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THE BONDS AND THE GUARANTEE HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE UNITED STATES SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT"), OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND THE BONDS AND THE GUARANTEE MAY NOT BE OFFERED OR SOLD IN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATION S UNDER THE SECURITIES ACT.

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Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed to Wise Source International Limited (哲源國際有限公司) (the "**Issuer**"), CEFC Shanghai International Group Limited (上海華信國際集團有限公司) (the "**Guarantor**") and CLSA Limited (the "**Sole Global Coordinator**") that: (1) you and any customers you represent are not in the United States, (2) the electronic mail address that you gave us and to which this e-mail has been delivered is not located in the United States, and (3) you consent to delivery of this document by electronic transmission. To the extent you purchase the securities described in the attached document, you will be doing so in an offshore transaction as defined in regulations under the Securities Act in compliance with Regulation S thereunder.

The Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently neither the Issuer, the Guarantor, the Sole Global Coordinator nor any of their affiliates, directors, officers, employees, representatives, agents and each person who controls any of them accepts any liability or responsibility whatsoever in respect of any such alteration or change to the Offering Circular distributed to you in electronic format or any difference between the Offering Circular distributed to you in electronic format and the hard copy version.

Restrictions: The attached Offering Circular is in preliminary form. Nothing in this electronic transmission constitutes, and may not be used in connection with, an offer or an invitation by or on behalf of any of the Issuer, the Guarantor or the Sole Global Coordinator to subscribe or purchase any of the securities described therein, in any place where offers or solicitations are not permitted by law and access has been limited so that it shall not constitute in the United States or elsewhere directed selling efforts (within the meaning of Regulation S under the Securities Act). If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Sole Global Coordinator or any affiliate of the Sole Global Coordinator is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by that the Sole Global Coordinator or such affiliate on behalf of the Issuer and the Guarantor in such jurisdiction. Any securities to be issued in respect thereof will not be registered under the Securities Act and may not be offered or sold in the United States unless registered under the Securities Act or pursuant to an exemption from such registration. Access has been limited so that it shall not constitute a general solicitation in the United States or elsewhere. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

You are reminded that you have accessed the Offering Circular on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by laws.

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You are responsible for protecting against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

The information contained in this preliminary offering circular is not complete and may be changed. This preliminary offering circular is not an offer to sell securities and is not soliciting an offer to buy securities in any jurisdiction where such offer or sale is not permitted. No offer or invitation shall be made or received, and no agreement shall be made, on the basis of this preliminary offering circular, to purchase or subscribe for any securities.

SUBJECT TO COMPLETION

PRELIMINARY OFFERING CIRCULAR DATED 2016 STRICTLY CONFIDENTIAL

Wise Source International Limited
（哲源國際有限公司）

(incorporated with limited liability in the British Virgin Islands)

U.S.$ per cent. Guaranteed Bonds due 20

Unconditionally and Irrevocably Guaranteed by

CEFC Shanghai International Group Limited
（上海華信國際集團有限公司）

(incorporated in the People's Republic of China with limited liability)

and with support in the form of a keepwell deed from

CEFC China Energy Company Limited
（中國華信能源有限公司）

(incorporated in the People's Republic of China with limited liability)

Issue Price: per cent.

The per cent. guaranteed bonds in the aggregate principal amount of U.S.$ (the "**Bonds**") will be issued by Wise Source International Limited (哲源國際有限公司) (the "**Issuer**") and will be unconditionally and irrevocably guaranteed (the "**Guarantee**") by CEFC Shanghai International Group Limited (上海華信國際集團有限公司) (the "**Guarantor**"), a company incorporated under the laws of the People's Republic of China. The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all other present and future unsecured and unsubordinated obligations of the Issuer. The Issuer is a wholly-owned subsidiary of the Guarantor, which is a subsidiary of CEFC China Energy Company Limited (中國華信能源有限公司) (the "**Company**").

The Bonds will bear interest from and including 2016 at the rate of per cent. per annum and such interest will be payable semi-annually in arrear on and in each year (each an "**Interest Payment Date**"), commencing on . All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC to the extent described in "*Terms and Conditions of the Bonds – Taxation*".

The Issuer, the Guarantor and the Company will enter into a keepwell deed on or about 2016 with Bank of Communications Trustee Limited (the "**Trustee**") as trustee of the Bonds (the "**Keepwell Deed**") as further described in "*Description of the Keepwell Deed.*" The Keepwell Deed does not constitute a guarantee by the Company of the obligations of the Issuer under the Bonds or the Guarantor under the Guarantee.

The Guarantor will enter into a deed of guarantee (the "**Deed of Guarantee**") on or around 2016 (the "**Issue Date**"). The Guarantor will be required to register or cause to be registered with the Shanghai Branch of the State Administration of Foreign Exchange ("**SAFE**") the Deed of Guarantee within 15 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014. The Guarantor intends to complete the registration for the execution of the Deed of Guarantee with SAFE as soon as practicable and in any event before the Registration Deadline (being 120 calendar days after the Issue Date).

Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 20 . The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, at their principal amount together with interest accrued to the date fixed for redemption, in the event of certain changes affecting taxes of the British Virgin Islands or the PRC. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*". At any time following the occurrence of a Change of Control or a No Registration Event (each as defined in the Terms and Conditions of the Bonds), the holder of a Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date (as defined in the Terms and Conditions of the Bonds). See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*".

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") on 14 September 2015 which came into effect on the same day, the Guarantor has registered the issuance of the Bonds with the NDRC and obtained a certificate from the NDRC on 18 September 2016 evidencing such registration and intends to provide the requisite information on the issuance of the Bonds to the NDRC in accordance with and within the time period prescribed by the NDRC Circular.

The Bonds will be issued in the specified denomination of U.S.$200,000 each and in integral multiples of U.S.$1,000 in excess thereof.

Investing in the Bonds involves risks. See "Risk Factors" beginning on page 12 for a discussion of certain factors to be considered in connection with an investment in the Bonds.

The Bonds and the Guarantee have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act") and may not be offered or sold within the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. The Bonds and the Guarantee are being offered in offshore transactions outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "*Subscription and Sale*".

Application will be made to The Stock Exchange of Hong Kong Limited ("**SEHK**") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange and in the Securities and Futures Ordinance (Cap. 571) of Hong Kong) (together, "**Professional Investors**") only This document is for distribution to Professional Investors only. **Investors should not purchase the Bonds in the primary or secondary markets unless they are Professional Investors and understand the risks involved. The Bonds are only suitable for Professional Investors.**

SEHK has not reviewed the contents of this document, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this document to Professional Investors only have been reproduced in this document. Listing of the Bonds on SEHK is not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Issuer or the Guarantor or the Company or quality of disclosure in this document. Hong Kong Exchanges and Clearing Limited and SEHK take no responsibility for the contents of this document, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss however arising from or in reliance upon the whole or any part of the contents of this document.

The Bonds will be represented by beneficial interests in a global certificate (the "**Global Certificate**") in registered form, which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date, with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream, Luxembourg**"). Beneficial interests in the Global Certificate will be shown on, and transfer thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Except as described herein, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Sole Global Coordinator, Sole Lead Manager and Sole Bookrunner

CITIC CLSA Securities

Offering Circular dated 2016

IMPORTANT NOTICE

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") for the purpose of giving information with regard to the Issuer and the Guarantor. Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statements herein misleading.

Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular. Investors are advised to read and understand the contents of the Offering Circular before investing. If in doubt, investors should consult their advisers.

Each of the Issuer and the Guarantor accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that (i) this Offering Circular contains all material information with respect to the Issuer, the Guarantor and the Guarantor's subsidiaries taken as a whole (collectively, the "**Group**") and the Bonds and the Guarantee and the Keepwell Deed (including all information which, according to the particular nature of the Issuer, the Guarantor, the Group, the Bonds and the Guarantee and the Keepwell Deed, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, the Guarantor and the Group and of the rights attaching to the Bonds and the Guarantee and the Keepwell Deed), (ii) this Offering Circular does not contain any untrue statement of a material fact or omit to state any material fact necessary to make the statements herein, in the light of the circumstances under which they were made, not misleading, (iii) the statements of fact contained in this Offering Circular relating to the Issuer, the Guarantor, the Group, the Bonds and the Guarantee and the Keepwell Deed are in every material respect true and accurate and not misleading, (iv) the statements of intention, opinion, belief or expectation contained in this Offering Circular are, honestly and reasonably made or held and (v) all reasonable enquiries have been made to ascertain such facts and to verify the accuracy of all such statements. This Offering Circular has been prepared by the Issuer and the Guarantor solely for use in connection with the proposed offering of the Bonds and giving of the Guarantee as described in this Offering Circular. The distribution of this Offering Circular, the offering of the Bonds and the giving of the Guarantee in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Guarantor, CLSA Limited (the "**Sole Global Coordinator**") to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds and giving of the Guarantee or the distribution of this document in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds and the Guarantor giving the Guarantee, and the circulation of documents relating thereto, in certain jurisdictions and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "*Subscription and Sale*". No person has been authorised to give any information or to make any representation not contained in or not consistent with this Offering Circular or any information supplied by the Issuer and the Guarantor or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, the Guarantor or the Sole Global Coordinator. Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Issuer, the Guarantor or any of them since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof.

None of the Sole Global Coordinator, the Trustee or the Agents (as defined in the Terms and Conditions of the Bonds) has separately verified the information contained in this Offering Circular. None of the Sole Global Coordinator, the Trustee or the Agents or any director, officer, employee, agent, adviser or affiliate of any such person makes any representation, warranty or undertaking, express or implied, or accepts any responsibility or liability, with respect to the accuracy or completeness of any of the information contained in this Offering Circular. Each person receiving this Offering Circular acknowledges that such person has not relied on the Sole Global Coordinator, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers or affiliates in connection with its investigation of the accuracy of such information or its investment decision, and each such person must rely on its own examination of the Issuer and the Guarantor and the merit and risks involved in investing in the Bonds. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

To the fullest extent permitted by law, none of the Sole Global Coordinator, the Trustee or the Agents or any director, officer, employee, agent or affiliate of any such person accepts any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Sole Global Coordinator, the Trustee or an Agent, or any director, officer, employee, agent, adviser or affiliate of any such person or on its behalf, in connection with the Issuer, the Guarantor, the Group, the issue and offering of the Bonds or the giving of the Guarantee. Each of the Sole Global Coordinator, the Trustee and the Agents and the directors, officers, employees, agents, advisers and affiliates of such persons accordingly disclaims all and any liability whether arising in tort or contract or otherwise which it might otherwise have in respect of this Offering Circular or any such statement. None of the Sole Global Coordinator, the Trustee or the Agents undertakes to review the financial condition or affairs of the Issuer or the Guarantor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Bonds of any information coming to the attention of the Sole Global Coordinator, the Trustee or the Agents.

This Offering Circular may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction in which such offer or solicitation is not authorised or to any person to whom it is unlawful to make such an offer or solicitation. This Offering Circular does not constitute an offer or an invitation to subscribe for or to purchase any Bonds, is not intended to provide the basis of any credit or other evaluation, and should not be considered as a recommendation by the Issuer, the Guarantor, the Sole Global Coordinator, the Trustee, the Agents or any of them that any recipient of this Offering Circular should subscribe for or purchase any Bonds. Each recipient of this Offering Circular shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer and the Guarantor with its own tax, legal and business advisers as it deems necessary.

Except as otherwise indicated in this Offering Circular, all non-Group specific statistics and data relating to the industry or to the economic development of certain regions within the People's Republic of China have been extracted or derived from publicly available information and industry publications. Such information has not been independently verified by the Issuer, the Guarantor, the Sole Global Coordinator, the Trustee or the Agents or by their respective directors, officers, employees, agents, advisers and affiliates, and none of the Issuer, the Guarantor, the Sole Global Coordinator, the Trustee, the Agents or their respective directors, officers, employees, agents, advisers and affiliates makes any representation as to the correctness, accuracy or completeness of that information. In addition, third-party information providers who contributed to the publicly available information and industry publications may have obtained information from market participants and such information may not have been independently verified.

This Offering Circular is provided solely for the purpose of enabling the recipient to consider purchasing the Bonds. The investors or prospective investors should read this Offering Circular carefully before making a decision regarding whether or not to purchase the Bonds. This Offering Circular cannot be used for any other purpose and any information in this Offering Circular cannot be disclosed to any other person. This Offering Circular is personal to each prospective investor and does not constitute an offer to any other person or to the public generally to purchase or otherwise acquire the Bonds.

In making an investment decision, the prospective investor must rely on its own judgment and examination of the Issuer and the Guarantor and the Terms and Conditions of the Bonds, including the merits and risks involved. See "*Risk Factors*" for a discussion of certain factors to be considered in connection with an investment in the Bonds. None of the Issuer, the Guarantor, the Sole Global Coordinator, the Trustee or the Agents or any of their respective directors, officers, employees, agents, advisers or affiliates is making any representations regarding the legality of an investment in the Bonds under any law or regulation. The recipient of this Offering Circular should not consider any information in this Offering Circular to be legal, business or tax advice. Any investor or prospective investor should consult his/her/its own attorney, business adviser and tax adviser for legal, business and tax advice regarding an investment in the Bonds.

Warning

The contents of this Offering Circular have not been reviewed by any regulatory authority in the People's Republic of China, Hong Kong or elsewhere. Investors are advised to exercise caution in relation to the offer. If any investor is in any doubt about any of the contents of this document, that investor should obtain independent professional advice.

PRESENTATION OF FINANCIAL INFORMATION

The audited financial statements of the Guarantor as at and for the years ended 31 December 2014 and 2015, which are included elsewhere in this Offering Circular, have been audited by Shanghai Certified Public Accountants ("**SCPA**"), the Guarantor's independent auditor. Such financial statements of the Guarantor were prepared and presented in accordance with the Accounting Standards for Business Enterprises in China ("**PRC GAAP**"). The Guarantor's financial information as at and for the years ended 31 December 2013, 2014 and 2015 has been extracted from the audited financial statements of the Guarantor as at and for the years ended 31 December 2014 and 2015.

The interim financial statements of the Guarantor as at and for the six months ended 30 June 2016, were prepared and presented in accordance with PRC GAAP and have been reviewed but not audited by SCPA. The Guarantor's financial information as at 30 June 2016 and for the six months ended 30 June 2015 and 2016 has been extracted from the reviewed but not audited financial statements of the Guarantor as at and for the six months ended 30 June 2016. Such financial statements should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit by an independent auditor. None of the Sole Global Coordinator or any of its affiliates, directors or advisers makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Guarantor's financial condition, results of operations and results. Such financial statements as at and for the six months ended 30 June 2016 should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor for the full financial year ending 31 December 2016.

The financial statements of the Guarantor were prepared and presented in accordance with PRC GAAP. The Guarantor has not prepared its financial statements or financial statements (as the case may be) in accordance with International Financial Reporting Standards ("**IFRS**").

As advised by SCPA, there are no material differences between PRC GAAP and the IFRS with respect to the determination of the Guarantor's financial position.

CERTAIN TERMS AND CONVENTIONS

This Offering Circular has been prepared using a number of conventions, which investors should consider when reading the information contained herein. Unless indicated otherwise, in this Offering Circular all references to (i) the "**Issuer**" are to Wise Source International Limited (哲源國際有限公司), (ii) the "**Company**" or "**CEFC China**" are to CEFC China Energy Company Limited (中國華信能源有限公司), (iii) the "**Guarantor**" are to CEFC Shanghai International Group Limited (上海華信國際集團有限公司) and (iv) the "**Group**" are to Guarantor and its direct and indirect subsidiaries, taken as a whole, unless the context otherwise indicates.

Unless otherwise specified or the context otherwise requires, references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China, to the "**PRC**" or "**China**" are to the People's Republic of China, for the purpose of this Offering Circular only, excluding Hong Kong, the Macau Special Administrative Region of the People's Republic of China and Taiwan, to the "**U.S.**" or "United States" are to the United States of America, to "**CNY**", "**Renminbi**" or "**RMB**" are to the lawful currency of the PRC, and to "US$" or "US dollars" are to the lawful currency of the United States of America.

Unless otherwise stated in this Offering Circular, all translations from Renminbi into US dollars were made at the rate of CNY6.6459 to US$1.00, the noon buying rate in New York City for cable transfers payable in Renminbi on 30 June 2016. All such translations in this Offering Circular are provided solely for investors' convenience and no representation is made that the amounts referred to herein have been, could have been or could be converted into US dollars or Renminbi, or vice versa, at any particular rate or at all. For further information relating to the exchange rates, see "*Exchange Rates*".

In this Offering Circular, where information has been presented in thousands, millions, or billions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates titles and the like are translations of their Chinese names and are included for identification purposes only.

FORWARD-LOOKING STATEMENTS

This Offering Circular contains forward-looking statements. The forward-looking statements contain information regarding, among other things, the Group's future operations, performance, financial condition, expansion plans and business strategy. These forward-looking statements are based on the Group's current expectations and projections about future events. Although the Group believes that these expectations and projections are reasonable, such forward-looking statements are inherently subject to risks, uncertainties and assumptions, including, among other things:

- general economic and political conditions in the PRC and globally;
- risks associated with business activities in the PRC, including but not limited to the PRC regulatory environment, and in particular, PRC regulation of the power industry as well as environmental regulation and employee safety and labour protection regulations;
- risks associated with the power generation sector in the PRC;
- the Group's business strategy and plan of operation;
- fluctuations in interest rates and the availability of credit;
- operational hazards customary to the power generation industry including but not limited to equipment failures, natural disasters, environmental or industrial accidents, construction delays, labour disputes and other business interruptions;
- various business opportunities that the Group may pursue; and
- those other risks identified in the "*Risk Factors*" section of this Offering Circular.

The words "believe", "expect", "anticipate", "estimate", "intend", "plan", "seek", "target", "will", "would", "may", "could", "continue" and similar words identify forward-looking statements. However, these words are not the exclusive means of identifying forward-looking statements. All statements regarding expected financial condition and results of operations, business plans and prospects are forward-looking statements. These forward-looking statements include but are not limited to statements as to the business strategy, revenue and profitability, planned projects and other matters as they relate to the Issuer or the Guarantor discussed in this Offering Circular regarding matters that are not historical fact. Although the Group believes that the expectations reflected in the forward-looking statements are reasonable, the Group can give no assurance that such expectations will prove correct. The Group undertakes no obligation to publicly update or revise any forward-looking statements whether as a result of new information, future events or otherwise. In light of the foregoing and the risks, uncertainties and assumptions in "*Risk Factors*" and elsewhere in this Offering Circular, the forward-looking statements in this Offering Circular are not and should not be construed as assurances of future performance and the Issuer's and the Guarantor's actual results could differ materially from those anticipated in those forward-looking statements.

TABLE OF CONTENTS

SUMMARY

The summary below is only intended to provide a very limited overview of information described in more detail elsewhere in this Offering Circular. This summary does not contain all the information that may be important to prospective investors in deciding to invest in the Bonds. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should read the entire Offering Circular, including the section entitled "Risk Factors" and the financial statements and related notes thereto, before making an investment decision.

Overview

The Group is a leading chemical and oil products trading company in China. The Group primarily engages in the trading of oil products, mainly including fuel oil and crude oil, and trading of chemical raw materials, mainly including the PX and aromatic hydrocarbon. In addition, the Group is in the process of building up its "energy plus financing" platform through acquiring or establishing subsidiaries engaging in the banking, securities, futures and other financial business or services.

The Guarantor was ranked first among the privately owned companies among "Shanghai Top 100 Enterprises" jointly issued by Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association and Shanghai Federation of Economic Organizations in 2014 and 2015.

As the flagship platform of CEFC China Energy Company Limited (中國華信能源有限公司) ("**CEFC China**"), the Group benefits from the strong support from, the Keepwell Provider, CEFC China. See "Description of the Keepwell Provider" for more details of CEFC China.

The Group primarily engages in: (1) trading of oil products; (2) trading of chemical raw materials; (3) other business and other miscellaneous business:

- *Oil products trading business.* After years of experience in chemical raw materials trading business, the Group has been focusing on the development of its oil products trading business in recent years. Since 2013, the oil products trading business has gradually become the Group's largest business segment. The Group primarily conducts trading business in straight run fuel oil (直餾燃料油) and crude oil. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue from the Group's oil products trading business was RMB49,082.5 million, RMB72,552.1 million, RMB183,307.1 million, RMB73,330.3 million and RMB85,863.6 million, respectively, representing 47.8 per cent., 42.3 per cent., 88.8 per cent., 90.7 per cent. and 90.4 per cent., respectively, of the Group's operating revenue for the same periods.

- *Chemical raw materials trading business*. The Group primarily engages in trading of PX and aromatic hydrocarbon, such as styrene, glycol and mixed xylene, in its chemical raw materials trading business. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue from the Group's chemical raw materials trading business was RMB42,340.0 million, RMB93,170.9 million, RMB19,983.7 million, RMB5,593.3 million and RMB5,834.0 million, respectively, representing 41.2 per cent., 54.4 per cent., 9.7 per cent., 6.9 per cent. and 6.1 per cent., respectively, of the Group's operating revenue for the same periods.

- *Other business and other miscellaneous business*. The Group also engages in other businesses, including the production and sales of pesticides, the trading of fertilizers, metals, coals, seeds, natural gas, mechanical equipment and electronic appliances. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue from the Group's other business was RMB11,173.1 million, RMB5,455.2 million, RMB2,866.4 million, RMB1,804.4 million and RMB3,128.0 million, respectively, representing, 10.9 per cent., 3.2 per cent., 1.4 per cent., 2.2 per cent. and 3.3 per cent., respectively, of the Group's operating revenue during these periods. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's other miscellaneous business were RMB64.0 million, RMB155.9 million, RMB206.5 million, RMB76.9 million and RMB205.2million, respectively, representing 0.1 per cent., 0.1 per cent., 0.1 per cent., 0.1 per cent. and 0.2 per cent., respectively, of the Group's operating revenue for the same periods.

As at 30 June 2016, the Group's total assets were RMB108,868 million. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue of the Group was RMB102,659.6 million, RMB171,334.0 million, RMB206,363.6 million, RMB80,804.9 million and RMB95,030.8 million, respectively.

Competitive Strengths

The Guarantor believes its continuous business success is largely attributable to the following key competitive strengths:

- Global Layout in the Energy Industry and Economies of Scale
- Prudent Counterparty Risk Management
- Synergy between Energy and Financial Services
- Extensive Financing Channels
- Strong Shareholder Background
- Stable Management and Prudent Corporate Governance

Business Strategies

The Group aims to establish a global energy financing platform and expand its energy trading business operations.

The Group plans to implement the following business strategies:

- Build an Energy Trading, Reserve and Exchange Platform
- Focus on Development of Logistics Infrastructures & Strengthen Energy Reserve Capability
- Develop Mixed Ownership Economy and Enhance Control of Supply Chain
- Achieve Full-licensed Financial Service
- Become a Leading International Conglomerate

THE OFFERING

The following summary contains some basic information about the Bonds. Some of the terms described below are subject to important limitations and exceptions. Words and expressions defined in "Terms and Conditions of the Bonds" shall have the same meanings in this summary. For a more complete description of the terms and conditions of the Bonds, see "Terms and Conditions of the Bonds".

Issuer	Wise Source International Limited (哲源國際有限公司).
Guarantor	CEFC Shanghai International Group Limited (上海華信國際集團有限公司).
Keepwell Provider	CEFC China Energy Company Limited (中國華信能源有限公司)
Issue	US $ per cent. Guaranteed Bonds due 20 .
Guarantee	The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Trust Deed and the Bonds. Its obligations in that respect are contained in the Deed of Guarantee.
Issue Price	per cent.
Form and Specified Denomination	The Bonds will be issued in registered form in the specified denomination of US$200,000 and in integral multiples of US$1,000 in excess thereof.
Interest	The Bonds will bear interest on their outstanding principal amount from and including 2016 at the rate of per cent. per annum, payable semi-annually in arrear on and in each year (each an "**Interest Payment Date**") commencing on 2017.
Issue Date	2016.
Maturity Date	20 .
Use of Proceeds	See the section entitled "*Use of Proceeds*".
Status of the Bonds	The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.
Status of the Guarantee	The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

Negative Pledge	The Bonds will contain a negative pledge provision as further described in Condition 4(a) of the Terms and Conditions of the Bonds.
Events of Default	Upon the occurrence of certain events as described in Condition 9 of the Terms and Conditions of the Bonds, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution (as defined in the Trust Deed) shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate applicable on (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required. If (i) the Issuer is required to make any deduction or withholding by or within the British Virgin Islands, or (ii) the Issuer, or as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC in excess of Applicable Rate, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be) under certain circumstances as further set out in the Terms and Conditions of the Bonds.
Final Redemption.	Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on 20 .

Redemption for Taxation Reasons	The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount together with interest accrued to the date fixed for redemption, at any time in the event of certain changes affecting taxes of the British Virgin Islands or the PRC, as further described in "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Taxation Reasons*".
Redemption for Relevant Events	At any time following the occurrence of a Change of Control or a No Registration Event (each a "**Relevant Event**"), the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*".
Further Issues	The Issuer may from time to time without the consent of the Bondholders create and issue further securities either having the same terms and conditions as the Bonds in all respects (or in all respects except for the Issue Date and the first payment of interest on them and the timing for registering the Guarantee with SAFE and the timing for filing with the NDRC) and so that such further issue shall be consolidated and form a single series with the Bonds. References in the Terms and Conditions of the Bonds to the Bonds will include (unless the context requires otherwise) any other securities issued pursuant to Condition 15 of the Terms and Conditions of the Bonds and forming a single series with the Bonds.
Clearing Systems	The Bonds will be represented by beneficial interests in a Global Certificate in registered form, which will be registered in the name of a nominee for, and shall be deposited with, a common depository for Euroclear and Clearstream, Luxembourg. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream, Luxembourg. Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.
Governing Law and Jurisdiction	English law. Exclusive jurisdiction of the Hong Kong courts.
Trustee	Bank of Communications Trustee Limited.
Principal Paying Agent	Bank of Communications Co., Ltd. Hong Kong Branch.

Registrar and Transfer Agent . . .	Bank of Communications Co., Ltd. Hong Kong Branch.
Listing	Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only.
ISIN	.
Common Code	.

SUMMARY FINANCIAL AND OTHER INFORMATION

The summary consolidated financial information of the Guarantor as at and for the years ended 31 December 2013, 2014 and 2015 has been extracted from the audited financial statements of the Guarantor as at and for the years ended 31 December 2014 and 2015. The consolidated financial statements of the Guarantor as at and for the years ended 31 December 2014 and 2015 have been audited by SCPA and were prepared and presented in accordance with PRC GAAP.

The summary consolidated financial information of the Guarantor as at 30 June 2016 and for the six months ended 30 June 2015 and 2016 as set out below has been extracted from the reviewed but not audited financial statements of the Guarantor as at and for the six months ended 30 June 2016. The consolidated interim financial statements of the Guarantor as at and for the six months ended 30 June 2016 have been reviewed but not audited by SCPA and were prepared and presented in accordance with the PRC GAAP. Consequently, such financial statements should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit by an independent auditor. Such financial statements as at and for the six months ended 30 June 2016 should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor for the full financial year ending 31 December 2016.

The summary consolidated financial information as set forth below should be read in conjunction with, and is qualified in its entirety by reference to, the relevant consolidated financial statements of the Guarantor and the notes thereto included elsewhere in this Offering Circular. Historical results are not necessarily indicative of results that may be achieved in any future period.

Summary Consolidated Income Statement of the Guarantor

	Year Ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
	(Audited)	(Audited)	(Audited)	(Reviewed)	(Reviewed)
			(RMB in million)		
Total Revenue from Operation	**102,660**	**171,406**	**206,589**	**80,832**	**95,309**
Including: Revenue from Operation	102,660	171,334	206,364	80,805	95,031
Interest income	–	12	60	6	65
Fee and commission received	–	60	166	21	214
Total Cost of Operation	**101,374**	**168,061**	**203,178**	**79,231**	**93,925**
Including: Cost of operation	100,889	166,749	200,707	78,430	92,014
Interest expense	–	2	9	4	2
Fee and commission paid	–	8	35	9	119
Operation Tax and Surcharge	18	62	81	14	30
Sales expense	49	96	108	50	109
Administrative Expense	208	351	670	187	455
Financial Expense	222	795	1,477	532	1,200
Asset Impairment Loss	-11	-1	90	5	-4
Add: Changes of Fair Value of Assets	244	598	243	-95	1,014
Investment income	0	74	622	824	112
Including: Income from associated enterprise and joint venture	–1	–	-62	3	-65
Gain or loss on foreign exchange difference	–	0	1	0	0
Operation Profit	**1,529**	**4,017**	**4,277**	**2,330**	**2,510**
Add: Non-operation income	42	150	288	56	69
Including: Gains from disposal of Non-current Assets	0	–	0	0	0
Less: Non-operation Cost	11	26	46	14	34
Including: Loss from disposal of Non-current Assets	0	2	1	0	0
Total Profit	**1,560**	**4,140**	**4,519**	**2,371**	**2,545**
Less: Income Tax	367	997	1,275	580	701
Net Profit	**1,194**	**3,144**	**3,244**	**1,791**	**1,844**
Net profit of parent company	1,182	3,103	2,853	1,702	1,378
Profit or loss of minority shareholders	11	40	391	89	466

Summary Consolidated Balance Sheet of the Guarantor

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	(Audited)	(Audited)	(Audited)	(Reviewed)
		(RMB in million)		
Current Assets:				
Monetary funds	2,393	3,296	14,799	13,253
Settlement funds	–	42	45	20
Financial assets measured by fair value whose changes are recorded under current gains or loss	431	1,570	1,218	2,392
Derivative financial assets	–	–	0	–
Notes receivable	7	384	497	770
Currency deposit receivable	–	–	2,064	2,682
Margin pledge receivable	–	–	46	95
Settlement guarantee fund receivable	–	–	15	15
Risk loss receivable	–	–	35	35
Accounts receivables	13,127	23,3613	39,713	53,039
Advances to suppliers	5,224	668	3,785	6,809
Interest receivable	–	5	16	13
Other receivables	519	508	793	885
Financial assets purchased under agreements to resell	–	1,049	130	–
Inventories	591	1,503	655	1,285
Other current assets	44	561	8,291	3,153
Total of current assets	**22,335**	**32,949**	**72,103**	**84,446**
Non-current assets:				
Entrusted loans and advances granted	–	–	–	–
Financial assets available for sale	10	100	1,808	4,302
Held-to-maturity investments	–	–	52	10
Long term equity investment	215	125	1,194	2,229
Investments in futures exchange membership	–	–	1	1
Investment real estate	2,321	4,808	5,371	7,405
Fixed assets	1,193	1,502	2,687	3,015
Construction in Process	760	1,632	2,499	2,433
Construction materials	462	84	8	5
Intangible assets	263	302	509	511
Goodwill	407	1,112	2,297	2,263
Long-term expenses to be Amortized	17	26	76	73
Deferred income tax assets	10	20	22	24
Other non-current assets	–	69	391	2,150
Total of non-current assets	**5,658**	**9,781**	**16,916**	**24,422**
Total assets	**27,993**	**42,731**	**89,019**	**108,868**
Current Liability:				
Short term loans	7,687	13,944	27,345	32,190
Notes payable	2,829	2,739	7,333	9,029
Currency deposit payable	–	–	3,967	4,703
Margin pledge payable	–	–	46	95
Futures investors protection fund payable	–	–	1	1
Futures risk provision	–	–	51	54
Accounts payable	4,127	3,139	6,351	5,735
Advances from customers	438	2,175	1,843	211
Selling of repurchased financial assets	–	1,020	110	100
Accrued payroll	14	20	67	53
Taxes payable	367	925	773	575
Interest payable	9	48	89	331
Other payables	453	61	323	431
Security trading of agency	–	146	199	205
Non-current Liability due within one year	–	–	885	894
Other Current Liabilities	–	1,894	2,014	6,094
Total of current liability	**15,924**	**26,111**	**51,396.0**	**60,700**

	As at 31 December			As at 30 June
	2013	2014	2015	2016
	(Audited)	(Audited)	(Audited)	(Reviewed)
		(RMB in million)		
Non-current Liability:				
Long term loan	1,147	2,514	3,782	7,122
Bonds payable	–	–	4,966	4,970
Long term payable	207	176	499	470
Special payable	39	34	28	26
Deferred income	22	20	27	26
Deferred Tax Liability	458	580	644	910
Total of Non-current Liabilities	**1,874**	**3,324**	**9,945**	**13,524**
Total of Liabilities	**17,798**	**29.435**	**61,341**	**74,224**
Owners' Equity:				
Capital stock	7,500	7,500	10,000	10,400
Capital reserve	65	25	2,756	3,374
Other comprehensive income	54	53	76	121
Surplus reserve	49	182	254	254
Undistributed profit	1,474	4,444	7,225	8,603
Total of equity of Parent Company	**9,142**	**12,205**	**20,311**	**22,752**
Minority interests	1,053	1,090	7,367	11,892
Total of Owners' Equity	**10,195**	**13,296**	**27,677**	**34,644**
Total of Liability and Owners' Equity	**27,993**	**42,731**	**89,019**	**108,868**

Other Financial Data

The following table sets forth certain other financial data of the Group as at the dates and for the periods indicated:

	Year ended and as at 31 December			Six months ended and as at 30 June	
	2013	2014	2015	2015	2016
EBITDA[1] (RMB in millions)	1,865	4,992	5,916	2,925	3,607
EBITDA margin[2] (%)	1.8	2.9	2.9	3.6	3.8
Total debt[3] (RMB in millions)	11,663	21,092	46,325		60,298
Total capital[4] (RMB in millions)	21,858	34,388	74,002		94,942
Total debt/Total capital (%)	53.4	61.3	62.6		63.5
Net debt/Total capital (%)	42.4	51.8	42.6		49.6
Total debt/EBITDA	6.3x	4.2x	7.8x		
Net debt[5]/EBITDA	5.0x	3.6x	5.3x		
EBITDA/Interest expenses[6]	8.0x	6.4x	4.4x		

Notes:

(1) EBITDA for any year or period is calculated as total profit, interest expense included in financial expense, depreciation of fixed assets, gas and oil assets, productive biological assets, amortization of intangible assets and amortization of long-term expenses. EBITDA is a widely used financial indicator of a company's ability to service and incur debt, EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the Group's operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities. Ln evaluating EBITDA, the Guarantor believes that investors should consider, among other things, the components of EBITDA such as sales and operating expenses under the amount by which EBITDA exceeds capital expenditures and other charges. The Guarantor has included EBITDA because it believes that it is a useful supplement to the cash flow data as a measure of the Group's performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the Group's EBITDA to EBITDA presented by other companies because not all companies use the same definitions...

(2) EBITDA margin is calculated as EBITDA divided by total revenue.

(3) Total debt equals short-term loans, notes payable, non-current liabilities due within one year, other current liabilities, long-term loans and bonds payable.

(4) Total capital equals total owners' equity and total debt.

(5) Net debt equals total debt minus monetary funds.

(6) Interest expenses equals interest expense included in financial expenses and interest capitalisation during this period.

RISK FACTORS

Prospective investors should read and carefully consider the following risk factors and other information in this Offering Circular before deciding to invest in the Bonds. Additional risks not currently known to the Issuer or the Guarantor or that they now deem immaterial may also adversely affect the Issuer or the Guarantor or affect an investment in the Bonds.

RISKS RELATING TO THE GROUP

The Group has significant cash requirements and failure to obtain sufficient capital resources may adversely affect the Group's business, prospects, financial condition or results of operations.

The Group requires significant capital resources to fund the daily operation and the implementation of its business plans. The Group's growth plan for the next three years involves various strategic acquisitions and new projects implementation, accompanied with substantial capital requirements. The Group also needs sufficient cash to service its outstanding borrowings and other obligations. The Group had capital expenditures in the amount of RMB10,246.9 million for the six months ended 30 June 2016.

The Group believes that its cash balance and cash flow generated from operations, together with its funding activities, will provide sufficient financial resources to meet its projected capital and other expenditure requirements. However, if the Group underestimates its capital requirements and its future cash flows or the projects investment by the Group could not generate profit as expected, additional financing may be required. The Group's future business and financial performance depends on a number of factors, such as the Group's ability to implement its business plans, changes in the competitive landscape in which the Group operates and general market conditions. If the Group's business fails to generate sufficient and stable cash flow, the Group may be forced to seek external financing. There is no assurance that such financing will be available in sufficient amounts for the Group or will be available on terms that are acceptable to the Group or at all. The Group's ability to obtain external financing is subject to various uncertainties, including its results of operations, financial condition and cash flow, economic, political and other conditions in China, the PRC government's policies relating to foreign currency borrowings and the condition of the PRC and international capital markets. For example, China's continuing experience of a shortage of liquidity in its banking system in 2014 caused the PRC government to announce a reduction in its one year lending rate to 5.6 per cent. on 21 November 2014, to 5.35 per cent. on 1 March 2015, to 5.10 per cent. on 11 May 2015, to 4.85 per cent. on 28 June 2015, to 4.60 per cent. on 26 August 2015 and to 4.35 per cent. on 24 October 2015. In addition, on 24 October 2015, the People's Bank of China cut the reserve requirements to be held by banks in an effort to maintain adequate liquidity in the banking system and guide steady monetary and credit growth. Failure to obtain sufficient capital resources may adversely affect the Group's business, prospects and results of operations.

The Group has significant outstanding indebtedness.

The Group relies on bank loans and proceeds from bond issuances to satisfy a portion of its capital requirements and the Group has a significant amount of outstanding indebtedness. As at 30 June 2016, the Group's total indebtedness (comprising short-term and long-term borrowings, bond payables and short-term and mid-term financing paper) of RMB60,298 million, of which RMB48,207 million would become due within 12 months. In addition, 81.2 per cent. of the Group's total indebtedness would become due between 2016 and 2019, which may increase pressure on the Group of repaying a significant amount of debts. As at 30 June 2016, the total amount of the Group's outstanding guarantees was approximately RMB15,530 million. Most of the guaranteed companies are subsidiaries of the Company. Approximately RMB3,996 million of the Group's outstanding guarantees was provided to external companies, which accounted for 25.7 per cent. of the Groups total amount of outstanding guarantees as at 30 June 2016. The companies for whom the Group provides external guarantees generally are the Group's customers with good credit. If any of the guaranteed companies defaults on its borrowings, the lender may exercise its right under the guarantee to demand repayment from the Group.

As a result, the Group's business, financial condition and results of operations may be materially and adversely affected. In addition, substantial indebtedness could impact on the Group's businesses in a number of ways, including:

- requiring the Group to dedicate part of its operating cash flow to service its indebtedness;
- increasing the Group's finance costs, thus affecting the overall profits of the Group;
- limiting the Group's flexibility in planning for or responding to changes in the Group's businesses and the industries in which it operates;
- limiting, together with the financial and other restrictive covenants of the Group's indebtedness, among other things, the Group's ability to borrow additional funds; and
- increasing the Group's vulnerability to adverse general economic and industry conditions.

Certain financing contracts entered into by members of the Group contain operational and financial restrictions on the Group or, as the case may be, the relevant subsidiary's business, that prohibit the borrower from incurring additional indebtedness unless it is able to satisfy certain financial ratios, restrict the borrower from creating security or granting guarantees or prohibit the borrower from changing its business and corporate structure, without the lender's prior approval. The ability of the Group or the relevant subsidiary (as borrower) to meet such financial ratios may be affected by events beyond its control. Such restrictions may also negatively affect the Group's ability to respond to changes in market conditions, seize business opportunities the Group believes to be desirable, obtain future financing, fund capital expenditures, or withstand a continuing or future downturn in its business. Any of these factors could materially and adversely affect the Group's ability to satisfy its obligations under the Bonds and other debt.

If the Guarantor or the relevant subsidiaries are unable to comply with the restrictions (including restrictions on future investments) and covenants in its current or future debt obligations and other agreements, a default under the terms of such agreements may occur. In the event of a default under any of such agreements, a holder of debt could terminate its commitments to the Guarantor or its subsidiaries, accelerate the debt and declare all amounts borrowed due and payable or terminate the agreement, as the case may be. Some of the financing contracts entered into by the Guarantor and its subsidiaries may contain cross-acceleration or cross-default provisions. As a result, a default by the Guarantor or any of its subsidiaries under any of such agreements may cause the acceleration of repayment of not only such debt but also other debts, or result in a default under other debts, including the Bonds. If any of these events occur, there can be no assurance that the Guarantor or its subsidiaries will be able to obtain the lenders' waivers in a timely manner or that the assets and cash flow of the Guarantor or its subsidiaries would be sufficient to repay in full all of their respective debts as they become due, or that the Guarantor or its subsidiaries would be able to find alternative financing. Even if the Guarantor and its subsidiaries could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Guarantor or, as the case may be, its subsidiaries.

As at 30 June 2016, assets of the Group with a total book value of RMB46,438.0 million and the shares of certain subsidiaries of the Group (for example, 35.33 per cent. of shares of CEFC Anhui International Holding Co., Ltd. (安徽華信國際控股股份有限公司), a listed subsidiary of the Guarantor) were provided as security to secure the bank loans of the Group. Third-party security rights may limit the Group's use of the underlying collateral assets and adversely affect its operation efficiency. If the Guarantor and its subsidiaries are unable to service and repay their debts under such bank loans on a timely basis, the assets provided as security for such bank loans may be subject to foreclosure, which may adversely affect the Group's business, prospects and financial condition.

Significant account receivables with high concentration risk may affect the Group's liquidity and restrict the Group's business activities.

As at 31 December 2013, 2014 and 2015 and 30 June 2016, the Group's account receivables were RMB13,127.0 million, RMB23,362.6 million, RMB39,713.1 million and RMB53,038.8 million, respectively, representing 46.9 per cent., 54.7 per cent., 44.6 per cent. and 48.7 per cent. of the Group's total assets as at the corresponding dates. The Group's account receivables are mainly trade receivables. A significant portion of the trade receivables are from the top five trade debtors which accounted for RMB33,629.7 million as at 30 June 2016, representing 63.4 per cent. of the total trade receivables as at 30 June 2016. Although the Group make provisions for overdue receivables as a reserve against the future recognition of certain accounts receivable or as bad debt, there is no guarantee that the Group's customers will or are able to make payment in a timely manner, if at all, or that the provisions made by the Group is sufficient to reflect the loss suffered by the Group if customers fail to make due payment according to the contracts. If any of these cases happen, the Group's liquidity, business, financial condition or results of operations may be materially and adversely affected.

The Group has historically experienced volatile net operating cash flows.

For the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016, the Group had a net operating cash inflow of RMB1,040.0 million, RMB2,635.0 million, RMB289.6 million, RMB1,122.8 million and RMB712.5 million, respectively. The Group's operating cash inflows are mainly the cash received from the sales of commodities and provision of services and operating cash outflows are mainly cash paid for the procurement of goods and services. The Group's volatile net operating cash flow was largely attributable to the rapid expansion of the Group's business. The significant decrease in the Group's net operating cash flow in 2015 is largely due to the extension of the payment term of the downstream high quality customers and the delayed reflux of cash from the sales. A significant decrease in the Group's net operating cash flow will have a material adverse impact to the Group's liquidity and business.

Liquidity risk and a failure to obtain funds could limit the Group's ability to engage in desired activities and grow its business.

Liquidity, or ready access to funds, is essential to the Group's business. A lack of liquidity may mean that the Group will not have funds available to maintain or increase its business activities, both of which employ substantial amounts of capital. The Group needs to dedicate part of its operating cash flow to fund purchases of commodities when there is delay of payment by the end customers. The Group's business activities are capital intensive and the continued funding of such activities is critical to maintain a sustainable capital chain to expand its business coverage in the future in accordance with its business plans and to grow its business activities through the acquisition of new assets. While the Group adjusts its minimum internal liquidity targets in response to changes in market conditions, these minimum internal liquidity targets may be breached due to circumstances the Group is unable to control, such as general market disruptions, sharp increases or decreases in the prices of commodities or an operational problem that affects its suppliers or customers or the Group, which may require the Group to take remedial action that may have an adverse effect on business, results of operations or earnings.

The Group's risk management policies and procedures may leave it exposed to unidentified or unanticipated risks.

The Group's trading business are exposed to commodity price, foreign exchange, interest rate, counterparty (including credit), operational, regulatory and other risks. The Group has devoted significant resources to developing and implementing policies and procedures to manage these risks and expects to continue to do so in the future. Nonetheless, the Group's policies and procedures to identify, monitor and manage risks have not been fully effective in the past and may not be fully effective in the future. Some of the Group's methods of monitoring and managing risk are based on historical market behaviour that may not be an accurate predictor of future market behaviour. Other risk management methods depend on evaluation of information relating to markets, suppliers, customers and other matters that are publicly available or otherwise accessible by the Group. This information may not in all cases be accurate, complete, up to date or properly evaluated. Management of operational, legal and regulatory risk requires, among other things, policies and procedures to properly record and verify a large number of transactions and events, and these policies and procedures may not be fully effective in doing so. Failure to mitigate all risks associated with the Group's business could have a material adverse effect on the Group's business, results of operations and financial condition.

The Group holds some of its assets through non-controlling stakes or joint ventures and strategic partnership arrangements.

The Group does not control a number of its significant investments. Although the Group has various structures in place which seek to protect its position where it does not exercise control, the boards of these companies may:

- have economic or business interests or goals that are inconsistent with or are opposed to those of the Group;
- exercise veto rights or take shareholders' decisions so as to block actions that the Group believes to be in its best interests and/or in the best interests of all shareholders;
- take action contrary to the Group's policies or objectives with respect to its investments or commercial arrangements; or
- as a result of financial or other difficulties, be unable or unwilling to fulfil their obligations under any joint venture or other agreement, such as contributing capital to expansion or maintenance projects.

Where projects and operations are controlled and managed by the Group's co-investors or where control is shared on an equal basis, the Group may provide expertise and advice, but has limited or restricted ability to mandate compliance with its policies and/or objectives. Improper management or ineffective policies, procedures or controls of a non-controlled entity could adversely affect the business, results of operations and financial condition of the relevant investment and, therefore, of the Group.

The Group is exposed to the risk of delays in, or failure to, develop planned expansions or new projects.

The Group has a number of significant expansions planned for its existing operations and plans for certain new projects, the development of which is exposed to a number of risks beyond its control, such as technical uncertainties, availability of suitable financing, infrastructure constraints, construction delays, cost overruns, insufficient labour skills or resources, delays in permitting or other regulatory matters.

Any future upward revisions in estimated project costs, delays in completing planned expansions, cost overruns, suspension of current projects or other operational difficulties after commissioning may have a material adverse effect on the business, results of operations, financial condition or prospects of the Group, in turn requiring it to consider delaying discretionary expenditures, including capital expenditures, or suspending or altering the scope of one or more of its development projects.

In addition, there can be no assurance that the Group will be able to effectively manage the risks arising from expansion of its operations. The Group's current systems, procedures and controls may need to be expanded and strengthened to support future operations. Any failure of the Group to effectively manage its expansion plans or expanded operations could have a material adverse effect on the Group's business, results of operations, financial condition or prospects.

Upon completion, the results of these projects could differ materially from those anticipated by the Group and the significant capital expenditures related to these projects may not be offset by cash flows or other benefits from these projects in the timeframe anticipated or at all.

The Group operates in multiple businesses through a number of subsidiaries and associated companies, and this business structure exposes the Group to challenges not faced by companies with a single or small number of businesses.

The Guarantor has a number of subsidiaries and associated companies operating in multiple industries. The Group is also exploring in other industries and markets, such as oil and gas reserves. As such, the Group is exposed to risks associated with multiple business industries and markets. The Group is exposed to business, market and regulatory risks relating to different industries, markets and geographic areas, and may from time to time expand its businesses to new industries, markets and geographic areas in which it has limited operating experience. It needs to devote substantial resources to become familiar with, and monitor changes in, different operating environments so that it can succeed in its businesses. In addition, successful operation of the Group's subsidiaries and associated companies requires an effective management system. As the Group continues to grow its businesses, and expand into various industries, the Group's operations may become more complex, which would increase the difficulty of implementing its management system and would require higher management quality, standard and efficiency.

The Guarantor provides direct funding, guarantees and other support to certain of its subsidiaries and associated companies. For instance, the Guarantor provides shareholder loans to, or acts as a guarantor for the borrowings of, certain subsidiaries and associated companies. If a subsidiary or an associated company defaults on any borrowings lent or guaranteed by the Guarantor, the Guarantor will not receive the repayment as planned or the relevant lender may exercise its right under the guarantee to demand repayment from the Guarantor. The occurrence of either of these types of events may result in a funding shortage at the Guarantor level and may materially and adversely affect the Guarantor's ability to provide financial support to its other portfolio companies. If the Guarantor's financial or non-financial support ceases or diminishes for any reason, the operations of the relevant portfolio companies may be materially and adversely affected, which in turn may have a material and adverse impact on the Group's business, financial condition and results of operations.

The Group relies on certain agreements for the sourcing of commodities and these agreements may be terminated or fail to be renewed.

The Group is a party to various agreements with various independent third-party companies for the supply of commodities to its trading business. These agreements are an important source of commodities for the Group's trading activities and provide certainty of regular supply for the Group. These supply agreements range from short-term spot contracts to multiple years in duration. In general, these companies have no obligation to renew their supply agreements. The Group may not be able to compel the relevant company to enter into or renew a supply agreement with the Group. The Group relies on these agreements to source some of its key commodities and any termination or failure to renew such agreements at the end of their terms could have an adverse effect on the Group's business, results of operations and financial condition.

The commodities trading industry is very competitive and the Group may have difficulty in effectively competing with other trading companies.

The commodities trading industry is characterised by strong competition. The Group faces intense competition with energy groups with greater diversification across different commodity groups and global geographical presence and scale. These competitors are generally in a better position in regards of operating scale, profitability, resources, distribution networks, crude oil import and export permit and completeness of the industrial chain, while the Group mainly focuses on a narrower commodity group and geographic area. Furthermore, these competitors may, in the future, use their resources to broaden into all of the markets in which the Group operates and therefore compete further against the Group. These competitors may also expand and diversify their commodity sourcing, processing or marketing operations, or engage in pricing or other financial or operational practices that could increase competitive pressure on the Group across each of its business segments. In addition, since the issue of Administrative Measures on the Crude Oil Products Market（原油市場管理辦法）and Administrative Measures on the Petroleum Products Market（成品油市場管理辦法）in December 2006, the petroleum products market in China were further opened to international participants. The Group faces increasing competition from domestic and international competitors. Increased competition may result in losses of market share for the Group and could materially adversely affect its business, results of operations and financial condition.

A reduction in its credit ratings could adversely affect the Group.

The Group's borrowing costs and access to the debt capital markets, and thus its liquidity, depend significantly on its public credit ratings. These ratings are assigned by rating agencies, which may reduce or withdraw their ratings or place the Group on "credit watch", which could have negative implications. A deterioration of the Group's credit ratings could increase its borrowing costs and limit its access to the capital markets, which, in turn, could reduce its earnings.

The Group's counterparties, including customers, suppliers and financial institutions, are also sensitive to the risk of a rating downgrade or withdrawal and may be less likely to engage in transactions with the Group, or may only engage at a substantially higher cost or on increased credit enhancement terms (for example, letters of credit, additional guarantees or other credit support) which carry increased costs, if the Group's ratings were downgraded to below investment grade or withdrawn. While the Group does not anticipate its ratings to be downgraded below investment grade or withdrawn, if such an event were to occur, it could have a material adverse effect on its business, results of operations, financial condition or prospects.

There are risks associated with any material acquisitions by the Group in the future.

The Group has historically diversified its business portfolio by acquisition of other companies and may continue to do so in the future. Although the Group conducts due diligence investigations on the target companies, the due diligence may not reveal all facts that are necessary or material in evaluating a target company and an acquisition. Any failure to discover material risks and liabilities relating to the target company before the acquisition could increase the Group's exposure to financial and legal risks and liabilities. When determining the price for any acquisition, the Group needs to consider various factors, including the quality of the target business, estimated costs associated with the acquisition and the management of the target business, prevailing market conditions and intensity of competition. The Group needs to address different issues arising from the acquisition after the relevant transaction is completed, such as business, operation and management integration. There is no assurance that the Group is able to address these issues effectively at all times. In addition, any major acquisition or transaction of similar nature may consume substantial management attention and financial resources of the Group or even cause the Group to incur significant indebtedness. Any material decrease in its financial resources may limit the Group's ordinary operating activities and increase pressure on its liquidity, and in turn could adversely affect its business, financial condition and results of operations.

Due to the nature of its business and operations, the Group is exposed to the risks of fraud and corruption.

The Group is exposed to the risks of fraud and corruption both internally and externally. The Group's trading business is large in scale, which may make fraudulent or accidental transactions difficult to detect. The Group seeks to comply with applicable legislation such as the U.S. Foreign Corrupt Practices Act and the UK Bribery Act and has put in place internal policies, procedures and controls.

However, there can be no assurance that such policies, procedures and controls will adequately protect the Group against fraudulent and/or corrupt activity and such activity could have an adverse effect on the Group's business, reputation, results of operations, financial condition and/or prospects.

The Group is dependent on its IT, financial, accounting, marketing and other data processing information systems to conduct its business.

The Group's software applications for areas such as traffic, accounting and finance are primarily based on integrated standard components. The Group's key business processes rely on in-house developed modules and are regularly adapted to suit its business needs. All of these applications are primarily managed from its headquarters and are available to all the major business locations. If any of these systems does not operate properly or is disabled, due to cybercrime or otherwise, the Group could suffer, among other things, financial loss, a disruption of its business, liability to its counterparties, regulatory intervention or reputational damage.

Social, economic and other risks in the markets where the Group operates may cause serious disruptions to its business.

Through the geographic diversity of its operations, the Group is exposed to risks of political unrest, strikes, war and economic and other forms of instability, such as natural disasters, epidemics, widespread transmission of diseases, acts of God, terrorist attacks and other events beyond its control that may adversely affect local economies, infrastructure and livelihoods.

These events could result in disruption to the Group's and its customers' or suppliers' businesses and seizure of, or damage to, any of their cargoes or assets. Such events could also cause the destruction of key equipment and infrastructure. These events could also result in the partial or complete closure of particular ports or significant sea passages, such as the Suez or Panama canals or the Strait of Hormuz, potentially resulting in higher costs, congestion of ports or sea passages, vessel delays or cancellations on some trade routes. Any of these events could adversely impact the business and results of operations of the Group.

The industries in which the Group operates are subject to a wide range of risks as described elsewhere in this section, not all of which can be covered, adequately or at all, by its insurance programmes.

The Group has broad insurance programmes in place which provide coverage for operations. Although the Group's insurance is intended to cover the majority of the risks to which it is exposed, it cannot account for every potential risk associated with its operations. Adequate coverage at reasonable rates is not always commercially available to cover all potential risks and no assurance can be given that, where available, such coverage would be sufficient to cover all loss and liability to which the Group may be exposed. The occurrence of a significant adverse event not fully or partially covered by insurance could have a material adverse effect on the business, results of operations and financial condition of the Group.

The Group is exposed to fluctuations in currency exchange and interest rates.

The volatility of exchange rates would affect the value of the Group's overseas assets, liabilities and foreign investment which are calculated in foreign currencies. The Group's exposure to changes in exchange rates also results from the Group's overseas procurement activities. The volatility of exchange rates could affect the cost of the Group's procurement, along with the volume, price of the procurement, which indirectly affect the Group's profit and cash flow in a certain period. An increase in exchange rates would therefore result in a higher procurement cost. There can be no assurance that the Group will not be materially adversely affected by exchange rate changes in the future.

A material fluctuation in the benchmark lending rates may have a material impact on the Group's interest expenses and payables under its bank loans and in turn negatively affect its financing costs and results of operations. The PBOC from time to time adjusts interest rates as implementation of its economic and monetary policies. Since the outbreak of the global financial crisis in 2008, the PBOC started to lower the benchmark lending rates with an aim to encourage lending, increase liquidity in the market and promote the recovery of China's economy. Since 2008, the PBOC decreased the benchmark one-year lending rate five times, from 7.47 per cent. to 5.31 per cent. in December 2008, which remained unchanged until September 2010. Since then, the one-year lending rate was gradually increased to 6.56 per cent. on 7 July 2011 and onwards. In recent years, a perceivable slowdown in the growth of the economy of the PRC again caused the PRC Government to adopt more liberal monetary policies with the aim to stimulate the PRC's economic development. Since 2012, the PBOC for a number of times reduced the benchmark one-year lending rate to 4.35 per cent. as at 24 October 2015 and onwards. Although the Group's financial condition and results of operations may benefit from a low-interest environment, there is no assurance that this environment will continue. Any increase in the benchmark lending rate by the PBOC in the future will increase the Group's financing costs and adversely affect its profitability, financial condition and results of operations.

The Group's business depends on its ability to retain and attract key employees.

The Group's success depends on the continued service and performance of its key employees. The loss of services of certain key employees, whether to go to a competitor, to start their own business, to retire or for other reasons, could have a material adverse effect on the Group's operations or financial condition. If the Group fails to retain or attract the necessary calibre of employees or if it fails to maintain compensation awards at an appropriate level for such employees, the Group's business, results of operations or financial condition could be materially adversely affected.

The Group is exposed to fluctuations in commodity prices and to deterioration in economic and financial conditions.

The revenue of the Group's trading business is influenced by prevailing commodity prices. Commodity prices are influenced by a number of external factors, including the supply and demand for commodities, speculative activities by market participants, global political and economic conditions and related industry cycles and production costs in major producing countries. Fluctuations in the price of commodities traded by the Group could materially impact the Group's business, results of operations and earnings.

If the prices for a particular commodity are higher on average, the premiums/margins that the Group generates in its trading operations relating to such commodity tend to be higher. The Group's trading business also generally benefits from fluctuating market prices, rather than long periods of stable prices, as it seeks to physically arbitrage such resulting price differentials. When prices of commodities rise, the Group generally has higher working capital financing requirements over the same quantity of such commodities. During periods of falling commodity prices, the Group requires less working capital financing for its trading business.

A significant downturn in the price of commodities generally results in a decline in the Group's profitability during such a period and could potentially result in a devaluation of inventories and impairments. Although the impact of a downturn in commodity prices has limited influence on the Group's trading business, as the Group principally operates in a "sales-oriented procurement" business model, it could have greater influence on the Group's future business. The Group has not historically engaged in hedging against declines in commodity prices related to industrial production and, as a result, volatility in commodity prices has directly impacted its results of operations. If the Group does not engage in meaningful hedging against declines in commodity prices, its business and results of operations could also be impacted by volatility in commodity prices. The significant falls in commodity prices in 2015 and the pessimistic short- and medium- term outlook of many commodity market commentators make this a particularly material risk for the Group. While the Group has taken steps to deleverage and continues to do so, the continued decline in prices for its commodities generally have had a substantial negative impact on its financial performance.

In addition, an actual or perceived decline in the chemical or oil industries, economic and financial conditions globally or in a specific country, region or sector may have a material adverse effect on the business, results of operations or earnings of the Group. For example, although fixed pricing periods of most commodities are relatively short, a significant reduction or increase in commodity prices could result in customers or suppliers unwilling or unable to honour their contractual commitments to purchase or sell commodities on pre-agreed pricing terms. In addition, a tightening of available credit may make it more difficult to obtain, or may increase the cost of obtaining, financing for the Group's marketing activities and capital expenditures at the Group's industrial assets. Changing production levels in response to current price levels or estimates of future price levels imposes costs, and, if mistimed, could adversely affect the results of the Group's operations or financial condition. In addition, a default, or a significant decline in the credit rating, of one or more sovereigns or financial institutions could cause severe stress in the financial system generally and could adversely affect the markets in which the Group operates and the businesses and economic condition and prospects of its counterparties, customers, suppliers or creditors, directly or indirectly, in ways which it is difficult to predict. The impact of this could be detrimental to the Group and could have a material adverse effect on the business, results of operations or earnings of the Group.

The Group is exposed to fluctuations in the expected volumes of supply and demand for commodities.

The expected volumes of supply and demand for the commodities in which the Group is active vary over time, based on competitor supply policies, changes in resource availability, government policies and regulation, costs of production, global and regional economic conditions, demand in end markets for products in which the commodities are used, technological developments, including commodity substitutions, fluctuations in global production capacity, global and regional weather conditions, natural disasters and diseases, all of which impact global markets and demand for commodities. Furthermore, changes in expected supply and demand conditions impact the expected future prices (and thus the price curve) of each commodity.

Fluctuations in the volume of each commodity traded by the Group could materially impact the business, results of operations and earnings of the Group. These fluctuations could result in a reduction or increase in the income generated in respect of the volumes handled by the Group's trading activities.

The Group is exposed to the risks relating to low profit margins of its trading activities.

The Group has experienced low profit margin in conducting its trading business. For the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016, the gross profit margins of the Group's oil products trading segment were approximately 2.1 per cent., 2.2 per cent., 2.7 per cent., 2.9 per cent. and 3.1 per cent., respectively, and the Group's chemical raw materials trading segment were approximately 1.4 per cent., 2.9 per cent., 2.1 per cent., 2.3 per cent. and 2.5 per cent., respectively. The sustainability of the Group's profit margin depends on a number of factors, including the types of products traded, selling prices and purchase costs. The selling price and purchase cost for each transaction vary according to a combination of factors including, but not limited to, the Group's bargaining power relative to the supplier and buyer, the pricing basis, the reference energy products under floating price basis, demand and supply in the market and the market price trend. Some of these factors are beyond control of the buyer, the supplier and the Group. Therefore, the selling price and purchase cost may differ for the same product traded within the same time period. There is no assurance that the profit margin will not fluctuate from period to period. If the Group continues to have low profit margins in the future, there is no assurance that the Group will achieve or maintain profitability in the future.

The Group is exposed to significant geopolitical risk.

The Group operates and owns assets in a number of geographic regions and countries, some of which are categorised as developing, complex or have unstable political or social climates and, as a result, is exposed to a wide range of political, economic, regulatory and tax environments. These environments are subject to change in a manner that may be materially adverse to the Group, including changes to government policies and regulations governing industrial production, foreign investment, price controls, import and export controls, tariffs, subsidies, income and other forms of taxation (including policies relating to the granting of advance rulings on taxation matters), nationalisation or expropriation of property, repatriation of income, royalties, the environment and health and safety. Volatile commodity prices and other factors in recent years have resulted in increased resource nationalism in some countries, with governments repudiating or renegotiating contracts with, and expropriating assets from, companies that are producing in such countries. Many of the commodities that the Group trades are considered strategic resources for particular countries. Governments in these countries may decide not to recognise previous arrangements if they regard them as no longer being in the national interest. Governments may also implement export controls on commodities regarded by them as strategic (such as oil or wheat) or place restrictions on foreign ownership of industrial assets. Renegotiation or nullification of existing agreements, leases, permits or tax rulings, changes in fiscal policies (including new or increased taxes or royalty rates or the implementation of windfall taxes which have in the past been seen in several jurisdictions in which the Group has industrial assets) and currency restrictions imposed by the governments of countries in which the Group trades could all have a material adverse effect on the Group.

The Group transacts business in locations where it is exposed to a greater-than-average risk of overt or effective expropriation or nationalisation, including in countries where the government has previously expropriated assets held within the jurisdiction of other companies or where members of the government have publicly proposed that such action be taken. In addition, the Group's exploration, mining and transportation rights may be challenged or impugned, and title insurance may not generally be available. In many cases, the government of the country in which a particular asset is located is the sole authority able to grant such rights and, in some cases, may have limited infrastructure and limited resources which may severely constrain the Group's ability to ensure that it has obtained secure title to individual exploration licences or extraction rights. A successful challenge to the Group's exploration, mining and transportation rights may result in the Group being unable to proceed with the development or continued operation of a mine or project.

The Group's operations may also be affected by political and economic instability in the countries in which it operates. Such instability could be caused by, among other things, terrorism, civil war, guerrilla activities, military repression, civil disorder, crime, workforce instability, change in government policy or the ruling party, economic or other sanctions imposed by other countries, extreme fluctuations in currency exchange rates or high inflation.

The geopolitical risks associated with operating in a large number of regions and countries, if realised, could affect the Group's ability to manage or retain interests in its business activities and could have a material adverse effect on the profitability, ability to finance or, in extreme cases, viability of one or more of its industrial assets. Although the Group's industrial assets are geographically diversified across various countries, disruptions in certain of its industrial operations at any given time could have a material adverse effect on the business and results of operations and financial condition of the Group.

The Group relies on certain major suppliers and any failure by the major suppliers to perform their obligations under the supply contracts or deterioration of the Group's relationship with them may adversely affect the Group's business and prospects.

The Group procures its trading commodities from a limited group of suppliers located in different countries and areas in the world. For the years ended 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016, approximately 53.8 per cent., 47.0 per cent., 45.3 per cent., 57.0 per cent. and 42.8 per cent. of the P-Xylene ("**PX**"), aromatic hydrocarbon and oil products traded by the Group was sourced from the top five suppliers of the Group, respectively. The Group normally enters into strategic cooperation agreements with its suppliers and places its orders by signing individual contracts, which provide for, among others, the unit price and the quantity procured under the contracts. The Group generally does not enter into long-term supply agreements with the suppliers. The suppliers may from time to time extend lead times, limit supplies or increase prices due to capacity constraints or other factors, which would be detriment to the Group's business. In addition, the Group's development requires the Group to source an increasing amount of crude oil and other commodities from overseas suppliers. The Group is subject to the political, geographical, economic, regulatory and legal risks associated with certain of these countries and areas, including the following:

- changes in international political and economic conditions, as well as social conditions;
- military hostilities, war, political unrest or acts of terrorism;
- challenges caused by distance, language, local business customs and cultural differences;
- difficulty in obtaining licenses, permits or other regulatory approvals from local authorities
- and in enforcing the oil and gas segment's rights under contracts;

The Group relies on a few major customers.

The Group sells its trading commodities to a limited group of customers. For the years ended 31 December 2013, 2014 and 2015 and six months ended 30 June 2015 and 2016, approximately 58.9 per cent., 44.8 per cent., 46.7 per cent., 84.7 per cent. and 46.6 per cent. of the PX, aromatic hydrocarbon and oil products traded by the Group was sold to the top five customers of the Group, respectively. The Group has been endeavouring to diversify and expand its customer base. However, the Group expects that purchases by the major customers will continue to account for a relatively large percentage of the Group's sales in the coming years due to their domination of in the PRC market and their long-established business relationships with the Group. There can be no assurance that any of the major customers will continue to place orders with the Group in the future nor that the income generated from them be maintained or increased in the future. Any unexpected cessation of, or substantial reduction in, the volume of business from any of the major could adversely affect the Group's business and financial performance.

The Group is subject to counterparty credit and performance risk.

Non-performance by the Group's suppliers and customers may occur in a range of situations, such as:

- a significant increase in commodity prices could result in suppliers being unwilling to honour their contractual commitments to sell commodities to the Group at pre-agreed prices;
- a significant reduction in commodity prices could result in customers being unwilling or unable to honour their contractual commitments to purchase commodities from the Group at pre-agreed prices;

- suppliers may take payment in advance from the Group and then find themselves unable to honour their delivery obligations due to financial distress or other reasons.

In addition, financial assets consisting principally of cash and cash equivalents, marketable securities, receivables and advances, derivative instruments and long-term advances and loans could potentially expose the Group to concentrations of credit risk.

The Group is reliant on third parties to source the majority of the commodities. Any disruption in the supply of products, which may be caused by factors outside the Group's control, could adversely affect the Group's margins. The Group's business, results of operations, financial condition and prospects could be materially adversely impacted if it is unable to continue to source required volumes of commodities from its suppliers on reasonable terms or at all.

The Group seeks to reduce the risk of customer non-performance by requiring credit support from creditworthy financial institutions, such as letters of credit, bank guarantees or insurance policies, where appropriate, and by imposing limits on open accounts extended. Whilst these limits are believed appropriate based on current levels of perceived risk, there is a possibility that a protracted difficult economic environment could negatively impact the quality of these exposures. In addition, mark-to-market exposures in relation to hedging contracts are regularly and substantially collateralised (primarily with cash) pursuant to margining arrangements in place with such hedge counterparties. However, no assurance can be given that the Group's attempts to reduce the risk of customer non-performance will be successful in every instance or that its financial results will not be adversely affected by the failure of a counterparty or counterparties to fulfil their contractual obligations in the future. Such failure could have an adverse impact on the Group's business, results of operations and financial condition, including by creating an unintended, unmatched commodity price exposure.

The Group is subject to risks relating to product safety and dangerous goods regulations.

Products sold by the Group are in many cases covered by national and international product safety and dangerous goods regulations. In some instances, product safety regulations (for example, the EU's Chemical Control Act) oblige manufacturers and importers to register their products and to regularly monitor and evaluate the risks and hazards of substances (chemicals, metals and illnesses, etc.) to protect humans and the environment from harm during handling, storage and use. Any failure in complying with these obligations could result in a delay of the Group's product delivery, a loss of insurance coverage, business interruption on the customer side, administrative or criminal sanctions and, in the extreme, being banned (temporarily) from a marketplace. Such events could have a material impact on the local or global demand, reducing the Group's opportunities for such a product, or at least increase the handling costs while shipping and placing the product in the market, all of which could have a material adverse effect on the business, results of operations and financial condition of the Group.

Failure to comply with the environmental responsibilities may adversely affect the Group's operations and profitability.

Other than trading business, the Group has been conducting pesticides production and sales business, which generating chemical waste during the production process. The Group is subject to extensive and increasingly stringent environmental protection laws, regulations and decrees that impose fines for violation of such laws, regulations or decrees and provide for the shutdown by governmental authorities of any construction sites not in compliance with governmental orders requiring the cessation or cure of certain activities causing environmental damage. In addition, there is a growing awareness of environmental issues and the Group may sometimes be expected to meet a standard which is higher than the requirement under the prevailing environmental laws and regulations. The Group has adopted environmental protection measures, including conducting environmental assessments on production and other operation activities, hiring employees who have good environmental protection and safety track records and requiring them to comply with the relevant laws and regulations on environmental protection and safety. In addition, there is no assurance that more stringent environmental protection requirements will not be imposed by relevant governmental authorities in the future. If the Group fails to comply with existing or future environmental laws and regulations or fails to meet public expectations in relation to environmental matters, its reputation may be damaged or it may be required to pay penalties or fines or take remedial actions or cease operations, any of which could have a material adverse effect on the Group's business, results of operations and financial position.

The Group is exposed to and subject to a significant number of laws and regulations.

The activities of the Group are exposed to and subject to extensive laws and regulations governing various matters. These include laws and regulations relating to bribery and corruption, taxation, antitrust, financial markets regulation, environmental protection, management and use of hazardous substances and explosives, management of natural resources, licences over resources owned by various governments, exploration, development of projects, production and post-closure reclamation, the employment of expatriates, labour and occupational health and safety standards, and historical and cultural preservation. The terms attaching to any permit or licence to operate may be onerous. Additionally, in certain developing countries where the Group operates, the legal systems may not be mature and legal practice may not be developed, such that, in certain cases, there may be significant uncertainty as to the correct legal position, as well as the possibility of laws changing or new laws and regulations being enacted, which has the potential to render the Group unable to enforce its understanding of title, permits or other rights, as well as to increase compliance costs.

These laws and regulations may allow governmental authorities and private parties to bring lawsuits based upon damages to property and injury to persons resulting from the environmental, health and safety and other impacts of the Group's past and current operations, and could lead to the imposition of substantial fines, penalties, other civil or criminal sanctions, the curtailment or cessation of operations, orders to pay compensation, orders to remedy the effects of violations and/or orders to take preventative steps against possible future violations. Moreover, the costs associated with compliance with these laws and regulations are substantial. Any changes to these laws or regulations or more stringent enforcement or restrictive interpretation of current laws and regulations by governmental authorities or rulings or clearances obtained from such governmental authorities could cause additional expenditure to be incurred or impose restrictions on or suspensions of the Group's operations and delays in the development of its properties. Failure to obtain or renew a necessary permit could mean that the Group would be unable to proceed with the development or continued operation of an asset.

The Group's subsidiaries and the companies in which it holds investments are generally required, under applicable laws and regulations, to seek governmental licences, permits, authorisations, concessions and other approvals in connection with their activities. Obtaining the necessary governmental permits can be a particularly complex and time-consuming process and may involve costly undertakings. The duration and success of permit applications are contingent on many factors, including those outside the Group's control.

In addition, the enactment of new laws and regulations and changes to existing laws and regulations (including, but not restricted to, environmental laws, the imposition of higher licence fees, mining and hydrocarbon royalties or taxes), compliance with which could be expensive or onerous, could also have a material adverse impact on the ability of the Group to operate its businesses and/or the profitability of its investments.

RISKS RELATING TO THE PRC

Substantially all of the Group's assets are located in the PRC and substantially all of the Group's revenue is sourced from the PRC. Accordingly, the Group's results of operations, financial position and prospects are subject, to a significant degree, to economic, political and legal developments in the PRC.

PRC economic, political and social conditions, as well as government policies, could affect the Group's business.

The economy of the PRC differs from the economies of most developed countries in many respects, including, but not limited to:

- political structure;
- level of government involvement;
- level of development;
- growth rate;
- foreign exchange;
- control of foreign exchange; and
- allocation of resources.

While the PRC economy has grown significantly in the past 30 years, growth has been uneven, both geographically and among the various sectors of the economy. The PRC Government has implemented various measures to encourage economic growth and guide the allocation of resources. Some of these measures benefit the overall PRC economy, but may also negatively affect the Group's operations. For example, the Group's financial condition and results of operations may be adversely affected by the PRC Government's control over capital investments or any changes in tax regulations that are applicable to the Group. The PRC economy has been transitioning from a planned economy to a market-oriented economy. For the past three decades, the PRC Government has implemented economic reform measures emphasising utilisation of market forces in the development of the PRC economy. Although the Guarantor believes these reforms will have a positive effect on the Group's overall and long-term development, it cannot predict whether changes in the PRC's political, economic and social conditions, laws, regulations and policies could have any adverse effect on the Group's current or future business, results of operations or financial condition.

Uncertainty with respect to the PRC legal system could affect the Group.

As substantially all of the Group's businesses are conducted, and substantially all of the Group's assets are located, in the PRC, the Group's operations are governed principally by PRC laws and regulations. The PRC legal system is based on written statutes while prior court decisions can only be cited as reference. Since 1979, the PRC Government has promulgated laws and regulations in relation to economic matters such as foreign investment, corporate organisation and governance, commerce, taxation, foreign exchange and trade, with a view to developing a comprehensive system of commercial law. However, China has not developed a fully integrated legal system and recently enacted laws and regulations that may not sufficiently cover all aspects of economic activities in China. In particular, because these laws and regulations are relatively new, and because of the limited volume of published decisions and their non-binding nature, the interpretation and enforcement of these laws and regulations involve uncertainties. In addition, the PRC legal system is based, in part, on government policies and internal rules (some of which are not published on a timely basis or at all) that may have a retroactive effect. As a result, the Group may not be aware of the Group's violation of these policies and rules until some time after the violation. In addition, any litigation in China may be protracted and result in substantial costs and diversion of resources and management's attention.

It may be difficult to enforce any judgments obtained from non-PRC courts against the Group or its directors and senior management who reside in the PRC.

Substantially all of the Group's assets are located within the PRC. In addition, most of the Group's directors and senior management reside within China, and assets of the directors and senior management may also be located within China. As a result, it may not be possible to effect service of process outside China upon most of the Group's directors and senior management, including for matters arising under applicable securities law. A judgment of a court of another jurisdiction may be reciprocally recognised or enforced if the jurisdiction has a treaty with China or if judgments of the PRC courts have been recognised before in that jurisdiction, subject to the satisfaction of other requirements. However, China does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries, including Japan, the United States and the United Kingdom. Therefore, it may be difficult for investors to enforce any judgments obtained from non-PRC courts against the Group, the Guarantor, any of their respective directors or senior management in the PRC.

The PRC Government's control over foreign currency conversion may limit the Group's foreign exchange transactions.

Currently, RMB still cannot be freely converted into any foreign currency, and conversion and remittance of foreign currencies are subject to PRC foreign exchange regulations. It cannot be guaranteed that under a certain exchange rate, the Group will have sufficient foreign exchange to meet its foreign exchange requirements. Under the current PRC foreign exchange control system, foreign exchange transactions under the current account conducted by the Group do not require advance approval from SAFE, but the Group is required to present documentary evidence of such transactions and conduct such transactions at designated foreign exchange banks within the PRC that have the requisite licences to carry out foreign exchange business. Foreign exchange transactions under the capital account conducted by the Group, however, must be approved in advance by SAFE or registered with SAFE upon approval of other competent authorities including NDRC and MOFCOM.

In addition, any insufficiency of foreign exchange may restrict the Group's ability to obtain sufficient foreign exchange to satisfy any other foreign exchange requirements. If the Group fails to obtain approval from SAFE to convert RMB into any foreign exchange for any of the above purposes, its capital expenditure plans, and even the business, operating results and financial condition of the Group, may be materially adversely affected.

The Group's labour costs may increase for reasons such as the implementation of the PRC Labour Contract Law or inflation in the PRC.

The PRC Labour Contract Law (中華人民共和國勞動合同法) became effective on 1 January 2008 in the PRC and was amended on 28 December 2012. It imposes more stringent requirements on employers in relation to entry into fixed-term employment contracts and dismissal of employees. Pursuant to the PRC Labour Contract Law, the employer is required to make compensation payment to a fixed-term contract employee when the term of their employment contract expires, unless the employee does not agree to renew the contract even though the conditions offered by the employer for renewal are the same as or better than those stipulated in the current employment contract. In general, the amount of compensation payment is equal to the monthly wage of the employee multiplied by the number of full years that the employee has worked for the employer. A minimum wage requirement has also been incorporated into the PRC Labour Contract Law. In addition, unless otherwise prohibited by the PRC Labour Contract Law or objected to by the employees themselves, the employer is also required to enter into non-fixed-term employment contracts with employees who have previously entered into fixed-term employment contracts for two consecutive terms.

In addition, under the Regulations on Paid Annual Leave for Employee (職工帶薪年休假條例), which became effective on 1 January 2008, employees who have worked continuously for more than one year are entitled to paid annual leave ranging from 5 to 15 days, depending on the length of the employees' work time. Employees who consent to waive such vacation at the request of employers shall be compensated an amount equal to three times their normal daily salaries for each vacation day being waived. Under the National Leisure and Tourism Outline 2013-2020 (國民旅遊休閑綱要2013-2020) which became effective on 2 February 2013, all workers must receive paid annual leave by 2020. As a result of the PRC Labour Contract Law, the Regulations on Paid Annual Leave for Employees and the National Leisure and Tourism Outline 2013-2020, the Group's labour costs (inclusive of those incurred by contractors) may increase. Further, under the PRC Labour Contract Law, when an employer terminates its PRC employees' employment, the employer may be required to compensate them for such amount which is determined based on their length of service with the employer, and the employer may not be able to efficiently terminate non-fixed-term employment contracts under the PRC Labour Contract Law without cause. In the event the Group decides to significantly change or decrease its workforce, the PRC Labour Contract Law could adversely affect its ability to effect these changes in a cost-effective manner or in the manner that the Group desires, which could result in an adverse impact on the Group's businesses, financial condition and results of operations.

Further, if there is a shortage of labour or for any reason the labour cost in the PRC rises significantly, the costs of production of the Group's products is likely to increase. This may in turn affect the selling prices of the products and services, which may then affect the demand of such products and services and thereby adversely affect the Group's sales and financial condition. Increase in costs of raw materials and other components required for the Group's business operation may cause similar adverse effects, particularly if the Group is unable to identify and employ other appropriate means to reduce the costs. In such circumstances, the profit margin may decrease and the financial results may be adversely affected.

In addition, inflation in the PRC has increased in recent years. Inflation in the PRC increases the costs of labour and the costs of raw materials the Group must purchase for production. Rising labour costs may increase the Group's operating costs and partially erode the cost advantage of the Group's PRC-based operations and therefore negatively impact the Group's profitability.

RISKS RELATING TO THE BONDS, THE GUARANTEE AND THE KEEPWELL DEED

The Bonds and the Guarantee are unsecured obligations.

The Bonds and the Guarantee are unsecured obligations of the Issuer and the Guarantor, respectively. The repayment of the Bonds and payment under the Guarantee may be adversely affected if:

- the Issuer or the Guarantor enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's or the Guarantor's future secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's or the Guarantor's indebtedness.

If any of these events were to occur, the Issuer's or the Guarantor's assets may not be sufficient to pay amounts due on the Bonds.

The Bonds may not be a suitable investment for all investors.

Each potential investor in any Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities.

The Bonds are redeemable in the event of certain withholding taxes being applicable.

No assurances are made by the Issuer as to whether or not payments on the Bonds may be made without withholding of PRC taxes if the Issuer is treated as a PRC tax resident enterprise. Although pursuant to the Terms and Conditions of the Bonds the Issuer is required to gross up payments in respect of the Bonds on account of any such withholding taxes or deductions, the Issuer also has the right to redeem the Bonds at any time in the event it has or will become obliged to pay additional amounts on account of any existing or future withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed, to the extent applicable as of the date of this Offering Circular, by or within the British Virgin Islands, the PRC or any subdivision or authority therein or thereof having power to tax as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands, the PRC or any subdivision or authority therein or thereof having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations, which change, amendment or statement becomes effective or is announced, as the case may be.

The Issuer may not be able to meet their outstanding obligations under the Bonds.

The Issuer may (and at maturity, will) be required to redeem all of the Bonds. If such an event were to occur, the Issuer may not have sufficient cash on hand and may not be able to arrange financing to redeem the Bonds in time, or on acceptable terms, or at all. The ability to redeem the Bonds in such event may also be limited by the terms of other debt instruments. Failure to repay, repurchase or redeem tendered Bonds by or on behalf of the Issuer may constitute an event of default under the Bonds, which may also constitute a default under the terms of the Issuer's other indebtedness.

The Group may issue additional Bonds in the future.

The Group may, from time to time, and without prior consultation of the Bondholders create and issue further bonds (see "*Terms and Conditions of the Bonds – Further Issues*") or otherwise raise additional capital through such means and in such manner as the Group may consider necessary. There can be no assurance that such future issuance or capital raising activity will not adversely affect the market price of the Bonds.

Income or gains from the Bonds may be subject to income tax or value added tax ("VAT") under PRC tax laws.

The Issuer is incorporated under the laws of the British Virgin Islands. Pursuant to the Enterprise Income Tax Law of the PRC (the "**EIT Law**") and its implementation regulations, enterprises that are established under the laws of foreign countries and regions but whose "de facto management bodies" are within the PRC are treated as PRC tax resident enterprises for the purposes of the EIT Law. If the relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer is within the PRC, the Issuer may be held to be a PRC tax resident enterprise for the purposes of the EIT Law and income or gains paid with respect to the Bonds may considered to be derived from sources within the PRC.

Under the EIT Law and its implementation rules, any income or gains realised by non-resident enterprises may be subject to PRC enterprise income tax if such income or gains are regarded as derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained income derived from sources within the PRC. In the event that the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authority, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent, for non-resident enterprise Bondholders without an establishment within the PRC or whose incomes have no connection to its establishment inside the PRC and 20 per cent., for non-resident individuals, unless a lower rate is available under an applicable tax treaty.

In addition, as the Guarantor is a resident enterprise, if the Issuer is not able to make payments under the Bonds and the Guarantor fulfils the payment obligations of the Guarantees, the Guarantor must withhold PRC income tax on payments with respect to the Bonds to non-PRC resident enterprise holders at the rate of 10 per cent. and to non-resident individual holders at a rate of 20 per cent.. Applicable tax treaties may provide for lower tax rates.

However, uncertainty remains as to whether the gain realised from the transfer of the Bonds by a non-PRC resident enterprise or individual holders would be treated as income derived from sources within the PRC and be subject to the EIT or Individual Income Tax Law of the PRC. This will depend on how the PRC tax authorities interpret, apply or enforce the PRC Enterprise Income Tax Law, the PRC Individual Income Tax Law and the relevant implementing rules.

According to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income (內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排)(the "**Arrangement**") which was promulgated on 21 August 2006, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, will be exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds.

On 23 March 2016, the Ministry of Finance and the SAT issued the Circular of Full Implementation of Business Tax to VAT Reform Caishui [2016] No. 36 ("**Circular 36**"), which introduced a new VAT from 1 May 2016. VAT is applicable where the entities or individuals provide services within the PRC. VAT is unlikely to apply to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to apply to gains realised upon such transfers, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. Circular 36 and laws and regulations pertaining to VAT are relatively new, and the interpretation and enforcement of such laws and regulations involve uncertainties.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT on gains on the transfer of the Bonds, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the holders of the Bonds would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There is also no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Bonds and the transaction documents are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, Hong Kong courts may require certain additional procedures to be taken. Under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排), judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned. While it is expected that the PRC courts will recognise and enforce a judgment given by Hong Kong courts governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holder's ability to initiate a claim outside of Hong Kong will be limited.

The Issuer have no material assets and will rely on remittances from the Guarantor and its subsidiaries to make payments under the Bonds.

The Issuer will not conduct business or any other activities other than the offering, sale or issuance of indebtedness and the lending of the proceeds thereof to any company controlled, directly or indirectly, by the Guarantor and any other activities in connection therewith or related thereto. The Issuer does not and will not have any material assets other than amounts due to it from the Guarantor or its subsidiaries, and its ability to make payments under the Bonds will depend on its receipt of timely remittances from the Guarantor or its subsidiaries.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds and the Trust Deed by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions of the Bonds provide that the Trustee may, without the consent of the holders of the Bonds, agree to any modification of the Trust Deed, the Terms and Conditions of the Bonds, the Keepwell Deed, the Deed of Guarantee and/or the Agency Agreement which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Trust Deed, the Terms and Conditions of the Bonds, the Keepwell Deed, the Deed of Guarantee and/or the Agency Agreement which in the opinion of the Trustee is of a formal, minor or technical nature or is to correct a manifest error or to comply with any mandatory provision of applicable law.

If the Guarantor fails to complete the SAFE registration in connection with the Guarantee within the time period prescribed by SAFE, there may be logistical hurdles for cross-border payment under the Guarantee.

Pursuant to the Deed of Guarantee, the Guarantor will unconditionally and irrevocably guarantee the due payment of all sums expressed to be payable by the Issuer under the Bonds. The Guarantor is required to submit the Deed of Guarantee to the local SAFE for registration in accordance with, and within the time period prescribed by, the Foreign Exchange Administration Rules on Cross-border Security. Although non-registration with SAFE does not render the Guarantee ineffective or invalid under the PRC laws, SAFE may impose penalties on the Guarantor if registration is not carried out within the stipulated time frame. In addition, if the Guarantor fails to complete the SAFE registration, there may be logistical hurdles at the time of remittance of funds (if any cross-border payment is to be made by the Guarantor under the Guarantee) as domestic banks may require evidence of SAFE registration in connection with the Guarantee in order to effect such remittance. As a result, there is no assurance that the Guarantor can remit money to the Issuer to comply with its obligations under the Deed of Guarantee.

The Bonds will be represented by a Global Certificate and holders of a beneficial interest in the Global Certificate must rely on the procedures of the relevant Clearing System(s).

The Bonds will be represented by a Global Certificate which will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg (a "**Clearing System**"). Except in the circumstances described in the Global Certificate, investors will not be entitled to receive definitive Bonds. The Clearing System(s) will maintain records of the beneficial interests in the Global Certificate. While the Bonds are represented by the Global Certificate, investors will be able to trade their beneficial interests only through the Clearing Systems.

While the Bonds are represented by the Global Certificates, the Issuer, or failing which, the Guarantor will discharge its payment obligations under the Bonds by making payments to the Clearing System for distribution to their account holders.

A holder of a beneficial interest in the Global Certificate must rely on the procedures of the Clearing System(s) to receive payments under the Bonds. Neither the Issuer nor the Guarantor has any responsibility or liability for the records relating to, or payments made in respect of, beneficial interests in the Global Certificate.

Holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the Bonds. Instead, such holders will be permitted to act only to the extent that they are enabled by the Clearing System(s) to appoint appropriate proxies. Similarly, holders of beneficial interests in the Global Certificate will not have a direct right under the Global Certificate to take enforcement action against the Issuer or the Guarantor in the event of a default under the Bonds but will have to rely upon their rights under the Trust Deed.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in their respective debt agreements (if any), or the Bonds, there could be a default under the terms of these agreements, or the Bonds, which could cause repayment of the debt of the Issuer or the Guarantor to be accelerated.

If the Issuer or the Guarantor is unable to comply with the restrictions and covenants in the Bonds, or current or future debt obligations and other agreements (if any), there could be a default under the terms of these agreements. In the event of a default under these agreements, the holders of the debt could terminate their commitments to lend to the Issuer or the Guarantor, accelerate repayment of the debt, declare all amounts borrowed due and payable or terminate the agreements, as the case may be. Furthermore, those debt agreements may contain cross-acceleration or cross-default provisions. As a result, the default by the Issuer or the Guarantor under one debt agreement may cause the acceleration or default of repayment of debt or result in a default under its other debt agreements, including the Bonds.

If any of these events occur, there can be no assurance that there would be sufficient assets and cash flows to repay in full all of the indebtedness of the Issuer or the Guarantor, or that it would be able to find alternative financing. Even if the Issuer or the Guarantor could obtain alternative financing, there can be no assurance that it would be on terms that are favourable or acceptable to the Issuer or the Guarantor.

The Guarantor may not be able to raise the funds necessary to finance the purchase of Bonds upon occurrence of a Relevant Event at the option of the holder.

Following the occurrence of a Relevant Event, Bondholders may require the Issuer to redeem their Bonds. See "*Terms and Conditions of the Bonds – Redemption and Purchase – Redemption for Relevant Events*". The source of funds for any such redemption would be the Group's available cash or third-party financing. However, there is no assurance that the Issuer or the Guarantor would have sufficient funds at that time to make the required redemption of the Bonds. In addition, agreements to which the Guarantor is a party at that time may restrict or prohibit such a payment.

The insolvency laws of British Virgin Islands and the PRC and other local insolvency laws may differ from those of another jurisdiction with which the holders of the Bonds are familiar.

As the Issuer and the Guarantor are incorporated under the laws of the British Virgin Islands and the PRC, respectively, any insolvency proceeding relating to the Issuer or the Guarantor would likely involve British Virgin Islands or PRC insolvency laws, respectively, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the holders of the Bonds are familiar.

The Trustee may request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction.

In certain circumstances, including, without limitation, giving of notice to the Issuer and the Guarantor pursuant to Condition 9 of the Terms and Conditions of the Bonds and taking enforcement steps pursuant to Condition 13 of the Terms and Conditions of the Bonds, the Trustee may, at its sole discretion, request the Bondholders to provide an indemnity and/or security and/or prefunding to its satisfaction before it takes actions on behalf of the Bondholders. The Trustee shall not be obliged to take any such actions if not indemnified and/or secured and/or prefunded to its satisfaction. Negotiating and agreeing to an indemnity and/or security and/or prefunding can be a lengthy process and may impact on when such actions can be taken. The Trustee may not be able to take actions, notwithstanding the provision of an indemnity or security or prefunding to it, in breach of the terms of the Trust Deed or the Terms and Conditions of the Bonds and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable law, it will be for the holders of the Bonds to take such actions directly.

Decisions that may be made on behalf of all holders of the Bonds may be adverse to the interests of individual holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds including holders who did not attend and vote at the meeting and holders who voted in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of holders of the Bonds may be adverse to the interests of the individual Bondholders.

The NDRC Circular is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds.

According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities or medium-to-long term loans issued or incurred outside the PRC with the NDRC prior to the issue of the securities or drawings under the loans ("**Pre-issuance Registration**"), and notify the particulars of the relevant issues or drawings within 10 working days after closing. The Guarantor has completed the Pre-issuance Registration on 18 September 2016.

The NDRC Circular is a recent regulation and its interpretation may involve significant uncertainty, which may adversely affect the enforceability and/or effective performance of the Bonds. The NDRC Circular is silent on the legal consequences of non-compliance with the pre-issue and post-issue registration requirements. In addition, the administration of the NDRC Circular may be subject to a certain degree of executive and policy discretion by the NDRC. There is also risk that the registration approval with the NDRC may be revoked or amended in the future or that future changes in PRC laws and regulations may have a negative impact on the performance or validity and enforceability of the Bonds in the PRC. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions.

An active trading market for the Bonds may not develop.

There can be no assurance as to the liquidity of the Bonds or that an active trading market will develop. If such a market were to develop, the Bonds could trade at prices that may be higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's operations and the market for similar securities. The Sole Global Coordinator is not obligated to make a market in the Bonds and any such market making, if commenced, may be discontinued at any time. Although application will be made for the listing of the Bonds on the SEHK, no assurance can be given as to the liquidity of, or trading market for, the Bonds. In addition, the Bonds are being offered pursuant to exemptions from registration under the Securities Act and, as a result, investors will only be able to resell their Bonds in transactions that have been registered under the Securities Act or in transactions not subject to or exempt from registration under the Securities Act.

The liquidity and price of the Bonds following this offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the revenues, earnings and cash flows of the Group and proposals of new investments, strategic alliances and/or acquisitions, interest rates and fluctuations in prices for comparable companies could cause the price of the Bonds to change. Any such developments may result in large and sudden changes in the volume and price at which the Bonds will trade. There can be no assurance that these developments will not occur in the future.

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by declines in the international financial markets and world economic conditions. The market for the Bonds is, to varying degrees, influenced by economic and market conditions in other markets, especially those in Asia. Although economic conditions are different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the global financial crisis of 2008 and 2009, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

The obligations of the Guarantor under the Guarantee are structurally subordinated to the liabilities and obligations of its subsidiaries.

The Guarantor's ability to perform their obligations under the Guarantee is effectively dependent on the cash flow of its subsidiaries. Any claim by the Trustee against the Guarantor in relation to the Guarantee will be effectively subordinated to all existing and future obligations of the Guarantor's subsidiaries (which have not provided the Guarantee), and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the Trustee under the Guarantee.

The Keepwell Deed is not a guarantee of the payment obligations under the Bonds and the Guarantee.

The Company will enter into the Keepwell Deed in relation to the Bonds. See "*Description of the Keepwell Deed*." Upon the occurrence of an event of default as set out in Condition 9 in the Terms and Conditions of the Bonds, the Trustee may take action against the Company to enforce the provisions of the Keepwell Deed. However, neither the Keepwell Deed nor any actions taken by the Company thereunder can be deemed as a guarantee by the Company for the payment obligation of the Issuer under the Bonds or the Guarantor under the Guarantee. Accordingly, the Company will only be obliged to cause the Issuer or Guarantor to obtain, before the due date of the relevant payment obligations, funds sufficient by means as permitted by applicable laws and regulations so as to enable the Issuer or the Guarantor to pay such payment obligations in full as they fall due, rather than assume the payment obligation as in the case of a guarantee. Furthermore, even if the Company intends to perform its obligations under the Keepwell Deed, depending on the manner in which the Company performs its obligations under the Keepwell Deed in causing the Issuer or the Guarantor to obtain funds sufficient meet its obligations under the Bonds or the Guarantee, such performance may be subject to obtaining prior consent, approvals, registration and/or filings from relevant PRC governmental authorities, including the NDRC, MOFCOM and SAFE and the Company is only required to use its reasonable efforts to obtain such approvals.

In addition, under the Keepwell Deed, the Company will undertake to cause the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment of any amounts payable in respect of the Bonds and/or the Guarantee. However, any claim by the Issuer, the Guarantor and/or the Trustee against the Company in relation to the Keepwell Deed will be effectively subordinated to all existing and future obligations of the Company's subsidiaries (other than the Issuer and the Guarantor), particularly the onshore operating subsidiaries of the Company, and all claims by creditors of such subsidiaries will have priority to the assets of such entities over the claims of the Issuer, the Guarantor and the Trustee under the Keepwell Deed.

TERMS AND CONDITIONS OF THE BONDS

The following, subject to modification and other than the words in italics is the text of the Terms and Conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds:

The issue of the US$ per cent. Guaranteed Bonds due (the "**Bonds**", which term shall include, unless the context requires otherwise, any further bonds issued in accordance with Condition 15 and consolidated and forming a single series therewith) was authorised by written resolutions of the directors of Wise Source International Limited（哲源國際有限公司）(the "**Issuer**") passed on 13 October 2016 and the guarantee of the Bonds was authorised by resolutions of the shareholders of CEFC Shanghai International Group Limited（上海華信國際集團有限公司）(the "**Guarantor**") passed on 13 October 2016 and the board resolutions of the Guarantor passed on 13 October 2016. The Bonds are constituted by a trust deed (as amended or supplemented from time to time, the "**Trust Deed**") dated on or about 2016 between the Issuer, the Guarantor and Bank of Communications Trustee Limited (the "**Trustee**", which expression shall include all persons for the time being the trustee or trustees under the Trust Deed) as trustee for the holders of the Bonds. These terms and conditions include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds. The Bonds have the benefit of a deed of guarantee (the "**Deed of Guarantee**") dated on or about 2016 executed by the Guarantor and the Trustee relating to the Bonds. An Agency Agreement (the "**Agency Agreement**") dated on or about 2016 relating to the Bonds has been entered into between the Issuer, the Guarantor, the Trustee, Bank of Communications Co., Ltd. Hong Kong Branch as the principal paying agent (the "**Principal Paying Agent**"), as the registrar (the "**Registrar**") and as the transfer agent (the "**Transfer Agent**") and any other agents named in it. Copies of the Trust Deed, the Deed of Guarantee and the Agency Agreement are available for inspection during usual business hours upon prior written request and proof of holding at the principal office of the Trustee (which at the date of issue of the Bonds is at 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong) and at the specified offices of the Principal Paying Agent, the Registrar and any Transfer Agent. "**Agents**" means the Principal Paying Agent, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds and, in each case, any successor thereto. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and the Deed of Guarantee and are deemed to have notice of those provisions applicable to them of the Agency Agreement.

All capitalised terms that are not defined in these terms and conditions (these "**Conditions**") will have the meanings given to them in the Trust Deed.

1 Form, Specified Denomination and Title

The Bonds are issued in the specified denomination of US$200,000 and in integral multiples of US$1,000 in excess thereof.

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and "**holder**" mean the person in whose name a Bond is registered.

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, a common depositary for Euroclear Bank S.A./N.V. and Clearstream Banking S.A.. The Conditions are modified by certain provisions contained in the Global Certificate. See "Summary of Provisions Relating to the Bonds in Global Form".*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2 Transfers of Bonds and Delivery of New Certificates

(a) **Transfer**: A holding of Bonds may, subject to Conditions 2(d) and 2(e), be transferred in whole or in part in the specified denomination as provided by Condition 1 upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or the relevant Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. No transfer of title to a Bond will be valid unless and until entered on the Register.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(b) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt by the Registrar or the Transfer Agent of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday or Sunday or public holiday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer or Exercise Free of Charge**: Certificates, on transfer, shall be issued and registered without charge to the relevant Bondholder by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or pre-funding as the Registrar or the relevant Transfer Agent may require).

(d) **Closed Periods**: No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after a Put Exercise Notice has been deposited in respect of such Bond pursuant to Condition 6(c), or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

(e) **Regulations**: All transfers of Bonds and entries on the Register will be made subject to the detailed regulations concerning transfer and registration of Bonds scheduled to the Agency Agreement. Each of the Issuer and the Registrar may change the regulations from time to time, with the prior written approval of the Trustee and (in the case of any regulation proposed by the Issuer) the Registrar. A copy of the current regulations will be mailed (free of charge to the Bondholder and at the Issuer's expense) by the Registrar to any Bondholder upon written request and satisfactory proof of holding and is available for inspection upon written request and satisfactory proof of holding at the specified office of the Registrar.

3 Guarantee and Status

(a) **Guarantee**: The Guarantor has unconditionally and irrevocably guaranteed the due payment of all sums expressed to be payable by the Issuer under the Bonds and the Trust Deed. Its obligations in that respect (the "**Guarantee**") are contained in the Deed of Guarantee. The obligations of the Guarantor under the Guarantee shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all its other present and future unsecured and unsubordinated obligations.

(b) **Status**: The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4 Negative Pledge; Undertakings relating to the Guarantee

(a) **Negative Pledge**: So long as any Bond remains outstanding (as defined in the Trust Deed), neither the Issuer nor the Guarantor will, and each of the Issuer and the Guarantor will ensure that none of its Subsidiaries will create, or have outstanding, any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness outside the PRC, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness outside the PRC, without at the same time or prior thereto according to the Bonds (a) the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (b) such other security as either (i) the Trustee shall in its absolute discretion deem not materially less beneficial to the interest of the Bondholders or (ii) shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) **Undertakings relating to the Guarantee**: The Guarantor undertakes to file or cause the Guarantee to be filed with the Shanghai Branch of the State Administration of Foreign Exchange ("**SAFE**") within 15 PRC Business Days after execution of the Deed of Guarantee in accordance with the Provisions on the Foreign Exchange Administration of Cross-Border Guarantees (跨境擔保外匯管理規定) promulgated by SAFE on 12 May 2014 which came into effect on 1 June 2014 (the "**Cross-Border Security Registration**").

(c) **Undertakings relating to the NDRC**: The Guarantor undertakes to file or cause to be filed with the National Development and Reform Commission of the PRC or its local counterparts (the "**NDRC**") the requisite information and documents within ten PRC Business Days after the Issue Date in accordance with the Circular on Promoting the Reform of the Filing and Registration System on the Issuance by Enterprises of Foreign Debt (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知(發改外資[2015]2044號)) issued by the NDRC and which came into effect on 14 September 2015, and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**").

(d) **Notification of Completion of the NDRC Post-Issue Filing and the Cross-Border Security Registration**: The Guarantor shall, before the Registration Deadline and within 10 PRC Business Days after both the submission of the NDRC Post-issue Filing and receipt of the registration certificate from SAFE (or any other document evidencing the completion of registration issued by SAFE), provide the Trustee with (i) copies of the relevant documents evidencing due filing with the NDRC and the relevant SAFE registration certificates or any other document evidencing the completion of registration issued by SAFE and (ii) a certificate substantially in the form set out in the Trust Deed signed by an Authorised Signatory of the Guarantor confirming the completion of the NDRC Post-Issue Filing and the Cross-Border Security Registration and certifying in English by an Authorised Signatory of the Guarantor that each item in (i) is a true and complete copy of the original (the items specified in (i) and (ii) together, the "**Registration Documents**").

In addition, the Guarantor shall procure that within 10 PRC Business Days after the documents comprising the Registration Documents are delivered to the Trustee, the Issuer gives notice to the Bondholders (in accordance with Condition 16) confirming the completion of the NDRC Post-issue Filing and the Cross Border Security Registration.

The Trustee shall have no obligation or duty to monitor or ensure the NDRC Post-issue Filing or the registration of the Guarantee with SAFE on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing or the Cross Border Security Registration and/or the Registration Documents or to give notice to the Bondholders confirming the completion of the NDRC Post-issue Filing or the Cross Border Security Registration, and shall not be liable to Bondholders or any other person for not doing so.

(e) **Issuer Activities**: the Issuer shall not, and the Guarantor will procure that the Issuer will not, carry on any business activity whatsoever other than in connection with the issue of the Bonds or any other bonds and any other activities reasonably incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds or any other bonds to any other Subsidiaries of the Guarantor).

(f) **Financial Statements**: So long as any Bond remains outstanding, the the Guarantor shall furnish the Trustee with (A) a Compliance Certificate of the Guarantor (on which the Trustee may rely conclusively as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) and a copy of the relevant Guarantor Audited Financial Reports within 150 days of the end of each Relevant Period prepared in accordance with PRC GAAP (audited by an internationally or nationally recognised firm of independent accountants) of the Guarantor and its Subsidiaries and if such statements shall be in the Chinese language, together with an English translation of the same translated by (i) an internationally or nationally recognised firm of accountants or (ii) a professional translation service provider and checked by an internationally recognised firm of accountants, together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate; and (B) a copy of the Guarantor Unaudited Semi-Annual Financial Reports within 120 days of the end of each Relevant Period prepared on a basis consistent with Guarantor Audited Financial Reports and if such statements shall be in the Chinese language, together with an English translation of the same and translated by (i) an internationally or nationally recognised firm of accountants or (ii) a professional translation service provider and checked and confirmed by an internationally or nationally recognised firm of accountants together with a certificate in English signed by an Authorised Signatory of the Guarantor certifying that such translation is complete and accurate.

(g) In these Conditions:

"**Compliance Certificate**" means a certificate of the Issuer or, as the case may be, the Guarantor signed by a director of the Issuer who is also an Authorised Signatory of the Issuer or, as the case may be, a director of the Guarantor who is also an Authorised Signatory of the Guarantor that, having made all reasonable enquiries, to the best knowledge, information and belief of the Issuer or, as the case may be, the Guarantor as a date (the "**Certification Date**") not more than five days before the date of the certificate that:

(i) no Event of Default or Potential Event of Default (as defined in the Trust Deed) has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(ii) each of the Issuer and the Guarantor has complied with all its covenants and obligations under the Trust Deed, the Bonds and the Deed of Guarantee;

"**Guarantor Audited Financial Reports**" means, for a Relevant Period the annual audited consolidated profit and loss, balance sheet and cashflow statements of the Guarantor and its consolidated subsidiaries together with any statements, reports (including auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the applicable PRC GAAP;

"**Guarantor Unaudited Semi-Annual Financial Reports**" means, for a Relevant Period, the unaudited and unreviewed consolidated profit and loss, balance sheet and cashflow statements of the Guarantor and its consolidated subsidiaries, together with any statements, reports (including auditors' reports) and notes attached to or intended to be read with any of them (if any), prepared in accordance with the applicable PRC GAAP;

"**Issue Date**" means 2016;

"**PRC**" means the People's Republic of China, and for the purpose of these Conditions only, excluding the Hong Kong Special Administrative Region of the PRC, the Macau Special Administrative Region of the PRC and Taiwan;

"**PRC Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks are generally open for business in PRC;

"**PRC GAAP**" means the Accounting Standards for Business Enterprises issued by the Ministry of Finance of the PRC from time to time;

"**Registration Deadline**" means the day falling 120 calendar days after the Issue Date;

"**Relevant Indebtedness**" means any indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock certificates or other securities with a maturity of more than one year which for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter market or other securities market (which, for the avoidance of doubt, does not include any bilateral loans, syndicated loans or club deal loans);

"**Relevant Period**" means, (i) in relation to the Guarantor Audited Financial Reports, each period of twelve months ending on the last day of the Guarantor's financial year (being 31 December of that financial year) and, (ii) in relation to the Guarantor Unaudited Semi-Annual Financial Reports, each period of six months ending on the last day of the first half of the Guarantor's financial year (being 30 June of that financial year); and

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person.

5 Interest

The Bonds bear interest on their outstanding principal amount from and including at the rate of per cent. per annum, payable semi-annually in arrear in equal instalments of US$ per Calculation Amount (as defined below) on and in each year (each an "**Interest Payment Date**") commencing on 2017.

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the date on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the date seven days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholder under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including 2016 and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per US$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall (save as provided above in relation to equal instalments) be equal to the product of the rate of interest specified above, the Calculation Amount and the day-count fraction for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 Redemption and Purchase

(a) **Final Redemption**: Unless previously redeemed, or purchased and cancelled, the Bonds will be redeemed at their principal amount on . The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Taxation Reasons**: The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders (which notice shall be irrevocable), at their principal amount together with interest accrued to the date fixed for redemption, if (i) the Issuer and/or the Guarantor (as the case may be) satisfies the Trustee immediately prior to the giving of such notice that the Issuer (or, if the Guarantee were called, the Guarantor) has or will become obliged to pay Additional Tax Amounts (as defined in Condition 8) as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the British Virgin Islands or the PRC, or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of, or the stating of an official position with respect to, such laws or regulations (including but not limited to any decision by a court of competent jurisdiction), which change or amendment becomes effective on or after , and (ii) such obligation cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer (or the Guarantor, as the case may be) would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds (or the Guarantee, as the case may be) then due.

Prior to the publication of any notice of redemption pursuant to this Condition 6(b), the Issuer (or the Guarantor, as the case may be) shall deliver to the Trustee:

(aa) a certificate signed by an Authorised Signatory of the Issuer (or a certificate of the Guarantor signed by an Authorised Signatory of the Guarantor, as the case may be) stating that the obligation referred to in (i) above of this Condition 6(b) cannot be avoided by the Issuer (or the Guarantor, as the case may be) taking reasonable measures available to it; and

(bb) an opinion in form and substance satisfactory to the Trustee of independent tax or legal advisers of recognised standing to the effect that the Issuer or the Guarantor, as the case may be, has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment or statement.

The Trustee shall be entitled (but not obliged) to accept and rely upon such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) of this Condition 6(b), in which event the same shall be conclusive and binding on the Bondholders.

All Bonds in respect of which any notice of redemption is given under Condition 6(b) shall be redeemed on the date specified in such notice in accordance with this Condition 6(b).

(c) **Redemption for Relevant Events**: At any time following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. In order to exercise such right, the holder of the relevant Bond must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of the Principal Paying Agent or any other Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed by not later than 30 days following a Relevant Event, or, if later, 30 days following the date upon which notice thereof is given to Bondholders by the Issuer in accordance with Condition 16.

The "**Put Settlement Date**" shall be the fourteenth day (in the case of a redemption for a Change of Control) or the fifth day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above. A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds the subject of the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give notice in writing to Bondholders in accordance with Condition 16 and to the Trustee and the Principal Paying Agent by not later than 14 days (in the case of a redemption for a Change of Control) or five days (in the case of a redemption for a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c).

The Trustee and the Agents shall not be required to take any steps to ascertain whether a Relevant Event has occurred and shall not be responsible or liable to Bondholders, the Issuer, the Guarantor or any other person for any loss arising from any failure to do so.

In this Condition 6:

a "**Change of Control**" occurs when:

(i) CEFC China Energy Company Limited（中國華信能源有限公司）(the "**Company**") ceases to, directly or indirectly, own less than 50.1 per cent. of the issued share capital of the Guarantor; or

(ii) the Issuer ceases to be a directly or indirectly wholly-owned Subsidiary of the Guarantor.

a "**No Registration Event**" occurs when the Registration Conditions are not satisfied on or before the Registration Deadline;

a "**person**" includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organisation, trust, state, agency of a state (in each case whether or not being a separate legal entity);

"**Registration Conditions**" means the receipt by the Trustee of the Registration Documents as set forth in Condition 4(d); and

a "**Relevant Event**" means a Change of Control or a No Registration Event.

(d) **Notices of Redemption**: All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(e) **Purchase**: The Issuer, the Guarantor, their respective Subsidiaries and the Company may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer, the Guarantor, any such Subsidiary or the Company, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for, among other things, the purposes of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) and 13.

(f) **Cancellation**: All Certificates representing Bonds purchased by or on behalf of the Issuer, the Guarantor, their respective Subsidiaries and the Company shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer and the Guarantor in respect of any such Bonds shall be discharged.

7 Payments

(a) **Method of Payment**:

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Paying Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.

(ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in US dollars by cheque drawn on a bank and mailed to the holder (or to the first named of joint holders) of such Bond at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in US dollars maintained by the payee with a bank.

(iii) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

(b) **Payments subject to Fiscal Laws**: All payments are subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an inter-governmental approach thereto.

(c) **Payment Initiation**: Where payment is to be made by transfer to an account in US dollars, payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated, and where payment is to be made by cheque, the cheque will be mailed, on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal or premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents**: The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the

Issuer and the Guarantor and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer and the Guarantor reserve the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar or the Transfer Agent and to appoint additional or other Paying Agents and/or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, and (iv) such other agents as may be required by the stock exchange on which the Bonds may be listed, in each case, as approved in writing by the Trustee.

Notice of any such change or any change of any specified office shall promptly be given by the Issuer to the Bondholders in accordance with Condition 16.

(e) **Delay in Payment**: Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day, or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so) or if a cheque mailed in accordance with Condition 7(a)(ii) arrives after the due date for payment.

(f) **Non-Payment Business Days**: If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment or if a cheque mailed in accordance with Condition 7a(ii) arrives after the due date for payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, a Sunday or a public holiday) on which banks and foreign exchange markets are generally open for business and settlement of US dollars payments in New York City, Hong Kong and if surrender of the relevant Certificate is required, the relevant place of presentation.

8 Taxation

All payments of principal, premium (if any) and interest by or on behalf of the Issuer or the Guarantor in respect of the Bonds or under the Guarantee shall be made free and clear of, and without withholding or deduction for, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the British Virgin Islands or the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer or, as the case may be, the Guarantor by or within the PRC at the rate applicable on (the "**Applicable Rate**"), the Issuer or, as the case may be, the Guarantor will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amount which would otherwise have been receivable by them had no such withholding or deduction been required.

If (i) the Issuer is required to make any deduction or withholding by or within the British Virgin Islands, or (ii) the Issuer, or as the case may be, the Guarantor is required to make a deduction or withholding by or within the PRC in excess of Applicable Rate, then the Issuer (or the Guarantor, as the case may be) shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond (or the Guarantee, as the case may be):

(a) **Other Connection**: to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the British Virgin Islands (in the case of payments made by the Issuer) or the PRC (in the case of payments made by the Issuer or the Guarantor) other than the mere holding of the Bond or where the withholding or deduction could be avoided by the holder making a declaration of non-residence or other similar claim for exemption to the appropriate authority; or

(b) **Surrender more than 30 days after the Relevant Date**: in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days (as if such last day were a Payment Business Day).

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

9 Events of Default

If any of the following events (each an "**Event of Default**") occurs the Trustee at its discretion may, and if so requested in writing by holders of at least twenty five per cent. in principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall (provided in any such case that the Trustee shall have been indemnified and/or secured and/or pre-funded to its satisfaction), give notice to the Issuer and the Guarantor that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with any accrued and unpaid interest:

(a) **Non-Payment**: there has been a failure to pay (i) the principal of or any premium (if any) on any of the Bonds when due; or (ii) any interest on the Bonds when due and such failure continues for a period of seven days; or

(b) **Breach of Other Obligations**: the Issuer or the Guarantor does not perform or comply with any one or more of its other obligations under the Bonds, the Trust Deed or the Deed of Guarantee (other than those referred to in Condition 9(a) or where such default gives rise to a redemption pursuant to Condition 6(c)), which default is in the opinion of the Trustee incapable of remedy or, if such default is in the opinion of the Trustee capable of remedy, such default is not remedied within 30 days after notice of such default shall have been given to the Issuer or the Guarantor (as the case may be) by the Trustee; or

(c) **Cross-default**: (i) any other present or future indebtedness of the Issuer or the Guarantor or any of their respective Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (iii) the Issuer or the Guarantor or any of their respective Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds US$200,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank on the day on which this Condition 9(c) operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any material part of the property, assets or revenues of the Issuer or the Guarantor or any of their respective Principal Subsidiaries and is not discharged or stayed within 45 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or the Guarantor or any of their respective Principal Subsidiaries on the whole or any material part of its assets becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, manager or other similar person) and is not discharged or stayed within 45 days; or

(f) **Insolvency**: the Issuer or the Guarantor or any of their respective Principal Subsidiaries is (or is deemed by law or a court of competent jurisdiction to be) insolvent or bankrupt, or unable to pay its debts as and when such debts fall due, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any material part of (or of all or material part of a particular type of) the debts of the Issuer, the Guarantor or any of their respective Principal Subsidiaries, as the case may be; or

(g) **Winding-up**: an order is made by a court of competent jurisdiction or an effective resolution is passed for the winding-up or dissolution of the Issuer or the Guarantor or any of their respective Principal Subsidiaries (except for the voluntary solvent winding-up of any such Principal Subsidiary), or the Issuer or the Guarantor ceases or threatens to cease to carry on all or substantially all of its business or operations, except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (i) on terms approved by an Extraordinary Resolution of the Bondholders, or (ii) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or the Guarantor (as the case may be) or another of their respective Principal Subsidiaries; or

(h) **Nationalisation**: (i) any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the undertaking, assets and revenues of the Issuer, the Guarantor or any of their respective Principal Subsidiaries or (ii) the Issuer, the Guarantor or any of their respective Principal Subsidiaries is prevented by any such person from exercising normal control over all or a material part of its undertaking, assets and revenues; or

(i) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer and the Guarantor lawfully to enter into, exercise their respective rights and perform and comply with their respective obligations under the Bonds, the Trust Deed and the Deed of Guarantee, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds, the Trust Deed and the Deed of Guarantee admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done;

(j) **Illegality**: it is or will become unlawful for the Issuer or the Guarantor to perform or comply with any one or more of its obligations under any of the Bonds, the Trust Deed and/or the Deed of Guarantee; or

(k) **Unenforceability of Guarantee**: the Guarantee becomes unenforceable or invalid or shall for any reason cease to be in full force and effect or is claimed to be unenforceable, invalid or not in full force and effect by the Guarantor; or

(l) **Analogous Events**: any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of the foregoing paragraphs of this Condition 9.

In this Condition 9, "**Principal Subsidiary**" means any Subsidiary of the Guarantor:

(a) whose revenue or (in the case of a Subsidiary which itself has Subsidiaries) consolidated revenue, as shown by its latest audited income statement are at least five per cent. of the consolidated revenue as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(b) whose gross profits or (in the case of a Subsidiary which itself has Subsidiaries) consolidated gross profit, as shown by its latest audited income statement are at least five per cent. of the consolidated gross profit as shown by the latest audited consolidated income statement of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the Guarantor and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of jointly controlled entities and after adjustments for minority interests; or

(c) whose gross assets or (in the case of a Subsidiary which itself has Subsidiaries) gross consolidated assets, as shown by its latest audited balance sheet are at least five per cent. of the amount which equals the amount included in the consolidated gross assets of the Guarantor and its Subsidiaries as shown by the latest audited consolidated balance sheet of the Guarantor and its Subsidiaries including, for the avoidance of doubt, the investment of the Guarantor in each Subsidiary whose accounts are not consolidated with the consolidated audited accounts of the Guarantor and after adjustment for minority interests; or

(d) to which is transferred the whole or substantially the whole of the assets of a Subsidiary which immediately prior to such transfer was a Principal Subsidiary, provided that the Principal Subsidiary which so transfers its assets shall forthwith upon such transfer cease to be a Principal Subsidiary and the Subsidiary to which the assets are so transferred shall cease to be a Principal Subsidiary at the date on which the first audited accounts (consolidated, if appropriate), of the Guarantor prepared as of a date later than such transfer are issued unless such Subsidiary would continue to be a Principal Subsidiary on the basis of such accounts by virtue of the provisions of paragraphs (a), (b) or (c) above of this definition;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest consolidated audited accounts of the Guarantor relate, the reference to the then latest consolidated audited accounts of the Guarantor for the purposes of the calculation above shall, until consolidated audited accounts of the Guarantor for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are available be deemed to be a reference to the then latest consolidated audited accounts of the Guarantor adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has Subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Guarantor or any Subsidiary which itself has Subsidiaries no consolidated accounts are prepared and audited, revenue, gross profit or gross assets of the Guarantor and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Guarantor;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its revenue, gross profit or gross assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Guarantor; and

(iv) if the accounts of any Subsidiary (not being a Subsidiary referred to in proviso (i) above) are not consolidated with those of the Guarantor, then the determination of whether or not such subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Guarantor.

10 Prescription

Claims against the Issuer or the Guarantor for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium (if any)) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 Replacement of Certificates

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or such other Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as the Issuer, the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 Meetings of Bondholders, Modification and Waiver

(a) **Meetings of Bondholders**: The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Deed of Guarantee. Such a meeting may be convened by the Issuer, the Guarantor or the Trustee and shall be convened by the Trustee if requested in writing to do so by Bondholders holding not less than 10 per cent. in principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than fifty per cent. in principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable on redemption of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, or (v) to modify or cancel the Deed of Guarantee (subject to Condition 12(b)), in which case the necessary quorum will be two or more persons holding or representing not less than 66 per cent., or at any adjourned meeting not less than 33 per cent., in principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification and Waiver**: The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement or the Deed of Guarantee, that is in its opinion of a formal, minor or technical nature or is made to correct a manifest error or to comply with any mandatory provision of law, and (ii) any other modification (except as mentioned in the Trust Deed and the Deed of Guarantee), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed, the Agency Agreement and/or the Deed of Guarantee that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable.

(c) **Entitlement of the Trustee**: In connection with the exercise of its functions, rights powers and discretions (including but not limited to those referred to in this Condition 12) the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders and the Trustee shall not be entitled to require on behalf of any Bondholder, nor shall any Bondholder be entitled to claim, from the Issuer, the Guarantor or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 Enforcement

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, institute such proceedings against the Issuer and/or the Guarantor as it may think fit to enforce the terms of the Trust Deed, the Bonds and/or the Deed of Guarantee (as the case may be), but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least twenty five per cent. in principal amount of the Bonds outstanding, and (b) it shall have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer or the Guarantor unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 Indemnification of the Trustee

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility including provisions relieving it from taking proceedings to enforce payment or taking other actions unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer, the Guarantor and any entity related to the Issuer or the Guarantor without accounting for any profit.

The Trustee may rely without liability to Bondholders, the Issuer, the Guarantor or any other person on any report, confirmation, certificate or information from or any advice or opinion of any legal counsel, accountant, financial adviser, financial institution or any other expert, whether or not obtained by or addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, information, advice or opinion, in which event such report, confirmation, certificate, information, advice or opinion shall be binding on the Issuer, the Guarantor and the Bondholders.

Whenever the Trustee is required or entitled by these terms of the Trust Deed or the Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to exercising any such discretion or power, taking any such action, making any such decision or giving any such direction, to seek directions from the Bondholders by way of Extraordinary Resolution, and the Trustee shall not be responsible for any loss or liability incurred by the Issuer, the Guarantor, the Bondholders or any other person as a result of any delay in it exercising such discretion or power, taking such action, making such decision or giving such direction as a result of seeking such direction from the Bondholders or in the event that no direction is given to the Trustee by the Bondholders.

None of the Trustee or any of the Agents shall be responsible for the performance by the Issuer, the Guarantor and any other person appointed by the Issuer and/or the Guarantor in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has written notice from the Issuer or the Guarantor to the contrary, the Trustee and each Agent shall be entitled to assume that the same are being duly performed. None of the Trustee or any Agent shall be liable to any Bondholder, the Issuer, the Guarantor or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Neither the Trustee nor any of the Agents shall be under any obligation to ascertain whether any Event of Default, Potential Event of Default or Relevant Event has occurred or monitor compliance by the Issuer or the Guarantor with the provisions of the Trust Deed, the Agency Agreement, the Deed of Guarantee or these Conditions.

15 Further Issues

The Issuer may from time to time without the consent of the Bondholders create and issue further securities having the same terms and conditions as the Bonds in all respects (or in all respects except for the Issue Date and the first payment of interest on them and the timing for registering the Guarantee with SAFE and the timing for filing with the NDRC) and so that such further issue shall be consolidated and form a single series with the outstanding securities of any series (including the Bonds). References in these Conditions to the Bonds include (unless the context requires otherwise) any other securities issued pursuant to this Condition 15 and forming a single series with the Bonds. Any further securities forming a single series with the Bonds) constituted by the Trust Deed or any deed supplemental to it shall, be constituted by a deed supplemental to the Trust Deed.

However, such further securities may only be issued if (i) a further or supplemental deed of guarantee is issued by the Guarantor (or an amendment is made to the Deed of Guarantee) on terms that are substantially similar to the Deed of Guarantee; and (ii) such supplemental documents are executed and further opinions are obtained as the Trustee may require, as further set out in the Trust Deed. References to the Deed of Guarantee shall thereafter include any such further or supplemental deed of guarantee.

16 Notices

Notices to the holders of Bonds shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Global Certificate is held by or on behalf of Euroclear and Clearstream, any notice to the holders of the Bonds shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.

17 Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18 Governing Law and Jurisdiction

(a) **Governing Law**: The Trust Deed, the Agency Agreement, the Deed of Guarantee and the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction**: The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement and accordingly any legal action or proceedings arising out of or in connection with any Bonds, the Deed of Guarantee, the Trust Deed or the Agency Agreement ("**Proceedings**") may be brought such courts. Each of the Issuer and the Guarantor has irrevocably submitted to the exclusive jurisdiction of such courts.

(c) **Agent for Service of Process**: Each of the Issuer and the Guarantor irrevocably appoints CEFC Hong Kong International Holdings Co., Limited at Room 2302-2304, 23/F, Convention Plaza office Tower, 1 Harbour Road, Wanchai, Hong Kong as its authorised agent in Hong Kong to receive service of process in any Proceedings based on any of the Bonds, the Guarantee, the Trust Deed or the Agency Agreement. Such service shall be deemed completed on delivery to such agent (whether or not it is forwarded to and received by the Issuer or the Guarantor, as the case may be). If for any reason the Issuer or the Guarantor (as the case may be) does not have such an agent in Hong Kong, it will promptly appoint a new agent in Hong Kong to accept service of process and deliver to the Trustee a copy of the agent's acceptance of that appointment within 30 days of such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity**: Each of the Issuer and the Guarantor has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgement made or given in connection with any Proceedings.

DESCRIPTION OF THE KEEPWELL DEED

The following contains summaries of certain key provisions of the Keepwell Deed. Such statements do not purport to be complete and are qualified in their entirety by reference to the Keepwell Deed.

Under the Keepwell Deed, the Company will undertake with the Issuer, the Guarantor and the Trustee that:

(i) it shall directly or indirectly, own and hold at least 50.1 per cent. of the outstanding shares of the Guarantor and, except for the security interest (if any) in connection with right of return on equity related financing conducted or to be conducted by the Company from time to time, shall not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless (i) at least 50.1 per cent. of the outstanding shares of the Guarantor it so owns and holds remain free of any encumbrance or (ii) required to dispose of any or all such shares pursuant to a court decree or order of any government authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged; and

(ii) it shall cause the Guarantor to directly or indirectly own and hold all the outstanding shares of the Issuer and to not directly or indirectly pledge, grant a security interest, or in any way encumber or otherwise dispose of any such shares unless required to dispose of any or all such shares pursuant to a court decree or order of any government authority which, in the opinion of a legal adviser to the Company, may not be successfully challenged.

In addition, the Company will undertake that it shall cause:

- the Issuer to have a Consolidated Net Worth of at least US$1.00 at all times; and
- each of the Issuer and the Guarantor to have sufficient liquidity to ensure timely payment by each of the Issuer and the Guarantor of any amounts payable under or in respect of the Bonds and the Guarantee (as applicable) in accordance with the Trust Deed and the Terms and Conditions of the Bonds and otherwise under the Trust Deed.

The Keepwell Deed may be modified, amended or terminated by the written agreement of the parties thereto.

The Company will further undertake:

(i) to procure that the articles of association of the Issuer shall not be amended in a manner that is, directly or indirectly, adverse to holders of the Bonds;

(ii) to procure that the articles of association of the Guarantor shall not be amended in a manner that is, directly or indirectly, materially adverse to holders of the Bonds;

(iii) to cause each of the Issuer and the Guarantor to remain in full compliance with the Conditions, the Guarantee, the Trust Deed (as applicable) and all applicable laws, rules and regulations in the PRC (in the case of the Guarantor) or the British Virgin Islands (in the case of the Issuer);

(iv) promptly to take any and all action necessary to comply with its obligations under the Keepwell Deed;

(v) to cause each of the Issuer and the Guarantor to take all action necessary in a timely manner to comply with its obligations under the Keepwell Deed; and

(vi) to procure that the Issuer will not carry on any business activity whatsoever other than in connection with the issue of the Bonds or any other bonds and any other activities reasonably incidental thereto (such activities shall, for the avoidance of doubt, include the on-lending of the proceeds of the issue of the Bonds or any other bonds (the "**Proceeds of the Bonds**") to the Guarantor or any other subsidiaries of the Guarantor or as the Guarantor may direct), and to cause such recipient of the Proceeds of the Bonds to pay the interest and principal in respect of such intercompany loan on time.

The Keepwell Deed is not, and nothing therein contained and nothing done pursuant thereto by the Company shall be deemed to constitute, a guarantee by the Company of the payment of any obligation, responsibilities, indebtedness or liability, of any kind or character whatsoever, of the Issuer or the Guarantor under the laws of any jurisdiction.

The parties to the Keepwell Deed will acknowledge that in order for each of the Issuer, the Company and the Guarantor to comply with its respective obligations under the Keepwell Deed, it may be subject to regulatory approvals, permits and filings as may be required by applicable laws. In this regard, the Company undertakers to use its reasonable efforts to obtain such regulatory approvals within the time stipulated by the relevant approval authorities, if applicable.

The Keepwell Deed will be governed by and construed in accordance with English law.

SUMMARY OF PROVISIONS RELATING TO THE BONDS IN GLOBAL FORM

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds set out in this Offering Circular. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:

The Bonds will be represented by the Global Certificate in registered form, which will be registered in the name of a nominee of, and deposited with, a common depositary for Euroclear and Clearstream, Luxembourg.

Under the Global Certificate, the Issuer, for value received, promises to pay such principal and interest on the Bonds to the holder of the Bonds on such date or dates as the same may become payable in accordance with the Terms and Conditions of the Bonds.

Owners of interests in the Bonds in respect of which the Global Certificate is issued will be entitled to have title to the Bonds registered in their names and to receive individual definitive Certificates if either Euroclear or Clearstream, Luxembourg or any other clearing system (an "**Alternative Clearing System**") is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. In such circumstances, the Issuer will cause sufficient individual definitive Certificates to be executed and delivered to the Registrar for completion, authentication and despatch to the relevant holders of the Bonds. A person with an interest in the Bonds in respect of which the Global Certificate is issued must provide the Registrar not less than 30 days' notice at its specified office of such holder's intention to effect such exchange and a written order containing instructions and such other information as the Issuer and the Registrar may require to complete, execute and deliver such individual definitive Certificates.

Payment

So long as the Bonds are represented by the Global Certificate, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the due date for such payments, where "**Clearing System Business Day**" means a weekday (Monday to Friday inclusive) except 25 December and 1 January.

Trustee's Powers

In considering the interests of the Bondholders whilst the Global Certificate is registered in the name of a nominee for a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obligated to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

Notices

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream, Luxembourg or any Alternative Clearing System, notices to holders of the Bonds shall be given by delivery of the relevant notice to Euroclear or Clearstream, Luxembourg or such Alternative Clearing System, for communication by it to accountholders entitled to an interest in the Bonds in substitution for notification as required by the Terms and Conditions of the Bonds.

Transfers

Transfers of interests in the Bonds will be effected through the records of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective participants in accordance with the rules and procedures of Euroclear and Clearstream, Luxembourg (or any Alternative Clearing System) and their respective direct and indirect participants.

Cancellation

Cancellation of any Bond by the Issuer following its redemption or purchase by the Issuer will be effected by reduction in the principal amount of the Bonds in the register of the Bondholders.

Meetings

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of Bondholders and as being entitled to one vote in respect of each U.S.$1,000 in principal amount of the Bonds.

USE OF PROCEEDS

The Issuer estimates that the net proceeds from this offering, after deducting commissions and other estimated expenses payable in connection with the offering, will be approximately U.S.$ million.

The net proceeds of the issue of the Bonds are expected to be used for working capital and general corporate purposes.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the consolidated capitalisation and indebtedness of the Guarantor as at 30 June 2016 on an actual basis and as adjusted to give effect to the issue of the Bonds before deduction of any fees, commissions, offering discounts and expenses. The following table should be read in conjunction with the summary consolidated financial information of the Guarantor and the consolidated financial statements of the Guarantor and related notes included in this Offering Circular.

	As at 30 June 2016			
	Actual		As adjusted	
	(RMB in millions)	*(U.S.$ in millions)*(1)	*(RMB in millions)*	*(U.S.$ in millions)* (1)
Short-term indebtedness				
– Short-term loans	32,190	4.844	32,190	4,844
– Notes payable	9,029	1,359	9,029	1,359
– Non-current liabilities due within one year	894	135	894	135
– Other current liabilities	6,094	917	6,094	917
Total short-term indebtedness	**48,206**	**7,254**	**48,206**	**7,254**
Long-term indebtedness				
– Long-term loans	7,122	1,072	7,122	1,072
– Bonds payable	4,970	748	4,970	748
– Bonds to be issued(2)	–	–		
Total long-term indebtedness	**12,092**	**1,819**		
Total indebtedness(3)	**60,298**	**9,073**		
Equity				
Total of equity of parent company	22,752	3,423	22,752	3,423
Minority interests	11,892	1,789	11,892	1,789
Total owners' equity	**34,644**	**5,213**	**34,644**	**5,213**
Total capitalisation(4)	**94,942**	**14,286**		

Notes:

(1) US dollar translations are provided for indicative purposes only and are unaudited. These translations were calculated based on an exchange rate of RMB6.6459 to US$1.00 on 30 June 2016 as set forth in the H.10 statistical release of the Federal Reserve Board.

(2) This amount represents the aggregate principal amount of the Bonds to be issued, before deducting the underwriting fees and commissions, offering discounts and other estimated expenses payable by the Issuer in connection with the issuance of the Notes.

(3) Total indebtedness equals the sum of short-term indebtedness and long-term indebtedness.

(4) Total capitalisation equals the sum of total indebtedness and total owners' equity.

On 9 September 2016, the Guarantor issued a total amount of RMB600 million of senior unsecured domestic corporate bonds with interest rate of 4.08% per annum (the "2016 Corporate Bonds"). The 2016 Corporate Bonds are of a term of five years and with the Guarantor's right to adjust the interest rate and the put right of the holders on the third anniversary of the issue date. The 2016 Corporate Bonds are listed on the Shanghai Stock Exchange. The Guarantor and the 2016 Bonds received an "AA +" rating from China Lianhe Credit Rating Co., Ltd (聯合信用評級有限公司). The proceeds from the issue of the 2016 Corporate Bonds are used to refinance existing indebtedness and replenish general working capital.

Except as otherwise disclosed above, there has been no material change in the capitalisation and indebtedness of the Guarantor since 30 June 2016.

DESCRIPTION OF THE ISSUER

OVERVIEW

The Issuer is a BVI Business Company incorporated under the BVI Business Companies Act, 2004 of the British Virgin Islands (BVI Company Number: 1877255). It was incorporated in the British Virgin Islands on 8 June 2015. The Issuer is an indirect wholly-owned subsidiary of the Guarantor.

BUSINESS ACTIVITY

The Issuer was established pursuant to the objects and powers set out in its memorandum of association. As at the date of this Offering Circular, the Issuer does not carry and has not carried on any business other than entering into arrangements for the issue of the Bonds and the Issuer has no debt outstanding and has no contingent liabilities. As at the date of this Offering Circular, the Issuer has no subsidiaries and no material assets or liabilities.

DIRECTOR

The directors of the Issuer are Mr. Zhuang Miaozhong and Mr. Ngan Kwan.

SHARE CAPITAL

The Issuer is authorised under its memorandum of association to issue a maximum of 50,000 ordinary shares of a single class with US$1.00 par value per share and 50,000 shares have been issued to and are being held by Shanghai Huaxin Group (Hong Kong) Limited. No part of the equity securities of the Issuer is listed or dealt on any stock exchange and no listing of or permission to deal in such securities is being or proposed to be sought.

FINANCIAL STATEMENTS

Under British Virgin Islands law, the Issuer is not required to publish condensed or annual financial statements. The Issuer has not published, and does not propose to publish, any financial statements. The Issuer is, however, required to keep proper books of account as are necessary to give a true and fair view of the state of the Issuer's affairs and to explain its transactions.

LEGAL PROCEEDINGS

The Issuer is not involved in any litigation or arbitration proceedings, and it is not aware of any pending or threatened action against it.

DESCRIPTION OF THE KEEPWELL PROVIDER

Overview

The Keepwell Provider, CEFC China, was founded in 2002 by Mr. Ye Jianming. As at 20 August 2016, CEFC China had a registered capital of RMB 10.5 billion and held 52.4 per cent. of the equity interest in the Guarantor. CEFC China's registered office is at Room A, 17th Floor, 818 Dongfeng Road, China (Shanghai) Pilot Free Trade Zone, Shanghai, China.

CEFC China is one of the Fortune 500 companies and has continually been recognised as one of the World's 500 Most Influential Brands and has received numerous awards including "China's Most Influential Company" and "China's Top Ten Most Competitive Company". CEFC China has been a Fortune 500 Company for three consecutive years and was ranked 229th on 2016 Fortune 500 Company List according to Fortune Magazine, 330th on 2015 Top 500 World Brands in the World Brand Summit and 72th on 2015 Top 500 Asia Brands in the Asia Brand Ceremony. CEFC China was awarded 2015 China's Most Influential Company and 2015 China's Most Influential Private Companies in Chinese Enterprises Top 10 News Announcement Ceremony and Chinese Private Enterprises Economics Forum. It was also awarded China's Top 10 Chartable Companies consecutively from 2012 to 2016 according to China Charity Ranking and ranked seventh on 2016 Top 500 Chinese Private Companies according to All-China Federation of Industry and Commerce.

CEFC China's diversified business structure is divided into three segments including crude oil and natural gas trading, finance and industrial processing business. With approximately 30,000 employees, CEFC China currently holds two group companies, 13 level one subsidiaries (including an A-share listed company) and invests in several overseas companies. CEFC China recorded a revenue of RMB 263.1 billion for the year ended 31 December 2015.

Business

CEFC China focuses on crude oil and natural gas trading, finance and industrial processing business. In 2015, the operating revenue from the crude oil and natural gas trading, finance and industrial processing business accounted for approximately 60 per cent., 25 per cent. and 15 per cent. of its total revenue, respectively.

Crude oil and natural gas trading

CEFC China has a professional trading team experienced in the international trading of crude oil, oil products, natural gas, and petrochemical products. The trading team is also skillful at organising and implementing the trading related oil processing, construction, operations and management of the processing and storage facilities, logistics terminals, sales networks, commercial oil storage bases and crude oil terminals. CEFC China has strengthened its deployment of overseas oil and natural gas trading and related industries in recent years and completed a series of overseas mergers and acquisitions. CEFC China has acquired over a thousand gas stations and their supporting oil depots in countries including France and Spain, as part of its layout of oil and gas terminals in Europe.

Finance

CEFC China owns various securities, trusts, futures, banking, insurance and financial asset exchange platforms. CEFC China has set up financial services companies in finance, funds and financial leasing business and has built platforms for securities assets management, direct investment and futures asset management. CEFC China has been actively cooperating with banks, insurance companies and sovereign wealth funds to establish funds with various focus and channels for diversified and stable capital sources and seeks to promote its corporate strategy to securitize its assets through financial innovation. At the same time, by utilising big data resources and online financial tools, CEFC China integrates its resources in the energy industry with diversified financial services to further enhance its profitability and optimise its resource allocation.

Industrial processing business

CEFC China also engages in industrial processing business. CEFC China has built up professional and experienced teams in this field and has formed collaboration with domestic or overseas leading enterprises and institutions, bringing in advanced technologies and managerial expertise and expanding its market abroad.

DESCRIPTION OF THE GROUP

Overview

The Group is a leading chemical and oil products trading company in China. The Group primarily engages in the trading of oil products, mainly including fuel oil and crude oil, and trading of chemical raw materials, mainly including the PX and aromatic hydrocarbon. In addition, the Group is in the process of building up its "energy plus financing" platform through acquiring or establishing subsidiaries engaging in the banking, securities, futures and other financial business or services.

The Guarantor was ranked first among the privately owned companies among "Shanghai Top 100 Enterprises" jointly issued by Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association and Shanghai Federation of Economic Organizations in 2014 and 2015.

As the flagship platform of CEFC China, the Group benefits from the strong support from, the Keepwell Provider, CEFC China. See "Description of the Keepwell Provider" for more details of CEFC China.

The Group primarily engages in: (1) trading of oil products; (2) trading of chemical raw materials; (3) other business and other miscellaneous business:

- *Oil products trading business.* After years of experience in chemical raw materials trading business, the Group has been focusing on the development of its oil products trading business in recent years. Since 2013, the oil products trading business has gradually become the Group's largest business segment. The Group primarily conducts trading business in straight run fuel oil (直餾燃料油) and crude oil. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue from the Group's oil products trading business was RMB49,082.5 million, RMB72,552.1 million, RMB183,307.1 million, RMB73,330.3 million and RMB85,863.6 million, respectively, representing 47.8 per cent., 42.3 per cent., 88.8 per cent., 90.7 per cent. and 90.4 per cent., respectively, of the Group's operating revenue for the same periods.

- *Chemical raw materials trading business*. The Group primarily engages in trading of PX and aromatic hydrocarbon, such as styrene, glycol and mixed xylene, in its chemical raw materials trading business. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue from the Group's chemical raw materials trading business was RMB42,340.0 million, RMB93,170.9 million, RMB19,983.7 million, RMB5,593.3 million and RMB5,834.0 million, respectively, representing 41.2 per cent., 54.4 per cent., 9.7 per cent., 6.9 per cent. and 6.1 per cent., respectively, of the Group's operating revenue for the same periods.

- *Other business and other miscellaneous business*. The Group also engages in other businesses, including the production and sales of pesticides, the trading of fertilizers, metals, coals, seeds, natural gas, mechanical equipment and electronic appliances. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue from the Group's other business was RMB11,173.1 million, RMB5,455.2 million, RMB2,866.4 million, RMB1,804.4 million and RMB3,128.0 million, respectively, representing, 10.9 per cent., 3.2 per cent., 1.4 per cent., 2.2 per cent. and 3.3 per cent., respectively, of the Group's operating revenue during these periods. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's other miscellaneous business were RMB64.0 million, RMB155.9 million, RMB206.5 million, RMB76.9 million and RMB205.2million, respectively, representing 0.1 per cent., 0.1 per cent., 0.1 per cent., 0.1 per cent. and 0.2 per cent., respectively, of the Group's operating revenue for the same periods.

As at 30 June 2016, the Group's total assets were RMB108,868 million. For the three years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue of the Group was RMB102,659.6 million, RMB171,334.0 million, RMB206,363.6 million, RMB80,804.9 million and RMB95,030.8 million, respectively.

Competitive Strengths

The Guarantor believes its continuous business success is largely attributable to the following key competitive strengths:

Global Layout in the Energy Industry and Economies of Scale

The Group focuses on both domestic and overseas markets in the energy industry with a global layout of high quality resources. The Group strategically cooperates with KazMunaiGas ("**KMG**"), the State Oil Company of Azerbaijian Republic (SOCAR), Repsol S.A., ADNOC, Statoil ASA, Sonangol EP, Vitol Group, BP and other multinational and sovereign oil companies. Through the strategic cooperative relationship with upstream suppliers, the Group has established a good credit foundation to secure its source of products, including chemical raw materials, fuel oil and crude oil at a preferential price. The Group is building up its oil reserve base in Hainan Yangpu for the storage and transit shipment of crude oil, fuel oil, light oil and other oil products to provide energy supply for domestic, Southeast Asian and South Asian markets. Phase one of CEFC Hainan Yangpu Oil Reservation project with a total capacity of 2.8 million cubic metres has already commenced operation. The Group is also working with KMG and ADNOC to form regional strategic reserve alliance among Europe, Middle East and Hainan and launch RMB/US Dollar dual-currency settlement of crude oil trading.

The Group has carried out all-round, diversified and full industrial chain layout ranging form upstream resources, midstream storage and transportation, and downstream terminals, in order to enhance the clients's loyalty and improve its risk resisting ability, and has expanded its voice and influence in the international energy industry.

- *Upstream oil and gas rights acquisition:* the Group has established healthy credit profile among its upstream clients to ensure the source of products, including chemical new materials, fuel oil and crude oil, at favorable price. The Group contracted over 10 years of crude oil options for 60 million tons per year. The Group established a long-term strategic partnership with KMG (Kazakhstan national petroleum company). In addition, the Group signed a cooperation agreement with KMG to acquire 51 per cent. equity interest in a subsidiary of KMG, namely KazMunaiGas International ("**KMGI**"). Also, the Guarantor signed a strategic agreement with ADS Holding L.L.C. to acquire stable long-term oil and gas rights in the Middle East region. The Group also participates in Abu Dhabi's upstream oil and gas project development. Furthermore, the Group signed a cooperation agreement with CPC Corporation, Taiwan to acquire 35 per cent. of the equity interests in three oil and gas blocks in Chad in December 2015. In relation to natural gas, the Guarantor has invested in China Natural Gas Company Ltd. (華油天然氣股份有限公司) through its subsidiary Anhui Huaxin International Holdings Co., Ltd. (安徽華信國際控股股份有限公司) and acquired Dostyk Gas Terminal LLP ("**DGT**"). The Group aims to expand the acquisition and exploitation of oil and gas resources in the upper stream of the industry chain, and gradually involve in overseas natural gas upstream resource extraction and development. Stable supply, a developed dynamic inventory reserves and a variety of service system help the Group to upstream reduce procurement costs with improved access to upstream resource.

- *Midstream storage and transportation:* The Group possesses a developed dynamic inventory system and a diversified service system. Aligning with the national strategy, the Group is building up its oil reserve base with a total capacity of 12 million cubic meters in Hainan Yangpu for the storage and transit shipment of crude oil, fuel oil, light oil and other oil products to provide energy supply for domestic, Southeast Asian and South Asian markets. Phase one of CEFC Hainan Yangpu oil reserve base project with a total capacity of 2.8 million cubic metres has already commenced operation, 1.5 million cubic metres of which has been rented by Sinochem as one of its national bases. The Group is also collaborating with KMG and ADNOC to form a regional strategic reserve alliance among Europe, Middle East and Hainan and launch RMB/US Dollar dual-currency settlement of crude oil trading. In addition, the Group, together with Statoil ASA and Repsol S.A., use Hainan Yangpu oil reserve base for commercial reserves of oil products to create higher profits by combining online and offline trading platform, locking prices or through futures hedging. In addition, the Group is constructing large oil reserve bases and other ancillary logistics facilities in Shandong, Zhuhai and Jiangsu Jingjiang. In relation to logistics, the Group established joint ventures with the China Railway Corporation to carry out the railway transportation and distribution of lubricating oil and open up dangerous goods, lubricating oil and natural gas storage and transportation operations to Central Asia. In the meantime, the Group has invested in Shaoguan State Reserve Petrochemical Co., Ltd. (韶關國儲石化有限公司) to carry out its refined oil wholesale, retail and warehousing business.

- *Downstream terminals:* The Group has established long-term relationships with large refineries, chemical factories and energy companies under Sinopec, PetroChina, CNPC, CNOOC, Sinochem and etc. and has a stable client base. The Group untilises the international energy platform KMGI and DGI to control the network of sales in overseas market.

Prudent Counterparty Risk Management

Under the "sales-oriented procurement" business model, the Group is able to lock in its profit and achieve low operational risk and a stable profit margin. In addition, the Group is able to increase its pricing power via trading on the Yangpu Energy Exchange and to avoid fluctuation risk of crude oil prices through setting up the hedging and arbitrage mechanism of oil products.

The Group has mature and stringent internal management and quality control systems. The Group has manufacturing management, risk management, contract management, inventory management, project management systems to control risks arising from procurement to sale. The Group has established sound contract and legal affairs management system, which ensures the compliance of relevant laws and regulations and minimises the counterparty risks and legal risks, and internal procedures that are imposed upon the business activities it involved. For the quality control, the Group implements strict product acceptance procedure and inventory management system and follows "zero inventory" principle. The Group has maintained product quality control with no major quality incidents or adverse events in recent years.

Synergy between Energy and Financial Services

The Group's business activities are capital intensive and therefore financial support is critical to its investment in its energy business. The Group has begun to establish a full-licensed financial platform that complements its energy business. The Group acquired Fortune CLSA (財富里昂證券有限責任公司), which is now named CEFC Shanghai Securities Co., Ltd. (上海華信證券有限責任公司) and established a direct securities investment platform. The Group participated in the establishment of Bank of Hainan Co., Ltd (海南銀行股份有限公司) and became its second largest shareholder. The Group also acquired 65 per cent. of equity interest of Wanda Futures, Co., Ltd. (萬達期貨公司), which is now named CEFC Wanda Futures Co., Ltd. (華信萬達期貨股份有限公司). The Group holds interest in other financial services companies including a finance company, an insurance company, and played an active role in the formation of a privately-owned bank and a fund. The Guarantor entered into the equity acquisition framework agreement with J&T Finance Group SE to increase its shareholdings to 50 per percent in J&T Finance Group SE of the Czech Republic, as the first step in its overseas expansion in financial services business. The Group actively promotes collective cooperation of its subsidiaries with different financial licences to provide comprehensive, multi-level and integrated financial services to its key trading business, in order to achieve the Group's operational development, international investments and assets securitization. Through the acquisition of J&T Finance Group SE, the Group has access to low-cost funding, which brings powerful support for the implementation of the Group's energy strategies and also facilities the acquisition of upstream oil and gas rights and development in other industries. The

Group also conducts derivative products trading activities, hedging and arbitraging activities to hedge risks and lock profits. The Group also provides business chain participants with factoring, asset management and financing services to develop liquidity management, accelerate cash flow from the trading business and promote overall business development. The Group also provides financial consulting, investment advisory, underwriting and sponsorship services to align the capital funding and projects development in domestic and foreign markets, and facilitate the development of the investment segment of the Group.

Extensive Financing Channels

The Group makes full use of its existing resources in a fast-changing financing environment and obtains funds through various financing channels. In the meantime, the Group actively innovates and develops its own financial service capabilities. The Group has established close and extensive cooperative relationships with several well-known domestic commercial banks, trust companies and other financial institutions, which lays a solid foundation for the Group to obtain low-cost funds. The Group has diversified financing channels, including bank loans, domestic bonds issuance and etc. Leveraging on its strong credit profile, the Group maintains a good relationship with many commercial banks in the PRC. As at 30 June 2016, the Group has obtained total bank credit of RMB44.26 billion from 12 commercial banks, of which RMB7.66 billion were unused. In addition, the Group issues corporate bonds, short-term commercial papers and medium-term notes to obtain working capital. For the three years ended 31 December 2015 and six months ended 30 June 2016, the Group accessed the domestic capital market by issuing various domestic bonds, including two short-term commercial papers offerings, two super-short-term commercial papers offerings, one medium-term notes offering and one corporate bonds offering with total principal amount of RMB13 billion. In September 2016, the Guarantor issued corporate bonds with total issuance size of RMB6 billion. In August 2016, China Cheng Xin International Credit Rating upgraded the Guarantor's credit ratings to AAA.

The Group also uses its own financial services platform to enhance capital utilisation efficiency, control financial risk and achieve full-licensed financial service. The Group has established securities and investment platform by acquiring Fortune CLSA Securities Limited, established Shanghai Huaxin Finance Company, acquired futures and factoring companies, and participated in the establishment of life insurance companies, banks and funds. The Group aims to establish other low-cost diversified financing channels to guarantee liquidity and to support the Group's business development and expansion, including bonds issuance in the international capital market.

Strong Shareholder Background

CEFC China was founded in 2002 by Mr. Ye Jianming. As of 20 August 2016, CEFC China had a registered capital of RMB 10.5 billion and held 52.4 per cent. of the equity interest in the Guarantor. With approximately 30,000 employees, CEFC China currently holds two group companies, 13 level one subsidiaries (including an A-share listed company) and invests in several overseas companies. CEFC China recorded a revenue of RMB 263.1 billion for the year ended 31 December 2015. CEFC China is one of the Fortune 500 companies and has continually been recognised as one of the World's 500 Most Influential Brands and has received numerous awards including "China's Most Influential Company" and "China's Top Ten Most Competitive Company". CEFC China has been a Fortune 500 Company for three consecutive years and was ranked 229th on 2016 Fortune 500 Company List according to Fortune Magazine. In addition, CEFC China founded the China Energy Fund Committee with the support of State Council of the PRC, United Nations and Hong Kong government. The China Energy Fund Committee is a non-governmental think tank that promotes energy cooperation, with offices in the US, Canada, Israel, Australia, and United Arab Emirates.

CEFC China's strategy focuses on the promotion of global cooperation in energy industry, driving energy operations from energy investment and establishing an energy financing platform.

As the flagship platform of CEFC China, the Group benefits from CEFC China's strategical support and extensive resources.

Stable Management and Prudent Corporate Governance

The Group's core value and foundation lie within its people. It has established professional and experienced teams in international trading, licensed financing, oil and gas upstream and downstream business development, international investment, logistics, strategic planning and budget control, strategic consulting, politics consulting, risk control, legal matters, human resources, etc. With respect to energy trading business, the Group has established a professional and experienced trading team, attracted professionals from multinational energy companies including Sinpoec, PetroChina and BP and integrated a number of external teams to strengthen and ignite team synergy to enhance efficiency. After the acquisition of KMGI is completed, 7,000 experienced professionals are expected to join the Group's energy business.

The Group has a well-established internal management system. The Group hired Roland Berger to assist in the establishment of management and control systems and collaborated with academic experts to optimize its operations mechanism. The Group established a management system combining centralised control by the head office and flexible delegation of authority and decision-making power to relevant departments.

Business Strategies

The Group aims to establish a global energy financing platform and expand its energy trading business operations.

Build an Energy Trading, Reserve and Exchange Platform

The Group aims to establish a comprehensive industry chain in energy trading. Energy trading is the Group's core business and focus in its future development. Using KMGI as its strategic foundation, the Group aims to build up a sales terminal system in Europe. The Group's energy reserves and logistics and financial services business will be driven by acquisition of upstream oil and gas rights. The Group will continue expanding of its oversea energy layout, especially focusing on the acquisition of upstream oil and gas resources by taking advantage of current favourable international old price. The Group aims to complete its overall business structure within next three years, to maintain a stable growth in the trading business, to establish a comprehensive domestic and overseas energy reserve layout and to set up and utilise the trading service platforms.

Focus on Development of Logistics Infrastructures & Strengthen Energy Reserve Capability

Aligning with the national strategy, the Group is building up its oil reserve base with a total capacity of 12 million cubic meters in Hainan Yangpu for the storage and transit shipment of crude oil, fuel oil, light oil and other oil products to provide energy supply for domestic, Southeast Asian and South Asian markets. Phase one of the Group's Hainan Yangpu oil reserve base project with a total capacity of 2.8 million cubic metres has already commenced operation and Yangpu Energy Exchange established by the Group has also commenced operations.

Develop Mixed Ownership Economy and Enhance Control of Supply Chain

By seizing opportunities from favourable national policy encouraging private capital into traditionally state-owned-enterprise dominated industries, the Group cooperates with the state-owned enterprises to build up large scale oil reserve base, construct a diversified energy storage and transportation system that utilises land and ocean routes with lower transportation costs and enhance profitability in logistics. In the meantime, the Group aims to improve its supply chain management and enhance its control over industrial chain through equity investments.

Achieve Full-licensed Financial Service

The development of energy industry is inseparable from the service and support of the financial system. The Group plans to implement a full-licensed financial service system combined with its industrial system and business system to support the long-term development of the Group's energy related business and serve the Group's overall strategy. The continuous development and improvement of the Group's financial services system and financial service capability brings powerful support for the implementation of the Group's energy strategies and also facilities the acquisition of upstream oil and gas rights and development in other industries. In addition, through its acquisition of a securities company, the Group aims to establish financial service platforms of securities, bank, asset management, futures and factoring and explore cross selling opportunities in diversified finance businesses.

Become a leading international conglomerate

By integrating its investments in financial industry and energy industry, the Group's energy business and financial service business could have a synergistic effect with each other and promote the overall profits of the Group. The Group aims to transform spot trading into financial asset trading and further enhance profitability by the securitisation of assets. In the meantime, a comprehensive financial services platform enables the Group to further enhance profitability and optimize resource allocation. Also, the Group implements its industry layout around oil and gas field and aims to become a leading international energy conglomerate by obtaining domestic and overseas resources, cooperating with state-owned enterprises, implementing asset securitisation and increasing the control and influence over the business chain.

The Group has established a secondary headquarter in the Czech Republic in order to launch its international financing platform to facilitate acquisition of overseas assets. With such investments, the Group aims to drive investments, promote development, support cooperation with state-owned enterprises, facilitate market interaction between international and domestic markets and implement assets securitisation.

HISTORY AND DEVELOPMENT

On 22 February 2003, Shanghai Huanli Chemical Technology Co., Ltd. (上海環利化學科技有限公司), the predecessor of the Guarantor, was established with an initial registered capital of RMB500,000. As the date of this Offering Circular, the Guarantor's registered capital is RMB10,400 million.

Set forth below are certain key events occurred and milestones of the Group:

2003	On 22 February 2003, Shanghai Huanli Chemical Technology Co., Ltd. (上海環利化學科技有限公司), the predecessor of the Guarantor, was established with an initial registered capital of RMB500,000.
2004	On 28 April 2004, Shanghai Huanli Chemical Technology Co., Ltd. changed its name to Shanghai Gaoduan Chemical Technology Co., Ltd. (上海高端化學科技有限公司).
2008	On 16 December 2008, Shanghai Gaoduan Chemical Technology Co., Ltd. changed its name to Shanghai Hangyu Logistics Co., Ltd. (上海航昱物資有限公司).
2009	In February 2009, the registered and paid-up capital of Shanghai Hangyu Logistics Co., Ltd. was increased to RMB10.5 million.
	In April 2009, the registered and paid-up capital of Shanghai Hangyu Logistics Co., Ltd. was further increased to RMB100.5 million.
2010	On 28 January 2010, Shanghai Hangyu Logistics Co., Ltd. changed its name to Shanghai Huaxin Petroleum Group Co., Ltd. (上海華信石油集團有限公司).
2011	In October 2011, the registered and paid-up capital of Shanghai Huaxin Petroleum Group Co., Ltd. was increased to RMB846 million through the capital injection from Shanghai CEFC Energy Holding Co., Ltd. (上海市華信能源控股有限公司), which was the sole shareholder of Shanghai Huaxin Petroleum Group Co., Ltd.

2012	In August 2012, the registered and paid-up capital of Shanghai Huaxin Petroleum Group Co., Ltd. was further increased to RMB1,346 million. In September 2012, the registered and paid-up capital of Shanghai Huaxin Petroleum Group Co., Ltd. was further increased to RMB1,906 million.
2013	In April 2013, the registered and paid-up capital of Shanghai Huaxin Petroleum Group Co., Ltd. was increased to RMB2,356 million. In April 2013, the registered and paid-up capital of Shanghai Huaxin Petroleum Group Co., Ltd. was further increased to RMB3,000 million. In May 2013, Shanghai Huaxin Petroleum Group Co., Ltd. acquired 60.78 per cent. of the equity interest in Anhui Huaxing Chemical Industry Co., Ltd. (安徽華星化工股份有限公司). In July 2013, the registered and paid-up capital of Shanghai Huaxin Petroleum Group Co., Ltd. was further increased to RMB3,470 million through the capital injection from the Company, which became the second largest shareholder of Shanghai Huaxin Petroleum Group Co., Ltd. after the capital injection. In October 2013, the registered and paid-up capital of Shanghai Huaxin Petroleum Group Co., Ltd. was further increased to RMB4,500 million. In November 2013, the registered and paid-up capital of Shanghai Huaxin Petroleum Group Co., Ltd. was further increased to RMB7,500 million through the capital injection from Zhong'an Lianhe Energy Company Limited (中安聯合能源有限公司). Shanghai Huaxin Petroleum Group Co., Ltd. (上海華信石油集團有限公司) ranked 26th in the comprehensive ranking and ranked second among the privately-owned companies in the 2013 Shanghai "Top 100" companies jointly issued by Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association and Shanghai Federation of Economic Organizations. Shanghai Huaxin Petroleum Group Co., Ltd. (上海華信石油集團有限公司) ranked 337th in "Top 100 China Enterprises" jointly issued by China Enterprise Confederation and China Enterprise Directors Association.
2014	Shanghai Huaxin Petroleum Group Co., Ltd. (上海華信石油集團有限公司) ranked 13th in the comprehensive ranking and ranked first among the privately-owned companies in the 2014 Shanghai "Dual Top 100" companies jointly issued by Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association and Shanghai Federation of Economic Organizations. On 22 August 2014, Shanghai Huaxin Petroleum Group Co., Ltd. (上海華信石油集團有限公司) acquired Fortune CLSA (財富里昂證券有限責任公司) and changed its name to CEFC Shanghai Securities Co., Ltd. (上海華信證券有限責任公司), which was the only securities company in mainland China with sole shareholder.
2015	On 5 February 2015, Shanghai Huaxin Petroleum Group Co., Ltd. (上海華信石油集團有限公司) changed its name to CEFC Shanghai International Group Limited (上海華信國際集團有限公司). On 8 May 2015, the registered capital of the Guarantor was increased from RMB7,500 million to RMB10,000 million by the capital injection from the Company, which became the largest shareholder of the Guarantor after the capital injection. On 22 July 2015, the Group acquired 65 per cent. of the equity interest in Wanda Futures Co., Ltd. (萬達期貨股份有限公司) and changed its name to CEFC Wanda Futures Co., Ltd. (華信萬達期貨股份有限公司). The Guarantor ranked seventh in the comprehensive ranking and ranked first among the privately-owned companies in the 2015 Shanghai "Top 100" companies jointly issued by Shanghai Enterprise Confederation, Shanghai Entrepreneurs Association and Shanghai Federation of Economic Organizations.

The Guarantor participated the incorporation of Bank of Hainan Co., Ltd. (海南銀行股份有限公司) as the second largest shareholder of Bank of Hainan Co., Ltd. (海南銀行股份有限公司).

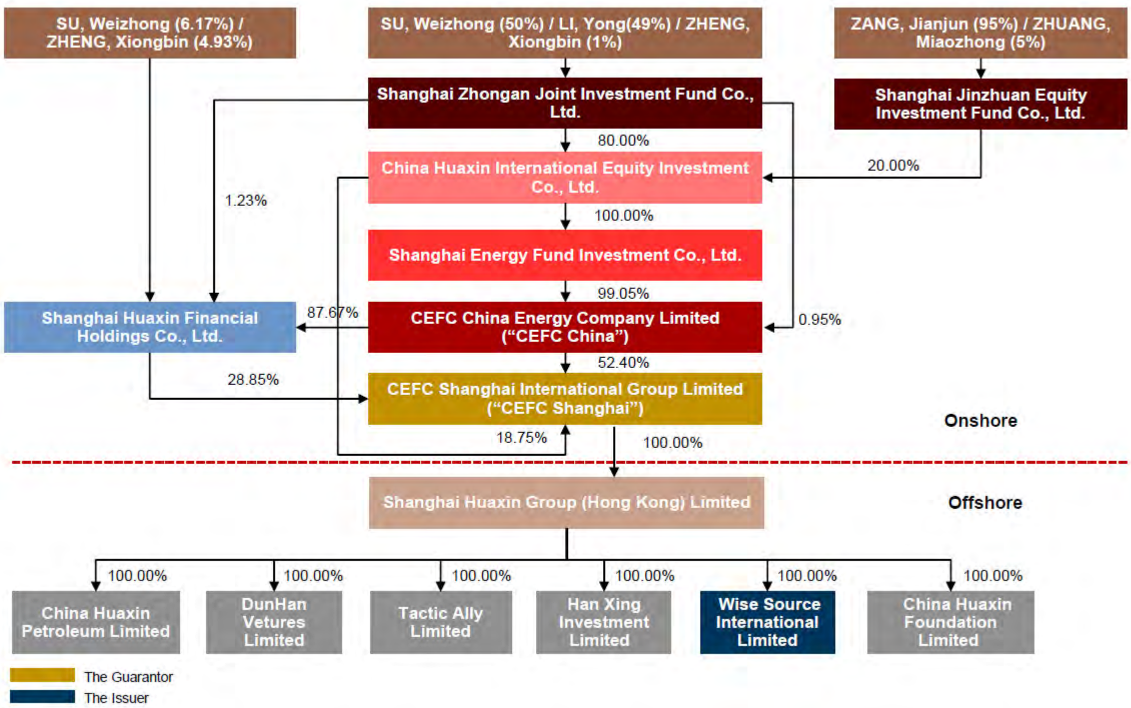
2016 . . . . In June 2016, the registered capital of the Guarantor was increased from RMB 10,000 million to RMB 10,400 million through the capital injection by the Company. After the capital injection, the Company, Shanghai Huaxin Financial Holdings Co., Ltd. (上海市華信金融控股有限公司) and China Huaxin International Equity Investment Co., Ltd. (中國華信國際股權投資有限公司) hold 52.4 per cent., 28.85 per cent. and 18.75 per cent. of the Guarantor's equity interest respectively.

On 20 June 2016, Rizhao Port Fuhua International Port Management Co., Ltd. (日照港富華國際碼頭管理有限公司) was incorporated by the Guarantor, Rizhao Port Group Company Limited (日照港集團有限公司) and Tidfore Heavy Equipment Group Co., Ltd. (泰富重裝集團有限公司). The Guarantor holds 25 per cent. of the equity interest in Rizhao Port Fuhua International Port Management Co., Ltd. (日照港富華國際碼頭管理有限公司).

On 2 July 2016, phase one of CEFC Hainan Yangpu Oil Reservation project officially commenced operation.

CORPORATE STRUCTURE

The following chart presents a simplified structure of the Group and the shareholding of the Guarantor as at 20 August 2016:



DESCRIPTION OF THE GROUP'S BUSINESSES

Overview

The Group is a leading chemical and oil products trading company in China. The Group primarily engages in the trading of oil products, mainly including fuel oil and crude oil, and trading of chemical raw materials, mainly including the PX and aromatic hydrocarbon. In addition, the Group is the process of setting up its "energy plus financing" platform through the bank, securities company, futures company and financial company in which it has a controlling ownership stake or investment. The following table sets forth a breakdown of the operating revenue by each business segment of the Group in absolute amount and as a percentage of the Group's operating revenue for the periods indicated:

	Year ended 31 December						Six months ended			
	2013		2014		2015		2015		2016	
	Amount (RMB in millions)	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*
Business segment										
Trading of oil products	49,082.5	47.8	72,552.1	42.3	183,307.1	88.8	73,330.3	90.7	85,863.6	90.4
Trading of chemical raw materials	42,340.0	41.2	93,170.9	54.4	19,983.7	9.7	5,593.3	6.9	5,834.0	6.1
Other business[1]	11,173.1	10.9	5,455.2	3.2	2,866.4	1.4	1,804.4	2.2	3,128.0	3.3
Other miscellaneous business[2]	64.0	0.1	155.9	0.1	206.5	0.1	76.9	0.1	205.2	0.2
Total	102,659.6	100.0	171,334.0	100.0	206,363.6	100.0	80,804.9	100.0	95,030.8	100.0

Notes:

(1) Including the Group's operating revenue generated from the production and sales of pesticides, the trading of fertilizer, metals, coal, seeds, natural gas, mechanical equipment, electronic appliances and other products.

(2) Including the Group's operating revenue generated from leasing business, sale of waste materials, factoring services, agency business, public utility fee collection business and others, including the interest income from factoring services.

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the Group's operating revenue was RMB102,659.6 million, RMB171,334.0 million, RMB206,363.6 million, RMB80,804.9 million and RMB95,030.8 million, respectively. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the Group's total gross operating profit was RMB1,529.3 million, RMB4,016.6 million, RMB4,277.0 million, RMB2,329.7 million and RMB2,510.2 million, respectively.

Trading Patterns

For the trading businesses, as of the date of this Offering Circular, the Group had three trading patterns, namely domestic procurement and sale, overseas procurement and domestic sale and entrepot trade.

Domestic procurement and sale

Under the domestic procurement and sale model, the procurement and sale activities all take place in China. At the procurement stage, the Group and the supplier enter into procurement contract and perform their respective delivery, inspection and acceptance obligations in accordance with the time and venue stipulated in the procurement contract. The Group confirms the inventory with reference to the procurement contract, documents evidencing the transfer of goods and invoices, and makes the payment for the procured goods at the time stipulated in the procurement contract. At the sale stage, the Group enters into sales contract with its customer and the parties deliver and accept the goods in accordance with the time and venue stipulated in the sales contract. The Group issues invoices for the sales of goods, confirms the operating income and recognises the corresponding costs, with reference to the sales contract and documents evidencing the transfer of goods, and collects the payment at the time stipulated in the sales contract.

Overseas procurement and domestic sale

Under the overseas procurement and domestic sale model, the costs of the imported goods is generally calculated on the cost, insurance and freight ("**CIF**") basis. For any goods imported under terms other than CIF, the related transportation fees and insurance cost shall be included in the cost of procurement. At the procurement stage, the Group signs procurement contract with the supplier and then carries out custom declaration and appoints freight forwarders to conduct custom clearance on behalf of the Group. After the goods have been cleared through customs, the Group settles with freight forwarders on the basis of the customs declaration form, import tariff receipt and port fee invoice. The Group confirms the inventory with reference to the procurement contract, invoices of the custom duties and VAT and documents evidencing the transfer of goods, and makes the payment at the time stipulated in the procurement contract. The procedures at the sales stage under the overseas procurement and domestic sale model are the same as those under the domestic procurement and sale model.

Entrepot trade

Entrepot trade occurs when trade between product producing countries and product consuming countries cannot be conducted directly for some reason. As a result, the trade needs to be carried out through a third country. The trader in the third country not only plays a role as an intermediary, but also becomes the owner of the goods and makes profits from such trade. Normally, the goods are shipped directly from the product producing country to the product consuming country, without physically passing through the third country.

The Group contracts separately with the supplier and the customer. The Group issues invoices to the customer and recognises the operating income and the corresponding operating costs, with reference to the procurement contract, invoice from the supplier, bill of lading and sales contract. The Group makes and collects payments in accordance with the terms in the procurement contract and sales contract.

Trading of Oil Products

Overview

After years of experience in chemical raw materials trading business, the Group has been focusing on the development of its oil products trading business in recent years. Since 2013, the oil products trading business has gradually became the Group's biggest business segment. The Group primarily conducts trading business on straight run fuel oil (直餾燃料油) and crude oil. The Group also conducts trading business on food oil, which only accounts for a small portion of Group's oil product trading business.

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue from the Group's oil products trading business was RMB49,082.5 million, RMB72,552.1 million, RMB183,307.1 million, RMB73,330.3 million and RMB85,863.6 million, respectively, representing 47.8 per cent., 42.3 per cent., 88.8 per cent., 90.7 per cent. and 90.4 per cent., respectively, of the Group's operating revenue for the same periods. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, gross profit generated from the Group's oil products trading business was RMB1,032.0 million, RMB1,595.6 million, RMB4,945.6 million, RMB2,110.0 million and RMB2,622.6 million, respectively, representing 2.1 per cent., 2.2 per cent., 2.7 per cent., 2.9 per cent. and 3.1 per cent., respectively, of the Group's total gross operating profit for the same periods. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the gross profit margin of the Group's oil products trading business was 2.10 per cent., 2.20 per cent., 2.70 per cent., 2.88 per cent. and 3.05 per cent., respectively.

The following table sets forth a breakdown of the operating revenue from the Group's oil product trading business for the periods indicated:

	Year ended 31 December						Six months ended			
	2013		2014		2015		2015		2016	
	Amount (RMB in millions)	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*
Trading of fuel oil	46,851.0	95.5	59,057.4	81.4	102,819.6	56.1	37,313.1	50.9	47,300.1	55.1
Trading of crude oil	2,231.5	4.5	13,494.7	18.6	48,556.4	26.5	21,381.1	29.1	24,449.5	28.5
Trading of product oil	–	–	–	–	31,852.7	17.4	14,636.2	20.0	13,783.7	16.1
Trading of food oil	–	–	–	–	78.4	0.0	–	–	280.3	0.3
Total	49,082.5	100.0	72,552.1	100.0	183,307.1	100.0	73,330.3	100.0	85,863.6	100.0

Business Model

For the oil product trading business, the Group adopts the same "sales-oriented procurement" business model, settlement methods and payment methods or terms as those in its chemical raw materials trading business.

Procurement and Sale

Since 2013, the oil product trading business has gradually become the Group's largest business segment. In 2014, the trade volume of oil products excessed the trade volume of PX and aromatic hydrocarbon and accounted for 42.38 per cent. of the Group's total trading volume in that year. In 2015, the trade volume of oil product further increased dramatically.

The following table sets forth the particulars of the procurement of oil products of the Group for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
Procurement Amounts (RMB million)	48,053.7	70,956.4	178,361.5	71,220.4	82,971.2
Procurement Volume (tons)	10,888,260.07	16,529,722.90	70,389,287.78	23,369,905.2	39,625,542.4
Average Procurement Price (RMB thousand/ton)	4.4	4.3	2.5	3.0	2.1

The following table sets forth the particulars of the sale of oil products of the Group for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
Sales Amounts (RMB million)	49,082.5	72,552.1	183,307.1	73,330.3	85,863.6
Sales Volume (tons)	10,885,199.37	16,577,956.19	70,389,287.78	23,424,840.8	39,625,531.6
Average Sales Price (RMB thousand/ton)	4.5	4.4	2.6	3.1	2.2

Major Customers and Suppliers

The Group has maintained strong business relationship with its main oil product suppliers, including national oil companies and well-known international companies such as KMG, the State Oil Company of Azerbaijian Republic (SOCAR) and Mercuria Energy Trading Pte. Ltd. The Group has also established strategic cooperation partnership with KMG, British Petroleum and Toyota.

In 2015, the top five suppliers of the Group's oil products were Sugih Energy International Pte. Ltd., TH KMG Singapore Pte. Ltd., China Ocean Fuel Oil (Hong Kong) Co., Ltd., Hong Kong International Alliance Investment Limited, and Mercuria Energy Trading Pte. Ltd and the Group's top five customers were Jizhong Energy Group International Logistics (HK) Co., Ltd., International Petrochemical Hong Kong Limited, Conic (Singapore) Pte. Ltd., Huainan Mining Industry International Ltd., and Dongying Jizhong Hengxin Petrochemical Co., Ltd. (東營冀中恆信石油化工有限公司).

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the Group's oil product procurement amount from its top five suppliers amounted to RMB25,095.0 million, RMB48,655.6 million, RMB80,105.7 million, RMB39,602.9 million and RMB34,612.8 million, accounting for 52.2 per cent., 68.6 per cent., 44.9 per cent., 55.6 per cent. and 41.7 per cent., respectively, for the total oil product procurement of the Group for the same periods.

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the Group's oil product sales amount to its top five customers amounted to RMB25,991.1 million, RMB41,372.0 million, RMB85,125.7 million, RMB62,706.7 million and RMB38,586.8 million, accounting for 53.0 per cent., 57.0 per cent., 46.4 per cent., 85.5 per cent. and 45.1 per cent., respectively, for the total oil product sales of the Group for the same periods.

Trading of Chemical Raw Materials

Overview

The Group primarily engaged in trading of PX and aromatic hydrocarbon, such as styrene, glycol and mixed xylene, in its chemical raw materials trading business.

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue from the Group's chemical raw materials trading business was RMB42,340.0 million, RMB93,170.9 million, RMB19,983.7 million, RMB5,593.3 million and RMB5,834.0 million, respectively, representing 41.2 per cent., 54.4 per cent., 9.7 per cent., 6.9 per cent. and 6.1 per cent., respectively, of the Group's operating revenue for the same periods. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the gross operating profit generated from the Group's chemical raw materials trading business was RMB575.0 million, RMB2,669.1 million, RMB418.6 million, RMB127.6 million and RMB143.8 million, respectively, representing 32.5 per cent., 58.2 per cent., 7.4 per cent., 5.4 per cent. and 4.8 per cent., respectively, of the Group's total gross operating profit for the same periods. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the gross profit margin of the Group's chemical raw materials trading business was 1.36 per cent., 2.86 per cent., 2.09 per cent., 2.28 per cent. and 2.46 per cent., respectively.

The following table sets forth a breakdown of the operating revenue from the Group's chemical raw materials trading business for the periods indicated:

	Year ended 31 December						Six months ended			
	2013		2014		2015		2015		2016	
	Amount (RMB in millions)	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*	*Amount (RMB in millions)*	*Percentage of total*
Trading of PX	24,069.0	56.9	56,496.2	60.6	10,089.2	50.5	3,665.3	65.5	3,261.7	55.9
Trading of aromatic hydrocarbon	16,975.1	40.1	31,374.2	33.7	8,349.1	41.8	1,651.3	29.5	393.5	6.7
Others[(1)]	1,295.8	3.1	5,300.5	5.7	1,545.3	7.7	276.7	5.0	2,178.8	37.4
Total	**42,340.0**	**100.0**	**93,170.9**	**100.0**	**19,983.7**	**100.0**	**5,593.3**	**100.0**	**5,834.0**	**100.0**

Note:

(1) Including the Group's operating revenue generated from trading of other chemical raw materials including bitumen.

Business Model

The Group primarily conducts its chemical raw materials trading business through its business management centre, which is responsible for the trade management, coordination and arrangement. The business management centre comprises the First Division and the Second Division. The First Division is responsible for the procurement of chemical raw materials, including price negotiation with upstream suppliers and completing the procurement process. The Second Division is responsible for the sales of chemical raw materials. The Group adopts a "sales-oriented procurement" business model, under which the Second Division communicates with the First Division in relation to the needs of downstream customers, the First Division conducts price inquiry with the suppliers and provides feedback to the Second Division, and the Second Division negotiates price with downstream customers based on the information provided by the First Division. Once the parties reach a consensus as to the price and the terms of trade, each division, in accordance with its respective function, carries out the business contracts execution and delivery process to secure the profits in advance. Chemical raw materials are generally transported from the location of the producer to the location of the user directly and therefore, the Group doesn't have much inventory in conducting this chemical raw materials trading business.

The Group's settlement method in this business sector includes letters of credit, wire transfers, bank acceptance bills and etc. For different products and different customers, the settlement method and settlement cycle varies.

In terms of payment, the Group normally make the payment by issuing 90-day or 180-day letter of credit to overseas supplier and by making direct payment to domestic supplier. The payment period varies from zero to 180 days and the payment method includes telegraphic transfers, bank acceptance bills and commercial acceptance bills. In relation to payment collection, downstream customers generally make the payment by telegraphic transfers with payment period ranging from zero to 180 days, bank acceptance bills with payment period of 180 days generally or letters of credit with payment period of 90 days generally.

Trading of PX

PX is an important organic synthetic chemical raw material, which plays an important role in the production of synthetic fibre. PX is mainly used to manufacture Pure Terephthalic Acid ("**PTA**"), with 80 per cent. to 90 per cent. of the global PX output being used in PTA manufacturing. China is largest PX consuming country in the world and the demand for PX in China is continuously increasing as a result of the increasing production volume of PTA in China, whereas the domestic supply of PX is limited and cannot meet the demand. As a result, the PX supply in China is highly dependent on imports.

The Group continues to develop new upstream suppliers and expand its upstream supplier base and has established a good credit among its upstream suppliers in order to secure the supply of PX at preferential price. For the sales side, the Group has established long-term business relationships with large state-owned enterprises and has built up strong and stable relationships with its downstream customers.

Procurement

The following table sets forth the particulars of the procurement of PX of the Group for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016:

	Year ended 31 December			**Six months ended 30 June**	
	2013	**2014**	**2015**	**2015**	**2016**
Procurement Amounts (RMB million)	23,743.4	54,656.5	9,870.2	3,573.3	3,189.5
Procurement Volume (tons)	2,323,080.27	6,184,777.24	1,699,544.19	509,199.5	594,065.9
Average Procurement Price (RMB thousand/ton)	10.2	8.8	5.8	7.0	5.4

Sales

As a result of the Group's "sales-oriented procurement" business model, the Group is able to maintain its profitability in PX trading business during the price fluctuations in the PX importation.

The following table sets forth the particulars of the sales of PX of the Group for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016:

	Year ended 31 December			Six months ended 30 June	
	2013	2014	2015	2015	2016
Sales Amounts (RMB million).	24,069.0	56,496.2	10,089.2	3,665.3	3,261.7
Sales Volume (tons)	2,315,499.05	6,179,777.29	1,642,914.84	533,295.9	594,065.9
Average Sales Price (RMB thousand/ton)	10.4	9.1	6.1	6.9	5.5

Major Customers and Suppliers

In 2015, the five major suppliers of the Group's PX trading business were Tianjin Petrochemical International Trade Co., Ltd. (天津國貿石化有限公司), Shanghai Dahua Nationalization Holdings Co., Ltd. (上海大華國化控股有限公司), New Silk Road International (County) Co., Ltd. (新絲路國際(和縣)有限公司), Marubeni Corporation and Fujian Funeng Electric Power Fuel Co., Ltd. (福建省福能電力燃料有限公司) and the Group's five major customers were Jiling (Xiamen) Petrochemical Co., Ltd. (集嶺(廈門)石化有限公司), Rizhao Port Import and Export Trade Co., Ltd. (日照港進出口貿易有限公司), Sinde Joint (Xiamen) Petrochemical Co., Ltd. (信得聯合(廈門)石油化工有限公司), Dongying Jizhong Hengxin Petrochemical Co., Ltd. (東營冀中恆信石油化工有限公司) and China Shipbuilding Industry Complete Equipment Logistics (Hong Kong) Co., Ltd. (中船工業成套物流有限公司).

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the Group's PX procurement amount from its top five suppliers amounted to RMB13,885.8 million RMB12,920.1 million, RMB5,302.1 million, RMB2,619.2 million and RMB2,101.0 million, accounting for 58.48 per cent., 30.22 per cent., 53.72 per cent., 73.26 per cent. and 65.87 per cent., respectively, for the total PX procurement of the Group for the same periods.

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the Group's PX sales amount to its top five customers amounted to RMB16,322.2 million, RMB18,232.2 million, RMB4,825.8 million, RMB2,348.2 million and RMB2,589.6 million, accounting for 67.81 per cent., 32.27 per cent., 47.83 per cent., 64.07 per cent. and 79.39 per cent., respectively, for the total PX sales of the Group for the same periods.

Trading of Aromatic Hydrocarbon

Aromatic Hydrocarbon is another chemical product that the Group's trading business focuses on. As aromatic compounds, aromatic hydrocarbon is widely used by oil refineries or petroleum companies as an important blending ingredient in manufacturing high-octane gasoline and is considered as an indispensable raw material in the gasoline blending industry. Aromatic hydrocarbon is commonly used in the production of 93#, 95# and 97# premium-grade gasoline by the oil refineries or petroleum companies in China, such as Sinopec. With the increasingly stringent environment protection standards and carbon emission standards in China, the demand for high-quality gasoline continues to increase, which in turn increases the demand for aromatic hydrocarbon, especially the imported aromatic hydrocarbon as it contains less sulfur, which is beneficial to the gasoline blending process in the manufacture of premium-grade gasoline.

Procurement

The following table sets forth the particulars of the procurement of aromatic hydrocarbon of the Group for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
Procurement Amounts (RMB million)	16,736.0	30,606.4	818.0	1,621.0	354.1
Procurement Volume (tons)	2,405,864.46	4,268,057.05	1,155,744.32	224,274.75	101,146.65
Average Procurement Price (RMB thousand/ton)	7.0	7.2	7.1	7.2	3.5

Sale

The following table sets forth the particulars of the sales of aromatic hydrocarbon of the Group for the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016:

	Year ended 31 December			Six months ended 30 June	
	2013	**2014**	**2015**	**2015**	**2016**
Sales Amounts (RMB million)	16,975.1	31,374.2	8,349.1	1,651.3	393.5
Sales Volume (tons)	2,405,800.05	4,279,013.02	1,155,744.32	224,274.75	101,146.65
Average Sales Price (RMB thousand/ton)	7.1	7.3	7.2	7.4	3.9

Major Customers and Suppliers

In 2015, the five major suppliers of the Group's aromatic hydrocarbon trading business were Yellow River Trade (Zhengzhou) Co., Ltd. (黃河國際貿易(鄭州)有限公司), New Silk Road International (County) Co., Ltd. (新絲路國際(和縣)有限公司), Zaozhuang Mining Group Material Supply Company (棗莊礦業集團物資供銷公司) and Fujian Funeng Electric Power Fuel Co., Ltd. (福建省福能電力燃料有限公司) and the Group's five major customers were Joint Trade (Dalian) Co., Ltd. (通商聯合(大連)有限公司), China Shipbuilding Industry Complete Equipment Logistics (Hong Kong) Co., Ltd. (中船工業成套物流有限公司), Dongying Jizhong Hengxin Petrochemical Co., Ltd. (東營冀中恆信石油化工有限公司), China Gas Hengfeng (Wuhan) Petrochemical Co., Ltd. (中煤恆豐(武漢)石化有限公司) and Qingdao Qinlu Hailian International Trade Co., Ltd. (青島秦魯海聯國際貿易有限責任公司).

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the Group's aromatic hydrocarbon procurement amount from its top five suppliers amounted to RMB8,632.7 million, RMB11,832.2 million, RMB3,608.5 million, RMB1,329.6 million and RMB349.7 million, accounting for 51.58 per cent., 38.66 per cent., 44.07 per cent., 82.02 per cent. and 98.77 per cent., respectively, for the total aromatic hydrocarbon procurement of the Group for the same periods.

For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the Group's aromatic hydrocarbon sales amount to its top five customers amounted to RMB10,804.7 million, RMB12,242.7 million, RMB4,322.2 million, RMB1,526.3 million and RMB377.7 million, accounting for 63.65 per cent., 39.02 per cent., 51.77 per cent., 92.43 per cent. and 96.00 per cent., respectively, for the total aromatic hydrocarbon sales of the Group for the same periods.

Other Business

The Group's other business includes the production and sales of pesticides, the trading of fertilizer, metals, coal, seeds, natural gas, mechanical equipment, electronic appliances and other products. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's other business was RMB11,173.1 million, RMB5,455.2 million, RMB2,866.4 million, RMB1,804.4 million and RMB3,128.0 million, respectively, representing 10.9 per cent., 3.2 per cent., 1.4 per cent., 2.2 per cent. and 3.3 per cent., respectively, of the Group's operating revenue for the same periods.

Production and sales of Pesticides

The Group engages in the pesticides production and sales business through Anhui Huaxing Chemical Industry Co., Ltd. (安徽華星化工有限公司). For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's pesticides production and sales business was RMB434.1 million, RMB911.5 million, RMB693.4 million, RMB487.2 million and RMB555.6 million, respectively. Anhui Huaxing Chemical Industry Co., Ltd. (安徽華星化工有限公司) produces pesticides and other chemical productions, including insecticides, herbicides, fungicides in three series and more than 40 original drug and more than 100 varieties of preparations. Anhui Huaxing Chemical Industry Co., Ltd. (安徽華星化工有限公司) is the world's major supplier of pesticides single, fine oxazole grass Ling, double the glyphosate and glyphosate. The sales volume of bisultap ranked first in China and the utilisation rate of agrochemical production capacity is more than 70 per cent.

Trading of Fertilizers

The Group engages in the fertilizers trading business through Anhui Niannianfu Modern Agicultrual Co., Ltd. (安徽年年富現代農業有限公司) ("**Niannianfu**"), a wholly owned subsidiary of Huaxin Oil (Guangdong) Co., Ltd. (華信石油(廣東)有限公司). Niannianfu is a professional support services company conducting in the R&D, production, sales and modern agricultural service of pesticides, seeds and fertilizers operating in chain-based. The sales network of Niannianfu covers the major agricultural production zones in Anhui province. Niannianfu is committed to the modern agricultural services and has established cooperation relationships with major market players. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's fertilizers trading business was RMB3,129.4 million, RMB4,283.4 million, RMB1,322.9 million, RMB1,295.0 million and RMB0.2 million, respectively.

Trading of Metals

The Group engages in the metals trading business through CEFC Shanghai International Group (Singapore) Co., Ltd. (上海華信國際集團(新加坡)有限公司). The Group's metals trading business mainly include the trading of electrolytic copper and electrolytic zinc. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's medals trading business was RMB7,491.4 million, RMB173.6 million, RMB125.7 million, RMB22.2 million and RMB98.7 million, respectively. The Group has been gradually withdrawing from metal trading business since 2013.

Trading of Coal

The Group engages in the coal trading business. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's coal trading business was RMB96.2 million, RMB83.4 million, nil, nil and nil, respectively.

Trading of Seeds

The Group engages in the seeds trading business through Anhui Niannianfu Modern Agicultrual Co., Ltd. (安徽年年富現代農業有限公司). Niannianfu is a professional support services company conducting in the R&D, production, sales and modern agricultural service of pesticides, seeds and fertilizers operating in chain-based. The sales network of Niannianfu covers the major agricultural production zones in Anhui province. Niannianfu is committed to the modern agricultural services and has established cooperation relationships with major market players. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's seeds trading business was RMB2.0 million, RMB2.4 million, nil, nil and nil, respectively.

Trading of Natural Gas

The Group engages in the natural gas trading business through its wholly owned subsidiary, Huaxin Natural Gas (Shanghai) Co., Ltd.(華信天然氣(上海)有限公司). The Group aims to explore opportunities in the liquefied natural gas and compressed natural gas business by strengthening its strategic partnership with Kunlun Energy Company Limited. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's natural gas trading business was nil, nil, RMB410.9 million, nil and RMB197.4 million, respectively.

In addition, Huaxin Natural Gas (Shanghai) Co., Ltd. acquired 19.67 per cent. equity interest in Huayou Natural Gas Co., Ltd.(華油天然氣股份有限公司) for a cash consideration of RMB860 million in February 2015 and in April 2015 it further acquired 40 per cent. ownership in DGT for a cash consideration of US$36 million, injected new capital of US$24 million in DGT and obtained the control rights in DGT.

Trading of Mechanical Equipment

The Group engages in mechanical equipment trading business. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's mechanical equipment trading business was nil, RMB0.9 million, nil, nil and nil, respectively.

Trading of Electronic Appliances

The Group engages in the electronic appliances trading business. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's electronic appliances trading business was RMB20.0 million, nil, nil, nil and nil, respectively.

Other Miscellaneous Business

The Group's other miscellaneous business include leasing business, sale of waste materials, services, agency business, public utility fee collection business and others. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's other miscellaneous business were RMB64.0 million, RMB155.9 million, RMB206.5 million, RMB76.9 million and RMB205.2million, respectively, representing 0.1 per cent., 0.1 per cent., 0.1 per cent., 0.1 per cent. and 0.2 per cent., respectively, of the Group's operating revenue for the same periods.

Leasing Business

The Group engages in the leasing business through CEFC Shanghai Group Asset Management Co., Ltd.(上海華信集團資產經營有限公司). For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's leasing business was RMB56.2 million, RMB126.0 million, RMB79.8 million, RMB51.5 million and RMB40.8 million, respectively.

Sale of Waste Materials

The Group engages in the sale of waste materials through Anhui Huaxing Chemical Industry Co., Ltd.(安徽華星化工有限公司). For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's sale of waste materials was RMB5.1 million, RMB11.9 million, RMB3.3 million, RMB1.2 million and RMB0.2 million, respectively.

Factoring Services

The Group engages in the factoring services business through CEFC Shanghai Group Factoring Co., Ltd. (上海華信集團保理有限公司). For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's factoring business was RMB0.4 million, RMB3.8 million, RMB107.0 million, RMB1.5 million and RMB80.4 million, respectively.

Agency Business

The Group engages in the agency business through CEFC Wanda Futures Co., Ltd. (華信萬達期貨股份有限公司). For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's agency business was RMB2.4 million, RMB3.3 million, RMB5.3 million, RMB0.8 million and RMB10.1 million, respectively.

Public Utility Fee Collection Business

The Group engages in the public utility fee collection business through Anhui Huaxing Chemical Industry Co., Ltd. (安徽華星化工有限公司). For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from the Group's public utility fee collection business was nil, RMB3.1 million, nil, nil and nil, respectively.

Others

The Group also generates revenue from the interest income of factoring services. For the years ended 31 December 2013, 2014 and 2015 and the six months ended 30 June 2015 and 2016, the operating revenue generated from other business was RMB0.0 million, RMB7.8 million, RMB11.0 million, RMB21.9 million and RMB73.8 million, respectively.

Financial Services Business

The Group is setting up its "energy plus financing" platform through the bank, securities company, futures company and financial company in which it has a controlling ownership stake or investment.

The Group uses innovative financial tools to service overseas oil and gas resources investments. Through the operation of capital and private placement, it integrates the acquired oil into its listed company's platform, therefore achieving securitisation of the assets. By integrating its investments in financial industry and energy industry, the Group's energy business and financial service business could have a synergistic effect with each other and promote the overall profits of the Group.

The Group actively promotes the collective cooperation of its subsidiaries holding different financial licences to provide comprehensive, multi-level and integrated financial services, in order to achieve the Group's operational development, international investments and assets securitization. Through the acquisition of J&T Finance Group SE, the Group could have access to low-cost funding, which brings powerful support for the implementation of the Group's energy strategies and also facilities the acquisition of upstream oil and gas rights and development in other industries. The Group also conducts the trading activities of the derivative products, and hedging and arbitraging activities to hedge risks and lock profits. The Group plans to provide business chain participants with factoring, asset management and financing services to develop liquidity management, accelerate cash flow of the oil and gas trading business and promote overall business development. The Group also plans to provide financial consulting, investment advisory, underwriting and sponsorship services to align the capital funding and projects development in domestic and foreign markets, and facilitate the development of the investment segment of the Group.

J&T Finance Group SE

On 30 March 2016, the Guarantor entered into the equity acquisition framework agreement with J&T Finance Group SE to increase its shareholdings to 50 per percent in J&T Finance Group SE. This acquisition would make the Guarantor the first Chinese privately-owned enterprise to hold controlling shares in a European financial institution. The acquisition is currently awaiting approval from governmental authorities. J&T Financial Group SE has deep roots in the Czech Republic financial market and has a team of senior bankers who are experienced in international financial markets, which would strength the Group's risk management for overseas market.

J&T Finance Group SE was founded in 1994 and is an integrated financial group, engaging mainly in banking, trust, private equity funds and energy resources. J&T Finance Group SE provides services primarily in the Eastern European and Russian markets. It owns two banks, J&T Banka ("**JTB**") and the Postova Banka ("**POBA**"). Both banks provide services in the traditional banking business, trust business, private equity funds, asset management, leasing and factoring, equipment management and other innovative financial segments through their branches in six European countries. JTB focuses on the services to corporates, investment banks and high-end private banks. POBA focuses on providing banking services to retail clients in Slovakia and is the fifth largest retail bank in Slovakia. POBA also provides insurance products, banking products and related services to 1,500 post offices through its more than 40 branches and 1,600 outlets. Both JTB and POBA are in a leading position in the industry and have excellent brand qualifications. In 2015, the total assets of J&T Financial Group SE exceeded 10 billion euros, with a net profit of 72 million euros.

The Group is developing "oil for loan" business in oil producing countries through J&T Finance Group SE as a lending platform. This model entails lending money to upstream enterprises which owns oil and gas resources and in return, the Group, through stable low-cost funding, accesses upstream oil and gas rights. This will further enhance the Group's profitability and improve the Group's influence and pricing ability in the international energy industry.

CEFC Securities

In August 2014, the Group acquired Fortune CLSA (財富里昂證券有限責任公司), which is now named CEFC Shanghai Securities Co., Ltd. (上海華信證券有限責任公司), and established a direct securities investment platform. In May 2016, the Guarantor increased the registered capital of CEFC Shanghai Securities Co., Ltd. (上海華信證券有限責任公司) to RMB2 billion.

CEFC Wanda Futures

In July 2015, the Guarantor acquired 65 per cent. of equity interest of Wanda Futures, Co., Ltd. (萬達期貨公司), which is now named CEFC Wanda Futures Co., Ltd. (華信萬達期貨股份有限公司). China Grain Reserves Corporation holds the other 35 per cent. of equity interest in CEFC Wanda Futures Co., Ltd. Established in April 1993, Wanda Futures, Co., Ltd. is one of China's oldest large-scale futures company, owning trading seats in three major commodities futures exchanges in China and China Financial Futures Exchange.

Bank of Hainan

The Guarantor participated in the formation of Bank of Hainan Co., Ltd (海南銀行股份有限公司) as its second largest shareholder. Bank of Hainan Co., Ltd (海南銀行股份有限公司) is a joint-stock city commercial bank approved by the State Council and the China Banking Regulatory Commission. It is the only provincial commercial bank in Hainan. Bank of Hainan has a total registered capital of RMB3,000 million. It is established by Hainan Luhuitou Tourist Industry Investment Co., Ltd. (海南鹿回頭旅業投資有限公司), a wholly owned subsidiary of Hainan Development Holdings Limited Company (海南省發展控股有限公司), as the main sponsor and the largest shareholder.

Fund and Asset Management

The Group established the Global Mergers and Acquisitions Fund to provide the Group with suitable acquisition opportunities in energy trading and other businesses. In addition, the Group established the South China Sea Fund, the Central and Eastern European Fund and participates in the business of CITIC International Assets Management.

Factoring Business

The Group owns financial institutions such as factoring companies to provide factoring financing services for account receivables in its energy trading business and to develop the business of aircraft financing and leasing business.

Insurance Company

The Group initiated the establishment of insurance companies.

ENVIRONMENT MATTERS

The Group is subject to PRC national and local as well as foreign environmental laws and regulations relating to air pollution, noise emissions, hazardous substances, sewage and waste discharge and other environmental matters. The Group places great emphasis on environmental protection and are dedicated to environmental protection in its production products and operations. Some of the Group's environmental protection measures include:

- establishing and implementing environmental protection procedures;

- disposing of pollutants discharged from the Group's operations in accordance with the local standards to reduce water, atmospheric and solid waste pollution and recycling such wastes where possible; and

- using only equipment and products that comply with national environmental protection standards and encouraging the use of natural and clean resources which in turn enhances product quality.

With regard to the overseas operations, the Group places great emphasis on its ability to comply with applicable foreign environmental laws and regulations. As compliance directly affects the Group's success in any overseas project, it is one of many factors the Group carefully consider prior to its decision to participate in an overseas project. When necessary, the Group engages local counsel to advise on applicable environmental law-related issues in its overseas investment and projects.

The directors of the Group believes that the Group's businesses are in compliance with the applicable national, local and foreign environmental laws and regulations in all material aspects. As at 30 June 2016, the Group is not aware of any material penalties associated with the breach of any existing environmental law or regulation.

INSURANCE

The Group maintains adequate insurance policy for the risks of loss or damages to its trading products.

Except for DES, titles and risks are passed to the buyer at the loading port. The party responsible for claiming insurance depends on the terms of the shipment. The table below sets out the responsible party for arranging insurance under the different shipping terms:

Shipping Terms	Party responsible for arranging insurance in a single trade
CFR	Buyer
FOB	Buyer
CIF	Seller
DES	Seller

The use and structure of the trade terms in a given shipment depends on negotiations amongst the Group's suppliers, customers and the Group. The Group periodically review its insurance coverage to ensure that it has adequate coverage. Since 1 January 2013, the Group did not make any insurance claim for major accidents.

EMPLOYEES

As at 30 June 2016, the Group had approximately 2,600 employees.

In accordance with the applicable regulations of the PRC and other regions where the Group has business operations, the Group makes contributions to the pension contribution plan, medical insurance, unemployment insurance, maternity insurance and personal injury insurance. The amount of contributions is based on the specified percentages of employees' aggregate salaries as required by relevant PRC authorities. The Group also makes contributions to an employee housing fund according to applicable PRC regulations. In addition to statutory contributions, the Group provides annual bonuses and supplemental commercial insurance policies to employees. The Group enters into an employment contract with each of its employees in accordance with applicable PRC laws. Such contracts include provisions on wages, vacation, employee benefits, training programs, health and safety, confidentiality obligations and grounds for termination.

COMPETITION

The Group operates in a highly competitive environment competing with a large number of chemical raw materials and oil production companies which can also supply chemical raw materials and oil products to the Group's customers. These chemical raw materials and oil companies generally are national government-owned companies, domestic or global energy companies and trading companies. The Group faces fierce competition in selling chemical raw materials and oil products to its customers. Some of the Group's competitors are the large-scaled trading companies with greater financial and marketing resources and geographical reach.

LEGAL PROCEEDINGS

The Group is from time to time involved in disputes and legal proceedings arising in the ordinary course of its business.

To the best of its knowledge, there are no current litigation or arbitration proceedings against the Group or any of its directors as at the date of this Offering Circular that could have a material adverse effect on its financial condition or results of operations.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

DIRECTORS

The board of directors of the Guarantor consists four members. The board of directors determines major matters of the Guarantor, such as operating and investment plans, annual budgets plan and management organization structure, and is responsible for convening general meetings, reporting to the shareholders and implementing shareholder resolutions. The directors are appointed for a term of three years.

The following table sets forth the Guarantor's directors as at the date of this Offering Circular:

Name	Age	Position
Mr. Li Yong (李勇)	39	Chairman of the board of directors and general manager
Mr. Su Weizhong (蘇衛忠)	48	Director
Mr. Chen Qiang (陳強)	59	Director
Mr. Wei Wei (魏巍)	47	Director and Chief Financial Officer

Mr. Li Yong (李勇), aged 39, has been the chairman of the board of directors and the general manager of the Guarantor since 2014. Mr. Li previously served as an investment manager of Shanghai Fudan Yuantong Venture Investment Management Co., Ltd. (上海復旦淵通創業投資管理有限公司), a senior investment manager of Shanghai Broad Resources Investment Management Co., Ltd. (上海博潤投資有限公司), a senior financing manager of Huawei Technologies Co., Ltd. (華為技術有限公司), an assistant to the general manager of Gammastar Medical Group (伽瑪星醫療集團) and a director of Shanghai Qijun Investment and Development Co., Ltd. (上海騏駿投資發展有限公司). Mr. Li is currently the chairman of the board of directors of CEFC Anhui International Holding Co., Ltd. Mr. Li was awarded 2015 China Reform of the Year (2015中國改革年度人物) and 2016 May 1 Labour Medal of Shanghai (2016年上海市五一勞動獎章). Mr. Li holds a master's degree.

Mr. Su Weizhong (蘇衛忠), aged 48, has been a director of the Guarantor since 2006. Mr. Su previously served as the head of finance of Fujian Foreign Language Bookstore (福建省外文書店), a director and a deputy general manager of Fujian Huaxin Holdings Co., Ltd. (福建華信控股有限公司). Mr. Su is currently the vice president of Qingdao Enterprise Confederation (青島市企業聯合會). Mr. Su holds an undergraduate degree and is a senior accountant.

Mr. Chen Qiang (陳強), aged 59, has been a director of the Guarantor since 2015. Mr. Chen served in CEFC China since 2012. Mr. Chen currently is the vice president and the executive director of the strategies committee of China CEFC Energy Company Limited. Mr. Chen holds an undergraduate degree.

Mr. Wei Wei (魏巍), aged 47, has been a director and Chief Financial Officer of the Guarantor since 2015. Mr. Wei previously served as a financial manager of Shanghai Baocheng Food and Oil Jointly Development Co., Ltd. (上海寶城糧油聯合發展有限公司), a deputy general manager and the head of the finance department of Sinopec Shanghai Jiading branch and a project manager of Shanghai Anda Huaxin Certified Public Accountants LLP (安大華鑫會計師事務所). Mr. Wei is currently the general manager of the financial department of China CEFC Energy Company Limited. Mr. Wei holds an undergraduate degree and is a certified public accountant.

SUPERVISORS

The board of supervisors consists of three members, including the chairman, who is nominated by the largest shareholder of the Guarantor and is elected by a majority of all supervisors, one employee supervisor, who is elected by the employees, and one supervisor. The supervisors are appointed for a term of three years, which is renewable upon re-election and re-appointment.

The board of supervisors is responsible for monitoring the Guarantor's financial matters; overseeing the actions of the board of directors and the senior management of the Guarantor; moving to dismiss directors or senior managers who failed to meet the standards of behavior required by relevant PRC laws and regulations; and initiating legal proceedings when a director or a senior manager acts against the best interests of the Guarantor.

The following table sets forth the Guarantor's board of supervisors as at the date of this Offering Circular:

Name	Age	Position
Mr. Dong Jinqiang (董進強)	65	Chairman of the board of supervisors
Mr. Xiong Fengsheng (熊鳳生)	59	Supervisor
Ms. Lin Yuxia (林玉霞)	43	Supervisor

Mr. Dong Jinqiang (董進強), aged 65, has been a supervisor of the Guarantor since 2015. Mr. Dong served in CEFC China since 2010. Mr. Dong currently is the chairman of the board of supervisors of China CEFC Energy Company Limited. Mr. Dong holds a college diploma and is a senior engineer.

Mr. Xiong Fengsheng (熊鳳生), aged 59, has been a supervisor of the Guarantor since 2008. Mr. Xiong previously served as a vice president and the president of No. 461 Hospital of the People's Liberation Army and an executive vice president of Shanghai Renai Investment Management Co., Ltd. (上海仁愛投資管理有限公司). Mr. Xiong holds a postgraduate degree and is a professor.

Ms. Lin Yuxia (林玉霞), aged 43, has been a supervisor of the Guarantor since 2015. Ms. Lin previously served as an auditing manager of Yantai Eastern Electronics Co., Ltd. (煙臺東方電子有限公司) and a deputy office chief of the Internal Supervision and Auditing Office of Daikin (China) Investment. Co., Ltd. (大金(中國)投資公司). Ms. Lin is currently the general manager of the Human Resources and Remuneration Department of China CEFC Energy Company Limited. Ms. Lin holds a postgraduate degree.

SENIOR MANAGEMENT

The following table sets forth the Guarantor's senior management as at the date of this Offering Circular:

Name	Age	Position
Mr. Li Yong (李勇)	39	Chairman of the board of directors and general manager
Mr. Wei (魏巍)	47	Director and Chief Financial Officer
Mr. Wu Benzhi (吳本志)	54	Deputy general manager

Mr. Li Yong (李勇) has been the general manager of the Guarantor since 2014. For Mr. Li's biography, see "*Directors*" above.

Mr. Wei (魏巍) has been the head of finance of the Guarantor since 2015. For Mr. Wei's biography, see "*Directors*" above.

Mr. Wu Benzhi (吳本志), aged 54, has been a deputy general manager of the Guarantor since 2011. Mr. Wu previously served as the chief of the General Dispatch Office of Sinopec Fuzhou Oil Refinery Plant (中石化福建煉油廠), a deputy general manager of Quanzhou Huitai Petrochemical Co., Ltd. (泉州惠泰石油化工有限公司) and the general manager of Hubei Jingmen Tianxin New Energy Industry Co., Ltd. (湖北荊門天新新能源產業有限公司). Mr. Wu holds a college diploma.

CORPORATE GOVERNANCE

The Guarantor has established and implemented an effective corporate governance structure. It has set up a general manager's office and five centres, namely, the Administration Centre, the Finance Centre, the Business Management Centre, the Investment and Operation Centre and the Project Management Centre. The primary duties of the General Manager's Office and the five centres are set forth as follows:

- The General Manager's Office is responsible for managing the Guarantor's affairs and liaising with different departments in the Guarantor.

- The Administration Centre is responsible for formulating and implementing the Guarantor's policies, regulations and protocols, promoting and facilitating the Guarantor's brand building, maintaining the Guarantor's network connection, conducting human-resources related functions, such as recruitment and training.

- The Finance Centre is responsible for supervising and implementing the Guarantor's internal auditing policies, auditing the Guarantor's financial information and participating in the Guarantor's capital operations.

- The Business Management Centre is responsible for establishing the Guarantor's operation system, collecting and analyzing information on related industries and adjusting the Guarantor's operation plans after taking into account market conditions.

- The Investment and Operation Centre is responsible for managing the Guarantor's investment plans according to the Guarantor's strategic plans and goals.

- The Project Management Centre is responsible for managing construction technology, monitoring constructions, maintaining safety of construction sites and managing on-site construction and matters related to the construction progress.

PRC REGULATIONS

This section summarises the principal PRC laws and regulations which are relevant to the Group's business and operations. As this is a summary, it does not contain a detailed analysis of the PRC laws and regulations which are relevant to the Group's business and operations.

The PRC Legal System

The PRC legal system is based on the PRC Constitution and is made up of written laws, regulations, directives and local laws, laws of Special Administrative Regions and laws resulting from international treaties entered into by the PRC government. In general, PRC court judgments do not constitute binding precedents. However, they are used for the purposes of judicial reference and guidance.

The National People's Congress of the PRC (the "**NPC**") and the Standing Committee of the NPC are empowered by the PRC Constitution to exercise the legislative power of the State. The NPC has the power to amend the PRC Constitution and enact and amend basic laws governing State agencies and civil, criminal and other matters. The Standing Committee of the NPC is empowered to enact and amend all laws except for the laws that are required to be enacted and amended by the NPC.

The State Council is the highest organ of the State administration and has the power to enact administrative rules and regulations. The ministries and commissions under the State Council are also vested with the power to issue orders, directives and regulations within the jurisdiction of their respective departments. All administrative rules, regulations, directives and orders promulgated by the State Council and its ministries and commissions must be consistent with the PRC Constitution and the national laws enacted by the NPC. In the event that a conflict arises, the Standing Committee of the NPC has the power to annul such administrative rules, regulations, directives and orders.

At the regional level, the provincial and municipal congresses and their respective standing committees may enact local rules and regulations and the people's governments may promulgate administrative rules and directives applicable to their own administrative areas. These local rules and regulations must be consistent with the PRC Constitution, the national laws and the administrative rules and regulations promulgated by the State Council.

The State Council, provincial and municipal governments may also enact or issue rules, regulations or directives in new areas of the law for experimental purposes or in order to enforce the law. After gaining sufficient experience with experimental measures, the State Council may submit legislative proposals to be considered by the NPC or the Standing Committee of the NPC for enactment at the national level.

The PRC Constitution vests the power to interpret laws in the Standing Committee of the NPC. The Supreme People's Court, in addition to its power to give general interpretation on the application of laws in judicial proceedings, also has the power to interpret specific cases. The State Council and its ministries and commissions are also vested with the power to interpret rules and regulations that they have promulgated. At the regional level, the power to interpret regional rules and regulations is vested in the regional legislative and administrative bodies which promulgated such laws.

The PRC Judicial System

Under the PRC Constitution and the Law of Organization of the People's Courts, the judicial system is made up of the Supreme People's Court, the local courts, military courts and other special courts.

The local courts are comprised of the primary people's courts, the intermediate courts and the higher people's courts. The primary people's courts are organised into civil, criminal, economic, administrative and other divisions. The intermediate people's courts are organised into divisions similar to those of the primary people's courts, and are further organised into other special divisions, such as the intellectual property division. The higher people's courts supervise the basic and intermediate people's courts. The people's procuratorates also have the right to exercise legal supervision over the civil proceedings of courts of the same level and lower levels. The Supreme People's Court is the highest judicial body in the PRC. It supervises the administration of justice by all other courts.

The courts employ a two-tier appellate system. A party may appeal against a judgment or order of a local court to the court at the next higher level. Second judgments or orders given at the next higher level and the first judgments or orders given by the Supreme People's Court are final. First judgments or orders of the Supreme People's Court are also final. If, however, the Supreme People's Court or a court at a higher level finds an error in a judgment which has been given by any court at a lower level, or the president of a court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried in accordance with the judicial supervision procedures.

The Civil Procedure Law of the PRC, which was adopted on 9 April 1991 and amended on 28 October 2007 and 31 August 2012, respectively, sets forth the criteria for instituting a civil action, the jurisdiction of the courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by express agreement, select a jurisdiction where civil actions may be brought, provided that the jurisdiction is either the plaintiff's or the defendant's place of residence, the place of execution or implementation of the contract or the place of the object of the contract. However, such selection cannot violate the stipulations of grade jurisdiction and exclusive jurisdiction in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country's judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may apply the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a court or an award granted by an arbitration panel in the PRC, the aggrieved party may apply to the court to request for enforcement of the judgment, order or award. The time limit imposed on the right to apply for such enforcement is two years. If a person fails to satisfy a judgment made by the court within the stipulated time, the court will, upon application by any party to the action, mandatorily enforce the judgment.

A party seeking to enforce a judgment or order of a court against a party who is not located within the PRC and does not own any property in the PRC may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. A foreign judgment or ruling may also be recognised and enforced by a PRC court in accordance with the PRC enforcement procedures if the PRC has entered into, or acceded to, an international treaty with the relevant foreign country, which provides for such recognition and enforcement, or if the judgment or ruling satisfies the court's examination in accordance with the principle of reciprocity, unless the court finds that the recognition or enforcement of such judgment or ruling will result in a violation of the basic legal principles of the PRC, its sovereignty or security, or for reasons of social and public interests.

Foreign Exchange Controls

The lawful currency of the PRC is the Renminbi, which is subject to foreign exchange controls and is not freely convertible into foreign exchange at this time. SAFE, under the authority of PBOC, is empowered with the functions of administering all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

Prior to 31 December 1993, a quota system was used for the management of foreign currency. Any enterprise requiring foreign currency was required to obtain a quota from the local SAFE office before it could convert Renminbi into foreign currency through PBOC or other designated banks. Such conversion had to be effected at the official rate prescribed by SAFE on a daily basis. Renminbi could also be converted into foreign currency at swap centres. The exchange rates used by swap centres were largely determined by the demand for, and supply of, the foreign currency and the Renminbi requirements of enterprises in the PRC. Any enterprise that wished to buy or sell foreign currency at a swap centre had to obtain the prior approval of SAFE.

On 28 December 1993, PBOC, under the authority of the State Council, promulgated the "Notice of PBOC Concerning Further Reform of the Foreign Currency Control System", effective from 1 January 1994. The Notice announced the abolition of the foreign exchange quota system, the implementation of conditional convertibility of Renminbi in current account items, the establishment of the system of settlement and payment of foreign exchange by banks, and the unification of the official Renminbi exchange rate and the market rate for Renminbi established at swap centres. On 26 March 1994, PBOC promulgated the Provisional Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (the "**Provisional Regulations**"), which set out detailed provisions regulating the trading of foreign exchange by enterprises, economic organisations and social organisations in the PRC.

On 1 January 1994, the former dual exchange rate system for Renminbi was abolished and replaced by a controlled floating exchange rate system, which was determined by demand and supply of Renminbi. Pursuant to such system, PBOC set and published the daily Renminbi-US dollars exchange rate. Such exchange rate was determined with reference to the transaction price for Renminbi-US dollars in the interbank foreign exchange market on the previous day. Also, PBOC, with reference to exchange rates in the international foreign exchange market, announced the exchange rates of Renminbi against other major foreign currencies. In foreign exchange transactions, designated foreign exchange banks may, within a specified range, freely determine the applicable exchange rate in accordance with the rate announced by PBOC.

On 29 January 1996, the State Council promulgated the "Regulations for the Control of Foreign Exchange of the PRC" ("**Control of Foreign Exchange Regulations**") which became effective from 1 April 1996. The Control of Foreign Exchange Regulations classifies all international payments and transfers into current account items and capital account items. Most current account items are subject to the approval by relevant banks that are duly authorised by SAFE to do so, while capital account items are still subject to SAFE approval directly. The Control of Foreign Exchange Regulations was subsequently amended on 14 January 1997. Such amendment affirms that the State shall not restrict international current account payments and transfers. On 5 August 2008, the Control of Foreign Exchange Regulations were further amended pursuant to a resolution of the State Council of China and came into effect on 5 August 2008 (the "**New Forex Regulation**"). Under the New Forex Regulation, foreign currency received under current account by onshore entities will not be asked to be settled into Renminbi automatically, while foreign currency under capital account may also be maintained upon approval. The Renminbi will be convertible for current account items (including the distribution of dividends, interest and royalties payments, and trade and service-related foreign exchange transactions) upon presentation of valid receipts and proof certifying the purposes of the conversion of Renminbi into foreign currency to the designated foreign exchange banks. Conversion of Renminbi into foreign exchange and remittance of foreign exchange funds outside of PRC for capital account items, like direct investment, loan, loan guarantee, securities investment, capital contribution and repatriation of investment, is still subject to restriction, and prior approval from SAFE or its competent branch.

On 20 June 1996, PBOC promulgated the Regulations for Administration of Settlement, Sale and Payment of Foreign Exchange (the "**Settlement Regulations**") which became effective on 1 July 1996. The Settlement Regulations superseded the Provisional Regulations and abolished the remaining restrictions on convertibility of foreign exchange in respect of current account items while retaining the existing restrictions on foreign exchange transactions in respect of capital account items. Domestic entities seeking to enter into foreign exchange transactions are required to open up foreign exchange accounts for current account or capital account transactions, as the case may be, at banks involved in foreign exchange business. Interest payments for foreign debt may be made from a foreign exchange account of a domestic entity or using foreign exchange purchased at designated foreign exchange after the verification of the bona fide nature of the transaction by SAFE. Domestic entities may apply to

SAFE for approval to purchase foreign exchange by presenting valid documents required by the Settlement Regulations for repayment of foreign debt principal and such payment can be made upon the approval of SAFE.

On 25 October 1998, PBOC and SAFE promulgated the "Notice Concerning the Discontinuance of Foreign Exchange Swap Business" pursuant to which and with effect from 1 December 1998, all foreign exchange swap business in the PRC for foreign-invested enterprises was discontinued, while the trading of foreign exchange by foreign-invested enterprises was to be regulated under the system for the settlement and sale of foreign exchange applicable to banks.

On 21 July 2005, PBOC announced that, beginning from 21 July 2005, the PRC will implement a regulated and managed floating exchange rate system based on market supply and demand and by reference to a basket of currencies. The Renminbi exchange rate is no longer pegged to the US dollars only. PBOC will announce the closing price of a foreign currency such as the US dollars traded against the Renminbi in the inter-bank foreign exchange market after the closing of the market on each business day, setting the central parity for trading of the Renminbi on the following business day.

In January and April 2005, SAFE issued two regulations that require PRC residents to register with and receive approvals from SAFE in connection with their offshore return/round-trip investment activities. SAFE also announced that the purpose of these regulations is to achieve the proper balance of foreign exchange and the standardization of all cross-border flows of funds.

On 21 October 2005, SAFE issued the Notice on Issues Relating to the Administration of Foreign Exchange in Fund-raising and Round-trip Investment Activities of Domestic Residents Conducted via Offshore Special Purpose Companies which became effective as at 1 November 2005. The notice replaced the two regulations issued by SAFE in January and April 2005 mentioned above. On 4 July 2014, SAFE issued the Notice of the SAFE on the Administration of Foreign Exchange Involved in Overseas Investment, Financing and Return on Investment Conducted by Residents in China via Special-Purpose Companies ("**Circular 37**"), which became effective at the same day. This notice replaced the notice issued by SAFE in October 2005 mentioned above. According to the notice, "special purpose company" refers to the overseas enterprises that are directly established or indirectly controlled for the purpose of investment and financing by Mainland residents (including Mainland institutions and resident individuals) with their legitimate holdings of the assets or interests in Mainland enterprises, or their legitimate holdings of overseas assets or interests. Under the notice, a mainland resident can make contribution to a special purpose company with legitimate holdings of domestic or overseas assets or interests, and a mainland enterprise directly or indirectly controlled by a Mainland resident may, on the basis of real and reasonable needs, disburse loans to its registered special purpose companies pursuant to prevailing provisions, and, a mainland resident may, on the basis of real and reasonable needs, purchase foreign exchanges to remit funds overseas for the establishment, share repurchase, delisting, etc. of a special purpose company. Prior to the establishment or assumption of control of such special purpose company, each PRC resident, whether a natural or legal person, must complete the overseas investment foreign exchange registration procedures with the relevant local SAFE branch.

On 30 March 2015, SAFE issued the Notice of the SAFE on Reforming the Administrative Approach Regarding the Settlement of the Foreign Exchange Capitals of Foreign-invested Enterprises ("**Circular 19**"), which became effective form 1 June 2015. Circular 142 and Circular 88 have been replaced by Circular 19. Under Circular 19, Foreign-invested enterprises are allowed to settle their foreign exchange capitals on a discretionary basis, and a foreign invested enterprise shall be facilitated to make domestic equity investment with the amount of foreign exchanges settled.

On 1 July 2009, PBOC, the PRC Ministry of Finance, MOFCOM, the General Administration of Customs, the SAT and the CBRC jointly promulgated the Measures for the Administration of Pilot Renminbi Settlement in Cross-border Trade, under which, eligible enterprises as designated by relevant authorities located in the cities or provinces which have been chosen by the State Council to execute the pilot Renminbi trade settlement scheme, are allowed to settle the cross-border trade transactions in Renminbi. PBOC, the PRC Ministry of Finance, MOFCOM, the General Administration of Customs, the State Administration of Taxation and the China Banking Regulatory Commission jointly promulgated the Circular on Issues Concerning the Expansion of the Scope of the Pilot Programme of Renminbi Settlement of Cross-Border Trades on 17 June 2010 and the Circular on Expansion of the Region of Renminbi Settlement of Cross-Border Trades on 27 July 2011, which, together, extended the pilot scheme to the whole of the PRC and to make Renminbi trade and other current account item settlement available in all countries worldwide.

On 2 May 2012, the NDRC promulgated the Notice of the National Development and Reform Commission on Issues Concerning the Issuance of RMB-denominated Bonds by Mainland Non-financial Institutions in the Hong Kong Special Administration Region, according to which, the foreign debts incurred by a non-financial institution in mainland China for issuing RMB-denominated bonds in Hong Kong shall be subject to the registration of foreign debts, the repayment of principal interest, and other relevant procedures pursuant to the prevailing provisions on foreign debt management.

Regulations Regarding Overseas Investment and Acquisition Activities

NDRC supervision

According to the "Measures for the Administration of Approval and Filing of Overseas Investment Projects" effective from 8 May 2014 and further amended on 27 December 2014, and replacing "Interim Measures for the Administration of Verification and Approval of Overseas Investment Projects", the approval administration and filing administration shall be respectively applied to different overseas investment projects. Specifically, if the project is related to the sensitive countries, areas or industries, regardless of the investment amount, the projects shall be subject to the approval of NDRC, in which, if the amount of the investment made by the Chinese party is US$2 billion or more, and the project is related to the sensitive countries, areas or industries, the projects shall be subject to the examination of NDRC and then shall be reported to the State Council for the approval. Other than the projects specified above, the other projects shall be subject to the filing administration. Specifically, overseas investment projects carried out by enterprises under central management, and those carried out by local enterprises in which the amount of Chinese investment reaches or exceeds US$300 million shall be subject to the record-filing by NDRC. Those carried out by local enterprises in which the amount of Chinese investment is below US$300 million shall be subject to the record-filing by competent investment departments of the provincial government.

According to the "Notice on Issues Concerning the Implementation of Measures for the Administration of Approval and Filing of Overseas Investment Projects", the "Circular of NDRC on Properly Handling the Delegation of Approval Authority over Outbound Investment Projects to Lower-level Authorities" terminated.

Investment projects to be carried out in Hong Kong and/or the Macao Special Administrative Region shall be governed by the "Measures for the Administration of Approval and Filing of Overseas Investment Projects".

MOFCOM supervision

MOFCOM issued the new version of the Administration of Overseas Investment on 6 September 2014, effective from 6 October 2014 (the "**New Overseas Investment Rules**"). Under the New Overseas Investment Rules, a domestic enterprise intending to carry out any overseas investment shall report to the competent department of commerce for verification or filing and shall, with regard to an enterprise so verified or filed, issue thereto an Enterprise Overseas Investment Certificate. If two or more enterprises make joint investment to establish an overseas enterprise, the larger (or largest) shareholder shall be responsible for the verification or filing procedure after soliciting written consent of other investing parties.

An enterprise that intends to invest in a sensitive country or region or a sensitive industry shall apply for the verification by MOFCOM. "Sensitive countries and regions" mean those countries without a diplomatic relationship with the PRC, or subject to the UN sanctions or otherwise under the list of verified countries and regions published by MOFCOM from time to time. "Sensitive industries" mean those industries involving the products and technologies which are restricted from being exported, or affecting the interests of more than one country (or region). In accordance with the New Overseas Investment Rules, a Central Enterprise shall apply to MOFCOM for verification and MOFCOM shall, within 20 working days of accepting such application, decide whether or not the verification is granted. For a local enterprise, it shall apply through the provincial department of commerce to MOFCOM for such verification. The provincial department of commerce shall give a preliminary opinion within 15 working days of accepting such local enterprise's application and report all application documents to MOFCOM, while MOFCOM shall decide whether or not the verification is granted within 15 working days of receipt of such preliminary opinion from the provincial department of commerce. Upon verification, the Enterprise Overseas Investment Certificate shall be issued to the investing enterprise by MOFCOM.

Other than those overseas investments subject to MOFCOM verification as described above, all other overseas investments are subject to a filing requirement. The investing enterprise shall fill complete the filing form through the Overseas Investment Management System, an online system maintained by MOFCOM and print out a copy of such filing form for stamping with the company chop, and then submit such stamped filing form together with a copy of its business licence, for filing at MOFCOM (for a Central Enterprise) or the provincial department of commerce (for a local enterprise) respectively. MOFCOM or the provincial department of commerce shall accept the filing and issue the Enterprise Overseas Investment Certificate within 3 working days of receipt of such filing form.

The investing enterprise must carry out the investment within 2 years of the date of the relevant Enterprise Overseas Investment Certificate, otherwise such Certificate will automatically expire and a new filing or verification application has to be made by the investing enterprise after such expiry. In addition, if any item recorded in such Certificate is changed, the investing enterprise shall handle an updating process at MOFCOM or the provincial department of commerce (as the case may be).

If an overseas invested company carries out a re-investment activity offshore, the investing enterprise shall report such re-investment activity to MOFCOM or the provincial department of commerce (as the case may be) after the investment is completed offshore. The investing enterprise shall fill in and print out a copy of the Overseas Chinese-invested Enterprise Re-investment Report Form from the Overseas Investment Management System and stamp and submit such Report Form to MOFCOM or the provincial department of commerce.

The New Overseas Investment Rules specifically provide that an overseas invested company cannot use the words of "China" ("中國" or "中華") in its name, unless otherwise approved.

Foreign exchange administration

According to the "Circular of the SAFE on Promulgating the Administrative Provisions on Foreign Exchange of the Outbound Direct Investments of Domestic Institutions", corporations, enterprises or other economic organisations (domestic investors) that have been permitted to make outbound investment shall go through the procedures of registration to the Foreign Exchange Bureau. The Foreign Exchange Bureau shall issue the Foreign Exchange Registration Certificate for overseas direct investment to the domestic institution. The domestic institution shall go through the formalities for outward remittance of funds for overseas direct investment at a designated foreign exchange bank by presenting the approval document issued by the department in charge of overseas direct investment and the Foreign Exchange Registration Certificate for overseas direct investment. The scope of foreign exchange funds for overseas direct investment of domestic institutions includes their own foreign exchange funds, domestic loans in foreign currencies in compliance with relevant provisions, foreign exchange purchased with Renminbi, material objects, intangible assets and other foreign exchange funds approved by the Foreign Exchange Bureaus for overseas direct investment. The profits gained from overseas direct investment of domestic institutions may be deposited in overseas banks and used for overseas direct investment.

On 13 February 2015, the SAFE promulgated Circular of the SAFE on Further Simplifying and Improving the Direct Investment-related Foreign Exchange Administration Policies (the "**2015 SAFE Circular**"), which became effective on 1 June 2015. The 2015 SAFE Circular aims to deepen the reform of foreign exchange administration of capital accounts, promote and facilitate the capital operation of enterprises in making cross-border investments, regulate the direct investment-related foreign exchange administration business, improve the administration efficiency. The 2015 SAFE Circular set forth the following reformation: (i) cancel the Administrative Examination and Approval Procedures relating to the Foreign Exchange Registration Approval under Domestic Direct Investment and the Foreign Exchange Registration Approval under Overseas Direct Investment; (ii) cancel the confirmation and registration of foreign investors' non-monetary contribution and the confirmation and registration of foreign investors' contribution to purchasing the equity held by the Chinese party under domestic direct investment; (iii) the confirmation and registration of foreign investors' monetary contribution is adjusted to book-entry registration of domestic direct investment monetary contribution.

The 2015 SAFE Circular, which is new regulation, has been promulgated to control the remittance of Renminbi for payment of transactions categorised as capital account items and such new regulation will be subject to interpretation and application by the relevant PRC authorities. Further, if any new PRC regulations are promulgated in the future which have the effect of permitting or restricting (as the case may be) the remittance of Renminbi for payment of transactions categorised as capital account items, then such remittances will need to be made subject to the specific requirements or restrictions set out in such rules.

EIT LAW

Prior to 1 January 2008, under the then applicable PRC law and regulations, entities established in the PRC were generally subject to a 33 per cent. EIT. However, entities that satisfied certain conditions enjoyed preferential tax treatment. In accordance with the tax laws and regulations effective until 31 December 2007, foreign invested manufacturing enterprises scheduled to operate for a period no less than ten years were exempted from paying state income tax for two years starting from its first profit making year and were allowed a 50 per cent. reduction in its tax rate in the third, fourth and fifth years ("**two-year exemption and three-year reduction by half**").

On 16 March 2007, the NPC enacted the EIT law, which, together with its related implementation rules issued by the State Council on 6 December 2007, became effective on 1 January 2008. The new EIT law imposes a single uniform income tax rate of 25 per cent. on all Chinese enterprises, including foreign invested enterprises, and eliminates or modifies most of the tax exemptions, reductions and preferential treatments available under the previous tax laws and regulations. On 26 December 2007, the State Council issued a "Notice on the Implementation of the Transitional Preferential Tax Policies", or Circular [2007] No. 39.

Further, as at 1 January 2008, the enterprises that previously enjoyed "two-year exemption and three-year reduction by half" of EIT and other preferential treatments in the form of tax deductions and exemptions within specified periods may, after the implementation of the new EIT law, continue to enjoy the relevant preferential treatments until the expiration of the time period. However, if such an enterprise has not enjoyed the preferential treatments yet because of its failure to make profits, its preferential time period shall be calculated from 2008.

After the implementation of the new EIT law, the preferential tax treatment for encouraged enterprises located in western China and certain industry-oriented tax incentives are still available. Pursuant to the "Notice on Tax Policy Issues Concerning Further Implementing the Western China Development Strategy", effective from 1 January 2011, the enterprises within the state-encouraged industry located in western China are taxed at a preferential income tax rate of 15 per cent. for years from 1 January 2011 to 31 December 2020 after being approved by the competent tax authority.

Value-added Tax

According to the "Tentative Regulations on the Value-added Tax of the PRC" which was revised by the State Council and came into effect on 6 February 2016, and the "Detailed Implementation Rules of the Tentative Regulations on the Value-added Tax of the PRC" promulgated by the PRC Ministry of Finance which came into effect on 1 January 2009 and was amended on 28 October 2011, organisations or individuals who sell commodities, provide processing, repairing or replacement services, or import commodities within the PRC's territories are subject to value-added tax, and shall pay the value-added tax accordingly. The rate of the value-added tax shall be 17 per cent. or 13 per cent., depending on the commodities being sold. For taxpayers exporting commodities, the tax rate shall be zero per cent.

Environmental Protection Laws

The State Environmental Protection Administration is responsible for the overall supervision and management of environmental protection in the PRC. All manufacturers in the PRC must comply with environmental laws and regulations including the Environmental Protection Law of the PRC, Prevention and Control of Water Pollution Law of the PRC, Prevention and Control of Air Pollution Law of the PRC and Prevention and Control of Environmental Pollution by Solid Waste Law of the PRC, and relevant environmental regulations such as provisions regarding the treatment and disposal of pollutants and sewage, discharge of polluted fumes and the prevention of industrial pollution. Depending on the circumstances and the seriousness of the violation of the environmental regulations, the local authorities are authorised to impose various types of penalties on the persons or entities in violation of the environmental regulations. The penalties which could be imposed include the issue of warning, suspension of operation or installation and use of preventive facilities which are incomplete and fail to meet the prescribed standard, reinstallation of preventive facilities which have been dismantled or left idle, administrative sanction against office-incharge, suspension of business operations or shut-down of the enterprise or institution. Fines could also be levied together with these penalties. The relevant local authorities may apply to the court for compulsory enforcement of environmental compliance. The persons or entities in violation of the applicable laws and regulations may also be liable to pay damages to the victims and/or result in criminal liability.

Other environmental protection laws applicable to the Group include the "Regulations of Environmental Management on Project", the "Regulations of Environmental Protection Acceptance Inspection on Projects Completion" and the Environmental Impact Evaluation Law of the PRC.

Cross-border Security Laws

NDRC Circular 2044

On 14 September 2015, the NDRC issued the NDRC Circular, which came into effect on the same date. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities issues outside the PRC with NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 working days after the completion of the issue of the securities. The NDRC Circular itself is silent on the legal consequences of non-compliance with the pre-issue registration requirement. Although the Guarantor has obtained the pre-issuance registration certificate in respect of the offering of the Bonds from Shanghai Municipal Development and Reform Commission ("**SMDRC**") on 18 September 2016, if NDRC finds the Guarantor to be guilty of maliciously obtaining quota of foreign debts or providing false information, NDRC may blacklist or publish on the national credit information platform a bad credit record against the Guarantor, or even punish the Guarantor with other related authorities. In the worst case scenario, it might become unlawful for the Guarantor to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 13 of the Terms and Conditions. Similarly, there is no clarity on the legal consequences of non-compliance with the Post-issuance Filing under the NDRC Circular. The Guarantor has undertaken to notify NDRC of the particulars of the issue of the Bonds within 10 PRC Business Days (as defined in the Terms and Conditions) after the Issue Date.

EXCHANGE RATE

PRC

The People's Bank of China (the "**PBOC**") sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including US dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to US dollars was generally stable. Although PRC Governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities. On 21 July 2005, the PRC Government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC Government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 AM each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged, effective on 21 May 2007, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the US dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 19 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and the band was expanded to 1.0 per cent. on 16 April 2012 and it was further expanded to 2.0 per cent. on 17 March 2014. More adjustments may be made to the exchange rate system by the PRC government in the future. Currently, the PROC announces the closing price of a foreign currency traded against Renminbi in the inter-bank foreign exchange spot market after the closing of the market on each business day, and makes it the central parity for the following business day.

On 11 August 2015, the PBOC announced that the exchange rates between the Renminbi and foreign currencies would become more market driven, taking into account of the closing exchange rates on the previous trading day, supply and demand of foreign currencies and the fluctuations of exchanges rates between major international currencies. From 11 August to 13 August 2015, the value of the Renminbi depreciated by approximately 4.4 per cent. against the US dollar and has stabilised since then. The PRC governments may make further adjustments to the exchange rate system in the future.

The following table sets forth the noon buying rates for US dollars in New York City for cable transfers payable in Renminbi as certified by the Federal Reserve Bank of New York for customs purposes for and as at the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board.

	Noon Buying Rate			
Period	**Low**	**Average[(1)]**	**High**	**Period End**
	(Renminbi per US$1.00)			
2009	6.8176	6.8295	6.8470	6.8259
2010	6.6000	6.7696	6.8330	6.6000
2011	6.2939	6.4475	6.6364	6.2939
2012	6.2221	6.2990	6.3879	6.2301
2013	6.0537	6.1478	6.2438	6.0537
2014	6.0402	6.1704	6.2591	6.2046
2015	6.1870	6.2869	6.4896	6.4778
2016				
January	6.5219	6.5726	6.5932	6.5752
February	6.5154	6.5501	6.5795	6.5525
March	6.4480	6.5027	6.5500	6.4480
April	6.4571	6.4754	6.5004	6.4738
May	6.4738	6.5259	6.5798	6.5798
June	6.5590	6.5892	6.6481	6.6459
July	6.6371	6.6771	6.7013	6.6371
August	6.6239	6.6466	6.6778	6.6776
September	6.6600	6.6702	6.6790	6.6685

Note:

(1) Averages are calculated by averaging the rates on the last business day of each month during the relevant year. Monthly averages are calculated by averaging the daily rates during the relevant monthly period.

On 30 September 2016, the noon buying rate for US dollars in New York City for cable transfers in Renminbi was US$1.00 to RMB6.6685 as set forth in the H.10 statistical release of the Federal Reserve Board.

TAXATION

The following summary of certain British Virgin Islands, Hong Kong and PRC tax consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of Bonds.

British Virgin Islands

As the Issuer is incorporated pursuant to the BVI Business Companies Act, 2004 (as amended) (the "**BVI BC Act**") of the British Virgin Islands ("**BVI**"), (i) payment of principal, premium (if any) and interest in respect of the Bonds will not be subject to taxation in the BVI, (ii) no withholding tax will be required to be deducted by the Issuer on such payments to any holder of a Bond, and (iii) the Bonds will not be liable to stamp duty in the BVI.

Gains derived from the sale of the Bonds by persons who are not otherwise liable to BVI income tax, payroll tax and social security payment will not be subject to BVI income tax. The BVI currently has no capital gains tax, estate duty, inheritance tax or gift tax.

PRC

The following summary accurately describes the principal PRC tax consequences of ownership of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes. These beneficial owners are referred to as (a) non-PRC Bondholders, or (b) beneficial owners who are entities or individuals located outside of the PRC in this "Taxation – PRC" section. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction. Reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008.

Income Tax

Pursuant to the EIT Law and its implementation regulations and Individual Income Tax Law of the PRC, which was amended on 30 June 2011 and took effect on 1 September 2011, and its implementation regulations, an income tax is imposed on payment of interest by way of withholding in respect of debt securities, issued by PRC enterprises to non-PRC Bondholders, including non-PRC resident enterprises and non-PRC resident individuals. The current rates of such income tax are 10 per cent. for non-PRC resident enterprises and 20 per cent. for non-PRC resident individuals.

Pursuant to the EIT Law and its implementation regulations, an enterprise established under the laws of foreign countries and regions (including Hong Kong, Macau and Taiwan) with "de facto management bodies" within the territory of the PRC is considered a "PRC tax resident enterprise" for PRC enterprise income tax purposes and must pay PRC enterprise income tax at the rate of 25 per cent, in respect of their taxable income. If relevant PRC tax authorities decide, in accordance with applicable tax rules and regulations, that the "de facto management body" of the Issuer or the Guarantor is within the territory of the PRC, the Issuer or the Guarantor may be held to be a PRC tax resident enterprise for the purpose of the EIT Law and be subject to PRC enterprise income tax at the rate of 25 per cent, on its taxable income.

As confirmed by the Issuer, as of the date of this Offering Circular, the Issuer has not been given notice or informed by the PRC tax authorities that it is considered as a PRC tax resident enterprise for the purpose of the EIT Law.

However, there is no assurance that the Issuer will not be treated as a PRC resident enterprise under the EIT Law and related implementation regulation in the future. Pursuant to the EIT Law and its implementation regulations, any non-resident enterprise without an establishment within the PRC or whose income has no connection to its establishment inside the PRC must pay enterprise income tax on income sourced within the PRC, and such income tax must be withheld at source by the PRC payer acting as a withholding agent, who must withhold the tax amount from each payment. Accordingly, in the event the Issuer is deemed to be a PRC tax resident enterprise by the PRC tax authorities in the future, the Issuer may be required to withhold income tax from the payments of interest in respect of the Bonds to any non-PRC Bondholder, and gain from the disposition of the Bonds may be subject to PRC tax, if the income or gain is treated as PRC-source. The tax rate is generally 10 per cent, for non-resident enterprise Bondholders without an establishment within the PRC or whose incomes have no connection to its establishment inside the PRC and 20 per cent., for non-resident individuals, unless a lower rate is available under an applicable tax treaty.

In addition, in the event that the Guarantor is required to discharge its obligations under the Guarantee, the Guarantor will be obliged to withhold PRC enterprise income tax at the rate up to 10 per cent., subject to the application of any relevant income tax treaty that the PRC has entered into, on the payments of interest made by it under the Guarantee to non-PRC resident enterprise Bondholders as such interest payment obligations will be regarded as being derived from sources within the PRC. To the extent that the PRC has entered into arrangements relating to the avoidance of double-taxation with any jurisdiction, such as Hong Kong, that allow a lower rate of withholding tax, such lower rate may apply to qualified non-PRC resident enterprise Bondholders. Nevertheless, repayment of the principal will not be subject to PRC withholding tax.

Non-PRC resident Bondholders will not be subject to the PRC tax on any capital gains derived from a sale or exchange of Bonds consummated outside mainland China between non-PRC Bondholders, except however, if the Issuer is treated as a PRC tax resident enterprise under the EIT Law and related implementation regulations in the future, any gain realised by the non-PRC enterprise Bondholders from the transfer of the Bonds may be regarded as being derived from sources within the PRC and accordingly would be subject to PRC withholding tax at a rate of up to 10 per cent., subject to the application of any relevant income tax treaty that the PRC has entered into.

Value-add Tax ("VAT")

On 23 March 2016, the Ministry of Finance and the SAT issued the Circular 36 which confirms that business tax will be completely replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the "loans" refers to the activity of lending capital for another's use and receiving the interest income thereon. Although the issuance of the Bonds is likely to be treated as financial services for VAT purposes, Circular 36 stipulates that services are treated as being provided within the PRC where either the service provider or the service recipient is located in the PRC. In connection with the issue of the Bonds, none of the Issuer, or the Bondholders is located in the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply to any transfer of the Bonds. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

Circular 36 has been issued quite recently, the above statement may be subject to further change upon the issuance of further clarification rules and/or different interpretation by the competent tax authority. There is uncertainty as to the application of Circular 36.

Pursuant to the EIT Law and the VAT reform detailed above, the Issuer shall withhold EIT (should such tax apply) from the payments of interest in respect of the Bonds for any non-PRC-resident Bondholder and the Issuer shall withhold business tax or VAT (should such tax apply) from the payments of interest in respect of the Bonds for any Bondholders located outside of the PRC. However, in the event that the Issuer is required to make such a deduction or withholding (whether by way of EIT, VAT or otherwise), the Issuer has agreed to pay such additional amounts as will result in receipt by the Bondholders of such amounts after such withholding or deduction as would have been received by them had no such withholding or deduction been required. For more information, see "*Terms and Conditions of the Bonds – Condition 7 (Taxation)*".

Stamp Duty

No PRC stamp duty will be imposed on non-PRC Bondholders either upon issuance of the Bonds or upon a subsequent transfer of Bonds to the extent that the register of holders of the Bonds is maintained outside the PRC and the issuance and the sale of the Bonds is made outside of the PRC.

Hong Kong

Withholding tax

No withholding tax in Hong Kong is payable on payments of principal or interest with respect to the Bonds or in respect of any capital arising from the sale of Bonds.

Profits tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Under the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "**Inland Revenue Ordinance**") as it is currently applied by the Inland Revenue Department, interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried in Hong Kong in the following circumstances:

(a) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(b) interest on the Bonds is derived from Hong Kong and is received by or accrues to a company (other than a financial institution) carrying on a trade, profession or business in Hong Kong; or

(c) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a company (such as a partnership), carrying on a trade, profession or business in Hong Kong and is in respect of the funds of the trade, profession or business.

Sums derived from the sale, disposal or redemption of the Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, from the carrying on of a trade, profession or business in Hong Kong and the sum has a Hong Kong source. The source of such sum will generally be determined by having regard to the manner in which the Bonds are acquired or disposed of.

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of the Bonds will be subject to profits tax.

Stamp duty

No Hong Kong stamp duty will be chargeable for the issue and transfer of the Bonds.

Estate duty

No Hong Kong estate duty is payable in respect of the Bonds.

FATCA

Whilst the Bonds are in global form and held within the Clearing Systems, it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Bonds by the Issuer, any paying agent and the Clearing Systems, given that each of the entities in the payment chain between the Issuer and the participants in the Clearing Systems is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an intergovernmental agreement will be unlikely to affect the Bonds. The Issuer 's obligations under the Bonds are discharged once it has paid the common depositary for the Clearing Systems (as registered holder of the Bonds) and the Issuer has therefore no responsibility for any amount thereafter transmitted through hands of the Clearing Systems and custodians or intermediaries. The documentation expressly contemplates the possibility that the Bonds may go into definitive form and therefore that they may be taken out of the Clearing Systems. If this were to happen, then a non-FATCA compliant holder could be subject to withholding tax. However, definitive Bonds will only be printed in remote circumstances. Further, foreign financial institutions in a jurisdiction which has entered into an IGA are generally not expected to be required to withhold under FATCA or an IGA (or any law implementing an IGA) from payments they make.

Bondholders should consult their own advisers about the application of FATCA, in particular if they may be classified as financial institutions under the FATCA rules.

SUBSCRIPTION AND SALE

The Issuer and the Guarantor have entered into a subscription agreement with CLSA Limited (the "**Sole Global Coordinator**") dated on or about 2016 (the "**Subscription Agreement**") pursuant to which and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Sole Global Coordinator, and the Sole Global Coordinator has agreed to subscribe and pay for, the aggregate principal amount of the Bonds.

The Subscription Agreement provides that the Issuer and the Guarantor will jointly and severally indemnify the Sole Global Coordinator against certain liabilities in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Sole Global Coordinator are subject to certain conditions precedent and entitle the Sole Global Coordinator to terminate it in certain circumstances prior to payment being made to the Issuer.

The Sole Global Coordinator and its affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Sole Global Coordinator and its affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer and the Guarantor for which they have received, or will receive, fees and expenses.

In connection with the Offering of the Bonds, the Sole Global Coordinator and/or its affiliates may place orders, receive allocations and purchase Bonds for their own account (without a view to distributing such Bonds). Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer or the Guarantor, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering. Accordingly, references herein to the Bonds being "offered" should be read as including any offering of the Bonds to the Sole Global Coordinator and/or its affiliates for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any legal or regulatory obligation to do so. Furthermore, it is possible that only a limited number of investors may subscribe for a significant proportion of the Bonds. If this is the case, liquidity of trading in the Bonds may be constrained (see "*Risk Factors – The liquidity and price of the Bonds following this offering may be volatile*"). The Issuer, the Guarantor and the Sole Global Coordinator are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors.

In the ordinary course of their various business activities, the Sole Global Coordinator and its respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer and/or the Guarantor, including the Bonds. The Sole Global Coordinator or its affiliates may have a lending relationship with the Issuer and/or the Guarantor may routinely hedge their credit exposure to the Issuer and/or the Guarantor consistent with their customary risk management policies. Typically, entities would hedge such exposure by entering into transactions which consist of either the purchase of credit default swaps or the creation of short positions in the Issuer's and/or the Guarantor's securities, including potentially the Bonds offered hereby. Any such short positions could adversely affect future trading prices of the Bonds offered hereby. The Sole Global Coordinator and its affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer or the Guarantor, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments.

General

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds.

The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised.

No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

United States

The Bonds and the Guarantee have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds and the Guarantee are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds and the Guarantee, an offer or sale of Bonds or Guarantee within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act. Terms used in this paragraph have the meanings given to them by Regulation S.

United Kingdom

The Sole Global Coordinator has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the "**FSMA**")) received by it in connection with the issue or sale of the Bonds in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer or the Guarantor; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

British Virgin Islands

The Sole Global Coordinator has represented and agreed that no invitation has been or will be made directly or indirectly to any person resident in the British Virgin Islands to subscribe for any of the Bonds but the Bonds may be acquired by British Virgin Islands persons who receive the offer of the Bonds outside of the British Virgin Islands and in a manner which does not contravene the laws of the jurisdiction in which such offer is received.

Hong Kong

The Sole Global Coordinator has represented, warranted and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Singapore

The Sole Global Coordinator has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, it has represented and agreed that it has not offered or sold any Bonds or caused such Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell such Bonds or cause such Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Bonds, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "**SFA**"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of any Bonds may not be circulated or distributed, nor may any Bonds be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the SFA, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(c) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(d) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

    (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

    (ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

The PRC

The Sole Global Coordinator has represented and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the People's Republic of China (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the People's Republic of China.

Japan

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, the Sole Global Coordinator has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

GENERAL INFORMATION

Clearing Systems: The Bonds have been accepted for clearance through Euroclear and Clearstream, Luxembourg under Common Code and ISIN .

Authorisations: The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Bonds. The issue of the Bonds was authorised by written resolutions of the directors of the Issuer passed on 13 October 2016. The Guarantor has obtained all necessary consents, approvals and authorisations in connection with the giving of the Guarantee and performance of the Deed of Guarantee. The giving of the Guarantee was authorised by resolutions of the shareholders of the Guarantor passed on 13 October 2016 and the board resolutions of the Guarantor passed on 13 October 2016.

No Material Adverse Change: There has been no material adverse change, or any development likely to involve an adverse change, in the financial or trading position or to the condition (financial or otherwise), prospects, results of operations, capitalisation, profitability, business, properties, general affairs or management of the Group since 31 December 2015.

Litigation: The Group is not involved in any litigation or arbitration proceedings that the Group believes are material in the context of the Bonds nor is the Group aware that any such proceedings are pending or threatened.

Available Documents: So long as any of the Bonds is outstanding, copies of the following documents will be available for inspection from the Issue Date during normal business hours, at the registered office of the Issuer and, following prior written request and proof of holding satisfactory to the Trustee, at the principal office of the Trustee, which at the date of this Offering Circular is at 1/F, Far East Consortium Building, 121 Des Voeux Road Central, Hong Kong:

- the Trust Deed;
- the Deed of Guarantee;
- the Agency Agreement.
- copies of the Guarantor's audited consolidated financial statements as at and for the years ended 31 December 2014 and 2015 and the Guarantor's consolidated interim financial statements as at and for the six months ended 30 June 2016; and
- copies of the Guarantor's audited consolidated financial statements for each subsequent financial year and the Guarantor's consolidated interim financial statements for each subsequent period which are provided to the Trustee pursuant to Condition 4(f).

Financial Statements: The 2014 and 2015 Financial Statements, which are included elsewhere in this Offering Circular, have been audited by SCPA, the Guarantor's independent auditor, as stated in its report appearing herein. The Guarantor's financial information as at and for the years ended 31 December 2013, 2014 and 2015 has been extracted from the audited financial statements of the Guarantor as at and for the years ended 31 December 2014 and 2015.

The interim financial statements of the Guarantor as at and for the six months ended 30 June 2016, were prepared and presented in accordance with PRC GAAP and have been reviewed but not audited by SCPA. The Guarantor's financial information as at 30 June 2016 and for the six months ended 30 June 2015 and 2016 has been extracted from the reviewed but not audited financial statements of the Guarantor as at and for the six months ended 30 June 2016. Such financial statements should not be relied upon by potential investors to provide the same type or quality of information associated with information that has been subject to an audit by an independent auditor. None of the Sole Global Coordinator or any of its affiliates, directors or advisers makes any representation or warranty, express or implied, regarding the accuracy of such financial statements or their sufficiency for an assessment of, and potential investors must exercise caution when using such data to evaluate the Guarantor's financial condition, results of operations and results. Such financial statements as at and for the six months ended 30 June 2016 should not be taken as an indication of the expected financial condition, results of operations and results of the Guarantor for the full financial year ending 31 December 2016.

Listing: Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such permission is expected to become effective on 2016.

INDEX TO FINANCIAL STATEMENTS

Review Report

SCPAR(2016) No. 3953
Dated: 2016,August.15th

To All Shareholders of
CEFC Shanghai International Group Co., Ltd.

We have reviewed the accompanying financial statements of CEFC Shanghai International Group Co., Ltd. (the "Company"), including its consolidated and parent company's balance sheets as of June 30, 2016, its consolidated and parent company's income statements, statements of changes in equity and cash flow statements for the year then ended, and notes attached to and forming part of the financial statements.

It is the responsibility of the Company's management to compile its financial statements and fairly present its financial standing. Its responsibility, to be specific, includes: 1. To prepare the financial statements according to the Accounting Standards for Business Enterprises so that they are fair presentations of the financial standing of the Company; 2. To design, perform and maintain a sound internal control over the financial statements so as to prevent any material misstatement.

We've conducted the review according to China Certified Public Accountant Auditing Standards No. 2101 - Review of Historical Financial Statements. The Standard requires us to plan and perform a reviewing process to provide limited assurance that there are no material misstatements. The reviewing process is limited to inquiring the staff of the Company and conducting an analysis of the financial data and thus the level of assurance is lower than an audit. As we've not conducted an audit, we shall not express any audit opinion.

Through our review, we have not noticed any event that makes us believe that the financial statements are not prepared in accordance with applicable accounting standards, and is not fairly reflecting the financial position, operating results and cash flow of the Company in all major aspects.

C.P.A
Hu Weisheng 中国注册会计师 胡卫升
Cao Xiaowen 中国注册会计师 曹晓雯
Shanghai Certified Public Accountants (Special General Partnership)
Shanghai, China

Balance Sheet (Consolidated)

As of Jun.30,2016

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note VI	Ending Balance	Beginning Balance
Current Assets			
Monetary funds	1	13,253,420,082.60	14,798,958,016.82
Settlement provisions	2	20,029,367.90	44,686,197.50
Outgoing call loan			
Financial assets at fair value through current profits or losses	3	2,392,232,047.34	1,217,806,490.86
Derivative finanical assets	4		227,873.41
Notes receivable	5	770,327,262.56	497,035,108.47
Currency deposit receivable	6	2,682,060,354.46	2,063,805,660.48
Margin pledge receivable	7	94,786,460.00	46,097,252.50
Settlement guarantee fund receivable	8	15,269,083.49	15,268,777.60
Risk loss receivable	9	35,296,022.02	35,296,022.02
Accounts receivable	10	53,038,807,021.79	39,713,096,021.96
Advances to suppliers	11	6,808,652,014.57	3,785,005,740.32
Insurance receivable			
Reinsurance receivable			
Provisions of reinsurance contracts receivable			
Interests receivable	12	13,039,626.15	16,021,214.07
Dividends receivable			
Other receivables	13	885,035,572.83	793,132,440.04
Assets categorized as held to be resold	14		130,000,000.00
Inventories	15	1,284,818,914.82	655,256,780.52
Assets categorized as available for sale			
Non-current assets maturing within one year			
Other Current Assets	16	3,152,535,137.43	8,291,476,018.44
Total Current Assets		84,446,308,967.96	72,103,169,615.01
Non-current Assets			
Loans and payment on other's behalf disburse			
Financial assets available for sale	17	4,301,629,413.43	1,807,564,220.88
Held-to-maturity Investment	18	10,380,000.00	51,620,000.00
Long-term accounts Receivable			
Long-term equity investment	19	2,228,507,832.95	1,193,565,723.65
Investments in futures exchange membership	20	1,400,000.00	1,400,000.00
Investment real estate	21	7,405,098,816.79	5,370,791,780.63
Fixed assets	22	3,015,084,438.43	2,687,044,030.43
Construction in progress	23	2,433,003,868.69	2,499,129,408.82
Engineering materials	24	5,000,419.61	7,984,215.99
Disposal of fixed assets			
Productive Biological Assets			
Oil and Gas Assets			
Intangible Assets	25	511,018,357.76	509,420,243.78
Expense on Exploitation			
Goodwill	26	2,263,365,069.33	2,297,207,468.57
Long-term Expenses to be Amortized	27	73,495,603.17	75,996,764.51
Deferred Income Tax Assets	28	23,547,459.99	22,467,662.83
Other Non-current Assets	29	2,150,359,472.47	391,334,703.82
Total Non-current Assets		24,421,890,752.62	16,915,526,223.91
Total Assets		108,868,199,720.58	89,018,695,838.92

Item	Note VI	Ending Balance	Beginning Balance
Current Liabilities			
Short-term Loan	30	32,189,844,897.00	27,344,629,814.67
Loan from Central Bank			
Deposit received and held for others			
Call loan received			
Financial liabilities at fair value through current profits or losses			
Derivative finanical liabilities			
Notes payable	31	9,029,146,452.71	7,333,422,605.38
Currency deposit payable	32	4,702,681,642.94	3,967,102,246.66
Margin pledge payable	33	94,786,460.00	46,097,252.50
Futures investors protection fund payablee	34	765,995.29	540,357.74
Futures risk provision	35	54,300,691.73	50,749,168.58
Accounts payable	36	5,735,459,671.75	6,350,601,924.00
Advance from Customers	37	210,756,347.10	1,842,879,663.84
Sale of repurchased financial assets	38	99,552,657.53	110,000,000.00
Fees and commissions payable			
Accrued Payroll	39	53,150,192.82	66,899,652.18
Taxes Payable	40	575,278,128.96	773,144,695.45
Interest Payable	41	330,745,209.58	88,538,094.64
Dividend Payable			
Other Payables	42	431,358,078.92	323,298,951.20
Reinsurance payables			
Insurance contract reserve			
Security trading of agency	43	204,549,689.01	199,445,292.53
Security sales of agency			
Liabilities categoried as held to be resold			
Non-current Liabilities due within one year	44	893,936,000.00	884,808,000.00
Other Current Liabilities	45	6,093,524,478.32	2,013,896,268.65
Total Current Liabilities		60,699,836,593.66	51,396,053,988.02
Non-current Liabilities			
Long-term Loan	46	7,121,612,303.89	3,781,627,218.34
Bonds Payable	47	4,970,320,119.71	4,966,441,666.67
In which: Priority Stock			
Perpectual Debt			
Long-term Payable	48	470,176,957.60	498,574,891.90
Special Payable	49	26,215,892.32	27,706,876.29
Expected Liabilities			
Deferred Income	50	25,725,362.08	26,548,378.77
Deferred Income Tax Liabilities	28	910,346,238.65	644,296,202.18
Other Non-current Liabilities			
Total Non-current Liabilities		13,524,396,874.25	9,945,195,234.15
Total Liabilities		74,224,233,467.91	61,341,249,222.17
Owners' Equity (or shareholders' Equity)			
Capital(or capital stock)	51	10,400,000,000.00	10,000,000,000.00
Other Equity Instruments			
In which: Priority Stock			
Perpectual Debt			
Capital Reserve	52	3,374,376,865.30	2,755,963,832.80
Less: Treasury Stock			
Other Comprehensive Income	53	120,685,472.51	75,864,564.22
Special reserve			
Surplus Reserves	54	253,792,890.91	253,792,890.91
General risk provision			
Undistributed Profit	55	8,603,051,275.76	7,225,082,839.51
Total Equity of Parent Company		22,751,906,504.48	20,310,704,127.44
Minority Interests		11,892,059,748.19	7,366,742,489.31
Total Owners' Equity		34,643,966,252.67	27,677,446,616.75
Total Liabilities and Owners' Equity		108,868,199,720.58	89,018,695,838.92

Legal Representative: Accounting Superior: Head of Accounting Dept:

Income Statement (Consolidated)

Jan.- Jun. 2016

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note VI	Current Period	Previous Period	Item	Note VI	Current Period	Previous Period
I. Total Revenue from Operation		95,309,448,599.20	80,831,892,297.75	IV. Total Profit ("-"for loss)		2,544,857,332.77	2,371,321,363.74
Including: Revenue from Operation	56	95,030,808,360.44	80,804,894,428.50	Less: Income Tax	66	700,760,017.74	580,285,860.13
Interest income	57	65,091,779.96	5,927,428.49				
Insurance fee earned				V. Net Profit ("-"for loss)		1,844,097,315.03	1,791,035,503.61
Fee and commission received	58	213,548,458.80	21,070,440.76	Net Profit of Parent Company Owners		1,377,968,436.25	1,701,566,252.18
II. Total Cost of Operation		93,925,431,407.60	79,231,182,320.49	Minority Interests		466,128,878.78	89,469,251.43
Including: Cost of Operation	56	92,014,064,947.15	78,429,757,606.27				
Interest expense	57	1,828,869.70	3,818,890.58	VI. Net After-tax Other Comprehensive Income		40,180,603.18	-2,556,462.54
Fee and commission paid	58	119,341,317.01	8,850,448.06	After-tax proft recognized as Other Comprehensive Income belonging to parent company owners		44,820,908.29	-2,556,462.54
Insurance discharge payment				(I) Other Comprehensive Income that Cannot Be Reclassified as Gains or Losses hereafer			
Net claim amount paid				1. Changes from Remeasuring Net Liabilities or Net Assets from Defined Benefit Plans			
Net amount of withdrawal of insurance contract reserve				2. Share of Acquired Party in Total Comprehensive Income that Cannot Be Reclassified as Gains or Losses under the Equity Method			
Insurance policy dividend paid				(II) Other Comprehensive Income that Will Be Reclassified as Gains or Losses hereafter		44,820,908.29	-2,556,462.54
Reinsurance expenses				1. Share of Acquired Party in Total Comprehensive Income that Will Be Reclassified as Gains or Losses under the Equity Method			
Operating Tax and Surcharge	59	30,343,528.07	14,360,233.95	2. Gains or Losses from Changes to Fair Value of Financial Assets Available for Sale			
Sales Expense		109,287,083.80	50,301,661.69	3. Gains or Loss from Held-to-Maturity Investment reclassified as Financial Assets Available for Sale			
Administrative Expense		454,645,236.15	186,650,807.78	4. Valid Part of Gains or Loss from Cash Flow Hedging			
Financial Expense	60	1,199,972,445.71	532,125,254.00	5. Differences of Foreign Currency Statement Translation		48,159,178.37	-2,556,462.54
Asset Impairment Loss	61	-4,052,019.99	5,317,418.16	6. Others		-3,338,270.08	
Add: Changes of Fair Value of Assets ("-"for loss)	62	1,013,626,787.08	-95,065,750.21	Net After-tax Other Comprehensive Income Belonging to Minority Shareholders		-4,640,305.11	
Investment Income ("-"for loss)	63	112,383,407.11	823,793,952.79				
Including: Income from Associates		-64,570,044.41	3,259,636.69	VII. Total Comprehensive Income		1,884,277,918.21	1,788,479,041.07
Gain or loss on foreign exchange difference ("-"for loss)		193,015.77	309,795.06	Total Comprehensive Income Belonging to the Owner of Parent Company		1,422,789,344.54	1,699,009,789.64
III. Operation Profit ("-"for loss)		2,510,220,401.56	2,329,747,974.90	Total Comprehensive Income Belonging to Minority Shareholders		461,488,573.67	89,469,251.43
Add: Non-operation Income	64	68,724,088.06	55,676,862.50				
Including: Gains from Disposal of Non-current Assets		90,942.66	395.76	VIII. Earnings per share			
Less: Non-operation Cost	65	34,087,156.85	14,103,473.66	(I)Basic earnings per share			
Including: Loss from Disposal of Non-current Assets		2,697.47	13,106.00	(II)Diluted earnings per share			

Legal Representative: Accounting Superior: Head of Accounting Dept:

Cash Flow Statement (Consolidated)

Jan.- Jun. 2016

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note VI	Current Period	Previous Period	Item	Note VI	Current Period	Previous Period
1. Cash Flows from Operating Activities:				Cash payments to acquire fixed assets, intangible assets and other long-term assets		786,421,512.11	582,070,222.87
Cash receipts from the sale of goods or rendering of services		96,963,617,071.35	71,497,187,421.90	Cash payments to acquire investments		7,581,411,423.37	3,354,046,467.65
Net increase of customer deposit and interbank deposit				Net increase of loan against pledge			
Net cash from securities agency		111,915,337.34	167,066,697.62	Net cash receipts from subsidiary company and other institutions			270,760,255.54
Net increase of inter-bank loans from other financial institution				Other cash payments relating to investing activities		700,000.00	770,622.00
Cash received against original insurance contract				Sub-total Cash Outflows from Investing Activities		8,368,532,935.48	4,207,647,568.06
Net cash received from reinsurance business				Net Cash Flows from Investing Activities		-2,244,575,671.58	-2,156,175,825.90
Net increase of client deposit and investment							
Net increase of disposal of financial asset recognized by fair value whose change is recorded under current gains or losses		-1,295,550,083.28	12,763,204.96	3. Cash Flows from Financing Activities:			
Cash received as interests, fees and commissions		251,362,095.92	26,311,225.67	Cash proceeds from issuing shares		5,100,000,000.00	8,421,199,641.80
Net increase of inter-bank fund received				In which: Cash proceeds from subsidiary company		4,100,000,000.00	3,421,199,641.80
Net increase of repurchasing business		119,552,657.53	114,733,260.01	Cash proceeds from borrowings		37,607,001,453.35	38,234,623,074.76
Refunds of taxes		58,916,597.61	58,640,495.28	Cash received from issuing bonds		4,090,775,000.00	
Other cash receipts relating to operating activities		10,817,515,796.74	7,659,170,729.04	Other cash receipts relating to financing activities		70,420,518,306.47	97,326,630.11
Sub-total Cash Inflows from Operating Acitivities		107,027,329,473.21	79,535,873,034.48	Sub-total Cash Inflows from Financing Activities		117,218,294,759.82	46,753,149,346.67
Cash payments for goods and services		102,903,851,525.88	75,451,096,350.58	Cash payments of amounts borrowed		29,827,499,298.92	20,738,763,243.96
Net increase of client trade and advance				Cash payments for distribution of dividends or profits and for interest expenses		745,294,151.18	398,250,867.98
Net increase of deposits in central bank and interbank				In which: Cash payments of dividends or profits to minority shareholders by subsidiary company		14,104,456.36	4,701,715.20
Cash paid for original insurance contract compensation				Other cash payments relating to financing activities		88,526,119,982.41	20,846,138,410.79
Cash paid for interests, fees and commissions		23,967,885.61	13,895,576.32	Sub-total Cash Outflows from Financing Activities		119,098,913,432.51	41,983,152,522.73
Cash paid for policy dividend				Net Cash Flows from Financing Activities		-1,880,618,672.69	4,769,996,823.94
Cash paid to and on behalf of employees		228,905,698.70	112,839,572.42				
Payments of all types of taxes		864,636,325.43	1,260,772,292.61	4. Effect of Foreign Exchange Rate Changes on Cash		43,651,999.90	13,881,318.45
Other cash payments relating to operating activities		2,293,439,970.10	1,574,448,514.69				
Sub-total Cash Outflows from Operating Activities		106,314,801,405.72	78,413,052,306.62	5. Net Increase In Cash and Cash Equivalents		-3,369,014,276.88	3,750,523,044.35
Net Cash Flows from Operating Activities		712,528,067.49	1,122,820,727.86	Plus: Beginning balance of cash and cash equivalents		10,305,155,147.84	2,737,900,718.61
2. Cash Flows from Investing Activities:							
Proceeds from sell of investment		5,717,177,635.34	2,012,765,359.06	6. Ending Balance of Cash and Cash Equivalents		6,936,140,870.96	6,488,423,762.96
Cash receipts from return on investments		51,712,109.10	36,271,376.69				
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets		2,890.09	32,903.89				
Net cash receipts from disposal of subsidiary company and other institutions		355,064,629.37					
Other cash receipts relating to investing activities			2,402,102.52				
Sub-total Cash Inflows from Investing Activities		6,123,957,263.90	2,051,471,742.16				

Legal Representative: Accounting Superior: Head of Accounting Dept:

Changes in Owners' Equity (Consolidated)

Jan.- Jun. 2016

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Current Period													
	Owners' Equity belonging to Parent Company												Minority Interests	Total of Owners' Equity
	Capital Stock	Other Equity Instruments			Capital Reserve	Less:Treasury Stock	Other Comprehensive Income	Special reserve	Surplus Reserves	Common risk provision	Undistributed Profit	Others		
		Priority Stock	Perpetual Debt	Others										
I. Ending Balance of Previous Year	10,000,000,000.00				2,755,963,832.80		75,864,564.22		253,792,890.91		7,225,082,839.51		7,366,742,489.31	27,677,446,616.75
Add: Adjustment of accounting policy														
Correction of previous period														
Others														
II. Beginning Balance of Current Year	10,000,000,000.00				2,755,963,832.80		75,864,564.22		253,792,890.91		7,225,082,839.51		7,366,742,489.31	27,677,446,616.75
III. Increase or Decrease Amount in Current Year ("-"for loss)	400,000,000.00				618,413,032.50		44,820,908.29				1,377,968,436.25		4,525,317,258.88	6,966,519,635.92
1. Total Comprehensive Income							44,820,908.29				1,377,968,436.25		466,128,878.78	1,888,918,223.32
2. Owners' Investment and Decrease of Capital	400,000,000.00				620,236,207.73								4,100,000,000.00	5,120,236,207.73
① Shareholders' Investment of Common Stock	400,000,000.00				600,000,000.00								4,100,000,000.00	5,100,000,000.00
② Capital Investment from Other Equity Instrument Holders														
③ Payment of share relating to owners' equity														
④ Others					20,236,207.73									20,236,207.73
3. Distribution of Profit													-14,104,456.36	-14,104,456.36
① Withdrawl of surplus reserve														
② Withdrawal of common risk provisions														
③ Distribution to owners(or shareholders)													-14,104,456.36	-14,104,456.36
④ Others														
4.Internal Transfer of Owners' Equity														
① Capital reserve transferred into paid-in capital(or capital stock)														
② Surplus reserve transferred into paid-in capital(or capital stock)														
③ Surplus reserve transferred to make up loss														
④ Others														
5. Special reserve														
① Current extraction														
② Current Use														
6. Others					-1,823,175.23								-26,707,163.54	-28,530,338.77
IV. Ending Balance of Current Year	10,400,000,000.00				3,374,376,865.30		120,685,472.51		253,792,890.91		8,603,051,275.76		11,892,059,748.19	34,643,966,252.67

Legal Representative: Accounting Superior: Head of Accounting Dept:

Changes in Owners' Equity (Consolidated)(Continued)

Jan.- Jun. 2016

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Current Period													
	Owners' Equity belonging to Parent Company												Minority Interests	Total of Owners' Equity
	Capital Stock	Other Equity Instruments			Capital Reserve	Less:Treasury Stock	Other Comprehensive Income	Special reserve	Surplus Reserves	Common risk provision	Undistributed Profit	Others		
		Priority Stock	Perpetual Debt	Others										
I. Ending Balance of Previous Year	7,500,000,000.00				25,406,402.00		53,238,682.39		182,317,057.11		4,444,231,243.35		1,090,698,927.08	13,295,892,311.93
Plus: Adjustment of accounting policy														
Correction of previous period														
Combination involving enterprises under common control											-2,565,793.01			-2,565,793.01
Others														
II. Beginning Balance of Current Year	7,500,000,000.00				25,406,402.00		53,238,682.39		182,317,057.11		4,441,665,450.34		1,090,698,927.08	13,293,326,518.92
III. Increase or Decrease Amount in Current Year ("-"for loss)	2,500,000,000.00				2,508,950,551.34		-2,556,462.54				1,701,566,252.18		3,499,250,262.23	10,207,210,603.21
1. Total Comprehensive Income											1,701,566,252.18		89,469,251.43	1,791,035,503.61
2. Owners' Investment and Decrease of Capital	2,500,000,000.00				2,500,000,000.00								3,414,883,625.72	8,414,883,625.72
① Shareholders' Investment of Common Stock	2,500,000,000.00				2,500,000,000.00								3,201,000,000.00	8,201,000,000.00
② Capital Investment from Other Equity Instrument Holders														
③ Payment of share relating to owners' equity														
④ Others													213,883,625.72	213,883,625.72
3. Distribution of Profit													-4,701,715.20	-4,701,715.20
① Withdrawl of surplus reserve														
② Withdrawal of common risk provisions														
③ Distribution to owners(or shareholders)													-4,701,715.20	-4,701,715.20
④ Others														
4.Internal Transfer of Owners' Equity														
① Capital reserve transferred into paid-in capital(or capital stock)														
② Surplus reserve transferred into paid-in capital(or capital stock)														
③ Surplus reserve transferred to make up loss														
④ Others														
5. Special reserve														
① Current extraction														
② Current Use														
6. Others					8,950,551.34		-2,556,462.54						-400,899.72	5,993,189.08
IV. Ending Balance of Current Year	10,000,000,000.00				2,534,356,953.34		50,682,219.85		182,317,057.11		6,143,231,702.52		4,589,949,189.31	23,500,537,122.13

Legal Representative: Accounting Superior: Head of Accounting Dept:

Balance Sheet (Parent Company)

As of Jun.30,2016

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note XIII	Ending Balance	Beginning Balance	Item	Note XIII	Ending Balance	Beginning Balance
Current Assets				Current Liabilities			
Monetary funds		5,099,796,344.42	5,527,104,963.96	Short-term Loan		1,468,200,000.00	2,203,261,200.00
Financial assets at fair value through current profits or losses		5,011.20	5,755.20	Financial liabilities at fair value through current profits or losses			
Derivative finanical assets				Derivative finanical liabilities			
Notes receivable			500,000.00	Notes Payable		4,147,110,016.80	1,164,489,458.56
Accounts receivable	1	4,260,244,461.84	3,511,002,479.73	Accounts Payable		1,000,003,516.21	1,772,729,964.37
Advances to Suppliers		871,177,744.14	1,524,179,112.69	Advance from Customers		679,529.40	1,661,691,303.84
Interests receivable				Accrued Payroll		2,098,038.23	1,450,742.03
Dividends receivable				Taxes Payable		85,615,228.21	236,710,997.09
Other receivables	2	5,104,425,367.07	2,577,921,515.21	Interest Payable		299,484,147.79	54,204,810.38
Inventories		460,780,535.83		Dividend Payable			
Assets categorized as held to be resold				Other Payables		595,589,254.78	487,426,353.09
Non-current assets maturing within one year				Assets categorized as available for sale			
Other Current Assets		186,768,707.55	366,655,352.74	Non-current liabilities due within one year		798,936,000.00	794,808,000.00
Total of Current Assets		15,983,198,172.05	13,507,369,179.53	Other Current Liabilities		6,093,424,478.32	1,995,396,121.89
				Total Current Liabilities		14,491,140,209.74	10,372,168,951.25
Non-current Assets				Non-current Liabilities			
Financial assets available for sale		1,459,655,510.00	1,059,655,510.00	Long-term Loan		3,550,300,000.00	510,000,000.00
Held-to-maturity investment				Bonds Payable		4,970,320,119.71	4,966,441,666.67
Long-term accounts receivable				Long-term payables			
Long-term equity investment	3	20,871,173,455.90	16,136,483,224.71	Special payables			
Investment real estate				Expected Liabilities			
Fixed assets		6,016,824.56	6,763,110.45	Deferred income			
Construction in progress		6,882,571.64	964,949.68	Deferred Income Tax Liabilities		411.80	411.80
Engineering materials				Other Non-current Liabilities			
Disposal of Fixed Assets				Total Non-current Liabilities		8,520,620,531.51	5,476,442,078.47
Productive Biological Assets				Total Liabilities		23,011,760,741.25	15,848,611,029.72
Oil and Gas Assets				Owners' Equity (or Shareholders' Equity)			
Intangible Assets		985,912.31	1,046,251.61	Capital (or capital stock)		10,400,000,000.00	10,000,000,000.00
Expense on Exploitation				Other Equity Instruments			
Goodwill				In which: Priority Stock			
Long-term Expenses to be Amortized				Perpectual Debt			
Deferred Income Tax Assets				Capital Reserve		3,100,000,000.00	2,500,000,000.00
Other Non-current Assets		857,469,938.00	178,640,981.40	Less: Treasury Stock			
Total Non-current Assets		23,202,184,212.41	17,383,554,027.85	Other Comprehensive Income			
				Special reserve			
				Surplus Reserves		253,792,890.91	253,792,890.91
				Undistributed Profit		2,419,828,752.30	2,288,519,286.75
				Total Owners' (or Shareholders') Equity		16,173,621,643.21	15,042,312,177.66
Total Assets		39,185,382,384.46	30,890,923,207.38	Total Liabilities and Owners'(or shareholders') Equity		39,185,382,384.46	30,890,923,207.38

Legal Representative: Accounting Superior: Head of Accounting Dept:

Income Statement (Parent Company)

Jan.- Jun. 2016

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note XIII	Current Period	Previous Period	Item	Note XIII	Current Period	Previous Period
I. Revenue from Operation	4	21,693,113,304.87	22,381,117,365.06	V. Net After-tax Other Comprehensive Income			
Less: Cost of Operation	4	21,054,478,061.36	22,021,366,205.51	(I) Other Comprehensive Income that Cannot Be Reclassified as Gains or Losses hereafer			
Operating Tax and Surcharge		4,934,447.40	3,892,619.31	1. Changes from Remeasuring Net Liabilities or Net Assets from Defined Benefit Plans			
Sales Expense		20,299,781.57	5,401,115.96	2. Share of Acquired Party in Total Comprehensive Income that Cannot Be Reclassified as Gains or Losses under the Equity Method			
Administrative Expense		39,063,774.02	21,933,277.43				
Financial Expense		509,430,647.25	-49,565,122.54	(II) Other Comprehensive Income to be reclassified as Gains or Losses hereafter			
Asset Impairment Loss				1. Share of Acquired Party in Total Comprehensive Income that Will Be Reclassified as Gains or Losses by Equity Method			
Plus: Changes of Fair Value of Assets ("-"for loss)		-744.00	-256,145,471.94	2. Gains or Losses from Change in Fair Value of Financial Assets Available for Sale			
Investment Income ("-"for loss)	5	107,654,855.17	538,927,075.33	3. Gains or Losses from Held-to-Maturity Investment reclassified as Financial Assets Available for Sale			
In which: Income from Investment in Associates				4. Effective part of profits and losses from cash hedging			
II. Operation Profit ("-"for loss)		172,560,704.44	660,870,872.78	5. Differences of Foreign Currency Statement Translation			
Plus: Non-operation Income		2,641.84	245,446.53	6. Others			
In which: Gain from Disposal of Non-current Assets							
Less: Non-operation Cost		1,620,137.77	303,750.28	VI. Total Comprehensive Income		131,309,465.55	492,666,376.12
In which: Loss from Disposal of Non-current Assets							
III. Total Profit ("-"for loss)		170,943,208.51	660,812,569.03	VII. Earnings per share			
Less: Income Tax		39,633,742.96	168,146,192.91	(I) Basic earnings per share			
IV. Net Profit ("-"for loss)		131,309,465.55	492,666,376.12	(II) Diluted earnings per share			

Legal Representative: Accounting Superior: Head of Accounting Dept:

Cash Flow Statement (Parent Company)

Jan.- Jun. 2016

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note	Current Period	Previous Period	Item	Note	Current Period	Previous Period
1. Cash Flows from Operating Activities:				3. Cash Flows from Financing Activities:			
Cash receipts from sale of goods or rendering of services		25,714,893,434.93	28,527,516,207.06	Cash proceeds from issuing shares		1,000,000,000.00	5,000,000,000.00
Refund of taxes		2,641.84	245,446.53	Cash proceeds from borrowings		8,658,359,639.92	5,163,238,415.37
Other cash receipts relating to operating activities		7,790,358,018.43	1,762,314,922.71	Other cash receipts relating to financing activities		53,861,103,143.31	
Sub-total Cash Inflows from Operation Activities		33,505,254,095.20	30,290,076,576.30	Sub-total Cash Inflows from Financing Activities		63,519,462,783.23	10,163,238,415.37
Cash payments for goods and services		22,605,727,816.51	21,125,088,148.45	Cash payments for paying off debts		2,253,198,213.65	2,234,459,315.37
Cash paid to and on behalf of employees		11,868,479.45	9,906,248.13	Cash payments for distribution of dividends or profits and for interest expenses		149,644,261.14	43,847,974.82
Payments of taxes		237,249,292.83	552,290,942.89	Other cash payments relating to financing activities		63,336,310,737.42	8,811,516,678.26
Other cash payments relating to operating activities		4,578,925,939.97	2,791,706,916.62	Sub-total Cash Outflows from Financing Activities		65,739,153,212.21	11,089,823,968.45
Sub-total Cash Outflows from Operation Activities		27,433,771,528.76	24,478,992,256.09	Net Cash Flows from Financing Activities		-2,219,690,428.98	-926,585,553.08
Net Cash Flows from Operating Activities		6,071,482,566.44	5,811,084,320.21				
2. Cash Flows from Investing Activities:				4. Effects of Foreign Exchange Rate Changes on Cash Flows		-44,532.12	111,162,809.82
Proceeds from sell of investment		560,000,000.00	1,422,746,131.20				
Cash receipts from return on investments		21,094,958.71	38,339,760.54	5. Net Increase in Cash and Cash Equivalents		-1,707,213,350.56	1,346,042,359.87
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets				Plus: Beginning balance of cash and cash equivalents		2,039,104,963.96	1,060,694,599.86
Net cash receipts from disposal of subsidiaries and other entities							
Other cash receipts relating to investing activities				6. Ending Balance of Cash and Cash Equivalents		331,891,613.40	2,406,736,959.73
Sub-total Cash Inflows from Investing Activities		581,094,958.71	1,461,085,891.74				
Cash payments to acquire fixed assets, intangible assets and other long-term assets		6,781,688.20	3,571,476.00				
Cash payments to acquire investments		6,133,274,226.41	4,507,133,632.82				
Net cash receipts from subsidiaries and other entities							
Other cash payments relating to investing activities			600,000,000.00				
Sub-total Cash Outflows from Investing Activities		6,140,055,914.61	5,110,705,108.82				
Net Cash Flows from Investing Activities		-5,558,960,955.90	-3,649,619,217.08				

Legal Representative: Accounting Superior: Head of Accounting

Changes in Owners' Equity (Parent Company)

Jan.- Jun. 2016

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Current Period										
	Capital Stock	Other Equity Instruments			Capital Reserve	Less:Treasury Stock	Other Comprehensive Income	Special reserve	Surplus Reserves	Minority Interests	Total Owners' Equity
		Priority Stock	Perpetual Debt	Others							
I. Ending Balance of Previous Year	10,000,000,000.00				2,500,000,000.00				253,792,890.91	2,288,519,286.75	15,042,312,177.66
Plus: Adjustment of accounting policy											
Correction of previous period											
Others											
II. Beginning Balance of Current Year	10,000,000,000.00				2,500,000,000.00				253,792,890.91	2,288,519,286.75	15,042,312,177.66
III. Increase or Decrease Amount in Current Year ("-"for loss)	400,000,000.00				600,000,000.00					131,309,465.55	1,131,309,465.55
1. Total Comprehensive Income										131,309,465.55	131,309,465.55
2. Owners' Investment and Decrease of Capital	400,000,000.00				600,000,000.00						1,000,000,000.00
① Shareholders' Investment of Common Stock	400,000,000.00				600,000,000.00						1,000,000,000.00
② Capital Investment from Other Equity Instrument Holders											
③ Payment of share relating to owners' equity											
④ Others											
3. Distribution of Profit											
① Withdrawal of surplus reserve											
② Distribution to owners (or shareholders)											
③ Others											
4.Internal Transfer of Owners' Equity											
① Capital reserve transferred into paid-in capital (or capital stock)											
② Surplus reserve transferred into paid-in capital (or capital stock)											
③ Surplus reserve transferred to make up loss											
④ Others											
5. Special reserve											
① Current withdrawal											
② Current Use											
6. Others											
IV. Ending Balance of Current Year	10,400,000,000.00				3,100,000,000.00				253,792,890.91	2,419,828,752.30	16,173,621,643.21

Legal Representative: Accounting Superior: Head of Accounting Dept:

Changes in Owners' Equity (Parent Company)(Continued)

Jan.- Jun. 2016

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Current Period										
	Capital Stock	Other Equity Instruments			Capital Reserve	Less:Treasury Stock	Other Comprehensive Income	Special reserve	Surplus Reserves	Minority Interests	Total Owners' Equity
		Priority Stock	Perpetual Debt	Others							
I. Ending Balance of Previous Year	7,500,000,000.00				2,078,763.17				182,317,057.11	1,640,853,513.98	9,325,249,334.26
Plus: Adjustment of accounting policy											
Correction of previous period											
Others											
II. Beginning Balance of Current Year	7,500,000,000.00				2,078,763.17				182,317,057.11	1,640,853,513.98	9,325,249,334.26
III. Increase or Decrease Amount in Current Year ("-"for loss)	2,500,000,000.00				2,497,921,236.83				-487,029.84	492,666,376.12	5,490,100,583.11
1. Total Comprehensive Income										492,666,376.12	492,666,376.12
2. Owners' Investment and Decrease of Capital	2,500,000,000.00				2,500,000,000.00						5,000,000,000.00
① Shareholders' Investment of Common Stock	2,500,000,000.00				2,500,000,000.00						5,000,000,000.00
② Capital Investment from Other Equity Instrument Holders											
③ Payment of share relating to owners' equity											
④ Others											
3. Distribution of Profit											
① Withdrawal of surplus reserve											
② Distribution to owners (or shareholders)											
③ Others											
4. Internal Transfer of Owners' Equity											
① Capital reserve transferred into paid-in capital (or capital stock)											
② Surplus reserve transferred into paid-in capital (or capital stock)											
③ Surplus reserve transferred to make up loss											
④ Others											
5. Special reserve											
① Current withdrawal											
② Current Use											
6. Others					-2,078,763.17				-487,029.84		-2,565,793.01
IV. Ending Balance of Current Year	10,000,000,000.00				2,500,000,000.00				181,830,027.27	2,133,519,890.10	14,815,349,917.37

Legal Representative: Accounting Superior: Head of Accounting Dept:

I. Company profile

CEFC Shanghai International Group Co., Ltd. (the "Company") was formerly Shanghai Huanli Chemical Technologies Co., Ltd. incorporated by natural persons Song Xiufang and Wang Guiying in Shanghai on February 22, 2003 with a registered capital of 500,000 RMB yuan.

After successive capital stock increases and equity ownership changes, the Company's registered became 100,500,000 RMB yuan in January 2010, and the shareholders were Su Weizhong (50%), Zheng Jianding (25%) and Ye Ling (25%).

In January 2010, according to the resolution of the shareholder meeting, Su Weizhong, Zheng Jianding and Yeling respectively transferred 45%, 25% and 25% stake in the Company to CEFC Shanghai Financial Holding Co., Ltd. (formerly CEFC Shanghai Energy Holding Co., Ltd.), and Su Weizhong again transferred the remaining 5% equity in the Company to Chen Rui, and at the same time, the Company was renamed Shanghai CEFC Petroleum Co., Ltd.

According to the shareholder meeting resolution adopted on September 13, 2010, Chen Rui transferred his 5% equity of the Company to Su Weizhong. Again according to the shareholder meeting resolution adopted on August 8, 2011, Su Weizhong transferred his 5% equity of the Company to CEFC Shanghai Financial Holding Co., Ltd. After the equity change, CEFC Shanghai Financial Holding Co., Ltd. owned 100% equity of the Company.

In October 2011, CEFC Shanghai Financial Holding Co., Ltd. added 745,500,000 RMB yuan to the capital stock, making the Company's registered capital amount to 846,000,000 RMB yuan.

On August 6, August 13, and September 17, 2012, CEFC Shanghai Financial Holding Co., Ltd. added 300,000,000 RMB yuan, 200,000,000 RMB yuan and 560,000,000 RMB yuan to the Company's capital stock, and after the capital increases, the Company's registered capital amounted to 1,906,000,000 RMB yuan.

In April 2013, CEFC Shanghai Financial Holding Co., Ltd. added 1,094,000,000 RMB yuan to the Company's capital stock, and after the capital increase, the Company's registered capital amounted to 3 billion RMB yuan.

In July 2013, China CEFC Energy Co., Ltd. contributed 470,000,000 RMB yuan to the Company's capital stock, and after the capital increase, the Company's registered capital amounted to 3,470,000,000 RMB yuan, and the shareholders became CEFC Shanghai Financial Holding Co., Ltd. (86.46%) and China CEFC Energy Co., Ltd. (13.54%).

In October 2013, China CEFC Energy Co., Ltd. added 1,030,000,000 RMB yuan to the Company's capital stock, and after the capital increase, the Company's registered capital amounted to 4,500,000,000 RMB yuan, and the ownership composition became: CEFC Shanghai Financial Holding Co., Ltd. holding 66.67% and China CEFC Energy Co., Ltd. holding 33.33%.

In November 2013, Sinounited Energy Co., Ltd. contributed 3,000,000,000 RMB yuan to the Company's capital stock, and after the capital increase, the Company's registered capital amounted to 7,500,000,000 RMB yuan, and the ownership composition became: CEFC Shanghai Financial Holding Co., Ltd. holding 40%, Sinounited Energy Co., Ltd. holding 40% and China CEFC Energy Co., Ltd. holding 20%.

In February 2015, the Company was renamed Shanghai CEFC International Group Co., Ltd.

In May 2015, Sinounited Investment Foundation (Shanghai) Co., Ltd. transferred 26% equity of the Company (amounting to 1,950,000,000 RMB yuan) to China CEFC International Equity Investment Co., Ltd. and transferred 14% (amounting to 1,050,000,000 RMB yuan) to China CEFC Energy Co., Ltd.

In May 2015, the Company held an interim shareholder meeting which agreed to increase the Company's registered capital from 7,500,000,000 RMB yuan to 10,000,000,000 RMB yuan. China CEFC Energy Co., Ltd contributed 5,000,000,000 RMB yuan, in which 2,500,000,000 RMB yuan was paid in capital and 2,500,000,000 RMB yuan was recognized under capital surplus. China CEFC Energy Co., Ltd. paid in 3,800,000,000 RMB yuan in May 2015 and 1,200,000,000 RMB yuan in June 2015. After the capital increase, the Company's registered capital became 10 billion RMB yuan, and the ownership composition became: China CEFC Energy Co., Ltd. holding 50.5%, CEFC Shanghai Financial Holding Co., Ltd. holding 30% and China CEFC International Equity Investment Co., Ltd. holding 19.5%.

In June 2016, the Company held an interim shareholders meeting and adopted the resolution that its registered capital will be increased from 10 billion RMB yuan to 10.4 billion RMB yuan. Shareholder China CEFC Energy Limited shall contribute 1,000,000,000 RMB yuan in which 400,000,000 RMB yuan shall be recognized as paid in capital and 600,000,000 RMB yuan recognized as capital reserve. After the capital increase, the Company's registered capital becomes 10,400,000,000 RMB yuan. the ownership composition became: China CEFC Energy Limited holding 52.4%, CEFC Shanghai Financial Holding Co., Ltd. holding 28.85% and China CEFC International Equity Investment Co., Ltd. holding 18.75%.

Registered capital: 10,400,000,000 RMB yuan
Registered address: 2nd floor, Building 13, 27 New Jinqiao Road, Shanghai Pilot Free Trade Zone
Nature of organization: Limited liability company
Head office address: 2nd floor, Building 13, 27 New Jinqiao Road, Shanghai Pilot Free Trade Zone

Business scope and main operations: Investment in financial enterprises, the energy industry, petrochemicals, transport infrastructure, mining and forestry enterprises; investment management of ports, warehousing and chain gas stations; design and installation of oil engineering facilities (not including specialty equipment); sales of petroleum products (not including petroleum products), fuel oil, lubricating oil, mineral products (not including projects subject to special approval), hardware machinery, building materials, daily necessities, textiles, auto parts, metal materials, metallurgical charge (except for items subject to special approval), chemical products (refer to the list of dangerous chemicals business licenses concerning liquefied petroleum gas and other hazardous chemicals), hardware, decoration materials, wire and cable, edible agricultural products, animal feed, and products; circulation of foods; e-commerce (excluding telecom and financial services); import and export of goods and technologies; industrial investment, investment management, investment consulting; R&D of oil refining equipment, appliances and technology; real estate development; warehousing services (except for dangerous goods). (Some operations may be subject to administrative licensing.)

The issuer of the financial statements and the date of issuance shall be the signer and the date of signature.

II. Scope of consolidated financial statements

The consolidated financial statements cover the statements of 74 companies including CEFC Hainan International Holdings Co.,Ltd., CEFC Petroleum (Guangdong) Co., Ltd., Shanghai Huaxin Group (Hong Kong) Ltd.and CEFC Anhui International Holding Co., Ltd. For more details, refer to "Note VIII: Equity in other entities."

III. Basis for preparing the financial statements

1. Basis for preparing the financial statements

The Company prepares the financial statements for continuous operations on the accrual basis. The Company usually makes historical cost accounting, and has made measurements by replacement cost, net realizable value, current value and fair value on the condition that all accounting elements can be obtained and reliably measured.

2. On-going concern

The Company is currently operating under normal conditions and is able to maintain continuous operations in the foreseeable future for no less than 12 months after the balance sheet date.

IV. Major accounting policies and accounting estimates

1. Declaration of compliance with Accounting Standards for Business Enterprises

The Company's has prepared the financial statements and the notes to the statements according to the latest Accounting Standards for Business Enterprises as well as the user guide and interpretations of the standards promulgated by the Ministry of Finance as well as supplementary provisions, and fairly and completely presents the financial position, operation results and cash flow of the Company.

2. Accounting period

The Company uses the Gregorian calendar as its accounting year which is from January 1 to December.

3. Operating term

The normal operating term of the Company is 12 months.

4. Recording currency

Chinese RMB yuan.

5. Accounting of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

(1) For a business combination involving enterprises under common control, if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets or assumption of liabilities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the owners' equity of the party being absorbed at combination date. The different between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the owners' equity of the party being absorbed at combination date. The aggregate face value of the shares issued shall be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period. The bonds issued for a business combination or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

(2) for a business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired shall be determined as follows:

① or a business combination realized by a transaction of exchange, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquire;

② For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions;

③ All relevant direct costs incurred by the business combination to the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and lossès at the current period. The bonds or debt securities issued for a business combination or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or debt securities;

④ Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the initial investment costs.

(3) For external business acquisition not involving enterprises under common control, where the initial investment cost is higher than the fair value of the identifiable net assets it obtains from the acquiree, the difference shall be recognized as business goodwill.

Where the initial investment cost is lower than the fair value of the identifiable net assets it obtains from the acquiree, the difference shall be treated as follows:

① It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs;

② If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the profits and losses of the current period.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns.

The parent company shall put all subsidiaries involved in the consolidated scope of consolidated financial statements. Subsidiaries refer to entities under the control of the parent company (including separable parts of enterprises and invested units and structural entities controlled by the enterprise).

If the parent company is an investment entity, the parent company shall only put the subsidiaries (if any) that provide relevant services for its investing activities in the consolidated scope of consolidated financial statements. Other subsidiaries shall not be consolidated. Investments in other subsidiaries shall be measured by their fair value and the changes of fair value shall be recorded into the profits and losses at the current period. A parent company is an investment entity if:

(1) The parent company aims to provide investment management services for investors and obtains capital from one or more investors;

(2) The parent company has the sole purpose of gain benefits for investors through capital appreciation and/or investment returns; and

(3) The parent company measures and evaluates almost all investment projects by fair value.

For the preparation of consolidated financial statements, the significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. The consolidated financial statements are prepared by the Company based on the financial statements of parent company and subsidiaries, which is offset the effect on the internal transaction between the parent enterprise and subsidiary company or among the subsidiaries. The Company adjusts the beginning balance of the consolidated balance sheet for added subsidiaries involving combination of enterprises under common control within the reporting period. The Company does not adjust the beginning balance of the consolidated balance sheet for added subsidiaries not involving the combination of enterprises under common control within the reporting period. For added subsidiaries involving combination of enterprises under common control within the reporting period, the Company consolidates their income, expenses, profits and cash flow from the beginning to the end of current reporting period into the income statement and the cash flow statement. For added subsidiaries not involving the combination of enterprises under common control within the reporting period, the Company consolidates their income, expenses, profits and cash flow from the acquisition date to the end of current reporting period into the income statement and the cash flow statement. For subsidiaries disposed of within the reporting period, the Company consolidates their income, expenses, profits and cash flow from the beginning of current reporting period to the disposal date into the income statement and the cash flow statement.

For acquisitions of equity in subsidiaries owned by minority shareholders of the Company, the difference between the long-term investment obtained by acquisition of minority equity and the Company's share of net assets of the subsidiary calculated from the acquisition date to the consolidation date by the proportion of equity holding is adjusted to capital reserve under owners' equity in the consolidated financial statements. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

For disposal of long-term equity investment in subsidiaries that does not result in the loss of control over the subsidiaries, the difference between the disposal proceeds and the Company's share of net assets of the subsidiary calculated from the acquisition date to the consolidation date is adjusted to capital reserve under owners' equity in the consolidated financial statements. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

For disposal of equity investment in subsidiaries that results in the loss of control over the investee, the retained interest shall be re-measured and recorded into the consolidated financial statements by the fair value on the date of losing the control. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost, except other comprehensive income resulting from the investee's re-measurement of the net liability of the define benefit plan or changes to the net assets.

7. Classification of joint venture arrangements and accounting of associates
There are two types of joint venture arrangements: join operation and joint ventures.

A joint operation is a joint venture arrangement whereby the associates have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company recognizes the following items relating to its interest in associates and accounts for them according to relevant Chinese accounting standards:

(1) Recognizing solely held assets and recognizing jointly held assets by proportion;
(2) Recognizing solely assumed liabilities, and recognizing jointly assumed liabilities by proportion;
(3) Recognizing income from sale of its share in associates;
(4) Recognizing its share of income from sale of product by associates;
(5) Recognizing solely incurred expenses and recognizing expenses incurred by associates by proportion.

A joint venture is a joint venture arrangement whereby the joint ventures have rights to the net assets of the arrangement. The Company accounts for investments in joint ventures by the equity method.

8. Cash and cash equivalents
Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity after acquisition.

9. Principles for fund management and transaction settlement of subsidiaries
The Company sets up a compliant and complete duty and operation procedure for subsidiary entities according to Article 47 of the Regulatory Methods for Futures Companies and the regulations of CSRC concerning unified settlement, risk management, fund allocation, financial management and accounting of subsidiaries.

10. Translation of transactions denominated in foreign currencies

(1) On initial measurement, foreign currency transactions are translated by applying the spot exchange rate or spot exchange rate approximation rate at the date of the transaction.

(2) On balance sheet date, the Company accounts for monetary and non-monetary items denominated in foreign currencies as follows:

① monetary items denominated in foreign currencies are translated at the quoted intermediate conversion price of foreign exchange rates from The Peopl'Bank of China ruling at the balance sheet date. Foreign exchange gains and losses arising from the difference between the balance sheet date exchange rate and the exchange rate ruling at the time of initial measurement or the exchange rate ruling at the last balance sheet date are recorded into the profits and losses of the current period.

② non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the current exchange rates ruling at the transaction dates, and no difference of amount is recorded. Non-monetary items denominated in foreign currencies that are stated at fair value are translated using the current exchange rates ruling at the dates the fair value was determined, the difference between the amount of functional currency after translation and the original amount of functional currency is treated as part of change in fair value (including change in exchange rate) and recorded into the profits and losses of the current period or other gains.

Monetary items refer to cash the Company holds and assets the Company shall collect or liabilities the Company shall pay off in fixed or definable amounts.

Non-monetary items refer to other items than monetary items.

(3) The Company translates the financial statements of its overseas operations as follows:

① the assets and liabilities in the balance sheets shall be translated at a spot exchange rate ruling at the balance sheet date, while the owner's equity, except "undistributed profits", shall be translated at the spot exchange rate ruling at the time of occurrence;

② income and expenses in the income statements shall be translated at the spot exchange rate (or at the approximate spot exchange rate if the items are determined by the systematic reasonable method) on the date of transaction;

③ foreign exchange differences arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity in the balance sheet.

(4) The Company translates the financial statements of its overseas operations in economies with hyperinflation as follows:

The Company restates the balance sheet items by the general price index, restates the items of the income statement by the changes of the general price index, and then translates them at the spot exchange rate on the recent balance sheet date.

If the overseas operation is no longer situated in the hyperinflationary economy, it shall stop the restatement, and shall translate the restated financial statements at the price of the cessation date.

When disposing of an overseas operation, the Company shall translate the items denominated relating to the overseas operation in foreign currencies under the owners' equity in the balance sheet, and the difference that arises from the translation shall be recorded into the disposal profits and losses of the current period. If the overseas operation is disposed of in part, the Company shall calculate the balance arising from the translation of foreign currency statements of the disposed part by the disposal proportion and shall record the difference into the disposal gains and losses of the current period.

11. Financial instruments

(1) Classification, confirmation and measurement of financial instruments

① Financial assets are classified into the following four categories when they are initially measured:

1) financial assets at fair value through profit or loss of the current period, including transactional financial assets and financial assets at fair value through profit or loss;

2) investments which will be held to their maturity;

3) loans and account receivables; and

4) financial assets available for sale.

② Financial liabilities shall be classified into the following two categories when they are initially measured:

1) financial liabilities at fair value through profit or loss including transactional financial liabilities and designated financial liabilities at fair value through profit or loss; and

2) other financial liabilities.

③ Financial assets or financial liabilities at fair value through profit or loss

Such financial assets or financial liabilities are further classified into transactional financial assets or financial liabilities and designated financial assets or financial liabilities at fair value through profit or loss.

Transactional financial assets or financial liabilities refer to financial assets the Company holds for resale in the near future or financial liabilities the Company assumes but will repurchase in the near future.

Designated financial assets or financial liabilities at fair value through profit or loss refer to financial assets or financial liabilities the Company designated for the purposes of risk management and strategic investment.

For financial assets or financial liabilities at fair value through profit or loss, the initial confirmed cost shall be the fair value at the time of acquisition, and relevant transaction expenses shall be recorded into profits and losses at the time of occurrence. Declared but not yet paid dividends or bond interest payable but not yet received included in the price shall be recognized separately as receivables.

Interest or dividend in cash received from financial assets or financial liabilities at fair value through profit or loss during the period shall be recorded into investment income. On the balance sheet date, the changes to the fair value of financial assets or financial liabilities at fair value through profit or loss shall be recorded into the current profits and losses.

When financial assets or financial liabilities at fair value through profit or loss are disposed of, the difference between fair value and the initial measurement amount shall be recorded into investment income and the fair value gain or loss shall be adjusted.

④ Investments held to maturity

Investments which will be held to their maturity (held-to-maturity investments) are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity.

Held-to-maturity investments are initially measured at the sum of the fair value at the time of acquisition and transaction expenses. Declared but not yet paid dividends or bond interest payable but not yet received included in the price shall be recognized separately as receivables.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method; gains and losses arising from de-recognition, impairment or amortization is recognized in profit or loss for the current period. The effective interest shall be determined when the held-to-maturity investments are acquired, and shall remain unchanged within the predicted term of existence or within a shorter applicable term. Where the difference between effective interest rate and the coupon rate is small, the income can be recognized by the coupon interest.

When held-to-maturity investments are disposed of, the difference between the acquisition price paid and the carrying amount shall be recorded into investment income.

⑤ Loans and accounts receivable

Loans refer to loans issued by financial institutions on the current market conditions. Loans are initially measured by the sum of the principal and transaction expenses. The interest income of loans during the effective term shall be calculated by the effective interest method. The effective interest shall be determined when loans are received, and shall remain unchanged within the predicted term of existence or within a shorter applicable term. Where the difference between effective interest rate and the contractual rate is small, the income can be recognized by the contractual interest.

Accounts receivables refer to the Company's accounts receivable from sales of goods or provision of services, and the initial recognition is usually based on the price or rate under contract or agreement payable by the buyer. When loans and account receivables are collected or disposed of, the difference between the collected price and the carrying amount of the loan or receivable shall be recorded into the current profits and losses.

⑥ Financial assets available for sale

Financial assets available for sale (available-for-sale financial assets) are non-derivative financial assets that are designated as available for sale and those financial assets in addition to those above mentioned.

Available-for-sale financial assets are initially measured by the sum of the fair value of the assets and transaction expenses. Declared but not yet paid dividends or bond interest payable but not yet received included in the price shall be recognized separately as receivables.

Interest or dividend in cash received from available-for-sale financial assets during the period shall be recorded into investment income. On the balance sheet date, available-for-sale financial assets shall be measured at fair value, and gains and losses arising from changes in fair value shall be recorded into the other comprehensive income.

When available-for-sale financial assets are disposed of, the difference between the obtained price and the carrying amount of the available-for-sale financial assets shall be recorded into the current profits and losses. Meanwhile, the disposed amount corresponding to the aggregate changes in fair value initially recorded under owners' equity shall be transferred out and recorded into investment income.

⑦ Other financial liabilities

Other financial liabilities refer to financial liabilities other than the financial liabilities at fair value through profit or loss. Usually, bonds issued by the Company, accounts payable for buying goods and long-term accounts payable shall be categorized as other financial liabilities.

Other financial liabilities shall be initially measured by the sum of the fair value and transaction expenses. Other financial liabilities are usually subsequently measured by amortized cost.

(2) Transfer of financial assets

The Company derecognizes financial assets when the Company transfers substantially all the risks and rewards of ownership of the financial assets. The Company shall not derecognize financial assets when the Company retains substantially all the risks and rewards of ownership of the financial assets. Derecognition refers to writing off financial assets or financial liabilities from the Company's account and balance sheet. On de-recognition of a financial asset in its entirety, the difference between the follows is recognized in profit or loss of the current period.

① The carrying amount of transferred financial assets;
② The sum of the consideration received and any cumulative gain or loss that had been recognized directly in owners' equity (if the transferred financial assets are available-for-sale financial assets).

If any transferred asset is part of a financial asset and the transferred part qualifies for de-recognition in its entirety, the previous carrying amount of the financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the follows is recognized in profit or loss of the current period:

1) The carrying amount allocated to the part derecognized;
2) The sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized directly in equity (if the transferred financial assets are available-for-sale financial assets).

(3) De-recognition of financial liabilities

When the prevailing obligations of a financial liability are relieved in all or in part, the financial liability can be derecognized in entirety or in part.

(4) Determination of the fair value of financial assets and financial liabilities

Fair value refers to the price receivable for selling an asset or the price payable for transferring a liability by a market participant through an orderly transaction at the measurement date. The Company classifies the inputs for measuring fair value by three levels and uses the first-level inputs first, then the second-level inputs, and lastly the third-level inputs.

Inputs at the first level refer to the unadjusted quotation of the same asset or liability obtainable in the active market at the measurement date. Active market refers to can continuously provide the said assets or liabilities's quotation of transaction and frequence of transaction.

Inputs at the second level refer to directly or indirectly observable inputs regarding relevant assets or liabilities other than the first-level inputs.

Inputs at the third level refer to unobservable inputs regarding relevant assets or liabilities.

(5) Impairment testing and impairment provision for financial assets (not including accounts receivable)

① For held-to-maturity investments and loans, where there is any objective evidence proving that such financial assets have been impaired, an impairment provision shall be made for the difference between the carrying value and the current value of the predicted future cash flow.

② Usually, the fair value of available-for-sale financial assets suffer significant impairment loss, or the decline is predicted to be non-contemporary, impairment loss can be deemed to have occurred to the said available-for-sale financial assets and impairment provision shall be made. Where available-for-sale financial assets are impaired and impairment loss is recognized, the aggregate loss incurred to the fair value recorded under owners' equity shall be transferred out and recorded into impairment loss.

12. Accounts receivable

(1) Bad debt provision for individually significant accounts receivable

① Basis for defining individually significant receivables and the standard amount

The Company defines top ten accounts receivable and other receivables in the closing balance as individually significant receivables.

② Measurement of the provision for impairment of individually significant receivables

Receivables that are individually significant are subject to separate impairment assessment, and if there is objective evidence that impairment loss has occurred, a provision for impairment of the receivable is established by the difference between the carrying amount and the current value of the predicted future cash flow, while if there is no impairment loss, impairment assessment is made of receivables grouped on the basis of credit risks. Receivables that have been confirmed to have suffered impairment loss are excluded from the impairment assessment of grouped receivables.

(2) Accounts receivable measured for impairment by group

Basis of grouping:

Group 1	Related party receivables
Group 2	Deposits and guarantees receivable
Group 3	Non-related party receivables from goods circulating entities
Group 4	Non-related party receivables from manufacturing entities
Group 5	Non-related party receivables from financial insurance entities
Group 6	Receivables arising from factoring services
Group 7	Non-related party receivables from futures entities

Method of making provisions by group:

Group 1	No provision
Group 2	No provision
Group 3	Aging analysis
Group 4	Aging analysis
Group 5	Individual recognition
Group 6	Risk classification
Group 7	Aging analysis

(All amounts are stated in RMB Yuan unless otherwise stated)

Method of making provisions for Group 3:

Aging	Accounts receivable	Other receivables
1-6 months	0%	0%
7-12 months	5%	5%
1-2 years	10%	10%
2-3 years	20%	20%
3-5 years	50%	50%
Over 5 years	100%	100%

Method of making provisions for Group 4:

Aging	Accounts receivable	Other receivables
Within 1 year (including 1 year)	5%	5%
In which: 6 months (including 6 months) for large transactions)	0%	0%
1-2 years	10%	10%
2-3 years	30%	30%
3-5 years	50%	50%
Over 5 years	100%	100%

Method of making provisions for Group 6:

Classification of loans and advances	Percentage
Normal	1%
Focus	2%
Sub-prime	25%
Dubious	50%
Losing	100%

Method of making provisions for Group 7:

Aging	Accounts receivable	Other receivables
Within 1 year	3%	3%
1-2 years	10%	10%
2-3 years	30%	30%
3-4 years	50%	50%
4-5 years	80%	80%
Over 5 years	100%	100%

Notes:

1. Bad debt provisions for the futures industry are made by the allowance method in combination with the similar credit risk grouping (aging analysis) method.

2. No provision is made for receivables like employee borrowings, subsidiary allowances and advances to futures companies.

Objective basis for determining impairment loss to receivables:

Where at the year end there is objective evidence showing that impairment loss has occurred to receivables, the carrying value shall be recorded down to the recoverable amount and the difference shall be recognized as impairment loss and recorded under the current profits and losses. The recoverable amount is determined by discounting the future cash flow (not including credit loss that has not yet occurred) by the original real interest rate and considering the value of relevant security (deducting the estimated disposal expense). The original real interest rate refers to the real interest rate determined at the initial recognition of receivables. As the difference between the predicted future cash flow of short-term receivables and their current value is small, their predicted future cash flow is not discounted when determining the impairment loss.

At the yearend receivables (including accounts receivable, notes receivable, advances and other receivables) are classified into groups with similar credit risks through aging analysis, and provisions are made at a specific percentage for different groups.

(3) Receivables which are not significant, but individual provision for bad debt needed

① Reason for making provision individually

There are objective evidences that impairment loss has occurred. For instance, the debtor has serious financial difficulties and will default.

② Method of provision

If there are objective evidences showing impairment loss has occurred to a receivable, the receivable will be separated from the credit risk group and subject to individual impairment assessment. A provision for impairment of the receivable is established by the difference between the carrying amount and the current value of the predicted future cash flow.

(4) Method of provision for other receivables

For notes receivable, prepayments, interest receivable, dividend receivable and long-term receivables, impairment testing should be carried out by the individual identification method. If there is objective evidence that impairment has occurred, a provision for impairment of the receivable is established by the difference between the carrying amount and the current value of the predicted future cash flow.

13. Inventories

(1) Classification of inventories

The company's inventories include raw materials, goods in process, semi-finished goods, finished goods and revolving materials.

(2) Measurement of inventories issued

Inventories are measured by the weighted average method at the time of issue.

(3) Recognition of the net realizable value and measurement of provision for value impairment of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for value impairment of inventories is recognized and recorded into the profits and losses of the current period. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes.

The net realizable value of inventories is determined as follows:

① The net realizable value of inventories of goods for sale including finished goods and materials for sale is the estimated selling prices less the estimated costs necessary to make the sale and relevant taxes.

② The net realizable value of inventories of materials to be processed is the estimated selling prices of the finished goods less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes.

③ On the balance sheet date, where part of the same inventory has a contract price while other parts have no such a contract price, the net realizable value shall be determined separately and the amount of impairment provision or reversal shall be determined by comparing with the corresponding costs.

Impairment provision for inventories shall be made individually or by category of inventories. Where an inventory involves goods produced and to be sold in the same region, to be used for the same or similar purpose, and cannot be measured separately from other items, impairment provision shall be made on an aggregate basis.

(4) Stock count for inventories

The perpetual inventory system is adopted for stock count.

(5) Amortization methods of low-value consumables and packaging materials

Low-value consumables and packaging materials are written off in full when issued for use.

14. Recognition standards of and accounting treatment for available-for-sale assets

(1) Recognition standards

The Company recognizes the components of the Company (or non-current assets, same as below) as assets available for sale when they meet all the following requirements: The components can be sold immediately as per the regular terms for selling this type of components under the current circumstances; The relevant authority of the Company has made resolutions to dispose of the component, and in the case of the approval of shareholders is necessary as per regulations, the relevant approval has been obtained from the Shareholder Meeting or other relevant authority; The Company has signed the irrevocable transfer agreement with the acquiring party; and the transfer shall be completed within one year.

(2) Accounting treatment

Fixed assets available for sale are not subject to depreciation and shall be measured by the lower of the carrying amount and the fair value less the disposal expenses.

15. Long-term equity investments

Long-term equity investments refer to equity investments the Company has made in the investee to obtain control right or significant influence and investments in joint ventures.

(1) Initial cost measurement

Except for long-term equity investments formed through external acquisition, long-term equity investments obtained by other means measure their initial investment cost by the following provisions:

① If the long-term equity investment is acquired in cash consideration, the initial cost is the actual payment which includes direct expenses paid to acquire the long-term equity investment, taxes and other necessary expense;

② If the long-term equity investment is acquired by issuing equity securities, the initial cost is the fair value of the equity securities issued;

③ For the long-term equity investment acquired through non-monetary asset exchange, the initial cost is recognized according to "Accounting Standard for Business Enterprises No. 7: Non-monetary transactions";

④ For the long-term equity investment acquired through debt restructuring, the initial cost is recognized according to "Accounting Standard for Business Enterprises No. 12: Debt restructuring".

(2) Subsequent measurement and recognition of profit and loss

① Long-term equity investments enabling the Company to gain control over the subsidiary are accounted for using the cost method.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

② Long-term equity investments where the Company is under common control with (mainly joint ventures) or has significant influence over the investee are measured by the equity method.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in the current profits or losses, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Company recognizes its share of the net profit or loss of the investee as investment income or loss, and adjusts the carrying amount of the long-term equity investment accordingly. The carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributable to the Company. The share of changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized under owners' equity and the carrying amount of the long-term equity investment is adjusted accordingly.

The net loss incurred by the investee shall be recognized based on the book value of the long-term investment and other investments essentially constituting the long-term equity of the investee till the carrying amount is reduced to zero, except the Company has the obligation to undertake extra losses. Once the investee makes net profit in the future, the Company starts recognizing its share of profits after the share of previously unrealized losses has been recovered. Other changes in owners' equity of the investee other than those arising from net profit or loss shall be charged to the carrying amount of long-term equity investments and recorded into the owners' equity.

When the profits and losses of a long-term equity investment are determined by the equity method, adjustments shall first be made to the net profits of the investee by the fair value of the recognizable assets of the investee, the accounting policies and accounting period at the time of obtaining the investment, and the Company's share of the profits or losses of the investee shall be recorded under current profits and losses.

The percentage of the unrealized profits and losses from internal transactions with associates and joint ventures which belong to the Company by the proportion of investment shall be recognized after offsetting.

For long-term equity investments the Company had already held in associates and joint ventures before January 1, 2007, if there is equity investment debit balance involving the said investment, the investment profit or loss shall be recognized after the equity investment debit balance is deducted by the remaining term straight-line amortization method.

(3) Basis for judging whether the Company is under common control with or has significant influence over the investee

Common control refers to the contractually agreed sharing of control over a certain arrangement, and exists only when the decision relating to the activity has the unanimous consent of the parties sharing the control. The first standard for judging whether common control exists is whether all parties or a combination of parties share the control over the arrangement. If all parties or a group of parties must act unanimously in order to adopt a decision concerning an arrangement and relevant activities, they shall be deemed to share the common control. The second judgment is whether all parties sharing the control must give consent to the decision concerning the arrangement and relevant activities. If two or more combinations of parties can control an arrangement, then common control does not exist. To judge whether common control exists, protective rights are not considered.

Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. To judge whether significant influence over the investee exists, the key consideration is the influence of the voting securities the investor holds in the investee and the currently executable potential voting rights the investor and other parties own and can be exercised during the current period, assuming that they translate into equity share in the investee, including the current convertible stock options, stock future and corporate bonds issued by the investee.

16. Investment real estate

Investment real estate refers to real estate property held for earning rental and/or capital appreciation, including use right of leased land, land use right held for transfer after appreciation, and rented buildings. Investment property is initially measured at the cost of acquisition, and subsequent measurement is made by the fair value model on the balance sheet date.

The Company adopts the fair value model for subsequent measurement and does not make depreciation provision or amortization on investment real estate assets. Instead, the Company adjust the carrying amount on the basis of the fair value of investment real estate's on the balance sheet date, and recognize the difference between the fair value and the original carrying amount under the current profits and losses. The fair value of investment real estate's on the balance sheet date depends on the appraisal of competent agencies.

17. Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when they meet the following requirements:

① it is probable that economic benefits associated with the asset will flow to the Company; and

② the cost of the asset can be measured reliably.

(2) Depreciation methods

Depreciation is provided to write off the cost of each category of fixed assets after deducting their estimated residual values over their estimated useful lives from the month after they are brought to working condition for the intended use, using the straight-line method. The useful lives, estimated net residual values rates and annual depreciation rates of each class of fixed assets are as follows:

(All amounts are stated in RMB Yuan unless otherwise stated)

Category	Depreciation method	Useful life (years)	Residual Value	Annual Depreciation
Buildings	Straight-Line Depreciation	20-70 years	3.00%-5.00%	1.36%-4.85%
Aircraft & engine	Straight-Line Depreciation	10 years	0.00%	10.00%
Machinery	Straight-Line Depreciation	10 years	3.00%-5.00%	9.50%-9.70%
Vehicles	Straight-Line Depreciation	4-5 years	3.00%-5.00%	19.00%-24.25%
Electronics	Straight-Line Depreciation	3-5 years	3.00%-5.00%	19.00%-32.33%
Furniture & appliances	Straight-Line Depreciation	5 years	3.00%-5.00%	19.00%-19.40%
Others	Straight-Line Depreciation	5 years	3.00%-5.00%	19.00%-19.40%

(3) Basis for recognition and measurement of fixed assets acquired through lease

Leased fixed assets are recognized when all the risks and rewards related to the ownership of assets are transferred substantially. Specifically, they are recognized when:

① At the expiration of the lease period, the ownership of the leased asset is transferred to the lessee;

② The lessee has the option to purchase the leased assets at a price which is expected to be far lower than the fair value of the leased asset, and thus on the lease beginning date it is reasonably certain that the lessee will exercise the option;

③ Even if the ownership of the assets is not transferred, the lease term covers most of the useful life of the leased assets;

④ The present value of the minimum rental the lessee pays is almost equal to the fair value of the leased assets on the lease start date;

⑤ The leased assets are of a specialized nature so that without major modifications only the lessee can use the assets.

Valuation method for fixed assets acquired through financing lease: The initial valuation of fixed assets acquired through financing lease is the lower between the fair value of the leased assets and the present value of the minimum lease payment on the lease beginning date.

The subsequent measurement of leased assets shall be consistent with the depreciation policy for owned assets depreciation and impairment provision.

18. Construction in progress

(1) Construction in progress is measured at actual costs including various construction expenditures during the construction and renovation period and other relevant costs.

(2) Construction in progress is transferred to a fixed asset when it is ready for intended use.

19. Borrowing costs

(1) Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized and recorded into asset costs. Assets qualifying for capitalization are fixed assets, investment properties and inventories which will reach the expected state of usefulness or be available for sale through construction or production lasting a considerable long time (normally one year or longer). Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. Borrowing costs include loan interest, amortization of depreciation or appreciation, ancillary expenses and foreign exchange translation difference.

(2) The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

① The asset disbursements have already incurred, including cash payment, transfer of non-monetary assets or assumption of interest-bearing debts for acquiring or producing qualifying assets;

② The borrowing costs have already incurred;

③ The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

(3) During the capitalization period, the amount of interest (including amortization of depreciation or appreciation) shall be capitalized by the following provisions:

① As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

② Where funds are borrowed under general-purpose borrowings, the Company determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowing.

Amortization of depreciation or appreciation of borrowings shall be made by the effective interest rate method for each accounting period, and the amount of interest shall be adjusted accordingly.

During the capitalization period, the capitalized amount during each accounting period shall not exceed the actually incurred interest of the same period.

(4) Ancillary costs for specific-purpose borrowings shall be capitalized at the time of occurrence, and recorded into the cost of assets qualifying for capitalization, if they occur before the assets eligible for capitalization under construction or production reach the expected state of usefulness or are ready for sales; or shall be recognized as expenses at the time of occurrence and recorded into current profits and losses, if they occur after the assets eligible for capitalization under construction or production reach the expected state of usefulness or are ready for sales. Ancillary costs for general-purpose borrowing shall be recognized as expenses at the time of occurrence and recorded into current profits and losses.

20. Intangible assets

(1) An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. An intangible asset is initially measured at cost. The useful life of an intangible asset shall be analyzed when it is first acquired.

(2) The Company determines the useful life of an intangible asset with the following considerations:

① Usual life cycle of goods produced with the said assets and available information of useful life of similar goods;

② Current information of technology and processes and prediction of future trends;

③ Market demand for goods produced or services provided with the said assets;

④ Anticipated actions of current or potential competitors;

⑤ Expenses to maintain the ability of the said assets to generate economic benefits and ability of the Company to predict relevant expenses;

⑥ Laws restricting the term of use of the said assets or similar restrictions such as license term and lease term;

⑦ Relevancy with the useful life of other assets the Company holds.

Where the term of benefits an intangible asset can bring to the Company is unpredictable, such an intangible asset is deemed as having undefined useful life.

(3) For an intangible asset with finite useful life, the Company estimates its useful life at the time of acquisition and amortizes it during its useful life in a reasonable and systematic way, and reviews the useful life and amortization method at least at each financial year-end and makes changes if the useful life and method of amortization are different.

Name	Useful life	Residual value
Land use right (not including investment real easte)	Operating or land use term	0%
Industrial property rights and proprietary technology	5-15 years	0%
Trademark use rights	10 years	0%
Software licenses	10 years	0%
Transaction seat fees	10 years	0%

(4) Intangible assets having undefined useful life are not amortized.

(5) Internal research and development

① Expenditures for its internal research and development projects of an enterprise shall be classified into research expenditures and development expenditures, in which

1) The term "research" refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge;

2) The term "development" refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

② Development expenditures for its internal research and development projects that occur in the phase of research are recorded into the current profits and losses. Development expenditures for its internal research and development projects of an enterprise may be confirmed as intangible assets when they satisfy the following conditions:

1) It is feasible technically to finish intangible assets for use or sale;

2) It is intended to finish and use or sell the intangible assets;

3) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

4) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and

5) The development expenditures of the intangible assets can be reliably measured.

21. Impairment of long-term assets

For long-term equity investments, fixed assets, construction in progress, intangible assets and other long-term non-financial assets, the Company judges at end of each period whether there are signs of impairment. Goodwill and intangible assets with indefinite useful life, regardless of any sign of impairment, are tested annually for impairment.

Where there is indication of the impairment of assets, the recoverable amount is estimated. The recoverable amount is higher of the net value of fair value of assets less the disposal cost and the present value of predicted future cash flows the assets are expected to generate.

If the estimation of the recoverable amount shows that the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is recorded down to its recoverable amount and the reduction is recognized as asset impairment loss and recorded under current profits or losses, and corresponding asset impairment provision is made.

After impairment loss is recognized, depreciation or amortization expenses of assets will be reflected accordingly in the statements for future periods so that the adjusted book value of the assets (less the estimated residual value) is amortized systematically within the remaining useful life.

When an impairment test of goodwill is conducted, the carrying amount of goodwill generated through business combination is amortized to related asset groups since the date of purchase on a reasonable basis; if it is difficult to allocate to related asset combinations, it is allocated to the relevant asset combination groups. When the carrying value of goodwill is allocation to the related asset combinations or asset combination groups, the allocation is made by the fair value of each asset combination or asset combination group as a proportion of the total fair value of relevant assets. When the fair value is difficult to be measured reliably, the allocation is made according to the book value of relevant assets or asset groups as a proportion of the total book value of relevant assets. When asset combinations or asset combination groups containing goodwill is under impairment test, if there are signs impairment, the relevant asset combinations or asset combination groups are excluded from the goodwill impairment test. Then, the recoverable amount is calculated, and impairment loss is recognized by comparing with the relevant carrying value. Then, impairment test is made of the asset combinations or asset combination groups containing goodwill, comparing the book value of the said assets (including the carrying value of the allocated goodwill) with its recoverable amount. If the recoverable amount of the asset combinations or combination groups is lower than their book value, the goodwill impairment loss is recognized and the goodwill impairment loss is recorded into the current profits or losses.

When an impairment loss is recognized, it cannot be reversed in a subsequent period.

22. Long-term expenses to be amortized

Long-term expenses to be amortized are various expenditures incurred but that should be allocated over the current and future periods of more than one year (not including one year). Long-term prepayments are evenly amortized over the respective beneficial period. Where a long-term prepayment project cannot generate benefits in any future accounting period, the unamortized value is recorded into the current profits and losses.

23. Management and accounting methods for client margin

The money deposit the Company has received from clients or clearing members have received from non-clearing members under the graded clearing system is deposited in full into the Company's designated futures margin deposit account and subject to closed management. It is recognized as a liability, and settled with clients or non-clearing members.

All branches of the Company are subject to unified billing, unified risk management, unified capital allocation, unified financial management and accounting.

24. Management and accounting methods for collaterals

Except for money margin, client margin can be bonds available for trading, standard warrants to be exchanged or other securities recognized by the exchange. The term shall not exceed the validity of securities, and the collaterals are recognized as having been received after the completion of formalities at futures exchanges.

Securities used to offset margin apply only to transactions, whereas any loss incurred by members, payments and other fees shall be settled in cash in a timely manner.

25. Accounting for physical delivery

By the delivery settlement price published by the exchange, the Company settles delivery positions and payment clearing and settlement with clients in synchronism with the exchange with no outstanding balance at the end of month.

26. Futures risk reserve accounting method

(1) Methods and proportion of futures risk provisioning

The futures risk reserve is 5% of the Company's fee income from futures transactions

When the risk loss occurs, the loss of the Company due to its own reasons, after deduction of losses to be borne by the responsible parties, are offset from the futures risk reserve.

(2) Recognition and accounting methods of risk provisioning

Any loss which is caused by a single instruction error during the transaction and has been open and risk loss of clients which the Company has advanced and is difficult to recover is recognized as a risk loss. When the risk loss occurs, the loss of the Company due to its own causes, deducting what the responsible parties should bear, is offset against the futures risk reserve. Allowance method of accounting is adopted.

27. Employee compensation

(1) Scope of employee compensation

Employee compensation refers to all kinds of payments and other relevant expenditures given by an enterprise in exchange of the services offered by the employees or the cancellation of the labor relationship with the employees. Employee compensation includes short-term compensation, post-employment benefits, termination benefits and other long-term employee benefits. The benefits the Company grants to the spouse, children and dependents of employees, or to the surviving family members of deceased employees and other beneficiaries shall also belong to employee compensation.

(2) Short-term compensation refers to employee compensation which must be paid in full within 12 months after the end of the accounting year when the employees in question render relevant services. Short-term compensation includes wage, bonus, allowance and subsidies; social security contributions including employee benefits, medical insurance, work injury insurance and maternity insurance; contribution to housing provident fund, labor union fee, employee education expenses; short-term paid leave and short-term profit sharing scheme; non-monetary welfare and other short-term payments. Short-term employee compensation shall be recognized as liabilities by the actual occurrence and recorded under current profits and losses or relevant capital cost for the accounting period when the employees render services for the Company.

(3) Post-employment benefits refer to all kinds of payments and benefits the Company grants to its employees after they retire or cancel the labor relationship with the Company in exchange for their services, excluding short-term compensation and termination benefits.

Post-employment benefits include defined contribution plans and defined benefit plans. Under a defined contribution plans, the Company pays fixed contributions to a fund, but has no legal or constructive obligation to make further post-employment payments; defined benefit plans refer to other post-employment benefit plans other than a defined contribution plan.

Defined contribution plans include basic pension and unemployment insurance. The contributions payable under defined contribution plans shall be recognized as liabilities and recorded under current profits and losses or relevant capital costs for the period when the employees render services for the Company.

At the end of reporting period, the employee compensation from defined benefit plans shall include:

① Service costs, including current service cost, previous service cost and settlement gains or losses;

② Net interest of net liability or asset based on defined benefit plans, including interest income from plan assets, interest expenses for defined benefit obligations, and interest affected by asset limits; and

③ Changes arising from re-measurement of net liability or net asset of defined benefit plans.

Unless other accounting standards require or allow employee benefits to be recognized as capital cost, items 1) and 2) above shall be recorded under current gains and losses, and item 3) above shall be recorded under other comprehensive income, and the amounts recognized as other comprehensive income must not be reversed into gains and losses in subsequent accounting periods but can be transferred within the scope of equity.

Under defined benefit plans, previous service cost shall be recorded as current expenses on the earlier of the following dates:

1) When the defined benefit plans are modified; or
2) When the Company confirms relevant reorganization expenses or termination benefits.

Settlement gains or losses are confirmed when a defined benefit plan is settled.

(4) Termination benefits

Termination benefits refer to compensations the Company offers to employees for cancellation of labor relationship or as incentive for employees to accept job cut before the contract expires.

Where the Company offers termination benefits, such benefits shall be recognized as employee compensation liability on the earlier of the following dates and recorded under current gains and losses: when the Company cannot unilaterally repeal the offer of termination benefits in exchange for cancellation of labor relationship or acceptance of job cut; or when the Company confirms relevant costs or expenses related to the restructuring of termination benefits.

(5) Other long-term employee benefits

Other long-term employee benefits refer to all employee compensations in addition to short-term compensation, post-employment benefits and termination benefits, including long-term paid leave, long-term disability benefits, and long-term profit-sharing schemes.

Other long-term employee benefits which qualify as defined contribution plans shall be treated by the same provisions for defined contribution plans above.

Other long-term employee benefits which do not qualify as defined contribution benefits shall be recognized and measured as net liability or net asset by the same provisions for defined benefit plans above. At the end of the accounting year, the employment compensation from other long-term employee benefits shall include:

① Service costs;

② Net interest of net liability or net asset from other long-term employee benefits; and

③ Changes arising from re-measurement of net liability or net asset of other long-term employee benefits.

To simplify relevant accounting treatment, the total net amount of the three items above shall be recorded under current profits and losses or relevant capital costs.

28. Estimated liabilities

Obligations associated with contingent matters are recognized as estimated liabilities if they satisfy the following conditions:

(1) The obligation is a current obligation of the Company;

(2) Performance of the obligation is likely to lead to an outflow of economic benefits;

(3) The amount of the obligation can be measured reliably.

Estimated liabilities shall be initially measured by the best estimate of expenditure required to settle the present obligation.

29. Share-based payment

(1) Types of share-based payment

Share-based payments are classified into equity-settled share-based payments and cash-settled share-based payments.

"Equity-settled share-based payment" refers to a transaction in which the Company grants shares or other equity instruments as a consideration in return for services. Equity instruments for this purpose are the Company's own equity instruments.

"Cash-settled share-based payment" refers to a transaction of payment of cash or any other asset obligation calculated and determined on the basis of shares or other equity instruments undertaken by the Company in return for services.

(2) Methods to determine the fair value of equity instruments

The fair value of options and other equity instruments for which there is an active market is determined according to the active market quotations. The fair value of options and other equity instruments for which there is no active market is determined by the option pricing model which shall be adopted with the following considerations:

1) The exercise price of the option;

2) Life of the option;

3) The current price of the underlying shares;
4) Expected share price volatility;
5) Expected share dividends;
6) Risk-free interest rate within the validity period.

(3) Basis for making the best estimate of equity instruments

On each balance sheet date during the vesting period, the Company makes the best estimate based on subsequent information such as the latest changes to the number of employees vesting, and revise the number of equity instruments expected to vest in order to make the best possible estimate of equity instruments.

(4) Accounting treatments for the implementation, modification, termination of share-based payment plans

① Equity-settled share-based payment immediately exercisable after the grant in return for employee services is recognized as cost or expense by the fair value of equity instruments on the grant date and a corresponding increase in capital reserves is made.

As to a equity-settled share-based payment in return for employee services, if the option cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

If, on the balance sheet date, the subsequent information indicates that the number of vested equity instruments is different from the previous estimate, an adjustment shall be made and on the vesting date, the estimate shall be adjusted to equal the number of the actually vested equity instruments.

The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been confirmed. On the vesting date, the Company shall, based on the number of the equity instruments of which the option is actually exercised, calculate and confirm the value of capital stock and premium and at the same time transfer it in the capital reserve or other capital surplus.

② As to a cash-settled share-based payment instruments, if the option may be exercised immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly.

As to a cash-settled share-based payment, if the option may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable option, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

30. Accounting for margin trading

Securities margin trading is about lending money to clients to buy listed securities (financing) or lend them listed securities (securities lending) for them to sell, while the Company obtains collaterals.

In financing, financing interest income is calculated as a percentage of the principal actually lent to clients and recognized on a deal by deal basis according to the actual use of funds and the time of use.

In securities lending, securities lent out which does not satisfy the conditions for terminating recognition continue to be classified as available-for-sale financial assets and subsequent measurement is made accordingly. According to the actual market value of the securities sold by the client and the time of use, interest income is recognized on a deal by deal basis.

Securities transaction fee income from margin trading is treated by the accounting method for securities brokerage and the net operating income from securities trading agency is separately recognized.

31. Accounting method for reverse repurchase and repurchase

Reverse repurchase refers to the act of CEFC Securities Company buying the underlying asset (including bonds and notes) the counterparty in accordance with certain contract or agreement terms at a certain price, while the Company agrees to resell the same financial products at an agreed resale price on the expiration date of the contract or agreement. Reverse repurchase is recognized by the actual payment to buy the underlying asset.

Repurchase refers to the act of CEFC Securities Company selling assets (including bonds and notes) counterparties in accordance with the contract or agreement terms at a certain price, while the Company agree to buy back the same financial products on the maturity date of the contract or agreement at an agreed repurchase price. Repurchase is recognized by the actual receipts when the said assets are sold under repurchase agreements. Financial products sold are still presented in the Company's balance sheet by the original classification, and accounted for in accordance with the relevant accounting policy.

Interest income and expenses related to reverse repurchase and repurchase is recognized by the actual average effective interest rate during the resale or repurchase period.

32. Goodwill

Goodwill is the difference between the combination cost the Company has paid to obtain control over the other company and the fair value of the identifiable net assets to be acquired under the combination involving enterprises not under common control with the Company as the purchaser. After the initial recognition, Goodwill shall be its cost minus the accumulated depreciation. Goodwill is transferred out when an asset group is disposed of and recorded into the current profits or losses. The Company does not amortize goodwill, but conducts an impairment test at least at each year-end.

33. Revenue

(1) Operating revenue includes revenue from the sale of goods, revenue arising from the rendering of services, revenue arising from the use by others of the Company's assets, and revenue from contract energy management.

(2) Revenue from sale of goods

The Company recognizes revenue from sale of goods when all the following conditions have been satisfied:

① The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

② The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

③ The relevant amount of revenue and costs can be measured reliably;

④ The economic benefits associated with the transaction will flow to the Company and

⑤ Costs already incurred or to be incurred can be measured reliably.

(3) Revenue arising from the rendering of services

Revenue associated with the transaction is recognized by reference to the stage of completion of the transaction on the balance sheet date. The service revenue is recognized at the balance sheet date according to the percentage of completion of the services when:

① the total revenue and total cost can be reliably measured;

② the economic benefit pertaining to the service will flow to the Company;

③ the percentage of completion can be determined reliably; and

④ Costs already incurred to be incurred can be measured reliably.

The Company adopts the following methods to ascertain the percentage of completion under the transaction concerning the rendering of services:

1) measurement of the work completed;

2) proportion of the services provided against the total services to be provided; and

3) proportion of the costs incurred against the estimated total costs.

On the balance sheet date, the Company recognizes the current revenue from rendering of services by multiplying the total amount of revenue from rendering services by the percentage of completion less the accumulative revenues from that have been recognized in the previous accounting periods. At the same time, the Company recognizes the current cost of rendering services by multiplying the total amount of revenues arising from the rendering of services by the percentage of completion less the accumulative revenues from the rendering of services.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably on the balance sheet date, revenue is recognized according to the following:

<1> When it is probable that the Company will recover the transaction costs incurred, revenue is recognized only to the extent of the expenses recognized that are recoverable, and the costs incurred are recognized as an expense;

(2) When it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense.

(3) Revenue arising from the use by others of the Company's assets

Revenue arising from the use by others of the Company's assets includes interest revenue and royalty revenue. The Company recognized revenue arising from the use by others of the Company's assets when:

① it is probable that the economic benefits associated with the transaction will flow to the Company; and

② the amount of the revenue can be measured reliably.

The Company determines the amount of revenue arising from the use by others of the Company's assets as follows:

1) interest revenue is calculated by the time period of use by others of the Company's cash and the effective interest rate;

2) royalty revenue is calculated by the time period subject to royalty and the method of calculation under contract or agreement.

(4) Specific criteria for revenue recognition

① Revenue from sale of goods

The Company's business has three forms: domestic trading, import and entrepot trading.

Revenue recognition basis and methods for different forms of trade are as follows:

1) Revenue from domestic trading and import is recognized by the bill of transfer of rights and receipt confirmation and the amount of income is determined in accordance with the sales contract and the bill of transfer of rights to goods.

2) Revenue from entrepot trading is recognized by the receipt of letter of guarantee, and the amount is determined according to the letter of guarantee and sales contract.

② Fee and commission income:

Agency fee income from trading securities is recognized on the securities trading day. Fee income from securities redemption is recognized after the securities redemption service is complete, and settlement is cleared with the client.

Securities underwriting revenue: For full underwriting business, the underwriting price of securities sold to investors is recognized as securities underwriting income, while the acquisition price of the securities underwritten is the cost for underwriting securities. For balance underwriting or consignment underwriting business, after underwriting services are over, revenue is recognized when the issuing income is settled with the issuer.

Entrusted asset management revenue: Income or loss is recognized when the fiduciary management contract expires and settlement is made with the requester by the percentage stipulated in the contract, and recorded as current profits or losses. If according to the contract management fees are charged by a fixed percentage, the management fee income is recognized by stages. Entrusted asset management is subject to a separate accounting system, and not included in the Company's balance sheet.

Futures companies recognize fees by the rate agreed by the parties per transaction, and fee income is recognized by the net after deduction of fees paid to the futures exchange.

Consulting revenue: Revenue from consulting services is recognized upon the completion of contractual obligations and the actual receipt of revenue.

③ Interest income:

For margin trading, interest income is recognized according to the time of loan of funds or securities and by the agreed interest rate under the contract. For reverse repurchase of securities, when the securities are resold in the current period, the current inform is recognized as the actual difference between the resale price and the cost of buying the same financial products, while if the contract does not expire in the current period, interest income is recognized by the accrual principle and the accrued interest is recorded as current income.

34. Accounting for commissions

Commissions refer to those the Company pays to the intermediary company, and are recognized after the completion of the transaction.

35. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, not including capital investment in the Company by the government as an owner. Government grants include government grant related to assets and government grant related to income.

A government grant is recognized only when:

(1) the Company can comply with the conditions attaching to the grant; and

(2) the Company will receive the grant the Company.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. A government grant related to income is a government subsidy the Company obtains other than government grants related to an asset. Government grants related to income shall be treated respectively in accordance with the circumstances as follows:

1、 if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized; and

2、 if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in the current profits and losses.

36. Deferred income tax assets and deferred income tax liabilities

Income tax is treated by the balance sheet liability method. On the balance sheet date, where there are differences between the carrying amount of assets or liabilities in the balance sheet and their tax bases, a deferred tax asset or liability shall be recognized for all those differences and the corresponding deferred income tax expenses (or earnings) shall recognized. The sum of the current income tax payable and the deferred income tax expenses (or earnings) shall be recognized as income tax expenses in the income statement, but not including the income tax influence of transactions or events directed recorded into owners' equity.

The Company assesses the carrying amount of deferred tax assets on the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of the deferred tax assets.

37. Accounting for general risk reserve

(1) Provision method and percentage

General risk reserve is 10% of net profit by 10%.

(2) Recognition criteria and accounting methods

General risk reserve is used to compensate for the risk of loss, and cannot be used to pay dividends or increase the capital stock.

38. Operating leasing and financial leasing

(1) The Company as an operating lessee

① Lease payments

Operating lease payments, paid and payable, are recognized in the cost of related asset or charged to the current profits or losses.

② Initial direct costs

Initial direct costs incurred are charged to the current profits or losses.

③ Contingent rents

Contingent rents under operating lease are charged to the profits or losses of the period in which they are actually incurred.

④ Incentives from the lessor

Where the lessor provides a rent-free period, the lessee shall amortize the total rents by the straight-line method or other reasonable methods within the lease period without deducting the rent-free period, and rental expenses and corresponding liability shall be recognized in the rent-free period. Where the lessor assumes part of the rent, the said rent shall be deducted from the total rents and the remaining rents shall be amortized within the lease period.

(2) The Company as an operating lessor

① Lease payments

Rental income from operating leases is recognized in profits or losses on a straight-line basis over the lease term.

② Initial direct costs

The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the current profits and losses. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profits or losses on the same basis as rental income over the lease term.

③ Depreciation of leased assets

As for the fixed assets subject to operating leases, the lessor shall calculate the depreciation of the said assets by a depreciation policy for similar assets.

④ Contingent rents

Contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

⑤ Incentives from the lessor

Where the lessor provides a rent-free period, the lessor shall amortize the total rents by the straight-line method or other reasonable methods within the lease period without deducting the rent-free period, and rental expenses and corresponding liability shall be recorded into the rent-free period. Where the lessor assumes part of the rent, the said rent shall be deducted from the total rents and the remaining rents shall be amortized within the lease period.

⑥ Treatment of assets subject to operating lease in the financial statements

Under operating lease, all the risks and rewards related to the ownership of an asset still belong to the lessor, so the lessor shall present the said leased asset as its own asset in the balance sheet. If the said leased asset is a fixed asset, the said asset shall be recorded under "fixed assets" in the balance sheet, while if the leased asset is a current asset, the said asset shall be recorded under "current assets" in the balance sheet.

(3) Financial leasing

The Company as a financing lessee

On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The unrecognized financing charges are recognized as current financing costs by the effective interest method in each period of the lease term and charged to financial expenses. Initial direct costs incurred is included in value of the leased asset.

For financial leasing, assets are depreciated by the same depreciation policy for the Company's own depreciable assets over the duration under the lease contract. If there is reasonable certainty that the Company will obtain ownership at the expiration of the lease term of the leased asset, life of the leased asset since the lease commencement date shall be the depreciation period; if there is no reasonable certainty that upon the expiration of the lease term the Company will obtain ownership of the leased asset, the shorter of the lease term and the life expectancy of the leased asset is the depreciation period.

The Company as a financing lessee

On the beginning date of the lease term, the Company shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the ungnaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The lessor shall calculate the financing income at the current period by the effective interest rate method.

39. Hedge accounting

(1) Hedging classification

① Fair value hedging refers to a hedging of the risk to changes in the fair value of a recognized asset or liability or a previously unrecognized firm commitment (except for foreign exchange risks).

② Cash flow hedging refers to a hedging of the risk to changes in cash flow. Such changes in cash flow are attributable to a particular risk related to a recognized asset or liability or a highly probable forecast transaction, or an unrecognized foreign exchange risk included in a firm commitment.

③ Net investment hedging in an overseas operation refers to hedging of the foreign exchange risk arising from net investment in an overseas operation. "Net investment in an overseas operation" refers to the Company's equity of rights and interests in the net assets in an overseas operation.

(2) Designation of hedging relationship and recognition of hedge effectiveness

At the beginning of a hedge relationship, the Company develops a formal designation of the hedging relationship, and prepares formal documents covering the hedge relationship, risk management objectives and hedging strategies. The document includes identification of the hedging instruments, the hedged item or transaction, the nature of the hedged risk, as well as the Company's methods for evaluating the effectiveness of the hedging instruments.

Effectiveness of a hedging instrument refers to the extent that the changes in the fair value or cash flow of a hedging instrument may offset the changes resulted from the hedging risks in the fair value or cash flow of a hedged item. The Company continues to evaluate the effectiveness of hedging to determine whether the hedge is highly effective in the accounting period in which the hedging relationship is designated. If a hedge satisfies the following conditions simultaneously, the Company recognizes it as being highly effective:

① At the beginning and in subsequent periods of a hedging, this hedging expectation shall be highly effective in offsetting the changes in the fair value or cash flows caused by the hedged risk during the specified periods;

② The hedging 's actual offset results are within a range of 80% to 125%.

(3) Hedge accounting treatment:

① Fair value hedge

Changes in the fair value of the hedging derivative is recognized in the current profits and losses. Changes in the fair value of the hedged item attributable to hedged risk are recognized in the current profits or losses, while the carrying value of the hedged item is adjusted.

In respect of fair value hedge associated with financial instruments measured at amortized cost, adjustments made to the carrying amount of the hedged item is amortized during the remainder of the period between the adjustment date and the due date, and recognized in the current profits or losses. Amortization by the effective interest method may begin immediately after the adjustment to the carrying value, and no later than the adjustment made according to the changes in fair value attributable to hedging risks after the derecognition of the hedged item.

If a hedged item is derecognized, the unamortized fair value will be recognized in the current profits and losses.

If a hedged item is an unrecognized firm commitment, the accumulative amount of the changes in the fair value of the firm commitment resulting from the hedged risk shall be recognized as an asset or liability and the related gain or loss shall be included in the current profits and losses. Changes in the fair value of the hedging instrument are also recognized in the current profits and losses.

② Cash flow hedge

In the gain or loss of a hedging instrument, the portion which is attributable to the effective hedging shall be directly recognized as capital surplus (other capital reserves), while the portion attributable to ineffective hedge is recognized in the current profits or losses.

If the hedged transaction affects the current profits or losses, such as when the hedged financial income or financial expense is recognized or the expected sale occurs, the amount of capital surplus (others capital reserves) are recognized in the current profits or losses. If the hedged item is the cost of a nonfinancial asset or liability, the amount original identified as capital reserve (other capital reserves) is transferred out and included in the initial amount of the non-financial asset or liability, or the amount originally identified as capital reserve (other capital reserves is transferred to the current profits and losses in the same period when the non-financial asset or liability affects profit or loss.

If a forecast transaction or firm commitment is not expected to occur, the amounts of hedging instrument cumulative gain or loss previously recognized in owners' equity shall be transferred to the current profits and losses. If the hedging instrument expires or is sold, terminated or exercised (without replacement or extension), or the designation of the hedging relationship is revoked, the amounts previously recognized in other comprehensive income shall be transferred out until the forecast transaction or firm commitment affects the profits or losses.

(All amounts are stated in RMB Yuan unless otherwise stated)

③ Net investment hedging in an overseas operation

In respect of a net investment hedging in an overseas operation, currency hedging items as part of the net investment is treated like cash flow hedges. In the gain or loss of a hedging instrument, the portion which is attributable to the effective hedging shall be directly recognized as other comprehensive income, while the portion attributable to ineffective hedge is recognized in the current profits or losses. In the disposal of overseas operations, any cumulative gain or loss formerly recognized in owners' equity shall be transferred to the current profits and losses.

40. Changes to major accounting policies and accounting estimates

(1) Changes to accounting policies

No.

(2) Changes to accounting estimates

No.

V. Taxes

1、 Major taxes and rates

Taxes	Taxing basis	Rate
VAT	Pesticide products	13%
VAT	Pesticide chemical intermediates	17%
VAT	LPG	12%,13%
Business tax	Financial interest, rents	5%
Corporate income tax	Taxable income	16.5%, 17%, 20%, 25%

Note:

DOSTYK GAS TERMINAL LLP, a subsidiary located in the Republic of Kazakhstan, applies 12% VAT rate and 20% income tax rate in accordance with the tax law provisions of the Republic of Kazakhstan;

Hong Kong-based subsidiaries including Shanghai Huaxin Group (Hong Kong) Ltd. and CEFC Natural Gas (Hongkong) Co., Ltd. are subject to 16.5% income tax rate in accordance with the relevant tax provisions of HKSAR;

Singapore-based subsidiary CEFC Shanghai International Group (Singapore) Pte Ltd applies 7% VAT rate and the income tax rate of 17% in accordance with the tax law of Singapore.

2、 Tax incentives and approvals

CEFC Wanda Futures Co., Ltd.According to the Notice of Ministry of Finance, State Administration of Taxation Concerning Tax Policy Issues Related to the Deduction of Reserve Expenses from Corporate Income of the Securities Industry ([2012] No. 11), and according to the Administration Methods for Futures Companies (CSRC Decree No. 43) and Interim Provisions for the Financial Management of Commodity Futures Trading ([1997] No. 44), 5% of its net income generated by deducting futures transaction fee payable to the futures exchange from its fee income is made the futures company risk reserve and deducted from the taxable income. It was valid from January 1, 2011 until December 31, 2015.

(All amounts are stated in RMB Yuan unless otherwise stated)

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	292,927.33	324,248.29
Bank deposit (Note 1)	4,473,828,760.33	3,881,946,441.12
Other cash (Note 2)	8,779,298,394.94	10,916,687,327.41
Total	13,253,420,082.60	14,798,958,016.82
In which: Total deposit overseas	92,628,331.44	110,347,947.55

Note 1: As of June 30, 2016, the Company's subsidiary CEFC Wanda Futures Co., Ltd. own bank deposit included 300,000,000.00 RMB yuan of fixed-term deposit with a term of over 3 months.

Note 2: As of June 30, 2016,the Company's balance of other cash used as security amounted to 1,488,000,000.00 RMB yuan, its balance of fixed-term deposit with a term of over 3 months amounted to 2,600,000,000.00 RMB yuan and its balance of bank acceptances margin amounted to 679,904,731.02 RMB yuan; the Company's subsidiary CEFC Hainan International Holdings Co.,Ltd. had a balance of other cash used as security amounting to 500,000,000.00 RMB yuan, and a balance of bank acceptances margin with a term of over 3 months amounting to 438,702,895.61 RMB yuan; the Company's subsidiary CEFC Petroleum (Guangdong) Co., Ltd. had a balance of other cash used as security amounting to530,700,952.91 RMB yuan, in which 200,000,000.00 RMB yuan was recovered on July 13, 2016.

2. Settlement provisions

Item	Ending balance	Beginning balance
Customer reserve	17,106,181.70	44,686,197.50
Company reserve	2,923,186.20	-
Total	20,029,367.90	44,686,197.50

3. Financial assets at fair value through profit or loss

Item	Ending balance	Beginning balance
Transactional financial assets	2,392,232,047.34	662,293,021.29
In which: Investment in debt instruments	115,209,050.00	113,482,010.00
Investments in equity instruments	2,277,022,997.34	548,811,011.29
Derivative financial assets	-	-
Others	-	-
Designated financial assets at fair value through profit or loss	-	555,513,469.57
In which: Investment in debt instruments	-	-
Investments in equity instruments	-	555,513,469.57
Others	-	-
Total	2,392,232,047.34	1,217,806,490.86

Note: As of June 30, 2016, the Company's subsidiary CEFC Shanghai Petroleum Group International Trading Co., Ltd. pawned, among its investment in equity instruments, 37,600,000 Sinochem International shares and the end of year market value was 339,904,000.00 RMB yuan.

(All amounts are stated in RMB Yuan unless otherwise stated)

4. Derivative financial assets

Item	Ending balance	Beginning balance
Paper hedging	-	227,873.41

5. Notes receivable

(1) List of notes receivable

Type	Ending balance	Beginning balance
Bankers' acceptances	770,327,262.56	497,035,108.47
Commercial Promissory Notes	-	-
Domestic credit	-	-
International credit	-	-
Total	770,327,262.56	497,035,108.47

(2) Notes receivable the Company has endorsed to others but not due on the balance sheet date

Item	Amount derecognized at end of year	Amount not derecognized at end of year
Bankers' acceptances	200,000.00	-
Commercial Promissory Notes	-	-
Domestic credit	129,999,997.44	-
Total	130,199,997.44	-

6. Currency margin receivable

Item	Ending balance	Beginning balance
(1) China Financial Futures Exchange	273,841,180.91	211,565,604.16
In which: Settlement reserve	59,216,790.51	33,961,298.16
Trading margin	214,624,390.40	177,604,306.00
(2) Shanghai Futures Exchange	477,660,776.85	388,288,225.81
In which: Settlement reserve	100,249,967.70	70,411,036.91
Trading margin	377,410,809.15	317,877,188.90
(3) Dalian Commodity Exchange	1,043,901,447.07	659,698,991.38
In which: Settlement reserve	209,116,832.07	142,432,567.08
Trading margin	834,784,615.00	517,266,424.30
(4) Zhengzhou Commodity Exchange	866,916,080.83	779,475,094.74
In which: Settlement reserve	153,874,336.93	189,337,958.24
Trading margin	713,041,743.90	590,137,136.50
(5) China Securities Depository and Clearing Corporation Limited	19,740,868.80	24,777,744.39
In which: Settlement reserve	12,575,506.40	287,167.39
Trading margin	7,165,362.40	24,490,577.00
Total	2,682,060,354.46	2,063,805,660.48

(All amounts are stated in RMB Yuan unless otherwise stated)

7. Margin pledge receivable

Item	Ending balance	Beginning balance	Market value of collaterals		
			Beginning market value	Discount rate	Closing market value
(1) China Financial Futures Exchange	-	-	-	-	-
In which: Standard warrants	-	-	-	-	-
Negotiable bonds	-	-	-	-	-
(2) Shanghai Futures Exchange	72,060,560.00	38,255,840.00	90,075,700.00	80.00%	72,060,560.00
In which: Standard warrants	72,060,560.00	38,255,840.00	90,075,700.00	80.00%	72,060,560.00
Negotiable bonds	-	-	-	-	-
(3) Dalian Commodity Exchange	-	6,410,000.00	-	-	-
In which: Standard warrants	-	6,410,000.00	-	-	-
Negotiable bonds	-	-	-	-	-
(4) Zhengzhou Commodity Exchange	22,725,900.00	1,431,412.50	30,301,200.00	75.00%	22,725,900.00
In which: Standard warrants	22,725,900.00	1,431,412.50	30,301,200.00	75.00%	22,725,900.00
Negotiable bonds	-	-	-	-	-
Total	94,786,460.00	46,097,252.50	120,376,900.00	-	94,786,460.00-

8. Settlement guarantee fund receivable

Item	Ending balance	Beginning balance
(1) China Financial Futures Exchange	10,069,083.49	10,068,777.60
In which: Settlement guarantee fund	10,000,000.00	10,000,000.00
Interest receivable	69,083.49	68,777.60
(2) China Securities Depository and Clearing Corporation Limited	5,200,000.00	5,200,000.00
In which: Settlement guarantee fund	5,200,000.00	5,200,000.00
Interest receivable	-	-
Total	15,269,083.49	15,268,777.60

9. Risk loss receivable

(1) Risk loss reserve receivable by aging analysis

Aging	Ending balance		Beginning balance	
	Amount	Percentage	Amount	Percentage
Within 1 year (including 1 year)	-	-	-	-
1-2 years (including 2 years)	35,296,022.02	100.00%	35,296,022.02	100.00%
2-3 years (including 3 years)	-	-	-	-
Over 3 years	-	-	-	-
Total	35,296,022.02	100.00%	35,296,022.02	100.00%

(All amounts are stated in RMB Yuan unless otherwise stated)

(2) Top 5 due risk losses receivable

Debtor	Description	Amount	Aging	% of total
Chengdu Bighorn Cattle Chemical Materials Co., Ltd.	Warehouse wear loss	35,296,022.02	1-2 years	100.00%

Note: On Feb. 5, 2015, CEFC Wanda Futures Co., Ltd. received the notice for assistance in execution issued by the Intermediate People's Court of Zhengzhou City, Henan Province No. 101 which enforced seizure on 22,222.434 tons of methanol owned by Chengdu Xin Chemical Materials Co., Ltd., a trading enstruster of the Company's futures brokerage client Chengdu Bighorn Cattle Chemical Materials Co., Ltd. The seizure was valid from Feb. 5, 2015 to Feb. 4, 2016. On Jan. 21, 2016, Zhengzhou Intermediate People's Court issued a notice for assistance in execution, continuing the seizure on 22,222.434 tons of methanol owned by Chengdu Xinhuaxin Chemical Materials Co., Ltd., which was valid from Jan. 21, 2016 to Jan. 20, 2018. On June 16th, 2016, CEFC Wanda Futures Co., Ltd. received the notice for assistance in execution issued by the Superior People's Court of Zhengzhou City, Henan Province No. 413 paper of civil judgment which is final judgment. Court decision Chengdu Xinhuaxin Chemical Materials Co., Ltd., compensate 35,296,022.02 RMB yuan for CEFC Wanda Futures Co., Ltd. loss; from Dec. 26, 2014 till the day actual payment, Chengdu Xinhuaxin Chemical Materials Co., Ltd., shall pay interest to CEFC Wanda Futures Co., Ltd., the interest rate is lending rates over that of People's Bank of China.

Note 2: The ending risk loss receivable is the warehouse wear loss amounting to 35,296,022.02 RMB yuan CEFC Wanda Futures Co., Ltd. has not yet recovered from Chengdu Bighorn Cattle Chemical Materials Co., Ltd. as of June 30, 2016.

(3) No risk loss due from related parties at end of period.

(4) No risk loss due from shareholders holding over 5% (including 5%) voting equity in the Company at end of period.

10. Accounts receivable

(1) List of accounts receivable

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Accounts receivable that are individually significant in amount and provision is made for bad debt separately	24,917,457.92	0.05%	24,917,457.92	100.00%	-
Accounts receivable whose bad debts provision was accrued by credit risk feature	53,073,700,579.91	99.95%	34,893,558.12	0.07%	53,038,807,021.79
In which: Receivables from related parties	-	-	-	-	-
Deposits and guarantees receivable	-	-	-	-	-

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Non-related party receivables from goods circulating entities	50,888,170,388.97	95.84%	53,572.94	0.00%	50,888,116,816.03
Non-related party receivables from manufacturing entities	333,735,505.05	0.63%	16,399,985.18	4.91%	317,335,519.87
Non-related party receivables from financial insurance entities	7,794,685.89	0.01%	-	-	7,794,685.89
Receivables arising from factoring services	1,844,000,000.00	3.47%	18,440,000.00	1.00%	1,825,560,000.00
Non-related party receivables from futures entities	-	-	-	-	-
Accounts receivable that are individually insignificant in amount but provided for bad debt separately	-	-	-	-	-
Total	53,098,618,037.83	100.00%	59,811,016.04	0.11%	53,038,807,021.79

(Continued)

Type	Beginning balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Accounts receivable that are individually significant in amount and provision is made for bad debt separately	24,917,457.92	0.06%	24,917,457.92	100.00%	-
Accounts receivable whose bad debts provision was accrued by credit risk feature	39,735,263,779.47	99.93%	23,251,176.96	0.06%	39,712,012,602.51
In which: Receivables from related parties	-	-	-	-	-
Deposits and guarantees receivable	-	-	-	-	-
Non-related party receivables from goods circulating entities	38,666,842,615.29	97.25%	6,116,833.32	0.02%	38,660,725,781.97
Non-related party receivables from manufacturing entities	263,174,897.53	0.66%	9,811,308.41	3.73%	253,363,589.12
Non-related party receivables from financial insurance entities	72,942,743.19	0.18%	-	-	72,942,743.19
Receivables arising from factoring services	732,303,523.46	1.84%	7,323,035.23	1.00%	724,980,488.23
Non-related party receivables from futures entities	-	-	-	-	-
Accounts receivable that are individually insignificant in amount but provided for bad debt separately	1,171,625.43	0.01%	88,205.98	7.53%	1,083,419.45
Total	39,761,352,862.82	100.00%	48,256,840.86	0.12%	39,713,096,021.96

(All amounts are stated in RMB Yuan unless otherwise stated)

(2) Accounts receivable that are individually significant in amount and provision is made for bad debt separately on June 30, 2016:

Accounts receivable	Ending balance			
	Accounts receivable	Bad debt reserve	% of provision	Reason
EDEN ARENA, A.S.	9,161,600.00	9,161,600.00	100.00%	Small likelihood of recovery
E SIDE PROPERTY LIMITED	15,755,857.92	15,755,857.92	100.00%	Small likelihood of recovery
Total	24,917,457.92	24,917,457.92	100.00%	

(3) Accounts receivable whose bad debts provision was accrued by credit risk feature

① Non-related party receivables from goods circulating entities

Aging	Ending balance		
	Accounts receivable	Bad debt reserve	% of provision
Within 1 year	50,888,023,461.87	38,880.23	0.00%
In which: 1-6months	50,887,245,857.26	-	
7-12months	777,604.61	38,880.23	5.00%
1-2 years	146,927.10	14,692.71	10.00%
2-3 years	-	-	-
3-4 years	-	-	-
4-5 years	-	-	-
Over 5 years	-	-	-
Total	50,888,170,388.97	53,572.94	0.00%

Note: As of June 30, 2016,the Company's subsidiary CEFC Hainan International Holdings Co.,Ltd. pawned its accounts receivable amounting to 25,039,447,651.69 RMB yuan to get short-term loans, and the, and pawned its accounts receivable amounting to3,926,627,930.95 RMB yuan for notes payable.

② Non-related party receivables from manufacturing entities

Aging	Ending balance		
	Accounts receivable	Bad debt reserve	% of provision
Within 1 year (including 1 year)	319,600,929.89	9,587,688.75	3.00%
In which: Significant amounts due within 6 months (including 6 months)	166,221,502.75	-	
1-2 years	3,733,799.38	373,379.94	10.00%
2-3 years	1,972,629.34	591,788.81	30.00%
3-5 years	5,162,037.54	2,581,018.78	50.00%
Over5 years	3,266,108.90	3,266,108.90	100.00%
Total	333,735,505.05	16,399,985.18	4.91%

(All amounts are stated in RMB Yuan unless otherwise stated)

③ Non-related party receivables from financial insurance entities

Item	Ending balance		
	Accounts receivable	Bad debt reserve	% of provision
Fee and commission receivable	7,583,485.89	-	-
Service fee	211,200.00	-	-
Total	7,794,685.89	-	-

④ Receivables arising from factoring services

Item	Ending balance		
	Accounts receivable	Bad debt reserve	% of provision
Normal	1,844,000,000.00	18,440,000.00	1.00%

(4) No accounts receivable that are individually insignificant in amount but provided for bad debt separately

(5) Bad debt reserve withdrawn, recovered or reversed in this period

The current provision for bad debts amounts to 17,744,521.771 RMB yuan; recovered or reversed bad debt reserve amounts to 6,190,346.59 RMB yuan in this period.

(6) No accounts receivable from shareholders holding over 5% (including 5%) voting equity in the Company in this reporting period.

11. Advance payment

(1) List of advance payments by aging

Aging	Ending balance		Beginning balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	6,799,571,091.62	99.87%	3,778,710,040.27	99.83%
1-2 years	6,860,746.13	0.10%	4,772,898.10	0.12%
2-3 years	1,616,070.56	0.02%	1,399,790.82	0.04%
Over 3 years	604,106.26	0.01%	123,011.13	0.01%
Total	6,808,652,014.57	100.00%	3,785,005,740.32	100.00%

(2) No advance payments made to shareholders holding over 5% (including 5%) voting equity in the Company in this reporting period.

(All amounts are stated in RMB Yuan unless otherwise stated)

12. Interest receivable

Item	Ending balance	Beginning balance
Deposit interest receivable	5,926,784.44	9,685,694.44
Bond interest receivable	1,946,841.68	4,085,129.40
Factoring interest and service charges receivable	5,166,000.03	2,022,041.57
Interbank deposit interest receivable	-	120,006.06
Entrusted loan interest	-	66,687.50
Other interest receivable	-	31,682.50
Interest from reverse repurchase receivable	-	9,972.60
Total	13,039,626.15	16,021,214.07

13. Other receivables

(1) List of other receivables

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Other receivables that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Other receivables whose bad debts provision was accrued by credit risk	888,175,023.40	99.35%	3,139,450.57	0.35%	885,035,572.83
In which: Other receivables from related parties	15,007,389.69	1.68%	-	0.00%	15,007,389.69
Deposits and guarantees receivable	87,275,418.40	9.76%	-	0.00%	87,275,418.40
Non-related party other receivables from goods circulating entities	567,508,024.24	63.48%	2,385,876.43	0.41%	565,122,147.81
Non-related party other receivables from manufacturing entities	5,196,245.21	0.58%	565,976.15	10.89%	4,630,269.06
Non-related party other receivables from financial insurance entities	8,536,947.66	0.95%	-	0.00%	8,536,947.66
Non-related party other receivables from factoring services	29,700.00	0.00%	-	0.00%	29,700.00
Non-related party other receivables from futures trading entities	204,621,298.20	22.89%	187,597.99	0.09%	204,433,700.21
Other receivables that are individually insignificant in amount but provision is made for bad debt separately	5,790,517.41	0.65%	5,790,517.41	100.00%	-
Total	893,965,540.81	100.00%	8,929,967.98	1.00%	885,035,572.83

(All amounts are stated in RMB Yuan unless otherwise stated)

(Continued)

Type	Beginning balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Other receivables that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Other receivables whose bad debts provision was accrued by credit risk	796,625,398.59	99.28%	3,492,958.55	0.44%	793,132,440.04
In which: Other receivables from related parties	60,167,807.26	7.50%	-	-	60,167,807.26
Deposits and guarantees receivable	165,918,256.30	20.67%	-	-	165,918,256.30
Non-related party other receivables from goods circulating entities	557,331,882.91	69.46%	2,540,301.63	0.46%	554,791,581.28
Non-related party other receivables from manufacturing entities	3,250,230.45	0.41%	765,058.93	23.54%	2,485,171.52
Non-related party other receivables from financial insurance entities	3,703,955.50	0.46%	-	-	3,703,955.50
Non-related party other receivables from factoring services	6,253,266.17	0.78%	187,597.99	3.00%	6,065,668.18
Non-related party other receivables from futures trading entities	5,775,187.61	0.72%	5,775,187.61	100.00%	-
Total	802,400,586.20	100.00%	9,268,146.16	1.16%	793,132,440.04

(2) No other receivables that are individually significant in amount and provision is made for bad debt separately at end of this period.

(3) Other receivables for which bad debt reserve is made by aging group

① Non-related party other receivables from goods circulating entities

Aging	Ending balance		
	Other receivables	Bad debt reserve	% of provision
Within 1 year	559,222,594.99	687,872.18	0.12%
In which: 1-6 months	545,465,151.19	-	0.00%
7-12 months	13,757,443.80	687,872.18	5.00%
1-2 years	7,061,160.99	706,126.10	10.00%
2-3 years	240,809.93	48,161.98	20.00%
3-5 years	79,484.33	39,742.16	50.00%
Over 5 years	903,974.00	903,974.00	100.00%
Total	567,508,024.24	2,385,876.43	0.42%

(All amounts are stated in RMB Yuan unless otherwise stated)

② Non-related party other receivables from manufacturing entities

Aging	Ending balance		
	Other receivables	Bad debt reserve	% of provision
Within 1 year (including 1 year)	4,191,793.46	209,589.67	5.00%
In which: Significant amounts due within 6 months (including 6 months)	-	-	
1-2 years	274,242.23	27,424.22	10.00%
2-3 years	180,712.48	54,213.74	30.00%
3-5 years	549,497.04	274,748.52	50.00%
Over 5 years	-	-	-
Total	5,196,245.21	565,976.15	10.89%

③ Non-related party other receivables from financial insurance entities

Item	Ending balance		
	Other receivables	Bad debt reserve	% of provision
Other receivables	8,536,947.66	-	-

④ Non-related party other receivables from futures trading entities

Aging	Ending balance		
	Other receivables	Bad debt reserve	% of provision
Within 1 year	204,621,298.20	187,597.99	0.09%
1-2 years	-	-	-
2-3 years	-	-	-
3-4 years	-	-	-
4-5 years	-	-	-
Over 5 years	-	-	-
Total	204,621,298.20	187,597.99	0.09%

(4) Bad debt reserve withdrawn, recovered or reversed in this period

The current amount of provision for bad debts is 15,329.80 RMB yuan; recovered or reversed bad debt reserve amounts to 353,507.98 RMB yuan.

(5) No other receivables actually written off in this reporting period.

(6) Other receivables by feature

Description	Ending balance	Beginning balance
Current account	806,690,122.41	607,428,756.74
Margin deposits (note)	87,275,418.40	165,918,256.30
Imprest	-	-
Others	-	29,053,573.16
Total	893,965,540.81	802,400,586.20

Note: As of June 30, 2016, the Company's balance of pledged other receivables is 11,473,943.05RMB yuan.

(All amounts are stated in RMB Yuan unless otherwise stated)

(7) Other receivables due from shareholders holding over 5% (including 5%) voting equity in the Company this reporting period.

Company	% of shares	Ending balance	Beginning balance
CEFC Shanghai Financial Holdings Limited	28.85%	164,900.00	-
China CEFC Energy Limited	52.40%	-	22,404,851.43
Total	-	164,900.00	22,404,851.43

14. Reverse repurchased financial assets

(1) By asset type

Item	Ending balance	Beginning balance
Stock	-	-
Bond	-	130,000,000.00
Others	-	-
Less: Impairment reserve	-	-
Book value	-	130,000,000.00

(2) By business category

Item	Ending balance	Beginning balance
Agreed repurchase of securities	-	-
Stock-pledged repurchase	-	-
Bond-pledged repurchase	-	130,000,000.00
Total	-	130,000,000.00

(3) By remaining term

Aging	Ending balance	Beginning balance
Within 1 month	-	130,000,000.00
1 month – within 3 months	-	-
3 months – within 1 year	-	-
Over 1 year	-	-
Total	-	130,000,000.00

15. Inventories

(1) Inventory classification

Item	Ending balance			Beginning balance		
	Carrying amount	Devaluation reserve	Book value	Carrying amount	Devaluation reserve	Book value
Finished goods	1,113,861,234.55	14,891,160.59	1,098,970,073.96	512,240,746.41	26,930,128.92	485,310,617.49
Raw materials	37,236,433.76	-	37,236,433.76	54,264,093.68	2,039,180.67	52,224,913.01
Reusable materials	5,487,743.53	-	5,487,743.53	9,549,112.70	-	9,549,112.70

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	Ending balance			Beginning balance		
	Carrying amount	Devaluation reserve	Book value	Carrying amount	Devaluation reserve	Book value
Work in progress	5,094,901.92	-	5,094,901.92	60,365.40	-	60,365.40
Low-value Consumables	178,211.25	105,787.50	72,423.75	226,993.64	102,086.40	124,907.24
Packaging materials	432,473.16	-	432,473.16	-	-	-
Consigned processing materials	6,210,532.46	-	6,210,532.46	1,099,719.78	-	1,099,719.78
Development costs	120,625,723.45	-	120,625,723.45	106,887,144.90	-	106,887,144.90
Finished goods	10,688,608.83	-	10,688,608.83	-	-	-
Total	1,299,815,862.91	14,996,948.09	1,284,818,914.82	684,328,176.51	29,071,395.99	655,256,780.52

(2) Devaluation reserve for inventories

Type	Beginning balance	Increase		Decrease		Ending balance
		Provision	Others	Recovered or reversed	Others	
Finished goods	26,930,128.92	-	-	12,038,968.33	-	14,891,160.59
Raw materials	2,039,180.67	-	-	2,039,180.67	-	-
Low-value Consumables	102,086.40	-	3,701.10	-	-	105,787.50
Total	29,071,395.99	-	3,701.10	14,078,149.00	-	14,996,948.09

16. Other current assets

Item	Ending balance	Beginning balance
Specific asset management plan	103,000,000.00	6,000,000,000.00
Bank financial products	2,750,214,000.00	1,960,184,000.00
VAT to be deducted	263,833,210.79	271,340,305.30
Entrusted loan	-	36,370,188.76
Hedged item	-	17,192,159.30
Refundable deposits	5,029,856.47	5,033,068.89
Refundable Taxes	25,588,866.08	-
others	4,869,204.09	1,356,296.19
Total	3,152,535,137.43	8,291,476,018.44

(All amounts are stated in RMB Yuan unless otherwise stated)

17. Available for sale financial assets

(1) List of AFS financial assets

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment reserve	Book value	Carrying amount	Impairment reserve	Book value
Measured at fair value	87,216,361.12	-	87,216,361.12	127,590,028.57	-	127,590,028.57
Measured at cost	4,214,413,052.31	-	4,214,413,052.31	1,679,974,192.31	-	1,679,974,192.31
Total	4,301,629,413.43	-	4,301,629,413.43	1,807,564,220.88	-	1,807,564,220.88

(2) Financial assets available for sale at fair value at end of period

可供 AFS financial assets by type	AFS equity instruments	AFS debt instruments	Total
Amortized cost of equity/debt instruments	87,216,361.12	-	87,216,361.12
Fair value	-	-	-
Change in fair value recognized in other comprehensive income	-	-	-
Provision for impairment	-	-	-

(3) AFS financial asset measured by cost at end of period

Investee	Carrying amount			
	Beginning balance	Beginning balance	Beginning balance	Beginning balance
CEFC Shanghai Group Financial Co., Ltd.	10,000,000.00	-	-	10,000,000.00
J&T FINANCE GROUP SE	1,070,374,192.31	-	-	1,070,374,192.31
J&T bank perpetual debt	-	1,475,000,000.00	-	1,475,000,000.00
Guangdong Southern Logistics Public Information Platform Operations Limited	10,000,000.00	-	-	10,000,000.00
CDB Siyuan (Beijing) Investment Fund Limited	100,000,000.00	-	-	100,000,000.00
Hainan Bank	489,600,000.00	-	-	489,600,000.00
Shanghai Huatou Asset Management Partnership (LP)	-	400,000,000.00	-	400,000,000.00
J&T bank perpetual debt	-	1,475,000,000.00	-	1,475,000,000.00
Shanghai Golden Brick Phase-I Equity Fund Partnership (LP)	-	150,000,000.00	-	150,000,000.00
State Nuclear Power Commercial Factoring Company	-	118,000,000.00	-	118,000,000.00
CITIC Asset Management Corporation Ltd	-	391,438,860.00	-	391,438,860.00
Total	1,679,974,192.31	2,534,438,860.00	-	4,214,413,052.31

(All amounts are stated in RMB Yuan unless otherwise stated)

(Continued1)

Investee	Impairment reserve			
	Beginning balance	Increase	Decrease	Ending balance
CEFC Shanghai Group Financial Co., Ltd.	-	-	-	-
J&T FINANCE GROUP SE	-	-	-	-
J&T bank perpetual debt	-	-	-	-
Guangdong Southern Logistics Public Information Platform Operations Limited	-	-	-	-
CDB Siyuan (Beijing) Investment Fund Limited	-	-	-	-
Hainan Bank	-	-	-	-
Shanghai Huatou Asset Management Partnership (LP)	-	-	-	-
J&T bank perpetual debt	-	-	-	-
Shanghai Golden Brick Phase-I Equity Fund Partnership (LP)	-	-	-	-
State Nuclear Power Commercial Factoring Company	-	-	-	-
CITIC Asset Management Corporation Ltd	-	-	-	-

(Continued2)

Investee	Equity held in the investee	Cash dividends issued in this period
CEFC Shanghai Group Financial Co., Ltd.	0.99%	-
J&T FINANCE GROUP SE	8.806%	-
J&T bank perpetual debt	-	-
Guangdong Southern Logistics Public Information Platform Operations Limited	19.00%	-
CDB Siyuan (Beijing) Investment Fund Limited	1.98%	-
Hainan Bank	12.00%	-
Shanghai Huatou Asset Management Partnership (LP)	16.65%	-
Shanghai Golden Brick Phase-I Equity Fund Partnership (LP)	7.4257%	-
State Nuclear Power Commercial Factoring Company	10.00%	-
CITIC Asset Management Corporation Ltd	15.00%	-

Note: As of June 30, 2016, the company pledged, among its investment in equity instruments, 360 million Hainan Bank shares and the book value was 489,600,000.00.

(All amounts are stated in RMB Yuan unless otherwise stated)

18. Held-to-maturity investments

(1) List of held-to-maturity investments

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment reserve	Book value	Carrying amount	Impairment reserve	Book value
Fund	10,380,000.00	-	10,380,000.00	51,620,000.00	-	51,620,000.00

(2) Held-to-maturity investments with significant ending balance

Item	Amortized cost	Net gain or net loss	Interest income by effective interest method
Fund	10,000,000.00	-	380,000.00

(3) Held-to-maturity investments reclassified in this period

No.

19. Long-term equity investments

Investee	Beginning balance	Beginning impairment reserve	Changes in this period			
			Additional investment	Reduced investment	Investment gains and losses by equity method	Adjustment to other comprehensive income
(1) Joint ventures						
Anhui Xingnuo Chemical Industry Co., Ltd.	55,523,516.12	-	-	-	-911,267.47	-
Agrilon International, LLC.	545,859.06	545,859.06	-	-	-	-
Inner Mongolia CEFC Lubricants Industrial Co., Ltd.	-	-	2,000,000.00	-	-64,044.39	-
China CEFC International Industrial Holdings Limited	-	-	1,000,000,000.00	-	-	-
Subtotal	56,069,375.18	545,859.06	1,002,000,000.00	-	-975,311.86	-
(2) Associates						
Shanghai CAG Holding Co., Ltd.	278,875,640.46	-	-	-	4,306,381.73	-
China Natural Gas Corporation Limited	913,445,219.07	59,278,652.00	-	-	-67,901,114.28	-44,215,012.80
CEFC Beijing Group (Xinjiang) Co., Ltd.	5,000,000.00	-	-	-	-	-
Guangzhou ASDC Equity Investment Center (LP)	-	-	10,010,000.00	-	-	-

(All amounts are stated in RMB Yuan unless otherwise stated)

Investee	Beginning balance	Beginning impairment reserve	Changes in this period			
			Additional investment	Reduced investment	Investment gains and losses by equity method	Adjustment to other comprehensive income
Rompetrol France	-	-	131,717,166.51	-	-	-
Subtotal	1,197,320,859.53	59,278,652.00	141,727,166.51	-	-63,594,732.55	-44,215,012.80
Total	1,253,390,234.71	59,824,511.06	1,143,727,166.51	-	-64,570,044.41	-44,215,012.80

(Continued)

Investee	Changes in this period				Ending balance	Ending impairment reserve
	Other equity changes	Cash dividend or profits to be distributed	Impairment provision	Others		
(1) Joint ventures						
Anhui Xingnuo Chemical Industry Co., Ltd.	-	-	-	-	54,612,248.65	-
Agrilon International, LLC	-	-	-	-	545,859.06	545,859.06
Inner Mongolia CEFC Lubricants Industrial Co., Ltd.	-	-	-	-	1,935,955.61	-
China CEFC International Industrial Holdings Limited	-	-	-	-	1,000,000,000.00	-
Subtotal	-	-	-	-	1,057,094,063.32	545,859.06
(2) Associates						
Shanghai CAG Holding Co., Ltd.	-	-	-	-	283,182,022.19	-
China Natural Gas Corporation Limited	-	-	-	-	801,329,091.99	59,278,652.00
Beijing CEFC Group (Xinjiang) Co., Ltd.	-	-	-	-	5,000,000.00	-
Guangzhou ASDC Equity Investment Center (LP)	-	-	-	-	10,010,000.00	-
Rompetrol France	-	-	-	-	131,717,166.51	-
Subtotal	-	-	-	-	1,231,238,280.69	59,278,652.00
Total	-	-	-	-	2,288,332,344.01	59,824,511.06

(All amounts are stated in RMB Yuan unless otherwise stated)

20. Investments in futures exchange membership

Exchanges	Ending balance	Balance at beginning of year
Shanghai Futures Exchange	500,000.00	500,000.00
Dalian Commodity Exchange	500,000.00	500,000.00
Zhengzhou Commodity Exchange	400,000.00	400,000.00
Total	1,400,000.00	1,400,000.00

21. Investment real estate

Item	Buildings	Land use rights	Construction in progress	Total
Beginning balance	5,370,791,780.63	-	-	5,370,791,780.63
Changes in this period	2,034,307,036.16	-	-	2,034,307,036.16
Plus: Acquisition	984,098,266.22	-	-	984,098,266.22
Transfer in of inventories, fixed assets, construction in progress	11,760,331.10	-	-	11,760,331.10
Increase through M&A	-	-	-	-
Others	15,550,920.09	-	-	15,550,920.09
Less: Disposal	-	-	-	-
Other transfer out	205,098,500.00	-	-	205,098,500.00
Changes in fair value	1,227,996,018.75	-	-	1,227,996,018.75
Ending balance	7,405,098,816.79	-	-	7,405,098,816.79

Note:

(1) In April 2012, the Company's subsidiary Shanghai Shengyi Investment Center (Limited Partnership) borrowed 1 billion RMB yuan from Industrial Bank Co., Ltd. and the term was from Aug. 23, 2012 to Aug. 22, 2017. Shanghai Shengyi Investment Center (Limited Partnership) mortgaged its real estate which is recognized as an investment real estate. As of June 30, 2016, the fixed assets original book value was 293,409,314.29 RMB yuan, the carrying value was 284,270,335.65 RMB yuan; investment real estate book value was 2,241,367,574.51 RMB yuan.

(2) As of June 30, 2016, the Company's subsidiary Shanghai Huaxin Group (Hong Kong) Ltd. obtained credit limit of 978,200,000.00 HK dollars from Bank of East Asia, and some fixed assets and investment real estate of the holding subsidiary of Shanghai Huaxin Group (Hong Kong) Ltd. were pledged as the collaterals:

Owners of the mortgaged property	Location	Usage	Ending balance	
			Book value	Fair value
China Huaxin Petroleum Ltd	Unit No.A,B,C,D, and E on 34/F, Office Tower, Convention Plaza, No.1 Harbour Road, HK	Rent	-	229,051,600.00
China Association Ltd	Flat B on 37th Floor of Tower 6 and Private Cars Park No.18 on Car Park Level 8, Bel-Air No.8,Bel-Air On The Peak Island South,No.8 Bel-Air Peak Avenue,HK	Self use	12,696,526.54	-

(All amounts are stated in RMB Yuan unless otherwise stated)

Owners of the mortgaged property	Location	Usage	Ending balance	
			Book value	Fair value
China Association Ltd	Flat B on 41st Floor of Tower 6, Bel-Air No.8,Bel-Air On The Peak Island South,No.8 Bel-Air Peak Avenue,HK	Rent	12,198,190.60	-
China Association Ltd	House No.6,Residence Bel-Air, Island South,6 Bel-Air Rise,HK	Self use	179,299,857.17	-
China Association Ltd	Flat B on 63rd Floor with Balcony and Utility Platform of Tower 2, Grand Promenade, No.38 Tai Hong Street, HK	Self use	11,551,441.86	-
China Association Ltd	Flat B on 67rd Floor with Balcony and Utility Platform of Tower 5, Grand Promenade, No.38 Tai Hong Street, HK	Self use	11,574,292.79	-

(3) The Company's subsidiary Guangzhou Jinheng Real Estate Co., Ltd. borrowed 380 million RMB yuan from Bank of China Limited Guangzhou Liwan Branch, and the term was from Jan. 15, 2010 to Dec. 21, 2021. The Company mortgaged its real estate. At the same time, its parent company CEFC Petroleum (Guangdong) Co., Ltd. borrowed 154 million RMB yuan from ICBC Guangzhou Beijing Road Branch, and the term was from March 27, 2013 to March 16, 2018. The mortgage was real estate belonging to Guangzhou Jinheng Real Estate Co., Ltd. which is recognized as an investment real estate. As of June 30, 2016,its fair value was 985,041,499.00RMB yuan.

(4) The Company's subsidiary Shanghai Tomorrow BRICS Equity Investment Fund Co., Ltd. borrowed 177 million RMB yuan from Bank of Communications Ltd Shanghai branch and ending balance was 172.5 million RMB yuan, and the term was from Jan. 27, 2016 to Dec. 20, 2025. And it borrowed 15.54 million RMB yuan from Bank of Communications Ltd Shanghai branch and ending balance was 15.19 million RMB yuan, and the term was from Feb. 29, 2016 to Dec. 20, 2025. And it borrowed 350 million RMB yuan from Bank of Communications Ltd Shanghai branch and ending balance was 350 million RMB yuan, and the term was from Mar. 21, 2016 to Dec. 20, 2025. The mortgage was real estate belonging to Shanghai Tomorrow BRICS Equity Investment Fund Co., Ltd. which is recognized as an investment real estate. As of June 30, 2016, its fair value was 1,818,915,951.50 RMB yuan.

(5) The Company's subsidiary Dada Real Estate (Shanghai) Co., Ltd. mortgaged its real estate which is recognized as an investment real estate. As of June 30, 2016, its fair value was 2,024,502,800.00 RMB yuan.

(All amounts are stated in RMB Yuan unless otherwise stated)

22. Fixed assets

(1) List of fixed assets

Item	Buildings	Machinery	Aircraft and engine	Others	Total
① Original book value					
Beginning balance	1,705,719,446.93	235,474,069.67	987,374,178.04	155,890,002.36	3,084,457,697.00
Increase	149,367,939.07	159,144,582.80	19,868,428.68	101,918,298.59	430,299,249.14
In which: Acquisition	-	416,578.52	-	29,621,342.71	30,037,921.23
Work in progress transferred in	132,764,599.17	158,234,087.18	-	69,879,999.52	360,878,685.87
Increase through M&A	-	-	-	-	-
Others	16,603,339.90	493,917.10	19,868,428.68	2,416,956.36	39,382,642.04
Investors transferred in	-	-	-	-	-
Investment real estate transferred in	-	-	-	-	-
Decrease	37,983.47	115,581.91	-	4,857,048.08	5,010,613.46
In which: Disposal or retirement	37,983.47	115,581.91	-	4,857,048.08	5,010,613.46
Transfer out in this period	-	-	-	-	-
Others	-	-	-	-	-
Ending balance	1,855,049,402.53	394,503,070.56	1,007,242,606.72	252,951,252.87	3,509,746,332.68
② Accumulated depreciation					
Beginning balance	154,028,947.74	45,727,296.39	118,021,093.67	79,614,989.62	397,392,327.42
Increase	20,880,421.48	12,800,946.28	53,213,596.09	13,343,641.39	100,238,605.24
In which: Provision	19,536,903.47	12,800,946.28	51,310,511.96	12,788,103.31	96,436,465.02
Increase through M&A	-	-	-	-	-
Others	1,343,518.01		1,903,084.13	555,538.08	3,802,140.22
Decrease	11,995.94	99,402.60	-	2,878,979.02	2,990,377.56
In which: Disposal or retirement	11,995.94	99,402.60	-	2,878,979.02	2,990,377.56
Transfer out in this period	-	-	-	-	-
Others	-	-	-	-	-
Ending balance	174,897,373.28	58,428,840.07	171,234,689.76	90,079,651.99	494,640,555.10
③ Impairment reserve					
Beginning balance	-	-	-	21,339.15	21,339.15
Increase	-	-	-	-	-
In which: Provision	-	-	-	-	-
Increase through M&A	-	-	-	-	-
Decrease	-	-	-	-	-
In which: Disposal or retirement	-	-	-	-	-
Transfer out in this period	-	-	-	-	-
Ending balance	-	-	-	21,339.15	21,339.15
③ Book value					
Ending balance	1,680,152,029.25	336,074,230.49	836,007,916.96	162,850,261.73	3,015,084,438.43
Beginning balance	1,551,690,499.19	189,746,773.28	869,353,084.37	76,253,673.59	2,687,044,030.43

(All amounts are stated in RMB Yuan unless otherwise stated)

Note: The Company's subsidiary CEFC Petroleum (Guangdong) Co., Ltd. pledged its property Floor 40, R & F Building in Guangzhou to China Merchants Bank Co., Ltd. Guangzhou Branch on July 15, 2011 to borrow a mortgage loan of 35,880,000.00 RMB yuan, and the term is 10 years. The pledge property has a book value of 59,248,844.40 RMB yuan.

(2) Fixed assets acquired through financial leasing

Item	Original book value	Accumulated depreciation	Impairment reserve	Book value
Aircraft and engine	1,007,242,606.72	171,234,689.76	-	836,007,916.96

Note: The Company's subsidiary Shanghai Huaxin Group (Hong Kong) Ltd. bought a Gulfstream G550 business jet from American Gulfstream Aerospace Corporation in 2013, and signed a financial lease agreement with SKY HIGH XVIII Leasing Limited Co., subsidiary of ICBC International Leasing Co. SKY HIGH XVIII Leasing Limited Co. paid 35 million USD as financial lease payment. The term of financial lease is 7 years, and the rent and financing charges is paid in 28 stages with 3-month Libor+3.95% and the actual interest rate is 4.2051%.

The Company's subsidiary SHX Cayman Company Limited bought one (1) Airbus A319-115 Aircraft with Manufacturer's Serial Number 4228 from Etole Holdings Limited in 2015, and signed a financial lease agreement with Yunhua Corporate Jet Leasing Company Limited. Yunhua Corporate Jet Leasing Company Limited paid 60.5 million USD as financial lease payment. The term of financial lease is 8 years, and the rent and financing charges is paid in 32 stages with 3-month Libor+3.69%.

(3) No fixed asset of whose certificates of title have not been obtained in this reporting period.

23. Construction in progress

(1) List of CIP projects

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment reserve	Net book value	Carrying amount	Impairment reserve	Net book value
Yangpu oil reserve base phase I	2,287,480,606.96	-	2,287,480,606.96	2,085,088,721.50	-	2,085,088,721.50
100,000-ton phosphorus trichloride project	31,523,016.15	-	31,523,016.15	26,144,613.07	-	26,144,613.07
Tomorrow Square office building renovations information system reconstruction	34,615,270.00	-	34,615,270.00	13,226,906.00	-	13,226,906.00
CEFC Square	31,334,730.81	-	31,334,730.81	30,961,342.70	-	30,961,342.70

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment reserve	Net book value	Carrying amount	Impairment reserve	Net book value
Beijing office decoration phase I	480,268.23	-	480,268.23	480,268.23	-	480,268.23
Beijing office decoration phase II	748,729.22	-	748,729.22	484,681.45	-	484,681.45
Dostyk gas station	11,215,203.47	-	11,215,203.47	11,602,726.61	-	11,602,726.61
300,000-ton caustic soda project	8,300,182.78	-	8,300,182.78	322,065,428.49	-	322,065,428.49
Odd projects	9,405,543.21	-	9,405,543.21	555,832.29	-	555,832.29
System equipment engineering	3,004,226.63	-	3,004,226.63	639,000.00	-	639,000.00
Others	10,524,482.94		10,524,482.94	7,879,888.48		7,879,888.48
Support platform for Burson-Marsteller core business system	2,070,512.81	-	2,070,512.81	-	-	-
DIC systems integration	2,301,095.48	-	2,301,095.48	-	-	-
Total	2,433,003,868.69	-	2,433,003,868.69	2,499,129,408.82	-	2,499,129,408.82

(2) Changes to major construction in progress items in this period

Item	Budget	Beginning balance	Increase	Transfer in fixed assets in this period	Other decrease in this period	Project investment as % of budget
Yangpu oil reserve base phase I (Note)	2,680,000,000.00	2,085,088,721.50	202,391,885.46	-	-	85.35%
100,000-ton phosphorus trichloride project	40,000,000.00	26,144,613.07	5,378,403.08	-	-	78.81%
Dostyk gas stations	67,209,700.00	11,602,726.61	907,041.34		387,523.14	31.30%
300,000-ton caustic soda project	730,337,700.00	322,065,428.49	45,392,693.97	359,157,939.68	-	50.31%
Total	3,517,547,400.00	2,444,901,489.67	254,070,023.85	359,157,939.68	387,523.14	

(All amounts are stated in RMB Yuan unless otherwise stated)

(Continued)

Item	Project progress	Accumulated interest capitalization Amount	In which: This period	% of interest capitalization in this period	Sources of fund	Ending balance
Yangpu oil reserve base phase I (Note)	99.00%	245,840,955.79	62,776,601.38	5.34%	Self-raised, borrowing	2,287,480,606.96
100,000-ton phosphorus trichloride project	99.00%	-	-	-	Self-raised	31,523,016.15
Dostyk gas stations	31.30%	-	-	-	Self-raised	11,215,203.47
300,000-ton caustic soda project	99.00%	-	-	-	External funding and self-raised	8,300,182.78
Total		245,840,955.79	62,776,601.38	-		2,338,519,009.36

Note:Yangpu oil reserve base phase I is located at Yangpu Shentou Port Area Plot C, west of the Binhai Avenue with a land plot area of 800.02 mu. Project size: 2.8 million cubic meter oil storage tanks and supporting infrastructure; total investment: 3.05 billion RMB yuan. On Aug. 21, 2013, the Company's subsidiary CEFC (Hainan) Oil Storage Co., Ltd. and China Development Bank Corporation signed a capital construction loan contract No. 4610201301100000387, under which China Development Bank will lend 2.44 billion RMB yuan to finance Yangpu oil reserve base phase I project, and the term of loan is 15 years from Aug. 21, 2013 to Aug. 20, 2028. The interest rate is the basic interest rate for loans over 5 years published by the People's Bank of China on the date of the issuance of the first sum, and the rate is subject to annual adjustment. The adjusted rate is the renewed basic interest rate for loans over 5 years published by the People's Bank of China from time to time. The Company provides full guarantee with unlimited liability for the loan, and after the project is completed, the Company's subsidiary CEFC (Hainan) Oil Storage Co., Ltd. will pledge the use rights of the 533,349.35 square meters of the pledgable land it owns and the assets on the land as collateral. As of Dec. 31, 2015, the outstanding balance of the loan was 2,315,000,000.00 RMB yuan, the book value of the project in progress is 2,287,480,606.96 RMB yuan, and the book value of the land use right is 129,194,118.29 RMB yuan.

24. Engineering materials

Item	Ending balance	Beginning balance
Special material	1,563,036.18	1,570,145.05
Professional equipment	3,437,383.43	6,414,070.94
Total	5,000,419.61	7,984,215.99

(All amounts are stated in RMB Yuan unless otherwise stated)

25. Intangible assets

Item	Land use rights	Financial software	Exchange membership	Patent rights and others	Total
(1) Original book value					
Beginning balance	493,855,869.89	34,416,642.14	1,000,000.00	13,494,711.98	542,767,224.01
Increase	6,745,484.83	2,030,427.42	-	632,745.23	9,408,657.48
In which: Acquisition	6,730,095.97	2,030,427.42	-	561,767.88	9,322,291.27
Internal research and development	-	-	-	-	-
Construction in progress transferred in	-	-	-	-	-
Increase through M&A	-	-	-	-	-
Others	15,388.86	-	-	70,977.35	86,366.21
Decrease	-	-	-	-	-
In which: Disposal	-	-	-	-	-
Transfer out in this period	-	-	-	-	-
Divesture through restructuring	-	-	-	-	-
Others	-	-	-	-	-
Ending balance	500,601,354.72	36,447,069.56	1,000,000.00	14,127,457.21	552,175,881.49
(2) Accumulated amortization					
Beginning balance	9,904,526.14	20,619,829.08	1,000,000.00	1,822,625.01	33,346,980.23
Increase	4,315,768.26	2,782,432.95	-	712,342.29	7,810,543.50
In which: Provision	4,315,768.26	2,782,432.95	-	650,825.16	7,749,026.37
Increase through M&A	-	-	-	-	-
Others	-	-	-	61,517.13	61,517.13
Decrease	-	-	-	-	-
In which: Disposal	-	-	-	-	-
Transfer out in this period	-	-	-	-	-
Divesture through restructuring	-	-	-	-	-
Others	-	-	-	-	-
Ending balance	14,220,294.40	23,402,262.03	1,000,000.00	2,534,967.30	41,157,523.73
(3) Impairment reserve					
Beginning balance	-	-	-	-	-
Increase	-	-	-	-	-
In which: Provision	-	-	-	-	-
Increase through M&A	-	-	-	-	-
Decrease	-	-	-	-	-
In which: Disposal	-	-	-	-	-
Transfer out in this period	-	-	-	-	-
Ending balance	-	-	-	-	-
(4) Book value					
Ending balance	486,381,060.32	13,044,807.53	-	11,592,489.91	511,018,357.76
Beginning balance	483,951,343.75	13,796,813.06	-	11,672,086.97	509,420,243.78

Note: See Note VI/23 for the pledging of land use right.

(All amounts are stated in RMB Yuan unless otherwise stated)

26. Goodwill

(1) Original book value

Investee	Beginning balance	Increase: Formed through M&A	Increase: Other increases	Decrease: Disposal	Decrease: Other decreases	Ending balance
Anhui Huaxing Chemical Industry Co., Ltd.	366,115,796.36	-	-	-	-	366,115,796.36
China Association Ltd.	33,427,725.34	-	-	-	-	33,427,725.34
China Huaxin Petroleum Ltd.	7,517,208.19	-	-	-	-	7,517,208.19
Anhui Linearfull Modern Agriculture Co., Ltd.	350,919.80	-	-	-	-	350,919.80
Shanghai Shengyi Investment Center (Limited Partnership)	95,267,479.73	-	-	-	-	95,267,479.73
CEFC Commercial (Fujian) Co., Ltd.	441,583.99	-	-	-	-	441,583.99
CEFC Hainan International Petroleum Co., Ltd.	8,923,575.37	-	-	-	-	8,923,575.37
CEFC Shanghai Group (Tianjin) Co., Ltd.	33,842,399.24	-	-	33,842,399.24	-	-
CEFC Shanghai Securities Limited.	590,285,203.85	-	-	-	-	590,285,203.85
CEFC Wanda Futures Co., Ltd.	794,445,598.92	-	-	-	-	794,445,598.92
DOSTYKGAS TERMINALLLP	227,435,382.06	-	-	-	-	227,435,382.06
Přikopy Property Development, a.s.	120,150,719.36	-	-	-	-	120,150,719.36
SK Slavia Praha-fotbal a.s	19,354,796.16	-	-	-	-	19,354,796.16
Total	2,297,558,388.37	-	-	33,842,399.24	-	2,263,715,989.13

(2) Goodwill impairment reserve

Investee	Beginning balance	Increase	Decrease	Ending balance
Anhui Linearfull Modern Agriculture Co., Ltd.	350,919.80	-	-	350,919.80

(All amounts are stated in RMB Yuan unless otherwise stated)

27. Long-term expenses to be amortized

Item	Beginning balance	Increase	Amortization	Other decreases	Ending balance
Consultancy	7,733,333.30	-	1,900,000.02	-	5,833,333.28
Renovation costs	19,847,375.14	3,494,730.15	3,296,816.80	-	20,045,288.49
Green fees	950,454.45	-	271,567.02	-	678,887.43
Insurance	20,585.18	7,549.13	20,049.29	-	8,085.02
Data service fees	833,679.23	-	253,565.99	-	580,113.24
Engineering	624,533.81	-	384,219.24	-	240,314.57
Equipment maintenance	72,333.32		24,799.68	-	47,533.64
Others	45,914,470.08	147,577.42	-	-	46,062,047.50
Total	75,996,764.51	3,649,856.70	6,151,018.04	-	73,495,603.17

28. Deferred tax assets/Deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Bad debt reserve	60,441,868.69	14,620,271.14	45,087,841.74	10,244,982.79
Inventory impairment reserve	3,223,933.56	805,983.39	17,302,082.57	4,325,520.64
Accrued expenses	11,264,037.99	2,816,009.50	9,851,673.16	2,283,012.86
Changes in fair value of financial assets available for sale	-	-	83,302.32	20,825.58
Futures risk reserve undeducted before tax in the previous period	2,884,806.52	721,201.63	2,884,806.52	721,201.63
Deferred income	16,307,833.32	4,076,958.33	17,460,333.33	4,365,083.33
Risk provision for unpaid mortgage payments	540,000.00	135,000.00	540,000.00	135,000.00
Employee benefits payable: Termination benefits	1,488,144.00	372,036.00	1,488,144.00	372,036.00
Total	96,150,624.08	23,547,459.99	94,698,183.64	22,467,662.83

(2) Deferred tax liabilities before offsetting

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appreciation of estimates of combined enterprises not under common control	-	-	-	-
Changes in fair value of financial assets available for sale	-	-	-	-
Change in fair value of investment real estate	3,414,560,761.62	884,095,306.01	2,379,288,801.55	579,770,016.74
Changes in fair value of transactional financial assets	62,770,143.60	15,692,535.90	217,811,203.16	54,452,800.79
Book value of fixed assets greater than the tax base	-	-	39,919,984.05	7,983,996.81
Interest receivable	7,366,250.00	1,841,562.50	7,366,250.00	1,841,562.50
Investment income	380,000.00	95,000.00	380,000.00	95,000.00
Forecast asset management revenue	34,487,336.96	8,621,834.24	611,301.36	152,825.34
Total	3,519,564,492.18	910,346,238.65	2,645,377,540.12	644,296,202.18

(All amounts are stated in RMB Yuan unless otherwise stated)

29. Other non-current assets

Item	Ending balance	Beginning balance
Acquisition deposit	857,469,938.00	178,640,981.40
Upfront investment funds	1,284,637,245.05	118,000,000.00
Mortgage prepayment	-	86,441,433.00
Prepaid project and equipment expenses	4,478,704.50	4,478,704.50
Prepaid royalty	3,773,584.92	3,773,584.92
Total	2,150,359,472.47	391,334,703.82

30. Short-term loans

Item	Ending balance	Beginning balance
Pledge loans	29,688,035,358.29	25,287,092,904.04
Credit loans	1,186,000,000.00	1,589,896,208.17
Mortgage	1,185,809,538.71	417,640,702.46
Guaranteed loans	130,000,000.00	50,000,000.00
Total	32,189,844,897.00	27,344,629,814.67

31. Notes payable

Type	Ending balance	Beginning balance
Commercial acceptance	449,729,682.76	1,342,989,460.16
Bank acceptance	8,326,366,228.84	5,859,733,145.22
Domestic credit	-	130,700,000.00
International credit	253,050,541.11	-
Total	9,029,146,452.71	7,333,422,605.38

32. Currency deposit payable

Type	Ending balance		Beginning balance	
	Client number	Amount	Client number	Amount
Natural persons	26,318	1,904,354,563.79	24,991	1,438,757,592.34
Corporates	2,085	2,798,327,079.15	2,000	2,528,344,654.32
Total	28,403	4,702,681,642.94	26,991	3,967,102,246.66

33. Pledge margin payable

(1) List of pledge margin payable by client type

Type	Ending balance		Beginning balance	
	Client number	Amount	Client number	Amount
Natural persons	-	-	-	-
Corporates	4	94,786,460.00	6	46,097,252.50
Total	4	94,786,460.00	6	46,097,252.50

(All amounts are stated in RMB Yuan unless otherwise stated)

(2) List of pledge margin payable by exchange

Exchange	Ending balance	Beginning balance
Shanghai Futures Exchange	72,060,560.00	38,255,840.00
Dalian Commodity Exchange		6,410,000.00
Zhengzhou Commodity Exchange	22,725,900.00	1,431,412.50
Total	94,786,460.00	46,097,252.50

34. Futures investors protection fund payable

Item	Beginning balance	Increase	Usage in this period	Ending balance
Futures investors protection fund	540,357.74	469,230.95	243,593.40	765,995.29

35. Futures risk reserve

Item	Beginning balance	Provision	Usage in this period	Ending balance
Futures risk reserve	50,749,168.58	3,551,523.15	-	54,300,691.73

36. Accounts payable

(1) List of accounts payable

Aging	Ending balance	Beginning balance
Within 1 year	5,712,175,519.17	6,336,638,256.60
Over 1 year	23,284,152.58	13,963,667.40
Total	5,735,459,671.75	6,350,601,924.00

(2) Major accounts payable aging over 1 year

Item	Ending balance	Reason
People's Bank nursing homes	8,994,150.87	Cooperative housing compensation

37. Advance from customers

Aging	Ending balance	Beginning balance
Within 1 year	208,368,991.86	1,841,888,343.44
Over 1 year	2,387,355.24	991,320.40
Total	210,756,347.10	1,842,879,663.84

38. Sale of repurchased financial assets

(1) By asset type

Item	Ending balance	Beginning balance
Stock	-	-
Bond	99,552,657.53	110,000,000.00
Capital raised through quote repurchase	-	-
Usufruct transfer	-	-
Total	99,552,657.53	110,000,000.00

(All amounts are stated in RMB Yuan unless otherwise stated)

(2) By business type

Item	Ending balance	Beginning balance
Bonds outright repurchase	49,552,657.53	-
Bond pledged repurchase	50,000,000.00	110,000,000.00
Total	99,552,657.53	110,000,000.00

39. Employee benefits payable

(1) List of employee benefits payable

Item	Beginning balance	Increase	Decrease	Ending balance
Short-term compensations	61,633,734.13	212,441,558.13	225,714,064.91	48,361,227.35
Post-employment benefits: Defined contribution plan	2,217,158.55	18,834,258.70	18,192,095.78	2,859,321.47
Termination benefits	3,048,759.50	136,281.00	1,255,396.50	1,929,644.00
Other benefits to mature within 1 year	-	-	-	-
Total	66,899,652.18	231,412,097.83	245,161,557.19	53,150,192.82

(2) List of short-term compensations

Item	Beginning balance	Increase	Decrease	Ending balance
Salaries, bonuses, allowances and subsidies	57,611,419.98	185,853,910.88	199,143,858.07	44,321,472.79
Employee benefits	23,395.00	6,907,715.62	6,903,045.27	28,065.35
Social security fee	877,674.60	7,296,113.39	7,786,578.87	387,209.12
In which: Medical insurance	792,071.37	6,270,983.63	6,667,427.76	395,627.24
Annuity contribution	-	-	-	-
Injury insurance	31,363.28	579,718.52	670,261.02	-59,179.22
Maternity insurance	54,239.95	445,411.24	448,890.09	50,761.10
Housing providential fund	1,092,425.49	11,174,065.73	10,698,326.90	1,568,164.32
Union funds, employee education funds	2,028,819.06	1,209,752.51	1,182,255.80	2,056,315.77
Short-term compensated absences	-	-	-	-
Short-term profit-sharing plan	-	-	-	-
Total	61,633,734.13	212,441,558.13	225,714,064.91	48,361,227.35

(3) List of defined contribution plans

Item	Beginning balance	Increase	Decrease	Ending balance
Basic endowment insurance	2,114,576.91	17,928,541.90	17,218,121.84	2,824,996.97
Unemployment insurance	102,581.64	905,716.80	973,973.94	34,324.50
Total	2,217,158.55	18,834,258.70	18,192,095.78	2,859,321.47

(All amounts are stated in RMB Yuan unless otherwise stated)

40. Taxes payable

Item	Ending balance	Beginning balance
Corporate income tax	440,483,001.08	534,971,648.12
VAT	107,337,663.03	181,218,467.99
Urban maintenance and construction tax	7,470,375.95	13,151,405.49
Land holding tax	3,636,952.61	4,046,220.79
Education surcharge	5,429,115.82	9,516,387.98
Flood control construction fund	181.16	1,577.22
Property tax	1,311,681.96	1,303,297.27
Stamp duty	4,477,927.40	12,969,452.14
River management fee	388,934.36	1,021,435.26
Withholding Personal Income Tax	4,635,318.85	3,977,996.53
Business tax	68,450.10	10,079,889.19
Special fund for Water conservancy construction tax	26,830.81	729.54
Others	11,695.83	886,187.93
Total	575,278,128.96	773,144,695.45

41. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term interest-only loans	4,469,935.76	5,519,993.19
Interest payable on short-term loans	82,140,146.33	39,362,226.77
Corporate bond interest	244,135,127.49	43,549,490.61
Repurchase factoring interest payable	-	-
Interest on security agency fees	-	27,545.71
Repurchase interest	-	78,838.36
Total	330,745,209.58	88,538,094.64

42. Other payables

(1) List of other payables by nature

Item	Ending balance	Beginning balance
Security deposit	56,244,492.17	142,347,603.78
Current account	360,450,351.29	162,898,248.03
Accrued expenses	12,343,379.64	7,217,871.79
Investment funds	-	3,500,000.00
Withholding	96,982.08	845.00
Renovation expenses	-	-
Others	2,222,873.74	7,334,382.60
Total	431,358,078.92	323,298,951.20

(2) No major other payable aging over 1 year in the ending balance of this reporting period.

(All amounts are stated in RMB Yuan unless otherwise stated)

(3) Other payable due to shareholders owning over 5% (including 5%) equity in the Company this reporting period.

Company	% of shares	Ending balance	Beginning balance
CEFC Shanghai Financial Holdings Limited	28.85%	51,118.87	60,406.90
China CEFC Energy Limited	52.40%	7,458,346.48	1,503.45
Total		7,509,465.35	61,910.35

43. Security agency fees

Item	Ending balance	Beginning balance
Ordinary brokerage		
Individual	203,728,407.63	198,793,671.32
Institution	821,281.38	651,621.21
Subtotal	204,549,689.01	199,445,292.53
Credit business		
Individual	-	-
Institution	-	-
Subtotal	-	-
Total	204,549,689.01	199,445,292.53

44. Non-current liabilities due within 1 year

Item	Ending balance	Beginning balance
Non-current liabilities due within 1 year	893,936,000.00	884,808,000.00

45. Other current liabilities

Item	Ending balance	Beginning balance
Short-term bonds	6,093,524,478.32	1,995,396,121.89
Others	-	18,500,146.76
Total	6,093,524,478.32	2,013,896,268.65

Note:

In Oct. 2015, the Company issued short-term financing bills amounting to 2 billion RMB yuan bearing a 4.38% interest, and the term is 1 year.

In February 2016, the Company issued short-term financing bills amounting to 2.1 billion RMB yuan bearing a 4.09% interest, and the term is 270 days.

In March 2016, the Company issued short-term financing bills amounting to2 billion RMB yuan bearing a 3.97% interest, and the term is 270 days.

(All amounts are stated in RMB Yuan unless otherwise stated)

46. Long-term loans

Item	Ending balance	Beginning balance
Pledge loans	1,199,800,000.00	-
Mortgage	3,571,312,303.89	3,271,627,218.34
Guaranteed loans	-	-
Credit loans	2,350,500,000.00	510,000,000.00
Total	7,121,612,303.89	3,781,627,218.34

47. Bonds payable

Item	Ending balance	Beginning balance
15 CEFC MTN 001(3 years) (Note 1)	1,994,380,036.83	1,993,186,666.67
15CEFC (5 years) (Note 2)	2,975,940,082.88	2,973,255,000.00
Total	4,970,320,119.71	4,966,441,666.67

Note 1: In Nov. 2015, the Company issued a mid-term note amounting to 2 billion RMB yuan bearing an interest rate of 5.00% and the term is 3 years.

Note 2: In Dec. 2015, the Company issued a bond amounting to 3 billion RMB yuan bearing an interest rate of 4.98% and the term is 5 years.

48. Long-term payables

(1) List of long-term payables by nature

Item	Ending balance	Beginning balance
Local part of discount treasury bond turned into loan	6,420,000.00	6,420,000.00
Financial lease	463,756,957.60	492,154,891.90
Total	470,176,957.60	498,574,891.90

(2) Discount treasury bond

Content	Term	Beginning balance	Interest rate	Accrued interest	Ending balance	Conditions of loan
Local part of discount treasury bond turned into loan	15 years	6,420,000.00	No	No	6,420,000.00	Credit

(3) Financial lease

Content	Ending balance	Beginning balance
Original value of long-term payables	570,258,119.21	643,680,771.53
Repayment in this period	-38,217,518.78	-73,422,652.32
Outstanding balance of long-term payables	532,040,600.43	570,258,119.21
Unrecognized financing charges	-78,103,227.31	-89,627,822.95
Amortization	9,819,584.48	11,524,595.64
Outstanding balance of unrecognized financing charges	-68,283,642.83	-78,103,227.31
Financial lease balance	463,756,957.60	492,154,891.90

Note: See Note VI/22 (2).

(All amounts are stated in RMB Yuan unless otherwise stated)

49. Special payables

Item	Beginning balance	Increase	Decrease	Ending balance	Reason
Relocation compensation costs	27,706,876.29	-	1,490,983.97	26,215,892.32	Old factory relocation compensation

Note: By June 30, 2016, the Company has received compensation for the relocation of the old factory amounting to 63,535,000 RMB yuan, and covered the loss of relocated fixed assets amounting to 37,319,100 RMB yuan

50. Deferred income

(1) Type

Item	Beginning balance	Increase	Decrease	Ending balance
Government grants	17,460,333.33	-	1,152,500.00	16,307,833.33
Others	9,088,045.44	329,483.31	-	9,417,528.75
Total	26,548,378.77	329,483.31	1,152,500.00	25,725,362.08

(2) List of projects with government grants

Projects	Beginning balance	New grants	Decrease	Ending balance
Nicosulfuron, quizalofop, glyphosate and imidacloprid projects (Note 1)	4,406,500.00	-	629,500.00	3,777,000.00
400t flusilazole original drug projects (Note 2)	5,400,000.00	-	-	5,400,000.00
Wastewater treatment (Note 3)	4,500,000.00	-	-	4,500,000.00
High concentration organic wastewater concentrated incineration project (Note 4)	2,353,833.33	-	243,500.00	2,110,333.33
Acetamiprid microphone, cyhalothrin TC project (Note 5)	318,000.00	-	159,000.00	159,000.00
150-ton fenoxaprop original drug transformation project (Note 6)	482,000.00	-	120,500.00	361,500.00
Total	17,460,333.33	-	1,152,500.00	16,307,833.33

Note 1: According to the Notice of the National Development and Reform Commission [2007] No. 2695 concerning Special Funds from the Central Budget to Support Industry Restructuring", Anhui Province and County Finance Bureau transferred 12,590,000 RMB yuan to the Company as special subsidies to cover its 200-ton nicosulfuron original drug, 500-ton quizalofop original medicines 10,000-ton glyphosate and 800-tons imidacloprid projects.

Note 2: According to the Notice of Anhui Province Department of Finance [2011] No. 1504 concerning the project construction funds(Indicator) of revitalization and transformation of key industries in 2011, the county Finance Bureau appropriated 5.4 million RMB yuan to the Company as provincial funding for revitalization and transformation of key industries and other construction funds.

(All amounts are stated in RMB Yuan unless otherwise stated)

Note 3: According to the Notice of Anhui Province Finance Departmen of Finance and Department of Environmental Protection [2011] No. 1063 concerning the First Batch of Water Pollution Control Projects in Chaohu Lake, Huaihe River Basin, the county treasury appropriated to the Company 4.5 million RMB yuan as provincial water pollution prevention special funds.

Note 4: According to the Notice of the Ministry of Finance [2009] No. 320 regarding to the Special Funds for Water Pollution Prevention of Three Rivers and Three Lakes and Songhua River Basin of 2009, Anhui Province Department of Finance transferred 4.87 million RMB yuan to the Company as central government fund for organic waste incineration treatment projects.

Note 5: According to the Notice of the Ministry of Finance [2009] No. 532 issued in 2009 on construction treasury bonds for key industry revitalization and transformation projects and expansion of domestic demand, Anhui Province Department of Finance transferred 3.18 million RMB yuan to the Company as special subsidies for original drug Acetamiprid microphone and cyhalothrin TC projects.

Note 6: A 150-ton fenoxaprop original drug transformation project was completed in 2008, and deferred income is recognized over 10 years and recorded into profits or losses on an average of 241,000 RMB yuan annually.

The above amounts related to assets involving government grants are recognized in "deferred income" when they are received.

51. Capital stock

Shareholder	Beginning balance	Increase	Decrease	Ending balance
CEFC Shanghai Financial Holdings Limited	3,000,000,000.00	-	-	3,000,000,000.00
China CEFC Energy Limited	5,050,000,000.00	400,000,000.00	-	5,450,000,000.00
China CEFC International Equity Ltd.	1,950,000,000.00	-	-	1,950,000,000.00
Total	10,000,000,000.00	400,000,000.00	-	10,400,000,000.00

52. Capital reserve

Item	Beginning balance	Increase	Decrease	Ending balance
Capital surplus	2,514,086,788.90	620,236,207.73	-	3,134,322,996.63
Other capital reserve	241,877,043.90	62,476.75	1,885,651.98	240,053,868.67
Total	2,755,963,832.80	620,298,684.48	1,885,651.98	3,374,376,865.30

(All amounts are stated in RMB Yuan unless otherwise stated)

53. Other comprehensive income

Item	Beginning balance	This period		
		Amount before tax in this period	Less: Transfer from other comprehensive income to current profits and losses	Less: Income tax expense
(1) Other comprehensive income that will not be reclassified into profits and losses	-	-	-	-
(2) Other comprehensive income that will be reclassified into profits and losses	75,864,564.22	43,553,285.98	3,372,682.80	-
In which: Share of other comprehensive income that will be reclassified into profits and losses under equity method	74,917,481.49	-	-	-
Profits and losses from changes to fair value of AFS financial assets	-	-	-	-
Profits and losses from recategorization of held-to-maturity investment as AFS financial assets	-	-	-	-
Effective part of profits and losses from cash hedging	-	-	-	-
Difference of foreign currency translation	-10,538,281.25	43,518,873.26	-	-
Others	11,485,363.98	34,412.72	3,372,682.80	-
Total other comprehensive income	75,864,564.22	43,553,285.98	3,372,682.80	-

(Continued)

Item	This period		Ending balance
	Attributable to the parent company after tax	Attributable to minority shareholders after tax	
(1) Other comprehensive income that will not be reclassified into profits and losses	-	-	-
(2) Other comprehensive income that will be reclassified into profits and losses	44,820,908.29	-4,640,305.11	120,685,472.51
In which: Share of other comprehensive income that will be reclassified into profits and losses under equity method	-	-	74,917,481.49
Profits and losses from changes to fair value of AFS financial assets	-	-	-
Profits and losses from recategorization of held-to-maturity investment as AFS financial assets	-	-	-
Effective part of profits and losses from cash hedging	-	-	-
Difference of foreign currency translation	48,159,178.37	-4,640,305.11	37,620,897.12
Others	-3,338,270.08	-	8,147,093.90
Total other comprehensive income	44,820,908.29	-4,640,305.11	120,685,472.51

(All amounts are stated in RMB Yuan unless otherwise stated)

54. Surplus reserve

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserve	253,792,890.91	-	-	253,792,890.91
Discretionary surplus reserve	-	-	-	-
Reserve funds	-	-	-	-
Venture expansion fund	-	-	-	-
Others	-	-	-	-
Total	253,792,890.91	-	-	253,792,890.91

55. Undistributed profit

Item	This period	Previous period
Balance of undistributed profits before adjustments at end of last period	7,225,082,839.51	4,444,231,243.35
Adjustment to the total undistributed profits at beginning of period (increase +; decrease -)	-	-
Beginning balance of undistributed profits after adjustment	7,225,082,839.51	4,444,231,243.35
Plus: Net profits belong to parent company in this period	1,377,968,436.25	2,852,814,459.80
Less: Appropriation to statutory surplus reserve	-	71,962,863.64
Appropriation to discretionary surplus reserve	-	-
Appropriation to general risk reserve	-	-
Dividends payable to ordinary shares	-	-
Capitalized dividends payable to ordinary shares	-	-
Ending balance of undistributed profits	8,603,051,275.76	7,225,082,839.51

56. Operating income and operating costs

(1) List of operating income and costs

Item	This period		Previous period	
	Income	Cost	Income	Income
Main operation	94,825,560,631.12	91,932,453,233.33	80,728,043,302.94	78,377,318,691.34
Other operation	205,247,729.32	81,611,713.82	76,851,125.56	52,438,914.93
Total	95,030,808,360.44	92,014,064,947.15	80,804,894,428.50	78,429,757,606.27

(2) Main operation by product

Item	This period		Previous period	
	Income	Cost	Income	Income
Chemical raw materials	5,833,986,739.18	5,690,217,082.94	5,593,290,012.14	5,465,656,578.95
Petro products	85,583,225,565.71	82,971,231,111.18	73,330,339,026.56	71,220,373,457.62
Cooking oil	280,335,407.01	269,703,882.74	-	-
LPG	197,421,899.37	193,439,318.77	-	-
Fertilizers	223,072.32	320,148.44	1,295,016,461.99	1,269,412,107.96
Pesticides	555,638,980.74	503,568,781.78	487,188,222.87	399,776,989.70
Metal	98,668,501.50	98,648,773.09	22,209,579.38	22,099,557.11
Others	2,276,060,465.29	2,205,324,134.39	-	-
Total	94,825,560,631.12	91,932,453,233.33	80,728,043,302.94	78,377,318,691.34

(All amounts are stated in RMB Yuan unless otherwise stated)

(3) Other operation

Item	This period		Previous period	
	Income	Cost	Income	Income
Leasing	40,789,657.19	13,095,045.69	51,459,460.94	39,339,008.16
Waste materials	192,720.49	-	1,176,130.69	227,661.03
Business services	80,402,358.60	32,773,859.23	1,485,102.99	1,465,301.29
Agency	10,090,348.99	-	824,986.25	-
Others	73,772,644.05	35,742,808.90	21,905,444.69	11,406,944.45
Total	205,247,729.32	81,611,713.82	76,851,125.56	52,438,914.93

57. Net interest income

Item	This period	Previous period
Interest income		
Interest income from interbank deposits	11,868,918.97	2,525,166.25
In which: Own funds deposit interest income	10,137,689.06	805,839.22
Interest income from deposit of client funds	1,731,229.91	1,719,327.03
Interest income from margin trading	-	-
Interest income from reverse repurchase	47,652.76	3,402,262.24
In which: Repurchase agreement interest	-	-
Pledged share repurchase interest	-	-
Pledged bond repurchase interest	47,652.76	-
Interest income from lending to other banks	-	-
Others interest income	53,175,208.23	-
Subtotal interest income	65,091,779.96	5,927,428.49
Interest expense		
Customer margin interest	351,739.41	368,167.53
Interest expense for repurchase	1,477,130.29	3,450,723.05
In which: Interest expense for repurchase offer	-	-
Short-term borrowings interest expense	-	-
Borrowed funds interest expense	-	-
In which: Refinancing interest	-	-
Long-term loan interest	-	-
Bonds payable Interest expense	-	-
Subprime debt interest payments	-	-
Others		-
Subtotal interest expense	1,828,869.70	3,818,890.58
Net interest income	63,262,910.26	2,108,537.91

58. Fees and commission income

Item	This period	Previous period
(1) Fee and commission income		
Brokerage income	203,213,685.23	18,927,940.76
In which: Securities brokerage	24,275,459.71	18,927,940.76
In which: Agency trading of securities	4,646,920.14	10,518,559.77
Lease of transaction seats	19,572,328.95	8,328,257.13

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	This period	Previous period
Consignment of financial products	56,210.62	81,123.86
Futures brokerage	178,938,225.52	-
Options brokerage	-	-
Investment banking	10,334,773.57	642,500.00
In which: Securities underwriting	6,493,735.84	-
Securities sponsor	1,300,000.00	-
Financial advisory services	2,541,037.73	642,500.00
Investment advisory services	-	-
Asset management	-	-
In which: Portfolio asset management	-	-
Target asset management	-	-
Special asset management	-	-
Fund management	-	-
Others	-	1,500,000.00
Subtotal fee and commission income	213,548,458.80	21,070,440.76
(2) Fee and commission expense		
Brokerage expenses	119,341,317.01	8,850,448.06
In which: Securities brokerage	17,242,252.49	8,850,448.06
In which: Agency trading of securities	1,418,637.85	2,783,647.83
Lease of transaction seats	15,823,614.64	6,066,800.23
Consignment of financial products	-	-
Futures brokerage	102,099,064.52	-
Options brokerage	-	-
Investment banking	-	-
In which: Securities underwriting	-	-
Securities sponsor	-	-
Financial advisory services	-	-
Investment advisory services	-	-
Asset management	-	-
In which: Portfolio asset management	-	-
Target asset management	-	-
Special asset management	-	-
Fund management	-	-
Others	-	-
Subtotal fee and commission expense	119,341,317.01	8,850,448.06
Net fee and commission income	94,207,141.79	12,219,992.7
In which: Net financial advisory service income	2,541,037.73	642,500.00
— Net income from financial advisory services for mergers and acquisitions: Domestic public companies	50,000.00	-
—Net income from financial advisory services for mergers and acquisitions: Others	-	-
—Net income from other financial advisory services	2,491,037.73	642,500.00

(All amounts are stated in RMB Yuan unless otherwise stated)

59. Taxes and surcharges

Item	This period	Previous period
Business tax	10,917,174.98	3,594,811.32
Urban construction tax	10,658,321.77	6,058,015.03
Education surcharge and others	8,180,078.76	4,376,322.64
River management fee	573,033.00	331,084.96
Others	14,919.56	-
Total	30,343,528.07	14,360,233.95

60. Financial expenses

Item	This period	Previous period
Interest expense	951,678,298.70	488,079,970.13
Less: Interest income	18,347,584.13	32,539,312.37
Exchange losses	180,597,407.98	99,086,400.75
Less: Exchange gains	102,607,660.71	161,839,985.71
Bank Charge	188,651,983.87	139,338,181.20
Total	1,199,972,445.71	532,125,254.00

61. Impairment losses

Item	This period	Previous period
Bad debt loss	10,026,129.01	3,048,236.96
Loss on inventory depreciation	-14,078,149.00	2,269,181.20
Total	-4,052,019.99	5,317,418.16

62. Gains from change in fair value

Sources of income from changes in fair value	This period	Previous period
Financial asset measured at fair value through profit or loss	-214,369,231.67	-95,065,750.21
In which: Gains from changes in fair value of derivative financial instruments	-	-
Financial liabilities measured at fair value through profit or loss	-	-
Investment real estate at fair value	1,227,996,018.75	-
Transactional financial assets	-	-
Total	1,013,626,787.08	-95,065,750.21

63. Investment income

Item	This period	Previous period
Investment income from long-term equity measured by equity method	-64,570,044.41	3,259,636.69
Investment income from disposal of long-term equity investment	79,223,913.36	-
Investment income from financial assets at fair value through profit or loss during the holding period	1,704,432.68	4,764,500.48
Investment income from disposal of financial assets at fair value through profit or loss	43,831,170.64	810,059,011.47

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	This period	Previous period
Investment income from held-to-maturity investments during the holding period	-1,240,000.00	8,549,064.84
Investment income from financial assets available for sale during the holding period	-	-
Investment income from disposal of held-to-maturity investments	7,893,018.76	2,366,657.54
Investment income from disposal of financial assets available for sale	24,094,941.54	379,150.27
Gains from fair value remeasurement of the remaining shares after the loss of control right	-	-
Investment income from long-term equity measured by the cost method	-	-
Investment income from derivatives	21,548,115.00	-
Others	-102,140.46	-5,584,068.50
Total	112,383,407.11	823,793,952.79

64. Non-operating income

Item	This period	Previous period	Amount included in the current non-recurring gains and losses
Total gains from disposal of non-current assets	90,942.66	395.76	90,942.66
In which: Gains from disposal of fixed assets	90,942.66	395.76	90,942.66
Gains from disposal of intangible assets	-	-	-
Debt restructuring gains	27,417.17	-	27,417.17
Government grants	68,258,945.13	54,480,621.44	68,258,945.13
Penalty income	91,764.46	-	91,764.46
Gains from merger without common control	-	-	-
Funds that need not be paid	0.01	-	0.01
Non-refundable deposit	-	-	-
Stock-taking gains	273.68	-	273.68
Others	254,744.95	1,195,845.30	254,744.95
Total	68,724,088.06	55,676,862.50	68,724,088.06

Government grants recognized in the current profits and losses:

Item	This period	Previous period	Related to assets or income
Tax refunds	60,052,815.13	52,000,156.44	Income
Enterprise support funds	4,020,000.00	1,189,600.00	Income
Incentive funds	300,000.00	-	Income
Project grants	1,152,500.00	1,152,500.00	Assets
Employee training subsidies	-	-	Income
Bonus subsidy	299,000.00	100,000.00	Income
Development Fund	-	-	Income
Condolences fee	-	-	Income
Safety award	-	-	Income
Special fund	-	38,365.00	Income
Patent grants	3,500.00	-	Income
Overseas investment excellence award	-	-	Income

Item	This period	Previous period	Related to assets or income
Interest subsidy	-	-	Income
Others	2,431,130.00	-	Income
Total	68,258,945.13	54,480,621.44	

65. Non-operating expense

Item	This period	Previous period	Amount included in the current non-recurring gains and losses
Total loss on disposal of non-current assets	2,697.47	13,106.00	2,697.47
In which: Loss on disposal of fixed assets	2,697.47	13,106.00	2,697.47
Losses on disposal of intangible assets	-	-	-
Losses from debt restructuring	-	-	-
Donations	31,327,348.67	5,943,932.78	31,327,348.67
Others	2,757,110.71	8,146,434.88	2,757,110.71
Total	34,087,156.85	14,103,473.66	34,087,156.85

66. Income tax expenses

Item	This period	Previous period
Current income tax expense	425,605,292.01	516,781,118.34
Deferred income tax expense	275,154,725.73	63,504,741.79
Total	700,760,017.74	580,285,860.13

67. Supplementary information of Cash Flow Statement

(1) Net profits adjusted to "Cash Flows from Operating Activities"

Item	This period	Previous period
① Net profits adjusted to "Cash Flows from Operating Activities":		
Net profits belonging to the parent company's owners	1,377,968,436.25	1,701,566,252.18
Plus: Minority interests (presented in the consolidated statement)	466,128,878.78	89,469,251.43
Net profits	1,844,097,315.03	1,791,035,503.61
Plus: Asset depreciation provision	-4,052,019.99	5,317,418.16
Depreciation of fixed assets, gas and oil assets, productive biological assets	96,436,465.02	56,937,015.16
Amortization of intangible assets	7,749,026.37	4,873,792.75
Amortization of long-term expenses	6,151,018.04	3,507,987.76
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	-88,245.19	12,710.24
Loss from retirement of fixed assets ("-" for gains)	-	-
Loss from change of fair value ("-" for gains)	-1,013,626,787.08	95,065,750.21
Financial expenses ("-" for gains)	1,096,678,282.67	501,961,288.58
Investment loss ("-" for gains)	-112,383,407.11	-823,793,952.79
Decrease of deferred income tax assets ("-" for increase)	-1,079,797.16	-2,091,349.81
Increase of deferred income tax liabilities ("-" for decrease)	266,050,036.47	-10,302,394.40
Decrease of inventories ("-" for increase)	-615,487,686.40	-2,347,250,208.39
Decrease of operating receivables ("-" for increase)	-972,728,118.02	-2,558,557,232.81

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	This period	Previous period
Increase of operating payables ("-" for decrease)	114,811,984.84	4,406,104,399.59
Others	-	-
Net cash flows from operating activities	712,528,067.49	1,122,820,727.86
② Significant investing/financing activities not involving cash receipt or payment		
Debt capitalized	-	-
Convertible corporate bonds to mature within 1 year	-	-
Fixed assets obtained through financial leasing	-	-
③ Net changes to cash and cash equivalents:		
Ending balance of cash	6,936,140,870.96	6,488,423,762.96
Less: Beginning balance of cash	10,305,155,147.84	2,737,900,718.61
Plus: Ending balance of cash equivalents	-	-
Less: Beginning balance of cash equivalents	-	-
Net increase of cash and of cash equivalents	-3,369,014,276.88	3,750,523,044.35

(2) Composition of cash and of cash equivalents

Item	Ending balance	Beginning balance
① Cash	6,936,140,870.96	6,488,423,762.96
In which: Cash in stock	292,927.33	377,466.65
Bank deposit payable on demand	4,473,828,760.33	4,790,423,101.64
Other monetary funds payable on demand	2,441,989,815.40	1,666,388,300.13
Payable deposits at the central bank	-	-
Deposit due from other banks	-	-
Settlement provisions	20,029,367.90	31,234,894.54
Amount due to other banks	-	-
② Cash equivalents	-	-
In which: Bond investments to mature within 3 months	-	-
③ Ending balance of cash and of cash equivalents	6,936,140,870.96	6,488,423,762.96
In which: Cash and of cash equivalents of which the parent company or subsidiaries have restricted use	-	-

68. Assets with restriction on ownership or use right

Item	Ending book value	Reason
Monetary funds	3,637,308,579.54	Pledge
Financial assets at fair value through profit or loss	339,904,000.00	Pledge
Accounts receivable	28,966,075,582.64	Pledge
Other receivables	11,473,943.05	Pledge
Other current assets	2,707,214,000.00	Pledge
Financial assets available for sale	489,600,000.00	Pledge
Construction in progress	2,287,480,606.96	Mortgage
Investment real estate	7,298,879,425.01	Mortgage
Fixed assets	570,839,489.01	Mortgage
Intangible assets	129,194,118.29	Mortgage
Total	46,437,969,744.50	

(All amounts are stated in RMB Yuan unless otherwise stated)

VII. Change to the scope of consolidation

1. Business combinations not involving enterprises under common control

(1) Business combinations not involving enterprises under common control in this period

Acquiree	Time of acquisition	Cost of acquisition	% of equity acquired	Method of acquisition
CEFC (Hong Kong) Financial Holdings Limited	2016.05	HKD100.00	100.00%	Purchase in cash

(Continued)

Acquiree	Date of purchase	Basis of date determination	Income of acquiree from date of purchase to end of year	Net profits of acquiree from date of purchase to end of year
CEFC (Hong Kong) Financial Holdings Limited	2016.05	Gaining control right	0.00	0.00

(2) Combination costs and goodwill

Combination costs	CEFC (Hong Kong) Financial Holdings Limited
Cash	HKD100.00
Fair value of non-cash assets	-
Fair value of debt issued or assumed	-
Fair value of issued equity securities	-
Fair value of contingent considerations	-
Acquisition-date fair value of equity held before the acquisition date	-
Total combination costs	HKD100.00
Less: Share of the fair value of the obtained identifiable net assets	HKD100.00
Difference by which goodwill /combination costs are less than the fair value of the identifiable net assets acquired	0.00

2. Disposal of subsidiaries

Single disposal of equity in subsidiaries leading to loss of control right:

Subsidiary	Price of equity disposal	% of disposal	Method of equity disposal	Time of loss of control	Basis of determination	Difference between the disposal price and share of the corresponding net equity in the consolidated financial statements
CEFC Shanghai Group (Tianjin) Co., Ltd.	380,000,000.00	100.00%	Sale	2016.03.31	Equity transfer agreement	79,207,309.37

(All amounts are stated in RMB Yuan unless otherwise stated)

(Continued)

Subsidiary	% of remaining equity on the date of loss of control right	Book value of remaining equity on the date of loss of control right	Fare value of remaining equity on the date of loss of control right	Gains or losses from remeasurement of the remaining by fair value	Method of determination and major assumptions concerning the fair value of the remaining equity on the date of the loss of control right	Amount of other comprehensive income related to the equity investment in the subsidiary transferred to the current profits and losses
CEFC Shanghai Group (Tianjin) Co., Ltd.	-	-	-	-	-	-

3. Other reasons for change to the scope of consolidation

Establishment of new subsidiaries and related conditions:

Investee	Time of investment	Cost of investment	Shareholding %	Investment method
CEFC Shanda (Suzhou) Asset Management Co., Ltd.	2016.04	30,000,000.00	100.00%	Cash
Xingyuan Shipping Co. Ltd.	2016.04	USD1,000	100.00%	Cash
CEFC Shanghai International Group Industrial Equipment Co., Ltd.	2016.06	20,000,000.00	100.00%	Cash
CEFC Ruisheng (Suzhou) Asset Management Ltd.	2016.06	-	100.00%	-
CEFC Suzhou Shanda Lichuang Investment(limited partnership)	2016.06	-	99.99%	-
CEFC Suzhou Shanda Yuanchuang Investment(limited partnership)	2016.06	-	99.99%	-
Suzhou industrial park CEFC Shanda Zhongchuang Investment(limited partnership)	2016.06	-	99.99%	-

(All amounts are stated in RMB Yuan unless otherwise stated)

VIII. Equity in other entities

1. Equity in subsidiaries

(1) Composition of the enterprise group

Subsidiary	Main operation location	Registered location	Business line	Shareholding % Direct	Shareholding % Indirect	Method of acquisition
CEFC Hainan International Holdings Co.,Ltd.	Haikou	Haikou	Petrochemical trading	68.77%	-	Incorporation
CEFC Shanghai Petroleum Group International Trading Co., Ltd.	Shanghai	Shanghai	Petrochemical trading	42.48%	-	Incorporation
CEFC Shanghai Securities Limited.	Shanghai	Shanghai	Securities	100.00%	-	Combination not involving enterprises under common control
CEFC Anhui International Holdings Co., Ltd.	Ma'anshan City	Ma'anshan City	Pesticide production	60.78%	-	Combination not involving enterprises under common control
CEFC Petroleum (Guangdong) Co., Ltd.	Guangzhou	Guangzhou	Petrochemical trading	50.74%	-	Combination involving enterprises under common control
CEFC Shanghai Group Assets Management Co., Ltd.	Shanghai	Shanghai	Asset lease	100.00%	-	Combination involving enterprises under common control
CEFC Petroleum (Xiamen) Co., Ltd.	Xiamen	Xiamen	Petrochemical trading	100.00%	-	Combination involving enterprises under common control
CEFC Petroleum (Zhejiang) Co., Ltd.	Ningbo	Ningbo	Petrochemical trading	100.00%	-	Combination involving enterprises under common control
Shanghai Huaxin Group (Hong Kong) Ltd.	Hong Kong	Hong Kong	Petrochemical trading	100.00%	-	Combination not involving enterprises under common control
CEFC Shanghai Technology & Industrial Services Co., Ltd.	Shanghai	Shanghai	Petrochemical trading	100.00%	-	Incorporation
CEFC Shanghai Group Commercial Factoring CO., Ltd.	Shanghai	Shanghai	Business factoring	100.00%	-	Incorporation
CEFC Shanghai Group	Shanghai	Shanghai	Network	100.00%	-	Combination

(All amounts are stated in RMB Yuan unless otherwise stated)

Subsidiary	Main operation location	Registered location	Business line	Shareholding % Direct	Shareholding % Indirect	Method of acquisition
Petrochemical e-Trading Co., Ltd.			transactions			involving enterprises under common control
CEFC Petroleum (Fujian) Co., Ltd.	Xiamen City	Xiamen City	Petrochemical trading	100.00%	-	Combination not involving enterprises under common control
CEFC Hainan International Petroleum Co., Ltd.	Haikou	Haikou	Petrochemical trading	100.00%	-	Combination not involving enterprises under common control
CEFC Shanghai Group (UK) Co., Ltd.	United Kingdom	United Kingdom	Petrochemical trading	100.00%	-	Incorporation
CEFC Shanghai International Group Yueyang Petrochemical Co., Ltd.	Yueyang City	Yueyang City	Petrochemical trading	100.00%	-	Combination involving enterprises under common control
CEFC Shenzhen International Holdings Co., Ltd.	Shenzhen	Shenzhen	Petrochemical trading	100.00%	-	Incorporation
CEFC Wanda Futures Co., Ltd.	Zhengzhou City	Zhengzhou City	Futures services	65.00%	-	Combination not involving enterprises under common control
CEFC Shanghai Group (Xinjiang) Co., Ltd.	Urumqi	Urumqi	Energy trading	100.00%	-	Combination involving enterprises under common control
CEFC (Hainan) Oil Storage Co., Ltd.	Yangpu City	Yangpu City	Petrochemical trading	-	100.00%	Combination involving enterprises under common control
Yangpu Energy Exchange Center Co., Ltd.	Yangpu City	Yangpu City	Petrochemical service	-	85.00%	Incorporation
Yangpu (Shanghai) Petrochemicals Investment Co., Ltd.	Shanghai	Shanghai	Investment management	-	100.00%	Incorporation
Shanghai Shengyi Investment Management Co., Ltd.	Shanghai	Shanghai	Management consulting	-	100.00%	Combination not involving enterprises under common control
Shanghai Shengyi Investment Center (Limited Partnership)	Shanghai	Shanghai	commercial estate	-	100.00%	Combination not involving enterprises under common control

(All amounts are stated in RMB Yuan unless otherwise stated)

Subsidiary	Main operation location	Registered location	Business line	Shareholding % Direct	Shareholding % Indirect	Method of acquisition
Anhui Ke'er Agricultural Production Materials Co., Ltd	Hefei	Hefei	Sales of pesticides and fertilizers	-	100.00%	Combination not involving enterprises under common control
Anhui Linearfull Modern Agriculture Co., Ltd.	Hefei	Hefei	Sales of pesticides and fertilizers	-	100.00%	Combination not involving enterprises under common control
Anhui Huajian Chermical Industry Co., Ltd	He County, Anhui Province	He County, Anhui Province	Chemical raw materials	-	100.00%	Combination not involving enterprises under common control
CEFC Shanghai Natural Gas Co., Ltd.	Shanghai	Shanghai	Gas Service	-	100.00%	Incorporation
CEFC Petroleum (Guangzhou) CO., Ltd	Guangzhou City	Guangzhou City	Petrochemical trading	-	100.00%	Incorporation
Guangzhou Jinheng Real Estate Co., Ltd	Guangzhou City	Guangzhou City	Realtor	-	100.00%	Combination not involving enterprises under common control
CEFC (Shenzhen) Energy Development Co., Ltd.	Shenzhen	Shenzhen	Petrochemical trading	-	100.00%	Incorporation
CEFC Commercial (Fujian) Co., Ltd.	Fuzhou	Fuzhou	Petrochemical trading	-	100.00%	Combination not involving enterprises under common control
CEFC Commercial Co., Ltd.	Xiamen City	Xiamen City	Petrochemical trading	-	100.00%	Combination not involving enterprises under common control
Qingdao Free Trade Port Area Energy Base Co., Ltd.	Qingdao	Qingdao	Petrochemical trading	-	100.00%	Incorporation
Dashi Financing and Leasing (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing	-	100.00%	Incorporation
Samstrong International Ltd	Hong Kong	Hong Kong	Investment management	-	100.00%	Combination not involving enterprises under common control
Yield Commerce Ltd	Hong Kong	Hong Kong	Investment management	-	100.00%	Combination not involving enterprises under common control

(All amounts are stated in RMB Yuan unless otherwise stated)

Subsidiary	Main operation location	Registered location	Business line	Shareholding % Direct	Shareholding % Indirect	Method of acquisition
China Huaxin Petroleum Ltd.	Hong Kong	Hong Kong	Petrochemical trading	-	100.00%	Incorporation
China Huaxin Foundation Limited	Hong Kong	Hong Kong	Energy research	-	100.00%	Incorporation
China Association Ltd.	Hong Kong	Hong Kong	Property investment	-	100.00%	Combination not involving enterprises under common control
Dada Real Estate (Shanghai) Co., Ltd.	Shanghai	Shanghai	Realtor	-	100.00%	Combination not involving enterprises under common control
CEFC Shanghai International Financial Holding (Hainan) Co., Ltd.	Hainan	Hainan	Financial services	-	100.00%	Combination involving enterprises under common control
China Finance & Assets Company Limited	Hong Kong	Hong Kong	Financial services	-	100.00%	Combination involving enterprises under common control
CEFC Products Ltd.	Shanghai	Shanghai	Goods trading		100.00%	Combination not involving enterprises under common control
DOSTYK GAS TERMINAL LLP	Kazakhstan	Kazakhstan	Energy Trading	-	40.00%	Combination not involving enterprises under common control
Příkopy Property Development,a.s.	Czech Republic	Czech Republic	Service	-	100.00%	Combination not involving enterprises under common control
SK Slavia Praha-fotbal a.s	Czech Republic	Czech Republic	Sports service	-	59.97%	Combination not involving enterprises under common control
SHX Cayman Company Limited	Hong Kong	Hong Kong	Financial services	-	100.00%	Combination not involving enterprises under common control

(All amounts are stated in RMB Yuan unless otherwise stated)

Subsidiary	Main operation location	Registered location	Business line	Shareholding % Direct	Shareholding % Indirect	Method of acquisition
CEFC Shanghai Capital Investment Co., Ltd.	Shanghai	Shanghai	Financial services	-	100.00%	Incorporation
CEFC Guangdong Financial Investment Holdings Co., Ltd.	Guangzhou	Guangzhou	Financial services	-	100.00%	Incorporation
CEFC Shanghai International Group (Singapore) Pte.,Ltd.	Singapore	Singapore	Financial services	-	100.00%	Incorporation
Anhui Huaxing Chemical Industry Co., Ltd.	Ma'anshan City	Ma'anshan City	Production and sales of pesticides	-	100.00%	Incorporation
CEFC Investment (Europe) Company as.	Czech Republic	Czech Republic	Financial services	-	100.00%	Incorporation
CEFC Shanghai International Petroleum Development Co., Ltd.	Shanghai	Shanghai	Energy development	-	100.00%	Incorporation
Tactic AllyLtd	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
Wise Source International Ltd	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
Dunhan Ventures Ltd	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
CEFC Assets Management & Equity Investment HK Co.,Ltd.	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
CEFC International Petroleum (Shenyang) Co., Ltd.	Shenyang	Shenyang	Energy trading	-	100.00%	Incorporation
Hanxing Investment Ltd	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
CEFC Natural Gas (Hongkong) Co., Ltd.	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
CEFC Shanghai Group Commercial Factoring （HK) CO., Ltd	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
Guangdong Renofund Assets Management Company Limited	Guangzhou	Guangzhou	Financial services	-	100.00%	Incorporation
Shanghai Tomorrow BRICS Equity Investment Fund Co., Ltd.	Shanghai	Shanghai	Financial services	-	100.00%	Incorporation
CEFC Shanghai International Group (Heilongjiang)Trading Co., Ltd.	Heilongjiang	Heilongjiang	Energy Trading	-	100.00%	Incorporation
CEFC (Hong Kong) Financial Holdings Limited	Hong Kong	Hong Kong	Financial services	-	100.00%	Combination not involving enterprises under common control
CEFC Shanda (Suzhou) Asset Management Co., Ltd.	Jiangsu Province	Jiangsu Province	Investment management	-	100.00%	Incorporation

(All amounts are stated in RMB Yuan unless otherwise stated)

Subsidiary	Main operation location	Registered location	Business line	Shareholding %		Method of acquisition
				Direct	Indirect	
Xingyuan Shipping Co. Ltd.	Marshall Islands	Marshall Islands	Shipment service	-	100.00%	Incorporation
CEFC Shanghai International Group Industrial Equipment Co., Ltd.	Shanghai	Shanghai	Equipment sales	-	100.00%	Incorporation
Wanda Asset Management Co., Ltd.	Shanghai	Shanghai	Financial Services	-	55.00%	Incorporation
CEFC Ruisheng (Suzhou) Asset Management Ltd.	Suzhou	Suzhou	Financial Services	-	100.00%	Incorporation
CEFC Suzhou Shanda Lichuang Investment(limited partnership)	Suzhou	Suzhou	Financial Services	-	99.99%	Incorporation
CEFC Suzhou Shanda Yuanchuang Investment(limited partnership)	Suzhou	Suzhou	Financial Services	-	99.99%	Incorporation
Suzhou industrial park CEFC Shanda Zhongchuang Investment(limited partnership)	Suzhou	Suzhou	Financial Services	-	99.99%	Incorporation

Holding half or less of the voting rights but still having control over the Investee:

Subsidiary	Directly or indirectly holding %	Basis
DOSTYK GAS TERMINAL LLP	40.00%	DGT's partner Ropiton Holding B.V. has 10% partner share in DGT and assigned its corresponding voting right to CEFC Shanghai Natural Gas Co., Ltd. now has 40%partner share and 50% voting right in DGT. According to DGT's Articles of Association and the related investment agreement, DGT's board is composed of five members, and CEFC Shanghai Natural Gas Co., Ltd. appoints 4 members. So CEFC Shanghai Natural Gas Co., Ltd. has control right over DGT.
CEFC Shanghai Petroleum Group International Trading Co., Ltd.	42.48%	According to the Articles of Association of CEFC Shanghai Petroleum Group International Trading Co., Ltd., other shareholders of CEFC Shanghai Petroleum Group International Trading Co., Ltd., namely Shanghai International Trust Co., Ltd. and Shanghai Huatou Asset Management Partnership (LP) are not involved in the daily management and do not appoint directors to sit on the board of CEFC Shanghai Petroleum Group International Trading Co., Ltd. Therefore, the Company actually exercises control right over CEFC Shanghai Petrolem Group International Trading Co., Ltd.

(All amounts are stated in RMB Yuan unless otherwise stated)

(2) Major non-wholly-owned subsidiaries

Subsidiary	Minority shareholding %	Profit attributable to minority shareholders	Other Changes during this period	Dividends paid to minority shareholders in this period	Ending balance of minority shareholders' equity
CEFC Anhui International Holdings Co., Ltd.	39.22%	41,701,885.39	1,120,255.39	14,104,456.36	1,152,030,956.95
CEFC Hainan International Holdings Limited	31.23%	260,321,936.36	3,338,215.64	-	3,749,254,654.78
CEFC Petroleum (Guangdong) Co., Ltd.	49.26%	142,109,497.89	-1,776,889.90	-	2,409,300,731.88
CEFC Shanghai Petroleum Group International Trading Co., Ltd.	57.52%	-24,699,747.04	20,236,207.73	-	4,055,064,045.23

2. Equity in joint ventures or associates

(1) Important joint ventures or associates

Joint ventures or associates	Principal place of business	Registration place	Business line	Shareholding % Direct	Shareholding % Indirect	Voting right %	Accounting method
Joint venture:							
Anhui Xingnuo Chemical Industry Co., Ltd.	He County, Anhui Province	He County, Anhui Province	Chemical raw materials	-	50.00%	50.00%	Equity method
Associates:							
China Natural Gas Corporation Limited	Chengdu, Sichuan	Chengdu, Sichuan	Natural gas sales	-	19.67%	19.67%	Equity method
Shanghai CAG Holding Co., Ltd.	Shanghai	Shanghai	Chemical products sales	-	49.00%	49.00%	Equity method

(2) Other joint ventures

Joint ventures	Principal place of business	Registration place	Business line	Shareholding % Direct	Shareholding % Indirect	Voting right %	Accounting method
CEFC China International Industrial Holdings Limited	Shanghai	Shanghai	Industrial Investment Asset Management	50.00%		50.00%	Equity method
Inner Mongolia CEFC Lubricants Industrial Co., Ltd.	Inner Mongolia	Inner Mongolia	Refined oil trade	50.00%	-	50.00%	Equity method

IX. Related parties and related-party transactions

1. Parent company

Parent company	Registration location	Business line	Registered capital (10 thousand RMB yuan)	Parent company's holding %	Parent company's voting right %
CEFC China Energy Limited	Shanghai	Investment management	1,050,000.00	52.4%	52.4%

2. Subsidiaries

See Note VIII/1 for subsidiaries of the Company.

3. Joint venture and associates

For the Company's major joint ventures or associates, see Note VIII: Equity in other entities.

4. Other related parties

Other related parties	Relationship with the Company
Su Weizhong	Ultimate controlling party
Zheng Xiongbin	Ultimate controlling party
Shanghai Sinounited Investment Fund Ltd.	Indirect controlling shareholder
Shanghai Gold Brick Equity Investment Fund Limited	Indirect shareholder
CEFC China International Equity Investment Limited	Indirect controlling shareholder
Shanghai Energy Fund Investment Limited	Indirect controlling shareholder
CEFC Shanghai Financial Holdings Co.,Ltd.	Shareholder holding more than 5%
CEFC Beijing International Holdings Co.,Ltd.	Under common control
CEFC Shandong International Holdings Co.,Ltd.	Under common control
CEFC Shanghai Group Finance Co., Ltd.	Under common control
Hainan Bank	Other related party

5. Related party transactions

(1) Related party leasing

The Company as a lessor

Lessee	Asset type	Rental income recognized in the current period	Rental income recognized in the previous period
CEFC China Energy Limited	Investment real estate	6,076,049.63	5,723,487.42

The Company as a lessee

Lessor	Asset type	Rental fee recognized in this period	Rental fee recognized in the previous period
CEFC Shanghai Financial Holdings Limited	Buildings	621,954.00	621,954.00

(All amounts are stated in RMB Yuan unless otherwise stated)

(2) Related party lending

The Company's subsidiary CEFC Shanghai Group Commercial Factoring Co.,Ltd. and the Company's investee Hainan Bank signed a Working Capital Loan Contract by which 400,000,000 RMB yuan will be lent to CEFC Shanghai Group Commercial Factoring Co.,Ltd. bearing an interest rate of 6.96% (basic bank lending rate), and the term is 1 year (from Dec. 11, 2015 to Dec. 10 2016). The current interest amounts to 14,074,700 RMB yuan. In the ending balance, the outstanding balance of the loan is 400,000,000 RMB yuan.

6. Related party receivables and payables

(1) Receivables

Item	Related party	Ending balance		Beginning balance	
		Carrying amount	Bad debt reserve	Carrying amount	Bad debt reserve
Other receivable	CEFC Shanghai Group Finance Co., Ltd.	-	-	28,964,255.90	-
Other receivable	CEFC China Energy Limited	-	-	22,404,851.43	-
Other receivable	CEFC Beijing International Holdings Co.,Ltd.	14,842,489.69	-	14,549,172.21	-
Other receivable	Inner Mongolia CEFC lubricants Industrial Co., Ltd.	-	-	2,000,000.00	100,000.00
Other receivable	CEFC Beijing Group (Xinjiang) Co., Ltd.	-	-	19,306.67	-
Other receivable	CEFC Shanghai Financial Holdings Limited	164,900.00	-	-	-

(2) Payables

Item	Related party	Ending balance	Beginning balance
Account payable	CEFC Shanghai Financial Holdings Limited	621,954.0	-
Other payable	CEFC Shanghai Group Finance Co., Ltd.	12,792,213.86	-
Other payable	CEFC Shanghai Financial Holdings Co.,Ltd.	51,118.87	60,406.90
Other payable	CEFC China Energy Limited	7,458,346.48	1,503.45
Other payable	CEFC Beijing Group (Xinjiang) Co., Ltd.	56,193.33	-

X. Commitments and contingencies

1. Major commitments

As of June 30, 2016, the Company has no significant commitments that need to be disclosed.

2. Contingencies

(1) As of June 30, 2016, CEFC Hainan International Holdings Co.,Ltd. pledged in other monetary funds (one-year deposit) amounting to 500,000,000.00 RMB yuan:

On June 13, 2016, to ensure the performance of the Agent Bank Acceptance Cooperation Agreement (the Master Agreement PYHT-20160614-01) signed between New Silk Road International (He County) Ltd. (the Debtor) and Hainan Bank and Shanghai Pudong Development Bank Haikou Branch, to ensure the performance of the credit of Hainan Bank, Hainan CEFC Holdings and Hainan Bank signed a Margin Pledge Contract (No. A [2016] [004]) by which CEFC Hainan Holdings provides margin collateral security for the debt under the Master Agreement between New Silk Road International (He County) Ltd. (the Debtor) and Hainan Bank. The security amounts to 500,000,000.00 RMB yuan. CEFC Hainan International Holding Co.,Ltd. has deposited the security in Hainan Bank Head Office's regular deposit account (8188888800070) on Dec. 11, 2015. The term is one year.

(2) As of June 30, 2016, CEFC Hainan Holdings provided collateral security for China Reserve North (Xiamen) International Oil Trading Co., Ltd. and New Silk Road International (He County) Limited with financial products due within one year. The security amounts to 500,000,000.00 RMB yuan.

On Dec. 17, 2015, to ensure the effective performance of the obligations under the loan contract No. ZBDK20150130 between China Reserve North (Xiamen) International Oil Trading Co., Ltd. (the Debtor) and Tianjin Bank Shanghai Branch, CEFC Hainan Holdings and Tianjin Bank Shanghai Branch signed a Pledge of Rights Contract No. ZBDB20150075, by which CEFC Hainan Holdings provides guarantee to Tianjin Bank Shanghai Branch. The guaranteed credit amounts to 515,820,000.00 RMB yuan and the guarantee term is 12 months from Dec. 17, 2015 to Dec. 16, 2016. The collateral is financial products due within one year CEFC Hainan Holdings bought from Tianjin Bank, and the contract number is 2015GS751, and the principal is 500,000,000.00 RMB yuan. The value of the collateral is 515,824,657.53 RMB yuan.

XI. Post balance sheet date events

As of June 30, 2016, the Company has no post balance sheet date events that need to be disclosed.

XII. Other important events

As of June 30, 2016, the Company has no other important events that need to be disclosed.

(All amounts are stated in RMB Yuan unless otherwise stated)

XIII. Notes to key items in the parent company's financial statements

1. Accounts receivable

(1) List of accounts receivable

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Accounts receivable that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Accounts receivable whose bad debts provision was accrued by credit risk feature	4,260,244,461.84	100.00%	-	-	4,260,244,461.84
In which: Receivables from related parties	1,100.54	-	-	-	1,100.54
Non-related party receivables	4,260,243,361.30	100.00%	-	-	4,260,243,361.30
Margin deposits	-	-	-	-	-
Accounts receivable that are individually insignificant in amount but provision is not made for bad debt separately	-	-	-	-	-
Total	4,260,244,461.84	100.00%	-	-	4,260,244,461.84

(Continued)

Type	Beginning balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Accounts receivable that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Accounts receivable whose bad debts provision was accrued by credit risk feature	3,511,002,479.73	100.00%	-	-	3,511,002,479.73
In which: Receivables from related parties	1,100.54	-	-	-	1,100.54
Non-related party receivables	3,511,001,379.19	100.00%	-	-	3,511,001,379.19
Margin deposits	-	-	-	-	-
Accounts receivable that are individually insignificant in amount but provision is not made for bad debt separately	-	-	-	-	-
Total	3,511,002,479.73	100.00%	-	-	3,511,002,479.73

(All amounts are stated in RMB Yuan unless otherwise stated)

Provision for non-related party bad debts:

Aging	Ending balance		
	Accounts receivable	Bad debt reserve	% of provision
0-6months	4,260,243,361.30	-	0.00%
7-12 months	-	-	-
1-2 years	-	-	-
2-3 years	-	-	-
Over 3 years	-	-	-
Total	4,260,243,361.30	-	0.00%

(2) Other notes

In this reporting period, there are no accounts receivable due from shareholders holding over 5% (including 5%) of the Company's voting equity.

2. Other receivables

(1) List of other receivables

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Other receivables that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Other receivables whose bad debts provision was accrued by credit risk feature	5,104,425,367.07	100.00%	-	-	5,104,425,367.07
In which: Other receivables from related parties	4,931,069,346.59	96.60%	-	-	4,931,069,346.59
Non-related party other receivables	86,956,020.48	1.70%	-	-	101,356,020.48
Margin deposits	86,400,000.00	1.69%	-	-	72,000,000.00
Other receivables that are individually insignificant in amount but provision is made for bad debt separately	-	-	-	-	-
Total	5,104,425,367.07	100.00%	-	-	5,104,425,367.07

(Continued)

Type	Beginning balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Other receivables that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-

Type	Beginning balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Other receivables whose bad debts provision was accrued by credit risk feature	2,577,921,515.21	100.00%	-	-	2,577,921,515.21
In which: Other receivables from related parties	2,548,487,599.66	98.86%	-	-	2,548,487,599.66
Non-related party other receivables	25,817,765.63	1.00%	-	-	25,817,765.63
Margin deposits	3,616,149.92	0.14%	-	-	3,616,149.92
Other receivables that are individually insignificant in amount but provision is made for bad debt separately	-	-	-	-	-
Total	2,577,921,515.21	100.00%	-	-	2,577,921,515.21

Provision for non-related party bad debts:

Aging	Ending balance		
	Other receivables	Bad debt reserve	% of provision
0-6 months	86,956,020.48	-	0.00%
7-12 months	-	-	-
1-2 years	-	-	-
2-3 years	-	-	-
Over 3 years	-	-	-
Total	86,956,020.48	-	0.00%

(2) Other receivables by feature

Description	Ending balance of carrying amount	Beginning balance of carrying amount
Current account	86,956,020.48	2,548,487,599.66
Pledge dividend	-	742,857.18
Others	-	25,074,908.45
Margin deposits	86,400,000.00	3,616,149.92
Total	173,356,020.48	2,577,921,515.21

(3) Other notes

In this reporting period, there are no other receivables due from shareholders holding over 5% (including 5%) of the Company's voting equity.

(All amounts are stated in RMB Yuan unless otherwise stated)

3. Long-term equity investment

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment reserve	Book value	Carrying amount	Impairment reserve	Book value
Investment in subsidiaries	20,871,173,455.90	-	20,871,173,455.90	16,136,483,224.71	-	16,136,483,224.71
Investment in associates and joint ventures	-	-	-	-	-	-
Total	20,871,173,455.90	-	20,871,173,455.90	16,136,483,224.71	-	16,136,483,224.71

In which: Investment in subsidiaries:

Investee	Beginning balance	Increase	Decrease	Ending balance	Current provision	Impairment reserve Ending balance
CEFC Hainan International Holdings Co., Ltd.	7,050,000,000.00	-	-	7,050,000,000.00	-	-
CEFC Petroleum (Guangdong) Co., Ltd.	1,996,850,062.54	-	-	1,996,850,062.54	-	-
Shanghai Huaxin Group (Hong Kong) Limited	614,434,431.26	-	-	614,434,431.26	-	-
CEFC Shanghai Petrolem Group International Trading Co., Ltd.	500,000,000.00	2,000,000,000.00	-	2,500,000,000.00	-	-
CEFC Shanghai Group (UK) Co., Ltd.	10,307.70	-	-	10,307.70	-	-
CEFC Anhui International Holdings Co., Ltd. (Note)	1,931,015,300.00	-	-	1,931,015,300.00	-	-
CEFC Shanghai Group Assets Management Co., Ltd.	698,597,171.98	-	-	698,597,171.98	-	-
CEFC Hainan International Petroleum Co., Ltd.	120,000,000.00	-	-	120,000,000.00	-	-
CEFC Shanghai Securities Limited	1,051,230,325.26	2,000,000,000.00	-	3,051,230,325.26	-	-

(All amounts are stated in RMB Yuan unless otherwise stated)

Investee	Beginning balance	Increase	Decrease	Ending balance	Current provision	Impairment reserve Ending balance
CEFC Petroleum (Xiamen) Co., Ltd.	8,949,298.25	-	-	8,949,298.25	-	-
CEFC Petroleum (Zhejiang) Co., Ltd.	49,364,019.19	-	-	49,364,019.19	-	-
CEFC Shanghai Group (Tianjin) Co., Ltd.	295,309,768.81	-	295,309,768.81	-	-	-
CEFC Shanghai Group Petrochemical e-Trading Co., Ltd.	30,000,000.00	-	-	30,000,000.00	-	-
CEFC Shanghai International Group Yueyang Petrochemical Co., Ltd.	198,469,329.73	-	-	198,469,329.73	-	-
CEFC Shanghai International Group (Singapore) Pte Ltd	127,974,000.00	-	-	127,974,000.00	-	-
CEFC Guangdong Financial Investment Holdings Co., Ltd.	10,000,000.00	10,000,000.00	-	20,000,000.00	-	-
CEFC Shanghai Group (Xinjiang) Co., Ltd.	47,434,206.99	-	-	47,434,206.99	-	-
CEFC International (Shenyang) Petroleum Co., Ltd.	2,000,000.00	-	-	2,000,000.00	-	-
CEFC Shenzhen International Holdings Co., Ltd.	100,000,001.00	-	-	100,000,001.00	-	-
CEFC Wanda Futures Co., Ltd.	1,304,845,002.00	-	-	1,304,845,002.00	-	-
CEFC Shanghai International Group Industrial Equipment Co., Ltd.	-	20,000,000.00	-	20,000,000.00	-	-
CEFC China International Industrial Holdings Limited	-	1,000,000,000.00	-	1,000,000,000.00		
Total	16,136,483,224.71	5,030,000,000.00	295,309,768.81	20,871,173,455.90	-	-

(All amounts are stated in RMB Yuan unless otherwise stated)

Note: As of June 30, 2016, the Company pledged 804,770,143 shares it holds of CEFC Anhui International Holdings Co., Ltd. to provide guarantee for its financing activities.

4. Operating income and operating costs

(1) Operating income and costs

Item	This period		Previous period	
	Income	Cost	Income	Income
Main operation	21,687,149,987.77	21,048,759,051.11	22,379,108,882.77	22,021,366,205.51
Other operation	5,963,317.10	5,719,010.25	2,008,482.29	-
Total	21,693,113,304.87	21,054,478,061.36	22,381,117,365.06	22,021,366,205.51

(2) Main operation classification

Item (by product)	This period		Previous period	
	Income	Cost	Income	Income
Refine oils	18,813,539,014.85	18,235,980,733.82	20,076,222,046.73	19,771,404,022.45
Chemical raw materials	2,496,637,842.69	2,448,867,116.64	2,280,677,256.66	2,227,862,625.95
LPG	99,121,858.44	96,642,401.10	-	-
Metal	-	-	22,209,579.38	22,099,557.11
Total	21,687,149,987.77	21,048,759,051.11	22,379,108,882.77	22,021,366,205.51

(3) Other operation

Item	This period		Previous period	
	Income	Cost	Income	Income
Leasing	5,837,133.14	5,719,010.25	1,204,374.00	-
Business services	-	-	-	-
Agency	-	-	801,108.29	-
Waste materials	-	-	-	-
Others	126,183.96	-	3,000.00	-
Total	5,963,317.10	5,719,010.25	2,008,482.29	-

5. Investment income

Item	This period	Previous period
Long-term equity investment income by equity method	-	-
Investment income from disposal of long-term equity investment	84,690,231.19	-
Investment income from financial assets at fair value through profit or loss during the holding period of the investment	73.44	69.60
Investment income from disposal of financial assets at fair value through profit or loss	-	501,788,613.05
Investment income from held-to-maturity investments during the holding period	1,104,000.00	7,843,044.44
Investment income from financial assets available for sale during the holding period	-	-
Investment income from disposal of held-to-maturity investments	-	2,366,657.54
Investment income from disposal of financial assets available for sale	-	-
Remeasurement gains of the remaining shares at fair value after the loss of control	-	-
Long-term equity investment income by cost method	21,860,550.54	26,928,690.70
Total	107,654,855.17	538,927,075.33

Audit Report

SCPAR (2016) No. 2334
Date: April 18, 2016

To All Shareholders of
CEFC Shanghai International Group Co., Ltd.

We have audited the accompanying financial statements of CEFC Shanghai International Group Co., Ltd. (the "Company"), including its balance sheet as of December 31, 2015, its income statement, statement of changes in equity and its cash flow statement for the year then ended, and notes attached to and forming part of the financial statements.

I. Responsibility of the corporate management for the financial statements

It is the responsibility of the Company's management to compile its financial statements and fairly present its financial standing. Its responsibility, to be specific, includes: 1. to prepare the financial statements according to the Accounting Standards for Business Enterprises so that they are fair presentations of the financial standing of the Company; 2. to design, perform and maintain a sound internal control over the financial statements so as to prevent any material misstatement.

II. Responsibility of certified public accountants

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with the auditing standards of China. Those standards require that we observe the professional ethics and standards of CPAs, and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. Selection of the accounting procedure is based on the judgments of CPAs, including their assessment of the risk of any material misstatement due to corruption or mistake. While assessing such a risk, we consider the internal control over the compilation of financial statements in order to design an appropriate auditing procedure. It is not our purpose to express any opinion on the effectiveness of the internal control. An audit also includes assessing the accounting principles used and significant accounting estimates made by management, as well as evaluating the overall financial statement presentation.

We believe that we have obtained sufficient and pertinent auditing evidence, and our audit provides a reasonable basis for our opinion.

III. Accounting opinion

In our opinion, the financial statements of the Company referred to above comply with the Accounting Standards for Business Enterprises, and present fairly, in all material respects, the financial position of the Company as of December 31, 2015 and the results of its operations and its cash flows for the year then ended.

CPA
Cao Xiaowen 中国注册会计师 曹晓雯
Hu Weisheng 中国注册会计师 胡卫升
Shanghai Certified Public Accountants (Special General Partnership)
Shanghai, China

Balance Sheet (Consolidated)

As of Dec.31,2015

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note VI	Ending Balance	Beginning Balance	Item	Note VI	Ending Balance	Beginning Balance
Current Assets				Current Liabilities			
Monetary funds	1	14,798,958,016.82	3,295,877,219.76	Short-term Loan	30	27,344,629,814.67	13,943,991,016.74
Settlement provisions	2	44,686,197.50	42,023,494.71	Loan from Central Bank			
Outgoing call loan				Deposit received and held for others			
Financial assets at fair value through current profits or losses	3	1,217,806,490.86	1,570,436,222.11	Call loan received			
Derivative finanical assets	4	227,873.41		Financial liabilities at fair value through current profits or losses			
Notes receivable	5	497,035,108.47	384,379,630.05	Derivative finanical liabilities			
Currency deposit receivable	6	2,063,805,660.48		Notes payable	31	7,333,422,605.38	2,739,299,277.46
Margin pledge receivable	7	46,097,252.50		Currency deposit payable	32	3,967,102,246.66	
Settlement guarantee fund receivable	8	15,268,777.60		Margin pledge payable	33	46,097,252.50	
Risk loss receivable	9	35,296,022.02		Futures investors protection fund payablee	34	540,357.74	
Accounts receivable	10	39,713,096,021.96	23,362,649,942.95	Futures risk provision	35	50,749,168.58	
Advances to suppliers	11	3,785,005,740.32	668,490,701.82	Accounts payable	36	6,350,601,924.00	3,138,513,910.99
Insurance receivable				Advance from Customers	37	1,842,879,663.84	2,175,203,547.90
Reinsurance receivable				Sale of repurchased financial assets	38	110,000,000.00	1,019,965,398.50
Provisions of reinsurance contracts receivable				Fees and commissions payable			
Interests receivable	12	16,021,214.07	4,881,925.97	Accrued Payroll	39	66,899,652.18	19,783,752.73
Dividends receivable				Taxes Payable	40	773,144,695.45	924,695,753.01
Other receivables	13	793,132,440.04	507,854,222.51	Interest Payable	41	88,538,094.64	48,224,137.19
Assets categorized as held to be resold	14	130,000,000.00	1,048,698,658.51	Dividend Payable			
Inventories	15	655,256,780.52	1,502,947,397.96	Other Payables	42	323,298,951.20	61,309,271.90
Assets categorized as available for sale				Reinsurance payables			
Non-current assets maturing within one year				Insurance contract reserve			
Other Current Assets	16	8,291,476,018.44	561,009,928.46	Security trading of agency	43	199,445,292.53	145,682,291.71
Total Current Assets		72,103,169,615.01	32,949,249,344.81	Security sales of agency			
				Liabilities categoried as held to be resold			
				Non-current Liabilities due within one year	44	884,808,000.00	
				Other Current Liabilities	45	2,013,896,268.65	1,893,898,888.89
						51,396,053,988.02	26,110,567,247.02
Non-current Assets				Non-current Liabilities			
Loans and payment on other's behalf disburse				Long-term Loan	46	3,781,627,218.34	2,514,442,935.04
Financial assets available for sale	17	1,807,564,220.88	100,476,440.00	Bonds Payable	47	4,966,441,666.67	
Held-to-maturity Investment	18	51,620,000.00		In which: Priority Stock			
Long-term accounts Receivable				Perpectual Debt			
Long-term equity investment	19	1,193,565,723.65	125,370,273.03	Long-term Payable	48	498,574,891.90	176,407,606.38
Investments in futures exchange membership	20	1,400,000.00		Special Payable	49	27,706,876.29	33,657,689.56
Investment real estate	21	5,370,791,780.63	4,808,489,482.82	Expected Liabilities			
Fixed assets	22	2,687,044,030.43	1,502,175,413.31	Deferred Income	50	26,548,378.77	19,765,333.33
Construction in progress	23	2,499,129,408.82	1,632,062,378.98	Deferred Income Tax Liabilities	28	644,296,202.18	579,820,755.33
Engineering materials	24	7,984,215.99	84,320,193.46	Other Non-current Liabilities			
Disposal of fixed assets				Total Non-current Liabilities		9,945,195,234.15	3,324,094,319.64
Productive Biological Assets				Total Liabilities		61,341,249,222.17	29,434,661,566.66
Oil and Gas Assets				Owners' Equity (or shareholders' Equity)			
Intangible Assets	25	509,420,243.78	301,790,499.90	Capital(or capital stock)	51	10,000,000,000.00	7,500,000,000.00
Expense on Exploitation				Other Equity Instruments			
Goodwill	26	2,297,207,468.57	1,111,511,203.26	In which: Priority Stock			
Long-term Expenses to be Amortized	27	75,996,764.51	25,654,023.76	Perpectual Debt			
Deferred Income Tax Assets	28	22,467,662.83	20,383,186.91	Capital Reserve	52	2,755,963,832.80	25,406,402.00
Other Non-current Assets	29	391,334,703.82	69,071,438.35	Less: Treasury Stock			
Total Non-current Assets		16,915,526,223.91	9,781,304,533.78	Other Comprehensive Income	53	75,864,564.22	53,238,682.39
				Special reserve			
				Surplus Reserves	54	253,792,890.91	182,317,057.11
				General risk provision			
				Undistributed Profit	55	7,225,082,839.51	4,444,231,243.35
				Total Equity of Parent Company		20,310,704,127.44	12,205,193,384.85
				Minority Interests		7,366,742,489.31	1,090,698,927.08
				Total Owners' Equity		27,677,446,616.75	13,295,892,311.93
Total Assets		89,018,695,838.92	42,730,553,878.59	Total Liabilities and Owners' Equity		89,018,695,838.92	42,730,553,878.59

Legal Representative: Accounting Superior: Head of Accounting Dept:

Income Statement (Consolidated)

2015

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note VI	Current year	Previous year	Item	Note VI	Current year	Previous year
I. Total Revenue from Operation		206,588,811,215.92	171,405,829,132.95	IV. Total Profit ("-"for loss)		4,518,994,846.31	4,140,242,544.57
Including: Revenue from Operation	56	206,363,632,794.92	171,334,046,453.30	Less: Income Tax	66	1,275,156,917.79	996,593,955.27
Interest income	57	59,644,914.15	11,987,103.27				
Insurance fee earned				V. Net Profit ("-"for loss)		3,243,837,928.52	3,143,648,589.30
Fee and commission received	58	165,533,506.85	59,795,576.38	Net Profit of Parent Company Owners		2,852,814,459.80	3,103,382,919.75
II. Total Cost of Operation		203,177,686,904.08	168,061,069,097.05	Minority Interests		391,023,468.72	40,265,669.55
Including: Cost of Operation	56	200,707,351,351.74	166,748,630,101.36				
Interest expense	57	8,774,303.33	1,774,239.31	VI. Net After-tax Other Comprehensive Income		44,098,824.28	-734,658.39
Fee and commission paid	58	35,295,974.72	7,557,704.60	After-tax proft recognized as Other Comprehensive Income belonging to parent company owners		22,625,881.83	
Insurance discharge payment				(I) Other Comprehensive Income that Cannot Be Reclassified as Gains or Losses hereafer			
Net claim amount paid				1. Changes from Remeasuring Net Liabilities or Net Assets from Defined Benefit Plans			
Net amount of withdrawal of insurance contract reserve				2. Share of Acquired Party in Total Comprehensive Income that Cannot Be Reclassified as Gains or Losses under the Equity Method			
Insurance policy dividend paid				(II) Other Comprehensive Income that Will Be Reclassified as Gains or Losses hereafter		22,625,881.83	-734,658.39
Reinsurance expenses				1. Share of Acquired Party in Total Comprehensive Income that Will Be Reclassified as Gains or Losses under the Equity Method		74,917,481.49	
Operating Tax and Surcharge	59	81,115,277.32	61,589,929.23	2. Gains or Losses from Changes to Fair Value of Financial Assets Available for Sale			
Sales Expense		107,967,265.12	95,829,033.14	3. Gains or Loss from Held-to-Maturity Investment reclassified as Financial Assets Available for Sale			
Administrative Expense		670,039,518.90	351,109,831.91	4. Valid Part of Gains or Loss from Cash Flow Hedging			
Financial Expense	60	1,477,291,523.17	795,444,319.18	5. Differences of Foreign Currency Statement Translation		-63,776,963.64	-734,658.39
Asset Impairment Loss	61	89,851,689.78	-866,061.68	6. Others		11,485,363.98	
Add: Changes of Fair Value of Assets ("-"for loss)	62	243,433,073.57	598,435,482.29	Net After-tax Other Comprehensive Income Belonging to Minority Shareholders		21,472,942.45	
Investment Income ("-"for loss)	63	621,643,245.06	73,648,166.80				
Including: Income from Associates		-61,506,483.12	12,225,728.75	VII. Total Comprehensive Income		3,287,936,752.80	3,142,913,930.91
Gain or loss on foreign exchange difference ("-"for loss)		834,897.86	-281,844.44	Total Comprehensive Income Belonging to the Owner of Parent Company		2,875,440,341.63	3,102,648,261.36
III. Operation Profit ("-"for loss)		4,277,035,528.33	4,016,561,840.55	Total Comprehensive Income Belonging to Minority Shareholders		412,496,411.17	40,265,669.55
Add: Non-operation Income	64	288,143,325.86	149,537,341.53				
Including: Gains from Disposal of Non-current Assets		219,585.33	89,151.03	VIII. Earnings per share			
Less: Non-operation Cost	65	46,184,007.88	25,856,637.51	(I)Basic earnings per share			
Including: Loss from Disposal of Non-current Assets		519,344.98	1,520,792.31	(II)Diluted earnings per share			

Legal Representative: Accounting Superior: Head of Accounting Dept:

Cash Flow Statement (Consolidated)

2015

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note VI	Current year	Previous year	Item	Note VI	Current year	Previous year
1. Cash Flows from Operating Activities:				Cash payments to acquire fixed assets, intangible assets and other long-term assets		1,178,735,922.30	522,754,879.57
Cash receipts from the sale of goods or rendering of services		200,014,287,234.76	173,724,587,578.31	Cash payments to acquire investments		13,021,538,916.84	1,343,345,458.98
Net increase of customer deposit and interbank deposit				Net increase of loan against pledge			
Net cash from securities agency		334,181,729.60	56,205,970.84	Net cash receipts from subsidiary company and other institutions		372,054,323.36	1,928,845,237.92
Net increase of inter-bank loans from other financial institution				Other cash payments relating to investing activities		1,461,033,127.52	196,000,000.00
Cash received against original insurance contract				Sub-total Cash Outflows from Investing Activities		16,033,362,290.02	3,990,945,576.47
Net cash received from reinsurance business				Net Cash Flows from Investing Activities		-9,249,456,543.54	-3,303,981,635.59
Net increase of client deposit and investment							
Net increase of disposal of financial asset recognized by fair value whose change is recorded under current gains or losses		-11,995,751.31	-79,766,440.00	3. Cash Flows from Financing Activities:			
Cash received as interests, fees and commissions		183,567,418.87	50,126,569.47	Cash proceeds from issuing shares		8,942,952,475.67	18,800,000.00
Net increase of inter-bank fund received				In which: Cash proceeds from subsidiary company		3,942,952,475.67	18,800,000.00
Net increase of repurchasing business		8,733,260.01		Cash proceeds from borrowings		68,056,961,543.39	19,547,232,877.86
Refunds of taxes		267,571,040.95	114,361,432.25	Cash received from issuing bonds		6,959,800,000.00	1,892,400,000.00
Other cash receipts relating to operating activities		51,212,640,554.78	18,859,739,170.00	Other cash receipts relating to financing activities		136,130,312,644.27	62,216,548,171.38
Sub-total Cash Inflows from Operating Acitivities		252,008,985,487.66	192,725,254,280.87	Sub-total Cash Inflows from Financing Activities		220,090,026,663.33	83,674,981,049.24
Cash payments for goods and services		207,364,109,188.07	175,689,394,630.88	Cash payments of amounts borrowed		56,067,075,636.29	13,533,894,373.61
Net increase of client trade and advance				Cash payments for distribution of dividends or profits and for interest expenses		1,275,362,797.93	740,682,796.98
Net increase of deposits in central bank and interbank			28,733,260.01	In which: Cash payments of dividends or profits to minority shareholders by subsidiary company		4,701,715.17	4,701,715.17
Cash paid for original insurance contract compensation				Other cash payments relating to financing activities		146,320,390,205.41	68,388,872,467.32
Cash paid for interests, fees and commissions		45,467,974.33	5,149,046.75	Sub-total Cash Outflows from Financing Activities		203,662,828,639.63	82,663,449,637.91
Cash paid for policy dividend				Net Cash Flows from Financing Activities		16,427,198,023.70	1,011,531,411.33
Cash paid to and on behalf of employees		270,126,795.52	163,311,103.07				
Payments of all types of taxes		1,980,477,123.49	1,045,918,717.68	4. Effect of Foreign Exchange Rate Changes on Cash		99,892,816.50	1,921,091.96
Other cash payments relating to operating activities		42,059,184,273.68	13,157,788,159.68				
Sub-total Cash Outflows from Operating Activities		251,719,365,355.09	190,090,294,918.07	5. Net Increase In Cash and Cash Equivalents		7,567,254,429.23	344,430,230.50
Net Cash Flows from Operating Activities		289,620,132.57	2,634,959,362.80	Plus: Beginning balance of cash and cash equivalents		2,737,900,718.61	2,393,470,488.11
2. Cash Flows from Investing Activities:							
Proceeds from sell of investment		5,201,524,230.99	386,956,161.47	6. Ending Balance of Cash and Cash Equivalents		10,305,155,147.84	2,737,900,718.61
Cash receipts from return on investments		41,512,611.90	7,249,530.75				
Net cash receipts from the sale of fixed assets,intangible assets and other long-term assets		816,017.16	464,351.93				
Net cash receipts from disposal of subsidiary company and other institutions		49,537,242.21	284,358,572.27				
Other cash receipts relating to investing activities		1,490,515,644.22	7,935,324.46				
Sub-total Cash Inflows from Investing Activities		6,783,905,746.48	686,963,940.88				

Legal Representative: Accounting Superior: Head of Accounting Dept:

Changes in Owners' Equity (Consolidated)

2015

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Current Year													
	Owners' Equity belonging to Parent Company												Minority Interests	Total of Owners' Equity
	Capital Stock	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special reserve	Surplus Reserves	Common risk provision	Undistributed Profit	Others		
		Priority Stock	Perpetual Debt	Others										
I. Ending Balance of Previous Year	7,500,000,000.00				25,406,402.00		53,238,682.39		182,317,057.11		4,444,231,243.35		1,090,698,927.08	13,295,892,311.93
Add: Adjustment of accounting policy														
Correction of previous period														
Others														
II. Beginning Balance of Current Year	7,500,000,000.00				25,406,402.00		53,238,682.39		182,317,057.11		4,444,231,243.35		1,090,698,927.08	13,295,892,311.93
III. Increase or Decrease Amount in Current Year ("-"for loss)	2,500,000,000.00				2,730,557,430.80		22,625,881.83		71,475,833.80		2,780,851,596.16		6,276,043,562.23	14,381,554,304.82
1. Total Comprehensive Income											2,852,814,459.80		391,023,468.72	3,243,837,928.52
2. Owners' Investment and Decrease of Capital	2,500,000,000.00				2,500,000,000.00								5,937,745,202.60	10,937,745,202.60
① Shareholders' Investment of Common Stock	2,500,000,000.00				2,500,000,000.00								5,937,745,202.60	10,937,745,202.60
② Capital Investment from Other Equity Instrument Holders														
③ Payment of share relating to owners' equity														
④ Others														
3. Distribution of Profit									71,962,863.64		-71,962,863.64			
① Withdrawl of surplus reserve									71,962,863.64		-71,962,863.64			
② Withdrawal of common risk provisions														
③ Distribution to owners(or shareholders)														
④ Others														
4.Internal Transfer of Owners' Equity														
① Capital reserve transferred into paid-in capital(or capital stock)														
② Surplus reserve transferred into paid-in capital(or capital stock)														
③ Surplus reserve transferred to make up loss														
④ Others														
5. Special reserve														
① Current extraction														
② Current Use														
6. Others					230,557,430.80		22,625,881.83		-487,029.84				-52,725,109.09	199,971,173.70
IV. Ending Balance of Current Year	10,000,000,000.00				2,755,963,832.80		75,864,564.22		253,792,890.91		7,225,082,839.51		7,366,742,489.31	27,677,446,616.75

Legal Representative: Accounting Superior: Head of Accounting Dept:

Changes in Owners' Equity (Consolidated)(Continued)

2015

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Current Year													
	Owners' Equity belonging to Parent Company												Minority Interests	Total of Owners' Equity
	Capital Stock	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special reserve	Surplus Reserves	Common risk provision	Undistributed Profit	Others		
		Priority Stock	Perpetual Debt	Others										
I. Ending Balance of Previous Year	7,500,000,000.00				65,085,309.86		53,973,340.78		48,792,604.77		1,474,372,775.94		1,053,077,492.30	10,195,301,523.65
Plus: Adjustment of accounting policy														
Correction of previous period														
Combination involving enterprises under common control														
Others														
II. Beginning Balance of Current Year	7,500,000,000.00				65,085,309.86		53,973,340.78		48,792,604.77		1,474,372,775.94		1,053,077,492.30	10,195,301,523.65
III. Increase or Decrease Amount in Current Year ("-"for loss)					-39,678,907.86		-734,658.39		133,524,452.34		2,969,858,467.41		37,621,434.78	3,100,590,788.28
1. Total Comprehensive Income											3,103,382,919.75		40,265,669.55	3,143,648,589.30
2. Owners' Investment and Decrease of Capital													-2,644,234.77	-2,644,234.77
① Shareholders' Investment of Common Stock													-2,644,234.77	-2,644,234.77
② Capital Investment from Other Equity Instrument Holders														
③ Payment of share relating to owners' equity														
④ Others														
3. Distribution of Profit									133,524,452.34		-133,524,452.34			
① Withdrawl of surplus reserve									133,524,452.34		-133,524,452.34			
② Withdrawal of common risk provisions														
③ Distribution to owners(or shareholders)														
④ Others														
4.Internal Transfer of Owners' Equity														
① Capital reserve transferred into paid-in capital(or capital stock)														
② Surplus reserve transferred into paid-in capital(or capital stock)														
③ Surplus reserve transferred to make up loss														
④ Others														
5. Special reserve														
① Current extraction														
② Current Use														
6. Others					-39,678,907.86		-734,658.39							-40,413,566.25
IV. Ending Balance of Current Year	7,500,000,000.00				25,406,402.00		53,238,682.39		182,317,057.11		4,444,231,243.35		1,090,698,927.08	13,295,892,311.93

Legal Representative: Accounting Superior: Head of Accounting Dept:

Balance Sheet (Parent Company)

As of Dec.31,2015

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note XIII	Ending Balance	Beginning Balance	Item	Note XIII	Ending Balance	Beginning Balance
Current Assets				Current Liabilities			
Monetary funds		5,527,104,963.96	1,560,694,599.86	Short-term Loan		2,203,261,200.00	306,000,000.00
Financial assets at fair value through current profits or losses		5,755.20	803,164,653.43	Financial liabilities at fair value through current profits or losses			
Derivative finanical assets				Derivative finanical liabilities			
Notes receivable		500,000.00		Notes Payable		1,164,489,458.56	
Accounts receivable	1	3,511,002,479.73	1,395,516,688.38	Accounts Payable		1,772,729,964.37	1,333,965,924.44
Advances to Suppliers		1,524,179,112.69	257,035,102.92	Advance from Customers		1,661,691,303.84	1,740,961,264.04
Interests receivable				Accrued Payroll		1,450,742.03	1,740,158.97
Dividends receivable				Taxes Payable		236,710,997.09	514,381,869.64
Other receivables	2	2,577,921,515.21	2,545,867,043.97	Interest Payable		54,204,810.38	25,172,944.44
Inventories			925,534,376.36	Dividend Payable			
Assets categorized as held to be resold				Other Payables		487,426,353.09	4,231,444,110.12
Non-current assets maturing within one year				Assets categorized as available for sale			
Other Current Assets		366,655,352.74	356,034,816.50	Non-current liabilities due within one year		794,808,000.00	
Total of Current Assets		13,507,369,179.53	7,843,847,281.42	Other Current Liabilities		1,995,396,121.89	1,893,898,888.89
				Total Current Liabilities		10,372,168,951.25	10,047,565,160.54
Non-current Assets				Non-current Liabilities			
Financial assets available for sale		1,059,655,510.00	10,000,000.00	Long-term Loan		510,000,000.00	
Held-to-maturity investment				Bonds Payable		4,966,441,666.67	
Long-term accounts receivable				Long-term payables			
Long-term equity investment	3	16,136,483,224.71	11,579,578,750.41	Special payables			
Investment real estate				Expected Liabilities			
Fixed assets		6,763,110.45	1,014,356.30	Deferred income			
Construction in progress		964,949.68	1,287,564.10	Deferred Income Tax Liabilities		411.80	64,037,085.78
Engineering materials				Other Non-current Liabilities			
Disposal of Fixed Assets				Total Non-current Liabilities		5,476,442,078.47	64,037,085.78
Productive Biological Assets				Total Liabilities		15,848,611,029.72	10,111,602,246.32
Oil and Gas Assets				Owners' Equity (or Shareholders' Equity)			
Intangible Assets		1,046,251.61	1,123,628.35	Capital (or capital stock)		10,000,000,000.00	7,500,000,000.00
Expense on Exploitation				Other Equity Instruments			
Goodwill				In which: Priority Stock			
Long-term Expenses to be Amortized				Perpectual Debt			
Deferred Income Tax Assets				Capital Reserve		2,500,000,000.00	2,078,763.17
Other Non-current Assets		178,640,981.40		Less: Treasury Stock			
Total Non-current Assets		17,383,554,027.85	11,593,004,299.16	Other Comprehensive Income			
				Special reserve			
				Surplus Reserves		253,792,890.91	182,317,057.11
				Undistributed Profit		2,288,519,286.75	1,640,853,513.98
				Total Owners' (or Shareholders') Equity		15,042,312,177.66	9,325,249,334.26
Total Assets		30,890,923,207.38	19,436,851,580.58	Total Liabilities and Owners'(or shareholders') Equity		30,890,923,207.38	19,436,851,580.58

Legal Representative: Accounting Superior: Head of Accounting Dept:

Income Statement (Parent Company)

2015

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note XIII	Current Year	Previous Year	Item	Note XIII	Current Year	Previous Year
I. Revenue from Operation	4	62,886,842,269.99	59,587,300,364.15	V. Net After-tax Other Comprehensive Income			
Less: Cost of Operation	4	61,638,600,166.61	57,931,778,582.13	(I) Other Comprehensive Income that Cannot Be Reclassified as Gains or Losses hereafer			
Operating Tax and Surcharge		26,708,839.54	18,982,876.42	1. Changes from Remeasuring Net Liabilities or Net Assets from Defined Benefit Plans			
Sales Expense		10,095,199.74	11,110,333.82	2. Share of Acquired Party in Total Comprehensive Income that Cannot Be Reclassified as Gains or Losses under the Equity Method			
Administrative Expense		62,433,700.50	35,940,453.75				
Financial Expense		591,501,778.01	101,089,099.53	(II) Other Comprehensive Income to be reclassified as Gains or Losses hereafter			
Asset Impairment Loss				1. Share of Acquired Party in Total Comprehensive Income that Will Be Reclassified as Gains or Losses by Equity Method			
Plus: Changes of Fair Value of Assets ("-"for loss)		-256,146,695.94	225,871,415.69	2. Gains or Losses from Change in Fair Value of Financial Assets Available for Sale			
Investment Income ("-"for loss)	5	573,188,949.75	46,946,244.63	3. Gains or Losses from Held-to-Maturity Investment reclassified as Financial Assets Available for Sale			
In which: Income from Investment in Associates				4. Effective part of profits and losses from cash hedging			
II. Operation Profit ("-"for loss)		874,544,839.40	1,761,216,678.82	5. Differences of Foreign Currency Statement Translation			
Plus: Non-operation Income		92,467,446.53	20,903,925.93	6. Others			
In which: Gain from Disposal of Non-current Assets							
Less: Non-operation Cost		1,018,540.05	1,226,444.78	VI. Total Comprehensive Income		719,628,636.41	1,335,244,523.40
In which: Loss from Disposal of Non-current Assets							
III. Total Profit ("-"for loss)		965,993,745.88	1,780,894,159.97	VII. Earnings per share			
Less: Income Tax		246,365,109.47	445,649,636.57	(I) Basic earnings per share			
IV. Net Profit ("-"for loss)		719,628,636.41	1,335,244,523.40	(II) Diluted earnings per share			

Legal Representative: Accounting Superior: Head of Accounting Dept:

Cash Flow Statement (Parent Company)

2015

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Note	Current Year	Previous Year	Item	Note	Current Year	Previous Year
1. Cash Flows from Operating Activities:				3. Cash Flows from Financing Activities:			
Cash receipts from sale of goods or rendering of services		62,623,218,672.40	59,897,153,965.97	Cash proceeds from issuing shares		5,000,000,000.00	
Refund of taxes		92,467,446.53	8,822.45	Cash proceeds from borrowings		15,710,588,215.17	2,807,376,985.36
Other cash receipts relating to operating activities		13,042,406,462.88	5,647,767,256.56	Other cash receipts relating to financing activities		124,020,615,557.84	57,634,618,093.90
Sub-total Cash Inflows from Operation Activities		75,758,092,581.81	65,544,930,044.98	Sub-total Cash Inflows from Financing Activities		144,731,203,773.01	60,441,995,079.26
Cash payments for goods and services		64,926,066,314.36	57,424,768,091.13	Cash payments for paying off debts		7,576,194,878.84	1,164,755,783.37
Cash paid to and on behalf of employees		21,087,394.78	15,136,247.57	Cash payments for distribution of dividends or profits and for interest expenses		297,313,160.29	26,823,260.36
Payments of taxes		827,566,687.83	155,129,527.34	Other cash payments relating to financing activities		132,805,719,106.41	59,896,708,277.33
Other cash payments relating to operating activities		8,236,242,692.73	3,917,076,553.89	Sub-total Cash Outflows from Financing Activities		140,679,227,145.54	61,088,287,321.06
Sub-total Cash Outflows from Operation Activities		74,010,963,089.70	61,512,110,419.93	Net Cash Flows from Financing Activities		4,051,976,627.47	-646,292,241.80
Net Cash Flows from Operating Activities		1,747,129,492.11	4,032,819,625.05				
2. Cash Flows from Investing Activities:				4. Effects of Foreign Exchange Rate Changes on Cash Flows		57,121,607.00	-425,977.81
Proceeds from sell of investment		3,523,746,131.20	81,750,000.00				
Cash receipts from return on investments		67,885,357.18	1,173,900.00	5. Net Increase in Cash and Cash Equivalents		978,410,364.10	475,680,432.13
Net cash receipts from the sale of fixed assets, intangible assets and other long-term assets				Plus: Beginning balance of cash and cash equivalents		1,060,694,599.86	585,014,167.73
Net cash receipts from disposal of subsidiaries and other entities							
Other cash receipts relating to investing activities		1,322,000,000.00		6. Ending Balance of Cash and Cash Equivalents		2,039,104,963.96	1,060,694,599.86
Sub-total Cash Inflows from Investing Activities		4,913,631,488.38	82,923,900.00				
Cash payments to acquire fixed assets, intangible assets and other long-term assets		5,911,907.69	2,111,167.19				
Cash payments to acquire investments		8,479,536,943.17	2,795,233,706.12				
Net cash receipts from subsidiaries and other entities							
Other cash payments relating to investing activities		1,306,000,000.00	196,000,000.00				
Sub-total Cash Outflows from Investing Activities		9,791,448,850.86	2,993,344,873.31				
Net Cash Flows from Investing Activities		-4,877,817,362.48	-2,910,420,973.31				

Legal Representative: Accounting Superior: Head of Accounting Dept:

Changes in Owners' Equity (Parent Company)

2015

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Current Year										
	Capital Stock	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special reserve	Surplus Reserves	Minority Interests	Total Owners' Equity
		Priority Stock	Perpetual Debt	Others							
I. Ending Balance of Previous Year	7,500,000,000.00				2,078,763.17				182,317,057.11	1,640,853,513.98	9,325,249,334.26
Plus: Adjustment of accounting policy											
Correction of previous period											
Others											
II. Beginning Balance of Current Year	7,500,000,000.00				2,078,763.17				182,317,057.11	1,640,853,513.98	9,325,249,334.26
III. Increase or Decrease Amount in Current Year ("-"for loss)	2,500,000,000.00				2,497,921,236.83				71,475,833.80	647,665,772.77	5,717,062,843.40
1. Total Comprehensive Income										719,628,636.41	719,628,636.41
2. Owners' Investment and Decrease of Capital	2,500,000,000.00				2,500,000,000.00						5,000,000,000.00
① Shareholders' Investment of Common Stock	2,500,000,000.00				2,500,000,000.00						5,000,000,000.00
② Capital Investment from Other Equity Instrument Holders											
③ Payment of share relating to owners' equity											
④ Others											
3. Distribution of Profit									71,962,863.64	-71,962,863.64	
① Withdrawal of surplus reserve									71,962,863.64	-71,962,863.64	
② Distribution to owners (or shareholders)											
③ Others											
4.Internal Transfer of Owners' Equity											
① Capital reserve transferred into paid-in capital (or capital stock)											
② Surplus reserve transferred into paid-in capital (or capital stock)											
③ Surplus reserve transferred to make up loss											
④ Others											
5. Special reserve											
① Current withdrawal											
② Current Use											
6. Others					-2,078,763.17				-487,029.84		-2,565,793.01
IV. Ending Balance of Current Year	10,000,000,000.00				2,500,000,000.00				253,792,890.91	2,288,519,286.75	15,042,312,177.66

Legal Representative: Accounting Superior: Head of Accounting Dept:

Changes in Owners' Equity (Parent Company)(Continued)

2015

Shanghai CEFC International Group Co., Ltd.

In RMB yuan

Item	Current Year										
	Capital Stock	Other Equity Instruments			Capital Reserve	Less: Treasury Stock	Other Comprehensive Income	Special reserve	Surplus Reserves	Minority Interests	Total Owners' Equity
		Priority Stock	Perpetual Debt	Others							
I. Ending Balance of Previous Year	7,500,000,000.00				46,957,369.47				48,792,604.77	439,133,442.92	8,034,883,417.16
Plus: Adjustment of accounting policy											
Correction of previous period											
Others											
II. Beginning Balance of Current Year	7,500,000,000.00				46,957,369.47				48,792,604.77	439,133,442.92	8,034,883,417.16
III. Increase or Decrease Amount in Current Year ("-"for loss)					-44,878,606.30				133,524,452.34	1,201,720,071.06	1,290,365,917.10
1. Total Comprehensive Income										1,335,244,523.40	1,335,244,523.40
2. Owners' Investment and Decrease of Capital											
① Shareholders' Investment of Common Stock											
② Capital Investment from Other Equity Instrument Holders											
③ Payment of share relating to owners' equity											
④ Others											
3. Distribution of Profit									133,524,452.34	-133,524,452.34	
① Withdrawal of surplus reserve									133,524,452.34	-133,524,452.34	
② Distribution to owners (or shareholders)											
③ Others											
4. Internal Transfer of Owners' Equity											
① Capital reserve transferred into paid-in capital (or capital stock)											
② Surplus reserve transferred into paid-in capital (or capital stock)											
③ Surplus reserve transferred to make up loss											
④ Others											
5. Special reserve											
① Current withdrawal											
② Current Use											
6. Others					-44,878,606.30						-44,878,606.30
IV. Ending Balance of Current Year	7,500,000,000.00				2,078,763.17				182,317,057.11	1,640,853,513.98	9,325,249,334.26

Legal Representative: Accounting Superior: Head of Accounting Dept:

I. Company profile

CEFC Shanghai International Group Co., Ltd. (the "Company") was formerly Shanghai Huanli Chemical Technologies Co., Ltd. incorporated by natural persons Song Xiufang and Wang Guiying in Shanghai on February 22, 2003 with a registered capital of 500,000 RMB yuan.

After successive capital stock increases and equity ownership changes, the Company's registered became 100,500,000 RMB yuan in January 2010, and the shareholders were Su Weizhong (50%), Zheng Jianding (25%) and Ye Ling (25%).

In January 2010, according to the resolution of the shareholder meeting, Su Weizhong, Zheng Jianding and Yeling respectively transferred 45%, 25% and 25% stake in the Company to CEFC Shanghai Financial Holding Co., Ltd. (formerly CEFC Shanghai Energy Holding Co., Ltd.), and Su Weizhong again transferred the remaining 5% interest in the Company to Chen Rui, and at the same time, the Company was renamed Shanghai CEFC Petroleum Co., Ltd.

According to the shareholder meeting resolution adopted on September 13, 2010, Chen Rui transferred his 5% equity of the Company to Su Weizhong. Again according to the shareholder meeting resolution adopted on August 8, 2011, Su Weizhong transferred his 5% equity of the Company to CEFC Shanghai Financial Holding Co., Ltd. After the equity change, CEFC Shanghai Financial Holding Co., Ltd. owned 100% equity of the Company.

In October 2011, CEFC Shanghai Financial Holding Co., Ltd. added 745,500,000 RMB yuan to the capital stock, making the Company's registered capital amount to 846,000,000 RMB yuan.

On August 6, August 13, and September 17, 2012, CEFC Shanghai Financial Holding Co., Ltd. added 300,000,000 RMB yuan, 200,000,000 RMB yuan and 560,000,000 RMB yuan to the Company's capital stock, and after the capital increases, the Company's registered capital amounted to 1,906,000,000 RMB yuan.

In April 2013, CEFC Shanghai Financial Holding Co., Ltd. added 1,094,000,000 RMB yuan to the Company's capital stock, and after the capital increase, the Company's registered capital amounted to 3,000,000,000 RMB yuan.

In July 2013, China CEFC Energy Co., Ltd. contributed 470,000,000 RMB yuan to the Company's capital stock, and after the capital increase, the Company's registered capital amounted to 3,470,000,000 RMB yuan, and the shareholders became CEFC Shanghai Financial Holding Co., Ltd. (86.46%) and China CEFC Energy Co., Ltd. (13.54%).

In October 2013, China CEFC Energy Co., Ltd. added 1,030,000,000 RMB yuan to the Company's capital stock, and after the capital increase, the Company's registered capital amounted to 4,500,000,000 RMB yuan, and the ownership composition became: CEFC Shanghai Financial Holding Co., Ltd. holding 66.67% and China CEFC Energy Co., Ltd. holding 33.33%.

In November 2013, Sinounited Energy Co., Ltd. contributed 3,000,000,000 RMB yuan to the Company's capital stock, and after the capital increase, the Company's registered capital amounted to 7,500,000,000 RMB yuan, and the ownership composition became: CEFC Shanghai Financial Holding Co., Ltd. holding 40%, Sinounited Energy Co., Ltd. holding 40% and China CEFC Energy Co., Ltd. holding 20%.

In February 2015, the Company was renamed Shanghai CEFC International Group Co., Ltd.

In May 2015, Sinounited Investment Foundation (Shanghai) Co., Ltd. transferred 26% equity of the Company (amounting to 1,950,000,000 RMB yuan) to China CEFC International Equity Investment Co., Ltd. and transferred 14% (amounting to 1,050,000,000 RMB yuan) to China CEFC Energy Co., Ltd.

In May 2015, the Company held an interim shareholder meeting which agreed to increase the Company's registered capital from 7,500,000,000 RMB yuan to 10,000,000,000 RMB yuan. China CEFC Energy Co., Ltd contributed 5,000,000,000 RMB yuan, in which 2,500,000,000 RMB yuan was paid in capital and 2,500,000,000 RMB yuan was recognized under capital surplus. China CEFC Energy Co., Ltd. paid in 3,800,000,000 RMB yuan in May 2015 and 1,200,000,0000 RMB yuan in June 2015. After the capital increase, the Company's registered capital became 10 billion RMB yuan, and the ownership composition became: China CEFC Energy Co., Ltd. holding 50.5%, CEFC Shanghai Financial Holding Co., Ltd. holding 30% and China CEFC International Equity Investment Co., Ltd. holding 19.5%.

Registered capital: 10 billion RMB yuan
Registered address: 2nd floor, Building 13, 27 New Jinqiao Road, Shanghai Pilot Free Trade Zone
Head office address: 2nd floor, Building 13, 27 New Jinqiao Road, Shanghai Pilot Free Trade Zone
Nature of organization: Limited liability company
Buiness scope and main operations: Investment in financial enterprises, the energy industry, petrochemicals, transport infrastructure, mining and forestry enterprises; investment management of ports, warehousing and chain gas stations; design and installation of oil engineering facilities (not including specialty equipment); sales of petroleum products (not including petroleum products subject to control), fuel oil, lubricating oil, mineral products (not including projects subject to special approval), hardware machinery, building materials, daily necessities, textiles, auto parts, metal materials, rubber products, metallurgical charge (except for items subject to special approval), chemical products (refer to the list of dangerous chemicals business licenses concerning liquefied petroleum gas and other hazardous chemicals), hardware, decoration materials, wire and cable, edible agricultural products, animal feed, rubber materials and

products; circulation of foods; e-commerce (excluding telecom and financial services); import and export of goods and technologies; industrial investment, investment management, investment consulting; R&D of oil refining equipment, appliances and technology; real estate development; warehousing services (except for dangerous goods). (Some operations may be subject to administrative licensing.)

The issuer of the financial statements and the date of issuance shall be the signer and the date of signature.

II. Scope of consolidated financial statements

The consolidated financial statements cover the statements of 66 companies including CEFC Hainan International Holdings Co.,Ltd., CEFC Petroleum (Guangdong) Co., Ltd., Shanghai Huaxin Group (Hong Kong) Ltd. and CEFC Anhui International Holding Co., Ltd. For more details, refer to "Note VIII: Equity in other entities."

III. Basis for preparing the financial statements

1. Basis for preparing the financial statements

The Company prepares the financial statements for continuous operations on the accrual basis. The Company usually makes historical cost accounting, and has made measurements by replacement cost, net realizable value, current value and fair value on the condition that all accounting elements can be obtained and reliably measured.

2. On-going concern

The Company is currently operating under normal conditions and is able to maintain continuous operations in the foreseeable future for no less than 12 months after the balance sheet date.

IV. Major accounting policies and accounting estimates

1. Declaration of compliance with Accounting Standards for Business Enterprises

The Company's has prepared the financial statements and the notes to the statements according to the latest Accounting Standards for Business Enterprises as well as the user guide and interpretations of the standards promulgated by the Ministry of Finance as well as supplementary provisions, and fairly and completely presents the financial position, operation results and cash flow of the Company.

2. Accounting period

The Company uses the Gregorian calendar as its accounting year which is from January 1 to December.

3. Operating term

The normal operating term of the Company is 12 months.

4. Recording currency

Chinese RMB yuan.

5. Accounting of business combinations involving enterprises under common control and business combinations not involving enterprises under common control

(1) For a business combination involving enterprises under common control, if the consideration of the combination is satisfied by paying cash, transfer of non-cash assets or assumption of liabilities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the owners' equity of the party being absorbed at combination date. The different between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment shall be the absorbing party's share of the owners' equity of the party being absorbed at combination date. The aggregate face value of the shares issued shall be accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued shall be adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess shall be adjusted to retained earnings. The direct cost for the business combination of the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period. The bonds issued for a business combination or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

(2) for a business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment acquired shall be determined as follows:

① or a business combination realized by a transaction of exchange, the combination costs shall be the fair values, on the acquisition date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control on the acquire;

② For a business combination realized by two or more transactions of exchange, the combination costs shall be the summation of the costs of all separate transactions;

③ All relevant direct costs incurred by the business combination to the combining party shall, including the expenses for audit, assessment and legal services, be recorded into the profits and losses at the current period. The bonds or debt securities issued for a business combination or the handling fees, commissions and other expenses for assuming other liabilities shall be recorded into the amount of initial measurement of the bonds or debt securities;

④ Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall record the said amount into the initial investment costs.

(3) For external business acquisition not involving enterprises under common control, where the initial investment cost is higher than the fair value of the identifiable net assets it obtains from the acquiree, the difference shall be recognized as business goodwill.

Where the initial investment cost is lower than the fair value of the identifiable net assets it obtains from the acquiree, the difference shall be treated as follows:

① It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs;

② If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall record the balance into the profits and losses of the current period.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns.

The parent company shall put all subsidiaries involved in the consolidated scope of consolidated financial statements. Subsidiaries refer to entities under the control of the parent company (including separable parts of enterprises and invested units and structural entities controlled by the enterprise).

If the parent company is an investment entity, the parent company shall only put the subsidiaries (if any) that provide relevant services for its investing activities in the consolidated scope of consolidated financial statements. Other subsidiaries shall not be consolidated. Investments in other subsidiaries shall be measured by their fair value and the changes of fair value shall be recorded into the profits and losses at the current period. A parent company is an investment entity if:

(1) The parent company aims to provide investment management services for investors and obtains capital from one or more investors;

(2) The parent company has the sole purpose of gain benefits for investors through capital appreciation and/or investment returns; and

(3) The parent company measures and evaluates almost all investment projects by fair value.

For the preparation of consolidated financial statements, the significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company. The consolidated financial statements are prepared by the Company based on the financial statements of parent company and subsidiaries, which is offset the effect on the internal transaction between the parent enterprise and subsidiary company or among the subsidiaries. The Company adjusts the beginning balance of the consolidated balance sheet for added subsidiaries involving combination of enterprises under common control within the reporting period. The Company does not adjust the beginning balance of the consolidated balance sheet for added subsidiaries not involving the combination of enterprises under common control within the reporting period. For added subsidiaries involving combination of enterprises under common control within the reporting period, the Company consolidates their income, expenses, profits and cash flow from the beginning to the end of current reporting period into the income statement and the cash flow statement. For added subsidiaries not involving the combination of enterprises under common control within the reporting period, the Company consolidates their income, expenses, profits and cash flow from the acquisition date to the end of current reporting period into the income statement and the cash flow statement. For subsidiaries disposed of within the reporting period, the Company consolidates their income, expenses, profits and cash flow from the beginning of current reporting period to the disposal date into the income statement and the cash flow statement.

For acquisitions of equity in subsidiaries owned by minority shareholders of the Company, the difference between the long-term investment obtained by acquisition of minority equity and the Company's share of net assets of the subsidiary calculated from the acquisition date to the consolidation date by the proportion of equity holding is adjusted to capital reserve under owners' equity in the consolidated financial statements. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

For disposal of long-term equity investment in subsidiaries that does not result in the loss of control over the subsidiaries, the difference between the disposal proceeds and the Company's share of net assets of the subsidiary calculated from the acquisition date to the consolidation date is adjusted to capital reserve under owners' equity in the consolidated financial statements. If the capital reserve is not sufficient to absorb the difference, the excess is adjusted against retained earnings.

For disposal of equity investment in subsidiaries that results in the loss of control over the investee, the retained interest shall be re-measured and recorded into the consolidated financial statements by the fair value on the date of losing the control. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost, except other comprehensive income resulting from the investee's re-measurement of the net liability of the define benefit plan or changes to the net assets.

7. Classification of joint venture arrangements and accounting of associates

There are two types of joint venture arrangements: join operation and joint ventures.

A joint operation is a joint venture arrangement whereby the associates have rights to the assets, and obligations for the liabilities, relating to the arrangement. The Company recognizes the following items relating to its interest in associates and accounts for them according to relevant Chinese accounting standards:

(1) Recognizing solely held assets and recognizing jointly held assets by proportion;

(2) Recognizing solely assumed liabilities, and recognizing jointly assumed liabilities by proportion;

(3) Recognizing income from sale of its share in associates;

(4) Recognizing its share of income from sale of product by associates;

(5) Recognizing solely incurred expenses and recognizing expenses incurred by associates by proportion.

A joint venture is a joint venture arrangement whereby the joint ventures have rights to the net assets of the arrangement. The Company accounts for investments in joint ventures by the equity method.

8. Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to an insignificant risk of changes in value, having been within three months of maturity after acquisition.

9. Principles for fund management and transaction settlement of subsidiaries

The Company sets up a compliant and complete duty and operation procedure for subsidiary entities according to Article 47 of the Regulatory Methods for Futures Companies and the regulations of CSRC concerning unified settlement, risk management, fund allocation, financial management and accounting of subsidiaries.

10. Translation of transactions denominated in foreign currencies

(1) On initial measurement, foreign currency transactions are translated by applying the spot exchange rate or spot exchange rate approximation rate at the date of the transaction.

(2) On balance sheet date, the Company accounts for monetary and non-monetary items denominated in foreign currencies as follows:

① monetary items denominated in foreign currencies are translated at the quoted intermediate conversion price of foreign exchange rates from The People's Bank of China ruling at the balance sheet date. Foreign exchange gains and losses arising from the difference between the balance sheet date exchange rate and the exchange rate ruling at the time of initial measurement or the exchange rate ruling at the last balance sheet date are recorded into the profits and losses of the current period.

② non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the current exchange rates ruling at the transaction dates, and no difference of amount is recorded. Non-monetary items denominated in foreign currencies that are stated at fair value are translated using the current exchange rates ruling at the dates the fair value was determined, the difference between the amount of functional currency after translation and the original amount of functional currency is treated as part of change in fair value (including change in exchange rate) and recorded into the profits and losses of the current period or other gains.

Monetary items refer to cash the Company holds and assets the Company shall collect or liabilities the Company shall pay off in fixed or definable amounts.

Non-monetary items refer to other items than monetary items.

(3) The Company translates the financial statements of its overseas operations as follows:

① the assets and liabilities in the balance sheets shall be translated at a spot exchange rate ruling at the balance sheet date, while the owner's equity, except "undistributed profits", shall be translated at the spot exchange rate ruling at the time of occurrence;

② income and expenses in the income statements shall be translated at the spot exchange rate (or at the approximate spot exchange rate if the items are determined by the systematic reasonable method) on the date of transaction;

③ foreign exchange differences arisen from the translation of foreign currency financial statements shall be presented separately under the owner's equity in the balance sheet.

(4) The Company translates the financial statements of its overseas operations in economies with hyperinflation as follows:

The Company restates the balance sheet items by the general price index, restates the items of the income statement by the changes of the general price index, and then translates them at the spot exchange rate on the recent balance sheet date.

If the overseas operation is no longer situated in the hyperinflationary economy, it shall stop the restatement, and shall translate the restated financial statements at the price of the cessation date.

(5) When disposing of an overseas operation, the Company shall translate the items denominated relating to the overseas operation in foreign currencies under the owners' equity in the balance sheet, and the difference that arises from the translation shall be recorded into the disposal profits and losses of the current period. If the overseas operation is disposed of in part, the Company shall calculate the balance arising from the translation of foreign currency statements of the disposed part by the disposal proportion and shall record the difference into the disposal gains and losses of the current period.

11. Financial instruments

(1) Classification, confirmation and measurement of financial instruments

① Financial assets are classified into the following four categories when they are initially measured:

1) financial assets at fair value through profit or loss of the current period, including transactional financial assets and financial assets at fair value through profit or loss;

2) investments which will be held to their maturity;

3) loans and account receivables; and

4) financial assets available for sale.

② Financial liabilities shall be classified into the following two categories when they are initially measured:

1) financial liabilities at fair value through profit or loss including transactional financial liabilities and designated financial liabilities at fair value through profit or loss; and

2) other financial liabilities.

③ Financial assets or financial liabilities at fair value through profit or loss

Such financial assets or financial liabilities are further classified into transactional financial assets or financial liabilities and designated financial assets or financial liabilities at fair value through profit or loss.

Transactional financial assets or financial liabilities refer to financial assets the Company holds for resale in the near future or financial liabilities the Company assumes but will repurchase in the near future.

Designated financial assets or financial liabilities at fair value through profit or loss refer to financial assets or financial liabilities the Company designated for the purposes of risk management and strategic investment.

For financial assets or financial liabilities at fair value through profit or loss, the initial confirmed cost shall be the fair value at the time of acquisition, and relevant transaction expenses shall be recorded into profits and losses at the time of occurrence. Declared but not yet paid dividends or bond interest payable but not yet received included in the price shall be recognized separately as receivables.

Interest or dividend in cash received from financial assets or financial liabilities at fair value through profit or loss during the period shall be recorded into investment income. On the balance sheet date, the changes to the fair value of financial assets or financial liabilities at fair value through profit or loss shall be recorded into the current profits and losses.

When financial assets or financial liabilities at fair value through profit or loss are disposed of, the difference between fair value and the initial measurement amount shall be recorded into investment income and the fair value gain or loss shall be adjusted.

④ Investments held to maturity

Investments which will be held to their maturity (held-to-maturity investments) are non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the Company has the positive intention and ability to hold to maturity.

Held-to-maturity investments are initially measured at the sum of the fair value at the time of acquisition and transaction expenses. Declared but not yet paid dividends or bond interest payable but not yet received included in the price shall be recognized separately as receivables.

Held-to-maturity investments are subsequently measured at amortized cost using the effective interest method; gains and losses arising from de-recognition, impairment or amortization is recognized in profit or loss for the current period. The effective interest shall be determined when the held-to-maturity investments are acquired, and shall remain unchanged within the predicted term of existence or within a shorter applicable term. Where the difference between effective interest rate and the coupon rate is small, the income can be recognized by the coupon interest.

When held-to-maturity investments are disposed of, the difference between the acquisition price paid and the carrying amount shall be recorded into investment income.

⑤ Loans and accounts receivable

Loans refer to loans issued by financial institutions on the current market conditions. Loans are initially measured by the sum of the principal and transaction expenses. The interest income of loans during the effective term shall be calculated by the effective interest method. The effective interest shall be determined when loans are received, and shall remain unchanged within the predicted term of existence or within a shorter applicable term. Where the difference between effective interest rate and the contractual rate is small, the income can be recognized by the contractual interest.

Accounts receivables refer to the Company's accounts receivable from sales of goods or provision of services and the initial recognition is usually based on the price or rate under contract or agreement payable by the buyer. When loans and account receivables are collected or disposed of, the difference between the collected price and the carrying amount of the loan or receivable shall be recorded into the current profits and losses.

⑥ Financial assets available for sale

Financial assets available for sale (available-for-sale financial assets) are non-derivative financial assets that are designated as available for sale and those financial assets in addition to those above mentioned.

Available-for-sale financial assets are initially measured by the sum of the fair value of the assets and transaction expenses. Declared but not yet paid dividends or bond interest payable but not yet received included in the price shall be recognized separately as receivables.

Interest or dividend in cash received from available-for-sale financial assets during the period shall be recorded into investment income. On the balance sheet date, available-for-sale financial assets shall be measured at fair value, and gains and losses arising from changes in fair value be recorded into the other comprehensive income.

When available-for-sale financial assets are disposed of, the difference between the obtained price and the carrying amount of the available-for-sale financial assets shall be recorded into the current profits and losses. Meanwhile, the disposed amount corresponding to the aggregate changes in fair value initially recorded under owners' equity shall be transferred out and recorded into investment income.

⑦ Other financial liabilities

Other financial liabilities refer to financial liabilities other than the financial liabilities at fair value through profit or loss. Usually, bonds issued by the Company, accounts payable for buying goods and long-term accounts payable shall be categorized as other financial liabilities.

Other financial liabilities shall be initially measured by the sum of the fair value and transaction expenses. Other financial liabilities are usually subsequently measured by amortized cost.

(2) Transfer of financial assets

The Company derecognizes financial assets when the Company transfers substantially all the risks and rewards of ownership of the financial assets. The Company shall not derecognize financial assets when the Company retains substantially all the risks and rewards of ownership of the financial assets. Derecognition refers to writing off financial assets or financial liabilities from the Company's account and balance sheet. On de-recognition of a financial asset in its entirety, the difference between the follows is recognized in profit or loss of the current period.

① The carrying amount of transferred financial assets;

② The sum of the consideration received and any cumulative gain or loss that had been recognized directly in owners' equity (if the transferred financial assets are available-for-sale financial assets).

If any transferred asset is part of a financial asset and the transferred part qualifies for de-recognition in its entirety, the previous carrying amount of the financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the relative fair values of those parts on the date of the transfer. The difference between the follows is recognized in profit or loss of the current period:

① The carrying amount allocated to the part derecognized;

② The sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to it that had been recognized directly in equity (if the transferred financial assets are available-for-sale financial assets).

When the Company retains substantially all the risks and rewards of ownership of the financial asset, the Company shall continue to recognize the transferred financial asset in its entirety, and record the received consideration as a financial liability.

(3) Termination of recognition of financial liabilities

When the prevailing obligations of a financial liability are relieved in all or in part, the recognition of the financial liability can be terminated in whole or in part.

(4) Determination of the fair value of financial assets and financial liabilities

Fair value refers to the price receivable for selling an asset or the price payable for transferring a liability by a market participant through an orderly transaction at the measurement date. The Company classifies the inputs for measuring fair value by three levels and uses the first-level inputs first, then the second-level inputs, and lastly the third-level inputs.

Inputs at the first level refer to the unadjusted quotation of the same asset or liability obtainable in the active market at the measurement date. Active market refers to can continuously provide the said assets or liabilities' quotation of transaction and frequency of transaction.

Inputs at the second level refer to directly or indirectly observable inputs regarding relevant assets or liabilities other than the first-level inputs.

Inputs at the third level refer to unobservable inputs regarding relevant assets or liabilities.

(5) Impairment testing and impairment provision for financial assets (not including accounts receivable)

① For held-to-maturity investments and loans, where there is any objective evidence proving that such financial assets have been impaired, an impairment provision shall be made for the difference between the carrying value and the current value of the predicted future cash flow.

② Usually, the fair value of available-for-sale financial assets suffer significant impairment loss, or the decline is predicted to be non-contemporary, impairment loss can be deemed to have occurred to the said available-for-sale financial assets and impairment provision shall be made. Where available-for-sale financial assets are impaired and impairment loss is recognized, the aggregate loss incurred to the fair value recorded under owners' equity shall be transferred out and recorded into impairment loss.

12. Accounts receivable

(1) Bad debt provision for individually significant accounts receivable

① Basis for defining individually significant receivables and the standard amount

The Company defines top ten accounts receivable and other receivables in the closing balance as individually significant receivables.

② Measurement of the provision for impairment of individually significant receivables

Receivables that are individually significant are subject to separate impairment assessment, and if there is objective evidence that impairment loss has occurred, a provision for impairment of the receivable is established by the difference between the carrying amount and the current value of the predicted future cash flow, while if there is no impairment loss, impairment assessment is made of receivables grouped on the basis of credit risks. Receivables that have been confirmed to have suffered impairment loss are excluded from the impairment assessment of grouped receivables.

(2) Accounts receivable measured for impairment by group

Basis of grouping:

Group 1	Related party receivables
Group 2	Deposits and guarantees receivable
Group 3	Non-related party receivables from goods circulating entities
Group 4	Non-related party receivables from manufacturing entities
Group 5	Non-related party receivables from financial insurance entities
Group 6	Receivables arising from factoring services
Group 7	Non-related party receivables from futures entities

Method of making provisions by group:

Group 1	No provision
Group 2	No provision
Group 3	Aging analysis
Group 4	Aging analysis
Group 5	Individual recognition
Group 6	Risk classification
Group 7	Aging analysis

(All amounts are stated in RMB Yuan unless otherwise stated)

Method of making provisions for Group 3:

Aging	Accounts receivable	Other receivables
1-6 months	0%	0%
7-12 months	5%	5%
1-2 years	10%	10%
2-3 years	20%	20%
3-5 years	50%	50%
Over 5 years	100%	100%

Method of making provisions for Group 4:

Aging	Accounts receivable	Other receivables
Within 1 year (including 1 year)	5%	5%
In which: 6 months (including 6 months) for large transactions	0%	0%
1-2 years	10%	10%
2-3 years	30%	30%
3-5 years	50%	50%
Over 5 years	100%	100%

Method of making provisions for Group 6:

Classification of loans and advances	Percentage
Normal	1%
Focus	2%
Sub-prime	25%
Dubious	50%
Losing	100%

Method of making provisions for Group 7:

Aging	Accounts receivable	Other receivables
Within 1 year	3%	3%
1-2 years	10%	10%
2-3 years	30%	30%
3-4 years	50%	50%
4-5 years	80%	80%
Over 5 years	100%	100%

Notes:

① Bad debt provisions for the futures industry are made by the allowance method in combination with the similar credit risk grouping (aging analysis) method.

② No provision is made for receivables like employee borrowings, subsidiary allowances and advances to futures companies.

(3) Objective basis for determining impairment loss to receivables:

Where at the year end there is objective evidence showing that impairment loss has occurred to receivables, the carrying value shall be recorded down to the recoverable amount and the difference shall be recognized as impairment loss and recorded under the current profits and losses. The recoverable amount is determined by discounting the future cash flow (not including credit loss that has not yet occurred) by the original real interest rate and considering the value of relevant security (deducting the estimated disposal expense). The original real interest rate refers to the real interest rate determined at the initial recognition of receivables. As the difference between the predicted future cash flow of short-term receivables and their current value is small, their predicted future cash flow is not discounted when determining the impairment loss.

At the yearend receivables (including accounts receivable, notes receivable, advances and other receivables) are classified into groups with similar credit risks through aging analysis and provisions are made at a specific percentage for different groups.

(4) Receivables which are not significant, but individual provision for bad debt needed

① Reason for making provision individually

There are objective evidences that impairment loss has occurred. For instance, the debtor has serious financial difficulties and will default.

② Method of provision

If there are objective evidences showing impairment loss has occurred to a receivable, the receivable will be separated from the credit risk group and subject to individual impairment assessment. A provision for impairment of the receivable is established by the difference between the carrying amount and the current value of the predicted future cash flow.

(4) Method of provision for other receivables

For notes receivable, prepayments, interest receivable, dividend receivable and long-term receivables, impairment testing should be carried out by the individual identification method. If there is objective evidence that impairment has occurred, a provision for impairment of the receivable is established by the difference between the carrying amount and the current value of the predicted future cash flow.

13. Inventories

(1) Classification of inventories

The company's inventories include raw materials, goods in process, semi-finished goods, finished goods and revolving materials.

(2) Measurement of inventories issued

Inventories are measured by the weighted average method at the time of issue.

(3) Recognition of the net realizable value and measurement of provision for value impairment of inventories

On the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the cost of inventories is higher than the net realizable value, a provision for value impairment of inventories is recognized and recorded into the profits and losses of the current period. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes.

The net realizable value of inventories is determined as follows:

① The net realizable value of inventories of goods for sale including finished goods and materials for sale is the estimated selling prices less the estimated costs necessary to make the sale and relevant taxes.

② The net realizable value of inventories of materials to be processed is the estimated selling prices of the finished goods less the estimated costs of completion and the estimated costs necessary to make the sale and relevant taxes.

③ On the balance sheet date, where part of the same inventory has a contract price while other parts have no such a contract price, the net realizable value shall be determined separately and the amount of impairment provision or reversal shall be determined by comparing with the corresponding costs.

Impairment provision for inventories shall be made individually or by category of inventories. Where an inventory involves goods produced and to be sold in the same region, to be used for the same or similar purpose, and cannot be measured separately from other items, impairment provision shall be made on an aggregate basis.

(4) Stock count for inventories

The perpetual inventory system is adopted for stock count.

(5) Amortization methods of low-value consumables and packaging materials

Low-value consumables and packaging materials are written off in full when issued for use.

14. Recognition standards of and accounting treatment for available-for-sale assets

(1) Recognition standards

The Company recognizes the components of the Company (or non-current assets, same as below) as assets available for sale when they meet all the following requirements: The components can be sold immediately as per the regular terms for selling this type of components under the current circumstances; The relevant authority of the Company has made resolutions to dispose of the component, and in the case of the approval of shareholders is necessary as per regulations, the relevant approval has been obtained from the Shareholder Meeting or other relevant authority; The Company has signed the irrevocable transfer agreement with the acquiring party; and the transfer shall be completed within one year.

(2) Accounting treatment

Fixed assets available for sale are not subject to depreciation and shall be measured by the lower of the carrying amount and the fair value less the disposal expenses.

15. Long-term equity investments

Long-term equity investments refer to equity investments the Company has made in the investee to obtain control right or significant influence and investments in joint ventures.

(1) Initial cost measurement

Except for long-term equity investments formed through external acquisition, long-term equity investments obtained by other means measure their initial investment cost by the following provisions:

① If the long-term equity investment is acquired in cash consideration, the initial cost is the actual payment which includes direct expenses paid to acquire the long-term equity investment, taxes and other necessary expense;

② If the long-term equity investment is acquired by issuing equity securities, the initial cost is the fair value of the equity securities issued;

③ For the long-term equity investment acquired through non-monetary asset exchange, the initial cost is recognized according to "Accounting Standard for Business Enterprises No. 7: Non-monetary transactions";

④ For the long-term equity investment acquired through debt restructuring, the initial cost is recognized according to "Accounting Standard for Business Enterprises No. 12: Debt restructuring".

(2) Subsequent measurement and recognition of profit and loss

① Long-term equity investments enabling the Company to gain control over the subsidiary are accounted for using the cost method.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

② Long-term equity investments where the Company is under common control with (mainly joint ventures) or has significant influence over the investee are measured by the equity method.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Company's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in the current profits or losses, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Company recognizes its share of the net profit or loss of the investee as investment income or loss, and adjusts the carrying amount of the long-term equity investment accordingly. The carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributable to the Company. The share of changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized under owners' equity and the carrying amount of the long-term equity investment is adjusted accordingly.

The net loss incurred by the investee shall be recognized based on the book value of the long-term investment and other investments essentially constituting the long-term equity of the investee till the carrying amount is reduced to zero, except the Company has the obligation to undertake extra losses. Once the investee makes net profit in the future, the Company starts recognizing its share of profits after the share of previously unrealized losses has been recovered. Other changes in owners' equity of the investee other than those arising from net profit or loss shall be charged to the carrying amount of long-term equity investments and recorded into the owners' equity.

When the profits and losses of a long-term equity investment are determined by the equity method, adjustments shall first be made to the net profits of the investee by the fair value of the recognizable assets of the investee, the accounting policies and accounting period at the time of obtaining the investment, and the Company's share of the profits or losses of the investee shall be recorded under current profits and losses.

The percentage of the unrealized profits and losses from internal transactions with associates and joint ventures which belong to the Company by the proportion of investment shall be recognized after offsetting.

For long-term equity investments the Company had already held in associates and joint ventures before January 1, 2007, if there is equity investment debit balance involving the said investment, the investment profit or loss shall be recognized after the equity investment debit balance is deducted by the remaining term straight-line amortization method.

(3) Basis for judging whether the Company is under common control with or has significant influence over the investee

Common control refers to the contractually agreed sharing of control over a certain arrangement, and exists only when the decision relating to the activity has the unanimous consent of the parties sharing the control. The first standard for judging whether common control exists is whether all parties or a combination of parties share the control over the arrangement. If all parties or a group of parties must act unanimously in order to adopt a decision concerning an arrangement and relevant activities, they shall be deemed to share the common control. The second judgment is whether all parties sharing the control must give consent to the decision concerning the arrangement and relevant activities. If two or more combinations of parties can control an arrangement, then common control does not exist. To judge whether common control exists, protective rights are not considered.

(All amounts are stated in RMB Yuan unless otherwise stated)

Significant influence refers to the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. To judge whether significant influence over the investee exists, the key consideration is the influence of the voting securities the investor holds in the investee and the currently executable potential voting rights the investor and other parties own and can be exercised during the current period, assuming that they translate into equity share in the investee, including the current convertible stock options, stock future and corporate bonds issued by the investee.

16. Investment real estate

Investment real estate refers to real estate property held for earning rental and/or capital appreciation, including use right of leased land, land use right held for transfer after appreciation, and rented buildings. Investment property is initially measured at the cost of acquisition, and subsequent measurement is made by the fair value model on the balance sheet date.

The Company adopts the fair value model for subsequent measurement and does not make depreciation provision or amortization on investment real estate assets. Instead, the Company adjusts the carrying amount on the basis of the fair value of investment real estates on the balance sheet date, and recognizes the difference between the fair value and the original carrying amount under the current profits and losses. The fair value of investment real estates on the balance sheet date depends on the appraisal of competent agencies.

17. Fixed assets

(1) Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when they meet the following requirements:

① it is probable that economic benefits associated with the asset will flow to the Company; and

② the cost of the asset can be measured reliably.

(2) Depreciation methods

Depreciation is provided to write off the cost of each category of fixed assets after deducting their estimated residual values over their estimated useful lives from the month after they are brought to working condition for the intended use, using the straight-line method. The useful lives, estimated net residual values rates and annual depreciation rates of each class of fixed assets are as follows:

Category	Depreciation method	Useful life (years)	Residual Value	Annual Depreciation
Buildings	Straight-Line Depreciation	20-70 years	3.00%-5.00%	1.36%-4.85%
Aircraft & engine	Straight-Line Depreciation	10 years	0.00%	10.00%
Machinery	Straight-Line Depreciation	10 years	3.00%-5.00%	9.50%-9.70%
Vehicles	Straight-Line Depreciation	4-5 years	3.00%-5.00%	19.00%-24.25%
Electronics	Straight-Line Depreciation	3-5 years	3.00%-5.00%	19.00%-32.33%
Furniture & appliances	Straight-Line Depreciation	5 years	3.00%-5.00%	19.00%-19.40%
Others	Straight-Line Depreciation	5 years	3.00%-5.00%	19.00%-19.40%

(2) Basis for recognition and measurement of fixed assets acquired through lease

Leased fixed assets are recognized when all the risks and rewards related to the ownership of assets are transferred substantially. Specifically, they are recognized when:

① At the expiration of the lease period, the ownership of the leased asset is transferred to the lessee;

② The lessee has the option to purchase the leased assets at a price which is expected to be far lower than the fair value of the leased asset, and thus on the lease beginning date it is reasonably certain that the lessee will exercise the option;

③ Even if the ownership of the assets is not transferred, the lease term covers most of the useful life of the leased assets;

④ The present value of the minimum rental the lessee pays is almost equal to the fair value of the leased assets on the lease start date;

⑤ The leased assets are of a specialized nature so that without major modifications only the lessee can use the assets.

Valuation method for fixed assets acquired through financing lease: The initial valuation of fixed assets acquired through financing lease is the lower between the fair value of the leased assets and the present value of the minimum lease payment on the lease beginning date.

The subsequent measurement of leased assets shall be consistent with the depreciation policy for owned assets depreciation and impairment provision.

18. Construction in progress

(1) Construction in progress is measured at actual costs including various construction expenditures during the construction and renovation period and other relevant costs.

(2) Construction in progress is transferred to a fixed asset when it is ready for intended use.

19. Borrowing costs

(1) Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are capitalized and recorded into asset costs. Assets qualifying for capitalization are fixed assets, investment properties and inventories which will reach the expected state of usefulness or be available for sale through construction or production lasting a considerable long time (normally one year or longer). Other borrowing costs shall be recognized as expenses on the basis of the actual amount incurred, and shall be recorded into the current profits and losses. Borrowing costs include loan interest, amortization of depreciation or appreciation, ancillary expenses and foreign exchange translation difference.

(2) The borrowing costs shall not be capitalized unless they simultaneously meet the following requirements:

① The asset disbursements have already incurred, including cash payment, transfer of non-monetary assets or assumption of interest-bearing debts for acquiring or producing qualifying assets;

② The borrowing costs have already incurred;

③ The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale.

Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than 3 months. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recorded into the profits and losses of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

(3) During the capitalization period, the amount of interest (including amortization of depreciation or appreciation) shall be capitalized by the following provisions:

① As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

② Where funds are borrowed under general-purpose borrowings, the Company determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowing.

Amortization of depreciation or appreciation of borrowings shall be made by the effective interest rate method for each accounting period, and the amount of interest shall be adjusted accordingly.

During the capitalization period, the capitalized amount during each accounting period shall not exceed the actually incurred interest of the same period.

(4) Ancillary costs for specific-purpose borrowings shall be capitalized at the time of occurrence, and recorded into the cost of assets qualifying for capitalization, if they occur before the assets eligible for capitalization under construction or production reach the expected state of usefulness or are ready for sales; or shall be recognized as expenses at the time of occurrence and recorded into current profits and losses, if they occur after the assets eligible for capitalization under construction or production reach the expected state of usefulness or are ready for sales. Ancillary costs for general-purpose borrowing shall be recognized as expenses at the time of occurrence and recorded into current profits and losses.

20. Intangible assets

(1) An intangible asset is an identifiable non-monetary asset without physical substance owned or controlled by the Company. An intangible asset is initially measured at cost. The useful life of an intangible asset shall be analyzed when it is first acquired.

(2) The Company determines the useful life of an intangible asset with the following considerations:

① Usual life cycle of goods produced with the said assets and available information of useful life of similar goods;

② Current information of technology and processes and prediction of future trends;

③ Market demand for goods produced or services provided with the said assets;

④ Anticipated actions of current or potential competitors;

⑤ Expenses to maintain the ability of the said assets to generate economic benefits and ability of the Company to predict relevant expenses;

⑥ Laws restricting the term of use of the said assets or similar restrictions such as license term and lease term;

⑦ Relevancy with the useful life of other assets the Company holds.

Where the term of benefits an intangible asset can bring to the Company is unpredictable, such an intangible asset is deemed as having undefined useful life.

(3) For an intangible asset with finite useful life, the Company estimates its useful life at the time of acquisition and amortizes it during its useful life in a reasonable and systematic way, and reviews the useful life and amortization method at least at each financial year-end and makes changes if the useful life and method of amortization are different.

An intangible asset with a finite useful life is amortized using the straight-line method over its useful life, and each intangible asset's useful life and residual value are as follows:

Name	Useful life	Residual value
Land use right (not including investment real estate)	Operating or land use term	0%
Industrial property rights and proprietary technology	5-15 years	0%
Trademark use rights	10 years	0%
Software licenses	10 years	0%
Transaction seat fees	10 years	0%

(4) Intangible assets having undefined useful life are not amortized.

(5) Internal research and development

① Expenditures for its internal research and development projects of an enterprise shall be classified into research expenditures and development expenditures, in which

1) The term "research" refers to the creative and planned investigation to acquire and understand new scientific or technological knowledge;

2) The term "development" refers to the application of research achievements and other knowledge to a certain plan or design, prior to the commercial production or use, so as to produce any new material, device or product, or substantially improved material, device and product.

② Development expenditures for its internal research and development projects that occur in the phase of research are recorded into the current profits and losses. Development expenditures for its internal research and development projects of an enterprise may be confirmed as intangible assets when they satisfy the following conditions:

1) It is feasible technically to finish intangible assets for use or sale;

2) It is intended to finish and use or sell the intangible assets;

3) The usefulness of methods for intangible assets to generate economic benefits shall be proved, including being able to prove that there is a potential market for the products manufactured by applying the intangible assets or there is a potential market for the intangible assets itself or the intangible assets will be used internally;

4) It is able to finish the development of the intangible assets, and able to use or sell the intangible assets, with the support of sufficient technologies, financial resources and other resources; and

5) The development expenditures of the intangible assets can be reliably measured.

21. Impairment of long-term assets

For long-term equity investments, fixed assets, construction in progress, intangible assets and other long-term non-financial assets, the Company judges at end of each period whether there are signs of impairment. Goodwill and intangible assets with indefinite useful life, regardless of any sign of impairment, are tested annually for impairment.

Where there is indication of the impairment of assets, the recoverable amount is estimated. The recoverable amount is higher of the net value of fair value of assets less the disposal cost and the present value of predicted future cash flows the assets are expected to generate.

If the estimation of the recoverable amount shows that the recoverable amount of an asset is less than its carrying value, the carrying value of the asset is recorded down to its recoverable amount and the reduction is recognized as asset impairment loss and recorded under current profits or losses, and corresponding asset impairment provision is made.

After impairment loss is recognized, depreciation or amortization expenses of assets will be reflected accordingly in the statements for future periods so that the adjusted book value of the assets (less the estimated residual value) is amortized systematically within the remaining useful life.

When an impairment test of goodwill is conducted, the carrying amount of goodwill generated through business combination is amortized to related asset groups since the date of purchase on a reasonable basis; if it is difficult to allocate to related asset combinations, it is allocated to the relevant asset combination groups. When the carrying value of goodwill is allocation to the related asset combinations or asset combination groups, the allocation is made by the fair value of each asset combination or asset combination group as a proportion of the total fair value of relevant assets. When the fair value is difficult to be measured reliably, the allocation is made according to the book value of relevant assets or asset groups as a proportion of the total book value of relevant assets. When asset combinations or asset combination groups containing goodwill is under impairment test, if there are signs impairment, the relevant asset combinations or asset combination groups are excluded from the goodwill impairment test. Then, the recoverable amount is calculated, and impairment loss is recognized by comparing with the relevant carrying value. Then, impairment test is made of the asset combinations or asset combination groups containing goodwill, comparing the book value of the said assets (including the carrying value of the allocated goodwill) with its recoverable amount. If the recoverable amount of the asset combinations or combination groups is lower than their book value, the goodwill impairment loss is recognized and the goodwill impairment loss is recorded into the current profits or losses.

When an impairment loss is recognized, it cannot be reversed in a subsequent period.

22. Long-term expenses to be amortized

Long-term expenses to be amortized are various expenditures incurred but that should be allocated over the current and future periods of more than one year (not including one year). Long-term prepayments are evenly amortized over the respective beneficial period. Where a long-term prepayment project cannot generate benefits in any future accounting period, the unamortized value is recorded into the current profits and losses.

23. Management and accounting methods for client margin

The money deposit the Company has received from clients or clearing members have received from non-clearing members under the graded clearing system is deposited in full into the Company's designated futures margin deposit account and subject to closed management. It is recognized as a liability, and settled with clients or non-clearing members.

All branches of the Company are subject to unified billing, unified risk management, unified capital allocation, unified financial management and accounting.

24. Management and accounting methods for collaterals

Except for money margin, client margin can be bonds available for trading, standard warrants to be exchanged or other securities recognized by the exchange. The term shall not exceed the validity of securities, and the collaterals are recognized as having been received after the completion of formalities at futures exchanges.

Securities used to offset margin apply only to transactions, whereas any loss incurred by members, payments and other fees shall be settled in cash in a timely manner.

25. Accounting for physical delivery

By the delivery settlement price published by the exchange, the Company settles delivery positions and payment clearing and settlement with clients in synchronism with the exchange with no outstanding balance at the end of month.

26. Futures risk reserve accounting method

(1) Methods and proportion of futures risk provisioning

The futures risk reserve is 5% of the Company's fee income from futures transactions

When the risk loss occurs, the loss of the Company due to its own reasons, after deduction of losses to be borne by the responsible parties, are offset from the futures risk reserve.

(2) Recognition and accounting methods of risk provisioning

Any loss which is caused by a single instruction error during the transaction and has been open and risk loss of clients which the Company has advanced and is difficult to recover is recognized as a risk loss. When the risk loss occurs, the loss of the Company due to its own causes, deducting what the responsible parties should bear, is offset against the futures risk reserve. Allowance method of accounting is adopted.

27. Employee compensation

(1) Scope of employee compensation

Employee compensation refers to all kinds of payments and other relevant expenditures given by an enterprise in exchange of the services offered by the employees or the cancellation of the labor relationship with the employees. Employee compensation includes short-term compensation, post-employment benefits, termination benefits and other long-term employee benefits. The benefits the Company grants to the spouse, children and dependents of employees, or to the surviving family members of deceased employees and other beneficiaries shall also belong to employee compensation.

(2) Short-term compensation refers to employee compensation which must be paid in full within 12 months after the end of the accounting year when the employees in question render relevant services. Short-term compensation includes wage, bonus, allowance and subsidies; social security contributions including employee benefits, medical insurance, work injury insurance and maternity insurance; contribution to housing provident fund, labor union fee, employee education expenses; short-term paid leave and short-term profit sharing scheme; non-monetary welfare and other short-term payments. Short-term employee compensation shall be recognized as liabilities by the actual occurrence and recorded under current profits and losses or relevant capital cost for the accounting period when the employees render services for the Company.

(3) Post-employment benefits refer to all kinds of payments and benefits the Company grants to its employees after they retire or cancel the labor relationship with the Company in exchange for their services, excluding short-term compensation and termination benefits.

Post-employment benefits include defined contribution plans and defined benefit plans. Under a defined contribution plans, the Company pays fixed contributions to a fund, but has no legal or constructive obligation to make further post-employment payments; defined benefit plans refer to other post-employment benefit plans other than a defined contribution plan.

Defined contribution plans include basic pension and unemployment insurance. The contributions payable under defined contribution plans shall be recognized as liabilities and recorded under current profits and losses or relevant capital costs for the period when the employees render services for the Company.
At the end of reporting period, the employee compensation from defined benefit plans shall include:
① Service costs, including current service cost, previous service cost and settlement gains or losses;
② Net interest of net liability or asset based on defined benefit plans, including interest income from plan assets, interest expenses for defined benefit obligations, and interest affected by asset limits; and
③ Changes arising from re-measurement of net liability or net asset of defined benefit plans.
Unless other accounting standards require or allow employee benefits to be recognized as capital cost, items ① and ② above shall be recorded under current gains and losses, and item ③ above shall be recorded under other comprehensive income, and the amounts recognized as other comprehensive income must not be reversed into gains and losses in subsequent accounting periods but can be transferred within the scope of equity.

Under defined benefit plans, previous service cost shall be recorded as current expenses on the earlier of the following dates:
1) When the defined benefit plans are modified; or
2) When the Company confirms relevant reorganization expenses or termination benefits.
Settlement gains or losses are confirmed when a defined benefit plan is settled.

(4) Termination benefits
Termination benefits refer to compensations the Company offers to employees for cancellation of labor relationship or as incentive for employees to accept job cut before the contract expires.
Where the Company offers termination benefits, such benefits shall be recognized as employee compensation liability on the earlier of the following dates and recorded under current gains and losses: when the Company cannot unilaterally repeal the offer of termination benefits in exchange for cancellation of labor relationship or acceptance of job cut; or when the Company confirms relevant costs or expenses related to the restructuring of termination benefits.

(5) Other long-term employee benefits
Other long-term employee benefits refer to all employee compensations in addition to short-term compensation, post-employment benefits and termination benefits, including long-term paid leave, long-term disability benefits, and long-term profit-sharing schemes.
Other long-term employee benefits which qualify as defined contribution plans shall be treated by the same provisions for defined contribution plans above.
Other long-term employee benefits which do not qualify as defined contribution benefits shall be recognized and measured as net liability or net asset by the same provisions for defined benefit plans above. At the end of the accounting year, the employment compensation from other long-term employee benefits shall include:

① Service costs;

② Net interest of net liability or net asset from other long-term employee benefits; and

③ Changes arising from re-measurement of net liability or net asset of other long-term employee benefits.

To simplify relevant accounting treatment, the total net amount of the three items above shall be recorded under current profits and losses or relevant capital costs.

28. Estimated liabilities

Obligations associated with contingent matters are recognized as estimated liabilities if they satisfy the following conditions:

(1) The obligation is a current obligation of the Company;

(2) Performance of the obligation is likely to lead to an outflow of economic benefits;

(3) The amount of the obligation can be measured reliably.

Estimated liabilities shall be initially measured by the best estimate of expenditure required to settle the present obligation.

29. Share-based payment

(1) Types of share-based payment

Share-based payments are classified into equity-settled share-based payments and cash-settled share-based payments.

"Equity-settled share-based payment" refers to a transaction in which the Company grants shares or other equity instruments as a consideration in return for services. Equity instruments for this purpose are the Company's own equity instruments.

"Cash-settled share-based payment" refers to a transaction of payment of cash or any other asset obligation calculated and determined on the basis of shares or other equity instruments undertaken by the Company in return for services.

(2) Methods to determine the fair value of equity instruments

The fair value of options and other equity instruments for which there is an active market is determined according to the active market quotations. The fair value of options and other equity instruments for which there is no active market is determined by the option pricing model which shall be adopted with the following considerations:

① The exercise price of the option;

② Life of the option;

③ The current price of the underlying shares;

④ Expected share price volatility;

⑤ Expected share dividends;

⑥ Risk-free interest rate within the validity period.

(3) Basis for making the best estimate of equity instruments

On each balance sheet date during the vesting period, the Company makes the best estimate based on subsequent information such as the latest changes to the number of employees vesting, and revise the number of equity instruments expected to vest in order to make the best possible estimate of equity instruments.

(4) Accounting treatments for the implementation, modification, termination of share-based payment plans

① Equity-settled share-based payment immediately exercisable after the grant in return for employee services is recognized as cost or expense by the fair value of equity instruments on the grant date and a corresponding increase in capital reserves is made.

As to a equity-settled share-based payment in return for employee services, if the option cannot be exercised until the vesting period comes to an end or until the prescribed performance conditions are met, then on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the number of vested equity instruments, be included in the relevant costs or expenses and the capital reserves at the fair value of the equities instruments on the date of the grant.

If, on the balance sheet date, the subsequent information indicates that the number of vested equity instruments is different from the previous estimate, an adjustment shall be made and on the vesting date, the estimate shall be adjusted to equal the number of the actually vested equity instruments.

The Company shall, after the vesting date, make no adjustment to the relevant costs or expenses as well as the total amount of the owner's equities which have been confirmed. On the vesting date, the Company shall, based on the number of the equity instruments of which the option is actually exercised, calculate and confirm the value of capital stock and premium and at the same time transfer it in the capital reserve or other capital surplus.

② As to a cash-settled share-based payment instruments, if the option may be exercised immediately after the grant, the fair value of the liability undertaken by the Company shall, on the date of the grant, be included in the relevant costs or expenses, and the liabilities shall be increased accordingly.

As to a cash-settled share-based payment, if the option may not be exercised until the vesting period comes to an end or until the specified performance conditions are met, on each balance sheet date within the vesting period, the services obtained in the current period shall, based on the best estimate of the information about the exercisable option, be included in the relevant costs or expenses and the corresponding liabilities at the fair value of the liability undertaken by the Company.

The Company shall, on each balance sheet date and on each account date prior to the settlement of the relevant liabilities, re-measure the fair values of the liabilities and include the changes in the current profits and losses.

30. Accounting for margin trading

Securities margin trading is about lending money to clients to buy listed securities (financing) or lend them listed securities (securities lending) for them to sell, while the Company obtains collaterals.

In financing, financing interest income is calculated as a percentage of the principal actually lent to clients and recognized on a deal by deal basis according to the actual use of funds and the time of use.

In securities lending, securities lent out which does not satisfy the conditions for terminating recognition continue to be classified as available-for-sale financial assets and subsequent measurement is made accordingly. According to the actual market value of the securities sold by the client and the time of use, interest income is recognized on a deal by deal basis.

Securities transaction fee income from margin trading is treated by the accounting method for securities brokerage and the net operating income from securities trading agency is separately recognized.

31. Accounting method for reverse repurchase and repurchase

Reverse repurchase refers to the act of CEFC Securities Company buying the underlying asset (including bonds and notes) the counterparty in accordance with certain contract or agreement terms at a certain price, while the Company agrees to resell the same financial products at an agreed resale price on the expiration date of the contract or agreement. Reverse repurchase is recognized by the actual payment to buy the underlying asset.

Repurchase refers to the act of CEFC Securities Company selling assets (including bonds and notes) counterparties in accordance with the contract or agreement terms at a certain price, while the Company agree to buy back the same financial products on the maturity date of the contract or agreement at an agreed repurchase price. Repurchase is recognized by the actual receipts when the said assets are sold under repurchase agreements. Financial products sold are still presented in the Company's balance sheet by the original classification, and accounted for in accordance with the relevant accounting policy.

Interest income and expenses related to reverse repurchase and repurchase is recognized by the actual average effective interest rate during the resale or repurchase period.

32. Goodwill

Goodwill is the difference between the combination cost the Company has paid to obtain control over the other company and the fair value of the identifiable net assets to be acquired under the combination involving enterprises not under common control with the Company as the purchaser. After the initial recognition, Goodwill shall be its cost minus the accumulated depreciation. Goodwill is transferred out when an asset group is disposed of and recorded into the current profits or losses. The Company does not amortize goodwill, but conducts an impairment test at least at each year-end.

33. Revenue

(1) Operating revenue includes revenue from the sale of goods, revenue arising from the rendering of services, revenue arising from the use by others of the Company's assets, and revenue from contract energy management.

(2) Revenue from sale of goods

The Company recognizes revenue from sale of goods when all the following conditions have been satisfied:

① The Company has transferred to the buyer the significant risks and rewards of ownership of the goods;

② The Company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;

③ The relevant amount of revenue and costs can be measured reliably;

④ The economic benefits associated with the transaction will flow to the Company and

⑤ Costs already incurred or to be incurred can be measured reliably.

(3) Revenue arising from the rendering of services

Revenue associated with the transaction is recognized by reference to the stage of completion of the transaction on the balance sheet date. The service revenue is recognized at the balance sheet date according to the percentage of completion of the services when:

① the total revenue and total cost can be reliably measured;

② the economic benefit pertaining to the service will flow to the Company;

③ the percentage of completion can be determined reliably; and

④ Costs already incurred to be incurred can be measured reliably.

The Company adopts the following methods to ascertain the percentage of completion under the transaction concerning the rendering of services:

1) measurement of the work completed;

2) proportion of the services provided against the total services to be provided; and

3) proportion of the costs incurred against the estimated total costs.

On the balance sheet date, the Company recognizes the current revenue from rendering of services by multiplying the total amount of revenue from rendering services by the percentage of completion less the accumulative revenues from that have been recognized in the previous accounting periods. At the same time, the Company recognizes the current cost of rendering services by multiplying the total amount of revenues arising from the rendering of services by the percentage of completion less the accumulative revenues from the rendering of services.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably on the balance sheet date, revenue is recognized according to the following:

<1> When it is probable that the Company will recover the transaction costs incurred, revenue is recognized only to the extent of the expenses recognized that are recoverable, and the costs incurred are recognized as an expense;

<2> When it is not probable that the costs incurred will be recovered, revenue is not recognized and the costs incurred are recognized as an expense.

(4) Revenue arising from the use by others of the Company's assets

Revenue arising from the use by others of the Company's assets includes interest revenue and royalty revenue. The Company recognized revenue arising from the use by others of the Company's assets when:
① it is probable that the economic benefits associated with the transaction will flow to the Company; and
② the amount of the revenue can be measured reliably.

The Company determines the amount of revenue arising from the use by others of the Company's assets as follows:

1) interest revenue is calculated by the time period of use by others of the Company's cash and the effective interest rate;

2) royalty revenue is calculated by the time period subject to royalty and the method of calculation under contract or agreement.

(5) Specific criteria for revenue recognition

① Revenue from sale of goods

The Company's business has three forms: domestic trading, import and entrepot trading.

Revenue recognition basis and methods for different forms of trade are as follows:

1) Revenue from domestic trading and import is recognized by the bill of transfer of rights and receipt confirmation and the amount of income is determined in accordance with the sales contract and the bill of transfer of rights to goods.

2) Revenue from entrepot trading is recognized by the receipt of letter of guarantee, and the amount is determined according to the letter of guarantee and sales contract.

② Fee and commission income:

Agency fee income from trading securities is recognized on the securities trading day. Fee income from securities redemption is recognized after the securities redemption service is complete, and settlement is cleared with the client.

Securities underwriting revenue: For full underwriting business, the underwriting price of securities sold to investors is recognized as securities underwriting income, while the acquisition price of the securities underwritten is the cost for underwriting securities. For balance underwriting or consignment underwriting business, after underwriting services are over, revenue is recognized when the issuing income is settled with the issuer.

Entrusted asset management revenue: Income or loss is recognized when the fiduciary management contract expires and settlement is made with the requester by the percentage stipulated in the contract, and recorded as current profits or losses. If according to the contract management fees are charged by a fixed percentage, the management fee income is recognized by stages. Entrusted asset management is subject to a separate accounting system, and not included in the Company's balance sheet.

Futures companies recognize fees by the rate agreed by the parties per transaction, and fee income is recognized by the net after deduction of fees paid to the futures exchange.

Consulting revenue: Revenue from consulting services is recognized upon the completion of contractual obligations and the actual receipt of revenue.

③ Interest income:

For margin trading, interest income is recognized according to the time of loan of funds or securities and by the agreed interest rate under the contract. For reverse repurchase of securities, when the securities are resold in the current period, the current inform is recognized as the actual difference between the resale price and the cost of buying the same financial products, while if the contract does not expire in the current period, interest income is recognized by the accrual principle and the accrued interest is recorded as current income.

34. Accounting for commissions

Commissions refer to those the Company pays to the intermediary company, and are recognized after the completion of the transaction.

35. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Company at no consideration, not including capital investment in the Company by the government as an owner. Government grants include government grant related to assets and government grant related to income.

A government grant is recognized only when:

(1) the Company can comply with the conditions attaching to the grant; and

(2) the Company will receive the grant the Company.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset. A government grant related to income is a government subsidy the Company obtains other than government grants related to an asset. Government grants related to income shall be treated respectively in accordance with the circumstances as follows:

① if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs are recognized; and

② if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in the current profits and losses.

36. Deferred income tax assets and deferred income tax liabilities

Income tax is treated by the balance sheet liability method. On the balance sheet date, where there are differences between the carrying amount of assets or liabilities in the balance sheet and their tax bases, a deferred tax asset or liability shall be recognized for all those differences and the corresponding deferred income tax expenses (or earnings) shall recognized. The sum of the current income tax payable and the deferred income tax expenses (or earnings) shall be recognized as income tax expenses in the income statement, but not including the income tax influence of transactions or events directed recorded into owners' equity.

The Company assesses the carrying amount of deferred tax assets on the balance sheet date. If it's probable that sufficient taxable profit will not be available against which the deductible temporary difference can be utilized, the Company shall write down the carrying amount of the deferred tax assets.

37. Accounting for general risk reserve

(1) Provision method and percentage

General risk reserve is 10% of net profit by 10%.

(2) Recognition criteria and accounting methods

General risk reserve is used to compensate for the risk of loss, and cannot be used to pay dividends or increase the capital stock.

38. Operating leasing and financial leasing

(1) The Company as an operating lessee

① Lease payments

Operating lease payments, paid and payable, are recognized in the cost of related asset or charged to the current profits or losses.

② Initial direct costs

Initial direct costs incurred are charged to the current profits or losses.

③ Contingent rents

Contingent rents under operating lease are charged to the profits or losses of the period in which they are actually incurred.

④ Incentives from the lessor

Where the lessor provides a rent-free period, the lessee shall amortize the total rents by the straight-line method or other reasonable methods within the lease period without deducting the rent-free period and rental expenses and corresponding liability shall be recognized in the rent-free period. Where the lessor assumes part of the rent, the said rent shall be deducted from the total rents and the remaining rents shall be amortized within the lease period.

(2) The Company as an operating lessor

① Lease payments

Rental income from operating leases is recognized in profits or losses on a straight-line basis over the lease term.

② Initial direct costs

The initial direct costs such as commissions, attorney's fees and traveling expenses, stamp duties directly attributable to the leased item incurred during the process of lease negotiating and signing the leasing agreement shall be recorded in the current profits and losses. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profits or losses on the same basis as rental income over the lease term.

③ Depreciation of leased assets

As for the fixed assets subject to operating leases, the lessor shall calculate the depreciation of the said assets by a depreciation policy for similar assets.

④ Contingent rents

Contingent rents shall be recorded in the profits and losses of the period in which they actually arise.

⑤ Incentives from the lessor

Where the lessor provides a rent-free period, the lessor shall amortize the total rents by the straight-line method or other reasonable methods within the lease period without deducting the rent-free period and rental expenses and corresponding liability shall be recorded into the rent-free period. Where the lessor assumes part of the rent, the said rent shall be deducted from the total rents and the remaining rents shall be amortized within the lease period.

⑥ Treatment of assets subject to operating lease in the financial statements

Under operating lease, all the risks and rewards related to the ownership of an asset still belong to the lessor, so the lessor shall present the said leased asset as its own asset in the balance sheet. If the said leased asset is a fixed asset, the said asset shall be recorded under "fixed assets" in the balance sheet, while if the leased asset is a current asset, the said asset shall be recorded under "current assets" in the balance sheet.

(3) Financial leasing

The Company as a financing lessee

On the lease beginning date, a lessee shall record the lower one of the fair value of the leased asset and the present value of the minimum lease payments on the lease beginning date as the entering value in an account, recognize the amount of the minimum lease payments as the entering value in an account of long-term account payable, and treat the balance between the recorded amount of the leased asset and the long-term account payable as unrecognized financing charges. The unrecognized financing charges are recognized as current financing costs by the effective interest method in each period of the lease term and charged to financial expenses. Initial direct costs incurred are included in value of the leased asset.

For financial leasing, assets are depreciated by the same depreciation policy for the Company's own depreciable assets over the duration under the lease contract. If there is reasonable certainty that the Company will obtain ownership at the expiration of the lease term of the leased asset, life of the leased asset since the lease commencement date shall be the depreciation period; if there is no reasonable certainty that upon the expiration of the lease term the Company will obtain ownership of the leased asset, the shorter of the lease term and the life expectancy of the leased asset is the depreciation period.

The Company as a financing lessor

On the beginning date of the lease term, the Company shall recognize the sum of the minimum lease receipts on the lease beginning date and the initial direct costs as the entering value in an account of the financing lease values receivable, and record the unguaranteed residual value at the same time. The balance between the sums of the minimum lease receipts, the initial direct costs and the unguaranteed residual value, and the sum of their present values shall be recognized as unrealized financing income. The lessor shall calculate the financing income at the current period by the effective interest rate method.

39. Hedge accounting

(1) Hedging classification:

① Fair value hedging refers to a hedging of the risk to changes in the fair value of a recognized asset or liability or a previously unrecognized firm commitment (except for foreign exchange risks).

② Cash flow hedging refers to a hedging of the risk to changes in cash flow. Such changes in cash flow are attributable to a particular risk related to a recognized asset or liability or a highly probable forecast transaction, or an unrecognized foreign exchange risk included in a firm commitment.

③ Net investment hedging in an overseas operation refers to hedging of the foreign exchange risk arising from net investment in an overseas operation. "Net investment in an overseas operation" refers to the Company's equity of rights and interests in the net assets in an overseas operation.

(2) Designation of hedging relationship and recognition of hedge effectiveness

At the beginning of a hedge relationship, the Company develops a formal designation of the hedging relationship, and prepares formal documents covering the hedge relationship, risk management objectives and hedging strategies. The document includes identification of the hedging instruments, the hedged item or transaction, the nature of the hedged risk, as well as the Company's methods for evaluating the effectiveness of the hedging instruments.

Effectiveness of a hedging instrument refers to the extent that the changes in the fair value or cash flow of a hedging instrument may offset the changes resulted from the hedging risks in the fair value or cash flow of a hedged item. The Company continues to evaluate the effectiveness of hedging to determine whether the hedge is highly effective in the accounting period in which the hedging relationship is designated. If a hedge satisfies the following conditions simultaneously, the Company recognizes it as being highly effective:

① At the beginning and in subsequent periods of a hedging, this hedging expectation shall be highly effective in offsetting the changes in the fair value or cash flows caused by the hedged risk during the specified periods;

② The hedging's actual offset results are within a range of 80% to 125%.

(3) Hedge accounting treatment:

① Fair value hedge

Changes in the fair value of the hedging derivative are recognized in the current profits and losses. Changes in the fair value of the hedged item attributable to hedged risk are recognized in the current profits or losses, while the carrying value of the hedged item is adjusted.

In respect of fair value hedge associated with financial instruments measured at amortized cost, adjustments made to the carrying amount of the hedged item is amortized during the remainder of the period between the adjustment date and the due date, and recognized in the current profits or losses. Amortization by the effective interest method may begin immediately after the adjustment to the carrying value, and no later than the adjustment made according to the changes in fair value attributable to hedging risks after the derecognition of the hedged item.

If a hedged item is derecognized, the unamortized fair value will be recognized in the current profits and losses.

If a hedged item is an unrecognized firm commitment, the accumulative amount of the changes in the fair value of the firm commitment resulting from the hedged risk shall be recognized as an asset or liability and the related gain or loss shall be included in the current profits and losses. Changes in the fair value of the hedging instrument are also recognized in the current profits and losses.

② Cash flow hedge

In the gain or loss of a hedging instrument, the portion which is attributable to the effective hedging shall be directly recognized as capital surplus (other capital reserves), while the portion attributable to ineffective hedge is recognized in the current profits or losses.

If the hedged transaction affects the current profits or losses, such as when the hedged financial income or financial expense is recognized or the expected sale occurs, the amount of capital surplus (others capital reserves) are recognized in the current profits or losses. If the hedged item is the cost of a nonfinancial asset or liability, the amount original identified as capital reserve (other capital reserves) is transferred out and included in the initial amount of the non-financial asset or liability, or the amount originally identified as capital reserve (other capital reserves is transferred to the current profits and losses in the same period when the non-financial asset or liability affects profit or loss.

If a forecast transaction or firm commitment is not expected to occur, the amounts of hedging instrument cumulative gain or loss previously recognized in owners' equity shall be transferred to the current profits and losses. If the hedging instrument expires or is sold, terminated or exercised (without replacement or extension), or the designation of the hedging relationship is revoked, the amounts previously recognized in other comprehensive income shall be transferred out until the forecast transaction or firm commitment affects the profits or losses.

③ Net investment hedging in an overseas operation

In respect of a net investment hedging in an overseas operation, currency hedging items as part of the net investment is treated like cash flow hedges. In the gain or loss of a hedging instrument, the portion which is attributable to the effective hedging shall be directly recognized as other comprehensive income, while the portion attributable to ineffective hedge is recognized in the current profits or losses. In the disposal of overseas operations, any cumulative gain or loss formerly recognized in owners' equity shall be transferred to the current profits and losses.

(All amounts are stated in RMB Yuan unless otherwise stated)

40. Changes to major accounting policies and accounting estimates

(1) Changes to accounting policies

No.

(2) Changes to accounting estimates

No.

V. Taxes

1. Major taxes and rates

Taxes	Taxing basis	Rate
VAT	Pesticide products	13%
VAT	Pesticide chemical intermediates	17%
VAT	LPG	12%
Business tax	Financial interest, rents	5%
Corporate income tax	Taxable income	16.5%, 17%, 20%, 25%

Note:

DOSTYK GAS TERMINAL LLP, a subsidiary located in the Republic of Kazakhstan, applies 12% VAT rate and 20% income tax rate in accordance with the relevant provisions of the Republic of Kazakhstan;

Hong Kong-based subsidiaries including Shanghai Huaxin Group (Hong Kong) Ltd. and CEFC Natural Gas (Hongkong) Co., Ltd. apply 16.5% income tax rate in accordance with the relevant provisions of HKSAR;

Singapore-based subsidiary CEFC Shanghai International Group (Singapore) Pte Ltd applies 7% VAT rate and the income tax rate of 17% in accordance with the tax law of Singapore.

2. Tax incentives and approvals

(1) CEFC Anhui International Holdings Co., Ltd.

According to the "Notice of Anhui Province Concerning Publishing the List of the First Batch of High-tech Enterprises in 2014" ([2014] No. 43), the company was rated as a national high-tech enterprises and qualified for 15% income tax rate since January 1, 2014. But after the divesture of agricultural chemicals in 2015, the company no longer met the standards of high-tech enterprises, and no longer enjoys the tax benefits. In 2015, the applicable income tax rate is 25%.

(2) CEFC Wanda Futures Co., Ltd.

(All amounts are stated in RMB Yuan unless otherwise stated)

According to the Notice of Ministry of Finance, State Administration of Taxation Concerning Tax Policy Issues Related to the Deduction of Reserve Expenses from Corporate Income of the Securities Industry ([2012] No. 11), and according to the Administration Methods for Futures Companies (CSRC Decree No. 43) and Interim Provisions for the Financial Management of Commodity Futures Trading ([1997] No. 44), 5% of its net income by deducting futures transaction fee payable to the futures exchange from its fee income is made the futures company risk reserve and deducted from the taxable income. It was valid from January 1, 2011 until December 31, 2015.

VI. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Monetary funds

Item	Ending balance	Beginning balance
Cash on hand	324,248.29	301,827.58
Bank deposit (Note 1)	3,881,946,441.12	1,710,301,263.47
Other cash (Note 2)	10,916,687,327.41	1,585,274,128.71
Total	14,798,958,016.82	3,295,877,219.76
In which: Total deposit overseas	110,347,947.55	4,487,478.48

Note 1: As of Dec. 31, 2015, the Company's subsidiary CEFC Wanda Futures Co., Ltd. own bank deposit included 320,000,000.00 RMB yuan of fixed-term deposit with a term of over 3 months.

Note 2: As of Dec. 31, 2015, the Company's balance of other cash used as guarantee amounted to 888,000,000.00 RMB yuan, its balance of fixed-term deposit with a term of over 3 months amounted to 2,600,000,000.00 RMB yuan; the Company's subsidiary CEFC Hainan International Holdings Co.,Ltd. had a balance of other cash used as guarantee amounting to 500,000,000.00 RMB yuan, and a balance of bank acceptances margin with a term of over 3 months amounting to 467,489,066.48 RMB yuan.

2. Settlement provisions

Item	Ending balance	Beginning balance
Customer reserve	44,686,197.50	42,023,494.71
Company reserve	-	-
Total	44,686,197.50	42,023,494.71

3. Financial assets at fair value through profit or loss

Item	Ending balance	Beginning balance
Transactional financial assets	662,293,021.29	1,570,436,222.11
In which: Investment in debt instruments	113,482,010.00	79,820,420.00
Investments in equity instruments	548,811,011.29	1,490,615,802.11
Derivative financial assets	-	-
Others	-	-
Designated financial assets at fair value through profit or loss	555,513,469.57	-
In which: Investment in debt instruments	-	-
Investments in equity instruments	555,513,469.57	-
Others	-	-
Total	1,217,806,490.86	1,570,436,222.11

(All amounts are stated in RMB Yuan unless otherwise stated)

Note: As of Dec. 31, 2015, the Company's subsidiary CEFC Shanghai Petroleum Group International Trading Co., Ltd. pawned, among its investment in equity instruments, 37,600,000 Sinochem International shares and the end of year market value was 481,656,000.00 RMB yuan.

4. Derivative financial assets

Item	Ending balance	Beginning balance
Paper hedging	227,873.41	-

5. Notes receivable

(1) List of notes receivable

Type	Ending balance	Beginning balance
Bankers' acceptances	497,035,108.47	319,759,730.05
Commercial Promissory Notes	-	64,619,900.00
Domestic credit	-	-
Total	497,035,108.47	384,379,630.05

(2) Notes receivable the Company has endorsed to others but not due on the balance sheet date

Item	Amount derecognized at end of year	Amount not derecognized at end of year
Bankers' acceptances	675,968,107.99	-
Commercial Promissory Notes	345,001,730.62	-
Domestic credit	190,000,004.42	-
Total	1,210,969,843.03	-

6. Currency deposit receivable

Item	Ending balance	Beginning balance
(1) China Financial Futures Exchange	211,565,604.16	-
In which: Settlement reserve	33,961,298.16	-
Trading margin	177,604,306.00	-
(2) Shanghai Futures Exchange	388,288,225.81	-
In which: Settlement reserve	70,411,036.91	-
Trading margin	317,877,188.90	-
(3) Dalian Commodity Exchange	659,698,991.38	-
In which: Settlement reserve	142,432,567.08	-
Trading margin	517,266,424.30	-
(4) Zhengzhou Commodity Exchange	779,475,094.74	-
In which: Settlement reserve	189,337,958.24	-
Trading margin	590,137,136.50	-
(5) China Securities Depository and Clearing Corporation Limited	24,777,744.39	-
In which: Settlement reserve	287,167.39	-
Trading margin	24,490,577.00	-
Total	2,063,805,660.48	-

(All amounts are stated in RMB Yuan unless otherwise stated)

7. Margin pledge receivables

Item	Ending balance	Beginning balance	Market value of collaterals		
			Beginning market value	Discount rate	Closing market value
(1) China Financial Futures Exchange	-	-	-	-	-
In which: Standard warrants	-	-	-	-	-
Negotiable bonds	-	-	-	-	-
(2) Shanghai Futures Exchange	38,255,840.00	-	47,819,800.00	80%	38,255,840.00
In which: Standard warrants	38,255,840.00	-	47,819,800.00	80%	38,255,840.00
Negotiable bonds	-	-	-	-	-
(3) Dalian Commodity Exchange	6,410,000.00	-	8,024,400.00	80%	6,410,000.00
In which: Standard warrants	6,410,000.00	-	8,024,400.00	80%	6,410,000.00
Negotiable bonds	-	-	-	-	-
(4) Zhengzhou Commodity Exchange	1,431,412.50	-	1,908,550.00	75%	1,431,412.50
In which: Standard warrants	1,431,412.50	-	1,908,550.00	75%	1,431,412.50
Negotiable bonds	-	-	-	-	-
Total	46,097,252.50	-	57,752,750.00	-	46,097,252.50

8. Settlement guarantee fund receivable

Item	Ending balance	Beginning balance
(1) China Financial Futures Exchange	10,068,777.60	-
In which: Settlement guarantee fund	10,000,000.00	-
Interest receivable	68,777.60	-
(2) China Securities Depository and Clearing Corporation Limited	5,200,000.00	-
In which: Settlement guarantee fund	5,200,000.00	-
Interest receivable	-	-
Total	15,268,777.60	-

9. Risk loss receivable

(1) Risk loss reserve receivable by aging analysis

Aging	Ending balance		Beginning balance	
	Amount	Percentage	Amount	Percentage
Within 1 year (including 1 year)	-	-	-	-
1-2 years (including 2 years)	35,296,022.02	100.00%	-	-
2-3 years (including 3 years)	-	-	-	-
Over 3 years	-	-	-	-
Total	35,296,022.02	100.00%	-	-

Note: In this period, the Company recovered a risk loss of 500,000.00 RMB yuan from Chengdu Bighorn Cattle Chemical Materials Co., Ltd.

(All amounts are stated in RMB Yuan unless otherwise stated)

(2) Top 5 due risk losses receivable

Debtor	Description	Amount	Aging	% of total
Chengdu Bighorn Cattle Chemical Materials Co., Ltd.	Warehouse wear loss	35,296,022.02	1-2 years	100.00%

Note 1: On Feb. 5, 2015, CEFC Wanda Futures Co., Ltd. received the Notice for Assistance in Execution No. 101 issued by the Intermediate People's Court of Zhengzhou City, Henan Province which enforced seizure on 22,222.434 tons of methanol owned by Chengdu Xinhuaxin Chemical Materials Co., Ltd., a trading enstruster of the Company's futures brokerage client Chengdu Bighorn Cattle Chemical Materials Co., Ltd. The seizure was valid from Feb. 5, 2015 to Feb. 4, 2016. On Jan. 21, 2016, Zhengzhou Intermediate People's Court issued a notice for assistance in execution, continuing the seizure on 22,222.434 tons of methanol owned by Chengdu Xinhuaxin Chemical Materials Co., Ltd., which was valid from Jan. 21, 2016 to Jan. 20, 2018.

Note 2: The risk loss receivable at the end of year is CEFC Wanda Futures Co., Ltd. unrecovered Warehouse wear loss amounting to 35,296,022.02 RMB yuan due from Chengdu Bighorn Cattle Chemical Materials Co., Ltd. as of Dec. 31, 2015.

(3) No risk loss due from related parties at end of year.

(4) No risk loss due from shareholders holding over 5% (including 5%) voting equity in the Company at end of year.

10. Accounts receivable

(1) List of accounts receivable

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Accounts receivable that are individually significant in amount and provision is made for bad debt separately	24,917,457.92	0.06%	24,917,457.92	100.00%	-
Accounts receivable whose bad debts provision was accrued by credit risk feature	39,735,263,779.47	99.93%	23,251,176.96	0.06%	39,712,012,602.51
In which: Receivables from related parties	-	-	-	-	-
Deposits and guarantees receivable	-	-	-	-	-
Non-related party receivables from goods circulating entities	38,666,842,615.29	97.25%	6,116,833.32	0.02%	38,660,725,781.97
Non-related party receivables from manufacturing entities	263,174,897.53	0.66%	9,811,308.41	3.73%	253,363,589.12

(All amounts are stated in RMB Yuan unless otherwise stated)

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Non-related party receivables from financial insurance entities	72,942,743.19	0.18%	-	-	72,942,743.19
Receivables arising from factoring services	732,303,523.46	1.84%	7,323,035.23	1.00%	724,980,488.23
Non-related party receivables from futures entities	-	-	-	-	-
Accounts receivable that are individually insignificant in amount but provided for bad debt separately	1,171,625.43	0.01%	88,205.98	7.53%	1,083,419.45
Total	39,761,352,862.82	100.00%	48,256,840.86	0.12%	39,713,096,021.96

(Continued)

Type	Beginning balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Accounts receivable that are individually significant in amount and provision is made for bad debt separately	25,731,495.21	0.11%	7,795,904.55	30.30%	17,935,590.66
Accounts receivable whose bad debts provision was accrued by credit risk feature	23,358,083,924.83	99.89%	13,500,331.87	0.06%	23,344,583,592.96
In which: Receivables from related parties	-	-	-	-	-
Deposits and guarantees receivable	-	-	-	-	-
Non-related party receivables from goods circulating entities	22,351,186,429.67	95.58%	2,190,504.83	0.01%	22,348,995,924.84
Non-related party receivables from manufacturing entities	973,234,595.01	4.16%	11,309,827.04	1.16%	961,924,767.97
Non-related party receivables from financial insurance entities	33,662,900.15	0.15%	-	-	33,662,900.15
Receivables arising from factoring services	-	-	-	-	-
Non-related party receivables from futures entities	-	-	-	-	-
Accounts receivable that are individually insignificant in amount but provided for bad debt separately	325,444.60	0.00%	194,685.27	59.82%	130,759.33
Total	23,384,140,864.64	100.00%	21,490,921.69	0.09%	23,362,649,942.95

(All amounts are stated in RMB Yuan unless otherwise stated)

(2) Accounts receivable that are individually significant in amount and provision is made for bad debt separately at year-end of 2015:

Accounts receivable	Ending balance			
	Accounts receivable	Bad debt reserve	% of provision	Reason
EDEN ARENA, A.S.	9,161,600.00	9,161,600.00	100.00%	Small likelihood of recovery
E SIDE PROPERTY LIMITED	15,755,857.92	15,755,857.92	100.00%	Small likelihood of recovery
Total	24,917,457.92	24,917,457.92	100.00%	

(3) Accounts receivable whose bad debts provision was accrued by credit risk feature

① Non-related party receivables from goods circulating entities

Aging	Ending balance		
	Accounts receivable	Bad debt reserve	% of provision
Within 1 year	38,666,691,270.46	6,102,140.61	0.02%
In which: 1-6months	38,544,648,458.26	-	-
7-12months	122,042,812.20	6,102,140.61	5.00%
1-2 years	151,344.83	14,692.71	9.71%
2-3 years	-	-	-
3-4 years	-	-	-
4-5 years	-	-	-
Over 5 years	-	-	-
Total	38,666,842,615.29	6,116,833.32	0.02%

Note: As of Dec. 31, 2015, the Company's subsidiary CEFC Hainan International Holdings Co., Ltd. pawned its accounts receivable amounting to 23,360,573,203.31 RMB yuan to borrow short-term loans, and the, and pawned its accounts receivable amounting to 2,441,574,048.90 RMB yuan for notes payable.

② Non-related party receivables from manufacturing entities

Aging	Ending balance		
	Accounts receivable	Bad debt reserve	% of provision
Within 1 year (including 1 year)	248,617,745.91	3,488,067.92	1.40%
In which: Significant amounts due within 6 months (including 6 months)	178,856,387.51	-	-
1-2 years	4,705,397.83	470,539.79	10.00%
2-3 years	1,959,403.51	587,821.05	30.00%
3-4 years	5,254,941.27	2,627,470.64	50.00%
4-5 years	2,637,409.01	2,637,409.01	100.00%
Total	263,174,897.53	9,811,308.41	3.73%

(All amounts are stated in RMB Yuan unless otherwise stated)

③ Non-related party receivables from financial insurance entities

Item	Ending balance		
	Accounts receivable	Bad debt reserve	% of provision
Fee and commission receivable	11,002,743.19	-	-
Service fee	61,940,000.00	-	-
Total	72,942,743.19	-	-

④ Receivables arising from factoring services

Item	Ending balance		
	Accounts receivable	Bad debt reserve	% of provision
Normal class	732,303,523.46	7,323,035.23	1.00%

(4) Accounts receivable that are individually insignificant in amount but provided for bad debt separately

Accounts receivable	Carrying amount	Bad debt	% of provision	Reason
Accounts receivable through risk assessment	72,419.68	72,419.68	100.00%	Small likelihood of recovery
Accounts receivable from DOSTYK GAS TERMINAL LLP ("DGT")	1,099,205.75	15,786.30	1.44%	Big likelihood of recovery
Total	1,171,625.43	88,205.98	7.53%	

(5) Bad debt reserve withdrawn, recovered or reversed in this period

In this period, bad debt reserve withdrawn amount to 29,798,662.31 RMB yuan; bad debt reserve recovered or reversed amount to 12,380,010.26 RMB yuan.

(6) No accounts receivable from shareholders holding over 5% (including 5%) voting equity in the Company at end of year.

11. Advanced payment

(1) Advanced payment by aging

Aging	Ending balance		Beginning balance	
	Amount	Percentage	Amount	Percentage
Within 1 year	3,778,710,040.27	99.83%	663,610,996.88	99.27%
1-2 years	4,772,898.10	0.12%	2,188,135.92	0.33%
2-3 years	1,399,790.82	0.04%	1,368,493.64	0.20%
Over 3 years	123,011.13	0.01%	1,323,075.38	0.20%
Total	3,785,005,740.32	100.00%	668,490,701.82	100.00%

(2) No advanced payment made to shareholders holding over 5% (including 5%) voting equity in the Company at end of year.

(All amounts are stated in RMB Yuan unless otherwise stated)

12. Interest receivable

Item	Ending balance	Beginning balance
Deposit interest receivable	9,685,694.44	-
Bond interest receivable	4,085,129.40	2,037,080.00
Factoring interest and service charges receivable	2,022,041.57	-
Interbank deposit interest receivable	120,006.06	1,474,737.91
Entrusted loan interest	66,687.50	-
Other interest receivable	31,682.50	-
Interest from reverse repurchase receivable	9,972.60	1,370,108.06
Total	16,021,214.07	4,881,925.97

13. Other receivables

(1) Other receivables by type

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Other receivables that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Other receivables whose bad debts provision was accrued by credit risk	796,625,398.59	99.28%	3,492,958.55	0.44%	793,132,440.04
In which: Other receivables from related parties	60,167,807.26	7.50%	-	-	60,167,807.26
Deposits and guarantees receivable	165,918,256.30	20.67%	-	-	165,918,256.30
Non-related party other receivables from goods circulating entities	557,331,882.91	69.46%	2,540,301.63	0.46%	554,791,581.28
Non-related party other receivables from manufacturing entities	3,250,230.45	0.41%	765,058.93	23.54%	2,485,171.52
Non-related party other receivables from financial insurance entities	3,703,955.50	0.46%	-	-	3,703,955.50
Non-related party other receivables from futures trading entities	6,253,266.17	0.78%	187,597.99	3.00%	6,065,668.18
Other receivables that are individually insignificant in amount but provision is made for bad debt separately	5,775,187.61	0.72%	5,775,187.61	100.00%	-
Total	802,400,586.20	100.00%	9,268,146.16	1.16%	793,132,440.04

(All amounts are stated in RMB Yuan unless otherwise stated)

(Continued)

Type	Beginning balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Other receivables that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Other receivables whose bad debts provision was accrued by credit risk	509,749,273.75	98.97%	1,895,051.24	0.37%	507,854,222.51
In which: Other receivables from related parties	277,956,619.09	53.97%	-	-	277,956,619.09
Deposits and guarantees receivable	224,827,538.00	43.65%	1,451,314.36	0.65%	223,376,223.64
Non-related party other receivables from goods circulating entities	3,384,354.47	0.66%	443,736.88	13.11%	2,940,617.59
Non-related party other receivables from manufacturing entities	3,580,762.19	0.69%	-	-	3,580,762.19
Non-related party other receivables from financial insurance entities	5,315,572.73	1.03%	5,315,572.73	100.00%	-
Non-related party other receivables from futures trading entities	515,064,846.48	100.00%	7,210,623.97	1.40%	507,854,222.51

(2) There are no other receivables that are individually significant in amount and provision is made for bad debt separately at end of year.

(3) Other receivables for which bad debt reserve is made by aging group

① Non-related party other receivables from goods circulating entities

Aging	Ending balance		
	Other receivables	Bad debt reserve	% of provision
Within 1 year	528,635,154.95	245,230.66	0.05%
In which: 1-6 months	523,684,465.71	-	-
7-12 months	4,950,689.24	245,230.66	4.95%
1-2 years	27,359,120.30	1,291,407.24	4.72%
2-3 years	379,316.99	75,724.83	19.96%
3-5 years	54,316.67	23,964.90	44.12%
Over 5 years	903,974.00	903,974.00	100.00%
Total	557,331,882.91	2,540,301.63	0.46%

(All amounts are stated in RMB Yuan unless otherwise stated)

② Non-related party other receivables from manufacturing entities

Aging	Ending balance		
	Other receivables	Bad debt reserve	% of provision
Within 1 year (including 1 year)	2,022,681.99	101,134.10	5.00%
In which: Significant amounts due within 6 months (including 6 months)	-	-	-
1-2 years	183,069.90	18,306.99	10.00%
2-3 years	246,083.74	73,825.13	30.00%
3-5 years	453,204.22	226,602.11	50.00%
Over 5 years	345,190.60	345,190.60	100.00%
Total	3,250,230.45	765,058.93	23.54%

③ Non-related party other receivables from financial insurance entities

Item	Ending balance		
	Other receivables	Bad debt reserve	% of provision
Other receivables	3,703,955.50	-	-

④ Non-related party other receivables from futures trading entities

Aging	Ending balance		
	Other receivables	Bad debt reserve	% of provision
Within 1 year	6,253,266.17	187,597.99	3.00%
1-2 years	-	-	-
2-3 years	-	-	-
3-4 years	-	-	-
4-5 years	-	-	-
Over 5 years	-	-	-
Total	6,253,266.17	187,597.99	3.00%

(4) Bad debt reserve withdrawn, recovered or reversed in this period

In this period, bad debt reserve withdrawn amounted to 2,059,856.26 RMB yuan, and bad debt reserve recovered or reversed amounted to 2,334.07 RMB yuan.

(5) No other receivables actually written off in this period.

(6) Other receivables by feature

Description	Ending balance	Beginning balance
Current account	607,428,756.74	497,205,381.30
Margin deposits (note)	165,918,256.30	13,963,098.82
Imprest	-	3,857,556.12
Others	29,053,573.16	38,810.24
Total	802,400,586.20	515,064,846.48

(All amounts are stated in RMB Yuan unless otherwise stated)

Note: As of Dec. 31, 2015, the Company had pawned other receivables amounting to 742,857.18 RMB yuan; the Company's subsidiary CEFC Shanghai Petroleum Group International Trading Co., Ltd. pawned other receivables amounting to 4,888,000.00 RMB yuan.

(7) No other receivables due from shareholders holding over 5% (including 5%) voting equity in the Company at end of year.

14. Reverse repurchased financial assets

(1) By asset type

Item	Ending balance	Beginning balance
Stock	-	-
Bond	130,000,000.00	1,048,698,658.51
Others	-	-
Less: Impairment reserve	-	-
Book value	130,000,000.00	1,048,698,658.51

(2) By business category

Item	Ending balance	Beginning balance
Agreed repurchase of securities	-	1,048,698,658.51
Stock-pledged repurchase	-	-
Bond-pledged repurchase	130,000,000.00	-
Total	130,000,000.00	1,048,698,658.51

(3) By remaining term

Aging	Ending balance	Beginning balance
Within 1 month	130,000,000.00	1,048,698,658.51
1 month – within 3 months	-	-
3 months – within 1 year	-	-
Over 1 year	-	-
Total	130,000,000.00	1,048,698,658.51

15. Inventories

(1) Inventory classification

Item	Ending balance			Beginning balance		
	Carrying amount	Devaluation reserve	Book value	Carrying amount	Devaluation reserve	Book value
Finished goods	512,240,746.41	26,930,128.92	485,310,617.49	1,374,979,604.44	18,315,606.54	1,356,663,997.90
Raw materials	54,264,093.68	2,039,180.67	52,224,913.01	78,602,816.90	-	78,602,816.90
Reusable materials	9,549,112.70	-	9,549,112.70	-	-	-
Work in progress	60,365.40	-	60,365.40	5,738,494.04	-	5,738,494.04
Consumables	226,993.64	102,086.40	124,907.24	806,300.26	-	806,300.26

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	Ending balance			Beginning balance		
	Carrying amount	Devaluation reserve	Book value	Carrying amount	Devaluation reserve	Book value
Packaging materials	-	-	-	7,647,181.22	-	7,647,181.22
Consigned processing materials	1,099,719.78	-	1,099,719.78	-	-	-
Development costs	106,887,144.90	-	106,887,144.90	53,488,607.64	-	53,488,607.64
Total	684,328,176.51	29,071,395.99	655,256,780.52	1,521,263,004.50	18,315,606.54	1,502,947,397.96

(2) Devaluation reserve for inventories

Type	Beginning balance	Increase		Decrease		Ending balance
		Provision	Others	Recovered or reversed	Others	
Finished goods	18,315,606.54	9,057,682.87	-	443,160.49	-	26,930,128.92
Raw materials	-	2,039,180.67	-	-	-	2,039,180.67
Consumables	-	-	102,086.40	-	-	102,086.40
Total	18,315,606.54	11,096,863.54	102,086.40	443,160.49	-	29,071,395.99

16. Other current assets

Item	Ending balance	Beginning balance
Special asset management plan	6,000,000,000.00	-
Bank financial products	1,960,184,000.00	6,400,000.00
VAT to be deducted	271,340,305.30	150,582,755.56
Entrusted loan	36,370,188.76	241,000,000.00
Hedged item	17,192,159.30	-
Refundable deposits	5,033,068.89	2,992,356.40
Surplus deposit accrued interest	-	160,034,816.50
Others	1,356,296.19	-
Total	8,291,476,018.44	561,009,928.46

17. Available for sale financial assets

(1) List of AFS financial assets

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment reserve	Book value	Carrying amount	Impairment reserve	Book value
Measured at fair value	127,590,028.57	-	127,590,028.57	90,476,440.00	-	90,476,440.00
Measured at cost	1,679,974,192.31	-	1,679,974,192.31	10,000,000.00	-	10,000,000.00
Total	1,807,564,220.88	-	1,807,564,220.88	100,476,440.00	-	100,476,440.00

(All amounts are stated in RMB Yuan unless otherwise stated)

(2) Financial assets available for sale at fair value at end of year

AFS financial assets by type	AFS equity instruments	AFS debt instruments	Total
Amortized cost of equity/debt instruments	127,673,330.90	-	127,673,330.90
Fair value	-83,302.33	-	-83,302.33
Change in fair value recognized in other comprehensive income	-	-	-
Provision for impairment	-	-	-

(3) AFS financial asset measured by cost at end of year

Investee	Carrying amount			
	Beginning balance	Increase	Decrease	Ending balance
CEFC Shanghai Group Financial Co., Ltd.	10,000,000.00	-	-	10,000,000.00
J&T FINANCE GROUP SE	-	1,070,374,192.31	-	1,070,374,192.31
Guangdong Southern Logistics Public Information Platform Operations Limited	-	10,000,000.00	-	10,000,000.00
CDB Siyuan (Beijing) Investment Fund Limited	-	100,000,000.00	-	100,000,000.00
Hainan Bank	-	489,600,000.00	-	489,600,000.00
Total	10,000,000.00	1,669,974,192.31	-	1,679,974,192.31

(Continued)

Investee	Impairment reserve			
	Beginning balance	Increase	Decrease	Ending balance
CEFC Shanghai Group Financial Co., Ltd.	-	-	-	-
J&T FINANCE GROUP SE	-	-	-	-
Guangdong Southern Logistics Public Information Platform Operations Limited	-	-	-	-
CDB Siyuan (Beijing) Investment Fund Limited	-	-	-	-
Hainan Bank	-	-	-	-

(Continued)

Investee	Equity held in the investee	Cash dividends issued in this period
CEFC Shanghai Group Financial Co., Ltd.	0.99%	-
J&T FINANCE GROUP SE	8.806%	-
Guangdong Southern Logistics Public Information Platform Operations Limited	19.00%	-
CDB Siyuan (Beijing) Investment Fund Limited	1.98%	-
Hainan Bank	12.00%	-

(All amounts are stated in RMB Yuan unless otherwise stated)

18. Held-to-maturity investments

(1) List of held-to-maturity investments

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment reserve	Book value	Carrying amount	Impairment reserve	Book value
Fund	51,620,000.00	-	51,620,000.00	-	-	-

(2) Held-to-maturity investments with significant ending balance

Item	Amortized cost	Net gain or net loss	Interest income by effective interest method
Fund	50,000,000.00	2,600,000.00	1,620,000.00

(3) Held-to-maturity investments reclassified in this period

No.

19. Long-term equity investments

Investee	Beginning balance	Beginning impairment reserve beginning balance	Changes in this period			
			Additional investment	Reduced investment	Investment gains and losses by equity method	Adjustment to other comprehensive income
(1) Joint ventures						
Anhui Xingnuo Chemical Industry Co., Ltd.	57,513,175.71	-	-	-	-1,989,659.59	-
Agrilon International, LLC	545,859.06	545,859.06	-	-	-	-
Subtotal	58,059,034.77	545,859.06	-	-	-1,989,659.59	-
(2) Associates						
Shanghai CAG Holding Co., Ltd.	67,857,097.32	-	196,000,000.00	-	15,018,543.14	-
China Natural Gas Corporation Limited	-	-	864,720,497.74	-	-74,535,366.67	123,260,088.00
CEFC Beijing Group (Xinjiang) Co., Ltd.	-	-	-	-	-	-
Subtotal	67,857,097.32	-	1,060,720,497.74	-	-59,516,823.53	123,260,088.00
Total	125,916,132.09	545,859.06	1,060,720,497.74	-	-61,506,483.12	123,260,088.00

(All amounts are stated in RMB Yuan unless otherwise stated)

(Continued)

Investee	Changes in this period				Ending balance	Impairment reserve at end of year
	Other equity changes	Cash dividend or profits to be distributed	Impairment provision	Others		
(1) Joint ventures						
Anhui Xingnuo Chemical Industry Co., Ltd.	-	-	-	-	55,523,516.12	-
Agrilon International, LLC	-	-	-	-	545,859.06	545,859.06
Subtotal	-	-	-	-	56,069,375.18	545,859.06
(2) Associates						
Shanghai CAG Holding Co., Ltd.	-	-	-	-	278,875,640.46	-
China Natural Gas Corporation Limited	-	-	59,278,652.00	-	913,445,219.07	59,278,652.00
CEFC Beijing Group (Xinjiang) Co., Ltd.	-	-	-	5,000,000.00	5,000,000.00	-
Subtotal	-	-	59,278,652.00	5,000,000.00	1,197,320,859.53	59,278,652.00
Total	-	-	59,278,652.00	5,000,000.00	1,253,390,234.71	59,824,511.06

20. Investments in futures exchange membership

Exchanges	Ending balance	Beginning balance
Shanghai Futures Exchange	500,000.00	-
Dalian Commodity Exchange	500,000.00	-
Zhengzhou Commodity Exchange	400,000.00	-
Total	1,400,000.00	-

21. Investment real estate

Item	Buildings	Land use rights	Construction in progress	Total
Beginning balance	4,771,746,494.30	-	36,742,988.52	4,808,489,482.82
Changes in this period	599,045,286.33	-	-36,742,988.52	562,302,297.81
Plus: Acquisitions	143,872,335.43	-	-	143,872,335.43
Transfer in of inventories, fixed assets, construction in progress	267,205,294.63	-	-	267,205,294.63
Increase through M&A	14,068,566.85	-	-	14,068,566.85
Others	-	-	-	-
Less: Disposal	-	-	-	-
Other transfer-outs	293,409,314.29	-	36,742,988.52	330,152,302.81
Changes in fair value	467,308,403.71	-	-	467,308,403.71
Ending balance	5,370,791,780.63	-	-	5,370,791,780.63

(All amounts are stated in RMB Yuan unless otherwise stated)

Notes:

(1) In April 2012, the Company's subsidiary Shanghai Shengyi Investment Center (Limited Partnership) borrowed 1 billion RMB yuan from Industrial Bank Co., Ltd. and the term was from Aug. 23, 2012 to Aug. 22, 2017. Shanghai Shengyi Investment Center (Limited Partnership) mortgaged its real estate which is recognized as an investment real estate. As of Dec. 31, 2015, the book value was 2,534,776,888.80 RMB yuan.

(2) On June 5, 2014, the Company's subsidiary CEFC Shanghai Group (Tianjin) Co., Ltd., to ensure the fulfillment of all debts, obligations and statement of assurance under long-term purchase and sale agreements between debtor CEFC Shanghai International Group Co., Ltd. and the mortgagee China Shipbuilding Industry Complete Logistics Ltd., signed a maximum mortgage guarantee contract with China Shipbuilding Industry Complete Logistics Ltd. CEFC Shanghai Group (Tianjin) Co., Ltd. mortgaged its buildings. The fair value of the buildings as collateral is 96,261,750.00 RMB yuan.

(3) The Company's subsidiary Guangzhou Jinheng Real Estate Co., Ltd. borrowed 380 million RMB yuan from Bank of China Limited Guangzhou Liwan Branch, and the term was from Jan. 15, 2010 to Dec. 21, 2021. The Company mortgaged its real estate. At the same time, its parent company CEFC Petroleum (Guangdong) Co., Ltd. borrowed 154 million RMB yuan from ICBC Guangzhou Beijing Road Branch, and the term was from March 27, 2013 to March 16, 2018. The mortgage was real estate belonging to Guangzhou Jinheng Real Estate Co., Ltd. which is recognized as an investment real estate. As of Dec. 31, 2015, its fair value was 985,041,499.00 RMB yuan.

(4) As of Dec. 31, 2015, the Company's subsidiary Shanghai Huaxin Group (Hong Kong) Ltd. borrowed 498,508,800.00 HK dollars from Bank of East Asia, and some fixed assets and investment real estates of Shanghai Huaxin Group (Hong Kong) Ltd. and its holding subsidiaries were pledged as the collaterals:

Owners of the mortgaged property	Location	Usage	Ending balance	
			Book value	Fair value
Shanghai Huaxin Group (Hong Kong) Ltd.	Flat B on 33rd Floor of Tower 6,Bel-Air No.8,Bel-Air On The Peak Island South,No.8 Bel-Air Peak Avenue,HK	Rent	-	13,153,146.00
Shanghai Huaxin Group (Hong Kong) Ltd.	Flat B on 49rd Floor of Tower 7,Bel-Air No.8,Bel-Air On The Peak Island South,No.8 Bel-Air Peak Avenue,HK	Own use	15,669,689.38	-
China Huaxin Petroleum Ltd.	Unit Nos.A,B,C,D, and E on 34/F, Office Tower, Convention Plaza, No.1 Harbour Road, HK	Rent	-	224,525,040.00
China Association Ltd.	Flat B on 37th Floor of Tower 6 and Private Cars Park No.18 on Car Park Level 8, Bel-Air No.8,Bel-Air On The Peak Island South,No.8 Bel-Air Peak Avenue,HK	Own use	9,736,102.95	-

(All amounts are stated in RMB Yuan unless otherwise stated)

Owners of the mortgaged property	Location	Usage	Ending balance	
			Book value	Fair value
China Association Ltd.	Flat B on 41st Floor of Tower 6, Bel-Air No.8,Bel-Air On The Peak Island South,No.8 Bel-Air Peak Avenue,HK	Own use	9,353,962.99	-
China Association Ltd.	House No.6,Residence Bel-Air,Island South,6 Bel-Air Rise,HK	Own use	140,275,681.29	-
China Association Ltd.	Flat B on 63rd Floor with Balcony and Utility Platform of Tower 2, Grand Promenade, No.38 Tai Hong Street, HK	Own use	8,947,657.05	-
China Association Ltd.	Flat B on 67rd Floor with Balcony and Utility Platform of Tower 5, Grand Promenade, No.38 Tai Hong Street, HK	Own use	8,920,447.70	-

22. Fixed assets

(1) List of fixed assets

Item	Buildings	Machinery	Aircraft and engine	Others	Total
① Original book value					
Beginning balance	1,215,916,683.09	283,015,728.04	323,222,127.36	74,072,126.01	1,896,226,664.50
Increase	768,195,476.67	74,291,202.84	664,152,050.68	100,476,933.35	1,607,115,663.54
In which: Acquisition	82,993,541.74	8,156,783.92	644,112,254.20	42,086,117.12	777,348,696.98
Work in progress transferred in	1,016,308.80	25,743,565.59	-	12,530,953.16	39,290,827.55
Increase through M&A	258,736,884.25	63,659,789.20	-	43,727,842.59	366,124,516.04
Others	425,448,741.88	-23,268,935.87	20,039,796.48	2,132,020.48	424,351,622.97
Investors transferred in	-	-	-	-	-
Investment real estate transferred in	-	-	-	-	-
Decrease	278,392,712.83	121,832,861.21	-	18,659,057.00	418,884,631.04
In which: Disposal or retirement	23,170.49	304,649.71	-	3,380,986.17	3,708,806.37
Transfer out in this period	201,447,255.98	-	-	266,738.69	201,713,994.67
Others	76,922,286.36	121,528,211.50	-	15,011,332.14	213,461,830.00
Ending balance	1,705,719,446.93	235,474,069.67	987,374,178.04	155,890,002.36	3,084,457,697.00
② Accumulated depreciation					
Beginning balance	168,625,478.13	129,426,051.89	48,484,638.09	47,515,083.08	394,051,251.19
Increase	71,069,385.21	39,248,503.91	69,536,455.58	48,336,352.80	228,190,697.50
In which: Provision	36,721,516.56	29,701,829.39	66,530,404.33	17,594,729.69	150,548,479.97
Increase through M&A	16,313,068.78	10,739,514.10	-	29,497,679.49	56,550,262.37
Others	18,034,799.87	-1,192,839.58	3,006,051.25	1,243,943.62	21,091,955.16
Decrease	85,665,915.60	122,947,259.41	-	16,236,446.26	224,849,621.27
In which: Disposal or retirement	23,170.49	174,755.39	-	2,274,486.93	2,472,412.81
Transfer out in this period	8,659,427.25	-	-	194,919.71	8,854,346.96
Others	76,983,317.86	122,772,504.02	-	13,767,039.62	213,522,861.50
Ending balance	154,028,947.74	45,727,296.39	118,021,093.67	79,614,989.62	397,392,327.42

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	Buildings	Machinery	Aircraft and engine	Others	Total
③ Impairment reserve					
Beginning balance	-	-	-	-	-
Increase	-	-	-	22,306.27	22,306.27
In which: Provision	-	-	-	-	-
Increase through M&A	-	-	-	22,306.27	22,306.27
Decrease	-	-	-	967.12	967.12
In which: Disposal or retirement	-	-	-	967.12	967.12
Transfer out in this period	-	-	-	-	-
Ending balance	-	-	-	21,339.15	21,339.15
④ Book value					
Ending balance	1,551,690,499.19	189,746,773.28	869,353,084.37	76,253,673.59	2,687,044,030.43
Beginning balance	1,047,291,204.96	153,589,676.15	274,737,489.27	26,557,042.93	1,502,175,413.31

Note:

1) The Company's subsidiary CEFC Petroleum (Guangdong) Co., Ltd. pledged its property Floor 40, R & F Building in Guangzhou to China Merchants Bank Co., Ltd. Guangzhou Branch on July 15, 2011 to borrow a mortgage loan of 35,880,000.00 RMB yuan, and the term is 10 years. The pledge property has a book value of 60,040,643.30 RMB yuan.

2) See Note VI/21/4 for property mortgage in Hong Kong.

(2) Fixed assets acquired through financial leasing

Item	Original book value	Accumulated depreciation	Impairment reserve	Book value
Aircraft and engine	987,374,178.04	118,021,093.67	-	869,353,084.37

Note: The Company's subsidiary Shanghai Huaxin Group (Hong Kong) Ltd. bought a Gulfstream G550 business jet from American Gulfstream Aerospace Corporation in 2013, and signed a financial lease agreement with SKY HIGH XVIII Leasing Limited Co., subsidiary of ICBC International Leasing Co. SKY HIGH XVIII Leasing Limited Co. paid 35 million USD as financial lease payment. The term of financial lease is 7 years, and the rent and financing charges is paid in 28 stages with 3-month Libor+3.95% and the actual interest rate is 4.2051%.

The Company's subsidiary SHX Cayman Company Limited bought one Airbus A319-115 Aircraft With Manufacturer's Serial Number 4228 from Etole Holdings Limited in 2015, and signed a financial lease agreement with Yunhua Corporate Jet Leasing Company Limited. Yunhua Corporate Jet Leasing Company Limited paid 60.5 million USD as financial lease payment. The term of financial lease is 8 years, and the rent and financing charges is paid in 32 stages with 3-month Libor+3.69%.

(All amounts are stated in RMB Yuan unless otherwise stated)

(3) Fixed assets of whose certificates of title have not been obtained at end of year

Item	Book value	Reason
Narada SPA Hotel-Sea View Villa	13,399,753.84	Not overdue according to contract
Mission Hills Haikou Kosei Hall 1	16,021,947.12	In process
Mission Hills Haikou Kosei Hall 2	18,525,208.35	In process
Mission Hills Haikou Kosei Hall 3	15,992,715.24	In process
Total	63,939,624.55	

23. Construction in progress

(1) List of CIP projects

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment reserve	Net book value	Carrying amount	Impairment reserve	Net book value
Yangpu oil reserve base phase I	2,085,088,721.50	-	2,085,088,721.50	1,318,160,226.45	-	1,318,160,226.45
100,000-ton phosphorus trichloride project	26,144,613.07	-	26,144,613.07	10,701,669.33	-	10,701,669.33
Tomorrow Square office building renovations information system reconstruction	13,226,906.00	-	13,226,906.00	1,002,564.10	-	1,002,564.10
Yangpu International Energy Trading System construction project (phase I)	-	-	-	1,335,959.44	-	1,335,959.44
Energy Trading System	-	-	-	4,728,735.89	-	4,728,735.89
Tomorrow Square office building multimedia conference room project	-	-	-	285,000.00	-	285,000.00
CEFC Square	30,961,342.70	-	30,961,342.70	30,911,342.70	-	30,911,342.70
Beijing office decoration phase I	480,268.23	-	480,268.23	-	-	-
Beijing office decoration phase II	484,681.45	-	484,681.45	-	-	-
Dostyk gas station	11,602,726.61	-	11,602,726.61	-	-	-
LED screens	-	-	-	265,729.06		265,729.06
300,000-ton caustic soda project	322,065,428.49	-	322,065,428.49	262,291,803.66	-	262,291,803.66
Odd projects	555,832.29	-	555,832.29	581,348.35	-	581,348.35
System equipment engineering	639,000.00	-	639,000.00	1,798,000.00	-	1,798,000.00
Others	7,879,888.48	-	7,879,888.48	-	-	-
Total	2,499,129,408.82	-	2,499,129,408.82	1,632,062,378.98	-	1,632,062,378.98

(All amounts are stated in RMB Yuan unless otherwise stated)

(2) Changes to major construction in progress items in this period

Item	Budget	Beginning balance	Increase	Transfer in fixed assets in this period	Other decrease in this period	Project investment as % of budget
Yangpu oil reserve base phase I (Note)	2,680,000,000.00	1,318,160,226.45	766,928,495.05	-	-	77.80%
100,000-ton phosphorus trichloride project	40,000,000.00	10,701,669.33	15,533,286.24	90,342.50	-	65.36%
Dostyk gas stations	67,209,700.00	-	20,977,007.55	928,469.17	8,445,811.77	17.26%
300,000-ton caustic soda project	730,337,700.00	262,291,803.66	59,773,624.83	-	-	44.10%
Total	3,517,547,400.00	1,591,153,699.44	863,212,413.67	1,018,811.67	8,445,811.77	

(Continued)

Item	Project progress	Accumulated interest capitalization Amount	In which: This period	% of interest capitalization in this period	Sources of fund	Ending balance
Yangpu oil reserve base phase I (Note)	98.00%	183,064,354.41	114,252,397.29	5.95%	Self-raised, borrowing	2,085,088,721.50
100,000-ton phosphorus trichloride project	99.00%	-	-	-	Self-raised	26,144,613.07
Dostyk gas stations	31.21%	-	-	-	Self-raised	11,602,726.61
300,000-ton caustic soda project	35.91%	-	-	-	External funding and self-raised	322,065,428.49
Total		183,064,354.41	114,252,397.29	-		2,444,901,489.67

Note: Yangpu oil reserve base phase I is located at Yangpu Shentou Port Area Plot C, west of the Binhai Avenue with a land plot area of 800.02 mu. Project size: 2.8 million cubic meter oil storage tanks and supporting infrastructure; total investment: 3.05 billion RMB yuan. On Aug. 21, 2013, the Company's subsidiary CEFC (Hainan) Oil Storage Co., Ltd. and China Development Bank Corporation signed a loan contract No. 4610201301100000387, under which China Development Bank will lend 2.44 billion RMB yuan to finance Yangpu oil reserve base phase I project, and the term of loan is 15 years from Aug. 21, 2013 to Aug. 20, 2028. The interest rate is the basic interest rate for loans over 5 years published by the People's Bank of China on the date of the issuance of the first sum, and the rate is subject to annual adjustment. The adjusted rate is the renewed basic interest rate for loans over 5 years published by the

(All amounts are stated in RMB Yuan unless otherwise stated)

People's Bank of China from time to time. The Company provides full guarantee with unlimited liability for the loan, and after the project is completed, the Company's subsidiary CEFC (Hainan) Oil Storage Co., Ltd. will pledge the use rights of the 533,349.35 square meters of the pledgable land it owns and the assets on the land as collateral. As of Dec. 31, 2015, the outstanding balance of the loan was 2,360,000,000.00 RMB yuan, the book value of the project in progress is 2,085,088,721.50 RMB yuan, and the book value of the land use right is 129,678,039.38 RMB yuan.

24. Engineering materials

Item	Ending balance	Beginning balance
Base construction materials	-	74,553,576.76
Special materials	1,570,145.05	2,238,713.88
Professional setting	6,414,070.94	3,874,361.38
Consigned repair equipment	-	3,653,541.44
Total	7,984,215.99	84,320,193.46

25. Intangible assets

Item	Land use rights	Financial software	Exchange membership	Patent rights and others	Total
(1) Original book value					
Beginning balance	309,302,070.04	14,109,082.33	1,000,000.00	6,584,465.01	330,995,617.38
Increase	195,167,763.67	20,344,289.72	-	10,382,551.28	225,894,604.67
In which: Acquisition	194,613,397.40	11,912,388.76	-	4,700,237.48	211,226,023.64
Internal research and development	-	-	-	-	-
Construction in progress transferred in	-	44,760.96	-	2,216,113.70	2,260,874.66
Increase through M&A	961,897.30	8,387,140.00	-	3,750,107.20	13,099,144.50
Others	-407,531.03	-	-	-283,907.10	-691,438.13
Decrease	10,613,963.82	36,729.91	-	3,472,304.31	14,122,998.04
In which: Disposal	-	-	-	-	-
Transfer out in this period	-	27,929.91	-	-27,929.91	-
Divesture through restructuring	10,613,963.82	-	-	3,500,234.22	14,114,198.04
Others	-	8,800.00	-	-	8,800.00
Ending balance	493,855,869.89	34,416,642.14	1,000,000.00	13,494,711.98	542,767,224.01
(2) Accumulated amortization					
Beginning balance	14,591,211.34	10,224,076.72	958,333.64	3,431,495.78	29,205,117.48
Increase	6,579,217.21	10,399,052.23	41,666.36	1,484,338.67	18,504,274.47
In which: Provision	6,579,217.21	3,575,945.06	41,666.36	1,029,957.28	11,226,785.91
Increase through M&A	-	6,823,107.17	-	468,278.45	7,291,385.62
Others	-	-	-	-13,897.06	-13,897.06
Decrease	11,265,902.41	3,299.87	-	3,093,209.44	14,362,411.72

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	Land use rights	Financial software	Exchange membership	Patent rights and others	Total
In which: Disposal	-	-	-	-	-
Transfer out in this period	-	-	-	-	-
Divesture through restructuring	11,265,902.41	-	-	3,093,209.44	14,359,111.85
Others	-	3,299.87	-	-	3,299.87
Ending balance	9,904,526.14	20,619,829.08	1,000,000.00	1,822,625.01	33,346,980.23
(3) Impairment reserve					
Beginning balance	-	-	-	-	-
Increase	-	-	-	-	-
In which: Provision	-	-	-	-	-
Increase through M&A	-	-	-	-	-
Decrease	-	-	-	-	-
In which: Disposal	-	-	-	-	-
Transfer out in this period	-	-	-	-	-
Ending balance	-	-	-	-	-
(4) Book value					
Ending balance	483,951,343.75	13,796,813.06	-	11,672,086.97	509,420,243.78
Beginning balance	294,710,858.70	3,885,005.61	41,666.36	3,152,969.23	301,790,499.90

Note: See Note VI/23 for the pledging of land use right.

26. Goodwill

(1) Original book value

Investee	Beginning balance	Increase		Decrease		Ending balance
		Formed through M&A	Other increases	Disposal	Other decreases	
Anhui Huaxing Chemical Industry Co., Ltd.	366,115,796.36	-	-	-	-	366,115,796.36
China Association Ltd.	33,427,725.34	-	-	-	-	33,427,725.34
China Huaxin Petroleum Ltd.	7,517,208.19	-	-	-	-	7,517,208.19
Anhui Linearfull Modern Agriculture Co., Ltd.	350,919.80	-	-	-	-	350,919.80
Shanghai Shengyi Investment Center (Limited Partnership)	95,267,479.73	-	-	-	-	95,267,479.73
CEFC Commercial (Fujian) Co., Ltd.	441,583.99	-	-	-	-	441,583.99

(All amounts are stated in RMB Yuan unless otherwise stated)

Investee	Beginning balance	Increase		Decrease		Ending balance
		Formed through M&A	Other increases	Disposal	Other decreases	
CEFC Hainan International Petroleum Co., Ltd.	8,923,575.37	-	-	-	-	8,923,575.37
CEFC Shanghai Group (Tianjin) Co., Ltd.	9,532,630.43	24,309,768.81	-	-	-	33,842,399.24
CEFC Shanghai Securities Limited	590,285,203.85	-	-	-	-	590,285,203.85
CEFC Wanda Futures Co., Ltd.	-	794,445,598.92	-	-	-	794,445,598.92
DOSTYK GAS TERMINALLLP	-	227,435,382.06	-	-	-	227,435,382.06
Příkopy Property Development, a.s.	-	120,150,719.36	-	-	-	120,150,719.36
SK Slavia Praha-fotbal a.s	-	19,354,796.16	-	-	-	19,354,796.16
Total	1,111,862,123.06	1,185,696,265.31	-	-	-	2,297,558,388.37

(2) Goodwill impairment reserve

Investee	Beginning balance	Increase	Decrease	Ending balance
Anhui Linearfull Modern Agriculture Co., Ltd.	350,919.80	-	-	350,919.80

27. Long-term expenses to be amortized

Item	Beginning balance	Increase	Amortization	Other decreases	Ending balance
Consultancy	11,533,333.33	-	3,800,000.03	-	7,733,333.30
Renovation costs	12,622,064.84	11,406,375.45	3,852,184.24	328,880.91	19,847,375.14
Green fees	1,493,552.49	-	543,098.04	-	950,454.45
Premium	5,073.10	25,279.39	9,767.31	-	20,585.18
Data service fees	-	888,679.67	55,000.44	-	833,679.23
Engineering	-	722,582.08	98,048.27	-	624,533.81
Equipment maintenance	-	97,133.00	24,799.68	-	72,333.32
Others	-	53,754,117.75	7,839,647.67	-	45,914,470.08
Total	25,654,023.76	66,894,167.34	16,222,545.68	328,880.91	75,996,764.51

(All amounts are stated in RMB Yuan unless otherwise stated)

28. Deferred tax assets/ Deferred tax liabilities

(1) Deferred tax assets before offsetting

Item	Ending balance		Beginning balance	
	Deductible temporary differences	Deferred income tax assets	Deductible temporary differences	Deferred income tax assets
Bad debt reserve	45,087,841.74	10,244,982.79	31,583,498.06	5,452,014.93
Deductible losses	-	-	38,419,095.20	9,604,773.80
Inventory impairment reserve	17,302,082.57	4,325,520.64	7,626,997.72	1,197,595.43
Accrued expenses	9,851,673.16	2,283,012.86	-	-
Changes in fair value of financial assets available for sale	83,302.32	20,825.58	-	-
Futures risk reserve undeducted before tax in the previous period	2,884,806.52	721,201.63	-	-
Deferred income	17,460,333.33	4,365,083.33	19,765,333.33	2,964,800.00
Risk provision for unpaid mortgage payments	540,000.00	135,000.00	-	-
Employee benefits payable: Termination benefits	1,488,144.00	372,036.00	-	-
Unpaid expenses	-	-	4,656,011.00	1,164,002.75
Total	94,698,183.64	22,467,662.83	102,050,935.31	20,383,186.91

(2) Deferred tax liabilities before offsetting

Item	Ending balance		Beginning balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Appreciation of estimates of combined enterprises not under common control	-	-	-	-
Changes in fair value of financial assets available for sale	-	-	207,940.00	51,985.00
Change in fair value of investment real estate	2,379,288,801.55	579,770,016.74	2,422,265,217.02	466,046,585.58
Changes in fair value of transactional financial assets	217,811,203.16	54,452,800.79	454,888,739.02	113,722,184.75
Book value of fixed assets greater than the tax base	39,919,984.05	7,983,996.81	-	-
Interest receivable	7,366,250.00	1,841,562.50	-	-
Investment income	380,000.00	95,000.00	-	-
Forecast asset management revenue	611,301.36	152,825.34	-	-
Total	2,645,377,540.12	644,296,202.18	2,877,361,896.04	579,820,755.33

29. Other non-current assets

Item	Ending balance	Beginning balance
Acquisition deposit	178,640,981.40	50,000,000.00
Upfront investment funds	118,000,000.00	-
Mortgage prepayment	86,441,433.00	-
Prepaid project and equipment expenses	4,478,704.50	19,071,438.35
Prepaid royalty	3,773,584.92	-
Total	391,334,703.82	69,071,438.35

(All amounts are stated in RMB Yuan unless otherwise stated)

30. Short-term loans

Item	Ending balance	Beginning balance
Pledge loans	25,287,092,904.04	12,601,807,092.61
Credit loans	1,589,896,208.17	948,925,287.08
Mortgage	417,640,702.46	393,258,637.05
Guaranteed loans	50,000,000.00	-
Total	27,344,629,814.67	13,943,991,016.74

31. Notes payable

Type	Ending balance	Beginning balance
Commercial acceptance	1,342,989,460.16	-
Bank acceptance	5,859,733,145.22	2,025,616,137.38
Domestic credit	130,700,000.00	713,683,140.08
Total	7,333,422,605.38	2,739,299,277.46

32. Currency deposit payable

Type	Ending balance		Beginning balance	
	Client number	Amount	Client number	Amount
Natural persons	24,991	1,438,757,592.34	-	-
Corporate	2,000	2,528,344,654.32	-	-
Total	26,991	3,967,102,246.66	-	-

33. Pledge margin payable

(1) List of pledge margin payable by client type

Type	Ending balance		Beginning balance	
	Number	Amount	Number	Amount
Natural persons	-	-	-	-
Corporate	6	46,097,252.50	-	-
Total	6	46,097,252.50	-	-

(2) List of pledge margin payable by exchange

Exchange	Ending balance	Beginning balance
Shanghai Futures Exchange	38,255,840.00	-
Dalian Commodity Exchange	6,410,000.00	-
Zhengzhou Commodity Exchange	1,431,412.50	-
Total	46,097,252.50	-

34. Futures investors protection fund payable

Item	Beginning balance	Increase	Usage in this period	Ending balance
Futures investors protection fund	-	6,127,007.87	5,586,650.13	540,357.74

(All amounts are stated in RMB Yuan unless otherwise stated)

35. Futures risk reserve

Item	Beginning balance	Provision	Usage in this period	Ending balance
Futures risk reserve	-	50,749,168.58	-	50,749,168.58

36. Accounts payable

(1) List of accounts payable

Aging	Ending balance	Beginning balance
Within 1 year	6,336,638,256.60	2,936,994,051.87
Over 1 year	13,963,667.40	201,519,859.12
Total	6,350,601,924.00	3,138,513,910.99

(2) Major accounts payable aging over 1 year

Item	Ending balance	Reason
Current account	65,961.36	No sure claims
People's Bank nursing homes	8,994,150.87	Cooperative housing compensation
Total	9,060,112.23	

37. Advance from customers

Aging	Ending balance	Beginning balance
Within 1 year	1,841,888,343.44	2,171,830,567.83
Over 1 year	991,320.40	3,372,980.07
Total	1,842,879,663.84	2,175,203,547.90

38. Sale of repurchased financial assets

(1) By asset type

Item	Ending balance	Beginning balance
Stock	-	-
Bond	110,000,000.00	1,019,965,398.50
Capital raised through quote repurchase	-	-
Usufruct transfer	-	-
Total	110,000,000.00	1,019,965,398.50

(2) By business type

Item	Ending balance	Beginning balance
Bonds outright repurchase	-	970,465,398.50
Bond pledged repurchase	110,000,000.00	49,500,000.00
Total	110,000,000.00	1,019,965,398.50

(All amounts are stated in RMB Yuan unless otherwise stated)

39. Employee benefits payable

(1) List of employee benefits payable

Item	Beginning balance	Increase	Decrease	Ending balance
Short-term compensations	19,241,392.62	342,730,878.81	300,338,537.30	61,633,734.13
Post-employment benefits: Defined contribution plan	542,360.11	19,946,302.93	18,271,504.49	2,217,158.55
Termination benefits	-	5,949,282.68	2,900,523.18	3,048,759.50
Other benefits to mature within 1 year	-	-	-	-
Total	19,783,752.73	368,626,464.42	321,510,564.97	66,899,652.18

(2) List of short-term compensations

Item	Beginning balance	Increase	Decrease	Ending balance
Salaries, bonuses, allowances and subsidies	14,880,227.80	296,741,931.45	254,010,739.27	57,611,419.98
Employee benefits	-	14,846,780.34	14,823,385.34	23,395.00
Social security fee	1,333,007.05	15,379,111.24	15,834,443.69	877,674.60
In which: Medical insurance	1,277,088.11	13,816,636.93	14,301,653.67	792,071.37
Annuity contribution	-	-	-	-
Injury insurance	36,213.39	872,704.32	877,554.43	31,363.28
Maternity insurance	19,705.55	689,769.99	655,235.59	54,239.95
Housing providential fund	1,103,736.16	11,697,862.61	11,709,173.28	1,092,425.49
Union funds, employee education funds	1,924,421.61	4,065,193.17	3,960,795.72	2,028,819.06
Short-term compensated absences	-	-	-	-
Short-term profit-sharing plan	-	-	-	-
Total	19,241,392.62	342,730,878.81	300,338,537.30	61,633,734.13

(3) List of defined contribution plans

Item	Beginning balance	Increase	Decrease	Ending balance
Basic endowment insurance	510,734.53	18,581,384.73	16,977,542.35	2,114,576.91
Unemployment insurance	31,625.58	1,364,918.20	1,293,962.14	102,581.64
Total	542,360.11	19,946,302.93	18,271,504.49	2,217,158.55

40. Taxes payable

Item	Ending balance	Beginning balance
Corporate income tax	534,971,648.12	674,500,939.66
VAT	181,218,467.99	189,406,027.69
Urban maintenance and construction tax	13,151,405.49	16,810,962.89
Land holding tax	4,046,220.79	2,013,619.69
Education surcharge	9,516,387.98	12,022,133.97
Flood control construction fund	1,577.22	2,302,506.95
Property tax	1,303,297.27	1,250,247.66

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	Ending balance	Beginning balance
Stamp duty	12,969,452.14	20,074,648.17
River management fee	1,021,435.26	1,318,316.56
Personal Income Tax	3,977,996.53	1,373,340.46
Business tax	10,079,889.19	3,235,888.58
Embankment protection fee	-	79.54
Water conservancy construction tax	729.54	1,703.71
Others	886,187.93	385,337.48
Total	773,144,695.45	924,695,753.01

41. Interest payable

Item	Ending balance	Beginning balance
Interest on long-term interest-only loans	5,519,993.19	4,837,186.99
Interest payable on short-term loans	39,362,226.77	16,387,101.41
Corporate bond interest	43,549,490.61	24,356,944.44
Repurchase factoring interest payable	-	1,416,666.67
Interest on security agency fees	27,545.71	17,867.40
Repurchase interest	78,838.36	1,208,370.28
Total	88,538,094.64	48,224,137.19

42. Other payables

(1) List of other payables by nature

Item	Ending balance	Beginning balance
Security deposit	142,347,603.78	4,149,127.87
Current account	162,898,248.03	46,441,104.82
Accrued expenses	7,217,871.79	6,271,728.05
Investment funds	3,500,000.00	-
Withholding	845.00	423,384.00
Renovation expenses	-	757,550.00
Others	7,334,382.60	3,266,377.16
Total	323,298,951.20	61,309,271.90

(2) No major other payable aging over 1 year in the ending balance.

(3) No other payable due to shareholders owning over 5% (including 5%) equity in the Company.

43. Security agency fees

Item	Ending balance	Beginning balance
Ordinary brokerage		
Individual	198,793,671.32	143,733,115.18
Institution	651,621.21	1,949,176.53
Subtotal	199,445,292.53	145,682,291.71

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	Ending balance	Beginning balance
Credit business		
Individual	-	-
Institution	-	-
Subtotal	-	-
Total	199,445,292.53	145,682,291.71

44. Non-current liabilities due within 1 year

Item	Ending balance	Beginning balance
Long-term loans due within 1 year	884,808,000.00	-

45. Other current liabilities

Item	Ending balance	Beginning balance
Short-term bonds	1,995,396,121.89	1,893,898,888.89
Others	18,500,146.76	-
Total	2,013,896,268.65	1,893,898,888.89

Note: In Oct. 2015, the Company issued a short-term bond amounting to 2 billion RMB yuan bearing a 4.38% interest, and the term is 1 year.

46. Long-term loans

Item	Ending balance	Beginning balance
Pledge loans	-	-
Mortgage	3,271,627,218.34	2,514,442,935.04
Guaranteed loans	-	-
Credit loans	510,000,000.00	-
Total	3,781,627,218.34	2,514,442,935.04

47. Bonds payable

Item	Ending balance	Beginning balance
15 CEFC MTN 001(3 years) (Note 1)	1,993,186,666.67	-
15CEFC (5 years) (Note 2)	2,973,255,000.00	-
Total	4,966,441,666.67	-

Note 1: In Nov. 2015, the Company issued a mid-term note amounting to 2 billion RMB yuan bearing an interest rate of 5.00% and the term is 3 years.

Note 2: In Dec. 2015, the Company issued a bond amounting to 3 billion RMB yuan bearing an interest rate of 4.98% and the term is 5 years.

(All amounts are stated in RMB Yuan unless otherwise stated)

48. Long-term payables

(1) List of long-term payables by nature

Item	Ending balance	Beginning balance
Local part of discount treasury bond turned into loan	6,420,000.00	6,420,000.00
Financial lease	492,154,891.90	169,987,606.38
Total	498,574,891.90	176,407,606.38

(2) Discount treasury bond

Content	Term	Beginning balance	Interest rate	Accrued interest	Ending balance	Conditions of loan
Local part of discount treasury bond turned into loan	15 years	6,420,000.00	No	No	6,420,000.00	Credit

(3) Financial lease

Content	Ending balance	Beginning balance
Original value of long-term payables	643,680,771.53	231,278,732.97
Repayment in this period	-73,422,652.32	-42,292,455.75
Outstanding balance of long-term payables	570,258,119.21	188,986,277.22
Unrecognized financing charges	-89,627,822.95	-20,641,419.22
Amortization	11,524,595.64	1,642,748.38
Outstanding balance of unrecognized financing charges	-78,103,227.31	-18,998,670.84
Financial lease balance	492,154,891.90	169,987,606.38

Note: See Note VI/22 (2).

49. Special payables

Item	Beginning balance	Increase	Decrease	Ending balance	Reason
Relocation compensation costs	33,657,689.56	-	5,950,813.27	27,706,876.29	Old factory relocation compensation

Note: By Dec. 31, 2015, the Company has received compensation for the relocation of the old factory amounting to 63,535,000 RMB yuan, and covered the loss of relocated fixed assets amounting to 35,828,100 RMB yuan.

(All amounts are stated in RMB Yuan unless otherwise stated)

50. Deferred income

(1) Type

Item	Beginning balance	Increase	Decrease	Ending balance
Government grants	19,765,333.33	18,492,233.27	20,797,233.27	17,460,333.33
Others	-	9,088,045.44	-	9,088,045.44
Total	19,765,333.33	27,580,278.71	20,797,233.27	26,548,378.77

(2) List of projects with government grants

Projects	Beginning balance	New grants	Decrease	Ending balance
Nicosulfuron, quizalofop, glyphosate and imidacloprid projects (Note 1)	5,665,500.00	-	1,259,000.00	4,406,500.00
400t flusilazole original drug projects (Note 2)	5,400,000.00	-	-	5,400,000.00
Wastewater treatment (Note 3)	4,500,000.00	-	-	4,500,000.00
High concentration organic wastewater concentrated incineration project (Note 4)	2,840,833.33	-	487,000.00	2,353,833.33
Acetamiprid microphone, cyhalothrin TC project (Note 5)	636,000.00	-	318,000.00	318,000.00
150-ton fenoxaprop original drug transformation project (Note 6)	723,000.00	-	241,000.00	482,000.00
DOSTYKGASTERMINAL LLP (Note 7)	-	18,492,233.27	18,492,233.27	-
Total	19,765,333.33	18,492,233.27	20,797,233.27	17,460,333.33

Note 1: According to the Notice of the National Development and Reform Commission [2007] No. 2695 concerning Special Funds from the Central Budget to Support Industry Restructuring", He County Finance Bureau of Anhui Province transferred 12,590,000 RMB yuan to the Company as special subsidies to cover its 200-ton nicosulfuron original drug, 500-ton quizalofop original medicines 10,000-ton glyphosate and 800-tons imidacloprid projects.

Note 2: According to the Notice of Anhui Province Department of Finance [2011] No. 1504 concerning the project construction funds (Indicator) of revitalization and transformation of key industries in 2011, He county Finance Bureau appropriated 5.4 million RMB yuan to the Company as provincial funding for revitalization and transformation of key industries and other construction funds.

Note 3: According to the Notice of Anhui Province Finance Department and Environmental Protection Department [2011] No. 1063 concerning the First Batch of Water Pollution Control Projects in Chaohu Lake, Huaihe River Basin, the county treasury appropriated to the Company 4.5 million RMB yuan as provincial water pollution prevention special funds.

Note 4: According to the Notice of the Ministry of Finance [2009] No. 320 regarding to the Special Funds for Water Pollution Prevention of Three Rivers and Three Lakes and Songhua River Basin of 2009, Anhui Province Department of Finance transferred 4,870,000 RMB yuan to the Company as central government fund for organic waste incineration treatment projects.

(All amounts are stated in RMB Yuan unless otherwise stated)

Note 5: According to the Notice of the Ministry of Finance [2009] No. 532 issued in 2009 on construction treasury bonds for key industry revitalization and transformation projects and expansion of domestic demand, Anhui Province Department of Finance transferred 3,180,000 RMB yuan to the Company as special subsidies for original drug Acetamiprid microphone and cyhalothrin TC projects.

Note 6: A 150-ton fenoxaprop original drug transformation project was completed in 2008, and deferred income is recognized over 10 years and recorded into profits or losses on an average of 241,000 RMB yuan annually.

Note 7: This deferred income is the government grant from the government of Kazakhstan for construction of Dostyk gas stations. It is granted to DGT, a subsidiary formed without common control. DGT has recently received the payment.

The above amounts related to assets involving government grants are recognized in "deferred income" when they are received.

51. Capital stock

Shareholders	Beginning balance	Increase	Decrease	Ending balance
CEFC Shanghai Financial Holdings Limited	3,000,000,000.00	-	-	3,000,000,000.00
Sinounited Investment Foundation (Shanghai) Co., Ltd.	3,000,000,000.00	-	3,000,000,000.00	-
China CEFC Energy Limited	1,500,000,000.00	3,550,000,000.00	-	5,050,000,000.00
China CEFC International Equity Ltd.	-	1,950,000,000.00	-	1,950,000,000.00
Total	7,500,000,000.00	5,500,000,000.00	3,000,000,000.00	10,000,000,000.00

52. Capital reserve

Item	Beginning balance	Increase	Decrease	Ending balance
Capital surplus	16,165,552.07	2,500,000,000.00	2,078,763.17	2,514,086,788.90
Other capital reserve	9,240,849.93	232,636,193.97	-	241,877,043.90
Total	25,406,402.00	2,732,636,193.97	2,078,763.17	2,755,963,832.80

53. Other comprehensive income

Item	Beginning balance	This period		
		Amount before tax in this period	Less: Transfer from other comprehensive income to current profits and losses	Less: Income tax expense
(1) Other comprehensive income that will not be reclassified into profits and losses	-	-	-	-
(2) Other comprehensive income that will be reclassified into profits and losses	53,238,682.39	44,098,824.28	-	-
In which: Share of other comprehensive income that will be reclassified into profits and losses under equity method	-	123,260,088.00	-	-

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	Beginning balance	This period Amount before tax in this period	Less: Transfer from other comprehensive income to current profits and losses	Less: Income tax expense
Profits and losses from changes to fair value of AFS financial assets	-	-	-	-
Profits and losses from recategorization of held-to-maturity investment as AFS financial assets	-	-	-	-
Effective part of profits and losses from cash hedging	-	-	-	-
Difference of foreign currency translation	53,238,682.39	-90,646,627.70	-	-
Others	-	11,485,363.98	-	-
Total other comprehensive income	53,238,682.39	44,098,824.28	-	-

(Continued)

Item	This period Attributable to the parent company after tax	Attributable to minority shareholders after tax	Ending balance
(1) Other comprehensive income that will not be reclassified into profits and losses	-	-	-
(2) Other comprehensive income that will be reclassified into profits and losses	22,625,881.83	21,472,942.45	75,864,564.22
In which: Share of other comprehensive income that will be reclassified into profits and losses under equity method	74,917,481.49	48,342,606.51	74,917,481.49
Profits and losses from changes to fair value of AFS financial assets	-	-	-
Profits and losses from recategorization of held-to-maturity investment as AFS financial assets	-	-	-
Effective part of profits and losses from cash hedging	-	-	-
Difference of foreign currency translation	-63,776,963.64	-26,869,664.06	-10,538,281.25
Others	11,485,363.98	-	11,485,363.98
Total other comprehensive income	22,625,881.83	21,472,942.45	75,864,564.22

54. Surplus reserve

Item	Beginning balance	Increase	Decrease	Ending balance
Statutory surplus reserve	182,317,057.11	71,962,863.64	487,029.84	253,792,890.91
Discretionary surplus reserve	-	-	-	-
Reserve funds	-	-	-	-
Venture expansion fund	-	-	-	-
Others	-	-	-	-
Total	182,317,057.11	71,962,863.64	487,029.84	253,792,890.91

(All amounts are stated in RMB Yuan unless otherwise stated)

55. Undistributed profit

Item	This period	Previous period
Balance of undistributed profits before adjustments at end of last year	4,444,231,243.35	1,474,372,775.94
Adjustment to the total undistributed profits at beginning of year (increase +; decrease -)	-	-
Beginning balance of undistributed profits after adjustment	4,444,231,243.35	1,474,372,775.94
Plus: Net profits belong to parent company during this period	2,852,814,459.80	3,103,382,919.75
Less: Appropriation to statutory surplus reserve	71,962,863.64	133,524,452.34
Appropriation to discretionary surplus reserve	-	-
Appropriation to general risk reserve	-	-
Dividends payable to ordinary shares	-	-
Capitalized dividends payable to ordinary shares	-	-
Ending balance of undistributed profits	7,225,082,839.51	4,444,231,243.35

56. Operating income and operating costs

(1) List of operating income and costs

Item	This period		Previous period	
	Income	Cost	Income	Cost
Main business	206,157,136,715.93	200,634,055,847.92	171,178,159,892.93	166,703,065,215.73
Other business	206,496,078.99	73,295,503.82	155,886,560.37	45,564,885.63
Total	206,363,632,794.92	200,707,351,351.74	171,334,046,453.30	166,748,630,101.36

(2) Main business by product

Item	This period		Previous period	
	Income	Cost	Income	Income
Chemical raw materials	19,983,677,206.46	19,565,028,832.73	93,170,907,686.47	90,501,814,091.78
Petro products	183,228,727,765.97	178,283,601,568.87	72,552,054,964.58	70,956,414,181.90
Cooking oil	78,360,495.35	77,930,657.59	-	-
LPG	410,894,995.93	356,774,958.57	-	-
Fertilizers	1,322,853,084.56	1,297,876,795.17	4,283,404,418.21	4,210,210,839.95
Pesticides	693,366,981.31	622,552,511.96	911,503,299.02	776,019,392.06
Metal	125,689,361.24	125,558,640.38	173,632,722.87	173,599,376.06
Coal	-	-	83,390,109.06	81,755,010.73
Seeds	-	-	2,395,954.38	2,406,289.04
Machinery	-	-	870,738.34	846,034.22
Others	313,566,825.11	304,731,882.65	-	-
Total	206,157,136,715.93	200,634,055,847.92	171,178,159,892.93	166,703,065,215.73

(3) Other business

Item	This period		Previous period	
	Income	Cost	Income	Income
Leasing	79,823,464.52	41,343,154.86	126,033,096.71	35,584,693.37
Waste materials	3,302,072.05	1,579,107.13	11,918,895.42	2,813,105.99
Business services	106,999,236.44	23,918,976.83	3,826,601.61	3,552,063.80

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	This period		Previous period	
	Income	Cost	Income	Income
Agency	5,321,529.03	-	3,277,864.63	-
Collection of utility fees (including utilities and wastewater treatment fees)	-	-	3,067,681.90	77,054.58
Others	11,049,776.95	6,454,265.00	7,762,420.10	3,537,967.89
Total	206,496,078.99	73,295,503.82	155,886,560.37	45,564,885.63

57. Net interest income

Item	This period	Previous period
Interest income		
Interest income from interbank deposits	7,249,910.29	10,348,730.00
In which: Own funds deposit interest income	3,163,925.99	9,160,424.02
Interest income from deposit of client funds	4,085,984.30	1,188,305.98
Interest income from margin trading	-	-
Interest income from reverse repurchase	3,424,839.43	1,638,373.27
In which: Repurchase agreement interest	-	-
Pledged share repurchase interest	-	-
Pledged bond repurchase interest	-	-
Interest income from lending to other banks	-	-
Others interest income	48,970,164.43	-
Subtotal interest income	59,644,914.15	11,987,103.27
Interest expense		
Customer margin interest	904,391.82	229,312.70
Interest expense for repurchase	4,870,208.18	1,544,926.61
In which: Interest expense for repurchase offer	-	-
Short-term borrowings interest expense	-	-
Borrowed funds interest expense	-	-
In which: Refinancing interest	-	-
Long-term loan interest	-	-
Bonds payable Interest expense	-	-
Subprime debt interest payments	-	-
Others	2,999,703.33	-
Subtotal interest expense	8,774,303.33	1,774,239.31
Net interest income	50,870,610.82	10,212,863.96

58. Fees and commission income

Item	This period	Previous period
(1) Fee and commission income		
Brokerage income	96,418,990.89	15,238,910.38
In which: Securities brokerage	47,421,522.01	15,238,910.38
In which: Agency trading of securities	18,102,723.28	5,857,395.23
Lease of transaction seats	29,117,931.38	9,381,515.15
Consignment of financial products	200,867.35	-

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	This period	Previous period
Futures brokerage	48,696,866.48	-
Options brokerage	300,602.40	-
Investment banking	66,239,760.00	44,556,666.00
In which: Securities underwriting	13,560,000.00	-
Securities sponsor	3,319,760.00	1,366,666.00
Financial advisory services	49,360,000.00	43,190,000.00
Investment advisory services	2,140,925.00	-
Asset management	733,830.96	-
In which: Portfolio asset management	-	-
Target asset management	-	-
Special asset management	-	-
Fund management	-	-
Others	-	-
Subtotal fee and commission income	165,533,506.85	59,795,576.38
(2) Fee and commission expense		
Brokerage expenses	35,154,114.72	7,557,704.60
In which: Securities brokerage	28,065,067.17	7,557,704.60
In which: Agency trading of securities	5,342,583.44	1,248,105.63
Lease of transaction seats	22,722,483.73	6,309,598.97
Consignment of financial products	-	-
Futures brokerage	7,089,047.55	-
Options brokerage	-	-
Investment banking	141,860.00	-
In which: Securities underwriting	-	-
Securities sponsor	141,860.00	-
Financial advisory services	-	-
Investment advisory services	-	-
Asset management	-	-
In which: Portfolio asset management	-	-
Target asset management	-	-
Special asset management	-	-
Fund management	-	-
Others	-	-
Subtotal fee and commission expense	35,295,974.72	7,557,704.60
Net fee and commission income	130,237,532.13	52,237,871.78
In which: Net financial advisory service income	49,360,000.00	43,190,000.00
— Net income from financial advisory services for mergers and acquisitions: Domestic public companies	-	42,530,178.00
— Net income from financial advisory services for mergers and acquisitions: Others	45,510,000.00	-
— Net income from other financial advisory services	3,850,000.00	659,822.00

(All amounts are stated in RMB Yuan unless otherwise stated)

59. Taxes and surcharges

Item	This period	Previous period
Business tax	21,200,183.16	7,404,055.02
Urban construction tax	33,228,262.66	31,500,423.35
Education surcharge and others	24,328,305.81	22,630,636.92
River management fee	2,124,645.79	54,813.94
Others	233,879.90	-
Total	81,115,277.32	61,589,929.23

60. Financial expenses

Item	This period	Previous period
Interest expense	1,219,265,071.96	725,155,530.02
Less: Interest income	111,206,613.23	31,333,362.78
Exchange losses	185,017,846.70	41,685,231.42
Less: Exchange gains	44,388,194.99	33,756,051.69
Fees	228,603,412.73	93,692,735.94
Fund possession cost	-	-
Others	-	236.27
Total	1,477,291,523.17	795,444,319.18

61. Impairment losses

Item	This period	Previous period
Bad debt loss	19,476,174.24	-1,556,963.38
Loss on inventory depreciation	11,096,863.54	690,901.70
Impairment loss on long-term equity investment	59,278,652.00	-
Total	89,851,689.78	-866,061.68

62. Gains from change in fair value

Sources of income from changes in fair value	This period	Previous period
Financial asset measured at fair value through profit or loss	-223,875,330.14	423,890,302.36
In which: Gains from changes in fair value of derivative financial instruments	-	-
Financial liabilities measured at fair value through profit or loss	-	-
Investment real estate at fair value	467,308,403.71	174,545,179.93
Transactional financial assets	-	-
Total	243,433,073.57	598,435,482.29

63. Investment income

Item	This period	Previous period
Investment income from long-term equity measured by equity method	-61,506,483.12	12,225,728.75
Investment income from disposal of long-term equity investment	117,753.63	19,697,172.06
Investment income from financial assets at fair value through profit or loss during the holding period	-194,730,891.15	15,307,510.16
Investment income from disposal of financial assets at fair value through profit or loss	843,006,324.98	14,020,357.33

(All amounts are stated in RMB Yuan unless otherwise stated)

Item	This period	Previous period
Investment income from held-to-maturity investments during the holding period	17,580,513.32	11,696,796.55
Investment income from financial assets available for sale during the holding period	13,105,540.27	483,938.43
Investment income from disposal of held-to-maturity investments	2,366,657.54	-
Investment income from disposal of financial assets available for sale	236,080.12	962.00
Gains from fair value remeasurement of the remaining shares after the loss of control right	-	-
Investment income from long-term equity measured by the cost method	-	-
Others	1,467,749.47	215,701.52
Total	621,643,245.06	73,648,166.80

64. Non-operating income

Item	This period	Previous period	Amount included in the current non-recurring gains and losses
Total gains from disposal of non-current assets	219,585.33	89,151.03	219,585.33
In which: Gains from disposal of fixed assets	219,585.33	89,151.03	219,585.33
Gains from disposal of intangible assets	-	-	-
Debt restructuring gains	-	18,805,503.65	-
Government grants	280,782,990.17	128,493,573.70	280,782,990.17
Penalty income	-	53,478.30	-
Gains from merger without common control	-	173,388.10	-
Funds that need not be paid	-	-	-
Non-refundable deposit	-	-	-
Stock-taking gains	-	8,419.48	-
Others	7,140,750.36	1,913,827.27	7,140,750.36
Total	288,143,325.86	149,537,341.53	288,143,325.86

Government grants recognized in the current profits and losses:

Item	This period	Previous period	Related to assets or income
Tax refunds	156,429,106.33	98,204,986.03	Income
Enterprise support funds	93,883,246.53	19,919,000.00	Income
Incentive funds	300,000.00	4,100,000.00	Income
Project grants	17,780,148.53	2,305,000.00	Assets
Employee training subsidies	-	911,683.00	Income
Bonus subsidy	12,028,240.45	361,000.00	Income
Development Fund	192,083.33	89,412.37	Income
Condolences fee	-	80,000.00	Income
Safety award	-	10,000.00	Income
Special fund	-	-	Income
Patent grants	50,000.00	-	Income
Overseas investment excellence award	-	-	Income
Interest subsidy	-	-	Income
Others	120,165.00	2,512,492.30	Income
Total	280,782,990.17	128,493,573.70	

(All amounts are stated in RMB Yuan unless otherwise stated)

65. Non-operating expense

Item	This period	Previous period	Amount included in the current non-recurring gains and losses
Total loss on disposal of non-current assets	519,344.98	1,520,792.31	519,344.98
In which: Loss on disposal of fixed assets	519,344.98	1,520,792.31	519,344.98
Losses on disposal of intangible assets	-	-	-
Losses from debt restructuring	2,508,090.49	-	2,508,090.49
Donations	25,773,972.98	20,344,483.80	25,773,972.98
Others	17,382,599.43	3,991,361.40	17,382,599.43
Total	46,184,007.88	25,856,637.51	46,184,007.88

66. Income tax expenses

Item	This period	Previous period
Current income tax expense	121,2565,817.10	878,467,172.78
Deferred income tax expense	62,591,100.69	118,126,782.49
Total	1,275,156,917.79	996,593,955.27

67. Supplementary information of Cash Flow Statement

(1) Net profits adjusted into "Cash Flows from Operating Activities"

Item	This period	Previous period
① Net profits adjusted into "Cash Flows from Operating Activities"		
Net profits belonging to the parent company's owner	2,852,814,459.80	3,103,382,919.75
Plus: Minority interests (presented in the consolidated statement)	391,023,468.72	40,265,669.55
Net profits	3,243,837,928.52	3,143,648,589.30
Plus: Asset depreciation provision	89,851,689.78	-866,061.68
Depreciation of fixed assets, gas and oil assets, productive biological assets	150,548,479.97	112,321,752.01
Amortization of intangible assets	11,226,785.91	8,831,267.23
Amortization of long-term expenses	16,222,545.68	5,895,877.14
Loss on disposal of fixed assets, intangible assets and other long-term assets ("-" for gains)	299,759.65	1,431,641.28
Loss from retirement of fixed assets ("-" for gains)	-	-
Loss from change of fair value ("-" for gains)	-243,433,073.57	-598,435,482.29
Financial expenses ("-" for gains)	1,212,265,071.96	723,234,438.06
Investment loss ("-" for gains)	-621,643,245.06	-73,648,166.80
Decrease of deferred income tax assets ("-" for increase)	-2,084,475.92	-10,498,163.36
Increase of deferred income tax liabilities ("-" for decrease)	64,475,446.85	132,565,560.15
Decrease of inventories ("-" for increase)	836,934,827.99	-30,489,573.77
Decrease of operating receivables ("-" for increase)	-2,410,603,330.89	-7,020,979,087.60
Increase of operating payables ("-" for decrease)	-2,058,278,278.30	6,241,946,773.13
Others	-	-
Net cash flows from operating activities	289,620,132.57	2,634,959,362.80
② Significant investing/financing activities not involving cash receipt or payment:		
Debt capitalized	-	-
Convertible corporate bonds to mature within 1 year	-	-
Fixed assets obtained through financial leasing	-	-

Item	This period	Previous period
③ Net changes to cash and cash equivalents:		
Ending balance of cash	10,068,155,147.84	2,737,900,718.61
Less: Beginning balance of cash	2,737,900,718.61	2,393,470,488.11
Plus: Ending balance of cash equivalents	237,000,000.00	-
Less: Beginning balance of cash equivalents	-	-
Net increase of cash and of cash equivalents	7,567,254,429.23	344,430,230.50

(2) Composition of cash and of cash equivalents

Item	Ending balance	Beginning balance
① Cash	10,068,155,147.84	2,737,900,718.61
In which: Cash in stock	324,248.29	301,827.58
Bank deposit payable on demand	2,798,742,345.02	1,110,301,267.61
Other monetary funds payable on demand	7,224,402,357.03	1,585,274,128.71
Payable deposits at the central bank	-	-
Deposit due from other banks	-	-
Settlement provisions	44,686,197.50	42,023,494.71
Amount due to other banks	-	-
② Cash equivalents	237,000,000.00	-
In which: Bond investments to mature within 3 months	-	-
③ Ending balance of cash and of cash equivalents	10,305,155,147.84	2,737,900,718.61
In which: Cash and of cash equivalents of which the parent company or subsidiaries have restricted use	-	-

68. Assets with restriction on ownership or use right

Item	Ending book value	Reason
Monetary funds	1,855,489,066.48	Pledge
Financial assets at fair value through profit or loss	481,656,000.00	Pledge
Accounts receivable	25,802,147,252.21	Pledge
Other receivables	5,630,857.18	Pledge
Other current assets	1,565,184,000.00	Pledge
Construction in progress	2,085,088,721.50	Mortgage
Investment real estate	3,853,758,323.80	Mortgage
Fixed assets	252,944,184.66	Mortgage
Intangible assets	129,678,039.38	Mortgage
Total	36,031,576,445.21	

(All amounts are stated in RMB Yuan unless otherwise stated)

VII. Change to the scope of consolidation

1. Business combinations not involving enterprises under common control

(1) Business combinations not involving enterprises under common control in this period

Acquiree	Time of acquisition	Cost of acquisition	% of equity acquired	Method of acquisition
CEFC Wanda Futures Co., Ltd. (Note)	2015.08.01	1,304,845,002.00	65.00%	Purchase in cash
DOSTYK GAS TERMINAL LLP	2015.06.01	223,297,200.00	40.00%	Purchase in cash
Přikopy Property Development, a.s.	2015.12.31	110,336,028.16	100.00%	Purchase in cash
SK Slavia Praha-fotbal a.s	2015.12.31	7,114,636.80	59.97%	Purchase in cash
SHX Cayman Company Limited	2015.04.30	6.50	100.00%	Purchase in cash

(Continued)

Acquiree	Date of purchase	Basis of date determination	Income of acquiree from date of purchase to end of year	Net profits of acquiree from date of purchase to end of year
CEFC Wanda Futures Co., Ltd. (Note)	2015.08.01	Gaining control right	412,231,927.88	34,055,770.54
DOSTYK GAS TERMINAL LLP	2015.06.01	Gaining control right	124,918,793.33	65,436,843.36
Přikopy Property Development, a.s.	2015.12.31	Gaining control right	-	-
SK Slavia Praha-fotbal a.s	2015.12.31	Gaining control right	-	-
SHX Cayman Company Limited	2015.04.30	Gaining control right	-	-70,065,128.24

Note: CEFC Wanda Futures Co., Ltd. holds 100.00% stake in Buy & Sell Trade Co., Ltd. and this combination involves Baisansai Trading Co., Ltd.

(2) Combination costs and goodwill

Combination costs	CEFC Wanda Futures Co., Ltd.	DOSTYK GAS TERMINAL LLP	Přikopy Property Development, a.s	SK Slavia Praha-fotbal a.s	SHX Cayman Company Limited
Cash	1,304,845,002.00	223,297,200.00	110,336,028.16	7,114,636.80	6.50
Fair value of non-cash assets	-	-	-	-	-
Fair value of debt issued or assumed	-	-	-	-	-
Fair value of issued equity securities	-	-	-	-	-
Fair value of contingent considerations	-	-	-	-	-

Combination costs	CEFC Wanda Futures Co., Ltd.	DOST YK GAS TERMI NAL LLP	Prikopy Property Development, a.s	SK Slavia Praha-fotbal a.s	SHX Cayman Company Limited
Acquisition-date fair value of equity held before the acquisition date	-	-	-	-	-
Total combination costs	1,304,845,002.00	223,297,200.00	110,336,028.16	7,114,636.80	6.50
Less: Share of the fair value of the obtained identifiable net assets	510,399,403.08	-4,138,182.06	-9,814,691.20	-12,240,159.36	6.50
Difference by which goodwill /combination costs are less than the fair value of the identifiable net assets acquired	794,445,598.92	227,435,382.06	120,150,719.36	19,354,796.16	-

2. Business combinations involving enterprises under common control

(1) Business combinations involving enterprises under common control in this period

Acquiree	% of equity acquired	Basis of determination	Date of purchase	Basis of date determination
CEFC Shanghai Group (Xinjiang) Co., Ltd.	100.00%	Under the same control	2015.01.01	Gaining control right
CEFC Shanghai International Financial Holding (Hainan) Co., Ltd.	100.00%	Under the same control	2015.12.31	Gaining control right
China Finance & Assets Company Limited	100.00%	Under the same control	2015.12.31	Gaining control right

(Continued)

CEFC Shanghai Group (Xinjiang) Co., Ltd.	Beginning balance of the current period of combination- Income of the acquire on the combination date	Beginning balance of the current period of combination – Net profits of the acquire on the combination date	Income of the acquire in the comparison period	Net profits of the acquire in the comparison period
CEFC Shanghai International Financial Holding (Hainan) Co., Ltd.	-	-	-	-549,697.27
China Finance & Assets Company Limited	-	-	-	-
CEFC Shanghai Group (Xinjiang) Co., Ltd.	-	-	-	-

(2) Combination costs

Combination costs	CEFC Shanghai Group (Xinjiang) Co., Ltd.	CEFC Shanghai International Financial Holdings (Hainan) Co., Ltd.	China Finance & Assets Company Limited
Cash	50,000,000.00	1.00	-
Fair value of non-cash assets	-	-	-
Fair value of debt issued or assumed	-	-	-
Fair value of issued equity securities	-	-	-
Contingent considerations	-	-	-

3. Disposal of subsidiaries

Single disposal of equity in subsidiaries leading to loss of control right:

Subsidiary	Price of equity disposal	% of disposal	Method of equity disposal	Time of loss of control	Basis of determination	Difference between the disposal price and share of the corresponding net equity in the consolidated financial statements
Shanghai Professional Managers Services Co., Ltd.	1,050,000.00	55.00%	Sale	2015.07.01	Equity transfer agreement	117,753.63

(Continued)

Subsidiary	% of remaining equity on the date of loss of control right	Book value of remaining equity on the date of loss of control right	Fare value of remaining equity on the date of loss of control right	Gains or losses from remeasurement of the remaining by fair value	Method of determination and major assumptions concerning the fair value of the remaining equity on the date of the loss of control right	Amount of other comprehensive income related to the equity investment in the subsidiary transferred to the current profits and losses
Shanghai Professional Managers Services Co., Ltd.	-	-	-	-	-	-

(All amounts are stated in RMB Yuan unless otherwise stated)

4. Other reasons for the change to the scope of consolidation

Establishment of new subsidiaries and related conditions:

Investee	Time of investment	Cost of investment	Shareholding %	Investment method
CEFC Shanghai Capital Investment Co., Ltd.	2015.02	-	100.00%	-
CEFC Guangdong Financial Investment Holdings Co., Ltd.	2015.02	10,000,000.00	100.00%	Cash
CEFC Shanghai International Group (Singapore) Pte,.Ltd.	2015.04	637,661,300.00	100.00%	Cash
Anhui Huaxing Chemical Industry Co., Ltd.	2015.05	1,289,702,094.73	100.00%	Agrochemical business investment
CEFC Investment (Europe) Company a.s.	2015.06	301,024,000.00	100.00%	Cash
CEFC Shanghai International Petroleum Development Co., Ltd.	2015.06	-	100.00%	-
TacticAllyLtd	2015.06	-	100.00%	-
Wise Source International Ltd	2015.06	-	100.00%	-
Dunhan Ventures Ltd	2015.06	-	100.00%	-
CEFC Assets Management & Equity Investment HK Co., Ltd.	2015.06	-	100.00%	-
CEFC International (Shenyang) Petroleum Co., Ltd.	2015.07	2,000,000.00	100.00%	Cash
Hanxing Investment Ltd	2015.07	-	100.00%	-
CEFC Natural Gas (Hongkong) Co., Ltd.	2015.07	-	100.00%	-
CEFC Shanghai Factoring (Hong Kong) Ltd.	2015.08	-	100.00%	-
Guangdong Renofund Assets Management Company Limited	2015.08	10,000,000.00	100.00%	Cash
Shanghai Tomorrow BRICS Equity Investment Fund Co., Ltd.	2015.09	350,000,000.00	100.00%	Cash
CEFC Shanghai International Group (Heilongjiang)Trading Co., Ltd.	2015.11	-	100.00%	-

VIII. Equity in other entities

1. Equity in subsidiaries

(1) Composition of the enterprise group

Subsidiary	Main operation location	Registered location	Business line	Shareholding %		Method of acquisition
				Direct	Indirect	
CEFC Hainan International Holdings Co.,Ltd.	Haikou	Haikou	Petrochemical trading	68.77%	-	Incorporation
CEFC Shanghai Petroleum Group International Trading Co., Ltd.	Shanghai	Shanghai	Petrochemical trading	100.00%	-	Incorporation
CEFC Shanghai Securities Limited	Shanghai	Shanghai	Securities	100.00%	-	Combination not involving enterprises under common control
CEFC Anhui International Holdings Co., Ltd.	Ma'anshan City	Ma'anshan City	Pesticide production	60.78%	-	Combination not involving enterprises under common control
CEFC Petroleum (Guangdong) Co., Ltd.	Guangzhou	Guangzhou	Petrochemical trading	50.74%	-	Combination involving enterprises under common control
CEFC Shanghai Group Assets Management Co., Ltd.	Shanghai	Shanghai	Asset lease	100.00%	-	Combination involving enterprises under common control

(All amounts are stated in RMB Yuan unless otherwise stated)

Subsidiary	Main operation location	Registered location	Business line	Shareholding % Direct	Shareholding % Indirect	Method of acquisition
CEFC Petroleum (Xiamen) Co., Ltd.	Xiamen	Xiamen	Petrochemical trading	100.00%	-	Combination involving enterprises under common control
CEFC Petroleum (Zhejiang) Co., Ltd.	Ningbo	Ningbo	Petrochemical trading	100.00%	-	Combination involving enterprises under common control
Shanghai Huaxin Group (Hong Kong) Ltd.	Hong Kong	Hong Kong	Petrochemical trading	100.00%	-	Combination not involving enterprises under common control
CEFC Shanghai Technology & Industrial Services Co., Ltd.	Shanghai	Shanghai	Petrochemical trading	100.00%	-	Incorporation
CEFC Shanghai Group Commercial Factoring Co.,Ltd.	Shanghai	Shanghai	Business factoring	100.00%	-	Incorporation
CEFC Shanghai Group Petrochemical e-Trading Co., Ltd.	Shanghai	Shanghai	Network transactions	100.00%	-	Combination involving enterprises under common control
CEFC Shanghai Group (Tianjin) Co., Ltd.	Tianjin	Tianjin	Petrochemical trading	100.00%	-	Combination not involving enterprises under common control
CEFC Petroleum (Fujian) Co., Ltd.	Xiamen City	Xiamen City	Petrochemical trading	100.00%	-	Combination not involving enterprises under common control
CEFC Hainan International Petroleum Co., Ltd.	Haikou	Haikou	Petrochemical trading	100.00%	-	Combination not involving enterprises under common control
CEFC Shanghai Group (UK) Co., Ltd..	United Kingdom	United Kingdom	Petrochemical trading	100.00%	-	Incorporation
CEFC Shanghai International Group Yueyang Petrochemical Co., Ltd.	Yueyang City	Yueyang City	Petrochemical trading	100.00%	-	Combination involving enterprises under common control
CEFC Shenzhen International Holdings Co., Ltd.	Shenzhen	Shenzhen	Petrochemical trading	100.00%	-	Incorporation
CEFC Wanda Futures Co., Ltd.	Zhengzhou City	Zhengzhou City	Futures services	65.00%	-	Combination not involving enterprises under common control
CEFC Shanghai Group (Xinjiang) Co., Ltd.	Urumqi	Urumqi	Energy trading	100.00%	-	Combination involving enterprises under common control
CEFC (Hainan) Oil Storage Co., Ltd.	Yangpu City	Yangpu City	Petrochemical trading	-	100.00%	Combination involving enterprises under common control
Yangpu Energy Exchange Center Co., Ltd.	Yangpu City	Yangpu City	Petrochemical service	-	85.00%	Incorporation
Yangpu (Shanghai) Petrochemicals Investment Co., Ltd.	Shanghai	Shanghai	Investment management	-	100.00%	Incorporation
Shanghai Shengyi Investment Management Co., Ltd.	Shanghai	Shanghai	Management consulting	-	100.00%	Combination not involving enterprises under common control

(All amounts are stated in RMB Yuan unless otherwise stated)

Subsidiary	Main operation location	Registered location	Business line	Shareholding % Direct	Shareholding % Indirect	Method of acquisition
Shanghai Shengyi Investment Center (Limited Partnership)	Shanghai	Shanghai	commercial estate	-	100.00%	Combination not involving enterprises under common control
Anhui Ke'er Agricultural Production Materials Co., Ltd.	Hefei	Hefei	Sales of pesticides and fertilizers	-	100.00%	Combination not involving enterprises under common control
Anhui Linearfull Modern Agriculture Co., Ltd.	Hefei	Hefei	Sales of pesticides and fertilizers	-	100.00%	Combination not involving enterprises under common control
Anhui Huajian Chemical Industry Co., Ltd.	He County, Anhui Province	He County, Anhui Province	Chemical raw materials	-	100.00%	Combination not involving enterprises under common control
CEFC Shanghai Natural Gas Co., Ltd.	Shanghai	Shanghai	Gas Service	-	100.00%	Incorporation
CEFC Petroleum (Guangzhou)Co.,Ltd.	Guangzhou City	Guangzhou City	Petrochemical trading	-	100.00%	Incorporation
Guangzhou Jinheng Real Estate Co., Ltd.	Guangzhou City	Guangzhou City	Realtor	-	100.00%	Combination not involving enterprises under common control
CEFC (Shenzhen) Energy Development Co., Ltd.	Shenzhen	Shenzhen	Petrochemical trading	-	100.00%	Incorporation
CEFC Commercial (Fujian) Co., Ltd..	Fuzhou	Fuzhou	Petrochemical trading	-	100.00%	Combination not involving enterprises under common control
CEFC Commercial Co., Ltd.	Xiamen City	Xiamen City	Petrochemical trading	-	100.00%	Combination not involving enterprises under common control
Qingdao Free Trade Port Area Energy Base Co., Ltd.	Qingdao	Qingdao	Petrochemical trading	-	100.00%	Incorporation
Dashi Financing and Leasing (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing	-	100.00%	Incorporation
Samstrong International Ltd.	Hong Kong	Hong Kong	Investment management	-	100.00%	Combination not involving enterprises under common control
Yield Commerce Ltd.	Hong Kong	Hong Kong	Investment management	-	100.00%	Combination not involving enterprises under common control
China Huaxin Petroleum Ltd.	Hong Kong	Hong Kong	Petrochemical trading	-	100.00%	Incorporation
China Huaxin Foundation Limited	Hong Kong	Hong Kong	Energy research	-	100.00%	Incorporation
China Association Ltd.	Hong Kong	Hong Kong	Property investment	-	100.00%	Combination not involving enterprises under common control
Dada Real Estate (Shanghai) Co., Ltd.	Shanghai	Shanghai	Realtor	-	100.00%	Combination not involving enterprises under common control
CEFC Shanghai International Financial Holding (Hainan) Co., Ltd.	Hainan	Hainan	Financial services	-	100.00%	Combination involving enterprises under common control

(All amounts are stated in RMB Yuan unless otherwise stated)

Subsidiary	Main operation location	Registered location	Business line	Shareholding %		Method of acquisition
				Direct	Indirect	
China Finance & Assets Company Limited	Hong Kong	Hong Kong	Financial services	-	100.00%	Combination involving enterprises under common control
Buy & Sell Trade Co., Ltd.	Zhengzhou City	Zhengzhou City	Goods trading	-	100.00%	Combination not involving enterprises under common control
DOSTYK GAS TERMINAL LLP	Kazakhstan	Kazakhstan	Energy Ttrading	-	40.00%	Combination not involving enterprises under common control
Přikopy Property Development,a.s.	Czech Republic	Czech Republic	Service	-	100.00%	Combination not involving enterprises under common control
SK Slavia Praha-fotbal a.s	Czech Republic	Czech Republic	Sports service	-	59.97%	Combination not involving enterprises under common control
SHX Cayman Company Limited	Hong Kong	Hong Kong	Financial services	-	100.00%	Combination not involving enterprises under common control
CEFC Shanghai Capital Investment Co., Ltd.	Shanghai	Shanghai	Financial services	-	100.00%	Incorporation
CEFC Guangdong Financial Investment Holdings Co., Ltd.	Guangzhou	Guangzhou	Financial services	-	100.00%	Incorporation
CEFC Shanghai International Group (Singapore) Pte Ltd	Singapore	Singapore	Financial services	-	100.00%	Incorporation
Anhui Huaxing Chemical Industry Co., Ltd.	Ma'anshan City	Ma'anshan City	Production and sales of pesticides	-	100.00%	Incorporation
CEFC Investment (Europe) Company a.s.	Czech Republic	Czech Republic	Financial services	-	100.00%	Incorporation
CEFC Shanghai International Petroleum Development Co., Ltd.	Shanghai	Shanghai	Energy development	-	100.00%	Incorporation
Tactic Ally Ltd	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
Wise Source International Ltd	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
Dunhan Ventures Ltd	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
CEFC Assets Management & Equity Investment HK Co., Ltd.	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
CEFC International (Shenyang) Petroleum Co., Ltd.	Shenyang	Shenyang	Energy trading	-	100.00%	Incorporation
Hanxing Investment Ltd	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
CEFC Natural Gas (Hongkong) Co., Ltd.	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation
CEFC Shanghai Group Commercial Factoring (HK) Co.,Ltd.	Hong Kong	Hong Kong	Financial services	-	100.00%	Incorporation

(All amounts are stated in RMB Yuan unless otherwise stated)

Subsidiary	Main operation location	Registered location	Business line	Shareholding % Direct	Shareholding % Indirect	Method of acquisition
Guangdong Renofund Assets Management Company Limited	Guangzhou	Guangzhou	Financial services	-	100.00%	Incorporation
Shanghai Tomorrow BRICS Equity Investment Fund Co., Ltd.	Shanghai	Shanghai	Financial services	-	100.00%	Incorporation
CEFC Shanghai International Group (Heilongjiang)Trading Co., Ltd.	Heilongjiang	Heilongjiang	Energy Trading	-	100.00%	Incorporation

Holding half or less of the voting rights but still having control over the Investee:

Subsidiary	Directly and indirectly holding %	Basis
DOSTYK GAS TERMINAL LLP	40.00%	DGT's partner Ropiton Holding B.V. has 10% partner share in DGT and assigned its corresponding voting right to CEFC Shanghai Natural Gas Co., Ltd. now has 40%partner share and 50% voting right in DGT. According to DGT's Articles of Association and the related investment agreement, DGT's board is composed of five members, and CEFC Shanghai Natural Gas Co., Ltd. appoints 4 members. So CEFC Shanghai Natural Gas Co., Ltd. has control right over DGT.

(2) Major non-wholly-owned subsidiaries

Subsidiary	Minority shareholding %	Profit attributable to minority shareholders	Dividends paid to minority shareholders in this period	Ending balance of minority shareholders' equity
CEFC Anhui International Holdings Co., Ltd.	39.22%	62,016,854.13	-4,701,715.20	1,136,634,149.62
CEFC Hainan International Holding Co.,Ltd	31.23%	281,718,184.08	-	3,485,594,502.78
CEFC Petroleum (Guangdong) Co., Ltd.	49.26%	10,242,645.51	-	2,268,968,123.89

2. Transactions by which equity share in subsidiaries changes and control over subsidiary still exists:

(1) Changes in equity share in subsidiary

In this period, the Company bought 49.00% share of Anhui Huajian Chemical Industry Co., Ltd. and now hold 100.00% stake after buying minority shares.

(2) Influence of transactions on minority interests and equity attributable to equity holders

Item	Anhui Huajian Chemical Industry Co., Ltd.
Purchase costs	28,500,000.00
In which: Cash	28,500,000.00
Fair value of non-cash assets	-
Purchase costs	28,500,000.00
Less: Share of net assets of subsidiaries by percentage of equity acquired	20,692,380.60
Difference	7,807,619.40
In which: Adjusted capital surplus	7,807,619.40
Adjusted surplus reserve	-
Adjusted retained earnings	-

(All amounts are stated in RMB Yuan unless otherwise stated)

3. Equity in joint ventures or associates

(1) Important joint ventures or associates

Joint ventures or associates	Principal place of business	Registration place	Business line	Shareholding % Direct	Shareholding % Indirect	Voting right %	Accounting method
Joint venture:							
Anhui Xingnuo Chemical Industry Co., Ltd.	He County, Anhui Province	He County, Anhui Province	Chemical raw materials	-	50.00%	50.00%	Equity method
Associates:							
China Natural Gas Corporation Limited	Chengdu, Sichuan	Chengdu, Sichuan	Natural gas sales	-	19.67%	19.67%	Equity method
Shanghai CAG Holding Co., Ltd.	Shanghai	Shanghai	Chemical products sales	-	49.00%	49.00%	Equity method

(2) Other joint ventures

Joint ventures	Principal place of business	Registration place	Business line	Shareholding % Direct	Shareholding % Indirect	Voting right %	Accounting method
Inner Mongolia CEFC Lubricants Industrial Co., Ltd.	Inner Mongolia	Inner Mongolia	Refined oil trade	50.00%	-	-	Equity method

Note: In Sept. 2015, the Company's subsidiary CEFC Petroleum (Fujian) Co., Ltd. (Fujian CEFC) and Inner Mongolia Mengtie Petroleum Ltd. signed an Agreement on Establishing a Joint Venture by Fujian CEFC and Inner Mongolia Mengtie Petroleum Ltd. The JV was called Inner Mongolia CEFC Lubricants Industrial Co., Ltd. which has a registered capital of 50,000,001 RMB yuan, to which Fujian CEFC contributes 25,000,001.00 RMB yuan in cash accounting for 50% of the registered capital and Inner Mongolia Mengtie Petroleum Ltd. contributes 25,000,000.00 RMB yuan in cash, accounting for 50% of the registered capital. As of Dec. 31, 2015, Fujian CEFC and Inner Mongolia Mengtie Petroleum Ltd. have not yet paid the capital but have paid 2,000,000.00 RMB yuan to Inner Mongolia CEFC Lubricants Industrial Co., Ltd. to cover its establishment expenses.

IX. Related parties and related-party transactions

1. Parent company

Parent company	Registration location	Business line	Registered capital (0000 RMB yuan)	Parent company's holding %	Parent company's voting right %
CEFC China Energy Company Limited	Shanghai	Investment management	1,050,000.00	50.5%	50.5%

2. Subsidiaries

See Note VIII/1 for subsidiaries of the Company.

3. Joint venture and associates

For the Company's major joint ventures or associates, see Note VIII: Equity in other entities.

4. Other related parties

Other related parties	Relationship with the Company
Su Weizhong	Ultimate controlling party
Zheng Xiongbin	Ultimate controlling party
Shanghai Sinounited Investment Fund Ltd.	Indirect controlling shareholder
Shanghai Gold Brick Equity Investment Fund Limited	Indirect shareholder
CEFC China International Equity Investment Limited	Indirect controlling shareholder
Shanghai Energy Fund Investment Limited	Indirect controlling shareholder
CEFC Shanghai Financial Holdings Limited	Shareholder holding more than 5%
CEFC Beijing International Holdings Co.,Ltd.	Under common control
CEFC Shandong International Holdings Co.,Ltd.	Under common control
CEFC Shanghai Group Finance Co., Ltd.	Under common control
Hainan Commercial Bank	Other related party

5. Related party transactions

(1) Related party transactions concerning purchase and sale of goods, rendering and acceptance of services

Purchase of goods and acceptance of services

Related party	Content of related party transactions	This period	Previous period
CEFC Shanghai Financial Holdings Limited	Sales of goods	-	173,632,722.87
CEFC Beijing International Holdings Co.,Ltd.	Sales of goods	-	326,424,777.29

(2) Related party leasing

The Company as a lessor

Lessee	Asset type	Rental income recognized in the current period	Rental income recognized in the previous period
CEFC China Energy Company limited	Investment real estate	12,117,955.19	11,446,974.84

The Company as a lessee

Lessor	Asset type	Rental fee recognized in this period	Rental fee recognized in the previous period
CEFC Shanghai Financial Holdings Limited	Buildings	1,243,908.00	1,243,908.00

(All amounts are stated in RMB Yuan unless otherwise stated)

(3) Related party lending

The Company's subsidiary CEFC Shanghai Group Commercial Factoring Co., Ltd. and the Company's investee Hainan Bank signed a Working Capital Loan Contract by which 400,000,000RMB yuan will be lent to CEFC Shanghai Group Commercial Factoring Co., Ltd. bearing an interest rate of 6.96% (basic bank lending rate), and the term is 1 year (from Dec. 11, 2015 to Dec. 10 2016). The current interest amounts to 1,624,000 RMB yuan. In the ending balance, the outstanding balance of the loan is 400,000,000RMB yuan.

6. Related party receivables and payables

(1) Receivables

Item	Related party	Ending balance		Beginning balance	
		Carrying amount	Bad debt reserve	Carrying amount	Bad debt reserve
Other receivable	CEFC Shanghai Group Finance Co., Ltd.	28,964,255.90	-	223,446,550.83	-
Other receivable	CEFC China Energy Company Limited	22,404,851.43	-	54,299,435.26	-
Other receivable	CEFC Beijing International Holdings Co.,Ltd.	14,549,172.21	-	2,536,226.80	-
Other receivable	CEFC Inner Mongolia lubricants Industrial Co., Ltd.	2,000,000.00	100,000.00	-	-
Other receivable	CEFC Beijing Group (Xinjiang) Co., Ltd.	19,306.67	-	-	-

(2) Payables

Item	Related party	Ending balance	Beginning balance
Currency deposit payable	Buy & Sell Trade Co., Ltd.	116,248,961.00	-
Other payable	CEFC Shanghai Financial Holdings Limited	60,406.90	1,810,395.41
Other payable	CEFC China Energy Company Limited	1,503.45	6,537,074.61

X. Commitments and contingencies

1. Major commitments

As of Dec. 31, 2015, the Company has no significant commitments that need to be disclosed.

2. Contingencies

(1) As of Dec. 31, 2015, CEFC Hainan International Holdings Co., Ltd. pledged in other monetary funds (one-year deposit) amounting to 500,000,000.00 RMB yuan:

On Dec. 11, 2015, to ensure the performance of the Agent Bank Acceptance Cooperation Agreement (the Master Agreement PYHT-2015121401) signed between New Silk Road International (He County) Ltd. (the Debtor) and Hainan Bank and Shanghai Pudong Development Bank Haikou Branch, to ensure the performance of the credit of Hainan Bank, Hainan CEFC Holdings and Hainan Bank signed a Margin Pledge Contract (No. A [2015] [001]) by which Hainan CEFC Holdings provides margin collateral security for the debt under the Master Agreement between New Silk Road International (He County) Ltd. (the Debtor) and Hainan Bank. The deposit amounts to 500,000,000.00 RMB yuan. CEFC Hainan International Holdings Co., Ltd. has deposited the security in Hainan Bank Head Office's regular deposit account (8188888800070) on Dec. 11, 2015. The term is one year.

(2) As of Dec. 31, 2015, Hainan CEFC Holdings provide collateral security for China Reserve North (Xiamen) International Oil Trading Co., Ltd. and New Silk Road International (He County) Limited with financial products due within one year. The security amounts to 980,000,000.00 RMB yuan.

On Dec. 17, 2015, to ensure the effective performance of the obligations under the loan contract No. ZBDK20150130 between China Reserve North (Xiamen) International Oil Trading Co., Ltd. (the Debtor) and Tianjin Bank Shanghai Branch, Hainan CEFC Holdings and Tianjin Bank Shanghai Branch signed a Pledge of Rights Contract No. ZBDB20150075, by which Hainan CEFC Holdings provides guarantee to Tianjin Bank Shanghai Branch. The guaranteed credit amounts to 515,820,000.00 RMB yuan and the guarantee term is 12 months from Dec. 17, 2015 to Dec. 16, 2016. The collaterals are financial products due within one year Hainan CEFC Holdings bought from Tianjin Bank, and the contract number is 2015GS751, and the principal is 500,000,000.00 RMB yuan. The value of the pledged right is 515,824,657.53 RMB yuan.

On Dec. 24, 2015, to ensure the performance of the Bank Acceptance Agreement (the Master Agreement) No. 0320202 signed between New Silk Road International (He County) Limited (the Main Debtor) and Bank of Beijing Co., Ltd. Shanghai Branch, and to ensure the realization of the credit of Bank of Beijing Co., Ltd. Shanghai Branch, Hainan CEFC Holdings and Bank of Beijing Co., Ltd. Shanghai Branch signed a Pledge Contract No. 0320202971, by which Hainan CEFC Holdings provides pledge to Bank of Beijing Co., Ltd. Shanghai Branch. The maximum guaranteed debt principal is 480,000,000.00 RMB yuan, and the term of pledge was from Dec. 24, 2015 to May 5, 2016. The security is financial products due within one year that Hainan CEFC Holdings bought from Beijing Bank, and the corresponding purchase contract is No. JDSRB1512076. The principal of the pledged financial asset is 480,000,000.00 RMB yuan.

XI. Post balance sheet date events

1. Profit distribution

According to the board meeting resolution of the Company's subsidiary CEFC Anhui International Holdings Co., Ltd. on Feb. 29, 2016, the company distributes cash dividends of 0.30 RMB yuan per 10 shares (before tax) to all shareholders of 1,198,856,538 shares in total for the accounting year 2015, and the total dividends paid amount to 359,657,000RMB yuan (before tax), and the remaining undistributed profit is carried forward. At the same time, the company decides to turn capital reserve into capital stock, and adding 9 shares to per 10 shares of all shareholders holding 1,198,856,538 shares as of Dec. 31, 2015. This proposal shall be submitted to the Company's 2015 Annual General Meeting for approval.

2. Foreign investments of subsidiaries

According to the resolution of the 2nd interim shareholder meeting of the Company's subsidiary CEFC Anhui International Holdings Co., Ltd. on Feb. 1, 2016, the Company's subsidiary CEFC Shanghai Natural Gas Co., Ltd. (Shanghai Natural Gas) decides to acquire 50% partnership share and corresponding rights in Petroleum LLP. On Jan. 14, 2016, Shanghai Natural Gas signed a "partnership share transfer contract" with PLM's existing partner Trade Commerce Oil LLP ("TCO"). According to the contract:

(1) Shanghai Natural Gas pays 100,300,000 US dollars in cash to buy 50% partnership share and corresponding rights of TCO in Petroleum LLP.

(2) According to the provisions of the agreement, Shanghai Natural Gas will get the board majority and the power to appoint core executives。

(3) The contract is effective after approval by the Board of Directors and Shareholders' Meeting.

(4) TCO is committed to a goal of consolidated net operating profit after tax in the next 3 years (2016, 2017and 2018). Since 2015, if PLM's consolidated net operating profit after tax is lower than any of the previous year, TCO should compensate Shanghai Natural Gas for the difference between the annual consolidated net operating profit after tax and that of a higher previous year in accordance with the partnership share of Shanghai Natural Gas in PLM.

3. Subsidiary capital increase

According to the resolution of the 2nd interim shareholders' meeting on Feb. 1, 2016, the Company's subsidiary CEFC Anhui International Holdings Co., Ltd. decides to use the self-raised 1,500,000,000 RMB yuan to increase the capital stock of Shanghai Natural Gas, to meet the needs of Shanghai Natural Gas to acquire 50% partnership share and corresponding rights in Petroleum LLP. and cover its daily operation expenses.

4. In Jan. 2016, Shanghai International Trust Co., Ltd. transferred its 11.71% equity in CEFC Hainan International Holdings Co.,Ltd. to Shandong CEFC International Holdings Limited for 1,200,000,000 RMB yuan.

5. As of the balance sheet date, Hainan CEFC Holdings' pledge for China Reserve North (Xiamen) International Oil Trading Co., Ltd. under Note X/2 is lifted, and no other restrictions exist.

6. In Feb. 2016, the Company issued the first tranche of super short-term bonds (16-Hu-CEFCSCP001) for 2016 amounting to 2.1 billion RMB yuan bearing an interest rate of 4.09%. The term is 270 days. Principal and interests are to be paid when it matures. In March 2016, the Company issued the second tranche of super short-term bonds (16-Hu-CEFCSCP002) for 2016 amounting to 2 billion RMB yuan bearing an interest rate of 3.97%. The term is 270 days. Principal and interests are to be paid when it matures.

(All amounts are stated in RMB Yuan unless otherwise stated)

By April 20, 2016, in addition to the above matters, the Company has no other post-balance sheet date events which need to be disclosed.

XII. Other important events

1. In June 2015, the Company's subsidiary CEFC Anhui International Holdings Co., Ltd. and Shanghai Huaxin Group (Hong Kong) Ltd. signed an Agreement on the Share Transfer of Dashi Financing and Leasing (Shanghai) Co., Ltd., by which CEFC Anhui International Holdings Co., Ltd. buy 100% equity of Shanghai Huaxin Group (Hong Kong) Ltd. in Dashi Financing and Leasing (Shanghai) Co., Ltd. with its own self-raised fund. The transfer price is 1.00 RMB yuan on the basis of the asset appraisal report by Shanghai Zhonghua Assets Appraisal Co., Ltd. No. (2015) 315. As of Dec. 31, 2015, the equity acquisition has not been completed regulatory approval and price has not been paid.

2. In Sept. 2015, the Company's subsidiary CEFC Anhui International Holdings Co., Ltd. and CEFC Petroleum (Guangdong) Co., Ltd. signed an major Asset Sale Agreement, by which CEFC Anhui International Holdings Co., Ltd. sells its 50% equity in Anhui Xingnuo Chemical Industry Co., Ltd. The transfer price is 56,508,400 RMB yuan based on the asset appraisal report by Zhong Shui Zhi Yuan Asset Appraisal Co., Ltd. issued on May 31, 2015. As no agreement has been reached with the acquiree's shareholder ATANORS. C.A concerning the transfer, and ATANORS. C.A has failed to exercise the preemptive right on the same condition, the 50% equity transfer has not yet been completed, and Anhui CEFC International Holdings Co., Ltd. still holds 50% equity in Anhui Xingnuo Chemical Industry Co., Ltd.

3. As of Dec. 31, 2015, the Company pledged 721,005,435 shares it holds of CEFC Anhui International Holdings Co., Ltd. to provide guarantee for the Company's financing activity. As of Dec. 31, 2015, CEFC Anhui International Holdings Limited's net assets which are attributable to parent company is 2,898,098,290.74 RMB yuan, and its net profits which are attributable to parent company in 2014 was 158,125,584.21 RMB yuan.

As of Dec. 31, 2015, in addition to the above matters, the Company has no other significant events that need to be disclosed.

XIII. Notes to key items in the parent company's financial statements

1. Accounts receivable

(1) List of accounts receivable

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Accounts receivable that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Accounts receivable whose bad debts provision was accrued by credit risk feature	3,511,002,479.73	100.00%	-	-	3,511,002,479.73

(All amounts are stated in RMB Yuan unless otherwise stated)

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
In which: Receivables from related parties	1,100.54	-	-	-	1,100.54
Non-related party receivables	3,511,001,379.19	100.00%	-	-	3,511,001,379.19
Margin deposits	-	-	-	-	-
Accounts receivable that are individually insignificant in amount but provision is not made for bad debt separately	-	-	-	-	-
Total	3,511,002,479.73	100.00%	-	-	3,511,002,479.73

(Continued)

Type	Beginning balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Accounts receivable that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Accounts receivable whose bad debts provision was accrued by credit risk feature	1,395,516,688.38	100.00%	-	-	1,395,516,688.38
In which: Receivables from related parties	1,219,970,652.27	87.42%	-	-	1,219,970,652.27
Non-related party receivables	175,546,036.11	12.58%	-	-	175,546,036.11
Margin deposits	-	-	-	-	-
Accounts receivable that are individually insignificant in amount but provision is not made for bad debt separately	-	-	-	-	-
Total	1,395,516,688.38	100.00%	-	-	1,395,516,688.38

Provision for non-related party bad debt:

Aging	Ending balance		
	Accounts receivable	Bad debt reserve	% of provision
0-6months	3,511,001,379.19	-	0.00%
7-12 months	-	-	-
1-2 years	-	-	-
2-3 years	-	-	-
Over 3 years	-	-	-
Total	3,511,001,379.19	-	0.00%

(2) Other notes

In the ending balance, there are no accounts receivable due from shareholders holding over 5% (including 5%) of the Company's voting equity.

(All amounts are stated in RMB Yuan unless otherwise stated)

2. Other receivables

(1) List of other receivables

Type	Ending balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Other receivables that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Other receivables whose bad debts provision was accrued by credit risk feature	2,577,921,515.21	100.00%	-	-	2,577,921,515.21
In whicb: Other receivables from related parties	2,548,487,599.66	98.86%	-	-	2,548,487,599.66
Non-related party other receivables	25,817,765.63	1.00%	-	-	25,817,765.63
Margin deposits	3,616,149.92	0.14%	-	-	3,616,149.92
Other receivables that are individually insignificant in amount but provision is made for bad debt separately	-	-	-	-	-
Total	2,577,921,515.21	100.00%	-	-	2,577,921,515.21

(Continued)

Type	Beginning balance				
	Carrying amount	Percentage	Bad debt reserve	% of provision	Book value
Other receivables that are individually significant in amount and provision is made for bad debt separately	-	-	-	-	-
Other receivables whose bad debts provision was accrued by credit risk feature	2,545,867,043.97	100.00%	-	-	2,545,867,043.97
In which: Other receivables from related parties	2,456,455,475.62	96.49%	-	-	2,456,455,475.62
Non-related party other receivables	89,403,568.35	3.51%	-	-	89,403,568.35
Margin deposits	8,000.00	-	-	-	8,000.00
Other receivables that are individually insignificant in amount but provision is made for bad debt separately	-	-	-	-	-
Total	2,545,867,043.97	100.00%	-	-	2,545,867,043.97

(All amounts are stated in RMB Yuan unless otherwise stated)

Provision for non-related party bad debt:

Aging	Ending balance		
	Other receivables	Bad debt reserve	% of provision
0-6 months	11,409,465.63	-	-
7-12 months	8,300.00	-	-
1-2 years	14,400,000.00	-	-
2-3 years	-	-	-
Over 3 years	-	-	-
Total	25,817,765.63	-	-

(2) Other receivables by feature

Description	Ending balance of carrying amount	Beginning balance of carrying amount
Current account	2,548,487,599.66	2,536,628,449.40
Pledge dividend	742,857.18	8,438,988.12
Others	25,074,908.45	791,606.45
Margin deposits	3,616,149.92	8,000.00
Total	2,577,921,515.21	2,545,867,043.97

(3) Other notes

In the ending balance, there are no other receivables due from shareholders holding over 5% (including 5%) of the Company's voting equity.

3. Long-term equity investment

Item	Ending balance			Beginning balance		
	Carrying amount	Impairment reserve	Book value	Carrying amount	Impairment reserve	Book value
Investment in subsidiaries	16,136,483,224.71	-	16,136,483,224.71	11,579,578,750.41	-	11,579,578,750.41
Investment in associates and joint ventures	-	-	-	-	-	-
Total	16,136,483,224.71	-	16,136,483,224.71	11,579,578,750.41	-	11,579,578,750.41

In which: Investment in subsidiaries

Investee	Beginning balance	Increase	Decrease	Ending balance	Current provision	Impairment reserve Ending balance
CEFC Hainan International Holding Co.,Ltd.	5,050,000,000.00	2,000,000,000.00	-	7,050,000,000.00	-	-
CEFC Petroleum (Guangdong) Co., Ltd.	1,497,850,062.54	499,000,000.00		1,996,850,062.54	-	-
CEFC Petroleum (Fujian) Co., Ltd.	200,128,816.50	-	200,128,816.50	-	-	-

(All amounts are stated in RMB Yuan unless otherwise stated)

Investee	Beginning balance	Increase	Decrease	Ending balance	Current provision	Impairment reserve Ending balance
Shanghai Huaxin Group (Hong Kong) Ltd.	614,434,431.26	-	-	614,434,431.26	-	-
CEFC Shanghai Petroleum Group International Trading Co., Ltd.	500,000,000.00	-	-	500,000,000.00	-	-
CEFC Shanghai Group (UK) Co., Ltd.	10,307.70	-	-	10,307.70	-	-
CEFC Anhui International Holdings Co., Ltd. (Note)	1,931,015,300.00	-	-	1,931,015,300.00	-	-
CEFC Shanghai Group Assets Management Co., Ltd.	28,597,171.98	670,000,000.00	-	698,597,171.98	-	-
CEFC Hainan International Petroleum Co., Ltd.	120,000,000.00	-	-	120,000,000.00	-	-
CEFC Shanghai Securities Limited	1,051,230,325.26	-	-	1,051,230,325.26	-	-
CEFC Shanghai Group Commercial Factoring Co., Ltd.	100,000,000.00	-	100,000,000.00	-	-	-
CEFC Petroleum (Xiamen) Co., Ltd.	8,949,298.25	-	-	8,949,298.25	-	-
CEFC Petroleum (Zhejiang) Co., Ltd.	49,364,019.19	-	-	49,364,019.19	-	-
CEFC Shanghai Group (Tianjin) Co., Ltd.	199,529,688.00	95,780,080.81	-	295,309,768.81	-	-
CEFC Shanghai Group Petrochemical e-Trading Co., Ltd.	30,000,000.00	-	-	30,000,000.00	-	-
CEFC Shanghai International Group Yueyang Petrochemical Co., Ltd.	198,469,329.73	-	-	198,469,329.73	-	-
CEFC Shanghai International Group (Singapore) Pte Ltd	-	127,974,000.00	-	127,974,000.00	-	-
CEFC Guangdong Financial Investment Holdings Co., Ltd.	-	10,000,000.00	-	10,000,000.00	-	-

(All amounts are stated in RMB Yuan unless otherwise stated)

Investee	Beginning balance	Increase	Decrease	Ending balance	Current provision	Impairment reserve Ending balance
CEFC Shanghai Group (Xinjiang) Co., Ltd.	-	47,434,206.99	-	47,434,206.99	-	-
CEFC International (Shenyang) Petroleum Co., Ltd.	-	2,000,000.00	-	2,000,000.00	-	-
CEFC Shenzhen International Holdings Co., Ltd.	-	100,000,001.00	-	100,000,001.00	-	-
CEFC Wanda Futures Co., Ltd.	-	1,304,845,002.00	-	1,304,845,002.00	-	-
Total	11,579,578,750.41	4,857,033,290.80	300,128,816.50	16,136,483,224.71	-	-

Note: As of Dec. 31, 2015, the Company has pledged 721,005,435 shares it holds of Anhui CEFC International Holdings Co., Ltd. to provide guarantee for its financing activities.

4. Operating income and operating costs

(1) Operating income and costs

Item	This period		Previous period	
	Income	Cost	Income	Cost
Main business	62,881,133,366.96	61,637,456,364.56	59,584,022,499.52	57,931,778,582.13
Other business	5,708,903.03	1,143,802.05	3,277,864.63	-
Total	62,886,842,269.99	61,638,600,166.61	59,587,300,364.15	57,931,778,582.13

(2) Main business classification

Item (by product)	This period		Previous period	
	Income	Cost	Income	Income
Refine oils	53,588,435,327.77	52,570,340,105.19	23,674,207,472.67	23,192,040,326.14
Chemical raw materials	9,070,016,631.66	8,845,533,400.90	35,909,815,026.85	34,739,738,255.99
LPG	200,471,828.15	199,483,301.36	-	-
Metal	22,209,579.38	22,099,557.11	-	-
Total	62,881,133,366.96	61,637,456,364.56	59,584,022,499.52	57,931,778,582.13

(3) Other business

Item	This period		Previous period	
	Income	Cost	Income	Income
Leasing	1,204,374.00	1,143,802.05	-	-
Business services	-	-	-	-
Agency	4,501,529.03	-	3,277,864.63	-
Waste materials	-	-	-	-
Others	3,000.00	-	-	-
Total	5,708,903.03	1,143,802.05	3,277,864.63	-

(All amounts are stated in RMB Yuan unless otherwise stated)

5. Investment income

Item	This period	Previous period
Long-term equity investment income by equity method	-	-
Investment income from disposal of long-term equity investment	23,838,151.98	19,697,097.79
Investment income from financial assets at fair value through profit or loss during the holding period of the investment	69.60	9,289,250.11
Investment income from disposal of financial assets at fair value through profit or loss	501,788,613.05	-
Investment income from held-to-maturity investments during the holding period	37,908,607.40	10,673,046.55
Investment income from financial assets available for sale during the holding period	-	-
Investment income from disposal of held-to-maturity investments	2,366,657.54	-
Investment income from disposal of financial assets available for sale	-	-
Remeasurement gains of the remaining shares at fair value after the loss of control	-	-
Long-term equity investment income by cost method	7,286,850.18	7,286,850.18
Total	573,188,949.75	46,946,244.63

Audit Report

SCPAR (2015) No. 1310
Dated: March 10, 2015

The Board of Directors of CEFC Shanghai Petroleum Group Limited:

We have audited the attached financial statements of CEFC Shanghai Petroleum Group Limited (your Company), including Consolidated Balance Sheet and Parent Company Balance Sheet as of December 31, 2014, Consolidated Income Statement and Parent Company Income Statement, Statement of Changes in Ownership Equity, Cash Flow Statement for the year then ended and notes attached to and forming part of the financial statements.

I. Responsibilities of your Company's management for the financial statements

It is the responsibility of your Company's management to prepare and fairly present the financial statements. The responsibility includes: (1) preparing the financial statements in compliance with the Accounting Standards for Business Enterprises, so that they present a fair and truthful view of the financial position of your Company; and (2) designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements to prevent any material misstatement due to fraud or error.

II. CPA's responsibilities

Our responsibility is to conduct an audit of the financial statements of your Company, and express an auditor's opinion accordingly. We shall perform our auditing task in accordance with the Auditing Standards for CPAs of China and those standards require that CPAs observe the professional ethics, and plan and perform the audit to obtain reasonable assurance on whether the financial statements are free of any material misstatements.

The audit involves procedures to obtain auditing evidence supporting the amounts and disclosures in the financial statements. Selection of the accounting procedures is based on the judgments of the CPAs, including their assessment of the risk of any material misstatement due to fraud or error. While assessing such a risk, CPAs shall consider the internal control over the preparation of the said financial statements in order to design appropriate auditing procedures, while the purpose is not to express any opinion on the effectiveness of the internal control. The audit also includes assessing the accounting principles used and significant accounting estimates made by the management of your Company, as well as evaluating the overall financial statement presentation.

We believe that we have obtained sufficient and pertinent auditing evidence, and our audit provides a reasonable basis for our opinion.

III. Auditor's opinion

We hold the opinion that your Company's financial statements have been prepared in compliance with the Accounting Standards for Business Enterprises in all material aspects and have given a fair and truthful view of the financial position of your Company as of Dec. 31, 2014 and its operation results and cash flow for the year then ended.

C. P. A.
Cao Xiaowen 曹晓雯 中国注册会计师
Tang Yurong 唐玉荣 中国注册会计师
Shanghai Certified Public Accountants (Special General Partnership) 上会会计师事务所（特殊普通合伙） SHANGHAI CERTIFIED PUBLIC ACCOUNTANTS (SPECIAL GENERAL PARTNERSHIP) · SCPA ·
Shanghai, China

Balance Sheet (Consolidated)

As of Dec. 31, 2014

Prepared by: CEFC Shanghai Petroleum Group Limited

Currency: RMB (yuan)

Item	Notes 6	Ending Balance	Beginning Balance	Item	Notes 6	Ending Balance	Beginning Balance
Current assets:				Current Liabilities			
Monetary funds	1	3,295,877,219.76	2,393,470,488.11	Short-term loans	23	13,943,991,016.74	7,686,918,799.59
Settlement funds	2	42,023,494.71		Borrowings from central bank			
Lending funds				Deposits from customers and interbank			
Financial assets measured by fair value whose changes are recognized in current profits and losses	3	1,570,436,222.11	430,856,606.55	Borrowing funds			
Derivative financial assets				Financial liabilities measured by fair value whose changes are recognized under current profits and losses			
Notes receivable	4	384,379,630.05	7,286,432.00	Derivative financial liabilities			
Accounts receivable	5	23,362,649,942.95	13,126,959,270.27	Notes payable	24	2,739,299,277.46	2,828,962,860.21
Advance payment	6	668,490,701.82	5,223,549,246.88	Accounts payable	25	3,138,513,910.99	4,127,188,052.74
Premiums receivable				Advance receipts	26	2,175,203,547.90	437,838,081.40
Reinsurance accounts receivable				Financial assets sold for repurchase	27	1,019,965,398.50	
Reinsurance contract accounts receivable reserve				Fees and commissions payable			
Interest receivable	7	4,881,925.97		Accrued payroll	28	19,783,752.73	13,664,378.15
Dividend receivable				Taxes payable	29	924,695,753.01	367,199,911.54
Other receivables	8	507,854,222.51	518,592,989.00	Interest payable	30	48,224,137.19	9,293,669.65
Financial assets purchased under agreements to resell	9	1,048,698,658.51		Dividend payable			
Inventories	10	1,502,947,397.96	590,561,876.43	Other payables	31	61,309,271.90	452,996,658.36
Assets categorized as held to be resold				Dividend paypable for reinsurance			
Non-current assets due within one year				Provision for insurance contract			
Other current assets	11	561,009,928.46	43,502,098.95	Acting trading securities	32	145,682,291.71	
Total of current assets		32,949,249,344.81	22,334,779,008.19	Acting underwriting securities			
				Liabilities categorized as held to be resold			
				Non-current liabilities due within one year			
				Other current liabilities	33	1,893,898,888.89	
				Total of current liabilities		26,110,567,247.02	15,924,062,411.64
Non-current assets:				Non-current liabilities			
Loans and advances granted				Long-term loans	34	2,514,442,935.04	1,147,164,376.89
Financial assets available for sale	12	100,476,440.00	9,500,000.00	Debentures payable			
Held-to-maturity investments				Where: Priority stocks			
Long-term receivable				Perpectual liabilities			
Long-term equity investment	13	125,370,273.03	215,455,871.94	Long-term payable	35	176,407,606.38	206,672,781.62
Investment real estate	14	4,808,489,482.82	2,320,691,794.35	Special payable	36	33,657,689.56	39,191,367.17
Fixed assets	15	1,502,175,413.31	1,193,301,790.89	Expected liabilities			
Construction in process	16	1,632,062,378.98	760,173,664.67	Deferred income	37	19,765,333.33	22,070,333.33
Construction materials	17	84,320,193.46	461,751,775.77	Deferred income tax liabilities	21	579,820,755.33	458,440,221.94
Disposal of fixed assets				Other non-current liabilities			
Productive biological assets				Total of non-current liabilities		3,324,094,319.64	1,873,539,080.95
Oil and gas assets				Total of liabilities		29,434,661,566.66	17,797,601,492.59
Intangible assets	18	301,790,499.90	262,962,552.67	Owners' equity			
Development expenses				Capital Ssock	38	7,500,000,000.00	7,500,000,000.00
Goodwill	19	1,111,511,203.26	407,060,729.89	Other equity instruments			
Long-term deferred expenses	20	25,654,023.76	17,340,804.32	Where: priority stock			
Deferred income tax assets	21	20,383,186.91	9,885,023.55	Perpectual liabilities			
Other non-current assets	22	69,071,438.35		Capital reserves	39	25,406,402.00	65,085,309.86
Total of non-current assets		9,781,304,533.78	5,658,124,008.05	Less: treasury stock			
				Other comprehensive income	40	53,238,682.39	53,973,340.78
				Special reserves			
				Surplus reserves	41	182,317,057.11	48,792,604.77
				Common risk provision			
				Undistributed profit	42	4,444,231,243.35	1,474,372,775.94
				Total of owner's equity of the parent company		12,205,193,384.85	9,142,224,031.35
				Minority shareholder's equity		1,090,698,927.08	1,053,077,492.30
				Total of owner's equity		13,295,892,311.93	10,195,301,523.65
Total assets		42,730,553,878.59	27,992,903,016.24	Total of liabilities and owner's equity		42,730,553,878.59	27,992,903,016.24

Legal representative: Accounting Superior: Head of Accounting Dept:

Income Statement (Consolidated)

Year of 2014

Prepared by: CEFC Shanghai Petroleum Group Limited

Currency: RMB (yuan)

Item	Note 6	Current Year Amount	Previous Year Amount	Item	Note 6	Current Year Amount	Prior Year Amount
I. Total Revenue from Operation		171,405,829,132.95	102,659,632,186.75	IV. Total profit ("-"for loss)		4,140,242,544.57	1,560,437,060.73
Where: Revenue from Operation	43	171,334,046,453.30	102,659,632,186.75	Less: Income tax expenses	53	996,593,955.27	366,579,440.53
Interest income	44	11,987,103.27					
Earned premium				V. Net profit ("-"for net loss)		3,143,648,589.30	1,193,857,620.20
Fees and commissions income	45	59,795,576.38		Net profit of owners of parent company		3,103,382,919.75	1,182,411,204.45
II. Total Cost of Operation		168,061,069,097.05	101,374,242,804.66	Profits and losses of minority shareholders		40,265,669.55	11,446,415.75
Where: Cost of operation	43	166,748,630,101.36	100,889,230,420.42				
Interest expense	44	1,774,239.31		VI. Net after-tax other comprehensive income		-734,658.39	54,143,160.69
Fee and commission expenses	45	7,557,704.60		(I) Other comprehensive income that cannot be reclassified as profits and losses hereafter			
Insurance discharge payment				1. Changes from remeasuring net liability or net asset from defined benefit plans			
Net claim amount paid				2. Share of acquired party in total comprehensive income that cannot be reclassified as profits and losses under the equity method			
Net amount of appropriation of insurance contract reserve							
Insurance policy dividend paid				(II) Other comprehensive income that will be reclassified as profits and losses hereafter		-734,658.39	54,143,160.69
Amortized reinsurance expenditures				1. Share of acquired party in total comprehensive income that will be reclassified and profits or losses under the equity method			
Operating tax and surcharges	46	61,589,929.23	17,545,518.69	2. Profits and losses from fair value changes of financial assets available for sale			
Sales expenses		95,829,033.14	48,674,953.44	3. Profits or losses from held-to-maturity investment reclassified as financial assets available for sale			
Administrative expenses		351,109,831.91	207,808,688.80	4. Valid part of profits and loss from cash flow hedging			
Financial expenses	47	795,444,319.18	222,224,300.95	5. Differences of foreign currency statement translation		-734,658.39	54,143,160.69
Loss from asset devaluation	48	-866,061.68	-11,241,077.64	6. Others			
Add: Gains on fair value changes ("-"for loss)	49	598,435,482.29	243,851,741.36				
Return on investment ("-"for loss)	50	73,648,166.80	50,725.72	VII. Total comprehensive income		3,142,913,930.91	1,248,000,780.89
Where: Income from investment in affiliated enterprise and joint venture			-533,545.43	Total comprehensive income of the owners of parent company		3,102,648,261.36	1,236,554,365.14
Profits and losses on foreign exchange difference ("-"for loss)		-281,844.44		Total comprehensive income of minority shareholders		40,265,669.55	11,446,415.75
III. Operating profit ("-"for loss)		4,016,561,840.55	1,529,291,849.17				
Add: Non-operating income	51	149,537,341.53	42,484,668.56	VIII. Earnings per share			
Where: Gains from disposal of non-current assets			97,402.51	(I) Basic earnings per share			
Less: Non-operating cost	52	25,856,637.51	11,339,457.00	(II) Diluted earnings per share			
Where: Losses from disposal of non-current assets		1,520,792.31	4,768.04				

Legal representative: Accounting Superior: Head of Accounting Dept:

Cash Flow Statement (Consolidated)

Year of 2014

Prepared by: CEFC Shanghai Petroleum Group Limited

Currency: RMB (yuan)

Item	Note	Current Year Amount	Previous Year Amount	Item	Note	Current Year Amount	Prior Year Amount
1. Cash flows from operating activities:				Cash paid for acquision and construction o fixed assets, intangible assets and other long-term assets		522,754,879.57	1,455,332,657.14
Cash received from the sale of goods or rendering of services		173,724,587,578.31	103,194,475,914.91	Cash paid to acquire investments		1,343,345,458.98	446,824,300.95
Net increase in deposit from customers and interbank				Net increase in pledge loans			
Net increase from acting trading securities		56,205,970.84		Net cash paid to acquire subsidiaries and other operating units		1,928,845,237.92	
Net increase of borrowing funds from other financial institutions				Other cash payments relating to investment activities		196,000,000.00	-54,042,297.49
Cash received from premium for original insurance contract				Sub-total of Cash Outflows from Investment Activities		3,990,945,576.47	1,848,114,660.60
Net cash received from reinsurance business				Net Cash Flows from Investment Activities		-3,303,981,635.59	-1,514,802,769.69
Net increase in savings and investment of the insured							
Net increase of disposal of financial asset measured by fair value whose change is recognized under current profits and losses		-79,766,440.00		3. Cash Flows from Financing Activities:			
Cash received from interests, fees and commissions		50,126,569.47		Cash received from investment		18,800,000.00	5,594,000,000.00
Net increase in borrowing funds				Where: Cash received by subsidiaries from minority shareholders' investment		18,800,000.00	
Net increase of repurchasing business				Cash received from borrowings		19,547,232,877.86	19,309,424,279.96
Refunds of taxes		114,361,432.25	22,962,993.61	Cash received from issuance of debentures		1,892,400,000.00	
Other cash receipts relating to operating activities		18,859,739,170.00	31,473,438,938.52	Other cash receipts relating to financing activities		62,216,548,171.38	25,448,251,605.08
Sub-total of Cash Inflows from Operating Activities		192,725,254,280.87	134,690,877,847.04	Sub-total of Cash Inflows from Financing Activities		83,674,981,049.24	50,351,675,885.04
Cash payments for purchase of goods or receipt of services		175,689,394,630.88	111,150,864,780.39	Cash payments of amounts borrowed		13,533,894,373.61	11,851,807,244.68
Net increase in customer's loans and advances				Cash paid for distribution of dividends, profits or interests		740,682,796.98	112,621,809.01
Net increase of fund providing		28,733,260.01		Where: Dividends, profits paid by subsidiaries to minority shareholders		4,701,715.17	
Cash paid for original insurance claims				Other cash payments relating to financing activities		68,388,872,467.32	36,196,000,832.61
Cash paid for interests, fees and commissions		5,149,046.75		Sub-total of Cash Outflows from Financing Activities		82,663,449,637.91	48,160,429,886.30
Cash paid for insurance policy dividend				Net Cash Flows from Financing Activities		1,011,531,411.33	2,191,245,998.74
Cash paid to and on behalf of employees		163,311,103.07	73,404,790.80				
Payments of all types of taxes		1,045,918,717.68	227,243,545.33	4. Effect of changes in foreign exchange rate on cash and cash equivalents		1,921,091.96	21,100,147.74
Other cash payments relating to operating activities		13,157,788,159.68	22,199,413,981.38				
Sub-total of Cash Outflows from Operating Activities		190,090,294,918.07	133,650,927,097.90	5. Net increase in cash and cash equivalents		344,430,230.50	1,737,494,125.93
Net Cash Flows from Operating Activities		2,634,959,362.80	1,039,950,749.14	Add: Beginning balance of cash and cash equivalents		2,393,470,488.11	655,976,362.18
2. Cash flows from investment activities:							
Cash received from return of investment		386,956,161.47	159,900,000.00	6. Ending Balance of Cash and Cash Equivalents		2,737,900,718.61	2,393,470,488.11
Cash received from return on investment		7,249,530.75					
Net cash received from the disposal of fixed assets, intangible assets and other long-term assets		464,351.93	89,405.00				
Net cash received from disposal of subsidiaries and other operating units		284,358,572.27	168,605,833.67				
Other cash received relating to investment activities		7,935,324.46	4,716,652.24				
Sub-total of Cash Inflows from Investment Activities		686,963,940.88	333,311,890.91				

Legal representative: Accounting Superior: Head of Accounting Dept:

Statement of Changes in Owners' Equity (Consolidated)

Year of 2014

Prepared by: CEFC Shanghai Petroleum Group Limited

Currency: RMB (yuan)

Item	Current Year Amount													
	Owners' Equity of the Parent Company												Minority Shareholders' Equity	Total of Owners' Equity
	Capital Stock	Other Equity Instruments			Capital Reserves	Less:Treasury Stock	Other Comprehensive Income	Special Reserves	Surplus Reservess	Common risk provision	Undistributed Profit	Others		
		Priority Stock	Perpectual Liabilities	Others										
I. Ending Balance of previous year	7,500,000,000.00				65,085,309.86		53,973,340.78		48,792,604.77		1,474,372,775.94		1,053,077,492.30	10,195,301,523.65
Add: Adjustment of accounting policy														
Correction of previous year														
Others														
II. Beginning balance of current year	7,500,000,000.00				65,085,309.86		53,973,340.78		48,792,604.77		1,474,372,775.94		1,053,077,492.30	10,195,301,523.65
III. Changes in current period ("-"for loss)					-39,678,907.86		-734,658.39		133,524,452.34		2,969,858,467.41		37,621,434.78	3,100,590,788.28
1. Total comprehensive income											3,103,382,919.75		40,265,669.55	3,143,648,589.30
2. Owners' investment and decrease of capital													-2,644,234.77	-2,644,234.77
① Shareholders' investment of common stock													-2,644,234.77	-2,644,234.77
② Capital investment from other equity instrument holders														
③ Payment of share relating to owners' equity														
④ Others														
3. Distribution of profit									133,524,452.34		-133,524,452.34			
① Appropriation of surplus reserve									133,524,452.34		-133,524,452.34			
② Appropriation of common risk provisions														
③ Distribution to owners or shareholders														
④ Others														
4. Internal carried over to owners' equity														
① Capital reserve carried over to capital (or capital stock)														
② Surplus reserve carried over to capital (or capital stock)														
③ Surplus reserve off-setting losses														
④ Others														
5. Special reserves														
① Appropriation in current period														
② Use in current period														
6. Others					-39,678,907.86		-734,658.39							-40,413,566.25
IV. Ending Balance of current period	7,500,000,000.00				25,406,402.00		53,238,682.39		182,317,057.11		4,444,231,243.35		1,090,698,927.08	13,295,892,311.93

Legal representative: Accounting Superior: Head of Accounting Dept:

Statement of Changes in Owners' Equity (Consolidated) (Continued)

Year of 2014

Prepared by: CEFC Shanghai Petroleum Group Limited

Currency: RMB (yuan)

Item	Previous Year Amount													
	Owners' Equity of the Parent Company												Minority Shareholders' Equity	Total of Owners' Equity
	Capital Stock	Other Equity Instruments			Capital Reserve	Less:Treasury Stock	Other Comprehensive Income	Special Reserve	Surplus Reserves	Common Risk Provision	Undistributed Profit	Others		
		Priority Stock	Perpetual Liabilities	Others										
I. Ending Balance of previous year	1,906,000,000.00				55,111,314.47		-169,819.91		17,112,457.56		323,641,718.70		39,356,834.07	2,341,052,504.89
Add: Adjustment of accounting policy														
Correction of previous year														
Merger of businesses under common control														
Others														
II. Beginning balance of current year	1,906,000,000.00				55,111,314.47		-169,819.91		17,112,457.56		323,641,718.70		39,356,834.07	2,341,052,504.89
III. Changes in current year ("-"for loss)	5,594,000,000.00				9,973,995.39		54,143,160.69		31,680,147.21		1,150,731,057.24		1,013,720,658.23	7,854,249,018.76
1. Total comprehensive income											1,182,411,204.45		11,446,415.75	1,193,857,620.20
2. Owners' investment and decrease of capital	5,594,000,000.00												1,002,274,242.48	6,596,274,242.48
① Shareholders' investment of common stock	5,594,000,000.00												1,002,274,242.48	6,596,274,242.48
② Capital investment from other equity instrument holders														
③ Payment of share relating to owners' equity														
④ Others														
3. Distribution of profit									31,680,147.21		-31,680,147.21			
① Appropriation of surplus reserve									31,680,147.21		-31,680,147.21			
② Appropriation of common risk provisions														
③ Distribution to owners or shareholders														
④ Others														
4. Internal carried over to owners' equity														
① Capital reserve carried over to capital (or capital stock)														
② Surplus reserve carried over to capital (or capital stock)														
③ Surplus reserve off-setting losses														
④ Others														
5. Special reserves														
① Appropriation in current period														
② Use in current period														
6. Others					9,973,995.39		54,143,160.69							64,117,156.08
IV. Ending Balance of current period	7,500,000,000.00				65,085,309.86		53,973,340.78		48,792,604.77		1,474,372,775.94		1,053,077,492.30	10,195,301,523.65

Legal representative: Accounting Superior: Head of Accounting Dept:

Balance Sheet (Parent Company)

As of Dec. 31, 2014

Prepared by: CEFC Shanghai Petroleum Group Limited

Currency: RMB (yuan)

Item	Notes 13	Ending Balance	Beginning Balance	Item	Notes 13	Ending Balance	Beginning Balance
Current Assets				Current Liabilities			
Monetary funds		1,560,694,599.86	585,014,167.73	Short-term loans		306,000,000.00	555,718,029.28
Financial assets measured by fair value whose changes are recognized in current profits and losses		803,164,653.43	428,101,228.40	Financial liabilities measured by fair value whose changes are recognized under current profits and losses			
Derivative finanical assets				Derivative financial liabilities			
Notes receivable				Notes payable			
Accounts receivable	1	1,395,516,688.38	403,639,891.87	Accounts payable		1,333,965,924.44	1,283,278,742.38
Advance payment		257,035,102.92	63,645,077.00	Advance receipts		1,740,961,264.04	22,911,222.73
Interest receivable				Accrued payroll		1,740,158.97	2,517,637.24
Dividend receivable				Taxes payable		514,381,869.64	84,158,017.56
Other receivables	2	2,545,867,043.97	919,510,364.36	Interest payable		25,172,944.44	
Inventories		925,534,376.36	140,714,477.55	Dividend payable			
Assets categorized as held to be resold				Other payables		4,231,444,110.12	1,801,500,053.55
Non-current assets due within one year				Liabilities categorized as held to be resold			
Other current assets		356,034,816.50		Non-current liabilities due within one year			
Total of current assets		7,843,847,281.42	2,540,625,206.91	Other current Liabilities		1,893,898,888.89	
				Total of current liabilities		10,047,565,160.54	3,750,083,702.74
Non-current Assets				Non-current Liabilities			
Financial assets available for sale		10,000,000.00	9,500,000.00	Long-term loans			
Held-to-maturity investment				Debentures payable			
Long-term receivable				Long-term payable			
Long-term equity investment	3	11,579,578,750.41	9,240,750,245.66	Special payable			
Investment real estate				Estimated liabilities			
Fixed assets		1,014,356.30	592,490.84	Deferred income			
Construction in process		1,287,564.10	1,068,408.35	Deferred income tax liabilities		64,037,085.78	7,569,231.86
Construction materials				Other non-current liabilities			
Disposal of fixed assets				Total of non-current liabilities		64,037,085.78	7,569,231.86
Productive biological assets				Total of liabilities		10,111,602,246.32	3,757,652,934.60
Oil and gas assets				Owners' equity:			
Intangible assets		1,123,628.35		Capital stock		7,500,000,000.00	7,500,000,000.00
Development expenses				Other equity instruments			
Goodwill				Where: Priority stock			
Long-term deferred expenses				Perpectual liabilities			
Deferred income tax assets				Capital reserves		2,078,763.17	46,957,369.47
Other non-current assets				Less: Treasury stock			
Total of non-current assets		11,593,004,299.16	9,251,911,144.85	Other comprehensive income			
				Special reserves			
				Surplus reserves		182,317,057.11	48,792,604.77
				Undistributed profit		1,640,853,513.98	439,133,442.92
				Total of owners' equity		9,325,249,334.26	8,034,883,417.16
Total assets		19,436,851,580.58	11,792,536,351.76	Total of liabilities and owners' equity		19,436,851,580.58	11,792,536,351.76

Legal Representative: Accounting Superior: Head of Accounting Dept:

Income Statement (Parent Company)

Year of 2014

Prepared by: CEFC Shanghai Petroleum Group Limited

Currency: RMB (yuan)

Item	Note 13	Current Year Amount	Previous Year Amount	Item	Note 13	Current Year Amount	Prior Year Amount
I. Revenue from Operation	4	59,587,300,364.15	30,953,296,382.81	V. Net After-tax Other Comprehensive Iucome		-44,878,606.30	
Less: Cost of Operation	4	57,931,778,582.13	30,512,920,069.38	(I) Other Comprehensive Income that Cannot Be Reclassified as Profits and Losses hereafer			
Operating Taxes and Surcharge		18,982,876.42	4,334,788.72	1. Changes from Remeasuring Net Liability or Net Asset from Defined Benefit Plans			
Sales Expense		11,110,333.82	1,665,562.10	2. Share of Acquired Party in Total Comprehensive Income that Cannot Be Reclassified as Profits and Losses under the Equity Method			
Administrative Expense		35,940,453.75	30,885,907.57				
Financial Expense		101,089,099.53	3,764,243.54	(II) Other Comprehensive Income that Will Be Reclassified as Profits and Losses hereafter			
Loss from Asset Devaluation				1. Share of Acquired Party in Other Comprehensive Income that Will Be Reclassified as Profits and Losses under the Equity Method		-44,878,606.30	
Add: Gains on Fair Value Changes ("-"for loss)		225,871,415.69	30,276,927.45	2. Profits and Losses from Fair Value Changes of Financial Assets Available for Sale			
Investment Income ("-"for loss)	5	46,946,244.63	-1,446,531.98	3. Profits or Loss from Held-to-Maturity Investment reclassified as Financial Assets Available for Sale			
Where: Income from Investment in Affiliated Enterprise and Joint Venture				4. Valid Part of Profits and Loss from Cash Flow Hedging			
II. Operation Profit ("-"for loss)		1,761,216,678.82	428,556,206.97	5. Differennce of Foreign Currency Statement Translation			
Add: Non-operating Income		20,903,925.93	3,293,217.97	6. Others			
Where: Profits from Disposal of Non-current Assets							
Less: Non-operating Cost		1,226,444.78	9,035,962.47	VI. Total Comprehensive Income		1,335,244,523.40	316,801,472.10
Where: Losses from Disposal of Non-current Assets							
III. Total Profit ("-"for loss)		1,780,894,159.97	422,813,462.47	VII. Earnings per share			
Less: Income Tax		445,649,636.57	106,011,990.37	(I) Basic earnings per share			
VI. Net Profit ("-"for net loss)		1,335,244,523.40	316,801,472.10	(II) Diluted earnings per share			

Legal representative: Accounting Superior: Head of Accounting Dept:

Cash Flow Statement (Parent Company)

Year of 2014

Prepared by: CEFC Shanghai Petroleum Group Limited

Currency: RMB (yuan)

Item	Note	Current Year Amount	Previous Year Amount	Item	Note	Current Year Amount	Prior Year Amount
1. Cash Flows from Operating Activities:				3. Cash Flows from Financing Activities:			
Cash received from the sale of goods or rendering of services		59,897,153,965.97	36,218,924,044.42	Cash received from investment			5,594,000,000.00
Refunds of taxes		8,822.45		Cash received from borrowings		2,807,376,985.36	3,685,566,075.38
Other cash receipts relating to operating activities		5,647,767,256.56	7,949,692,440.61	Other cash receipts relating to financing activities		57,634,618,093.90	24,561,366,796.31
Sub-total of Cash Inflows from Operating Activities		65,544,930,044.98	44,168,616,485.03	Sub-total of Cash Inflows from Financing Activities		60,441,995,079.26	33,840,932,871.69
Cash payments for purchase of goods or receipt of services		57,424,768,091.13	34,382,800,132.80	Cash payments of amounts borrowed		1,164,755,783.37	2,927,183,439.61
Cash paid to and on behalf of employees		15,136,247.57	8,775,205.59	Cash paid for distribution of dividends, profits or interests		26,823,260.36	17,492,000.92
Payments of all types of taxes		155,129,527.34	96,928,189.63	Other cash payments relating to financing activities		59,896,708,277.33	22,903,259,988.25
Other cash payments relating to operating activities		3,917,076,553.89	8,630,868,155.65	Sub-total of Cash Outflows from Financing Activities		61,088,287,321.06	25,847,935,428.78
Sub-total of Cash Outflows from Operating Activities		61,512,110,419.93	43,119,371,683.67	Net Cash Flows from Financing Activities		-646,292,241.80	7,992,997,442.91
Net Cash Flows from Operating Activities		4,032,819,625.05	1,049,244,801.36				
2. Cash Flows from Investment Activities:				4. Effect of Change in Foreign Exchauge Rate on Cash and Cash Equivalents		-425,977.81	20,201,541.42
Cash received from return of investments		81,750,000.00	718,900,000.00				
Cash received from return on investments		1,173,900.00		5. Net Increase In Cash and Cash Equivalents		475,680,432.13	110,626,836.74
Net cash received from the sale of fixed assets,intangible assets and other long-term assets				Add: Beginning balance of cash and cash equivalents		585,014,167.73	474,387,330.99
Net cash received from disposal of subsidiaries and other operating units			165,000,000.00				
Other cash receipts relating to investment activities				6. Ending Balance of Cash and Cash Equivalents		1,060,694,599.86	585,014,167.73
Sub-total of Cash Inflows from Investment Activities		82,923,900.00	883,900,000.00				
Cash paid for acquisition and construction of fixed assets, intangible assets and other long-term assets		2,111,167.19	1,541,848.00				
Cash paid to acquire investments		2,795,233,706.12	9,834,175,100.95				
Net cash paid to acquire subsidiaries and other operating units							
Other cash payments relating to investment activities		196,000,000.00					
Sub-total of Cash Outflows from Investment Activities		2,993,344,873.31	9,835,716,948.95				
Net Cash Flows from Investing Activities		-2,910,420,973.31	-8,951,816,948.95				

Legal representative: Accounting Superior: Head of Accounting Dept:

Statement of Changes in Owners' Equity (Parent Company)

Year of 2014

Prepared by: CEFC Shanghai Petroleum Group Limited

Currency: RMB (yuan)

Item	Current Period										
	Capital Stock	Other Equity Instruments			Capital Reserve	Less:Treasury Stock	Other Comprehensive Income	Special Reserves	Surplus Reserves	Undistributed Profit	Total Owners' Equity
		Priority Stock	Perpetual Liabilities	Others							
I. Ending Balance of Previous Year	7,500,000,000.00				46,957,369.47				48,792,604.77	439,133,442.92	8,034,883,417.16
Add: Adjustment of accounting policy											
Correction of previous year											
Others											
II. Beginning Balance of Current Year	7,500,000,000.00				46,957,369.47				48,792,604.77	439,133,442.92	8,034,883,417.16
III.Changes in Current Period ("-"for loss)					-44,878,606.30				133,524,452.34	1,201,720,071.06	1,290,365,917.10
1. Total Comprehensive Income										1,335,244,523.40	1,335,244,523.40
2. Owners' Investment and Decrease of Capital											
① Shareholders' Investment of Common Stock											
② Capital Investment from Other Equity Instrument Holders											
③ Payment of share relating to owners' equity											
④ Others											
3. Distribution of Profit									133,524,452.34	-133,524,452.34	
① Appropriation of surplus reserves									133,524,452.34	-133,524,452.34	
② Distribution to owners or shareholders											
③ Others											
4. Internal Carried over to Owners' Equity											
① Capital reserve carried over to capital (or capital stock)											
② Surplus reserve carried over to capital (or capital stock)											
③ Surplus reserve offsetting loss											
④ Others											
5. Special reserve											
① Appropriation in current period											
② Use in current period											
6. Others					-44,878,606.30						-44,878,606.30
IV. Ending Balance of Current Period	7,500,000,000.00				2,078,763.17				182,317,057.11	1,640,853,513.98	9,325,249,334.26

Legal representative: Accounting Superior: Head of Accounting Dept:

Statement of Changes in Owners' Equity (Parent Company) (Continued)

Year of 2014

Prepared by: CEFC Shanghai Petroleum Group Limited

Currency: RMB (yuan)

Item	Previous Period										
	Capital Stock	Other Equity Instruments			Capital Reserves	Less:Treasury Stock	Other Comprehensive Income	Special Reserves	Surplus Reserves	Undistributed Profit	Total Owners' Equity
		Priority Stock	Perpectual Liabilities	Others							
I. Ending Balance of Previous Year	7,500,000,000.00				46,957,369.47				17,112,457.56	154,012,118.03	7,718,081,945.06
Add: Adjustment of accounting policy											
Correction of previous year											
Others											
II. Beginning Balance of Current Year	7,500,000,000.00				46,957,369.47				17,112,457.56	154,012,118.03	7,718,081,945.06
III.Changes in Current Period ("-"for loss)									31,680,147.21	285,121,324.89	316,801,472.10
1. Total Comprehensive Income										316,801,472.10	316,801,472.10
2. Owners' Investment and Decrease of Capital											
① Shareholders' Investment of Common Stock											
② Capital Investment from Other Equity Instrument Holders											
③ Payment of share relating to owners' equity											
④ Others											
3. Distribution of Profit									31,680,147.21	-31,680,147.21	
① Appropriation of surplus reserves									31,680,147.21	-31,680,147.21	
② Distribution to owners or shareholders											
③ Others											
4. Internal Carried over to Owners' Equity											
① Capital reserve carried over to capital (or capital stock)											
② Surplus reserve carried over to capital (or capital stock)											
③ Surplus reserve offsetting loss											
④ Others											
5. Special reserve											
① Appropriation in current period											
② Use in current period											
6. Others											
IV. Ending Balance of Current period	7,500,000,000.00				46,957,369.47				48,792,604.77	439,133,442.92	8,034,883,417.16

Legal representative: Accounting Superior: Head of Accounting Dept:

I. Company's Profile

CEFC Shanghai Petroleum Group Limited (hereinafter referred to as "Company" or "the Company"), originally named "Shanghai Huanli Chemistry Technology Co., Ltd.", was co-founded by natural persons Song Xiufang and Wang Guiying with registered capital of RMB 500,000 on February 22, 2003 in Shanghai.

After several additional investments and equity adjustments, the registered capital of the Company was adjusted to RMB 100,500,000. As of January 2010, the Company's shareholders and their respective equity ratios were Su Weizhong (50%), Zheng Jianding (25%) and Ye Ling (25%).

In January 2010, according to the resolution of the shareholders' meeting, Su Weizhong, Zheng Jianding and Ye Ling transferred 45%, 25% and 25% of the equity respectively to CEFC Shanghai Financial Holding Co., Ltd (Originally named "CEFC Shanghai Energy Holding Co., Ltd.") and the rest 5% of the equity owned by Su Weizhong was transferred to Chen Rui. The name of the Company was changed into "CEFC Shanghai Petroleum Group Limited".

On September 13, 2010, according to the resolution of the shareholders' meeting, Chen Rui transferred 5% of the equity to Su Weizhong. On August 8, 2011, by resolution of the shareholders' meeting, Su Weizhong transferred 5% of equity to CEFC Shanghai Financial Holding Co., Ltd. After the adjustments, CEFC Shanghai Financial Holding Co., Ltd. owned 100% of the equity of the Company.

In October 2011, the shareholder of the Company, CEFC Shanghai Financial Holding Co., Ltd. invested additional RMB 745,500,000 in the Company and its registered capital was adjusted to RMB 846,000,000.

On August 6, August 13 and September 17, 2012, CEFC Shanghai Financial Holding Co., Ltd. invested additional RMB 300,000,000, RMB 200,000,000 and RMB 560,000,000 respectively in the Company and its registered capital was adjusted to RMB 1,906,000,000.

In April 2013, CEFC Shanghai Financial Holding Co., Ltd. invested additional RMB 1,094,000,000 in the Company and its registered capital was adjusted to RMB 3,000,000,000.

In July 2013, CEFC China Energy Company Limited invested additional RMB 470,000,000 in the Company and its registered capital was adjusted to RMB 3,470,000,000. The shareholders and their respective equity are: CEFC Shanghai Financial Holding Co., Ltd (86.46%), CEFC China Energy Company Limited (13.54%)

In October 2013, CEFC China Energy Company Limited invested additional RMB 1,030,000,000 in the Company and its registered capital was adjusted to RMB 4,500,000,000. The shareholders and their respective are: CEFC Shanghai Financial Holding Co., Ltd (66.67%), CEFC China Energy Company Limited (33.33%).

In November 2013, Shanghai Zhong An United Investment Fund Co., Ltd. invested additional RMB 3,000,000,000 in the Company and its registered capital was adjusted to RMB 7,500,000,000. The shareholders and their respective equity are: CEFC Shanghai Financial Holding Co., Ltd (40%),Shanghai Zhong An United Investment Fund Co., Ltd (40%), CEFC China Energy Company Limited (20%).

Registered Address: Room 213, 216 Linghe Road, Pudong New Area, Shanghai

The business scope of the Company covers fields including trade, investment, warehousing and manufacturing, focusing on bulk commodities, including petrochemical and products and pesticides.

The approver and the date approved of the financial statement are subject to the appover's signature and the date when it is signed.

II. Consolidated financial statements scope of the year

In this year, 41 entities including Hainan CEFC International Holding Co., Ltd, CEFC (Guangdong) Petroleum Co., Ltd, Hong Kong Huaxin Petroleum Limited, Anhui CEFC International Holding Co., Ltd are included in the consolidation scope. See annotation IX disclosure of equity in other entities.

III. Basis of compiling financial statements

1. Bases of compiling financial statements

The Company shall compile the financial statements based on its continuous business operation, and its accounting shall adopt the accrual basis. The Company shall generally measure accounting elements on the basis of historical cost on the condition that the value of the identified accounting elements is attainable and can be measured reliably by replacement capital, net realizable value, net value and fair value.

2. Continuous business operation

As of now, the Company is under normal operation. It is that estimated the Company will be on its continuous business operation for the following 12 months.

IV. Accounting Policies and Estimations

1. Declaration on abiding by the Enterprise Accounting Standards for Business Enterprises

The financial statements and the exhibits are compiled in compliance with the Accounting Standards for Businesses Enterprises, the application guidelines, the Interpretation of Accounting Standards for Businesses Enterprises and the relevant stipulations. They truly and completely reflect the information concerning the financial status, business operation results and cash flow, etc. in the company.

2. Accounting period

The accounting year of the Company starts from January 1 and ends on December 31.

3. Operating period

The normal operating period of the Company is 12 months.

4. Functional currency in accounting

RMB

5. Accounting methods of business combinations under common or different control

(1) In a business combination under common control, the Company obtains control of merged enterprise with the combination cost in 1) cash paid, non-cash assets transferred or liabilities assumed, the book amount of owner's equity of the merged enterprise in the consolidated financial statement on the consolidation date is the initial cost of long-term equity investment and the balance between the initial cost of long-term equity investment; the additional capital reserve shall be adjusted on the basis ofthe book amount of cash paid, non-cash assets transferred or liabilities assumed. If the additional capital reserve is not sufficient to be offset, the retained earnings shall be adjusted; 2) equity securities issued, the book amount of owner's equity of the merged subsidiary in the consolidated financial statement on the consolidation dateis the initial cost of long-term equity investment, the total par value of shares issued is equities; the additional capital reserve shall be adjusted on the basis of the balance between the initial cost of long-term equity investment and the total par value of shares issued. If the additional capital reserve is not sufficient to be offset, the retained earnings shall be adjusted. The direct cost for the business combination of the merged enterprise shall, including the expenses for audit, assessment and legal services, be recognized underthe current profits and losses. The bonds issued for a business combination or the handling fees, commissions and other expenses for assuming other liabilities shall be recognized under the amount of initial measurement of the bonds or other debts. The handling fees, commissions and other expenses for the issuance of equity securities for the business combination shall be credited against the surplus of equity securities; if the surplus is not sufficient, the retained earnings shall be offset.

(2) For business combinations under different control, the initial cost of long-term equity investment shall be determined respectively in light of the following circumstances:

① For a business combination realized by one transaction of exchange, the initial cost of long-term equity investment shall be the fair values, on the purchase date, of the assets paid, the liabilities incurred or assumed and the equity securities issued by the acquirer in exchange for the control of the acquiree.

② For a business combination realized by two or more transactions of exchange, the initial cost of long-term equity investment shall be the summation of the costs of all separate transactions.

③ All relevant costs incurred in the business combination including the expenses for audit, assessment and legal services,shall also be recognized under the current profits and losses;the transaction fees as the consideration for equity security or bond security shall be recognized under the initial amount ofequity security and bond security;

into the initial cost of long-term equity investment;

④ Where any future event that is likely to affect the combination costs is stipulated in the combination contract or agreement, if it is likely to occur and its effects on the combination costs can be measured reliably, the acquirer shall recognize the said amount under the initial cost of long-term equity investment.

(3) For business combination under common control, if the initial cost of long-term equity investment exceeds the fair value of the identifiable net asset of the acquiree, the exceeding part shall be recognized as goodwill.

If the initial cost of long-term equity investments less than the fair value of the identifiable net assets it obtains from the acquiree, the acquirer shall treatthe balance according to the following provisions:

① It shall reexamine the measurement of the fair values of the identifiable assets, liabilities and contingent liabilities it obtains from the acquiree as well as the combination costs;

② If, after the reexamination, the combination costs are still less than the fair value of the identifiable net assets it obtains from the acquiree, it shall recognize the balance under the current profits and losses.

6. The compilation method of consolidated financial statements

The consolidation scope of the consolidated financial statements shall be determined on a basis of control. Control, refers to the power the investor has over the invested. The investor enjoys the return by being involving in the activities of the invested entity. And the investor is able to influence the amount of return by influencing the invested entity.

The parent company shall involve all the subsidies in the scope of the financial statement consolidation scope. Subsidiary, refers to the entity controlled by the Company (including enterprise, the separable part of the invested entity, and the main structure body controlled by the company).

If the parent company is the investing entity, the parent company shall involve the subsidiary which only provides service for its investment in the scope of the financial statement consolidation. The other subsidiary shall not be involved in the consolidation. The parent company's investment in other subsidiary shall be measured by fair value and the adjustment shall be recognized under profits and losses of the current period. When the following conditions of the parent company are met, the parent company is an investing entity.

(1) The parent company aims to provide investment management service for the investor and acquire capitals from one or more investor.

(2) The only operation objective of the parent company is to have return for the investor by capital increase, investment income or both.

(3) The parent company evaluates the performance of almost all investment by fair value.

During the formulation of the consolidated statements, the Company and the merged subsidiary shall adopt uniform accounting policies and period. The subsidiary's financial statements shall be adjusted according to the parent company's accounting policies and period where necessary. Based on the financial statements of the Company and its subsidiary, the consolidated financial statements shall be consolidated and formulated by the Company after the impacts of the internal transaction between the Company and its subsidiary or among subsidiaries on the consolidated financial statements are eliminated. Where any subsidiary joins in the Company during the reporting period due to any business combination under common control, the initial balance of the consolidated financial statements shall not be adjusted when they are formulated.Where any subsidiary joins the Company during the reporting period due to any business combination under common, the revenues, expenses, profits and cash flow of such subsidiary as of the purchase date till the end of the reporting period shall be included in the consolidated financial statements and the cash flow statement. Where any subsidiary joins in the Company during the reporting period due to any business combination under different control,the revenues, expenses, profits and cash flow of such subsidiary as of the purchase date till the end of the reporting period shall be included in the consolidated financial statements and the cash flow statement.If the Company disposes such subsidiary during the reporting period, the revenues, expenses, profits and cash flow of such subsidiary from the beginning of such period to the disposal date shall be included in the consolidated financial statements and the cash flow statement.

The parent company purchases the subsidiary's equity owned by minority of the shareholder. When consolidating financial statements, difference between long-term equity investment achieved by the purchase of minority shareholder and net assets calculated by new stock holding share ratio in the subsidiary from purchase date or consolidation date shall be adjusted through capital reserve (capital premium or share premium). If capital reserve is not enough to offset, retained earnings shall be adjusted.

The parent company disposes of long-term equity investment of the subsidiary without loosing control over the subsidiary. When consolidating financial statements, difference between disposal amount and net assets in the subsidiary calculated by disposal of long-term investment from purchase date or consolidation date shall be adjusted through capital reserve (capital premium or share premium). If capital reserve is not enough to offset, retained earnings shall be adjusted

The Company loses control over the invested entity due to the disposal of part of the equity investment. When consolidating financial statements, the retained equity shall be re-measured by the fair value on the date when the control is lost. The result of consideration received from equity disposal together with fair value of retaining equity, minus the net assets of the subsidiary calculated by the original stock holding ratio from the purchase date or consolidation date, shall be recognized under equity revenue in the period when losing control and offsetting the goodwill. The other comprehensive revenue relating to the equity investment of the original subsidiary (except the other comprehensive revenue calculated by the difference between net liabilities and net assets of the revenue plan redesigned by the invested entity) shall be carried over to the current investment when the control is lost.

7. Classification of joint venture arrangements and accounting methods of joint operation

Joint venture arrangements include joint operations and cooperative enterprises.

Joint operations refer to the joint venture arrangement by which the joint venture parties enjoy the underlying assets and assume the relevant liabilities. The Company shall recognize relevant interests it holds in the joint operation as follows by applicable provisions of the Accounting Standards for Business Enterprises:

(1) Assets the Company holds independently in the joint operation and its share of the jointly held assets;

(2) Liabilities the Company incurs to the joint operation and its share of the jointly incurred liabilities;

(3) Income from sale of its share of the products of the joint operation;

(4) Income from sale of its share of the assets of the joint operation;

(5) Separate expenses and income from sale of its share of the assets of the joint operation.

Cooperative enterprises refer to the joint venture arrangement by which the joint venture parties only enjoy the rights of the net assets of this arrangement. The Company shall calculate its investment in the cooperative enterprise by the equity method.

8. Cash and Cash equivalents confirmation

Cash is the current deposit on hand and which can be used at any time in the Company, including cash, current bank deposit and settlement funds. It does not include deposit paid in the securities exchange, customer's capital deposit and settlement funds by entrusted capital management service. Cash equivalentsrefer to investment that is short term(mature in 3 months upon purchase), highly liquid, easily convertible to known amounts of cash and with low risk for price change.

9. Foreign currency transaction and foreign currency statement translation

(1) For foreign currency transactions at initial recognition, Foreign currency is converted to RMB by spot exchange rate or exchange rate similar to the spot exchange rate.

(2) On the day of the balance sheet, the Company use theses methods as follows to deal with foreign currency monetary items and foreign currency non-monetary items:

① For foreign currency monetary items, transactions denominated in foreign currencies are translated at the middle exchange rates stipulated by the People's Bank of China prevailing on the day of the balance sheet. Exchange differences arising from the spot exchange rateon the balance sheet date and the spot exchange rate at initial recognition on the previous balance sheet date are recognized under the current profits and losses.

② For non-monetary items measured on the basis of historical costs, spot rate on the transaction date shall still be adopted without changing functional currency in the accounting. For non-monetary items measured in fair values shall adopt the spot rate on the date of determining the fair values for translation. The balance between the value of functional currency in the accounting and that in the original accounting shall be treated as fair value change (including exchange rate change) and recognized under the current profits and losses.

Monetary items refer to monetary capital owned by the Company and asset to be received in fixed or identifiable amount or paid liability.

Non-monetary items refer to other items not included in monetary items.

(3) Translation method for foreign currency financial statements of offshore operational entity:

① The assets and liabilities in the balance sheet shall be translated at the spot rate on the balance sheet date. Except undistributed profits in the owner's equity, other items shall be translated at the spot rate during occurrence.

② The revenue and expenses in the income statement shall be translated at the spot rate on the transaction date or an exchange rate recognized under a reasonable system method and similar to the spot rate on the transaction date;

③ The translation difference of the foreign currency financial statement between the tranlations generated by ① and ② above shall be separately listed under the owner's equity in the balance sheet;

(4) The financial statement of offshore business as situated in a hyper-inflationary economy shall be translated in accordance with the following provisions:

The Company shall restate the balance sheet items by using the general price index, and restate the income statement items by using the changes of the general price index, and then translate them at the spot exchange rate on the most recent balance sheet date.

If an offshore business is no longer situated in the hyper-inflationary economy, the Company shall stop the restatement and translate the restated financial statement at the price of the cessation date.

(5) When disposing any offshore business, the Company transfers the translation difference of the foreign currency financial statement listed under the owner's equity in the balance sheet and related to such offshore business from owner's equity into the current profits and losses; if such offshore business is disposed in part, the translation difference of the disposed portion of foreign currency financial statement shall be calculated by the disposal proportion and transferred into the current profits and losses.

10. Financial Instruments

(1) The classification of financial instruments, recognition and measurement methods

① Financial assets shall be classified into the following four categories when they are initially recognized:

1) The financial assets which are measured at their fair values and the variation of which is recognized under the profits and losses of the current period, including transactional financial assets and the financial assets which are measured at their fair values and of which the variation is included in the current profits and losses;

2) The investments which will be held to their maturity;

3) Loans and accounts receivable;

4) Financial assets available for sale.

② Financial liabilities shall be classified into the following two categories when they are initially recognized:

1) The financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses, including transactional financial liabilities and the designated financial liabilities which are measured at their fair values and of which the variation is included in the current profits and losses; and

2) Other financial liabilities

③ Financial assets or financial liabilities measured by fair value whose changes recognized underthe current profits and losses:

These kinds of financial assets or financial liabilities are further divided into tradable financial assets or financial liabilities and directly designated financial assets or financial liabilities measured by fair value and whose change is recognized underthe current profits &losses.

tradable financial assets or financial liabilities mainly refer to financial assets held for sale or financial liabilities to be repurchased in the near future.

Directly designated financial assets or financial liabilities measured by fair value whose change is recognized underthe current profits & losses, mainly refers to thedesignationby the Company based on the risk management, the strategic investment needs and etc.

Financial assets measured by fair value whose change is recognized underthe current profits and losses take the fair value as the initially recognized amount when it is obtained. Related transaction expenses are directly recognized underthe current profits and losses. The payment includes cash dividends declared but not yet paid or notes interest matured but not yet acquired, which is individually recognized as receivables.

The interest and cash dividends obtained are recognized as the investment income during the period that the financial assets held is measured by fair values whose change is recognized under the profits and losses of the current period. On the balance sheet date, the change in the fair value of the financial asset or financial liability which is measured by fair value whose change is recognized under the profits and losses of the current period, shall be recognized under the profits and losses of the current period.

When a financial asset or financial liability which is measured by fair value whose change is recognized under the profits and losses of the current period is disposed, the balance between the fair value and the initially recognized amount are recognized as theinvestment income; the profits and losses arising from the change of the fair value is adjusted at the same time.

④ Held-to-maturity investment

Held-to-maturity investment refers to non-derivative financial assets with fixed expiration dates, fixed or recognizable collectable amounts and with explicit intention and capability from the management to hold till the expiration date.

The summation of fair value when it is obtained and related transaction expenses is taken as the initially recognized amount of the investments which will be held to their maturity. Notes interest having matured but not yet acquired included in the payment is recognized as receivables individually.

The interest income recognized by the held-to-maturity investment during the owning period, in accordance with the post-amortization costs and the actual interest rate, is recognized under investment income. The actual interest rate is determined when the held-to-maturity investment is obtained; it keeps unchanged within the predicted term of existence or within a shorter applicable term of the held-to-maturity investment. (If the difference between the actual interest rate and the par interest rate is small, the interest income is recognized by the par interest rate and recognized under investment income.)

When disposing of investment held till expiration, the difference between its book value and the actual purchase price shall be recognized under the investment income.

⑤ Loans and accounts receivable

Loans mainly refers to the financial enterprise loans. Financial enterprises grant loans according to current market conditions with the principal of loans and related transaction costsas the initially recognized amount. Interest income shall be recognized based on the actual rate. The actual rate shall be recognized when the loan was obtained and the main unchanged during the expected duration of the loan or a shorter period if application. If the actual interest rate is less than the contract rate, interest income shall be calculated by contract rate.

Receivables mainly refer to the creditor's rights of the company from selling goods or providing labor services. The contract or agreement payment from purchaser is usually recognized as the initially recognized amount. When recovering or disposing the loans and accounts receivable, the difference between the obtained value and the book value of the loans and accounts receivable is recognized as profits and losses of the current period.

⑥ Financial assets available for sale

Financial assets available for sale refer to financial assets not categorized as financial assets measured by fair value whose change is recognized under the current profits and losses, held-to-maturity investment, loans and accounts receivable.

The summation of fair value when it is obtained and related to transaction expenses is taken as the initially recognized amount of financial assets available for sale. Bond interest having matured but not yet acquired or cash dividendsdeclared but not yet paid including in the payment is recognized as receivables and recorded separately.

The interest or cash dividends abstained during the holding period of financial assets available for sale is booked into investment income. On the balance date, financial assets available for sale are measured by fair value, and the variation of the fair value is booked into capital accumulation (other capital accumulation).

When financial assets available for sale are disposed of, the balance between the initially recognized amount and the fair value are recognized as the profits and losses of the investment; at the same time, the amount of the disposing part corresponding to the initial accumulative amount arising from the variation of the fair value directly booked into the shareholders' equity is transferred out, and recognized as the profits and losses of the investment.

⑦ Other Financial Liabilities

Other financial liabilities refer to the financial liabilities note categorized as the financial liabilities measured at their fair value whose change isrecognized under the profits and losses of the current period. In general, the bonds issued by enterprises, accounts payable by purchasing goods, long-term payable and so on, should be classified into other financial liabilities. The summation of fair value when it is obtained and related transaction expenses is taken as the initially recognized amount of the other financial liabilities. Other financial liabilities generally make subsequent measurement on the basis of the post-amortization costs.

(2) Basis for Confirming the Transfer of Financial Assets and Measurement Method

When the Company has transferred the whole risk and reward of the financial assets to the assignee, the confirmation of the financial assets shall be terminated. If the total risks and rewards of the financial assets are reserved, the confirmation of the financial assets will not be terminated. Terminating the confirmation means that the financial assets or financial liabilities are written off from the account and balance sheet of the Company.

If the transfer of financial assets as a whole satisfies the conditions for termination, the difference of the following two amounts shall be entered into the account of current profits and losses.

① Book Value of Transferred Financial Assets;

② The consideration received from the transfer shall be the summation of accumulated amount of the variations of fair value of owner's equity (the financial assets relating to the transfer are the financial assets available for sale).

If the partial transfer of financial assets satisfies the conditions for terminating the confirmation, the whole book value of the transferred financial assets shall be amortized between the financial assets whose confirmation is terminated and the financial assets whose confirmation has not been terminated (under such circumstances, the retained service assets shall be viewed as a part of the financial assets whose confirmation has not been terminated) in accordance with their respective relative impartial values, and the difference of the two amounts below shall be entered into the account of the profits and losses;

1) Book Value of Financial Assets Whose Confirmation is Terminated;

2) The consideration of the financial assets whose confirmation is terminated shall be the sum of accumulated amount of the variations of impartial value of owner's equity (the financial assets relating to the transfer are the financial assets available for sale).

If the Company still retains the total risks and rewards of the transfer of ownership of financial assets, the whole of the transferred financial assets shall continued to be confirmed, and the received consideration shall be confirmed as one financial debt.

(3) Conditions of financial liabilities derecognized

Financial liabilities to the current obligations in whole or in part have been lifted, and the confirmation of the financial liability or a part thereof.

(4) Methods for determining the fair value of financial assets and financial liabilities

Fair value refers to the price receivable for selling an asset or the price payable for transferring a liability by a market participant through an orderly transaction at the measurement date. The Company classifies the inputs for measuring fair value by three levels and uses the first-level inputs first, then the second-level inputs, and lastly the third-level inputs.

Inputs at the first level refer to the unadjusted quotation of the same asset or liability obtainable in the active market at the measurement date.Active market refers to the market where substantial pricing information is provided by the transaction of related assets and liabilities and transaction frequency.

Inputs at the second level refer to directly or indirectly observable inputs regarding relevant assets or liabilities other than the first-level inputs.

Inputs at the third level refer to unobservable inputs regarding relevant assets or liabilities.

(5) Financial assets (excluding receivables) Impairment testing methods impairment accrual method of

① Regarding the matured investment and loan, if the objective evidences indicate the depreciation, the loss of depreciation shall be calculated and confirmed in accordance with the difference between the book value and the value of estimated future cash flow.

② Usually,if fair value of financial assetsavailable for saledecreased substantially, or after the overall consideration, it is estimated that such decrease is not temporary, the depreciation of held-to-maturity financial assets shall be confirmed. If the financial assets available for sale depreciate, the totalloss accumulated from the decrease of impartial value of owner's equity shall be carried over, and shall be recognized under the provision for depreciation.

11. Receivables

(1) Receivables for bad debts provision accounting with significant single amount

The standards for determining the receivables in significant singleamount:	Top 10 accounts receivable and other receivable at year end
The method of receivablefor bad debts provision accounting with significant single amount:	Receivables that are individually significant are subject to separate impairment assessment. A provision for impairment of the receivable is established at the difference between the Bookamount of the receivable and the present value of estimated future cash flows and it shall be recognized under the current profits and losses. If there is no impairment in the impairment assessment, it shall be assessed in the receivable combination with similar credit risk. Single account of receivable shall not be assessed in the combination with similar credit risk.

(2) The receivables accounting by combination

The standards for determining the combination:

Combination 1	Accounts receivable of affiliated party
Combination 2	Accounts receivable of affiliated party in commodity circulating unit
Combination 3	Accounts receivable of affiliated party in financial and insurance unit
Combination 4	Accounts receivable of affiliated party in manufacturing unit

The method for bad debts provision:

Combination 1	No provision
Combination 2	Account age analysis
Combination 3	Identification
Combination 4	Account age analysis

(Amounts expressed in RMB unless otherwise stated)

Combination 2 Standard for bad debts provision:

Account age	Percentage of accounts receivable	Percentage of other accounts receivable
1-6 months	0%	0%
7-12 months	5%	5%
1-2 years	10%	10%
2-3 years	20%	20%
3-5 years	50%	50%
Over 5 years	100%	100%

Combination 4Standard for provision of bad debt:

Account age	Percentage of accounts receivable	Percentage of other accounts receivable
Within 1 year	5%	5%
Where: within 6 months significant business	0%	0%
1-2 years	10%	10%
2-3 years	30%	30%
3-5 years	50%	50%
Over 5 years	100%	100%

(3) Receivables for bad debts provision accounting with insignificant single amount

reason for separate provision for bad debts:	Objective evidence shows there is impairment, e.g. The debtor has serious financial crisis, unpaid or overdue debts.
method of provision for bad debts:	Objective evidence shows there is accounts receivable with impairment. Separate it from the combination with similar credit risk for independent assessment. A provision for impairment of the receivable is established at the difference between the bookamount of the receivable and the present value of estimated future cash flows and it shall be recognized under the current profits and losses.

(4) The method of bad debts provision for other receivables:

An impairment test shall be conducted using specific identification method for all notes receivable, advancepayments, interestreceivable,paid deposit, dividend receivable and long-term receivable. If there is objective evidence showing that impairment has incurred, a provision for impairment of the receivable is established at the difference at the exceeding amount of the book amount of the receivable over the present value of estimated future cash flows.

12. Inventory

(1) Types of Inventory

Inventory includes raw materials, unfinished products, half-finished products, finished products, commodities and revolving materials

(2) Valuation method for delivered inventory

Moving Weighted Average Method, Specific Identification Method

(3) The criteria for determination of net realizable value of inventory and the method of provision for inventory depreciation

Inventories are measured by the lower between the cost and the net realizable value on the date of balance sheet. Provision for inventorydepreciation should be appropriated and recognized under the current profits and losses in case that its cost is higher than its net realizable value. The net realizable value refers to the sum of an inventory's estimated price minus the estimated cost before completion, sale expense and relevant taxes in daily activities.

The criteria for determining the net realizable value of different kinds of inventory are as follows:

① For the inventory of goods, including the finished products, goods and material for sale which are sold directly, their net realizable value is determined at the sum of their estimated prices minus the estimated sale expenses and relevant taxes in normal operation activities.

② For the inventory of materials to be processed, their net realizable value is determined at the sum of the finished products' estimated prices minus the estimated cost before completion, sale expenses and relevant taxes in normal operation activities.

③ On the date of balance sheet, in case that part of the same inventory's price is stipulated in the contract while the rest is not, the net realizable value of the inventory should be determined separately and the provision for inventory depreciation or write-back amount shall be determined by comparing with their corresponding costs.

When the provision for inventorydepreciationis appropriated according to the individual inventory (orinventory category), which are relating tothe product range manufactured and sold in same area with same or similar ultimate function or objectiveand cannot be calculated separate from other inventory, the provision for inventory depreciation shall be appropriatedtogether.

(4) Stock inventory system

Stock inventory adopt perpetual inventory system

(5) The amortization method of low-value consumables and packages

Low-value consumables and packages are recognized by one-off amortization method

13. Assets categorized as held to be resold

(1) Criteria for determining assets held to be resold

Constituents of the Company shall be recognized as assets held-for-sale given that: they are immediately sellable on the customary terms for selling assets of the same class only under the current market conditions; the Company has made resolutions regarding the disposal of the said constituent, or the disposal has been approved by the shareholders' meeting or equivalent authority organization if shareholder approval is required; the Company has entered into an irrevocable assignment agreement with an assignee; and the transaction will be completed within one year.

(2) Accounting methods for assets held to be resold

Assets held-for-sale are not subject to depreciation and shall be measured at the lower of the book value and the net value of fair value minus disposal costs.

14. Long-term Equity Investments

Refers to the equity investment which the Company executes to control and influence the invested company and also refers to the investment in jointly controlled enterprises.

(1) The determination of investment costs

Besides the long-term equity investments formed by the merger of enterprises, the initial cost of a long-term equity investment obtained by other means shall be determined in accordance with the provisions as follows:

① The initial cost of a long-term equity investment obtained by making payment in cash shall be the purchase cost which is actually paid. The initial cost consists of the expenses directly relevant to the obtainment of the long-term equity investment, taxes and other necessary expenses;

② The initial cost of a long-term equity investment obtained on the basis of issuing equity securities shall be the fair value of the equity securities issued;

③ The initial cost of a long-term equity investment obtained by the exchange of non-monetary assets shall be recognized in accordance with the Accounting Standards for Enterprises No.7- Exchange of Non-monetary Assets;

④ The initial cost of a long-term equity investment obtained by recombination of liabilities shall be recognized in accordance with Accounting Standards for Enterprises No.12-Debt Restructuring.

(2) Subsequent measurement and determination methods for profits and losses

① The following long-term equity investments shall be measured by employing the cost method::

A long-term equity investment of the Company that is able to control the invested entity.

The price of a long-term equity investment measured by employing the cost method shall be included at its initial cost.If there are additional investments or disinvestments, the cost of the long-term equity investment shall be adjusted.The cash dividends or profits declared to distribute by the invested entity shall be recognized as the current investment income.

② A long-term equity investment of the investing enterprise that has joint control or has significant influence over the invested entity shall be measured by employing the equity method.

The investment cost of long-term equity investment is not adjusted when the investment cost of long-term equity investment is exceeding the recognizable fair value of the net assets in the invested entity. The book value of long-term equity investment is adjusted when the investment cost of long-term equity investment is less than the recognizable fair value of the net assets in the invested entity. The difference is recognized under the current profits and losses of the investment .

Under the equity method, when the cost of long-term equity investment is more than the investment, long-term equity investments are recorded at the initial investment costs, the investment income of the current period is limited to the amount of accumulated net profits arose after the invested entity accepted the investment. Distributions of profits or cash dividends declared by the investee which are more than the above amount are recognized as the recovery of the initial investment cost to offset against the bookvalue of the investment.

Under the equity method, investment profits and losses as well as other comprehensive revenue are confirmed, according to the net profits and losses from the invested entity and other comprehensive revenue that the Company is entitled to after the acquisition of the long-term equity investment. The book value of the long-term equity investment is adjusted accordingly. The book value of long-term equity investment is decreased according to the distributed profit and cash dividends to the investor announced by the invested entity. The owner's equity changes other than changes in net profits and looses and other comprehensive revenue of the invested entity are reflected in the adjustment of the book value of long-term equity investment and are recognized under owner's equity.

The net losses of the invested entity shall be recognized until the book value of the long-term equity investment and other long-term equity which substantially form the net investment made to the invested entity are reduced to zero, unless the Company has the obligation to undertake the invested enterprise's extra losses. If the invested entity realizes any net profits later, the investing enterprise shall, after the amount of its attributable share of profits offsets against its attributable share of the unrecognized losses, resume recognizing its attributable share of profits. Where any change is made to the owner's equity other than the net profits and losses of the invested entity, the book value of the long-term equity investment shall be adjusted and be recognized under the owner's equity.

Under equity method for recognition of profits and looses, firstly adjustment shall be made on the fair value, accounting policy and accounting period based on various identifiable net assets of invested entity while obtaining investment; then the net profits and losses of the investment are recognized based on the net income of the invested entity.

The amount of the profits and losses of unrealizable inside transaction between affiliated and jointly controlled enterprises attributable to the Company shall be calculated by equity ratio. Profits and losses of investment shall be recognized based on offsetting.

For long-term equity investments in affiliated and jointly controlled enterprises held by the Company before January 1, 2007, where the initial investment cost of a long-term investment exceeds the Company's interest in the investee's net assets, the excess is amortized and is recognized in investment revenue on a straight line basis over the original remaining life.

(3) Basis for determining the common control or significant influence over the invested entity

Common control refers to the contractually agreed sharing of control over a certain arrangement, and exists only when the decision relating to the activity has the unanimous consent of the parties sharing the control. The first standard for judging whether common control exists is whether all parties or a combination of parties share the control over the arrangement. If all parties or a group of parties must act unanimously in order to adopt a decision concerning an arrangement and relevant activities, they shall be deemed to share the common control. The second judgment is whether all parties sharing the control must give consent to the decision concerning the arrangement and relevant activities. If two or more combinations of parties can control an arrangement, then common control does not exist. To judge whether common control exists, protective rights are not considered.

Significant influence refers to the power to participate in the financial and operating policy decisions of the but with not control or joint control over those policies. To judge whether significant influence over the investee exists, the key consideration is the influence of the voting securities the investor holds in the investee and the currently executable potential voting rights the investor and other parties own and can be exercised during the current period, assuming that they translate into equity share in the investee, including the current convertible stock options, stock future and corporate bonds issued by the investee.

15. Investment real estate

Investment real estate refers to earn rent or capital appreciation, or both held by real estate, including leased land use rights, possession and is ready to add value to the land use right transfer has been leased buildings. Investment real estate shall be measured initially in accordance with the cost. The subsequent measurement is conducted on the balance sheet with fair value model..

Fair value model

There is no depreciation provision or amortization of investment real estate. Book value is adjusted based on the fair value of the investment real estate on the date of balance sheet. Difference between fair value and original book value shall be recognized under current profits and losses.

Fair value of the investment real estate on the date of balance sheet is subject to the evaluated value by related evaluation institution.

16. Fixed Assets

(1) Confirmation conditions of fixed assets

Fixed assets are the tangible assets for production, service providing, rental or operational management and used for over an accounting year. The fixed assets will not be confirmed until the following conditions are satisfied concurrently:

① The economic benefits related to the fixed assets are likely to flow into the enterprise;

② The costs of the fixed assets can be measured reliably.

(2) Fixed assets by depreciation method

Depreciation can be calculated by straight-line method with the useful life, expected net residual value and depreciation rates of various fixed assets:

(Amounts expressed in RMB unless otherwise stated)

Item	Depreciation method	Depreciation Years	Estimated Residue Value	Yearly depreciation
Houses and Buildings	straight-line method	10-30 years	3.00%-5.00%	3.17%-9.70%
Aircrafts and engines	straight-line method	10 years	0.00%	10.00%
Machinery Equipments	straight-line method	10 years	3.00%-5.00%	9.50%-9.70%
Transport Equipments	straight-line method	4-5 years	3.00%-5.00%	19.00%-24.25%
Electrical Equipments	straight-line method	3-5 years	3.00%-5.00%	19.00%-32.33%
Furniture, Appliance	straight-line method	5 years	3.00%-5.00%	19.00%-19.40%
Other	straight-line method	5 years	3.00%-5.00%	19.00%-19.40%

(3) Determination basis and pricing method of fixed assets acquired under finance leases

Determination basis: leases that actually transfer all risks and compensations relating to asset ownership right. The detailed basis shall meet one or more than one condition as followed:

① When the lease term expires, the ownership right of the leasing assets is transferred to the lessee.

② The lessee has the right to choose to purchase the leasing assets. The purchasing price is estimated to be far less than the fair value of the leasing asset. It shall be assured reasonably that the lessee will execute the right on the beginning date of lease.

③ If the ownership right of the asset is not transferred, yet the lease term takes significant ratio of the useful life.

④ the lowest present value of the lease payment on the beginning date of the lease almost equals the fair value of the lease asset on the beginning date of the lease.

⑤ There are special features of lease asset, e.g. it can not be under significant reformation and only the lessee is entitled to the use of the asset.

The pricing method of fixed assets acquired under finance leases: the original price of fixed assets acquired under finance leases is subject to the lower price between the fair value of the lease asset on the beginning date of the lease and the minimum present value of the payment of the lease asset on the beginning date of the lease.

The depreciation and provision which is in accordance with the depreciation policy of the fixed assets is adopted as the subsequent pricing method of fixed assets acquired under finance leases

17. Construction in process

(1) Including the Company's infrastructure, renovation and other expenditures incurred;

(2) Construction in progress transferred to fixed assets when it achieves the expected usable condition.

18. Borrowing Costs

(1) Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset shall be capitalized as part of the cost of that asset. The term "assets eligible for capitalization" shall refer to the fixed assets, investment real estate, inventories and other assets, of which the acquisition and construction or production may take quite a long time (usually it refers to one or more years) to prepare for its intended use or for sale. Other borrowing costs eligible for capitalization shall be

determined in accordance with their amount and shall be recognized under the current profits and losses.
The borrowing costs shall include interest on borrowings, amortization of discounts or premiums on borrowings, ancillary expenses, and exchange balances on foreign currency borrowings.

(2) The capitalization of borrowing costs shall commence when all the following three conditions are satisfied:

① The asset disbursements have already been incurred, which shall include the cash, transferred non-cash assets or bearing debts with interest paid for the acquisition and construction or production activities for preparing assets eligible for capitalization;

② The borrowing costs has already been incurred; and

③ The acquisition and construction or production activities which are necessary to prepare the asset for its intended use or sale have already started.

When assets eligible for capitalization under acquisition and construction or production is ready for the intended use or sale, the capitalization of the borrowing costs shall be ceased.

Where the acquisition and construction or production of a assets eligible for capitalization is abnormally interrupted and the interruption period lasts for more than 3 months, the capitalization of the borrowing costs shall be suspended. The borrowing costs incurred during such period shall be recognized as expenses, and shall be recognized under the profits and losses of the current period, till the acquisition and construction or production of the asset restarts. If the interruption is a necessary step for making the qualified asset under acquisition and construction or production ready for the intended use or sale, the capitalization of the borrowing costs shall continue.

(3) During the period of capitalization, the to-be-capitalized amount of interests (including the amortization of discounts or premiums) in each accounting period shall be determined according to the following provisions:

① As for specifically borrowed loans for the acquisition and construction or production of assets eligible for capitalization, the to-be-capitalized amount of interests shall be determined in light of the actual cost incurred of the specially borrowed loan at the present period minus the income of interests earned on the unused borrowing loans as a deposit in the bank or as a temporary investment.

② Where a general borrowing is used for the acquisition and construction or production of assets eligible for capitalization, the enterprise shall calculate and determine the to-be-capitalized amount of interests on the general borrowing by multiplying the weighted average asset disbursement of the part of the accumulative asset disbursements minus the general borrowing by the capitalization rate of the general borrowing used. The capitalization rate shall be calculated and determined in light of the weighted average interest rate of the general borrowing.

If the loan has discount or premium, the amount of the discount or premium that shall be amortized accordingly during each fiscal year shall be determined by the Effective interest method, and the amount of interests of each fiscal year shall be adjusted.

During the period of capitalization, the amount of interest capitalized during each accounting period shall not exceed the amount of interest actually incurred to the relevant borrowings in the current period.

(4) For the ancillary expense incurred to a specifically borrowed loan, those incurred before a assets eligible for capitalization under acquisition, construction or production is ready for the intended use or sale shall be capitalized at the incurred amount when they are incurred, and shall be recognized under the costs of the asset eligible for capitalization; those incurred after a qualified asset under acquisition and construction or production is ready for the intended use or sale shall be recognized as expenses on the basis of the incurred amount when they are incurred, and shall be recognized under the profits and losses of the current period. The ancillary expenses arising from a general borrowing shall be recognized as expenses at their incurred amount when they are incurred, and shall be recognized under the profits and losses of the current period.

19. Intangible Assets

(1) Intangible assets refer to the identifiable non-monetary assets possessed or controlled by enterprises which have no physical shape. Intangible assets shall be initially measured at its cost of acquisition. The Company shall analyze and judge the useful life of intangible assets, when it obtains intangible assets.

(2) The following factors are considered on the determination of useful life of tangible assets:

① The useful life of the goods produced by such assets, the accessible useful life information of similar assets;

② The estimation of the current situation of the techniques and their future development;

③ The marketing demanding for the product or service produced by such assets;

④ The behavior estimated to be conducted by the current or potential competitors;

⑤ The estimated maintenance expense for maintaining the profitability brought by the assets, and the estimated affordability of the company for such expense;

⑥ Relative laws and regulations and similar restrictions of the controlling period of the assets, e.g. royalty period, lease period, etc .

⑦ The relevance with the useful life of the assets owned by the company.

Intangible assets which cannot be estimated to generate economic benefits are regarded as with uncertain useful life.

(3) The intangible assetswith limited useful life is amortized reasonably within useful life in the system(or with straight line method). At the end of each fiscal year, useful life and amortization method of assets with limited useful life is verified. Amortization period and method will be changed if the useful life and amortization method are different from what if previously estimated.

The estimated useful life and estimated net residual value of intangible assets amortized with the straight-line method is as follows:

Classification	Estimated useful life	Estimated net residual value
Land use rights (excluding investment real estate)	Operating period or land use period	0%
Industrial property rights and proprietary technologies	5-15 years	0%
Trademarks	10 years	0%
Computer software	10 years	0%
Exchange membership fees	10 years	0%

(4) The intangible asset with uncertain useful life is not amortized.

(5) Internal R&D

① Cost of research and development is distinguished into the research phase and the development phases:

1) Research is original and planned investigation undertaken with the prospect of gaining new scientific or technical knowledge and understanding

2) Development is the application of research findings or other knowledge to plan or design for the production of new or substantially improved materials, devices, products before the start of commercial production or use.

② Expenditures for the Company's internal R&D project shall be recognized under the current gains and looses and shall be capitalized and recognized as intangible assets if the expenditures simultaneously meet the following requirements:

1) Use and sale are technically feasible.

2) With the intention to complete, use and sell the intangible assets..

3) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.

4) Sufficient technical or technological, financial and other resources are available to complete the development of, use or sell the intangible assets.

5) Outlays incurred in the development stage can be reliably measured.

20. Impairment of long-term assets

The Company assesses whether there are any indicators of impairment for long-term non-financial assets at the year end such as long-term equity, fixed assets, construction in progress, intangible assets. Goodwill and intangible assets with indefinite useful life are tested for impairment annually regardless of indicators of impairment.

If such an indicator of impairment exits, it is estimated the value is recoverable. The recoverable value is the higher of estimated present value of the future expected cash flows from the asset and fair value of the asset minus disposal cost.

The measurement of the recoverable amount presents that, if the recoverable amount of an asset is less than its book amount , the book amount of the asset shall be reduced to its recoverable amount. That reduction is an asset impairment loss which shall be recognized in the current profits and losses and the corresponding impairment provision shall be withdrawn.

After the recognition of an asset impairment loss, the depreciation or amortization fees shall be adjusted in the future periods to allocate the asset's revised book amount, minus its residual value, on a systematic basis over its remaining useful life.

For the purpose of impairment testing of goodwill, the book value of goodwill acquired in a business combination shall, from the acquisition date, be amortized to the acquirer's asset or asset combination .Upon the amortization of the book value of goodwill to related asset or asset combination, the amortization shall be made by ratio of the fair value of asset or asset combination in total fair value in asset or asset combination. If the fair value cannot be measured reliably, amortization shall be made by ratio of the book value of asset or asset combination in total book value of asset or asset combination.

In the impairment test made to asset or asset combination with goodwill, there is indicator of impairment to asset or asset combination with goodwill. Firstly impairment test is made to asset or asset combination without goodwill and the recoverable amount is calculated which shall be compared to revant book value to determine the impairment loss. Then impairment test is made to asset or asset combination with goodwill. Book value of the corresponding asset or asset combination (including the book value of the goodwill amortized) shall be compared with its recoverable amount. If the recoverable amount of asset or asset combination is less than the book value, impairment loss of goodwill shall be recognized. Goodwill impairment loss is recognized in the current profits and losses.

Once the said asset impairment loss is recognized, it cannot be reserved in the subsequent periods.

21. Long-term deferred expenses

Long-term deferred expenses refer to various expenses that have already been paid but whose beneficial period is over (not including) one year. Long-term deferred expenses of the Company shall be amortized evenly during the beneficial period. If the Company is not able to benefit from the projects for which long-term deferred expenses are made, the unamortized value of the said projects shall be charged to the current profitsand losses.

22. Accrued payroll

(1) Scope of accrued payroll

Accrued payroll refers to all kinds of payments and other relevant expenditures given by an enterprise in exchange of the services offered by the employees or the cancellation of the labor relationship with the employees. Accrued payroll includes short-term salary, post dismission bonus, discharge bonus and other long-term employee bonus. The bonus the Company grants to the spouse, children and dependents of employees, or to the surviving family members of deceased employees and other beneficiaries shall also belong to accrued payroll.

(2) Short-term salary refers to employee compensation which must be paid in full within 12 months after

the end of the accounting year when the employees in question render relevant services.Short-term salary includes wage, bonus, allowance and subsidies; social security contributions including employee benefits, medical insurance, work injury insurance and maternity insurance; contribution to housing provident fund, labor union fee, employee education expenses; short-term paid leave and short-term profit sharing scheme; non-monetary welfare and other short-term payments.

Short-term employee compensation shall be recognized as liabilities by the actual occurrence and recognized under current profits and losses or relevant capital cost for the accounting period when the employees render services for the Company.

(3) Post dismission bonus refers to all kinds of payments and benefits the Company grants to its employees after they retire or cancel the labor relationship with the Company in exchange for their services, excluding short-term salary and discharge bonus.

Post-dismission bonus includes defined contribution plans and defined benefit plans. Under a defined contribution plans, the Company pays fixed contributions to a fund, but has no legal or constructive obligation to make further post dismissionbonus plan; defined benefit plans refer to other post dismission bonus plans other than a defined contribution plan.

Defined contribution plans include basic pension and unemployment insurance. The contributions payable under defined contribution plans shall be recognized as liabilities and recognized under current profits and losses or relevant capital costs for the period when the employees render services for the Company.

At the end of reporting period, the employee compensation from defined benefit plans shall include:

① Service costs, including current service cost, previous service cost and settlement profits or losses;

② Net interest of net liability or asset based on defined benefit plans, including interest income from plan assets, interest expenses for defined benefit obligations, and interest affected by asset limits; and

③ Changes arising from re-measurement of net liability or net asset of defined benefit plans.

Unless other accounting standards require or allow employee benefits to be recognized as capital cost, items ① and ② above shall be recognized under current profits and losses, and item ③ above shall be recognized under other comprehensive income, and the amounts recognized as other comprehensive income must not be reversed into profits and losses in subsequent accounting periods but can be transferred within the scope of equity.

Under defined benefit plans, previous service cost shall be recorded as current expenses on the earlier of the following dates:

1) When the defined benefit plans are modified; or

2) When the Company confirms relevant reorganization expenses or termination benefits.

Settlement profits or losses are confirmed when a defined benefit plan is settled.

(4) Discharge bonus

Discharge bonus refer to compensations the Company offers to employees for cancellation of labor relationship or as incentive for employees to accept job cut before the contract expires.

Where the Company offers dischargebonus, such bonus shall be recognized as employee compensation liability on the earlier of the following dates and recognized under current profits and losses: when the Company cannot unilaterally repeal the offer of discharge bonus in exchange for cancellation of labor relationship or acceptance of job cut; or when the Company confirms relevant costs or expenses related to the restructuring of discharge bonus .

(5) Other long-term employee benefits

Other long-term employee benefits refer to all employee compensations in addition to short-term salary, post dismission bonus and discharge bonus , including long-term paid leave, long-term disability benefits, and long-term profit-sharing schemes.

Other long-term employee benefits which qualify as defined contribution plans shall be treated by the same provisions for defined contribution plans above.

Other long-term employee benefits which do not qualify as defined contribution benefits shall be recognized and measured as net liability or net asset by the same provisions for defined benefit plans above.

At the end of the accounting year, the employment compensation from other long-term employee benefits shall include:

① Service costs;

② Net interest of net liability or net asset from other long-term employee benefits; and

③ Changes arising from re-measurement of net liability or net asset of other long-term employee benefits.

To simplify relevant accounting treatment, the total net amount of the items above shall be recognized under current profits and losses or relevant capital costs.

23. The estimated debts

The obligation pertinent to contingencies shall be recognized as an estimated debts when the following conditions are satisfied simultaneously:

(1) That obligation is a current obligation of the enterprise;

(2) It is likely to cause any economic benefit to flow out of the enterprise as a result of performance of the obligation; and

(3) The amount of the obligation can be measured in a reliable way.

The estimated debts shall be initially measured in accordance with the best estimate of the necessary expenses for the performance of the current obligation.

24. Share-based Payment

(1) Types of share-based payment: share-based payment in the form of cash settlement and in the form of equity settlement

Equity-settled share-base payment refers to the transaction settled by share or other equity instrument by the company in order to obtain service. The equity instrument refers to the equity instrument owned by the company.

Cash-settled share-base payment refers to the transaction paid in cash based on the calculation of share other equity instrument or by taking other liability relating to asset in order to receive service.

(2) Fair value determination method of equity instruments

If the equity instruments granted exist in the active market, fair value shall be determined by the quote in the active market. If the equity instruments granted do not exist in the active market, fair value shall be determined by Option Pricing Model. The following factors shall be considered when choosing the Option Pricing Model:

1) Option strike price

2) Validity period of option

3) Present price of the target share

4) Estimated fluctuation ratio of the stock price

5) Estimated dividends on share

6) The risk-free interest rate within the validity period of the option.

(3) Bases for confirming the best estimate of equity instruments with vesting conditions: on each balance sheet date within the vesting period, the Company shall make the best estimate based on the latest change in the number of employees with the vesting right and other subsequent information and revise the number of equity instruments with vesting conditions in order to make the best estimate of such equity instruments with vesting conditions.

(4) Accounting treatment for implementing, modifying and terminatingthe share-based payment plan

① For the shares for which vesting can be enforced after being granted in exchange for employee services, the entity should recognize the related cost of expense, with a corresponding increase in capital reserve, on the granted date.

If the equity instruments granted do not vest until the counterpart completes a specified period of service, the entity should recognize an amount for the goods or services received into related cost or expense and capital reserve during the vesting period based on the best available estimate of the number of equity instruments expected to vest.

It should revise that estimate if subsequent information indicates that the number of equity instruments expected to vest differs from previous estimate. On vesting date, the entity should revise the estimate to equal the number of equity instruments that actually vest.

For equity-settled share-based payment, the entity does not adjust the cost and the total amount of owner's equity recognized on the vesting date. On the vesting date, according to the situation, the entity recognizes the share and share premium and carry over the capital reserve to be recognized (other capital reserve).

② For cash-settled share-based payment transactions, the entity should measure the goods or services acquired and the liability incurred at the fair value of the liability.

For the shares for which vesting can be enforced only after the services within the vesting period are fulfilled or the required performance conditions are met, the share-based payment shall be made in the form of cash settlement. On each balance sheet date within the vesting period, the services obtained currently shall, based on the best estimate of the vesting conditions, be included in the cost or expenditure and corresponding liability according to the amount of the fair value for which the Company shall assume the liability. The entity should remeasure the fair value of the liability at each reporting. Any change in fair value is recognized in profit or loss for the period.

25. Verification method of margin & financing business

The margin & financing business refers to the activity that the entity lends capital to the customers to purchase listed securities or lends listed securities to the customer to sell with collateral.

In the financing business, a debenture is recognized by the actual capital financed to the customer and according to the actual use of the capital and the use period, the financing interest income is recognized by each financing transaction.

In the margin business, if the providing securities do not meet the termination recognition conditions, the entity shall continue classify the securities as the financial assets available for sale with subsequent measurement. According to the market price of the security sold by the customer and use period, the margin interest income is recognized by each margin transaction.

The fees income obtained by purchase and sale service of securities for the customer in the margin & finance business, the entity shall have the accounting treatment according to the business of security agency and the income of acting trading securities is recognized separately.

26. Verification method of buying resale and selling repurchase

Buying resale refers to buying related assets (including debenture and notes , etc) on a certain price from the counter part of the transaction according to the agreement with CEFC Security Company. It is agreed that when the contract or agreement expires, same financial products are resold on agreed price.When buying resale, the actual amount paid for buying resale assets is recognized.

Buying repurchase refers to selling related assets (including debenture and notes , etc) is sold to the counterpart of the transaction on a certain price according to the agreement with CEFC Security Company. It is agreed that when the contract or agreement expires, same financial products are repurchased on agreed price. When selling repurchase, the actual amount received for repurchase of related asset is recognized. The financial products sold are listed by the original classification in the balance sheet and are verified according to the related accounting policy.

The income and expense of buying resale and selling repurchase is recognized by actual interest rate in the period of resale and repurchase.

27. Goodwill

As for goodwill formed from enterprises under different control, the initial cost is the exceeding part of the combination cost over the fair value of the identifiable net assets obtained. Goodwill shall be transferred out upon the disposal of assets or assets combination. It is recognized in the current profits and losses. The Company does not amortize goodwill, but impairment test is made at lease once in the end of each year.

28. Revenues

(1) Revenue from operation includes sales revenue, service revenue and the revenue from the assignment of the right to use an asset.

(2) Acknowledgment of sales revenue

Where the sales revenue meets the following conditions simultaneously, it shall be acknowledged:

① The enterprise has transferred the major risks and remuneration in the commodity ownership to the purchaser;

② The enterprise neither reserves the right of continuous management typically related to the ownership, nor takes effective control of such commodity sold;

③ The amount of such revenue can be measured reliably;

④ Related economic interest is likely to flow into the enterprise;

⑤ Related cost that has been or is to be generated can be measured reliably.

(3) Acknowledgment of service revenue

Where the results of the service transaction can be estimated reliably on the balance sheet date, the service revenue shall be acknowledged in the percentage-of-completion method. The fact that the results of the service transaction can be estimated reliably means that the following conditions are met simultaneously:

① The revenue amount can be measured reliably;

② Related economic interest is likely to flow into the enterprise;

③ The transaction completion progress can be determined reliably;

④ The costs that have been and are to be generated during transaction can be measured reliably.

The completion progress of the service transaction shall be determined by the following methods:

1) Measurement of the completed works;

2) Ratio of the services provided in the whole services to be provided;

3) Ratio of the cost generated in the total estimated cost

The service revenue for the current period shall be acknowledged on the balance sheet date as follows: the total service revenuemultiplies the completion percentage minus the amount of the accumulated service revenues confirmed for the previous fiscal periods. Meanwhile, the service cost for the current period shall be carried forward as follows: the total estimated service cost multiplies the completion percentage minus the amount of the accumulated service costs confirmed for the previous fiscal periods, the result of which shall be carried over to the current service cost.

Where the results of the service transaction cannot be estimated reliably on the balance sheet date, such a case shall be handled by either method below:

<1> Where it is estimated that the service cost generated can be compensated, the service revenue shall be acknowledged according to the amount of such service cost generated, and the service cost shall be carried over tothe same amount;

<2> Where it is estimated that the service cost generated cannot be compensated, the service cost generated shall be recognized under the current profits and losses, and the service revenue shall not be acknowledged.

(4) Acknowledgment of the revenue from the assignment of the right to use an asset

The revenue from the assignment of the right to use an asset includes interest revenue and the revenue from royalties. Only when such revenue from the assignment of the right to use an asset meets the following conditions simultaneously, it shall be acknowledged:

① Related economic interest is likely to flow into the enterprise;

② The revenue amount shall be measured reliably.

The Company shall determine the amount of such revenue from the assignment of the right to use an asset based on the following conditions:

1) The amount of the interest revenue shall be calculated and determined on a basis of the period when a third party uses the monetary funds of the Company and the actual interest rate.

2) The amount of the royalties shall be calculated and determined on a basis of the charging period and method stipulated in a related contract or agreement.

(5) Determination standard of revenue

① Commodity sales income: commodity sales income is recognized when the Company delivers the complete bills including landing bill, manifest, etc. (document of title of the commodity) as stated in the sale contract to the seller or the settlement bank.

② Fees and commissions received

The income of the fees charged for acting security transaction is recognized when acting security transaction is made. Fees income arising from vicariously cashed securities are recognized with the settlement with the entrusting party after the rendering of service of vicariously cashed securities.

If the underwriting is conducted with exclusive selling right, security underwriting income is recognized by underwriting price when the securities are transferred to the investor.

If the underwriting is conducted with stand by commitment or on commission, security underwriting income is recognized by underwriting price when the issuing price is settled with the issuer.

The income or losses of asset management income from entrusted customer attributed to the Company is calculated by the ratio stipulated in the contract with the entrusted entity on the maturity date of the entrustment contract. It is recognized to the current profits and losses. If management fee is calculated by the ratio stipulated in the contract, income of management fee is recognized by period. Entrusted asset management is listed in separate system which is not represented in the Company's balance sheet.

③ Interest income

In margin & financing business, according to the terms in the agreement, interest income is recognized by the time when the capital or the security is lent and the agreed interest rate. When the securities purchased under agreement for resell are mature in the current period, difference between resellig price and purchase cost is recognized in the current income, otherwise, provision of interests is made based on accrual basis and is recognized in the current income.

29. Government Subsidy

Government subsidyrefers to any monetary asset or non-monetary asset acquired by an enterprise from the government for free, except the capital contributed by the government as the owner of the enterprise . Government subsidy is divided into the asset-related government subsidy and the revenue-related government subsidy.

Government subsidy shall be acknowledged only after the following conditions are met simultaneously:
(1) The Company can meet the attached conditions of such government subsidy;
(2) The Company can acquire such government subsidy.

Where such asset-related government subsidy are identified as the deferred revenue and equally allocated within the service life of related assets, such asset-related government subsidy shall be recognized under the current profits and losses. The revenue-related government assets shall be handled as follows respectively:
① Where such revenue-related government subsidy are used to compensate for an enterprise's related expenses or losses in future, it is identified as the deferred revenue and remain within the period where related expenses are confirmed, they shall be recognized under the current profits and losses;
② Where such revenue-related government subsidy are used to compensate for the enterprise's related expenses or losses generated. They shall be directly recognized under the current profits and losses.

30. Deferred income tax assets/deferred income tax liabilities

Income tax shall be calculated by the balance-sheet-liability method. The book values and taxation bases of assets and liabilities shall be calculated as of the balance-sheet date, and where there is difference, deferred income tax assets and .deferred income tax liabilities and relevant deferred income tax expenses or gains shall be recognized accordingly. The current income tax (or income tax payable for the period) and deferred income tax expenses or gains shall be added up and the sum shall be recognized as the income tax expense or gains in the income statement, while the income tax influences of transactions or matters which are directly recognized under the Owner's Equity shall not be included.
The deferred income tax assets shall be reexamined on the balance sheet date. If it is unlikely to obtain

sufficient taxable income taxes to offset the benefit of the deferred income tax assets, the book amount of the deferred income tax assets shall be written down.

31. Operating leasing and finance leasing

(1) Operating leasing treatment with the Company in the status of a lessee

① Rent treatment

The rent that shall be paid or is payable shall be recognized under the relevant asset costs or the current profits and losses in the operating leasing.

② Treatment of the initial direct costs

The initial direct costs incurred by the lessee during the operating lease term shall be recognized under the current profits and losses.

③ Treatment of the contingent rent

The contingent rent incurred by the lessee shall be recognized under the current profits and losses at the time of occurrence in the operating leasing.

④ Treatment of the stimulation measures taken by the lessor

If the lessor offers a rent-free period, the lessee shall amortize the total rent in the whole lease term without deducting the rent-free period with straight-line method or other reasonable method with the rent costs and the relevant liabilities confirmed during the rent-free period. If the lessor pays some costs of the lessee, the lessee shall deduct such costs from the total rent and amortize the deducted rent balance during the rent term.

(2) The Company's treatment of the operating leasing as a lessor

① Treatment of the rent

The lessor shall confirm the rent as an income during the lease term with straight-line method.

② Treatment of the initial direct costs

The initial direct costs incurred by the lessor during the operating lease term refers to the handling charges, attorney costs, travel expenses, stamp taxes, etc... incurred during the negotiating and signing of the lease contract and that can be included in the lease item. These costs shall be recognized under the current profits and losses and shall be capitalized if they are of a large amount. They shall be recognized under the current profits and losses by installments on the same basis of determining the rent income during the lease term.

③ Provision for the leased assets depreciation

As for the fixed assets in the operating leasing assets, the depreciation provision is appreciated according to the policy generally adopted by the lessor concerning the similar depreciation assets.

④ Treatment of the contingent rent

recognized under the current income at the time of occurrence.

⑤ Treatment of the stimulation measures taken by the lessor

If the lessor offers a rent-free period, the lessor shall amortize the total rent in the whole lease term without deducting the rent-free period with straight-line method or another reasonable method with rent income confirmed during the rent-free period. If the lessor pays some costs of the lessee, the lessor shall deduct such costs from the total rent income and amortize the deducted rent balance during the rent term.

⑥ Treatment of the operating assets in the financial statements

In the operating leasing, the major risks and income relevant to asset ownership are still left to the lessor. Therefore, the lessor shall list the leased assets as its own assets in the balance sheet. If the leased assets are fixed assets, then they should be listed under the fixed assets item in the balance sheet; if the leased assets are current assets, then they should be listed under the current assets item in the balance sheet.

(3) Finance leasing

① The Company as a lessee in operating leasing

At the commencement of the lease term, the lower of the fair value of lease asset and the present value of the minimum lease payments is the recorded value of the leased asset at the inception of the lease. The minimum lease payments is the recorded value of long-term payable. The difference is unrecognized financing expense. In each accounting period during lease term financing expense is amortized by actual interest rate and is recognized in financial expense. The initial direct expense is recognized in financed asset value.

The depreciation policy for depreciable leased assets shall be consistent with that for depreciable assets which are owned by the Company, and the depreciation period shall be determined according to the lease contract. If there is reasonable certainty that the Company will obtain ownership by the end of the lease term, the useful life of the asset is the depreciation period starting on the lease date; other wise the asset is depreciated over the shorter of the lease term and its useful life.

② The Company as a lessor in operating lease

At the commencement of the lease term, the summation of minimum lease receipts and the initial direct expense at the inception of the lease is the recorded value of the finance leasing receivable which shall be recognized in the long-term receivable in the balance sheet, and the unguaranteed residual value is recorded. The difference between the summation of minimum finance leasing receivable, initial direct expense and the unguaranteed residual value and the present value is the unrealized financing asset revenue. It is determined as lease income in each accounting period during the lease term and is recognized in lease income.

32. Changes to major accounting policies and accounting estimates:

(Amounts expressed in RMB unless otherwise stated)

(1) Changes to accounting policies

In 2014, the Ministry of Finance issued*Accounting Standards for Business Enterprises No.39 – Measurement of Fair Value,Accounting Standards for Business Enterprises No.40 – Joint Arrangement,Accounting Standards for Business Enterprises No. 41 – Disclosure of Interest in Other Entities,* revised *Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment, Accounting Standards for Business Enterprises No.9 – Accrued Payroll, Accounting Standards for Business Enterprises No.30 – Presentation of Financial Statements, Accounting Standards for Business Enterprises No.33 – Combined Financial Statements, and Accounting Standards for Business Enterprises No.37 – Representation of Financial Instrument,*. The Company modified the accounting policies accordingly.

(2) Changes to accounting estimates

① According to the revised *Accounting Standards for Business Enterprises No.2 – Long-term Equity Investment,* the Company adjusts the equity investment with no control, no common control, no significant influence and no open and active market quoting to financial assets available for sale and retrospective restatement method is adopted to adjust comparative financial statement. The details of the adjusted item and amount is as followed:

Item	January 1, 2013	December 31, 2013
Long-term equity investment	-9,500,000.00	-9,500,000.00
Financial assets available for sale	9,500,000.00	9,500,000.00

② The ratio of the provision for changed bad debts of Anhui CEFC International Holding Co., Ltd, a holding subsidiary

Contents and reason of the changed accounting estimates	Approving procedure	Execution time	Items with impact	Impacted amount
The ratio of provision for bad debts of accounts receivable balance formed by big business with account age within 6 months (inclusive) is changed from 5% to 0%.	The board	January 1, 2014	Accounts receivable, loss of asset depreciation	4,3,847,900

V. Taxation

1. Major Taxes and Tax Rates

Tax	Tax Basis	Tax Rate
Value Added Tax	Taxable Income	13.00%、17.00%
Enterprise Income Tax	The Amount of Taxable Income	15.00%、16.50%、25.00%

2. Current Tax Rates of CEFC Parent Companies and Subsidiary Companies at All Levels

Company Name	Tax Rate
CEFC Shanghai Petroleum Group Limited	25.00%
CEFC Petroleum (Guangdong) Co., Ltd.	25.00%
CEFC Petroleum (Guangzhou) Co., Ltd.	25.00%
CEFC (Shenzhen) Energy Development Co., Ltd.	25.00%
Guangzhou Jinheng Real Estate Co., Ltd.	25.00%
CEFC Petroleum (Fujian) Co., Ltd.	25.00%
Hong Kong Huaxin Petroleum Limited	16.50%

(Amounts expressed in RMB unless otherwise stated)

Company Name	Tax Rate
CEFC China Petroleum Co., Ltd.	16.50%
CEFC China Fund Co., Ltd	16.50%
Dashi Financing and Leasing (Shanghai) Co., Ltd.	25.00%
Qingdao Free Trade Port Area Energy Base Co., Ltd	25.00%
Zhonghuashe Co., Ltd	16.50%
Samstrong International Ltd.,	16.50%
Yield Commerce Ltd.,	16.50%
Dada Real Estate (Shanghai) Co., Ltd.	25.00%
CEFC Shanghai Petroleum Group International Trading Co., Ltd.	25.00%
Shanghai ShengYi Investment& ManagementCo., Ltd.	25.00%
CEFC Petroleum (Zhejiang) Co., Ltd.	25.00%
CEFC Petrochemical (Yueyang) Co., Ltd	25.00%
CEFC Shanghai Securities Limited	25.00%
CEFC Shanghai Asset Management Co., Ltd.	25.00%
CEFC Commercial Co., Ltd.	25.00%
CEFC Commercial (Fujian) Co., Ltd.	25.00%
Shanghai Management Professionals Agency	25.00%
CEFC Petroleum (Tianjin) Co., Ltd.	25.00%
CEFC (Shanghai) Commercial Factoring Co., Ltd.	25.00%
CEFC Shanghai Technology & Industrial Services Co., Ltd.	25.00%
CEFC Petroleum (Xiamen) Co., Ltd.	25.00%
CEFC Energy UK Ltd	20.00%
CEFC Shenzhen International Holdings Co., Ltd.	25.00%
CEFC Shanghai Petrochemical e-Trading Co., Ltd.	25.00%
CEFC Hainan International Oil Company Limited	25.00%
CEFC Hainan International Holdings Co., Ltd.	25.00%
CEFC Hainan Oil Base Company Limited	25.00%
Yangpu Energy Exchange Center Co., Ltd.	25.00%
Yangpu (Shanghai) Petrochemicals Investment Co., Ltd.	25.00%
CEFC Anhui International Holding Co., Ltd	15.00%
Agrilon International, LLC	25.00%
Anhui Xingnor Chemical Co., Ltd	25.00%
Anhui Huajian Chemical Industry Co., Ltd.	25.00%
CEFC Shanghai Natural Gas Co., Ltd.	25.00%
Anhui Linearfull Modern Agriculture Co., Ltd.	25.00%
SHANGHAI SUNLON INVESTMENT HOLDINGS LTD	25.00%
Anhui Ke'er Agricultural Production Materials Co., Ltd.	25.00%

3. Preferential Tax Policies and Authorization

(1) CEFC Hainan International Holdings Co., Ltd. and CEFC Hainan Oil Base Company Limited

Pursuant to the *Provisional Regulations of Supportive and Preferential Policies for Companies in Yangpu Economic Development Zone* (Pu Guan [2011]No. 104), these two companies are entitled to the following financial support from the business development fund set up by the Yangpu Economic Development Zone:

① Value Added Tax and Urban Maintenance and Construction Tax and Surtax for Education Expenses

Commercial enterprises making a VAT (Value Added Tax) payment over RMB 100,000 (inclusive) within one accounting year may receive financial support depending on the amount of their VAT payment: for the VAT payment at an amount below RMB 1,000,000 (inclusive), the financial support is 8% of the total amount: for the VAT payment at an amount between RMB 1,000,000 and RMB 10,000,000 (inclusive), the financial support is 11% of the total amount; for the VAT payment at an amount over RMB 10,000,000, the financial support is 14% of the total amount. The support rate for urban maintenance and construction tax and surtax for education expensesis 50% of the total amount.

② Enterprise Income Tax

Enterprises with an enterprise income tax payment of more than RMB 100,000 (inclusive) may receive financial support equal to 20.80% of the total payment within in the accounting year.

(2) CEFC Petroleum (Fujian) Co., Ltd.

Pursuant to the *Guidelines of the People's Government of Haicang District, Xiamen City on Providing Financial Support for the Development of the Oil Trade Center* (Xia Hai Zheng [2009] No. 78) (hereinafter referred to the Guidelines), the Company is entitled to the following financial support from the People's Government of Haicang District, Xiamen City:

The financial support is provided on the basis of the local financial level annually. In the first and second year, the financial support is equal to the complete company's annual tax payment received by the local finance. In the third, fourth, and fifth year, the financial support is equal to 60% of the company's annual tax payment received by the local finance.

(3) CEFC Anhui International Holding Ltd.

① The Company was considered to be the high technology enterprise on December 5, 2008. According to the *Notification on Anhui Huaxing Chemical Industry Co., Ltd. qualified to enjoy national high technology enterprise preferential tax rate* issued by BureauofFinanceofHeCounty, Anhui Province*(He Di Shui Han [2009] No. 13)* on February 25, 2009, the Company has adopted the enterprise income tax rate of 15% since January 1, 2008. According to the *Notifications on Releasing the List of High Technology Enterprises Qualified for the Second Examination2011 (Ke Gao [2012] No. 12)* , the Company is entitled to the preferential policies for national high technology enterprises since January 1, 2011. According to the *Notifications on Releasing the First List of High Technology Enterprises 2014 (Wan Gao Qi Ren [2014] No. 19),* the Company is entitled to the preferential policies for national high technology enterprises since January 1, 2014.

② According to the *Notification of the Policy on Exemption of Value Added Tax for Agricultural Producing Materials (Cai Shui [2001] No. 113)* issued by Ministry of Finance, National Bureau of Taxation on July 20, 2001, the value added taxes of the sales income of chemical fertilizer, pesticides and seeds are exempted.

VI. Annotations of Main Items in Consolidated Financial Statement

(Amounts expressed in RMB unless otherwise stated)

1. Monetary fund

Item	Closing Balance	Opening Balance
Cash	301,827.58	292,629.76
Bank deposit	1,710,301,263.47	1,713,458,414.76
Other monetary fund	1,585,274,128.71	679,719,443.59
Total	3,295,877,219.76	2,393,470,488.11
Where: total amount deposited overseas	4,487,478.48	25,471,946.40

Note: As of December 31, 2014, the Company pledges deposit in the bank for L/C. The pledge amount is RMB 500,000,000.00.CEFC Hainan International Holding Co., Ltd.,a holding subsidiary of the Company, pledges deposit in the bank for notes payable. The pledge amount is RMB 99,999,995.86.

2. Settlement funds

Item	Closing Balance	Opening Balance
Customers' funds	42,023,494.71	-
Company's funds	-	-
Total	42,023,494.71	-

3. Financial assets measured by fair value and whose changes are recognized under the current profits and losses

Item	Closing Balance	Opening Balance
Tradable Financial Assets	1,570,436,222.11	430,856,606.55
Where: Liability instrument investment	79,820,420.00	-
Equity instrument investment	1,490,615,802.11	430,856,606.55
Financial derivative assets	-	-
Other	-	-
Assigned financial assets measured by fair value whose changes are recognized under current profits or losses	-	-
Where: Liability instrument investment	-	-
Equity instrument investment	-	-
Other	-	-
Total	1,570,436,222.11	430,856,606.55

Note: In June, 2014, the Company has pledged the holding stock of 70,324,901 of SINOCHEM for a capital of RMB 306,000,000 from Soochow Securities Co., Ltd. Fair value of the pledged stock is RMB 733,488,717.43 as of December 31, 2014.

4. Notes receivable

(Amounts expressed in RMB unless otherwise stated)

(1) Categories of notes receivable

Categories	Closing Balance	Opening Balance
Bank Acceptance Bill	319,759,730.05	7,286,432.00
Trade Acceptance Bill	64,619,900.00	-
Domestic Letter of Credit	-	-
Total	384,379,630.05	7,286,432.00

(2) Undue notes receivable endorsed by the Company or discount at the date of balance sheet

Item	Closing confirmed amount	Closing unconfirmed amount
Bank Acceptance Bill	1,003,807,923.76	-
Trade Acceptance Bill	229,999,995.81	-
Domestic Letter of Credit	-	-
Total	1,233,807,919.57	-

5. Accounts receivable

(1) Accounts receivable listed as per categories

Category	Closing Balance				
	Book balance	Ratio	Amount of provision for bad debt	Provision Ratio	Book value
Accounts receivable for bad debtsprovision accounting with significant single amount	25,731,495.21	0.11%	7,795,904.55	30.30%	17,935,590.66
Accounts receivable for bad debtsprovision accounting by credit and riskcharacteristic combination	23,358,083,924.83	99.89%	13,500,331.87	0.06%	23,344,583,592.96
Affiliated party's receivable	-	-	-	-	-
Non affiliated party's receivable in commodity circulation unit	22,351,186,429.67	95.58%	2,190,504.83	0.01%	22,348,995,924.84
Non affiliated party's receivable in manufacturing unit	973,234,595.01	4.16%	11,309,827.04	1.16%	961,924,767.97
Non affiliated party's receivable in financial and insurance unit	33,662,900.15	0.15%	-	-	33,662,900.15
Accounts receivable for bad debts provision accounting with insignificant single amount	325,444.60	0.00%	194,685.27	59.82%	130,759.33
Total	23,384,140,864.64	100.00%	21,490,921.69	0.09%	23,362,649,942.95

(Continued Table)

Category	Opening Balance				
	Book balance	Ratio	Amount of provision for bad debt	Provision Ratio	Book value
Accounts receivable for bad debtsprovision accounting with significant single amount	26,823,797.96	0.20%	7,767,748.07	28.96%	19,056,049.89
Accounts receivable for bad	13,123,798,297.70	99.79%	16,099,887.03	0.12%	13,107,698,410.67

(Amounts expressed in RMB unless otherwise stated)

Category	Opening Balance				
	Book balance	Ratio	Amount of provision for bad debt	Provision Ratio	Book value
debtsprovision accounting by credit and risk combination					
Affiliated party's receivable	-	-	-	-	-
Non affiliated party's receivable in commodity circulation unit	13,024,611,802.40	99.04%	6,445,830.67	0.05%	13,018,165,971.73
Non affiliated party's receivable in manufacturing unit	99,186,495.30	0.75%	9,654,056.36	9.73%	89,532,438.94
Non affiliated party's receivable in financial and insurance unit	-	-	-	-	-
Accounts receivable for bad debts provision accounting with insignificant single amount	665,915.80	0.01%	461,106.09	69.24%	204,809.71
Total	13,151,288,011.46	100.00%	24,328,741.19	0.18%	13,126,959,270.27

① Accounts receivable for bad debts provision accounting with significant single amountat year end:

Unit	Closing Balance			
	Bookamount	Provision for bad debts	Ratio	Reason
Argentine ATANOR S.A.	17,935,590.66	-	-	See note
TRADEINTERNATLONAL Pakistan International Trading Co. Ltd	7,795,904.55	7,795,904.55	100.00%	The company has operation difficulty. It is estimated to be unreceivalbe.
Total	25,731,495.21	7,795,904.55	30.30%	

Note: As of December 31, 2014, there is payment of goods of RMB 17,935,590.66 in arrears to CEFC Anhui International Holding Co., Ltd,a holding subsidiary of the Company, from Argentine ATANORS.C.A (here in after as ATANORS) due to its financial crisis. As the arbitration applicant, CEFC Anhui International Holding Co., Ltd has submitted the application for arbitration to China International Economic and Trade Arbitration Commission (here in after as Arbitration Commission). The Arbitration Commission accepted the case on August 7, 2013 and issued *Arbitration Notice of Contract Dispute Case G20130584* numbered [2013] *Zhong Guo Mao Zhong Jing Zi No. 017668.* CEFC Anhui International Holding Co., Ltd applied to Anhui Ma'An Shan Intermediate People's Court on September 2, 2013 to frozen ATANORS's 50% equity of Anhui Xingnor Chemical Co.,Ltd valued USD 9,000,000. CEFC Anhui International Holding Co., Ltd.placed its equivalent percentage of equity as guarantee for ATANORS's financial safety. Accrording to the *Civil Ruling of Anhui Ma'An Shan Intermediate People's Court numbered (2013) Ma Su Bao Zi No. 00001* issued on September 3, 2013, as well as the *Notice of Assistance in Execution (acknowledgement of receipt) to Anhui Ma'An Shan Intermediate People's Court* issued by Anhui Administration for Industry & Commerce on September 5, 2013, ATANORS's 50% equity of Anhui Xingnor Chemical Co.,Ltd valued USD 9,000,000 has been frozen.

(Amounts expressed in RMB unless otherwise stated)

In July, 2014, CEFC Anhui International Holding Co. Ltd received the Arbitral Award ([2014] Zhong Guo Mao Zhong Jing Cai Zi No. 0047) from the arbitration commission. The arbitration court of the arbitration commission made the ruling on June 30, 2014, it is decided that ATANORS shall pay the overdue principal of USD 194,400 and the interests generated by delay in the payment. On July 22, 2014, the Company received the principal and interests from ATANORS. ATANORS's payments for goods to CEFC Anhui International Holding Co., Ltd of USD 2,931,131 are in arrears. On July 30, 2014, CEFC Anhui International Holding Co., Ltd continued to apply for arbitration to China International Economic and Trade Arbitration Commission on the three orders which have not been supported by the arbitration. China International Economic and Trade Arbitration Commission accepted the application on August 28, 2014 and it is in the trial currently.

Therefore, CEFC Anhui International Holding Co., Ltd has the proof to believe all the amount of such Notes Receivable will be collected in full, and there is no provision for the bad debt.

② Accounts receivable for bad debts as per grouping by account age

1) Non affiliated party's receivable in commodity circulation unit

Account age	Closing Balance		
	Accounts receivable	Provision for bad debts	Ratio
Within 1 year			
Where: 0-6 months	22,329,077,483.29	-	0.00%
7-12 months	407,796.00	20,389.80	5.00%
subtotal	22,329,485,279.29	20,389.80	0.00%
1-2 years	21,701,150.38	2,170,115.03	10.00%
2-3 years	-	-	-
3-4 years	-	-	-
4-5 years	-	-	-
Over 5 years	-	-	-
Total	22,351,186,429.67	2,190,504.83	0.01%

Note: As of December 31, 2014, Hainan CEFC International Holding Co., Ltd pledges accounts receivable for short-term loan. The pledge amount is RMB12,745,479,485.65. It also pledges for notes payable. The pledge amount is RMB 1,888,050,501.77.

(Amounts expressed in RMB unless otherwise stated)

2) Non affiliated party's receivable in manufacturing unit

Account age	Closing Balance		
	Accounts receivable	Provision for bad account	Ratio
Within 1 year			
Where: 0-6 months big business	876,958,000.00	-	0.00%
subtotal	954,403,686.89	3,872,284.34	0.41%
1-2 years	6,875,827.34	687,582.73	10.00%
2-3 years	3,722,727.44	1,116,818.24	30.00%
3-5 years	5,198,423.24	2,599,211.63	50.00%
over 5 years	3,033,930.10	3,033,930.10	100.00%
Total	973,234,595.01	11,309,827.04	1.16%

3) Non affiliated party's receivable in financial and insurance unit

Item	Closing Balance		
	Accounts receivable	Provision for bad account	Ratio
Fees and commissions receivable	33,662,900.15	-	0.00%

③ Accounts receivable for bad debts provision accounting with insignificant single amount yet subject to separate impairment test:

Item	Book balance	Amount of provision for bad debt	Provision ratio	Reason for provision
Accounts receivable measured by risk evaluation	325,444.60	194,685.27	59.82%	Estimated to be unlikely to receive

(2) Provision, collection or write-back of the bad debt in the current period

The provision for bad debts is RMB 0.00. The collection or write-back of the bad debt is RMB 2,837,819.50.

(3) Top five companies for the amount of accounts receivable at year end:

The total amount of accounts receivable from the top five companies is RMB 14,153,370,381.46, accountting for 60.53% of the total amount of accounts receivable andbalance of the provision for bad debts is RMB 0.00 at year end.

(4) In accounts receivable of the report period, there is no shareholder holding 5% or higher in total shares with voting power in the Company.

(Amounts expressed in RMB unless otherwise stated)

6. Advance payments

(1) The advance payment shall be listed by account age

Account age	Closing Balance		Opening Balance	
	Amount	Ratio	Amount	Ratio
Within 1 year	663,610,996.88	99.27%	5,205,599,457.39	99.66%
1-2 years	2,188,135.92	0.33%	8,067,582.82	0.15%
2-3 years	1,368,493.64	0.20%	4,569,301.06	0.09%
Over 3 years	1,323,075.38	0.20%	5,312,905.61	0.10%
Total	668,490,701.82	100.00%	5,223,549,246.88	100.00%

(2) Top five companies for the amount of advance payments:

The amount of advance payments of the report periodfrom the top five companies is RMB387,725,697.08, accounting for58.00% of the total amount of advance payments.

(3) In advance payment of the report period, there is no any advance payment to the shareholder holding 5% or higher in total shares with voting power in the Company.

7. Interests receivable

Item	Closing Balance	Opening Balance
Bond interests receivable	2,037,080.00	-
Inter-bank interests receivable	1,474,737.91	-
Margin&financing interests receivable	-	-
Interests receivable of financial assets purchased under agreement to resell	1,370,108.06	-
Other interests receivable	-	-
Total	4,881,925.97	-

8. Other receivables

(1) Other receivables are listed as per types

Item	Closing Balance				
	Book balance	Ratio	Provision for bad debt	Provision ratio	Book value
Other receivables for bad debts provision accounting with significant single amount	-	-	-	-	-
Other receivables for bad debtsprovision accounting by credit and risk combination	509,749,273.75	98.97%	1,895,051.24	0.37%	507,854,222.51
Affiliated party's other receivable	277,956,619.09	53.97%	-	-	277,956,619.09
Non affiliated party's other receivable in commodity circulation unit	224,827,538.00	43.65%	1,451,314.36	0.65%	223,376,223.64

(Amounts expressed in RMB unless otherwise stated)

Item	Closing Balance				
	Book balance	Ratio	Provision for bad debt	Provision ratio	Book value
Non affiliated party's other receivable in manufacturing unit	3,384,354.47	0.66%	443,736.88	13.11%	2,940,617.59
Non affiliated party's other receivable in financial and insurance unit	3,580,762.19	0.69%	-	-	3,580,762.19
Other receivable for bad debts provision accounting with insignificant single amount	5,315,572.73	1.03%	5,315,572.73	100.00%	-
Total	515,064,846.48	100.00%	7,210,623.97	1.40%	507,854,222.51

(Continued Table)

Item	Opening Balance				
	Book balance	Ratio	Amount of provision for bad debt	Provision ratio	Book value
Other receivables for bad debts provision accounting with significant single amount	-	-	-	-	-
Other receivables for bad debts provision accounting by credit and risk combination	519,974,182.85	99.08%	1,381,193.85	0.27%	518,592,989.00
Affiliated party's other receivable	14,085,675.96	2.68%	-	-	14,085,675.96
Non affiliated party's other receivable in commodity circulation unit	503,059,690.75	95.86%	1,101,529.67	0.22%	501,958,161.08
Non affiliated party's other receivables in manufacturing unit	2,828,816.14	0.54%	279,664.18	9.89%	2,549,151.96
Non affiliated party's other receivables in financial and insurance unit	-	-	-	-	-
Other receivables for bad debts provision accounting with insignificant single amount	4,811,430.27	0.92%	4,811,430.27	100.00%	-
Total	524,785,613.12	100.00%	6,192,624.12	1.18%	518,592,989.00

① The Company does not have other receivables for bad debts provision with significant single amount at year end.

(Amounts expressed in RMB unless otherwise stated)

② Other receivable for bad debts provisionsas per grouping by account age:

1) Non affiliated party's other receivable in commodity circulation unit

Account age	Closing Balance		
	Other receivables	Provision for bad debt	Provision ratio
Within 1 year			
Where: 0-6 months	214,656,848.09	-	0.00%
7-12 months	7,618,325.01	380,916.25	5.00%
subtotal	222,275,173.10	380,916.25	0.04%
1-2 years	1,632,540.77	163,254.08	10.00%
2-3 years	15,850.13	3,170.03	20.00%
3-4 years	-	-	-
4-5 years	-	-	-
Over 5 years	903,974.00	903,974.00	100.00%
Total	224,827,538.00	1,451,314.36	-

2) Non affiliated party's other receivables in manufacturing unit

Aging	Closing Balance		
	Other receivable	Provision for bad debt	Provision ratio
Within 1 year	2,297,570.56	114,878.53	5.00%
1-2 years	416,093.26	41,609.33	10.00%
2-3 years	293,871.53	88,161.46	30.00%
3-5 years	355,463.12	177,731.56	50.00%
Over 5 years	21,356.00	21,356.00	100.00%
Total	3,384,354.47	443,736.88	13.11%

3) Non affiliated party's other receivables in financial and insurance unit

Item	Closing Balance		
	Other receivable	Provision for bad debt	Provision ratio
Other receivables	3,580,762.19	-	0.00%

③ Other receivables for bad debts provision accounting with insignificant single amountyet subject to separate impairment test

Item	Book value	Amount of bad debts	Provision ratio	Provision reason
Current account	5,315,572.73	5,315,572.73	100.00%	Estimated to be unlikely to receive

(Amounts expressed in RMB unless otherwise stated)

(2) Provision, collection or write-back for bad debt in the current period

Provision for bad debts of the current period is RMB 1,017,999.85. The collection and write-back of the bad debts of the current period is RMB 0.00.

(3) In the report period, there were no other receivables actually canceled after verification are as follows:

Item	Amount
Other receivables actually canceled after verification	20,000.00

(4) Other receivables as per grouping by nature

Nature	Closing Balance	Opening Balance
Current account	497,205,381.30	522,780,627.08
Deposit	5,524,110.70	1,123,022.89
Reservation fund	3,857,556.12	691,455.52
Pledge dividends	8,438,988.12	-
Other	38,810.24	190,507.63
Total	515,064,846.48	524,785,613.12

(5) Top five companies for the amount of other receivables at year end

Company Name	Nature	Closing Balance	Account age	Ratio in total of closing balance of other receivables	Closing balance of amount of provision for bad debts
CEFC Shanghai Finance Co., Ltd.	Current account	223,446,550.83	0-6 months	43.38%	-
Hainan Haikong Asset Management Limited	Construction payment of Hainan Bank	63,360,000.00	0-6 months	12.30%	-
CEFC China Energy Company Limited.	Current account	54,284,063.26	0-6 months	10.54%	-
Haikou Tai Feng Ding Investment &Management Co., Ltd	Current account	35,625,000.00	0-6 months	6.92%	-
To be reported to the budget revenue -- To be reported to the budget revenuecustom duty account	Current account	22,950,000.00	0-6 months	4.46%	-
Total		399,665,614.09		77.60%	-

(6) In other receivables of the report period, there is no shareholder holding 5% or higher in total shares with voting power in the Company.

(Amounts expressed in RMB unless otherwise stated)

9. Financial assets purchased under agreement to resell

(1) By object category

Item	Closing Balance	Opening Balance
Stocks	-	-
Bond	1,048,698,658.51	-
Other	-	-
Less: Provision for depreciation	-	-
Book value	1,048,698,658.51	-

(2) By business category

Item	Closing Balance	Opening Balance
Security of repurchase agreement	1,048,698,658.51	-
Stock pledgerepurchase	-	-
Bond pledge repurchase	-	-
Total	1,048,698,858.51	-

(3) By remaining term

Account age	Closing Balance	Opening Balance
Within 1 month	1,048,698,658.51	-
1-3 months	-	-
3 months - 1 year	-	-
Over 1 year	-	-
Total	1,048,698,658.51	-

10. Inventory

(1) By category

Item	Closing Balance			Opening Balance		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
Storage goods	1,374,979,604.44	18,315,606.54	1,356,663,997.90	472,617,904.61	18,547,521.25	454,070,383.36
Raw materials	78,602,816.90	-	78,602,816.90	72,594,911.50	-	72,594,911.50
Revolving materials	-	-	-	9,576,463.38	-	9,576,463.38
Unfinished products	5,738,494.04	-	5,738,494.04	4,202,907.17	-	4,202,907.17
Low-value consumption goods	806,300.26	-	806,300.26	38,310.20	-	38,310.20
Packaging materials	7,647,181.22	-	7,647,181.22	-	-	-
Development cost	53,488,607.64	-	53,488,607.64	50,078,900.82	-	50,078,900.82
Total	1,521,263,004.50	18,315,606.54	1,502,947,397.96	609,109,397.68	18,547,521.25	590,561,876.43

(Amounts expressed in RMB unless otherwise stated)

(2) Provision for inventorydepreciation

Category	Opening Balance	Increase in the current period		Decrease in the current period		Closing Balance
		Provision	Other	write-back or write-off	Other	
Storage goods	18,547,521.25	690,901.70	-	922,816.41	-	18,315,606.54

Note: basis for provision for inventory depreciation and reason for write-back or write-off of provision for inventory depreciation:

Item	Basis for provision for inventory depreciation	Reason for write-back or write-off of provision for inventory depreciation
Inventory	Net realizable value less than cost	Sold

11. Other current assets

Item	Closing Balance	Opening Balance
Entrusted loan	241,000,000.00	-
Accrued interests of Cun Hui Ying	160,034,816.50	-
Refundable deposit	2,992,356.40	-
Bank Financial product of bank	6,400,000.00	-
VAT deduction	150,582,755.56	43,502,098.95
Total	561,009,928.46	43,502,098.95

12. Financial assets available for sale

(1) Financial assets available for sale

Item	Closing Balance			Opening Balance		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
Measured by fair value	90,476,440.00	-	90,476,440.00	-	-	-
Measured by cost	10,000,000.00	-	10,000,000.00	9,500,000.00	-	9,500,000.00
Total	100,476,440.00	-	100,476,440.00	9,500,000.00	-	9,500,000.00

(2) Financial assets available for sale measured by fair value at year end

Category	Available for sale equity instrument	Available for sale liability instrument	Total
Equity instrument cost/amortized cost of liability instrument	-	90,268,500.00	90,268,500.00
Fair value	-	207,940.00	207,940.00
Accumulated adjusted amount of fair value recognized underother comprehensive revenue	-	-	-
Accrued depreciation amount	-	-	-

(Amounts expressed in RMB unless otherwise stated)

(3) Financial assets available for sale measured by cost at year end

Name of invested companies	Book balance			
	Opening	Increase in the current period	Decrease in the current period	Closing
CEFC Shanghai Finance Co., Ltd.	9,500,000,00	500,000,00	-	10,000,000,00

(Continued Table 1)

Invested company	Provision for depreciation			
	Opening	Increase in the current period	Decrease in the current period	Closing
CEFC Shanghai Finance Co., Ltd.	-	-	-	-

(Continued Table 2)

Invested company	Shareholding ratio in the invested company	Cash dividend in the current period
CEFC Shanghai Finance Co., Ltd.	0.99%	-

13. Long-term equity investment

Name of invested companies	Opening Balance	Opening balance of provision for depreciation	Increase/decrease in the current period			
			Added investment	Investment decrease	Investment income by equity method	Other comprehensive income adjustment
(1) Jointly controlled enterprises						
Anhui Xingnor Chemical Co., Ltd	62,160,336.22	-	-	-	-4,647,160.51	-
Agrilon International, LLC	545,859.06	545,859.06	-	-	-	-
Subtotal	62,706,195.28	-	-	-	-4,647,160.51	-
(2) Affiliated enterprises			-	-	-	-
SHANGHAI SUNLONINVESTMENT HOLDINGS LTD	50,984,208.06	-	-	-	16,872,889.26	-
CEFC Fujian Holding Co., Ltd	102,311,327.66	-	-	102,311,327.66	-	-
Subtotal	153,295,535.72	-	-	102,311,327.66	16,872,889.26	-
Total	216,001,731.00	545,859.06	-	102,311,327.66	12,225,728.75	-

(Continued Table)

Name of invested companies	Increase/decrease in the current period				Closing balance	Opening balance of provision for depreciation
	Other equity change	Cash dividend or profits announced	Provision for depreciation	Other		
(1) Jointly controlled enterprises						
Anhui Xingnor Chemical Co., Ltd	-	-	-	-	57,513,175.71	-
Agrilon International,LLC	-	-	-	-	545,859.06	545,859.06
Subtotal	-	-	-	-	58,059,034.77	-
(2) Affiliated enterprises	-					
SHANGHAI SUNLON INVESTMENT HOLDINGS LTD	-	-	-	-	67,857,097.32	-
CEFC Fujian Holding Co., Ltd	-	-	-	-	-	-
Subtotal	-	-	-	-	67,857,097.32	-
Total	-	-	-	-	125,916,132.09	545,859.06

(Amounts expressed in RMB unless otherwise stated)

14. Investment real estate

Item	House, building	Land use right	Construction in process	Total
Opening balance	2,302,415,426.35	-	18,276,368.00	2,320,691,794.35
Adjustment in the current period	2,469,331,067.95	-	18,466,620.52	2,487,797,688.47
Add:Outsource	-	-	18,466,620.52	18,466,620.52
Inventory/fixed assets/transfer-in of construction in process	-	-	-	-
Increase of enterprise combination	2,420,854,300.00	-	-	2,420,854,300.00
Less: Disposal	-	-	-	-
Other transfer-out	-	-	-	-
Fair value changes	48,476,767.95	-	-	48,476,767.95
Closing balance	4,771,746,494.30	-	36,742,988.52	4,808,489,482.82

Note:

(1) In April, 2012, Shanghai Shengyi Investment Center(limited partnership), a holding subsidiary of the Company borrowed RMB 1,000,000,000 from Industrial Bank Co., Ltd. with the term from August 23, 2012 to August 22, 2017 by mortgage of the property. The property is measured in investment real estate. As of December 31, 2014, the book value is RMB 2,420,854,300.00.

(2) On June 14, 2013, Dada Real Estate (Shanghai) Co., Ltd. , a holding subsidiary of the Company, signed a maximum mortgage contract with Agricultural Bank of China Co., Ltd. Shanghai Luwan Branch. The investment real estate of Dada Real Estate (Shanghai) Co., Ltd. is mortgaged for Shanghai CEFC Petroleum Group Limited for a maximum of RMB 1,000,000,000. The validation period is from June 14, 2013 to June 14, 2015. The book value of the investment real estate is RMB 1,170,796,800.00.

(3) Guangzhou Jinheng Real Estate Co., Ltd., a holding subsidiary of the Company, get a loan of RMB 380,000,000 from Bank of China Co. Ltd. Guangzhou Liwan Branch with its property at the validation period from January 15, 2010 to December 21, 2021. CEFC Petroleum (Guangdong) gets an acquisition loan of RMB 154,000,000from Industrial & Commercial Bank of China Guangzhou Beijing Road Branchwith a validation period from March 27, 2013 to March 16, 2018. The mortgage is the above said property. The property is measured in investment real estate. As of December 31, 2014, the book value is RMB 970,957,479.00.

(4) As of December 31, 2014, Hong Kong Huaxin Petroleum Limited gets a loan of maximum HKD 498,508,800.00 from Bank of East Asia by mortgaging partial fixed assets and investment real estate of Hong Kong Huaxin Petroleum Limited and its holding subsidiaries.

The mortgage is detailed as:

Ownership of mortgage	Location	Situation	Closing balance	
			Book value	Fair value
Hong Kong Huaxin Petroleum Limited	Flat B on 33rd Floor of Tower 6,Bel-Air No.8,Bel-Air On The Peak Island South,No.8 Bel-Air Peak Avenue,HK	Rent	-	11,990,824.00
Hong Kong Huaxin Petroleum Limited	Flat B on 49th Floor of Tower 7,Bel-Air No.8,Bel-Air On The Peak Island South,No.8 Bel-Air Peak Avenue,HK	Self-occupy	15,553,772.53	-

(Amounts expressed in RMB unless otherwise stated)

Ownership of mortgage	Location	Situation	Closing balance	
			Book value	Fair value
CEFC China Petroleum Co., Ltd.(a holding subsidiary of Hong Kong Huaxin Petroleum Limited)	Unit Nos.A,B,C,D, and E on 34/F, Office Tower, Convention Plaza, No.1 Harbour Road, HK	Rent	-	189,328,800.00
Zhonghuashe Co., Ltd (a holding subsidiary of Hong Kong Huaxin Petroleum Limited)	Flat B on 37th Floor of Tower 6 and Private Cars Park No.18 on Car Park Level 8, Bel-Air No.8,Bel-Air On The Peak Island South,No.8 Bel-Air Peak Avenue,HK	Self-occupy	9,724,358.80	-
Zhonghuashe Co., Ltd (a holding subsidiary of CEFC Petroleum (Hongkong) Co., Ltd)	Flat B on 41st Floor of Tower 6, Bel-Air No.8,Bel-Air On The Peak Island South,No.8 Bel-Air Peak Avenue,HK	Self-occupy	9,342,679.80	-
Zhonghuashe Co., Ltd (a holding subsidiary of CEFC Petroleum (Hongkong) Co., Ltd)	House No.6,Residence Bel-Air,Island South,6 Bel-Air Rise,HK	Self-occupy	139,947,369.00	-
Zhonghuashe Co., Ltd (a holding subsidiary of Hong Kong Huaxin Petroleum Limited)	Flat B on 63rd Floor with Balcony and Utility Platform of Tower 2, Grand Promenade, No.38 Tai Hong Street, HK	Self-occupy	8,931,738.76	-
Zhonghuashe Co., Ltd (a holding subsidiary of Hong Kong Huaxin Petroleum Limited)	Flat B on 67th Floor with Balcony and Utility Platform of Tower 5, Grand Promenade, No.38 Tai Hong Street, HK	Self-occupy	8,907,119.77	-

15. Fixed assets

(1) Fixed assets

Item	House, building	Aircrafts, engines	Transportation Equipment	Machinery Equipment
① Total of original book value				
Opening balance	850,924,864.83	322,140,445.44	21,841,782.29	239,731,237.64
Increase in the current period	374,687,587.77	1,081,681.92	8,777,347.42	50,243,049.53
Where:Purchased	26,722,514.84	-	7,456,621.30	50,243,049.53
Transfer-in from construction in process	18,389,712.58	-	-	-
Transfer-infrom investment real estate	10,959,184.98	-	-	-
Other	58,469.69	1,081,681.92	20,161.84	-
Transfer-infrom investor	146,348,815.00	-	-	-
Increase by company consolidation	172,208,890.68	-	1,300,564.28	-
Decrease in the current period	9,695,769.51	-	3,765,996.87	6,943,559.13
Where:Disposal or discard	-	-	2,985,756.87	6,943,559.13
Transfer out in the current period	9,695,769.51	-	780,240.00	-
Closing balance	1,215,916,683.09	323,222,127.36	26,853,132.84	283,030,728.04
② Accumulated depreciation				
Opening balance	112,090,367.53	16,107,022.27	9,435,590.03	111,302,585.37
Increase in the current period	57,392,121.80	32,377,615.82	6,856,471.17	22,235,872.66
Where:Provision	47,805,453.54	32,323,531.73	5,793,445.22	22,235,872.66
Increase by company consolidation	9,585,030.41	-	1,049,539.89	-
Other	1,637.85	54,084.10	13,486.06	-
Decrease in the current period	857,011.20	-	1,998,541.45	4,112,406.14
Where:Disposal or discard	-	-	1,837,512.51	4,112,406.14
Transfer out in the current period	857,011.20	-	161,028.94	-
Closing balance	168,625,478.13	48,484,638.09	14,293,519.74	129,426,051.89

(Amounts expressed in RMB unless otherwise stated)

Item	House, building	Aircrafts, engines	Transportation Equipment	Machinery Equipment
③ Provision for depreciation				
Opening balance	-	-	-	-
Increase in the current period	-	-	-	-
Where:Provision	-	-	-	-
Increase by company consolidation	-	-	-	-
Decrease in the current period	-	-	-	-
Where:Disposal or discard	-	-	-	-
Transfer-out in the current period	-	-	-	-
Closing balance	-	-	-	-
④ Book value				
Closing book value	1,047,291,204.96	274,737,489.27	12,559,613.09	153,604,676.15
Opening book value	738,834,497.31	306,033,423.17	12,406,192.26	128,428,652.27

(Continued Table)

Item	Furniture, appliance	Electronic equipment	Other assers	Total
① Total of original book value				
Opening balance	2,207,526.99	1,700,210.10	21,376,175.39	1,459,922,242.67
Increase in the current period	3,505,241.58	16,158,296.71	4,526,885.00	458,980,089.93
Where:Purchased	2,726,948.81	2,351,618.85	4,484,465.00	93,985,218.33
Transfer-infrom construction in process	-	744,153.86	-	19,133,866.44
Increase by company consolidation	775,793.49	13,062,524.00	42,420.00	187,390,192.45
Transfer-infrom investment real estate	-	-	-	10,959,184.98
Transfer-infrom investor	-	-	-	146,348,815.00
Other	2,499.28	-	-	1,162,812.73
Decrease in the current period	554,946.65	147,250.83	1,568,145.12	22,675,668.11
Where:Disposal or discard	434,268.04	29,981.62	1,568,145.12	11,961,710.78
Transfer-out in the current period	120,678.61	117,269.21	-	10,713,957.33
Closing balance	5,157,821.92	17,711,255.98	24,334,915.27	1,896,226,664.50
② Accumulated depreciation				
Opening balance	812,654.77	849,524.50	16,022,707.32	266,620,451.78
Increase in the current period	961,819.88	12,655,246.05	3,479,799.84	135,958,947.22
Where:Provision	857,294.31	985,603.71	2,320,550.84	112,321,752.01
Increase by company consolidation	103,286.32	11,669,642.34	1,159,248.99	23,566,747.95
Other	1,239.25	-	-	70,447.26
Decrease in the current period	631,395.23	44,502.12	884,291.68	8,528,147.82
Where:Disposal or discard	612,770.05	12,742.40	884,291.68	8,352,682.06
Transfer-out in the current period	18,625.18	31,759.72	-	175,465.76
Closing balance	1,143,079.42	13,460,268.43	18,618,215.48	394,051,251.19
③ Provision for depreciation				
Opening balance	-	-	-	-
Increase in the current period	-	-	-	-
Where:Provision	-	-	-	-
Increase by company consolidation	-	-	-	-

Item	Furniture, appliance	Electronic equipment	Other assets	Total
Decrease in the current period	-	-	-	-
Where:Disposal or discard	-	-	-	-
Transfer-out in the current period	-	-	-	-
Closing balance	-	-	-	-
④ Book value				
Closing book value	4,014,742.50	4,250,987.55	5,716,699.79	1,502,175,413.31
Opening book value	1,394,872.22	850,685.60	5,353,468.07	1,193,301,790.89

Note:

1) On July 15 , 2011, CEFC (Guangdong) Petroleum Co., Ltd., a holding subsidiary of the Company, mortgaged the purchased Fu Li Ying Xin Building, a 40-storey building, in Tianhe District Guangzhou to China Merchants Bank Co. Ltd Guangzhou Taojin Branch. The mortgage loan is RMB 35,880,000.00 with a term of 10 years. The book value of the mortgaged building is RMB 61,398,014.01.

2) On June 5, 2014, CEFC Petroleum (Tianjin) Co., Ltd., a holding subsidiary of the Company, signed maximum mortgage contract with Zhong Chuan Industry LogisticesCo., Ltd. in order to make sure of the execution of all debts, liabilities, guarantee and statement according to the signed agreement of long-term purchase and sale between the debtor, Shanghai CEFC Petroleum Group Limited and the mortgagee Zhong Chuan Industry Logistics Co., Ltd. Tianjin CEFC mortgaged its housing and building with a book value of RMB 86,177,716.70.

3) For property mortgage in Hong Kong, see Annotation IV-14 (1) Note 4.

(2) Fixed assets acquired by financing lease

Item	Original book value	Accumulated depreciation	Provision for depreciation	Book value
Aircrafts, engines	322,140,445.44	48,484,638.09	-	274,737,489.27

Note: In 2013, Hong Kong Huaxin Petroleum Limited bought a G550 business aircraft produced by Gulfstream Aerospace Corporatio,and signed a financing lease contract with SKY HIGH XVIII Leasing Limited Co, a subsidiary of ICBC International Leasing Co. SKY HIGH XVIII Leasing Limited Co, pays the financing lease fees of USD 35,000,000 on its behalf. The lease term is 7 years. The lease fees and financing lease are paid in 28 installments. Finance interest is for 3 months 3.95%+LIBOR. Financing fees are calculated by actual interest rate of 4.2051%.

(3) Fixed assets with ownership certificate yet to obtain

Item	Book value	Reason for ownership certificate yet to obtain
Hainan Perfume Bay Regal Villa	13,697,259.48	In progress according to the contract
Haikou Guan Lan Hu Xi Sai Shi House 1	17,265,071.40	In progress according to the contract
Haikou Guan Lan Hu Xi Sai Shi House 2	19,962,557.67	In progress according to the contract
Haikou Guan Lan Hu Xi Sai Shi House 3	17,233,571.40	In progress according to the contract
Total	68,158,459.95	

(Amounts expressed in RMB unless otherwise stated)

16. Construction in process

(1) Construction in process

Item	Closing balance			Opening balance		
	Book balance	Provision for depreciation	Net book value	Book balance	Provision for depreciation	Net book value
Yangpu Oil Reserve Base Phase I	1,318,160,226.45	-	1,318,160,226.45	669,653,767.91	-	669,653,767.91
Project of Phosphorus trichloridewith its annual production of 100,000 tons	10,701,669.33	-	10,701,669.33	2,356,483.96	-	2,356,483.96
CEFC Capital Management System Software	-	-	-	1,068,408.35	-	1,068,408.35
Hainan Perfume Bay Regal Villa	-	-	-	13,626,000.00	-	13,626,000.00
Basic information system of public building renovation in tomorrow square	1,002,564.10	-	1,002,564.10	-	-	-
Yapu International energy exchange center system construction Phase I	1,335,959.44	-	1,335,959.44	-	-	-
Expenses in early period of old building renovation of CEFC Commercial Co., Ltd	30,911,342.70	-	30,911,342.70	-	-	-
Energy exchange system	4,728,735.89	-	4,728,735.89	-	-	-
Multim-media conference room in building in tomorrow square	285,000.00	-	285,000.00	-	-	-
Led screen	265,729.06		265,729.06	-	-	-
Project of ionic membrane caustic soda	262,291,803.66	-	262,291,803.66	73,469,004.45	-	73,469,004.45
Other project	581,348.35	-	581,348.35	-	-	-
Systerm equipment project	1,798,000.00	-	1,798,000.00	-	-	-
Total	1,632,062,378.98	-	1,632,062,378.98	760,173,664.67	-	760,173,664.67

(Amounts expressed in RMB unless otherwise stated)

(2) Change in main projects in construction in the current period

Project name	Budget	Opening balance	Increase in the current period	Transfer-in of fix assetsin the current period	Otherdecrease in the current period	Construction investment ratio of budget
Yangpu Oil Reserve Base Phase I (note1)	3,050,000,000.00	669,653,767.91	648,506,458.54	-	-	43.21%
Project of Phosphorus trichloridewith its annual production of 100,000 tons	13,584,700.00	2,356,483.96	9,303,382.25	958,196.88	-	78.78%
CEFC Capital Management System Software (note2)	1,869,000.00	1,068,408.35	572,307.69	478,341.89	1,162,374.15	87.79%
Hainan Perfume Bay Regal Villa	-	13,626,000.00	216,259.48	13,842,259.48	-	-
Basic information system of public building renovation in tomorrow square	3,910,000.00	-	1,002,564.10	-	-	-
Multi-media conference room in building in tomorrow square	950,000.00	-	285,000.00	-	-	30%
Yapu International energy exchange center system construction Phase I	4,981,940.00	-	1,335,959.44	-	-	26.81%
Expenses in early period of old building renovation of CEFC Commercial Co., Ltd	-	-	30,911,342.7	-	-	-
Energy exchange system	4,728,735.89	-	4,728,735.89	-	-	100%
Led screen	-	-	265,729.06	-	-	-
Project of ionic membrane caustic soda of 300000 tons	730,337,700.00	73,469,004.45	188,822,799.21	-	-	35.91%
Project of expansion technology			19,138,402.10	19,138,402.10		
Project of old factory relocation	-	-	13,033,008.78	13,033,008.78	-	-
Other projects	-	-	5,516,184.06	4,934,835.71	-	-
System equipment project	-	-	1,798,000.00	-	-	-
Total	3,810,362,075.89	760,173,664.67	925,436,133.30	52,385,044.83	1,162,374.15	-

(Amounts expressed in RMB unless otherwise stated)

(Continued Table)

Project name	Project process	Accumulated amount of interest capitalization	Where: amount of interest capitalization in the current period	Ratio of interest capitalization in the current period	Source of capital	Closing balance
Yangpu Oil Reserve Base Phase I (note1)	57.19%	68,811,957.12	59,447,005.03	100.00%	Self-raised, financing	1,318,160,226.45
Project of Phosphorus trichloridewith its annual production of 100,000 tons	78.78%	-	-	-	Self-raised	10,701,669.33
CEFC Capital Management System Software (note2)	100%	-	-	-	Self-raised	-
Hainan Perfume Bay Regal Villa	100%	-	-	-	Self-raised	-
Basic information system of public building renovation in tomorrow square	-	-	-	-	-	1,002,564.10
Multi-media conference room in building in tomorrow square	-	-	-	-	-	285,000.00
Yapu International energy exchange center system construction Phase I	-	-	-	-	-	1,335,959.44
Expenses in early period of old building renovation of CEFC Commercial Co., Ltd	-	-	-	-	-	30,911,342.7
Energy exchange system	-	-	-	-	-	4,728,735.89
Ledscreen	-	-	-	-	-	265,729.06
Project of ionic membrane caustic soda of 300000 tons	35.91%	-	-	-	Fund rasing	262,291,803.66
Project of expansion technology	-	-	-	-	Self-raised	-
Project of expansion technology	-	-	-	-	Self-raised	-
Project of old factory relocation	-	-	-	-	Self-raised	581,348.35
Other projects	-	-	-	-	-	1,798,000.00
Total	-	68,811,957.12	59,447,005.03	-	-	1,632,062,378.98

Note 1: The location of Yangpu Oil Reserve Base Phase I has been selected in the west part of riverside avenue C area of Yangpu Shentou Port, with an area covering 800 acres. The scale for this project is: 2.8 million cubic meters of oil storage tanks and its supporting public engineering projects, with a total investment of RMB3.05 billion . The Company signed a loan contract for basic infrastructure construction

(Amounts expressed in RMB unless otherwise stated)

(contract number: 4610201301100000387) with China Development Bank Co., Ltd. on August 21, 2013, China Development Bank provides a loan of RMB 2.44 billion for the project of Yangpu Oil Reserve Base Phase I, with a 15-year loan starting from August 21,2013 to August 20,2028. The loan is under the full guarantee and unlimited liability of CEFC Shanghai Petroleum Group Limited. In accordance with the law, after the completion of the project, the use right of 533,349.35 square meters (equivalent to 800.02 acres) of state-owned construction land and its assets on the land can be mortgaged by the Company. The book value of the land is RMB 132,254,368.89.

Note 2: RMB 1,162,374.15 of CEFC capital management system project is transferred into intangible assets in the current period , and RMB 478,341.88 is transferred into fixed assets.

17. Project material

Project name	Closing balance	Opening balance
Base construction materials	74,553,576.76	449,091,176.76
Special materials	2,238,713.88	11,994,167.46
Special equipment	3,874,361.38	666,431.55
Outside repair equipment	3,653,541.44	-
Total	84,320,193.46	461,751,775.77

18. Intangible assets

Item	Land use right	Financial software	Non patent technology	Patent right	Exchange membership fees	Total
(1) Total of original book value						
Opening balance	267,350,603.29	21,176.07	-	6,265,601.75	-	273,637,381.11
Increase in the current period	41,951,466.75	14,087,906.26	-	318,863.26	1,000,000.00	57,358,236.27
Where:Purchased	41,951,466.75	2,255,478.26	-	318,863.26	-	44,525,808.27
Inner R&D	-	-	-	-	-	-
Increase by enterprise consolidation	-	11,832,428.00	-	-	1,000,000.00	12,832,428.00
Decrease in the current period	-	-	-	-	-	-
Where:Disposal	-	-	-	-	-	-
Transfer-out in the current period	-	-	-	-	-	-
Closing balance	309,302,070.04	14,109,082.33	-	6,584,465.01	-	330,995,617.38
(2) Accumulated amortization						
Opening balance	7,725,419.76	6,339.04	-	2,943,069.64	-	10,674,828.44
Increase in the current period	6,865,791.58	10,217,737.68	-	488,426.14	958,333.64	18,530,289.04
Where:Provision	6,865,791.58	1,447,882.82	-	488,426.14	29,166.69	8,831,267.23
Increase by enterprise consolidation	-	8,769,854.86	-	-	929,166.95	9,699,021.81

(Amounts expressed in RMB unless otherwise stated)

Item	Land use right	Financial software	Non patent technology	Patent right	Exchange membership fees	Total
Decrease in the current period	-	-	-	-	-	-
Where:Disposal	-	-	-	-	-	-
Transfer-out in the current period	-	-	-	-	-	-
Closing balance	14,591,211.34	10,224,076.72	-	3,431,495.78	958,333.64	29,205,117.48
(3) Provision for depreciation						
Opening balance	-	-	-	-	-	-
Increase in the current period	-	-	-	-	-	-
Where:Provision	-	-	-	-	-	-
Increase by enterprise consolidation	-	-	-	-	-	-
Decrease in the current period	-	-	-	-	-	-
Where:Disposal	-	-	-	-	-	-
Transfer-out in the current period	-	-	-	-	-	-
Closing balance	-	-	-	-	-	-
(4) Book value						
Closing book value	294,710,858.70	3,885,005.61	-	3,152,969.23	41,666.36	301,790,499.90
Opening book value	259,625,183.53	14,837.03	-	3,322,532.11	-	262,962,552.67

Note: See Annotation IV-16 Note 1.

19. Goodwill

(1) Original book value of goodwill

Invested company	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Generated by company combination	Other increase	Disposal	Other decrease	
Anhui Huaxing Chemical Industry Co., Ltd.	366,115,796.36	-	-	-	-	366,115,796.36
Zhonghuashe Co., Ltd	33,427,725.34	-	-	-	-	33,427,725.34
China CEFC Petroleum Co., Ltd	7,517,208.19	-	-	-	-	7,517,208.19
Heng Da (now is Linearfull)	350,919.80	-	-	-	-	350,919.80
Shanghai Sheng Yi Investment Center (LLP)	-	95,267,479.73	-	-	-	95,267,479.73
CEFC Commercial (Fujian) Co., Ltd.	-	441,583.99	-	-	-	441,583.99
Hainan CEFC International Petroleum Co. Ltd	-	8,923,575.37	-	-	-	8,923,575.37

(Amounts expressed in RMB unless otherwise stated)

Invested company	Opening balance	Increase in the current period		Decrease in the current period		Closing balance
		Generated by company combination	Other increase	Disposal	Other decrease	
CEFC Petroleum (Tianjin) Co., Ltd.	-	9,532,630.43	-	-	-	9,532,630.43
CEFC Shanghai Securities Limited	-	590,285,203.85	-	-	-	590,285,203.85
Total	407,411,649.69	704,450,473.37	-	-	-	1,111,862,123.06

(2) Provision for goodwill depreciation

Invested company	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Heng Da (now is Linearfull)	350,919.80	-	-	350,919.80

20. Long-term deferred expenses

Item	Opening balance	Increase in the current period	Amortization in the current period	Other decrease	Closing balance
Consultation fees	15,333,333.33	-	3,800,000.00	-	11,533,333.33
Rental fees	997,033.55	-	997,033.55	-	-
Decoration fees	972,312.44	12,574,232.29	924,479.89	-	12,622,064.84
Afforestation fees	-	1,629,330.00	135,777.51	-	1,493,552.49
Other	38,125.00	5,534.29	38,586.19	-	5,073.10
Total	17,340,804.32	14,209,096.58	5,895,877.14	-	25,654,023.76

21. Deferred Income Tax Assets/Deferred Income Tax Liabilities

(1) Non offset deferred income tax assets

Item	Closing balance		Opening balance	
	Deductible temporary difference	Deferred income tax assets	Deductible temporary difference	Deferred income tax assets
Provision for bad debts	31,583,498.06	5,452,014.93	30,521,365.31	3,758,130.76
Deductible loss	38,419,095.20	9,604,773.80	-	-
Provision for inventory depreciation	7,626,997.72	1,197,595.43	18,547,521.25	1,178,836.86
Provision for long-term equity investment depreciation	-	-	10,625,521.82	1,637,505.93
Deferred income	19,765,333.33	2,964,800.00	22,070,333.33	3,310,550.00
Unpaid payment	4,656,011.00	1,164,002.75	-	-
Total	102,050,935.31	20,383,186.91	81,764,741.71	9,885,023.55

(Amounts expressed in RMB unless otherwise stated)

(2) Non offset deferred income tax liabilities

Item	Closing balance		Opening balance	
	Temporary taxable difference	Deferred income tax liability	Temporary taxable difference	Deferred income tax liability
Assessing capital appreciation of enterprise combination under different control	-	-	-	-
Fair value change of financial assets available for sale	207,940.00	51,985.00	-	-
Fair value change of investment real estate	2,422,265,217.02	466,046,585.58	2,369,747,070.69	458,440,221.94
Fair value change of tradable financial assets	454,888,739.02	113,722,184.75	-	-
Total	2,877,361,896.04	579,820,755.33	2,369,747,070.69	458,440,221.94

(3) Unconfirmed deferred income tax in detail

Item	Closing balance	Opening balance
Goodwill	350,919.80	350,919.80
Temporary deductible difference	18,519,040.10	20,380,831.86
Deductible loss	1,645,357.05	11,025,958.64
Total	20,164,397.15	31,757,710.30

(4) Deductible loss of unconfirmed deferred income tax assets will be due in the following year

Year	Closing balance	Opening balance	Note
2016	188,391.00	188,391.00	-
2017	474,339.21	8,954,446.80	-
2018	1,883,120.84	1,883,120.84	-
2019	4,035,577.15	-	-
Total	6,581,428.20	11,025,958.64	

22. Other non current assets

Item	Closing balance	Opening balance
Acquisition deposit on other behalf	50,000,000.00	-
Advance payment of project and facility	19,071,438.35	-
Total	69,071,438.35	-

23. Short-term loan

Item	Closing balance	Opening balance
Pledge loan	12,601,807,092.61	7,078,556,588.08
Mortgage loan	393,258,637.05	384,682,211.51
Guarantee loan	-	160,000,000.00
Credit loan	948,925,287.08	63,680,000.00
Total	13,943,991,016.74	7,686,918,799.59

(Amounts expressed in RMB unless otherwise stated)

24. Notes payable

Type	Closing balance	Opening balance
Trade acceptance bill	-	-
Bankacceptance bill	2,025,616,137.38	2,828,962,860.21
Domestic letter of credit	713,683,140.08	-
Total	2,739,299,277.46	2,828,962,860.21

25. Accounts payable

(1) Accounts payable

Account age	Closing balance	Opening balance
Within 1 year	2,936,994,051.87	3,975,309,942.42
Over 1 year	201,519,859.12	151,878,110.32
Total	3,138,513,910.99	4,127,188,052.74

(2) Main accounts payable aging over 1 year

Item	Closing balance	Reason for not paying or unsettlement
Main accounts payable aging over 1 year	171,072,623.10	Within credit period

26. Advance receipts

Account age	Closing balance	Opening balance
Within 1 year	2,171,830,567.83	420,320,826.83
Over 1 year	3,372,980.07	17,517,254.57
Total	2,175,203,547.90	437,838,081.40

27. Selling of repurchased financial assets

(1) By business type

Item	Closing balance	Opening balance
Stock	-	-
Bond	1,019,965,398.50	-
Repurchasequote into capital	-	-
Transfer of revenue right	-	-
Total	1,019,965,398.50	-

(2) By business type

Item	Closing balance	Opening balance
Bond outright repurchase	970,465,398.50	-
Bond pledge repurchase	49,500,000.00	-
Total	1,019,965,398.50	-

(Amounts expressed in RMB unless otherwise stated)

28. Accrued payroll

(1) Accrued payroll

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Short-term salary	13,137,831.73	141,669,199.02	135,565,638.13	19,241,392.62
Post dismission bonus- defined contribution plan	526,546.42	6,981,510.32	6,965,696.63	542,360.11
Discharge bonus	-	-	-	-
Other bonus due within 1 year	-	-	-	-
Total	13,664,378.15	148,650,709.34	142,531,334.76	19,783,752.73

(2) Short-term salary

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Wage, bonus, allowance and subsidy	10,444,562.30	119,507,143.92	115,071,478.42	14,880,227.80
Employee welfare cost	-	3,271,338.50	3,271,338.50	-
Social insurance cost	382,089.98	13,032,845.61	12,081,928.54	1,333,007.05
Where: Medical insurance premiums	182,807.47	4,087,178.34	4,026,580.92	243,404.89
Basic endowment insurance cost	157,452.25	7,873,003.87	7,014,395.19	1,016,060.93
Unemployment insurance expense	10,226.54	187,932.81	180,537.06	17,622.29
Annuity fee	-	1,932.42	1,932.42	-
Work injury insurance	20,037.44	565,802.90	549,626.95	36,213.39
Maternity insurance	11,566.28	316,995.27	308,856.00	19,705.55
Housing provident fund	330,980.28	4,651,860.88	3,879,105.00	1,103,736.16
Labor union expense, staff education cost	1,980,199.17	1,206,010.11	1,261,787.67	1,924,421.61
Short-term absence with payment	-	-	-	-
Short-term profit share plan	-	-	-	-
Total	13,137,831.73	141,669,199.02	135,565,638.13	19,241,392.62

(3) Defined contribution plan

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Basic endowment insurance cost	495,835.30	6,464,583.56	6,449,684.33	510,734.53
Unemploymentinsurance expense	30,711.12	516,926.76	516,012.30	31,625.58
Total	526,546.42	6,981,510.32	6,965,696.63	542,360.11

29. Tax payable

Item	Closing balance	Opening balance
Enterprise income Tax	674,500,939.66	273,322,184.70
VAT	189,406,027.69	71,958,456.40
City construction tax	16,810,962.89	5,675,118.90
Land use tax	2,013,619.69	4,441,753.88
Surtax for education expenses	12,022,133.97	4,053,661.52
Flood control fund	2,302,506.95	3,026,152.41
Property tax	1,250,247.66	2,400,297.66
Stamp tax	20,074,648.17	1,443,267.37

(Amounts expressed in RMB unless otherwise stated)

Item	Closing balance	Opening balance
River management fee	1,318,316.56	234,957.93
Personal income tax	1,373,340.46	212,857.77
Business tax	3,235,888.58	2,941.31
Embankment Fee	79.54	1,195.42
Land value added tax	-	-51,340.32
Water conservancy construction tax	1,703.71	-
Other	385,337.48	478,406.59
Total	924,695,753.01	367,199,911.54

30. Interest payable

Item	Closing balance	Opening balance
Long-term loan interests with installment payment and repayment of principal at maturity	4,837,186.99	8,195,503.20
Interest payable of short-term loan	15,571,101.41	1,098,166.45
Interests payable of margin & financing	816,000.00	-
Interests payable of factoring repurchase	1,416,666.67	-
Interests of acting trading security	17,867.40	-
Interests of selling of repurchase	1,208,370.28	-
Interests payable of short-term financing bond	24,356,944.44	-
Total	48,224,137.19	9,293,669.65

31. Other payable

(1) Other payable by nature

Item	Closing balance	Opening balance
Current account	46,441,104.82	440,687,554.65
deposit	4,149,127.87	865,420.90
Withhold taxes	423,384.00	128,081.91
Accrued expenses	6,271,728.05	7,867,046.87
Decoration expenses	757,550.00	-
Other	3,266,377.16	3,448,554.03
Total	61,309,271.90	452,996,658.36

(2) In other payables of the report period, there is no shareholders holding 5% or higher of the total shares with voting power of the Company

32. Acting trading security

Item	Closing balance	Opening balance
General agency	-	-
Personal	143,733,115.18	-
Institution	1,949,176.53	-
Subtotal	145,682,291.71	-

(Amounts expressed in RMB unless otherwise stated)

Item	Closing balance	Opening balance
Credit	-	-
Personal	-	-
Institution	-	-
Total	145,682,291.71	-

33. Other current liabilities

Item	Closing balance	Opening balance
Short-term financing bonds	1,893,898,888.89	-

Note: In October, 2014, the Company issued short-term financing bonds with book value of RMB 1,900,000,000 and interest rate of 6.5%. The term is for one year.

34. Long-term loan

Item	Closing balance	Opening balance
Pledge loan	-	-
Mortgage loan	2,514,442,935.04	1,147,164,376.89
Guarantee loan	-	-
Credit loan	-	-
Total	2,514,442,935.04	1,147,164,376.89

35. Long-term payable

(1) Long-term payable by nature

Item	Closing balance	Opening balance
Discount treasury bonds transferred to loan	6,420,000.00	6,420,000.00
Financing lease	169,987,606.38	200,252,781.62
Total	176,407,606.38	206,672,781.62

(2) Discount treasury bonds

Item	Term	Opening balance	Interest rate	Interests	Opening balance	Loan conditions
Discount treasury bonds transferred to loan	15 years	6,420,000.00	none	none	6,420,000.00	credit

(3) Financing lease

Item	Closing balance	Opening balance
The original value of long-term payable:	231,278,732.97	246,531,594.97
Repayment in the current period	-42,292,455.75	-15,252,862.00
Balance of long-term payable	188,986,277.22	231,278,732.97
Unconfirmed financing fees:	-20,641,419.22	-32,991,526.97
Amortization in the current period	1,642,748.38	1,965,575.62
Balance of unconfirmed financing fees	-18,998,670.84	-31,025,951.35
Balance of financing lease	169,987,606.38	200,252,781.62

Note: For financing lease, see Annotation VI-15 (3) Note.

(Amounts expressed in RMB unless otherwise stated)

36. Special payable

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason
Compensations for relocation	39,191,367.17	-	5,533,677.61	33,657,689.56	relocation

Note: As of December 31, 2014, the Company received compensations of RMB 63,535,000 for the relocation of old factory. The accumulated amount for compensating fixed assets impairment in the relocation is RMB 29,877,300

37. Deferred income

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Reason
Government subsidy	22,070,333.33	-	2,305,000.00	19,765,333.33	Government subsidy

Projects with Government subsidy:

Projects with liability	Opening balance	New subsidy in the current period	Amount recognized under non-business income in the current period	Other change	Closing balance
Nicosulfuron, Quizalofop-p-ethyl,glyphosate, project grant funds (Note 1)	6,924,500.00	-	1,259,000.00	-	5,665,500.00
400 t Flusilazole project grant funds (Note 2)	5,400,000.00	-	-	-	5,400,000.00
Water pollution control(Note 3)	4,500,000.00	-	-	-	4,500,000.00
High concentration organic wastewater incineration project special subsidies (Note 4)	3,327,833.33	-	487,000.00	-	2,840,833.33
microphone acetamiprid, cyhalothrin project special subsidies (Note 5)	954,000.00	-	318,000.00	-	636,000.00
An annual output of 150 tons fenoxaprop-p-ethyl technology transformation projects discount (Note 6)	964,000.00	-	241,000.00	-	723,000.00
Total	22,070,333.33	-	2,305,000.00	-	19,765,333.33

Note 1: According to theNational Development andReform Commission Fa Gai Tou Zi [2007] No. 2695 Announcement in 2007 on Key Industry Restructure Adjustment Special Item (8th batch) Central Budget for Special Funds (Bonds) Investment Plan, released by National Development and Reform Commission, Bureau of Finance of He County, Anhui Provincetransferred RMB 12,590,000 as project special susidy allocated by the Ministry of Finance for 200 tons / year Nicosulfuron, 500 tons / year Quizalofop-p-ethyl, 10,000 tons / year of glyphosate, 800 tons / year

Note 2: According to the Anhui Provincial Department of Finance Cai Jian[2011] No.1504 Announcement in 2011 on Key Industry Revitalization and Technology Transformation Project Funding, AnhuiProvincial Department of Finance released, RMB 5.4 million for key industry revitalization and technology transformation fundingallocated bythe Central Treasury Payment Center of the County Financial Bureau .

(Amounts expressed in RMB unless otherwise stated)

Note 3: According to theAnhui Provincial Department of Finance and Department of Environment Protection Cai Jian [2011] No. 1063. Announcement on Water Pollution Control of Chaohu Lake and Huihe River Special Funds (Indicator), the Treasury Payment Center of the County Financial Bureau Central allocated RMB 4.5 million as special funds for water pollution control project.

Note 4: According to the Ministry of Finance Cai Jian[2009] No. 320 Announcement in 2009 "Three Rivers and Three Lake" and Songhua River Water Pollution Control Special Funds Budget, Anhui Provincial Department of Financetransferred RMB 4.87 million by Ministry of Finance as project special subsidy for high concentration organic wastewater incineration.

Note 5: According to Ministry of Finance CaiJian[2009] No. 532 Announcement in 2009 on Key Industry Revitalization and Technology Transformation Project to Expand Domestic Demand and Debt Investment Budget (Funding) released by the Ministry of Finance, Anhui Provincial Department of Finance transferred special subsidies of RMB 3.18 million by Ministry of Finance for 300 tons microphone acetamiprid, cyhalothrin project special subsidies.

Note 6: An annual output of 150 tons fenoxaprop-p-ethyl technology transformation projects came into usein 2008. The deferred income is amortized under profits and losses on average by 10 years at RMB 241,000.00 per year.

The above amount is governmentsubsidy relating to assets. It is recognized under Deferred Income.

38. Capital stock

Shareholder's name	Opening balance	Increase / decrease (+、-)			Closing balance
		Increase	Decrease	Subtotal	
CEFC Shanghai Finance Holding Co., Ltd	3,000,000,000.00	-	-	-	3,000,000,000.00
CEFC China Energy Company Limited	1,500,000,000.00	-	-	-	1,500,000,000.00
Shanghai Zhong An United Investment Fund Co., Ltd	3,000,000,000.00	-	-	-	3,000,000,000.00
Total	7,500,000,000.00	-	-	-	7,500,000,000.00

39. Capital reserve

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Capital premium (premium on share capital)	15,586,034.48	579,517.59	-	16,165,552.07
Other capital reserves	49,499,275.38	-	40,258,425.45	9,240,849.93
Total	65,085,309.86	579,517.59	40,258,425.45	25,406,402.00

Note:

(1) In April, 2014, according to the resolution of the shareholders' meeting, 3.55% equity of Fujian CEFC Holding Co. Ltd is transferred. The original confirmed capital reserve is RMB 40,258,425.45, which is carried over to investment revenue.

(2) The reason for the capital reserve change of RMB 579,517.59 in the current period is the disposal and consolidation of the subsidiary in the combination scope.

(Amounts expressed in RMB unless otherwise stated)

40. Other comprehensive revenue

Item	Opening balance	Amount in the current period		
		Amount before income tax in the current period	Less: the amount recognized under other comprehensive revenue in previous period, but carried over to the current profits and losses	Less: income tax expense
Other comprehensive revenue regrouped into profits and losses later				
Converted difference in Foreign Currency Statements	53,973,340.78	-734,658.39	-	-
Total	53,973,340.78	-734,658.39	-	-

(Continued Table)

Item	Amount in the current period		Closing balance
	Amount after tax attributable to parent company	Amount after tax attributable to minority shareholder	
Other comprehensive revenue regrouped into profits and losses later			
Converted difference in Foreign Currency Statements	-734,658.39	-	53,238,682.39
Total	-734,658.39	-	53,238,682.39

41. Surplus reserves

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
Statutory surplus reserves	48,792,604.77	133,524,452.34	-	182,317,057.11
Freesurplus reserve	-	-	-	-
Reserve fund	-	-	-	-
Enterprise development fund	-	-	-	-
Other	-	-	-	-
Total	48,792,604.77	133,524,452.34	-	182,317,057.11

42. Undistributed profit

Item	Current period	the previou period
Undistributed profit before adjustment in the end of previousperiod	1,474,372,775.94	323,641,718.70
Total of adjusted undistributed profit in beginning period (add+ less -)	-	-
Undistributed profit after adjustment in beginning period	1,474,372,775.94	323,641,718.70
Add: net profit of owners of parent company in the current period	3,103,382,919.75	1,182,411,204.45
Less:Provision for statutory surplus reserves	133,524,452.34	31,680,147.21
Provision for free surplus reserves	-	-
Provision for common risk reserve	-	-
Common stock dividends payable	-	-
Common stock dividends transferred to capital stock	-	-
Undistributed profit in ending period	4,444,231,243.35	1,474,372,775.94

(Amounts expressed in RMB unless otherwise stated)

43. Revenue from operation and cost of operation

(1) Revenue from operation and cost of operation

Item	Amount in the current period		Amount in the previous period	
	Income	Cost	Income	Cost
Main business	171,178,159,892.93	166,703,065,215.73	102,595,584,629.52	100,876,459,920.85
Other business	155,886,560.37	45,564,885.63	64,047,557.23	12,770,499.57
Total	171,334,046,453.30	166,748,630,101.36	102,659,632,186.75	100,889,230,420.42

(2) Main business by product type

Item	Amount in the current period		Amount in the previous period	
	Income	Cost	Income	Cost
Chemical raw materials	93,170,907,686.47	90,501,814,091.78	42,339,997,640.31	41,764,968,911.83
Fuel oil	59,057,385,850.20	57,699,365,397.72	46,851,010,746.38	45,898,019,729.93
Crude oil	13,494,669,114.38	13,257,048,784.18	2,231,484,354.60	2,152,428,864.93
Chemical fertilizer	4,283,404,418.21	4,210,210,839.95	3,129,422,834.37	3,095,997,237.86
Pesticide	911,503,299.02	776,019,392.06	434,105,036.08	365,769,927.09
Metal	173,632,722.87	173,599,376.06	7,491,393,208.63	7,483,391,065.20
Coal	83,390,109.06	81,755,010.73	96,180,388.78	95,309,392.72
Seed	2,395,954.38	2,406,289.04	1,950,420.37	593,741.89
Machinery and equipment	870,738.34	846,034.22	-	-
Electronic equipment	-	-	20,040,000.00	19,981,049.40
Total	171,178,159,892.93	166,703,065,215.73	102,595,584,629.52	100,876,459,920.85

(3) Other business

Item	Amount in the current period		Amount in the previous period	
	Income	Cost	Income	Cost
Rental	126,033,096.71	35,584,693.37	56,176,002.77	11,861,231.66
Waste materials	11,918,895.42	2,813,105.99	5,113,947.95	886,705.21
Service	3,826,601.61	3,552,063.80	372,100.00	-
Agency	3,277,864.63	-	2,370,121.91	-
Utilities (Where: water and electricity expenses and disposal fees of waste water)	3,067,681.90	77,054.58	-	-
Other	7,762,420.10	3,537,967.89	15,384.60	22,562.70
Total	155,886,560.37	45,564,885.63	64,047,557.23	12,770,499.57

(4) Revenue from operation of top 5 customers

Customer	Revenue from operation	Ratio in total revenue from operation of the Company
1	13,703,673,934.39	8.01%
2	10,535,976,980.06	6.16%
3	10,328,825,455.65	6.03%
4	10,303,138,506.97	6.02%
5	9,644,520,514.53	5.63%
Total	54,516,135,391.60	31.85%

(Amounts expressed in RMB unless otherwise stated)

44. Net interest income

Item	Amount in the current period	Amount in the previous period
Interest income		
Interest income from deposits in financial inter-bank	10,348,730.00	-
Where: Interest income from self deposit	9,160,424.02	-
Interest income from customers' deposit	1,188,305.98	-
Interest income from margin& financing	-	-
Interest income from the financial assets purchased under agreement for resell	1,638,373.27	-
Where:Interests income from repurchase agreement	-	-
Interests income from stock pledge repurchase	-	-
Interests income from bond pledgerepurchase	-	-
Interests income from borrowing fund	-	-
Other interests income	-	-
Subtotal	11,987,103.27	-
Interests expense:		
Interests expense of customer's deposit	229,312.70	-
Interests expense of the financial assets purchased under agreement for resell	1,544,926.61	-
Where: Interests expense of repurchase quote	-	-
Interests expense of short-term loan	-	-
Interests expense of lending fund	-	-
Where: refinancing interests expense	-	-
Interests expense of long-term loan	-	-
Interests expense of bonds interest payable	-	-
Interests expense of subordinated debt	-	-
Other	-	-
Subtotal	1,774,239.31	-
Net interest income	10,212,863.96	-

45. Net income of fees and commissions

Item	Amount in the current period	Amount in the previous period
(1) Fees and commissions income		
Agency income	15,238,910.38	-
Where:Security agency	15,238,910.38	-
Where: Acting trading security	5,857,395.23	-
Exchange membership leasing	9,381,515.15	-
Acting sale of financial product	-	-
Futures agency	-	-
Investment bank	44,556,666.00	-
Where:Underwriting security	-	-
Security recommendation	1,366,666.00	-
Financial consultancy	43,190,000.00	-
Investment consultancy	-	-
Capital management	-	-

Item	Amount in the current period	Amount in the previous period
Where:Collective capital management	-	-
Designated capital management	-	-
Special capital management	-	-
Funds management	-	-
Other	-	-
Subtotal	59,795,576.38	-
(2) Fees and commissions expense	-	-
Agency expenses	7,557,704.60	-
Where:Security agency	7,557,704.60	-
Where: Acting trading security	1,248,105.63	-
Where: Exchange membership leasing	6,309,598.97	-
Agencyfinancial product sale	-	-
Futures agency	-	-
Investment bank	-	-
Where:Underwritingsecurity	-	-
Security recommendation	-	-
Financial consultancy	-	-
Investment consultancy	-	-
Capital management consultancy	-	-
Where:Collective capital management	-	-
Designated capital management	-	-
Special capital management	-	-
Funds management	-	-
Other	-	-
Subtotal	7,557,704.60	-
Net income of fees and commissions	52,237,871.78	-
Where:Net income of financial consultancy	43,190,000.00	-
—Net income of financial consultancy of merger & acquisition - domestic listed company	42,530,178.00	-
—Net income of financial consultancy of merger & acquisition - other	-	-
—Other net income of financial consultancy	659,822.00	-

46. Business tax and extra

Item	Amount in the current period	Amount in the previous period
Business tax	7,404,055.02	303,799.36
City construction tax	31,500,423.35	9,994,727.98
Surtax for education expenses	22,630,636.92	7,246,991.35
Flood control fee	54,813.94	-
Total	61,589,929.23	17,545,518.69

(Amounts expressed in RMB unless otherwise stated)

47. Financial expenses

Item	Amount in the current period	Amount in the previous period
Interest expense	725,155,530.02	223,823,708.27
Less: Interest income	31,333,362.78	40,070,486.88
Exchange loss	41,685,231.42	26,432,376.65
Less: exchange revenue	33,756,051.69	62,301,821.17
Fees	93,692,735.94	79,913,868.96
Capital occupation fee	-	-5,577,003.36
Other	236.27	3,658.48
Total	795,444,319.18	222,224,300.95

48. Loss of impairment of asset depreciation

Item	Amount in the current period	Amount in the previous period
Bad debts provision of accounts receivable	-2,837,819.50	-7,681,645.22
Bad debt provision of other receivables	1,280,856.12	-9,616,239.65
Inventory impairment provision	690,901.70	6,056,807.23
Total	-866,061.68	-11,241,077.64

49. Income of fair value change

Source of income of fair value change	Amount in the current period	Amount in the previous period
Financial assets measured by fair value whose changes are recognized under current profits and losses	423,890,302.36	-
Where:Income of fair value change of derivative financial instruments	-	-
Financial debts measured by fair value whose changes are recognized under current profits or losses	-	-
Investment real estate measured by fair value	174,545,179.93	213,574,813.91
Tradable financial assets	-	30,276,927.45
Total	598,435,482.29	243,851,741.36

50. Investment revenue

Item	Amount in the current period	Amount in the previous period
Investment revenue from long-term equity investment calculated with equity method	12,225,728.75	-533,545.43
Investment revenue generated by the disposal of long-term equity investments	19,697,172.06	584,271.15
Investment revenue of financial assets measured by fair value whose changes are recognized under current profits or losses in holding period	15,307,510.16	-
Investment revenue of disposal of financial assets measured by fair value whose changes are recognized under current profits or losses	14,020,357.33	-
Investment revenue from held-to-maturity investment in holding period	11,696,796.55	-
Investment revenue of financial assets available for sale in holding period	483,938.43	-

(Amounts expressed in RMB unless otherwise stated)

Item	Amount in the current period	Amount in the previous period
Investment revenue of disposal of held-to-maturity investment in holding period	-	-
Investment revenue of disposal of financial assets available for sale	962.00	-
Revenue of remaining equity remeasured by fair value after losing control power	-	-
Investment revenue from long-term equity investment calculated with cost method	-	-
Other	215,701.52	-
Total	73,648,166.80	50,725.72

51. Non-operating revenue

Item	Amount in the current period	Amount in the previous period	Amount recognized under extraordinaryprofits and losses in current period
Disposal revenue of non current assets	89,151.03	97,402.51	89,151.03
Where: Disposal revenue of fixed assets	89,151.03	97,402.51	89,151.03
Disposal revenue of intangible assets	-	-	-
Revenue of debt restructuring	18,805,503.65	-	18,805,503.65
Government subsidy	128,493,573.70	23,772,113.66	128,493,573.70
Penalty receipt	53,478.30	18,906.00	53,478.30
Consolidated income under different control	173,388.10	16,685,068.08	173,388.10
Non-paid payment	-	309,677.74	-
Non-return deposit	-	1,572,322.94	-
Inventory revenue	8,419.48	-	8,419.48
Other	1,913,827.27	29,177.63	1,913,827.27
Total	149,537,341.53	42,484,668.56	149,537,341.53

Government subsidy recognized under the current profits and losses

Item	Amount in the current period	Amount in the previous period	Relating to assets/revenue
Tax return	98,204,986.03	16,780,719.24	Relating to revenue
Business support funds	19,919,000.00	481,867.66	Relating to revenue
Reward fund	4,100,000.00	3,829,900.00	Relating to revenue
Project grants	2,305,000.00	1,483,750.00	Relating to revenue
Staff training grants	911,683.00	-	Relating to revenue
Subsidy	361,000.00	226,740.00	Relating to revenue
Development funds	89,412.37	-	Relating to revenue
Consolation grants	80,000.00	-	Relating to revenue
Safety unit bonus	10,000.00	10,000.00	Relating to revenue
Special funds	-	862,800.00	Relating to revenue
Patent subsidy	-	8,800.00	Relating to revenue
Overseas investment award	-	20,000.00	Relating to revenue
Interest subsidy	-	66,845.90	Relating to revenue
Other	2,512,492.30	690.86	Relating to revenue
Total	128,493,573.70	23,772,113.66	

(Amounts expressed in RMB unless otherwise stated)

52. Non-operating expenses

Item	Amount in the current period	Amount in the previous period	Amount recognized under extraordinary profits and looses in current period
Disposal losses of non current assets	1,520,792.31	4,768.04	Relating to revenue
Where: Disposal losses of fixed asset	1,520,792.31	4,768.04	Relating to revenue
Disposal losses of intangible assets	-	-	-
Debt restructuring losses	-	-	-
Exchange losses of non monetary assets	-	-	-
Donation expenses	20,344,483.80	8,732,154.05	Relating to revenue
Penalty fees	-	20,000.00	Relating to revenue
Compensation expense	-	606,939.24	Relating to revenue
Bad debt uncollectable	-	1,495,513.32	Relating to revenue
Other	3,991,361.40	480,082.35	Relating to revenue
Total	25,856,637.51	11,339,457.00	

53. Income tax

Item	Amount in the current period	Amount in the previou period
Income tax in the current period	878,467,172.78	326,724,444.25
Deferred income tax	118,126,782.49	39,854,996.28
Total	996,593,955.27	366,579,440.53

54. Supplementary information for cash flow statement

(1) Adjust net profit into cash flow in operating activity

Item	Amount in thecurrent period	Amount in the previous period
① Adjust net profit into cash flow in operating activities:		
Net profit	3,103,382,919.75	1,181,940,600.76
Add:Profits and losses attributable to minority shareholders (to consolidated financial statements)	40,265,669.55	11,445,944.68
including net profit from profits and lossesattributableto minority shareholders	3,143,648,589.30	1,193,386,545.44
Add: Provisions for assets depreciation	-866,061.68	-1,161,414.88
Depreciation of fixed assets, depletion of oil gas assets and depreciation of biological assets for production	112,321,752.01	72,437,889.90
Amortization of intangible assets	8,831,267.23	3,801,804.11
Amortization of long-term deferred expenses	5,895,877.14	4,087,765.84
Loss from disposal of fixed assets, intangible assets and other long-term assets (for gain filled in "—")	1,431,641.28	-92,634.47
Loss on realization of fixed assets (for gain filled in "—")	-	-
Loss from fair valuechange (for gain filled in "—")	-598,435,482.29	-253,931,404.12
Financial expenses (for gain filled in "—")	723,234,438.06	223,823,708.27
Loss from investment (for gain filled in "—")	-73,648,166.80	-50,725.72
Decrease of deferred income tax assets (for increase filled in "—")	-10,498,163.36	-212,723.29
Increase of liabilities for deferred income tax (for decrease filled in "—")	132,565,560.15	67,038,876.70
Decrease of inventories (for increase filled in "—")	-30,489,573.77	-264,758,355.45
Decrease of operational receivables (for increase filled in "—")	-7,020,979,087.60	-10,473,514,233.64
Increase of operational payable (for decrease filled in "—")	6,241,946,773.13	10,468,804,819.63
Other	-	2,290,830.82
Net cash flow from operating activities	2,634,959,362.80	1,039,950,749.14

(Amounts expressed in RMB unless otherwise stated)

Item	Amount in thecurrent period	Amount in the previous period
② Significant investment and financing activities not involved with receipts and disbursements of cash:	-	-
Debt transferred to capital	-	-
Convertible debentures due in one year	-	-
Fixed assets under financing lease	-	-
③ Net change of cash and cash equivalents:		
Closing balance of cash	2,737,900,718.61	2,393,470,488.11
Less: Beginning balance of cash	2,393,470,488.11	655,976,362.18
Add: Closing balance of cash equivalents	-	-
Less: Beginning balance of cash equivalents	-	-
Net increase of cash and cash equivalents	344,430,230.50	1,737,494,125.93

(2) Composition of cash and cash equivalents

Item	Closing balance	Opening balance
① Cash	2,737,900,718.61	2,393,470,488.11
Where: Cash on hand	301,827.58	292,629.76
Bank deposit usable for paying at any time	1,110,301,267.61	1,713,458,414.76
Other monetary fund usable for paying at any time	1,585,274,128.71	679,719,443.59
Deposits in Central Bank of China for paying	-	-
Interbank loan payments	-	-
Settlement reserve	42,023,494.71	-
Interbank placement payments	-	-
② Cash equivalents	-	-
Where: Bond investment due in 3 months	-	-
③ Closing balance of cash and cash equivalents	2,737,900,718.61	2,393,470,488.11
Where: cash and cash equivalents with limited use in parent company or subsidiary	-	-

55. Assets with limited ownership or use right

Item	Closing book value	Limitation reason
Monetary fund	599,999,995.86	pledge
Financial assets measured by fair value whose changes are recognized under current profits or losses	733,488,717.43	pledge
Accounts receivable	14,633,529,987.42	pledge
Construction in process	1,318,160,226.45	pledge
Investment real estate	4,763,928,203.00	pledge
Fixed assets	339,982,769.37	pledge
Intangible assets	132,254,368.89	pledge
Total	22,521,344,268.42	

VII. Consolidation scope change

1. Enterprise consolidation under different control

(1) Enterprise consolidation under different control in the current period

Purchased company's name	Time for acquiring equity	Cost for acquiring equity	Ratio of equity acquired	Equity acquiring method
CEFC Hainan International Oil Company Limited	2014.01.01	120,000,000.00	100.00%	cash
CEFC Shanghai Securities Limited	2014.05.31	1,051,230,325.26	100.00%	cash

(Amounts expressed in RMB unless otherwise stated)

Purchased company's name	Time for acquiring equity	Cost for acquiring equity	Ratio of equity acquired	Equity acquiring method
CEFC Petroleum (Tianjin) Co., Ltd.	2014.12.31	199,529,688.00	100.00%	cash
Shanghai Sheng Yi Investment Center (LLP)	2014.10.01	769,173,734.40	100.00%	cash
Shanghai ShengYi Investment& ManagementCo., Ltd.	2014.10.01	3,203,148.80	100.00%	cash
CEFC Commercial (Fujian) Co., Ltd.	2014.01.01	60,000,000.00	100.00%	cash
CEFC Commercial Co., Ltd.	2014.01.01	20,000,000.00	100.00%	cash

(Continued Table)

Purchased company's name	Purchase date	Determination basis of the purchase date	Income of the company purchased from purchasing date to year end	Net profit of the company purchased from purchasing date to year end
CEFC Hainan International Oil Company Limited	2014.01.01	Acquiring control power	389,434,686.98	1,007,684.21
CEFC Shanghai Securities Limited	2014.05.31	Acquiring control power	71,782,679.65	26,527,159.93
CEFC Petroleum (Tianjin) Co., Ltd.	2014.12.31	Acquiring control power	-	-
Shanghai Sheng Yi Investment Center (LLP)	2014.10.01	Acquiring control power	30,320,000.00	79,854,993.39
Shanghai ShengYi Investment& ManagementCo., Ltd.	2014.10.01	Acquiring control power	-	1,258.08
CEFC Commercial (Fujian) Co., Ltd.	2014.01.01	Acquiring control power	-	-1,737,075.70
CEFC Commercial Co., Ltd.	2014.01.01	Acquiring control power	-	-2,433,370.75

(2) Consolidation cost and goodwill

Cost of consolidation	CEFC Hainan International Oil Company Limited	CEFC Shanghai Securities Limited	CEFC Petroleum (Tianjin) Co., Ltd.	Shanghai Sheng Yi Investment Center (LLP)
Cash	120,000,000.00	1,051,230,325.26	199,529,688.00	769,173,734.40
Fair value of non cash assets	-	-	-	-
Fair value of the debt issued or undertaken	-	-	-	-
Fair value of issuing equity securities	-	-	-	-
Fair value of contingent consideration	-	-	-	-
Fair value on purchase date of equity held before purchase	-	-	-	-
Total	120,000,000.00	1,051,230,325.26	199,529,688.00	769,173,734.40
Less: fair value of net identifiable assets acquired	111,076,424.63	460,945,121.41	189,997,057.57	674,806,254.67
Goodwill/difference of fair value of acquiring net identifiable assets acquired minusconsolidation cost	8,923,575.37	590,285,203.85	9,532,630.43	95,267,479.73

(Amounts expressed in RMB unless otherwise stated)

(Continued Table)

Consolidationcost	Shanghai Sheng Yi Investment & Management Co., Ltd.	CEFC Commercial (Fujian) Co., Ltd.	CEFC Commercial Co., Ltd.
Cash	3,203,148.80	60,000,000.00	20,000,000.00
Fair value of non cash assets	-	-	-
Fair value of the debt issued or undertaken	-	-	-
Fair value of issuing equity securities	-	-	-
Fair value of contingent consideration	-	-	-
Fair value on purchase date of equity held before purchase	-	-	-
Total	3,203,148.80	20,000,000.00	60,000,000.00
Less: fair value of net identifiable assets acquired	3,730,404.77	19,558,416.01	60,173,388.10
Goodwill/difference of fair value of acquiring net identifiable assets acquired minus consolidation cost	-527,255.97	441,583.99	-173,388.10

2. Enterprise consolidation under common control

(1) Enterprise consolidation under same control in the current period

Name of the consolidated company	Equity ratio acquired by enterprise consolidation	Transaction basis for enterprise consolidation under common control	Consolidation date	Determination basis for consolidation date
CEFC Shanghai Asset Management Co., Ltd.	100.00%	Under common control	2014.01.01	Controlpower acquired
CEFC Shanghai Petrochemical e-Trading Co., Ltd.	100.00%	Under common control	2014.06.01	Controlpower acquired
CEFC Petroleum (Xiamen) Co., Ltd.	100.00%	Under common control	2014.12.31	Controlpower acquired
CEFC (Zhejiang) Petroleum Co., Ltd	100.00%	Under common control	2014.12.31	Controlpower acquired
CEFC Petroleum (Yueyang) Co., Ltd	100.00%	Under common control	2014.12.31	Controlpower acquired

(Continued Table)

Name of the consolidated unit	Consolidated entity's revenue from beginning period to consolidation date	Consolidated entity's net profit from beginning period to consolidation date	Consolidated entity's revenue in comparative period	Consolidated entity's net profit in comparative period
CEFC Shanghai Asset Management Co., Ltd.	9,403,744.07	-11,257,225.76	11,644,580.32	-745,355.26
CEFC Shanghai Petrochemical e-Trading Co., Ltd.	-	-	-	-
CEFC Petroleum (Xiamen) Co., Ltd.	-	-950,295.72	42,113,789.74	-122,404.06
CEFC (Zhejiang) Petroleum Co., Ltd	3,416,076.07	-11,286.68	23,617,264.08	-79,132.99
CEFC Petroleum (Yueyang) Co., Ltd	3,416,076.18	-74,785.05	3,926,617.13	-313,883.91

(Amounts expressed in RMB unless otherwise stated)

(2) Consolidation cost

Consolidation cost	CEFC Shanghai Asset Management Co., Ltd.	CEFC Shanghai Petrochemical e-Trading Co., Ltd.	CEFC Petroleum (Xiamen) Co., Ltd.	CEFC (Zhejiang) Petroleum Co., Ltd	CEFC Petroleum (Yueyang) Co., Ltd
Cash	28,597,171.98	30,000,000.00	8,949,298.25	49,364,019.19	198,469,329.73
Book value of non cash assets	-	-	-	-	-
Book value of the debt issued or undertaken	-	-	-	-	-
Book value of issuing equity securities	-	-	-	-	-
Contingent consideration	-	-	-	-	-

3. Disposal of subsidiary

(1) Single disposal of investment in subsidiary leading to lose of control power

Subsidiary	Price of disposal equity	Ratio of disposal equity	Equity disposal method	Time when losing controlpower	Determination basis for time when losing control power	Difference between disposal price and net assets of the disposed subsidiary in the consolidated financial statements
CEFC Commercial (Haikou) Co., Ltd.	110,350,000.00	100.00%	Sale	2014.07.01	Equity transfer agreement	-

(Continued Table)

Subsidiary	Remaining equity ratio on the date when losing control power	Remaining equity book value on the date when losing control power	Remaining equity fair value on the date whenlosing controlling power	Profits and losses of remaining equity measured by fair value	Determination method and major hypothesis of remaining equity book value on the date when loosing controlling power	Amount of comprehensive revenue carried over to investment profits and losses relating to original subsidiary equity
CEFC Commercial (Haikou) Co., Ltd.	-	-	-	-	-	-

4. Consolidation scope change with other reason

Newly established subsidiary and its status:

Invested company	Investment time	Investment cost	Equity ratio	Investment method
CEFC Shenzhen International Holdings Co., Ltd.	2014.09	-	100.00%	-
Dashi Financing and Leasing (Shanghai) Co., Ltd.	2014.08	-	100.00%	-
Yangpu International Energy Exchange Limited	2014.06	51,000,000.00	85.00%	Cash
Yangpu Petrochemical Investment (Shanghai) Co. Ltd	2014.06	50,000,000.00	100.00%	Cash

(Amounts expressed in RMB unless otherwise stated)

VIII. Equity in other main entity

1. Equity in subsidiary

(1) Composition of the group

Subsidiary	Main operation location	Registration location	Business	Equity ratio		Acquiring method
				Direct	Indirect	
CEFC Hainan International Holdings Co., Ltd.	Haikou	Haikou	Petrochemical trade	100.00%	-	Investment
CEFC Shanghai Petroleum Group International Trading Co., Ltd.	Shanghai	Shanghai	Petrochemical trade	100.00%	-	Investment
CEFC Shanghai Securities Limited	Shanghai	Shanghai	Securities	100.00%	-	Consolidation under different control
CEFC Anhui International Holding Co., Ltd.	Ma'an Shan	Ma'an Shan	Production of pesticides	60.78%	-	Consolidation under different control
CEFC Petroleum (Guangdong) Co., Ltd.	Guangzhou	Guangzhou	Petrochemical trade	100.00%	-	Consolidation under common control
CEFC Shanghai Asset Management Co., Ltd.	Shanghai	Shanghai	Assets leasing	100.00%	-	Consolidation under common control
CEFC Petroleum (Xiamen) Co., Ltd..	Xiamen	Xiamen	Petrochemical trade	100.00%	-	Consolidation under common control
CEFC Petroleum (Zhejiang) Co., Ltd.	Ningbo	Ningbo	Petrochemical trade	100.00%	-	Consolidation under common control
Hong Kong Huaxin Petroleum Limited	HK	HK	Petrochemical trade	100.00%	-	Consolidation under different control
CEFC Shanghai Technology & Industrial Services Co., Ltd.	Shanghai	Shanghai	Petrochemical trade	100.00%	-	Investment
CEFC (Shanghai) Commercial Factoring Co., Ltd.	Shanghai	Shanghai	Commercial factoring	100.00%	-	Investment
CEFC Shanghai Petrochemical e-Trading Co., Ltd.	Shanghai	Shanghai	E-trading	100.00%	-	Consolidation under common control
CEFC Petroleum (Tianjin) Co., Ltd.	Tianjin	Tianjin	Petrochemical trade	100.00%	-	Consolidation under different control
CEFC Petroleum (Fujian) Co., Ltd.	Xiamen	Xiamen	Petrochemical trade	100.00%	-	Consolidation under different control
CEFC Hainan International Oil Company Limited	Haikou	Haikou	Petrochemical trade	100.00%	-	Consolidation under different control
CEFC Energy UK Ltd.	UK	UK	Petrochemical trade	100.00%	-	Investment
CEFC Petrochemical（Yueyang）Co., Ltd.	Yueyang	Yueyang	Petrochemical trade	100.00%	-	Consolidation under common control
CEFC Shenzhen International Holdings Co., Ltd.	Shenzhen	Shenzhen	Petrochemical trade	100.00%	-	Investment
CEFC Hainan Oil Base Company Ltd	Yangpu	Yangpu	Petrochemical trade	-	100.00%	Consolidation under common control
Yangpu International Energy Exchange Limited	Yangpu	Yangpu	Petrochemical service	-	85.00%	Investment
Yangpu Petrochemical Investment (Shanghai) Co. Ltd.	Shanghai	Shanghai	Investment management	-	100.00%	Investment
Shanghai ShengYi Investment& ManagementCo., Ltd.	Shanghai	Shanghai	Corporate management consultancy	-	100.00%	Consolidation under different control
Shanghai Sheng Yi Investment Center (LLP)	Shanghai	Shanghai	Commercial real estate	-	100.00%	Consolidation under different control

(Amounts expressed in RMB unless otherwise stated)

Subsidiary	Main operation location	Registration location	Business	Equity ratio		Acquiring method
				Direct	Indirect	
Anhui Ke'er Agricultural Production Materials Co., Ltd.	Anhui Hefei	Anhui Hefei	Sale of pesticides and chemical fertilizer	-	100.00%	Consolidation under different control
Anhui Linearfull Modern Agriculture Co., Ltd.	Anhui Hefei	Anhui Hefei	Sale of pesticides and chemical fertilizer	-	100.00%	Consolidation under different control
Anhui Huajian Chemical Industry Co., Ltd.	Anhui He County	Anhui He County	Production of chemical raw materials	-	51.00%	Consolidation under different control
CEFC Shanghai Natural Gas Co., Ltd.	Shanghai	Shanghai	Gas service	-	100.00%	Investment
CEFC Petroleum (Guangzhou) Co., Ltd.	Guangzhou	Guangzhou	Petrochemical trade	-	100.00%	Investment
Guangzhou Jinheng Real Estate Co., Ltd.	Guangzhou	Guangzhou	Housing leasing	-	100.00%	Consolidation under different control
CEFC (Shenzhen) Energy Development Co., Ltd.	Shenzhen	Shenzhen	Petrochemical trade	-	100.00%	Investment
Shanghai Management Professionals Agency	Shanghai	Shanghai	consultancy	-	55.00%	Consolidation under different control
CEFC Commercial (Fujian) Co., Ltd.	Fuzhou	Guzhou	Petrochemical trade	-	100.00%	Consolidation under different control
CEFC Commercial Co., Ltd.	Xiamen	Xiamen	Petrochemical trade	-	100.00%	Consolidation under different control
Qingdao Free Trade Port Area Energy Base Co., Ltd	Qingdao	Qingdao	Petrochemical trade	-	100.00%	Investment
Dashi Financing and Leasing (Shanghai) Co., Ltd.	Shanghai	Shanghai	Leasing	-	100.00%	Investment
Samstrong International Ltd.	HK	HK	Investment management	-	100.00%	Consolidation under different control
Yield Commence Ltd.	HK	HK	Investment management	-	100.00%	Consolidation under different control
CEFC China Petroleum Co., Ltd.	HK	HK	Petrochemical trade	-	100.00%	Investment
CEFC China Fund Co., Ltd.	HK	HK	Energy research	-	100.00%	Investment
Zhonghuashe Co., Ltd.	HK	HK	Property investment	-	100.00%	Consolidation under different control
Dada Real Estate (Shanghai) Co., Ltd.	Shanghai	Shanghai	Housing leasing	-	100.00%	Consolidation under different control

(2) Important non wholly-owned subsidiary

Subsidiary	Equity ratio of minority shareholder	Profits and losses of minority shareholders in the current period	Dividends paid to minority shareholder in current period	Closing balance of minority equity
CEFC Anhui International Holding Co., Ltd.	39.22%	64,843,559.34	-4,701,715.20	1,640,321,807.90

2. Transaction that brings owner's equity change in subsidiary but control power remains

(1) Explanations of owner's equity change in subsidiary

The Company purchased 30.00% equity of CEFC (Fujian) Petroleum Co. Ltd. After purchasing minority equity, it holds 100.00% equity.

(2) Transaction with impact over minority shareholder equity and owner's equity attributable to parent company

Item	CEFC Petroleum (Fujian) Co., Ltd.
Purchase cost	15,000,000.00
Where: Cash	15,000,000.00
Fair value of non-cash assets	-
Purchase cost	15,000,000.00
Less: net capital of the subsidiary by acquiring equity ratio acquired	17,236,628.53
Difference	2,236,628.53
Where: Adjusted capital reserve	2,236,628.53
Adjusted surplus reserve	-
Adjusted undistributed profit	-

3. Equity in jointly controlled or affiliated enterprise

Important jointly controlled or affiliated enterprise

Jointly controlled or affiliated enterprise's name	Main operation location	Registration location	Business	Equity ratio		Ratio of voting power	Accounting method of jointly controlled or affiliated enterprise
				Direct	Indirect		
Affiliated enterprise:							
Anhui Xingnor Chemical Co., Ltd	Anhui He County	Anhui He County	Production of chemical raw materials	-	50.00%	-	Equity method
Jointly controlled enterprise:							
SHANGHAI SUNLON INVESTMENT HOLDINGS LTD	Shanghai	Shanghai	Sale of chemical chemical products	-	49.00%	-	Equity method

IX. Affiliated party and transaction

1. Subsidiary of the Company

See Annotation VIII-1

2. Jointly controlled and affiliated enterprise of the Company

Enterprise's name jointly controlled or affiliated	Relationship with the Company
Anhui Xingnor Chemical Co., Ltd	Jointly controlled
Agrilon International, LLC	Jointly controlled
SHANGHAI SUNLON INVESTMENTHOLDINGS LTD	Affiliated

3. Other affiliated party

Other affiliated party's name	Relationship between other affiliated party and the Company
Anhui Xingnor Chemical Co., Ltd	Other affiliated party
Agrilon International, LLC	Other affiliated party
SHANGHAI SUNLON INVESTMENT HOLDINGSLTD	Other affiliated party
CEFC Shanghai Finance Co., Ltd.	Other affiliated party

(Amounts expressed in RMB unless otherwise stated)

4. Transaction of the affiliated party

(1) The affiliated transaction of purchase and sale of product , rendering and receipt of service

Product for sale / rendering of service

Affiliated party	Transaction of affiliated party	Amount in the current period	Amount in the previous period
CEFC Shanghai Finance Holding Co., Ltd	Product selling	173,632,722.87	5,722,161,635.70
CEFC Beijing International Holdings Co.,Ltd	Product selling	326,424,777.29	5,869,182,432.71

(2) Leasing of affiliated party

The company as lessor

Lessee's name	Type of leasing asset	Leasing revenue in the current period	Leasing revenue in the previous period
CEFC China Energy Company Limited.	Investment real estate	11,446,974.84	-

(3) Guarantee of the affiliated party

The Company as the warrantor

Warrantor	Guaranteed amount	Starting date	Expiration date	Whether the performance of guarantee is finished
CEFC Shanghai Finance Holding Co., Ltd	3,200,000,000	2014-8-27	2015-8-26	No

5. Receivable and payable of affiliated party

(1) Item of receivable

Item	Affiliated party	Closing balance		Opening balance	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Receivables	CEFC Beijing International Holdings Co.,Ltd	3,458,873.45	-	-	-
Other receivables	CEFC Shanghai Finance Co., Ltd.	223,446,550.83	-	14,085,675.96	-
Other receivables	CEFC China Energy Company Limited.	54,299,435.26	-	-	-
Other receivables	CEFC Beijing International Holdings Co.,Ltd	2,536,226.80	-	-	-
Other receivables	Zheng Xiongbing	226,005.00	-	-	-

(2) Item ofPayable

Item	Affiliated party	Closing balance	Opening balance
Other payables	CEFC Shanghai Finance Holding Co., Ltd	1,810,395.41	44,180,995.35
Other payables	CEFC China Energy Company Limited.	6,537,074.61	-

X. Contingencies

On June 2, 2009, Agentina ATANORS purchased 1,710 tons PMIDA from CEFC Anhui International Holding Co., Ltd., a holding subsidiary of the Company. The two parities signed an international sales contract with the contract number of 2009HXA9007Z. Later, ATANORS had an additional purchase of 2,504 tons. The total contract price was USD8,077,680. Under the agreement, if ATANORS delayed payment, it would be charged at 0.8% as monthly interest rate. In the consensus, CEFC Anhui International Holding Co., Ltd. adjusted contracted quantity according to the actual shipping conditions. All the 4,230 tons of cargos had been shipped to ATANORS as scheduled on December 28, 2010, in several batches, the total actual amount was USD8,647,920. Both parties agreed to carry on the payment by single cable at the beginning, later, both reached to consensus that ATANORS would pay the bill of lading issued within 150 days. ATANORS paid part of the price in several installments when the cargoes were received. ATANORS delayed the payment of the remaining USD3,911,040 with a reason of financial difficulties. On March 25, 2013, urged by CEFC Anhui International Holding Co., Ltd. and ATANORS' parent company Albaugh Inc, ATANORS issued a repayment plan including recognition of USD 3,911,040 debts. After that, ATANORS paid USD 789,120 in three installments. The amount of money of USD 3,121,920 is yet to be paid to the Company.

Given the above situation, CEFC Anhui International Holding Co., Ltd. instituted arbitration proceedings to China International Economic and Trade Arbitration Commission. The requests to ATANORS was as follows

1. To judge that ATANORS should conduct the payment: the rest of cargo payment of USD3,121,920 , delay penalty of USD855,335.42, exchange rate loss ofRMB 1,772,409.60, with a total of about RMB26,192,759.00

2. To judge that ATANORS should bear all the expenses in the arbitration (including but not limited to filing fees, arbitration fees, property preservation fees, traveling expenses)

3. To judgethat ATANORS should cover all the attorney fees of the Company.

China International Economic and Trade Arbitration Commission accepted the case on August 7, 2013. CEFC International received *Arbitration Notice of Contract Dispute Case G20130584* numbered *Zhong Guo Mao Zhong Jing Zi No. 017668.* CEFC International applied to Anhui Ma'An Shan Intermediate People's Court on September 2, 2013 to frozen ATANORS's 50% equity of Anhui Xingnor Chemical Co., Ltd. valued USD 9,000,000. CEFC International placed its equivalent percentage of equity as guarantee for ATANORS's financial safety. According to the *Civil Ruling of Anhui Ma'An Shan Intermediate People's Court numbered (2013) Ma Su Bao Zi No. 00001* issued on September 3, 2013, as well as the *Notice of Assistance in Execution (acknowledgment of receipt) to Anhui Ma'An Shan Intermediate People's Court* issued by Anhui Administration for Industry & Commerce on September 5, 2013, ATANORS's 50% equity valued USD 9,000,000 of Anhui Xingnor Chemical Co.,Ltd has been frozen.

In July, 2014, Anhui CEFC International received the Arbitral Award ([2014] Zhong Guo Mao Zhong Jing Cai Zi No. 0047) from the arbitration commission. The arbitration court of the arbitration commission made the ruling on June 30, 2014. It is decided ATANORS shall pay the overdue principal of USD 194,400 and the interests in delay in the payment. On July 22, 2014, CEFC International received the principal and interests from ATANORS. ATANORS's payments for goods to CEFC Anhui International Holding Co., Ltd of USD 2,927,520 are in arrears. On July 30, 2014, CEFC Anhui International Holding Co., Ltd continued to apply for arbitration to China International Economic and Trade Arbitration Commission on the three orders which have not been supported by the arbitration. China International Economic and Trade Arbitration Commission accepted the application on August 28, 2014 and it is in the trial currently.

Except for the above matters, as of December 31, 2014, there is no other significant contingencies to disclose.

XI. Events after the balance sheet date

Explanations on other events after the balance sheet date

1. In December, 2014, the Company signed stock transfer contract to acquire 4.70% equity of Wanda Futures Co., Ltd by Beijing Sun Laboratory Equipment Co., Ltd., 20.13% equity of Wanda Futures Co., Ltd owned by Shanxi Dan Kong Industry & Trade Group Limited and 4.96% equity of Wanda Futures Co., Ltd owned by Sanquan Food Co., Ltd. The Company signed property transaction contract with Beijing Huanuo Chengxin Finance Consulting Co., Ltd who is entrusted to acquire4.54% equity of Wanda Futures Co., Ltd owned by Hongzheng Lide Capital Management Co., Ltd, 9.30% equity of Wanda Futures Co., Ltd owned by Henan East Food Trading Co., Ltd, 8.46% equity of Wanda Futures Co., Ltd owned by Guangdong Finance Trust Co., Ltd. and 12.91% equity of Wanda Futures Co., Ltd owned by Sino Grain Oil Co. Ltd on its behalf. After this, the Company will hold 65.00% equity of Wanda Futures Co., Ltd. The acquiring price is RMB 1,305,000,000. As of the report date, RMB 70,681,420.00 was paid.

2. In January, 2015, the Company signed equity subscription agreement to purchase the newly issued stock of Czech J&T Finance Group at the price of RMB 560,055,510.00. As of now, the Company holds 5.00% equity.

3. In February, 2015, according to the resolution of the shareholders' meeting, the Company's name was changed to Shanghai CEFC International Group Limited. The change procedure in the Administration of Industry & Commerce was completed.

4. Anhui CEFC International Holding Co., Ltd, a holding subsidiary of the Company registered Anhui Huaxing Chemical Industry Co., Ltd. on January 6, 2015 with the registered capital of RMB 80,000,000. Registration number is 340523000041935. The legal representative is Chen Bing. Currently the registered capital is not invested in the company neither there is any operating activity.

5. According to the 22nd meeting resolution of the 6th session of board of Anhui CEFC International Holding Co. Ltd, the Company plans to use own capital of RMB 500,000,000 as additional investment in wholly-owned subsidiary CEFC Natural Gas. CEFC International purchased 19.67% equity of China Natural Gas Corporation Limited held by Jindi Union Holding Group in cash at the price of RMB 860,000,000. In order to have multiple main business and optimize product range and market structure, CEFC International decides to establish a wholly-owned subsidiary with own capital of RMB 100,000,000:

(Amounts expressed in RMB unless otherwise stated)

Shanghai CEFC Petroleum Development International Co., Ltd (temporary name, final name is subject to the name verified by the Administration of Industry and Commerce). CEFC International plans to get an entrusted loan of maximum amount of RMB 600,000,000 from its holding shareholder, Shanghai CEFC International Group Limited through commercial bank.

6. According to the 23rd meeting resolution of the 6th session of board of Anhui CEFC International Holding Co., Ltd, a holding subsidiary of the Company, the Company plans to purchase 100% equity of CEFC (Fujian) Petroleum Co., Ltd. owned by Shanghai CEFC. On March 6, 2015, CEFC International signed *Equity Transfer Agreement of CEFC (Fujian) Petroleum Co. Ltd* with Shanghai CEFC at the transfer price of RMB 219,770,700. The Company will use own capital to pay.

7. According to the 23rd meeting resolution of the 6th session of board of Anhui CEFC International Holding Co., Ltd., a holding subsidiary of the Company, it is decided to distribute cash dividends of RMB 0.10 / 10 stocks (including tax) from the undistributed profits to all shareholders.

XII. Other important matters

In May, 2013, the Company pledged the circulation stock of 728,685,018 to HuaRong International Trust Co., Ltd for financing construction project. Net assets of CEFC Anhui International Holding Co., Ltd. attributable to the parent company is RMB 2,698,785,468.74. Net profitattributable to the parent company is RMB 106,685,685.51 in 2014.

XIII. Notes on Main items presented in financial statements of parent company

1. Accounts receivable

(1) Accounts receivable

Type	Closing balance				
	Book balance	Ratio	Provisions for bad debts	Provision ratio	Book value
Accounts receivables for bad debts provision accounting with significant single amount	-	-	-	-	-
Accounts receivables for bad debts provision accounting by credit andrisk evaluation	1,395,516,688.38	100.00%	-	-	1,395,516,688.38
Accounts receivable of affiliated party	1,219,970,652.27	87.42%	-	-	1,219,970,652.27
Accounts receivable of non affiliated party	175,546,036.11	12.58%	-	-	175,546,036.11
Accounts receivables for bad debts provision accounting with insignificant single amount	-	-	-	-	-
Total	1,395,516,688.38	100.00%	-	-	1,395,516,688.38

(Amounts expressed in RMB unless otherwise stated)

(Continued Table)

Type	Opening balance				
	Book balance	Ratio	Provisions for bad debts	Provision ratio	Book value
Accounts receivables for bad debts provision accounting with significant single amount	-	-	-	-	-
Accounts receivables for bad debts provision accounting by credit andrisk characteristic evaluation	403,639,891.87	100.00%	-	-	403,639,891.87
Accounts receivable of affiliated party	-	-	-	-	-
Accounts receivable of non affiliated party	403,639,891.87	100.00%	-	-	403,639,891.87
Accounts receivables for bad debts provision accounting with insignificant single amount	-	-	-	-	-
Total	403,639,891.87	100.00%	-	-	403,639,891.87

Provision for bad debts of non affiliated party group

Account age	Closing balance		
	Accounts receivable	Provisions for bad debts	Provision ratio
0-6 months	175,546,036.11	-	0.00%

(2) Top five companies for the amount of accounts receivable at year end

Amount of accounts receivable of top five companies is RMB 1,388,376,485.92, accounting for 99.49% of the total amount of accounts receivable. The provision for bad debt is RMB 0.00 at year end.

(3) Other

In accounts receivable of the report period, there is no shareholder holding 5% or higher in total shares with voting power in the Company

2. Other receivables

(1) Other receivables listed as per types

Type	Closing balance				
	Book balance	Ratio	Provisions for bad debts	Provision ratio	Book value
Other receivables for bad debts provision accounting with significant single amount	-	-	-	-	-
Other receivables for bad debts provision accounting by credit andrisk evaluation	2,545,867,043.97	100.00%	-	-	2,545,867,043.97

(Amounts expressed in RMB unless otherwise stated)

Type	Closing balance				
	Book balance	Ratio	Provisions for bad debts	Provision ratio	Book value
Other receivables of affiliated party	2,456,455,475.62	96.49%	-	-	2,456,455,475.62
Other receivables of non affiliated party	89,411,568.35	3.51%	-	-	89,411,568.35
Other receivables for bad debts provision accounting with insignificant single amount	-	-	-	-	-
Total	2,545,867,043.97	100.00%	-	-	2,545,867,043.97

(Continued Table)

Type	Opening balance				
	Book balance	Ratio	Provisions for bad debts	Provision ratio	Book value
Other receivables for bad debts provision accounting with significant single amount	-	-	-	-	-
Other receivables for bad debts provision accounting by credit andrisk characteristicevaluation	919,510,364.36	100.00%	-	-	919,510,364.36
Other receivables of affiliated party	912,942,816.55	99.29%	-	-	912,942,816.55
Other receivables of non affiliated party	6,567,547.81	0.71%	-	-	6,567,547.81
Other receivables for bad debts provision accounting with insignificant single amount	-	-	-	-	-
Total	919,510,364.36	100.00%	-	-	919,510,364.36

Provision for bad debts of non affiliated party group:

Account age	Closing balance		
	Other receivable	Provisions for bad debts	Provision ratio
0-6 months	89,411,568.35	-	0.00%

(2) Other receivables as per nature

Nature	Closing book balance	Opening book balance
Current account	2,536,628,449.40	919,239,696.35
Pledge stock interest	8,438,988.12	-
Other	791,606.45	267,668.01
Deposit	8,000.00	3,000.00
Total	2,545,867,043.97	919,510,364.36

(Amounts expressed in RMB unless otherwise stated)

(3) Top five companies for the amount of other receivables

Company	Nature	Closing balance	Account age	Ratio in total of other receivables at year end	Closing balance of provision for bad debt
CEFC Shanghai Petroleum Group International Trading Co., Ltd.	Current account	1,122,783,390.00	Within one year	44.10%	-
Zhonghuashe Co., Ltd	Current account	1,061,520,448.92	1-6 months	41.70%	-
CEFC Shanghai Finance Co., Ltd.	Current account	106,469,869.54	1-6 months	4.18%	-
Shanghai Sheng Yi Investment Center (LLP)	Current account	100,000,000.00	1-6 months	3.93%	-
CEFC (Shanghai) Commercial Factoring Co., Ltd.	Current account	64,926,600.00	1-6 months	2.55%	-
Total		2,455,700,308.46		96.46%	-

(4) Other

In other receivables of the report period there is no shareholders holding 5% or higher of the total shares with voting power of the Company

3. Long-term equity investment

Item	Closing balance			Opening balance		
	Book balance	Provision for depreciation	Book value	Book balance	Provision for depreciation	Book value
Investment insubsidiary	11,579,578,750.41	-	11,579,578,750.41	9,240,750,245.66	-	9,240,750,245.66
Investmentn affiliated and jointly controlled company	-	-	-	-	-	-
Total	11,579,578,750.41	-	11,579,578,750.41	9,240,750,245.66	-	9,240,750,245.66

Investment in subsidiary

Invested company	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for depreciation in the current period	Closing balance of provision for depreciation
CEFC Hainan International Holdings Co., Ltd.	5,050,000,000.00	-	-	5,050,000,000.00	-	-
CEFC Petroleum (Guangdong) Co., Ltd.	1,497,850,062.54	-	-	1,497,850,062.54	-	-
CEFC Petroleum (Fujian) Co., Ltd.	35,128,816.50	165,000,000.00	-	200,128,816.50	-	-
Hong Kong Huaxin Petroleum Limited	614,434,431.26	-	-	614,434,431.26	-	-
CEFC Fujian Holding Co., Ltd	102,311,327.66	-	102,311,327.66	-	-	-
CEFC Shanghai Petroleum Group International Trading Co., Ltd.	10,000,000.00	490,000,000.00	-	500,000,000.00	-	-

(Amounts expressed in RMB unless otherwise stated)

Invested company	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Provision for depreciation in the current period	Closing balance of provision for depreciation
CEFC Energy UK Ltd	10,307.70	-	-	10,307.70	-	-
CEFC Anhui International Holding Co., Ltd.	1,931,015,300.00	-	-	1,931,015,300.00	-	-
CEFC Shanghai Asset Management Co., Ltd.	-	28,597,171.98	-	28,597,171.98	-	-
CEFC Hainan International Oil Company Limited	-	120,000,000.00	-	120,000,000.00	-	-
CEFC Shanghai Securities Limited	-	1,051,230,325.26	-	1,051,230,325.26	-	-
CEFC (Shanghai) Commercial Factoring Co., Ltd.	-	100,000,000.00	-	100,000,000.00	-	-
CEFC Petroleum (Xiamen) Co., Ltd..	-	8,949,298.25	-	8,949,298.25	-	-
CEFC (Zhejiang) Petroleum Co., Ltd.	-	49,364,019.19	-	49,364,019.19	-	-
CEFC Petroleum (Tianjin) Co., Ltd.	-	199,529,688.00	-	199,529,688.00	-	-
CEFC Shanghai Petrochemical e-Trading Co., Ltd.	-	30,000,000.00	-	30,000,000.00	-	-
CEFC Petrochemical (Yueyang) Co., Ltd	-	198,469,329.73	-	198,469,329.73	-	-
Total	9,240,750,245.66	2,441,139,832.41	102,311,327.66	11,579,578,750.41	-	-

Note: In May, 2014, the Company pledged its circulation stock of 728,685,018 of Anhui CEFC International Holding Co. Ltd to Hua Rong International Trust Co. Ltd for construction project financing. As of December 31, 2014, the long-term equity investment value its book value.

4. Revenue from operation and cost of operation

(1) Revenue from operation and cost of operation

Item	Amount in the current period		Amount in the previous period	
	income	cost	income	income
Main business	59,584,022,499.52	57,931,778,582.13	30,935,427,458.47	30,512,920,069.38
Other business	3,277,864.63	-	17,868,924.34	-
Total	59,587,300,364.15	57,931,778,582.13	30,953,296,382.81	30,512,920,069.38

(Amounts expressed in RMB unless otherwise stated)

(2) Main business type

By product

Item	Amount in the current period		Amount in the previous period	
	income	cost	income	cost
Fuel oil	22,455,791,768.47	21,991,852,837.23	14,464,331,744.51	14,304,526,924.52
Chemical raw materials	35,909,815,026.85	34,739,738,255.99	16,428,297,662.69	16,165,807,760.22
Crude oil	1,218,415,704.2	1,200,187,488.91	-	-
Metal	-	-	42,798,051.27	42,585,384.64
Total	59,584,022,499.52	57,931,778,582.13	30,935,427,458.47	30,512,920,069.38

(3) Other business

Itme	Amount in the current period		Amount in the previous period	
	income	cost	income	cost
Agency	3,277,864.63	-	17,868,924.34	-

(4) Revenue from operation of top 5 customers' operating income

Customer's name	Revenue from operation	Ratio in the total amount of revenue from operations
No. 1	8,058,322,452.98	13.52%
No. 2	5,852,664,869.43	9.82%
No. 3	5,214,427,601.27	8.75%
No. 4	5,048,041,590.18	8.47%
No. 5	3,042,979,932.58	5.11%
Total	27,216,436,446.44	45.67%

5. Investment revenue

Item	Amount in the current period	Amount in the previous period
Investment revenue from long-term equity investment calculated with equity method	-	-705,502.96
Investment revenue generated by the disposal of long-term equity investments	19,697,097.79	-741,029.02
Investment revenue of financial assets measured by fair value whose changes are recognized under current profits or losses in holding period	9,289,250.11	-
Investment revenue of disposal of financial assets measured by fair value whose changes are recognized under current profits or losses	-	-
Investment revenue from held-to-maturity investment in holding period	10,673,046.55	-
Investment revenue of financial assets available for sale in holding period	-	-
Investment revenue of disposal of held-to-maturity investment in holding period	-	-
Investment revenue of disposal of financial assets available for sale	-	-
Revenue of remaining equity remeasured by fair value after losing control power	-	-
Investment revenue from long-term equity investment calculated with cost method	7,286,850.18	-
Total	46,946,244.63	-1,446,531.98

ISSUER

Wise Source International Limited
(哲源國際有限公司)
Offshore Incorporations Centre, PO Box 957
Road Town, Tortola
British Virgin Islands

GUARANTOR

CEFC Shanghai International Group Limited
(上海華信國際集團有限公司)
Floor 2, Tower 13
27 New Jinqiao Road
China (Shanghai) Pilot Free Trade Zone
Shanghai, China

TRUSTEE

Bank of Communications Trustee Limited
1/F, Far East Consortium Building, 121 Des Voeux Road Central
Hong Kong

PRINCIPAL PAYING AGENT
Bank of Communications Co., Ltd. Hong Kong Branch
20 Pedder Street
Central, Hong Kong

REGISTRAR AND TRANSFER AGENT
Bank of Communications Co., Ltd. Hong Kong Branch
20 Pedder Street
Central, Hong Kong

LEGAL ADVISERS

To the Issuer and the Guarantor as to English law

King & Wood Mallesons
13/F Gloucester Tower,
The Landmark,
15 Queen's Road Central,
Central, Hong Kong

To the Issuer and the Guarantor as to PRC law

Allbright Law Office
11,12/F,Shanghai Tower,No.501,
Yincheng Middle Rd,
Shanghai,China

To the Issuer as to British Virgin Islands law

Ogier
11/F Central Tower
28 Queen's Road Central
Central, Hong Kong

To the Sole Lead Manager and the Trustee as to English law

Linklaters
10th Floor, Alexandra House
Chater Road
Central
Hong Kong

To the Sole Lead Manager as to PRC law

Jingtian & Gongcheng
34/F, Tower 3, China Central Place,
77 Jianguo Road,
Beijing, China

AUDITORS OF THE GUARANTOR

Shanghai Certified Public Accountants
20/F WenXin United Press Tower
No.555 Weihai Road,
Shanghai, China

A.Plus International
FINANCIAL PRESS LIMITED
161080312