Tsann Kuen (China) Enterprise Co., Ltd.

Report for the First Quarter of 2018

April 2018

Section I Important Statements

The Board of Directors, the Supervisory Committee as well as all directors, supervisors and senior management staff of Tsann Kuen (China) Enterprise Co., Ltd. (hereinafter referred to as "the Company") warrant that this report is factual, accurate and complete without any false record, misleading statement or material omission. And they shall be jointly and severally liable for that.

All directors attended the board session for reviewing this report.

Mr. Pan Zhirong, company principal, and Mr. Feng Zhiqing, head of the accounting work & the accounting division (head of accounting) jointly declare that the financial statements carried in this report are factual, accurate and complete.

This Report is prepared in both Chinese and English. Should there be any discrepancy between the two versions, the Chinese version shall prevail.

Section II Company Profile

I Key financial results

Whether the Company performed any retroactive adjustments to or restatement of its accounting data due to changes of accounting policies or correction of accounting errors

□ Yes √ No

Unit: RMB

Item	January-March 2018	January-March 2017	+/-%
Operating revenues	319,364,654.64	454,378,577.36	-29.71
Net profit attributable to shareholders of the Company	-21,878,234.79	6,800,900.65	-421.70
Net profit attributable to shareholders of the Company before exceptional profit and loss	-27,785,628.47	5,620,130.15	-594.39
Net operating cash flow	-8,842,593.74	3,169,455.03	-378.99
Basic earnings per share (RMB/share)	-0.12	0.04	-400.00
Diluted earnings per share (RMB/share)	-0.12	0.04	-400.00
Weighted average return on equity (%)	-0.04	1.10	-1.14
Item	31 March 2018	31 December 2017	+/-%
Total assets	1,625,804,755.14	1,778,825,153.51	-8.60
Net assets attributable to shareholders of the Company	586,422,273.11	610,814,327.77	-3.99

Total share capital up to the former trading date before the disclosure:

Total share capital up to the former trading date before the disclosure (share)	185,391,680
Fully diluted EPS calculated by the newest share capital (RMB/share)	-0.12

Exceptional profit and loss

√ Applicable □ Not applicable

Unit: RMB

Item	January-March 2018	Note
Profit/loss on disposal of non-current assets (including offset amount of asset impairment provisions)	327,372.40	
Tax rebates, reductions and exemptions due to approval beyond authority or the lack of official approval documents		
Government grants charged to the profit/loss for the Reporting Period (except for the government grants closely related to the business of the	1,255,697.00	

Item	January-March 2018	Note
Company and given at a fixed quota or amount in accordance with the State's uniform standards)		
Capital occupation charges on non-financial enterprises that are charged to the profit/loss for the Reporting Period		
Profit due to the situation where investment costs for the Company to obtain subsidiaries, associates and joint ventures are lower than the enjoyable fair value of identifiable net assets of investees when making investments		
Profit/loss on non-monetary asset swap		
Profit/loss on entrusting others with investments or asset management		
Asset impairment provisions due to acts of God such as natural disasters		
Profit/loss on debt restructuring		
Restructuring costs in staff arrangement, integration, etc.		
Profit/loss on the part over the fair value due to transactions with distinctly unfair prices		
Reporting Period net profit/loss of subsidiaries acquired through business mergers under the same control from period-beginnings to merger dates		
Profit/loss on contingencies irrelevant to the Company's normal business activities		
Profit/loss on fair value changes of transactional financial assets and liabilities & investment profit on disposal of transactional financial assets and liabilities as well as financial assets available for sale, except for effectively hedging business related to normal business operations of the Company	7,426,504.29	Mainly the investment income of sales of forward foreign exchange contract, income from changes in fair value, and other current assets income from wealth management products
Impairment provision reversal for accounts receivable on which the impairment test is carried out separately		
Profit/loss on entrusted loans		
Profit/loss on fair value changes in investing properties of which the subsequent measurement is carried out adopting the fair value method		
Effect on Reporting Period profit/loss when a one-off adjustment is made to Reporting Period profit/Loss according to requirements of taxation, accounting and other relevant laws and regulations		

Item	January-March 2018	Note
Custody fee income when entrusted with operations		
Non-operating income and expense other than the above	251,523.42	
Other profit/loss that meet the definition of exceptional profit/loss		
Less: Income tax effects	1,388,031.68	
Minority interests effects (after tax)	1,965,671.75	
Total	5,907,393.68	

Explanation of why the Company classified an item as exceptional profit/loss according to the definition in the Explanatory Announcement No. 1 on Information Disclosure for Companies Offering Their Securities to the Public—Exceptional Profit and Loss, or reclassified any exceptional profit/loss item given as an example in the said explanatory announcement to recurrent profit/loss

□ Applicable √ Not applicable

II Total number of shareholders at the period-end and shareholdings of top ten shareholders

1. Numbers of common shareholders and preference shareholders with resumed voting rights as well as shareholdings of top ten shareholders

Unit: share

Total number of common shareholders at the period-end	16,646		Total number of preference shareholders with resumed voting rights at the period-end			0
Shareholdings of top ten shareholders						
Name of shareholder	Nature of shareholder	Shareholding percentage (%)	Number of shares held	Number of non-circulating shares held	Pledged or frozen shares	
					Status of shares	Number of shares
FORDCHEE DEVELOPMENT LIMITED	Foreign corporation	29.10%	53,940,530	0	N/A	0
EUPA INDUSTRY CORPORATION LIMITED	Foreign corporation	13.09%	24,268,840	0	N/A	0
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Foreign corporation	4.96%	9,196,449	0	N/A	0
FILLMAN INVESTMENTS LIMITED	Foreign corporation	2.49%	4,621,596	0	N/A	0
CHINA EVERBRIGHT SECURITIES (HONGKONG) CO.,	Foreign corporation	1.06%	1,972,523	0	N/A	0

LTD.						
SHENWAN HONGYUAN SECURITIES (HK) CO., LTD.	Foreign corporation	1.06%	1,956,752	0	N/A	0
CHEN YONGQUAN	Domestic individual	1.02%	1,897,343	0	N/A	0
CHEN YONGQING	Foreign individual	0.80%	1,488,949	0	N/A	0
CHEN LIJUAN	Foreign individual	0.72%	1,330,434	0	N/A	0
DING XIAOLUN	Domestic individual	0.59%	1,103,000	0	N/A	0

Shareholdings of top ten circulating shareholders			
Name of shareholder	Number of listed circulating shares held	Variety of shares	
		Variety	Number
FORDCHEE DEVELOPMENT LIMITED	53,940,530	Domestically listed foreign shares	53,940,530
EUPA INDUSTRY CORPORATION LIMITED	24,268,840	Domestically listed foreign shares	24,268,840
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	9,196,449	Domestically listed foreign shares	9,196,449
FILLMAN INVESTMENTS LIMITED	4,621,596	Domestically listed foreign shares	4,621,596
CHINA EVERBRIGHT SECURITIES (HONGKONG) CO., LTD.	1,972,523	Domestically listed foreign shares	1,972,523
SHENWAN HONGYUAN SECURITIES (HK) CO., LTD.	1,956,752	Domestically listed foreign shares	1,956,752
CHEN YONGQUAN	1,897,343	Domestically listed foreign shares	1,897,343
CHEN YONGQING	1,488,949	Domestically listed foreign shares	1,488,949
CHEN LIJUAN	1,330,434	Domestically listed foreign shares	1,330,434
DING XIAOLUN	1,103,000	Domestically listed foreign shares	1,103,000
Related or acting-in-concert parties among the above shareholders	The first, the second and the fourth largest shareholders are the Company's corporate controlling shareholders. It is unknown to the Company whether there exists associated relationship among the shareholders above or they are acting-in-concert entities as stipulated in the Administrative Measures on Information Disclosure of Changes in Shareholding of Listed Companies.		

Did any of the top ten common shareholders or the top ten non-restricted common shareholders of the Company conduct any promissory repo during the Reporting Period?

□ Yea √ No

No such cases in the Reporting Period.

2. Total number of preference shareholders and shareholdings of the top ten of them

□ Applicable √ Not applicable

Section III Significant Events

I Changes in major accounting statement items and financial indicators for the Reporting Period, as well as reasons for such changes

√ Applicable □ Not applicable

Unit: RMB

Item	31 March 2018	31 December 2017	+/-%	Main reason for change
Financial assets measured at fair value with fair value changes included in the profit and loss for the Reporting Period	5,449,550.00	3,925,850.00	38.81	Evaluated gains on forward foreign exchange contracts in current period
Accounts receivable	166,051,743.35	270,052,420.89	-38.51	Decrease in operating revenues in current period
Interest receivable	1,529,753.57	0.00	100.00	Interest receivable on term deposits in current period
Other accounts receivable	23,508,562.57	35,318,724.60	-33.44	Decrease in export tax rebates in current period
Construction in progress	4,119,696.54	2,059,623.18	100.02	Plant renovation awaiting acceptance
Long-term deferred expenses	6,047,050.35	4,388,248.42	37.80	Increase in amortized expenditure on plant renovation in current period
Short-term borrowings	15,564,600.41	10,832,951.89	43.68	Increase in bank borrowings in current period
Notes payable	29,532,657.35	20,024,149.15	47.49	Increase in bank acceptance bills in current period
Accounts received in advance	24,918,125.10	11,661,974.88	113.67	Increase in advances from customers in current period
Taxes and fares payable	3,864,727.20	2,824,721.65	36.82	Increase in VAT payable in current period
Interest payable	16,244.36	1,448.76	1,021.26	Increase in interest payable resulted from increased bank borrowings in current period
Other comprehensive income	2,106,001.00	4,619,820.87	-54.41	Decrease in income from translation of foreign-currency-denominated financial statements in current period

Item	January-March 2018	January-March 2017	+/-%	Main reason for change
Operating revenues	319,364,654.64	454,378,577.36	-29.71	Decrease in operating revenues in current period
Finance costs	11,665,399.89	1,738,365.97	571.06	Increase in unrealized, evaluated foreign exchange loss in current period
Asset impairment loss	-1,776,486.26	-1,181,070.83	50.41	Increase in reversed portion of allowance for doubtful accounts resulted from collection of payments from customers in current period
Gains on fair value changes	1,523,700.00	0.00	100.00	No forward foreign exchange contracts in same period of last year
Investment income	5,902,804.29	213,698.63	2,662.21	Gains on delivered forward foreign exchange contracts in current period
Asset disposal income	327,372.40	172,996.23	89.24	Increase in income from sale of assets in current period
Other income	1,255,697.00	516,075.00	143.32	Increase in government subsidies in current period
Non-operating revenue	281,354.88	1,000,457.93	-71.88	Same period of last year seeing receipt of wind damage compensation and TKS Phase III receiving default compensation as lessee
Non-operating expense	29,831.46	56,900.45	-47.57	Same period of last year seeing donations to students
Corporate income tax	348,766.94	3,622,669.95	-90.37	Decrease in profit in current period
Net operating cash flow	-8,842,593.74	3,169,455.03	-378.99	Decrease in operating revenues in current period
Net financing cash flow	-6,164,673.70	21,832,513.50	-128.24	Same period of last year seeing a higher amount of borrowings

II Progress of significant events and analysis & explanations on their influence and solutions

√ Applicable □ Not applicable

(I) Contingencies

(1) As MTN Products, Inc. / Water Solutions (Hong Kong) Ltd. ("MTN / WSL") did not pay the relevant payment in time and fulfill the order according to the contract, the subsidiary of the Company, TsannKuen (Zhangzhou) Enterprise Co., Ltd. submitted the indictment to the SUPERIOR COURT OF CALIFORNIA COUNTY OF LOS ANGELES on 23 November2016to sue MTN / WSL for payment of USD707,522.92 and USD1,402,940 for reserve losses, totaling USD2,110,462.92. As of the reporting date, the case is still pending.

(2) As Philips Lighting (China) Investment Co., Ltd. ("Philips Lighting") did not pay the relevant payment in accordance with the relevant agreement, the Company's subsidiary TsannKuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL), submitted the indictment on 23 November 2016 to Longhai City People's Court, requesting the payment of CNY2,499,658.4. On 12 January 2018, TKL received the first instance judgment from the court that Philips should pay CNY 423,345.63 and overdue interest to TKL. TKL has filed an appeal.

(3) TSANN KUEN (CHINA) ENTERPRISE CO., LTD. (therefore "TKC") and Tian Yuan (Xiamen) Asset Management Co., Ltd. (therefore "Tianyuan") signed the "Land Lease Contract (Northwest Corner)" and “Housing Lease Contract (North Building) "on 26 June 2013, signed the "LandLease Contract (southeast corner) "," Housing Lease Contract (Huarong Road 23) "(part of the house) on 29 July 2013. TKCleased the part of the land and house on Xinglong Road 88 to Tianyuan for business activities, part of the site and housing leased to Tian Yuan Company for business activities.

As Tianyuan did not pay the rent in accordance with the contract in time and unauthorized use of the leased property, TKC filed a lawsuit in Xiamen Huli District People's Court to pay the relevant rent. On 29 December 2015, People's Court of Huli District of Xiamen City ruled that the four cases will be merged. On 30 May 2017 People's Court of Huli District of Xiamen City made a ruling of first instance: It ruled that Tianyuan Company paid liquidated damages of overdue payment of the Company. Tianyuan Company filed an appeal. As of the reporting date, the case is still pending.

(4) The subsidiary of the Company - TsannKuen (Zhangzhou) Enterprise Co., Ltd. (hereafter, TKL) signed the < Product Supply Agreement> with Xinda Electro mechanics Co., Ltd. (hereafter, Xinda) on 20 July 2009. The validity of the contract is from 1 July 2009 to 30 June 2012. Furthermore, on 1 January 2011, they signed the <TsannKuen(Zhangzhou) Enterprise Co., Ltd. 2011 ED Procurement Contract> and relevant <Special Arrangement Clauses>, and other agreements. According to those agreements, TKL should purchase products from Xinda. TKL rejected to pay for the purchase and terminated those agreements due to the poor quality products from Xinda. On 23 December 2011, Xinda lodged petition for civil litigation to the Intermediate People’s Court of Zhangzhou for the order of Intermediate People’s Court of Zhangzhou that TKL pay for purchase from Xinda amounting to USD 479,089.06 (CNY 3,071,535.78) immediately together with the liquidated damages for delay payment and resume performance of the agreement (the value of the unperformed agreement amounting to USD 189,423.25).

On 8 January 2012, TKL lodged counterclaim to the Court claiming that due to unsatisfactory quality of goods supplied by Xinda, goods supplied by TKL had been returned from clients and orders cancelled, resulting in substantial financial loss and reputation damage suffered by the TKL. TKL therefore petitioned for the court order for relief of agreement and that Xinda shall pay to TKL liquidated damage amounting to CNY 1 million together with financial loss amounting to CNY 7.6216 million.

Intermediate People's Court of Zhangzhou made the judgment on 15 August 2013 as follow:

a. TKL should pay goods payments amount USD479,089.06 to plaintiff Xinda within 15 days from the date on which the judgment becomes effective, equivalent to CNY3,071,535.78.

b. Plaintiff Xinda and the third party BoLuo Lianyuan industry Co., Ltd. (hereafter Lianyuan) should jointly pay the laquidated damage for CNY1,233,399.70 to TKL within 15 days from the date on which the judgment becomes effective.

c. Unperformed 10 orders entered into by TKL, Xinda and Lianyuan are declared cancelled.

d. Reject other claims partitioned by the plaintiff Xinda.

e. Reject other claims partitioned by TKL. After the first judgment, both parties appealed against the judgment.

Higher People's Court of Fujian Province made the final judgment on 15 December 2016 with the following verdict::

a. Verdict c,d,e from the first judgment remain unchanged.

b. Verdict a from the first judgment changed as: TKL should pay goods payments amount CNY2,375,547.92 Xinda within 15 days from the date on which the judgment becomes effective.

c. Verdict b from the first judgment changed as: Xinda and BoLuo Lianyuan industry Co., Ltd. Should jointly pay TKL the laquidated damage for CNY537,411.84 within 15 days from the date on which the judgement becomes effective.

The flawed motor supplied by Xinda and Lianyuan totalled 103,638, 23,035 of them was picked out in (2012) Zhangminchuzi Case No.8, the Company conducted another notary pick out on the remaining flawed motors during the second instance, totalled 80,603. TKL lodged petition for civil litigation on 18 January 2017, based on the judgments from (2012) Zhangminchuzi Case No.8, TKL asks for the order of that Xinda and Lianyuan return the corresponding goods payments of the 80,603 flawed motors, along with compensation for other losses caused by this. The case is still pending.

(II) Progress of capital increase from TKL to its sub-subsidiary Tsannkuen Edge Intelligence

Resolution on the 1st Special Meeting of Board of Directors for 2018 convened on February 1, 2018 by the Company approved the capital increase from controlling subsidiary TKL to its sub-subsidiary Tsannkuen Edge Intelligence. For details, see Announcement on the Capital Increase from Controlling Subsidiary TKL to its Sub-subsidiary Tsannkuen Edge Intelligence published on Securities Times and Hong Kong Ta Kung Pao, and http://www.cninfo.com.cn on February 2, 2018.

(III) Progress of changes in usage of original part of capital increase of its sub-subsidiary Pt.Star Comgistic Indonesia by TKL

Resolution on the 1st Special Meeting of Board of Directors for 2018 convened on February 1, 2018 by the Company approved the Usage of original part of capital increase of its sub-subsidiary Pt.Star Comgistic Indonesia (referred to as "SCI") by the changes of controlling subsidiary. For details, see Announcement on the Usage of Original Part of Capital Increase of its Sub-subsidiary SCI by the Changes of Controlling Subsidiary TKL published on Securities Times and Hong Kong Ta Kung Pao, and http://www.cninfo.com.cn on February 2, 2018. It is in the process of approval now.

(IV) Establishing Subsidiary

The Controlling Subsidiary TKL planned to established wholly-owned subsidiary TsannKuen (Zhangzhou) Investment Co., Ltd. For details, see Announcement on the Planning for Establishment of Wholly-owned Subsidiary by Controlling Subsidiary TKL published on Securities Times and Hong Kong Ta Kung Pao, and http://www.cninfo.com.cn on April 28, 2018.

Overview of significant event	Disclosure date	Website where the relevant current announcement is disclosed
Announcement on the Capital Increase from Controlling Subsidiary TKL to its Sub-subsidiary Tsannkuen Edge Intelligence	2 February 2018	www.cninfo.com.cn
Announcement on the Usage of Original Part of Capital Increase of its Sub-subsidiary SCI by the Changes of Controlling Subsidiary TKL	2 February 2018	www.cninfo.com.cn
Announcement on the Planning for Establishment of Wholly-owned Subsidiary by Controlling Subsidiary TKL	28 April 2018	www.cninfo.com.cn

III Commitments of the Company's actual controller, shareholders, related parties and acquirer, as well as the Company and other commitment makers, unfulfilled in this reporting period

√ Applicable □ Not applicable

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
Commitment on share reform						
Commitment in the acquisition report or the report on equity changes						
Commitments made upon the assets replacement						
Commitments made upon first issuance or refinance						
Commitment on equity incentive						
Other commitments made to minority shareholders	FILLMAN INVESTMENTS LIMITED	Commitment on shareholding increase	Based on the confidence on the continuous and stable development of the Company, it committed to increase the shareholding if the Company's stock price lower than HKD2.40 per share after the implementation of the shares contraction and trading resumption, and it would increase no more than 2% shares (i.e. 3.7078 million shares) of the total shares issued by the Company within one year since the date of initial shareholding	December 28, 2012	Longstanding	The Company's stocks resumed trading on December 31, 2012, but the Company's stock price hasn't met the condition for shareholding increase since the date of trading resumption,

Commitment	Commitment maker	Commitment type	Contents	Time of making commitment	Period of commitment	Fulfillment
			increase. If the plan on increasing holding 2% shares of the total shares is completed, if the stock price hasn't reached the target price, it will perform relevant approval procedures, and propose to CSRC on continuous implementation of shareholding increase by exemption of offering.			FILLMAN Investment Limited hasn't implemented the shareholding increase plan.
Executed on time or not	Yes					

No such cases in the reporting period.

IV Operating result forecast for January-June 2018

Forecast of a possible deficit or considerable YoY change in the accumulative net profit made during the period from the beginning of the year to the end of the next reporting period, as well as explanation of why:

□Applicable √ Not applicable

V Securities investments

□ Applicable √ Not applicable

No such cases in the Reporting Period.

VI Investments in derivative financial instruments

√ Applicable □ Not applicable

Unit: RMB'0,000

<table>
<tr><th>Operating party</th><th>Relation</th><th>Related-party transaction or not</th><th>Type of investment in derivative financial instruments</th><th>Initial investment amount</th><th>Commencement date</th><th>Termination date</th><th>Investment amount at the beginning of the period</th><th>Pursed in this reporting period</th><th>Sold in this reporting period</th><th>Amount provided for impairment</th><th>Investment amount at the end of the period</th><th>Ratio of investment amount at the end of the period to the Company's net asset at the end of the period (%)</th><th>Actual profit/loss for the period</th></tr>
<tr><td>Bank</td><td>Non-related</td><td>No</td><td>Forward forex</td><td>36,551.81</td><td>January 1, 2018</td><td>March 31, 2018</td><td>18,662.79</td><td>11,561.68</td><td>19,656.78</td><td></td><td>16,895.03</td><td>0.29</td><td>797.45</td></tr>
<tr><td colspan="4">Total</td><td>36,551.81</td><td></td><td></td><td>18,662.79</td><td>11,561.68</td><td>19,656.78</td><td></td><td>16,895.03</td><td>0.29</td><td>797.45</td></tr>
<tr><td colspan="4">Source of investment funds</td><td colspan="10">All from the Company's own funds</td></tr>
<tr><td colspan="4">Lawsuits</td><td colspan="10">No lawsuits</td></tr>
<tr><td colspan="4">Disclosure date of the announcement about the board's consent for the investment</td><td colspan="10">2013-03-12</td></tr>
<tr><td colspan="4">Disclosure date of the announcement about the general meeting's consent for the investment</td><td colspan="10">2013-05-18</td></tr>
<tr><td colspan="4">Risk analysis and risk control measures for positions held in derivatives in this reporting period (including but not limited to market risk, liquidity risk, credit risk, operational risk, legal risk, etc.)</td><td colspan="10">1. Analysis on risks from holding of derivative products: gains or losses from difference between contracted exchange rate and market exchange rate on value date.
2. Control measures:
(1) Principle: The purpose of the financial derivative operation is to avoid risks. The Company shall not conduct transactional operation for other purposes than risk avoidance. The Company shall not conduct complex derivative trading above the actual operation needs and shall not speculate in derivative trading with hedging as an excuse. The overall contractual amount for risk avoidance of the Company shall not exceed the summation of the net risk exposure of the existing assets and liabilities and the net risk exposure of assets and liabilities arising from the operation of the Company in the coming year.
(2) Staff requirements: Personnel taking part in the investment shall all fully understand the risks of derivative investment and strictly execute the business operation and risk management mechanisms for derivative investment.
(3) Operation standardization: Before making a derivative investment, the Company shall rationally equip itself with professional personnel for investment decision-making, business operation, risk control, etc. It shall also inquire and compare among various markets and products. Besides, it shall strictly control the variety and size of derivative investment and try to choose derivative trading on exchange as much as possible.
(4) Periodic evaluation: Derivative investments shall be evaluated at least twice for a month and the evaluation report shall be sent to a high-ranking executive authorized by the Board of Directors. And a derivative investment report shall be sent to the Board of Directors annually. The Company and its subsidiaries only need to submit to the Board of Directors of the subsidiaries.
(5) Loss limit: The investment loss on a single derivative and all the investment loss shall not exceed 20% of the total investment amount.
(6) Audit system: The audit department audits derivative product trading periodically and submits audit reports to relevant units.</td></tr>
</table>

Changes in market price or fair value of derivatives invested in this reporting period (specific methods used and relevant assumption and parameter settings shall be disclosed for analysis of fair value of derivatives)	(1) Gains on delivered derivatives in the Reporting Period were RMB 6.4508 million, and assessed gains on those undelivered were RMB 1.5237 million, of which, the rotation of forwards assessed gains on undelivered derivatives in the last year was RMB 3.9259 million. (2) The former contracted bank provided monthly sheets of estimated exchange rates for the undue contracted forward exchanges on the last trading day of the month. (3) The profit and loss from fair value changes of the derivative was confirmed according to the difference between the contracted amount undue by the month*the estimated exchange rate and the currency amount when bought in.
Significant changes in the Company's accounting policies and specific accounting principles for derivatives in this reporting period as compared to the prior period	No significant changes
Special opinions expressed by independent directors concerning the Company's derivatives investment and risk control	The Company has carried out a strict internal assessment for the financial derivative business and has established a corresponding supervision mechanism. We are of the opinion that the financial derivative business conducted by the Company is fairly necessary in its routine operation and is in compliance with relevant laws and regulations, with the risks controllable.

VII Visits paid to the Company in the Reporting Period for purposes of research, communication, interview, etc.

√ Applicable □ Not applicable

Date of visit	Way of visit	Type of visitor	Index to main inquiry information
2018-01-08	Telephone communication	Individual	Inquired of the operation of the Company
2018-01-16	Telephone communication	Individual	Inquired of the operation of the Company
2018-03-20	Telephone communication	Individual	Inquired of the forecast loss of the annual report and first quarter report , and the reform of B-share
2018-03-20	Telephone communication	Individual	Inquired of the operation of the Company
2018-03-22	Telephone communication	Individual	Inquired of the operation of the Company, and the reform of B-share

VIII Illegal provision of guarantees for external parties

□ Applicable √ Not applicable

IX Occupation of the Company's funds by the controlling shareholder or its related parties for non-operating purposes

□ Applicable √ Not applicable

Section IV Financial Statements

I Financial statements

1. Consolidated balance sheet

Prepared by TSANN KUEN (CHINA) ENTERPRISE CO., LTD.

Unit: RMB

Item	Closing amount	Opening amount
Current assets:		
Monetary funds	535,842,553.36	564,381,960.88
Settlement reserves		
Lendings to banks and other financial institutions		
Financial assets measured at fair value with fair value changes included in the profit and loss for the Reporting Period	5,449,550.00	3,925,850.00
Derivative financial assets		
Notes receivable		
Accounts receivable	166,051,743.35	270,052,420.89
Accounts paid in advance	13,061,982.14	10,939,777.79
Premiums receivable		
Reinsurance premiums receivable		
Receivable reinsurance contract reserves		
Interest receivable	1,529,753.57	
Dividends receivable		
Other accounts receivable	23,508,562.57	35,318,724.60
Financial assets purchased under agreement to resell		
Inventories	188,071,614.03	195,711,505.29
Assets held for sale		
Non-current assets due within one year		
Other current assets	406,003,086.95	413,119,671.14
Total current assets	1,339,518,845.97	1,493,449,910.59
Non-current assets:		
Loans and advances to customers		
Available-for-sale financial assets	40,000.00	40,000.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments		
Investment property	31,268,117.72	32,125,408.51
Fixed assets	169,048,296.12	173,361,312.05
Construction in progress	4,119,696.54	2,059,623.18

Item	Closing amount	Opening amount
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	28,303,564.06	29,501,389.01
R&D expense		
Goodwill		
Long-term deferred expenses	6,047,050.35	4,388,248.42
Deferred income tax assets	22,564,665.12	22,682,483.17
Other non-current assets	24,894,519.26	21,216,778.58
Total non-current assets	286,285,909.17	285,375,242.92
Total assets	1,625,804,755.14	1,778,825,153.51
Current liabilities:		
Short-term borrowings	15,564,600.41	10,832,951.89
Borrowings from the Central Bank		
Money deposits accepted and inter-bank deposits		
Loans from banks and other financial institutions		
Financial liabilities measured at fair value with fair value changes included in the profit and loss for the Reporting Period		
Derivative financial liabilities		
Notes payable	29,532,657.35	20,024,149.15
Accounts payable	452,358,259.77	583,540,229.36
Accounts received in advance	24,918,125.10	11,661,974.88
Financial assets sold for repurchase		
Handling charges and commissions payable		
Payroll payable	34,137,337.87	44,803,501.77
Taxes and fares payable	3,864,727.20	2,824,721.65
Interest payable	16,244.36	1,448.76
Dividends payable		
Other accounts payable	55,519,017.68	51,138,758.51
Reinsurance premiums payable		
Insurance contract reserves		
Payables for acting trading of securities		
Payables for acting underwriting of securities		
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	615,910,969.74	724,827,735.97
Non-current liabilities:		
Long-term borrowings		

Item	Closing amount	Opening amount
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term accounts payable		
Long-term payroll payable	169,856.55	156,540.09
Special payables	109,137,778.28	109,137,778.28
Estimated liabilities		
Deferred income		
Deferred income tax liabilities	1,739,945.92	1,431,505.08
Other non-current liabilities		
Total non-current liabilities	111,047,580.75	110,725,823.45
Total liabilities	726,958,550.49	835,553,559.42
Owners' equity:		
Share capital	185,391,680.00	185,391,680.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserves	296,808,965.79	296,808,965.79
Less: Treasury stock		
Other composite income	2,106,001.00	4,619,820.87
Special reserves		
Surplus reserves	33,888,636.90	33,888,636.90
Provisions for general risks		
Retained profit	68,226,989.42	90,105,224.21
Total equity attributable to owners of the Company	586,422,273.11	610,814,327.77
Minority interests	312,423,931.54	332,457,266.32
Total owners' equity	898,846,204.65	943,271,594.09
Total liabilities and owners' equity	1,625,804,755.14	1,778,825,153.51

Legal representative: Pan Zhirong　　Chief of the accounting work: Feng Zhiqing　　Chief of the accounting organ: Feng Zhiqing

2. Balance sheet of the Company

Unit: RMB

Item	Closing balance	Opening balance
Current Assets:		
Monetary funds	22,156,283.70	5,342,389.95
Financial assets measured at fair value with fair value changes included in the profit and loss for the Reporting Period		
Derivative financial assets		
Notes receivable		
Accounts receivable	14,528,037.12	20,741,059.08
Accounts paid in advance	215,712.00	443,847.00
Interest receivable		
Dividends receivable		
Other accounts receivable	287,598.90	472,467.07
Inventories	12,870,257.68	16,130,234.05
Assets held for sale		
Non-current assets due within one year		
Other current assets		1,023,556.88
Total current assets	50,057,889.40	44,153,554.03
Non-current assets:		
Available-for-sale financial assets	40,000.00	40,000.00
Held-to-maturity investments		
Long-term accounts receivable		
Long-term equity investments	922,914,701.56	922,914,701.56
Investment property	31,818,440.40	32,598,504.60
Fixed assets	1,470,769.30	1,568,125.72
Construction in progress		
Engineering materials		
Disposal of fixed assets		
Productive living assets		
Oil-gas assets		
Intangible assets	49,499.99	56,249.99
R&D expense		
Goodwill		
Long-term deferred expenses	8,799.82	18,932.97
Deferred income tax assets	10,475,642.18	10,492,468.50
Other non-current assets		
Total non-current assets	966,777,853.25	967,688,983.34
Total assets	1,016,835,742.65	1,011,842,537.37
Current liabilities:		
Short-term borrowings		
Financial liabilities measured at fair value with fair value changes included in the profit and loss for the Reporting Period		
Derivative financial liabilities		
Notes payable		

Item	Closing balance	Opening balance
Accounts payable	46,405,172.40	71,274,018.34
Accounts received in advance	3,828,526.06	1,664,602.93
Payroll payable	3,678,923.53	2,981,548.19
Taxes and fares payable	963,673.38	894,510.08
Interest payable		
Dividends payable		
Other accounts payable	280,839,107.52	288,656,915.61
Liabilities held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	335,715,402.89	365,471,595.15
Non-current liabilities:		
Long-term borrowings		
Bonds payable		
Of which: Preference shares		
Perpetual bonds		
Long-term payables		
Long-term payroll payables		
Special payables		
Estimated liabilities		
Deferred income		
Deferred income tax liabilities		
Other non-current liabilities		
Total non-current liabilities		
Total liabilities	335,715,402.89	365,471,595.15
Owners' equity:		
Share capital	185,391,680.00	185,391,680.00
Other equity instruments		
Of which: Preference shares		
Perpetual bonds		
Capital reserves	271,490,289.82	271,490,289.82
Less: Treasury stock		
Other composite income		
Special reserves		
Surplus reserves	33,888,636.90	33,888,636.90
Retained profit	190,349,733.04	155,600,335.50
Total owners' equity	681,120,339.76	646,370,942.22
Total liabilities and owners' equity	1,016,835,742.65	1,011,842,537.37

Legal representative: Pan Zhirong Chief of the accounting work: Feng Zhiqing Chief of the accounting organ: Feng Zhiqing

3. Consolidated income statement

Unit: RMB

Item	January-March 2018	January-March 2017
1. Operating revenues	319,364,654.64	454,378,577.36
Including: Sales revenue	319,364,654.64	454,378,577.36
Interest revenue		
Premium revenue		
Handling charge and commission revenue		
2. Total operating costs	358,168,095.81	444,388,401.44
Including: Cost of sales	293,239,451.95	387,349,957.02
Interest expenses		
Handling charge and commission expenses		
Surrenders		
Net claims paid		
Net amount provided as insurance contract reserves		
Expenditure on policy dividends		
Reinsurance premium		
Taxes and surtaxes	3,143,568.77	3,337,174.29
Selling expenses	13,638,807.57	17,801,039.57
Administrative expenses	38,257,353.89	35,342,935.42
Finance costs	11,665,399.89	1,738,365.97
Asset impairment loss	-1,776,486.26	-1,181,070.83
Add: Profit/loss on fair value changes ("-" means loss)	1,523,700.00	
Profit/loss on investment ("-" means loss)	5,902,804.29	213,698.63
Including: Share of profit in associates and joint ventures		
Foreign exchange profit ("-" means loss)		
Income arising from disposal of assets ("-" means loss)	327,372.40	172,996.23
Other income	1,255,697.00	516,075.00
3. Operating profit ("-" means loss)	-29,793,867.48	10,892,945.78
Add: Non-operating revenue	281,354.88	1,000,457.93
Including: Profit on damage and scrapping of non-current assets		
Less: Non-operating expense	29,831.46	56,900.45
Including: Loss on damage and scrapping of non-current assets	5,199.46	6,900.45
4. Total profit ("-" means loss)	-29,542,344.06	11,836,503.26
Less: Corporate income tax	348,766.94	3,622,669.95
5. Net profit ("-" means loss)	-29,891,111.00	8,213,833.31
5.1 Net profit from going concern ("-" means net loss)	-29,891,111.00	8,213,833.31
5.2 Net profit from discontinued operation ("-" means net loss)		
Net profit attributable to owners of the Company	-21,878,234.79	6,800,900.65

Item	January-March 2018	January-March 2017
Minority shareholders' income	-8,012,876.21	1,412,932.66
6. After-tax net amount of other composite income	-3,351,759.83	211,819.25
After-tax net amount of other composite income attributable to owners of the Company	-2,513,819.87	158,864.44
6.1 Other composite income that will not be reclassified into profit and loss		
6.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
6.1.2 Enjoyable share in other comprehensive income in investees that cannot be reclassified into profit and loss under the equity method		
6.2 Other composite income that will be reclassified into profit and loss	-2,513,819.87	158,864.44
6.2.1 Enjoyable share in other composite income in investees that will be reclassified into profit and loss under the equity method		
6.2.2 Profit and loss on fair value changes of available-for-sale financial assets		
6.2.3 Profit and loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
6.2.4 Effective hedging profit and loss on cash flow		
6.2.5 Foreign-currency financial statement translation difference	-2,513,819.87	158,864.44
6.2.6 Other		
After-tax net amount of other composite income attributable to minority shareholders	-837,939.96	52,954.81
7. Total composite income	-33,242,870.83	8,425,652.56
Attributable to owners of the Company	-24,392,054.66	6,959,765.09
Attributable to minority shareholders	-8,850,816.17	1,465,887.47
8. Earnings per share		
8.1 Basic earnings per share	-0.12	0.04
8.2 Diluted earnings per share	-0.12	0.04

Where business mergers under the same control occurred in the Reporting Period, net profit achieved by the merged parties before the business mergers was RMB 0.00, with the corresponding amount for the same period of last year being RMB0.00.

Legal representative: Pan Zhirong Chief of the accounting work: Feng Zhiqing Chief of the accounting organ: Feng Zhiqing

4. Income statement of the Company

Unit: RMB

Item	January-March 2018	January-March 2017
1. Operating revenues	25,078,057.17	21,002,892.18
Less: Operating costs	20,332,971.17	15,142,772.24
Taxes and surtaxes	605,071.88	729,157.30
Selling expenses	1,754,858.63	2,156,628.15
Administrative expenses	1,433,363.89	2,943,317.20
Financial costs	-1,065.19	-15,902.72
Asset impairment loss	-251,973.27	-1,150,303.33
Add: profit/loss on fair value changes (“-” means loss)		
Profit/loss on investment (“-” means loss)	33,547,555.83	30,310,250.78
Including: Income from investment on associates and joint ventures		
Income arising from disposal of assets (“-” means loss)		
Other income		
2. Operating profit (“-” means loss)	34,752,385.89	31,507,474.12
Add: Non-operating revenue	18,469.97	41,647.63
Including: Profit on damage and scrapping of non-current assets		
Less: Non-operating expense	4,632.00	
Including: Loss on damage and scrapping of non-current assets		
3. Total profit (“-” means loss)	34,766,223.86	31,549,121.75
Less: Corporate income tax	16,826.32	266,215.77
4. Net profit (“-” means loss)	34,749,397.54	31,282,905.98
4.1 Net profit from going concern (“-” means net loss)	34,749,397.54	31,282,905.98
4.2 Net profit from discontinued operation (“-” means net loss)		
5. After-tax net amount of other composite income		
5.1 Other composite income that will not be reclassified into profit and loss		
5.1.1 Changes in net liabilities or assets with a defined benefit plan upon re-measurement		
5.1.2 Enjoyable share in other composite income in investees that cannot be reclassified into profit and loss under the equity method		
5.2 Other composite income that will be reclassified into profit and loss		
5.2.1 Enjoyable share in other composite income in investees that will be reclassified into profit and loss under the equity method		
5.2.2 Profit and loss on fair value changes of available-for-sale financial assets		
5.2.3 Profit and loss on reclassifying held-to-maturity investments into available-for-sale financial assets		
5.2.4 Effective hedging profit and loss on cash flow		
5.2.5 Foreign-currency financial statement translation difference		
5.2.6 Other		
6. Total composite income	34,749,397.54	31,282,905.98

Legal representative: Pan Zhirong Chief of the accounting work: Feng Zhiqing Chief of the accounting organ: Feng Zhiqing

5. Consolidated cash flow statement

Unit: RMB

Item	January-March 2018	January-March 2017
1. Operating cash flow:		
Cash received from sale of commodities and rendering of service	421,714,037.46	491,298,063.61
Net increase in money deposits from customers and inter-bank placements		
Net increase in loans from the Central Bank		
Net increase in funds borrowed from other financial institutions		
Cash received from premium of original insurance contracts		
Net cash received from reinsurance business		
Net increase in deposits of policy holders and investment fund		
Net increase in disposal of financial assets measured at fair value with fair value changes included in the profit and loss for the Reporting Period		
Cash received from interest, handling charges and commissions		
Net increase in loans from banks and other financial institutions		
Net increase in funds in repurchase business		
Tax refunds received	54,253,887.28	50,899,572.11
Other operating cash received	8,917,968.49	19,055,478.67
Subtotal of operating cash inflow	484,885,893.23	561,253,114.39
Cash paid for goods and services	388,927,995.77	421,536,510.47
Net increase in loans and advances to customers		
Net increase in funds deposited in the Central Bank and inter-bank placements		
Cash for paying claims of original insurance contracts		
Cash for paying interest, handling charges and commissions		
Cash for paying policy dividends		
Cash paid to and for employees	66,421,877.12	71,049,721.91
Taxes and fares paid	3,866,015.63	16,287,373.30
Other cash payment relating to operating activities	34,512,598.45	49,210,053.68
Subtotal of operating cash outflow	493,728,486.97	558,083,659.36
Net operating cash flow	-8,842,593.74	3,169,455.03
2. Investment cash flow:		
Cash received from retraction of investments	46,450,800.00	32,729,887.43
Cash received from return on investments	1,396,650.10	229,280.83
Net cash received from disposal of fixed assets, intangible assets and other long-term assets	287,716.15	1,882,588.00
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investment activities	62,300,000.00	9,819,374.14
Subtotal of investment cash inflow	110,435,166.25	44,661,130.40
Cash paid to acquire fixed assets, intangible assets and other long-term assets	13,979,813.74	18,968,169.49
Cash paid for investment	40,000,000.00	192,047,415.57

Item	January-March 2018	January-March 2017
Net increase in pledged loans		
Net cash paid to acquire subsidiaries and other business units		
Other cash payments relating to investment activities	358,264,600.00	134,062,797.79
Subtotal of investment cash outflow	412,244,413.74	345,078,382.85
Net investment cash flow	-301,809,247.49	-300,417,252.45
3. Financing cash flow:		
Cash received from capital contributions		
Including: Cash received from minority shareholder investments by subsidiaries		
Cash received as borrowings	5,108,330.63	25,036,648.00
Cash received from issuance of bonds		
Other financing cash received		6,899,282.43
Subtotal of financing cash inflow	5,108,330.63	31,935,930.43
Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit	11,273,004.33	10,103,416.93
Including: dividends or profit paid by subsidiaries to minority shareholders	11,182,518.61	10,103,416.93
Other cash payments relating to financing activities		
Sub-total of financing cash outflow	11,273,004.33	10,103,416.93
Net financing cash flow	-6,164,673.70	21,832,513.50
4. Effect of foreign exchange rate changes on cash and cash equivalents	-7,687,492.59	-2,285,644.08
5. Net increase in cash and cash equivalents	-324,504,007.52	-277,700,928.00
Add: Opening balance of cash and cash equivalents	564,381,960.88	738,195,729.53
6. Closing balance of cash and cash equivalents	239,877,953.36	460,494,801.53

Legal representative: Pan Zhirong Chief of the accounting work: Feng Zhiqing Chief of the accounting organ: Feng Zhiqing

6. Cash flow statement of the Company

Unit: RMB

Item	January-March 2018	January-March 2017
1. Operating cash flow:		
Cash received from sale of commodities and rendering of service	22,858,389.74	35,261,061.42
Tax refunds received		
Other operating cash received	10,659,931.71	14,251,817.18
Subtotal of operating cash inflow	33,518,321.45	49,512,878.60
Cash paid for goods and services	35,107,058.89	38,935,020.23
Cash paid to and for employees	704,419.01	4,595,972.16
Taxes and fares paid	1,021,402.40	1,423,553.61
Other operating cash payments	13,419,027.17	9,177,813.37
Subtotal of operating cash outflow	50,251,907.47	54,132,359.37
Net operating cash flow	-16,733,586.02	-4,619,480.77
2. Investment cash flow:		
Cash received from retraction of investments		
Cash received from return on investments	33,547,555.83	30,310,250.78
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		
Net cash received from disposal of subsidiaries or other business units		
Other cash received relating to investment activities		
Subtotal of investment cash inflow	33,547,555.83	30,310,250.78
Cash paid to acquire fixed assets, intangible assets and other long-term assets		22,950.00
Cash paid for investment		
Net cash paid to acquire subsidiaries and other business units		
Other investment cash payments		
Subtotal of investment cash outflow	0.00	22,950.00
Net investment cash flow	33,547,555.83	30,287,300.78
3. Financing cash flow:		
Cash received from capital contributions		
Cash received as borrowings		
Cash received from issuance of bonds		
Other financing cash received		
Subtotal of financing cash inflow		
Repayment of borrowings		
Cash paid for interest expenses and distribution of dividends or profit		
Other cash payments relating to financing activities		
Sub-total of financing cash outflow		
Net financing cash flow		
4. Effect of foreign exchange rate changes on cash and cash equivalents	-76.06	21.99
5. Net increase in cash and cash equivalents	16,813,893.75	25,667,842.00
Add: Opening balance of cash and cash equivalents	5,342,389.95	6,668,219.24
6. Closing balance of cash and cash equivalents	22,156,283.70	32,336,061.24

Legal representative: Pan Zhirong Chief of the accounting work: Feng Zhiqing Chief of the accounting organ: Feng Zhiqing

II Auditor's report

Is this Report audited?

□ Yes √ No

This Report is not audited.