

Audit Report

MH No.2019- 1014

To All the Shareholders of Shanghai HiTeC Plastics Co., LTD.:

I Audit Opinion

We have audited the financial statements of Shanghai HiTeC Plastics Co., LTD., which comprise the statement of financial position as at 31 December 2018, the statement of profit or loss, the statement of changes in equity and the cash flow statement for the year then ended and notes to the financial statements.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at 31 December 2018 and of its financial performance and its cash flows for the year then ended

II Basis of Qualified Opinion

We conducted our audit in accordance with China Auditing Standards. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the CICPA's Code of Ethics for Professional Accountants and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III Responsibilities of the management and directors of the Company for the financial statements.

The management of the Company are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises and for such internal controls as the directors of the Company determine is necessary to enable 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 the Company are 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 directors of the Company either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

The directors are responsible for the whole process of preparation of financial statements.

IV Auditor's responsibilities for the audit of the financial statements

As part of an audit in accordance with Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(2) Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

(4) Conclude on the appropriateness of the directors of the Company' s 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 Fund'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 Fund to cease to continue as a going concern.

We communicate with the directors of the Company 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.

Mao Heng
Public Accountants
Shanghai, China

audit findings, certify during our

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Translation
Balance Sheet
As at December 31st, 2018

Item	No.	Ending Balance	Beginning Balance	Item	No.	Ending Balance	Unit: RMB Yuan Beginning Balance
Current Asset:	1			Current Liability:	71		
Cash and bank	2	177,901,327.20	142,601,500.07	Short-term Loan	74		
△Deposit reservation for balance	3			△Borrow from central bank	75		
△Lending to banks and other financial institutions	4			△Deposits from customers and interbank	76		
Financial Asset measured at fair value through profit or loss for the current	5			△Borrowed inter-bank funds	77		
Derivative Financial Asset	6			Financial Liabilities measured at fair value through profit or loss for the current	78		
Notes Receivable	7	11,900,000.00	2,500,000.00	Derivative Financial Liability	79		
Account Receivable	8	22,710,083.64	25,654,270.69	Notes Payable	80		
Prepaid expenses	9	4,505,325.50	3,898,011.22	Account Payable	81	25,221,816.71	11,625,870.77
△Premium Receivable	10			Advances from customers	82	1,453,917.99	1,317,480.07
△Reinsurance Accounts Receivable	11			△Financial assets sold for repurchase	83		
△Reinsurance Contract Reserve Receivable	12			△The bank fees and commissions Payable	84		
Interest Receivable	13	126,032.24	95,062.35	Wages and salary Payable	85		
Dividends Receivable	14			Of which: Accrued payroll	86		
Other Receivables	15	2,115,492.13	1,081,799.74	Accrued welfare expenses	87		
△Redemptions Monetary Capital for Sale	16			#Of which: Bonus and welfare fund for employee	88		
Inventory	17	92,945,878.78	80,600,086.63	Tax and Expenses Payable	89	5,790,018.44	1,389,586.26
Of which: Raw material	18	70,283,770.58	53,338,396.14	Of which: Tax Payable	90	5,790,018.44	1,389,586.26
Fuelled Good	19	17,711,149.88	24,216,933.49	Interest Payable	91		
Assets included in disposal groups classified as held for sale	20			Dividends Payable	92		
Non-current assets due within one year	21			Other Payable	93	2,385,153.81	2,112,116.87
Other Current Asset	22			△Dividend payable for repurchase	94		
Total Current Asset	23	307,204,119.89	256,650,230.70	△Provisions of insurance contract	95		
Non-current Asset:	24			△Reserves from structured securities	96		
△Less: Loans and advances	25			△Reserves from structured securities	97		
Available-for-sale Financial Asset	26			Liabilities included in disposal groups classified as held for sale	98		
Held-to-maturity Investments	27			Non-current liabilities due within one year	99		
Long-term receivable	28			Other Current Liability	100		
Long-term Equity Investment	29			Total Current Liability	101	34,850,706.95	16,344,853.97
Property for investments	30			Non-current Liability:	102		
Original value of Fixed Assets	31	148,502,995.02	145,351,785.38	Long-term Loans	103		
Less: Accumulated Depreciation	32	100,191,991.49	94,035,825.16	Debentures Payable	104		
Net Fixed Asset	33	48,311,003.53	51,315,969.22	Long-term Account Payable	105		
Less: Impairment Reserve of Fixed Assets	34			Long-term Wage and Salary Payable	106		
Net Fixed Asset	35	48,311,003.53	51,315,969.22	Special reserve payable	107		
Construction in progress	36	16,731,134.29	7,041,864.12	Accrued liability	108		
Construction in material	37			Deferred income	109		
Disposal of Fixed Assets	38			Deferred income tax liability	110		
Productive organic assets	39			Other Non-current Liability	111		
Oil & Gas Asset	40			Of which: Authorized reserve fund	112		
Intangible Asset	41	326,384.52	58,103.10	Total Non-current Liability	113		
Development Expenditure	42			Total Liability	114	34,850,706.95	16,344,853.97
Goodwill	43			Owner's Equity:	115		
Long-term prepaid expenses	44			Paid in Capital	116	73,472,572.94	73,472,572.94
Deferred Income Tax Asset	45			State-owned capital	117	18,353,247.03	18,353,247.03
Other Non-current Asset	46			Of which: State-owned Legal-person capital	118	18,353,247.03	18,353,247.03
Of which: Chartered material reserve	47			Collective capital	119		
Total Non-current Asset	48	63,368,522.34	58,415,927.45	Individual capital	120		
	49			Of which: Personal capital	121		
	50			Foreign capital	122	55,119,325.91	55,119,325.91
	51			Less: Investment Returned	123		
	52			Net capital reserves	124	73,472,572.94	73,472,572.94
	53			Other Equity Instruments	125		
	54			Of which: Preferred Stock	126		
	55			Prepaid Capital Securities	127		
	56			Capital surplus	128		
	57			Less: Treasury stock	129		
	58			Other Comprehensive Income	130		
	59			Of which: Translation reserve	131		
	60			Special reserve	132		
	61			Surplus reserves	133	40,534,584.00	33,834,820.89
	62			Of which: Legal surplus	134	40,534,584.00	33,834,820.89
	63			Free surplus reserve	135		
	64			#Reserve fund	136		
	65			#Enterprise expansion fund	137		
	66			#Capital redemption	138		
	67			△General risk reserve	139		
	68			Undistributed profit	140	223,714,478.34	191,413,910.35
	69			Equity held in Parent Company	141	337,721,935.28	298,721,304.18
	70			*Minority equity	142		
	71			Total owner's equity	143	337,721,935.28	298,721,304.18
Total Asset	72	372,572,642.23	315,066,158.15	Total Liability & Owner's Equity	144	372,572,642.23	315,066,158.15

Translation

Income Statement For Year 2018

Prepared by: Shanghai HITeC Plastics Co., Ltd.

Unit: RMB Yuan

Items	No.	Current year	Last year	Items	No.	Current year	Last year
I. Total Revenue	1	466,914,100.64	485,761,107.09	Add: Non-business Revenue	31	21,050.56	4,469.10
Of which: Revenue	2	466,914,100.64	485,761,107.09	Of which: Gain from Disposing Non-current Assets	32		
△ Interest Income	3			Gain from Trading Non-monetary Assets	33		
△ Earned Premium	4			Government Subsidy	34		
△ Fee and commission income	5			Gain from Redistribution of Liability	35		
II. Total Operating Costs	6	378,027,258.63	409,812,466.14	Less: Non-operating Expenses	36	152,550.16	11,325.79
Of which: Operating Costs	7	356,366,354.79	377,303,719.10	Of which: Loss from Disposing Non-current Assets	37	146,350.16	11,325.79
△ Interest Expense	8			Loss from Trading Non-monetary Assets	38		
△ Fee and commission Expense	9			Loss from Redistribution of Liability	39		
△ Surrender value	10			IV. Total profit ("+" loss)	40	89,449,942.41	77,981,584.26
△ Compensation expenses	11			Less: Income Tax Expense	41	22,449,311.31	19,462,079.42
△ Net provisioning for insurance contract	12			V. Net profit	42	67,000,631.10	58,519,504.84
△ Policy Dividend	13			Net profit attributable to parent company	43	67,000,631.10	58,519,504.84
△ Reinsurance Expenses	14			* Minority interest equity	44		
Tax and surtax of sales	15	448,185.52	703,114.12	VI. Other Net Comprehensive Income After Taxation	45		
Selling expenses	16	12,414,879.27	13,144,161.05	i. Other comprehensive income that will not be reclassified subsequently to profit or loss	46		
Management Fees	17	14,471,809.46	13,379,350.53	a. Changes of net assets and liabilities after remeasurement and reset of benefit plan	47		
Of which: Hospitality Expense	18			b. States of other comprehensive income of the investee accounted using equity method which will not be reclassified subsequently	48		
Finance expenses	19			ii. Other comprehensive income that will be reclassified subsequently to profit or loss when specific conditions are met	49		
Of which: Interest Expense	20	-5,674,130.41	5,282,221.34	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	50		
Interest Income	21			b. Fair value gains (loss) on available for sale financial assets	51		
Net Loss from Exchanging Currency	22	674,614.37	636,031.02	c. Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets	52		
Asset impairment losses	23	-5,476,614.16	5,449,895.05	c. The effective hedging portion of gains or losses arising from cash flow hedging instruments	53		
Others	24			d. Exchange differences from the translation of foreign operations	54		
Add: Revenue of fair value change ("+" loss)	25			VII. Total Consolidated Income	55	67,000,631.10	58,519,504.84
Investment revenue ("+" loss)	26			Total consolidated income attributable to parent company	56	67,000,631.10	58,519,504.84
Of which: investment revenue of associate (ε) and joint ventures	27			* The consolidated income attributable to minority interest equity	57		
△ exchange gain ("+" loss)	28			VIII. EPS	58		
Other Income	29	694,600.00	2,039,800.00	Basic EPS	59		
III. Operating profit ("+" loss)	30	89,381,442.01	77,988,440.95	Diluted EPS	60		

Translation
Cash Flows Statement
Period: 2018

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	32,950.00	1,120.00	
△Net increase in deposits and due from banks		2	501,022,016.84	522,582,148.91	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	32,950.00	1,120.00	
△Net increase in borrowings from banks and other financial institution		5			Cash paid to acquire fixed assets, intangible assets and other long-term assets	34	15,331,376.93	8,150,750.03	
△Receipt from primary insurance premium		6			Cash paid to acquire investments	35			
△Net cash flow from reinsurance		7			△Net increase in mortgage loan	36			
△Net increase in insured savings and sum invested		8			Cash Out for Acquiring subsidiaries and other Business	37			
△Net cash received from disposal of Held-for-trade Financial Asset		9			Other cash paid relating to investing activities	38			
△Net cash received from interest, fees and commission		10			Cash outflow from operating activities	39	15,331,376.93	8,150,750.03	
△Net increase in borrowings from banks and other financial institution		11			Net cash flows from investment activities	40	-15,298,426.93	-8,149,630.03	
△Net increase in repurchase		12			III. Cash Flows From Financing Activities	41			
Taxes Refund		13	889,891.53	479,829.20	Net cash flows from financing activities	42			
Other cash received relating to operating activities		14	874,614.37	636,031.02	Net proceeds from issuance of equity securities	43			
Cash inflows from operating activities		15	505,586,522.74	523,648,009.13	of which: Proceeds from Subsidiaries Shareholders	44			
Cash paid for goods and services		16	357,280,446.60	387,589,621.24	Cash in from borrowing	45			
△Net increase in loans and advances		17			△Cash in from bond issuance	46			
△Net increase in loans and advances		18			Other cash received relating to financing activities	47	0.00	0.00	
△Payments for primary insurance indemnity		19			Cash repayments of amounts borrowed	48			
△Net cash paid to interest, fees and commission		20			Cash payments for distribution of dividends or profits and cash payments of interest expenses	49	28,000,000.00	28,000,000.00	
△Net cash paid to policy dividend		21			of which: Dividends & Profits paid to Shareholders by Subsidiary	50			
Cash paid to and on behalf of employees		22	20,259,710.68	20,546,310.27	Other cash paid relating to financing activities	51			
Taxes paid		23	30,949,543.40	37,585,897.64	Cash outflow for financing activities	52	28,000,000.00	28,000,000.00	
Other cash paid relating to operating activities		24	28,975,382.16	29,664,750.78	Net cash flow from financing activities	53	-28,000,000.00	-28,000,000.00	
Cash outflow from operating activities		25	437,464,882.84	475,390,579.93	IV. Effect Of Foreign Exchange Rate Changes On Cash	54	5,476,614.16	-5,449,835.05	
Net cash flows from operating activities		26	68,121,639.90	48,257,429.20	V. Net Increase in cash and cash equivalents	55	30,299,827.13	6,657,904.12	
Cash received from investment activities		27			Add: Cash and cash equivalents balance at the beginning of the period	56	142,601,500.07	135,943,535.95	
Cash received from return of investments		28		0.00	VI. Cash and cash equivalents at the end of the period	57	172,901,327.20	142,601,500.07	
Cash received from investment income		29		0.00		58			

Statement of Changes in Owners' Equity

Prepared by Shanghai HITEC Plastics Co., Ltd.

Period: 2018

Unit: RMB Yuan

Item	No.	Amount in Current Year													Minority equity	Subtotal Owners' Equity
		Equity vest in Parent Company														
		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				
		1	2	3	4	5	6	7	8	9	10	11	12	13		
I. At the end of last year	1	73,472,572.34	0.00	0.00	0.00	0.00	0.00	33,634,523.59	0.00	191,413,910.35	0.00	235,721,394.18		235,721,394.18		
Add: Changes of accounting policies	2															
Correct the accounting mistakes before	3															
Others	4													0.00		
II. At the beginning of this year	5	73,472,572.34	0.00	0.00	0.00	0.00	0.00	33,634,523.59	0.00	191,413,910.35	0.00	235,721,394.18	0.00	235,721,394.18		
III. Changes amount in this year ("+" plus)	6	0.00	0.00	0.00	0.00	0.00	0.00	6,700,053.11	0.00	32,320,567.99	0.00	35,090,631.10	0.00	35,090,631.10		
1. Total Comprehensive Income	7									67,000,631.10		67,000,631.10		67,000,631.10		
2. Increase and decrease investment by owner(s)	8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
(1) Additional ordinary share	9													0.00		
(2) Paid-in capital from other equity instruments	10													0.00		
(3) Net amount of stock payment consisted in owner's equity	11													0.00		
(4) Other	12													0.00		
3. Withdrawal and use appropriative reserve	13			0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
(1) Withdrawal surplus reserves	14													0.00		
(2) Distribution to owner	15													0.00		
4. Profit distribution	16	0.00	0.00	0.00	0.00	0.00	0.00	6,700,053.11	0.00	-31,710,083.11	0.00	-25,000,000.00	0.00	-25,000,000.00		
(1) Withdrawal surplus reserves	17							6,700,053.11		-6,700,083.11				0.00		
Of which: Legal surplus	18							6,700,053.11		-6,700,053.11				0.00		
Free surplus reserve	19													0.00		
# Reserve fund	20													0.00		
# Corporate expansion fund	21													0.00		
# Profits capitalized on return of investment	22													0.00		
(2) Withdrawal general risk reserve	23													0.00		
(3) Distribution to owner	24									-22,000,000.00		-22,000,000.00		-22,000,000.00		
(4) Other	25													0.00		
5. Changes within owner's equity	26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00		
(1) Transfer to paid-in capital by surplus reserves	27													0.00		
(2) Transfer to paid-in capital by capital surplus	28													0.00		
(3) Recovery of losses by surplus reserves	29													0.00		
(4) Carry-over losses of net assets and liabilities after reorganization and rest of benefit plan	30													0.00		
(5) Other	31													0.00		
VI. At the end of this year	32	73,472,572.34	0.00	0.00	0.00	0.00	0.00	40,334,576.70	0.00	223,714,472.34	0.00	237,721,395.29	0.00	237,721,395.29		

Statement of Changes in Owners' Equity

Prepared by:Shenzhen HiTeC Plastics Co., Ltd.

Unit:RMB Yuan

Item	No.	Amount in Last year												Minority interest equity	Subtotal	Total Owners' Equity
		Equity year in Parent Company														
		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				
I. At the end of last year	1	73,472,572.54	0.00	0.00	0.00	0.00	0.00	27,582,870.41	0.00	165,746,355.59	0.00	258,201,792.34	0.00	258,201,792.34	258,201,792.34	
Add: Changes of accounting policies	2															
Correct the accounting mistakes before	3															
Others	4															
II. At the beginning of this year	5	73,472,572.54	0.00	0.00	0.00	0.00	0.00	27,992,870.41	0.00	165,746,355.59	0.00	258,201,792.34	0.00	258,201,792.34	258,201,792.34	
III. Changes amount in this year ("+" for loss)	6	0.00	0.00	0.00	0.00	0.00	0.00	5,651,950.43	0.00	24,697,554.36	0.00	30,519,504.84	0.00	30,519,504.84	30,519,504.84	
1. Total Comprehensive Income	7									53,519,504.84		53,519,504.84		53,519,504.84	53,519,504.84	
2. Increase and decrease investment by owner(s)	8	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
(1) Additional ordinary share	9											0.00		0.00	0.00	
(2) Paid-in capital from other equity instruments	10															
(3) Net amount of stock payment created in owners' equity	11															
(4) Other	12															
3. Withdrawal and use appropriative reserve	13			0.00	0.00				0.00	0.00	0.00	0.00	0.00	0.00	0.00	
(1) Withdrawal surplus reserves	14															
(2) Distribution to owner	15															
4. Profit distribution	16	0.00	0.00	0.00	0.00	0.00	0.00	5,651,950.43	0.00	-33,651,950.43	0.00	-23,000,000.00	0.00	-23,000,000.00	-23,000,000.00	
(1) Withdrawal surplus reserves	17							5,651,950.43		-5,651,950.43		0.00		0.00	0.00	
Of which: legal surplus	18							5,651,950.43		-5,651,950.43		0.00		0.00	0.00	
Free surplus reserve	19											0.00		0.00	0.00	
Reserve fund	20											0.00		0.00	0.00	
Non-specific expense fund	21											0.00		0.00	0.00	
Hydrofa capitalised on return of investment	22											0.00		0.00	0.00	
(2) Withdrawal general risk reserve	23											0.00		0.00	0.00	
(3) Distribution to owner	24											-23,660,000.00		-23,660,000.00	-23,660,000.00	
(4) Other	25											0.00		0.00	0.00	
5. Changes within owners' equity	26	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
(1) Transfer to paid-in capital by surplus reserves	27											0.00		0.00	0.00	
(2) Transfer to paid-in capital by capital surplus	28											0.00		0.00	0.00	
(3) Recovery of losses by surplus reserves	29											0.00		0.00	0.00	
(4) Carry-over changes of net assets and liabilities after re-measurement and rest of benefit plan	30											0.00		0.00	0.00	
(5) Other	31											0.00		0.00	0.00	
IV. At the end of this year	32	73,472,572.54	0.00	0.00	0.00	0.00	0.00	33,654,820.83	0.00	191,413,910.35	0.00	238,721,394.18	0.00	238,721,394.18	238,721,394.18	

Adjustment form of taxable income for the year 2018

Prepared by: Shanghai HiTeC Plastics Co., Ltd.

Unit: RMB Yuan

No.	Contents	Amount
1	Income before tax	89,449,942.41
2	Sub-total of increased amount for adjustment	691,251.16
	(1). Entertainment fee has been overpaid	214,855.31
	(2). Business tax and surcharges and income tax which should be paid by foreign side.	251,126.95
	(3). Loss of bad debts	131,700.32
	(4). Increase of provisional estimate export freight cost	93,568.58
3	Sub-total of decreased amount for adjustment	343,948.34
	(1). Decrease amount of other payable-accrued expenses	343,948.34
4	Adjusted taxable income	89,797,245.23
	Income tax rate by half	25%
	Taxation expenses	22,449,311.31

*{Translation}
Notes to Financial Statements
Of the Shanghai HiTeC Plastics Co., Ltd. for the Year 2018

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. On 13 Feb. 2017, it replaced the Certificate for Uniform Social Credit Code: 91310000607428230D Business License.

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	16-17%, 10-11%, export sales are free
Urban construction tax	Flow tax	1%
Educational fee	Flow tax	3%
Local educational fee	Flow tax	1-2%
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	45,217.92	38,334.40
Cash in Bank	75,049,549.28	62,755,365.67
Other cash and cash equivalents	97,806,560.00	79,807,800.00
Total	172,901,327.20	142,601,500.07

2. Notes receivable

Items	Ending balance	Beginning balance
Banker's acceptance bill	11,900,000.00	2,500,000.00
Total	11,900,000.00	2,500,000.00

3. Interest Receivable

Items	Ending balance	Beginning balance
interest of fixed term deposit	126,032.24	95,062.35
Total	126,032.24	95,062.35

4. Account Receivable

Aging	Closing Balance	Bad-debt Provision
Below one year(including one year)	22,710,063.64	
Total	22,710,063.64	

Aging	Opening Balance	Bad-debt Provision
Below one year(including one year)	25,654,770.69	
Total	25,654,770.69	

5. Advances to suppliers

Items	Ending balance	Beginning balance
Below one year(including one year)	4,505,325.90	3,808,011.22
Below two year(including two year)		
Total	4,505,325.90	3,808,011.22

6. Other Receivable

Aging	Closing Balance	Bad-debt Provision
Below one year(including one year)	1,828,367.13	
Below two year(including two year)		
Below three year(including three year)		
Over three years	287,125.00	
Total	2,115,492.13	

Aging	Opening Balance	Bad-debt Provision
Below one year(including one year)	788,874.74	
Below two year(including two year)		
Below three year(including three year)	265,325.00	
Over three years	27,600.00	
Total	1,081,799.74	

7. Inventory:

Item	Ending balance		Beginning balance	
	Amount	Provision for obsolete stocks	Amount	Provision for obsolete stocks
Raw materials	70,283,770.58		52,358,396.14	
Goods in stock	17,711,149.88		24,216,933.49	
Package materials	1,090,340.51		1,016,436.95	
Low value consumables	2,390,299.14		2,080,662.84	
Materials in outside processing	1,470,318.67		1,236,657.21	
Total	92,945,878.78		80,909,086.63	

8. Fixed Assets

(1) Total original book value

Items	Opening Balance	Increase	Decrease	Closing Balance
Building and structure	21,705,645.07			21,705,645.07
Machinery	109,801,638.43	4,907,609.62	1,377,911.06	113,331,336.99
Transportation equipment	3,887,410.94		416,374.96	3,471,035.98
Other equipment	4,240,916.42	54,390.04	16,504.00	4,278,802.46
Land use right	5,716,174.52			5,716,174.52
Total	145,351,785.38	4,961,999.66	1,810,790.02	148,502,995.02

(2) Total accumulated depreciation

Items	Opening Balance	Increase	Decrease	Closing Balance
Building and structure	12,781,352.16	976,229.76		13,757,581.92
Machinery	72,435,485.11	6,409,627.76	1,212,332.46	77,632,780.41
Transportation equipment	3,371,991.08	106,180.90	373,144.61	3,105,027.37
Other equipment	3,690,464.74	145,171.59	14,853.60	3,820,782.73
Land use right	1,756,532.07	119,286.99		1,875,819.06
Total	94,035,825.16	7,756,497.00	1,600,330.67	100,191,991.49

9. Construction in progress

Items	Opening Balance	Increase	Decrease	Closing Balance
Building and structure	6,713,372.76	9,707,610.29		16,420,983.05
factory building		310,151.24		310,151.24
office equipment		9,265.90	9,265.90	
Machinery		4,907,609.62	4,907,609.62	
Laboratory equipment		45,124.14	45,124.14	
Other equipment	328,491.37		328,491.37	
Total	7,041,864.13	14,979,761.19	5,290,491.03	16,731,134.29

10. Intangible assets:

Items	Opening Balance	Increase	Decrease	Closing Balance
Software	58,103.10	328,491.37	60,209.95	326,384.52
Total	58,103.10	328,491.37	60,209.95	326,384.52

11. Accounts Payable

Items	Ending balance	Beginning balance
Below one year(including one year)	25,221,616.71	11,625,870.77
Below two year(including two year)		
Below three year(including three year)		
Total	25,221,616.71	11,625,870.77

12. Advances from customers

Items	Ending balance	Beginning balance
Below one year(including one year)	1,453,917.99	1,317,280.07
Below two year(including two year)		
Total	1,453,917.99	1,317,280.07

13. Other payable

Items	Ending balance	Beginning balance
Below one year(including one year)	2,194,835.79	2,077,783.85
Below two year(including two year)	155,985.00	34,333.02
Below three year(including three year)	34,333.02	
Total	2,385,153.81	2,112,116.87

14. Wage and salary Payable

Items	Opening Balance	Increase	Decrease	Closing Balance
1、Wages, bonuses, allowances and subsidies for the employees		14,028,701.96	14,028,701.96	
2、Welfare expense of employee		1,559,115.37	1,559,115.37	
3、Social insurance		4,380,878.40	4,380,878.40	
(1) medical insurance		1,096,550.16	1,096,550.16	
(2) Basic old-age insurance premiums		2,302,216.78	2,302,216.78	
(3) Unemployment insurance		53,984.08	53,984.08	
(4) Work-related injury insurance premiums		57,078.58	57,078.58	
(5) Childbirth insurance premiums		115,025.29	115,025.29	
(6) housing fund		604,292.61	604,292.61	
(7) Employment security for the disabled		151,730.90	151,730.90	
4、labour union expenditure		226,443.41	226,443.41	
5、Personnel education fund		59,324.34	59,324.34	
Total		20,254,463.48	20,254,463.48	

15. Taxes Payable

Items	Opening Balance	Should be paid	Actually Paid	Closing balance
VAT	-3,310,486.47	36,278,214.05	39,450,529.09	-6,482,801.51
Income tax	4,816,493.63	22,449,311.31	14,413,861.55	12,851,943.39
pending deduct VAT on purchase real estate	-216,420.90		362,702.54	-579,123.44
Stamp tax		240,091.60	240,091.60	
Vehicle and vessel usage license plate tax		1,591.92	1,591.92	
Tenure tax payable		206,502.00	206,502.00	
Total	1,289,586.26	59,175,710.88	54,675,278.70	5,790,018.44

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	33,834,820.89	6,700,063.11		40,534,884.00
Total	33,834,820.89	6,700,063.11		40,534,884.00

18. Undistributed profit

Item	Current amount	Opening balance
Undistributed profit at beginning	191,413,910.35	166,746,355.99
Increase	67,000,631.10	58,519,504.84
Of which: transferred from net profit	67,000,631.10	58,519,504.84
Decrease	34,700,063.11	33,851,950.48
Of which: surplus reserves	6,700,063.11	5,851,950.48
Distribution to owner	28,000,000.00	28,000,000.00
Closing balance	223,714,478.34	191,413,910.35

19. Income and Cost from Principal Operations

Item	Sales of current year	Costs of Current year	Sales of Last year	Costs of Last year
Prime operating revenue	458,141,240.79	346,036,324.67	477,225,002.16	364,019,898.23
Other operating revenue	8,772,859.85	10,330,030.12	8,536,104.93	13,283,820.87
Total	466,914,100.64	356,366,354.79	485,761,107.09	377,303,719.10

20. Selling expenses、Management Fees、Finance expenses

Item	current year	Last year
Subtotal of selling expenses	12,414,879.27	13,144,161.05
Among which: Salary	1,769,192.83	1,800,394.67
Social expenses	438,849.80	399,064.11
Travel expense	567,950.81	548,052.44
Transportation fees	5,349,570.92	6,118,616.44
Packing charges	1,365,020.45	1,426,952.99
Advertising and promotion expenses	526,387.35	404,692.66
Entertainment expenses	211,134.20	502,223.76
Subtotal of Management Fees	14,471,969.46	13,379,250.53
Among which: Salary	3,030,589.91	3,122,309.62
Depreciation expense	556,655.69	652,754.68
Social expenses	950,446.51	923,308.68
Welfare expense	927,810.53	860,770.97
Travel expense	419,802.61	306,014.23
Entertainment expenses	326,004.08	174,553.56
Amortization of assets	60,209.95	57,494.87
loss on bad debts	131,700.32	63,189.86
Technical service fee	2,378,295.00	2,439,306.00
Consulting fee	668,741.29	413,977.13
Employee labor union dues	226,443.41	219,773.34
Financial Expenses:	-5,674,130.41	5,282,221.34
Bank charges	477,098.12	468,357.31
Interest expenses		
interest income	-674,614.37	-636,031.02
exchange gains	-5,476,614.16	5,449,895.05

21. Other income

Items	Current year	Prior year
Government subsidy	694,600.00	2,039,800.00
Total	694,600.00	2,039,800.00

Among which: Details of Government subsidy

Items	Current year	Prior year	说明
Subsidy from Shanghai comprehensive industrial development zone	670,300.00	1,612,500.00	
Subsidy from Fengxian District Shanghai		403,000.00	
Subsidy from the Social Security	24,300.00	24,300.00	
Total	694,600.00	2,039,800.00	—

22. Other operating income

Items	Current year	Prior year
Gain from Disposing Non-current Assets	0	0
Other	21,050.56	4,469.10
Total	21,050.56	4,469.10

23. Other operating expense

Items	Current year	Prior year
Loss from Disposing Non-current Assets	146,350.16	11,325.79
charitable donation		
finances		
Other	6,200.00	
Total	152,550.16	11,325.79

24. Income tax

Items	Current year
Income before tax	89,449,942.41
Sub-total of increased amount for adjustment:	691,251.16
In which: Entertainment fee has been overpaid	214,855.31
Loss of bad debts	251,126.95
Business tax and surcharges and income tax which should be paid by foreign side.	131,700.32
Increase of provisional estimate export freight cost	93,568.58
Sub-total of decreased amount for adjustment	343,948.34
In which: Decrease amount of other payable-accrued expenses	343,948.34
Adjusted taxable income	89,797,245.23
Income tax rate by half	25.00%
Taxation expenses	22,449,311.31
Plus: Liquidation income tax payment of last year	0
Others	0
Income tax of the year	22,449,311.31

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	
SENKROMA A.S	Beylikdüzü Organize Sanayi Bölgesi Mermerciler Sanayi Sitesi I.Bulvar No:9 34520 Beylikdüzü-İstanbul Türkiye	Related enterprises	
Romcolor 2000 sa	ROMANIA, ILFOV, COPACENI, INTR SALCAMULUI 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 21,000,000.00	CNY 21,000,000.00
Plastika Kritis S.A	Purchasing goods	USD 5,604,137.87	USD 6,207,058.14
Plastika Kritis S.A	Purchasing goods	EUR 136,009.42	EUR 13,878.00
Plastika Kritis S.A	Selling goods	USD 278,153.10	USD 163,477.70
Plastika Kritis S.A	The income of processing on giving materials		EUR 14,350.00
Plastika Kritis S.A	Maintenance service	EUR 79,443.00	EUR 88,605.00
Romcolor 2000 S.A	Purchasing goods	USD 869,093.39	USD 986,980.39
Rainbow Technologies LTD	Technical Service fee	USD 360,000.00	USD 360,000.00
ZAO GLOBAL COLORS	Selling goods		USD 181,510.40
SENKROMA A.S	Purchasing goods	USD 514.80	

3、 Amounts of balance of related parties

Name Of Related Parties	Items	Closing balance
Plastika Kritis sa	Account Receivable	USD 166,202.63 EUR 14,350.00
Plastika Kritis sa	Account Receivable	EUR 41,129.06
SENKROMA A.S	Account Receivable	USD 264.00

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.



营业执照

统一社会信用代码 91310113586752049H

证照编号 13000000201510230412

名称 上海茂恒会计师事务所（普通合伙）

类型 普通合伙企业

主要经营场所 上海市宝山区牡丹江路 1325 号 4420-N 室

执行事务合伙人 丁志军

成立日期 2011 年 11 月 21 日

合伙期限 2011 年 11 月 21 日至 2031 年 11 月 20 日

经营范围 审查企业会计报表、出具审计报告；验证企业资本、出具验资报告；办理企业合并、分立、清算事宜中的审计业务、出具有关报告；基本建设年度财务决算审计；代理记账；会计咨询；税务咨询；管理咨询；会计培训；法律、法规规定的其他业务。

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登记机关

2015 年 10 月 23 日

