

The Hong Kong Exchanges and Clearing Limited and the Stock Exchange of Hong Kong Limited take

Consolidated balance sheet

At 31 December 2014

ASSETS	Note	2014	2013
Current assets:			
Cash and cash equivalents		900,982,056.56	1,000,000,000.00
Trade receivables	3	7,842,580.10	1,000,000,000.00
Prepaid expenses	3	234,683,339.39	1,000,000,000.00
Inventory	3	42,448,774.83	1,000,000,000.00
Other receivables	3	78,119,619.28	1,000,000,000.00
Other assets		577,127,799.95	1,000,000,000.00
Other non-current assets		7,444,600.40	1,000,000,000.00
Total current assets		1,848,648,770.51	1,000,000,000.00
Non-current assets:			
Property, plant and equipment		119,506,244.94	1,000,000,000.00
Intangible assets		709,053.12	1,000,000,000.00
Investments		412,553,068.26	1,000,000,000.00
Other non-current assets		6,738,396.67	1,000,000,000.00
Other non-current assets		4,027,060.50	1,000,000,000.00
Other non-current assets		19,506,004.56	1,000,000,000.00
Other non-current assets		12,881,878.40	1,000,000,000.00
Other non-current assets		10,193,466.27	1,000,000,000.00
Total non-current assets		586,115,172.72	1,000,000,000.00
TOTAL ASSETS		2,434,763,943.23	1,000,000,000.00
LIABILITIES & SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable		524,000,000.00	1,000,000,000.00
Other payables		36,520,312.90	1,000,000,000.00
Other payables	4	406,030,216.39	1,000,000,000.00
Other payables	4	60,493,872.25	1,000,000,000.00
Other payables		397,375.48	1,000,000,000.00
Other payables		36,188,173.83	1,000,000,000.00
Other payables	4	47,765,320.26	1,000,000,000.00
Other payables		70,000,000.00	1,000,000,000.00
Total current liabilities		1,181,395,271.11	1,000,000,000.00
Non-current liabilities:			
Other non-current liabilities		70,000,000.00	1,000,000,000.00
Other non-current liabilities		9,622,739.47	1,000,000,000.00
Other non-current liabilities		636,670.96	1,000,000,000.00
Total non-current liabilities		80,259,410.43	1,000,000,000.00

	<i>Note</i>	2014	
Total liabilities		1,261,654,681.54	
Shareholders' equity:			
Common stock		224,100,000.00	
Preferred stock		99,627,613.95	
Retained earnings		(3,879,022.15)	
Accumulated other comprehensive income		51,644,250.39	
Contributed surplus	5	752,268,735.54	
		1,123,761,577.73	
Deferred tax liability		49,347,683.96	
		1,173,109,261.69	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		2,434,763,943.23	
Net current assets	13	667,253,499.40	
Total asset less current assets	14	1,253,368,672.12	

Consolidated income statement

For the year ended 31 December 2014

ITEMS	Note	2014	2013
I. Total operating income	6	907,225,991.66	850,110,110.10
II. Total operating cost		763,727,347.95	721,110,110.10
Cost of sales		610,857,619.95	571,110,110.10
Depreciation and amortization		11,430,581.82	11,430,581.82
Impairment loss on disposal of assets		25,668,659.74	25,668,659.74
Impairment loss on disposal of financial assets		95,488,723.80	95,488,723.80
Provision for doubtful accounts	9	26,340,633.46	26,340,633.46
Provision for bad debts		(6,058,870.82)	(6,058,870.82)
Provision for employee benefits		(90,946.88)	(90,946.88)
III. Operating profit		143,407,696.83	129,000,000.00
Provision for doubtful accounts		24,422,386.96	24,422,386.96
Provision for bad debts		158,750.56	158,750.56
IV. Total profit		167,671,333.23	153,581,137.52
Provision for doubtful accounts	10	27,710,185.08	27,710,185.08
V. Net profit		139,961,148.15	125,870,952.44
Provision for doubtful accounts		137,953,042.32	125,870,952.44
Provision for bad debts		2,008,105.83	2,008,105.83
VI. Net other comprehensive income after tax		(102,171.44)	(102,171.44)
Provision for doubtful accounts		(102,171.44)	(102,171.44)
Provision for bad debts		(102,171.44)	(102,171.44)
Provision for doubtful accounts		(102,171.44)	(102,171.44)
Provision for bad debts		(102,171.44)	(102,171.44)

Consolidated cash flow statement

For the year ended 31 December 2014

ITEMS	2014	2013
I. Cash flows from operating activities		
Revenue from operations	799,114,111.87	720,222,111.87
Interest income	3,242,111.67	1,222,111.67
Interest expense	61,812,271.98	61,812,271.98
Depreciation and amortization	864,168,495.52	864,168,495.52
Provision for doubtful accounts	467,121,635.93	467,121,635.93
Provision for inventory obsolescence	45,360,613.05	45,360,613.05
Provision for employee benefits	55,008,305.13	55,008,305.13
Provision for asset impairment	113,622,195.93	113,622,195.93
Change in fair value of financial assets	681,112,750.04	681,112,750.04
Net cash flows from operating activities	183,055,745.48	183,055,745.48
II. Cash flows from investing activities		
Proceeds from disposal of property, plant and equipment	—	2,111,111.11
Proceeds from disposal of intangible assets	—	—
Proceeds from disposal of financial assets	76,361.29	76,361.29
Proceeds from disposal of investment in subsidiaries	—	—
Proceeds from disposal of investment in associates	—	—
Proceeds from disposal of investment in equity instruments	—	—
Proceeds from disposal of investment in real estate	76,361.29	76,361.29
Proceeds from disposal of investment in structured entities	—	—
Proceeds from disposal of investment in structured entities	107,317,226.69	107,317,226.69
Proceeds from disposal of investment in structured entities	18,470,000.00	18,470,000.00
Proceeds from disposal of investment in structured entities	—	—
Proceeds from disposal of investment in structured entities	—	—
Proceeds from disposal of investment in structured entities	—	—
Proceeds from disposal of investment in structured entities	—	—
Net cash flows from investing activities	(125,710,865.40)	(125,710,865.40)

Adjustments	Items of financial statements that are affected	Affected amount	
		2014	2013

		9,622,739.47	
		9,622,739.47	

(2) Change in major accounting estimates

3. TRADE AND OTHER RECEIVABLES

2014

Accounts receivable	261,979,554.14	
Accounts receivable - related parties	27,296,214.75	
Notes receivable	7,842,580.10	
Other receivables	42,448,774.83	
Allowance for doubtful accounts	79,656,493.02	
Allowance for doubtful accounts - related parties	1,536,873.74	
	<u>363,094,313.60</u>	

The aging analysis of accounts receivable

2014

Types	2014			
	Closing balance	Provision for bad debts		
Accounts receivable				
Accounts receivable - related parties	106,752,852.16	3,462,176.24		
Notes receivable	126,652,359.26	9,876,519.70		
Other receivables				

4. TRADE AND OTHER PAYABLES

	2014	
Accounts payable	406,030,216.39	
Accounts payable - related parties	60,493,872.25	
Other payables	47,765,320.26	
	<u>514,289,408.90</u>	

Age analysis of accounts payables

	2014	
Accounts payable	311,538,597.59	
Accounts payable - related parties	53,600,434.23	
Other payables	40,891,184.57	
	<u>406,030,216.39</u>	

5. UNDISTRIBUTED PROFITS

	2014	
Undistributed profits of subsidiaries	642,216,593.48	
Undistributed profits of subsidiaries - related parties	137,953,042.32	
Undistributed profits of subsidiaries - other parties	5,490,900.26	
Undistributed profits of other parties	22,410,000.00	
	<u>752,268,735.54</u>	

The following table shows the breakdown of the undistributed profits of subsidiaries and other parties as of December 31, 2014:

Entity	Undistributed Profits
Subsidiary A	100,000,000.00
Subsidiary B	50,000,000.00
Subsidiary C	20,000,000.00
Other Parties	22,410,000.00
Total	192,410,000.00

6. TOTAL OPERATING INCOME

The following table shows the components of the total operating income for the periods indicated. The amounts are in thousands of dollars and are unaudited.

(1) Operating income and operating cost

Items	2014	2013
Operating income	901,027,948.26	875,000,000.00
Operating cost	6,198,043.40	6,198,043.40
	<u>907,225,991.66</u>	<u>881,198,043.40</u>
Operating income	607,862,625.44	581,875,000.00
Operating cost	2,994,994.51	2,994,994.51
	<u>610,857,619.95</u>	<u>584,869,994.51</u>

(2) Principal operations (by product)

Name of Products	2014		2013	2012
	Operating income	Operating cost		
Operating income	659,440,413.49	468,399,613.56	659,440,413.49	659,440,413.49
Operating cost	153,238,871.31	106,518,857.97	153,238,871.31	153,238,871.31
	<u>88,348,663.46</u>	<u>32,944,153.91</u>	<u>88,348,663.46</u>	<u>88,348,663.46</u>
	<u>901,027,948.26</u>	<u>607,862,625.44</u>	<u>901,027,948.26</u>	<u>901,027,948.26</u>

7. SEGMENTS INFORMATION

Information regarding the segments of the Company is presented in the following table. The Company's segments are defined as the smallest identifiable units of the Company that are subject to separate financial analysis by the management of the Company. The segments are defined as the smallest identifiable units of the Company that are subject to separate financial analysis by the management of the Company.

8. GROSS PROFIT

	2014	2013
Sales	907,225,991.66	850,123,456.78
Cost of sales	610,857,619.95	580,123,456.78
Gross profit	<u>296,368,371.71</u>	<u>269,999,999.99</u>

9. FINANCIAL EXPENSES

Items	2014	2013
Interest expense	31,964,668.86	28,123,456.78
Interest income	6,331,440.47	5,678,901.23
Exchange gain/(loss)	(200,923.15)	(123,456.78)
Other	908,328.22	812,345.67
Net financial expenses	<u>26,340,633.46</u>	<u>34,482,353.36</u>

Notes - The Company's financial expenses are primarily related to the interest expense on its bank loans and the interest income on its bank deposits.

10. INCOME TAX EXPENSES

Items	2014	2013
Income tax expense	26,892,568.67	24,123,456.78
Deferred tax expense	817,616.41	712,345.67
Net income tax expenses	<u>27,710,185.08</u>	<u>24,835,802.45</u>

Item	2014	2013
Revenue	167,671,333.23	167,671,333.23
Cost of sales	26,574,567.96	26,574,567.96
Operating expenses	1,189,877.41	1,189,877.41
Depreciation and amortization	3,309,015.56	3,309,015.56
Provision for doubtful accounts	(4,976,131.64)	(4,976,131.64)
Other non-recurring items	795,239.38	795,239.38
Income before taxes	817,616.41	817,616.41
Income tax expense	27,710,185.08	27,710,185.08

11. BASIC EARNINGS PER SHARE

The following table shows the computation of basic earnings per share for the periods presented. The computation is based on the weighted average number of shares outstanding during the period.

Items	2014	2013
Income before taxes	817,616.41	817,616.41
Income tax expense	27,710,185.08	27,710,185.08
Income before taxes	224,100,000.00	224,100,000.00
Weighted average number of shares outstanding	0.616	0.616

The weighted average number of shares outstanding is calculated based on the number of shares outstanding at the beginning of the period, plus the weighted average number of shares issued during the period, minus the weighted average number of shares repurchased during the period.

12. DIVIDENDS

Items	2014	2013
Dividends paid	63,364,680.00	63,364,680.00

The dividends are paid to the shareholders of the company. The dividends are paid in cash and are subject to the approval of the Board of Directors. The dividends are paid quarterly and are based on the earnings of the company.

Items	2014	2013
Prepaid expenses and other receivables	22,410,000.00	22,410,000.00
	<u>22,410,000.00</u>	<u>22,410,000.00</u>

13. NET CURRENT ASSETS

	2014	2013
Prepaid expenses and other receivables	1,848,648,770.51	1,848,648,770.51
Accounts payable	1,181,395,271.11	1,181,395,271.11
	<u>667,253,499.40</u>	<u>667,253,499.40</u>

14. TOTAL ASSETS LESS CURRENT LIABILITIES

	2014	2013
Prepaid expenses and other receivables	2,434,763,943.23	2,434,763,943.23
Accounts payable	1,181,395,271.11	1,181,395,271.11
	<u>1,253,368,672.12</u>	<u>1,253,368,672.12</u>

15. CONTINGENT LIABILITIES

There are no contingent liabilities as of the reporting period.

16. POST BALANCE SHEET EVENTS

There are no post balance sheet events.

These financial statements were prepared in accordance with the accounting policies adopted by the Company and the applicable accounting standards in China. The financial statements are prepared on a going concern basis. The financial statements are prepared in accordance with the accounting policies adopted by the Company and the applicable accounting standards in China. The financial statements are prepared on a going concern basis. The financial statements are prepared in accordance with the accounting policies adopted by the Company and the applicable accounting standards in China. The financial statements are prepared on a going concern basis.

(南京三寶科技集團有限公司)

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MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Total Operating Income

Our total operating income for the year ended December 31, 2018 was \$1,234,567, or 12.3% of sales, compared to \$1,123,456, or 11.2% of sales for the year ended December 31, 2017. The increase in total operating income was primarily due to an increase in sales volume and a decrease in operating expenses.

Gross Profit

Our gross profit for the year ended December 31, 2018 was \$2,345,678, or 23.4% of sales, compared to \$2,234,567, or 22.3% of sales for the year ended December 31, 2017. The increase in gross profit was primarily due to an increase in sales volume and a decrease in the cost of goods sold.

FINANCIAL RESOURCES AND LIQUIDITY

CONTINGENT LIABILITIES

EMPLOYEES AND REMUNERATION POLICIES

BUSINESS REVIEW

BUSINESS DEVELOPMENT

Strategic business

COMPETING BUSINESS AND CONFLICTS OF INTERESTS

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CORPORATE GOVERNANCE CODE

This document is a preliminary draft and is subject to change without notice. It is intended to provide a general overview of the company's corporate governance principles and practices. The company's corporate governance code is based on the principles of transparency, accountability, and integrity. The company is committed to maintaining the highest standards of corporate governance and to ensuring that all stakeholders are treated fairly and equitably. The company's corporate governance code is a key component of its overall risk management framework and is designed to ensure that the company's operations are conducted in a responsible and ethical manner. The company's corporate governance code is a living document and will be updated as needed to reflect changes in the company's operations and the regulatory environment. The company's corporate governance code is available on the company's website and is subject to the company's privacy policy. The company's corporate governance code is a key component of its overall risk management framework and is designed to ensure that the company's operations are conducted in a responsible and ethical manner.

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Closure of Register of Members

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