

ABC LTD.
Annual Report
March 1, 2007 – February 28, 2008

**Note: this is only be required when setting up a Trading Company in China; It should be investor's last year's audit report copy.
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ABC LTD..

England
ID# 2699

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Auditor's Report

To the board of directors and shareholders of ABC LTD..

We have audited the accompanying financial statements for ABC LTD.. from March 1st, 2005 to February 28th, 2006. This report includes the Management Report, Income Statement, Balance Sheet and the Statement of Cash Flow. These financial statements are the responsibility of the ABC's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conduct our audit in accordance with generally accepted auditing standards in England. Those standards require that we 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the combined financial statements give a true and fair view of the combined financial position of ABC LTD.. as of February 28th, 2006, and of the combined results of its operations and its combined cash flows for the year then ended in accordance with generally accepted accounting principles in England, applied on a consistent basis.

London, July 5th, 2006

Deloitte .

Einar
State Authorized Public Accountant

Management Report

ABC's fiscal year is from March 1st to February 28th every year. ABC's net profit for the year starting March 1st, 2005 and ending February 28th, 2006 was 236.287.510 EU (3,375,535 USD). According to ABC's Balance Sheet the Total Assets amount to 8.769.720.169 EU (125,281,717 USD) and Shareholders' Equity amounts to 1.450.868.617 EU (20,726,695 USD).

At the end of the fiscal year ABC LTD.. had only one shareholder.

The board refers to the annual report in regards to any changes in shareholders' equity and the allocation of profits.

It is the opinion of ABC's board and management that this annual report truly represents the financial state of the company for the fiscal year ending February 28th, 2006. The signatures of the board and management hereby agree to this annual report.

London July 5th, 2006

The Board

The Management

Income Statement

	Notes	March 1 st , 2005 – Feb. 28 th , 2006	
		<u>USD</u>	<u>EU</u>
Total income		530,855	37.159.910
Wages and benefits	3	(342,876)	(24.001.319)
Overhead		(1,810,111)	(126.707.813)
Other operating cost		<u>(173,325)</u>	<u>(12.132.753)</u>
Net profit (loss)		(1,795,457)	(125.681.975)
Earnings from subsidiaries		(6,071)	(425.000)
Revenue	4	14,641,426	1.024.899.817
Expenses	5	<u>(8,723,391)</u>	<u>(610.637.342)</u>
EBIT		4,116,507	288.155.500
Taxes	6	<u>(740,971)</u>	<u>(51.867.990)</u>
Net profit		<u>3,375,535</u>	<u>236.287.510</u>

Balance Sheet February 28th, 2006

	Notes		Feb. 28 th , 2006
		<u>USD</u>	<u>EU</u>
Assets			
Investment in subsidiaries	7	<u>48,830</u>	<u>3.418.131</u>
Fixed assets		<u>48,830</u>	<u>3.418.131</u>
Current Assets			
Accounts receivable	8	8,744	612.088
Accounts rec. from subsidiaries		192,978	13.508.431
Other receivables		3,082,994	215.809.554
Market Securities		92,147,414	6.450.319.049
Cash and cash equivalents		<u>29,800,755</u>	<u>2.086.052.916</u>
Current assets		<u>125,232,886</u>	<u>8.766.302.038</u>
Total assets		<u>125,281,717</u>	<u>8.769.720.169</u>
 Shareholders' Equity and Liabilities			
		<u>USD</u>	<u>EU</u>
Shareholders' Equity			
Capital stock	9	14,286	1.000.000
Paid-in capital		17,336,872	1.213.581.107
Retained earnings		<u>3,375,535</u>	<u>236.287.510</u>
Total Shareholders' Equity		<u>20,726,695</u>	<u>1.450.868.617</u>
Long Term Liabilities			
Deferred income tax liability	10	<u>740,971</u>	<u>51.867.990</u>
Total Long Term Liabilities		<u>740,971</u>	<u>51.867.990</u>
Current Liabilities			
Accounts payable	11	2,108,729	147.611.052
Debt to financial institutions		95,330,024	6.673.101.688
Debt to shareholder		6,290,104	440.307.306
Other current liabilities		<u>85,193</u>	<u>5.963.516</u>
Current Liabilities		<u>103,814,050</u>	<u>7.266.983.562</u>
Total Liabilities and Shareholders' Equity		<u>125,281,717</u>	<u>8.769.720.169</u>

Cash Flow for the year March 2005 – February 2006

	Notes	<u>USD</u>	<u>EU</u>
Cash flow from operating activities			
Net profit (loss)		<u>(1,795,457)</u>	<u>(125.681.975)</u>
Total cash from operating activities		<u>(1,795,457)</u>	<u>(125.681.975)</u>
Accounts receivables (increase) decrease		(627,038)	(43.892.678)
Accounts payable increase (decrease)		<u>2,193,922</u>	<u>153.574.568</u>
Total cash from op.act. less interest and taxes		(228,573)	(16.000.085)
Interests and dividends paid		308,214	21.574.978
Taxes paid		<u>(3,757,592)</u>	<u>(263.031.409)</u>
Net cash provided by operating activities		<u>(3,677,950)</u>	<u>(257.456.516)</u>
Investing Activities			
Net market securities		12,914,613	904.022.951
Investments in subsidiaries		(54,902)	(3.843.131)
Changes in loans to subsidiaries		(192,978)	(13.508.431)
Changes in loans to assoc. companies		<u>451,274</u>	<u>31.589.156</u>
Total Investing Activities		<u>13,118,008</u>	<u>918.260.545</u>
Financing Activities			
Paid in capital	9	14,285,714	1.000.000.000
Loan from shareholder		<u>6,074,984</u>	<u>425.248.887</u>
		<u>20,360,698</u>	<u>1.425.248.887</u>
Increase/decrease in cash		29,800,756	2.086.052.916
Starting cash		<u>0</u>	<u>0</u>
Cash at end of year		<u>29,800,756</u>	<u>2.086.052.916</u>

Notes

1. Operations

ABC LTD.. is a private limited company and operates according to the England law number 138/1904 concerning privately limited companies.

ABC LTD.. started its operations in the year 2005. It is a consulting and investing company. The mission of the company is to oversee investments that are directly or indirectly owned by the company and work toward finding new investments in the retail and real estate market.

Part of the audit report has been removed, please contact info@pathtochina.com for the complete version

Please contact Path To China offices in Shanghai, Beijing, Hong Kong for details about setting up a WFOE in China: info@pathtochina.com

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