

Dongfeng Sci-Tech Group CO., Ltd.

Text of First Quarterly Report 2019

Section I. Important Notes

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

All Directors are attended the Board Meeting for Quarterly Report deliberation. Zhao Yongsheng, Person in charge of the Company, Zhao Yongsheng, person in charger of accounting works and Liu Fengguo, person in charger of accounting organ (accounting officer) hereby confirm that the Financial Report of this Quarterly Report is authentic, accurate and complete.

Note: The Report is prepared in bilingual versions of Chinese and English respectively, in the event of any discrepancy in understanding the two aforementioned versions, the Chinese version shall prevail.

Section II. Company Information

I. Main accounting data and financial indexes

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

Yes No

	Current Period	Same period of last year	Changes of this period over same period of last year
Operating income (RMB)	19,742,832.21	57,256,600.57	-65.52%
Net profit attributable to shareholders of the listed company (RMB)	-14,173,060.95	1,206,225.64	-1,274.99%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	-14,310,855.79	-1,688,014.85	-727.97%
Net cash flow arising from operating activities (RMB)	18,406,542.28	13,873,390.65	32.68%
Basic earnings per share (RMB/Share)	-0.020	0.002	-1,100.00%
Diluted earnings per share (RMB/Share)	-0.020	0.002	-1,100.00%
Weighted average ROE (%)	-4.22%	0.33%	-4.55%
	At the end of the reporting period	At the end of last year	Changes of this period-end over same period-end of last year
Total assets (RMB)	672,082,000.87	624,370,817.40	7.64%
Net assets attributable to shareholder of listed company (RMB)	328,313,065.98	351,593,999.08	-6.62%

Items of non-recurring gains and losses

Applicable Not applicable

In RMB

Item	Amount from year-begin to period-end	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	467,465.69	
Held transaction financial asset, gains/losses of changes of fair values from transaction financial liabilities, and investment gains from disposal of transaction financial asset, transaction financial liabilities and financial asset available for sales, exclude the effective hedging business relevant with normal operations of the Company	87,723.37	

Other non-operating income and expenditure except for the aforementioned items	-371,462.62	
Less: impact on income tax	45,931.60	
Total	137,794.84	--

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

Applicable Not applicable

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

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

1. Number of common shareholders and preference shareholders with voting rights recovered and top ten common shareholders

In shares

Total number of common shareholders at the end of report period	17,698	Total preference shareholders with voting rights recovered at end of reporting period (if applicable)	0			
Top ten shareholders						
Shareholder's name	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of non-tradable shares held	Number of share pledged/frozen	
					State of share	Amount
Wang Dong	Domestic natural person	29.49%	208,324,800	208,324,800		
China Everbright Securities (HK) Limited	Overseas legal person	8.89%	62,822,845	0		
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	Overseas legal person	6.60%	46,639,226	0		
Chengde North Industrial Corporation	Domestic non-state-owned legal person	2.62%	18,517,651	18,517,651		
Wang Zhongsong	Domestic natural person	1.89%	13,327,891	13,327,891		

Wang Wensheng	Domestic natural person	1.03%	7,258,007	0		
Su Youhe	Domestic natural person	1.03%	7,243,448	0		
Zhou Haihong	Domestic natural person	0.95%	6,711,600	0		
CORE PACIFIC-YAMA ICHI INTERNATIONAL (H.K.) LIMITED	Overseas legal person	0.86%	6,051,543	0		
Haitong International Securities Company Limited-Account Client	Overseas legal person	0.77%	5,473,175	0		

Top ten shareholders with tradable shares held

Shareholder's name	Amount of tradable shares held	Type of shares	
		Type	Amount
China Everbright Securities (HK) Limited	62,822,845	Domestically listed foreign shares	62,822,845
GUOTAI JUNAN SECURITIES(HONGKONG) LIMITED	46,639,226	Domestically listed foreign shares	46,639,226
Wang Wensheng	7,258,007	Domestically listed foreign shares	7,258,007
Su Youhe	7,243,448	Domestically listed foreign shares	7,243,448
Zhou Haihong	6,711,600	Domestically listed foreign shares	6,711,600
CORE PACIFIC-YAMA ICHI INTERNATIONAL (H.K.) LIMITED	6,051,543	Domestically listed foreign shares	6,051,543
Haitong International Securities	5,473,175	Domestically	5,473,175

Company Limited-Account Client		listed foreign shares	
Shenwan Hongyuan Securities (Hong Kong) Co., Ltd.	4,995,920	Domestically listed foreign shares	4,995,920
Tang Haiming	4,390,000	Domestically listed foreign shares	4,390,000
Li Tianyun	3,973,900	Domestically listed foreign shares	3,973,900
Explanation on associated relationship among the aforesaid shareholders	The Company is unknown whether there exists associated relationship or belongs to consistent actor regulated by “management method for acquisition of listed company” among the above said shareholders.		
Explanation on top ten shareholders involving margin business (if applicable)	N/A		

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

Yes No

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

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

Applicable Not applicable

Section III. Significant Events

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

√Applicable □Not applicable

Item	Ending balance	Opening balance	Change ratio (%)	Reasons
	(or current period)	(or last period)		
Other account receivable	13,722,717.25	8,588,597.44	59.78%	Intercourse funds increased in the period
Other current assets Other current assets	12,165,307.83	37,786,874.66	-67.81%	Redemption of financial products in the period
R&D expenses	17,189,388.65	13,346,410.47	28.79%	Add new expenses in R&D in the period
Other non-current assets	191,872,846.36	121,743,152.36	-57.60%	Account paid in advance for engineering increased
Note payable and account payable	5,001,709.67	6,668,789.67	-25.00%	Account paid for engineering in the period
Account received in advance	6,285,381.10	16,269,319.99	-61.37%	The account received in advance for houses are carry forward to revenue in the period
Taxes payable	133,095.73	921,967.58	-85.56%	Paying taxes in the period
Long-term loans	172,210,000.00	101,710,000.00	69.31%	Add new loans from the bank in the period
Treasury stock	28,826,485.70	19,718,613.55	46.19%	Share repurchase in the period
Operation revenue	19,742,832.21	57,256,600.57	-65.52%	Sales in the period declined
Operation cost	18,282,172.42	49,553,806.50	-63.11%	Sales in the period declined
Taxes and surcharge	620,914.59	1,986,601.03	-68.74%	Sales in the period declined
Sales expenses	5,339,242.26	4,902.12	108817.00%	Sales agency fee increased in the period
Other income	—	2,890,000.00	-100.00%	Energy-saving subsidy received at last period
Net cash flow from operating activities	18,406,542.28	13,873,390.65	32.68%	Intercourse funds increased in the period
Net cash flow from investment activities	-70,777,980.84	-30,604,566.14	-131.27%	Account paid for engineering in the period
Net cash flow from financing activities	58,821,776.56	-210,900.00	27990.84%	The current period is caused by bank loan.

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

Applicable Not applicable

Progress of implementation of shares repurchase

Applicable Not applicable

On October 22, 2018, the company held the 4th session of the seventh board of directors which reviewed and approved the *Proposal on the Repurchase of Company Shares by Centralized Bidding*, and the second extraordinary shareholders meeting of 2018 held on November 7, 2018 reviewed and approved the above proposal. On November 14, 2018, the company disclosed the *Repurchase Report on the Repurchase of Company Shares by Centralized Bidding* (Announcement No.: 2018-062). The company implemented the repurchase for the first time on December 6, 2018, and disclosed the *Announcement on the First Repurchase of the Company's Shares* (Announcement No.: 2018-070) on December 7, 2018. For details of the above, please refer to the relevant announcements disclosed by the company on *Securities Times*, *Hong Kong Commercial Daily* and <http://www.cninfo.com.cn>. The progress of the company's share repurchase was as follows:

Ended as the reporting period, the company repurchased the company's shares of 28,307,783 shares through a stock repurchase special security account by centralized bidding transactions, accounting for 4.01% of the company's total share capital, of which the highest transaction price was HK\$1.18/share, the lowest transaction price was HK\$1.09/share, and the total amount paid was HK\$32,095,614.32 (excluding transaction fees). Found more as:

Repurchased date	Amount repurchased	Ceiling price (HK\$)	Bottom price (HK\$)	Price repurchased (HK\$)	Ratio in total share capital	Announcement index
2018.12.6	6,586,658	1.14	1.11	7,449,626.48	0.93%	<i>Notice on the First Repurchase of Company's Shares</i> (No.:2018-070)
2018.12.20	12,864,055	1.14	1.09	14,529,142.54	1.82%	<i>Notice on the Repurchase of 2% of the Company's Shares Capital</i> (No.:2018-075)
2018.12.27	4,994,970	1.18	1.12	5,697,753.10	0.71%	<i>Notice on the Repurchase of 3% of the Company's Shares Capital</i> (No.:2018-076)
2018.12.28	532,100	1.14	1.14	606,594.00	0.08%	<i>Notice on the Repurchase of 4% of the Company's Shares Capital</i> (No.:2019-006)
2019.1.29	3,330,000	1.16	1.14	3,812,498.20	0.47%	
Total	28,307,783			32,095,614.32	4.01%	

Implementation progress of the reduction of repurchases shares by centralized bidding

Applicable Not applicable

III. Commitments that the actual controller, shareholders, related party, acquirer and the Company have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

Applicable Not applicable

The Company has no commitments completed in Period and those without completed till end of the Period from actual controller, shareholders, related parties, acquirer and company.

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

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

Applicable Not applicable

V. Securities Investment

Applicable Not applicable

No security investment in Period.

VI. Derivative investment

Applicable Not applicable

No derivative investment in the Period.

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

Applicable Not applicable

Time	Way	Type	Basic situation index of investigation
2019-02-28	Telephone communication	Individual	Operation of the Company, no materials required
2019-03-20	Telephone communication	Individual	Current condition of the Company, no materials required

VIII. Guarantee outside against the regulation

Applicable Not applicable

The Company had no guarantee outside against the regulation in the reporting period.

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

Applicable Not applicable

The Company had no non-operational fund occupation form controlling shareholders and its related party in the period.