

[English Translation for Reference Only]

Audit Report

SGZCPAA [2018] No.135

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 2017, 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 2017 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

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. Reasonable assurance is a high level guarantee, but is

not a guarantee that an audit conducted in accordance with Auditing Standards will always detect a material misstatement when it exists. Misstatement can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonable 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 scepticism 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 but not for the purpose of expressing and opinion on the effectiveness of the Company's internal control.

(3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

(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.

(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.

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.

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

Chinese CPA Fei Mingqi
Chinese CPA Wang ZhiQiang
2018.1.15

Transition Balance Sheet
As at December 31st, 2017

Prepared by: Shanghai HIT-C Plastics Co., Ltd.

Item	No.	Ending Balance	Beginning Balance	Item	No.	Ending Balance	Beginning Balance	Unit: RMB Yuan
Current Asset:				Current Liability:				
Cash and bank	1	142,601,500.07	135,943,593.95	Short-term Loan	73			
△ Deposit reservation for balance	2			△ Loans from central bank	74			
△ Lending 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	2,500,000.00	1,000,000.00	Derivative Financial Liability	78			
Account Receivable	7	25,654,770.69	32,400,447.45	Notes Payable	79			
Prepaid expenses	8	3,808,011.22	3,583,766.11	Account Payable	80			
△ Premium Receivable	9			Advances from customers	81	11,625,870.77	18,043,191.01	
△ Reinsurance Accounts Receivable	10			△ Financial assets sold for temporary	82	1,317,280.07	3,366,925.75	
△ Reinsurance Contract Reserve Receivable	11			△ The bank fees and commissions Payable	83			
Interest Receivable	12	95,062.35	145,367.76	Wage and salary Payable	84			
Dividends Receivable	13			Of which: Accrued payroll	85			
Other Receivables	14	1,081,799.74	1,033,320.58	Accrued welfare expenses	86			
△ Redeematory Monetary Capital for Sale	15			#Of which: Bonus and welfare fund for employee	87			
Inventory	16	80,919,086.63	73,700,657.68	Tax and Expenses Payable	88	1,289,586.26	13,426,698.02	
Of which: Raw material	17	52,558,396.14	52,309,147.89	Of which: Tax Payable	89	1,289,586.26	13,419,605.37	
Finished Good	18	24,216,933.49	14,122,368.91	Interest Payable	91			
Assets included in disposal groups classified as held for sale	19			Dividends Payable	92			
Non-current assets due within one year	20			Other Payable	93	2,112,116.87	3,654,823.61	
Other Current Asset	21			△ Dividend payable for reinsurance	94			
Total Current Asset	22	256,650,230.70	247,807,355.53	△ Provisions of insurance contract	95			
Non-current Asset:	23			△ Receivables from vicariously traded securities	96			
△ Issue Loans and advances	24			Liabilities included in disposal groups classified as held for sale	97			
Available-for-sale Financial Asset	25	145,351,785.38	143,497,848.18	Non-current liabilities due within one year	98			
Held-to-maturity investments	26	94,035,825.16	86,268,520.15	Other Current Liability	99			
Long-term receivable	27	57,315,960.22	57,229,328.03	Total Current Liability	100	16,344,853.97	38,491,638.39	
Long-term Equity Investment	28			Non-current Liability:	101			
Property for investments	29			Long-term Loans	102			
Original value of Fixed Assets	30			Debture Payable	103			
Less: Accumulated Depreciation	31			Long-term Account Payable	104			
Net Fixed Asset	32	145,351,785.38	143,497,848.18	Long-term Wage and Salary Payable	105			
Less: Impairment Reserve of Fixed Assets	33			Special accounts payable	106			
Net Fixed Asset	34	51,315,960.22	57,229,328.03	Accrued liability	107			
Construction in progress	35	7,041,864.13	1,541,256.20	Deferred income	108			
Construction in material	36			Deferred income tax liability	109			
Disposal of Fixed Assets	37			Other Non-current Liability	110			
Productive organic assets	38			Of which: Authorized reserve fund	111			
Oil & Gas Asset	39			Total Non-current Liability	112	0	0.00	
Intangible Asset	40	58,103.10	115,597.97	Owner's Equity:	113	16,344,853.97	38,491,638.39	
Goodwill	41			Paid in Capital	114			
Long-term prepaid expenses	42			State-owned capital	115			
Deferred Income Tax Asset	43			Of which: State-owned Legal-person capital	116	73,472,572.94	73,472,572.94	
Other Non-current Asset	44			Collective capital	117	18,353,247.03	18,353,247.03	
Of which: Chartered material reserve	45			Individual capital	118	18,353,247.03	18,353,247.03	
Total Non-current Asset	46	58,415,927.45	58,886,182.20	Of which: personal capital	119			
	47			Foreign capital	120			
	48			Investment Returned	121			
	49			Net capital reserves	122	55,119,525.91	55,119,525.91	
	50			Other Equity Instruments	123			
	51			Of which: Preferred Stock	124	73,472,572.94	73,472,572.94	
	52			Capital surplus	125			
	53			Less: Treasury stock	126			
	54			Other Comprehensive Income	127			
	55			Of which: Translation reserve	128			
	56			Special reserve	129			
	57			Surplus reserves	130			
	58			Of which: Legal surplus	131			
	59			Free surplus reserve	132	33,834,820.89	27,982,870.41	
	60			#Reserve fund	133	33,834,820.89	27,982,870.41	
	61			#Interim expansion fund	134			
	62			#Capital redemption	135			
	63			△ General risk reserve	136			
	64			Undistributed profit	137			
	65			Equity vest in Parent Company	138			
	66			*Minority equity	139			
	67			Total owner's equity	140	191,413,910.35	166,246,355.90	
	68			Total Liability & Owner's Equity	141	298,721,304.18	288,201,799.34	
	69				142	298,721,304.18	288,201,799.34	
	70				143	298,721,304.18	288,201,799.34	
	71				144	315,066,158.15	306,693,437.73	
Total Asset	72	315,066,158.15	306,693,437.73					

Income Statement For Year 2017

Prepared by: Shanghai HITC Plastics Co., Ltd.

Unit: RMB Yuan

Items	No.	Current year	Last year	Items	No.	Current year	Last year
I. Total Revenue	1	485,761,107.09	476,220,864.40	Add: Non-business Revenue	30	2,044,269.10	1,182,202.09
Of which: Revenue	2	485,761,107.09	476,220,864.40	Of which: Gain from Disposing Non-current Assets	31		
Δ Interest Income	3			Gain from Trading Non-monetary Assets	32		
Δ Earned Premium	4			Government Subsidy	33	2,039,800.00	1,164,800.00
Δ Fee and commission income	5			Gain from Redistribution of Liability	34		
II. Total Operating Costs	6	409,812,466.14	382,675,484.65	Less: Non-operating Expenses	35	11,325.79	1,026,016.11
Of which: Operating Costs	7	377,303,719.10	360,582,573.67	Of which: Loss from Disposing Non-current Assets	36	11,325.79	954,816.11
Δ Interest Expense	8			Loss from Trading Non-monetary Assets	37		
Δ Fee and commission Expense	9			Loss from Redistribution of Liability	38		
Δ surrender value	10			IV. Total profit ("-"loss)	39	77,981,584.26	93,701,565.73
Δ Compensation expenses	11			Less: Income Tax Expense	40	19,462,079.42	23,625,750.90
Δ Net provisioning for insurance contract	12			V. Net profit	41	58,519,504.84	70,075,814.83
Δ Policy Dividend	13			Net profit attributable to parent company	42	58,519,504.84	70,075,814.83
Δ Reinsurance Expenses	14			*Minority interest equity	43		
Tax and surtax of sales	15	703,114.12	67,791.47	VI. Other Net Comprehensive Income After Taxation	44		
Selling expenses	16	13,144,161.05	13,376,917.55	i. Other comprehensive income that will not be reclassified subsequently to profit or loss	45		
Management Fees	17	13,379,250.53	14,013,062.67	a. Changes of net assets and liabilities after remeasurement and reset of benefit plan	46		
Of which: Hospitality Expense	18			b. Shares of other comprehensive income of the investee accounted using equity method which will not reclassified subsequently to profit or loss when specific conditions are met	48		
Finance expenses	20	5,282,221.34	-5,364,860.71	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		
Of which: Interest Expense	21			b. Fair value gains/(loss) on available for sale financial assets	50		
Interest Income	22	636,031.02	480,351.44	c. Gains or losses arising from reclassification of held-to-maturity investments as available-for-sale financial assets	51		
Net Loss from Exchanging Currency	23	5,449,895.05	-5,429,163.80	c. The effective hedging portion of gains or losses arising from cash flow hedging instruments	52		
Asset impairment losses	24			d. Exchange differences from the translation of foreign operations	53		
Others	25			VII. Total Consolidated Income	54	58,519,504.84	70,075,814.83
Add: Revenue of fair value change ("-"loss)	26			Total consolidated income attributable to parent company	55	58,519,504.84	70,075,814.83
Investment revenue ("-"loss)	27			*The consolidated income attributable to minority interest equity	56		
Of which: investment revenue of associate (s) and joint ventures	28			VIII. EPS	57		
Δ exchange gain ("-"loss)	29			Basic EPS	58		
III. Operating profit ("-"loss)	30	75,948,640.95	93,545,379.75	Diluted EPS	59		

Translation
Cash Flows Statement
Period: 2017

Prepared by: Shanghai HITEC Plastics Co., Ltd.

		Unit: RMB Yuan	
No.	Item	Current year	Last year
1	I. Cash Flows From Operating Activities:		
2	Cash received from sales of goods or rendering of services	522,532,148.91	514,806,617.74
3	Δ Net increase in deposits and due from banks		
4	Δ Net increase in borrowings from central bank		
5	Δ Net increase in borrowings from banks and other financial institution		
6	Δ Receipt from primary insurance premium		
7	Δ Net cash flow from reinsurance		
8	Δ Net increase in insured savings and sum invested		
9	Δ Net cash received from disposal of Held-for-trade Financial Asset		
10	Δ Net cash received from interest, fees and commission		
11	Δ Net increase in borrowings from banks and other financial institution		
12	Δ Net increase in repurchase		
13	Taxes Refund	479,829.20	2,229,631.95
14	Other cash received relating to operating activities	636,031.02	480,351.44
15	Cash inflows from operating activities	523,648,009.13	517,516,601.13
16	Cash paid for goods and services	387,593,621.24	370,996,181.10
17	Δ Net increase in loans and advances		
18	Δ Net increase in due from central bank and others		
19	Δ Payments for primary insurance indemnity		
20	Δ Net cash paid to interest, fees and commission		
21	Δ Net cash paid to policy dividend		
22	Cash paid to and on behalf of employees	20,546,310.27	19,214,251.84
23	Taxes paid	37,585,897.64	21,808,885.50
24	Other cash paid relating to operating activities	29,864,750.78	30,846,877.63
25	Cash outflow from operating activities	475,990,579.93	442,866,196.08
26	Net cash flows from operating activities	48,257,429.20	74,650,405.06
27	II. Cash flows from investment activities:		
28	Cash received from return of investments		
29	Cash received from investment income		
30	Net cash received from disposal of fixed assets, intangible assets and other long-term assets		1,120.00
31	Cash in from disposing subsidiaries and other Business		
32	Other cash received relating to investing activities		
33	Cash inflow from investment activities		1,120.00
34	Cash paid to acquire fixed assets, intangible assets and other long-term assets		8,150,750.03
35	Cash paid to acquire investments		
36	Δ Net increase in mortgage loan		
37	Cash Out for Acquiring subsidiaries and other Business		
38	Other cash paid relating to investing activities		
39	Cash outflow from operating activities		8,150,750.03
40	Net cash flows from investment activities		-8,149,630.03
41			
42	III. Cash Flows From Financing Activities:		
43	Net proceeds from issuance of equity securities of which: Proceeds from Subsidiaries's Shareholders		
44	Cash in from borrowing		
45	Δ Cash in from bond issuance		
46	Other cash received relating to financing activities		
47	Cash inflow from financing activities		0.00
48	Cash repayments of amounts borrowed		
49	Cash payments for distribution of dividends or profits and cash payments of interest expenses of which: Dividends & Profits paid to Shareholders by Subsidiary		38,000,000.00
50	Other cash paid relating to financing activities		
51			
52	Cash outflow for financing activities		28,000,000.00
53	Net cash flow from financing activities		-28,000,000.00
54	IV. Effect Of Foreign Exchange Rate Changes On Cash		
55	V. Net increase in cash and cash equivalents		
56	Add: Cash and cash equivalents balance at the beginning of the period		6,657,994.12
57	VI. Cash and cash equivalents at the end of the period		135,943,595.95
58			142,601,500.07

Statement of Changes in Owners' Equity

Prepared by Shanghai HITC Plastics Co., Ltd.

Period: 2017

Unit: RMB Yuan

No.	Item	Amount in Current year											Minority equity	Subtotal Owners' Equity
		Equity vest in Parent Company												
No.		1	2	3	4	5	6	7	8	9	10	11	12	13
		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 equity	Subtotal Owners' Equity
1	At the end of last year	73,472,572.91	0.00	0.00	0.00	0.00	0.00	27,982,870.41	0.00	166,746,355.99	0.00	268,201,799.31	0.00	268,201,799.31
2	Add: Changes of accounting policies													
3	Correct the accounting mistakes before													
4	Others													
5	At the beginning of this year	73,472,572.91	0.00	0.00	0.00	0.00	0.00	27,982,870.41	0.00	166,746,355.99	0.00	268,201,799.31	0.00	268,201,799.31
6	III. Changes amount in this year ("+" for)	0.00	0.00	0.00	0.00	0.00	0.00	5,851,950.48	0.00	21,657,351.36	0.00	30,519,501.81	0.00	30,519,501.81
7	1. Total Comprehensive Income													
8	2. Increase and decrease investment by owner	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	58,519,501.81	0.00	58,519,501.81	0.00	58,519,501.81
9	(1) Additional ordinary share													
10	(2) Paid-in capital from other equity instruments													
11	(3) Net amount of stock payment consisted 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	5,851,950.48	0.00	-33,851,950.48	0.00	-28,000,000.00	0.00	-28,000,000.00
17	(1) Withdrawal surplus reserves													
18	Of which: Legal surplus													
19	Free surplus reserve													
20	# Reserve fund													
21	# Enterprise expansion fund													
22	# Profits 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	-28,000,000.00	0.00	-28,000,000.00	0.00	-28,000,000.00
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	73,472,572.91	0.00	0.00	0.00	0.00	0.00	33,834,820.89	0.00	191,413,910.35	0.00	298,721,301.18	0.00	298,721,301.18

Statement of Changes in Owners' Equity

Prepared by: Shanghai Hitec Plastics Co., Ltd.

Period: 2017

Unit: RMB Yuan

Item	No.	Amount in Last year													Safelonal Owners' Equity
		Equity vests 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	Safelonal	Minority interest equity		
		14	15	16	17	18	19	20	21	22	23	24	25	26	
I. At the end of last year	1	73,472,572.91	0.00	0.00	0.00	0.00	0.00	20,975,288.93	0.00	129,678,122.61	0.00	224,125,981.51	0.00	224,125,981.51	
Add: Changes of accounting policies	2														
Correct the accounting mistakes before	3														
Others	4														
II. At the beginning of this year	5	73,472,572.91	0.00	0.00	0.00	0.00	0.00	20,975,288.93	0.00	129,678,122.61	0.00	224,125,981.51	0.00	224,125,981.51	
III. Changes amount in this year ("+" Plus)	6	0.00	0.00	0.00	0.00	0.00	0.00	7,007,581.48	0.00	37,068,233.37	0.00	-4,075,814.83	0.00	11,075,814.83	
I. Total Comprehensive Income	7									70,075,814.83				70,075,814.83	
2. Increase and decrease investment by owner	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														
(2) Paid-in capital from other equity instruments	10														
(3) Net amount of stock payment counted in owners' equity	11														
(4) Other	12														
3. Withdrawal and use appropriative reserve	13														
(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	7,007,581.48	0.00	-33,907,581.48	0.00	-25,000,000.00	0.00	-25,000,000.00	
(1) Withdrawal surplus reserves	17														
Of which: Legal surplus	18														
Free surplus reserve	19														
# Reserve fund	20														
# Enterprise expansion fund	21														
# Profit capitalized on return of investment	22														
(2) Withdrawal general risk reserve	23														
(3) Distribution to owner	24														
(4) Other	25														
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	
(1) Transfer to paid-in capital by surplus reserves	27														
(2) Transfer to paid-in capital by capital surplus	28														
(3) Recovery of losses by surplus reserves	29														
(4) Carry-over changes of net assets and liabilities after remeasurement and reset of benefit plan	30														
(5) Other	31														
IV. At the end of this year	32	73,472,572.91	0.00	0.00	0.00	0.00	0.00	27,982,870.41	0.00	156,746,355.99	0.00	265,201,799.31	0.00	265,201,799.31	

*{Translation}
Notes to Financial Statements
Of the Shanghai HiTeC Plastics Co., Ltd. for the Year 2017

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	17%,11%,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	38,334.40	20,349.48
Cash in Bank	62,755,365.67	45,021,746.47
Other cash and cash equivalents	79,807,800.00	90,901,500.00
Total	142,601,500.07	135,943,595.95

2. Notes receivable

Items	Ending balance	Beginning balance
Banker's acceptance bill	2,500,000.00	1,000,000.00
Total	2,500,000.00	1,000,000.00

3. Interest Receivable

Items	Ending balance	Beginning balance
interest of fixed term deposit	95,062.35	145,267.76
Total	95,062.35	145,267.76

4. Account Receivable

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

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

5. Advances to suppliers

Items	Ending balance	Beginning balance
Below one year(including one year)	3,808,011.22	3,583,766.11
Below two year(including two year)		
Total	3,808,011.22	3,583,766.11

6. Other Receivable

Aging	Closing 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	

Aging	Opening 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	

7. Inventory:

Item	Ending balance		Beginning balance	
	Amount	Provision for obsolete stocks	Amount	Provision for obsolete stocks
Raw materials	52,358,396.14		52,809,147.89	
Goods in stock	24,216,933.49		14,122,368.91	
Package materials	1,016,436.95		819,941.01	
Low value consumables	2,080,662.84		1,897,288.85	
Materials in outside processing	1,236,657.21		4,051,911.02	
Total	80,909,086.63		73,700,657.68	

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	108,038,889.20	1,793,960.39	31,211.16	109,801,638.43
Transportation equipment	3,887,410.94			3,887,410.94
Other equipment	4,149,728.45	110,235.97	19,048.00	4,240,916.42
Land use right	5,716,174.52			5,716,174.52
Total	143,497,848.18	1,904,196.36	50,259.16	145,351,785.38

(2) Total accumulated depreciation

Items	Opening Balance	Increase	Decrease	Closing Balance
Building and structure	11,805,086.40	976,265.76		12,781,352.16
Machinery	66,232,958.63	6,223,359.39	20,832.91	72,435,485.11
Transportation equipment	3,134,657.21	237,333.87		3,371,991.08
Other equipment	3,458,372.76	249,235.18	17,143.20	3,690,464.74
Land use right	1,637,445.15	119,086.92		1,756,532.07
Total	86,268,520.15	7,805,281.12	37,976.11	94,035,825.16

9. Construction in progress

Items	Opening Balance	Increase	Decrease	Closing Balance
Building and structure	864,143.38	5,849,229.38		6,713,372.76
office equipment		110,235.97	110,235.97	
Machinery	677,112.82	1,116,847.57	1,793,960.39	
Other equipment		328,491.37		328,491.37
Total	1,541,256.20	7,404,804.29	1,904,196.36	7,041,864.13

10. Intangible assets:

Items	Opening Balance	Increase	Decrease	Closing Balance
Software	115,597.97	-	57,494.87	58,103.10
Total	115,597.97	-	57,494.87	58,103.10

11. Accounts Payable

Items	Ending balance	Beginning balance
Below one year(including one year)	11,625,870.77	18,043,191.01
Below two year(including two year)		
Below three year(including three year)		
Total	11,625,870.77	18,043,191.01

12. Advances from customers

Items	Ending balance	Beginning balance
Below one year(including one year)	1,317,280.07	3,366,925.75
Below two year(including two year)		
Total	1,317,280.07	3,366,925.75

13. Other payable

Items	Ending balance	Beginning balance
Below one year(including one year)	2,112,116.87	3,654,823.61
Below two year(including two year)		
Below three year(including three year)		
Total	2,112,116.87	3,654,823.61

14. Wage and salary Payable

Items	Opening Balance	Increase	Decrease	Closing Balance
1、Wages, bonuses, allowances and subsidies for the employees		14,525,145.74	14,525,145.74	
2、Welfare expense of employee		1,431,440.16	1,431,440.16	
3、Social insurance		4,211,847.90	4,211,847.90	
(1) medical insurance		1,055,526.97	1,055,526.97	
(2) Basic old-age insurance premiums		2,167,262.36	2,167,262.36	
(3) Unemployment insurance		71,937.85	71,937.85	
(4) Work-related injury insurance premiums		77,412.70	77,412.70	
(5) Childbirth insurance premiums		108,363.12	108,363.12	
(6) housing fund		574,432.00	574,432.00	
(7) Employment security for the disabled		156,912.90	156,912.90	
4、labour union expenditure		219,773.34	219,773.34	
5、Personnel education fund		158,103.13	158,103.13	
Total		20,546,310.27	20,546,310.27	

15. Taxes Payable

Items	Opening Balance	Should be paid	Actually Paid	Closing balance
VAT		39,472,139.38	42,782,625.85	-3,310,486.47
Unpaid VAT	118,210.58		118,210.58	0
Income tax	13,300,212.69	19,462,079.42	27,945,798.48	4,816,493.63
Construction tax	1,182.10		1,182.10	
pending deduct VAT on purchase real estate			216,420.90	-216,420.90
Stamp tax		495,020.20	495,020.20	
Vehicle and vessel usage license plate tax		1,591.92	1,591.92	
Tenure tax payable		206,502.00	206,502.00	
Education fee	3,546.33		3,546.33	
Local education fee	2,364.22		2,364.22	
River-management fee	1,182.10		1,182.10	
Total	13,426,698.02	59,637,332.92	71,774,444.68	1,289,586.26

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	27,982,870.41	5,851,950.48		33,834,820.89
Total	27,982,870.41	5,851,950.48		33,834,820.89

18. Undistributed profit

Item	Current amount	Opening balance
Undistributed profit at beginning	166,746,355.99	129,678,122.64
Increase	58,519,504.84	70,075,814.83
Of which: transferred from net profit	58,519,504.84	70,075,814.83
Decrease	33,851,950.48	33,007,581.48
Of which: surplus reserves	5,851,950.48	7,007,581.48
Distribution to owner	28,000,000.00	26,000,000.00
Closing balance	191,413,910.35	166,746,355.99

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	477,225,002.16	364,019,898.23	469,252,250.24	351,068,964.46
Other operating revenue	8,536,104.93	13,283,820.87	6,968,614.16	9,513,609.21
Total	485,761,107.09	377,303,719.10	476,220,864.40	360,582,573.67

20. Selling expenses, Management Fees, Finance expenses

Item	current year	Last year
Subtotal of selling expenses	13,144,161.05	13,376,917.55
Among which: Salary	1,800,394.67	1,681,672.23
Social expenses	399,064.11	377,151.60
Travel expense	548,052.44	492,558.92
Transportation fees	6,118,616.44	5,281,190.31
Packing charges	1,426,952.99	1,802,988.39
Advertising and promotion expenses	404,692.66	440,919.33
Entertainment expenses	502,223.76	87,533.53
Subtotal of Management Fees	13,379,250.53	14,013,062.67
Among which: Salary	3,122,309.62	2,886,861.62
Depreciation expense	652,754.68	811,630.03
Social expenses	923,308.68	783,339.03
Welfare expense	860,770.97	770,477.33
Travel expense	306,014.23	289,644.55
Entertainment expenses	174,553.56	146,249.00
Amortization of assets	57,494.87	131,468.72
loss on bad debts	63,189.86	4,263.44
Technical service fee	2,439,306.00	2,381,909.10
Consulting fee	413,977.13	366,974.33
Employee labor union dues	219,773.34	210,881.82
Financial Expenses:	5,282,221.34	-5,364,860.71
Bank charges	468,357.31	544,654.53
Interest expenses		
interest income	-636,031.02	-480,351.44
exchange gains	5,449,895.05	-5,429,163.80

21. Other operating income

Items	Current year	Prior year
Gain from Disposing Non-current Assets	0	0
Government subsidy	2,039,800.00	1,164,800.00
Other	4,469.10	17,402.09
Total	2,044,269.10	1,182,202.09

Among which: Details of Government subsidy

Items	Current year	Prior year	说明
Subsidy from Shanghai comprehensive industrial development zone	1,612,500.00	1,164,800.00	

Subsidy from Fengxian District Shanghai	403,000.00		
Subsidy from the Social Security	24,300.00		
Total	2,039,800.00	1,164,800.00	—

22. Other operating expense

Items	Current year	Prior year
Loss from Disposing Non-current Assets	11,325.79	954,816.11
charitable donation		20,000.00
finer		45,000.00
Other		6,200.00
Total	11,325.79	1,026,016.11

23. Income tax

Items	Current year
Income before tax	77,981,584.26
Sub-total of increased amount for adjustment:	579,236.36
In which: Entertainment fee has been overpaid	270,710.93
Loss of bad debts	63,189.86
Business tax and surcharges and income tax which should be paid by foreign side.	245,335.57
Sub-total of decreased amount for adjustment	712,502.95
In which: Decrease amount of other payable-accrued expenses	209,456.15
Decrease amount of provisional estimate export freight cost	503,046.80
Adjusted taxable income	77,848,317.67
Income tax rate by half	25%
Taxation expenses	19,462,079.42
Plus: Liquidation income tax payment of last year	0
Others	0
Income tax of the year	19,462,079.42

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 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 19,500,000.00
Plastika Kritis S.A	Purchasing goods	USD 6,207,058.14	USD 6,341,469.97
Plastika Kritis S.A	Purchasing goods	EUR 13,878.00	EUR 20,122.00
Plastika Kritis S.A	Selling goods	USD 163,477.70	USD 304,153.27
Plastika Kritis S.A	Selling goods		EUR 2,638.65
Plastika Kritis S.A		EUR 14,350.00	
Plastika Kritis S.A	Selling equipment		USD 21,950.00
Plastika Kritis S.A	Maintenance service	EUR 88,605.00	EUR 113,338.00
Romcolor 2000 S.A	Selling equipment & accessories		USD 17,141.95
Romcolor 2000 S.A	Purchasing goods	USD 986,980.39	
Rainbow Technologies LTD	Technical Service fee	USD 360,000.00	USD 360,000.00
Rainbow Technologies LTD	Selling goods	USD 181,510.40	
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 65,611.26
		EUR 14,350.00
Plastika Kritis sa	Account Receivable	USD 55,090.00
		EUR 30,127.00

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 2017

Prepared by: Shanghai HiTeC Plastics Co., Ltd.

Unit: RMB Yuan

No.	Contents	Amount
1	Income before tax	77,981,584.26
2	Sub-total of increased amount for adjustment	579,236.36
	(1).Entertainment fee has been overpaid	270,710.93
	(2).Business tax and surcharges and income tax which should be paid by foreign side.	245,335.57
	(3).Loss of bad debts	63,189.86
3	Sub-total of decreased amount for adjustment	712,502.95
	(1).Decrease amount of other payable-accrued expenses	209,456.15
	(2).Decrease amount of provisional estimate export freight cost	503,046.80
4	Adjusted taxable income	77,848,317.67
	Income tax rate by half	25.00%
	Taxation expenses	19,462,079.42

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