

SHENZHEN ZHONGHENG HUAFU 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 charger 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.

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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 Company		
Short form of the Company (in Chinese)	深华发		
Foreign name of the Company (if applicable)	SHENZHEN ZHONGHENG HUAFA 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 HUAFA 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 HUAFA 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, polyton (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.

- Polyton 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) Constituent 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/decrease
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		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(+,-) 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/decrease(+,-) 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 throughou t 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 Zhonghe ng 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.	2016-12-2 0	Implemen ted since 20 December 2016	In normal implementi ng
	Wuhan Zhonghe ng 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	2017-11-2 0	In 6 months since the date of notificatio n	Ended as the reporting period, the promises during performanc e period has not been implemente d yet
	Wuhan Zhonghe ng Group		Promise to increasing shares of holding as 2.8 million shares of A-stock at least in 6 months since the letter delivery	2017-11-2 8	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?announceTime=2018-02-09 ; http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1205326846&announcementTime=2018-08-25
In March 2016, HUAFA 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?announceTime=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 07:41

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							
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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 share holder	Purchase	Purchasing LCD monitors	Synchronized with the market	12,786.8	12,786.8	57.38%	30,884.4	N	Telegaphic transfer	--	2018-04-24	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1204699541&announcementTime=2018-04-24
Hengsheng Photo-electricity	Sharing the same controlling share holder	Purchase	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	Telegaphic transfer	The average market price refers to the price of same specifications which is searched	2018-04-24	http://www.cninfo.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 Photo-electricity	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	Telegraphic transfer	--	2018-04-24	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1204699541&announcementTitle=

													me=2018-04-24
HK Yutian	Sharing the same controlling 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	Telegraphic transfer	--	2018-04-24	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1204699541&announcementTime=2018-04-24
Total				--	--	33,498.98	--	113,242.8	--	--	--	--	--
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	ement disclosur e 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

In Share

	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	283,161,227	100.00%
1. RMB Ordinary shares	181,165,391	63.98%	0	0	0	0	0	181,165,391	63.98%
2. Domestically listed foreign shares	101,995,836	36.02%	0	0	0	0	0	101,995,836	36.02%
III. Total shares	283,161,227	100.00%	0	0	0	0	0	283,161,227	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	
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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

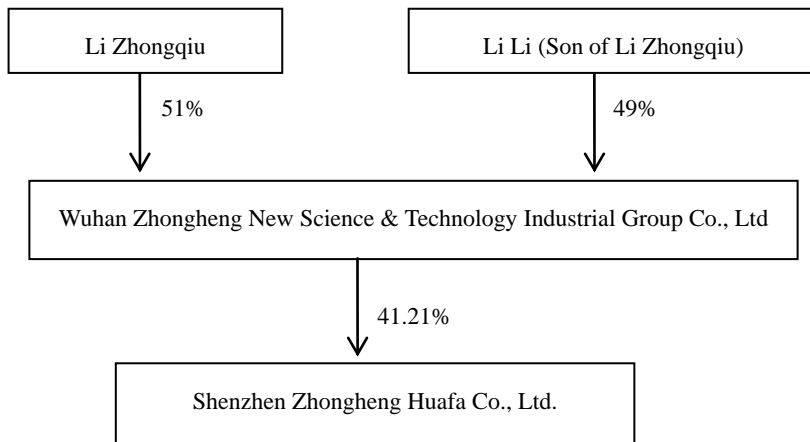
Actual controller's name	Relationship	Nationality	Enjoy the residence rights in the other country or area (Y/N)
Li Zhongqiu	Li Zhongqiu himself	Hong Kong	Y
Li Li	Person acting in concert (including agreement, relatives, share the same controlling)	P.R.C	N
Main occupation in position	Mr. Li Zhongqiu serves 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 dated 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	Supervisor	Current	F	56	2012-0	2019-0	0	0	0	0	0

Yanbo	Director	ly in office			1-16	9-18					
Geng Qu	Supervisor	Currently in office	F	49	2012-04-09	2019-09-18	0	0	0	0	0
Chen Qin	Supervisor	Currently in office	F	32	2015-11-06	2019-09-18	0	0	0	0	0
Tang Ganyu	Deputy GM	Currently 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 Tegen (Group) Co., Ltd., and successively worked in the company's subordinates, Tegen Xiangmi Engineering Development Company, Tegen 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 Tegen

(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	Start dated of office term	End date of office term	Received remuneration from
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					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 n	Start dated 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

- 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>.
- 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).
- 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=gsz0000020&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=gsz0000020&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

Advices 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
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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 HUAFA CO., LTD.:

I. Auditing opinions

We have audited the financial statement under the name of SHENZHEN ZHONGHENG HUAFA 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 HUAFA CO., 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 owners 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										
	Owners' equity attributable to parent company									Mino rity	Total owne
	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 sec uriti es	Oth er									
I. Balance at the end of the last year	283,161,227.00				146,587,271.50				77,391,593.25		-186,467,113.73		320,672,978.02
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				146,587,271.50				77,391,593.25		-186,467,113.73		320,672,978.02
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. Remedying 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				146,587,271.50				77,391,593.25		-183,172,091.01		323,968,000.74

Last period

In RMB

Item	Last period												
	Owners' equity attributable to parent company										Mino rity intere sts	Total owne r's equit y	
	Shar e capi tal	Other equity instrument			Capit al publi c reserv e	Less: Inven tory share s	Other comp rehen sive inco me	Reaso nable reserv e	Surpl us publi c reserv e	Provi sion of gener al risk			Retai ned profit
		Pref erre d stoc k	Per petu al capi tal sec uriti es	Oth er									
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				146,587,271.50				77,391,593.25		-187,441,523.12		319,698,568.63
III. Increase/Decrease in this year (Decrease is listed with “-”)											974,409.39		974,409.39
(i) Total comprehensive income											974,409.39		974,409.39
(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 converted to capital (share capital)													
2. Surplus reserves converted to capital (share capital)													
3. Remedying 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				87,27 1.50				1,593 .25		467,1 13.73		72,97 8.02
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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	283,1 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
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	-210, 552,8 45.95	296,58 7,245.8 0
III. Increase/ Decrease in this year (Decrease is listed with “-”)										-1,30 2,584. 46	-1,302, 584.46
(i) Total comprehensive income										-1,30 2,584. 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. Remedying 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				146,587,271.50				77,391,593.25	-211,855,430.41	295,284,661.34

Last period

In RMB

Item	Last period										
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus public reserve	Retained profit	Total owner's equity
		Preferred stock	Perpetual capital securities	Other							
I. Balance at the end of the last year	283,161,227.00				146,587,271.50				77,391,593.25	-208,106,913.40	299,033,178.35
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	-208,106,913.40	299,033,178.35

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 converted to capital (share											

capital)											
2. Surplus reserves converted to capital (share capital)											
3. Remedying 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				146,587,271.50				77,391,593.25	-210,552,845.95	296,587,245.80

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 purchased. If the consolidation cost is larger than the fair value amount of identified net assets from acquiree's, the differences should be recognized as goodwill. If the consolidation cost is less than the fair value amount of identified net assets from acquiree's, the differences 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. Centralize 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 determine 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 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 have 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 has no enough taxable amounts, obtained in future period, to deduct 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	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
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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 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	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
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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-electricity 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 bed provision based on balance proportion for other account receivable in portfolio

□ Applicable √ Not applicable

Withdrawing bad bed 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
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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
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	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
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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 capitalization amount of the year	Interest capitalization rate of the year	Source of funds
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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
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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
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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
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				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-rel ated
Award 金 Award for highlightin g 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-rel ated
Developme nt 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-rel ated
Award for excellent enterprise for 2016	Caidian Bureau of Finance, Wuhan	Award	Subsidy obtained for conforms	No	Y		200,000.00	Income-rel ated

			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-rel

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 cooperation (promoting development 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-related

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
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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) Constituted 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
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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 liability	Non-current liability	Total liability	Current assets	Non-current assets	Total assets	Current liability	Non-current liability	Total liability

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 current 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% devaluation 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
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				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.					
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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)
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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 irrevocable 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 irrevocable 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 trail; -----2017.11.19 Second instance hearing; -----Wining 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(Pepole's Court of Baoan District, Shenzhen) accept the case; -----2016.04.11(Pepole's Court of Baoan District, Shenzhen) Application for bank account preservation of 17 million Yuan ; ----2017.3.20 Opening a trail; 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; ----2018.12.19 Appealed 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
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(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				
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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 balance		Bad debt provision		Book value	Book balance		Bad debt provision		Book value
	Amount	Ratio	Amount	Accrua		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 hotel 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
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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 caring 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.