

Shenzhen Zhongheng Huafa Co., Ltd.

First Quarterly Report 2019

April 2019

Section I. Important Notes

Board of Directors and the Supervisory Committee of Shenzhen Zhongheng Huafa Co., Ltd (hereinafter referred to as the Company) and its directors, supervisors and senior executives should guarantee the reality, accuracy and completion of the quarterly report, there are no any fictitious statements, misleading statements or important omissions carried in this report, and shall take legal responsibilities, individual and/or joint.

All Directors are attended the Board Meeting for Quarterly Report deliberation. Li Zhongqiu, person in charge of the Company, Yang Bin, person in charge of accounting works and Wu Ai'jie, person in charge of accounting organ (accounting officer) hereby confirm that the Financial Statement of this Quarterly Report is authentic, accurate and complete.

Section II. Basic situation of the Company

I. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data

Yes No

	Current period	At the same period of last year	Changes of this period over same period of last year
Operating income (RMB)	143,921,648.63	171,620,013.62	-16.14%
Net profit attributable to shareholders of the listed company (RMB)	258,233.98	307,367.89	-15.99%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	196,868.38	5,469.74	3,499.23%
Net cash flow arising from operating activities (RMB)	19,403,902.99	337,819.42	5,643.87%
Basic earnings per share (RMB/Share)	0.0009	0.0011	-18.18%
Diluted earnings per share (RMB/Share)	0.0009	0.0011	-18.18%
Weighted average ROE	0.08%	0.10%	-0.02%
	At the end of the reporting period	At the end of last year	Changes of this period-end over same period-end of last year
Total assets (RMB)	579,621,386.06	617,090,153.46	-6.07%
Net assets attributable to shareholder of listed company (RMB)	324,226,234.72	323,968,000.74	0.08%

Items and amount of non-recurring gains and losses

Applicable Not applicable

In RMB

Item	Amount from year-begin to period-end	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	-3,018.00	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business)	6,000.00	
Gain or loss on the investment or management of assets	30,941.58	

Other non-operating income and expenditure except for the aforementioned items	37,200.00	
Less: impact on income tax	9,757.18	
Total	61,365.60	--

Concerning the extraordinary profit (gain)/loss defined by *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, and the items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*, explain reasons

Applicable Not applicable

In reporting period, the Company has no particular about items defined as recurring profit (gain)/loss according to the lists of extraordinary profit (gain)/loss in *Q&A Announcement No.1 on Information Disclosure for Companies Offering Their Securities to the Public --- Extraordinary Profit/loss*

II. Total number of shareholders at the end of this report period and top ten shareholders

1. Total number of common shareholders at the end of this report period and top ten common shareholders

In shares

Total common stock shareholders in reporting period-end	24,818	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0			
Top ten shareholders						
Shareholder's name	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Number of share pledged/frozen	
					State of share	Amount
Wuhan Zhongheng Group	Domestic non-state-owned legal person	41.69%	118,044,194	0	Pledged	116,100,000
					Frozen	116,489,894
SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0	Pledged	0
					Frozen	0
GOOD HOPE CORNER INVESTMENTS LTD	Overseas legal person	4.49%	12,700,000	0	Pledged	0
					Frozen	0
Changjiang Securities Brokerage (Hongkong) Co., Ltd.	Overseas legal person	1.89%	5,355,249	0	Pledged	0
					Frozen	0

Guoyuan Securities Brokerage (Hong Kong) Limited	Overseas legal person	1.37%	3,870,117	0	Pledged	0
				0	Frozen	0
LI SHERYN ZHAN MING	Overseas legal person	0.39%	1,092,000	0	Pledged	0
				0	Frozen	0
Li Senzhuang	Domestic nature person	0.36%	1,022,260	0	Pledged	0
				0	Frozen	0
Han Yaming	Domestic nature person	0.31%	864,200	0	Pledged	0
				0	Frozen	0
Zhong Jiachao	Domestic nature person	0.30%	857,994	0	Pledged	0
				0	Frozen	0
BINGHU LIU	Overseas nature person	0.30%	840,313	0	Pledged	0
				0	Frozen	0

Top ten shareholders with unrestricted shares held

Shareholder's name	Amount of unrestricted shares held	Type of shares	
		Type	Amount
Wuhan Zhongheng Group	118,044,194	RMB common share	118,044,194
SEG (HONG KONG) CO., LTD.	16,569,560	Domestically listed foreign shares	16,569,560
GOOD HOPE CORNER INVESTMENTS LTD	12,700,000	Domestically listed foreign shares	12,700,000
Changjiang Securities Brokerage (Hongkong) Co., Ltd.	5,355,249	Domestically listed foreign shares	5,355,249
Guoyuan Securities Brokerage (Hong Kong) Limited	3,870,117	Domestically listed foreign shares	3,870,117
LI SHERYN ZHAN MING	1,092,000	Domestically listed foreign shares	1,092,000
Li Senzhuang	1,022,260	Domestically listed foreign shares	1,022,260
Han Yaming	864,200	Domestically	864,200

		listed foreign shares	
# Zhong Jiachao	857,994	RMB common share	857,994
BINGHU LIU	840,313	Domestically listed foreign shares	840,313
Explanation on associated relationship among the aforesaid shareholders	Among the top ten shareholders, Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. neither bears associated relationship with other shareholders, nor belongs to the consistent actor that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. The Company neither knew whether there exists associated relationship among the other tradable shareholders, nor they belong to consistent actors that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies.		
Explanation on top 10 common shareholders involving margin business (if applicable)	Among the top ten shareholder, Zhong Jiachao holds 857,994 shares of the Company, including 369,000 shares holding through credit account, a 43 percent takes in total shares of the company holding		

Whether top ten common shareholders or top ten common shareholders with un-restrict shares held have a buy-back agreement dealing in reporting period

Yes No

The top ten common shareholders or top ten common shareholders with un-restrict shares held of the Company have no buy-back agreement dealing in reporting period.

2. Total shareholders with preferred stock held and shares held by top ten shareholders with preferred stock held

Applicable Not applicable

Section III. Significant Events

I. Particulars about material changes in items of main accounting statement and financial index and explanations of reasons

√Applicable □Not applicable

Item	2019-3-31	2018-1-1	Y-o-y changes	Reasons of changes
Account paid in advance	11,506,518.47	31,348,429.54	-63.29%	Part of account paid in advance for material at end of last year
Other receivables	7,731,577.17	5,777,179.08	33.83%	Amount contact between the enterprises increased
Account received in advance	246,190.47	159,528.60	54.32%	Account of goods are received in advance from small customers
Item	Jan.-March of 2019	Jan.-March of 2018	Y-o-y changes	Reasons of changes
Taxes and surcharges	628,766.00	1,117,886.20	-43.75%	Sales declined, than the taxes decreased
Income from investment	30,941.58	110,910.67	-72.10%	Bank financial purchased in the period declined
Non-operation income	44,300.00	512,000.00	-91.35%	Received government grants at same period last year
Non-operation expenditure	4,118.80	267,736.37	-98.46%	Loss of assets disposal arising at same period last year
Income tax expenses	84,349.95	158,156.45	-46.67%	Sales declined, than the taxes decreased
Item	Jan.-March of 2019	Jan.-March of 2018	Y-o-y changes	Reasons of changes
Taxes paid	2,076,195.55	7,128,845.32	-70.88%	Sales declined, than the taxes decreased
Cash received from investment income	30,941.58	110,910.67	-72.10%	Bank financial purchased in the period declined
Net cash received from disposal of fixed, intangible and other long-term assets	-	412,682.00	-100.00%	Production equipment renew last period
Cash paid for purchasing fixed, intangible and other long-term assets	1,991,100.36	3,851,816.62	-48.31%	Purchased new production equipment for new workshop last period
Cash received from	39,255,469.21	131,532,341.95	-70.16%	Short-term loans declined in the period

loans				
Cash paid for settling debts	51,413,400.63	131,560,722.31	-60.92%	Short-term loans repayment declined in the period
Influence on cash and cash equivalents due to fluctuation in exchange rate	65,528.58	-200,355.12	132.71%	Impact of exchange rate fluctuations

II. Analysis and explanation of significant events and their influence and solutions

Applicable Not applicable

(I) The Company signed Asset Exchange Contract with Wuhan Zhongheng Group on 29 April 2009 (details were referred to in the announcement dated 30 April 2009), and pursuant to the contract, since part of the assets of the Company (namely two parcel of industrial lands located at Huafa road, Gongming town, Guangming new district, Shenzhen (the property certificate No. were SFDZ No.7226760 and SFDZ No.7226763, No. of parcels were A627-005 and A627-007, and the aggregate area was 48,200 sq.m) were the lands listed in the first batch of plan for 2010 Shenzhen urbanization unit planning preparation plan. For promotion of such urbanization project and joint cooperation, the Company has not completed the transfer procedures in respect of the aforesaid land.

The Company convoked the first extraordinary meeting of the Board in 2015 on February 16, 2015 and the first extraordinary general meeting of the Board in 2015 on March 4, 2015, which considered and approved the “Motion on promoting and implementing the urban renewal project for the renewal units of Huafa area at Gongming street, Guangming new district, Shenzhen”, specified that the Company and Wuhan Zhongheng Group shall obtain the corresponding compensatory consideration for removal from the respectively owned project plots and the respectively contributed and constructed above-ground buildings before the land development, it is estimated that the compensatory consideration obtained by the Company accounts for 50.5% of the total consideration and Wuhan Zhongheng Group accounts for 49.5% by calculation.

The sixth extraordinary meeting of the board of directors in 2015 and the third extraordinary general meeting held on September 11, 2015 have considered and adopted the “Proposal on the project promotion and implementation of urban renewal and the progress of related transactions of ‘the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen’”, the company has signed the “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen”, “Contract for the cooperative venture of reconstruction project for Huafa Industrial Park, Gong Ming Street, Guangming New District” and “Agreement on housing acquisition and removal compensation and resettlement” with Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as “Wuhan Zhongheng Group”), Shenzhen Vanke Real Estate Co., Ltd. (hereinafter referred to as “Shenzhen Vanke”), and Shenzhen Vanke Guangming Real Estate Development Co., Ltd. (hereinafter referred to as “Vanke Guangming”).

On 12 September 2016, the Company received a “Notice of Arbitration No.: SHEN DP20160334” from SCIA, Shenzhen Vanke applied for arbitration in respect of “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen” against the Company and Wuhan Zhongheng Group. The arbitration court holds hearings on 12 November 2016 and 13 May 2017. Shenzhen Court of International Arbitration (SCIA) has given a ruling in August 2017. In February 2018, the company filed an application for repeal of arbitration to the Shenzhen Intermediate People’s Court, the Shenzhen Intermediate People’s Court made a judgment on August 16, 2018 to reject the company’s claims. On August 29, 2018, the court accepted the compulsory execution application of Shenzhen Vanke, at present, the controlling shareholders are actively communicating with the relevant parties for the solution. Progress of the case found more in the Notices released on Juchao

website (www.cninfo.com.cn) dated 14 Sept. 2016, 1 Nov. 2016, 16 Nov. 2016, on 18 Feb. 2017, 24 March 2017, 25 April 2017, 1 July 2017, 18 August 2017, 9 Feb. 2018, 25 Aug. 2018 and 7 Sept. 2018 respectively.

(ii) On 31 December 2015, the 88,750,047 shares held by Wuhan Zhongheng Group, are pledge to China Merchants Securities Assets Co., Ltd. with due date of 31 December 2016. Wuhan Zhongheng Group deferred the repurchase business day to 30 June 2017. on 1 Feb. 2016, Wuhan Zhongheng Group pledge the 27,349,953 shares held to China Merchants Securities Assets Co., Ltd. with due date of 31 December 2016. The above mentioned shares are deferred for repurchase of stock pledge by Wuhan Zhongheng Group; pledge expired on 31 December 2017. The trading day for repurchase put off to the date when pledge actually removed. Till end of this period released, controlling shareholder still not removed the pledge and the Company has apply by letter, relevant Notice of Presentment on Stock Pledge from Controlling Shareholder was released. Found more in notice released on Juchao website (www.cninfo.com.cn) date 2 Feb. 2018.

(iii) Our controlling shareholder Wuhan Zhongheng Group holds 116,489,894 shares of the Company, accounting for 41.14% of total share capital. The above shares were judicially sealed on 27 September 2016, shares freeze from 27 September 2016 to 13 September 2021; and on 14 December 2018, shares are waiting freeze by Shenzhen Intermediate's Court with period of 36 months in freeze. Details are set out in the announcement published at Juchao information website (www.cninfo.com.cn) on 27 October 2016 and 11 Jan. 2019.

(iv) On March 21, 2014, Huafa Property and Shenzhen Jifang Investment Co., Ltd. (hereinafter referred to as "Jifang Investment") signed the "Shenzhen Housing Leasing Contract" and the "Supplemental Agreement on Leasing Contract", which were canceled on February 5, 2016. As Jifang Investment occupied the site, and defaulted rent, management fee and water and electricity bills in the long term, in order to safeguard the legitimate rights and interests, Huafa Property submitted a request for arbitration to Shenzhen Arbitration Commission on March 8, 2016, and received the (2016) SZCZ No. 346 ruling paper from Shenzhen Arbitration Commission in November 2016 which ruled Huafa Property won the lawsuit. See details on the notice published at www.cninfo.com.cn by the company on November 8, 2016. The site occupied by Jifang was collected in May 2018.

(v) Commitments of Major shareholder to Increase Shareholding

On November 20, and November 28, 2017, the controlling shareholders respectively made commitments to increase the shareholding of 2.83 million shares of the company's B Shares and no less than 2.8 million shares of the company's A Shares, with a commitment period of 6 months. After that, controlling shareholders apply for two deferrals. As of the disclosure date of this report, it's still in the commitment fulfillment period, and the commitment has not been fulfilled.

(vi) Director and deputy chairman of the Company Mr. Zhang Guangliu resigned his job as director, deputy chairman and member of the committee of the Board of the Company for job mobility. Nominated by second largest shareholder SEG (HK) Co., Ltd, Mr. Gao Jianbo was elected as the director of 9th BOD of the Company with office same as the session of BOD.

Summary of important issues	Disclosure date	Interim report disclosure index
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Implementation progress of shares buy-back

Applicable Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

Applicable Not applicable

III. Commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, purchaser and companies

√Applicable Not applicable

Commitments	Promise	Type of commitments	Content of commitments	Commitment date	Commitment term	Implementation
Commitments for share reform	Wuhan Zhongheng Group		The enterprise and its subsidiaries will not participate directly or indirectly in operation of the business with competitive of Shen Huafa and its controlling subsidiary concerned, and not to damage the interest of the Shen Huafa and its controlling subsidiary by making use of the potential controlling-ship of the Shen Huafa either	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing
	Wuhan Zhongheng Group		The enterprise and its subordinate enterprise shall avoid a related transaction as far as possible with Shen Huafa and its controlling subsidiary, as for the related dealings occurred inevitable or have reasonable cause, the enterprise promise to follow the principle of fair-ness, justice and open-ness, signed the agreement in line with the laws, perform legal program, fulfill information disclosure obligation and relevant approval procedures according to the relevant laws, regulations and "Listing Rules" of the Shenzhen Stock Exchange, guarantee not to damage the legal interest of Shen Huafa and its shareholders through related transactions	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing
	Wuhan Zhongheng Group		After acquisition and assets restructuring, guarantee to have an independent staff, owns independent and completed assets, and independent in aspect of business, financial and institution from Shen Huafa	2007-03-29	Implement since 12 April 2007 throughout the year	In normal implementing
Commitments in report of acquisition or						

equity change						
Commitments in assets reorganization						
Commitments make in initial public offering or re-financing						
Equity incentive commitment						
Other commitments for medium and small shareholders	Wuhan Zhongheng Group		Regarding the lawsuit with Shenzhen Vanke: 1. If the arbitration judges Shenzhen Vanke to win, the arbitration losses caused by the contract disputes shall be undertaken by Wuhan Zhongheng Group in full; 2. The contingent losses and risks arising from the termination of relevant contracts shall be undertaken by Wuhan Zhongheng Group in advance.	2016-12-20	Implemented since 20 December 2016	In normal implementing
	Wuhan Zhongheng Group		Promise to increasing shares of holding as 2.83 million shares of B-stock of the Company in 6 months since the letter delivery	2017-11-20	In 6 months since the date of notification	Ended as the reporting period, the promises during performance period has not been implemented yet
	Wuhan Zhongheng Group		Promise to increasing shares of holding as 2.8 million shares of A-stock at least in 6 months since the letter delivery	2017-11-28	In 6 months since the date of notification	Ended as the reporting period, the promises during performance period and part of the commitment implemented
Completed on	Yes					

time (Y/N)	
If the commitments is not fulfilled on time, shall explain the specify reason and the next work plan	Not applicable

IV. Predict of the business performance from January to June 2019

Warnings and reasons of the predict that the cumulative net profit from the begin of the year to the end of next report period may be loss or have great changes comparing with the same period of last year

Applicable Not applicable

V. Securities Investment

Applicable Not applicable

No security investment in the Period.

VI. Derivative investment

Applicable Not applicable

No derivative investment in the Period.

VII. Registration form for receiving research, communication and interview in the report period

Applicable Not applicable

Date	Method	Type of investors	Basic situation index of investigation
2019-01-03	Telephone communication	Individual	N/A

VIII. Guarantee outside against the regulation

Applicable Not applicable

The Company has no external security against the rules in the Period.

IX. Non-operational fund occupation from controlling shareholders and its related party

Applicable Not applicable

There are no controlling shareholders' and its related party's non-business capital occupying of the listed company.

Section IV. Financial Statement

I. Financial statement

1. Consolidate balance sheet

Prepared by Shenzhen Zhongheng Huafa Co., Ltd.

2019-03-31

In RMB

Items	2019-3-31	2018-12-31
Current assets:		
Monetary fund	36,204,765.03	34,108,330.27
Settlement provisions		
Capital lent		
Transactional financial assets		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable and account receivable	155,349,020.71	185,983,351.22
Including: Notes receivable	27,134,521.33	69,185,516.71
Accounts receivable	128,214,499.38	116,797,834.51
Account paid in advance	11,506,518.47	31,348,429.54
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	7,731,577.17	5,777,179.08
Including: Interest receivable		
Dividends receivable		
Buying back the sale of financial assets		
Inventories	70,786,993.64	62,973,909.38
Contractual assets		

Assets held for sale		
Non-current assets maturing within one year		
Other current assets	42,314.10	59,370.18
Total current assets	281,621,189.12	320,250,569.67
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Available-for-sale financial assets		
Other debt investment		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments		
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	50,249,240.29	50,681,322.86
Fixed assets	186,259,240.27	188,083,873.38
Construction in progress	6,875,558.57	5,727,760.23
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	44,427,614.19	41,815,689.74
Research and development costs		
Goodwill		
Long-term deferred expenses	484,033.03	542,116.99
Deferred income tax assets	6,829,856.59	6,829,856.59
Other non-current assets	2,874,654.00	3,158,964.00
Total non-current assets	298,000,196.94	296,839,583.79
Total assets	579,621,386.06	617,090,153.46
Current liabilities		
Short-term borrowings	136,622,458.00	161,568,657.88
Loan from central bank		
Capital borrowed		
Transactional financial liability		

Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable & account payable	72,847,888.26	88,617,663.09
Accounts received in advance	246,190.47	159,528.60
Selling financial asset of repurchase		
Absorbing deposit and interbank deposits		
Agent buying and selling securities		
Acting underwriting securities		
Wage payable	2,735,590.88	4,700,208.36
Taxes payable	9,489,303.40	11,232,819.87
Other accounts payable	33,389,309.33	26,778,863.92
Including: Interest payable	163,673.05	439,558.70
Dividend payable		
Handling fees and commissions payable		
Reinsurance payable		
Contractual liability		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	255,330,740.34	293,057,741.72
Non-current liabilities:		
Insurance contract reserve		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable		
Long term employee compensation payable		

Accrued liabilities	64,411.00	64,411.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	64,411.00	64,411.00
Total liabilities	255,395,151.34	293,122,152.72
Owners' equity:		
Share capital	283,161,227.00	283,161,227.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	146,587,271.50	146,587,271.50
Less: Inventory shares		
Other comprehensive income		
Special reserve		
Surplus reserve	77,391,593.25	77,391,593.25
Provision of general risk		
Retained profit	-182,913,857.03	-183,172,091.01
Total owner's equity attributable to parent Company	324,226,234.72	323,968,000.74
Minority interests		
Total owner's equity	324,226,234.72	323,968,000.74
Total liabilities and owner's equity	579,621,386.06	617,090,153.46

Legal Representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institute: Wu Aijie

2. Balance Sheet of Parent Company

In RMB

Items	2019-3-31	2018-12-31
Current assets:		
Monetary fund	5,239,905.52	25,181,764.87

Transactional financial assets		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable and account receivable		
Including: Notes receivable		
Accounts receivable		
Account paid in advance	353,050.00	
Other account receivable	105,431,467.95	99,922,143.84
Including: Interest receivable		
Dividends receivable		
Inventories	14,806.50	14,806.50
Contractual assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets		
Total current assets	111,039,229.97	125,118,715.21
Non-current assets:		
Debt investment		
Available-for-sale financial assets		
Other debt investment		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	186,608,900.00	186,608,900.00
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	26,072,603.04	27,583,299.22
Fixed assets	98,945,724.53	99,678,839.27
Construction in progress		654,356.00
Productive biological assets		
Oil and natural gas assets		

Right-of-use assets		
Intangible assets	4,662,418.53	4,843,600.68
Research and development costs		
Goodwill		
Long-term deferred expenses		141,666.55
Deferred income tax assets	7,506,905.90	7,519,546.71
Other non-current assets		
Total non-current assets	323,796,552.00	327,030,208.43
Total assets	434,835,781.97	452,148,923.64
Current liabilities		
Short-term borrowings	100,000,000.00	120,000,000.00
Transactional financial liability		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable & account payable	9,740,367.33	10,745,840.16
Accounts received in advance	133,844.50	67,210.00
Contractual liability		
Wage payable	820,979.02	1,039,196.20
Taxes payable	7,260,647.12	9,305,468.70
Other accounts payable	21,424,953.87	14,339,551.78
Including: Interest payable		
Dividend payable		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	139,380,791.84	155,497,266.84
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		

Lease liability		
Long-term account payable		
Long term employee compensation payable		
Accrued liabilities	64,411.00	64,411.00
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	64,411.00	64,411.00
Total liabilities	139,445,202.84	155,561,677.84
Owners' equity:		
Share capital	283,161,227.00	283,161,227.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	146,587,271.50	146,587,271.50
Less: Inventory shares		
Other comprehensive income		
Special reserve		
Surplus reserve	77,391,593.25	77,391,593.25
Retained profit	-211,749,512.62	-210,552,845.95
Total owner's equity	295,390,579.13	296,587,245.80
Total liabilities and owner's equity	434,835,781.97	452,148,923.64

3. Consolidated Profit Statement

In RMB

Items	Current Period	Last Period
I. Total operating income	143,921,648.63	171,620,013.62
Including: Operating income	143,921,648.63	171,620,013.62
Interest income		
Insurance gained		
Handling fees and commissions income		
II. Total operating cost	143,650,187.48	171,509,663.58

Including: Operating cost	123,972,772.66	152,728,695.85
Interest expense		
Handling fees and commissions expenses		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Taxes and surcharge	628,766.00	1,117,886.20
Sales expenses	3,231,596.06	3,844,118.14
Administration expenses	11,971,872.78	9,464,851.87
R&D expenses		
Financial expenses	3,845,179.98	4,354,111.52
Including: interest expenses	2,793,872.51	3,116,070.83
Interest income	95,661.57	205,102.82
Losses of devaluation of asset		
Loss of credit impairment		
Add: other income		
Investment income (Loss is listed with “-”)	30,941.58	110,910.67
Including: Investment income on affiliated Company and joint venture		
Exchange income (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Changing income of fair value(Loss is listed with “-”)		
Income on disposal of assets (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	302,402.73	221,260.71
Add: Non-operating income	44,300.00	512,000.00
Less: Non-operating expense	4,118.80	267,736.37

IV. Total Profit (Loss is listed with “-”)	342,583.93	465,524.34
Less: Income tax	84,349.95	158,156.45
V. Net profit (Net loss is listed with “-”)	258,233.98	307,367.89
(i) Classify by business continuity		
1. continuous operating net profit (net loss listed with ‘-’)	258,233.98	307,367.89
2. termination of net profit (net loss listed with ‘-’)		
(ii) Classify by ownership		
1. Net profit attributable to owner's of parent company	258,233.98	307,367.89
2. Minority shareholders' gains and losses		
VI. Net after-tax of other comprehensive income		
Net after-tax of other comprehensive income attributable to owners of parent company		
(I) Other comprehensive income items which will not be reclassified subsequently to profit or loss		
1. Changes of the defined benefit plans that re-measured		
2. Other comprehensive income under equity method that cannot be transfer to gain/loss		
3. Change of fair value of investment in other equity instrument		
4. Fair value change of enterprise's credit risk		
5. Other		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Other comprehensive income under equity method that can transfer to gain/loss		
2. Change of fair value of other debt investment		

3.gain/loss of fair value changes for available-for-sale financial assets		
4.Amount of financial assets re-classify to other comprehensive income		
5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset		
6.Credit impairment provision for other debt investment		
7.Cash flow hedging reserve		
8.Translation differences arising on translation of foreign currency financial statements		
9.Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	258,233.98	307,367.89
Total comprehensive income attributable to owners of parent Company	258,233.98	307,367.89
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0009	0.0011
(ii) Diluted earnings per share	0.0009	0.0011

Enterprise combine under the same control in the Period, the combined party realized net profit of 0 Yuan before combination, and realized 0 Yuan at last period for combined party

Legal Representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institute: Wu Aijie

4. Profit Statement of Parent Company

In RMB

Items	Current Period	Last Period
I. Operating income	8,410,710.54	9,695,927.93
Less: Operating cost	1,229,845.47	1,069,611.54

Taxes and surcharge	235,479.42	608,353.57
Sales expenses		
Administration expenses	4,650,071.72	5,038,857.70
R&D expenses		
Financial expenses	2,191,390.21	2,469,805.69
Including: interest expenses	2,174,999.98	2,479,875.02
Interest income	6,534.22	16,259.97
Losses of devaluation of asset		
Loss of credit impairment		
Add: other income		
Investment income (Loss is listed with “-”)		
Including: Investment income on affiliated Company and joint venture		
Net exposure hedging income (Loss is listed with “-”)		
Changing income of fair value(Loss is listed with “-”)		
Income on disposal of assets (Loss is listed with “-”)		
II. Operating profit (Loss is listed with “-”)	103,923.72	509,299.43
Add: Non-operating income	37,300.00	
Less: Non-operating expense		
III. Total Profit (Loss is listed with “-”)	141,223.72	509,299.43
Less: Income tax	35,305.93	127,324.86
IV. Net profit (Net loss is listed with “-”)	105,917.79	381,974.57
(i)continuous operating net profit (net loss listed with ‘-’)	105,917.79	381,974.57
(ii) termination of net profit (net loss listed with ‘-’)		
V. Net after-tax of other		

comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit or loss		
1. Changes of the defined benefit plans that are re-measured		
2. Other comprehensive income under equity method that cannot be transferred to gain/loss		
3. Change of fair value of investment in other equity instrument		
4. Fair value change of enterprise's credit risk		
5. Other		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Other comprehensive income under equity method that can be transferred to gain/loss		
2. Change of fair value of other debt investment		
3. Gain/loss of fair value changes for available-for-sale financial assets		
4. Amount of financial assets re-classified to other comprehensive income		
5. Gain/loss of held-to-maturity investments that are re-classified to available-for-sale financial assets		
6. Credit impairment provision for other debt investment		
7. Cash flow hedging reserve		
8. Translation differences arising on translation of foreign currency financial statements		

9. Other		
VI. Total comprehensive income	105,917.79	381,974.57
VII. Earnings per share:		
(i) Basic earnings per share	0.0004	0.0013
(ii) Diluted earnings per share	0.0004	0.0013

5. Consolidated Cash Flow Statement

In RMB

Items	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	131,395,643.63	129,571,099.86
Net increase of customer deposit and interbank deposit		
Net increase of loan from central bank		
Net increase of capital borrowed from other financial institution		
Cash received from original insurance contract fee		
Net cash received from reinsurance business		
Net increase of insured savings and investment		
Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		

Net cash received by agents in sale and purchase of securities		
Write-back of tax received		
Other cash received concerning operating activities	1,243,646.01	1,231,864.14
Subtotal of cash inflow arising from operating activities	132,639,289.64	130,802,964.00
Cash paid for purchasing commodities and receiving labor service	85,022,628.29	96,423,780.37
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Net increase of financial assets held for transaction purposes		
Net increase of capital lent		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	16,234,429.46	18,269,550.80
Taxes paid	2,076,195.55	7,128,845.32
Other cash paid concerning operating activities	9,902,133.35	8,642,968.09
Subtotal of cash outflow arising from operating activities	113,235,386.65	130,465,144.58
Net cash flows arising from operating activities	19,403,902.99	337,819.42
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	30,941.58	110,910.67

Net cash received from disposal of fixed, intangible and other long-term assets		412,682.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	46,000,000.00	42,000,000.00
Subtotal of cash inflow from investing activities	46,030,941.58	42,523,592.67
Cash paid for purchasing fixed, intangible and other long-term assets	1,991,100.36	3,851,816.62
Cash paid for investment		
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	46,000,000.00	42,000,000.00
Subtotal of cash outflow from investing activities	47,991,100.36	45,851,816.62
Net cash flows arising from investing activities	-1,960,158.78	-3,328,223.95
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Including: Cash received from absorbing minority shareholders' investment by subsidiaries		
Cash received from loans	39,255,469.21	131,532,341.95
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	39,255,469.21	131,532,341.95
Cash paid for settling debts	51,413,400.63	131,560,722.31
Cash paid for dividend and profit distributing or interest paying	3,134,606.87	2,860,474.39

Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	54,548,007.50	134,421,196.70
Net cash flows arising from financing activities	-15,292,538.29	-2,888,854.75
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	65,528.58	-200,355.12
V. Net increase of cash and cash equivalents	2,216,734.50	-6,079,614.40
Add: Balance of cash and cash equivalents at the period -begin	27,961,209.60	81,474,974.30
VI. Balance of cash and cash equivalents at the period -end	30,177,944.10	75,395,359.90

6. Cash Flow Statement of Parent Company

In RMB

Items	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	8,916,021.40	5,470,760.50
Write-back of tax received		
Other cash received concerning operating activities	2,102,534.22	100,278,749.63
Subtotal of cash inflow arising from operating activities	11,018,555.62	105,749,510.13
Cash paid for purchasing commodities and receiving labor service		
Cash paid to/for staff and workers	841,317.45	899,173.60
Taxes paid	458,295.30	1,637,395.79

Other cash paid concerning operating activities	15,538,788.71	110,421,369.31
Subtotal of cash outflow arising from operating activities	16,838,401.46	112,957,938.70
Net cash flows arising from operating activities	-5,819,845.84	-7,208,428.57
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income		
Net cash received from disposal of fixed, intangible and other long-term assets		
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		
Cash paid for purchasing fixed, intangible and other long-term assets		1,036,800.00
Cash paid for investment		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities		1,036,800.00
Net cash flows arising from investing activities		-1,036,800.00
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans		100,000,000.00
Cash received from issuing		

bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		100,000,000.00
Cash paid for settling debts		100,199,862.50
Cash paid for dividend and profit distributing or interest paying	2,174,999.98	2,315,212.52
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	2,174,999.98	102,515,075.02
Net cash flows arising from financing activities	-2,174,999.98	-2,515,075.02
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	-23.63	-166.89
V. Net increase of cash and cash equivalents	-7,994,869.45	-10,760,470.48
Add: Balance of cash and cash equivalents at the period -begin	12,024,179.58	25,181,764.87
VI. Balance of cash and cash equivalents at the period -end	4,029,310.13	14,421,294.39

II. Explanation on financial statement adjustment

1. Financial statement adjustment at the beginning of the first year when implementation of new financial instrument rules, new revenue rules and new leasing rules

Applicable Not applicable

2. Retrospective adjustment of the comparative data for initial implementation of new financial instrument rules and new leasing rules

Applicable Not applicable

III. Audit report

Whether the 1st quarterly report has been audited or not

Yes No

1Q report of the Company is unaudited.