595.58	
Below two year(including two year)	265,325.00	
Below three year(including three year)	5,800.00	
Over three years	21,800.00	
Total	1,033,520.58	

Aging	Opening Balance	Bad-debt Provision
Below one year(including one year)	1,156,850.74	
Below two year(including two year)		
Below three year(including three year)	158,425.00	
Total	1,315,275.74	

7. Inventory:

Item	Ending balance		Beginning balance	
	Amount	Provision for obsolete stocks	Amount	Provision for obsolete stocks
Raw materials	52,809,147.89		41,880,313.21	
Goods in stock	14,122,368.91		8,684,034.71	
Package materials	819,941.01		612,289.12	
Low value consumables	1,897,288.85		1,805,960.58	
Materials in outside processing	4,051,911.02		2,334,815.89	
Total	73,700,657.68		55,317,413.51	

8. Fixed Assets

(1) Total original book value

Items	Opening Balance	Increase	Decrease	Closing Balance
Building and structure	23,855,954.90		2,150,309.83	21,705,645.07
Machinery	105,076,812.78	3,300,547.36	338,470.94	108,038,889.20
Transportation equipment	3,855,359.66	32,051.28		3,887,410.94
Other equipment	4,140,194.29	122,354.68	112,820.52	4,149,728.45
Land use right	5,716,174.52			5,716,174.52
Total	142,644,496.15	3,454,953.32	2,601,601.29	143,497,848.18

(2) Total accumulated depreciation

Items	Opening Balance	Increase	Decrease	Closing Balance
Building and structure	12,009,601.96	1,032,711.38	1,237,226.94	11,805,086.40
Machinery	60,269,023.15	6,107,987.56	144,052.08	66,232,958.63
Transportation equipment	2,741,980.82	392,676.39		3,134,657.21
Other equipment	3,203,806.72	356,104.51	101,538.47	3,458,372.76
Land use right	1,518,358.23	119,086.92		1,637,445.15
Total	79,742,770.88	8,008,566.76	1,482,817.49	86,268,520.15

9. Construction in progress

Items	Opening Balance	Increase	Decrease	Closing Balance
Building and structure	563,939.61	300,203.77	-	864,143.38
office equipment	-	65,089.72	65,089.72	-
Machinery	-	4,009,711.46	3,332,598.64	677,112.82
Transportation equipment	-	-	-	-
laboratory equipment	-	57,264.96	57,264.96	-
Other equipment	-	-	-	-
Total	563,939.61	4,432,269.91	3,454,953.32	1,541,256.20

10. Intangible assets:

Items	Opening Balance	Increase	Decrease	Closing Balance
Software	247,066.69	-	131,468.72	115,597.97
Total	247,066.69	-	131,468.72	115,597.97

11. Accounts Payable

Items	Ending balance	Beginning balance
Below one year(including one year)	18,043,191.01	16,379,733.62
Below two year(including two year)		
Below three year(including three year)		
Total	18,043,191.01	16,379,733.62

12. Advances from customers

Items	Ending balance	Beginning balance
Below one year(including one year)	3,366,925.75	3,691,960.31
Below two year(including two year)		
Total	3,366,925.75	3,691,960.31

13. Other payable

Items	Ending balance	Beginning balance
Below one year(including one year)	3,654,823.61	3,664,021.33
Below two year(including two year)		
Below three year(including three year)		
Total	3,654,823.61	3,664,021.33

14. Wage and salary Payable

Items	Opening Balance	Increase	Decrease	Closing Balance
1、Wages, bonuses, allowances and subsidies for the employees		13,200,791.65	13,200,791.65	
2、Welfare expense of employee		1,559,421.90	1,559,421.90	
3、Social insurance		4,046,768.20	4,046,768.20	
(1) medical insurance		1,063,276.38	1,063,276.38	
(2) Basic old-age insurance premiums		2,212,788.48	2,212,788.48	
(3) Unemployment insurance		105,188.83	105,188.83	
(4) Work-related injury insurance premiums		79,683.69	79,683.69	
(5) Childbirth insurance premiums		39,841.83	39,841.83	
(6) housing fund		545,988.99	545,988.99	
4、labour union expenditure		210,881.82	210,881.82	
5、Personnel education fund		196,388.27	196,388.27	
Total		19,214,251.84	19,214,251.84	

15. Taxes Payable

Items	Opening Balance	Should be paid	Actually Paid	Closing balance
VAT	-857,292.30	41,934,302.49	41,077,010.19	0
Unpaid VAT	0	968,449.39	850,238.81	118,210.58
Income tax	10,525,992.96	23,625,750.90	20,851,531.17	13,300,212.69
Construction tax	0	9,684.49	8,502.39	1,182.10
Withholding Income Tax	44,325.67		44,325.67	0
Education fee	0	29,053.49	25,507.16	3,546.33
Local education fee	0	19,369.00	17,004.78	2,364.22
River-management fee	0	9,684.49	8,502.39	1,182.10
VAT of simple impose	3,059.00		3,059.00	0
Simple impose additional VAT	0	214.13	214.13	0
Total	9,716,085.33	66,596,508.38	62,885,895.69	13,426,698.02

16. Paid-in capital

Stockholders	Beginning balance		Increased in the period	Decreased in the period	Ending balance	
	Amount	Rate			Amount	Rate
shanghai light industry co.,ltd for foreign economic & technicalco-operation	EUR 500,000	5%			EUR 500,000	5%
PLASTIKA KRITIS FAR EAST LTD	EUR 7,500,000	75%			EUR 7,500,000	75%
Shanghai New Sanhua Film Co.,Ltd. (Original name: Shanghai Sanhua Co.,ltd)	EUR 2,000,000	20%			EUR 2,000,000	20%
Total	EUR 10,000,000	100%			EUR 10,000,000	100%

Verification and affirmation of paid-in capital has been from Jingrongyanzi(2002) NO.602capital verification report which has been issued by Shanghai Jingrong CPAs

17. Surplus Reserves

Item	Opening balance	Increase	Decrease	Closing balance
Reserve fund	20,975,288.93	7,007,581.48		27,982,870.41
Total	20,975,288.93	7,007,581.48		27,982,870.41

18. Undistributed profit

Item	Current amount	Opening balance
Undistributed profit at beginning	129,678,122.64	100,283,623.19
Increase	70,075,814.83	51,549,443.83
Of which: transferred from net profit	70,075,814.83	51,549,443.83
Decrease	33,007,581.48	22,154,944.38
Of which: surplus reserves	7,007,581.48	5,154,944.38
Distribution to owner	26,000,000.00	17,000,000.00
Closing balance	166,746,355.99	129,678,122.64

19. Income and Cost from Principal Operations

Item	Sales of current year	Costs of Current year	Sales of Last year	Costs of Last year
Domestic sales	469,252,250.24	351,068,964.46	424,111,299.77	331,522,519.66
Export sales	6,968,614.16	9,513,609.21	4,895,921.19	5,607,946.43
Total	476,220,864.40	360,582,573.67	429,007,220.96	337,130,466.09

20. Selling expenses, Management Fees, Finance expenses

Item	current year	Last year
Subtotal of selling expenses	13,376,917.55	14,543,101.08
Among which: Salary	1,681,672.23	1,435,224.28
Social expenses	377,151.60	363,378.91
Travel expense	492,558.92	504,511.84
Transportation fees	5,281,190.31	5,146,116.59
Packing charges	1,802,988.39	1,937,810.39
Advertising and promotion expenses	440,919.33	329,951.69
Entertainment expenses	87,533.53	496,265.20
Subtotal of Management Fees	14,013,062.67	13,187,984.11
Among which: Salary	2,886,861.62	2,867,188.19
Depreciation expense	811,630.03	887,075.39
Social expenses	783,339.03	786,277.93
Welfare expense	770,477.33	818,143.46
Travel expense	289,644.55	338,788.10
Entertainment expenses	146,249.00	198,798.70
Amortization of assets	131,468.72	132,898.89
loss on bad debts	4,263.44	103,570.51
Technical service fee	2,381,909.10	2,236,747.50
Consulting fee	366,974.33	475,126.63

Employee labor union dues	210,881.82	208,329.99
Financial Expenses:	-5,364,860.71	-2,999,421.29
Bank charges	544,654.53	441,577.62
Interest expenses		
interest income	-480,351.44	-708,923.43
exchange gains	-5,429,163.80	-2,732,075.48

21. Other operating income

Items	Current year	Prior year
Gain from Disposing Non-current Assets	0	56,772.08
Government subsidy	1,164,800.00	1,831,200.00
Other	17,402.09	527,123.20
Total	1,182,202.09	2,415,095.28

Among which: Details of Government subsidy

Items	Current year	Prior year	Remark
Subsidy from Fengxian District Shanghai		1,831,200.00	
Subsidy from Shanghai comprehensive industrial development zone	1,164,800.00		
Total	1,164,800.00	1,831,200.00	—

22. Other operating expense

Items	Current year	Prior year
Loss from Disposing Non-current Assets	954,816.11	186,262.00
Other	6,200.00	0
finances	45,000.00	0
charitable donation	20,000.00	0
Total	1,026,016.11	186,262.00

23. Income tax

Items	Current year
Income before tax	93,701,565.73
Sub-total of increased amount for adjustment:	1,500,568.50
In which: Entertainment fee has been overpaid	93,513.01
Loss of bad debts	4,263.44
Business tax and surcharges and income tax which should be paid by foreign side.	235,807.56
Accrued expenses	160,968.38
The rent penalty due to breach of contract which has no invoice	6,200.00
Loss from Disposing Fixed Assets	954,816.11
Environmental fines	45,000.00

Sub-total of decreased amount for adjustment	699,130.63
In which: Decrease amount of other payable-accrued expenses	699,130.63
Adjusted taxable income	94,503,003.60
Income tax rate by half	25%
Taxation expenses	23,625,750.90
Plus: Liquidation income tax payment of last year	0
Others	
Income tax of the year	23,625,750.90

VIII. Relations and Transactions with Related Parties

1. Related Parties:

Name Of Related Parties	Address	Nature of	Share Proportion
PLASTIKA KRITIS FAR EAST LTD	Registered office at 28th October Street No 2, Dhali Industrial Zone Dhali Nicosia 2540 Cyprus	Related enterprises	75%
PLASTIKA KRITIS S.A.	Street P, Industrial Area Iraklion Crete Postcode 714 08	Related enterprises	
RAINBOW TECHNOLOGIES LTD	Registered office at 45 Lefkosias Str., Dhali Industrial Zone, 2540, Nicosia, Cyprus, VAT 10106932H	Related enterprises	
AGRIPOLYANE S.A.S.U.	Z.I. Du Clos Marquet 42408 Saint Chamond France	Related enterprises	
Romcolor 2000 S.A	ROMANIA, ILFOV, COPACENI, INTR SALCAMILUI NR 1, 077006	Related enterprises	
ZAO GLOBAL COLORS	Located in Saint-Petersburg, Kolpino Town, Izhora Plant, plot 1	Related enterprises	

2. The amounts of the affiliated party transactions and dealings.

Name Of Related Parties	Items	current year	Last year
Plastika Kritis Far East LTD	Dividend payments	CNY 19,500,000.00	CNY 12,750,000.00
Plastika Kritis S.A	Purchasing goods	USD 6,341,469.97	USD 5,079,126.00
Plastika Kritis S.A	Purchasing goods	EUR 20,122.00	EUR 46,520.00
Plastika Kritis S.A	Selling goods	USD 304,153.27	USD 633,347.21
Plastika Kritis S.A	Selling goods	EUR 2,638.65	
Plastika Kritis S.A	Selling equipment	USD 21,950.00	
Plastika Kritis S.A	Maintenance service	EUR 113,338.00	EUR 3,620.00
Romcolor 2000 S.A	Selling equipment & accessories	USD 17,141.95	

Rainbow Technologies LTD	Technical Service fee	USD 360,000.00	USD 360,000.00
AGRIPOLYANE S.A.S.U.	Selling goods	EUR 16,332.75	
AGRIPOLYANE S.A.S.U.	Purchasing goods	USD 220,336.33	

3. Amounts of balance of related parties

Name Of Related Parties	Items	Closing balance
Plastika Kritis sa	Account Receivable	USD 36,053.60
		EUR 2,638.65
Plastika Kritis sa	Account Receivable	USD 192,374.19
		EUR 8,400.00

IX. Contingent item: no

X. Commitment matters

XI. Events after the balance sheet date

XII. Disclosure of other important matters: no

*The reader is advised that this notes has been prepared originally in Chinese, the English version is a translation. In the event of a conflict between the English version and the original Chinese version or difference in interpretation between the versions of the notes, the Chinese language notes shall prevail.

Adjustment form of taxable income for the year 2016

Prepared by: Shanghai HiTeC Plastics Co., Ltd.

Unit: RMB Yuan

No.	Contents	Amount
1	Income before tax	93,701,565.73
2	Sub-total of increased amount for adjustment	1,500,568.50
	(1).Entertainment fee has been overpaid	93,513.01
	(2).Business tax and surcharges and income tax which should be paid by foreign side.	235,807.56
	(3).Loss of bad debts	4,263.44
	(4).Increase of provisional estimate export freight cost	160,968.38
	(5).The rent penalty due to breach of contract which has no invoice	6,200.00
	(6).Loss from Disposing Fixed Assets	954,816.11
	(7).Environmental fines	45,000.00
3	Sub-total of decreased amount for adjustment	699,130.63
	(1).Decrease amount of other payable-accrued expenses	699,130.63
4	Adjusted taxable income	94,503,003.60
	Income tax rate by half	25.00%
	Taxation expenses	23,625,750.90

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