

Kingenta Ecological Engineering Group Co., Ltd.

AUDIT REPORT

Wuyige Certified [2013] No.3-00059

WUYIGE 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, 2012, consolidated and parent company income statement, consolidated and parent company cash flow statement, consolidated and parent company statement of changes in equity of 2012 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.



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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 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 2012, 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: He Zheng

Beijing, China

CPA: Zhao Guochao

Mar. 22, 2013



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Consolidated Balance Sheet

Kingenta Ecological Engineering Group Co.,
Ltd.

December 31, 2012

Unit: RMB Yuan

Assets	Notes	Ending Balance	Beginning Balance
Currents Assets			
Monetary fund	5.1	581,392,437.17	1,300,739,681.70
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	35,658,835.17	3,920,000.00
Accounts receivable	5.3		4,742,987.69
Advance payments	5.4	988,612,560.74	1,260,744,531.20
Interest receivable			
Dividends receivable			
Other receivables	5.5	26,857,934.89	12,467,766.96
Inventories	5.6	2,335,297,570.34	1,729,371,093.38
Assets holding for sale			
Non-current assets due within one year			
Other current Assets	5.8		
Total Current Assets		3,967,819,338.31	4,311,986,060.93
Non-current Assets:			
Financial assets available for sale			
Held to maturity investments			
Long-term receivables			
Long-term equity	5.9		
Investment properties			
Fixed assets	5.10	970,103,204.81	724,738,379.23
Construction in progress	5.11	1,127,378,832.53	339,345,638.37
Engineering materials and equipment	5.12	25,335,743.22	
Liquidation of fixed assets			



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Productive biological asset			
Oil-and-gas assets			
Intangible assets	5.13	194,027,578.17	105,334,770.80
Development expenditures			
Goodwill	5.14	11,718,634.95	11,718,634.95
Long-term unamortized	5.15		
Deferred income tax assets	5.16	584,347.84	454,208.93
Other non-current assets	5.17	509,465,830.00	
Total non-current assets		2,838,614,171.52	1,181,591,632.28
Total assets		6,806,433,509.83	5,493,577,693.21

Legal Representative: Wan Lianbu

Financial Head: Li Jiguo

Accounting Organ Head: Li Xianxiu

Consolidated Balance Sheet (Continued)

Kingenta Ecological Engineering Group Co.,
Ltd.

December 31, 2012

Unit: RMB Yuan

Assets	Notes	Ending Balance	Beginning Balance BBBalance
Current Liabilites			
Short-term loans	5.18		370,000,000.00
Financial assets measured at fair value and of which the changes are recorded into current profits and loss			
Derivative financial liabilities			
Note payables	5.19	962,562,711.47	302,415,130.04
Account payables	5.20	212,390,368.42	208,424,207.98
Advance payments	5.21	820,260,475.03	795,996,431.78
Employee benefits payable	5.22	30,211,570.12	16,316,920.53
Tax and expenses payable	5.23	-33,932,208.50	37,054,906.61
Interest payable	5.24	15,740,975.33	2,790,406.28
Dividend payable			1,038,297.91



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Other payables	5.25	135,418,294.39	80,526,728.13
Liabilities holding for sale			
Non-current liabilities due within one year	5.26		
Other current liabilities			
Total current liabilities		2,142,652,186.26	1,814,563,029.26
Non-current Liabilities			
Long term loans	5.27		
Bond payables	5.28	992,735,140.37	495,136,231.80
Including: Preferred stock			
Perpetual capital			
Long-term payables			
Long-term employee benefits payable			
Special payables			
Estimated liabilities			
Deferred income	5.29		
Deferred tax liabilities	5.16	2,738,509.38	3,758,392.75
Other non-current liabilities		66,263,200.00	29,642,400.00
Total current liabilities		1,061,736,849.75	528,537,024.55
Total liabilities		3,204,389,036.01	2,343,100,053.81
Shareholder's Equity :			
Capital stock	5.30	700,000,000.00	700,000,000.00
Other equity instruments			
Including: Preferred stock			
Perpetual capital			
Capital reserve	5.31	1,310,678,588.06	1,310,678,588.06
Subtract: Treasury stock			



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Other comprehensive income			
Special reserve			
Surplus reserve	5.32	143,809,723.15	110,054,189.87
Undistributed profits	5.33	1,373,225,369.24	965,042,835.37
Total shareholder's equity attributable to the company		3,527,713,680.45	3,085,775,613.30
Minority interests		74,330,793.37	64,702,026.10
Total shareholder's equity		3,602,044,473.82	3,150,477,639.40
Total liabilities and shareholder's equity		6,806,433,509.83	5,493,577,693.21

Legal Representative: Wan Lianbu

Financial Head: Li Jiguo

Accounting Organ Head: Li Xianxiu

Consolidated Income Statement

Kingenta Ecological Engineering Group Co.,

December 31, 2012

Unit: RMB Yuan

Item	Notes	Current Period Amount	Last period Amount
I、 Operating Income	5.34	10,254,217,114.84	7,626,786,481.41
Subtract: Operating costs	5.34	8,991,102,518.15	6,621,756,589.86
Business tax and surcharges	5.35	1,685,966.66	617,951.59
Selling expenses	5.36	418,008,502.48	356,505,907.36
Administrative Expense	5.37	194,980,125.91	117,040,783.11
Finance costs	5.38	30,993,890.59	-5,954,142.03
Assets impairment losses	5.39	947,740.65	-2,644,119.00
Add: Gain on changes in fair value			
Investment income	5.40		
Including: Investment gains from associated enterprises and joint ventures	5.40		
II、 Operating Profit		616,498,370.40	539,463,510.52
Add: Non-operating income	5.41	5,043,397.94	8,287,409.78
Including: Disposal profit of non-current assets			
Subtract: Non-operating expenses	5.42	1,273,069.00	1,039,988.82
Including: Disposal loss of non-current assets		107,588.76	273,212.94
III、 Total Profit		620,268,699.34	546,710,931.48
Subtract: Income tax expenses	5.43	76,501,864.92	109,781,569.57
IX、 Net Profit		543,766,834.42	436,929,361.91



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Net profits attributed to owners of the company		546,938,067.15	436,459,836.92
Profit and loss of minority		-3,171,232.73	469,524.99
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		543,766,834.42	436,929,361.91
Total comprehensive income attributed to owners of the company		546,938,067.15	436,459,836.92
Total comprehensive income attributed to minority shareholders		-3,171,232.73	469,524.99
VII: Earnings per share			
I: Basic earnings per share		0.78	0.62
II: Diluted earnings per share		0.78	0.62

Legal Representative: Wan Lianbu

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Consolidated and Company Cash Flow Statement

Kingenta Ecological Engineering Group Co., Ltd. December 31, 2012

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		10,264,606,108.33	7,688,419,420.14
Tax refund			5,199,158.42
Other cash received relating to operating activities	5.44	122,478,601.16	75,508,972.33
Subtotal cash in flows operating activities		10,387,084,709.49	7,769,127,550.89
Cash paid for goods and services		9,183,329,156.02	7,516,318,032.76
Payments to and on behalf of employees		327,295,308.71	225,482,607.87
Tax and fees paid		129,971,407.26	130,482,035.98
Other cash paid relating to operating activities	5.44	288,037,057.06	167,316,556.18
Subtotal of cash outflow from operating activities		9,928,632,929.05	8,039,599,232.79



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Net cash flow from operating activities		458,451,780.44	-270,471,681.90
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		1,954,460.00	197,000.00
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		1,954,460.00	197,000.00
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,251,575,963.58	717,835,000.43
Investment payments		78,274,960.00	
Net cash paid for acquisition of subsidiaries and other business units		14,425,600.00	5,396,462.73
Other cash paid relating to investing activities			
Subtotal of cash outflows from investing activities		1,344,276,523.58	723,231,463.16
Net cash flows from investing activities		-1,342,322,063.58	-723,034,463.16
III、Cash flows from financing activities			
Proceeds from investments		12,800,000.00	40,000,000.00
Including: cash received by minor shareholder's equity in subsidiaries		12,800,000.00	40,000,000.00
Cash received from borrowings		298,876,385.69	750,000,000.00
Cash received from bonds issued		495,500,000.00	495,500,000.00
Other cash received relating to financing activities	5.44		
Subtotal of cash inflow from financing activities		807,176,385.69	1,285,500,000.00
Payments for debt redemption		668,876,385.69	385,000,000.00
Payments of dividends, profits and interests		165,004,255.67	142,987,698.41
Including: Dividends and profits paid by subsidiaries to minority shareholders			48,849,113.07
Other cash paid relating to financing activities			
Subtotal of cash outflows from financing activities		833,880,641.36	527,987,698.41
Net cash flows from financing activities		-26,704,255.67	757,512,301.59
IV、Effect of changes in exchange rate on cash and cash equivalents			



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V、 Net Increase in cash and cash equivalents		-910,574,538.81	-235,993,843.47
ADD: Beginning balance og cash and cash equivalents		1,190,929,800.51	1,426,923,643.98
VI、 The Ending balance of cash and cash equivalents		280,355,261.70	1,190,929,800.51

Legal Representative: Wan Lianbu

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