

**NatSteel Trade International (Shanghai) Co., Ltd  
Auditor's Report**

**Chenghui Audit No. (2015) 0643**

**Important Notice**

The attached financial statements have been translated from the statutory financial statements prepared in accordance with generally accepted accounting principles applicable to foreign investment enterprises established in the People's Republic of China. In the event of any differences in interpreting the financial statements, the Chinese version shall prevail.

**Shanghai Chenghui Certified Public Accountants Co., Ltd.**

**26<sup>th</sup> March 2015**

# Auditor's Report

Chenghui Audit No. (2015) 0643

## **To the shareholders of NatSteel Trade International (Shanghai) Co., Ltd:**

We have audited the accompanying balance sheet of NatSteel Trade International (Shanghai) Co., Ltd ("the Company") as of 31 December 2014, and the income statement, and the statement of change in equity, and cash flow statement for the year then ended and notes to the financial statements.

## **Management's Responsibility for the Financial Statement**

The Company's management is responsible for the preparation of these financial statements. This responsibility includes: (1) prepare the financial statements in according to Accounting Standards for Business Enterprises, and realize the fair reflection; (2) designing, implementing and maintaining internal control relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with China's Auditing Standards for the Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An

audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Audit Opinion

In our opinion, the financial statements have been prepared in accordance with the requirements of the Accounting Standards for Business Enterprises and the Accounting System for Business Enterprises promulgated by the People's Republic of China, and present fairly, in all material respects, the financial position of the Company as of 31 December 2014 and of the results of its operations and its cash flows for the year then ended.

### Other Items

As at 31 December 2014 the company's closing balance of Deferred Assets amounted rmb 1,757,475.40.

1. Balance sheet as at 31 December 2014
2. Income statement for year 2014
3. Cash flow statement for year 2014
4. The statement of change in equity at 31 December 2014
5. Notes to the financial statements for year 2014
6. Reconciliation of taxable income for 2014 year

Shanghai Chenghui Certified Public Accountants Co., Ltd.



Shanghai, China

Chinese Certified Public Accountant



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Chinese Certified Public Accountant



26<sup>th</sup> March 2015

# Balance Sheet

Company: NucSteel Trade International (Shanghai) Co., Ltd.

See Note 9, Table 1/  
Currency: RMB

31st Dec 2014

ITEMS	Closing Balance	Opening Balance	ITEMS	Closing Balance	Opening Balance
<b>CURRENT ASSETS:</b>			<b>CURRENT LIABILITIES:</b>		
1 Cash and Cash Equivalents	825,602.53	941,873.61	47 Short-term Loans		
2 Δ Trading Financial Assets			48 Δ Trading Financial Liabilities		
3 # Short-term Investments			49 # Current Payable		
4 Notes Receivable			50 Notes Payable		
5 Dividends Receivable			51 Advances from Customers		
6 Interest Receivable			52 Prevally Payable		
7 Accounts Receivable			53 Includes: Salaries Payable		
8 Other Receivable			54 Refuse Payable		
9 Advances from Customers			55 Taxes and Fees Payable		
10 Inventories			56 Includes: Taxes Payable		
11 Includes: Raw Materials			57 Interest Payable		
12 Includes: Finished Goods			58 Proposed Dividends		
13 Non-current Assets Due Within One Year			59 Other Payables		
14 Other Current Assets	3,750.00	3,750.00	60 Non-current Liabilities Due Within One Year		
15 TOTAL CURRENT ASSETS	830,352.53	945,623.61	61 Other Current Liabilities		
16			62 TOTAL CURRENT LIABILITIES	7,500.00	7,500.00
17			63	392,597.32	398,857.93
18			64		
19 Δ Financial Assets Available for Sale			65		
20 Δ Held-to-maturity Investments			66		
21 # Long Term Debt Investment			67 Long-term Loans		
22 Δ Long Term Receivables			68 Bond Payable		
23 Long Term Equity Investment			69 Long-term Payable		
24 # The Right to Share in Circulation			70 Specific Payable		
25 Δ Investment Property			71 Predefined Liabilities		
26 Original Value of Fixed Assets			72 Δ Deferred Liabilities		
27 Less: Accumulated Depreciation			73 # Deferred Tax Credits		
28 Net Fixed Assets Value			74 Other Non-current Liabilities		
29 Less: Impairment of Fixed Assets			75 Includes: Authorized Reserve Fund		
30 Net Fixed Assets			76 TOTAL NON-CURRENT LIABILITIES		
31 Construction in Progress			77 Owner's/Shareholders' Equity:		
32 Engineering Materials			78 Registered Capital	282,507.80	258,507.80
33 Disposal of Fixed Assets			79 State Capital	1,455,000.00	1,455,000.00
34 Δ Production of Biological Assets			80 Collective Capital		
35 Δ Oil and Gas Assets			81 Corporate Capital		
36 Intangible Assets			82 Includes: Subordinated Corporate Capital		
37 Includes: Land Use Rights			83 Collective Corporate Capital		
38 Δ Development Expenditure			84 Individual Capital		
39 Δ Goodwill			85 Foreign Capital	1,655,340.00	1,655,340.00
40 # Merger Streads			86 Capital Surplus		
41 Deferred Assets	1,757,475.40	1,648,504.32	87 Less: Treasury Stock		
42 Δ Deferred Tax Assets			88 Surplus Reserve		
43 # Deferred Tax Debts			89 Δ General Risks Reserve		
44 Other Non-current Assets			90 * Risk-recognized Investment Losses (losses expressed with "+")		
45 Includes: Authorized Reserve Materials			91 Indisturbance Profits	1,555,000.00	1,555,000.00
46 TOTAL NON-CURRENT ASSETS	1,757,475.40	1,648,504.32	92 Includes: Cash Dividends		
			93 Currency Exchange Differences		
			94 Owner's/Shareholders' Equity Subtotal	1,455,000.00	1,455,000.00
			95 # Minority Interests		
			96 Owners' (Owners'/Shareholders' Equity Subtotal	1,655,340.00	1,655,340.00
			97 # Minority Interests		
			98 TOTAL OWNERS' (OWNERS'/SHAREHOLDERS') EQUITY	1,655,340.00	1,655,340.00
			99 TOTAL LIABILITIES & OWNERS' EQUITY	2,504,127.93	2,504,127.93
			100	2,504,127.93	2,504,127.93

Items with \* dedicated to consolidated accounting statements; Items with Δ specially for the enterprises who implement new accounting standards; Items with # specially for the enterprises who implement accounting standards.

# Income Statement

KuanShanCO SHANGHAI  
Currency: RMB

YEAR 2014

Company: HaiSteel Trade International (Shanghai) Co., Ltd.

ITEM	LINE	CURRENT AMOUNT	PREVIOUS AMOUNT	FOR	LINE	CURRENT AMOUNT	PREVIOUS AMOUNT
<b>I. GROSS INCOME OF OPERATIONS</b>	1	-	-		20	-	-
Includes: Operating Income	2	-	-		21	-	-
Includes: Sales	3	-	-		22	-	-
Other Operating Income	4	-	-		23	-	-
<b>II. GROSS COST OF OPERATIONS</b>	5	-	-		24	-	-
Includes: Operating Costs	6	-	-		25	-	-
Includes: Cost of Sales	7	-	-		26	-	-
Other Operational Costs	8	-	-		27	-	-
Sales Taxes	9	-	-		28	-	-
Operating Expenses	10	-	-		29	-	-
General and Administrative Expenses	11	-	-		30	-	-
Includes: Business Entertainment	12	-	-		31	-	-
Research and Development Costs	13	-	-		32	-	-
Financial Expenses	14	-	-		33	-	-
Includes: Interest Expense	15	-	-		34	-	-
Interest Income	16	-	-		35	-	-
Net Exchange Losses (Net gain expressed with "-")	17	-	-		36	-	-
Asset Impairment Losses	18	-	-		37	-	-
Others	19	-	-		38	-	-
Add: Changes in Fair Value Gains (Loss expressed with "-")	20	-	-		39	-	-
Investment Income (Loss expressed with "-")	21	-	-		40	-	-
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Items with \* dedicated to consolidated accounting statements; Items with Δ specially for the enterprises who implement NEW accounting standards; Items with = specially for the enterprises who implement accounting standards

17/10/14

# Cash Flow Statement

Financials - 2011  
Currency - BRL

ITEM	PREVIOUS AMOUNT	CURRENT AMOUNT	ITEM	CURRENT AMOUNT	PREVIOUS AMOUNT
<b>I. CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Cash Received from Sale of Goods or Rendering of Services			Other Cash Payments Relating to Subsidiary Company and Other Business Units		
Refund of Tax and Levies			Other Cash Payments Relating to Investing Activities		
Other Cash Received Relating to Operating Activities	2,729.72	2,633.92	Sub-total of Cash Outflows		
Sub-total of Cash Inflows	2,729.72	2,633.92	Net Cash Flows from Investing Activities		
Cash Paid for Goods and Services			<b>III. CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Cash Paid to and on behalf of Employees			Cash Received from Capital Contribution		
Payments of All Types of Taxes			Including: Cash Received from Minority Shareholders Invested to the Subsidiary Company		
Other Cash Paid Relating to Operating Activities	111,384.30	117,905.00	<b>Borrowed Cash</b>		
Sub-total of Cash Outflows	111,384.30	117,905.00	Other Cash Received Relating to Financing Activities		
Net Cash Flows from Investing Activities	-108,655.58	-115,271.08	Cash Repayments of Amounts Borrowed		
<b>II. CASH FLOWS FROM INVESTING ACTIVITIES</b>			Cash Payments for Interest Expenses and Distribution of Dividends or Profit		
Cash Received from Disposal of Investments			Including: for Subsidiary Company by the Dividend and Interest to the Minority Shareholders		
Cash Received from Returns of Investments			Other Cash Payments Relating to Financing Activities		
Net Cash Received from Disposal of Fixed Assets, Intangible Assets and Other Long-term Assets			Sub-total of Cash Outflows		
Net Cash Received from Subsidiary Company and Other Business Units			Net Cash Flows from Financing Activities		
Other Cash Received Relating to Investing Activities			IV. Exchange Rate Change's Affect to the Cash		
Net Cash Flows from Investing Activities			V. Net Increasing of Cash or Cash Equivalents		
Cash Paid to Acquire Fixed Assets, Intangible Assets and Others			VI. Opening Balance of Cash or Cash Equivalents		
Cash Paid to Acquire Investments			VII. Closing Balance of Cash or Cash Equivalents		

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# Statement Of Changes In Equity

Company: Baosteel Trade International (Shanghai) Co., Ltd.

31st Dec. 2024

Baosteel Trade International (Shanghai) Co., Ltd.  
(Company) (RMB)

ITEMS	LINE	Current Amount											Previous Amount												
		equity belong to parent company's shareholders											equity belong to minority shareholders												
		Registered Capital	Capital Reserve	Less: Treasury Stock	Surplus Reserve	General Reserve	Retained Earnings	Others	Sub Total	Equity Held by the minority shareholders	Less: Minority Shares	Capital Reserve	Surplus Reserve	General Reserve	Retained Earnings	Others	Sub Total	Capital Reserve	Surplus Reserve	General Reserve	Retained Earnings	Others	Sub Total		
1. Previous Closing Balance	1	1,655,320.00	-	-	-	-	-	-	-	-	-	1,655,320.00	-	-	-	-	-	-	-	-	-	-	-	-	1,655,320.00
2. Previous Accounting Policies	2																								
3. Previous correction	3																								
4. Beginning Balance for Current Year	4	1,655,320.00										1,655,320.00													1,655,320.00
5. Increase or decrease of the amount for current year (Increase or decrease expressed with "+")	5																								
(I) Net Profit	6																								
(II) Profit and losses directly into the owner's equity	7																								
1. Net change on fair value of financial assets available-for-sale	8																								
2. The impact of changes of the owner's equity of the jointed company under the equity method	9																								
3. The income tax impact related to its items included in owner's equity	10																								
4. Others	11																								
Subtotal of (I) and (II)	12																								
(III) The Capital Invested and Reduced by the Owners	13																								
1. The Capital Invested by the Owners	14																								
2. The amount of the share payment included in the owner's equity	15																								
3. Others	16																								
(IV) Profit Distribution	17																								
1. Surplus Reserve Extraction	18																								
2. Extraction of the Provision of General Risks	19																								
3. Distribution to Owners/Shareholders	20																								
4. Others	21																								
(V) Internal Carry Forward of the Owners' Equity	22																								
1. Capital Surplus to Capital/Equity	23																								
2. Surplus Reserve to Capital/Equity	24																								
3. Surplus Reserve make-up for losses	25																								
4. Others	26																								
24. Closing Balance for Current Year	27	1,655,320.00										1,655,320.00													1,655,320.00

1,655,320.00  
1,655,320.00

# NatSteel Trade International (Shanghai) Co., Ltd

## Notes to financial statement for 2014 year

Currency unit: RMB yuan

### 1. Corporate information

NATSTEEL TRADE INTERNATIONAL(SHANGHAI) CO., LTD (The Company) is a wholly foreign-owned enterprise, which was established by NATSTEEL TRADE INTERNATIONAL PTE LTD on 28th April 2004. The Company has obtained its Legal Entity Business License No. 310115400149324 on 22th of April 2014. The legal representative of the company is VIVEK MADAN KAMRA, and the registered capital is 200,000 USD, the paid-in capital is 200,000 USD. It has been verified by Shanghai Huijiang & Chengxin Certified Public Accountants on 21 June 2004. The verification report number is No. (2004)21-031.

The Company is mainly engaged in the following areas: international trade, trade agent among the companies registered in the free trade zone, conducting trade business with companies from non-free trade zone, as well as simple business processing, product exhibition and consulting services in the free trade zone (Referring to administration permission, it should be operated with permit).

### 2. Significant accounting policies

#### (1). Accounting standard and accounting system

The Company adopts "Accounting Standards for Business Enterprises" and "Accounting System for Business Enterprises".

#### (2). Accounting year

The accounting year of the Company is from 1 January to 31 December.

#### (3). Reporting currency

Renminbi (RMB).

#### (4). Basis of accounting and measurement bases



The company follows the accrual basis of accounting. Assets are initially recorded at actual costs on acquisition and subsequently adjusted for impairment, if any.

(5). Foreign currency transactions

Foreign currency transactions are translated into the reporting currency at the exchange rates quoted by the People's Bank of China prevailing at the transaction date. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated into the reporting currency using the exchange rates at the end of month. The exchange gains or losses are dealt as finance expenses for the current year.

(6). Cash equivalents

Cash is cash on hand and available bank deposit. Cash equivalents are known amounts of cash and are subject to an insignificant risk of change in value.

(7). Long term Deferred expenses

Deferred expenses are recognized as expenses in the month in which the company commences operation.

(8). Revenue recognition

Revenue from the sales of goods is recognized when significant risks and rewards of ownership of the goods have been transferred to the buyer, the company retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control the goods sold, and it is probable that the economic benefit associated with the transaction will flow to the company and the relevant amount of revenue and costs can be measured reliable.

(9). Income tax: adopt tax payable method

(10). Tax rate:

<u>Item</u>	<u>Rate</u>	<u>Calculation Base</u>
Business tax	5%	The taxable business income
Corporate income tax	25%	The taxable corporate income

### 3. Notes to financial statement

#### 3.1. Notes to Balance Sheet

##### 3.1.1 Cash and Bank balance

<u>Item</u>	<u>Amounts</u>
Cash RMB	-
Bank RMB	538,587.75
Bank USD (US\$ 47,239.50)	288,014.78
Total	826,602.53

##### 3.1.2 Other Current Assets

<u>Items</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Accumulated Amortization</u>	<u>Ending balance</u>
Waigao Qiao Rental	3,750.00	6,250.00	6,250.00	3,750.00
Total	3,750.00	6,250.00	6,250.00	3,750.00

##### 3.1.3 Long-term prepaid expenses

<u>Items</u>	<u>Beginning balance</u>	<u>Additions</u>	<u>Transferred</u>	<u>Ending balance</u>
Organization expenses	1,648,504.32	108,971.08	-	1,757,475.40
Total	1,648,504.32	108,971.08	-	1,757,475.40

##### 3.1.4 Other payable

#### 3.1.4.1 Account aging analysis

Aging	Amount	Proportion
Less than 1 year	<u>12,600.00</u>	1.00%
2-3 years	<u>660,000.00</u>	72.00%
Over 3 years	<u>252,407.93</u>	27.00%
Total	<u>925,007.93</u>	100.00%

#### 3.1.4.2 Major clients

Name of company	Amount
NatSteel Trade International Pte Ltd.	<u>912,407.93</u>
Shanghai HaoEn Business Consulting Co., Ltd.	<u>16,200.00</u>

#### 3.1.5 Other Current Liabilities

Items	Amount
audit fee	<u>7,500.00</u>
Total	<u>7,500.00</u>

#### 3.1.6 Paid in capital

Name of shareholders	Opening balance	Increase	Decrease	Closing balance
NATSTEEL TRADE INTERNATIONAL PTE LTD	<u>1,655,320.00</u>			<u>1,655,320.00</u>
Total	<u>1,655,320.00</u>			<u>1,655,320.00</u>

#### 3.2. Notes to income statement

As at 31 December 2014 the company had not commenced any principal activities.

\* \* END OF FINANCIAL STATEMENTS \* \*

NatSteel Trade International (Shanghai) Co., Ltd.  
Reconciliation of Taxable Income for Year 2014

Unit: RMB

ITEMS	NOTES	Actual listed amount	Within standards	Adjustment amount
一、 Adding amounts for adjustment	1			
1. Items exceeding the standards	2			
(1) Salaries	3			
(2) Welfare fees	4			
(3) Employee's educational expenses	5			
(4) Labor union expenditure	6			
(5) Entertainment expense	7			
(6) Interest expense	8			
(7) Amortization of intangible assets	9			
2. Items not permitted to deduct	11			
(1) Tax overdue fines, penalty	12			
(2) The denations for non-public benefit	13			
(3) Expenses used for sponsoring	14			
(4)	15			
(5)	16			
Subtotal of increasing amounts for adjustment	17	×	×	-
二、 Decreasing amounts for adjustment	18			
(1) Distributed profits from enterprise with domestic funding	19			
(2) Distributed profits from foreign investment company	20			
(3) Dividend and capital bonus	21			
(4) Treasury bill interest	22			
(5) Last year unpaid payroll	23			
Subtotal of decreasing amounts for adjustment	25	×	×	
三、 Listed amounts of profit statement	26	×	-	×
四、 Taxable income after adjustment	27	×	-	×

This adjustment table is based on the opinion of CPA, but the taxable income is finally checked by tax bureau.

Shanghai Chenghui Certified Public Accounts CO., LTD. 诚汇



Certified Public Accountant  
26th March 2015

