

Kingenta Ecological Engineering Group Co., Ltd.

AUDIT REPORT

Wuyige Certified [2015] No.3-00229

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.



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AUDIT REPORT

Wuyige Certified [2012] No.3-0023

To Shareholders of Kingenta Ecological Engineering Group Co., Ltd.:

We have audited the accompanying financial statements of Kingenta Ecological Engineering Group Co., Ltd. (hereinafter referred to as "the company"), including the consolidated and parent company Balance Sheet as of 31 December, 2011, consolidated and parent company income statement, consolidated and parent company cash flow statement, consolidated and parent company statement of change in equity of 2011 and notes to financial statements.

I. Management's Responsibility for the Financial Statements

The management of Kingenta Ecological Engineering Group Co., Ltd. is responsible for the preparation and fair presentation of the financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the regulation of Accounting Standards for Business Enterprises and fair presentation; (2) designing, implementing and maintaining necessary internal control, or otherwise making the financial statements free from material misstatement, whether due to fraud or error.

II. Auditor's Responsibility

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



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An audit in order to perform procedures to obtain audit evidence about the amount and disclosure in the financial statements. The procedures selected depend on the CPA judgments, including the assessment of the risk of material misstatement of the financial statements, the design of the audit. In making those judgments, the CPA considers internal control to the extent necessary to plan the audit and the financial statements in order to design the procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

III. Audit Opinion

In our opinion, the financial statements of Kingen Ecological Engineering Group Co., Ltd prepared, in all material aspects, the company's and consolidated financial position as of 31 December 2011, and the company's and consolidated results of operations and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

(Special General Partner)

CPA: W Jinfeng

Beijing, China

CPA: Gao Hai ao

March 2, 2012



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Consolidated Balance Sheet

Kingen a Ecological Engineering Group Co.,
Ltd.

December 31, 2011

Unit: RMB Yuan

Assets	Notes	Ending Balance	Beginning Balance
Current Assets			
Monetary fund	5.1	1,300,739,681.70	1,699,719,575.28
Financial assets measured at fair value and of which the change in fair value is recorded in other comprehensive income			
Derivative financial assets			
Notes receivable	5.2	3,920,000.00	500,000.00
Accounts receivable	5.3	4,742,987.69	
Advances paid	5.4	1,260,744,531.20	691,541,603.92
Interest receivable			
Dividend receivable			
Other receivable	5.5	12,467,766.96	6,135,590.87
Inventory	5.6	1,729,371,093.38	1,161,244,781.92
Available-for-sale financial assets			
Non-current assets held for sale			
Other current assets			
Total Current Assets		4,311,986,060.93	3,559,141,551.99
Non-current Assets:			
Financial assets available for sale			
Held-to-maturity investments			
Long-term receivable			
Long-term equity investments			
Investment properties			
Fixed assets	5.7	724,738,379.23	689,780,920.00
Construction in progress	5.8	339,345,638.37	15,174,468.11
Engineering materials and equipment			
Liabilities of fixed assets			



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Production biological assets			
Oil-and-gas assets			
Intangible assets	5.9	105,334,770.80	93,127,273.14
Development expenditures			
Goodwill	5.10	11,718,634.95	
Long-term non-current assets			
Deferred income taxes	5.11	454,208.93	374,056.61
Other non-current assets			
Total non-current assets		1,181,591,632.28	798,456,717.86
Total assets		5,493,577,693.21	4,357,598,269.85

Legal Representative: Wan Lianbo

Financial Head: Li Jiguo

Accounting Officer Head: Li Xianji

Consolidated Balance Sheet (Continued)

Kingen Environmental Engineering Group Co.,
 Ltd.

December 31, 2011

Unit: RMB Yuan

Assets	Notes	Ending Balance	Beginning Balance
Current Liabilities			
Short-term loan	5.14	370,000,000.00	
Financial assets measured at fair value and of which the change in value is recorded in other comprehensive income			
Derivative financial liabilities			
Notes payable	5.15	302,415,130.04	774,949,362.00
Accounts payable	5.16	208,424,207.98	74,003,100.23
Advanced payments	5.17	795,996,431.78	723,403,722.37
Employee benefits payable	5.18	16,316,920.53	9,269,136.20
Tax and fee payable	5.19	37,054,906.61	12,081,409.31
Interest payable	5.20	2,790,406.28	
Dividend payable	5.21	1,038,297.91	



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Other payable	5.22	80,526,728.13	29,474,163.36
Liabilities holding for sale			
Non-current liabilities due within one year			
Other current liabilities			
Total current liabilities		1,814,563,029.26	1,628,180,893.47
Non-current Liabilities			
Long-term loan			
Bond payable	5.23	495,136,231.80	
Including: Prefefered stock			
Preferred capital			
Long-term payable			
Long-term employee benefits payable			
Special payable			
Estimated liabilities			
Deferred income			
Deferred tax liabilities	5.11	3,758,392.75	
Other non-current liabilities	5.24	29,642,400.00	10,101,600.00
Total current liabilities		528,537,024.55	10,101,600.00
Total liabilities		2,343,100,053.81	1,638,282,493.47
Shareholders' Equity:			
Capital stock	5.25	700,000,000.00	700,000,000.00
Other equity instruments			
Including: Prefefered stock			
Preferred capital			
Capital reserve	5.26	1,310,678,588.00	1,310,678,588.00
Subscribed Treasury stock			



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Other comprehensive income			
Special reserve			
Surplus reserve	5.27	110,054,189.87	84,578,102.71
Undistributed profit	5.28	965,042,835.37	624,059,085.61
Total shareholder's equity attributable to the company		3,085,775,613.30	2,719,315,776.38
Minority interest		64,702,026.10	
Total shareholder's equity		3,150,477,639.40	2,719,315,776.38
Total liabilities and shareholder's equity		5,493,577,693.21	4,357,598,269.85

Legal Representative: Wan Lianbo

Financial Head: Li Jiguo

Accounting Officer Head: Li Xianxi

Consolidated Income Statement

Kingen a Ecological Engineering Group Co., December 31, 2011

Unit: RMB Yuan

Item	Number	Current Period Amount	Comparative Period Amount
I. Operating Income	5.29	7,626,786,481.41	5,479,324,278.37
Subtract: Operating cost	5.29	6,621,756,589.86	4,787,587,732.87
Business and management charge	5.30	617,951.59	193,672.70
Selling expense	5.31	356,505,907.36	239,957,848.87
Administrative expense	5.32	117,040,783.11	74,795,744.36
Finance cost	5.33	-5,954,142.03	-6,977,359.15
Asset impairment loss	5.34	-2,644,119.00	312,579.13
Add: Gain on change in fair value			
Income tax expense			
Including: Income tax expense from associated enterprises and joint ventures			
II. Operating Profit		539,463,510.52	383,454,059.59
Add: Non-operating income	5.35	8,287,409.78	7,296,681.55
Including: Disposal profit of non-current assets			
Subtract: Non-operating expense	5.36	1,039,988.82	620,797.56
Including: Disposal loss of non-current assets		273,212.94	49,076.99
III. Total Profit		546,710,931.48	390,129,943.58
Subtract: Income tax expense	5.37	109,781,569.57	76,459,197.23
IX. Net Profit		436,929,361.91	313,670,746.35
Net profit attributable to owners of the company		436,459,836.92	313,670,746.35



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Profit and loss of minority		469,524.99	
V. Net after-tax amount of other comprehensive income			
Net after-tax amount of other comprehensive income attributable to the parent company			
1. Variation of net indebtedness on the re-evaluation of investment assets and disposal of the subsidiary			
2. Share held by the parent in the net comprehensive income that cannot be classified and recorded as profit or loss			
Net after-tax amount of other comprehensive income attributable to the minority shareholders			
VI. Total comprehensive income		436,929,361.91	313,670,746.35
Total comprehensive income attributable to the parent company		436,459,836.92	313,670,746.35
Total comprehensive income attributable to the minority shareholders		469,524.99	
VII: Earnings per share			
I: Basic earnings per share	5.38	0.62	0.50
II: Diluted earnings per share	5.38	0.62	0.50

Legal Representative: Wan Lianbo

Financial Head: Li Jiguo

Accounting Officer Head: Li Xianyi

Consolidated and Company Cash Flow Statement

Kingen a Ecological Engineering Group Co., Ltd. December 31, 2011

Unit: RMB Yuan

Item	Note	Current Period Amount	Comparative Period Amount
I. Cash flow from operating activities			
Receipt from sale of goods and rendering of services		7,688,419,420.14	5,559,319,869.30
Tax refund		5,199,158.42	
Other cash received relating to operating activities	5.39	75,508,972.33	46,738,622.22
Subtotal cash in flows operating activities		7,769,127,550.89	5,606,058,491.52
Cash paid for goods and services		7,516,318,032.76	5,537,201,133.92
Payment on behalf of employees		225,482,607.87	144,697,316.53
Tax and fee paid		130,482,035.98	76,545,310.99
Other cash paid relating to operating activities	5.39	167,316,556.18	225,941,786.60
Subtotal of cash outflow from operating activities		8,039,599,232.79	5,984,385,548.04
Net cash flow from operating activities		-270,471,681.90	-378,327,056.52



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II、Cash flows from investing activities			
Cash received from investing capital			
Cash receipt from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		197,000.00	558,446.34
Net cash receipt from disposal of subsidiaries and other businesses			
Other cash received relating to investing activities			
Subtotal of cash inflows from investing activities		197,000.00	558,446.34
Cash paid to acquire fixed assets, intangible assets and other long-term assets		717,835,000.43	65,262,990.09
Investment payments			
Net cash paid for acquisition of subsidiaries and other businesses		5,396,462.73	
Other cash paid relating to investing activities		-	
Subtotal of cash outflows from investing activities		723,231,463.16	65,262,990.09
Net cash flows from investing activities		-723,034,463.16	-64,704,543.75
III、Cash flows from financing activities			
Proceeds from investment		40,000,000.00	1,403,141,186.35
Including: cash received by minority shareholders in subsidiaries		40,000,000.00	
Cash received from borrowing		750,000,000.00	5,000,000.00
Cash received from bond issued		495,500,000.00	
Other cash received relating to financing activities	5.44		
Subtotal of cash inflows from financing activities		1,285,500,000.00	1,408,141,186.35
Payments for debt redemption		385,000,000.00	190,000,000.00
Payments of dividends, profit and interest		142,987,698.41	7,044,800.00
Including: Dividend and profit paid by subsidiaries to minority shareholders		48,849,113.07	
Other cash paid relating to financing activities	5.39		2,392,091.88
Subtotal of cash outflows from financing activities		527,987,698.41	199,436,891.88
Net cash flows from financing activities		757,512,301.59	1,208,704,294.47
IV、Effect of changes in exchange rate on cash and cash equivalents		-	-



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V、 Net Increase in cash and cash equivalents		-235,993,843.47	765,672,694.20
ADD: Beginning balance of cash and cash equivalents		1,426,923,643.98	661,250,949.78
VI、 The Ending balance of cash and cash equivalents		1,190,929,800.51	1,426,923,643.98

Legal Representative: Wan Lianbo

Financial Head: Li Jiguo

Accounting Officer Head: Li Xianli