



ZHEJIANG DAHUA TECHNOLOGY CO., LTD.

2019 Q1 Report

April 2019

Section I Important Notes

The Board of Directors, Board of Supervisors, Directors, Supervisors and Senior Management of the Company hereby warrant that the information presented in this quarterly report shall be authentic, accurate, complete and free of any false records, misleading statements or material omissions, and they shall assume joint and several liabilities for such information.

All directors have attended the board meeting for the deliberation of this quarterly report.

Fu Liquan, the Company's principal, Wei Meizhong, the person in charge of accounting, and Xu Qiaofen, the person in charge of the accounting institutions (accounting supervisor) hereby represent and warrant that the financial statements contained in this quarterly report are authentic, accurate and complete.

Section II Corporate Information

I. Key Accounting Data and Financial Indicators

Whether the Company needs to adjust or restate the accounting data of previous years retrospectively

Yes No

| | This period | Same period of last year | Change (%) |
|--|--------------------|--------------------------|------------|
| Operating income (RMB) | 4,347,918,104.26 | 3,617,652,691.40 | 20.19% |
| Net profit attributable to shareholders of the listed company (RMB) | 316,343,906.02 | 295,523,140.67 | 7.05% |
| Net profit attributable to shareholders of the listed company, excluding non-recurring profit and loss (RMB) | 286,016,593.97 | 290,656,854.31 | -1.60% |
| Net cash flow from operational activities (RMB) | -1,728,487,212.91 | -1,286,295,160.14 | -34.38% |
| Basic earnings per share (RMB/share) | 0.11 | 0.10 | 10.00% |
| Diluted earnings per share (RMB/share) | 0.11 | 0.10 | 10.00% |
| Weighted average ROE | 2.47% | 2.78% | -0.31% |
| | End of this period | End of last year | Change (%) |
| Total assets (RMB) | 25,249,751,298.42 | 26,350,599,778.15 | -4.18% |
| Net assets attributable to shareholders of the listed company (RMB) | 12,992,582,839.54 | 12,618,758,918.48 | 2.96% |

Non-recurring profit and loss items and amounts

Applicable Not applicable

Unit: RMB

| Item | Amount from the beginning of the year to the end of this period | Note |
|---|---|------|
| Profit and loss from disposal of non-current assets (including the write-off for the accrued impairment of assets) | 9,128,384.28 | |
| The government subsidies included in current profits and losses (excluding the government subsidies closely related to regular businesses of the Company and issued in quota or quantity based on the national standards) | 11,417,827.04 | |
| Profits and losses from changes at fair value of trading financial assets, derivative financial assets, trading financial liabilities and derivative financial liabilities, and investment income gained | 16,288,059.40 | |

| | | |
|--|---------------|----|
| from disposal of trading financial assets, derivative financial assets, trading financial liabilities, derivative financial liabilities and other investments on creditor's rights, excluding effective hedging businesses related to the normal business operation of the Company | | |
| Non-operating revenue and expenses other than the above | 1,579,646.02 | |
| Less: Impact of income tax | 5,432,794.47 | |
| Impact of minority equity (after-tax) | 2,653,810.22 | |
| Total | 30,327,312.05 | -- |

As to the non-recurring profit and loss items defined by the Company according to Explanatory Announcement No.1 on Information Disclosure for Companies Offering Securities to the Public - Non-recurring Profit and Loss, or non-recurring profit and loss items listed in the said document defined as recurring ones, the Company shall specify the reason.

Applicable Not applicable

In this reporting period, the Company did not have any non-recurring profit and loss items listed in Explanatory Announcement No.1 on Information Disclosure for Companies Offering Securities to the Public - Non-recurring Profit and Loss defined as recurring ones.

II. Total Number of Shareholders and Holdings of the Top 10 Shareholders at the End of the Reporting Period

1. Total number of common shareholders, number of preferred shareholders with voting rights recovered and holdings of the Top 10 shareholders

Unit: share

| Total number of common shareholders at the end of the reporting period | | 124,488 | Total number of preferred shareholders with voting rights recovered at the end of the reporting period (if any) | | 0 | |
|--|-------------------------|-------------------------|---|-----------------------------|-------------------|-------------|
| Holdings of the Top 10 shareholders | | | | | | |
| Shareholder name | Nature of shareholder | Shareholding percentage | Number of shares held | Number of restricted shares | Pledged or frozen | |
| | | | | | Status | Amount |
| Fu Liquan | Domestic natural person | 36.10% | 1,082,081,880 | 834,736,410 | Pledged | 157,192,000 |
| Zhu Jiangming | Domestic natural person | 6.22% | 186,461,490 | 139,846,117 | Pledged | 36,504,000 |
| Hong Kong Securities Clearing Co., Ltd. | Overseas legal person | 2.63% | 78,796,029 | 0 | | |
| Chen Ailing | Domestic natural person | 2.38% | 71,262,813 | 53,447,110 | | |
| Wu Jun | Domestic natural | 2.31% | 69,250,886 | 51,938,164 | | |

| | person | | | | | |
|---|---------------------------------------|------------------|-------------|---|--|--|
| National Social Security Fund Portfolio 102 | Others | 1.47% | 44,039,310 | 0 | | |
| China Securities Finance Co., Ltd. | Domestic non-state-owned legal person | 1.32% | 39,611,241 | 0 | | |
| Central Huijin Asset Management Co., Ltd. | State-owned legal person | 1.05% | 31,448,750 | 0 | | |
| Zhejiang Dahua Technology Co., Ltd. - Phase III Employee Stock Ownership Plan | Others | 0.88% | 26,247,928 | 0 | | |
| Shanghai Greenwoods Asset Management Ltd. - Greenwoods Global Fund | Others | 0.66% | 19,904,829 | 0 | | |
| Holdings of the Top 10 unrestricted shareholders | | | | | | |
| Shareholder name | Number of unrestricted shares | Type of shares | | | | |
| | | Type of shares | Amount | | | |
| Fu Liquan | 247,345,470 | RMB common stock | 247,345,470 | | | |
| Hong Kong Securities Clearing Co., Ltd. | 78,796,029 | RMB common stock | 78,796,029 | | | |
| Zhu Jiangming | 46,615,373 | RMB common stock | 46,615,373 | | | |
| National Social Security Fund Portfolio 102 | 44,039,310 | RMB common stock | 44,039,310 | | | |
| China Securities Finance Co., Ltd. | 39,611,241 | RMB common stock | 39,611,241 | | | |
| Central Huijin Asset Management Co., Ltd. | 31,448,750 | RMB common stock | 31,448,750 | | | |
| Zhejiang Dahua Technology Co., Ltd. - Phase III Employee Stock Ownership Plan | 26,247,928 | RMB common stock | 26,247,928 | | | |

| | | | |
|--|---|------------------|------------|
| Shanghai Greenwoods Asset Management Ltd. - Greenwoods Global Fund | 19,904,829 | RMB common stock | 19,904,829 |
| Shanghai Greenwoods Asset Management Co., Ltd. - Greenwoods Value Fund | 18,821,078 | RMB common stock | 18,821,078 |
| Chen Ailing | 17,815,703 | RMB common stock | 17,815,703 |
| Association or concerted action of above-mentioned shareholders | Mr. Fu Liquan and Ms. Chen Ailing are husband and wife. The Company is unaware of whether other shareholders have associated relationship or are persons acting in concert. | | |
| Participation of Top 10 common shareholders in securities margin trading businesses (if any) | N/A | | |

Whether the Company's Top 10 common shareholders or Top 10 unrestricted common shareholders have agreed upon any repurchase transaction in the reporting period

Yes No

None of the Company's Top 10 common shareholders or Top 10 unrestricted common shareholders have agreed upon any repurchases transaction in the reporting period.

2. Total number of preferred shareholders and holdings of the Top 10 preferred shareholders

Applicable Not applicable

Section III Important Matters

I. Major changes in key financial data and indicators in the reporting period and reasons

√ Applicable □ Not applicable

(I) Changes in assets and liabilities and reasons

1. Available-for-sale financial assets decreased by 100% compared with the end of last year, which was mainly caused by the application of the New Accounting Standards for Financial Instruments starting from 2019 and that the Company adjusted the items previously listed as available-for-sale financial assets to other non-current financial assets;

2. Other non-current financial assets increased by 100% compared with the end of last year, which was mainly caused by the application of the New Accounting Standards for Financial Instruments starting from 2019 and that the Company adjusted the items previously listed as available-for-sale financial assets to other non-current financial assets;

3. Long-term receivables increased by 33.25% compared with the end of last year, which was mainly caused by the confirmed increase of installments in the acceptance inspection in this reporting period;

4. Other non-current assets increased by 87.18% compared with the end of last year, which was mainly caused by the increase of pre-payments for the manufacturing equipment in this reporting period;

5. Short-term borrowings increased by 57.09% compared with the end of last year, which was mainly caused by the increase of bank loans in this reporting period;

6. Trading financial liabilities increased by 100% compared with the end of last year, which was mainly caused by the application of the New Accounting Standards for Financial Instruments starting from 2019 and that the Company adjusted the items measured at fair value with their changes previously listed as financial liabilities through profit and loss of the current period to trading financial liabilities;

7. Financial liabilities measured at fair value through profit and loss of the current period decreased by 100% compared with the end of last year, which was mainly caused by the application of the New Accounting Standards for Financial Instruments starting from 2019 and that the Company adjusted the items measured at fair value with their changes previously listed as financial liabilities through profit and loss of the current period to trading financial liabilities;

8. Received pre-payments increased by 37.53% compared with the end of last year, which was mainly caused by the business growth of the Company and the increase of received pre-payments;

9. Employee compensation payable decreased by 56.75% compared with the end of last year, which was mainly caused by the payment of year-end bonus in this reporting period;

10. Taxes payable decreased by 43.09% compared with the end of last year, which was mainly caused by the payment of value-added taxes and corporate income taxes which were not paid at the start of the period;

11. Interests payable increased by 54.69% compared with the end of last year, which was mainly caused by the increase of bank loans resulting in the increase of corresponding interest expenses;

12. Other comprehensive incomes increased by 108.34% compared with the end of last year, which was mainly caused by the increased difference from the conversion of foreign currency statements;

(II) Changes in income statement items and reasons

1. Management fee increased by 48.86% compared with the same period of last year, which was mainly caused by the business growth of the Company and the impact of equity incentive fees in this reporting period;

2. R&D fee increased by 47.45% compared with the same period of last year, which was mainly caused by the increased

investment in R&D by the Company;

3. Loss from impairment of assets increased by 67.73% compared with the same period of last year, which was mainly caused by the increase of the accrued bad debt provision in this reporting period compared with the same period of last year;

4. Other income increased by 50.18% compared with the same period of last year, which was mainly caused by the increase of returned part of the value-added taxes due to excess burden compared with the same period of last year;

5. Profit and loss resulting from the changes in fair value increased by 1179.13% compared with the same period of last year, which was mainly caused by the changes in the fair value of the Company's financial derivatives;

6. Non-operating income increased by 214.71% compared with the same period of last year, which was mainly caused by the increase of received government subsidies in this reporting period compared with the same period of last year;

7. Non-operating expense decreased by 58.50% compared with the same period of last year, which was mainly caused by the decrease of the losses resulting from disposal of fixed assets in this reporting period compared with the same period of last year;

8. Income tax expense decreased by 57.75% compared with the same period of last year, which was mainly caused by the increase in the weighted deduction ratio of R&D fees compared with the same period of last year;

(III) Changes in cash flow statement items and reasons

1. Net cash flow from operational activities decreased by 34.38% compared with the same period of last year, which was mainly caused by the scale expansion of the Company resulting in the increase of cash payment for businesses;

2. Net cash flow from investment activities increased by 45.38% compared with the same period of last year, which was mainly caused by the acquisition activities in the same period of last year;

3. Net cash flow from financing activities increased by 254.44% compared with the same period of last year, which was mainly caused by the increase of bank loans in this reporting period;

II. Progress and Impact of Important Matters and Solutions

Applicable Not applicable

1. On January 24, 2017, the Company's holding sub-subsidiary, Nanbei United Information Technology Co., Ltd. and its wholly-owned subsidiary, Zhejiang Dahua System Engineering Co., Ltd. signed a Cooperation Agreement on PPP Investment in Safe City Project of Shache County with the People's Government of Shache County in Kashgar, Xinjiang, which was just a framework agreement on the PPP project. The agreement stipulated that the service content was the pre-feasibility study of the project and the design of the project, etc. For the implementation of the specific project, related decision-making and approval procedures, such as government procurement, shall still be fulfilled.

On July 21, 2017, the Company received the Notification of Award issued by the project purchasing unit, which confirmed that the wholly-owned subsidiary Zhejiang Dahua System Engineering Co., Ltd. (the consortium leader), with the holding sub-subsidiary Nanbei United Information Technology Co., Ltd. (member of the consortium) was the winning bidder for the Safe City Construction Project (PPP) in Shache County. The winning bid amount of the project was RMB 4.31479 billion (the final amount shall be subject to the signed contract), which was the total amount for construction and operation within a 10-year project cooperation period.

On August 4, 2017, the Company's 34th session of the 5th Board of Directors' meeting reviewed and approved the Proposal on Investing to Establish A PPP Project Company in Shache County, Xinjiang, and the Company submitted a bid based on the requirements for the Shache County City Construction Project (PPP), and the winning consortium jointly funded the establishment of the project company, with a registered capital of RMB 335,567,200. Among them, Zhejiang Dahua System Engineering Co., Ltd. contributed RMB 234,897,040, accounted for 70% of the total contribution; Nanbei United Information Technology Co., Ltd. contributed RMB 100,670,160, accounted for 30%. In August 2017, the project company was established and the name of the company approved by the industrial and commercial bureau was Xinjiang Dahua Xinzhi Information Technology Co., Ltd.

On April 18, 2018, the winning bidder received the notice from the Public Security Bureau of Shache County to stop the implementation of the Safe City Construction Project of Shache County (PPP). Nearly half of the project was completed, and no subsequent expenses for equipment replacement, operation and maintenance were incurred. The actual investment amount during the construction period shall be further calculated and confirmed with the government.

The winning bidder's project participation and construction was in compliance with the requirements of relevant laws and regulations of PPP, but there exists the risk that the project would not be continued and lead to the decrease of the Company's future recognizable income. The Company would actively cooperate with relevant government departments in their work, and timely perform the obligation of information disclosure based on subsequent progression of the project and the provisions in relevant laws and regulations and the Articles of Association.

2. On May 16, 2017, the Company's 2016 Annual General Meeting of Shareholders reviewed and approved the Zhejiang Dahua Technology Co., Ltd. Phase III Employee Stock Ownership Plan (Draft) and its summary, and decided to implement the Phase III Employee Stock Ownership Plan. On June 1, 2017, the Company's Phase III Employee Stock Ownership Plan completed the stock purchase through DAHUA No. 3 Directed Asset Management Plan of Caitong Securities Asset Management, with an average purchase price of RMB 16.83 per share and a total purchase volume of 47,000,000 shares.

On November 12, 2018, the Company's 18th session of the 6th Board of Directors' meeting reviewed and approved the "Suggestive Proposal on Extension of the Company's Phase III Employee Stock Ownership Plan's Duration at the Time of Expiration". The Board of Directors agreed to extend the Company's Phase III Employee Stock Ownership Plan for one year based on the voting results of the shareholders' meeting. That is, the duration was extended for one additional year on the basis of the original termination date, until May 15, 2020.

3. On December 27, 2018, the Company's 5th interim shareholders' meeting in 2018 reviewed and approved the "Proposal on Repurchase and Cancellation of Some Granted but Unlocked Restricted Shares", and agreed to repurchase and cancel 44,200 granted but unlocked restricted shares held by the incentive targets who have left the Company and one deceased personnel. The repurchase price was RMB 8.17 per share, same as the granting price of the restricted shares, and the registered capital was reduced accordingly. The above repurchase and cancellation matters were completed on March 4, 2019, and the modification procedures at the Bureau of Industry and Commerce were completed on April 15, 2019.

| Important matters | Date of disclosure | Interim report disclosure search website |
|--|--------------------|---|
| Announcement on the Signing of A Framework Agreement for A PPP Project by A Subsidiary | January 26, 2017 | Juchao Information Website http://www.cninfo.com.cn/ |
| Suggestive Announcement on the Pre-winning Publicity for the PPP Project of the Subsidiary | July 18, 2017 | Juchao Information Website http://www.cninfo.com.cn/ |
| Announcement on Investing in and Establishing A PPP Project Company in Shache County, Xinjiang | August 7, 2017 | Juchao Information Website http://www.cninfo.com.cn/ |
| Announcement on the Progress of the Subsidiary's PPP Project | April 18, 2018 | Juchao Information Website http://www.cninfo.com.cn/ |
| Announcement on the Resolution of the Annual Shareholders' Meeting in 2016 | May 17, 2017 | Juchao Information Website http://www.cninfo.com.cn/ |
| Announcement on the Completion of Purchase for the Phase III Employee Stock Ownership Plan | June 2, 2017 | Juchao Information Website http://www.cninfo.com.cn/ |
| Suggestive Proposal on Extension of the Company's Phase III Employee Stock Ownership Plan's Duration at the Time of Expiration | November 13, 2018 | Juchao Information Website http://www.cninfo.com.cn/ |

| | | |
|---|-------------------|---|
| Announcement on the Resolution of the 5th Interim Shareholders' Meeting in 2018 | December 28, 2018 | Juchao Information Website http://www.cninfo.com.cn/ |
| Announcement on the Completion of Repurchase and Cancellation of Some Restricted Shares | March 6, 2019 | Juchao Information Website http://www.cninfo.com.cn/ |

The Progress on Share Repurchase

Applicable Not applicable

The Progress on Reducing Share Repurchase by Means of Centralized Bidding

Applicable Not applicable

III. Commitments of the Company's de facto Controllers, Shareholders, Related Parties, Buyers, the Company and Other Parties related to the Commitments not Fulfilled in the Reporting Period

Applicable Not applicable

All of the commitments of the Company's de facto controllers, shareholders, related parties, buyers, the Company and other parties related to the commitments have been fulfilled in the reporting period.

IV. Estimation on Business Performance from January to June of 2019

Estimated business performance from January to June of 2019: the net profit attributable to shareholders of the listed company is a positive value and it's not a turn from loss to profit.

| | | | |
|--|---|----|------------|
| Changes in the net profit attributable to shareholders of the listed company from January to June of 2019 | 0.00% | to | 15.00% |
| Range of changes in the net profit attributable to shareholders of the listed company from January to June of 2019 (in RMB 10,000) | 108,191.69 | to | 124,420.44 |
| Net profit attributable to shareholders of the listed company from January to June of 2018 (in RMB 10,000) | 108,191.69 | | |
| Reasons for the performance changes | The sales scale of the Company has expanded and the operating income has increased. It's estimated that the net profit attributable to the owners of the parent company will increase by 0%-15% compared with the same period of last year. | | |

V. Financial Assets Measured at Fair Value

Applicable Not applicable

Unit: RMB

| Type of assets | Initial investment cost | Profit and loss resulting from the changes in fair value in | Cumulative changes in fair value recognized | Amount of purchase in the reporting | Amount of sales in the reporting | Cumulative investment income | Amount at the end of the period | Capital source |
|----------------|-------------------------|---|---|-------------------------------------|----------------------------------|------------------------------|---------------------------------|----------------|
| | | | | | | | | |

| | | | | | | | | |
|-----------------------|---------------|---------------|-----------|--------|--------|----------------|---------------|----------|
| | | this period | in equity | period | period | | | |
| Financial derivatives | | 34,436,817.76 | | | | -19,529,927.20 | 387,573.16 | Own fund |
| Equity investment | 82,970,227.00 | | | | | | 82,970,227.00 | Own fund |
| Total | 82,970,227.00 | 34,436,817.76 | 0.00 | 0.00 | 0.00 | -19,529,927.20 | 83,357,800.16 | -- |

VI. Rule-violating External Guarantee

Applicable Not applicable

No rule-violating external guarantee was provided by the Company in the reporting period.

VII. Occupation of the Listed Company's Fund by the Controlling Shareholders or Other Related Parties for Non-operating Purposes

Applicable Not applicable

During the reporting period, there is no occupation of the listed company's fund by the controlling shareholders or other related parties for non-operating purposes.

VIII. Registration Form for Received Researches, Communications, Interviews in the Reporting Period

Applicable Not applicable

| Time | Method | Target type | Basic information search website |
|------------------|-------------------------|--------------|--|
| January 29, 2019 | Field research | Organization | For more information, please see the investor relations activity list at http://www.cninfo.com.cn |
| January 29, 2019 | Telephone communication | Organization | For more information, please see the investor relations activity list at http://www.cninfo.com.cn |
| January 30, 2019 | Field research | Organization | For more information, please see the investor relations activity list at http://www.cninfo.com.cn |
| January 30, 2019 | Telephone communication | Organization | For more information, please see the investor relations activity list at http://www.cninfo.com.cn |

Section IV Financial Statements

I. Financial Statements

1. Consolidated Balance Sheet

Prepared by: Zhejiang Dahua Technology Co., Ltd.

Unit: RMB

| Item | March 31, 2019 | December 31, 2018 |
|--|-------------------|-------------------|
| Current assets: | | |
| Monetary fund | 3,388,154,787.00 | 4,160,153,847.06 |
| Deposit reservation for balance | | |
| Loans to banks and other financial institutions | | |
| Trading financial assets | 387,573.16 | |
| Financial assets measured at fair value with changes recognized into current profit and loss | | |
| Derivative financial assets | | |
| Notes receivable and accounts receivable | 11,636,044,122.03 | 12,577,066,194.44 |
| Including: notes receivable | 1,734,839,459.26 | 2,385,693,417.06 |
| Accounts receivable | 9,901,204,662.77 | 10,191,372,777.38 |
| Pre-payments | 161,293,518.30 | 126,891,259.00 |
| Premium receivable | | |
| Reinsurance accounts receivable | | |
| Reinsurance contract reserves receivable | | |
| Other receivables | 338,563,516.18 | 398,170,769.40 |
| Including: interests receivable | 5,807,523.44 | 6,754,941.00 |
| Dividends receivable | | |
| Buying back the sale of financial assets | | |
| Inventory | 2,996,728,364.05 | 3,035,579,709.14 |
| Contractual assets | | |

| | | |
|--|-------------------|-------------------|
| Held-for-sale assets | | |
| Non-current assets due within 1 year | 574,701,552.44 | 578,733,057.27 |
| Other current assets | 405,106,796.33 | 402,255,078.05 |
| Subtotal of current assets | 19,500,980,229.49 | 21,278,849,914.36 |
| Non-current assets: | | |
| Granting of loans and advances | | |
| Investments on creditor's rights | | |
| Financial assets available for sale | | 82,970,227.00 |
| Other investments on creditor's rights | | |
| Held-to-maturity investments | | |
| Long-term receivables | 2,480,468,764.43 | 1,861,485,568.28 |
| Long-term equity investment | 181,978,072.22 | 185,872,021.58 |
| Other equity instrument investments | | |
| Other non-current financial assets | 82,970,227.00 | |
| Investment properties | 347,900,181.69 | 346,831,376.55 |
| Fixed assets | 1,401,032,946.90 | 1,407,471,330.83 |
| Projects under construction | 231,711,748.22 | 226,191,587.11 |
| Productive biological assets | | |
| Oil and gas assets | | |
| Right-of-use assets | | |
| Intangible assets | 368,037,008.04 | 372,467,409.09 |
| Development expense | | |
| Goodwill | 109,745,412.21 | 109,745,412.21 |
| Long-term prepaid expenses | 39,031,771.45 | 37,117,918.55 |
| Deferred income tax assets | 475,426,712.53 | 425,319,406.98 |
| Other non-current assets | 30,468,224.24 | 16,277,605.61 |
| Subtotal of non-current assets | 5,748,771,068.93 | 5,071,749,863.79 |
| Total assets | 25,249,751,298.42 | 26,350,599,778.15 |
| Current liabilities: | | |
| Short-term loan | 2,908,880,172.39 | 1,851,709,561.83 |
| Borrowings from the Central Bank | | |
| Borrowings from banks and other financial institutions | | |
| Trading financial liabilities | 4,314,915.55 | |

| | | |
|---|-------------------|-------------------|
| Financial liabilities measured at fair value with changes recognized into current profit and loss | | 38,602,602.30 |
| Derivative financial liabilities | | |
| Notes payable and accounts payable | 5,647,489,443.82 | 7,461,315,698.99 |
| Received pre-payments | 472,153,342.43 | 343,297,891.20 |
| Financial assets sold for repurchase | | |
| Deposit taking and interbank deposit | | |
| Receiving from vicariously traded securities | | |
| Receiving from vicariously sold securities | | |
| Payroll payable | 486,255,924.62 | 1,124,358,611.94 |
| Tax payable | 341,186,897.43 | 599,478,049.81 |
| Other payables | 1,013,706,211.94 | 1,051,537,094.97 |
| Including: interests payable | 7,340,553.07 | 4,745,203.31 |
| Dividends payable | | |
| Service charge and commission payable | | |
| Reinsurance accounts payable | | |
| Contractual liabilities | | |
| Held-for-sale liabilities | | |
| Non-current liabilities due within 1 year | 25,500,000.00 | 25,500,000.00 |
| Other current liabilities | 78,959,310.21 | 70,845,639.51 |
| Subtotal of current liabilities | 10,978,446,218.39 | 12,566,645,150.55 |
| Non-current liabilities: | | |
| Insurance contract reserves | | |
| Long-term loan | 179,000,000.00 | 179,000,000.00 |
| Bonds payable | | |
| Including: preferred stocks | | |
| Perpetual bonds | | |
| Lease liabilities | | |
| Long-term payables | | |
| Long-term payroll payable | | |
| Expected liabilities | 243,421,368.96 | 193,761,170.12 |

| | | |
|---|-------------------|-------------------|
| Deferred income | 57,900,377.53 | 58,693,533.40 |
| Deferred income tax liabilities | 49,635,458.14 | 50,137,969.76 |
| Other non-current liabilities | 456,775,480.73 | 399,096,280.89 |
| Subtotal of non-current liabilities | 986,732,685.36 | 880,688,954.17 |
| Total liabilities | 11,965,178,903.75 | 13,447,334,104.72 |
| Shareholders' equity: | | |
| Share capital | 2,997,577,730.00 | 2,997,621,930.00 |
| Other equity instruments | | |
| Including: preferred stocks | | |
| Perpetual bonds | | |
| Capital reserves | 1,547,144,808.22 | 1,501,180,862.83 |
| Less: treasury share | 807,372,472.00 | 807,733,586.00 |
| Other comprehensive incomes | 21,536,320.06 | 10,337,164.41 |
| Special reserves | | |
| Surplus reserves | 1,246,369,430.91 | 1,246,369,430.91 |
| General risk reserves | | |
| Undistributed profits | 7,987,327,022.35 | 7,670,983,116.33 |
| Total shareholders' equity attributable to the parent company | 12,992,582,839.54 | 12,618,758,918.48 |
| Minority shareholders' equity | 291,989,555.13 | 284,506,754.95 |
| Total shareholders' equity | 13,284,572,394.67 | 12,903,265,673.43 |
| Total liabilities and shareholders' equity | 25,249,751,298.42 | 26,350,599,778.15 |

Legal representative: Fu Liquan Person in charge of accounting: Wei Meizhong Person in charge of the accounting institution: Xu Qiaofen

2. Balance Sheet of the Parent Company

Unit: RMB

| Item | March 31, 2019 | December 31, 2018 |
|--|----------------|-------------------|
| Current assets: | | |
| Monetary fund | 152,724,456.67 | 611,190,236.01 |
| Trading financial assets | | |
| Financial assets measured at fair value with changes recognized into current profit and loss | | |

| | | |
|--|-------------------|-------------------|
| Derivative financial assets | | |
| Notes receivable and accounts receivable | 4,944,891,210.90 | 5,551,148,625.96 |
| Including: notes receivable | 1,070,445,568.17 | 952,572,702.92 |
| Accounts receivable | 3,874,445,642.73 | 4,598,575,923.04 |
| Pre-payments | 26,904,344.76 | 26,772,044.53 |
| Other receivables | 7,503,145,920.62 | 6,954,655,863.03 |
| Including: interests receivable | | 42,500.00 |
| Dividends receivable | | |
| Inventory | 172,681,553.68 | 120,181,267.85 |
| Contractual assets | | |
| Held-for-sale assets | | |
| Non-current assets due within 1 year | 52,015,403.28 | 50,793,137.80 |
| Other current assets | 5,768,760.74 | 24,858,982.78 |
| Subtotal of current assets | 12,858,131,650.65 | 13,339,600,157.96 |
| Non-current assets: | | |
| Investments on creditor's rights | | |
| Financial assets available for sale | | 80,496,000.00 |
| Other investments on creditor's rights | | |
| Held-to-maturity investments | | |
| Long-term receivables | 164,850,489.71 | 160,299,143.83 |
| Long-term equity investment | 3,085,368,105.84 | 3,001,639,428.55 |
| Other equity instrument investments | | |
| Other non-current financial assets | 80,496,000.00 | |
| Investment properties | 180,963,770.22 | 183,321,198.72 |
| Fixed assets | 479,817,819.21 | 496,363,638.38 |
| Projects under construction | 152,575,924.51 | 151,072,585.67 |
| Productive biological assets | | |
| Oil and gas assets | | |
| Right-of-use assets | | |
| Intangible assets | 170,256,158.63 | 170,879,747.04 |
| Development expense | | |
| Goodwill | | |
| Long-term prepaid expenses | 30,436,564.49 | 28,927,258.54 |

| | | |
|---|-------------------|-------------------|
| Deferred income tax assets | 61,990,058.11 | 40,821,902.57 |
| Other non-current assets | 129,584.70 | 929,380.00 |
| Subtotal of non-current assets | 4,406,884,475.42 | 4,314,750,283.30 |
| Total assets | 17,265,016,126.07 | 17,654,350,441.26 |
| Current liabilities: | | |
| Short-term loan | 2,046,841,815.43 | 1,380,000,000.00 |
| Trading financial liabilities | | |
| Financial liabilities measured at fair value with changes recognized into current profit and loss | | |
| Derivative financial liabilities | | |
| Notes payable and accounts payable | 331,422,612.56 | 1,065,528,900.01 |
| Received pre-payments | 63,522,498.49 | 80,361,211.04 |
| Contractual liabilities | | |
| Payroll payable | 318,529,714.36 | 817,723,936.19 |
| Tax payable | 188,386,974.21 | 351,294,836.50 |
| Other payables | 1,038,112,767.76 | 1,060,909,330.56 |
| Including: interests payable | 3,670,702.11 | 2,416,340.30 |
| Dividends payable | | |
| Held-for-sale liabilities | | |
| Non-current liabilities due within 1 year | | |
| Other current liabilities | 6,809,092.48 | 6,464,333.12 |
| Subtotal of current liabilities | 3,993,625,475.29 | 4,762,282,547.42 |
| Non-current liabilities: | | |
| Long-term loan | | |
| Bonds payable | | |
| Including: preferred stocks | | |
| Perpetual bonds | | |
| Lease liabilities | | |
| Long-term payables | | |
| Long-term payroll payable | | |
| Expected liabilities | 1,387,820.00 | 3,396,100.00 |
| Deferred income | | |
| Deferred income tax liabilities | | |

| | | |
|--|-------------------|-------------------|
| Other non-current liabilities | 23,568,083.39 | 23,684,423.74 |
| Subtotal of non-current liabilities | 24,955,903.39 | 27,080,523.74 |
| Total liabilities | 4,018,581,378.68 | 4,789,363,071.16 |
| Shareholders' equity: | | |
| Share capital | 2,997,577,730.00 | 2,997,621,930.00 |
| Other equity instruments | | |
| Including: preferred stocks | | |
| Perpetual bonds | | |
| Capital reserves | 1,541,000,010.41 | 1,497,801,068.88 |
| Less: treasury share | 807,372,472.00 | 807,733,586.00 |
| Other comprehensive incomes | | |
| Special reserves | | |
| Surplus reserves | 1,246,369,430.91 | 1,246,369,430.91 |
| Undistributed profits | 8,268,860,048.07 | 7,930,928,526.31 |
| Total shareholders' equity | 13,246,434,747.39 | 12,864,987,370.10 |
| Total liabilities and shareholders' equity | 17,265,016,126.07 | 17,654,350,441.26 |

3. Consolidated Income Statement

Unit: RMB

| Item | This period's amount of occurrence | Previous period's amount of occurrence |
|--|------------------------------------|--|
| I. Total operating income | 4,347,918,104.26 | 3,617,652,691.40 |
| Including: operating income | 4,347,918,104.26 | 3,617,652,691.40 |
| Interest income | | |
| Earned premiums | | |
| Service charge and commission income | | |
| II. Total operating cost | 4,251,849,773.85 | 3,408,142,945.83 |
| Including: operating cost | 2,719,715,306.27 | 2,207,716,754.78 |
| Interest expenses | | |
| Service charge and commission expenses | | |
| Surrender value | | |
| Net claims paid | | |
| Net amount withdrawn for insurance contract reserves | | |

| | | |
|---|----------------|----------------|
| Policyholder dividend expense | | |
| Reinsurance cost | | |
| Taxes and surcharges | 23,874,799.92 | 20,096,268.10 |
| Sales cost | 655,869,241.60 | 565,570,425.04 |
| Administration cost | 148,771,651.74 | 99,939,115.39 |
| R&D cost | 541,327,378.49 | 367,136,026.47 |
| Financial cost | 117,284,844.28 | 120,852,117.44 |
| Including: interest cost | 35,426,066.33 | 18,433,356.21 |
| Interest income | 39,467,635.58 | 26,376,191.13 |
| Loss from impairment of assets | 45,006,551.55 | 26,832,238.61 |
| Loss from impairment of credit | | |
| Add: other incomes | 193,253,518.07 | 128,684,631.99 |
| Investment income (Mark "-" for loss) | -9,778,727.73 | -10,440,741.57 |
| Including: investment gains from affiliates and joint ventures | -782,168.13 | -11,061,652.58 |
| Exchange gains (Mark "-" for loss) | | |
| Net hedging gains from exposures (Mark "-" for loss) | | |
| Gains from changes in fair value (Mark "-" for loss) | 34,436,817.76 | 2,692,200.00 |
| Asset disposal gains (Mark "-" for loss) | | -13,523.79 |
| III. Operating profit (Mark "-" for loss) | 313,979,938.51 | 330,432,312.20 |
| Add: non-operating income | 6,715,442.18 | 2,133,831.13 |
| Less: non-operating expense | 512,570.47 | 1,235,146.38 |
| IV. Total profit (Mark "-" for total loss) | 320,182,810.22 | 331,330,996.95 |
| Less: income tax cost | 14,762,513.41 | 34,942,391.53 |
| V. Net profit (Mark "-" for net loss) | 305,420,296.81 | 296,388,605.42 |
| (I) Classified by operation continuity | | |
| 1. Net profit from continuing operation (Mark "-" for net loss) | 305,420,296.81 | 296,388,605.42 |
| 2. Net profit from discontinued operation (Mark "-" for net loss) | | |
| (II) Classified by ownership | | |
| 1. Net profit attributable to the owners of the parent company | 316,343,906.02 | 295,523,140.67 |
| 2. Minority shareholders' profit and loss | -10,923,609.21 | 865,464.75 |

| | | |
|---|---------------|--------------|
| VI. Net amount of other comprehensive incomes after taxes | 11,199,155.65 | 5,546,042.67 |
| Net amount of other comprehensive incomes after taxes attributable to the owners of the parent company | 11,199,155.65 | 5,546,042.67 |
| (I) Other comprehensive incomes that cannot be reclassified as profit and loss | | |
| 1. Changes resulting from re-measurement of the defined benefit plan | | |
| 2. Other comprehensive incomes that cannot be transferred to profit and loss under the equity method | | |
| 3. Changes in fair value of other equity instrument investments | | |
| 4. Changes in fair value of enterprise's own credit risk | | |
| 5. Others | | |
| (II) Other comprehensive incomes that will be reclassified as profit and loss | 11,199,155.65 | 5,546,042.67 |
| 1. Other comprehensive incomes that can be transferred to profit and loss under the equity method | | |
| 2. Changes in fair value of other investments on creditor's rights | | |
| 3. Profits and losses from changes in fair value of available-for-sale financial assets | | |
| 4. Amount of financial assets reclassified as other comprehensive incomes | | |
| 5. Profits and losses from held-to-maturity investments reclassified as available-for-sale financial assets | | |
| 6. Other provisions for the impairment of credit in investments on creditor's rights | | |
| 7. Hedging reserves for cash flow | | |
| 8. Difference from the conversion of foreign currency statements | 11,199,155.65 | 5,546,042.67 |
| 9. Others | | |
| Net amount of other comprehensive incomes | | |

| | | |
|---|----------------|----------------|
| after taxes attributable to minority shareholders | | |
| VII. Total comprehensive income | 316,619,452.46 | 301,934,648.09 |
| Total comprehensive income attributable to the owners of the parent company | 327,543,061.67 | 301,069,183.34 |
| Total comprehensive income attributable to minority shareholders | -10,923,609.21 | 865,464.75 |
| VIII. Earnings per share: | | |
| (I) Basic earnings per share | 0.11 | 0.10 |
| (II) Diluted earnings per share | 0.11 | 0.10 |

For statement consolidation for the enterprises under the same control in this period, the net profit realized by the consolidated party before the consolidation is: RMB. The net profit realized by the consolidated party in previous period is: RMB.

Legal representative: Fu Liquan Person in charge of accounting: Wei Meizhong Person in charge of the accounting institution: Xu Qiaofen

4. Income Statement of the Parent Company

Unit: RMB

| Item | This period's amount of occurrence | Previous period's amount of occurrence |
|--|------------------------------------|--|
| I. Operating income | 1,160,709,728.28 | 1,458,256,770.27 |
| Less: operating cost | 111,231,656.05 | 415,219,943.24 |
| Taxes and surcharges | 13,406,573.12 | 15,120,966.67 |
| Sales cost | 327,870,861.50 | 309,704,200.14 |
| Administration cost | 81,251,635.80 | 44,795,649.77 |
| R&D cost | 456,283,172.66 | 318,585,135.77 |
| Financial cost | 15,403,187.19 | -17,699,076.75 |
| Including: interest cost | 25,906,898.88 | 6,101,362.80 |
| Interest income | 10,767,232.85 | 23,796,931.31 |
| Loss from impairment of assets | -5,848,611.97 | 2,264,906.05 |
| Loss from impairment of credit | | |
| Add: other incomes | 182,806,535.54 | 121,175,350.16 |
| Investment income (Mark "-" for loss) | 1,320,536.95 | -10,475,553.89 |
| Including: investment gains from affiliates and joint ventures | -60,631.89 | -11,061,652.58 |
| Net hedging gains from | | |

| | | |
|--|----------------|----------------|
| exposures (Mark "-" for loss) | | |
| Gains from changes in fair value (Mark "-" for loss) | | |
| Asset disposal gains (Mark "-" for loss) | | -13,523.79 |
| II. Operating profit (Mark "-" for loss) | 345,238,326.42 | 480,951,317.86 |
| Add: non-operating income | 1,881,023.83 | 1,866,412.07 |
| Less: non-operating expense | 282,834.14 | 70,622.62 |
| III. Total profit (Mark "-" for total loss) | 346,836,516.11 | 482,747,107.31 |
| Less: income tax cost | 8,904,994.35 | 55,047,331.08 |
| IV. Net profit (Mark "-" for net loss) | 337,931,521.76 | 427,699,776.23 |
| (I) Net profit from continuing operation (Mark "-" for net loss) | 337,931,521.76 | 427,699,776.23 |
| (II) Net profit from discontinued operation (Mark "-" for net loss) | | |
| V. Net amount of other comprehensive incomes after taxes | | |
| (I) Other comprehensive incomes that cannot be reclassified as profit and loss | | |
| 1. Changes resulting from re-measurement of the defined benefit plan | | |
| 2. Other comprehensive incomes that cannot be transferred to profit and loss under the equity method | | |
| 3. Changes in fair value of other equity instrument investments | | |
| 4. Changes in fair value of enterprise's own credit risk | | |
| 5. Others | | |
| (II) Other comprehensive incomes that will be reclassified as profit and loss | | |
| 1. Other comprehensive incomes that can be transferred to profit and loss under the equity method | | |
| 2. Changes in fair value of | | |

| | | |
|---|----------------|----------------|
| other investments on creditor's rights | | |
| 3. Profits and losses from changes in fair value of available-for-sale financial assets | | |
| 4. Amount of financial assets reclassified as other comprehensive incomes | | |
| 5. Profits and losses from held-to-maturity investments reclassified as available-for-sale financial assets | | |
| 6. Other provisions for the impairment of credit in investments on creditor's rights | | |
| 7. Hedging reserves for cash flow | | |
| 8. Difference from the conversion of foreign currency statements | | |
| 9. Others | | |
| VI. Total comprehensive income | 337,931,521.76 | 427,699,776.23 |
| VII. Earnings per share: | | |
| (I) Basic earnings per share | 0.12 | 0.15 |
| (II) Diluted earnings per share | 0.12 | 0.15 |

5. Consolidated Cash Flow Statement

Unit: RMB

| Item | This period's amount of occurrence | Previous period's amount of occurrence |
|---|------------------------------------|--|
| I. Cash flow from operational activities: | | |
| Cash from sales of merchandise and provision of services | 5,084,524,142.75 | 4,211,360,373.46 |
| Net increase in customer's bank deposit and interbank deposit | | |
| Net increase in borrowings from the Central Bank | | |
| Net increase in borrowings from other financial institutions | | |

| | | |
|--|------------------|------------------|
| Cash from receiving premiums for the original insurance contract | | |
| Net amount from reinsurance business | | |
| Net increase in deposits and investments from policyholders | | |
| Net increase in financial assets measured at fair value with changes recognized into current profit and loss | | |
| Cash from interests, service charges and commissions | | |
| Net increase in borrowings from banks and other financial institutions | | |
| Net increase in repurchase business fund | | |
| Net cash from receiving from vicariously traded securities | | |
| Tax refund | 458,798,417.38 | 415,701,884.80 |
| Other received cashes related to operational activities | 38,953,212.45 | 40,712,592.60 |
| Subtotal of cash inflow from operational activities | 5,582,275,772.58 | 4,667,774,850.86 |
| Cash paid for merchandise and services | 4,827,278,072.02 | 3,781,495,185.28 |
| Net increase in loans and advances to customers | | |
| Net increase in deposits with the Central Bank and other financial institutions | | |
| Cash paid for original insurance contract claims | | |
| Net increase in financial assets held for trading purpose | | |
| Net increase in loans to banks and other financial institutions | | |
| Cash paid for interests, service charges and commissions | | |
| Cash paid for policy dividends | | |

| | | |
|---|-------------------|-------------------|
| Cash paid to and for employees | 1,591,249,215.21 | 1,247,603,790.17 |
| Cash paid for taxes and surcharges | 517,455,490.85 | 392,555,916.83 |
| Other cashes paid for operational activities | 374,780,207.41 | 532,415,118.72 |
| Subtotal of cash outflow from operational activities | 7,310,762,985.49 | 5,954,070,011.00 |
| Net cash flow from operational activities | -1,728,487,212.91 | -1,286,295,160.14 |
| II. Cash flow from investment activities: | | |
| Cash from disposal of investments | | 106,300,000.00 |
| Cash from investment gains | 21,168.84 | 620,911.02 |
| Net cash from disposal of fixed assets, intangible assets and other long-term assets | 3,514,007.57 | 164,288.72 |
| Net cash from disposal of subsidiaries and other business units | | |
| Other received cashes related to investment activities | 2,853,407.03 | |
| Subtotal of cash inflow from investment activities | 6,388,583.44 | 107,085,199.74 |
| Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets | 134,928,482.99 | 101,042,468.25 |
| Cash paid for investments | 12,200,000.00 | 126,300,000.00 |
| Net increase in pledge loans | | |
| Net cash paid for acquisition of subsidiaries and other business units | | 93,019,565.77 |
| Other cashes paid for investment activities | 19,920,975.30 | 80,892,025.18 |
| Subtotal of cash outflow from investment activities | 167,049,458.29 | 401,254,059.20 |
| Net cash flow from investment activities | -160,660,874.85 | -294,168,859.46 |
| III. Cash flow from financing activities: | | |
| Cash from absorbing investments | 15,949,250.00 | 4,400,000.00 |
| Including: cash from subsidiaries | 15,949,250.00 | 4,400,000.00 |

| | | |
|--|------------------|-------------------|
| absorbing investments by minority shareholders | | |
| Cash from borrowings | 2,694,932,981.06 | 1,723,234,241.10 |
| Cash from bond issue | | |
| Other received cashes related to financing activities | 705,446,141.85 | 223,726,180.00 |
| Subtotal of cash inflow from financing activities | 3,416,328,372.91 | 1,951,360,421.10 |
| Cash paid for debts repayment | 1,536,335,296.99 | 1,073,430,976.54 |
| Cash paid for distribution of dividends and profits or payment of interests | 25,649,072.19 | 16,748,941.37 |
| Including: dividends and profits paid to minority shareholders by subsidiaries | | |
| Other cashes paid for financing activities | 741,523,904.02 | 547,214,999.99 |
| Subtotal of cash outflow from financing activities | 2,303,508,273.20 | 1,637,394,917.90 |
| Net cash flow from financing activities | 1,112,820,099.71 | 313,965,503.20 |
| IV. Impact of fluctuation in exchange rates on cash and cash equivalents | -38,821,971.01 | -10,211,961.36 |
| V. Net increase in cash and cash equivalents | -815,149,959.06 | -1,276,710,477.76 |
| Add: cash and cash equivalents at the start of the period | 3,702,283,803.54 | 3,062,678,993.88 |
| VI. Cash and cash equivalents at the end of the period | 2,887,133,844.48 | 1,785,968,516.12 |

6. Cash Flow Statement of the Parent Company

Unit: RMB

| Item | This period's amount of occurrence | Previous period's amount of occurrence |
|--|------------------------------------|--|
| I. Cash flow from operational activities: | | |
| Cash from sales of merchandise and provision of services | 1,237,857,022.90 | 2,898,163,592.45 |
| Tax refund | 178,394,009.37 | 119,875,350.16 |

| | | |
|---|------------------|------------------|
| Other received cashes related to operational activities | 11,635,775.73 | 4,401,729.41 |
| Subtotal of cash inflow from operational activities | 1,427,886,808.00 | 3,022,440,672.02 |
| Cash paid for merchandise and services | 238,102,377.98 | 475,265,943.57 |
| Cash paid to and for employees | 1,085,112,295.39 | 850,389,026.13 |
| Cash paid for taxes and surcharges | 296,316,540.83 | 248,509,633.49 |
| Other cashes paid for operational activities | 224,380,235.96 | 256,284,196.59 |
| Subtotal of cash outflow from operational activities | 1,843,911,450.16 | 1,830,448,799.78 |
| Net cash flow from operational activities | -416,024,642.16 | 1,191,991,872.24 |
| II. Cash flow from investment activities: | | |
| Cash from disposal of investments | | 100,300,000.00 |
| Cash from investment gains | 21,168.84 | 586,098.69 |
| Net cash from disposal of fixed assets, intangible assets and other long-term assets | 11,510,391.55 | 1,774,332.18 |
| Net cash from disposal of subsidiaries and other business units | | |
| Other received cashes related to investment activities | 8,041,013.16 | |
| Subtotal of cash inflow from investment activities | 19,572,573.55 | 102,660,430.87 |
| Cash paid for purchase and construction of fixed assets, intangible assets and other long-term assets | 57,245,412.46 | 15,115,419.84 |
| Cash paid for investments | 89,195,750.00 | 314,992,000.00 |
| Net cash paid for acquisition of subsidiaries and other business units | | |
| Other cashes paid for investment activities | | |
| Subtotal of cash outflow from investment activities | 146,441,162.46 | 330,107,419.84 |
| Net cash flow from investment | -126,868,588.91 | -227,446,988.97 |

| | | |
|---|------------------|-------------------|
| activities | | |
| III. Cash flow from financing activities: | | |
| Cash from absorbing investments | | |
| Cash from borrowings | 1,213,811,815.43 | 400,000,000.00 |
| Cash from bond issue | | |
| Other received cashes related to financing activities | 360,369,553.55 | 99,088,354.50 |
| Subtotal of cash inflow from financing activities | 1,574,181,368.98 | 499,088,354.50 |
| Cash paid for debts repayment | 546,970,000.00 | 200,000,000.00 |
| Cash paid for distribution of dividends and profits or payment of interests | 16,701,289.76 | 5,127,142.86 |
| Other cashes paid for financing activities | 928,248,678.61 | 1,691,125,187.17 |
| Subtotal of cash outflow from financing activities | 1,491,919,968.37 | 1,896,252,330.03 |
| Net cash flow from financing activities | 82,261,400.61 | -1,397,163,975.53 |
| IV. Impact of fluctuation in exchange rates on cash and cash equivalents | -155,662.94 | -315,485.45 |
| V. Net increase in cash and cash equivalents | -460,787,493.40 | -432,934,577.71 |
| Add: cash and cash equivalents at the start of the period | 603,430,209.42 | 524,670,812.68 |
| VI. Cash and cash equivalents at the end of the period | 142,642,716.02 | 91,736,234.97 |

II. Adjustments to Financial Statements

1. Adjustment to financial statements at the beginning of the year during the implementation of new accounting standards for financial instruments, new income standards or new lease standards for the first time

Applicable Not applicable

Consolidated Balance Sheet

Unit: RMB

| Item | December 31, 2018 | January 1, 2019 | Adjusted amount |
|-----------------|-------------------|-----------------|-----------------|
| Current assets: | | | |

| | | | |
|--|-------------------|-------------------|----------------|
| Monetary fund | 4,160,153,847.06 | 4,160,153,847.06 | |
| Notes receivable and accounts receivable | 12,577,066,194.44 | 12,577,066,194.44 | |
| Including: notes receivable | 2,385,693,417.06 | 2,385,693,417.06 | |
| Accounts receivable | 10,191,372,777.38 | 10,191,372,777.38 | |
| Pre-payments | 126,891,259.00 | 126,891,259.00 | |
| Other receivables | 398,170,769.40 | 398,170,769.40 | |
| Including: interests receivable | 6,754,941.00 | 6,754,941.00 | |
| Inventory | 3,035,579,709.14 | 3,035,579,709.14 | |
| Non-current assets due within 1 year | 578,733,057.27 | 578,733,057.27 | |
| Other current assets | 402,255,078.05 | 402,255,078.05 | |
| Subtotal of current assets | 21,278,849,914.36 | 21,278,849,914.36 | |
| Non-current assets: | | | |
| Financial assets available for sale | 82,970,227.00 | NA | -82,970,227.00 |
| Long-term receivables | 1,861,485,568.28 | 1,861,485,568.28 | |
| Long-term equity investment | 185,872,021.58 | 185,872,021.58 | |
| Other non-current financial assets | NA | 82,970,227.00 | 82,970,227.00 |
| Investment properties | 346,831,376.55 | 346,831,376.55 | |
| Fixed assets | 1,407,471,330.83 | 1,407,471,330.83 | |
| Projects under construction | 226,191,587.11 | 226,191,587.11 | |
| Intangible assets | 372,467,409.09 | 372,467,409.09 | |
| Goodwill | 109,745,412.21 | 109,745,412.21 | |
| Long-term prepaid expenses | 37,117,918.55 | 37,117,918.55 | |
| Deferred income tax assets | 425,319,406.98 | 425,319,406.98 | |
| Other non-current assets | 16,277,605.61 | 16,277,605.61 | |
| Subtotal of non-current assets | 5,071,749,863.79 | 5,071,749,863.79 | |
| Total assets | 26,350,599,778.15 | 26,350,599,778.15 | |

| | | | |
|---|-------------------|-------------------|----------------|
| Current liabilities: | | | |
| Short-term loan | 1,851,709,561.83 | 1,851,709,561.83 | |
| Trading financial liabilities | NA | 38,602,602.30 | 38,602,602.30 |
| Financial liabilities measured at fair value with changes recognized into current profit and loss | 38,602,602.30 | NA | -38,602,602.30 |
| Notes payable and accounts payable | 7,461,315,698.99 | 7,461,315,698.99 | |
| Received pre-payments | 343,297,891.20 | 343,297,891.20 | |
| Payroll payable | 1,124,358,611.94 | 1,124,358,611.94 | |
| Tax payable | 599,478,049.81 | 599,478,049.81 | |
| Other payables | 1,051,537,094.97 | 1,051,537,094.97 | |
| Including: interests payable | 4,745,203.31 | 4,745,203.31 | |
| Non-current liabilities due within 1 year | 25,500,000.00 | 25,500,000.00 | |
| Other current liabilities | 70,845,639.51 | 70,845,639.51 | |
| Subtotal of current liabilities | 12,566,645,150.55 | 12,566,645,150.55 | |
| Non-current liabilities: | | | |
| Long-term loan | 179,000,000.00 | 179,000,000.00 | |
| Expected liabilities | 193,761,170.12 | 193,761,170.12 | |
| Deferred income | 58,693,533.40 | 58,693,533.40 | |
| Deferred income tax liabilities | 50,137,969.76 | 50,137,969.76 | |
| Other non-current liabilities | 399,096,280.89 | 399,096,280.89 | |
| Subtotal of non-current liabilities | 880,688,954.17 | 880,688,954.17 | |
| Total liabilities | 13,447,334,104.72 | 13,447,334,104.72 | |
| Shareholders' equity: | | | |
| Share capital | 2,997,621,930.00 | 2,997,621,930.00 | |
| Capital reserves | 1,501,180,862.83 | 1,501,180,862.83 | |
| Less: treasury share | 807,733,586.00 | 807,733,586.00 | |
| Other comprehensive incomes | 10,337,164.41 | 10,337,164.41 | |

| | | | |
|---|-------------------|-------------------|--|
| Surplus reserves | 1,246,369,430.91 | 1,246,369,430.91 | |
| Undistributed profits | 7,670,983,116.33 | 7,670,983,116.33 | |
| Total shareholders' equity attributable to the parent company | 12,618,758,918.48 | 12,618,758,918.48 | |
| Minority shareholders' equity | 284,506,754.95 | 284,506,754.95 | |
| Total shareholders' equity | 12,903,265,673.43 | 12,903,265,673.43 | |
| Total liabilities and shareholders' equity | 26,350,599,778.15 | 26,350,599,778.15 | |

Notes

In accordance with Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprises No. 23 - Transfer of Financial Assets and Accounting Standards for Business Enterprises No. 24 - Hedge Accounting promulgated by the Ministry of Finance on March 31, 2017 and the Accounting Standard for Business Enterprises No. 37 - Presentation of Financial Instruments revised and published by the Ministry of Finance on May 2, 2017 (collectively referred to as the "New Accounting Standards for Financial Instruments"), domestic listed companies are required to implement accordingly starting from January 1, 2019.

According to the requirements in the above revised accounting standards, the Company started to implement the new standards since January 1, 2019. The Company adjusted the items previously listed as financial liabilities measured at fair value with changes recognized into current profit and loss to trading financial liabilities; the equity investment measured using cost method and listed as available-for-sale financial assets to other non-current financial assets.

Balance Sheet of the Parent Company

Unit: RMB

| Item | December 31, 2018 | January 1, 2019 | Adjusted amount |
|--|-------------------|------------------|-----------------|
| Current assets: | | | |
| Monetary fund | 611,190,236.01 | 611,190,236.01 | |
| Notes receivable and accounts receivable | 5,551,148,625.96 | 5,551,148,625.96 | |
| Including: notes receivable | 952,572,702.92 | 952,572,702.92 | |
| Accounts receivable | 4,598,575,923.04 | 4,598,575,923.04 | |
| Pre-payments | 26,772,044.53 | 26,772,044.53 | |
| Other receivables | 6,954,655,863.03 | 6,954,655,863.03 | |
| Including: interests receivable | 42,500.00 | 42,500.00 | |
| Inventory | 120,181,267.85 | 120,181,267.85 | |

| | | | |
|--------------------------------------|-------------------|-------------------|----------------|
| Non-current assets due within 1 year | 50,793,137.80 | 50,793,137.80 | |
| Other current assets | 24,858,982.78 | 24,858,982.78 | |
| Subtotal of current assets | 13,339,600,157.96 | 13,339,600,157.96 | |
| Non-current assets: | | | |
| Financial assets available for sale | 80,496,000.00 | NA | -80,496,000.00 |
| Long-term receivables | 160,299,143.83 | 160,299,143.83 | |
| Long-term equity investment | 3,001,639,428.55 | 3,001,639,428.55 | |
| Other non-current financial assets | NA | 80,496,000.00 | 80,496,000.00 |
| Investment properties | 183,321,198.72 | 183,321,198.72 | |
| Fixed assets | 496,363,638.38 | 496,363,638.38 | |
| Projects under construction | 151,072,585.67 | 151,072,585.67 | |
| Intangible assets | 170,879,747.04 | 170,879,747.04 | |
| Long-term prepaid expenses | 28,927,258.54 | 28,927,258.54 | |
| Deferred income tax assets | 40,821,902.57 | 40,821,902.57 | |
| Other non-current assets | 929,380.00 | 929,380.00 | |
| Subtotal of non-current assets | 4,314,750,283.30 | 4,314,750,283.30 | |
| Total assets | 17,654,350,441.26 | 17,654,350,441.26 | |
| Current liabilities: | | | |
| Short-term loan | 1,380,000,000.00 | 1,380,000,000.00 | |
| Notes payable and accounts payable | 1,065,528,900.01 | 1,065,528,900.01 | |
| Received pre-payments | 80,361,211.04 | 80,361,211.04 | |
| Payroll payable | 817,723,936.19 | 817,723,936.19 | |
| Tax payable | 351,294,836.50 | 351,294,836.50 | |
| Other payables | 1,060,909,330.56 | 1,060,909,330.56 | |
| Including: interests payable | 2,416,340.30 | 2,416,340.30 | |
| Other current liabilities | 6,464,333.12 | 6,464,333.12 | |
| Subtotal of current liabilities | 4,762,282,547.42 | 4,762,282,547.42 | |

| | | | |
|--|-------------------|-------------------|--|
| Non-current liabilities: | | | |
| Expected liabilities | 3,396,100.00 | 3,396,100.00 | |
| Other non-current liabilities | 23,684,423.74 | 23,684,423.74 | |
| Subtotal of non-current liabilities | 27,080,523.74 | 27,080,523.74 | |
| Total liabilities | 4,789,363,071.16 | 4,789,363,071.16 | |
| Shareholders' equity: | | | |
| Share capital | 2,997,621,930.00 | 2,997,621,930.00 | |
| Capital reserves | 1,497,801,068.88 | 1,497,801,068.88 | |
| Less: treasury share | 807,733,586.00 | 807,733,586.00 | |
| Surplus reserves | 1,246,369,430.91 | 1,246,369,430.91 | |
| Undistributed profits | 7,930,928,526.31 | 7,930,928,526.31 | |
| Total shareholders' equity | 12,864,987,370.10 | 12,864,987,370.10 | |
| Total liabilities and shareholders' equity | 17,654,350,441.26 | 17,654,350,441.26 | |

Notes

2. Explanation on the retroactive adjustment to previous comparative data during the implementation of new accounting standards for financial instruments and new lease standards for the first time

Applicable Not applicable

III. Audit Report

Whether the Q1 report has been audited

Yes No

The Q1 report of the Company has not been audited yet.

Board of Directors of Zhejiang Dahua Technology Co., Ltd.

Chairman: Fu Liquan

April 26, 2019