

SHENZHEN ZHONGHENG HUAFYA CO., LTD.

ANNUAL REPORT 2018

April 2019

Section I. Important Notice, Contents and Paraphrase

Board of Directors, Supervisory Committee, all directors, supervisors and senior executives of Shenzhen Zhongheng HUAFA Co., Ltd. (hereinafter referred to as the Company) hereby confirm that there are no any fictitious statements, misleading statements, or important omissions carried in this report, and shall take all responsibilities, individual and/or joint, for the reality, accuracy and completion of the whole contents.

Li Zhongqiu, Principal of the Company, Yang Bin, person in charge of accounting works and Wu Ai'jie, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2018 Annual Report is authentic, accurate and complete.

All directors are attended the Board Meeting for report deliberation.

Concerning the forward-looking statements with future planning involved in the Report, they do not constitute a substantial commitment for investors. Majority investors are advised to exercise caution of investment risks.

Risks factors are being well-described in the Report, found more in risks factors and countermeasures disclosed in Prospects for Future Development of the Board of Directors' Report.

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

Contents

| | |
|--|-----------|
| Section I Important Notice, Contents and Paraphrase | 2 |
| Section II Company Profile and Main Finnaical Indexes | 5 |
| Section III Summary of Company Business | 7 |
| Section IV Discussion and Analysis of Operation | 8 |
| Section V Important Events | 12 |
| Section VI Changes in shares and particular about shareholders..... | 16 |
| Section VII Preferred Stock..... | 18 |
| Section VIII Particulars about Directors, Supervisors,Senior Executives and Employees | 19 |
| Section IX Corporate Governance | 20 |
| Section X Corporate Bonds | 22 |
| Section XI Financial Report..... | 22 |
| Section XII Documents Available for Reference | 85 |

Paraphrase

| Items | Refers to | Contents |
|-----------------------------|-----------|--|
| Company, Shen HUAFA | Refers to | SHENZHEN ZHONGHENG HUAFA CO., LTD. |
| Hengfa Technology | Refers to | Wuhan Hengfa Technology Co., Ltd. |
| HUAFA Property | Refers to | Shenzhen Zhongheng HUAFA Property Co., Ltd |
| HUAFA Lease | Refers to | Shenzhen HUAFA Property Lease Management Co., Ltd |
| HUAFA Trade | Refers to | Wuhan Zhongheng HUAFA Trade Co., Ltd. |
| Wuhan Zhongheng Group | Refers to | Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd |
| HK Yutian | Refers to | Hong Kong Yutian International Investment Co., Ltd. |
| Hengsheng Photo-electricity | Refers to | Wuhan Hengsheng Photo-electricity Industry Co., Ltd. |
| Hengsheng Yutian | Refers to | Wuhan Hengsheng Yutian Industrial Co., Ltd. |
| Yutian Henghua | Refers to | Shenzhen Yutian Henghua Co., Ltd. |
| HUAFA Hengtian | Refers to | Shenzhen HUAFA Hengtian Co., Ltd. |
| HUAFA Hengtai | Refers to | Shenzhen HUAFA Hengtai Co., Ltd. |
| Shenzhen Vanke | Refers to | Shenzhen Vanke Real Estate Co., Ltd. |
| Vanke Guangming | Refers to | Shenzhen Vanke Guangming Real Estate Development Co., Ltd |

Section II. Company Profile and Main Financial Indexes

I. Company profile

| | | | |
|---|---|------------|----------------|
| Short form of the stock | Shen HUAFA A, Shen HUAFA B | Stock code | 000020, 200020 |
| Stock exchange for listing | Shenzhen Stock Exchange | | |
| Name of the Company (in Chinese) | 深圳中恒华发股份有限公司 | | |
| Short form of the Company (in Chinese) | 深华发 | | |
| Foreign name of the Company (if applicable) | SHENZHEN ZHONGHENG HUAFIA CO., LTD. | | |
| Abbr. of the foreign name (if applicable) | N/A | | |
| Legal representative | Li Zhongqiu | | |
| Registrations add. | 411 Bldg., Huafa (N) Road, Futian District, Shenzhen | | |
| Code for registrations add | 518031 | | |
| Offices add. | 33/F, No. 2 Building of Dachong Business Center, Nanshan District, Shenzhen | | |
| Codes for office add. | 518057 | | |
| Company's Internet Web Site | http://www.hwafa.com.cn | | |
| E-mail | huafainvestor@126.com.cn | | |

II. Person/Way to contact

| | Secretary of the Board | Rep. of security affairs |
|--------------|---|---|
| Name | Yang Bin | Niu Yuxiang |
| Contact add. | 33/F, No. 2 Building of Dachong Business Center, Nanshan District, Shenzhen | 33/F, No. 2 Building of Dachong Business Center, Nanshan District, Shenzhen |
| Tel. | 0755-86360201 | 0755-86360201 |
| Fax. | 0755-86360206 | 0755-86360206 |
| E-mail | huafainvestor@126.com.cn | huafainvestor@126.com.cn |

III. Information disclosure and preparation place

| | |
|---|---|
| Newspaper appointed for information disclosure | <i>China Securities Journal; Securities Times; Hong Kong Commercial Daily</i> |
| Website for annual report publish appointed by CSRC | http://www.cninfo.com.cn |
| Preparation place for annual report | Office of the Board of SHENZHEN ZHONGHENG HUAFU CO., LTD. |

IV. Registration changes of the Company

| | |
|---|---|
| Organization code | Before change: 61883037-2; after changed: 91440300618830372G |
| Changes of main business since listing (if applicable) | Before the change of controlling shareholders: the main business was production and sales of color TV, printed circuit board and injection molded parts etc. After the change of controlling shareholders: the main business gradually adjusted to production and sales of injection molded parts, foam part (light packaging materials) and LCD whole machine. |
| Previous changes for controlling shareholders (if applicable) | The Company's predecessor was Shenzhen Huafa Electronic Co., LTD, which was founded in 1981, initiated and established by three legal persons-- Shenzhen Electronics Group Co., LTD, China Zhenhua Electronic Group Co., LTD and Hong Kong Luks Industrial Co., LTD. In June 2005, Wuhan Zhongheng Group transferred the 44.12% equity of company, held by original first and second largest shareholder of the Company Shenzhen Electronics Group Co., LTD and China Zhenhua Electronic Group Co., LTD, and equity transfer formalities completed in April 2007; Wuhan Zhongheng Group became the controlling shareholder of the Company. In September 2007, the company officially changed its name to "Shenzhen Zhongheng HUAFU Co., Ltd". |

V. Other relevant information

CPA engaged by the Company

| | |
|----------------------|---|
| Name of CPA | DAXIN Certified Public Accountants LLP |
| Offices add. for CPA | 15/F College International Mansion, No.1 Zhi Chun Road, Haidian District, Beijing |
| Signing Accountants | Li Wei, Fan Zhang |

Sponsor engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

Financial consultant engaged by the Company for performing continuous supervision duties in reporting period

Applicable Not applicable

VI. Main accounting data and financial indexes

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

Yes No

| | 2018 | 2017 | Changes over last year | 2016 |
|---|----------------|----------------|-------------------------------|----------------|
| Operating income(RMB) | 637,046,707.03 | 858,040,132.74 | -25.76% | 619,167,770.74 |
| Net profit attributable to shareholders of the listed company(RMB) | 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(RMB) | 1,535,043.65 | 2,079,588.86 | -26.19% | 5,109,926.82 |
| Net cash flow arising from operating activities(RMB) | -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(RMB) | 617,090,153.46 | 629,762,731.38 | -2.01% | 632,475,542.40 |
| Net assets attributable to shareholder of listed company(RMB) | 323,968,000.74 | 320,672,978.02 | 1.03% | 319,698,568.63 |

VII. Difference of the accounting data under accounting rules in and out of China

1. Difference of the net profit and net assets disclosed in financial report, under both IAS (International Accounting Standards) and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either IAS (International Accounting Standards) or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

2. Difference of the net profit and net assets disclosed in financial report, under both foreign accounting rules and Chinese GAAP (Generally Accepted Accounting Principles)

Applicable Not applicable

The Company had no difference of the net profit or net assets disclosed in financial report, under either foreign accounting rules or Chinese GAAP (Generally Accepted Accounting Principles) in the period.

VIII. Quarterly main financial index

In RMB

| | 1 st Q | 2 nd Q | 3 rd Q | 4 th Q |
|--|-------------------|-------------------|-------------------|-------------------|
| 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

IX. Items and amounts of extraordinary profit (gains)/loss

Applicable Not applicable

In RMB

| Item | 2018 | 2017 | 2016 | Note |
|---|--------------|--------------|---------------|------|
| Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets) | 49,159.75 | 199,069.56 | 82,132.08 | |
| Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business) | 3,795,820.00 | 1,451,189.68 | 1,419,888.89 | |
| Gain/loss of entrusted investment or assets management | 326,439.49 | 372,245.91 | | |
| Other non-operating income and expenditure except for the aforementioned items | -167,795.70 | 427,054.02 | -1,209,982.33 | |
| Other gain/loss items satisfying the definition of nonrecurring gain/loss account | | | 333,974.06 | |
| Accrual liability reversal | | 1,527,600.81 | | |

| | | | | |
|------------------------------|---------------|---------------|------------|----|
| Loss on assignment of claims | -2,158,200.00 | -5,755,200.00 | | |
| Less: Impact on income tax | 85,444.47 | -672,860.55 | 278,229.19 | |
| Total | 1,759,979.07 | -1,105,179.47 | 347,783.51 | -- |

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*

Section III. Summary of Company Business

I. Main businesses of the company in the reporting period

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

No

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.

II. Major changes in main assets

1. Major changes in main assets

| Major assets | Note of major changes |
|--------------------------|-----------------------|
| Equity assets | No major change |
| Fixed assets | No major change |
| Intangible assets | No major change |
| Construction in progress | No major change |

2. Main overseas assets

Applicable Not applicable

III. Core competitiveness analysis

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

No

All industrial lands of the Company located in Shenzhen were taken into the first batch of plan under 2010 Shenzhen urban upgrade planning. In the future, development and operation of self-owned land resources would become the income source of the Company on a long-term and stable basis.

Section IV. Discussion and Analysis of Operation

1. Introduction

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 292748400 Yuan, a decrease of 38.75% on a year-on-year basis, operation profit amounted as 3387600 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 220923600 Yuan, a decrease of 12.46% over the same period last year, operation profit amounted as 443500 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 68365100 Yuan, a decrease of 16.01% over the same period last year, net profit amounted as -770000 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.

II. Main business analysis

1. Introduction

See the “I-Introduction” in “Discussion and Analysis of Operation”

2. Revenue and cost

(1) Constitute of operating income

| In RMB | | | | | |
|---|----------------|------------------------------|----------------|------------------------------|----------------------------|
| | 2018 | | 2017 | | Increase/decrease y-o-y |
| | Amount | Ratio in operation income | Amount | Ratio in operation income | |
| Total operation income | 637,046,707.03 | 100% | 858,040,132.74 | 100% | -25.76% |
| According to industries | | | | | |
| Display | 292,748,410.48 | 45.95% | 477,934,212.10 | 55.70% | -38.75% |
| Plastic injection hardware | 220,923,611.40 | 34.68% | 252,361,777.26 | 29.41% | -12.46% |
| Foam | 68,365,102.41 | 10.73% | 81,395,469.03 | 9.49% | -16.01% |
| Property leasing | 34,369,761.45 | 5.40% | 36,350,826.04 | 4.24% | -5.45% |
| Income from materials and waste | 14,235,066.01 | 2.23% | 2,695,453.61 | 0.31% | 428.11% |
| Water and electricity costs and other | 6,404,755.28 | 1.01% | 7,302,394.70 | 0.85% | -12.29% |
| According to products | | | | | |
| Display | 292,748,410.48 | 45.95% | 477,934,212.10 | 55.70% | -38.75% |
| Plastic injection hardware | 220,923,611.40 | 34.68% | 252,361,777.26 | 29.41% | -12.46% |

| | | | | | |
|---------------------------------------|----------------|--------|----------------|--------|---------|
| Foam | 68,365,102.41 | 10.73% | 81,395,469.03 | 9.49% | -16.01% |
| Property leasing | 34,369,761.45 | 5.40% | 36,350,826.04 | 4.24% | -5.45% |
| Income from materials and waste | 14,235,066.01 | 2.23% | 2,695,453.61 | 0.31% | 428.11% |
| Water and electricity costs and other | 6,404,755.28 | 1.01% | 7,302,394.70 | 0.85% | -12.29% |
| According to region | | | | | |
| Hong Kong | 133,145,269.85 | 20.90% | 279,854,122.73 | 32.62% | -52.42% |
| Central China | 464,355,922.55 | 72.89% | 535,937,015.83 | 62.46% | -13.36% |
| South China | 39,545,514.63 | 6.21% | 42,248,994.18 | 4.92% | -6.40% |

(2) About the industries, products, or regions accounting for over 10% of the company's operating income or operating profit

Applicable Not applicable

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

No

In RMB

| | Operating income | Operating cost | Gross profit ratio | Increase/decrease of operating revenue y-o-y | Increase/decrease of operating cost y-o-y | Increase/decrease of gross profit ratio y-o-y |
|----------------------------|------------------|----------------|--------------------|--|---|---|
| According to industries | | | | | | |
| Display | 292,748,410.48 | 274,670,759.10 | 6.18% | -38.75% | -40.17% | 2.24% |
| Plastic injection hardware | 220,923,611.40 | 206,230,661.93 | 6.65% | -12.46% | -11.60% | -0.91% |
| Foam | 68,365,102.41 | 64,368,704.31 | 5.85% | -16.01% | -14.76% | -1.38% |
| Property leasing | 34,369,761.45 | 1,390,657.20 | 95.95% | -5.45% | -31.79% | 1.56% |
| According to products | | | | | | |
| Display | 292,748,410.48 | 274,670,759.10 | 6.18% | -38.75% | -40.17% | 2.24% |
| Plastic injection hardware | 220,923,611.40 | 206,230,661.93 | 6.65% | -12.46% | -11.60% | -0.91% |
| Foam | 68,365,102.41 | 64,368,704.31 | 5.85% | -16.01% | -14.76% | -1.38% |

| | | | | | | |
|---------------------|----------------|----------------|--------|---------|---------|--------|
| Property leasing | 34,369,761.45 | 1,390,657.20 | 95.95% | -5.45% | -31.79% | 1.56% |
| According to region | | | | | | |
| Hong Kong | 133,145,269.85 | 124,734,192.47 | 6.32% | -52.42% | -53.90% | 3.00% |
| Central China | 448,891,854.44 | 420,535,932.87 | 6.32% | -15.60% | -15.44% | -0.17% |
| South China | 34,369,761.45 | 1,390,657.20 | 95.95% | -5.45% | -31.79% | 1.56% |

Under circumstances of adjustment in reporting period for statistic scope of main business data, adjusted main business based on latest one year's scope of period-end

Applicable Not applicable

(3) Income from physical sales larger than income from labors

Yes No

| Industries | Item | Unit | 2018 | 2017 | Increase/decrease(+,-) y-o-y |
|----------------------------|--------------|------|-----------|-----------|-------------------------------|
| Display | Sales volume | Set | 703,930 | 1,130,907 | -37.76% |
| | Output | Set | 705,883 | 1,118,816 | -36.91% |
| | Storage | Set | 14,483 | 12,530 | 15.59% |
| Plastic injection hardware | Sales volume | Ton | 10,888.35 | 13,179.47 | -17.38% |
| | Output | Ton | 10,542.22 | 13,566 | -22.29% |
| | Storage | Ton | 710.87 | 1,057 | -32.75% |
| EPS package | Sales volume | Ton | 3,873.82 | 4,487.58 | -13.68% |
| | Output | Ton | 3,881.86 | 4,341.03 | -10.58% |
| | Storage | Ton | 233.49 | 225.45 | 3.57% |

Reasons for y-o-y relevant data with over 30% changes

Applicable Not applicable

Orders of display business declined over that of last period, than output and sales volume reduced correspondingly. Sales of plastic injection hardware declined correspondingly, storage decreased.

(4) Fulfillment of the company's signed significant sales contracts up to this reporting period

Applicable Not applicable

(5) Constitute of operation cost

Category of industry and products

In RMB

| Industries | Item | 2018 | 2017 | Increase/decrea |
|------------|------|------|------|-----------------|
|------------|------|------|------|-----------------|

| | | Amount | Ratio in operation cost | Amount | Ratio in operation cost | se(+,-) y-o-y |
|----------------------------|---------------|----------------|-------------------------|----------------|-------------------------|---------------|
| Display | Raw materials | 259,032,420.00 | 94.31% | 448,842,209.98 | 97.00% | -3.00% |
| Display | Labor wages | 5,350,338.95 | 1.95% | 6,506,927.33 | 1.00% | 1.00% |
| Display | Depreciation | 2,041,472.54 | 0.74% | 1,255,263.35 | 0.00% | 1.00% |
| Display | Energy | | | | | |
| Plastic injection hardware | Raw materials | 175,505,397.97 | 85.10% | 205,433,313.18 | 90.00% | -5.00% |
| Plastic injection hardware | Labor wages | 14,177,081.31 | 6.87% | 16,716,971.22 | 6.00% | 1.00% |
| Plastic injection hardware | Depreciation | 3,187,779.06 | 1.55% | 3,537,615.26 | 3.00% | -1.00% |
| Plastic injection hardware | Energy | | | | | |
| EPS package products | Raw materials | 40,102,966.95 | 62.30% | 42,999,667.41 | 56.00% | 6.00% |
| EPS package products | Labor wages | 8,829,344.71 | 13.72% | 9,868,282.35 | 16.00% | -2.00% |
| EPS package products | Depreciation | 2,000,366.49 | 3.11% | 1,685,290.19 | 3.00% | 0.00% |
| EPS package products | Energy | 10,746,289.68 | 16.69% | 10,858,241.16 | 17.00% | 0.00% |

In RMB

| Products | Item | 2018 | | 2017 | | Increase/decrease se(+,-) y-o-y |
|----------------------------|---------------|----------------|-------------------------|----------------|-------------------------|------------------------------------|
| | | Amount | Ratio in operation cost | Amount | Ratio in operation cost | |
| Display | Raw materials | 259,032,420.00 | 94.31% | 448,842,209.98 | 97.00% | -3.00% |
| Display | Labor wages | 5,350,338.95 | 1.95% | 6,506,927.33 | 1.00% | 1.00% |
| Display | Depreciation | 2,041,472.54 | 0.74% | 1,255,263.35 | 0.00% | 1.00% |
| Display | Energy | | | | | |
| Plastic injection hardware | Raw materials | 175,505,397.97 | 85.10% | 205,433,313.18 | 90.00% | -5.00% |
| Plastic | Labor wages | 14,177,081.31 | 6.87% | 16,716,971.22 | 6.00% | 1.00% |

| | | | | | | |
|----------------------------|---------------|---------------|--------|---------------|--------|--------|
| injection hardware | | | | | | |
| Plastic injection hardware | Depreciation | 3,187,779.06 | 1.55% | 3,537,615.26 | 3.00% | -1.00% |
| Plastic injection hardware | Energy | | | | | |
| EPS package products | Raw materials | 40,102,966.95 | 62.30% | 42,999,667.41 | 56.00% | 6.00% |
| EPS package products | Labor wages | 8,829,344.71 | 13.72% | 9,868,282.35 | 16.00% | -2.00% |
| EPS package products | Depreciation | 2,000,366.49 | 3.11% | 1,685,290.19 | 3.00% | 0.00% |
| EPS package products | Energy | 10,746,289.68 | 16.69% | 10,858,241.16 | 17.00% | 0.00% |

Explanation

Cost of main business amounting to 545,270,125.34 Yuan, including 274,670,759.10 Yuan for display, 206,230,661.93 Yuan for plastic injection hardware and 64,368,704.31 Yuan for foam.

(6) Whether the changes in the scope of consolidation in Reporting Period

Yes No

(7) Major changes or adjustment in business, product or service of the Company in Reporting Period

Applicable Not applicable

(8) Major sales and main suppliers

Major sales client of the Company

| | |
|---|----------------|
| Total top five clients in sales (RMB) | 487,280,007.23 |
| Proportion in total annual sales volume for top five clients | 76.50% |
| Ratio of related parties in annual total sales among the top five clients | 15.65% |

Information of top five clients of the Company

| Serial | Clients | Sales (RMB) | Proportion in total annual sales |
|--------|---------|----------------|----------------------------------|
| 1 | No. 1 | 221,249,250.56 | 34.73% |

| | | | |
|-------|-------|----------------|--------|
| 2 | No. 2 | 99,679,782.04 | 15.65% |
| 3 | No. 3 | 87,845,841.88 | 13.79% |
| 4 | No. 4 | 41,955,596.90 | 6.59% |
| 5 | No. 5 | 36,549,535.85 | 5.74% |
| Total | -- | 487,280,007.23 | 76.50% |

Other situation of main clients

Applicable Not applicable

Main suppliers of the Company

| | |
|---|----------------|
| Total purchase amount from top five suppliers (RMB) | 397,340,709.18 |
| Proportion in total annual purchase amount for top five suppliers | 68.76% |
| Ratio of related parties in annual total sales among the top five suppliers | 40.72% |

Information of top five suppliers of the Company

| Serial | Supplier | Purchase (RMB) | Proportion in total purchase |
|--------|----------|----------------|------------------------------|
| 1 | No. 1 | 235,309,925.64 | 40.72% |
| 2 | No. 2 | 79,516,916.49 | 13.76% |
| 3 | No. 3 | 40,961,483.25 | 7.09% |
| 4 | No. 4 | 21,266,983.80 | 3.68% |
| 5 | No. 5 | 20,285,400.00 | 3.51% |
| Total | -- | 397,340,709.18 | 68.76% |

Other notes of main suppliers

Applicable Not applicable

3. Expenses

In RMB

| | 2018 | 2017 | Increase/decreas e(+,-) y-o-y | Note of major changes |
|------------------------|---------------|---------------|-------------------------------|-----------------------|
| Sales expense | 14,100,247.17 | 15,916,493.87 | -11.41% | |
| Administrative expense | 38,515,205.15 | 42,783,111.53 | -9.98% | |
| Financial expense | 10,316,763.45 | 8,979,085.95 | 14.90% | |

4. R&D investment

Applicable Not applicable

5. Cash flow

In RMB

| Item | 2018 | 2017 | Increase/decrease(+,-) y-o-y |
|--|----------------|----------------|------------------------------|
| Subtotal of cash in-flow from operation activity | 628,379,927.86 | 840,952,371.80 | -25.28% |
| Subtotal of cash out-flow from operation activity | 650,274,387.52 | 829,229,117.44 | -21.58% |
| Net cash flow arising from operating activities | -21,894,459.66 | 11,723,254.36 | -286.76% |
| Subtotal of cash in-flow from investment activity | 145,251,259.49 | 291,541,885.91 | -50.18% |
| Subtotal of cash out-flow from investment activity | 159,063,404.44 | 301,268,751.27 | -47.20% |
| Net cash flow from investment activity | -13,812,144.95 | -9,726,865.36 | -42.00% |
| Subtotal of cash in-flow from financing activity | 381,872,622.67 | 288,636,279.36 | 32.30% |
| Subtotal of cash out-flow from financing activity | 399,842,065.16 | 312,866,866.83 | 27.80% |
| Net cash flow from financing activity | -17,969,442.49 | -24,230,587.47 | 25.84% |
| Net increased amount of cash and cash equivalent | -53,513,764.70 | -22,540,338.67 | -137.41% |

Main reasons for y-o-y major changes in aspect of relevant data

Applicable Not applicable

Sales of the company deceased in the period, and collection account declined correspondingly.

Reasons of major difference between the cash flow of operation activity in report period and net profit of the Company

Applicable Not applicable

III. Analysis of the non-main business

Applicable Not applicable

In RMB

| | Amount | Ratio in total profit | Note | Whether be sustainable |
|-------------------|------------|-----------------------|---|------------------------|
| Investment income | 326,439.49 | 7.11% | Income from short-term financial products | N |
| Asset impairment | 700,496.64 | 15.25% | Mainly due to current | N |

| | | | | |
|-----------------------|--------------|--------|--|---|
| | | | accrued for other account receivable bad debt losses | |
| Non-operating income | 2,886,811.06 | 62.87% | Income from government subsidy | N |
| Non-operating expense | 2,341,006.76 | 50.98% | Loss on assignment of claims | N |

IV. Assets and liability

1. Major changes of assets composition

In RMB

| | End of 2018 | | End of 2017 | | Ratio changes | Notes of major changes |
|-----------------------------|----------------|-----------------------|----------------|-----------------------|---------------|------------------------|
| | Amount | Ratio in total assets | Amount | Ratio in total assets | | |
| Monetary fund | 34,108,330.27 | 5.53% | 68,812,495.97 | 10.93% | -5.40% | |
| Account receivable | 116,797,834.51 | 18.93% | 148,795,998.26 | 23.63% | -4.70% | |
| Inventory | 62,973,909.38 | 10.20% | 60,387,021.65 | 9.59% | 0.61% | |
| Investment real estate | 50,681,322.86 | 8.21% | 52,410,958.62 | 8.32% | -0.11% | |
| Long-term equity investment | | 0.00% | | 0.00% | 0.00% | |
| Fixed assets | 188,083,873.38 | 30.48% | 176,477,314.08 | 28.02% | 2.46% | |
| Construction in process | 5,727,760.23 | 0.93% | 654,356.00 | 0.10% | 0.83% | |
| Short-term loans | 161,568,657.88 | 26.18% | 166,620,264.81 | 26.46% | -0.28% | |

2. Assets and liability measured by fair value

Applicable Not applicable

3. Assets right restriction till end of reporting period

| Item | Ending book value | Restriction reasons |
|------------------|-------------------|--|
| Monetary fund | 6,147,120.67 | Drawing bank acceptance bill, court freeze |
| Notes receivable | 11,151,688.25 | Pledge |

| | | |
|--------------------------|----------------|-------------------------------|
| Account receivable | 14,860,475.10 | Pledge |
| Investment real estate | 26,374,703.70 | Mortgage to obtain bank loans |
| Fixed assets | 43,227,436.86 | Mortgage to obtain bank loans |
| Disposal of fixed assets | 92,857,471.69 | Court seizure |
| Intangible assets | 36,957,101.76 | Mortgage to obtain bank loans |
| Total | 231,575,998.03 | |

V. Investment

1. Overall situation

Applicable Not applicable

2. The major equity investment obtained in the reporting period

Applicable Not applicable

3. The major non-equity investment doing in the reporting period

Applicable Not applicable

4. Financial assets investment

(1) Securities investment

Applicable Not applicable

The Company has no securities investment in the Period.

(2) Derivative investment

Applicable Not applicable

The Company has no derivatives investment in the Period.

5. Application of raised proceeds

Applicable Not applicable

The Company has no application of raised proceeds in the Period.

VI. Sales of major assets and equity

1. Sales of major assets

Applicable Not applicable

The Company had no sales of major assets in the reporting period.

2. Sales of major equity

Applicable Not applicable

VII. Analysis of main holding company and stock-jointly companies

Applicable Not applicable

Particular about main subsidiaries and stock-jointly companies net profit over 10%

In RMB

| Company name | Type | Main business | Register capital | Total assets | Net Assets | Operating revenue | Operating profit | Net profit |
|---------------------------|------------|---------------------|------------------|----------------|----------------|-------------------|------------------|--------------|
| Hengfa Technology Company | Subsidiary | Production sales | 181,643,111.00 | 474,336,646.26 | 220,675,906.52 | 597,501,192.40 | 3,059,503.83 | 4,912,260.21 |
| HUAFA Property Company | Subsidiary | Property management | 1,000,000.00 | 1,052,173.81 | -3,222,009.32 | 2,774,205.63 | -404,207.57 | -414,207.57 |
| HUAFA Lease Company | Subsidiary | Property management | 1,000,000.00 | 1,900,692.20 | -5,026,990.71 | | | |
| HUAFA Hengtian Company | Subsidiary | Property management | 1,000,000.00 | 996,381.66 | 996,381.66 | | -838.54 | -838.54 |
| HUAFA Hengtai Company | Subsidiary | Property management | 1,000,000.00 | 997,112.68 | 997,112.68 | | -838.05 | -838.05 |

Particular about subsidiaries obtained or disposed in report period

Applicable Not applicable

Explanation of main holding company and stock-jointly companies

Nil

VIII. Structured vehicle controlled by the Company

Applicable Not applicable

IX. Future Development Prospects

In 2019, the household appliance industry is facing the challenge of insufficient domestic demand and Sino-US trade friction, the industry performance growth is at a trough period, and the upward turning point has not yet formed. However, with consumer's pursuit of higher quality life and better experience, high-end upgrades will be a big trend in the market. As a supporting enterprise in the home appliance industry, it is imperative for us to improve product quality and move towards high-end development, we will enhance technology added value and improve profitability through technology upgrades, and actively seek transformation and upgrading by increasing research and development of new products, adjusting and improving product structure, improving production processes, improving production efficiency, expanding downstream channels, and cultivating own brands.

For a certain period of time, property rental is still an important business for the company's development, making full use of self-owned properties, providing operations, leasing, and service business will bring certain contributions to the company's cash flow. The upgrade of commercial properties will bring long-term and stable sources of income for the company after the gradual implementation of urban renovation projects.

New Annual Business Plan

◆ Industrial Business Upgrade

On the basis of serving existing customers, we will vigorously expand the market and strive for more market shares; strengthen management, increase production efficiency, enhance product quality, and make full use of the geographical advantages of the company to make the business bigger and stronger. Actively seek out high-quality technical projects for consumer electronics, and gradually realize industrial upgrading through technological optimization and management optimization.

◆ Promote the urban renewal project

Speed up the promotion of renewal unit project of Huafa District, Gongming Street, Guangming New District, Shenzhen and the renewal project renovation progress of Huafa Building, Huaqiang North Street, Futian District, Shenzhen, accelerate the settlement of project procedures, and strive to make stage progress as early as possible.

◆ Continue to focus on strengthening the company's internal control

In 2019, the company will further optimize the corporate governance structure and improve the internal control system and process and strictly implement and improve the executive ability of relevant system in accordance with the governance requirements of listed companies, the company's management and relevant departments will execute the administrative provisions for approval procedures of fund utilizing, management system of related transactions, working system of internal audit, internal reporting system of major information in strict accordance with the requirements of internal control documents.

X. Reception of research, communication and interview

1. In the report period, reception of research, communication and interview

Applicable Not applicable

| Time | Way | Type | Basic situation index of investigation |
|--|-------------------------|------------|--|
| 2018-01-04 | Telephone communication | Individual | N/A |
| Reception (times) | | 10 | |
| Number of hospitality | | 0 | |
| Number of individual reception | | 10 | |
| Number of other reception | | 0 | |
| Disclosed, released or let out major undisclosed information | | N | |

Section V. Important Events

I. Profit distribution plan of common stock and capitalizing of common reserves plan

Formulation, Implementation and Adjustment of common stock Profit Distribution Policy Especially Cash Dividend policy during the Reporting Period

Applicable Not applicable

Profit distribution plan (pre-plan) of common stock and capitalizing of common reserves plan (pre-plan) in latest three years (including the reporting period)

In recent three years the Company accumulated retained net profit is negative and it did not have the conditions for profit distribution, so the Company did not undertake profit allocation in recent years and no capital reserve shall be converted into share capital either.

Cash dividend of common stock in latest three years (including the reporting period)

In RMB

| Year for bonus shares | Amount for cash bonus (tax included) | Net profit attributable to common stock shareholders of listed company in consolidation statement for bonus year | Ratio of the cash bonus in net profit attributable to common stock shareholders of listed company contained in consolidation statement | Proportion for cash bonus by other ways(i.e. share buy-backs) | Ratio of the cash bonus by other ways in net profit attributable to common stock shareholders of listed company contained in consolidation statement | Total cash bonus (including other ways) | Ratio of the total cash bonus (other ways included) in net profit attributable to common stock shareholders of listed company contained in consolidation statement |
|-----------------------|--------------------------------------|--|--|---|--|---|--|
| 2018 | 0.00 | 3,295,022.72 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% |
| 2017 | 0.00 | 974,409.39 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% |
| 2016 | 0.00 | 5,457,710.33 | 0.00% | 0.00 | 0.00% | 0.00 | 0.00% |

The Company gains profits in reporting period and the retained profit of common stock shareholders provided by parent company is positive but no plan of cash dividend proposed of common stock

Applicable Not applicable

II. Profit distribution plan and capitalizing of common reserves plan for the Period

Applicable Not applicable

The Company has no plans of cash dividend distributed, no bonus shares and has no share converted from capital reserve either for the year.

III. Implementation of commitment

1. Commitments that the actual controller, shareholders, related party, offeror and committed party as the Company etc. have fulfilled during the reporting period and have not yet fulfilled by the end of reporting period

Applicable Not applicable

| Commitments | Promise | Type of commitments | Content of commitments | Commitment date | Commitment term | Implementation |
|------------------------------|-----------------------|---------------------|---|-----------------|---|------------------------|
| Commitments for share reform | Wuhan Zhongheng Group | | The enterprise and its subsidiaries will not participate directly or indirectly in operation of the business with competitive of Shen Huafa and its controlling subsidiary concerned, and not to damage the interest of the Shen Huafa and its controlling subsidiary by making use of the potential controlling-ship of the Shen Huafa either | 2007-03-29 | Implement since 12 April 2007 throughout the year | In normal implementing |
| | Wuhan Zhongheng Group | | The enterprise and its subordinate enterprise shall avoid a related transaction as far as possible with Shen Huafa and its controlling subsidiary, as for the related dealings occurred inevitable or have reasonable cause, the enterprise promise to follow the principle of fair-ness, justice and open-ness, signed the agreement in line with the laws, perform legal program, fulfill information disclosure obligation and relevant approval procedures according to the relevant laws, regulations and “Listing Rules” of the Shenzhen Stock Exchange, guarantee not to damage the legal interest of Shen Huafa and its shareholders through related transactions | 2007-03-29 | Implement since 12 April 2007 throughout the year | In normal implementing |
| | Wuhan Zhongheng | | After acquisition and assets restructuring, guarantee to have an independent staff, | 2007-03-29 | Implement since 12 | In normal implementing |

| | | | | | |
|---|-----------------------|--|------------|--|--|
| ng Group | | owns independent and completed assets, and independent in aspect of business, financial and institution from Shen Huafa | | April 2007 throughout the year | ng |
| Commitments in report of acquisition or equity change | | | | | |
| Commitments in assets reorganization | | | | | |
| Commitments make in initial public offering or re-financing | | | | | |
| Equity incentive commitment | | | | | |
| Other commitments for medium and small shareholders | Wuhan Zhongheng Group | Regarding the lawsuit with Shenzhen Vanke: 1. If the arbitration judges Shenzhen Vanke to win, the arbitration losses caused by the contract disputes shall be undertaken by Wuhan Zhongheng Group in full; 2. The contingent losses and risks arising from the termination of relevant contracts shall be undertaken by Wuhan Zhongheng Group in advance. | 2016-12-20 | Implemented since 20 December 2016 | In normal implementing |
| | Wuhan Zhongheng Group | Promise to increasing shares of holding as 2.83 million shares of B-stock of the Company in 6 months since the letter delivery | 2017-11-20 | In 6 months since the date of notification | Ended as the reporting period, the promises during performance period has not been implemented yet |
| | Wuhan Zhongheng Group | Promise to increasing shares of holding as 2.8 million shares of A-stock at least in 6 months since the letter delivery | 2017-11-28 | In 6 months since the date of | Ended as the reporting period, the |

| | | | | | | |
|--|----------------|--|--|--|--------------|---|
| | | | | | notification | promises during performance period and part of the commitment implemented |
| Completed on time(Y/N) | Yes | | | | | |
| If the commitments is not fulfilled on time, shall explain the specify reason and the next work plan | Not applicable | | | | | |

2. Concerning assets or project of the Company, which has profit forecast, and reporting period still in forecasting period, explain reasons of reaching the original profit forecast

Applicable Not applicable

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

Applicable Not applicable

No non-operational fund occupation from controlling shareholders and its related party in period.

V. Explanation from Board of Directors, Supervisory Committee and Independent Directors (if applicable) for “Qualified Opinion” that issued by CPA

Applicable Not applicable

VI. 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.

VII. 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.

VIII. Compare with last year's financial report; explain changes in consolidation statement's scope

Applicable Not applicable

No changes in consolidation scope in the period

IX. Appointment and non-reappointment (dismissal) of CPA

Accounting firm appointed

| | |
|---|--|
| Name of domestic accounting firm | DAXIN Certified Public Accountants LLP |
| Remuneration for domestic accounting firm (in 10 thousand Yuan) | 50 |
| Continuous life of auditing service for domestic accounting firm | 3 |
| Name of domestic CPA | Li Wei, Fan Zhang |
| Consecutive years for auditing service from domestic CPA | 3 |
| Name of foreign accounting firm (if applicable) | Nil |
| Remuneration for foreign accounting firm (in 10 thousand Yuan) (if applicable) | 0 |
| Continuous life of auditing service for foreign accounting firm (if applicable) | 0 |
| Name of foreign CPA | N/A |
| Consecutive years for auditing services from foreign CPA (If applicable) | 0 |

Re-appointed accounting firms in this period

Yes No

Appointment of internal control auditing accounting firm, financial consultant or sponsor

Applicable Not applicable

In 2018, the Company employed DAXIN Certified Public Accountants LLP as internal control audit institutions.

X. Particular about suspended and delisting after annual report disclosed

Applicable Not applicable

XI. Bankruptcy reorganization

Applicable Not applicable

No bankruptcy reorganization for the Company in reporting period

XII. Significant lawsuits and arbitration of the Company

Applicable Not applicable

| The basic situation of litigation (Arbitration) | Amount of money involved (in 10 thousand Yuan) | Predicted liabilities (Y/N) | Advances in litigation (Arbitration) | The results and effects of litigation (Arbitration) | Execution of the litigation (Arbitration) | Disclosure date | Disclosure index |
|---|--|-----------------------------|---|--|---|-----------------|--|
| In September 2016, Wuhan Zhongheng Group Co., Ltd. and the Company and Shenzhen Vanke were applied for arbitration due to the dispute case of “Contract for the Cooperative Operation of the Old Projects at Huafa Industrial Park, Gongming Street, Guangming New District”. | 46,460 | N | Ruling on 16 August 2017; put forward the application for dismantling by the Company and controlling shareholder, the application was rejected by the court | Found more in notice of the Company | Implementing | 2018-02-09 | http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1204406606?announcementTime=2018-02-09 ; http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1205326846&announcementTime=2018-08-25 |
| In March 2016, HUAF Property suit against the Shenzhen Jifang Investment Co., Ltd. for site occupation, | 1,416.67 | N | In November 2016, the Company win in the ruling judged by | Court decision as Jifang Company has to paid 27,9023 | Execution terminated | 2016-11-08 | http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202817664?announcementTime=2016-11-08 |

| | | | | | | | | |
|---|----------|---|---|--|--------------|------------|---|--|
| without rental, and utilities paid for a long-time | | | Shenzhen Arbitration Commission | million Yuan (including rental, administrative fee, compensation, penalty, lawyer's fee and arbitration fees) in total for the Company | | | | |
| In March 2016, the Company and HUAFA Science & Technology suit against the follow companies, including Shenzhen Huayongxing Environmental Technology Co., Ltd., Shenzhen Guangyong Breadboard Co., Ltd., Shenzhen Mingyi Electronic Co., Ltd., Shenzhen Ouruilai Technology Co., Ltd and Shenzhen Kangzhengxin Technology Co., Ltd., for arrears of rent. and refuse to move the site, forcibly occupied switch board | 1,964.92 | N | The judgment of 2 nd trial has been issued, and has applied for compulsory execution | Implementing | Implementing | 2016-09-14 | http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14%2007:41 | |

| | | | | | | | |
|--|---------|---|---|------------------|----------------------|------------|---|
| room and other power unit under the name of the Company | | | | | | | |
| The Company and HUAFA Property suit against Shenzhen Jifang investment Co., Ltd. and Shenzhen Jianianhua Foreign Trade Clothing City Co., Ltd. for refusing to paid the rents and administrative fee without justified reasons | 73.38 | N | 2018.3.15- The Company wins in 2 nd judgment; 2018.3.26-application for enforcement | Enter a judgment | Execution terminated | 2016-09-14 | http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41 |
| In March 2016, the Company and HUAFA Property suit against Shenzhen Huayongxing Environmental Technology Co., Ltd., and Shenzhen Yidaxin Technology Co., Ltd. for contract violation and refuse to move the site | 947.26 | N | The second trial decides the Company wins the lawsuit on 15 March 2018, and has applied for enforcement | Implementing | Implementing | 2016-09-14 | http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41 |
| Application for arbitration in case of contract dispute between the V&T (Shenzhen) Law Firm and Shenzhen Zhongheng Huafa Co., Ltd. and | 1,940.2 | N | The arbitration has been heard | In trial | In trial | 2018-11-14 | http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1205602053&announcementTime=2018-11-14 |

| | | | | | | | |
|--------------------------|--|--|--|--|--|--|--|
| Wuhan Zhongheng Group | | | | | | | |
|--------------------------|--|--|--|--|--|--|--|

XIII. Penalty and rectification

Applicable Not applicable

| Name | Type | Reason | Type of investigation and punishment | Conclusion (if applicable) | Date of disclosure | Index of disclosure |
|----------|----------|---|--|---------------------------------|--------------------|---------------------|
| Yang Bin | Director | During the tenure as Secretary of the Board of Shenzhen China Agricultural University Technology Co., Ltd., did not urge and organize the information disclosure work for the company's temporary announcement in accordance with relevant regulations. | Filing a case for investigation or administrative punishment by CSRC | Warning and fine of 30,000 yuan | | |

XIV. Integrity of the company and its controlling shareholders and actual controllers

Applicable Not applicable

During the reporting period, the Company and the controlling shareholders and the actual controllers have no large amount due unliquidated debt sentenced by the court.

XV. Implementation of the company's stock incentive plan, employee stock ownership plan or other employee incentives

Applicable Not applicable

The Company had no stock incentive plan, employee stock ownership plan or other employee incentive in the reporting period.

XVI. Major related transaction

1. Related transaction with routine operation concerned

Applicable Not applicable

| Related party | Relationship | Type of related transaction | Content of related transaction | Pricing principle | Related transaction price | Related transaction amount (in 10 thousand Yuan) | Proportion in similar transactions | Trading limit approved (in 10 thousand Yuan) | Whether over the approved limit or not (Y/N) | Clearing form for related transaction | Available similar market price | Date of disclosure | Index of disclosure |
|-----------------------------|--|-----------------------------|--------------------------------|---|---------------------------|--|------------------------------------|--|--|---------------------------------------|---|--------------------|---|
| HK Yutian | Sharing the same controlling shareholder | Purchasing | Purchasing LCD monitors | Synchronized with the market | 12,786.8 | 12,786.8 | 57.38% | 30,884.4 | N | Teleggraphic transfer | -- | 2018-04-24 | http://www.cininfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1204699541&announcementTime=2018-04-24 |
| Hengsheng Photovoltaic city | Sharing the same controlling shareholder | Purchasing | Purchasing LCD monitors | Confirmed with 1% of current market average price in principle, and refer to both | 7,380.66 | 7,380.66 | 33.12% | 24,021.2 | N | Telegraphic transfer | The average market price refers to the price of same specifications which is searched | 2018-04-24 | http://www.cininfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1204699541&announcementTime=2018-04-24 |

| | | | | | | | | | | | | |
|-----------------------------|---|----------|-------------------------|---|----------|----------|---------|--------|---|--|----|--|
| | | | | their bargaining power | | | | | | from through the world famous professional market survey company website http://www.witsview.com recognized authority in the industry and LCD professional market survey company website http://www.witsview.com | | 24 |
| Hengsheng Photovoltaic city | Sharing the same controlling share holder | Purchase | Purchasing LCD monitors | According to the order price, deducted 1 Yuan each for operation charge | 3,363.54 | 3,363.54 | 100.00% | 17,158 | N | Telegraphical transfer | -- | 2018-04-24 http://www.cininfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1204699541&announcementTi |

| | | | | | | | | | | | | |
|--|--|---|--|--|----------|------------|---------|------------|----|-------------------------|----|---------------|
| | | | | | | | | | | | | me=2018-04-24 |
| HK Yutian | Sharing the same contr olling share holder | Sales | Sales LCD over all monitor machine set | According to the customer sales order price sure | 9,967.98 | 9,967.98 | 34.05 % | 41,179.2 | N | Teleg raphi c trans fer | -- | 2018-04-24 |
| Total | | | | -- | -- | 33,49 8.98 | -- | 113,24 2.8 | -- | -- | -- | -- |
| Detail of sales return with major amount involved | | N/A | | | | | | | | | | |
| Report the actual implementation of the daily related transactions which were projected about their total amount by types during the reporting period(if applicable) | | In the reporting, Hengfa Technology purchased LCD monitors from HK Yutian with \$ 19.26 million approximately, 42.81% of the annual amount predicted at the beginning of the year; purchased LCD monitor from Hengsheng Photo electricity with \$ 10.75 million approximately, 30.72% of the annual amount predicted at the beginning of the year; purchasing LCD Display from Hengsheng Photo electricity with about \$ 4.9 million, 19.60% of the annual amount predicted at the beginning of the year; sold LCD Display whole machine to HK Yutian with \$ 15 million approximately, 25.01% of the annual amount predicted at the beginning of the year. | | | | | | | | | | |
| Reasons for major differences between trading price and market reference price | | N/A | | | | | | | | | | |

2. Related transactions by assets acquisition and sold

Applicable Not applicable

No above mentioned transactions occurred

3. Main related transactions of mutual investment outside

Applicable Not applicable

No main related transactions of mutual investment outside for the Company in reporting period.

4. Contact of related credit and debt

Applicable Not applicable

Whether has a non-operational related debtor-creditor contact

yes No

No non-operational related debtor-creditor contact in the period

5. Other related transactions

Applicable Not applicable

The company had no other significant related transactions in reporting period.

XVII. Significant contract and implementations

1. Trusteeship, contract and leasing

(1) Trusteeship

Applicable Not applicable

No trusteeship for the Company in reporting period.

(2) Contract

Applicable Not applicable

No contract for the Company in reporting period.

(3) Leasing

Applicable Not applicable

No leasing for the Company in reporting period.

2. Major guarantees

Applicable Not applicable

(1) Guarantees

In 10 thousand Yuan

| Particulars about the external guarantee of the Company (Barring the guarantee for subsidiaries) | | | | | | | | |
|--|--------------------------------------|-----------------|--------------------------|------------------------|----------------|----------------|-------------------|-----------------------------------|
| Name of the Company guaranteed | Related Announcement disclosure date | Guarantee limit | Actual date of happening | Actual guarantee limit | Guarantee type | Guarantee term | Implemented (Y/N) | Guarantee for related party (Y/N) |
| Guarantee of the Company and the subsidiaries | | | | | | | | |
| Name of the Company | Related Announcement | Guarantee limit | Actual date of happening | Actual guarantee | Guarantee type | Guarantee term | Implemented | Guarantee for |

| guaranteed entity name | disclosure date | | | limit | | | (Y/N) | related party (Y/N) | | | | | |
|--|--|---------------------|-----------------------------|---|---------------------------------|-------------------|---|---------------------------------------|--|--|--|--|--|
| Wuhan Hengfa Technology Co., Ltd. | 2019-04- 30 | 30,000 | | 4,806.87 | Joint liability guarantee | One year | N | N | | | | | |
| Total amount of approving guarantee for subsidiaries in report period (B1) | | 30,000 | | Total amount of actual occurred guarantee for subsidiaries in report period (B2) | | 4,806.87 | | | | | | | |
| Total amount of approved guarantee for subsidiaries at the end of reporting period (B3) | | 30,000 | | Total balance of actual guarantee for subsidiaries at the end of reporting period (B4) | | 4,806.87 | | | | | | | |
| Guarantee of the subsidiaries for the subsidiaries | | | | | | | | | | | | | |
| Name of the Company guaranteed | Related Announc ement disclosur e date | Guarante e limit | Actual date of happening | Actual guarantee limit | Guarantee type | Guarantee term | Comple te implem entatio n or not | Guaran tee for related party | | | | | |
| Total amount of guarantee of the Company(total of three above mentioned guarantee) | | | | | | | | | | | | | |
| Total amount of approving guarantee in report period (A1+B1+C1) | | 30,000 | | Total amount of actual occurred guarantee in report period (A2+B2+C3) | | 4,806.87 | | | | | | | |
| Total amount of approved guarantee at the end of report period (A3+B3+C2) | | 30,000 | | Total balance of actual guarantee at the end of report period (A4+B4+C4) | | 4,806.87 | | | | | | | |
| The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4) | | | | | 14.84% | | | | | | | | |
| Including: | | | | | | | | | | | | | |

Explanation on compound guarantee

(2) Guarantee outside against the regulation

Applicable Not applicable

No guarantee outside against the regulation in Period.

3. Entrust others to cash asset management

(1) Trust financing

Applicable Not applicable

No entrust others to cash asset management

(2) Entrusted loans

Applicable Not applicable

The company had no entrusted loans in the reporting period.

4. Other material contracts

Applicable Not applicable

No other material contracts for the Company in reporting period.

XVIII. Social responsibility

1. Performance of social responsibility

Not applicable

2. Execution of social responsibility of targeted poverty alleviation

(1) Targeted poverty alleviation scheme

Not applicable

(2) Summary of targeted poverty alleviation

Not applicable

(3) Targeted poverty alleviation effect

| Index | Unit of measure | Quantity /implementation |
|----------------------------------|-----------------|--------------------------|
| I. Overall condition | — | — |
| II. Poverty alleviation by items | — | — |
| 1.Industry development | — | — |
| 2.Shift employment | — | — |
| 3. Relocating in other places | — | — |

| | | |
|---|---|---|
| 4. Education | — | — |
| 5. Health | — | — |
| 6. Ecological protection | — | — |
| 7. Reveal all the details | — | — |
| 8. Society | — | — |
| 9. Other | — | — |
| III. Award received (content and grade) | — | — |

(4)Follow-up targeted poverty alleviation scheme

Not applicable

3. Environmental protection

The listed Company and its subsidiary whether belongs to the key sewage units released from environmental protection department

No

The listed Company and its subsidiary don't belongs to the key sewage units released from environmental protection department

XIX. Explanation on other significant events

Applicable Not applicable

(i) The Company signed Asset Exchange Contract with Wuhan Zhongheng Group on 29 April 2009 (details were referred to in the announcement dated 30 April 2009), and pursuant to the contract, since part of the assets of the Company (namely two parcel of industrial lands located at Huafa road, Gongming town, Guangming new district, Shenzhen (the property certificate No. were SFDZ No.7226760 and SFDZ No.7226763, No. of parcels were A627-005 and A627-007, and the aggregate area was 48,200 sq.m) were the lands listed in the first batch of plan for 2010 Shenzhen urbanization unit planning preparation plan. For promotion of such urbanization project and joint cooperation, the Company has not completed the transfer procedures in respect of the aforesaid land.

The Company convoked the first extraordinary meeting of the Board in 2015 on February 16, 2015 and the first extraordinary general meeting of the Board in 2015 on March 4, 2015, which considered and approved the "Motion on promoting and implementing the urban renewal project for the renewal units of Huafa area at Gongming street, Guangming new district, Shenzhen", specified that the Company and Wuhan Zhongheng Group shall obtain the corresponding compensatory consideration for removal from the respectively owned project plots and the respectively contributed and constructed above-ground buildings before the land development, it is estimated that the compensatory consideration obtained by the Company accounts for 50.5% of the total consideration and Wuhan Zhongheng Group accounts for 49.5% by calculation.

The sixth extraordinary meeting of the board of directors in 2015 and the third extraordinary general meeting held on September 11, 2015 have considered and adopted the “Proposal on the project promotion and implementation of urban renewal and the progress of related transactions of ‘the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen’”, the company has signed the “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen”, “Contract for the cooperative venture of reconstruction project for Huafa Industrial Park, Gong Ming Street, Guangming New District” and “Agreement on housing acquisition and removal compensation and resettlement” with Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as “Wuhan Zhongheng Group”), Shenzhen Vanke Real Estate Co., Ltd. (hereinafter referred to as “Shenzhen Vanke”), and Shenzhen Vanke Guangming Real Estate Development Co., Ltd. (hereinafter referred to as “Vanke Guangming”).

On 12 September 2016, the Company received a “Notice of Arbitration No.: SHEN DP20160334” from SCIA, Shenzhen Vanke applied for arbitration in respect of “Agreement on the cooperation of urban renewal project of the updated units at Huafa Area, Gong Ming Street, Guangming New District, Shenzhen” against the Company and Wuhan Zhongheng Group. The arbitration court holds hearings on 12 November 2016 and 13 May 2017. Shenzhen Court of International Arbitration (SCIA) has given a ruling in August 2017. In February 2018, the company filed an application for repeal of arbitration to the Shenzhen Intermediate People’s Court, the Shenzhen Intermediate People’s Court made a judgment on August 16, 2018 to reject the company’s claims. On August 29, 2018, the court accepted the compulsory execution application of Shenzhen Vanke, at present, the controlling shareholders are actively communicating with the relevant parties for the solution. Progress of the case found more in the Notices released on Juchao website (www.cninfo.com.cn) dated 14 Sept. 2016, 1 Nov. 2016, 16 Nov. 2016, on 18 Feb. 2017, 24 March 2017, 25 April 2017, 1 July 2017, 18 August 2017, 9 Feb. 2018, 25 Aug. 2018 and 7 Sept. 2018 respectively.

(ii) On 31 December 2015, the 88,750,047 shares held by Wuhan Zhongheng Group, are pledge to China Merchants Securities Assets Co., Ltd. with due date of 31 December 2016. Wuhan Zhongheng Group deferred the repurchase business day to 30 June 2017. on 1 Feb. 2016, Wuhan Zhongheng Group pledge the 27,349,953 shares held to China Merchants Securities Assets Co., Ltd. with due date of 31 December 2016. The above mentioned shares are deferred for repurchase of stock pledge by Wuhan Zhongheng Group; pledge expired on 31 December 2017. The trading day for repurchase put off to the date when pledge actually removed. Till end of this period released, controlling shareholder still not removed the pledge and the Company has apply by letter, relevant Notice of Presentment on Stock Pledge from Controlling Shareholder was released. Found more in notice released on Juchao website (www.cninfo.com.cn) date 2 Feb. 2018.

(iii) Our controlling shareholder Wuhan Zhongheng Group holds 116,489,894 shares of the Company, accounting for 41.14% of total share capital. The above shares were judicially sealed on 27 September 2016, shares freeze from 27 September 2016 to 13 September 2021; and on 14 December 2018, shares are waiting freeze by Shenzhen Intermediate’s Court with period of 36 months in freeze. Details are set out in the announcement

published at Juchao information website (www.cninfo.com.cn) on 27 October 2016 and 11 Jan. 2019.

(iv) On March 21, 2014, Huafa Property and Shenzhen Jifang Investment Co., Ltd. (hereinafter referred to as "Jifang Investment") signed the "Shenzhen Housing Leasing Contract" and the "Supplemental Agreement on Leasing Contract", which were canceled on February 5, 2016. As Jifang Investment occupied the site, and defaulted rent, management fee and water and electricity bills in the long term, in order to safeguard the legitimate rights and interests, Huafa Property submitted a request for arbitration to Shenzhen Arbitration Commission on March 8, 2016, and received the (2016) SZCZ No. 346 ruling paper from Shenzhen Arbitration Commission in November 2016 which ruled Huafa Property won the lawsuit. See details on the notice published at www.cninfo.com.cn by the company on November 8, 2016. The site occupied by Jifang was collected in May 2018.

(v) Commitments of Major shareholder to Increase Shareholding

On November 20, and November 28, 2017, the controlling shareholders respectively made commitments to increase the shareholding of 2.83 million shares of the company's B Shares and no less than 2.8 million shares of the company's A Shares, with a commitment period of 6 months. After that, controlling shareholders apply for two deferrals. As of the disclosure date of this report, it's still in the commitment fulfillment period, and the commitment has not been fulfilled.

(vi) Director and deputy chairman of the Company Mr. Zhang Guangliu resigned his job as director, deputy chairman and member of the committee of the Board of the Company for job mobility. Nominated by second largest shareholder SEG (HK) Co., Ltd, Mr. Gao Jianbo was elected as the director of 9th BOD of the Company with office same as the session of BOD.

XX. Significant event of subsidiary of the Company

Applicable Not applicable

Section VI. Changes in Shares and Particulars about Shareholders

I. Changes in Share Capital

1. Changes in Share Capital

| | Before the Change | | Increase/Decrease in the Change (+, -) | | | | | After the Change | |
|---------------------------------------|-------------------|------------|--|--------------|----------------------------------|--------|----------|------------------|------------|
| | Amount | Proportion | New shares issued | Bonus shares | Capitalization of public reserve | Others | Subtotal | Amount | Proportion |
| I. Restricted shares | 0 | 0.00% | 0 | 0 | 0 | 0 | 0 | 0 | 0.00% |
| II. Unrestricted shares | 283,161 ,227 | 100.00 % | 0 | 0 | 0 | 0 | 0 | 283,16 1,227 | 100.00 % |
| 1. RMB Ordinary shares | 181,165 ,391 | 63.98% | 0 | 0 | 0 | 0 | 0 | 181,16 5,391 | 63.98% |
| 2. Domestically listed foreign shares | 101,995 ,836 | 36.02% | 0 | 0 | 0 | 0 | 0 | 101,99 5,836 | 36.02% |
| III. Total shares | 283,161 ,227 | 100.00 % | 0 | 0 | 0 | 0 | 0 | 283,16 1,227 | 100.00 % |

Reasons for share changed

Applicable Not applicable

Approval of share changed

Applicable Not applicable

Ownership transfer of share changed

Applicable Not applicable

Progress of shares buy-back

Applicable Not applicable

Implementation progress of the reduction of repurchases shares by centralized bidding

Applicable Not applicable

Influence on the basic EPS and diluted EPS as well as other financial indexes of net assets per share attributable to common shareholders of Company in latest year and period

Applicable Not applicable

Other information necessary to disclose or need to disclosed under requirement from security regulators

Applicable Not applicable

2. Changes of restricted shares

Applicable Not applicable

II. Securities issuance and listing**1. Security offering (without preferred stock) in Reporting Period**

Applicable Not applicable

2. Changes of total shares and shareholders structure as well as explanation on changes of assets and liability structure

Applicable Not applicable

3. Existing internal staff shares

Applicable Not applicable

III. Particulars about shareholder and actual controller of the Company**1. Amount of shareholders of the Company and particulars about shares holding**

| 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 (if applicable) (found in note 8) | 0 | Total preference shareholders with voting rights recovered at end of last month before annual report disclosed (if applicable) (found in note 8) | 0 |
| Particulars about shares held above 5% by shareholders or top ten shareholders | | | | | | | |
| Full name of Shareholders | Nature of shareholder | Proportion of shares held | Total shareholders at the end of report | Changes in report period | Amount of restricted shares held | Amount of un-restricted shares held | Number of share pledged/frozen |
| | | | | | | State of share | |
| | | | | | | Amount | |

| | | | period | | | | | | | | | | |
|--|---------------------------------------|--|-------------|--------|---|-------------|---------|-------------|--|--|--|--|--|
| Wuhan Zhongheng Group | Domestic non-state-owned legal person | | 116,681,094 | 191200 | 0 | 116,681,094 | Pledged | 116,100,000 | | | | | |
| | | | | | | | Frozen | 116,489,894 | | | | | |
| SEG (HONG KONG) CO., LTD | Overseas legal person | | 16,569,560 | 0 | 0 | 16,569,560 | Pledged | 0 | | | | | |
| | | | | | | | Frozen | 0 | | | | | |
| GOOD HOPE CORNER INVESTMENTS LTD | Overseas legal person | | 12,700,000 | 0 | 0 | 12,700,000 | Pledged | 0 | | | | | |
| | | | | | | | Frozen | 0 | | | | | |
| Changjiang Securities Brokerage (Hong Kong) Co., Ltd. | Overseas legal person | | 5,355,249 | 0 | 0 | 5,355,249 | Pledged | 0 | | | | | |
| | | | | | | | Frozen | 0 | | | | | |
| Guoyuan Securities Brokerage (Hong Kong) Limited | Overseas legal person | | 3,845,117 | 0 | 0 | 3,845,117 | Pledged | 0 | | | | | |
| | | | | | | | Frozen | 0 | | | | | |
| Li Senzhuang | Domestic nature person | | 1,022,260 | | 0 | 1,022,260 | Pledged | 0 | | | | | |
| | | | | | | | Frozen | 0 | | | | | |
| LI SHERYN ZHAN MING | Overseas nature person | | 1,009,900 | | 0 | 1,009,900 | Pledged | 0 | | | | | |
| | | | | | | | Frozen | 0 | | | | | |
| Han Yaming | Domestic nature person | | 864,200 | | 0 | 864,200 | Pledged | 0 | | | | | |
| | | | | | | | Frozen | 0 | | | | | |
| BINGHU LIU | Overseas nature person | | 840,313 | | 0 | 840,313 | Pledged | 0 | | | | | |
| | | | | | | | Frozen | 0 | | | | | |
| Wu Jingmin | Domestic nature person | | 788,352 | | 0 | 788,352 | Pledged | 0 | | | | | |
| | | | | | | | Frozen | 0 | | | | | |
| Strategy investors or general corporation comes top 10 shareholders due to rights issue (if applicable) (see note 3) | | N/A | | | | | | | | | | | |
| 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. | | |
|--|---|------------------------------------|-------------|
| Particular about top ten shareholders with un-restrict shares held | | | |
| Shareholders' name | Amount of un-restrict shares held at Period-end | Type of shares | |
| | | Type | Amount |
| Wuhan Zhongheng Group | 116,681,094 | RMB common share | 116,681,094 |
| SEG (HONG KONG) CO., LTD | 16,569,560 | Domestically listed foreign shares | 16,569,560 |
| GOOD HOPE CORNER INVESTMENTS LTD | 12,700,000 | Domestically listed foreign shares | 12,700,000 |
| Changjiang Securities Brokerage (Hong Kong) Co., Ltd. | 5,355,249 | Domestically listed foreign shares | 5,355,249 |
| Guoyuan Securities Brokerage (Hong Kong) Limited | 3,845,117 | Domestically listed foreign shares | 3,845,117 |
| Li Senzhuang | 1,022,260 | Domestically listed foreign shares | 1,022,260 |
| LI SHERYN ZHAN MING | 1,009,900 | Domestically listed foreign shares | 1,009,900 |
| Han Yaming | 864,200 | Domestically listed foreign shares | 864,200 |
| BINGHU LIU | 840,313 | Domestically listed foreign shares | 840,313 |
| Wu Jingmin | 788,352 | Domestically listed foreign shares | 788,352 |
| Expiation on associated relationship or consistent actors within the top 10 un-restrict shareholders and between top 10 un-restrict shareholders and top 10 shareholders | Among the top ten unrestricted shareholders, 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. 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. |
| Explanation on top 10 shareholders involving margin business (if applicable) (see note 4) | N/A |

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

Yes ✓ No

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

2. Controlling shareholder of the Company

Nature of controlling shareholders: Foreign-funds controlling

Type of controlling shareholders: legal person

| Controlling shareholders | Legal person/person in charge of the unit | Date of foundation | Organization code | Main operation business |
|----------------------------------|---|--------------------|--------------------|--|
| Wuhan Zhongheng Group | Li Zhongqiu | 1996-03-21 | 91420114711954601W | Production, sales of computers, TV set, display, other hardware and computer software; development of internal data communication network, building of packing materials and light weight building material for packaging; management of exports business for the own products and technologies for the Company and member enterprise; management of export business on raw material, apparatus and instrument, machinery equipment, spare parts and technologies (not including goods and technologies that import and export are national restricted or prohibited); dry clean and steam iron service; copy & print; business information consulting; house tenancy; property management; wholesale and retails of the hardware metal products, plastic products, audio electronic products, electronic equipment, textile, toys, clothing & shoes, luggage, bedding article, general merchandise, curtain, household appliances and building materials; development of real-estate and sales of commercial housings (projects with special provision of the state can be operation after approval) |
| Equity of other domestic/oversea | Not applicable | | | |

| | |
|---|--|
| listed company control by controlling shareholder as well as stock-joint in report period | |
|---|--|

Changes of controlling shareholders in reporting period

Applicable Not applicable

The Company had no changes of controlling shareholders in reporting period

3. Actual controller and persons acting in concert

Nature of actual controller: Overseas nature person

Type of actual controller: Natural person

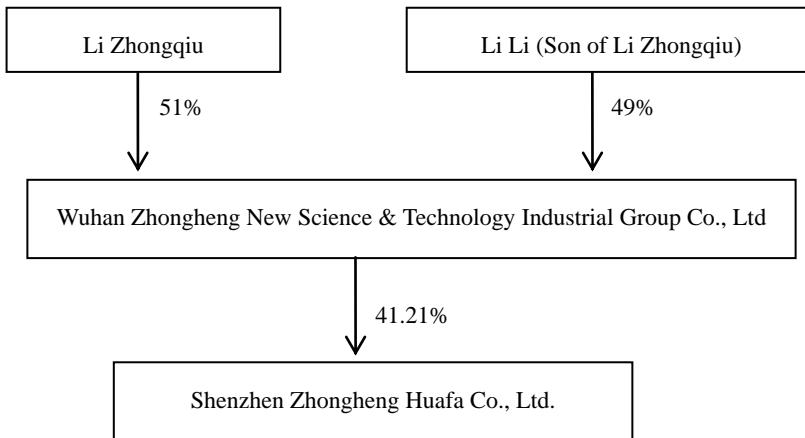
| Actual controller's name | Relationship | Nationality | Enjoy the residence rights in the other country or area (Y/N) |
|---|---|-------------|---|
| Li Zhongqiu | Li Zhongqiu himself | Hong Kong | Y |
| Li Li | Person acting in concert (including agreement, relatives, share the same controlling) | P.R.C | N |
| Main occupation in position | Mr. Li Zhongqiu serves as the Chairman for Wuhan Zhongheng Group since 1996 and serves as Chairman and GM of the Company since July 2007. | | |
| Listed companies in and out of China that controlled in last 10 years | N/A | | |

Changes of actual controller in reporting period

Applicable Not applicable

No changes of actual controllers for the Company in reporting period.

Property right and controlling relationship between the actual controller and the Company is as follow:



Actual controller controlling the Company by entrust or other assets management

Applicable Not applicable

4. Particulars about other legal person shareholders with over 10% shares held

Applicable Not applicable

5. Limitation and reducing the holdings of shares of controlling shareholders, actual controllers, restructuring side and other commitment subjects

Applicable Not applicable

Section VII. Preferred Stock

Applicable Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisors, Senior Executives and Employees

I. Changes of shares held by directors, supervisors and senior executives

| Name | Title | Working status | Sex (F/M) | Age | Start date of office term | End date of office term | Shares held at period-begin (Share) | Amount of shares increased in this period (Share) | Amount of shares decreased in this period (Share) | Other changes (share) | Shares held at period-end (Share) |
|----------------|---------------------------------------|---------------------|-----------|-----|---------------------------|-------------------------|-------------------------------------|---|---|-----------------------|-----------------------------------|
| Li Zhongqiu | Chairman | Currently in office | M | 54 | 2007-07-08 | 2019-09-18 | 0 | 0 | 0 | 0 | 0 |
| Zhang Guangliu | Vice Chairman | Leave the office | M | | 2017-07-18 | 2019-09-18 | 0 | 0 | 0 | 0 | 0 |
| Gao Jianbo | Vice Chairman | Currently in office | M | 54 | | | 0 | 0 | 0 | 0 | 0 |
| Yang Bin | Director, secretary of the Board, CFO | Currently in office | M | 46 | 2015-11-06 | 2019-09-18 | 0 | 0 | 0 | 0 | 0 |
| Li Ding'an | Independent director | Currently in office | M | 73 | 2016-09-19 | 2019-09-18 | 0 | 0 | 0 | 0 | 0 |
| Xu Jingwen | Independent director | Currently in office | M | 53 | 2016-09-19 | 2019-09-18 | 0 | 0 | 0 | 0 | 0 |
| Zhang Zhaoguo | Independent director | Currently in office | M | 62 | 2014-05-23 | 2019-09-18 | 0 | 0 | 0 | 0 | 0 |
| Huang | Supervi | Current | F | 56 | 2012-0 | 2019-0 | 0 | 0 | 0 | 0 | 0 |

| | | | | | | | | | | | |
|------------|------------|----------------------|----|----|------------|------------|---|---|---|---|---|
| Yanbo | sor | ly in office | | | 1-16 | 9-18 | | | | | |
| Geng Qu | Supervisor | Current ly in office | F | 49 | 2012-04-09 | 2019-09-18 | 0 | 0 | 0 | 0 | 0 |
| Chen Qin | Supervisor | Current ly in office | F | 32 | 2015-11-06 | 2019-09-18 | 0 | 0 | 0 | 0 | 0 |
| Tang Ganyu | Deputy GM | Current ly in office | F | 41 | 2013-08-23 | 2019-09-18 | 0 | 0 | 0 | 0 | 0 |
| Total | -- | -- | -- | -- | -- | -- | 0 | 0 | 0 | 0 | 0 |

II. Changes of directors, supervisors and senior executives

✓ Applicable Not applicable

| Name | Title | Type | Date | Reasons |
|----------------|---------------|------------------|------------|--------------|
| Zhang Guangliu | Vice Chairman | Leave the office | 2018-07-17 | Job mobility |

III. Post-holding

Professional background, major working experience and present main responsibilities in Company of directors, supervisors and senior executive

Li Zhongqiu: Male, was born in 1964 with Master of Engineering, members of the Hubei Political Consultative Conference. May the first of labor medalist of Wuhan. He serves as Chairman of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. since 1996. And he serves as Chairman and the General Manager of the Company since July 2007.

Mr. Gao Jianbo, born in July 1964, native of Anhui, Han nationality, member of the Communist Party of China; master of economics, senior economist. He graduated from the Mathematics Department of Anhui Normal University in June 1985 as a Bachelor of Science. From September 1990 to June 1993, he studied at the Department of Investment Economics of Zhongnan University of Finance and Economics and obtained a master's degree in economics. In June 1993, he joined Shenzhen Tagen (Group) Co., Ltd., and successively worked in the company's subordinates, Tagen Xiangmi Engineering Development Company, Tagen Real Estate Sales Department, Securities Department, Real Estate Management Department, Asset Management Department and Enterprise Development Management Department, and successively served as deputy manager, manager of the company's asset management department, manager of the enterprise development management department. From April 2008 to July 2018, he served as Vice President and Secretary of the Board of Directors of Shenzhen Tagen

(Group) Co., Ltd.; from October 2001 to April 2013, he served as Director of Shenzhen Laibao High-Tech Co., Ltd.; Since July 2018, he has been serving as deputy general manager of Shenzhen SEG Group Co., Ltd.; since September 2018, he has been serving as a director of Shenzhen SEG Co., Ltd.; since September 2018, he has been serving as director and vice president of Shenzhen Zhongheng Huafa Co., Ltd.

Yang Bin, male, born in April 1972, a master degree holder graduated from Xi'an Jiaotong University. He once served as the executive deputy general manager and secretary of the board of Shenzhen China Agricultural University Technology Co., Ltd., an independent director of Livzon Group, and an independent director of CTL Testing. Since November 2015, he has been serving as a director, the secretary of the board and the chief financial officer of the Company and the Supervisor of Shenzhen Moyi Investment Co., Ltd

Li Ding'an: male, born in Dec. 1945, professor, doctoral tutor, the first batch of Chinese certified public accountants. In 1982, he obtained the master degree of economics of Zhongnan University of Finance and Economics and stayed at the university as a teacher; in June 1996, he was transferred to South China University of Technology, served as the professor and deputy director of the Department of Applied Mathematics; from 1998 to 2012, he served successively as the 8th, 9th, and 10th standing committee member of CPPCC Guangdong Provincial Committee; he serves as the professor at School of Business Administration since May 2002, and served as executive vice president of the School of Economics and Trade from July 2005 to January 2009. Now He is the vice chairman of the enterprise development research specialist working committee of Guangdong Manufacturers Association, the director of CPPCC Guangdong Provincial Committee Fellowship Council, the Supervisor of Guangdong Kangmei Pharmaceutical Co., Ltd., the independent director of PCI-Suntek Tech Co., Ltd., and independent director of Wuhan Liyuan Information Technology Co., Ltd.. He has been serving as the independent director of the company since September 2016.

Zhang Zhaoguo, Ph. D. in Management, former director of accounting dept. in School of Management of Huazhong University of Science & Technology, a professor (secondary) and doctoral supervisor. He enjoys the special allowance of the State Council. Successively study in Finance & Economics University of Jiangxi, Zhongnan University of Economics and Law and HUST, and serve as a teacher in Wuhan University and HUST. He served as chief editor in Communication of Finance & Accounting. Now served as the president of Accounting Institute of China, vice president of Accounting Association of Hubei Province, vice president of Hubei Central Enterprise Accounting Association, dean of Wuhan Yangtze Business University, and served as independent directors of the listed companies like Hubei Eastern Gold Jade Co., Ltd., Shenzhen Zhongheng Huafa and Mailyard.

Xu Jinwen, male, born in 1965, is a doctor of management science and engineering of Huazhong University of Science and Technology. He worked at China Construction Bank Wuhan Sub-branch from July 1984 to September 1985; served as the credit section chief at China Construction Bank Hubei Branch from September 1985 to December 1990; served as the deputy general manager of Hubei Province Trust and Investment Corporation of China Construction Bank; served as the executive deputy general manager of Guotai Junan Securities Hubei Branch from October 1995 to August 2000; served as the general manager of Guotai Junan

Securities Jiangxi Headquarters from August 2000 to November 2002; served as the president of Golden Sun Securities Co., Ltd. from November 2002 to April 2006; served as the chairman of Changjiang Bali Baifuqin Securities Co., Ltd. from April 2006 to May 2007; served as the vice president and secretary of the board of Changjiang Securities Co., Ltd. from May 2007 to March 2016; he has been serving as the chairman and CEO of Changjiang Securities Holding (Hong Kong) Co., Ltd. since December 2011. He has been serving as an independent director of the company since September 2016.

Huang Yanbo: female, born in 1962, a university background and a senior accountant. She served as financial director of Wuhan Zhongda Shopping Mall since 1985 to 1998; and worked as financial manager of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. from 1998 to 2007 and GM assistant in charge of auditing supervise from 2007 to 2011; she serves as CFO of the Company from 2012 to 2016; she serves as deputy GM of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. since October 2016, and the supervisor of the Company since January 2012 and she is the chairman of supervisory committee of the Company since August 2013.

Geng Qu: female, born in 1969, is graduated from Beihang University, the first quality engineer, a real estate economist, a human resources economist and an engineer. She worked for the Company since 1990 and successively served as director of quality standard, director of comprehensive management department and deputy chief of office of the Company. She serves as employee supervisory of the Company since April 2012.

Chen Qin: Female, born in 1986, bachelor degree, human resources professional. Worked on administrative work in Merida Bicycle (China) Co., Ltd. from July 2002 to July 2003, engaged in purchasing work in Hui Pu Electronics (Shenzhen) Co., Ltd. from August 2003 to September 2004, and served as the administration manager in Huake United Technology (Shenzhen) Co., Ltd. from September 2004 to 2005 October; works in the Company since October 2005 and serves as supervisor of the Company since 2015

Tang Ganyu: Female, born in 1977, college degree. Served as assistant of factory director in Wuhan Hengsheng Optoelectronics Industry Co., Ltd. from August 2003 to July 2005, engineering manager from August 2005 to July 2006, project manager and production manager from August 2006 to December 2011; served as the supervisor of the Company from July 2007 to January 2012 and general manager assistant of the Company from January 2012 to August 2013, and serves as deputy general manager of the Company since August 2013, and in charge of the operation management in three division of the industry.

Post-holding in shareholder's unit

Applicable Not applicable

| Name | Name of shareholder's unit | Position in shareholder's unit n | Start dated of office term | End date of office term | Received remuneration from |
|------|----------------------------|----------------------------------|----------------------------|-------------------------|----------------------------|
| | | | | | |

| | | | | | shareholder's unit (Y/N) |
|-------------|---|---|------------|--|--------------------------|
| Li Zhongqiu | Wuhan Zhongheng Group and its subsidiary | Chairman | 1996-03-21 | | N |
| Gao Jianbo | Shenzhen Electronics Group Co., Ltd. and its subsidiaries | Deputy GM, party committee and secretary of the Board | 2018-07-02 | | Y |
| Huang Yanbo | Wuhan Zhongheng Group | Deputy GM | 2016-10-12 | | Y |

Post-holding in other unit

Applicable Not applicable

| Name | Name of other units | Position in other unit | Start date of office term | End date of office term | Received remuneration from other unit (Y/N) |
|---------------|---|------------------------|---------------------------|-------------------------|---|
| Li Ding'an | South China University of Technology | Professor | | | |
| Li Ding'an | Working Committee of Experts on Enterprise Development of Guangdong Manufacturing Association | Vice president | | | |
| Li Ding'an | Guangdong Provincial Committee of CPPCC | Director | | | |
| Li Ding'an | Guangdong Kangmei Pharmaceutical Co., Ltd. | Supervisor | | | |
| Li Ding'an | Jiadu Xintai Technology Co., Ltd. | Independent director | | | |
| Li Ding'an | Wuhan LiYuan Information Technology Co., Ltd. | Independent director | | | |
| Xu Jingwen | Changjiang Securities Holding (Hong Kong) Co., Ltd. | Chairman and CEO | | | |
| Zhang Zhaoguo | Wuhan University | Professor | | | |
| Zhang Zhaoguo | Huazhong University of Science and Technology | Professor | | | |
| Zhang Zhaoguo | Chinese Accounting Association Branch of High Engineering College and University | President of the Board | | | |

| | | | | | |
|---|---|----------------------|--|--|--|
| Zhang Zhaoguo | Accounting Association of Hubei Province | Vice president | | | |
| Zhang Zhaoguo | Hubei Central Enterprise Accounting Association | Vice president | | | |
| Zhang Zhaoguo | Wuhan Yangtze Business University | Dean | | | |
| Zhang Zhaoguo | Hubei Mailyard Co., Ltd | Independent director | | | |
| Zhang Zhaoguo | Hubei Eastern Gold Jade Co., Ltd. | Independent director | | | |
| Explanation on post-holding in other unit | N/A | | | | |

Punishment of securities regulatory authority in recent three years to the company's current and outgoing directors, supervisors and senior management during the reporting period

Applicable Not applicable

1. On December 22, 2016, the company received the "Written Decision of Administrative Penalty" ([2006] No. 7) from CSRC Shenzhen Securities Regulatory Bureau which gave following penalties to the company and related parties: (a) order Shen HUAFA to correct errors, give a warning, and impose a fine of 400,000 Yuan; (b) give a warning to Li Zhongqiu and impose a fine of 250,000 Yuan; (c) give a warning to Chen Zhigang, and impose a fine of 80,000 Yuan; (d) give a warning to Tang Ganyu, and impose a fine of 80,000 Yuan; (e) give a warning to Weng Xiaoyu and Cai Li, and impose a fine of 30,000 Yuan. See details on the "Notice on Receiving Written Decision of Administrative Penalty from CSRC" (Notice No.: 2016-68) at <http://www.cninfo.com.cn>.
2. On January 5, 2017, the company received the "Announcement on Public Condemnation to Shenzhen Zhongheng Huafa Co., Ltd. and Related Parties" of the Shenzhen Stock Exchange (hereinafter referred to as the "SZSE"): 1. Give a public condemnation to Shenzhen Huafa; 2. Give a public condemnation to Li Zhongqiu, the actual controller, chairman and general manager of Shenzhen Huafa; for the illegal behavior of Shenzhen Huafa and related parties and the punishment given by SZSE, SZSE will record in the credit archive of listed companies and publish to the public. See details at <http://www.cninfo.com.cn> about the Announcement on Receipt of Public Condemnation of Shenzhen Stock Exchange to the Company and Related Parties" (Announcement No.: 2017-01).
3. Mr. Yang Bin, Secretary of the Board of Directors and Chief Financial Officer of the Company, due to the failure to urge and organize the information disclosure work for the temporary announcement of Shenzhen China Agricultural University Technology Co., Ltd. in accordance with relevant regulations during his tenure as Secretary of the Board of Directors of Shenzhen China Agricultural University Science and Technology Co., Ltd., received the "Written Decision of Administrative Penalty" ([2018] No. 6) in August 2018, was given a disciplinary warning and was fined 30,000 yuan.

IV. Remuneration for directors, supervisors and senior executives

Decision-making procedures, recognition basis and payment for directors, supervisors and senior executives

Remuneration of directors and supervisors are determined by general meeting, and the allowance standard for each independent director is RMB 60,000 per year (tax included).

Remuneration of senior management is determined by the board based on the unified remuneration management

system and actual completion of operational targets, and the “Proposal of Basic Remuneration for High-ranking Managers of the Company” was deliberated and approved in 2nd extraordinary meeting of the Board for year of 2012.

Remuneration for directors, supervisors and senior executives in reporting period

In 10 thousand Yuan

| Name | Title | Sex (F/M) | Age | Post-holding status | Total remuneration obtained from the Company (before taxes) | Whether remuneration obtained from related party of the Company |
|----------------|---------------------------------------|-----------|-----|---------------------|---|---|
| Li Zhongqiu | Chairman, GM | M | 54 | Currently in office | 48 | N |
| Gao Jianbo | Vice Chairman | M | 54 | Currently in office | 0 | Y |
| Zhang Guangliu | Vice Chairman | M | 56 | Leave the office | 0 | Y |
| Yang Bin | Director, secretary of the Board, CFO | M | 46 | Currently in office | 30 | N |
| Li Ding'an | Independent director | M | 73 | Currently in office | 6 | N |
| Xu Jingwen | Independent director | M | 53 | Currently in office | 6 | N |
| Zhang Zhaoguo | Independent director | M | 62 | Currently in office | 6 | N |
| Huang Yanbo | Supervisor | F | 56 | Currently in office | 0 | Y |
| Geng Qu | Supervisor | F | 49 | Currently in office | 9.3 | N |
| Chen Qin | Supervisor | F | 32 | Currently in office | 12 | N |
| Tang Ganyu | Deputy GM | F | 41 | Currently in office | 36 | N |
| Total | -- | -- | -- | -- | 153.3 | -- |

Delegated equity incentive for directors, supervisors and senior executives in reporting period

Applicable Not applicable

V. Particulars of workforce

1. Number of Employees, Professional composition, Education background

| | |
|--|--|
| Employee in-post of the parent Company (people) | 33 |
| Employee in-post of main Subsidiaries (people) | 983 |
| The total number of current employees (people) | 1,016 |
| The total number of current employees to receive pay (people) | 1,016 |
| Retired employee's expenses borne by the parent Company and main Subsidiaries (people) | 0 |
| Professional composition | |
| Category of professional composition | Numbers of professional composition (people) |
| Production personnel | 729 |
| Sales personnel | 73 |
| Technical personnel | 83 |
| Financial personnel | 13 |
| Administrative personnel | 118 |
| Total | 1,016 |
| Education background | |
| Category of education background | Numbers (people) |
| Master and on-the-job graduate students | 3 |
| Undergraduate | 54 |
| Junior college | 64 |
| Other | 895 |
| Total | 1,016 |

2. Remuneration Policy

The company's directors (excluding independent directors), supervisors and senior management personnel are monthly paid by basic pay and performance pay, and the annual remunerations are paid after annual assessment; the company's independent directors are paid 60,000 Yuan per person per year as allowances (including tax), the travel expenses for attending the board meeting and stockholders' meeting and the necessary expenses generated by exercising their powers in accordance with relevant laws and regulations can be applied for reimbursement according to the company's regulations; the remuneration ordinary employees are decided by the positions, including probationary period salary regular employee salary, and the company pays social security and public accumulated funds for them in accordance with the national regulations.

3. Training programs

- (1) The directors, supervisors and senior management personnel actively participate in the relevant training and assessment organized by the regulatory agencies, such as Shenzhen Stock Exchange, Shenzhen Securities Regulatory Bureau, etc.
- (2) The company regularly or irregularly organizes professional training for employees according to the departments and division of labor, including internal training and external training, therein to, internal training are provided by specialized personnel in the company; external training are provided by organizing employees to participate in the trade associations and the training organized by supervision department.
- (3) Organize staff in all positions to actively participate in the learning and assessment of technical professional qualifications required by different positions.

4. Labor outsourcing

Applicable Not applicable

Section IX. Corporate Governance

I. Corporate governance of the Company

During the reporting period, in accordance with the laws and regulations of the "Company Law", "Securities Law", and "Governance Norms of Listed Companies", and the relevant rules and requirements promulgated by the China Securities Regulatory Commission, the company has constantly improved the corporate governance structure, established a sound internal control system, enhanced the level of standard operation, strictly followed the provisions of the production and management control and the financial management and control and the information disclosure and control, carried out the work on the basis of the "Articles of Association", "Rules of Procedure of the Board of Directors", "Rules of Procedure of the Board of Supervisors", "Working System of the Independent Directors", and "Working Rules of the General Manager", and ensured that the shareholders' meeting, the board of directors and the board of supervisors can perform their duties and responsibilities normally. The company's governance meets the requirements on the documents of governance norms of listed companies issued by China Securities Regulatory Commission.

During the reporting period, in order to safeguard the legitimate rights and interests of the company, the shareholders and the creditors and regulate the organization and behavior of the company, the company has revised the "Constitution of Shenzhen Zhongheng Huafa Co., Ltd." according to the "Company Law of the People's Republic of China", "Securities Law of the People's Republic of China" and the "Guidelines for the Articles of Association of Listed Companies (2016 Revision)" issued by China Securities Regulatory Commission

Is there any difference between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC?

Yes No

There are no differences between the actual condition of corporate governance and relevant regulations about corporate governance for listed company from CSRC.

II. Independent of the Company relative to controlling shareholders' in aspect of businesses, personnel, assets, organization and finance

During the reporting period, the company's controlling shareholder - Wuhan Zhongheng Group has separated the business, personnel, assets, organization and finance from the controlling shareholders in accordance with the laws and regulations of the "Company Law" and "Articles of Association", and had the independent and complete business system and the capabilities of independent management.

1. Personnel: The company fully and independently operates in the labor, personnel and salary management systems and has established the independent management system, all of the company's senior executives are working in the Company and receive the salaries, no senior executive has held a post in both the Company and the

controlling shareholder's company, and no financial staff has held a post in two or more of the related companies.

2. Assets: The company has the clear property rights with the controlling shareholders and the capabilities of independent management, possesses the full rights to control the production system, supporting facilities and land use rights, no major shareholder has occupied or dominated the assets.

3. Finance: The company has established the independent, complete, standardized financial accounting system and financial management system, and the corresponding internal control system and internal audit system in accordance with the requirements of the "Accounting Standards for Business Enterprises" to make the independent financial decisions.

4. Organization: the board of directors, the board of supervisors, and other internal organizations are sound and operate independently, the organization is completely separated from the controlling shareholders, all organizations of the company are set up based on the norms and requirements of the listed company and the company's actual business features which have the independent office addresses and there is no mixed operation or co-working, and the controlling shareholders legally exercise the investors' rights and undertake the corresponding obligations.

5. Business: the company has the completely independent business operation system, the capabilities of independent management, the independent purchasing system, production system and marketing system, doesn't depend on the controlling shareholders to gain profits or have the horizontal competition relationship with the controlling shareholders or the subsidiaries.

III. Horizontal competition

Applicable Not applicable

IV. In the report period, the Company held annual general meeting and extraordinary shareholders' general meeting

1. Shareholders' General Meeting in the report period

| Session of meeting | Type | Ratio of investor participation | Date | Date of disclosure | Index of disclosure |
|--|---|---------------------------------|------------|--------------------|---|
| Annual General Meeting of 2017 | AGM | 51.64% | 2018-05-17 | 2018-05-18 | http://www.cninfo.com.cn/new/disclosure/detail?plate=&orgId=gssz0000020&stockCode=000020&announcementId=1204953591&announcementTime=2018-05-18 |
| 2018 First Extraordinary shareholders' | Extraordinary shareholders' general meeting | 47.19% | 2018-09-28 | 2018-09-29 | http://www.cninfo.com.cn/new/disclosure/detail?plate=&orgId=gssz0000020&stockCode=000020 |

| | | | | | | |
|---|---|-------|------------|------------|--|---|
| general meeting | | | | | | &announcementId=1205478496 &announcementTime=2018-09-29 |
| 2018 Second Extraordinary shareholders' general meeting | Extraordinary shareholders' general meeting | 6.02% | 2018-11-15 | 2018-11-16 | | http://www.cninfo.com.cn/new/disclosure/detail?plate=&orgId=gsz0000020&stockCode=000020&announcementId=1205605907&announcementTime=2018-11-16 |
| 2018 Third Extraordinary shareholders' general meeting | Extraordinary shareholders' general meeting | 5.89% | 2018-12-10 | 2018-12-11 | | http://www.cninfo.com.cn/new/disclosure/detail?plate=&orgId=gsz0000020&stockCode=000020&announcementId=1205661217&announcementTime=2018-12-11 |

2. Request for extraordinary general meeting by preferred stockholders whose voting rights restore

Applicable Not applicable

V. Responsibility performance of independent directors

1. The attending of independent directors to Board meetings and shareholders' general meeting

| The attending of Board Meeting and shareholders' general meeting by independent directors | | | | | | | |
|---|--|----------------------------|-------------------------------------|-----------------------------|------------------|---|--|
| Independent director | Times of Board meeting supposed to attend in the report period | Times of present in person | Times of attending by communication | Times of entrusted presence | Times of Absence | Absent the Board Meeting for the second time in a row (Y/N) | Times presented in shareholders' general meeting |
| Zhang Zhaoguo | 6 | 2 | 4 | 0 | 0 | N | 4 |
| Li Ding'an | 6 | 2 | 4 | 0 | 0 | N | 4 |
| Xu Jingwen | 6 | 1 | 4 | 1 | 0 | N | 4 |

Explanation of absent the Board Meeting for the second time in a row

2. Objection for relevant events from independent directors

Independent directors come up with objection about Company's relevant matters

Yes No

Independent directors has no objections for relevant events in reporting period

3. Other explanation about responsibility performance of independent directors

The opinions from independent directors have been adopted

Yes No

Explanation on advice that accepted/not accepted from independent directors

Advises about the Company from independent directors are all accepted in the reporting period.

VI. Duty performance of the special committees under the board during the reporting period

1. Duty performance of the audit committee

During the reporting period, the work carried out by the audit committee mainly included: listening to the company's annual operating, financial and internal audit work, continuing to concern and guide the company's financial affairs and internal audit supervision, carrying forward the audit work to the company's annual financial report, sending a letter to urge the audit report to be submitted on time, communicating with the certified public accountants time after time during the annual audit, objectively evaluating the annual audit work of the accounting firm, and making the resolution to agree to re-appoint the accounting firm.

2. Remuneration & appraisal committee

During the reporting period, the remuneration & appraisal committee has audited 2013 annual remuneration of the company's directors, supervisors and senior management which was considered to be consistent with the actual situation and in line with the provisions of relevant laws and the regulations of remuneration and appraisal system.

3. The nominations committee

During the reporting period, the nominations committee has investigated the proposal for the supplement of independent directors, and made the decision to agree to submit to the board of directors for consideration.

4. The Strategic Committee

In the reporting period, the Strategic Committee puts forward reasonable suggestions for the strategic development of the Company by combining with actual situation of the Company.

VII. Works from Supervisory Committee

The Company has risks in reporting period that found in supervisory activity from supervisory committee

Yes No

Supervisory committee has no objection about supervision events in reporting period

VIII. Examination and incentives of senior management

During the reporting period, in order to enable the senior management to better perform their duties and maintain the interests of the company and its shareholders, the company has variable paid the remuneration to urge the company's management to work more diligently and ensure the realization of the company's development strategy

and operation target accordingly to the “Staff rank and basic salary system” and the performance assessment and combining with the company's actual operating conditions.

IX. Internal Control

1. Details of major defects in IC appraisal report that found in reporting period

Yes No

2. Appraisal Report of Internal Control

| Disclosure date of full internal control evaluation report | 2019-04-30 | |
|---|---|---|
| Disclosure index of full internal control evaluation report | Juchao Website http://www.cninfo.com.cn | |
| The ratio of the total assets of units included in the scope of evaluation accounting for the total assets on the company's consolidated financial statements | 100.00% | |
| The ratio of the operating income of units included in the scope of evaluation accounting for the operating income on the company's consolidated financial statements | 100.00% | |
| Defects Evaluation Standards | | |
| Category | Financial Reports | Non-financial Reports |
| v | 1. General deficiencies: the amount of direct property loss is between 50,000 yuan and 150,000 yuan, penalized by the district-level (including district-level) government sector but not having a negative impact on the company's regular disclosure; 2. Important deficiencies: the amount of direct property loss is between 150,000 yuan and 450,000 yuan, penalized by the provincial level (including provincial level) government sector but not having a negative impact on the company's regular disclosure; 3. Major deficiencies: the amount of direct property loss is more than 450,000 yuan, penalized | 1. General deficiencies: when facing low-risk matters in the process of business operation, the unit being inspected didn't take corresponding internal control measures and respond effectively; 2. Important deficiencies: when facing matters at a moderate risk level in the process of business operation, the unit being inspected didn't take corresponding internal control measures and respond effectively; 3. Major deficiencies: when facing high-risk matters in the process of business operation, the unit being |

| | | |
|--|--|---|
| | by the government sector and having a negative impact on the company's regular disclosure; | inspected didn't take corresponding internal control measures and respond effectively. |
| Quantitative standard | <p>1. It belongs to important deficiency if the misstatement of the company's cash on hand, bank deposits, notes receivable, and notes payable caused by internal control deficiencies is less than RMB 1000 Yuan; it belongs to major deficiency if the misstatement caused by internal control deficiencies is greater than or equal to RMB 1000 Yuan.</p> <p>2. Other deficiencies in internal controls: general deficiencies: misstatement index 1 $\geq 0.5\%$, and misstatement index 2 $< 0.5\%$; important deficiencies: $0.5\% \leq$ misstatement index 2 $< 1\%$; major deficiencies: misstatement index 2 $\geq 1\%$</p> | <p>General deficiencies: misstatement index 1 $\geq 0.5\%$, and misstatement index 2 $< 0.5\%$;</p> <p>Important deficiencies: $0.5\% \leq$ misstatement index 2 $< 1\%$;</p> <p>Major deficiencies: misstatement index 2 $\geq 1\%$</p> |
| Amount of significant defects in financial reports | | 0 |
| Amount of significant defects in non-financial reports | | 0 |
| Amount of important defects in financial reports | | 0 |
| Amount of important defects in non-financial reports | | 0 |

X. Auditing report of internal control

Applicable Not applicable

| Deliberations in Internal Control Audit Report | |
|---|--|
| We believe that the Huafa Company was in accordance with the "basic norms of internal control" and the relevant provisions and maintained effective internal control of financial reporting in all material respects on 31 Dec 2018 | |
| Disclosure details of audit report of internal control | Disclosed |
| Disclosure details of audit report of internal control | 2019-04-30 |
| Disclosure date of audit report of internal control (full-text) | The designated website: Juchao Website |
| Opinion type of auditing report of IC | Standard unqualified |

| | |
|--|----|
| Whether the non-financial report had major defects | No |
|--|----|

Carried out modified opinion for internal control audit report from CPA

Yes No

The internal control audit report, issued by CPA, has concerted opinion with self-evaluation report, issued from the Board

Yes No

Section X. Corporate Bond

Whether the Company has a corporation bonds that issuance publicly and listed on stock exchange and without due on the date when annual report approved for released or fail to cash in full on due

Yes No

Section XI. Financial Report

I. Audit report

| | |
|---------------------------------|--|
| Type of audit opinion | Standard unqualified opinion |
| Signing date of audit report | 2019-04-26 |
| Name of audit institute | DAXIN Certified Public Accountants LLP |
| Document serial of audit report | Da Xin Shen Zi[2019] No.: 5-00045 |
| Name of CPA | Li Wei, Fan Zhang |

Auditor's Report

To all shareholders of SHENZHEN ZHONGHENG HUAFIA CO., LTD.:

I. Auditing opinions

We have audited the financial statement under the name of SHENZHEN ZHONGHENG HUAFIA CO., LTD. (hereinafter referred to as the Company), including the consolidated and parent Company's balance sheet of 31 December 2018 and profit statement, and cash flow statement, and statement on changes of shareholders' equity for the year ended, and notes to the financial statements for the year ended.

In our opinion, the Company's financial statements have been prepared in accordance with the Enterprises Accounting Standards and Enterprises Accounting System, and they fairly present the financial status of the Company and of its parent company as of 31 December 2018 and its operation results and cash flows for the year ended.

II. Basis of opinion

We conducted our audit in accordance with the Auditing Standards for Certified Public Accountants of China. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of the auditor's report. We are independent of the Company in accordance with the Certified Public Accountants of China's Code of Ethics for Professional Accountants, and we have fulfilled our other ethical responsibilities in accordance with the Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

III. Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the

financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

(i) Revenue recognition

1. Description of the matter

As stated in Note V (xxv) to the consolidated statement of your company, the main business income from display and injection molded foam of 2018 recognized by your company was RMB 582.037 million, accounting for 91.36% of operating income. The income from selling products is confirmed when the risks and the rewards of the property in the goods have been transferred to the customer, for domestic sales, the income is confirmed by the other party's receipt of the product, for export sales, the income is confirmed by the relevant customs declaration documents when the product has been shipped and the declaration formalities have been completed.

Since income is one of your company's key performance indicators, in order to prevent the inherent risks of manipulating the time point of income recognition for achieving specific goals or expectations, we identify the authenticity of income recognition for displays and injection molded foam as key audit items.

2. Audit response

In response to the authenticity of revenue recognition, we design and implement the following audit procedures:

- (1) We understand, evaluate, and test the design and implementation of key internal controls related to the revenue cycle, and test the effectiveness of internal controls;
- (2) Select samples to inspect the sales contract or order, check the invoice, outbound order, receipt, and customs declaration, identify the contract terms and conditions related to the risks and reward transfer of the ownership of the goods, and evaluate whether the time point of revenue recognition meets the requirements of Accounting Standards for Business Enterprises
- (3) Enquire the business information of major customers to identify whether there is related relationship; check the rationality and fairness of the related transactions;
- (4) For the income transactions recorded before and after the balance sheet date, select samples, check the outbound order, receipt, logistics records, bills of lading and other supporting documents to assess whether the income is recorded in the appropriate accounting period;
- (5) According to the characteristics and nature of the customer transaction, we select income samples with large amount to send a letter to the customer to confirm the current sales income amount and the balance of accounts receivable, and maintain control over the letter during the process of sending the letter.

(ii) Related transaction

1. Description of the matter

As stated in Note IX (iv) to the consolidated statement of your company, your company purchased a total of 235 million yuan of materials and finished products from the related parties, Hong Kong Yutian International Investment Co., Ltd. and Wuhan Hengsheng Photoelectric Industry Co., Ltd., and sold a total of 120 million yuan of goods to the related parties, Hong Kong Yutian International Investment Co., Ltd. and Wuhan Hengsheng Photoelectric Industry Co., Ltd. As the related transactions involve a large amount of money and there is a risk if

the transaction constitutes a transaction cycle, we classify the related transaction as a key audit matter.

2. Audit response

- (1) Understand, evaluate and test the internal control of your company's related relationships and related transactions;
- (2) Obtain the related party relationship table compiled by your company, and conduct appropriate background investigation to identify and verify related parties through Internet information inquiry;
- (3) Obtain a list of related transactions of your company, understand the commercial reasons of related transactions, check related contracts or agreements, invoices, customs declarations, etc. of related transactions, and conduct letter confirmation for the accrual and balance of major related transactions to verify whether the accounting treatment is appropriate.;
- (4) Understand the authorization and approval procedures for related transactions of your company, check the procurement and sales vouchers to third parties, compare the purchase and sales prices of related parties and non-related parties, and verify whether the related transactions are fair;
- (5) Obtain the related party's final procurement and sales lists to the third party provided by your company, check the relevant contract agreements and bank slip of the procurement and sales of the related party to the third party, and verify the authenticity of the transaction and whether it constitutes a transaction cycle.

(iii) Material arbitration

1. Description of the matter

As stated in Note XII to the consolidated statement, on August 16, 2017, the South China International Economic and Trade Arbitration Commission made a ruling of HNGZSC [2017] No. D376, ruled that your company and Wuhan Zhongheng had to pay a total of 234 million yuan of liquidated damages and other cost. Your company believed that the ruling of this case had problems in the arbitral procedure and in the determination of the so-called breach of contract, and believed that the result of the ruling damaged the legitimate rights and interests of the company. Your company had submitted an application for repeal of arbitration to the Shenzhen Intermediate People's Court, and Shenzhen Intermediate People's Court officially accepted the case on February 7th, the case number was (2018) Yue 03 Minte No. 113, Shenzhen Intermediate People's Court made a judgment on August 16, 2018, rejecting the company's request for repeal of arbitration. On September 5, 2018, the company and its controlling shareholder, Wuhan Zhongheng Group, received the "Enforcement Notice of Shenzhen Intermediate People's Court" ([2018] Yue 03 Zhi No. 1870), and the execution applicant applied to the court for enforcement. Your company believed that the liability for breach of contract should be fully borne by Wuhan Zhongheng Group, Wuhan Zhongheng promised to bear all the arbitration losses in full. If the company made advanced payment due to the execution of the case, the company would immediately request Wuhan Zhongheng to fulfill its commitments and eliminate the effects. Due to the uncertainty of the division of liability for fault of internal performance the defaulting entity and the possibility of the transfer of interest in Wuhan Zhongheng, the management needs to make significant judgments and estimates on whether the matter is recognized as the estimated liability or the current profits or losses, so we recognize the major arbitration matter as a key audit

matter.

2. Audit response

- (1) Understand the company's policies and procedures for determining major issues by conducting inspections, consulting with management and corporate legal counsel;
- (2) Collect your company's asset replacement contracts, asset replacement and related transaction announcements and old contracts, cooperation agreement between your company and Wuhan Zhongheng Group, and the Arbitration Award HNGZSC [2017] No. D376. related to this major issue, your company's application for repeal of arbitration, the ruling of Shenzhen Intermediate People's Court for rejection, the enforcement notice of Shenzhen Intermediate People's Court and other documents and materials, and understand the supporting evidence for the management of your company to make judgments on the important matters;
- (3) Engage legal experts to make independent judgments on the matter, and make independent judgments on legal special opinions issued by legal experts;
- (4) Check whether the major arbitration matter is sufficiently and properly disclosed in the financial report.

IV. Other information

The management of the Company (the "Management") is responsible for other information which includes the information covered in the Company's 2018 annual report excluding the financial statement and our audit report.

The audit opinion issued by us for the financial statement has not covered other information, for which we do not issue any form of assurance opinions.

Considering our audit on financial statements, we are liable to read other information, during which, we shall consider whether other information differs materially from the financial statements or that we understand during our audit, or whether there is any material misstatement.

Based on the works executed by us, we should report the fact if we find any material misstatement in other information. In this regards, we have nothing to report.

V. Responsibilities of management and those charged with governance for the financial statements

The management is responsible for the preparation of the financial statements in accordance with the Accounting Standards for Enterprise to secure a fair presentation, and for the design, establishment and maintenance of the internal control necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the Company's ability to continue as a going concern, disclosing matters related to going concern and using the going concern assumption unless the management either intends to liquidate the Company or to cease operations, or has no realistic

alternative but to do so.

Those charged with governance are responsible for overseeing the Company's financial reporting process.

VI. Responsibilities of the auditor for the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an audit report that includes our audit opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the CAS will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the CAS, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for audit opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's use of the going concern assumption and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required by the CAS to draw users' attention in audit report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify audit opinion. Our conclusions are based on the information obtained up to the date of audit report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

(6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express audit opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguard measures.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in the auditor's report because of the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

II. Financial Statement

Statement in Financial Notes are carried in RMB/CNY

1. Consolidated balance sheet

Prepared by SHENZHEN ZHONGHENG HUAFACO., LTD.

2018-12-31

In RMB

| Item | Balance at period-end | Balance at period-begin |
|---|-----------------------|-------------------------|
| Current assets: | | |
| Monetary funds | 34,108,330.27 | 68,812,495.97 |
| Settlement provisions | | |
| Capital lent | | |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial assets | | |

| | | |
|--|----------------|----------------|
| Note receivable and account receivable | 185,983,351.22 | 213,574,264.91 |
| Including: Note receivable | 69,185,516.71 | 64,778,266.65 |
| Account receivable | 116,797,834.51 | 148,795,998.26 |
| Accounts paid in advance | 31,348,429.54 | 943,328.01 |
| Insurance receivable | | |
| Reinsurance receivables | | |
| Contract reserve of reinsurance receivable | | |
| Other account receivable | 5,777,179.08 | 4,335,729.72 |
| Including: Interest receivable | | |
| Dividend receivable | | |
| Buying back the sale of financial assets | | |
| Inventories | 62,973,909.38 | 60,387,021.65 |
| Assets held for sale | | |
| Non-current asset due within one year | | |
| Other current assets | 59,370.18 | 52,310.51 |
| Total current assets | 320,250,569.67 | 348,105,150.77 |
| Non-current assets: | | |
| Loans and payments on behalf | | |
| Finance asset available for sales | | |
| Held-to-maturity investment | | |
| Long-term account receivable | | |
| Long-term equity investment | | |
| Investment real estate | 50,681,322.86 | 52,410,958.62 |
| Fixed assets | 188,083,873.38 | 176,477,314.08 |
| Construction in progress | 5,727,760.23 | 654,356.00 |
| Productive biological asset | | |
| Oil and gas asset | | |
| Intangible assets | 41,815,689.74 | 43,307,316.37 |
| Expense on Research and Development | | |
| Goodwill | | |

| | | |
|--|----------------|----------------|
| Long-term expenses to be apportioned | 542,116.99 | 141,666.55 |
| Deferred income tax asset | 6,829,856.59 | 6,731,168.99 |
| Other non-current asset | 3,158,964.00 | 1,934,800.00 |
| Total non-current asset | 296,839,583.79 | 281,657,580.61 |
| Total assets | 617,090,153.46 | 629,762,731.38 |
| Current liabilities: | | |
| Short-term loans | 161,568,657.88 | 166,620,264.81 |
| Loan from central bank | | |
| Absorbing deposit and interbank deposit | | |
| Capital borrowed | | |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial liability | | |
| Note payable and account payable | 88,617,663.09 | 101,815,141.01 |
| Accounts received in advance | 159,528.60 | 278,128.18 |
| Selling financial asset of repurchase | | |
| Commission charge and commission payable | | |
| Wage payable | 4,700,208.36 | 5,083,357.93 |
| Taxes payable | 11,232,819.87 | 15,136,277.68 |
| Other account payable | 26,778,863.92 | 20,092,172.75 |
| Including: Interest payable | 439,558.70 | 164,895.80 |
| Dividend payable | | |
| Reinsurance payable | | |
| Insurance contract reserve | | |
| Security trading of agency | | |
| Security sales of agency | | |
| Liability held for sale | | |
| Non-current liabilities due within one year | | |
| Other current liabilities | | |
| Total current liabilities | 293,057,741.72 | 309,025,342.36 |
| Non-current liabilities: | | |

| | | |
|---|-----------------|-----------------|
| Long-term loans | | |
| Bonds payable | | |
| Including: preferred stock | | |
| Perpetual capital securities | | |
| Long-term account payable | | |
| Long-term wages payable | | |
| Accrual liability | 64,411.00 | 64,411.00 |
| Deferred income | | |
| Deferred income tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | 64,411.00 | 64,411.00 |
| Total liabilities | 293,122,152.72 | 309,089,753.36 |
| Owner's equity: | | |
| Share capital | 283,161,227.00 | 283,161,227.00 |
| Other equity instrument | | |
| Including: preferred stock | | |
| Perpetual capital securities | | |
| Capital public reserve | 146,587,271.50 | 146,587,271.50 |
| Less: Inventory shares | | |
| Other comprehensive income | | |
| Reasonable reserve | | |
| Surplus public reserve | 77,391,593.25 | 77,391,593.25 |
| Provision of general risk | | |
| Retained profit | -183,172,091.01 | -186,467,113.73 |
| Total owner's equity attributable to parent company | 323,968,000.74 | 320,672,978.02 |
| Minority interests | | |
| Total owner's equity | 323,968,000.74 | 320,672,978.02 |
| Total liabilities and owner's equity | 617,090,153.46 | 629,762,731.38 |

Legal Representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institute: Wu Aijie

2. Balance Sheet of Parent Company

In RMB

| Item | Balance at period-end | Balance at period-begin |
|---|-----------------------|-------------------------|
| Current assets: | | |
| Monetary funds | 13,234,774.97 | 25,181,764.87 |
| Financial assets measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial assets | | |
| Note receivable and account receivable | | |
| Including: Note receivable | | |
| Account receivable | | |
| Accounts paid in advance | 153,050.00 | |
| Other account receivable | 99,155,253.08 | 99,922,143.84 |
| Including: Interest receivable | | |
| Dividend receivable | | |
| Inventories | 14,806.50 | 14,806.50 |
| Assets held for sale | | |
| Non-current asset due within one year | | |
| Other current assets | 17,055.88 | |
| Total current assets | 112,574,940.43 | 125,118,715.21 |
| Non-current assets: | | |
| Finance asset available for sales | | |
| Held-to-maturity investment | | |
| Long-term account receivable | | |
| Long-term equity investment | 186,608,900.00 | 186,608,900.00 |
| Investment real estate | 26,374,703.70 | 27,583,299.22 |
| Fixed assets | 99,227,872.22 | 99,678,839.27 |
| Construction in progress | | 654,356.00 |
| Productive biological asset | | |
| Oil and gas asset | | |

| | | |
|--|----------------|----------------|
| Intangible assets | 4,698,654.96 | 4,843,600.68 |
| Expense on Research and Development | | |
| Goodwill | | |
| Long-term expenses to be apportioned | | 141,666.55 |
| Deferred income tax asset | 7,506,905.90 | 7,519,546.71 |
| Other non-current asset | | |
| Total non-current asset | 324,417,036.78 | 327,030,208.43 |
| Total assets | 436,991,977.21 | 452,148,923.64 |
| Current liabilities: | | |
| Short-term loans | 100,000,000.00 | 120,000,000.00 |
| Financial liability measured by fair value and with variation reckoned into current gains/losses | | |
| Derivative financial liability | | |
| Note payable and account payable | 10,745,840.16 | 10,745,840.16 |
| Accounts received in advance | 41,937.00 | 67,210.00 |
| Wage payable | 1,020,979.02 | 1,039,196.20 |
| Taxes payable | 7,161,707.15 | 9,305,468.70 |
| Other account payable | 22,672,441.54 | 14,339,551.78 |
| Including: Interest payable | | |
| Dividend payable | | |
| Liability held for sale | | |
| Non-current liabilities due within 1 year | | |
| Other current liabilities | | |
| Total current liabilities | 141,642,904.87 | 155,497,266.84 |
| Non-current liabilities: | | |
| Long-term loans | | |
| Bonds payable | | |
| Including: preferred stock | | |
| Perpetual capital securities | | |
| Long-term account payable | | |
| Long-term wages payable | | |

| | | |
|--------------------------------------|-----------------|-----------------|
| Accrual liability | 64,411.00 | 64,411.00 |
| Deferred income | | |
| Deferred income tax liabilities | | |
| Other non-current liabilities | | |
| Total non-current liabilities | 64,411.00 | 64,411.00 |
| Total liabilities | 141,707,315.87 | 155,561,677.84 |
| Owner's equity: | | |
| Share capital | 283,161,227.00 | 283,161,227.00 |
| Other equity instrument | | |
| Including: preferred stock | | |
| Perpetual capital securities | | |
| Capital public reserve | 146,587,271.50 | 146,587,271.50 |
| Less: Inventory shares | | |
| Other comprehensive income | | |
| Reasonable reserve | | |
| Surplus public reserve | 77,391,593.25 | 77,391,593.25 |
| Retained profit | -211,855,430.41 | -210,552,845.95 |
| Total owner's equity | 295,284,661.34 | 296,587,245.80 |
| Total liabilities and owner's equity | 436,991,977.21 | 452,148,923.64 |

3. Consolidated Profit Statement

In RMB

| Item | Current period | Last period |
|--|----------------|----------------|
| I. Total operating income | 637,046,707.03 | 858,040,132.74 |
| Including: Operating income | 637,046,707.03 | 858,040,132.74 |
| Interest income | | |
| Insurance gained | | |
| Commission charge and commission income | | |
| II. Total operating cost | 634,300,173.31 | 853,455,010.07 |
| Including: Operating cost | 566,691,476.49 | 777,906,611.12 |
| Interest expense | | |
| Commission charge and commission expense | | |

| | | |
|--|---------------|---------------|
| Cash surrender value | | |
| Net amount of expense of compensation | | |
| Net amount of withdrawal of insurance contract reserve | | |
| Bonus expense of guarantee slip | | |
| Reinsurance expense | | |
| Tax and extras | 3,975,984.41 | 6,447,920.89 |
| Sales expense | 14,100,247.17 | 15,916,493.87 |
| Administrative expense | 38,515,205.15 | 42,783,111.53 |
| R&D expense | | |
| Financial expense | 10,316,763.45 | 8,979,085.95 |
| Including: Interest expenses | 12,785,854.43 | 10,476,762.09 |
| Interest income | 656,538.09 | 1,309,824.81 |
| Losses of devaluation of asset | 700,496.64 | 1,421,786.71 |
| Add: other income | 924,020.00 | 161,420.00 |
| Investment income (Loss is listed with “-”) | 326,439.49 | 372,245.91 |
| Including: Investment income on affiliated company and joint venture | | |
| Income from change of fair value (Loss is listed with “-”) | | |
| Exchange income (Loss is listed with “-”) | | |
| Income from assets disposal (Loss is listed with “-”) | 49,159.75 | 199,069.56 |
| III. Operating profit (Loss is listed with “-”) | 4,046,152.96 | 5,317,858.14 |
| Add: Non-operating income | 2,886,811.06 | 2,971,956.07 |
| Less: Non-operating expense | 2,341,006.76 | 5,758,731.56 |
| IV. Total Profit (Loss is listed with “-”) | 4,591,957.26 | 2,531,082.65 |
| Less: Income tax expense | 1,296,934.54 | 1,556,673.26 |
| V. Net profit (Net loss is listed with | 3,295,022.72 | 974,409.39 |

| | | |
|--|--------------|------------|
| “-”) | | |
| (i) net profit from continuous operation (Net loss is listed with “-”) | | |
| (ii) net profit from discontinued operation (Net loss is listed with “-”) | | |
| Net profit attributable to owner's of parent company | 3,295,022.72 | 974,409.39 |
| Minority shareholders' gains and losses | | |
| VI. Net after-tax of other comprehensive income | | |
| Net after-tax of other comprehensive income attributable to owners of parent company | | |
| (i) Other comprehensive income items which will not be reclassified subsequently to gain/loss | | |
| 1. Re-measurement of the change of defined benefit plan | | |
| 2. Other comprehensive income unable transfer to gain/loss under equity method | | |
| (II) Other comprehensive income items which will be reclassified subsequently to profit or loss | | |
| 1. Other comprehensive income able to transfer to gain/loss under equity method | | |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets | | |
| 3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets | | |
| 4. The effect hedging portion of gains or losses arising from cash flow hedging instruments | | |
| 5. Translation differences | | |

| | | |
|---|--------------|------------|
| arising on translation of foreign currency financial statements | | |
| 6. Other | | |
| Net after-tax of other comprehensive income attributable to minority shareholders | | |
| VII. Total comprehensive income | 3,295,022.72 | 974,409.39 |
| Total comprehensive income attributable to owners of parent Company | 3,295,022.72 | 974,409.39 |
| Total comprehensive income attributable to minority shareholders | | |
| VIII. Earnings per share: | | |
| (i) Basic earnings per share | 0.0116 | 0.0034 |
| (ii) Diluted earnings per share | 0.0116 | 0.0034 |

As for the enterprise combined under the same control, net profit of 0 Yuan achieved by the merged party before combination while 0 Yuan achieved last period.

Legal Representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institute: Wu Aijie

4. Profit Statement of Parent Company

In RMB

| Item | Current period | Last period |
|------------------------------|----------------|---------------|
| I. Operation income | 36,771,309.00 | 41,156,307.77 |
| Less: Operating cost | 5,902,505.91 | 5,877,729.00 |
| Tax and extras | 1,115,764.39 | 2,665,603.29 |
| Sales expense | | |
| Administrative expense | 19,018,506.25 | 21,974,153.89 |
| R&D expense | | |
| Financial expense | 9,466,405.33 | 8,006,852.33 |
| Including: Interest expenses | 9,451,554.17 | |
| Interest income | 29,174.19 | |

| | | |
|--|---------------|---------------|
| Losses of devaluation of asset | -50,563.29 | 502,503.49 |
| Add: other income | | |
| Investment income (Loss is listed with “-”) | | |
| Including: Investment income on affiliated company and joint venture | | |
| Income from change of fair value (Loss is listed with “-”) | | |
| Income from assets disposal (Loss is listed with “-”) | -27,388.25 | |
| II. Operating profit (Loss is listed with “-”) | 1,291,302.16 | 2,129,465.77 |
| Add: Non-operating income | 200.00 | 1,689,721.90 |
| Less: Non-operating expense | 2,289,447.82 | 5,755,745.88 |
| III. Total Profit (Loss is listed with “-”) | -997,945.66 | -1,936,558.21 |
| Less: Income tax expense | 304,638.80 | 509,374.34 |
| IV. Net profit (Net loss is listed with “-”) | -1,302,584.46 | -2,445,932.55 |
| (i) net profit from continuous operation (Net loss is listed with “-”) | -1,302,584.46 | -2,445,932.55 |
| (ii) net profit from discontinued operation (Net loss is listed with “-”) | | |
| V. Net after-tax of other comprehensive income | | |
| (i) Other comprehensive income items which will not be reclassified subsequently to gain/loss | | |
| 1.Re-measurement of the change of defined benefit plan | | |
| 2.Other comprehensive income unable transfer to gain/loss under equity method | | |
| (iii) Other comprehensive income items which will be reclassified subsequently to profit or loss | | |

| | | |
|--|---------------|---------------|
| 1. Other comprehensive income able to transfer to gain/loss under equity method | | |
| 2. Gains or losses arising from changes in fair value of available-for-sale financial assets | | |
| 3. Gains or losses arising from reclassification of held-to-maturity investment as available-for-sale financial assets | | |
| 4. The effect hedging portion of gains or losses arising from cash flow hedging instruments | | |
| 5. Translation differences arising on translation of foreign currency financial statements | | |
| 6. Other | | |
| VI. Total comprehensive income | -1,302,584.46 | -2,445,932.55 |
| VII. Earnings per share: | | |
| (i) Basic earnings per share | | |
| (ii) Diluted earnings per share | | |

5. Consolidated Cash Flow Statement

In RMB

| Item | Current period | Last period |
|---|----------------|----------------|
| I. Cash flows arising from operating activities: | | |
| Cash received from selling commodities and providing labor services | 479,256,981.38 | 827,133,048.96 |
| Net increase of customer deposit and interbank deposit | | |
| Net increase of loan from central bank | | |
| Net increase of capital borrowed from other financial institution | | |
| Cash received from original insurance contract fee | | |

| | | |
|---|----------------|----------------|
| Net cash received from reinsurance business | | |
| Net increase of insured savings and investment | | |
| Net increase of amount from disposal financial assets that measured by fair value and with variation reckoned into current gains/losses | | |
| Cash received from interest, commission charge and commission | | |
| Net increase of capital borrowed | | |
| Net increase of returned business capital | | |
| Write-back of tax received | | 11,937.37 |
| Other cash received concerning operating activities | 149,122,946.48 | 13,807,385.47 |
| Subtotal of cash inflow arising from operating activities | 628,379,927.86 | 840,952,371.80 |
| Cash paid for purchasing commodities and receiving labor service | 419,823,861.32 | 700,632,478.96 |
| Net increase of customer loans and advances | | |
| Net increase of deposits in central bank and interbank | | |
| Cash paid for original insurance contract compensation | | |
| Cash paid for interest, commission charge and commission | | |
| Cash paid for bonus of guarantee slip | | |
| Cash paid to/for staff and workers | 59,375,348.93 | 74,059,833.16 |
| Taxes paid | 18,875,771.50 | 12,201,020.91 |
| Other cash paid concerning operating activities | 152,199,405.77 | 42,335,784.41 |
| Subtotal of cash outflow arising from operating activities | 650,274,387.52 | 829,229,117.44 |

| | | |
|---|----------------|----------------|
| Net cash flows arising from operating activities | -21,894,459.66 | 11,723,254.36 |
| II. Cash flows arising from investing activities: | | |
| Cash received from recovering investment | | |
| Cash received from investment income | 326,439.49 | 372,245.91 |
| Net cash received from disposal of fixed, intangible and other long-term assets | 924,820.00 | 169,640.00 |
| Net cash received from disposal of subsidiaries and other units | | |
| Other cash received concerning investing activities | 144,000,000.00 | 291,000,000.00 |
| Subtotal of cash inflow from investing activities | 145,251,259.49 | 291,541,885.91 |
| Cash paid for purchasing fixed, intangible and other long-term assets | 15,063,404.44 | 10,268,751.27 |
| Cash paid for investment | | |
| Net increase of mortgaged loans | | |
| Net cash received from subsidiaries and other units obtained | | |
| Other cash paid concerning investing activities | 144,000,000.00 | 291,000,000.00 |
| Subtotal of cash outflow from investing activities | 159,063,404.44 | 301,268,751.27 |
| Net cash flows arising from investing activities | -13,812,144.95 | -9,726,865.36 |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | | |
| Including: Cash received from absorbing minority shareholders' investment by subsidiaries | | |
| Cash received from loans | 381,872,622.67 | 288,636,279.36 |

| | | |
|--|----------------|----------------|
| Cash received from issuing bonds | | |
| Other cash received concerning financing activities | | |
| Subtotal of cash inflow from financing activities | 381,872,622.67 | 288,636,279.36 |
| Cash paid for settling debts | 387,355,473.63 | 302,262,347.00 |
| Cash paid for dividend and profit distributing or interest paying | 12,486,591.53 | 10,604,519.83 |
| Including: Dividend and profit of minority shareholder paid by subsidiaries | | |
| Other cash paid concerning financing activities | | |
| Subtotal of cash outflow from financing activities | 399,842,065.16 | 312,866,866.83 |
| Net cash flows arising from financing activities | -17,969,442.49 | -24,230,587.47 |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | 162,282.40 | -306,140.20 |
| V. Net increase of cash and cash equivalents | -53,513,764.70 | -22,540,338.67 |
| Add: Balance of cash and cash equivalents at the period -begin | 81,474,974.30 | 104,015,312.97 |
| VI. Balance of cash and cash equivalents at the period -end | 27,961,209.60 | 81,474,974.30 |

6. Cash Flow Statement of Parent Company

In RMB

| Item | Current period | Last period |
|---|----------------|---------------|
| I. Cash flows arising from operating activities: | | |
| Cash received from selling commodities and providing labor services | 33,955,787.66 | 39,724,764.06 |
| Write-back of tax received | | |
| Other cash received concerning | 238,751,046.31 | 58,292,413.82 |

| | | |
|---|----------------|---------------|
| operating activities | | |
| Subtotal of cash inflow arising from operating activities | 272,706,833.97 | 98,017,177.88 |
| Cash paid for purchasing commodities and receiving labor service | 4,705,956.98 | 5,040,091.56 |
| Cash paid to/for staff and workers | 4,162,519.09 | 4,211,674.37 |
| Taxes paid | 5,303,657.62 | 4,009,011.87 |
| Other cash paid concerning operating activities | 241,037,646.61 | 60,441,124.86 |
| Subtotal of cash outflow arising from operating activities | 255,209,780.30 | 73,701,902.66 |
| Net cash flows arising from operating activities | 17,497,053.67 | 24,315,275.22 |
| II. Cash flows arising from investing activities: | | |
| Cash received from recovering investment | | |
| Cash received from investment income | | |
| Net cash received from disposal of fixed, intangible and other long-term assets | 82,000.00 | |
| Net cash received from disposal of subsidiaries and other units | | |
| Other cash received concerning investing activities | | |
| Subtotal of cash inflow from investing activities | 82,000.00 | |
| Cash paid for purchasing fixed, intangible and other long-term assets | 1,285,642.47 | 1,449,992.31 |
| Cash paid for investment | | |
| Net cash received from subsidiaries and other units obtained | | |
| Other cash paid concerning investing activities | | |
| Subtotal of cash outflow from investing activities | 1,285,642.47 | 1,449,992.31 |

| | | |
|--|----------------|----------------|
| Net cash flows arising from investing activities | -1,203,642.47 | -1,449,992.31 |
| III. Cash flows arising from financing activities | | |
| Cash received from absorbing investment | | |
| Cash received from loans | 200,000,000.00 | 120,000,000.00 |
| Cash received from issuing bonds | | |
| Other cash received concerning financing activities | | |
| Subtotal of cash inflow from financing activities | 200,000,000.00 | 120,000,000.00 |
| Cash paid for settling debts | 220,000,000.00 | 120,000,000.00 |
| Cash paid for dividend and profit distributing or interest paying | 9,451,554.17 | 8,058,841.68 |
| Other cash paid concerning financing activities | | |
| Subtotal of cash outflow from financing activities | 229,451,554.17 | 128,058,841.68 |
| Net cash flows arising from financing activities | -29,451,554.17 | -8,058,841.68 |
| IV. Influence on cash and cash equivalents due to fluctuation in exchange rate | 557.68 | 170.77 |
| V. Net increase of cash and cash equivalents | -13,157,585.29 | 14,806,612.00 |
| Add: Balance of cash and cash equivalents at the period -begin | 25,181,764.87 | 10,375,152.87 |
| VI. Balance of cash and cash equivalents at the period -end | 12,024,179.58 | 25,181,764.87 |

7. Statement of Changes in Owners' Equity (Consolidated)

Current period

In RMB

| Item | Current period | | | | | | | | | Mino rity | Total owne | | |
|------|---|--------------|-------|-------|-------|-------|-------|-------|-------|--------------|---------------|--|--|
| | Owners' equity attributable to parent company | | | | | | | | | | | | |
| | Shar | Other equity | Capit | Less: | Other | Reaso | Surpl | Provi | Retai | | | | |

| | e capi tal | instrument | | | al publi c reserv e | Inven tory share s | comp rehen sive inco me | nable reserv e | us publi c reserv e | sion of gener al risk | ned profit | intere sts | r's equit y |
|---|----------------------------|--------------------------------|----------------------------------|-----------------------------|---------------------------------|-----------------------------|-------------------------------------|----------------------|---------------------------------|--------------------------------|-------------------------|---------------|------------------------|
| | | Pref erre d stoc k | Per petu al capi tal | Other sec uriti es | | | | | | | | | |
| I. Balance at the end of the last year | 283, 161, 227. 00 | | | | 146,5 87,27 1.50 | | | | 77,39 1,593 .25 | | -186, 467,1 13.73 | | 320,6 72,97 8.02 |
| Add: Changes of accounting policy | | | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | | | |
| Enterprise combined under the same control | | | | | | | | | | | | | |
| Other | | | | | | | | | | | | | |
| II. Balance at the beginning of this year | 283, 161, 227. 00 | | | | 146,5 87,27 1.50 | | | | 77,39 1,593 .25 | | -186, 467,1 13.73 | | 320,6 72,97 8.02 |
| III. Increase/Decrease in this year (Decrease is listed with “-”) | | | | | | | | | | | 3,295 ,022. 72 | | 3,295 ,022. 72 |
| (i) Total comprehensive income | | | | | | | | | | | 3,295 ,022. 72 | | 3,295 ,022. 72 |
| (ii) Owners' devoted and decreased capital | | | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| 1. Common shares invested by owners | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | |
| 2. Withdrawal of general risk provisions | | | | | | | | | | | |
| 3. Distribution for owners (or shareholders) | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | |
| (IV) Carrying forward internal owners' equity | | | | | | | | | | | |
| 1. Capital reserves conversed to capital (share capital) | | | | | | | | | | | |
| 2. Surplus reserves conversed to capital (share capital) | | | | | | | | | | | |
| 3. Remedyng loss with surplus | | | | | | | | | | | |

| | | | | | | | | | | | | |
|--|----------------------------|--|--|------------------------|--|--|--|-----------------------|--|-------------------------|--|------------------------|
| reserve | | | | | | | | | | | | |
| 4. Change amount of defined benefit plans that carry forward retained earnings | | | | | | | | | | | | |
| 5. Other | | | | | | | | | | | | |
| (v) Reasonable reserve | | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | | |
| (vi) Other | | | | | | | | | | | | |
| IV. Balance at the end of the report period | 283, 161, 227. 00 | | | 146,5 87,27 1.50 | | | | 77,39 1,593 .25 | | -183, 172,0 91.01 | | 323,9 68,00 0.74 |

Last period

In RMB

| Item | Last period | | | | | | | | | | | Total owner's equity | |
|--|---|--------------|-------------------|------------------|------------------------|-----------------------|----------------------------|--------------------|------------------------|---------------------------|-------------------------|----------------------|------------------------|
| | Owners' equity attributable to parent company | | | | | | | | | | | | |
| | Share capital | Pref. equity | Perpetual capital | Other securities | Capital public reserve | Less: inventory share | Other comprehensive income | Reasonable reserve | Surplus public reserve | Provision of general risk | Retained profit | Minority interests | |
| I. Balance at the end of the last year | 283, 161, 227. 00 | | | | 146,5 87,27 1.50 | | | | 77,39 1,593 .25 | | -187, 441,5 23.12 | | 319,6 98,56 8.63 |
| Add: Changes of accounting | | | | | | | | | | | | | |

| | | | | | | | | | | | |
|---|----------------------------|--|--|------------------------|--|--|-----------------------|--|-------------------------|--|------------------------|
| policy | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | |
| Enterprise combined under the same control | | | | | | | | | | | |
| Other | | | | | | | | | | | |
| II. Balance at the beginning of this year | 283, 161, 227. 00 | | | 146,5 87,27 1.50 | | | 77,39 1,593 .25 | | -187, 441,5 23.12 | | 319,6 98,56 8.63 |
| III. Increase/Decrease in this year (Decrease is listed with “-”) | | | | | | | | | 974,4 09.39 | | 974,4 09.39 |
| (i) Total comprehensive income | | | | | | | | | 974,4 09.39 | | 974,4 09.39 |
| (ii) Owners' devoted and decreased capital | | | | | | | | | | | |
| 1. Common shares invested by owners | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|------|--|--|--|-------|--|--|-------|--|-------|-------|
| 1. Withdrawal of surplus reserves | | | | | | | | | | | |
| 2. Withdrawal of general risk provisions | | | | | | | | | | | |
| 3. Distribution for owners (or shareholders) | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | |
| (IV) Carrying forward internal owners' equity | | | | | | | | | | | |
| 1. Capital reserves conversed to capital (share capital) | | | | | | | | | | | |
| 2. Surplus reserves conversed to capital (share capital) | | | | | | | | | | | |
| 3. Remedyng loss with surplus reserve | | | | | | | | | | | |
| 4. Change amount of defined benefit plans that carry forward retained earnings | | | | | | | | | | | |
| 5. Other | | | | | | | | | | | |
| (v) Reasonable reserve | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | |
| (vi) Other | | | | | | | | | | | |
| IV. Balance at | 283, | | | | 146,5 | | | 77,39 | | -186, | 320,6 |

| | | | | | | | | | | | | | |
|------------------------------|------------|--|--|--|-----------|--|--|--|----------|--|-----------|--|-----------|
| the end of the report period | 161,227.00 | | | | 87,271.50 | | | | 1,593.25 | | 467,13.73 | | 72,978.02 |
|------------------------------|------------|--|--|--|-----------|--|--|--|----------|--|-----------|--|-----------|

8. Statement of Changes in Owners' Equity (Parent Company)

Current period

In RMB

| Item | Current period | | | | | | | | | | |
|---|----------------|-------------------------|---------------------------------|-------|------------------------|-------------------------|-----------------------------|---------------------|------------------------|------------------|-----------------------|
| | Share capita l | Other equity instrument | | | Capital public reserve | Less: Invento ry shares | Other compre hensive income | Reason able reserve | Surplus public reserve | Retai ned profit | Total owner' s equity |
| | | Prefer red stock | Perpe tual capita l securi ties | Other | | | | | | | |
| I. Balance at the end of the last year | 283,161,227.00 | | | | 146,587,271.50 | | | | 77,391,593.25 | -210,552,845.95 | 296,587,245.80 |
| Add: Changes of accounting policy | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | |
| Other | | | | | | | | | | | |
| II. Balance at the beginning of this year | 283,161,227.00 | | | | 146,587,271.50 | | | | 77,391,593.25 | -210,552,845.95 | 296,587,245.80 |
| III. Increase/Decrease in this year (Decrease is listed with "-") | | | | | | | | | | -1,302,584.46 | -1,302,584.46 |
| (i) Total comprehensive income | | | | | | | | | | -1,302,584.46 | -1,302,584.46 |
| (ii) Owners' devoted and decreased | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|--|--|--|
| capital | | | | | | | | | | | |
| 1. Common shares invested by owners | | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | | |
| 4. Other | | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | | |
| 2. Distribution for owners (or shareholders) | | | | | | | | | | | |
| 3. Other | | | | | | | | | | | |
| (IV) Carrying forward internal owners' equity | | | | | | | | | | | |
| 1. Capital reserves conversed to capital (share capital) | | | | | | | | | | | |
| 2. Surplus reserves conversed to capital (share capital) | | | | | | | | | | | |
| 3. Remedy loss with surplus reserve | | | | | | | | | | | |
| 4. Change | | | | | | | | | | | |

| | | | | | | | | | | | |
|--|------------------------|--|--|--|------------------------|--|--|--|-------------------|-------------------------|------------------------|
| amount of defined benefit plans that carry forward retained earnings | | | | | | | | | | | |
| 5. Other | | | | | | | | | | | |
| (v)Reasonable reserve | | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | | |
| (vi)Other | | | | | | | | | | | |
| IV. Balance at the end of the report period | 283,1 61,22 7.00 | | | | 146,58 7,271.5 0 | | | | 77,391, 593.25 | -211,8 55,43 0.41 | 295,28 4,661.3 4 |

Last period

In RMB

| Item | Last period | | | | | | | | | | |
|---|------------------------|-------------------------|--|-------|---------------------------|----------------------------------|--------------------------------------|---------------------------|------------------------------|-------------------------|-----------------------------|
| | Share capita 1 | Other equity instrument | | | Capital public reserve | Less: Invento ry shares | Other compre hensive income | Reason able reserve | Surplus public reserve | Retai ned profit | Total owner' s equity |
| | | Prefer red stock | Perpe tual capita 1 securi ties | Other | | | | | | | |
| I. Balance at the end of the last year | 283,1 61,22 7.00 | | | | 146,58 7,271.5 0 | | | | 77,391, 593.25 | -208, 106,9 13.40 | 299,03 3,178.3 5 |
| Add: Changes of accounting policy | | | | | | | | | | | |
| Error correction of the last period | | | | | | | | | | | |
| Other | | | | | | | | | | | |
| II. Balance at the beginning of this year | 283,1 61,22 7.00 | | | | 146,58 7,271.5 0 | | | | 77,391, 593.25 | -208, 106,9 13.40 | 299,03 3,178.3 5 |

| | | | | | | | | | | |
|--|--|--|--|--|--|--|--|--|-----------------------|-------------------|
| III. Increase/ Decrease in this year (Decrease is listed with “-”) | | | | | | | | | -2,44 5,932. 55 | -2,445, 932.55 |
| (i) Total comprehensive income | | | | | | | | | -2,44 5,932. 55 | -2,445, 932.55 |
| (ii) Owners' devoted and decreased capital | | | | | | | | | | |
| 1. Common shares invested by owners | | | | | | | | | | |
| 2. Capital invested by holders of other equity instruments | | | | | | | | | | |
| 3. Amount reckoned into owners equity with share-based payment | | | | | | | | | | |
| 4. Other | | | | | | | | | | |
| (III) Profit distribution | | | | | | | | | | |
| 1. Withdrawal of surplus reserves | | | | | | | | | | |
| 2. Distribution for owners (or shareholders) | | | | | | | | | | |
| 3. Other | | | | | | | | | | |
| (IV) Carrying forward internal owners' equity | | | | | | | | | | |
| 1. Capital reserves conversed to capital (share | | | | | | | | | | |

| | | | | | | | | | | |
|--|------------------------|--|--|------------------------|--|--|--|-------------------|-------------------------|------------------------|
| capital) | | | | | | | | | | |
| 2. Surplus reserves conversed to capital (share capital) | | | | | | | | | | |
| 3. Remedy loss with surplus reserve | | | | | | | | | | |
| 4. Change amount of defined benefit plans that carry forward retained earnings | | | | | | | | | | |
| 5. Other | | | | | | | | | | |
| (v) Reasonable reserve | | | | | | | | | | |
| 1. Withdrawal in the report period | | | | | | | | | | |
| 2. Usage in the report period | | | | | | | | | | |
| (vi) Other | | | | | | | | | | |
| IV. Balance at the end of the report period | 283,1 61,22 7.00 | | | 146,58 7,271.5 0 | | | | 77,391, 593.25 | -210, 552.8 45.95 | 296,58 7,245.8 0 |

III. Company profile

(i) The registration place of the enterprise, the form of organization and the headquarters address

Shenzhen Zhongheng HUAFA Company Limited (hereinafter referred to as Company or the Company), established on 8 December 1981. Uniform social credit code 91440300618830372G.

Registered place and head office of the Company: 411 Bldg., Huafa (N) Road, Futian District, Shenzhen

Legal representative: Li Zhongqiu

Registered capital: RMB 283,161,227

(ii) The nature of the business and the main business activities

The Company belongs to the computer, telecommunication and manufacturing of other electronic equipment.

Business scope: producing and sales of vary color TV set, liquid crystal display, LCD (operates in branch), radio-recorder, sound equipment, electronic watch, electronic game and computers, the printed wiring board, precision injection parts, light packaging material (operates in Wuhan) and hardware (including tool and mould) for various electronic products and supporting parts, plating and surface treatment and tin wire, development and operation of real estate (Shen Fang Di Zi No.: 7226760) and property management. Funded affiliated companies in Wuhan and Jilin. Setting up branches in capital of the province (Lhasa City excluded) in China and municipality directly under the central government.

(iii) Relevant party offering approval reporting of financial statements and date thereof

The financial statement has been deliberated and approved by BOD on 16 April 2019. According to Article of Association, the statement shall be submitted for deliberation in shareholders general meeting.

Consolidate scope in the Period including: parent company – Shenzhen Zhongheng HUAFA Company Limited, subsidiary including Shenzhen HUAFA Property Leasing Management Co., Ltd. (no annual inspection in 2011, and business license revoke on 1 April 2014), Shenzhen Zhongheng HUAFA property Co., Ltd., Wuhan Hengfa Technology Co., Ltd., Shenzhen HUAFA Hengtian Co., Ltd. and Shenzhen HUAFA Hengtai Co., Ltd. more of subsidiaries found in “Note IX. Equity in other subjects”.

IV. Preparation basis of Financial Statements

1. Preparation basis

Base on the running continuously and actual transactions and events, in line with the Accounting Standards for Business Enterprise – Basic Standards and specific principle of accounting standards issued by the Ministry of Finance, the Company prepared and formulate the financial statement lies on the followed important accounting policy and estimation.

2. Going concern

The Company estimated that the production and sales of the Company, in 12 months since end of the period, will in a virtuous cycle. We have good management and continuous operation ability, and there is no risk of continuing operations.

V. Important accounting policy and estimation

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

No

Notes on specific accounting policies and accounting estimation:

According to actual operation characteristic, the Group formulate specific accounting policy and accounting estimation, including trade cycle, reorganization and measurement on account bad debt provision of receivables,

inventory measurement, classification and depreciation method of fixed assets, intangible assets amortization and reorganization and measurement of revenue etc.

1. Declaration of obedience to Accounting Standards for Business Enterprise

The Financial Statements of the Company are up to requirements of Accounting Standards for Business Enterprise and also a true and thorough reflection to the relevant information as the Company's financial position dated 31st December 2018 and the operation results as well as cash flow for the year of 2018.

2. Accounting period

The Company's accounting year is Gregorian calendar year, namely from 1st January to 31st December of every year.

3. Business cycle

The Company's business cycle is one year (12 months) as a normal cycle, and the business cycle is the determining criterion for the liquidity of assets and liabilities of the Company.

4. Bookkeeping standard currency

The Renminbi (RMB) is taken as the book-keeping standard currency.

5. Accounting methods for consolidation of enterprises under the same control or otherwise

1. Consolidation of enterprises under the same control

Where the Company for long term equity investment arising from business combination under common control satisfies the combination consideration by payment of cash, transfer of non-cash assets or assumption of debt, the carrying value of the net assets of the acquire in combined financial statement of the ultimate controller shared by the Company as at the combination date shall be deemed as the initial investment cost of such long term equity investment. If the equity instrument issued by combining party are consider as the combination consideration, than the total value of the issuing shares are consider as the share capital. The difference between the initial cost of long-term equity investment and book value of consideration (or total face value of the shares issued) paid, capital surplus adjusted; if the capital surplus not enough to written down, than retained earning adjusted.

2. Business combination not under common control

As for business combination not under common control, combination costs refer to the sum of the fair value of the assets paid, liabilities occurred or assumed as well as equity securities issued by the acquirer to obtain control over the acquire as at the acquisition date. As for acquiree that obtained by consolidation not under the same control,

the qualified confirmation of identified assets, liability and contingency liabilities should be calculated by fair value on day of purchase. If the consolidation cost is larger than the fair value amount of identified net assets from acquiree's, the difference should be recognized as goodwill. If the consolidation cost is less than the fair value amount of identified net assets from acquiree's, the difference should be reckoned into current non-operating income.

6. Preparation methods for consolidated financial statements

1. Consolidation financial statement range

The Company includes all the subsidiaries (including the separate entities controlled by the Company) into consolidated financial statement, including companies controlled by the Company, non-integral part of the investees and structural main body.

2. Centralized accounting policies, balance sheet dates and accounting periods of parent and subsidiaries.

As for the inconsistency between the subsidiaries and the Company in the accounting policies and periods, the necessary adjustment is made on the subsidiaries' financial statements in the preparation of the consolidated financial statements according to the Company's accounting policies and periods.

3. Offset of consolidated financial statement

The consolidated financial statements shall be prepared on the basis of the balance sheet of the parent company and subsidiaries, which offset the internal transactions incurred between the parent company and subsidiaries and within subsidiaries. The owner's equity of the subsidiaries not attributable to the parent company shall be presented as minority equity under the owner's equity item in the consolidated balance sheet. The long term equity investment of the parent company held by the subsidiaries, deemed as treasury stock of the corporate group as well as the reduction of owners' equity, shall be presented as "Less: treasury stock" under the owners' equity item in the consolidated balance sheet.

4. Accounting for acquisition of subsidiary through combination

For subsidiaries acquired under enterprise merger involving enterprises under common control, the assets, liabilities, operating results and cash flows of the subsidiaries are included in the consolidated financial statements from the beginning of the financial year in which the combination took place. When preparing the consolidated financial statements, for the subsidiaries acquired from business combination not involving entities under common control, the identifiable net assets of the subsidiaries are adjusted on the basis of their fair values on the date of acquisition.

7. Classification of joint arrangements and accounting treatment of joint operation

1. Classification of joint arrangements

Joint arrangements are divided into joint operations and joint ventures. Joint arrangements achieved not through separate entities are classified as joint operations. Separate entities refer to the entities with separate identifiable financial architecture including separate legal entities and legally recognized entities without the qualification of legal entity. Joint arrangements achieved through separate entities are generally classified as joint ventures. In case of changes in rights entitled to and obligations undertaken by the parties of joint venture under a joint arrangement due to the changes in relevant facts and circumstances, the parties of joint venture will re-assess the classification of joint arrangements.

2. Accounting treatment for joint operations

The parties of joint operation should recognize the following items in relation to their share of interest in joint operation, and proceed with accounting in accordance with the relevant provisions under the Accounting Standards for Business Enterprises: to recognize their separate assets or liabilities held, and recognize the assets or liabilities jointly held according to their respective shares; to recognize the income from the disposal of their output share under joint operation; to recognize the income from the disposal of output under joint operation according to their respective shares; to recognize the expenses incurred separately, and recognize the expenses incurred under joint operation according to their respective shares.

For the parties of a joint operation not under common control, if they are entitled to relevant assets and undertake relevant liabilities of the joint operation, accounting will be carried out with reference to the provisions of the parties of joint operation; otherwise, it should be subject to relevant Accounting Standards for Business Enterprises.

3. Accounting treatment for joint ventures

The parties of a joint venture should perform accounting for investments by the joint venture in accordance with the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investments. The parties not under common control should carry out accounting depending on their influence on the joint venture.

8. Determination criteria of cash and cash equivalent

The cash recognized in the preparation of the cash flow statements, is the Company's storage cash and deposits available for payment anytime. The cash equivalents recognized in the preparation of the cash flow statements refers to the investment held by the Company with characteristic of short-term, strong mobility, easy transfer to known sum cash and has slim risk from value changes.

9. Foreign currency exchange and the conversion of foreign currency statements

1. Foreign currency exchange

The approximate exchange rate of the spot exchange rate on transaction occurred should be used for standard money conversion while foreign currency exchange occurred. On the balance sheet day, the monetary items are converted on the current rate on the balance sheet day, concerning the exchange differences between the spot

exchange rate on that date and initial confirmation or the spot exchange rate on previously balance sheet date, should reckoned in to current gains/losses except the capitalizing on exchange differences for foreign specific loans, which was reckoned into cost for capitalizing. The non-monetary items measured on the historic cost are still measured by the original bookkeeping rate with the sum of the bookkeeping standard currency unchanged. Items of non-monetary foreign currency which was calculated by fair value, should converted by spot exchange rate on the confirmation day of fair value, difference between the converted amount of bookkeeping currency and original amount of bookkeeping currency, was treated as changes of fair value (including exchange rate changed) reckoned into current gains/losses or recognized as other consolidated income.

2. Conversion of foreign currency financial statements

Upon the conversion of the foreign currency financial statements of the controlling subsidiaries, joint enterprises, and the affiliated enterprises on the bookkeeping standard currency different from the Company's, the accounting check and preparation of the consolidated financial statements are made. Assets and liabilities items in the balance sheet are converted on the current rate on the balance sheet day; owners' equity items besides the "retained profit" item, the other items are converted on the actual rate. Items of revenue and expenses in profit statement, should converted by the approximate exchange rate of spot exchange rate on occurring date. The conversion difference of the foreign currency financial statements is listed specifically in the owners' equity in the balance sheet. If the foreign cash flow determined by rational system method, the approximate exchange rate of spot exchange rate on occurring date should prevail. The cash influenced by the rate fluctuation is listed specifically in the cash flow statement. As for the foreign operation, the conversion difference of the foreign currency statement related to the foreign operation is transferred in proportion into the disposal of the current loss/gain.

10. Financial instrument

1. Category and recognition of financial instrument

Financial instruments are classified into financial assets or financial liabilities and equity instruments. When the Company becomes a party to a financial instrument contract, it is recognized as a financial asset or financial liability, or an equity instrument.

Financial assets are classified as financial assets measured at fair value and with changes included in current profit and loss, held-to-maturity investments, receivables, and available-for-sale financial assets at the initial recognition. The classification of financial assets other than receivables depends on the intention and ability of the Company and its subsidiaries to hold financial assets. Financial liabilities are classified as financial liabilities measured at fair value and with changes included in current profit and loss and other financial liabilities at the initial recognition.

Financial assets measured at fair value and with changes included in current profit and loss include the trading financial assets held for sale in the short term and the financial assets designated to be measured at fair value at the initial recognition and with changes included in current profit and loss. The accounts receivables refer to the

non-derivative financial assets that are not quoted in an active market and have a fixed or ascertainable recoverable amount. The available-for-sale financial assets include the non-derivative financial assets designated as available-for-sale financial assets at the initial recognition or the financial assets have not been classified into other types. The held-to-maturity investments refer to the non-derivative financial assets with fixed maturity date, fixed or ascertainable recoverable amount, and the management having clear intentions and ability to hold to maturity.

2. Measurement of financial instruments

The initial recognition of the Company's financial instruments is measured at fair value. Subsequent measurement is classified as the financial assets measured at fair value and with changes included in current profit or loss, the financial assets available for sale, and the financial liabilities measured at fair value and with changes included in current profit or loss; the held-to-maturity investments, loans and receivables and other financial liabilities are measured at amortized cost; the equity instrument investment that is not quoted in an active market and whose fair value cannot be reliably measured and the derivative financial assets or derivative financial liabilities that are linked to the equity instrument and is required to be settled through the delivery of the equity instrument are measured at cost. The gains or losses arising from changes in the fair value in the subsequent measurement of the Company's financial assets or financial liabilities, except for hedging, are treated as follows: ① The gains or losses arising from changes in the fair value of the financial assets or financial liabilities measured at fair value and with changes included in current profit or loss are included in the variable loss and profit of fair value. ② Changes in fair value of available-for-sale financial assets are included in other comprehensive income.

3. The Company's methods for confirming the fair value of financial instruments

If the financial instrument has an active market, the fair value is determined by the quoted price in the active market; if the financial instrument doesn't have an active market, the fair value is determined by adopting the valuation technique. Valuation techniques mainly include market approach, income approach and cost approach.

4. Confirmation basis and measurement method for the transfer of liabilities of financial assets

When almost all risks and rewards of the ownership of financial assets are transferred, or almost all risks and rewards of the ownership of financial assets are neither transferred nor retained, but the control of the financial assets is abandoned, the financial assets should be derecognized. If the financial assets meet the conditions for derecognition, the book value of the financial assets transferred and the difference between the consideration of received from the transfer and the sum of accumulated amount of changes in fair value originally and directly included in other comprehensive income are included in current profits and losses. When some transfer meets the conditions for derecognition, amortize the whole book value of the transferred financial assets between the derecognized portion and the recognized portion at their respective fair values.

If all or part of the current obligations of a financial liability has been discharged, the financial liability or part of it shall be derecognized.

5. Impairment of financial assets

When the financial assets measured at amortized cost are impaired, make provision for impairment based on the difference between the present value of the estimated future cash flows (excluding future credit losses that have

not occurred) and the book value. If there is objective evidence that the value of the financial asset has been recovered and is objectively related to the event that occurred after the recognition of the loss, the previously recognized impairment loss shall be reversed and included in current profit or loss.

When the financial assets measured at cost are impaired, make provision for impairment. The impairment loss incurred will not be reversed once confirmed.

When there is objective evidence that the available-for-sale financial assets are impaired, the accumulated losses arising from the decline in fair value that are directly recognized in shareholders' equity are transferred out and included in the impairment losses. For available-for-sale equity instrument investments with impairment losses recognized, the increase in fair value after the period is directly recognized in shareholders' equity.

For equity instrument investments, the specific quantitative criteria for the Company to determine the "serious" or "non-temporary" decline in fair value, the method of calculating the cost, the method for determining the fair value at the end of the period, and the basis for determining the period of continuous decline are as follows:

| | |
|--|--|
| Specific quantitative criteria for a "serious" decline in fair value | The decline in fair value at the end of the period relative to cost has reached or exceeded 50%. |
| Specific quantitative criteria for a "non-temporary" decline in fair value | It has been falling for 12 consecutive months. |
| Cost calculation method | Take the sum of payment consideration (deducting the cash dividends that have been declared but not yet issued or the bond interest that have reached the interest payment period but not yet received) and related transaction costs as the investment costs when obtained. |
| Method for determining the fair value at the end of the period | The fair value of financial instruments that have an active market is determined by the quoted prices in the active market; if there is no active market in the financial instruments, valuation techniques are used to determine their fair value. |
| Basis for determining the period of continuous decline | A continuous decline or the rebound in the period of the downward trend continued to rise below 20%, and the rebound duration not exceeding 6 months are recognized as a period of continuous decline. |

11. Note receivable and account receivable

(1) Account receivables with single major amount and withdrawal bad debt provision independently

| | |
|--|--|
| Criterion or amount standards of major single amount | Book balance of the account receivable with over 0.5 million Yuan |
| Withdrawal method for individual bad debt provision accrual with major single amount concerned | Recognized on the difference between the book value and the current value of the expected future cash flow |

(2) Account receivable with bad debt provision accrual by portfolio

| Portfolio | Accrued method for bad debts |
|--|------------------------------|
| Withdrawing bad debt provision by aging method | Age analysis |
| No accrual for bad debt provision | |

Withdrawing bad debt provision by aging method in portfolio:

Applicable Not applicable

| Account ages | Accrued proportion of accounts receivable | Accrued proportion of other accounts receivable |
|-------------------------------------|---|---|
| Within one year (one year included) | 0.00% | 0.00% |
| 1—2 years | 5.00% | 5.00% |
| 2—3 years | 10.00% | 10.00% |
| Over three years | 30.00% | 30.00% |

Withdrawing bad debt provision by percentage of total accounts receivable outstanding in portfolio:

Applicable Not applicable

Withdrawing bad debt provision by other methods in portfolio:

Applicable Not applicable

(3) Account receivable with minor single amount but has individual bad debt provision accrual

| | |
|---|---|
| Reasons for individual bad debt provision accrual | Receivable has minor amount and cannot reflect the risk characteristic by withdrawing bad debt provision by group |
| Accrued method for bad debt provision | Recognized on the difference between the book value and the current value of the expected future cash flow |

12. Inventory

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

No

1. Categories of inventory

The inventory is goods or manufactured products held for sale, products in process, and materials and matters utilized in the production or supply of labor. Mainly including raw material, revolving materials, outside processing materials, wrappage, low-value consumption goods, goods in process, semi-finished goods, stocks and so on.

2. Accounting method for inventory delivery

When inventories are issued, the actual cost is determined by the first in first out method.

3. Accrual method inventory falling price reserves

On the balance sheet day, the inventory is measured on the lower one between the cost and the net realizable value, and the provision for the falling price reserves is accrued on each inventory item; however, as for the inventory of large quantity and low price, the provision is accrued on the inventory category.

4. Inventory system

Inventory system of the Company is perpetual inventory system

5. Amortization method for the low-value consumables and wrap page

Low-value consumables and packages are amortized by one-point method

13. Long-term equity investment

1. Recognition of initial investment cost

For a long-term equity investment obtained by a business combination, if it is a business combination under the same control, take the share of the combine party obtained in the book value of the net assets in the consolidated financial statements of the ultimate controlling party on the combination date as the initial investment cost; in the case of the consolidation of enterprises not under the same control, recognized as the initial cost is the recognized consolidation cost on the purchase day. As for the long term equity investment obtained by cash payment, the initial investment cost is the actual purchase payment. As for the long term equity investment obtained by the equity securities offering, the initial investment cost is the fair value of the equity securities. As for the long-term equity investment obtained by debt reorganization, initial investment cost of such investment should determine by relevant regulation of the “Accounting Standards for Business Enterprise No.12- Debt Reorganization”; as for the long term equity investment obtained by the exchange of the non-monetary assets, the initial investment cost is recognized on the relevant rules in the “Accounting Standards for Business Enterprise No. 7- Exchange of Non-Monetary Assets”

2. Subsequent measurement and profit or loss recognition

Where the company has a control over the investee, long-term equity investments are measured using cost method.

Long-term equity investments in associates and joint ventures are measured using equity method. Where part of the equity investments of an investor in its associates are held indirectly through venture investment institutions, common fund, trust companies or other similar entities including investment linked insurance funds, such part of equity investments indirectly held by the investor shall be measured at fair value through profit or loss according to relevant requirements of Accounting Standards for Business Enterprises No.22—Recognition and measurement of Financial Instruments regardless whether the above entities have significant influence on such part of equity investments, while the remaining part shall be measured using equity method.

3. Basis of conclusion for common control and significant influence over the investee

Joint control over an investee refers to where the activities which have a significant influence on return on certain arrangement could be decided only by mutual consent of the investing parties sharing the control, which includes the sales and purchase of goods or services, management of financial assets, acquisition and disposal of assets, research and development activities and financing activities, etc.; Significant influence on the investee refers to that: significant influence over the investee exists when holding more than 20% but less than 50% of the shares with voting rights or even if the holding is below 20%, there is still significant influence if any of the following conditions is met: there is representative in the board of directors or similar governing body of the investee; participation in the investee's policy setting process; assign key management to the investee; the investee relies on the technology or technical information of the investing company; or major transactions with the investee.

14. Investment real estate

Measurement for investment real estate

Cost method

Depreciation or amortization method

The types of investment real estate of the Company include the leased land use rights, leased buildings, and land use rights held and prepared for transfer after appreciation. Investment real estate is initially measured at cost and subsequently measured by using the cost model.

The leased buildings in the Company's investment property adopts straight-line depreciation to calculate and distill depreciation, specific accounting policy are same as part of the fixed assets. The leased land use rights in the investment property and the land use rights to be transferred after appreciation adopt straight-line amortization, specific accounting policy are same as part of the intangible assets.

15. Fixed assets

(1) Recognition

Fixed assets refers to the tangible assets holding for purpose of producing goods, providing labor services, leasing

or operation management, which has one accounting fiscal year of using life. Meanwhile as up to the following conditions, they are recognized: the economic interest related to the fixed assets probably flow into the Company; the cost of the fixed assets can be measured reliably.

(2) Depreciation method

| Category | Depreciation method | Depreciation life (year) | Salvage rate | Annual depreciation rate |
|--------------------------|----------------------------|--------------------------|--------------|--------------------------|
| House building | Straight-line depreciation | 20-50 | 10.00 | 1.80-4.50 |
| Machinery equipment | Straight-line depreciation | 10 | 10.00 | 9.00 |
| Mold equipment | Straight-line depreciation | 3 | 10.00 | 30.00 |
| Transportation equipment | Straight-line depreciation | 5 | 10.00 | 18.00 |
| Instrument equipment | Straight-line depreciation | 5 | 10.00 | 18.00 |
| Tool equipment | Straight-line depreciation | 5 | 10.00 | 18.00 |
| Office equipment | Straight-line depreciation | 5 | 10.00 | 18.00 |

The fixed assets of the Company mainly include buildings, machinery equipment, electronic equipment, transportation equipment, etc.; the method of depreciation is based on the straight-line method. Determine the useful life and estimated net residual value of fixed assets according to the nature and use of various types of fixed assets. At the end of the year, review the useful life, estimated net residual value, and depreciation method of fixed assets, if there is a difference from the original estimate, make corresponding adjustments. Except for the fixed assets that have been fully depreciated and continue to be used and the land that is separately accounted for, the Company calculates and depreciates all fixed assets.

(3) Recognition basis, valuation and depreciation method for fixed assets under financing lease

The fixed assets under financing lease are the lease that has substantially transferred all the risks and rewards associated with asset ownership. The initial valuation of the fixed assets under financing lease is to take the lower one between the fair value of the leased assets and the present value of the minimum lease payments on the start date of the lease period as the entry value; the subsequent valuation of the fixed assets under financing lease adopts the depreciation policy consistent with the own fixed assets to make depreciation and impairment provision.

16. Construction in process

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

No

Construction in process of the Company divided as self-run construction and out-bag construction. The Construction in process of the Company carried forward as fixed assets while the construction is ready for the intended use. Criteria of the expected condition for use should apply one of the follow conditions: The substance construction (installation included) of the fixed assets has completed all or basically; As the projects have been in test production or operation, and the results show that the assets can operate properly and produce the qualified products stably, or the test operation result shows the assets can operate or open properly. The expenditure of the fixed assets on the construction is a little or little. The fixed assets of the project constructed have been up to the requirements of the design or contract, or basically up to.

17. Borrowing expenses

1. Recognition principle on capitalization of borrowing expenses

As for the Company's actual borrowing expenses directly attributable to the assets construction or production, it is capitalized and reckoned into the relevant assets cost; as for other borrowing expenses, it is recognized on the actual sum and reckoned into the current loss/gain. The assets up to the capitalization are assets as the capital assets, investment real estate, and inventory reaching the expectant availability or sale ability.

2. Calculation of the capitalization

Capitalization term: the period from the time starts to capitalization to the time the capitalization ends. The period of capitalization suspended is not included. The capitalization of borrowing expenses should be suspended while the abnormal interrupt, which surpass three months continuously, in the middle of acquisition or construction or production.

As for the borrowing of the specific borrowing, the capitalization sum is recognized on the current actual interest expenses less the interest income of the borrowing capital not utilized but deposited in the bank or the return of the temporary investment; As for the appropriation of the general borrowing, the capitalization sum is recognized on the weighted average of, the accumulative assets expenditure above the specific borrowing, and times the capitalization rate of the appropriation; As for the discount or premium of the borrowing, the discount or premium to be diluted in every accounting period is recognized in the actual rate method.

The effective interest method is the method for the measurement of the diluted discount or premium or interest expenses on the actual interest rate; and the actual interest rate is the interest rate used in the discount of the future cash flow in the expectant duration period as the current book value of the borrowing.

18. Intangible assets

(1) Accounting method, service life and impairment test

1. Accounting method of intangible assets

The Company's intangible assets are measured initially on cost. The intangible assets purchased in are taken as the actual cost on the actual payment and relevant expenditure. As for the intangible assets invested in by the investors, the actual cost is recognized on the value stipulated in the contract or agreement; however, if what is stipulated in the contract or agreement is not fair value, the actual cost is recognized on fair value. As for the self-developed intangible assets, their cost is the actual total expenditure before reaching the expectant purpose.

The follow-up measurements of the Company's intangible assets respectively are: the line amortization method is taken on the intangible assets of finite service life, and at the year-end, the check is taken on the service life and dilution of the intangible assets, and the corresponding adjustment is made if there is inconsistency with the previous expected ones. As for the intangible assets of uncertain service life, it is not diluted, however, the service life is checked at year-end; If there is solid evidence to its finite service life, its service life is estimated and diluted in straight line method.

2. Judgment basis for uncertain service life

The Company will not be able to foresee the time limit within which the asset brings economic benefits to the company, or the intangible assets with uncertain useful life identified as intangible assets with uncertain useful life. The basis for judging the uncertainty of useful life is from the contractual rights or other legal rights, but the contract stipulates or the law rules there is no definite useful life; combining the same industry case and or the relevant expert argumentation, it is still incapable of judging the time limit within which the intangible assets bring economic benefits to the company.

At the end of each year, review the useful life of intangible assets with indefinite useful life by mainly adopting the bottom-up method, the relevant departments of intangible assets take the basic review and evaluate whether there is any change in the judgment basis for indefinite useful life.

(2) Accounting policies for internal research and development expenditure

Expenditures for internal research and development projects at the research phase shall be included in the current profit or loss when incurred; expenditures incurred at the development phase and recognized as intangible assets shall be transferred to intangible assets accounting.

19. Long-term assets impairment

Long-term equity investments, investment properties measured at cost and long-term assets such as fixed assets,

construction in progress, productive biological assets at cost method, oil and gas assets, intangible assets and goodwill are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognized for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill arising from a business combination is tested for impairment at least at each year end, irrespective of whether there is any indication that the asset may be impaired. For the purpose of impairment testing, the carrying amount of goodwill acquired in a business combination is allocated from the acquisition date on a reasonable basis to each of the related asset groups; if it is impossible to allocate to the related asset groups, it is allocated to each of the related set of asset groups. If the carrying amount of the asset group or set of asset groups is higher than its recoverable amount, the amount of the impairment loss first reduced by the carrying amount of the goodwill allocated to the asset group or set of asset groups, and then the carrying amount of other assets (other than the goodwill) within the asset group or set of asset groups, pro rata based on the carrying amount of each asset.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

20. Long-term deferred expenditure

The Company's long-term deferred expenditure are expenses paid out and with one year above (one-year excluded) benefit period. The long-term deferred expenses are diluted by periods according to the benefit period. As the long-term deferred expenses cannot enable the accounting period's beneficiary, all dilution values of the project undiluted yet, are transferred into the current loss/gain.

21. Employees remuneration

(1) Accounting for short-term benefits

In the period of employee services, short-term benefits are actually recognized as liabilities and charged to profit or loss, or if otherwise required or allowed by other accounting standards, to the related costs of assets for the current period. At the time of actual occurrence, The Company's employee benefits are recorded into the profits and losses of the current year or assets associated costs according to the actual amount. The non-monetary employee benefits are measured at fair value. Regarding to the medical and health insurance, industrial injury insurance, maternity insurance and other social insurances, housing fund and labor union expenditure and personnel education that the Company paid for employees, the Company should recognize corresponding employees benefits payable according to the appropriation basis and proportion as stipulated by relevant requirements and recognize the corresponding liabilities and include these expenses in the profits or losses of the current period or recognized as respective assets costs.

(2) Accounting for post-employment benefits

During the accounting period in which an employee provides service, the amount payable calculated under defined contribution scheme shall be recognized as a liability and recorded in profit and loss of the current period or in assets. In respect of the defined benefit scheme, the Company shall use the projected unit credit method and attribute the welfare obligations calculated using the formula stipulated by the defined benefit scheme to the service period of the employee, and record the obligation in the current profit and loss or related assets cost.

(3) Accounting for termination benefits

The Company recognizes a liability and expenses in the current profit or loss for termination benefits at the earlier of the following dates: when the Company can no longer withdraw the offer of those benefits; and when the Company recognizes costs for restructuring involving the payment of termination costs.

(4) Accounting for other long-term employee benefits

The Company provides other long-term employee benefits to its employees. For those falling within the scope of defined contribution scheme, the Company shall account for them according to relevant requirements of the defined contribution scheme. In addition, the Company recognizes and measures the net liabilities or net assets of the other long-term employee benefits according to relevant requirements of the defined contribution scheme.

22. Accrual liability

The obligation related to contingencies is the current obligation assumed by the company, and performing this obligation may result in an outflow of economic benefits, and this obligation can be determined as the estimated liabilities when the amount can be reliably measured. The Company makes initial measurement in accordance with the best estimate for performing the related current obligation, if the expenditure as needed has a continuous range, and the likelihood of occurrence of various results in this range is the same, the best estimate is determined by the median value within the range; if a number of items are involved, the best estimate is determined by the calculation of various possible outcomes and related probabilities.

At the balance sheet date, the book value of estimated liabilities should be rechecked, if there is conclusive evidence indicates that this book value cannot truly reflect the current best estimate, and then the book value should be adjusted in accordance with the current best estimate.

23. Revenue

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

No

1. Sales of goods

The Company shall ascertain the revenue incurred by selling goods in accordance with the received or receivable price stipulated in the contract or agreement signed between the enterprise and the buyer unless the following conditions are met simultaneously: ① the significant risks and rewards of ownership of the goods have been transferred to the buyer by the enterprise; ② the enterprise retains neither continuous management right that usually keeps relation with the ownership nor effective control over the sold goods; ③ the relevant amount of revenue can be measured in a reliable way; ④ relevant economic benefits may flow into the enterprise and ⑤ the relevant costs incurred or to be incurred can be measured in a reliable way.

Money collection for the contract or agreement use the mode of deferred, actually has the financing features. The revenue of commodity sales is recognized by the fair value of the money receivable on contract or agreement.

2. Labor service providing

If an enterprise can, on the date of the balance sheet, reliably estimate the outcome of a transaction concerning the labor services it provides, it shall recognize the revenue from providing services employing the percentage-of-completion method. The enterprise can ascertain the schedule of completion (percentage-of-completion) under the transaction concerning the providing of labor services based on calculation of completed works.

If an enterprise cannot, on the date of the balance sheet, measure the result of a transaction concerning the providing of labor service in a reliable way, it shall be conducted in accordance with the following circumstances, respectively: ① if the cost of labor services incurred is expected to be compensated, the revenue from the providing of labor services shall be recognized in accordance with the amount of the cost of labor services incurred, and the cost of labor services shall be carried forward at the same amount; ② if the cost of labor services incurred is not expected to compensate, the cost incurred should be included in the current profits and losses, and no revenue from the providing of labor services may be recognized.

3. Transition of asset use right

When economic benefits relating to transition of asset use right is likely to inflow into the Company and the relevant income can be measured reliably, the Company shall recognize such income from transition of asset use right.

The Company's specific income recognition method: it is recognized as income when the product has been sent out and signed for receipt by the other party for domestic sales; it is recognized as income when the product has been shipped and its customs procedures have been completed with the relevant declaration documents for export sales. Income from house leases and property management is recognized according to the lease contract agreement, receipt of relevant payments, or relevant collection proof. 【Respectively sell goods, render labor services, transfer the right to use assets, etc., combine with the actual production and operation characteristics, disclose the specific revenue recognition time and measurement methods, the similar businesses using different business models and recognizing income at different time points should be disclosed separately. For the income from rendering of service and construction recognized according to the percentage of completion method, the basis and method for determining the progress of completion shall be disclosed.】

24. Government subsidy

1. Category of government subsidy and accounting treatment

Governments subsidy of the Company refer to the monetary and non-monetary assets obtained from government for free (excluding the capital invested by government as an owner). If the government grants are monetary assets, it shall be measured according to the amount received or receivable. If the government grants are non-monetary assets, it shall be measured at fair value; if the fair value cannot be obtained reliably, it shall be measured at the nominal amount.

Government grants related to daily activities are included in other income in accordance with the economic business. Government grants not related to daily activities are included in the non-operating income and expenditure.

Government grants that the government documents clearly stipulate to be used for the purchase and establishment or forming long-term assets in other way are recognized as government grants related to assets. For the government grants that the government documents do not clearly specify the subsidy target and can form long-term assets, the part corresponding to the asset value is recognized as the government grants related to the assets, and the rest is recognized as the government grants related to the income. For the government grants which are difficult to be distinguished, recognize the whole as the government grants related to the income. Government grants related to assets are recognized as deferred income. The amount recognized as deferred income is included in the current profit and loss in a reasonable and systematic manner within the useful life of the relevant asset.

Government grants other than government grants related to assets are recognized as government grants related to income. If the government grants related to the income are used to compensate the related expenses or losses of the enterprise in the future period, recognize them as deferred income and include them in the current profit and loss during the period of recognizing the related expenses. The government grants used to compensate the relevant expenses or losses incurred by the enterprise are directly included in the current profit and loss.

The Company obtained the policy preferential loan interest subsidy, and the finance allocated the interest subsidy funds to the loan bank, and the loan bank provides loans to the Company at a preferential interest rate, take the actual amount of the loan received as the entry value of the loan, and calculate the relevant borrowing costs according to the loan principal the policy preferential interest rate. If the finance directly appropriates the interest subsidy funds to the Company, the Company will offset the relevant borrowing costs with the corresponding interest subsidy.

2. Time points to recognize the government grants

Government grants are recognized when they meet the conditions attached to government grants and can be received. Government grants measured in accordance with the amount receivable are recognized when there is conclusive evidence at the end of the period that it meets the relevant conditions stipulated in the financial support policy and is expected to receive financial support funds. Other government grants other than government grants

measured in accordance with the receivable amount are recognized when the grant is actually received.

25. Deferred income tax asset / deferred income tax liability

1. Where there is difference between the carrying amount of the assets or liabilities and its tax base, (as for an item that has not been recognized as an asset or liability, if its tax base can be determined in light of the tax law, the tax base shall be recognized as the difference) the deferred income tax and deferred income tax liabilities shall be determined according to the applicable tax rate in period of assets expected to recover or liability expected to pay off.
2. The deferred income tax assets shall be recognized to the extent of the amount of the taxable income which it is most likely to obtain and which can be deducted from the deductible temporary difference. On balance sheet date, if there is concrete evidence of obtaining, in future period, enough taxable amounts to deduct the deductible temporary difference, the un-confirmed deferred income tax assets in previous accounting period shall be recognized. If there is no enough taxable amounts, obtained in future period, to deducted the deferred income tax assets, book value of the deferred income tax assets shall be kept in decreased.
3. The taxable temporary differences related to the investments of subsidiary companies and associated enterprises shall be recognized as deferred income tax liability, unless the Company can control the time of the reverse of temporary differences and the temporary differences are unlikely to be reversed in the expected future. As for the deductible temporary difference related to the investment of the subsidiary companies and associated enterprises, deferred income tax assets shall be recognized while the temporary differences are likely to be reversed in the expected future and it is likely to acquire any amount of taxable income tax that may be used for making up the deductible temporary differences.

26. Leasing

(1) Accounting treatment for operating lease

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period.

(2) Accounting treatment for finance lease

Accounting treatment for finance lease: At the commencement of the lease term, the Group records the leased asset at an amount equal to the lower of the fair value of the leased asset and the present value of the minimum lease payments. The difference between the recorded amounts is accounted for as unrecognized finance charge, using the effective interest method amortization during the lease term. Minimum lease payments deducting unrecognized financing charges are listed as long-term payable.

27. Changes in important accounting policies and estimates

(1) Changes in important accounting policies

Applicable Not applicable

| Content and reason of changes in accounting policies | Approval procedure | Note |
|--|--------------------|------|
| 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. | | |
| | | |

| Contents and causes for accounting policy changed | Item affected | Amount affected (RMB/CNY) | Amount re-state last period (RMB/CNY) | Item and amount listed last period |
|--|--|---------------------------|---------------------------------------|--|
| 1. Note receivable and account receivable merge listed | Note receivable and account receivable | 185,983,351.22 | 213,574,264.91 | Note receivable: 64,778,266.65 yuan Account receivable: 148,795,998.26 yuan |
| 2. Interest receivable and dividend receivable listed under Other account receivable | Other account receivable | 5,777,179.08 | 4,335,729.72 | Interest receivable: 4,335,729.72 yuan |
| 3. Disposal of fixed assets listed under Fixed assets | Fixed assets | 188,083,873.38 | 176,477,314.08 | Fixed assets: 83,619,842.39 yuan Disposal of fixed assets: 92,857,471.69 yuan |
| 4. Engineering material listed under construction in process | Construction in process | 5,727,760.23 | 654,356.00 | Construction in process: 654,356.00 yuan |
| 5. Note payable and account payable merge listed | Note payable and account payable | 88,617,663.09 | 101,815,141.01 | Note payable: 17,810,270.28 yuan Account payable: 84,004,870.73 yuan |
| 6. Interest payable and dividend payable listed under payable | Other account payable | 26,778,863.92 | 20,092,172.75 | Interest payable: 164,895.80 yuan Other account payable: |

| | | | | |
|-----------------------|--|--|--|--------------------|
| Other account payable | | | | 19,927,276.95 yuan |
|-----------------------|--|--|--|--------------------|

Note: explain the item and amount that is significantly affected.

(2) Changes in important accounting estimates

Applicable Not applicable

| Contents and reasons of changes in accounting estimates | Approval procedure | Time for application | Notes |
|---|--------------------|----------------------|-------|
| | | | |

Note: explain the item and amount that is significantly affected.

VI. Taxes

1. Major tax and tax rate

| Taxes | Taxation basis | Tax rate |
|--|---------------------------------------|----------------------|
| VAT | Domestic sales revenue | 17%, 16%, 6%, 5%, 3% |
| Urban maintenance and construction tax | Turnover tax payable | 7% |
| Corporate income tax | Taxable income | 15%, 25% |
| Educational surtax | Turnover tax payable | 3% |
| Local educational surtax | Turnover tax payable | 2%, 1.5% |
| Property tax | 70% of original value of the property | 1.2% |

Explain the different taxation entity of the enterprise income tax

| Taxation entity | Income tax rate |
|------------------------------------|-----------------|
| Shenzhen Zhongheng Huafa Co., Ltd. | 25% |
| Wuhan Hengfa Technology Co., Ltd. | 15% |

2. Tax preferences

According to the “Measures for the Determination of High-tech Enterprises”, and through the enterprise application, expert review, and public announcement and other procedures, the Company’s wholly-owned subsidiary, Wuhan Hengfa Technology Co., Ltd., has been identified as a high-tech enterprise, and obtained the “High-tech Enterprise Certificate” jointly issued by the Science and Technology Department of Hubei Province, Hubei Provincial Finance Department, Hubei Provincial Office, SAT, and Local Taxation Bureau of Hubei Province on November 28, 2017, the certificate number is GR201742001840, which is valid for 3 years. The applicable corporate income tax rate of the subsidiary Wuhan Hengfa Technology Co., Ltd. for 2018 was 15%.

VII. Notes to main items in consolidated financial statement

1. Monetary fund

RMB/CNY

| Item | Closing balance | Opening balance |
|---------------------|-----------------|-----------------|
| Cash on hand | 236,354.29 | 170,053.77 |
| Bank deposit | 28,935,450.70 | 66,070,891.82 |
| Other Monetary fund | 4,936,525.28 | 2,571,550.38 |
| Total | 34,108,330.27 | 68,812,495.97 |

Other explanation

Other monetary funds are bank acceptance deposits.

2. Note receivable and account receivable

RMB/CNY

| Item | Closing balance | Opening balance |
|--------------------|-----------------|-----------------|
| Note receivable | 69,185,516.71 | 64,778,266.65 |
| Account receivable | 116,797,834.51 | 148,795,998.26 |
| Total | 185,983,351.22 | 213,574,264.91 |

(1) Note receivable

1) Category of note receivable

RMB/CNY

| Item | Closing balance | Opening balance |
|----------------------------|-----------------|-----------------|
| Bank acceptance bill | 56,817,845.23 | 37,676,025.26 |
| Commercial acceptance bill | 12,367,671.48 | 27,102,241.39 |
| Total | 69,185,516.71 | 64,778,266.65 |

2) Notes receivable already pledged by the Company at the end of the period

RMB/CNY

| Item | Amount pledge at period-end |
|----------------------|-----------------------------|
| Bank acceptance bill | 11,151,688.25 |
| Total | 11,151,688.25 |

3) Notes endorsement or discount and undue on balance sheet date

RMB/CNY

| Item | Amount derecognition at period-end | Amount not derecognition at period-end |
|------|------------------------------------|--|
| | | |

| | | |
|----------------------------|---------------|--|
| Bank acceptance bill | 46,053,555.41 | |
| Commercial acceptance bill | 30,020,300.93 | |
| Total | 76,073,856.34 | |

(2) Account receivable

1) Category of account receivable

RMB/CNY

| Category | Closing balance | | | | | Opening balance | | | | |
|--|-----------------|------------|--------------------|---------------|----------------|-----------------|------------|--------------------|---------------|----------------|
| | Book balance | | Bad debt provision | | Book value | Book balance | | Bad debt provision | | Book value |
| | Amount | Proportion | Amount | Accrual ratio | | Amount | Proportion | Amount | Accrual ratio | |
| Account receivable with single significant amount and withdrawal bad debt provision separately | 7,556,363.72 | 5.82% | 7,556,363.72 | 100.00% | | 7,556,363.72 | 4.67% | 7,556,363.72 | 100.00% | |
| Account receivable with bad debt provision accrual by portfolio | 116,798,645.79 | 89.88% | 811.28 | 0.00% | 116,797,834.51 | 148,804,350.34 | 91.88% | 8,352.08 | 0.01% | 148,795,998.26 |
| Account receivable with single minor amount but withdrawal bad debt provision individually | 5,587,643.49 | 4.30% | 5,587,643.49 | 100.00% | | 5,592,838.19 | 3.45% | 5,592,838.19 | 100.00% | |
| Total | 129,942,653.00 | 100.00% | 13,144,818.49 | | 116,797,834.51 | 161,953,552.25 | 100.00% | 13,157,553.99 | | 148,795,998.26 |

Account receivable with major single amount and withdrawal bad debt provision single at period-end

√ Applicable □ Not applicable

RMB/CNY

| Account receivable (by unit) | Closing balance | | | | |
|------------------------------------|--------------------|--------------------|---------------|----------------|--|
| | Account receivable | Bad debt provision | Accrual ratio | Accrual causes | |
| Hong Kong Haowei Industry Co. Ltd. | 1,870,887.18 | 1,870,887.18 | 100.00% | 无法收回 | |

| | | | | |
|--|--------------|--------------|---------|------|
| TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD. | 1,325,431.75 | 1,325,431.75 | 100.00% | 无法收回 |
| Qingdao Haier Parts Procurement Co., Ltd. | 1,225,326.15 | 1,225,326.15 | 100.00% | 无法收回 |
| SKYWORTH Multimedia (Shenzhen) Co., Ltd. | 579,343.89 | 579,343.89 | 100.00% | 无法收回 |
| Shenzhen Portman Bowling Club Co., Ltd. | 2,555,374.75 | 2,555,374.75 | 100.00% | 无法收回 |
| Total | 7,556,363.72 | 7,556,363.72 | -- | -- |

Account receivable with bad debt provision withdrawal by method of account age in portfolio

Applicable Not applicable

RMB/CNY

| Account ages | Closing balance | | |
|-----------------------------|--------------------|--------------------|---------------|
| | Account receivable | Bad debt provision | Accrual ratio |
| Sub-item of within one year | | | |
| | 116,793,835.05 | | |
| Subtotal of within one year | 116,793,835.05 | | |
| 1-2 years | 2,527.77 | 126.39 | 5.00% |
| Over three years | 2,282.97 | 684.89 | 30.00% |

Explanation on portfolio basis:

Nil

Withdrawal proportion of bad debt provision based on balance proportion for account receivable in portfolio:

Applicable Not applicable

Withdrawing bad debt provision for account receivable by other methods in portfolio:

Accounts with single minor amount but with bad debts provision accrued individually at period-end

| Debtor | Book balance | Bad debt provision | Accrual ratio(%) | Accrual causes |
|--|--------------|--------------------|------------------|----------------|
| Shenzhen Huixin Video Technology Co., Ltd. | 381,168.96 | 381,168.96 | 100.00 | Uncollectible |
| Shenzhen Wandelai Digital Technology Co., Ltd. | 351,813.70 | 351,813.70 | 100.00 | Uncollectible |
| Shenzhen Dalong Electronic Co., Ltd. | 344,700.00 | 344,700.00 | 100.00 | Uncollectible |
| Shenzhen Keya Electronic Co., Ltd. | 332,337.76 | 332,337.76 | 100.00 | Uncollectible |
| Shenzhen Qunping Electronic Co., Ltd. | 304,542.95 | 304,542.95 | 100.00 | Uncollectible |
| China Galaxy Electronics (Hong Kong) | 288,261.17 | 288,261.17 | 100.00 | Uncollectible |

| | | | | |
|---|--------------|--------------|--------|---------------|
| Co., Ltd. | | | | |
| Dongguan Weite Electronic Co., Ltd. | 274,399.80 | 274,399.80 | 100.00 | Uncollectible |
| Chuangjing | 247,811.87 | 247,811.87 | 100.00 | Uncollectible |
| Hong Kong New Century Electronics Co., Ltd. | 207,409.40 | 207,409.40 | 100.00 | Uncollectible |
| Shenyang Beital Electronic Co., Ltd. | 203,304.02 | 203,304.02 | 100.00 | Uncollectible |
| Beijing Xinfang Weiye Technology Co., Ltd. | 193,000.00 | 193,000.00 | 100.00 | Uncollectible |
| TCL Electronics (Hong Kong) Co., Ltd. | 145,087.14 | 145,087.14 | 100.00 | Uncollectible |
| Huizhou TCL Xinte Electronics Co., Ltd. | 142,707.14 | 142,707.14 | 100.00 | Uncollectible |
| SkyWorth – RGB Electronic Co., Ltd. | 133,485.83 | 133,485.83 | 100.00 | Uncollectible |
| Other | 2,037,613.75 | 2,037,613.75 | 100.00 | Uncollectible |
| Total | 5,587,643.49 | 5,587,643.49 | | |

2)Bad debt provision accrual, switch-back or taken back in the period

Bad debt provision accrual was Yuan; the amount collected or switches back amounting to 12,735.50 Yuan.

Including major amount of bad debt provision that switch-back or taken back in the Period:

RMB/CNY

| Company | Amount switch back or taken back | Collection way |
|---------|----------------------------------|----------------|
|---------|----------------------------------|----------------|

Nil

3)Top five receivables collected by arrears party at ending balance

| Company | Closing balance | Proportion of total accounts receivable(%) | Balance of bad debt provision |
|---|-----------------|--|-------------------------------|
| Hong Kong Yutian International Investment Co., Ltd. | 36,750,397.49 | 28.28 | |
| Qingdao Haidayuan Purchasing Service Co., Ltd | 36,154,096.22 | 27.82 | |
| ViewSonic Tech. (China) Co., Ltd | 19,848,248.00 | 15.27 | |
| Xiamen Edmond Electronic Technology Co., Ltd | 11,403,961.34 | 8.78 | |
| Viewsonic International Corp | 5,865,344.25 | 4.51 | |
| Total | 110,022,047.30 | 84.67 | |

3. Prepayments

(1) Prepayments listed by account age

RMB/CNY

| Account ages | Closing balance | | Opening balance | |
|-----------------|-----------------|------------|-----------------|------------|
| | Amount | Proportion | Amount | Proportion |
| Within one year | 31,254,429.54 | 99.70% | 937,895.64 | 99.42% |
| 1-2 years | 94,000.00 | 0.25% | 3,732.52 | 0.40% |
| 2-3 year | | | 1,699.85 | 0.18% |
| Total | 31,348,429.54 | -- | 943,328.01 | -- |

Explanation on prepayments with over one year in age and reasons of un-settle:

| Creditor's unit | Debt unit | Closing balance | Account ages | Unsettled reasons |
|-----------------------------------|--|-----------------|------------------|-------------------|
| Wuhan Hengfa Technology Co., Ltd. | Shenzhen Xuanyuan Soft Technology Co., Ltd | 94,000.00 | Within two years | Open contract |
| Total | | 94,000.00 | | |

(2) Top 5 prepayments collected by objects at ending balance

| Company | Closing balance | Proportion of the total amount of prepayments(%) |
|---|-----------------|--|
| Hong Kong Yutian International Investment Co., Ltd. | 17,120,874.77 | 54.61 |
| Wuhan Hengsheng Photo-electric Industry Co., Ltd. | 8,294,072.28 | 26.46 |
| Haier Digital Tech. (Qingdao) Co., ltd. | 1,861,392.76 | 5.94 |
| Hefei Xinsheng Photoelectric Tech. Co., ltd. | 938,902.90 | 3.00 |
| Guangzhou Shiyuan Electronic Technology Co. Ltd. | 641,603.55 | 2.05 |
| Total | 28,856,846.26 | 92.05 |

Other explanation

4. Other account receivable

RMB/CNY

| Item | Closing balance | Opening balance |
|--------------------------|-----------------|-----------------|
| Other account receivable | 5,777,179.08 | 4,335,729.72 |
| Total | 5,777,179.08 | 4,335,729.72 |

(1) Other account receivable

1)Category of other account receivable

RMB/CNY

| Category | Closing balance | | | | | Opening balance | | | | |
|--|-----------------|------------|--------------------|---------------|--------------|-----------------|------------|--------------------|---------------|--------------|
| | Book balance | | Bad debt provision | | Book value | Book balance | | Bad debt provision | | Book value |
| | Amount | Proportion | Amount | Accrual ratio | | Amount | Proportion | Amount | Accrual ratio | |
| Other account receivable with single significant amount and withdrawal bad debt provision separately | 7,032,050.71 | 33.43% | 7,032,050.71 | 100.00% | | 6,722,602.71 | 34.28% | 6,722,602.71 | 100.00% | |
| Other account receivable with bad debt provision accrual by portfolio | 5,918,460.63 | 28.13% | 141,281.55 | 2.72% | 5,777,179.08 | 4,528,823.44 | 23.09% | 193,093.72 | 5.07% | 4,335,729.72 |
| Other account receivable with single minor amount but withdrawal bad debt provision individually | 8,087,537.78 | 38.44% | 8,087,537.78 | 100.00% | | 8,359,643.58 | 42.63% | 8,359,643.58 | 100.00% | |
| Total | 21,038,049.12 | 100.00% | 15,260,870.04 | | 5,777,179.08 | 19,611,069.73 | 100.00% | 15,275,340.01 | | 4,335,729.72 |

Other account receivable with major single amount and withdrawal bad debt provision single at period-end:

√ Applicable □ Not applicable

RMB/CNY

| Other account receivable (by unit) | Closing balance | | | |
|------------------------------------|--------------------------|--------------------|---------------|----------------|
| | Other account receivable | Bad debt provision | Accrual ratio | Accrual causes |
| Portman | 4,021,734.22 | 4,021,734.22 | | 100.00 |
| Jifang Investment | 1,380,608.00 | 1,380,608.00 | | 100.00 |
| Traffic accident compensation | 555,785.81 | 555,785.81 | | 100.00 |
| Zhao Baomin | 553,901.68 | 553,901.68 | | 100.00 |

| | | | | |
|-------------------|--------------|--------------|----|--------|
| Hebei Botou Court | 520,021.00 | 520,021.00 | | 100.00 |
| Total | 7,032,050.71 | 7,032,050.71 | -- | -- |

Other account receivable with bad debt provision withdrawal by age analysis in portfolio:

Applicable Not applicable

RMB/CNY

| Account ages | Closing balance | | |
|-----------------------------|--------------------------|--------------------|---------------|
| | Other account receivable | Bad debt provision | Accrual ratio |
| Sub-item of within one year | | | |
| Subtotal of within one year | 3,967,784.65 | | |
| 1-2 years | 157,190.94 | 7,859.55 | 5.00% |
| 2-3 year | 943,020.00 | 94,302.00 | 10.00% |
| Over three years | 130,400.00 | 39,120.00 | 30.00% |
| Total | 5,198,395.59 | 141,281.55 | |

Explanation on portfolio basis:

Nil

Withdrawing bad debt provision based on balance proportion for other account receivable in portfolio

Applicable Not applicable

Withdrawing bad debt provision based on other methods for other account receivable in portfolio

Applicable Not applicable

Other account receivable with single minor amount but withdrawal single item bad debt provision at period-end

| Debtor | Book balance | Bad debt amount | Accrual ratio(%) | Accrual causes |
|--------------------------------------|--------------|-----------------|------------------|----------------|
| Electricity fee in Gongming canteen | 489,214.70 | 489,214.70 | 100.00 | Uncollectible |
| Jiantao (Fogang) Laminates Co., Ltd. | 465,528.10 | 465,528.10 | 100.00 | Uncollectible |
| 4/F hotle Daiqiangbo | 354,569.00 | 354,569.00 | 100.00 | Uncollectible |
| Lu Wei | 290,000.00 | 290,000.00 | 100.00 | Uncollectible |
| Chuangjing | 192,794.00 | 192,794.00 | 100.00 | Uncollectible |
| Shenzhen Mingli Co., Ltd. | 170,394.84 | 170,394.84 | 100.00 | Uncollectible |
| Other units | 6,125,037.14 | 6,125,037.14 | 100.00 | Uncollectible |
| Total | 8,087,537.78 | 8,087,537.78 | — | — |

2)Bad debt provision accrual, switch-back or taken back in the period

Bad debt provision accrual was 0.00 Yuan; the amount collected or switches back amounting to 14,469.97 Yuan.

Including major amount of bad debt provision that switch-back or taken back in the Period:

RMB/CNY

| Company | Amount switch-back or taken back | Collection way |
|---------|----------------------------------|----------------|
|---------|----------------------------------|----------------|

Nil

3) Nature of other account receivable

RMB/CNY

| Nature | Ending book balance | Opening book balance |
|--------------------|----------------------|----------------------|
| Margin and deposit | 1,793,485.04 | 1,793,485.04 |
| Borrow money | 1,973,013.76 | 2,190,666.85 |
| Intercourse funds | 6,647,012.36 | 9,081,233.88 |
| Rent receivable | 6,626,917.46 | 5,857,777.46 |
| Other | 3,997,620.50 | 687,906.50 |
| Total | 21,038,049.12 | 19,611,069.73 |

4) Top 5 other receivables collected by arrears party at ending balance

RMB/CNY

| Company | Nature | Closing balance | Account ages | Proportion in total other receivables at year-end | Closing balance of bad debt provision |
|--|-----------------------|---------------------|------------------|---|---------------------------------------|
| Portman | Rental fee receivable | 4,021,734.22 | Over three years | 19.12% | 4,021,734.22 |
| Shenzhen Jifang Investment Co., Ltd | Rental fee receivable | 1,380,608.00 | Over three years | 6.56% | 1,380,608.00 |
| Fujian Jielian Electronic Co., Ltd. | Non-related party | 800,000.00 | 1-2 years | 3.80% | 80,000.00 |
| Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd. | Other | 641,266.64 | 2-3 years | 3.05% | |
| Traffic accident compensation | Other | 555,785.81 | Over three years | 2.64% | 555,785.81 |
| Total | -- | 7,399,394.67 | -- | 35.17% | 6,038,128.03 |

5. Inventory

Whether the company needs to comply with the disclosure requirements of the real estate industry

No

(1) Category of inventory

RMB/CNY

| Item | Closing balance | Opening balance |
|------|-----------------|-----------------|
| | | |

| | Book balance | Provision for price fall-down | Book value | Book balance | Provision for price fall-down | Book value |
|-------------------------------------|----------------------|-------------------------------|----------------------|----------------------|-------------------------------|----------------------|
| Raw materials | 39,497,353.01 | 1,695,940.61 | 37,801,412.40 | 29,640,518.78 | 937,858.86 | 28,702,659.92 |
| Goods in process | | | | 119,575.09 | | 119,575.09 |
| Inventory goods | 24,483,140.41 | 1,543,123.71 | 22,940,016.70 | 29,291,605.18 | 1,660,379.81 | 27,631,225.37 |
| Homemade semi-finished products | 2,175,657.06 | 124,384.26 | 2,051,272.80 | 3,433,461.82 | 1,444.25 | 3,432,017.57 |
| Low priced and easily worn articles | 216,771.16 | 35,563.68 | 181,207.48 | 587,236.21 | 85,692.51 | 501,543.70 |
| Total | 66,372,921.64 | 3,399,012.26 | 62,973,909.38 | 63,072,397.08 | 2,685,375.43 | 60,387,021.65 |

Whether the Company needs to comply with the disclosure requirement of *Industry Information Disclosure Guidelines of Shenzhen Stock Exchange No.4 -Listed Companies Engaged in Seed Planting Business*

No

Whether the Company needs to comply with the disclosure requirement of *Industry Information Disclosure Guidelines of Shenzhen Stock Exchange No.11 -Listed Companies Engaged in Jewelry Related Business*

No

(2) Provision for price fall-down

RMB/CNY

| Item | Opening balance | Current increased | | Current decreased | | Closing balance |
|-------------------------------------|---------------------|---------------------|-------|----------------------------|-------|---------------------|
| | | Accrual | Other | Switch back or Written-off | Other | |
| Raw materials | 937,858.86 | 1,164,244.40 | | 406,162.65 | | 1,695,940.61 |
| Inventory goods | 1,660,379.81 | 912,427.42 | | 1,029,683.52 | | 1,543,123.71 |
| Homemade semi-finished products | 1,444.25 | 124,384.26 | | 1,444.25 | | 124,384.26 |
| Low priced and easily worn articles | 85,692.51 | 4,290.88 | | 54,419.71 | | 35,563.68 |
| Total | 2,685,375.43 | 2,205,346.96 | | 1,491,710.13 | | 3,399,012.26 |

Inventory depreciation combining with sluggishness and inventory age was accrued based on the net realizable value, some raw material prices went up and down, and some low-value consumables were recycled.

(3)Explanation on capitalization of borrowing costs in ending balance of inventory

Nil

(4) Assets completed without settle resulted by construction contract at period-end

RMB/CNY

| Item | Amount |
|------|--------|
|------|--------|

Other explanation

Nil

6. Other current assets

RMB/CNY

| Item | Closing balance | Opening balance |
|--------------------------------|-----------------|-----------------|
| Value-added tax to be deducted | 17,055.88 | 9,996.21 |
| Advance payment of income tax | 42,314.30 | 42,314.30 |
| Total | 59,370.18 | 52,310.51 |

Other explanation

Nil

7. Investment real estate**(1) Investment real estate measured at cost**

√ Applicable □ Not applicable

RMB/CNY

| Item | House and building | Land use right | Construction in process | Total |
|--|--------------------|----------------|-------------------------|----------------|
| I. Original book value | | | | |
| 1. Opening balance | 133,661,686.94 | | | 133,661,686.94 |
| 2. Current increased | | | | |
| (1) outsourcing | | | | |
| (2) inventory\fixed assets\construction in process transfer-in | | | | |
| (3) increased by | | | | |

| | | | | |
|---|----------------|--|--|----------------|
| combination | | | | |
| | | | | |
| 3.Current decreased | | | | |
| (1) Disposal | | | | |
| (2) other transfer-out | | | | |
| | | | | |
| 4.Closing balance | 133,661,686.94 | | | 133,661,686.94 |
| II. Accumulated depreciation and accumulated amortization | | | | |
| 1.Opening balance | 81,250,728.32 | | | 81,250,728.32 |
| 2.Current increased | 1,729,635.76 | | | 1,729,635.76 |
| (1) Accrual or amortization | 1,208,595.52 | | | 1,208,595.52 |
| | | | | |
| 3.Current decreased | | | | |
| (1) Disposal | | | | |
| (2) other transfer-out | | | | |
| | | | | |
| 4.Closing balance | 82,980,364.08 | | | 82,980,364.08 |
| III. Depreciation reserves | | | | |
| 1.Opening balance | | | | |
| 2.Current increased | | | | |
| (1) Accrual | | | | |
| | | | | |
| 3. Current decreased | | | | |

| | | | | |
|------------------------|---------------|--|--|---------------|
| (1) Disposal | | | | |
| (2) other transfer-out | | | | |
| | | | | |
| 4.Closing balance | | | | |
| IV. Book value | | | | |
| 1.Ending Book value | 50,681,322.86 | | | 50,681,322.86 |
| 2.Opening Book value | 52,410,958.62 | | | 52,410,958.62 |

8. Fixed assets

RMB/CNY

| Item | Closing balance | Opening balance |
|--------------------------|-----------------|-----------------|
| Fixed assets | 95,226,401.69 | 83,619,842.39 |
| Disposal of fixed assets | 92,857,471.69 | 92,857,471.69 |
| Total | 188,083,873.38 | 176,477,314.08 |

(1) Fixed assets

RMB/CNY

| Item | House and building | Machinery equipment | Means of transport | Office equipment | Instrument equipment | Tool equipment | Mold equipment | Total |
|-------------------------|--------------------|---------------------|--------------------|------------------|----------------------|----------------|----------------|----------------|
| I. Original book value: | | | | | | | | |
| 1.Opening balance | 65,608,798.85 | 80,158,724.83 | 6,431,855.00 | 6,981,463.85 | 3,051,926.44 | 5,467,996.48 | 14,876,405.89 | 182,577,171.34 |
| 2.Current increased | | 15,157,423.38 | 600,321.20 | 121,633.02 | 228,039.24 | 2,242,517.90 | 5,482,356.32 | 23,832,291.06 |
| (1) Purchasing | | 15,157,423.38 | 600,321.20 | 121,633.02 | 228,039.24 | 2,242,517.90 | 5,482,356.32 | 23,832,291.06 |
| Construction in process | | | | | | | | |

| | | | | | | | | |
|---|-------------------|-------------------|------------------|------------------|------------------|------------------|-------------------|--------------------|
| transfer-in | | | | | | | | |
| (3) increased by combinatio n | | | | | | | | |
| | | | | | | | | |
| 3.Current decreased | | 5,118,187. 78 | 1,071,656. 50 | 778,053.14 | 142,258.03 | 1,157,814. 22 | 4,127,637. 20 | 12,395,606 .87 |
| (1) Disposal or scrapping | | 5,118,187. 78 | 1,071,656. 50 | 778,053.14 | 142,258.03 | 1,157,814. 22 | 4,127,637. 20 | 12,395,606 .87 |
| | | | | | | | | |
| 4.Closing balance | 65,608,798 .85 | 90,197,960 .43 | 5,960,519. 70 | 6,325,043. 73 | 3,137,707. 65 | 6,552,700. 16 | 16,231,125 .01 | 194,013,85 5.53 |
| II. Accumulati ve depreciatio n | | | | | | | | |
| 1.Opening balance | 14,843,969 .68 | 58,679,845 .60 | 3,568,166. 13 | 5,484,551. 40 | 2,496,903. 38 | 3,108,608. 37 | 10,775,284 .39 | 98,957,328 .95 |
| 2.Current increased | 1,953,602. 78 | 3,646,758. 48 | 612,130.93 | 295,217.03 | 110,384.39 | 838,350.48 | 2,454,365. 31 | 9,910,809. 40 |
| (1) Accrual | 1,953,602. 78 | 3,646,758. 48 | 612,130.93 | 295,217.03 | 110,384.39 | 838,350.48 | 2,454,365. 31 | 9,910,809. 40 |
| | | | | | | | | |
| 3.Current decreased | | 3,662,378. 94 | 1,491.75 | 1,608,326. 51 | 128,032.23 | 986,778.01 | 3,693,677. 07 | 10,080,684 .51 |
| (1) Disposal or scrapping | | 3,662,378. 94 | 1,491.75 | 1,608,326. 51 | 128,032.23 | 986,778.01 | 3,693,677. 07 | 10,080,684 .51 |
| | | | | | | | | |
| 4.Closing | 16,797,572 .46 | 58,664,225 .14 | 4,178,805. 31 | 4,171,441. 92 | 2,479,255. 54 | 2,960,180. 84 | 9,535,972. 63 | 98,787,453 .84 |

| | | | | | | | | |
|-------------------------------|-------------------|-------------------|------------------|------------------|------------|------------------|------------------|-------------------|
| balance | | | | | | | | |
| III. Depreciation reserves | | | | | | | | |
| 1.Opening balance | | | | | | | | |
| 2.Current increased | | | | | | | | |
| (1) Accrual | | | | | | | | |
| | | | | | | | | |
| 3.Current decreased | | | | | | | | |
| (1) Disposal or scrapping | | | | | | | | |
| | | | | | | | | |
| 4.Closing balance | | | | | | | | |
| IV. Book value | | | | | | | | |
| 1.Ending Book value | 48,811,226 .39 | 31,533,735 .29 | 1,781,714. 39 | 2,153,601. 81 | 658,452.11 | 3,592,519. 32 | 6,695,152. 38 | 95,226,401 .69 |
| 2.Opening Book value | 50,764,829 .17 | 21,478,879 .23 | 2,863,688. 87 | 1,496,912. 45 | 555,023.06 | 2,359,388. 11 | 4,101,121. 50 | 83,619,842 .39 |

(2) Fixed assets leasing-out by operational lease

RMB/CNY

| Item | Ending Book value |
|--------------------|-------------------|
| House and building | 852,905.29 |

(3) Disposal of fixed assets

RMB/CNY

| Item | Closing balance | Opening balance |
|------------------------------|-----------------|-----------------|
| Gongming Huafa Electric Town | 92,857,471.69 | 92,857,471.69 |
| Total | 92,857,471.69 | 92,857,471.69 |

Other explanation

Original value of the fixed assets that have been fully depreciated at period-end and continued to be used amounted as 44,010,028.21 yuan.

9. Construction in process

RMB/CNY

| Item | Closing balance | Opening balance |
|-------------------------|-----------------|-----------------|
| Construction in process | 5,727,760.23 | 654,356.00 |
| Total | 5,727,760.23 | 654,356.00 |

(1) Construction in process

RMB/CNY

| Item | Closing balance | | | Opening balance | | |
|--|-----------------|----------------------|--------------|-----------------|----------------------|------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Transformation project of Huafa Building | | | | 654,356.00 | | 654,356.00 |
| Expansion for 3# Plant | 5,727,760.23 | | 5,727,760.23 | | | |
| Total | 5,727,760.23 | | 5,727,760.23 | 654,356.00 | | 654,356.00 |

(2) change of major construction in process in the period

RMB/CNY

| Item | Budget | Opening balance | Current increased | Fixed assets transferred in the Period | Other decreased in the Period | Closing balance | Proportion of project investment in budget | Progress | Accumulated amount of interest capitalization | including: interest capitalized amount of the year | Interest capitalization rate of the year | Source of funds |
|------|--------|-----------------|-------------------|--|-------------------------------|-----------------|--|----------|---|--|--|-----------------|
| | | | | | | | | | | | | |

| | | | | | | | | | | | |
|------------------------|--------------|--|--------------|--|--------------|---------|-------|--|--|--|-------|
| Expansion for 3# Plant | 6,000,000.00 | | 5,727,760.23 | | 5,727,760.23 | 95.46 % | 95.46 | | | | Other |
| Total | 6,000,000.00 | | 5,727,760.23 | | 5,727,760.23 | -- | -- | | | | -- |

10. Intangible assets

(1) Intangible assets

RMB/CNY

| Item | Land use right | Patent right | Non-patented technology | Computer software | Total |
|------------------------------|----------------|--------------|-------------------------|-------------------|---------------|
| I. Original book value | | | | | |
| 1. Opening balance | 55,089,774.36 | | | 661,878.97 | 55,751,653.33 |
| 2. Current increased | | | | | |
| (1) Purchasing | | | | | |
| (2) internal R&D | | | | | |
| (3) increased by combination | | | | | |
| | | | | | |
| 3. Current decreased | | | | | |
| (1) Disposal | | | | | |
| | | | | | |
| 4. Closing balance | 55,089,774.36 | | | 661,878.97 | 55,751,653.33 |
| II. Accumulated amortization | | | | | |
| 1. Opening balance | 11,992,276.93 | | | 452,060.03 | 12,444,336.96 |

| | | | | | |
|----------------------------|---------------|--|--|------------|---------------|
| 2.Current increased | 1,441,740.71 | | | 49,885.92 | 1,491,626.63 |
| (1) Accrual | 1,441,740.71 | | | 49,885.92 | 1,491,626.63 |
| | | | | | |
| 3.Current decreased | | | | | |
| (1) Disposal | | | | | |
| | | | | | |
| 4.Closing balance | 12,137,222.65 | | | 452,060.03 | 12,589,282.68 |
| III. Depreciation reserves | | | | | |
| 1.Opening balance | | | | | |
| 2.Current increased | | | | | |
| (1) Accrual | | | | | |
| | | | | | |
| 3.Current decreased | | | | | |
| (1) Disposal | | | | | |
| | | | | | |
| 4.Closing balance | | | | | |
| IV. Book value | | | | | |
| 1.Ending Book value | 41,655,756.72 | | | 159,933.02 | 41,815,689.74 |
| 2.Opening Book value | 43,097,497.43 | | | 209,818.94 | 43,307,316.37 |

The proportion of intangible assets form by internal R&D in total book value of intangible assets at period-end

11. Long-term deferred expenditure

RMB/CNY

| Item | Opening balance | Current increased | Amortized in Period | Other decreased | Closing balance |
|-----------------|-----------------|-------------------|---------------------|-----------------|-----------------|
| Golf membership | 141,666.55 | | 141,666.55 | | |

| | | | | | |
|---------------------------------|------------|------------|------------|--|------------|
| fee | | | | | |
| Cloud service cost amortization | | 697,007.55 | 154,890.56 | | 542,116.99 |
| Total | 141,666.55 | 697,007.55 | 296,557.11 | | 542,116.99 |

Other explanation

Nil

12. Deferred income tax asset /deferred income tax liability

(1) Deferred income tax assets un-offset

RMB/CNY

| Item | Closing balance | | Opening balance | |
|------------------------------------|----------------------------------|---------------------------|----------------------------------|---------------------------|
| | Deductible temporary differences | Deferred income tax asset | Deductible temporary differences | Deferred income tax asset |
| Provision for impairment of assets | 6,813,753.84 | 28,641,162.96 | 6,715,066.24 | 27,949,536.92 |
| Accrual liability | 16,102.75 | 64,411.00 | 16,102.75 | 64,411.00 |
| Total | 6,829,856.59 | 28,705,573.96 | 6,731,168.99 | 28,013,947.92 |

(2) Amount of deferred income tax asset and deferred income tax liability after trade-off

RMB/CNY

| Item | Trade-off between the deferred income tax assets and liabilities | Ending balance of deferred income tax assets or liabilities after off-set | Trade-off between the deferred income tax assets and liabilities at period-begin | Opening balance of deferred income tax assets or liabilities after off-set |
|---------------------------|--|---|--|--|
| Deferred income tax asset | | 6,829,856.59 | | 6,731,168.99 |

(3) Deferred income tax asset without confirmed

RMB/CNY

| Item | Closing balance | Opening balance |
|---------------------------------|-----------------|-----------------|
| Deductible temporary difference | 3,163,837.81 | 3,172,018.51 |
| Deductible loss | 1,427,605.96 | 525,348.33 |
| Total | 4,591,443.77 | 3,697,366.84 |

(4) Deductible losses of deferred income tax asset without confirmed will expired in later year

RMB/CNY

| Year | Closing amount | Opening amount | Note |
|-------|----------------|----------------|------|
| 2019 | 51,859.78 | 51,859.78 | |
| 2020 | 0.00 | 0.00 | |
| 2021 | 182,573.55 | 182,573.55 | |
| 2022 | 848,078.83 | 290,915.00 | |
| 2023 | 345,093.80 | | |
| Total | 1,427,605.96 | 525,348.33 | -- |

Other explanation

Nil

13. Other non-current assets

RMB/CNY

| Item | Closing balance | Opening balance |
|---------------------------------------|-----------------|-----------------|
| Advance payment for works | 80,000.00 | |
| Advance payment for equipment | 357,810.00 | 1,934,800.00 |
| Advance payment for intangible assets | 2,721,154.00 | |
| Total | 3,158,964.00 | 1,934,800.00 |

Other explanation

Nil

14. Short-term loans**(1) Short-term loans**

RMB/CNY

| Item | Closing balance | Opening balance |
|--------------------|-----------------|-----------------|
| Loan in pledge | 13,500,000.00 | 8,500,000.00 |
| Mortgage borrowing | 148,068,657.88 | 138,120,264.81 |
| Guaranteed loan | | 20,000,000.00 |
| Total | 161,568,657.88 | 166,620,264.81 |

Explanation on category of Short-term loans

Nil

15. Note payable and accounts payable

RMB/CNY

| Item | Closing balance | Opening balance |
|------------------|-----------------|-----------------|
| Note payable | 27,642,356.66 | 17,810,270.28 |
| Accounts payable | 60,975,306.43 | 84,004,870.73 |
| Total | 88,617,663.09 | 101,815,141.01 |

(1) Note payable

RMB/CNY

| Category | Closing balance | Opening balance |
|----------------------------|-----------------|-----------------|
| Commercial acceptance bill | 10,000,000.00 | |
| Bank acceptance bill | 17,642,356.66 | 17,810,270.28 |
| Total | 27,642,356.66 | 17,810,270.28 |

Totally 0 Yuan due note payable are paid at period-end

(2) Accounts payable

RMB/CNY

| Item | Closing balance | Opening balance |
|-------------------------------------|-----------------|-----------------|
| Within one year (one year included) | 48,686,573.85 | 71,817,382.90 |
| Over 1 year | 12,288,732.58 | 12,187,487.83 |
| Total | 60,975,306.43 | 84,004,870.73 |

(3) Major account payable over one year

RMB/CNY

| Item | Closing balance | 未偿还或结转的原因 |
|--|-----------------|-----------|
| Shenzhen Yuehai Global Logistics Co., Ltd. | 2,858,885.97 | Unsettled |
| LG | 1,906,267.50 | Unsettled |
| Dongjin Electronics (Nanjing) Plasma Co., Ltd. | 617,963.45 | Unsettled |
| Total | 5,383,116.92 | -- |

Other explanation

Nil

16. Account received in advance

(1) Account received in advance

RMB/CNY

| Item | Closing balance | Opening balance |
|-------------------------------------|-----------------|-----------------|
| Within one year (one year included) | 139,961.60 | 234,017.18 |
| Over 1 year | 19,567.00 | 44,111.00 |
| Total | 159,528.60 | 278,128.18 |

17. Employee salary payable

(1) Employee salary payable

RMB/CNY

| Item | Opening balance | Increase during the period | Decrease during this period | Closing balance |
|---|-----------------|----------------------------|-----------------------------|-----------------|
| I. Short-term compensation | 5,088,451.75 | 57,766,776.79 | 58,155,020.18 | 4,700,208.36 |
| II. Post-employment welfare- defined contribution plans | -5,093.82 | 4,541,995.90 | 4,536,902.08 | |
| III. Dismiss welfare | | 47,398.10 | 47,398.10 | |
| Total | 5,083,357.93 | 62,356,170.79 | 62,739,320.36 | 4,700,208.36 |

(2) Short-term compensation

RMB/CNY

| Item | Opening balance | Increase during the period | Decrease during this period | Closing balance |
|---|-----------------|----------------------------|-----------------------------|-----------------|
| 1. Wages, bonuses, allowances and subsidies | 4,039,310.19 | 50,703,365.41 | 51,022,649.80 | 3,720,025.80 |
| 2. Welfare for workers and staff | 27,109.00 | 4,472,116.36 | 4,499,225.36 | |
| 3. Social insurance | 23,041.98 | 2,148,346.09 | 2,148,346.09 | 23,041.98 |
| Including: Medical insurance | 23,041.98 | 1,797,746.68 | 1,797,746.68 | 23,041.98 |
| Work injury insurance | | 191,986.98 | 191,986.98 | |

| | | | | |
|--|--------------|---------------|---------------|--------------|
| Maternity insurance | | 158,612.43 | 158,612.43 | |
| 4. Housing accumulation fund | 24,310.00 | 359,328.16 | 359,328.16 | 24,310.00 |
| 5. Labor union expenditure and personnel education expense | 974,680.58 | 83,620.77 | 125,470.77 | 932,830.58 |
| Total | 5,088,451.75 | 57,766,776.79 | 58,155,020.18 | 4,700,208.36 |

(3) Defined contribution plans

RMB/CNY

| Item | Opening balance | Increase during the period | Decrease during this period | Closing balance |
|------------------------------|-----------------|----------------------------|-----------------------------|-----------------|
| 1. Basic endowment insurance | -5,093.82 | 4,390,138.90 | 4,385,045.08 | |
| 2. Unemployment insurance | | 151,857.00 | 151,857.00 | |
| Total | -5,093.82 | 4,541,995.90 | 4,536,902.08 | |

Other explanation

Nil

18. Tax payable

RMB/CNY

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| VAT | 3,432,174.00 | 5,473,037.12 |
| Corporate income tax | 5,683,136.41 | 5,228,514.39 |
| Individual income tax | 45,962.89 | 20,213.76 |
| Urban maintenance and construction tax | 547,965.38 | 1,447,509.59 |
| Property tax | 290,438.28 | 743,004.72 |
| Land use tax | 75,345.69 | 324,212.74 |
| Educational surtax | 235,610.56 | 621,129.51 |
| Local educational surtax | 126,852.76 | 322,572.35 |
| Dike fee | 1,665.00 | 1,665.00 |
| Stamp tax | 24,738.90 | 34,988.50 |
| Disposal fund of waste electrical | 768,930.00 | 919,430.00 |

| | | |
|----------|---------------|---------------|
| products | | |
| Total | 11,232,819.87 | 15,136,277.68 |

Other explanation

Nil

19. Other account payable

RMB/CNY

| Item | Closing balance | Opening balance |
|-----------------------|-----------------|-----------------|
| Interest payable | 439,558.70 | 164,895.80 |
| Other account payable | 26,339,305.22 | 19,927,276.95 |
| Total | 26,778,863.92 | 20,092,172.75 |

(1) Interest payable

RMB/CNY

| Item | Closing balance | Opening balance |
|--------------------------------------|-----------------|-----------------|
| Interest of short-term loans payable | 439,558.70 | 164,895.80 |
| Total | 439,558.70 | 164,895.80 |

Significant overdue and unpaid interest:

RMB/CNY

| Loan unit | Overdue amount | Reason for overdue |
|-----------|----------------|--------------------|
| | | |

Other explanation

Nil

(2) Other account payable

1) Other account payable by nature

RMB/CNY

| Item | Closing balance | Opening balance |
|--------------------------|-----------------|-----------------|
| Margin and deposit | 10,914,478.12 | 6,280,204.22 |
| Lease management fee | 2,612,566.67 | 2,307,901.27 |
| Intercourse funds | 7,531,055.87 | 6,534,652.44 |
| After sale and repairmen | 1,696,994.97 | 2,384,774.18 |
| Other | 3,584,209.59 | 2,419,744.84 |
| Total | 26,339,305.22 | 19,927,276.95 |

2) Significant other payable with over one year age

RMB/CNY

| Item | Closing balance | Reasons of un-paid or carry-over |
|--|-----------------|----------------------------------|
| Shenzhen SED Property Development Co., Ltd. | 1,244,058.55 | Unsettled |
| Shenzhen Huayongxing Environmental Protection Technology Co., Ltd. | 1,000,000.00 | Deposit |
| Linghang Technology (Shenzhen) Co., Ltd | 656,345.28 | Unsettled |
| Shenzhen Tongxing Electronics Co., Ltd. | 578,259.83 | Unsettled |
| Shenzhen Yongdasheng Investment Development Co., Ltd. | 558,970.00 | Deposit |
| Total | 4,037,633.66 | -- |

Other explanation

Nil

20. Accrued liabilities

RMB/CNY

| Item | Closing balance | Opening balance | Causes |
|----------------|-----------------|-----------------|-----------------------------|
| Pending action | 64,411.00 | 64,411.00 | Business and labor disputes |
| Total | 64,411.00 | 64,411.00 | -- |

Other explanations, including important assumptions and estimation about important estimated liabilities:

According to the Enforcement Notice ((2008) SFFZZ No.522-529) of Shenzhen Intermediate People's Court, Shenzhen Labor Dispute Arbitration Commission issued SLZC [2007] No. 1069-1077, No. 1079, No. 1081, and No. 1085-1087 arbitration awards for the labor dispute case of Cai Yaoqiang and other thirteen people, which has taken legal effect. According to the Basic Information Credit Report of Enterprises, the Company has total unexecuted labor dispute subject of 64,411.00 yuan, and the Company recognizes it as the estimated liability.

21. Share capital

In RMB

| | Opening balance | Changes in the Period (+,-) | | | | | Closing balance |
|--------------|-----------------|-----------------------------|--------------|--------------------------------------|-------|----------|-----------------|
| | | Issuing new shares | Bonus shares | Shares transfer from public reserves | Other | Subtotal | |
| Total shares | 283,161,227.00 | | | | | | 283,161,227.00 |

Other explanation

Ended as 31 December 2018, the shares of the Company held by controlling shareholder has 116,100,000 shares in status of pledge, taking 41% of the total share capital; mortgagee is China Merchants Securities Assets Management Co., Ltd. Shares in judicial freeze amounted as 116,489,894 shares. The notice on progress of the shares pledged or frozen held by controlling shareholder are released on 11 Jan. 2019

22. Capital surplus

RMB/CNY

| Item | Opening balance | Increase during the period | Decrease during this period | Closing balance |
|----------------------------------|-----------------------|----------------------------|-----------------------------|-----------------------|
| Capital premium (equity premium) | 96,501,903.02 | | | 96,501,903.02 |
| Other capital surplus | 50,085,368.48 | | | 50,085,368.48 |
| Total | 146,587,271.50 | | | 146,587,271.50 |

Other explanation, including changes and reasons of changes:

Nil

23. Surplus reserves

RMB/CNY

| Item | Opening balance | Increase during the period | Decrease during this period | Closing balance |
|-------------------------------|----------------------|----------------------------|-----------------------------|----------------------|
| Statutory surplus reserves | 21,322,617.25 | | | 21,322,617.25 |
| Discretionary surplus reserve | 56,068,976.00 | | | 56,068,976.00 |
| Total | 77,391,593.25 | | | 77,391,593.25 |

Other explanation, including changes and reasons for changes:

Nil

24. Retained profit

RMB/CNY

| Item | Current period | Last period |
|---|------------------------|------------------------|
| Retained profit at the end of the previous period before adjustment | -186,467,113.73 | -187,441,523.12 |
| Retained profit at period-begin after adjustment | -186,467,113.73 | -187,441,523.12 |
| Add: net profit attributable to owners of the parent company | 3,295,022.73 | 974,409.39 |
| Retained profit at period-end | -183,172,091.01 | -186,467,113.73 |

Details about adjusting the retained profits at the beginning of the period:

- 1) The retroactive adjustments to Accounting Standards for Business Enterprises and its relevant new regulations affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 2) The changes in accounting policies affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 3) The major accounting error correction affects the retained profits at the beginning of the period amounting to 0 Yuan
- 4) Merge scope changes caused by the same control affect the retained profits at the beginning of the period amounting to 0 Yuan.
- 5) Other adjustments affect the retained profits at the beginning of the period amounting to 0 Yuan

25. Operating income and cost

RMB/CNY

| Item | Current Period | | Last Period | |
|----------------|----------------|----------------|----------------|----------------|
| | Income | Cost | Income | Cost |
| Main business | 582,037,124.29 | 545,577,228.99 | 811,691,458.39 | 767,897,597.88 |
| Other business | 55,009,582.74 | 21,114,247.50 | 46,348,674.35 | 10,009,013.24 |
| Total | 637,046,707.03 | 566,691,476.49 | 858,040,132.74 | 777,906,611.12 |

26. Tax and surcharges

RMB/CNY

| Item | Current Period | Last Period |
|--|----------------|--------------|
| Urban maintenance and construction tax | 920,169.24 | 1,427,781.18 |
| Educational surtax | 394,358.26 | 611,819.05 |
| Property tax | 1,331,816.18 | 2,699,817.08 |
| Land use tax | 710,368.64 | 864,650.63 |
| Vehicle use tax | 6,540.00 | 9,075.62 |
| Stamp tax | 407,261.30 | 515,320.90 |
| Local education development fee | 205,470.79 | 319,456.43 |
| Total | 3,975,984.41 | 6,447,920.89 |

Other explanation

Nil

27. Sales expense

RMB/CNY

| Item | Current Period | Last Period |
|------------------------|----------------|--------------|
| Employees remuneration | 4,042,578.84 | 4,984,220.26 |
| Freight | 4,452,902.42 | 4,707,497.34 |

| | | |
|---------------------------------|----------------------|----------------------|
| Commodity inspection fee | 675,532.35 | 1,016,453.60 |
| Customs fee | 202,996.81 | 71,162.46 |
| Commodity loss | 755,506.56 | 1,270,308.03 |
| After-sales service fee | 3,046,552.35 | 3,184,997.76 |
| Business entertainment expenses | 338,626.00 | 183,187.97 |
| Other | 585,551.84 | 498,666.45 |
| Total | 14,100,247.17 | 15,916,493.87 |

Other explanation

Nil

28. Administrative expense

RMB/CNY

| Item | Current Period | Last Period |
|---|----------------|--------------|
| Salary | 9,019,534.64 | 9,181,074.76 |
| Depreciation charge | 1,682,743.00 | 2,005,410.35 |
| Social insurance premium | 2,656,825.97 | 3,063,807.83 |
| Business entertainment expenses | 3,031,992.90 | 2,164,825.72 |
| Employee benefits | 1,452,996.99 | 2,282,050.50 |
| Travel expenses | 1,472,496.29 | 3,182,447.37 |
| Amortization of intangible assets | 1,491,626.63 | 1,472,727.40 |
| Traffic expenses | 1,319,577.46 | 1,234,314.61 |
| Consulting fee | 1,368,885.21 | 4,178,432.28 |
| Security | 1,911,021.67 | 1,909,696.23 |
| Repairs | 3,126,804.08 | 2,434,021.55 |
| Audit fee | 778,988.81 | 967,918.64 |
| Office expenses | 1,364,212.02 | 1,472,390.85 |
| Communication fee | 317,611.81 | 294,064.24 |
| Amortization of low cost and short lived articles | 798,387.40 | 391,757.33 |
| Securities information disclosure fee | 392,164.56 | 646,641.60 |
| Litigation fee | 28,055.00 | 487,564.11 |
| Lease fee | 4,711,758.56 | 4,416,416.15 |
| Staff education and labor union expenditure | 83,620.77 | 113,009.17 |
| Water and electricity fee | 622,054.17 | 476,436.91 |

| | | |
|----------------|---------------|---------------|
| Other expenses | 883,847.21 | 408,103.93 |
| Total | 38,515,205.15 | 42,783,111.53 |

Other explanation

Nil

29. R& D expenses

RMB/CNY

| Item | Current Period | Last Period |
|------|----------------|-------------|
|------|----------------|-------------|

Other explanation

30. Financial expense

RMB/CNY

| Item | Current Period | Last Period |
|-----------------------|----------------|---------------|
| Interest costs | 12,785,854.43 | 10,476,762.09 |
| Less: interest income | 656,538.09 | 1,309,824.81 |
| Exchange loss | 4,895,989.78 | 4,516,307.95 |
| Less: exchange gains | 6,915,754.78 | 5,205,454.35 |
| Handing expense | 206,052.11 | 498,775.07 |
| Other expense | 1,160.00 | 2,520.00 |
| Total | 10,316,763.45 | 8,979,085.95 |

Other explanation

Nil

31. Losses on assets impairment

RMB/CNY

| Item | Current Period | Last Period |
|----------------------------------|----------------|--------------|
| I. Bad debt losses | -13,140.19 | 807,725.34 |
| II. Inventory falling price loss | 713,636.83 | 614,061.37 |
| Total | 700,496.64 | 1,421,786.71 |

Other explanation

Nil

32. Other income

RMB/CNY

| Sources | Current Period | Last Period |
|-----------------------|----------------|-------------|
| Stabilization subsidy | 139,020.00 | 161,420.00 |
| Subsidy for R&D input | 785,000.00 | |

33. Gains on investment

RMB/CNY

| Item | Current Period | Last Period |
|---|----------------|-------------|
| Investment income generated by financial products | 326,439.49 | 372,245.91 |
| Total | 326,439.49 | 372,245.91 |

Other explanation

34. Asset disposal income

RMB/CNY

| Source of asset disposal income | Current Period | Last Period |
|--|----------------|-------------|
| Disposal gains arising from the disposal of not held for sale fixed assets \ intangible assets | 49,159.75 | 199,069.56 |

35. Non-operating income

RMB/CNY

| Item | Current Period | Last Period | Amount included in current non-recurring profits or losses |
|----------------------------|----------------|--------------|--|
| Receive donations | | 51,500.00 | |
| Government subsidy | 2,871,800.00 | 1,013,769.68 | 2,871,800.00 |
| Accrual liability reversal | | 1,527,600.81 | |
| Unable to pay | | 139,368.16 | |
| Penalty revenue | | 143,073.09 | |
| Fine income | 3,314.07 | 96,644.33 | 3,314.07 |
| Other | 11,696.99 | | 11,696.99 |
| Total | 2,886,811.06 | 2,971,956.07 | |

Government subsidy reckoned into current gains/losses:

RMB/CNY

| Item | Issuing subject | Offering causes | Nature | Subsidy impact | The special subsidy | Amount in the Period | Amount in last period | Assets-related/income |
|------|-----------------|-----------------|--------|----------------|---------------------|----------------------|-----------------------|-----------------------|
| | | | | | | | | |

| | | | | current gains/losses (Y/N) | (Y/N) | | | -related |
|---|----------------------------------|-------|--|----------------------------|-------|--|------------|----------------|
| Export subsidy bonus | Caidian Bureau of Finance, Wuhan | Award | Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment | No | Y | | 50,000.00 | Income-related |
| Award 金 Award for highlighting private enterprise for 2016 in Caidian District | Caidian Bureau of Finance, Wuhan | Award | Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment | No | Y | | 200,000.00 | Income-related |
| Development of processing trade and promoting funds in Central and Western China for 2016 | Caidian Bureau of Finance, Wuhan | Award | Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment | No | Y | | 270,000.00 | Income-related |
| Award for excellent enterprise for 2016 | Caidian Bureau of Finance, Wuhan | Award | Subsidy obtained for conforms | No | Y | | 200,000.00 | Income-related |

| | | | | | | | | |
|--|--|---------|--|----|---|------------|------------|----------------|
| | | | with the local support policy for investment incentive to encourage investment | | | | | |
| Enterprise development fund (manufacture of household appliances components) | Caidian Bureau of Finance, Wuhan | Subsidy | Subsidy for research and development, technical reforming and reconstruction | No | Y | | 293,769.68 | Income-related |
| Subsidy for cultivating enterprise | Wuhan Science and Technology Bureau (Wuhan Intellectual Property Office) | Award | Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment | No | Y | 50,000.00 | | Income-related |
| 2018 municipal foreign economic and trade funds | Ministry of Finance of Wuhan | Award | Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment | No | Y | 271,800.00 | | Income-related |
| Awards for | Economic | Award | Subsidy | No | Y | 1,900,000. | | Income-related |

| | | | | | | | | |
|--|---|---------|--|----|---|------------|--|----------------|
| enterprise development | Development Zone Management Committee of Caidian District, Wuhan | | obtained for conforms with the local support policy for investment incentive to encourage investment | | | 00 | | ated |
| Subsidy for recognition of high-tech enterprise for 2018 | Bureau of Science, Technology and Economic Information of Caidian District, Wuhan | Subsidy | Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment | No | Y | 50,000.00 | | Income-related |
| Guiding funds for business development | Caidian Bureau of Finance, Wuhan | Award | Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment | No | Y | 150,000.00 | | Income-related |
| Subsidy for science & technology innovation platform in 2017 | Bureau of Science, Technology and Economic Information of Caidian | Subsidy | Subsidy obtained for conforms with the local support policy for | No | Y | 300,000.00 | | Income-related |

| | | | | | | | | |
|--|------------------------------------|-------|---|----|---|------------|--|--------------------|
| | District, Wuhan | | investment incentive to encourage investment | | | | | |
| Central special fund for foreign trade and economic cooperatio n (promoting developme nt of processing trade in the Midwest) in 2017 | Ministry of Finance of Wuhan | Award | Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment | No | Y | 150,000.00 | | Income-rel ated |

Other explanation

Nil

36. Non-operating expenditure

RMB/CNY

| Item | Current Period | Last Period | Amount included in current non-recurring profits or losses |
|------------------------------|----------------|--------------|---|
| Penalty expenditure | 181,801.76 | 2,985.68 | 181,801.76 |
| Loss on assignment of claims | 2,158,200.00 | 5,755,200.00 | 2,158,200.00 |
| Other expenses | 1,005.00 | 545.88 | 1,005.00 |
| Total | 2,341,006.76 | 5,758,731.56 | 2,341,006.76 |

Other explanation

Nil

37. Income tax expenses

(1) Statement of income tax expense

RMB/CNY

| Item | Current Period | Last Period |
|----------------------------|----------------|--------------|
| Current income tax expense | 1,395,622.14 | 1,000,988.22 |

| | | |
|-----------------------------|--------------|--------------|
| Deferred income tax expense | -98,687.60 | 555,685.04 |
| Total | 1,296,934.54 | 1,556,673.26 |

(2) Adjustment on accounting profit and income tax expenses

RMB/CNY

| Item | Current Period |
|---|----------------|
| Total profit | 4,591,957.26 |
| Income tax based on statutory/applicable rate | 1,147,989.32 |
| Impact by different tax rate applied by subsidies | -590,455.60 |
| Cost, expenses and loss which are not deductible | 739,400.82 |
| Income tax expense | 1,296,934.54 |

Other explanation

Nil

38. Annotation of cash flow statement

(1) Cash received with other operating activities concerned

RMB/CNY

| Item | Current Period | Last Period |
|--|----------------|---------------|
| Unit intercourse account | 111,961,826.54 | 5,469,555.18 |
| Collection management fee and utilities etc. | 3,382,270.33 | 430,720.45 |
| Repayment from employees | 63,050.23 | 3,315,558.82 |
| Margin, deposit | 3,655,539.50 | 59,281.50 |
| Interest income | 146,904.87 | 211,336.37 |
| Refunds | 25,925,884.92 | 1,764,059.75 |
| Claim deduction etc. | 191,650.09 | 905,067.46 |
| Government subsidy | 3,795,820.00 | 1,451,189.68 |
| Receive grant | | 15,500.00 |
| Other | | 185,116.26 |
| Total | 149,122,946.48 | 13,807,385.47 |

Note of cash received with other operating activities concerned:

Nil

(2) Cash paid with other operating activities concerned

RMB/CNY

| Item | Current Period | Last Period |
|---------------------------------------|-----------------------|----------------------|
| Unit intercourse account | 126,247,786.47 | 2,512,814.07 |
| Advances to employees | 991,373.48 | 3,794,266.72 |
| Litigation fee | 81,105.00 | 15,866.00 |
| Margin, deposit | 1,181,899.00 | 1,167,554.00 |
| Entertainment expense | 3,000,255.62 | 2,769,800.23 |
| Water and electricity | 388,342.19 | 370,312.12 |
| Travel expenses | 1,437,228.54 | 3,287,308.11 |
| Freight | 3,868,873.39 | 5,008,475.05 |
| Traffic expenses | 1,109,528.61 | 1,030,400.36 |
| Repairs | 856,969.82 | 3,724,821.24 |
| Audit fees, consulting fees | 2,392,374.59 | 7,458,621.00 |
| Security | 457,335.66 | 166,131.50 |
| Financial institutions handling fee | 187,021.74 | 517,938.92 |
| Office expenses | 881,794.91 | 668,598.26 |
| Communication fee | 294,321.76 | 313,916.50 |
| Lease fee | 4,711,758.56 | 4,616,957.86 |
| Other | 1,411,122.02 | 971,692.54 |
| Refunds | 42,523.31 | |
| Commodity inspection fee | 141,794.01 | 977,449.41 |
| After-sales service fee | 1,265,862.21 | 1,698,357.00 |
| Fines and indemnities | 857,970.32 | 600,818.52 |
| Securities information disclosure fee | 392,164.56 | 663,685.00 |
| Total | 152,199,405.77 | 42,335,784.41 |

Note of cash paid with other operating activities concerned:

Nil

(3) Cash received with other investment activities concerned

RMB/CNY

| Item | Current Period | Last Period |
|---|----------------|----------------|
| Redemption of principal of financial products | 144,000,000.00 | 291,000,000.00 |

| | | |
|-------|----------------|----------------|
| Total | 144,000,000.00 | 291,000,000.00 |
|-------|----------------|----------------|

Note of cash received with other investment activities concerned

Nil

(4) Cash paid related with investment activities

RMB/CNY

| Item | Current Period | Last Period |
|-------------------------------|----------------|----------------|
| Purchasing financial products | 144,000,000.00 | 291,000,000.00 |
| Total | 144,000,000.00 | 291,000,000.00 |

Note of cash paid related with investment activities

Nil

39. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

RMB/CNY

| Supplementary information | This Period | Last Period |
|---|----------------|----------------|
| 1. Net profit adjusted to cash flow of operation activities: | -- | -- |
| Net profit | 3,295,022.72 | 974,409.39 |
| Add: Assets impairment provision | 700,496.64 | 1,421,786.71 |
| Depreciation of fixed assets, consumption of oil assets and depreciation of productive biology assets | 11,640,445.16 | 10,976,272.03 |
| Amortization of intangible assets | 1,491,626.63 | 1,493,850.03 |
| Amortization of long-term deferred expenses | 296,557.11 | 62,191.53 |
| Loss from disposal of fixed assets, intangible assets and other long-term assets(gain is listed with “-”) | -49,159.75 | -199,069.56 |
| Financial expenses (gain is listed with “-”) | 12,785,854.43 | 10,910,660.03 |
| Investment loss (income is listed with “-”) | -326,439.49 | -372,245.91 |
| Decrease of deferred income tax assets (increase is listed with “-”) | 98,687.60 | 1,744,307.31 |
| Decrease of inventory (increase is listed with “-”) | -2,586,887.73 | -14,098,698.22 |
| Decrease of operating receivable accounts (increase is listed with “-”) | -12,126,884.80 | 2,182,974.23 |

| | | |
|---|----------------|----------------|
| Increase of operating payable accounts (decrease is listed with “-”) | -37,113,778.18 | -3,373,183.21 |
| Net cash flow arising from operating activities | -21,894,459.66 | 11,723,254.36 |
| 2. Material investment and financing not involved in cash flow: | -- | -- |
| 3. Net change of cash and cash equivalents: | -- | -- |
| Balance of cash at period end | 27,961,209.60 | 66,240,945.59 |
| Less: Balance of cash at period-begin | 66,240,945.59 | 91,310,804.48 |
| Add: Balance of cash equivalent at period-end | | 15,234,028.71 |
| Less: Balance of cash equivalent at period-begin | 15,234,028.71 | 12,704,508.49 |
| Net increased amount of cash and cash equivalent | -53,513,764.70 | -22,540,338.67 |

(2) Constitution of cash and cash equivalent

RMB/CNY

| Item | Closing balance | Opening balance |
|--|-----------------|-----------------|
| I . Cash | 27,961,209.60 | 66,240,945.59 |
| Including: Cash on hand | 236,354.29 | 170,053.77 |
| Bank deposit available for payment at any time | 28,935,450.70 | 66,070,891.82 |
| II. Cash equivalent | | 15,234,028.71 |
| Note receivable due within three months | 23,317,491.64 | 15,234,028.71 |
| III. Balance of cash and cash equivalent at period-end | 27,961,209.60 | 81,474,974.30 |

Other explanation

Monetary fund at year-end-other monetary fund refers to the bank acceptance bond 4,936,525.28 Yuan, which is not belonging to the cash and cash equivalent. At end of the year, among the note receivable due within 3 months, the 11,151,688.25 Yuan are used for pledge, which is not belongs to cash and cash equivalent.

40. Assets with ownership or use right restricted

RMB/CNY

| Item | Ending Book value | Restriction reasons |
|--------------------------|-------------------|---|
| Monetary fund | 6,147,120.67 | Bank acceptance margin and Court frozen |
| Note receivable | 11,151,688.25 | Pledged |
| Fixed assets | 43,227,436.86 | Bank loan secured |
| Intangible assets | 36,957,101.76 | Bank loan secured |
| Account receivable | 14,860,475.10 | Pledged |
| Investment real estate | 26,374,703.70 | Bank loan secured |
| Disposal of fixed assets | 92,857,471.69 | Court closure |
| Total | 231,575,998.03 | -- |

Other explanation

Nil

41. Item of foreign currency**(1) Item of foreign currency**

RMB/CNY

| Item | Closing balance of foreign currency | Rate of conversion | Ending RMB balance converted |
|--------------------|-------------------------------------|--------------------|------------------------------|
| Monetary fund | -- | -- | |
| Including: USD | 292,887.69 | 6.8632 | 2,010,146.81 |
| Euro | | | |
| HKD | 32.66 | 0.8762 | 28.62 |
| | | | |
| Account receivable | -- | -- | |
| Including: USD | 6,423,629.78 | 6.8632 | 44,086,655.90 |
| Euro | | | |
| HKD | | | |
| | | | |
| Long-term loans | -- | -- | |
| Including: USD | | | |
| Euro | | | |
| HKD | | | |

| | | | |
|------------------|--------------|--------|---------------|
| Short-term loans | | | |
| Including: USD | 3,652,619.46 | 6.8632 | 25,068,657.88 |

Other explanation

Nil

(2) Explanation on foreign operational entity, including as for the major foreign operational entity, disclosed main operation place, book-keeping currency and basis for selection; if the book-keeping currency changed, explain reasons

Applicable Not applicable

42. Government subsidy

(1) Government subsidy

RMB/CNY

| Category | Amount | Item | Amount reckoned into current gains/losses |
|--|--------------|----------------------|---|
| Stabilization subsidy | 139,020.00 | Other income | 139,020.00 |
| Subsidy for R&D input | 785,000.00 | Other income | 785,000.00 |
| Subsidy for cultivating enterprise | 50,000.00 | Non-operating income | 50,000.00 |
| 2018 municipal foreign economic and trade funds | 271,800.00 | Non-operating income | 271,800.00 |
| Awards for enterprise development | 1,900,000.00 | Non-operating income | 1,900,000.00 |
| Subsidy for recognition of high-tech enterprise for 2018 | 50,000.00 | Non-operating income | 50,000.00 |
| Guiding funds for business development | 150,000.00 | Non-operating income | 150,000.00 |
| Subsidy for science & technology innovation platform in 2017 | 300,000.00 | Non-operating income | 300,000.00 |
| Central special fund for foreign trade and economic cooperation (promoting development of processing trade in the Midwest) in 2017 | 150,000.00 | Non-operating income | 150,000.00 |

(2) Refund of government subsidy

Applicable Not applicable

Other explanation

Nil

VIII. Equity in other entity

1. Equity in subsidiary

(1) Constitute of enterprise group

| Subsidiary | Main operation place | Registered place | Business nature | Share-holding ratio | | Acquired way |
|---------------------------|----------------------|------------------|---------------------|---------------------|------------|--------------------------|
| | | | | Directly | Indirectly | |
| HUAFa Lease Company | Shenzhen | Shenzhen | Property management | 60.00% | | Investment establishment |
| HUAFa Property Company | Shenzhen | Shenzhen | Property management | 100.00% | | Investment establishment |
| Hengfa Technology Company | Wuhan | Wuhan | Production sales | 100.00% | | Investment establishment |
| HUAFa Hengtian Company | Shenzhen | Shenzhen | Property management | 100.00% | | Investment establishment |
| HUAFa Hengtai Company | Shenzhen | Shenzhen | Property management | 100.00% | | Investment establishment |

Explanation on share-holding ratio in subsidiary different from ratio of voting right:

Nil

Basis for controlling the invested entity with half or below voting rights held and without controlling invested entity but with over half and over voting rights:

Nil

Major structured entity included in consolidate statement:

Nil

Basis of termination of agent or consignor:

Nil

Other explanation

Nil

(2) Important non-wholly-owned subsidiary

RMB/CNY

| Subsidiary | Share-holding ratio of minority | Gains/losses attributable to minority in the Period | Dividend announced to distribute for minority in the Period | Ending equity of minority |
|------------|---------------------------------|---|---|---------------------------|
|------------|---------------------------------|---|---|---------------------------|

Explanation on holding ratio different from the voting right ratio for minority shareholders:

Other explanation

(3) Main finance of the important non-wholly-owned subsidiary

RMB/CNY

| Subsidiary | Closing balance | | | | | | Opening balance | | | | | |
|------------|-----------------|--------------------|--------------|---------------------|-------------------------|-------------------|-----------------|--------------------|--------------|---------------------|-------------------------|-------------------|
| | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities | Current assets | Non-current assets | Total assets | Current liabilities | Non-current liabilities | Total liabilities |

RMB/CNY

| Subsidiary | Current Period | | | | Last Period | | | |
|------------|------------------|------------|----------------------------|-----------------------------------|------------------|------------|----------------------------|-----------------------------------|
| | Operating income | Net profit | Total comprehensive income | Cash flow from operation activity | Operating income | Net profit | Total comprehensive income | Cash flow from operation activity |

Other explanation

(4) Significant restrictions on the use of enterprise group assets and pay off debts of the enterprise group**(5) Financial or other supporting offers to the structured entity included in consolidated financial statement range**

Other explanation

IX. The risk associated with financial instruments

The Group's main financial instruments include loans, receivables, payable, tradable financial assets, trading financial liabilities, etc., please refer to the details of each financial instrument in Note 5. The risks associated with these financial instruments and the risk management policies adopted by the Group to reduce these risks are described below. The management of the Group manages and monitors these risk exposures to ensure that the above risks are controlled within the limits.

The objective of the Group's risk management is to strike a proper balance between risks and profits, minimize the negative impact of risks on the Group's operating results, and maximize the benefits of shareholders and other equity investors. Based on this risk management objectives, the Group's basic strategy for risk management is to

identify and analyze the risks faced by the Group, establish appropriate risk bottom lines and carry out risk management, and timely and reliably monitor the risks control them within the limits.

(1) Market risk

The market risk of financial instruments refers to the risk that the fair value or the future cash flows of financial instruments fluctuate due to the changes in market prices, including foreign exchange risk, interest rate risk and other price risk.

Exchange rate risk

The Group's exchange rate risk is mainly related to US dollars and Hong Kong dollars. Except the Group's second level subsidiary, Hengfa Technology Company's monitor business has day-to-day operations in US dollars; other principal business activities of the Group settle accounts in RMB. On December 31, 2018, except for the US dollar balance of assets and liabilities in below table and the sporadic Hong Kong dollar balance, the Group's assets and liabilities are all RMB balance. The exchange rate risk arising from the assets and liabilities of the US dollar, Hong Kong dollar balance may have an impact on the Group's operating results.

| Item | 2018-12-31(RMB conversion) | 2017-12-31(RMB conversion) |
|------------------------------|----------------------------|----------------------------|
| Monetary fund -USD | 2,010,146.81 | 20,398,620.22 |
| Monetary fund -HKD | 28.62 | 27.30 |
| Account receivable -USD | 44,086,655.90 | 54,313,199.17 |
| Account paid in advance -USD | 19,035,307.91 | 44,988.82 |
| Short-term loans -USD | 25,068,657.88 | 23,120,264.81 |

The Company eyes on the influence from variation of exchange

2) Interest rate risk

The interest rate risk of the Group arises from bank loans. The financial liabilities of floating interest rate make the Group face cash flow interest rate risk, and the financial liabilities of fixed rate make the Group face the interest rate risk of fair value. The Group determines the relative proportion of fixed rate and floating interest rate contracts based on the prevailing market environment. On December 31, 2018, the Group's interest-bearing debt was mainly the floating interest rate loan contract denominated in Renminbi and US dollars, amounting to RMB 161,568,657.88 (December 31, 2017: RMB 166,620,264.81).

The Group's risk of changes in the cash flow of financial instruments due to changes in interest rates is mainly related to the floating interest rate bank loans. The Group's policy is to maintain the floating interest rate of these loans so as to eliminate the fair value risk of the interest rate changes.

3) Price risk

The Group sells monitors and so on at market prices and is therefore affected by such price fluctuations.

(2) Credit risk

Credit risk refers to the risk that a party of the financial instrument does not fulfill its obligations and causes

property loss to another party. On December 31, 2017, the maximum credit risk exposure that may cause financial losses to the Group is mainly attributable to the failure of the other party to fulfill its obligations resulting in the losses of the Group's financial assets and the Group's financial guarantees, including:

The carrying amount of the financial assets recognized in the consolidated balance sheet; for the financial instruments measured at fair value, the book value reflects its risk exposures but not the maximum risk exposure, and its maximum risk exposure changes with the future changes in fair value.

In order to reduce the credit risk, the Group has set up a special department to determine the credit line, carry out the credit approval, and implement other monitoring procedures to take necessary measures to recover the overdue credit. In addition, the Group reviews the recovery of each individual receivable at every balance sheet date to accrue sufficient provision for bad debts of uncollectible funds. As a result, the Group's management believes that the Group's credit risk has been greatly reduced.

The Group's working capital is deposited in banks with higher credit ratings, so the credit risk of working capital is low.

The Group has adopted necessary policies to ensure that all customers have good credit records. In addition to the top five account receivables, the Group has no other significant credit risk.

The total amount of the top five account receivables is RMB 110,022,047.30.

(3) Liquidity risk

The liquidity risk is the risk that the Group is unable to fulfill its financial obligations on the due date. The Group's approach to manage liquidity risk is to ensure that there is sufficient financial liquidity to fulfill its due debts but not cause unacceptable losses or damages to the corporate reputation. The Group regularly analyzes the structure and duration of liabilities to ensure there are sufficient funds. The management of the Group monitors the use of bank loans and ensures the compliance with loan agreement, and conducts financing consultations with financial institutions in order to maintain a certain line of credit and reduce the liquidity risk.

The financial assets and financial liabilities held by the Group based on the maturity of the undiscounted outstanding contractual obligations are analyzed as follows

Amount on December 31, 2018

| Item | Within one year | 1-2 years | 2-3 years | Over three years | Total |
|--------------------------|-----------------|------------|------------|------------------|----------------|
| Financial assets | | | | | |
| Monetary fund | 34,108,330.27 | | | | 34,108,330.27 |
| Note receivable | 69,185,516.71 | | | | 69,185,516.71 |
| Account receivable | 116,793,835.05 | 2,401.38 | | 1,598.08 | 116,797,834.51 |
| Other account receivable | 4,687,849.69 | 149,331.39 | 848,718.00 | 91,280.00 | 5,777,179.08 |
| Account paid in advance | 37,608,672.06 | 94,000.00 | | | 37,702,672.06 |
| Financial liabilities | | | | | |

| | | | | | |
|-------------------------|----------------|---------------|--|--------------|----------------|
| Short-term loans | 161,568,657.88 | | | | 161,568,657.88 |
| Note payable | 27,642,356.66 | | | | 27,642,356.66 |
| Accounts payable | 55,040,816.37 | 12,178,883.48 | | 109,849.10 | 67,329,548.95 |
| Other account payable | 22,301,671.56 | | | 4,037,633.66 | 26,339,305.22 |
| Advance receivable | 139,961.60 | 19,567.00 | | | 159,528.60 |
| Employee salary payable | 4,700,208.36 | | | | 4,700,208.36 |

2. Sensitivity analysis

The Group uses the sensitivity analysis technique to analyze the possible impacts of the reasonable and possible changes in risk variable on the currents profit and losses or the owner's equity. Since any risk variable rarely changes in isolation, and the correlation among the variables has a significant effect on the final effect amount of a certain risk variable changes, and the following contents are on the assumption that the change in each variable is independent.

(1) Sensitivity analysis of foreign exchange risk

Sensitivity analysis of foreign exchange risk assumes that all overseas operating net investment hedges and cash flow hedges are highly effective.

On the basis of the above assumptions, in case that other variable don't change, the after-tax effect of the possible and reasonable changes in the exchange rate on the current profits and losses are as follows

| Item | Exchange rate fluctuation | 2018 | | 2017 | |
|----------------------|----------------------------|----------------------|--------------------------|----------------------|--------------------------|
| | | Impact on net profit | Impact on owner's equity | Impact on net profit | Impact on owner's equity |
| All foreign currency | 5% appreciation of the RMB | -2,003,174.07 | -2,003,174.07 | -2,581,828.54 | -2,581,828.54 |
| All foreign currency | 5% devaluuarion of the RMB | 2,003,174.07 | 2,003,174.07 | 2,581,828.54 | 2,581,828.54 |

X. Related party and related transactions

1. Parent company of the enterprise

十. Related party 及关联交易

1. 本企业的母 Company 情况

| Parent company | Registration place | Business nature | Registered capital | Share-holding ratio on the enterprise for | Voting right ratio on the enterprise |
|----------------|--------------------|-----------------|--------------------|---|--------------------------------------|
| | | | | | |

| | | | | parent company | |
|--|-------|---|---------------|----------------|--------|
| Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd | Wuhan | Production and sales, real estate development and sales, housing leasing and management | 34,500,000.00 | 41.21% | 41.21% |

Explanation on parent company of the enterprise

Nil

The ultimate control of the enterprise is Li Zhongqiu.

Other explanation

Nil

2. Subsidiary of the Enterprise

Found more in VIII. Equity in other entity in the Note

3. Other Related party

| Other Related party | Relationship with the Enterprise |
|---|---|
| Shenzhen Zhongheng Huafa Science and Technology Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Wuhan Hengsheng Yutian Industrial Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Wuhan Hengsheng Photo-electricity Industry Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Hong Kong Yutian International Investment Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Wuhan New Oriental Real Estate Development Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Wuhan Zhongheng Property Management Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Wuhan Optical Valley Display System Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Wuhan Yutian Xingye Property Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Wuhan Yutian Dongfang Property Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Wuhan Xiahua Zhongheng Electronics Co. Ltd. | Control by same controlling shareholder and ultimate controller |

| | |
|---|---|
| Wuhan Zhongheng Yutian Trading Co., Ltd | Control by same controlling shareholder and ultimate controller |
| Wuhan Yutian Hongguang Real Estate Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Shenzhen Zhongheng Huayu Investment Holding Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Yutian Investment Co., Ltd.(Famous Sky Capital Limited) | Control by same controlling shareholder and ultimate controller |
| Yutian International Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Hong Kong Zhongheng Yutian Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Shenzhen Yutian Henghua Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Shenzhen Zhongheng Yongye Technology Co., Ltd. | Control by same controlling shareholder and ultimate controller |
| Shenzhen Yutian Hengrui Co., Ltd. | Control by same controlling shareholder and ultimate controller |

Other explanation

Nil

4. Related transaction

(1) Goods purchasing, labor service providing and receiving

Goods purchasing/labor service receiving

RMB/CNY

| Related party | Content | Current Period | Trading limit approved | Whether over the approved limited or not (Y/N) | Last Period |
|--|-------------------------|----------------|------------------------|--|----------------|
| Hong Kong Yutian International Investment Co., Ltd. | Purchasing LCD monitors | 127,867,957.79 | 308,844,000.00 | No | 209,991,225.25 |
| Wuhan Hengsheng Photo-electricity Industry Co., Ltd. | Purchasing LCD monitors | 73,806,587.19 | 240,212,000.00 | No | 105,013,206.11 |
| Wuhan | Purchase LCD | 33,635,380.66 | 171,580,000.00 | No | |

| | | | | | |
|--|--|--|--|--|--|
| Hengsheng Photo-electricity Industry Co., Ltd. | | | | | |
|--|--|--|--|--|--|

Goods sold/labor service providing

RMB/CNY

| Related party | Content | Current Period | Last Period |
|--|--------------|----------------|----------------|
| Hong Kong Yutian International Investment Co., Ltd. | Sales of LCD | 99,679,782.04 | 211,214,811.44 |
| Wuhan Hengsheng Photo-electricity Industry Co., Ltd. | Sales of LCD | 20,704,025.95 | 3,708,212.13 |
| Wuhan Zhongheng Yutian Trading Co., Ltd | Sales of LCD | 92,116.00 | 0.00 |

Explanation on goods purchasing, labor service providing and receiving

Nil

(2) Related guarantee

As the guarantor

RMB/CNY

| Secured party | Amount guarantee | Start | End | Completed or not (Y/N) |
|------------------------------|------------------|------------|------------|---------------------------|
| Hengfa Technology Company | 36,000,000.00 | 2018-04-20 | 2022-04-20 | No |
| Hengfa Technology Company | 50,000,000.00 | 2017-11-21 | 2018-11-21 | No |

As the secured party

RMB/CNY

| Guarantor | Amount guarantee | Start | End | Completed or not (Y/N) |
|-----------|------------------|-------|-----|---------------------------|
| | | | | |

Explanation on related guarantee

Nil

(3) Remuneration of key manager

RMB/CNY

| Item | Current Period | Last Period |
|-------|----------------|--------------|
| Total | 1,056,077.00 | 1,143,000.00 |

5. Receivable/payable items of related parties

(1) Receivable

RMB/CNY

| Item | Related party | Closing balance | | Opening balance | |
|--------------------|--|-----------------|--------------------|-----------------|--------------------|
| | | Book balance | Bad debt provision | Book balance | Bad debt provision |
| Account receivable | Hong Kong Yutian International Investment Co., Ltd. | 36,750,397.49 | | 44,436,775.47 | |
| Account receivable | Wuhan Hengsheng Photo-electricity Industry Co., Ltd. | 2,591,229.44 | | | |
| Prepayments | Hong Kong Yutian International Investment Co., Ltd. | 17,120,874.77 | | 44,988.82 | |
| Prepayments | Wuhan Hengsheng Photo-electricity Industry Co., Ltd. | 8,294,072.28 | | | |

(2) Payable

RMB/CNY

| Item | Related party | Ending book balance | Opening book balance |
|------------------|--|---------------------|----------------------|
| Accounts payable | Wuhan Hengsheng Photo-electricity Industry Co., Ltd. | | 4,333,021.63 |

6. Commitments of related party

In line with the claim of application for arbitration from Shenzhen Vanke, Shen HUAFA and Wuhan Zhongheng paid and money together. As the commitment letter to Shen HUAFA from Wuhan Zhongheng Group, if the Vanke wins, the losses from disputes arising by contract will bear by Wuhan Zhongheng Group in full.

XI. Commitment or contingency

1. Important commitment

Important commitment on balance sheet date

As of the balance sheet date, the irrepealable operating lease contract signed by the Company are as:

The Company entered into a house leasing contract with Wuwu Branch of Shenzhen Dacong Industrial Co., Ltd., term of the leasing period from 18 August 2015 to 17 August 2020

| Minimum leasing payment for irrepealable operating lease contract | Minimum leasing payment |
|---|-------------------------|
| First year after balance sheet date | 3,847,599.84 |
| Second year after balance sheet date | 2,426,125.45 |
| Total | 6,273,725.29 |

2. Contingency

(1) Contingency on balance sheet date

1. Arbitration case of legal service contract dispute with V&T (Shenzhen) Law Firm

On March 12, 2018, the company received the arbitration notice No. SHEN DX20180087 from Shenzhen Court of International Arbitration, V&T (Shenzhen) Law Firm requested to make a ruling that the Company and Wuhan Zhongheng pay the delinquent lawyer's fees of RMB 19,402,000 and the liquidated damages (The liquidated damages shall take five ten-thousandths of a day as a standard based on RMB 19,402,000 from August 24, 2017 to the date of payment of the above-mentioned lawyer's fees, and the liquidated damages up to February 12, 2018 was RMB 1,678,273.00). The company should bear all the arbitration fees for this case.

The company has entrusted lawyers to respond to the lawsuit and file a counterclaim against V&T Law Firm. The company filed a countersuit against V&T Law Firm that V&T Law Firm seriously violated the obligations of the Entrusted Agency Contract and the Supplementary Agreement of the Entrusted Agency Contract, failed to fulfill the contractual obligations, failed to fulfill the duty of diligence and responsibility and failed to safeguard the legitimate rights and interests of the principal. And the lawyer's fees are far higher than the government guidance price of the Shenzhen lawyer service. It is requested to return the prepaid 2.5 million lawyers' fees, terminate the Entrusted Agency Contract and the Supplementary Agreement of the Entrusted Agency Contract previously signed with V&T Law Firm, and bear the lawyers' fees of 100,000 Yuan for this counterclaim. No notice for court hearing presently.

2. Other pending lawsuit

| Litigious party | Types of litigation, times and explanation | Cause of action | Case No. | Amount object | Note |
|--|---|-------------------------------------|---|--|------|
| Defendant: Yidaxin Technology Co., Ltd. | The Machinery equipment of Yidaxin with over 2 million yuan have been preserved. At present, the court did not confirm the date for hearing | Dispute of subrogation of creditors | 2018 Yue 0306 MC No.: 25093 | Litigation amount: about 2.03 million yuan | |
| Defendant: Shenzhen Huayongxing Environmental Technology Co., Ltd. | ----2016.03.23 (Pepole's Court of Baoan District, Shenzhen) accept the case; (Pepole's Court of Baoan District, | Dispute over leasing contracts | 2016 Yue 0306 MC No.: 6180; 2017 Yue 03 MZ No.: 17070 | Litigation amount: 9,472,600 yuan | |

| | | | | | |
|--|--|--|--|--------------------------------------|--|
| Shenzhen Yidaxin Technology Co., Ltd. | Shenzhen) Application for bank account preservation of 8 million Yuan (in payment) ; ----2017.3.20 Opening a trial; ----2017.11.19 Second instance hearing; ----Winning the lawsuits and it is being enforced | | | | |
| Defendant: Shenzhen Huayongxing Environmental Technology Co., Ltd., Shenzhen Guangyong Breadboard Co., Ltd., Shenzhen Mingyi Electric Co., Ltd., Shenzhen Ouruilai Technology Co., Ltd. and Shenzhen Kangzhengxin Technology Co., Ltd. | ----2016.03.24(People's Court of Baoan District, Shenzhen) accept the case; ----2016.04.11(People's Court of Baoan District, Shenzhen) Application for bank account preservation of 17 million Yuan ; ----2017.3.20 Opening a trial; The second trial has been decided, the Company wins the lawsuit and is applying for enforcement | Dispute over leasing contracts | 2016 Yue 0306 MC No. 6229; 2018 Yue 03 MZ No. 3009 | Litigation amount: 19,649,200 yuan | |
| Company Plaintiff: Shenzhen Huayongxing Environmental Technology Co., Ltd | ----2018.10.29 Open a trial; ----2018.11.26 The first trial has been decided, and judging our company paying 3.12 million yuan to Huayongxing Company; ----2018.12.19Appealed on second instance, not open a court session temporary | Contract dispute | 2018 Yue 0306 MC No.: 18488 | Litigation amount: 4.87 million yuan | |
| Plaintiff: Liang Donghua, Li Yao and Feng Jianhua | Open a trial on 19 December, in settlement | Dispute over false statement of securities | 2018 Yue 03 MC No. 918-920 | Amount litigation: 400,000 yuan | |

(2) For the important contingency not necessary to disclosed by the Company, explained reasons

The Company has no important contingency that need to disclosed

XII. Other important events

1. Other

(i) concerning the ruling of Southern International Arbitration Shen [2017] No. D376 from Southern China International Economic & Trade Arbitration Commission, the Company applying for cancelling the ruling

(1) Arbitration

In August 2015, Shenzhen HUAFA and Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as "Wuhan Zhongheng") signed the "Cooperation Agreement on Urban Renewal Project of Update Units at Huafa Industrial Park, Gongming Street, Guangming New District, Shenzhen". As Shenzhen HUAFA and Wuhan Zhongheng planned to cooperate with Shenzhen Vanke Real Estate CO., Ltd. (hereinafter referred to as "Shenzhen Vanke") on the Huafa urban renewal project (hereinafter referred to as "Huafa Renovation Project) at Gongming Street, Guangming New District, Shenzhen, both parties appointed that Shenzhen HUAFA entrusted Wuhan Zhongheng to represent it in this cooperation, and established project company - Shenzhen Vanke Guangming Real Estate Co., Ltd. (hereinafter referred to as "Vanke Guangming") as the subject of project implementation with Shenzhen Vanke; Vanke Guangming signed "Demolition Compensation Agreement" with Shenzhen HUAFA and Wuhan Zhongheng, and paid the compensation for demolition.

On August 21, 2015, Shenzhen HUAFA, Wuhan Zhongheng and Shenzhen Vanke signed the "Cooperative Operation Contract of Renovation Project at Huafa Industrial Park, Gongming Street, Guangming New District" (hereinafter referred to as "Cooperative Operation Contract"), the contract refined and appointed the cooperation model and operating steps of both sides. And then Shenzhen HUAFA, Wuhan Zhongheng and Shenzhen Vanke signed the "Agreement on the Housing Acquisition and Removal Compensation and Settlement". After signing the above agreement, Shenzhen Vanke paid the cooperation price of 600 million Yuan to Wuhan Zhongheng through Vanke Guangming.

In September 2016, Shenzhen Vanke filed an arbitration to South China International Economic and Trade Arbitration Commission (hereinafter referred to as "South China Arbitration") as Shenzhen HUAFA and Wuhan Zhongheng violated the appointment of "Cooperative Operation Contract" and handled the "Confirmation of Subject of Reconstruction Implementation" at an overdue time, and required Shenzhen HUAFA and Wuhan Zhongheng to pay liquidated damages and attorneys' fees of RMB 464.60 million.

While filing the arbitration, Shenzhen Vanke also applied for property preservation of 400 million Yuan of property under the name of Shenzhen Huafa and Wuhan Zhongheng to Shenzhen Intermediate People's Court. According to the ruling of Shenzhen Intermediate People's Court and "Notification of Sealing up, Seizing and Freezing Assets" (The reference numbers are (2016) Yue 03 Cai Bao No. 51, (2016) Yue 03 Cai Bao No. 53), the 27 house properties (Note: the property within the scope of Huafa renovation project) under the name of Shenzhen HUAFA and 116,489,894 shares (Note: of which 116,100,000 shares have been pledged) of Shenzhen HUAFA stock held by Wuhan Zhongheng were frozen.

(2) Progress of arbitration

On November 12, 2016, the arbitration court held a hearing on this case.

In December 2016, Wuhan Zhongheng to Shenzhen HUAFA issued a "Commitment Letter" which included that if the arbitration (Note: the case) ruled in favor of Shenzhen Vanke, the loss of arbitration caused by the contract disputes should be fully assumed by our company. In the above contingent losses, if the judicial decision ruled your company to pay the compensation in advance, our company promised to pay your company in cash within one month, if our company could not pay on time due to uncontrollable factors, our company would like to pay the corresponding interest according to the benchmark interest rate of bank loans in the corresponding period. Because the plots in the renovation project placed in our company hadn't been applied for transfer procedures and were still under your company's name (Note: based on the "Asset Replacement Contract" signed by Wuhan Zhongheng and Shenzhen HUAFA on April 29, 2009), therefore, there was no risk of compliance, at the same time, our company promised to give priority to paying the above compensation with the compensation for demolition of renovation project.

On March 14, 2017, Shenzhen HUAFA received the "Decision of Arbitrator not Granting Avoiding" issued by South China Arbitration, which rejected the application for avoiding of chief arbitrator proposed by Shenzhen Vanke. On March 15, 2017, Shenzhen HUAFA received the "Letter About the Resignation of the Chief Arbitrator of No. SHEN DP20160334 Case" signed by the chief arbitrator and forwarded by South China Arbitration. On March 20, 2017, Shenzhen HUAFA received the "Letter About the Resignation of the Arbitrator of No. SHEN DP20160334 Case" forwarded by South China Arbitration, the arbitrator selected by Shenzhen Vanke said to resign from the arbitrator of this case due to physical reasons.

The deadline for giving a ruling to this case was originally scheduled on February 12, 2017. According to the “Decision of Adjourning the Ruling” issued by South China Arbitration on February 10, 2017, the deadline for giving a ruling to this case shall be prolonged to May 12, 2017. Due to the changes in the members of above arbitration court, this case needs South China Arbitration to reassign the chief arbitrator and Shenzhen Vanke to reselect the arbitrators. According to the provisions of article 32 of the Arbitration Rules of South China Arbitration, after constituting the new arbitration court, it shall decide whether all or part of the hearing procedures that have been carried out before need to be reopened; if the arbitration court decides to reopen all hearing procedures, then the deadline for giving a ruling shall be calculated from the date that the arbitration court decides to reopen the hearing procedures.

On August 16, 2017, South China International Economic and Trade Arbitration Commission made the “Arbitral Award” SCIA [2017] D376, according to the arbitral award, the applicant and counterclaim respondent in arbitration case SCIA [2017] D376 were Shenzhen Vanke Real Estate Co., Ltd. (hereinafter referred to as “Applicant” and “Vanke”). The first respondent and the first applicant for counterclaim were Wuhan Zhongheng New Technology Industry Group Co., Ltd. (hereinafter referred to as “Wuhan Zhongheng” and “First Respondent”). The second respondent and the second applicant for counterclaim were Zhongheng Huafa. The award results were as follows:

- ① The first respondent and the second respondent pay liquidated damages to the applicant with a base number of RMB 600 million, calculating by the annual interest rate of 36% from October 1, 2015 to November 11, 2016;
- ② The first respondent and the second respondent pay the lawyer fees of RMB 1.4 million to the applicant due to the case;
- ③ The first respondent and the second respondent pay the property preservation fees of RMB 10,000 to the applicant;
- ④ The arbitration fees for this request and case was RMB 3,101,515.00, the first respondent and the second respondent should bear 70%, i.e. RMB 2,171,060.50, and the applicant should bear 30%, i.e. RMB 930,454.50. The applicant had already paid the arbitration fees in full amount for this request which could be used as the arbitration fees of this case and request and shall not be refunded. The first respondent and the second respondent should directly pay RMB 2,171,060.50 to the applicant;

The arbitration fee of counterclaim in this case was RMB 76,050 which was undertaken by the first respondent and the second respondent at their own expense. The first respondent and the second respondent paid the arbitration fees in full amount for this request which could be used as the arbitration fees of this case and request and shall not be refunded;

The actual expenses of the arbitrators in this case amounted to RMB 7,754.90, the first respondent and the second respondent assumed 70%, i.e. RMB 5,428.43, and the applicant assumed 30%, i.e. RMB 2,326.47; the above actual expenses of the arbitrators had been paid by the Commission, so the first respondent and the second respondent and the applicant should directly pay RMB 5,428.43 and RMB 2,326.47 respectively to the Commission;

- ⑤ Reject the applicant’s other arbitration requests;
- ⑥ Reject the arbitration counterclaims of the first respondent and the second respondent.

In summary, Wuhan Zhongheng and Shenzhen Huafa should pay liquidated damages, interest, lawyer fees, property preservation fees, and arbitration fees for this request to Vanke and pay actual expenses of the arbitrators in this case and pay the actual expenses incurred by the arbitrators in this case to South China International Economic and Trade Arbitration Commission.

(3) The response of the company’s management and the identification of the event

The company engaged lawyers to make an independent investigation and judgment on the event, and issued special legal opinion that the reasons of Wuhan Zhongheng resulted in a failure of a net handover, the corresponding urban renewal functional department could not issue the corresponding demolition documents, which in turn made the project company fail to be confirmed as the subject

of implementation, and finally and directly made the subject of implementation fail to get the “Land Value Payment Notification” and sign the “Land Use Rights Transfer Contract”. Therefore, Wuhan Zhongheng should bear all responsibilities for faults in response to the breach of contract. Wuhan Zhongheng issued the Commitment Letter in December 2016, pledged that if the arbitration judged Vanke to win the case, Wuhan Zhongheng should bear all arbitration losses caused by the contract dispute; after the award came into effect, Wuhan Zhongheng issued the Confirmation Letter again on November 23, 2017 to divide the duty of performance of the award; the independent directors of the company issued independent opinions after careful study that Wuhan Zhongheng should bear the arbitration losses in full; the management of the company also made an investigation and affirmed that Wuhan Zhongheng should bear all liability for satisfaction on the Award HNGZSC [2017] D376, and the award amount should be paid by Wuhan Zhongheng in full. The company has filed an application for revoking the Award HNGZSC [2017] D376 to Shenzhen Intermediate People’s Court, and rejected by Shenzhen Intermediate People’s Court,

XIII. Principle notes of financial statements of parent company

1. Note receivable and account receivable

RMB/CNY

| Item | Closing balance | | | | Opening balance | | | |
|------|-----------------|--|--|--|-----------------|--|--|--|
|------|-----------------|--|--|--|-----------------|--|--|--|

(1) Account receivable

1) Category of account receivable

RMB/CNY

| Category | Closing balance | | | | | Opening balance | | | | |
|--|-----------------|---------|--------------------|---------------|------------|-----------------|---------|--------------------|---------------|------------|
| | Book balance | | Bad debt provision | | Book value | Book balance | | Bad debt provision | | Book value |
| | Amount | Ratio | Amount | Accrual ratio | | Amount | Ratio | Amount | Accrual ratio | |
| Account receivable with single significant amount and withdrawal bad debt provision separately | 5,000,988.97 | 48.58% | 5,000,988.97 | 100.00% | | 5,000,988.97 | 48.58% | 5,000,988.97 | 100.00% | |
| Account receivable with single minor amount but withdrawal bad debt provision individually | 5,292,435.32 | 51.42% | 5,292,435.32 | 100.00% | | 5,292,435.32 | 51.42% | 5,292,435.32 | 100.00% | |
| Total | 10,293,424.29 | 100.00% | 10,293,424.29 | | | 10,293,424.29 | 100.00% | 10,293,424.29 | | |

| | | | | | | | | | | | |
|--|--|--|--|--|--|--|-----|--|--|--|--|
| | | | | | | | .29 | | | | |
|--|--|--|--|--|--|--|-----|--|--|--|--|

Account receivable with major single amount and withdrawal bad debt provision single at period-end

Applicable Not applicable

RMB/CNY

| Account receivable (by unit) | Closing balance | | | |
|--|--------------------|--------------------|---------------|----------------|
| | Account receivable | Bad debt provision | Accrual ratio | Accrual causes |
| Hong Kong Haowei Industry Co. Ltd. | 1,870,887.18 | 1,870,887.18 | | 100.00 |
| TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD. | 1,325,431.75 | 1,325,431.75 | | 100.00 |
| Qingdao Haier Parts Procurement Co., Ltd. | 1,225,326.15 | 1,225,326.15 | | 100.00 |
| SKYWORTH Multimedia (Shenzhen) Co., Ltd. | 579,343.89 | 579,343.89 | | 100.00 |
| Total | 5,000,988.97 | 5,000,988.97 | -- | -- |

Account receivable with bad debt provision withdrawal by method of account age in portfolio

Applicable Not applicable

Withdrawal proportion of bad debt provision based on balance proportion for account receivable in portfolio:

Applicable Not applicable

Withdrawing bad debt provision for account receivable by other methods in portfolio:

Accounts with single significant amount and bad debts provision accrued individually at period-end

| Debtor | Book balance | Bad debt amount | Accrual ratio(%) | Accrual causes |
|--|--------------|-----------------|------------------|----------------|
| Shenzhen Huixin Video Technology Co., Ltd. | 381,168.96 | 381,168.96 | 100.00 | Uncollectible |
| Shenzhen Wandelai Digital Technology Co., Ltd. | 351,813.70 | 351,813.70 | 100.00 | Uncollectible |
| Shenzhen Dalong Electronic Co., Ltd. | 344,700.00 | 344,700.00 | 100.00 | Uncollectible |
| Shenzhen Keya Electronic Co., Ltd. | 332,337.76 | 332,337.76 | 100.00 | Uncollectible |
| Shenzhen Qunping Electronic Co., Ltd. | 304,542.95 | 304,542.95 | 100.00 | Uncollectible |
| China Galaxy Electronics (Hong Kong) Co., Ltd. | 288,261.17 | 288,261.17 | 100.00 | Uncollectible |
| Dongguan Weite Electronic Co., Ltd. | 274,399.80 | 274,399.80 | 100.00 | Uncollectible |
| Hong Kong New Century Electronics Co., Ltd. | 207,409.40 | 207,409.40 | 100.00 | Uncollectible |
| Shenyang Beitai Electronic Co., Ltd. | 203,304.02 | 203,304.02 | 100.00 | Uncollectible |

| | | | | |
|--|--------------|--------------|--------|---------------|
| Beijing Xinfang Weiye Technology Co., Ltd. | 193,000.00 | 193,000.00 | 100.00 | Uncollectible |
| TCL Electronics (Hong Kong) Co., Ltd. | 145,087.14 | 145,087.14 | 100.00 | Uncollectible |
| Huizhou TCL Xinte Electronics Co., Ltd. | 142,707.14 | 142,707.14 | 100.00 | Uncollectible |
| SkyWorth – RGB Electronic Co., Ltd. | 133,485.83 | 133,485.83 | 100.00 | Uncollectible |
| Other | 1,990,217.45 | 1,990,217.45 | 100.00 | Uncollectible |
| Total | 5,292,435.32 | 5,292,435.32 | — | — |

2)Top five receivables collected by arrears party at ending balance

| Company | Closing balance | Proportion of total accounts receivable(%) | Balance of bad debt provision |
|--|-----------------|--|-------------------------------|
| Hong Kong Haowei Industry Co. Ltd. | 1,870,887.18 | 18.18 | 1,870,887.18 |
| TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD. | 1,325,431.75 | 12.88 | 1,325,431.75 |
| Qingdao Haier Parts Procurement Co., Ltd. | 1,225,326.15 | 11.90 | 1,225,326.15 |
| SKYWORTH Multimedia (Shenzhen) Co., Ltd. | 579,343.89 | 5.63 | 579,343.89 |
| Shenzhen Huixin Video Technology Co., Ltd. | 381,168.96 | 3.70 | 381,168.96 |
| Total | 5,382,157.93 | 52.29 | 5,382,157.93 |

2. Other account receivable

RMB/CNY

| Item | Closing balance | Opening balance |
|--------------------------|-----------------|-----------------|
| Other account receivable | 99,155,253.08 | 99,922,143.84 |
| Total | 99,155,253.08 | 99,922,143.84 |

(1) Other account receivable

1) Category of other account receivable

RMB/CNY

| Category | Closing balance | | | | Opening balance | | | | Book value | |
|----------|-----------------|-------|--------------------|---------|-----------------|--------------|-------|--------------------|------------|--|
| | Book balance | | Bad debt provision | | Book value | Book balance | | Bad debt provision | | |
| | Amoun | Ratio | Amoun | Accrual | | Amo | Ratio | Amount | Accrual | |
| | | | | | | | | | | |

| | t | | t | l ratio | | unt | | | ratio | |
|--|----------------|---------|---------------|----------|---------------|----------------|---------|---------------|---------|---------------|
| Other account receivable with single significant amount and withdrawal bad debt provision separately | 11,590,909.86 | 9.80% | 11,590,909.86 | 100.00 % | | 11,281,461.86 | 9.48% | 11,281,461.86 | 100.00% | |
| Other account receivable with bad debt provision accrual by portfolio | 99,158,389.91 | 83.88 % | 3,136.83 | | 99,155,253.08 | 100,024,243.84 | 84.02 % | 102,100.00 | 4.47% | 99,922,143.84 |
| Other account receivable with single minor amount but withdrawal bad debt provision individually | 7,475,741.64 | 6.32% | 7,475,741.64 | 100.00 % | | 7,736,789.76 | 6.50% | 7,736,789.76 | 100.00% | |
| Total | 118,225,041.41 | | 19,069,788.33 | | 99,155,253.08 | 119,042,495.46 | | 19,120,351.62 | | 99,922,143.84 |

Other account receivable with major single amount and withdrawal bad debt provision single at period-end:

✓ Applicable Not applicable

RMB/CNY

| Other account receivable (by unit) | Closing balance | | | |
|---|--------------------------|--------------------|---------------|----------------|
| | Other account receivable | Bad debt provision | Accrual ratio | Accrual causes |
| Shenzhen Huafa Property Leasing Co., Ltd. | 4,558,859.15 | 4,558,859.15 | 100.00% | Uncollectible |
| Portman | 4,021,734.22 | 4,021,734.22 | 100.00% | Uncollectible |
| Shenzhen Jifang Investment Co., Ltd | 1,380,608.00 | 1,380,608.00 | 100.00% | Uncollectible |
| Traffic accident compensation | 555,785.81 | 555,785.81 | 100.00% | Uncollectible |
| Zhao Baomin | 553,901.68 | 553,901.68 | 100.00% | Uncollectible |
| Hebei Botou Court | 520,021.00 | 520,021.00 | 100.00% | Uncollectible |
| Total | 11,590,909.86 | 11,590,909.86 | -- | -- |

Other account receivable with bad debt provision withdrawal by age analysis in portfolio:

Applicable Not applicable

RMB/CNY

| Account ages | Closing balance | | |
|-----------------------------|--------------------------|--------------------|---------------|
| | Other account receivable | Bad debt provision | Accrual ratio |
| Sub-item of within one year | | | |
| Subtotal of within one year | 820,172.10 | | |
| 1-2 years | 62,736.54 | 3,163.83 | 5.00% |
| Total | 882,908.64 | 3,136.83 | |

Explanation on portfolio basis:

Nil

Withdrawing bad debt provision based on balance proportion for other account receivable in portfolio

Applicable Not applicable

Withdrawing bad debt provision based on other methods for other account receivable in portfolio

Applicable Not applicable

Other account receivable with single minor amount but withdrawal single item bad debt provision at period-end

| Debtor | Book balance | Bad debt amount | Accrual ratio(%) | Accrual causes |
|--------------------------------------|--------------|-----------------|------------------|----------------|
| Electricity fee in Gongming canteen | 489,214.70 | 489,214.70 | 100.00 | Uncollectible |
| Jiantao (Fogang) Laminates Co., Ltd. | 465,528.10 | 465,528.10 | 100.00 | Uncollectible |
| 工会 | 72,402.55 | 72,402.55 | 100.00 | Uncollectible |
| Lu Wei | 290,000.00 | 290,000.00 | 100.00 | Uncollectible |
| 4/F hotele Daiqiangbo | 354,569.00 | 354,569.00 | 100.00 | Uncollectible |
| Chuangjing | 192,794.00 | 192,794.00 | 100.00 | Uncollectible |
| Shenzhen Mingli Co., Ltd. | 170,394.84 | 170,394.84 | 100.00 | Uncollectible |
| Other units | 5,440,838.45 | 5,440,838.45 | 100.00 | Uncollectible |
| Total | 7,475,741.64 | 7,475,741.64 | — | — |

2)Bad debt provision accrual, switch-back or taken back in the period

Bad debt provision accrual was 954,905.54 Yuan; the amount collected or switches back amounting to 0.00 Yuan.

Including major amount of bad debt provision that switch-back or taken back in the Period:

RMB/CNY

| Company | Amount switch-back or taken back | Collection way |
|---------|----------------------------------|----------------|
| Nil | | |

3)Nature of other account receivable

RMB/CNY

| Nature | Ending book balance | Opening book balance |
|--------------------|-----------------------|-----------------------|
| Margin and deposit | 720,065.04 | 720,065.04 |
| Borrow money | 1,960,013.76 | 2,013,402.14 |
| Intercourse funds | 108,761,355.74 | 110,451,250.82 |
| Rent receivable | 6,317,469.46 | 5,857,777.46 |
| Other | 466,137.41 | |
| Total | 118,225,041.41 | 119,042,495.46 |

4)Top 5 other receivables collected by arrears party at ending balance

RMB/CNY

| Company | Nature | Closing balance | Account ages | Proportion in total other receivables at year-end | Closing balance of bad debt provision |
|--|-----------------------|-----------------------|------------------|---|---------------------------------------|
| Wuhan Hengfa Technology Co., Ltd. | Intercourse funds | 94,914,929.62 | Within one year | 80.41% | |
| Shenzhen Huafa Property Leasing Co., Ltd. | Intercourse funds | 4,558,859.15 | Over 5 years | 3.86% | 4,558,859.15 |
| Portman | Rental fee receivable | 4,021,734.22 | Over 5 years | 3.41% | 4,021,734.22 |
| Shenzhen Zhongheng HUAFA Property Co., Ltd | Intercourse funds | 2,621,868.61 | Within one year | 2.22% | |
| Shenzhen Jifang Investment Co., Ltd | Rental fee receivable | 1,380,608.00 | Within two years | 1.17% | 1,380,608.00 |
| Total | -- | 107,497,999.60 | -- | 91.07% | 9,961,201.37 |

3. Long-term equity investment

RMB/CNY

| Item | Closing balance | | | Opening balance | | |
|---------------------------|-----------------------|----------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | Book balance | Impairment provision | Book value | Book balance | Impairment provision | Book value |
| Investment for subsidiary | 187,208,900.00 | 600,000.00 | 186,608,900.00 | 187,208,900.00 | 600,000.00 | 186,608,900.00 |
| Total | 187,208,900.00 | 600,000.00 | 186,608,900.00 | 187,208,900.00 | 600,000.00 | 186,608,900.00 |

(1) Investment for subsidiary

RMB/CNY

| The invested entity | Opening balance | Increase during the period | Decrease during this period | Closing balance | Current accrual of impairment provision | Closing balance of impairment provision |
|---------------------------|-----------------|----------------------------|-----------------------------|-----------------|---|---|
| HUAFa Lease Company | 600,000.00 | | | 600,000.00 | | 600,000.00 |
| HUAFa Property Company | 1,000,000.00 | | | 1,000,000.00 | | |
| Hengfa Technology Company | 183,608,900.00 | | | 183,608,900.00 | | |
| HUAFa Hengtian Company | 1,000,000.00 | | | 1,000,000.00 | | |
| HUAFa Hengtai Company | 1,000,000.00 | | | 1,000,000.00 | | |
| Total | 187,208,900.00 | | | 187,208,900.00 | | 600,000.00 |

4. Operating income and cost

RMB/CNY

| Item | Current Period | | Last Period | |
|----------------|----------------|--------------|---------------|--------------|
| | Income | Cost | Income | Cost |
| Other business | 36,771,309.00 | 5,902,505.91 | 41,156,307.77 | 5,877,729.00 |
| Total | 36,771,309.00 | 5,902,505.91 | 41,156,307.77 | 5,877,729.00 |

Other explanation

Nil

XIV. Supplementary Information**1. Current non-recurring gains/losses**

√ Applicable □ Not applicable

RMB/CNY

| Item | Amount | Note |
|---|-----------|------|
| Gains/losses from the disposal of non-current asset | 49,159.75 | |

| | | |
|---|---------------------|-----------|
| Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are closely relevant to enterprise's business) | 3,795,820.00 | |
| Gain/loss of entrusted investment or assets management | 326,439.49 | |
| Other non-operating income and expenditure except for the aforementioned items | -167,795.70 | |
| Accrual liability reversal | | |
| Loss on assignment of claims | -2,158,200.00 | |
| Less: Impact on income tax | 85,444.47 | |
| Total | 1,759,979.07 | -- |

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

2. REO and earnings per share

| Profits during report period | Weighted average ROE | Earnings per share | |
|--|----------------------|-------------------------------------|---------------------------------------|
| | | Basic earnings per share(RMB/Share) | Diluted earnings per share(RMB/Share) |
| Net profits belong to common stock stockholders of the Company | 1.02% | 0.0116 | 0.0116 |
| Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses | 0.48% | 0.0054 | 0.0054 |

Section XII. Documents available for reference

- I. Text of the Annual Report carrying signature of the Chairman;
- II. Financial statement carrying the signatures and seals of the person in charge of the Company, principal of the accounting works and person in charge of accounting organ;
- III. All documents of the Company and manuscripts of public notices that disclosed in the China Securities journal, Securities Times and Hong Kong Commercial Daily designated by CSRC in the report period;
- IV. Article of Association
- V. Other relevant files.