

Kingenta Ecological Engineering Group Co., Ltd.

AUDIT REPORT

Wuyige Certified [2011] No.3-0054

DAXIN CERTIFIED PUBLIC ACCOUNTANTS LLP.



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AUDIT REPORT

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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 31th December, 2010, consolidated and parent company income statement, consolidated and parent company cash flow statement , consolidated and parent company statement of changes in equity of 2010 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 these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with the regulations of Accounting Standards for Business Enterprises to realize fair presentation; (2) designing, implementing and maintaining necessary internal control, so as to make 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 these financial statements based on our audit. We conducted our audit in accordance with the regulations of Auditing Standards for CPAs of China. These standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amount and disclosures in the financial statements. The procedures selected depend on the CPAs' judgment, including the assessment to the risks of material misstatement of the financial



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statements, whether due to fraud or error. In making those risk assessments, the CPAs consider internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and 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 Kingenta Ecological Engineering Group Co., Ltd present fairly, in all material respects, the company's and consolidated financial position as of 31 December 2010, 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 Partnership)

CPA: Wu Jinfeng

Beijing, China

CPA: Gao Haitao

Mar. 11, 2011



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Consolidated Balance Sheet

Kingenta Ecological Engineering Group Co.,
Ltd.

December 31, 2010

Unit: RMB Yuan

Assets	Notes	Ending Balance	Beginning Balance
Currents Assets			
Monetary fund	5.1	1,699,719,575.28	1,136,632,257.39
Financial assets measured at fair value and of which the changes are recorded into current profits and loss			
Derivative financial assets			
Notes receivable	5.2	500,000.00	
Accounts receivable			
Advance payments	5.3	691,541,603.92	306,684,220.23
Interest receivable			
Dividends receivable			
Other receivables	5.4	6,135,590.87	8,110,748.69
Inventories	5.5	1,161,244,781.92	786,692,658.27
Assets holding for sale			
Non-current assets due within one year			
Other current Assets			
Total Current Assets		3,559,141,551.99	2,238,119,884.58
Non-current Assets:			
Financial assets available for sale			
Held to maturity investments			
Long-term receivables			
Long-term equity			
Investment properties			
Fixed assets	5.6	689,780,920.00	623,167,173.78
Construction in progress	5.7	15,174,468.11	83,204,178.37
Engineering materials and equipment			
Liquidation of fixed assets			
Productive biological asset			
Oil-and-gas assets			



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Intangible assets	5.8	93,127,273.14	94,989,927.39
Development expenditures			
Goodwill			
Long-term unamortized			
Deferred income tax assets	5.9	374,056.61	987,991.08
Other non-current assets			
Total non-current assets		789,456,717.86	802,349,270.62
Total assets		4,357,598,269.85	3,040,469,155.20

Legal Representative: Wan Lianbu

Financial Head: Li Jiguo

Accounting Organ Head: Li Jiguo

Consolidated Balance Sheet (Continued)

Kingenta Ecological Engineering Group Co.,
Ltd.

December 31, 2010

Unit: RMB Yuan

Assets	Notes	Ending Balance	Beginning Balance BBBalance
Current Liabilities			
Short-term loans	5.12	5,000,000.00	40,000,000.00
Financial assets measured at fair value and of which the changes are recorded into current profits and loss			
Derivative financial liabilities			
Note payables	5.13	774,949,362.00	1,127,498,040.20
Account payables	5.14	74,003,100.23	50,323,756.86
Advance payments	5.15	723,403,722.37	645,861,106.47
Employee benefits payable	5.16	9,269,136.2	1,932,477.83
Tax and expenses payable	5.17	12,081,409.31	-754,754.00
Interest payable			299,000.00
Dividend payable			
Other payables	5.18	29,474,163.36	21,254,884.16
Liabilities holding for sale			
Non-current liabilities due within one year			
Other current liabilities			



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Total current liabilities		1,628,180,893.47	1,886,414,511.52
Non-current Liabilities			
Long term loans	5.19		150,000,000.00
Bond payables			
Including: Preferred stock			
Perpetual capital			
Long-term payables			
Long-term employee benefits payable			
Special payables			
Estimated liabilities			
Deferred income			
Deferred tax liabilities			
Other non-current liabilities	5.20	10,101,600.00	1,550,800.00
Total current liabilities		10,101,600.00	151,550,800.00
Total liabilities		1,638,282,493.47	2,037,965,311.52
Shareholder's Equity:			
Capital stock	5.21	700,000,000.00	600,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual capital			
Capital reserve	5.22	1,310,678,588.06	7,537,401.71
Subtract: Treasury stock			
Other comprehensive income			
Special reserve			
Surplus reserve	5.23	84,578,102.71	63,576,909.17
Undistributed profits	5.24	624,059,085.61	331,389,532.80
Total shareholder's equity attributable to the company		2,719,315,776.38	1,002,503,843.68
Minority interests			



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Total shareholder's equity		2,719,315,776.38	1,002,503,843.68
Total liabilities and shareholder's equity		4,357,589,269.85	3,040,469,155.20

Legal Representative: Wan Lianbu

Financial Head: Li Jiguo

Accounting Organ Head: Li Jiguo

Consolidated Income Statement

Kingenta Ecological Engineering Group Co.,

December 31, 2010

Unit: RMB Yuan

Item	Notes	Current Period Amount	Last period Amount
I、 Operating Income	5.25	5,479,324,278.37	4,159,201,577.24
Subtract: Operating costs		4,787,587,732.87	3,703,461,194.15
Business tax and surcharges	5.26	193,672.7	23,643.53
Selling expenses	5.27	239,957,848.87	144,857,966.81
Administrative Expense	5.28	74,795,744.36	61,977,062.15
Finance costs	5.29	-6,977,359.15	7,197,086.11
Assets impairment losses	5.30	312,579.13	3,208,352.94
Add: Gain on changes in fair value			
Investment income			
Including: Investment gains from associated enterprises and joint ventures			
II、 Operating Profit		383,454,059.59	238,476,271.55
Add: Non-operating income	5.31	7,296,681.55	5,299,074.59
Including: Disposal profit of non-current assets			
Subtract: Non-operating expenses	5.32	620,797.56	483,378.87
Including: Disposal loss of non-current assets		49,076.99	197,328.87
III、 Total Profit		390,129,943.58	243,291,967.27
Subtract: Income tax expenses	5.33	76,459,197.23	30,354,066.46
IX、 Net Profit		313,670,746.35	212,937,900.81
Net profits attributed to owners of the company		313,670,746.35	212,937,900.81
Profit and loss of minority			
V、 Net after-tax amount of other comprehensive income			
Net after-tax amount of other comprehensive income attributed to the owners of the company			
1. Variation of net indebtedness or net assets due to re-measurement and setting of the profit plan			
2. Share held by the investees in other comprehensive income that cannot be reclassified and recorded as profit or loss under the equity law			
Net after-tax amount of other comprehensive income attributable to the minority shareholders			
VI、 Total comprehensive income		313,670,746.35	212,937,900.81



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Total comprehensive income attributed to owners of the company		313,670,746.35	212,937,900.81
Total comprehensive income attributed to minority shareholders			
VII: Earnings per share			
I: Basic earnings per share	5.34	0.50	0.35
II: Diluted earnings per share	5.35	0.50	0.35

Legal Representative: Wan Lianbu

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Accounting Organ Head: Li Jiguo

Consolidated and Company Cash Flow Statement

Kingenta Ecological Engineering Group Co., Ltd. December 31, 2010

Unit: RMB Yuan

Item	Notes	Current Period Amount	Last period Amount
I、Cash flow from operating activities			
Receipts from sale of goods and rendering of services		5,559,319,869.30	4,459,764,867.7
Tax refund			
Other cash received relating to operating activities	5.35	46,738,622.22	20,533,226.45
Subtotal cash in flows operating activities		5,606,058,491.52	4,480,298,094.15
Cash paid for goods and services		5,537,201,133.92	3,205,753,056.46
Payments to and on behalf of employees		144,697,316.53	102,249,876.82
Tax and fees paid		76,545,310.99	33,434,855.16
Other cash paid relating to operating activities	5.35	225,941,786.60	146,265,782.00
Subtotal of cash outflow from operating activities		5,984,385,548.04	3,487,703,570.44
Net cash flow from operating activities		-378,327,056.52	992,549,523.71
II、Cash flows from investing activities			
Cash received from withdrawing capital			
Cash receipts from investment income			
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		558,446.34	14,291,107.65
Net cash receipts from disposal of subsidiaries and other businesses			
Other cash received relating to investing activities	5.44		
Subtotal of cash inflows from investing activities		558,446.34	14,291,107.65
Cash paid to acquire fixed assets, intangible assets and other long-term assets		65,262,990.09	169,793,364.14
Investment payments			
Net cash paid for acquisition of subsidiaries and other business units			
Other cash paid relating to investing activities		-	



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Subtotal of cash outflows from investing activities		65,262,990.09	169,793,364.14
Net cash flows from investing activities		-64,704,543.75	-155,502,256.49
III、 Cash flows from financing activities			
Proceeds from investments		1,403,141,186.35	
Including: cash received by minor shareholder's equity in subsidiaries			
Cash received from borrowings		5,000,000.00	580,000,000.00
Cash received from bonds issued			
Other cash received relating to financing activities	5.44		
Subtotal of cash inflow from financing activities		1,408,141,186.35	580,000,000.00
Payments for debt redemption		190,000,000.00	760,000,000.00
Payments of dividends, profits and interests		7,044,800.00	53,742,834.14
Including: Dividends and profits paid by subsidiaries to minority shareholders			
Other cash paid relating to financing activities		2,392,091.88	
Subtotal of cash outflows from financing activities		199,436,891.88	813,742,834.14
Net cash flows from financing activities		1,208,704,294.47	-233,742,834.14
IV、 Effect of changes in exchange rate on cash and cash equivalents		-	-
V、 Net Increase in cash and cash equivalents		765,672,694.20	603,349,433.08
ADD: Beginning balance of cash and cash equivalents		661,250,949.78	57,901,516.70
VI、 The Ending balance of cash and cash equivalents		1,426,923,643.98	661,250,949.78

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