

China Fangda Group Co., Ltd.

The 1st Quarterly Report 2007 (Complete Version)

§ 1 Important Declaration

1.1 The Board of Directors and the directors of the Company guarantee that there are no significant omissions, fictitious or misleading statements carried in the Report and we will accept individual and joint responsibilities for the truthfulness, accuracy and completeness of the Report.

1.2 None of the directors, supervisors, or senior managements is not able to guarantee or disagree with the accuracy, authentic and completeness.

1.3 All of the directors attended the board meeting.

1.4 The financial statements carried in this report are not audited.

1.5 Mr. Xiong Jianming, the Chairman of Board, Mr. Lin Kebin, the Financial Principal declares: the Financial Report carried in this report is authentic and completed.

§ 2 Company Profile

2.1 Financial highlights

In RMB Yuan

	Ended this report term	Ended previous year	Increase/decrease (%)
Gross Assets	1,241,451,840.16	1,202,945,538.36	3.20%
Owners' (shareholders') equity	498,839,365.55	495,109,976.64	0.75%
Net asset per share	1.41	1.40	0.71%
	Year beginning to the end of the report term		Changed over the previous year (%)
Cash flow generated by business operation, net			-22,812,100.29
Net Cash flow per share generated by business operation			-0.06
	The report term	Year beginning to the end of the report term	Increase/decrease (%)
Net profit	3,729,388.91	3,729,388.91	5.87%
Basic gains per share	0.01	0.01	0.00%
Diluted gains per share	0.01	0.01	0.00%
Net earnings / asset	0.75%	0.75%	0.03%
Net earnings / capital ratio after deducting of non-recurring gain/loss	0.24%	0.24%	-0.45%

Non-recurring gain and loss items

In RMB Yuan

Non-recurring gain and loss items	Amount of the period from the beginning of year to the end of report term
Gain/loss of non-current assets	24,300.00
Various of governmental subsidies	72,000.00
Non-business income after deducting of asset disposal gains and governmental subsidies	4,174,013.69
Non-business expenses after deducting of asset disposal loss	-908,798.28
Minor shareholders' gain/loss in non-recurring gain/loss	-824,547.03
Total	2,536,968.38

2.2 Total of shareholders and the top 10 holders of unconditional shares

in shares

Total of shareholders	34,704 (including 18,291 of A-share holders, and 16,413 of B-share holders)	
Top 10 holders of unconditional shares		
Name of the shareholder	Unconditional shares	Category of shares
Hong Kong Onforce International Co., Ltd.	19,515,633	Foreign shares placed in domestic exchange
Chen Jinbiao	2,843,295	Foreign shares placed in domestic exchange
Sun En'ju	2,327,516	RMB common shares
HSBC PRIVATE BANK (SUISSE) SA GENEVA	1,999,839	Foreign shares placed in domestic exchange
Weng Yingwen	1,927,100	Foreign shares placed in domestic exchange
Wang Chanjuan	1,746,379	Foreign shares placed in domestic exchange
Shen Guo	1,176,600	Foreign shares placed in domestic exchange
Li Hanbo	1,082,543	Foreign shares placed in domestic exchange
Zhang Lingyi	930,300	RMB common shares
Chen Xizhen	846,316	Foreign shares placed in domestic exchange

§ 3 Significant Events

3.1 Details and causations of major change in major accounting subjects and financial indices

applicable not applicable

Compare with the same period of last year, the increasing of non-business gains was caused by clearing of payables amounted to RMB3,373,081.24
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3.2 Progress of significant events, their influence, countermeasures, and analysis

applicable not applicable

3.3 Fulfilling of commitment issues made by the Company, shareholder, or substantial controller

applicable not applicable

3.4 Estimated accumulative profit from the year beginning to the end of the next report period may be of deficits; or in comparison with the same period of the previous year, give the warning of great change and the notice to the reasons.

applicable not applicable

3.5 Statement on differences between the shareholders' equities at the beginning of 2007 presented in the Balance Sheet of this quarterly report and the "Adjustment Form of Differences in Shareholders' Equity under Old and New Accounting Standards"

applicable not applicable

Property investment is calculated afterward on fair value basis, the unrealized profit contained in the internal transactions in the process of construction of the property investment is recognized as realized, which increased the shareholders' equity by RMB5,370,497.29

§ 4 Attachments

4.1 Balance Sheet

Prepared by: China Fangda Group Co., Ltd.

March 31st 2007

in RMB yuan

Items	At the end of term		At 1 January	
	Consolidated	Parent company	Consolidated	Parent company
Current asset:				
Monetary fund	167,084,922.60	33,238,099.38	123,714,024.86	14,945,658.66
Settlement provision				
Outgoing call loan				
Trading financial assets			200,000.00	
Notes receivable	801,150.00		369,000.00	
Account receivable	326,178,821.66	83,204,610.06	342,046,757.77	82,812,141.30
Prepaid fund	23,152,585.78	5,621,160.18	17,155,062.23	3,872,222.98
Insurance receivable				
Reinsurance receivable				
Provisions of Reinsurance contracts receivable				
Interest receivable				
Other account receivable	26,614,230.21	118,308,923.40	25,661,514.71	91,804,346.85
Repurchasing of financial assets				
Inventories	106,313,739.25	14,587,402.30	101,483,784.74	14,459,232.75
Non-current asset due in 1 year				
Other current asset				
Total of current asset	650,145,449.50	254,960,195.32	610,630,144.31	207,893,602.54
Non-current assets				
Loans and payment on other's behalf disbursed				
Disposable financial asset				
Expired investment in possess				
Long-term receivable				
Long-term share equity investment	17,345,684.31	267,207,418.49	17,345,684.31	267,207,418.49
Property investment	209,196,628.00	202,266,626.00	209,196,628.00	202,266,626.00
Fixed assets	299,502,783.79	108,124,717.49	305,382,490.39	110,463,934.04
Construction in progress	1,000,752.00	752,320.00	155,452.00	
Engineering material				
Fixed asset disposal				
Production physical assets				
Gas & petrol				
Intangible assets	36,715,344.08	29,981,638.03	37,104,238.39	30,192,036.94
R&D expense	4,414,297.52			
Goodwill	306,626.75		306,626.75	
Long-term expenses to be amortized	30,750.00		30,750.00	
Differed income tax asset	22,793,524.21	12,635,622.20	22,793,524.21	12,635,622.20
Other non-current asset				
Total of non-current assets	591,306,390.66	620,968,342.21	592,315,394.05	622,765,637.67
Total of assets	1,241,451,840.16	875,928,537.53	1,202,945,538.36	830,659,240.21

Current liabilities				
Short-term loans	482,898,987.96	65,000,000.00	421,352,390.00	120,000,000.00
Loan from Central Bank				
Deposit received and hold for others				
Call loan received				
Trade off financial liabilities				
Notes payable	49,603,917.69	30,000,000.00	38,141,544.89	10,000,000.00
Account payable	104,408,377.45	2,703,819.19	133,567,698.13	11,078,308.53
Prepayment received	48,822,989.83	11,785,446.04	50,635,531.06	5,923,109.51
Selling of repurchased financial assets				
Fees and commissions receivable				
Employees' wage payable	4,339,318.74	-38,456.00	4,474,097.41	
Tax payable	14,467,229.38	1,908,051.84	15,778,377.34	1,108,374.19
Interest payable				
Other account payable	14,675,968.55	262,107,786.90	21,174,520.28	181,006,830.01
Reinsurance fee payable				
Insurance contract provision				
Entrusted trading of securities				
Entrusted selling of securities				
Non-current liability due in 1 year				
Other current liability				
Total of current liability	719,216,789.60	373,466,647.97	685,124,159.11	329,116,622.24
Non-current liabilities				
Long-term borrowings				
Bond payable				
Long-term payable				
Special payable	8,400,000.00	4,800,000.00	8,400,000.00	4,800,000.00
Expected liabilities	2,000,000.00		2,000,000.00	
Differed income tax liability	7,466,346.71	6,278,894.28	7,466,283.93	6,278,894.28
Other non-recurring liabilities				
Total of non-current liabilities	17,866,346.71	11,078,894.28	17,866,283.93	11,078,894.28
Total of liability	737,083,136.31	384,545,542.25	702,990,443.04	340,195,516.52
Owners' equity (or shareholders' equity)				
Practical capital collected (or share capital)	352,716,000.00	352,716,000.00	352,716,000.00	352,716,000.00
Capital reserves	108,081,871.38	108,081,871.38	108,321,912.25	108,321,912.25
Less: Shares in stock				
Surplus reserves	62,860,877.51	32,022,212.26	62,860,877.51	32,022,212.26
Common risk provision				
Attributable profit	-24,819,383.34	-1,437,088.36	-28,548,772.25	-2,356,359.95
Different of foreign currency translation			-240,040.87	-240,040.87
Total of owner's equity belong to the parent company	498,839,365.55	491,382,995.28	495,109,976.64	490,463,723.69
Minor shareholders' equity	5,529,338.30		4,845,118.68	
Total of owners' equity	504,368,703.85	491,382,995.28	499,955,095.32	490,463,723.69
Total of liabilities and owners' equity	1,241,451,840.16	875,928,537.53	1,202,945,538.36	830,659,240.21

4.2 Income Statement

Prepared by: China Fangda Group Co., Ltd.

Jan-Mar 2007

RMB Yuan

Items	Current term		Same period last year	
	Consolidated	Parent company	Consolidated	Parent company
I. Total business income	112,731,579.92	15,613,873.83	120,304,573.69	52,739,408.93
Incl. Business income	112,731,579.92	15,613,873.83	120,304,573.69	52,739,408.93
Interest income				
Insurance fee earned				
Fee and commission received				
II. Total business cost	111,760,411.12	14,723,902.24	117,262,515.13	56,067,913.96
Incl. Business cost	89,056,741.58	8,395,691.74	92,139,271.91	49,580,512.39
Interest expense				
Fee and commission paid				
Insurance discharge payment				
Net claim amount paid				
Net insurance policy reserves provided				
Insurance policy dividend paid				
Reinsurance expenses				
Business tax and surcharge	2,262,482.41	260,831.81	1,507,943.76	0.00
Sales expense	3,989,647.27	1,106.00	4,878,716.24	0.00
Administrative expense	9,710,904.00	4,035,493.54	13,328,565.13	3,633,453.20
Financial expenses	6,740,635.86	2,030,779.15	5,408,018.09	2,853,948.37
Asset impairment loss				
Plus: Gains from change of fair value ("-" for loss)				
Investment gain ("-" for loss)	80,924.32		-75,554.70	0.00
Incl. Investment gains from affiliates				
Gains from currency exchange ("-" for loss)				
III. Operational profit ("-" for loss)	1,052,093.12	889,971.59	2,966,503.86	-3,328,505.03
Plus: Non business income	4,270,313.69	81,300.00	295,179.72	40,200.00
Less: Non-business expenses	908,798.28	52,000.00	172,563.71	0.00
Incl. Loss from disposal of non-current assets				
IV. Gross profit ("-" for loss)	4,413,608.53	919,271.59	3,089,119.87	-3,288,305.03
Less: Income tax expenses				
V. Net profit ("-" for net loss)	4,413,608.53	919,271.59	3,089,119.87	-3,288,305.03
Net profit attributable to the owners of parent company	3,729,388.91	919,271.59	3,522,697.64	-3,288,305.03
Minor shareholders' equity	684,219.62		-433,577.77	
VI. Earnings per share:				
(I) Basic earnings per share	0.01		0.01	
(II) Diluted earnings per share	0.01		0.01	

4.3 Cash Flow Statement

Prepared by: China Fangda Group Co., Ltd.

Jan-Mar 2007

RMB Yuan

Items	Current term		Same period last year	
	Consolidated	Parent company	Consolidated	Parent company
I. Net cash flow from business operation				
Cash received from sales of products and providing of services	134,332,930.81	12,653,076.99	127,825,415.98	21,038,214.55
Net increase of customer deposits and capital kept for brother company				
Net increase of loans from central bank				
Net increase of inter-bank loans from other financial bodies				
Cash received against original insurance contract				
Net cash received from reinsurance business				
Net increase of client deposit and investment				
Net increase of trade financial asset disposal	280,924.32			
Cash received as interest, processing fee, and commission				
Net increase of inter-bank fund received				
Net increase of repurchasing business				
Tax returned	678,576.12	0.00	684,821.95	
Other cash received from business operation	8,284,211.19	663,477.09	14,292,169.29	557,238.89
Sub-total of cash inflow from business activities	143,576,642.44	13,316,554.08	142,802,407.22	21,595,453.44
Cash paid for purchasing of merchandise and services	127,439,809.64	10,199,019.49	103,519,302.98	16,103,198.07
Net increase of client trade and advance				
Net increase of savings in central bank and brother company				
Cash paid for original contract claim				
Cash paid for interest, processing fee and commission				
Cash paid for policy dividend				
Cash paid to staffs or paid for staffs	11,138,842.92	1,357,768.47	11,716,253.23	1,020,404.03
Taxes paid	5,052,011.99	946,021.84	4,515,398.64	471,207.07
Other cash paid for business activities	22,758,078.18	4,669,945.75	17,716,588.43	2,835,240.34
Sub-total of cash outflow from business activities	166,388,742.73	17,172,755.55	137,467,543.28	20,430,049.51
Cash flow generated by business operation, net	-22,812,100.29	-3,856,201.47	5,334,863.94	1,165,403.93
II. Cash flow generated by investing				
Cash received from investment retrieving		0.00		
Cash received as investment gains				
Net cash retrieved from disposal of fixed assets, intangible assets, and other long-term assets	50,000.00	50,000.00		
Net cash received from disposal of subsidiaries or other operational units				
Other investment-related cash received			145,590.06	
Sub-total of cash inflow due to investment activities	50,000.00	50,000.00	145,590.06	0.00
Cash paid for construction of fixed assets, intangible assets and other long-term assets	4,246,201.25	1,096,300.00	10,393,477.23	6,894,787.23
Cash paid as investment				
Net increase of loan against pledge				
Net cash received from subsidiaries and other operational units				
Other cash paid for investment activities				
Sub-total of cash outflow due to investment activities	4,246,201.25	1,096,300.00	10,393,477.23	6,894,787.23
Net cash flow generated by investment	-4,196,201.25	-1,046,300.00	-10,247,887.17	-6,894,787.23
III. Cash flow generated by financing				
Cash received as investment				
Incl. Cash received as investment from minor shareholders				
Cash received as loans	207,547,274.99	99,000,000.00	164,017,088.89	130,900,000.00
Cash received from bond placing				
Other financing-related cash received	18,818,409.99	0.00	35,480.00	
Subtotal of cash inflow from financing activities	226,365,684.98	99,000,000.00	164,052,568.89	130,900,000.00
Cash to repay debts	148,500,000.00	74,408,049.25	157,447,976.79	112,860,235.87
Cash paid as dividend, profit, or interests	6,029,366.00	1,397,515.00	3,802,632.21	2,477,513.69
Incl. Dividend and profit paid by subsidiaries to minor shareholders				
Other cash paid for financing activities	1,453,652.89	0.00	-84,649.58	

Subtotal of cash outflow due to financing activities	155,983,018.89	75,805,564.25	161,165,959.42	115,337,749.56
Net cash flow generated by financing	70,382,666.09	23,194,435.75	2,886,609.47	15,562,250.44
IV. Influence of exchange rate alternation on cash and cash equivalents	-3,466.81	506.44		
V. Net increase of cash and cash equivalents	43,370,897.74	18,292,440.72	-2,026,413.76	9,832,867.14
Plus: Balance of cash and cash equivalents at the beginning of term	123,714,024.86	14,945,658.66	117,195,459.67	35,811,442.73
VI. Balance of cash and cash equivalents at the end of term	167,084,922.60	33,238,099.38	115,169,045.91	45,644,309.87

4.4 Auditors' Report

Auditor's opinion: not audited.

China Fangda Group Co., Ltd.

Chairman of the Board: Xiong Jianming

April 21st, 2007