

Shenzhen Zhongheng Huafa Co., Ltd.

First Quarterly Report 2015

(Full-Text)

April 2015

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.

Other directors attended the board meeting on deliberating the quarterly report except for the following directors:

Name of absent director	Position of absent director	Reason for absence	Attorney
Li Xiaodong	Independent Director	On a business trip	Zhang Zhaoguo

Li Zhongqiu, person in charge of the Company, Cao Li, person in charger of accounting works and Wu Ai'jie, person in charger of accounting organ (accounting officer) hereby confirm that the Financial Statement of this Quarterly Report is authentic, accurate and complete.

Section II. Main financial data and changes of shareholders

I. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data for accounting policy changed and accounting error correction or not

☐ Yes ☒ No

	Current period	At the same period of last year	Changes of this period over same period of last year (%)
Operating income (RMB)	117,513,081.51	162,659,610.67	-27.76%
Net profit attributable to shareholders of the listed company(RMB)	511,851.85	694,997.40	-26.35%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses(RMB)	174,494.55	600,977.11	-70.96%
Net cash flow arising from operating activities(RMB)	-2,165,279.32	-26,273,204.65	91.76%
Basic earnings per share (RMB/Share)	0.0018	0.0025	-28.00%
Diluted earnings per share (RMB/Share)	0.0018	0.0025	-28.00%
Weighted average ROE (%)	0.18%	0.25%	0.07 percentage points declined
	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)	1,142,171,857.60	1,162,740,984.93	-1.77%
Net assets attributable to shareholder of listed company (RMB)	281,863,121.59	281,351,269.74	0.18%

Items and amount of non-recurring gains and losses

☒ Applicable ☐ Not applicable

In RMB

Item	Amount from year-begin to period-end	Note
Other non-operating income and expenditure except for the aforementioned items	449,809.74	
Less: impact on income tax	112,452.44	
Total	337,357.30	--

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 shareholders at the end of report period		26,260				
Top ten common 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 New Science & Technology Industrial Group Co., Ltd.	Domestic non-state-owned legal person	41.14%	116,489,894	116,489,894	Pledged	116,489,894
					Frozen	116,489,894
SEG (HONG KONG) CO., LTD.	Foreign legal persons	5.58%	16,569,560	0	Pledged	0
					Frozen	0
GOOD HOPE CORNER INVESTMENTS LTD	Foreign legal persons	4.91%	13,900,000	0	Pledged	0
					Frozen	0
BINGHUA LIU	Domestic nature person	0.31%	876,213	0	Pledged	0
					Frozen	0
Jiang Jiayuan	Domestic nature person	0.27%	777,930	0	Pledged	0
					Frozen	0
Shenzhen Jiamo Assets Management Co., Ltd. – Jiamo Momentum Stock Investment Fund	Domestic non-state-owned legal person	0.24%	691,723	0	Pledged	0
					Frozen	0
Wang Jianguang	Domestic nature person	0.23%	651,849	0	Pledged	0
					Frozen	0
Li Jianfeng	Domestic nature person	0.23%	637,600	0	Pledged	0
					Frozen	0
Zhu Ming	Domestic nature person	0.22%	611,348	0	Pledged	0
					Frozen	0

Shi Feng	Domestic nature person	0.21%	600,000	0	Pledged	0
					Frozen	0
Top ten common shareholders with unrestricted shares held						
Shareholder’s name	Amount of unrestricted shares held	Type of shares				
		Type	Amount			
SEG (HONG KONG) CO., LTD.	16,569,560	Domestically listed foreign shares	16,569,560			
GOOD HOPE CORNER INVESTMENTS LTD	13,900,000	Domestically listed foreign shares	13,900,000			
BINGHUA LIU	876,213	Domestically listed foreign shares	876,213			
Jiang Jiayuan	777,930	RMB common share	777,930			
Shenzhen Jiamo Assets Management Co., Ltd. – Jiamo Momentum Stock Investment Fund	691,723	RMB common share	691,723			
Wang Jianguang	651,849	Domestically listed foreign shares	651,849			
Li Jianfeng	637,600	Domestically listed foreign shares	637,600			
Zhu Ming	611,348	Domestically listed foreign shares	611,348			
Shi Feng	600,000	RMB common share	600,000			
Xie Deqing	541,100	Domestically listed foreign shares	541,100			
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 10 shareholders, Jiang Jiayuan holds 428,381 shares of the Company via guaranteed security account of the customer credit transactions under the name of GF Securities Co., Ltd., representing 55.07% of the total shares possess; Shi Feng holds 600,000 shares of the Company via guaranteed security account of the customer credit transactions under the name of China Merchants Securities Co., Ltd, representing 100% of the total shares possess.
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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.

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	2015-3-31	2015-1-1	Ratio	Reasons of changes
Notes receivable	67,025,422.10	100,821,063.85	-33.52%	Endorsement occurred in the Period
Account paid in advance	8,973,252.38	5,669,119.87	58.28%	Account paid in advance for goods increased in the period
Account received in advance	2,348,311.66	727,331.06	222.87%	Utilities from lessee received in advance in the Period
Wage payable	3,543,564.07	6,208,793.90	-42.93%	Accrued annual compensation
Item	Jan.-March of 2015	Jan.-March of 2014	Ratio	Reasons of changes
Business tax and surcharges	1,029,949.88	2,130,920.06	-51.67%	Operation revenue in the Period declined
Financial expenses	15,996,684.73	5,254,611.07	204.43%	Interest cost for long-term loans increased in the Period
Investment income	14,166,666.65	0	—	Obtained earnings from financial products in the Period
Non-operation income	449,809.74	222,711.90	101.97%	Part of the account payable switch-back in the Period for unpaid necessary
Non-operation expenditure	—	97,351.51	-100.00%	There was a losses of assets disposal occurred in last period
Cash received with other operation activity concerned	4,770,785.70	6,971,494.02	-31.57%	Intercourse funds of the units received in the Period declined
Cash paid for purchasing goods and receiving labor service	50,131,294.35	97,272,596.71	-48.46%	Account paid for goods in the Period declined
Taxes paid	6,143,111.85	2,840,807.00	116.25%	A supplementary payment for previous tax in the Period
Cash paid with other operation activity concerned	8,724,980.79	16,953,622.01	-48.54%	Intercourse funds of the units paid in the Period declined

Subtotal of cash out-flow from operation activity	80,776,775.43	130,084,038.31	-37.90%	Account paid for goods in the Period declined
Net cash flow from operation activity	-2,165,279.32	-26,273,204.65	-91.76%	Account paid for goods in the Period declined
Cash received with other investment activity concerned	14,166,666.65	—	—	Obtained earnings from financial products in the Period
Net cash flow from investment activities	13,737,159.54	-439,487.00	3225.73%	Obtained earnings from financial products in the Period
Cash paid for liquidating dividend, profit or interest payment	12,980,056.04	4,142,595.68	213.33%	Interest cost for long-term loans increased in the Period
Net cash flow from financing activities	-16,978,699.15	-538,702.44	-3051.78%	Interest cost for long-term loans increased in the Period
Influence on cash and cash equivalent due to fluctuation in exchange rate	37,290.33	16,686.09	-123.48%	Exchange rate fluctuation

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

√Applicable □Not applicable

With purpose of further optimize the capital structure, improve financial status of the Company and providing necessary capital condition and liquidity for the upgrade of industry business transformation, specialization of the property operation and development of large-scale, the Company plans to private offering A-share. Controlling shareholder - Wuhan Zhongheng New Technology Industry Group Co., Ltd. subscribe 87.6 million shares at most in cash, fund raised no more than 599.184 million Yuan (issuance cost included) in total, the fund are raised for debt payment and supplement current capital in order to laying a solid foundation of the sustainable development of the Company. Relevant private placement of A-share has been deliberated and approved by third extraordinary meeting fo 2015 of the Board, and shall submit for approval by general meeting and implemente after verify by CSRC, found more in notice released on 20 March 2015.

III. Commitments from the Company or shareholders (with over 5% shares held) in or occurred in the previous period but continued to reporting period

√Applicable □Not applicable

Item of Commitments	Promisee	Content of commitments	Date	Term	Implementati on
Commitments for Share Merger Reform					

Commitments made in acquisition report or equity change report	Wuhan Zhongheng New Technology Industry Group Co., Ltd.	<p>Within one year after ownership transfer for equity purchased:</p> <p>1. Related assets of injection business in-put to the Company;</p> <p>2. 70 percent equity of Wuhan Hengsheng Photoelectricity Industry Co., Ltd. held in-put to the Company.</p>	2007-03-29	<p>From 12 April 2007 to 11 April 2008;</p> <p>from 13 May 2014 to 12 May 2015</p>	Implementing
	Wuhan Zhongheng New Technology Industry Group Co., Ltd.	<p>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</p>	2007-03-29	<p>Implement since 12 April 2007 throughout the year</p>	Implementing
	Wuhan Zhongheng New Technology Industry Group Co., Ltd.	<p>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</p>	2007-03-29	<p>Implement since 12 April 2007 throughout the year</p>	Implementing

		damage the legal interest of Shen Huafa and its shareholders through related transactions			
	Wuhan Zhongheng New Technology Industry Group Co., Ltd.	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	Implementing
Commitments in assets reorganization					
Commitments in initial public offering or refinancing					
Other commitments to minority shareholders of the Company					
Completed on time or not	N				
Detail reasons for un-complement and further plan (if applicable)	<p>1. On Jun. 5, 2008, with examination and approval from the 3rd temporary meeting of the Board for 2008, the Company took cash RMB 27 million buying relevant assets concerning production of injection products from Wuhan Zhongheng New Technology Industry Group Co., Ltd., and thus the commitment had been finished.</p> <p>2. In early of May, 2008, the Company officially started off the significant asset restructures work of purchasing the 70% equities of Wuhan Hengsheng Photoelectricity Industry Co., Ltd.; engaged financial consultant and law consultant to carry out earnest investigation on the restructure assets that may be involved, and negotiated with relevant departments which were in charge of this. However, due to the large current payment between the Wuhan Zhongheng New Technology Industry Group Co., Ltd. and Wuhan Hengsheng Photoelectricity Industry Co., Ltd. is hard to clear off in a short period, the major assets restructuring suspend for significant barriers.</p> <p>In April 2014, in light of the undesirability business condition of Wuhan Hengsheng Photoelectricity Industry Co., Ltd. in recent years, to avoid the losses of the listed company from specific performance, putting long-term interest of the listed company earnestly protection first, the controlling shareholder- Wuhan Zhongheng New Technology Industry Group Co., Ltd. propose the solution as change the commitments, changed the capital investment commitment from Wuhan Hengsheng Photoelectricity Industry Co., Ltd as: within one year since the date of deliberation and approved by general meeting, the underlying shops along the street of the Phase I “Yutian • Xingfuhai” real estate project under the name of Wuhan Zhongheng New Technology Industry Group Co., Ltd. sale to the Company in cash. The commitment changed has been deliberated and approved by the Annual General Meeting 2013 dated 13 May 2014.</p> <p>The 2nd extraordinary meeting of 2015 of the Board was held on 17 March 2015, agreed to purchase the underlying shops along the street of the Phase I “Yutian • Xingfuhai” real estate project developed and constructed by Wuhan Xindongfang Real Estate Development Co., Ltd.</p>				

	(the wholly-owned subsidiary of Wuhan Zhongheng New Technology Industry Group Co., Ltd., controlling shareholder of the Company) with 25 million Yuan in cash, found more in the notice released on 19 March 2015 and 17 April 2015.
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IV. Registration form for receiving research, communication and interview in the report period

√Applicable ☐Not applicable

Date	Place	Method	Type	Reception object	Contents discussed and materials supplied
Jan. –March of 2015	Headquarters of the Company	Telephone communication	Individual	Individual investor	Operation condition and assets status of the Company, progress of urban renewal projects and private placement etc.

Section IV. Financial Statement

I. Financial statement

1. Consolidate balance sheet

Prepared by Shenzhen Zhongheng Huafa Co., Ltd

2015-03-31

In RMB

Items	Closing balance	Opening balance
Current assets:		
Monetary funds	22,471,898.10	28,819,357.68
Settlement provisions		
Capital lent		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable	67,025,422.10	100,821,063.85
Accounts receivable	136,923,064.04	112,425,468.57
Accounts paid in advance	8,973,252.38	5,669,119.87
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Interest receivable		
Dividend receivable		
Other receivables	113,572,752.84	109,094,812.29
Purchase restituted finance asset		
Inventories	22,120,084.49	30,880,050.55
Divided into assets held for sale		
Non-current asset due within one year		
Other current assets	500,000,000.00	500,000,000.00
Total current assets	871,086,473.95	887,709,872.81
Non-current assets:		
Loans and payments on behalf		

Finance asset available for sales		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment		
Investment property	30,960,974.47	31,274,663.74
Fixed assets	183,234,337.27	186,438,814.34
Construction in progress	2,853,356.00	2,853,356.00
Engineering material		
Disposal of fixed asset		
Productive biological asset		
Oil and gas asset		
Intangible assets	47,456,848.10	47,866,685.21
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	327,933.22	345,658.24
Deferred income tax asset	6,251,934.59	6,251,934.59
Other non-current asset		
Total non-current asset	271,085,383.65	275,031,112.12
Total assets	1,142,171,857.60	1,162,740,984.93
Current liabilities:		
Short-term loans	142,241,585.81	138,114,376.32
Loan from central bank		
Absorbing deposit and interbank deposit		
Capital borrowed		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable	31,297,257.74	39,994,397.62
Accounts payable	53,022,389.32	65,547,836.32
Accounts received in advance	2,348,311.66	727,331.06
Selling financial asset of repurchase		
Commission charge and commission payable		
Wage payable	3,543,564.07	6,208,793.90
Taxes payable	18,036,985.68	18,552,046.85

Interest payable		
Dividend payable		
Other accounts payable	29,253,057.92	24,179,349.31
Reinsurance payables		
Insurance contract reserve		
Security trading of agency		
Security sales of agency		
Divided into liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	279,743,152.20	293,324,131.38
Non-current liabilities:		
Long-term loans	577,800,000.00	585,300,000.00
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities	2,765,583.81	2,765,583.81
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	580,565,583.81	588,065,583.81
Total liabilities	860,308,736.01	881,389,715.19
Owner's equity:		
Share capital	283,161,227.00	283,161,227.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	109,496,837.33	109,496,837.33
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		

Surplus public reserve	77,391,593.25	77,391,593.25
Provision of general risk		
Retained profit	-188,186,535.99	-188,698,387.84
Total owner's equity attributable to parent company	281,863,121.59	281,351,269.74
Minority interests		
Total owner's equity	281,863,121.59	281,351,269.74
Total liabilities and owner's equity	1,142,171,857.60	1,162,740,984.93

Legal representative: Li Zhongqiu

Person in charge of accounting works: Cao Li

Person in charge of accounting organ: Wu Ai'jie

2. Balance Sheet of Parent Company

In RMB

Item	Closing balance	Opening balance
Current assets:		
Monetary funds	14,319,790.01	14,802,258.59
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes receivable		
Accounts receivable	1,857,222.07	1,857,222.07
Account paid in advance		1,005,472.83
Interest receivable		
Dividends receivable		
Other receivables	109,077,749.78	106,214,702.41
Inventories	14,806.50	14,806.50
Divided into assets held for sale		
Non-current assets maturing within one year		
Other current assets	500,000,000.00	500,000,000.00
Total current assets	625,269,568.36	623,894,462.40
Non-current assets:		
Available-for-sale financial assets		
Held-to-maturity investments		
Long-term receivables		
Long-term equity investments	187,608,900.00	187,608,900.00
Investment property	30,960,974.47	31,274,663.74

Fixed assets	98,962,103.77	100,029,320.14
Construction in progress	2,853,356.00	2,853,356.00
Project materials		
Disposal of fixed assets		
Productive biological assets		
Oil and natural gas assets		
Intangible assets	5,205,937.98	5,278,437.84
Research and development costs		
Goodwill		
Long-term deferred expenses	279,166.66	291,666.67
Deferred income tax assets	7,056,901.94	7,056,901.94
Other non-current assets		
Total non-current assets	332,927,340.82	334,393,246.33
Total assets	958,196,909.18	958,287,708.73
Current liabilities:		
Short-term borrowings	20,000,000.00	20,000,000.00
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Accounts payable	9,740,367.33	10,745,840.16
Accounts received in advance	853,921.84	420,611.24
Wage payable	741,708.34	724,418.36
Taxes payable	11,131,400.25	11,286,781.44
Interest payable		
Dividend payable		
Other accounts payable	62,181,808.64	56,873,489.93
Divided into liability held for sale		
Non-current liabilities due within 1 year		
Other current liabilities		
Total current liabilities	104,649,206.40	100,051,141.13
Non-current liabilities:		
Long-term loans	577,800,000.00	585,300,000.00
Bonds payable		

Including: preferred stock		
Perpetual capital securities		
Long-term account payable		
Long-term wages payable		
Special accounts payable		
Projected liabilities	2,765,583.81	2,765,583.81
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities	580,565,583.81	588,065,583.81
Total liabilities	685,214,790.21	688,116,724.94
Owners' equity:		
Share capita	283,161,227.00	283,161,227.00
Other equity instrument		
Including: preferred stock		
Perpetual capital securities		
Capital public reserve	109,496,837.33	109,496,837.33
Less: Inventory shares		
Other comprehensive income		
Reasonable reserve		
Surplus reserve	77,391,593.25	77,391,593.25
Retained profit	-197,067,538.61	-199,878,673.79
Total owner's equity	272,982,118.97	270,170,983.79
Total liabilities and owner's equity	958,196,909.18	958,287,708.73

3. Consolidated Profit Statement

In RMB

Item	Current Period	Last Period
I. Total operating income	117,513,081.51	162,659,610.67
Including: Operating income	117,513,081.51	162,659,610.67
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	131,536,886.19	161,989,734.18

Including: Operating cost	100,468,187.06	141,788,368.98
Interest expense		
Commission charge and commission expense		
Cash surrender value		
Net amount of expense of compensation		
Net amount of withdrawal of insurance contract reserve		
Bonus expense of guarantee slip		
Reinsurance expense		
Operating tax and extras	1,029,949.88	2,130,920.06
Sales expenses	2,669,100.41	2,600,832.06
Administration expenses	11,372,964.11	10,215,002.01
Financial expenses	15,996,684.73	5,254,611.07
Losses of devaluation of asset		
Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	14,166,666.65	
Including: Investment income on affiliated company and joint venture		
Exchange income (Loss is listed with “-”)		
III. Operating profit (Loss is listed with “-”)	142,861.97	669,876.49
Add: Non-operating income	449,809.74	222,711.90
Including: Disposal gains of non-current asset		219,398.90
Less: Non-operating expense		97,351.51
Including: Disposal loss of non-current asset		97,351.51
IV. Total Profit (Loss is listed with “-”)	592,671.71	795,236.88
Less: Income tax expense	80,819.86	100,239.48
V. Net profit (Net loss is listed with “-”)	511,851.85	694,997.40
Net profit attributable to owner’s of parent company	511,851.85	694,997.40
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 of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted		

for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	511,851.85	694,997.40
Total comprehensive income attributable to owners of parent Company	511,851.85	694,997.40
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0018	0.0025
(ii) Diluted earnings per share	0.0018	0.0025

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: Cao Li

Person in charge of accounting organ: Wu Ai'jie

4. Profit Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Operating income	10,749,061.73	9,041,086.23
Less: Operating cost	1,512,747.73	422,389.30
Operating tax and extras	709,522.10	635,526.16
Sales expenses		
Administration expenses	6,635,968.21	5,111,382.37
Financial expenses	13,284,567.16	2,367,743.27
Losses of devaluation of asset		

Add: Changing income of fair value(Loss is listed with “-”)		
Investment income (Loss is listed with “-”)	14,166,666.65	
Including: Investment income on affiliated company and joint venture		
II. Operating profit (Loss is listed with “-”)	2,772,923.18	504,045.13
Add: Non-operating income	38,212.00	3,313.00
Including: Disposal gains of non-current asset		
Less: Non-operating expense		
Including: Disposal loss of non-current asset		
III. Total Profit (Loss is listed with “-”)	2,811,135.18	507,358.13
Less: Income tax expense		
IV. Net profit (Net loss is listed with “-”)	2,811,135.18	507,358.13
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1. Changes as a result of re-measurement of net defined benefit plan liability or asset		
2. Share of the other comprehensive income of the investee accounted for using equity method which will not be reclassified subsequently to profit and loss		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1. Share of the other comprehensive income of the investee accounted for using equity method which will be reclassified subsequently to profit or loss		
2. Gains or losses arising from changes in fair value of available-for-sale financial assets		
3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets		
4. The effect hedging portion of gains or losses arising from cash flow hedging instruments		
5. Translation differences arising on translation of foreign currency financial statements		
6. Other		
VI. Total comprehensive income	2,811,135.18	507,358.13
VII. Earnings per share:		
(i) Basic earnings per share		
(ii) Diluted earnings per share		

5. Consolidated Cash Flow Statement

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	73,840,710.41	96,839,339.64
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		
Write-back of tax received		
Other cash received concerning operating activities	4,770,785.70	6,971,494.02
Subtotal of cash inflow arising from operating activities	78,611,496.11	103,810,833.66
Cash paid for purchasing commodities and receiving labor service	50,131,294.35	97,272,596.71
Net increase of customer loans and advances		
Net increase of deposits in central bank and interbank		
Cash paid for original insurance contract compensation		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	15,777,388.48	13,017,012.59
Taxes paid	6,143,111.81	2,840,807.00
Other cash paid concerning operating activities	8,724,980.79	16,953,622.01
Subtotal of cash outflow arising from operating activities	80,776,775.43	130,084,038.31
Net cash flows arising from operating activities	-2,165,279.32	-26,273,204.65
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	14,166,666.65	
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	14,166,666.65	
Cash paid for purchasing fixed, intangible and other long-term assets	429,507.11	439,487.00
Cash paid for investment		
Net increase of mortgaged loans		
Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities	429,507.11	439,487.00
Net cash flows arising from investing activities	13,737,159.54	-439,487.00
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	71,722,818.99	95,347,021.18
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	71,722,818.99	95,347,021.18
Cash paid for settling debts	75,721,462.10	91,743,127.94
Cash paid for dividend and profit distributing or interest paying	12,980,056.04	4,142,595.68
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	88,701,518.14	95,885,723.62
Net cash flows arising from financing activities	-16,978,699.15	-538,702.44
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	37,290.33	16,686.09
V. Net increase of cash and cash equivalents	-5,369,528.60	-27,234,708.00
Add: Balance of cash and cash equivalents at the period -begin	22,392,147.12	50,704,319.86
VI. Balance of cash and cash equivalents at the period -end	17,022,618.52	23,469,611.86

6. Cash Flow Statement of Parent Company

In RMB

Item	Current Period	Last Period
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	8,961,743.03	8,070,034.70
Write-back of tax received		0.00

Other cash received concerning operating activities	5,671,807.46	10,070,502.54
Subtotal of cash inflow arising from operating activities	14,633,550.49	18,140,537.24
Cash paid for purchasing commodities and receiving labor service		
Cash paid to/for staff and workers	1,645,849.64	1,512,825.33
Taxes paid	1,372,890.91	1,224,110.28
Other cash paid concerning operating activities	6,452,958.23	5,968,157.59
Subtotal of cash outflow arising from operating activities	9,471,698.78	8,705,093.20
Net cash flows arising from operating activities	5,161,851.71	9,435,444.04
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	14,166,666.65	
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	14,166,666.65	
Cash paid for purchasing fixed, intangible and other long-term assets		
Cash paid for investment		
Net cash received from subsidiaries and other units		
Other cash paid concerning investing activities		
Subtotal of cash outflow from investing activities		
Net cash flows arising from investing activities	14,166,666.65	
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans		4,400,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		4,400,000.00
Cash paid for settling debts	7,500,000.00	14,877,000.00
Cash paid for dividend and profit distributing or interest paying	12,315,530.37	3,280,090.98
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	19,815,530.37	18,157,090.98
Net cash flows arising from financing activities	-19,815,530.37	-13,757,090.98
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	4,543.43	-3,307.22
V. Net increase of cash and cash equivalents	-482,468.58	-4,324,954.16

Add: Balance of cash and cash equivalents at the period -begin	14,802,258.59	18,575,925.94
VI. Balance of cash and cash equivalents at the period -end	14,319,790.01	14,250,971.78

II. Audit report

Whether the first quarterly report had been audited or not

☐ Yes ☒ No

The first quarterly report of the Company had not been audited.

**Board of Directors of
Shenzhen Zhongheng Huafa Co., Ltd.**

28 April 2015