

Stock Code: 000020 200020

Public Notice No.: 2019-05

Short Form of the Stock: SHEN HUAFA-A, SHEN HUAFA- B

Shenzhen Zhongheng Huafa Co., Ltd.

Summary of Annual Report 2018

I. Important Notice

The summary is abstract from full-text of annual report, for more details of operating results, financial condition and future development plan of the Company; investors should found in the full-text of annual report that published on media appointed by CSRC.

Objection statement of directors, supervisors and senior executives

Name	Position	Content and reason
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Statement

Other directors attending the Meeting for annual report deliberation except for the followed

Name of director absent	Title for absent director	Reasons for absent	Attorney
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Prompt of non-standard audit opinion

☐ Applicable ☒ Not applicable

Profit distribution pre-plan of common stock or capitalizing of common reserves pre-plan deliberated by the Board in the reporting period

☐ Applicable ☒ Not applicable

The Company has no plan of cash dividends carried out, bonus issued and capitalizing of common reserves either.

Profit distribution pre-plan of preferred stock deliberated and approved by the Board in the reporting period

☐ Applicable ☐ Not applicable

II. Basic information of the company

1. Company profile

Short form of the stock	Shen HuafaA, Shen HuafaB	Stock code	000020, 200020
Stock exchange for listing	Shenzhen Stock Exchange		
Person/Way to contact	Secretary of the Board	Rep. of security affairs	
Name	Yang Bin	Niu Zhuo	
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2. Main business or product introduction in the reporting period

After years of development, the company has gradually formed two main businesses in industry and property management. Among them, the industrial business mainly includes injection molding, polylon (light-weight packaging materials), and complete machine production and sales of liquid crystal display, property management business is mainly the lease of its own property.

3. Main accounting data and financial indexes

(I) Main accounting data and financial indexes for recently three years

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

☐ Yes ☒ No

In RMB

	2018	2017	Changes over last year	2016
Operating income	637,046,707.03	858,040,132.74	-25.76%	619,167,770.74
Net profit attributable to shareholders of the listed company	3,295,022.72	974,409.39	238.16%	5,457,710.33
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	1,535,043.65	2,079,588.86	-26.19%	5,109,926.82
Net cash flow arising from operating activities	-21,894,459.66	11,723,254.36	-286.76%	-18,693,296.58
Basic earnings per share (RMB/Share)	0.0116	0.0034	241.18%	0.0193
Diluted earnings per share (RMB/Share)	0.0116	0.0034	241.18%	0.0193
Weighted average ROE	1.02%	0.30%	0.72%	1.72%
	End of 2018	End of 2017	Changes over end of last year	End of 2016
Total assets	617,090,153.46	629,762,731.38	-2.01%	632,475,542.40
Net assets attributable to shareholder of listed company	323,968,000.74	320,672,978.02	1.03%	319,698,568.63

(2) Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	171,620,013.62	169,364,829.62	148,975,383.05	147,086,480.74
Net profit attributable to shareholders of the listed company	307,367.89	2,485,765.71	-2,295,638.52	2,797,527.64

Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	5,469.74	2,047,997.28	-3,406,233.82	2,887,810.45
Net cash flow arising from operating activities	337,819.42	-27,009,145.05	-27,365,096.05	32,141,962.02

Whether there are significant differences between the above-mentioned financial index or its total number and the relevant financial index disclosed in the company's quarterly report and semi-annual report

☐ Yes ☒ No

4. Shares and shareholders

(1) Particulars about common stock shareholders, preference shareholders with voting rights recovered and top ten shareholders

In Share

Total common stock shareholders in reporting period-end	25,862	Total common stock shareholders at end of last month before annual report disclosed	24,818	Total preference shareholders with voting rights recovered at end of reporting period	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed	0
Top ten shareholders							
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Number of shares pledged/frozen		
					State of share	Amount	
Wuhan Zhongheng Group	Domestic non-state-owned legal person	41.21%	116,681,094	0	Pledged	116,100,000	
					Frozen	116,489,894	
SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0	Pledged	0	
					Frozen	0	
GOOD HOPE CORNER INVESTMENT S LTD	Overseas legal person	4.49%	12,700,000	0	Pledged	0	
					Frozen	0	
Changjiang Securities Brokerage (Hongkong) Co., Ltd.	Overseas legal person	1.89%	5,355,249	0	Pledged	0	
					Frozen	0	
Guoyuan Securities Brokerage (Hong Kong)	Overseas legal person	1.36%	3,845,117	0	Pledged	0	
					Frozen	0	

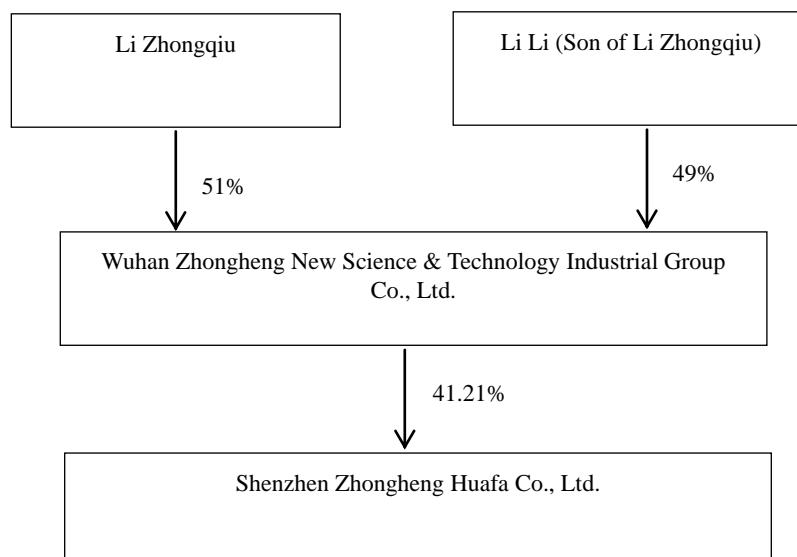
Limited						
Li Senzhuang	Domestic natural person	0.36%	1,022,260	0	Pledged	0
					Frozen	0
LI SHERYN ZHAN MING	Overseas natural person	0.36%	1,009,900	0	Pledged	0
					Frozen	0
Han Yaming	Domestic natural person	0.31%	864,200	0	Pledged	0
					Frozen	0
BINGHU LIU	Domestic natural person	0.30%	840,313	0	Pledged	0
					Frozen	0
Wu Jinmin	Domestic natural person	0.28%	788,352	0	Pledged	0
					Frozen	0
Explanation on associated relationship among the aforesaid shareholders		Among the top ten shareholders, Wuhan Zhongheng Group neither bears associated relationship with other shareholders, nor belongs to the consistent actor that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies. The Company neither knew whether there exists associated relationship among the other tradable shareholders, nor they belong to consistent actors that are prescribed in Measures for the Administration of Disclosure of Shareholder Equity Changes of Listed Companies.				
Explanation on involving margin business (if applicable)		N/A				

(2) Total preferred stock shareholders of the Company and shares held by top ten shareholders with preferred stock held

☐ Applicable ☒ Not applicable

The Company had no shareholders with preferred stock held in the reporting.

(3) Property right and controlling relationships between the actual controllers of the Company and the Company is as follows:



5. Corporate bonds

Whether or not the Company public offering corporation bonds in stock exchange, which undue or without payment in full at maturity on the approval date for annual report disclosed

No

III. Discussion and analysis of business

1. Introduction of operation in the reporting period

Whether the company needs to comply with the disclosure requirements of the particular industry

No

In 2018, the international environment was complicated, the downward pressure on China's economy increased, and the economic growth slowed down. Facing the unfavorable market environment, the company has actively taken measures to adjust its management concept and operating strategies and expand its main business which were supplemented with assessment and incentive mechanism. At the same time, some assets were cleaned and disposed of to maximize the benefits of assets and achieve better returns. In 2018, the company achieved operating revenue of 637,046,700 Yuan, a decrease of 25.76% on a year-on-year basis, and net profits of 3,295,000 Yuan, increased slightly compared with the same period last year.

- Video service business achieved annual operating revenue of 292,748,400 Yuan, a decrease of 38.75% on a year-on-year basis, operation profit amounted as 3,387,600 Yuan with 10.82% up from a year earlier. During the reporting period, the Video Business Division adjusted the product structure and optimized the sales ratio of each brand of products. The proportion of AOC series brands decreased due to the Group's adjustment, the Great Wall brand accounted for 22.41%, and the proportion of VSCN domestic sales rose to 24.54%, the increased VSCN export sales accounted for 4.91%, ACER accounted for 18.89%, and Changhong and Skyworth brands were newly increased. In 2018, it achieved sales volume of 703,900 units, outperforming the annual profit target.

- Injection molding business achieved annual operating revenue of 220,923,600 Yuan, a decrease of 12.46% over the same period last year, operation profit amounted as 443,500 Yuan, a declined over same period last year. With the unceasingly fierce competition in the market, the profit margin of injection molding has been greatly reduced, but all the staff of the business division adjusted the sales strategy in time, actively seized the market share, and expanded the production workshop, purchased new type of production lines, and more than 10 existing automatic equipment, such as automatic gumming robots, injection molding machines, etc., have been put into production in November 2018, and the annual output is expected to increase by 2.3 million sets.

- Polylon business achieved annual operating revenue of 68,365,100 Yuan, a decrease of 16.01% over the same period last year, net profit amounted as -770,000 yuan, an increase of 7.49% from a year earlier. EPS Business Division actually sold 3,873 tons in 2018. The EPS Business Division won the title of "Excellent Scientific and Technological Innovation Enterprise of China Plastics Processing Industry" due to its outstanding achievements in promoting industrial technology advancement and promoting the transformation of scientific and technological achievements. In 2018, the main projects won the bidding by several hundred percents, the electric heating P3

packaging won 100% bidding, the fuel gas and K series packaging won 100% bidding, the T3 structural parts won 100% bidding, the freezer Dafuhao won 100% bidding, and the dual variable temperature freezer won 100% bidding.

●The property rental business achieved annual operating revenue of 34369800 Yuan, a decrease of 5.45% over the same period last year. The company's own property, Huafa Building, has been included in the urban renewal project, the lessees had great changes, and the rental income decreased relatively. Gongming Huafa Electronic City was still in the stage of renovation and transformation, and no rental income was generated in the current year. Therefore, in 2018, the company's overall rental income decreased somewhat compared with the previous year.

2. Whether the main business had major change in the reporting period

☐ Yes ☒ No

3. About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit

☐ Applicable ☒ Not applicable

4. Whether the characteristics of management seasonal or cyclical need special attention

☐ Yes ☒ No

5. In the reporting period, note of major changes in operating income, operating cost, total net profit attributable to common stock shareholders of listed company or composing the previous reporting period

☐ Applicable ☒ Not applicable

6. Particular about suspended and delisting

☐ Applicable ☒ Not applicable

7. Related matters relating to financial reports

(1) Particulars about the changes in aspect of accounting policy, estimates and calculation method compared with the financial report of last year

☒ Applicable ☐ Not applicable

The “Notice on Revising and issuing the Format of General Enterprise Financial Statement for 2018” (CK[2018] No.15) issued by Ministry of Finance on 15 June 2018, the format of financial statement for enterprise who implemented the accounting standards shall be prepared for 2018 and later years in line with the above mentioned Notice.

(2) Major accounting errors within reporting period that needs retrospective restatement

☐ Applicable ☒ Not applicable

No major accounting errors within reporting period that needs retrospective restatement for the Company in the period.

(3) Compare with last year’s financial report; explain changes in consolidation statement’s scope

☐ Applicable ☒ Not applicable

No changes in consolidation statement’s scope for the Company in the period.