

**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

Wuyige Certified Public Accountants LLP [2013] No. 3-00059

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

We have audited the financial statements of Kingenta Ecological Engineering Group Co., Ltd. (hereinafter referred to as "the Company"), including the balance sheet as at December 31, 2012, the income statement, the cash flow statement and the statement of changes in equity for the period from January 1, 2012 to December 31, 2012, and the related disclosures made by the Company.

### 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 in accordance with the applicable accounting standards. This responsibility includes: (1) selecting and applying appropriate accounting policies; (2) making reasonable estimates and judgments; (3) ensuring that the financial statements are prepared in accordance with the applicable accounting standards and the requirements of the relevant laws and regulations.

### II. Auditor's Responsibility

Our responsibility is to express an opinion on the financial statements based on the audit. We conducted our audit in accordance with the auditing standards issued by the Institute of Certified Public Accountants of China (ICPA). Our audit included the examination of accounting records, supporting documents, and other evidence. We believe that our audit provides a reasonable basis for our opinion.



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And the management is responsible for the preparation and  
 presentation of the financial statements in accordance with the  
 accounting standards, and the management is responsible for  
 the design, implementation and maintenance of internal control  
 systems to prevent, detect and correct errors. The auditor's  
 responsibility is to express an opinion on the financial statements  
 based on the audit. The audit is conducted in accordance with  
 the auditing standards. The auditor's opinion is based on the  
 audit evidence obtained. The auditor's opinion is that the  
 financial statements present a true and fair view of the  
 financial position and performance of the company for the  
 period ended December 31, 2012, in accordance with the  
 accounting standards.

**III. Audit Opinion**

In our opinion, the financial statements of the company for  
 the period ended December 31, 2012, are true and fair  
 in accordance with the accounting standards. The auditor's  
 opinion is based on the audit evidence obtained. The auditor's  
 opinion is that the financial statements present a true and  
 fair view of the financial position and performance of the  
 company for the period ended December 31, 2012, in  
 accordance with the accounting standards.

WUYIGE CERTIFIED PUBLIC ACCOUNTANTS LLP.

(Secretary) CPA: He Zhe

Beijing, China CPA: Zhang Xia

March 22, 2013



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### Consolidated Balance Sheet

WUYIGE Certified Public Accountants (LLP), December 31, 2012

Unit: RMB Yuan

Assets	Notes	Ending Balance	Beginning Balance
Current Assets			
Monetary funds	5.1	581,392,437.17	1,300,739,681.70
Financial assets measured at fair value			
Derivative financial assets			
Receivables	5.2	35,658,835.17	3,920,000.00
Accounts receivable	5.3		4,742,987.69
Advances	5.4	988,612,560.74	1,260,744,531.20
Prepaid expenses			
Deferred expenses			
Other receivables	5.5	26,857,934.89	12,467,766.96
Inventory	5.6	2,335,297,570.34	1,729,371,093.38
Intangible assets	5.7		
Non-current receivables			
Other current assets	5.8		
<b>Non-current Assets:</b>			
Financial assets measured at fair value			
Deferred assets			
Long-term receivables			
Long-term equity investments	5.9		
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 costs	5.12	25,335,743.22	
Intangible fixed assets			



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P d N N e b g c a a e			
O -a d-ga a e			
I a g b e a e	5.13	194,027,578.17	105,334,770.80
N D e e e e e d e			
G d	5.14	11,718,634.95	11,718,634.95
L g-e N a ed	5.15		
Defe N e d c e a a e	5.16	584,347.84	454,208.93
N e -c e a e	5.17	509,465,830.00	
N T a -c e a e		2,838,614,171.52	1,181,591,632.28
N T a a e		6,806,433,509.83	5,493,577,693.21

Lega Re e e a e: Wa L a b F a c a Head: N J g N Acc g O ga Head: L X a

### Consolidated Balance Sheet (Continued)

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 L d.

Assets	Notes	Ending Balance	Beginning Balance BBBalance
C e L a b e			
S N e a	5.18		370,000,000.00
F a c a a e e a e d a f a N e a d f c e c a g e N a e e c N e d c N e f a d			
De a e f a c a a b e			
N e a a b e	5.19	962,562,711.47	302,415,130.04
N Acc a a b e	5.20	212,390,368.42	208,424,207.98
Ad a c e a e	5.21	820,260,475.03	795,996,431.78
N E e e b e e f a a b e	5.22	30,211,570.12	16,316,920.53
T a a d e e e a a b e	5.23	-33,932,208.50	37,054,906.61
I e e a a b e	5.24	15,740,975.33	2,790,406.28
D d e d a a b e			1,038,297.91



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O e a ab e	5.25	135,418,294.39	80,526,728.13
L abN e Nd gf a e			
N -c e ab e d eN e ea	5.26		
O e c e ab e			
<b>Total current liabilities</b>		<b>2,142,652,186.26</b>	<b>1,814,563,029.26</b>
N -c e Lab e			
L e a	5.27		
B d a ab e	5.28	992,735,140.37	495,136,231.80
I c d g: P eN ed c			
Pe e a ca a			
L g-e a ab e			
L g-eN e ee be ef a ab e			
S e c a a ab e			
E a ed ab e			
DefeNed c e	5.29		
Defe ed a ab e	5.16	2,738,509.38	3,758,392.75
N e -c e ab e		66,263,200.00	29,642,400.00
N T a c e ab e		1,061,736,849.75	528,537,024.55
N T a ab e		3,204,389,036.01	2,343,100,053.81
N S a e de ' E :			
CN a c	5.30	700,000,000.00	700,000,000.00
O e e e			
I c d g: P eN ed c			
Pe e a ca a			
Ca a e e e	5.31	1,310,678,588.06	1,310,678,588.06
S b ac : T eN c			



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Non-current assets			
Securities			
Subsidiaries	5.32	143,809,723.15	110,054,189.87
Undivided fund	5.33	1,373,225,369.24	965,042,835.37
Total non-current assets		3,527,713,680.45	3,085,775,613.30
Current assets		74,330,793.37	64,702,026.10
Total assets		3,602,044,473.82	3,150,477,639.40
Total liabilities and equity		6,806,433,509.83	5,493,577,693.21

Legal Representative: Wang Labing      Fiscal Head: Li Jing      Accounting Officer: Li Xia

## Consolidated Income Statement

For the period ending December 31, 2012      Unit: RMB Yuan

Item	2012	2011	2010
<b>I. Operating Income</b>	5.34	10,254,217,114.84	7,626,786,481.41
Subscriptions	5.34	8,991,102,518.15	6,621,756,589.86
Business income	5.35	1,685,966.66	617,951.59
Service income	5.36	418,008,502.48	356,505,907.36
Advertising income	5.37	194,980,125.91	117,040,783.11
Finance income	5.38	30,993,890.59	-5,954,142.03
Other income	5.39	947,740.65	-2,644,119.00
Additional income			
Income tax	5.40		
Income tax: Income tax	5.40		
<b>II. Operating Profit</b>		616,498,370.40	539,463,510.52
Additional income	5.41	5,043,397.94	8,287,409.78
Income tax: Income tax			
Subscriptions	5.42	1,273,069.00	1,039,988.82
Income tax: Income tax		107,588.76	273,212.94
<b>III. Total Profit</b>		620,268,699.34	546,710,931.48
Subscriptions	5.43	76,501,864.92	109,781,569.57
<b>IX. Net Profit</b>		543,766,834.42	436,929,361.91



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Net after-tax amount of other comprehensive income		546,938,067.15	436,459,836.92
Net after-tax amount of other comprehensive income		-3,171,232.73	469,524.99
<b>V. Net after-tax amount of other comprehensive income</b>			
Net after-tax amount of other comprehensive income			
Net after-tax amount of other comprehensive income			
2. Share-based payment expense			
Net after-tax amount of other comprehensive income			
<b>VI. Total comprehensive income</b>		543,766,834.42	436,929,361.91
Net after-tax amount of other comprehensive income		546,938,067.15	436,459,836.92
Net after-tax amount of other comprehensive income		-3,171,232.73	469,524.99
<b>VII: Earnings per share</b>			
I: Basic earnings per share		0.78	0.62
II: Diluted earnings per share		0.78	0.62

Legal Representative: Wang Lab      Fiscal Head: Lu Jig      Accounting Head: Li Xia

## Consolidated and Company Cash Flow Statement

Kingma Ecogear Engineering Co., Ltd. December 31, 2012      Unit: RMB Yuan

Item	Net	Continued	Discontinued
<b>I. Cash flow from operating activities</b>			
Revenue from operations		10,264,606,108.33	7,688,419,420.14
Tax paid			5,199,158.42
Operating expenses	5.44	122,478,601.16	75,508,972.33
<b>Subtotal cash in flows operating activities</b>		10,387,084,709.49	7,769,127,550.89
Cash and cash equivalents		9,183,329,156.02	7,516,318,032.76
Payment of taxes		327,295,308.71	225,482,607.87
Interest paid		129,971,407.26	130,482,035.98
Operating expenses	5.44	288,037,057.06	167,316,556.18
<b>Subtotal of cash outflow from operating activities</b>		9,928,632,929.05	8,039,599,232.79





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<b>Net cash flow from operating activities</b>		458,451,780.44	-270,471,681.90
<b>II、Cash flows from investing activities</b>			
Cash received from disposal of long-term assets			
Cash received from sale of investments			
Net cash received from disposal of subsidiaries, associates and joint ventures		1,954,460.00	197,000.00
Net cash received from disposal of other long-term assets			
Operating activities	5.44		
<b>Subtotal of cash inflows from investing activities</b>		1,954,460.00	197,000.00
Cash paid for acquisition of subsidiaries, associates and joint ventures		1,251,575,963.58	717,835,000.43
Interest paid		78,274,960.00	
Net cash paid for acquisition of other long-term assets		14,425,600.00	5,396,462.73
Operating activities			
<b>Subtotal of cash outflows from investing activities</b>		1,344,276,523.58	723,231,463.16
<b>Net cash flows from investing activities</b>		-1,342,322,063.58	-723,034,463.16
<b>III、Cash flows from financing activities</b>			
Net proceeds from issuance of equity		12,800,000.00	40,000,000.00
Interest received from bank deposits		12,800,000.00	40,000,000.00
Cash received from bank borrowings		298,876,385.69	750,000,000.00
Cash received from other borrowings		495,500,000.00	495,500,000.00
Operating activities	5.44		
Net proceeds from issuance of debt		807,176,385.69	1,285,500,000.00
Payment of debt		668,876,385.69	385,000,000.00
Payment of dividends, interest and other		165,004,255.67	142,987,698.41
Interest received from bank deposits			48,849,113.07
Operating activities			
<b>Subtotal of cash outflows from financing activities</b>		833,880,641.36	527,987,698.41
<b>Net cash flows from financing activities</b>		-26,704,255.67	757,512,301.59
<b>IV、Effect of changes in exchange rate on cash and cash equivalents</b>			



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

Legal Representative: Wang Laban      Financial Head: Lu Jiguo      Accounting Head: Liu Xia