

SHENZHEN ZHONGHENG HUAFU CO., LTD.

SEMI-ANNUAL REPORT 2019

August 2019

Section I. Important Notice, Contents and Paraphrase

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

Li Zhongqiu, Principal of the Company, Yang Bin, person in charge of accounting works and Wu Aijie, person in charge of accounting organ (accounting principal) hereby confirm that the Financial Report of 2019 Semi-Annual Report is authentic, accurate and complete.

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

Name of director absent	Title for absent director	Reasons for absent	Attorney
Gao Jianbai	director	personal reason	Li Zhongqiu
Xu Jinwen	independent director	personal reason	Zhang Zhaoguo

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.

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 Photoelectricity	Refers to	Wuhan Hengsheng Photoelectricity 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
Short form of the stock after changed (if applicable)	N/A		
Stock exchange for listing	Shenzhen Stock Exchange		
Name of the Company (in Chinese)	深圳中恒华发股份有限公司		
Short form of the Company (in Chinese)	深华发		
Foreign name of the Company (if applicable)	SHENZHEN ZHONGHENG HUAFA CO., LTD.		
Abbr. of the foreign name (if applicable)	N/A		
Legal representative	Li Zhongqiu		

II. Person/Way to contact

	Secretary of the Board	Rep. of security affairs
Name	Yang Bin	Niu Zhuo
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	hwafainvestor@126.com.cn	hwafainvestor@126.com.cn

III. Others

1. Way of contact

Whether registrations address, offices address and codes as well as website and email of the Company changed in reporting period or not

☐ Applicable ☒ Not applicable

Registrations address, offices address and codes as well as website and email of the Company has no change in reporting period, found more details in Annual Report 2018.

2. Information disclosure and preparation place

Whether information disclosure and preparation place changed in reporting period or not

☐ Applicable ☒ Not applicable

The newspaper appointed for information disclosure, website for semi-annual report publish appointed by CSRC and preparation place for semi-annual report have no change in reporting period, found more details in Annual Report 2018

IV. Main accounting data and financial indexes

Whether it has retroactive adjustment or re-statement on previous accounting data or not

☐ Yes ☒ No

	Current period	Same period last year	Changes over last year (+, -)
Operating income (RMB)	339,190,174.05	340,984,843.24	-0.53%
Net profit attributable to shareholders of the listed company (RMB)	2,580,411.13	2,793,133.60	-7.62%
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses (RMB)	2,197,912.06	2,053,467.02	7.03%
Net cash flow arising from operating activities (RMB)	45,194,220.56	-26,671,325.63	
Basic earnings per share (RMB/Share)	0.0091	0.0099	-8.08%
Diluted earnings per share (RMB/Share)	0.0091	0.0099	-8.08%
Weighted average ROE	0.79%	0.87%	-0.08%
	Period-end	Period-end of last year	Changes over period-end of last year (+, -)
Total assets (RMB)	623,980,175.29	617,090,153.46	1.12%
Net assets attributable to shareholder of listed company (RMB)	326,548,411.87	323,968,000.74	0.80%

V. 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.

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

☒ Applicable ☐ Not applicable

In RMB

Item	Amount	Note
Gains/losses from the disposal of non-current asset (including the write-off that accrued for impairment of assets)	129,039.57	
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)	223,300.00	
Gains/losses from entrusted investment or assets management	74,936.14	
Other non-operating income and expenditure except for the aforementioned items	9,458.00	
Less: Impact on income tax	54,234.64	
Total	382,499.07	--

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

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

Section III. Summary of Company Business

I. Main businesses of the company in the reporting period

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

No

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

II. Major changes in main assets

1. Major changes in main assets

Major assets	Note of major changes
Equity assets	N/A
Fixed assets	N/A
Intangible assets	N/A
Construction in progress	N/A

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

I. Introduction

After years of development, the company has gradually formed two main businesses of industrial business and property management business. Among them, the industrial business is the production and sales of injection-molded parts, Styrofoam (lightweight material packaging), and liquid crystal display. The property management business is mainly for the rental of self-owned properties.

In the first half of 2019, the company achieved operation revenue of 339.19 million yuan, with a y-o-y declined of 0.53%; operating profit of 295 million yuan, with a y-o-y growth of 16.15%; net profit of 2.58 million yuan, with a y-o-y declined of 7.62%; operation revenue from industry production has 318.76 million yuan in the first half of the year, with a y-o-y declined of 1.43%, operating profit of 1.69 million yuan, with a y-o-y declined of 68.15%; net profit of 1.6358 million yuan, with a y-o-y declined of 68.24%; the revenue earns from property leasing in first half year comes to 18.91 million yuan, an increase of 21.20% over the same period last year, and the operating profit was 1.26 million yuan, with a y-o-y growth of 3.93 million yuan (from the same period last year to (2.67) million yuan); the net profit was 94.58 million yuan, and from the same period last year to (1.72) million yuan.

II. Main business analysis

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

Change of main financial data on a y-o-y basis

In RMB

	Current period	Same period last year	y-o-y changes	Reasons
Operating revenue	339,190,174.05	340,984,843.24	-0.53%	
Operating cost	297,580,208.34	302,582,979.44	-1.65%	
Sales expenses	9,130,380.22	8,433,363.31	8.26%	
Administrative expenses	19,616,991.39	20,400,985.42	-3.84%	
Financial expenses	5,068,371.24	5,447,070.22	-6.95%	
Income tax expenses	603,910.08	463,831.41	30.20%	Increase in property rental income
Net cash flow from operating activities	45,194,220.56	-26,671,325.63		Note receivable are collected at maturity
Net cash flow from investment activities	-3,964,794.99	-6,545,541.50		Last period, invest in new workshop and replace old production

				equipment
Net cash flow from financing activities	-32,459,238.76	-21,012,832.62		Short-term borrowing decreased in the current period
Net increase of cash and cash equivalent	8,869,836.86	-54,379,579.55		Note receivable are collected at maturity

Major changes on profit composition or profit resources in reporting period

☐ Applicable ☒ Not applicable

No major changes on profit composition or profit resources occurred in reporting period

Constitution of main business

In RMB

	Operating revenue	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	164,964,344.94	156,855,763.07	4.92%	32.94%	34.97%	-1.42%
Plastic injection hardware	111,142,622.51	97,350,242.91	12.41%	-27.04%	-30.76%	4.70%
Styrofoam	34,292,527.88	31,279,310.58	8.79%	-17.96%	-18.19%	0.26%
According to products						
Display	164,964,344.94	156,855,763.07	4.92%	32.94%	34.97%	-1.42%
Plastic injection hardware	111,142,622.51	97,350,242.91	12.41%	-27.04%	-30.76%	4.70%
Styrofoam	34,292,527.88	31,279,310.58	8.79%	-17.96%	-18.19%	0.26%
According to region						
Hong Kong and Taiwan	63,962,270.03	60,275,954.47	5.76%	-17.18%	-18.18%	1.15%
Central China	158,337,367.02	140,986,540.09	10.96%	-20.17%	-22.39%	2.55%
East China	88,099,858.28	84,222,822.00	4.40%	106.63%	112.14%	-2.48%

III. Analysis of the non-main business

☐ Applicable ☒ Not applicable

IV. Assets and liability

1. Major changes of assets composition

In RMB

	Period-end		Period-end last year		Ratio changes	Notes of major changes
	Amount	Ratio in total assets	Amount	Ratio in total assets		
Monetary fund	47,981,541.61	7.69%	65,403,374.30	10.55%	-2.86%	
Account receivable	149,540,866.46	23.97%	182,542,130.75	29.45%	-5.48%	
Inventory	86,709,541.76	13.90%	37,519,314.34	6.05%	7.85%	
Investment real estate	49,817,157.72	7.98%	29,404,574.44	4.74%	3.24%	
Long-term equity investment		0.00%		0.00%	0.00%	
Fix assets	185,008,101.52	29.65%	108,018,926.67	17.43%	12.22%	
Construction in process	7,552,776.46	1.21%	654,356.00	0.11%	1.10%	
Short-term loans	134,676,280.00	21.58%	85,012,392.00	13.72%	7.86%	

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	11,150,495.15	Bank acceptance deposit and frozen by court
Notes receivable	3,866,647.92	Pledge
Accounts receivable	14,609,128.53	Pledge
Investment real estate	37,728,701.12	Bank loan secured

Fixed assets	42,487,962.49	Bank loan secured
Liquidation of fixed assets	92,857,471.69	Court closure
Intangible assets	36,306,830.17	Bank loan secured
Total	239,007,237.07	--

V. Investment analysis

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.

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	R&D, production and sales of the products as well as import & export business etc.	181,643,111.00	472,002,521.79	222,311,685.87	318,755,726.11	1,694,088.29	1,635,779.35
Huafa Property Company	Subsidiary	Leasing and management of own property	1,000,000.00	18,582,268.84	-1,921,466.74	2,393,312.63	400,723.44	300,542.58
Huafa Lease Company	Subsidiary	Leasing and management of own property	1,000,000.00	1,900,692.20	-5,026,990.71	0.00	0.00	0.00
Huafa Hengtian Company	Subsidiary	Leasing and management of own property	1,000,000.00	995,680.41	995,680.41	0.00	-701.25	-701.25
Huafa Hengtai Company	Subsidiary	Leasing and management of own property	1,000,000.00	996,716.29	996,716.29	0.00	-396.39	-396.39

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. Prediction of business performance from January – September 2019

Estimation on accumulative net profit from the beginning of the year to the end of next report period to be loss probably or the warning of its material change compared with the corresponding period of the last year and explanation on reason

☐ Applicable ☒ Not applicable

X. Risks and countermeasures

1. Operational risks of industrial business: industrial restructuring, fluctuations in raw material prices, decline in market demand, and frustration of new product promotion.

Countermeasures: continue to open up the market, maintain the existing customers, positively develop new customers, and continue to improve production efficiency;

2. Financial risks: large demands for funds, substantial increase or decrease in financial costs caused by exchange rate fluctuations, and bank credit constraints caused by changes in financial costs and so on.

Countermeasures: pay close attention to macroeconomic policy trends, actively expand the financing channels, establish a virtuous circle mechanism for funds, improve the service efficiency, and use financial instruments to avoid exchange rate risks.

Section V. Important Events

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

1. Annual 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	48.02%	2019-05-21	2019-05-22	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1206288941&announcementTime=2019-05-22

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

☐ Applicable ☒ Not applicable

II. Profit distribution plan in the period and capitalizing of common reserves plan

☐ Applicable ☒ Not applicable

The Company plans not to distribute cash dividend and bonus for the semi-annual, and no capitalizing of common reserves either.

III. 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						
Commitments in report of acquisition or equity change						
Commitments in assets						

reorganization						
Commitments make in initial public offering or re-financing						
Equity incentive commitment						
Other commitments for medium and small shareholders	Wuhan Zhongheng Group		Promise to increasing shares of holding as 2.83 million shares of B-stock of the Company in 6 months since the letter delivery	2017-11-20	In 6 months since the date of notification	Performance Finished
	Wuhan Zhongheng Group		Promise to increasing shares of holding as 2.8 million shares of A-stock at least in 6 months since the letter delivery	2017-11-28	In 6 months since the date of notification	Performance Finished
Completed on time(Y/N)	Yes					
If the commitments are not fulfilled on time, shall explain the specify reason and the next work plan	Not applicable					

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

Whether the financial report has been audited or not

☐Yes ☒no

The company's semi-annual report has not been audited.

V. Explanation from Board of Directors and Supervisory Committee for “Qualified Opinion” that issued by CPA

☐ Applicable ☒ Not applicable

VI. Explanation from the Board for “Qualified Opinion” of last year’s

☐ Applicable ☒ Not applicable

VII. Bankruptcy reorganization

☐ Applicable ☒ Not applicable

No bankruptcy reorganization for the Company in reporting period

VIII. Lawsuits

Significant lawsuits and arbitration

☒ 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	No	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 announcement 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=00

							0020&announcementId=1205326846&announcementTime=2018-08-25
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 room and other power unit under the name of the Company	1,964.92	No	The judgment of 2 nd trial has been issued, and has applied for compulsory execution	Ended	Ended	2016-09-14	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-1407:41

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	No	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/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 Huaafa Co., Ltd. and Wuhan Zhongheng Group	1,940.2	No	Arbitration has been heard for adjudication	To be adjudicated	To be adjudicated	2018-11-14	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1205602053&announcementTime=2018-11-14

Other lawsuits

☐Applicable ☒Not applicable**IX. Penalty and rectification**☐Applicable ☒Not applicable

The Company has no penalty and rectification in the period

X. Integrity of the company and its controlling shareholders and actual controllers☐Applicable ☒Not applicable

XI. 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.

XII. Major related transaction

1. Related transaction with routine operation concerned

☒ Applicable ☐ Not applicable

Related party	Relationship	Type of related transaction	Content of related transaction	Pricing principle	Related transaction price	Related transaction amount (in 10 thousand Yuan)	Proportion in similar transactions	Trading limit approved (in 10 thousand Yuan)	Whether over the approved limit or not (Y/N)	Clearing form for related transaction	Available similar market price	Date of disclosure	Index of disclosure
HK Yutian	Sharing the same controlling shareholder	Purchase	Purchasing LCD monitors	Synchronized with the market	5,531.49	5,531.49	35.26 %	16,778.09	N	Telegraphic transfer	—	2019-04-30	http://www.cninfo.com.cn/new/disclosure/detail?plate=&orgId=gssz0000020&stockCode=000

													20&anno unce men tId=1206157984&anno unce men tTime=2019-04-30
Hengsheng Photo electricity	Sharining the same controlling shareholder	Purchase	Purchasing LCD monitors	Confirmed with 1% of current market average price in principle, and refer to both their bargaining power	4,735.80	4,735.8	30.19%	12,326.76	N	Telegraphic transfer	The average market price refers to the price of same specifications which is searched from through the world famous professional market	2019-04-30	http://www.cninfo.com.cn/new/disclosure/detail?plate=&orId=gssz0000020&stockCode=00020&announcement

											survey company website http://www.witsview.com recognized authority in the industry and LCD professional market survey company website http://www.witsview.com		tId=1206157984&anno=uncementTime=2019-04-30
Hengsheng Photo electricity	Sharing the same controlling shareholder	Purchase	Purchasing LCD monitors	According to the order price, deducted 1 Yuan each for	1,037.41	1,037.41	6.61%	8,217.84	N	Telegraphic transfer	——	2019-04-30	http://www.cninfo.com.cn/new/disclosure/

				operation charge									detail?plate=&or gId=gssz0000020&stockCode=00020&announcementmen tId=1206157984&announcemen tTime=2019-04-30
HK Yutian	Sharin g the same contro lling shareh older	Sales	Sales LCD overall monit or machi ne set	Accor ding to the custo mer sales order price sure	6,413.62	6,413.62	38.87 %	23,968.7	N	Telegr aphic transf er	—	2019-04-30	http://ww. cnin fo.c om.c n/ne w/di sclo sure/detai l?plate=&or

													gId=gssz0000020&stockCode=00020&announcementId=1206157984&announcementTime=2019-04-30
Hengsheng Photo electricity	Sharin g the same contro lling shareh older	Sales	LCD displa y screen /LCD	Accor ding to the custo mer sales order price sure	1,218.41	1,218.41	7.77%	3,971.96	N	Telegr aphic transf er	——	2019-04-30	http://www.cninfo.com.cn/new/disclosure/detail?plate=&orgId=gssz000002002

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Total				--	--	18,93 6.73	--	65,26 3.35	--	--	--	--	--
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 display screen from HK Yutian with US\$ 8.1662 million approximately, 33.33% of the annual amount predicted at the beginning of the year; purchased LCD display screen from Hengsheng Photoelectricity with US \$ 6.8918 million approximately, 38.29% of the annual amount predicted at the beginning of the year; purchasing LCD from Hengsheng Photoelectricity with about US \$ 1.5097 million, 12.58% of the annual amount predicted at the beginning of the year; sold LCD whole machine to HK Yutian with US \$ 9.4896 million approximately, 27.11% of the annual amount predicted at the beginning of the year. Sold LCD (display screen) to Hengsheng Photoelectricity with US \$ 1.7731 million approximately, 30.57% of the annual amount predicted at the beginning of the year.									
Reasons for major differences between trading price and market reference price (if applicable)				Not applicable									

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

No contact of related credit and debt in the period

5. Other related transactions

☐ Applicable ☒ Not applicable

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

XIII. 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.

XIV. 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 (Date of signing agreement)	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 guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Wuhan Hengfa Technology Co., Ltd.	2019-08-27	30,000		2,267.63	Joint liability guarantee	One year	N	Y
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)		5,926.83		
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)		2,267.63		
Guarantee of the subsidiaries for the subsidiaries								
Name of the Company guaranteed	Related Announcement disclosure date	Guarantee limit	Actual date of happening (Date of signing agreement)	Actual guarantee limit	Guarantee type	Guarantee term	Implemented (Y/N)	Guarantee for related party (Y/N)
Total amount of guarantee of the Company (total of three abovementioned 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)		5,926.83		
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)		2,267.63		
The proportion of the total amount of actually guarantee in the net assets of the Company (that is A4+ B4+C4)				6.94%				

Including:	
Explanations on possibly bearing joint and several liquidating responsibilities for undue guarantees (if applicable)	N/A
Explanations on external guarantee against regulated procedures (if applicable)	N/A

Explanation on compound guarantee

Nil

(2) Guarantee outside against the regulation

☐Applicable ☒Not applicable

No guarantee outside against the regulation in Period.

3. Other material contracts

☐ Applicable ☒Not applicable

No other material contracts for the Company in reporting period.

XV. Social responsibility

1. Material environmental protection

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

Not applicable

Listed companies and their subsidiaries do not belong to key pollutant discharge units announced by environmental protection departments.

2.Execution of social responsibility of targeted poverty alleviation

(1) targeted poverty alleviation

(2) Summary of targeted poverty alleviation

(3) Performance of the targeted poverty alleviation

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

XVI 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 Huaafa 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, although most of the arbitration claims proposed by Shenzhen Vanke are rejected by arbitration court, the arbitration procedures and so-called cognizance of fact of contract breach still has problems in arbitration. The results have damaged the legitimate rights and interest of the Company, and we have putting forward the application for dismantling in February 2018 to the Shenzhen Intermediate People’s Court. The Court has accepted the case formally. 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 and 9 Feb. 2018 respectively.

(ii) Major shareholders’ commitment to increase holdings

On November 20 and 28, 2017, the controlling shareholders made a commitment to increase the holding of 2.83 million shares of the company's B shares and not less than 2.8 million shares of the A shares, the commitment period was within 6 months, and it has been completed in May 2019 after two times of postponement.

(iii) 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 pledged shares are deferred 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.

(iv) The controlling shareholder Wuhan Zhongheng Group holds 119,289,894 shares of the Company’ stock, accounting for 42.13% of the total share capital of the Company, of which 116,489,894 shares were judicially frozen on September 27, 2016, and the frozen period was until September 13, 2021, which were frozen again by the Shenzhen Intermediate People's Court on December 14, 2018, with a frozen period of 36 months, the remaining 2,800,000 shares were frozen by the Shenzhen Intermediate People's Court on May 29, 2019, and were frozen again by the Higher People’s Court of Guangdong Province on July 5, 2019. For details, please refer to the company’s announcements published on www.cninfo.com.cn on October 27, 2016, January 11, 2019, May 31, 2019 and August 7, 2019.

XVII. 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

☐ Applicable ☒ Not applicable

III. Amount of shareholders of the Company and particulars about shares holding

In Share

Total common stock shareholders in reporting period-end		23,417		Total preference shareholders with voting rights recovered at end of reporting period (if applicable) (found in note8)		0		
Particulars about common shares held above 5% by shareholders or top ten common shareholders								
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Total common shareholders at the end of report period	Changes in report period	Amount of restricted common shares held	Amount of un-restricted common shares held	Number of share pledged/frozen	
							State of share	Amount
Wuhan Zhongheng Group	Domestic non-state-owned legal person	42.13%	119,289,894	2608800	0	119,289,894	Pledged	116,100,000
							Frozen	119,289,894
SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0	0	16,569,560	Pledged	0
							Frozen	0
GOOD HOPE CORNER INVESTMENTS LTD	Overseas legal person	4.49%	12,700,000	0	0	12,700,000	Pledged	0
							Frozen	0
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	Overseas legal person	1.89%	5,355,249	0	0	5,355,249	Pledged	0
							Frozen	0
Guoyuan	Overseas legal	1.36%	3,845,117	0	0	3,845,117	Pledged	0

Securities Brokerage (Hong Kong) Co., Ltd.	person		17				Frozen	0
Li Zhongqiu	Overseas nature person	1.00%	2,830,000	2,830,000	0	2,830,000	Pledged	0
							Frozen	0
Zhong Jiachao	Domestic nature person	0.45%	1,277,494			1,277,494	Pledged	0
							Frozen	0
Li Senzhuang	Domestic nature person	0.35%	986,550			986,550	Pledged	0
							Frozen	0
LI SHERYN ZHAN MING	Overseas nature person	0.35%	980,100			980,100	Pledged	0
							Frozen	0
Han Yaming	Domestic nature person	0.30%	864,200			864,200	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 common shares held								
Shareholders' name		Amount of un-restrict common shares held at Period-end				Type of shares		
						Type	Amount	
Wuhan Zhongheng Group		119,289,894				RMB common share	119,289,894	
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) Co., Ltd.	3,845,117	Domestically listed foreign shares	3,845,117
Li Zhongqiu	2,830,000	Domestically listed foreign shares	2,830,000
Zhong Jiachao	1,277,494	RMB common share	1,277,494
Li Senzhuang	986,550	Domestically listed foreign shares	986,550
LI SHERYN ZHAN MING	980,100	Domestically listed foreign shares	980,100
Han Yaming	864,200	Domestically listed foreign shares	864,200
Expiation on associated relationship or consistent actors within the top 10 un-restrict common shareholders and between top 10 un-restrict common 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 common shareholders involving margin business (if applicable) (see note 4)	Among the top ten shareholders, Zhong Jiachao holds 1,277,494 shares of the Company, of which, 743,494 shares held by normal account, and 534,000 shares held through credit security account		

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.

IV. Change of controlling shareholder or actual controller

Changes of controlling shareholders in reporting period

☐ Applicable ☒ Not applicable

The Company had no changes of controlling shareholders in reporting period

Changes of actual controller in reporting period

☐ Applicable ☒ Not applicable

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

Section VII. Preferred Stock

☐ Applicable ☒ Not applicable

The Company had no preferred stock in the Period.

Section VIII. Particulars about Directors, Supervisors and Senior Executives

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

√ Applicable □ Not applicable

Name	Title	Working status	Sex (M/F)	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)
Li Zhongqiu	Chairman/General Manager	Currently in office	0	2,830,000	0	2,830,000	0	0	0
Total	--	--	0	2,830,000	0	2,830,000	0	0	0

II. Changes of directors, supervisors and senior executives

□ Applicable √ Not applicable

No changes of directors, supervisors and senior executives, found more details in Annual Report 2018.

Section IX. Corporate Bond

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

No

Section X. Financial Report

I. Audit report

Whether the semi-annual report was audited or not

☐ Yes ☒ No

The financial report of this semi-annual report was unaudited

II. Financial statement

Currency used in note of financial statement is RMB (Yuan)

1. Consolidated Balance Sheet

Prepared by SHENZHEN ZHONGHENG HUAFA CO., LTD

2019-08-27

In RMB

Item	2019-6-30	2018-12-31
Current assets:		
Monetary funds	47,981,541.61	34,108,330.27
Settlement provisions		
Capital lent		
Tradable financial assets		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable	10,427,934.87	69,185,516.71
Account receivable	149,540,866.46	116,797,834.51
Receivable financing		
Accounts paid in advance	28,418,600.46	31,348,429.54
Insurance receivable		
Reinsurance receivables		
Contract reserve of reinsurance receivable		
Other account receivable	5,781,851.15	5,777,179.08

Including: Interest receivable		
Dividend receivable		
Buying back the sale of financial assets		
Inventories	86,709,541.76	62,973,909.38
Contractual assets		
Assets held for sale		
Non-current asset due within one year		
Other current assets	1,218,695.38	59,370.18
Total current assets	330,079,031.69	320,250,569.67
Non-current assets:		
Loans and payments on behalf		
Debt investment		
Finance asset available for sales		
Other debt investment		
Held-to-maturity investment		
Long-term account receivable		
Long-term equity investment		
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	49,817,157.72	50,681,322.86
Fixed assets	185,008,101.52	188,083,873.38
Construction in progress	7,552,776.46	5,727,760.23
Productive biological asset		
Oil and gas asset		
Right-of-use assets		
Intangible assets	43,977,752.24	41,815,689.74
Expense on Research and Development		
Goodwill		
Long-term expenses to be apportioned	425,949.07	542,116.99
Deferred income tax asset	6,829,856.59	6,829,856.59

Other non-current asset	289,550.00	3,158,964.00
Total non-current asset	293,901,143.60	296,839,583.79
Total assets	623,980,175.29	617,090,153.46
Current liabilities:		
Short-term loans	134,676,280.00	161,568,657.88
Loan from central bank		
Capital borrowed		
Transactional financial liability		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Note payable	13,804,210.29	27,642,356.66
Account payable	102,035,210.28	60,975,306.43
Accounts received in advance	156,232.44	159,528.60
Selling financial asset of repurchase		
Absorbing deposit and interbank deposit		
Security trading of agency		
Security sales of agency		
Wage payable	4,045,824.29	4,700,208.36
Taxes payable	11,609,232.63	11,232,819.87
Other account payable	31,040,362.49	26,778,863.92
Including: Interest payable	54,347.32	439,558.70
Dividend payable		
Commission charge and commission payable		
Reinsurance payable		
Contractual liability		
Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	297,367,352.42	293,057,741.72
Non-current liabilities:		

Insurance contract reserve		
Long-term loans		
Bonds payable		
Including: Preferred stock		
Perpetual capital securities		
Lease liability		
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	297,431,763.42	293,122,152.72
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	-180,591,679.88	-183,172,091.01
Total owner's equity attributable to parent company	326,548,411.87	323,968,000.74
Minority interests		
Total owner's equity	326,548,411.87	323,968,000.74
Total liabilities and owner's equity	623,980,175.29	617,090,153.46

Legal representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institution: Wu Aijie

2. Balance Sheet of Parent Company

In RMB

Item	2019-6-30	2018-12-31
Current assets:		
Monetary funds	1,793,275.01	13,234,774.97
Transactional financial assets		
Financial assets measured by fair value and with variation reckoned into current gains/losses		
Derivative financial assets		
Note receivable		
Account receivable		
Receivable financing		
Accounts paid in advance	53,050.00	153,050.00
Other account receivable	111,782,724.70	99,155,253.08
Including: Interest receivable		
Dividend receivable		
Inventories	14,806.50	14,806.50
Contractual assets		
Assets held for sale		
Non-current assets maturing within one year		
Other current assets		17,055.88
Total current assets	113,643,856.21	112,574,940.43
Non-current assets:		
Debt investment		
Available-for-sale financial assets		
Other debt investment		
Held-to-maturity investments		
Long-term receivables		

Long-term equity investments	186,608,900.00	186,608,900.00
Investment in other equity instrument		
Other non-current financial assets		
Investment real estate	25,770,502.38	26,374,703.70
Fixed assets	98,675,129.84	99,227,872.22
Construction in progress		
Productive biological assets		
Oil and natural gas assets		
Right-of-use assets		
Intangible assets	4,626,182.10	4,698,654.96
Research and development costs		
Goodwill		
Long-term deferred expenses		
Deferred income tax assets	7,506,905.90	7,506,905.90
Other non-current assets		
Total non-current assets	323,187,620.22	324,417,036.78
Total assets	436,831,476.43	436,991,977.21
Current liabilities		
Short-term borrowings	100,000,000.00	100,000,000.00
Transactional financial liability		
Financial liability measured by fair value and with variation reckoned into current gains/losses		
Derivative financial liability		
Notes payable		
Account payable	9,740,367.33	10,745,840.16
Accounts received in advance	41,605.01	41,937.00
Contractual liability		
Wage payable	820,979.02	1,020,979.02
Taxes payable	7,423,067.53	7,161,707.15
Other accounts payable	22,811,198.36	22,672,441.54
Including: Interest payable		
Dividend payable		

Liability held for sale		
Non-current liabilities due within one year		
Other current liabilities		
Total current liabilities	140,837,217.25	141,642,904.87
Non-current liabilities:		
Long-term loans		
Bonds payable		
Including: preferred stock		
Perpetual capital securities		
Lease liability		
Long-term account payable		
Long term employee compensation payable		
Accrued liabilities	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	140,901,628.25	141,707,315.87
Owners' 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		
Special reserve		
Surplus reserve	77,391,593.25	77,391,593.25
Retained profit	-211,210,243.57	-211,855,430.41
Total owner's equity	295,929,848.18	295,284,661.34
Total liabilities and owner's equity	436,831,476.43	436,991,977.21

3. Consolidated Profit Statement

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
I. Total operating income	339,190,174.05	340,984,843.24
Including: Operating income	339,190,174.05	340,984,843.24
Interest income		
Insurance gained		
Commission charge and commission income		
II. Total operating cost	336,433,054.05	338,576,691.78
Including: Operating cost	297,580,208.34	302,582,979.44
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	1,310,110.00	1,712,293.39
Sales expense	9,130,380.22	8,433,363.31
Administrative expense	19,616,991.39	20,400,985.42
R&D expense	3,726,992.86	
Financial expense	5,068,371.24	5,447,070.22
Including: Interest expenses	5,355,676.92	5,989,883.31
Interest income	-419,336.28	-349,858.59
Add: other income		
Investment income (Loss is listed with “-”)	74,936.14	245,679.10
Including: Investment income on affiliated company and joint venture		

The termination of income recognition for financial assets measured by amortized cost(Loss is listed with “-”)		
Exchange income (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Income from change of fair value (Loss is listed with “-”)		
Loss of credit impairment (Loss is listed with “-”)	-8,432.50	
Losses of devaluation of asset (Loss is listed with “-”)		-5,941.50
Income from assets disposal (Loss is listed with “-”)	129,039.57	-105,779.36
III. Operating profit (Loss is listed with “-”)	2,952,663.21	2,542,109.70
Add: Non-operating income	232,758.00	887,662.07
Less: Non-operating expense	1,100.00	172,806.76
IV. Total profit (Loss is listed with “-”)	3,184,321.21	3,256,965.01
Less: Income tax expense	603,910.08	463,831.41
V. Net profit (Net loss is listed with “-”)	2,580,411.13	2,793,133.60
(i) Classify by business continuity		
1.continuous operating net profit (net loss listed with ‘-’)	2,580,411.13	2,793,133.60
2.termination of net profit (net loss listed with ‘-’)		
(ii) Classify by ownership		
1.Net profit attributable to owner’s of parent company	2,580,411.13	2,793,133.60
2.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 profit or loss		
1.Changes of the defined benefit plans that re-measured		
2.Other comprehensive income under equity method that cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument		
4.Fair value change of enterprise's credit risk		
5. Other		
(ii) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.gain/loss of fair value changes for available-for-sale financial assets		
4.Amount of financial assets re-classify to other comprehensive income		
5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset		
6.Credit impairment provision for other debt investment		
7.Cash flow hedging reserve		
8.Translation differences arising on translation of foreign currency financial statements		
9.Other		

Net after-tax of other comprehensive income attributable to minority shareholders		
VII. Total comprehensive income	2,580,411.13	2,793,133.60
Total comprehensive income attributable to owners of parent Company	2,580,411.13	2,793,133.60
Total comprehensive income attributable to minority shareholders		
VIII. Earnings per share:		
(i) Basic earnings per share	0.0091	0.0099
(ii) Diluted earnings per share	0.0091	0.0099

Enterprise combine under the same control in the Period, the combined party realized net profit of 0 Yuan before combination, and realized 0 Yuan at last period for combined party

Legal representative: Li Zhongqiu

Person in charge of accounting works: Yang Bin

Person in charge of accounting institution: Wu Aijie

4. Profit Statement of Parent Company

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
I. Operating income	18,041,135.31	16,961,088.74
Less: Operating cost	3,172,031.59	2,510,518.82
Taxes and surcharge	562,061.05	585,014.62
Sales expenses		
Administration expenses	9,024,394.50	11,134,855.37
R&D expenses		
Financial expenses	4,423,699.05	4,888,654.05
Including: interest expenses	4,398,333.30	4,903,025.04
Interest income	-9,938.10	-22,022.66
Add: other income		
Investment income (Loss is listed with “-”)		

Including: Investment income on affiliated Company and joint venture		
The termination of income recognition for financial assets measured by amortized cost (Loss is listed with “-”)		
Net exposure hedging income (Loss is listed with “-”)		
Changing income of fair value (Loss is listed with “-”)		
Loss of credit impairment (Loss is listed with “-”)		
Losses of devaluation of asset (Loss is listed with “-”)		
Income on disposal of assets (Loss is listed with “-”)		
II. Operating profit (Loss is listed with “-”)	858,949.12	-2,157,954.12
Add: Non-operating income	1,300.00	
Less: Non-operating expense		131,247.82
III. Total Profit (Loss is listed with “-”)	860,249.12	-2,289,201.94
Less: Income tax	215,062.28	-444,975.63
IV. Net profit (Net loss is listed with “-”)	645,186.84	-1,844,226.31
(i)continuous operating net profit (net loss listed with “-”)	645,186.84	-1,844,226.31
(ii) termination of net profit (net loss listed with “-”)		
V. Net after-tax of other comprehensive income		
(I) Other comprehensive income items which will not be reclassified subsequently to profit of loss		
1.Changes of the defined benefit plans that re-measured		
2.Other comprehensive income under equity method that		

cannot be transfer to gain/loss		
3.Change of fair value of investment in other equity instrument		
4.Fair value change of enterprise's credit risk		
5. Other		
(II) Other comprehensive income items which will be reclassified subsequently to profit or loss		
1.Other comprehensive income under equity method that can transfer to gain/loss		
2.Change of fair value of other debt investment		
3.gain/loss of fair value changes for available-for-sale financial assets		
4.Amount of financial assets re-classify to other comprehensive income		
5.Gain/loss of held-to-maturity investments that re-classify to available-for-sale financial asset		
6.Credit impairment provision for other debt investment		
7.Cash flow hedging reserve		
8.Translation differences arising on translation of foreign currency financial statements		
9.Other		
VI. Total comprehensive income	645,186.84	-1,844,226.31
VII. Earnings per share:		
(i) Basic earnings per share	0.0023	-0.0065
(ii) Diluted earnings per share	0.0023	-0.0065

5. Consolidated Cash Flow Statement

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	283,565,570.88	195,284,689.59
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		
Cash received from interest, commission charge and commission		
Net increase of capital borrowed		
Net increase of returned business capital		
Net cash received by agents in sale and purchase of securities		
Write-back of tax received		
Other cash received concerning operating activities	3,403,272.55	3,010,278.37
Subtotal of cash inflow arising from operating activities	286,968,843.43	198,294,967.96
Cash paid for purchasing commodities and receiving labor service	182,811,441.04	158,655,192.45
Net increase of customer loans and advances		
Net increase of deposits in		

central bank and interbank		
Cash paid for original insurance contract compensation		
Net increase of financial assets held for transaction purposes		
Net increase of capital lent		
Cash paid for interest, commission charge and commission		
Cash paid for bonus of guarantee slip		
Cash paid to/for staff and workers	33,770,584.01	35,688,181.95
Taxes paid	4,582,072.62	12,954,614.98
Other cash paid concerning operating activities	20,610,525.20	17,668,304.21
Subtotal of cash outflow arising from operating activities	241,774,622.87	224,966,293.59
Net cash flows arising from operating activities	45,194,220.56	-26,671,325.63
II. Cash flows arising from investing activities:		
Cash received from recovering investment		
Cash received from investment income	74,936.14	253,638.00
Net cash received from disposal of fixed, intangible and other long-term assets	320,500.00	737,982.00
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities	49,000,000.00	80,000,000.00
Subtotal of cash inflow from investing activities	49,395,436.14	80,991,620.00
Cash paid for purchasing fixed, intangible and other long-term assets	4,360,231.13	7,537,161.50
Cash paid for investment		
Net increase of mortgaged loans		

Net cash received from subsidiaries and other units obtained		
Other cash paid concerning investing activities	49,000,000.00	80,000,000.00
Subtotal of cash outflow from investing activities	53,360,231.13	87,537,161.50
Net cash flows arising from investing activities	-3,964,794.99	-6,545,541.50
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	61,315,748.80	156,361,250.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities	61,315,748.80	156,361,250.00
Cash paid for settling debts	88,051,864.63	172,529,301.86
Cash paid for dividend and profit distributing or interest paying	5,723,122.93	4,844,780.76
Including: Dividend and profit of minority shareholder paid by subsidiaries		
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	93,774,987.56	177,374,082.62
Net cash flows arising from financing activities	-32,459,238.76	-21,012,832.62
IV. Influence on cash and cash equivalents due to fluctuation in exchange rate	99,650.05	-149,879.80
V. Net increase of cash and cash equivalents	8,869,836.86	-54,379,579.55

Add: Balance of cash and cash equivalents at the period -begin	27,961,209.60	81,474,974.30
VI. Balance of cash and cash equivalents at the period -end	36,831,046.46	27,095,394.75

6. Cash Flow Statement of Parent Company

In RMB

Item	Semi-annual of 2019	Semi-annual of 2018
I. Cash flows arising from operating activities:		
Cash received from selling commodities and providing labor services	16,386,026.55	11,824,697.08
Write-back of tax received		
Other cash received concerning operating activities	4,240,814.47	107,677,057.73
Subtotal of cash inflow arising from operating activities	20,626,841.02	119,501,754.81
Cash paid for purchasing commodities and receiving labor service		
Cash paid to/for staff and workers	1,551,291.30	1,812,043.81
Taxes paid	791,510.74	3,627,519.72
Other cash paid concerning operating activities	25,327,205.64	116,155,663.65
Subtotal of cash outflow arising from operating activities	27,670,007.68	121,595,227.18
Net cash flows arising from operating activities	-7,043,166.66	-2,093,472.37
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		
Net cash received from disposal of subsidiaries and other units		
Other cash received concerning investing activities		
Subtotal of cash inflow from investing activities		
Cash paid for purchasing fixed, intangible and other long-term assets		1,696,400.00
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		1,696,400.00
Net cash flows arising from investing activities		-1,696,400.00
III. Cash flows arising from financing activities		
Cash received from absorbing investment		
Cash received from loans		100,000,000.00
Cash received from issuing bonds		
Other cash received concerning financing activities		
Subtotal of cash inflow from financing activities		100,000,000.00
Cash paid for settling debts		116,054,041.68
Cash paid for dividend and profit distributing or interest paying	4,398,333.30	3,884,001.07
Other cash paid concerning financing activities		
Subtotal of cash outflow from financing activities	4,398,333.30	119,938,042.75
Net cash flows arising from financing activities	-4,398,333.30	-19,938,042.75

IV. Influence on cash and cash equivalents due to fluctuation in exchange rate		424.56
V. Net increase of cash and cash equivalents	-11,441,499.96	-23,727,490.56
Add: Balance of cash and cash equivalents at the period -begin	12,024,179.58	25,181,764.87
VI. Balance of cash and cash equivalents at the period -end	582,679.62	1,454,274.31

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

Current Period

In RMB

Item	Semi-annual of 2019														
	Owners' equity attributable to the parent Company													Min ority inter ests	Tota l own ers' equit y
	Sha re cap ital	Other equity instrument			Capi tal reser ve	Less : Inve ntory shar es	Othe r com preh ensi ve inco me	Reas onab le reser ve	Surp lus reser ve	Prov ision of gene ral risk	Reta ined profi t	Othe r	Subt otal		
		Pre fer red sto ck	Per pet ual cap ital sec urit ies	Ot her											
I. Balance at the end of the last year	283 ,16 1,2 27. 00				146, 587, 271. 50				77,3 91,5 93.2 5		-183 ,172, 091. 01		323, 968, 000. 74		323, 968, 000. 74
Add: Changes of accounting policy															
Error correction of the last period															
Enterprise combine under the same control															
Other															

II. Balance at the beginning of this year	283,161,277.00				146,587,271.50				77,391,593.25		-183,172,091.01		323,968,000.74		323,968,000.74
III. Increase/Decrease in this year (Decrease is listed with “-”)											2,580,411.13		2,580,411.13		2,580,411.13
(i) Total comprehensive income											2,580,411.13		2,580,411.13		2,580,411.13
(ii) Owners' devoted and decreased capital															
1.Common shares invested by shareholders															
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. Carry-over retained earnings from the defined benefit plans															
5. Carry-over retained earnings from other comprehensiv e income															
6. Other															
(V) Reasonable reserve															
1. Withdrawal in the report period															
2. Usage in the report period															
(VI)Others															
IV. Balance at the end of the report period	283 ,16 1,2 27. 00				146, 587, 271. 50				77,3 91,5 93.2 5		-180 ,591, 679. 88		326, 548, 411. 87		326, 548, 411. 87

Last Period

In RMB

Item	Semi-annual of 2018														
	Owners' equity attributable to the parent Company												Minority interests	Total owners' equity	
	Share capital	Other equity instrument			Capital reserve	Less : Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Provision of general risk	Retained profit	Other			Subtotal
		Preferred stock	Perpetual capital securities	Other											
I. Balance at the end of the last year	283,161,277.00				146,587,271.50				77,391,593.25		-186,467,113.73		320,672,978.02		320,672,978.02
Add: Changes of accounting policy															
Error correction of the last period															
Enterprise combine under the same control															
Other															
II. Balance at the beginning of this year	283,161,277.00				146,587,271.50				77,391,593.25		-186,467,113.73		320,672,978.02		320,672,978.02
III. Increase/Decrease in this year (Decrease is listed with “-”)											2,793,133.60		2,793,133.60		2,793,133.60
(i) Total comprehensive											2,793,133.60		2,793,133.60		2,793,133.60

ve income											3,13 3.60		3,13 3.60		,133. 60
(ii) Owners' devoted and decreased capital															
1.Common shares invested by shareholders															
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															

converted to capital (share capital)															
3. Remedying loss with surplus reserve															
4. Carry-over retained earnings from the defined benefit plans															
5. Carry-over retained earnings from other comprehensive income															
6. Other															
(V) Reasonable reserve															
1. Withdrawal in the report period															
2. Usage in the report period															
(VI) Others															
IV. Balance at the end of the report period	283,161,27.00				146,587,271.50				77,391.593.25		-183,673,980.13		323,466,111.62		323,466,111.62

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

Current period

In RMB

Item	Semi-annual of 2019											
	Share capit al	Other equity instrument			Capita l public reserv	Less: Invent ory shares	Other compr ehensi ve	Reaso nable reserv e	Surplu s reserv e	Retai ned profi t	Other	Total owners', equity
		Prefe rred	Perp etual	Othe r								

		stock	capital securities		e		income					
I. Balance at the end of the last year	283,161,227.00				146,587,271.50				77,391,593.25	-211,855,430.41		295,284,661.34
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	-211,855,430.41		295,284,661.34
III. Increase/Decrease in this year (Decrease is listed with "-")										645,186.84		645,186.84
(i) Total comprehensive income										645,186.84		645,186.84
(ii) Owners' devoted and decreased capital												
1.Common shares invested by shareholders												
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. Carry-over retained earnings from the defined benefit plans												
5. Carry-over retained earnings from other comprehensive income												
6. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period												
2. Usage in the report period												
(VI) Others												
IV. Balance at the end of the report period	283,161,22				146,587,271.				77,391,593.2	-211,210,		295,929,848.18

	7.00				50				5	243.57		
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Last period

In RMB

Item	Semi-annual of 2018											
	Share capital	Other equity instrument			Capital public reserve	Less: Inventory shares	Other comprehensive income	Reasonable reserve	Surplus reserve	Retained profit	Other	Total owners' 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	-210,552,845.95		296,587,245.80
Add: Changes of accounting policy												
Error correction of the last period												
Other												
II. Balance at the beginning of this year	283,161,227.00				146,587,271.50				77,391,593.25	-210,552,845.95		296,587,245.80
III. Increase/Decrease in this year (Decrease is listed with "-")										-1,844,226.31		-1,844,226.31
(i) Total comprehensive income										-1,844,226.31		-1,844,226.31
(ii) Owners' devoted and decreased capital												
1.Common shares invested by												

shareholders												
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. Carry-over retained earnings from the defined benefit plans												
5. Carry-over retained earnings from												

other comprehensive income												
6. Other												
(V) Reasonable reserve												
1. Withdrawal in the report period												
2. Usage in the report period												
(VI) Others												
IV. Balance at the end of the report period	283,161,227.00				146,587,271.50				77,391,593.25	-212,397,072.26		294,743,019.49

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 23 August 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

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 30th June 2019 and the operation results as well as cash flow for the first half year of 2019.

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 calculated by fair value on day of purchased. If the consolidation cost larger than the fair value amount of identified net assets from acquiree's, the differences should be recognized as goodwill. If the consolidation cost less than the fair value amount of identified net assets from acquiree's, the differences should 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 sport 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 be 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

Financial asset or financial liability is recognized when the Company becomes a party to financial instrument contract.

(1) Classification, recognition and measurement of financial assets

According to the business model of managing financial assets and the contractual cash flow characteristics of financial assets, the Company classifies the financial assets into the financial assets measured at amortized cost, the financial assets measured at fair value and whose changes are included in other comprehensive income, and the financial assets measured at fair value and whose changes are included in current profit or loss.

Financial assets are measured at fair value on initial recognition. For financial assets measured at fair value and whose changes are included in current profit or loss, the related transaction expenses are directly included in current profit or loss. For other types of financial assets, the related transaction costs are included in the initial recognition amount. For the accounts receivable or notes receivable arising from the sale of products or the provision of labor services that do not contain or consider the significant financing components, the Company uses the consideration amount that is expected to be received as the initial recognition amount.

① Financial assets measured at amortized cost

The Company's business model for managing financial assets measured at amortized cost is to collect contractual cash flows, and the contractual cash flow characteristics of such financial assets are consistent with the basic borrowing and lending arrangements, i.e. the cash flows generated on a specific date are only the payment for the principal and the interest based on the outstanding principal amount. The Company adopts effective interest method for this type of financial assets which are subsequently measured at amortized cost, the gains or losses arising from amortization or impairment are included in current profit or loss.

② Financial assets measured at fair value and whose changes are included in other comprehensive income

The Company's business model for managing such financial assets is to target at both the collection of contractual

cash flows and the sale, and the contractual cash flow characteristics of such financial assets are consistent with the basic borrowing and lending arrangements. The Company adopts the fair value measurement for such financial assets and whose changes are included in the current profit and loss, but the impairment losses or gains, exchange gains and losses and interest income calculated by using the effective interest method are included in current profit or loss.

In addition, the Company designates part of non-trading equity instrument investments as financial assets measured at fair value and whose changes are included in other comprehensive income. The Company's related dividend income of such financial assets is included in the current profit and loss, and the changes in fair value are included in other comprehensive income. When the financial assets are derecognized, the accumulated gains or losses previously included in other comprehensive income are transferred from other comprehensive income to retained earnings, which are not included in current profit or loss.

③ Financial assets carried at fair value through profit or loss for the current period

The Company classifies the financial assets except the above financial assets measured at amortized cost and the above financial assets measured at fair value and whose changes are included in other comprehensive income into the financial assets measured at fair value and whose changes are included in current profit or loss. In addition, at the time of initial recognition, the Company designates part of financial assets as financial assets measured at fair value and whose changes are included in current profit or loss in order to eliminate or significantly reduce accounting mismatch. For such financial assets, the Company adopts fair value for subsequent measurement, and changes in fair value are included in current profit and loss.

(2) Classification, recognition and measurement of financial liabilities

At initial recognition, financial liabilities are classified into financial liabilities measured by fair value with changes counted into current gains/losses and other financial liabilities. For financial liabilities classified as fair value through profit or loss, relevant transaction costs are directly recognized in profit or loss for the period. For financial liabilities classified as other categories, relevant transaction costs are included in the amount initially recognized.

① Financial liabilities at fair value through profit or loss for the period

Financial liabilities measured at fair value and whose changes are included in current profits or losses include the trading financial liabilities (including derivatives belong to financial liabilities) and the financial liabilities that are designated as fair value in the initial recognition and whose changes are included in current profit or loss.

Trading financial liabilities (including derivatives belong to financial liabilities) are subsequently measured at fair value, in addition to those related to hedge accounting, the changes in fair value are included in current profit or loss.

A financial liability designated to be measured at fair value and whose changes are included in current profit or loss, and of which the changes in fair value arising from changes in the Company's own credit risk are included in other comprehensive income, when the liability is derecognized, its accumulated amount of changes in fair value included in other comprehensive income and the changes arising from its own credit risk are transferred to retained earnings. The remaining changes in fair value are included in the current profit and loss. If the effects of

changes in the own credit risk of these financial liabilities are handled as described above, but the handling causes or expands the accounting mismatch in the profit or loss, the Company will include all gains or losses of the financial liabilities (including the amount affected by changes in the credit risk of the enterprise itself) in the current profit and loss.

② Other financial liabilities

Other financial liabilities, except for the financial liabilities whose transfer of financial assets doesn't fit the derecognition condition or continue to be involved in the transferred financial assets, and the financial guarantee contract, are classified as financial liabilities measured at amortized cost, which takes follow-up measurement by amortized cost, the gains or losses arising from derecognition or amortization are included in current profit or loss.

(3) Recognition basis and measurement method for transfer of financial assets

As for the financial assets up to the following conditions, the recognition termination is available: ① Termination of the contract right to take the cash flow of the financial assets; ② transferred to the transferring-in part nearly all risk and compensation; ③ all risk and compensation neither transferred nor retained, and with the give-up of the control over the financial assets.

As for financial assets of almost all risk and compensation neither transferred nor retained, and without the give-up of the control over the financial assets, it was recognized according to the extension of the continual entry into the transferred financial assets and relevant liabilities are correspondingly recognized. The continual entry into the transferred financial assets is risk level which the enterprise faces up to due to the assets changes.

As for the whole transfer of the financial assets up to the recognition termination conditions, the book value of the transferred assets, together with the difference between the consideration value and the accumulative total of the fair value change of the other consolidated income, is reckoned into the current gain/loss.

As for the partial transfer of the financial assets up to the recognition termination conditions, the book value of the transferred assets is diluted on the relative fair value between the terminated part and the un-terminated part; and reckoned into the current loss/gain is the difference between the sum of the consideration value and the accumulative sum of the valuation change ought to be diluted into the recognition termination part but into the other consolidated income, and the above diluted book value, is reckoned into the current loss/gain.

For financial assets that are transferred with recourse or endorsement, the Group needs to determine whether the risk and rewards of ownership of the financial asset have been substantially transferred. If the risk and rewards of ownership of the financial asset have been substantially transferred, the financial assets shall be derecognized. If the risk and rewards of ownership of the financial asset have been retained, the financial assets shall not be derecognized. If the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset, the Group shall assess whether the control over the financial asset is retained, and the financial assets shall be accounted for according to the above paragraphs.

(4) Termination recognition of financial liabilities

Only is released the whole (or part) of the current duties, the termination of the liabilities (or part of it) is available. The Group (the debtor) signed the agreement with the lender: the original liabilities are replaced by the bearing of the new liabilities; and the contract terms are fundamentally different of the new liabilities and the original ones;

the termination of the recognition of the original ones is available; and the recognition of new ones is available. If the Company makes substantial changes to the contractual terms of the original financial liabilities (or a part thereof), derecognize the original financial liabilities, and recognize a new financial liability in accordance with the revised terms.

If the financial liability (or a part thereof) is derecognized, the Company includes the difference between the book value and the consideration paid (including the transferred non-cash assets or liabilities assumed) in current profit or loss.

(5) Balance-out between the financial assets and liabilities

As the Group has the legal right to balance out the financial liabilities by the net or liquidation of the financial assets, the balance-out sum between the financial assets and liabilities is listed in the balance sheet. In addition, the financial assets and liabilities are listed in the balance sheet without being balanced out.

(6) Method for determining the fair value of financial assets and financial liabilities

Fair value refers to the price that a market participant can get by selling an asset or has to pay for transferring a liability in an orderly transaction that occurs on the measurement date. For a financial instrument having an active market, the Company uses the quoted prices in the active market to determine its fair value. Quotations in an active market refer to prices that are readily available from exchanges, brokers, industry associations, pricing services, etc., and represent the prices of market transactions that actually occur in an arm's length transaction. If there is no active market for a financial instrument, the Company uses valuation techniques to determine its fair value. Valuation techniques include reference to prices used in recent market transactions by parties familiar with the situation and through voluntary trade, and reference to current fair values of other financial instruments that are substantially identical, discounted cash flow methods, and option pricing models. At the time of valuation, the company adopts valuation techniques that are applicable in the current circumstances and that are sufficiently supported by data and other information, selects the input value with characteristics consistent with the characteristics of assets or liabilities to be considered in the transactions of the relevant assets or liabilities of the market participants, and uses the relevant observable input values as much as possible. Use unallowable input values if the relevant observable input values are not available or are not practicable.

(7) Impairment of financial assets

The financial assets that the Company needs to recognize impairment loss are financial assets measured at amortized cost, debt instruments investment that are measured at fair value and whose changes are included in other comprehensive income, and lease receivables, mainly including bills receivable, account receivables, other receivables, debt investment, other debt investments, long-term receivables, etc. In addition, for contract assets and some financial guarantee contracts, the impairment provision is also made and credit impairment losses are recognized in accordance with the accounting policies described in this section.

① Confirmation method of impairment provision

On the basis of expected credit losses, the Company makes provision for impairment and confirms credit impairment losses for each of the above items in accordance with its applicable expected credit loss measurement method (general method or simplified method).

Credit loss refers to the difference between all contractual cash flows that the Company discounts at the original actual interest rate and are receivable in accordance with contract and all cash flows expected to be received, that is, the present value of all cash shortages. Among them, for the purchase or source of financial assets that have suffered credit impairment, the Company discounts the financial assets at the actual interest rate adjusted by credit.

The general method for measuring the estimated credit loss is that the Company assesses whether the credit risk of the financial assets (including other applicable items such as contract assets, the same below) has been significantly increased since the initial recognition on each balance sheet date, if the credit risk has increased significantly after the initial recognition, the Company shall measure the loss preparation according to the amount of expected credit loss in the whole duration; if the credit risk has not increased significantly since the initial recognition, the Company shall measure the loss preparation according to the amount equivalent to the expected credit loss in the next 12 months. The Company considers all reasonable and evidenced information, including forward-looking information, when evaluating expected credit losses.

For the financial instrument with lower credit risk on the balance sheet date, the Company assumes that its credit risk has not increased significantly since the initial recognition, and measures the loss provisions according to the expected credit losses in the next 12 months.

② Judging criteria for whether credit risk has increased significantly since initial recognition

If the probability of default of a financial asset within the estimated duration recognized on the balance sheet is significantly higher than the probability of default within the estimated duration decided at the initial recognition, it indicates that the credit risk of the financial asset is significantly increased. Except for special circumstances, the Company uses the change in default risk occurring within the next 12 months as a reasonable estimate of the change in default risk throughout the duration to determine whether the credit risk has increased significantly since the initial recognition.

③ A combined approach to assessing expected credit risk on a portfolio basis

The Company evaluates credit risk individually for financial assets with significantly different credit risks. Such as receivables from related parties; receivables that are in dispute with the other party or involve litigation or arbitration; receivables have clear indications that the debtor is likely to be unable to fulfill the repayment obligations.

In addition to financial assets that assess credit risk individually, the Company classifies financial assets into different groups based on common risk characteristics and evaluates credit risk on a portfolio basis.

④ Accounting treatment of financial assets impairment

At the end of the period, the Company calculates the estimated credit losses of various financial assets. If the estimated credit loss is greater than the carrying amount of its current impairment provision, the difference is

recognized as the impairment loss; if it is less than the carrying amount of the current impairment provision, the difference is recognized as an impairment gain.

11. Note receivable

Found more in 10.(7)-Impairment of financial assets

12. Account receivable, account receivable

For receivables that do not contain significant financing components, the Company measures the loss provision based on the amount of expected credit losses equivalent to the entire duration of the period.

For receivables that contain significant financing components, the Company measures the loss provision always based on the amount of expected credit losses equivalent to the entire duration of the period.

In addition to accounts receivable whose credit risk is assessed individually, they are classified into different combinations based on their credit risk characteristics:

Item	Basis
Account age	Take the account age of receivable as the credit risk characteristics
Related party	The related parties in consolidate scope

(8) Determination and accounting treatment on the expected credit losses of account receivable found more in 10(7)Impairment of financial assets above mentioned

13. Receivable financing

Including the note receivable and account receivable that measured on fair value and with its variation reckoned into other comprehensive income on balance sheet date.

14. Other account receivable

Determination and accounting treatment on the expected credit losses of other account receivable

The Company measures the impairment loss based on the amount of expected credit losses in the next 12 months or the entire duration based on whether the credit risk of other receivables has increased significantly since the initial recognition.

15. 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

16. 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.

17. 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.

18. 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.

19. Construction in process

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.

20. 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.

21. 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.

22. 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.

23. 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.

24. 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.

25. 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.

26. Revenue

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

No

Whether implemented the new revenue standards

☐Yes ☒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; ③the 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: ①if 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; ②if 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.

27. 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.

28. 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.

29. 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.

30. 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 Ministry of Finance issued the Accounting Standards for Business Enterprise No. 22- Recognition and Measurement of Financial Instruments, Accounting Standards for Business Enterprise No. 23- Transfer of Financial Assets, Accounting Standards for Business Enterprise No. 24- Hedge Accounting and Accounting Standards for Business Enterprise No. 37- Presentation of Financial Instruments after revised in 2017 (these four items are collectively referred to as the new financial instrument standards).The Company implemented the above mentioned new standards after revision since 1 st January 2019, and relevant content with accounting policy concerned are been adjusted.	Change of the accounting policy has deliberated and approved by the 11 th session of 9 th BOD	
In April 2019, the Ministry of Finance issued the Notice on Revision and Issuance of 2019 Financial Statement Format for General Corporate (Cai Kuai [2019] No.6) (hereinafter referred to as Financial Statement Format), in terms of the financial statement of mid-term 2019, the annual financial statement and	Change of the accounting policy has deliberated and approved by the 11 th session of 9 th BOD	

later period's financial statement are required to preparing in line with the Accounting Standards for Business Enterprise and Financial Statement Format.		
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The Company will implement the relevant regulation of Cai Kuai (2019) No.6 issued by Ministry of Finance, relevant financial statements are been adjusted. Items and amount has major influence on 31st December 2018 in balance sheet are as:

Item	Consolidate balance sheet	
	Before adjustment	After adjustment
Note receivable and account receivable	185,983,351.22	
Note receivable		69,185,516.71
Account receivable		116,797,834.51
Note payable and account payable	88,617,663.09	
Note payable		27,642,356.66
Account payable		60,975,306.43

(2) Changes in important accounting estimates

☐ Applicable ☒ Not applicable

(3) Adjustment the financial statements at the beginning of the first year of implementation of new financial instrument standards, new revenue standards and new leasing standards

☐ Applicable ☒ Not applicable

(4) Retrospective adjustment of early comparison data description when initially implemented the new financial instrument standards and new leasing standards

☐ Applicable ☒ Not applicable

VI. Taxes

1. Major tax and tax rate

Taxes	Taxation basis	Tax rate
VAT	Domestic sales revenue	16%, 13% 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	0% 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	426,742.83	236,354.29
Bank deposit	37,614,899.02	28,935,450.70
Other monetary fund	9,939,899.76	4,936,525.28
Total	47,981,541.61	34,108,330.27

Other explanation

Other monetary funds are bank acceptance deposits.

2. Note receivable

(1)Category

RMB/CNY

Item	Closing balance	Opening balance
Bank acceptance bill	4,773,726.59	56,817,845.23
Commercial acceptance bill	5,654,208.28	12,367,671.48
Total	10,427,934.87	69,185,516.71

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	
Including:										
Including:										

Accrual of bad debt provision on single basis:

RMB/CNY

Name	Closing balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes

Accrual of bad debt provision on portfolio:

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio

Explanation on portfolio basis:

If the provision for bad debts of note receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other receivables to disclose related information about bad-debt provisions:

☐ Applicable ☒ Not applicable

(2) Note receivable that pledged at period-end

RMB/CNY

Item	Amount pledged at period-end
Bank acceptance bill	3,866,647.92
Total	3,866,647.92

(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	21,094,964.31	
Commercial acceptance bill	48,107,418.75	
Total	69,202,383.06	

3. Account receivable

(1)Category

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 bad debt provision accrual on a single basis	13,144,007.21	8.08%	13,144,007.21	100.00%	0.00	13,144,007.21	8.08%	13,144,007.21	100.00%	0.00
Including:										
Account receivable with single significant amount and withdrawal bad debt provision on single basis	7,556,363.72	4.64%	7,556,363.72	100.00%	0.00	7,556,363.72	4.64%	7,556,363.72	100.00%	0.00
Account receivable with single minor amount but with bad debts provision accrued on a single basis	5,587,643.49	3.43%	5,587,643.49	100.00%	0.00	5,587,643.49	3.43%	5,587,643.49	100.00%	0.00
Account receivable with bad debt provision accrual on portfolio	149,541,677.74	91.92%	811.28	0.00%	149,540,866.46	116,798,645.79	91.88%	811.28	0.01%	116,797,834.51
Including:										
Total	162,685,684.95		13,144,818.49		149,540,866.46	129,942,653.00		13,144,818.49		116,797,834.51

Accrual of bad debt provision on single basis: 7,556,363.72 Yuan

RMB/CNY

Name	Closing balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes
Shenzhen Portman	2,555,374.75	2,555,374.75	100.00%	Uncollectible

Bowling Club Co., Ltd.				
Hong Kong Haowei Industrial Co. Ltd.	1,870,887.18	1,870,887.18	100.00%	Uncollectible
TCL ACE ELECTRIC APPLIANCE (HUIZHOU) CO., LTD.	1,325,431.75	1,325,431.75	100.00%	Uncollectible
Qingdao Haier Parts Procurement Co., Ltd.	1,225,326.15	1,225,326.15	100.00%	Uncollectible
SKYWORTH Multimedia (Shenzhen) Co., Ltd.	579,343.89	579,343.89	100.00%	Uncollectible
Total	7,556,363.72	7,556,363.72	--	--

Accrual of bad debt provision on single basis: 5,587,643.49 Yuan

RMB/CNY

Name	Closing balance			
	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) 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
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	--	--

Accrual of bad debt provision on single basis:

RMB/CNY

Name	Closing balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes

Accrual of bad debt provision on portfolio: 811.28 Yuan

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio
Account age	149,541,677.74	811.28	
Total	149,541,677.74	811.28	--

Explanation on portfolio basis:

Accrual of bad debt provision on portfolio:

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio

Explanation on portfolio basis:

If the provision for bad debts of accounts receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other receivables to disclose related information about bad-debt provisions:

☐ Applicable ☒ Not applicable

By account age

RMB/CNY

Account age	Closing balance
Within one year(One year included)	149,536,867.00
	149,536,867.00
1-2 years	2,527.77

Over 3 years	2,282.97
3-4 years	2,282.97
Total	149,541,677.74

(2)Bad debt provision accrual, collected or reversal in the period

Bad debt provision accrual in the period:

RMB/CNY

Category	Opening balance	Amount changed in the period			Closing balance
		Accrual	Collected or reversal	Written-off	

Including major amount bad debt provision that collected or reversal in the period:

RMB/CNY

Enterprise	Amount collected or reversal	Collection by
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(3)Account receivable actually written-off in the period

RMB/CNY

Item	Amount written-off
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Including major account receivable written-off :

RMB/CNY

Enterprise	Nature of account receivable	Amount written-off	Causes of written-off	Procedures of written-off	Amount arising from related transactions (Y/N)
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Explanation on account receivable written-off:

(4)Top 5 account receivables at ending balance by arrears party

Total period-end balance of top five receivables by arrears party amounting to 138,920,788.78 Yuan, takes 85.39 percent of the total account receivable at period-end, bad debt provision accrual correspondingly at year-end amounting as 0 Yuan.

4. Account paid in advance**(1) By account age**

RMB/CNY

Account age	Closing balance		Opening balance	
	Amount	Ratio	Amount	Ratio
Within one year	28,212,818.13	99.28%	31,254,429.54	99.42%

1-2 years	135,695.39	0.48%	94,000.00	0.40%
2-3 years	70,086.94	0.25%		0.18%
Total	28,418,600.46	--	31,348,429.54	--

Explanation on reasons of failure to settle on important account paid in advance with age over one year:

Nil

(2)Top 5 account paid in advance at ending balance by prepayment object

Total period-end balance of top five account paid in advance by prepayment object amounted to 26,129,883.92 Yuan, takes 91.95 percent of the total advance payment at period-end.

Other explanation:

Nil

5. Other account receivable

RMB/CNY

Item	Closing balance	Opening balance
Other account receivable	5,781,851.15	5,777,179.08
Total	5,781,851.15	5,777,179.08

(1)Other account receivable

1) By nature

RMB/CNY

Nature	Closing book balance	Opening book balance
Margin and deposit	1,793,485.04	1,793,485.04
Borrow money	2,005,861.48	1,973,013.76
Intercourse funds	11,333,647.83	10,108,494.46
Rent receivable	5,918,159.34	6,317,469.46
Other	0.00	845,586.40
Total	21,051,153.69	21,038,049.12

2)Accrual of bad debt provision

RMB/CNY

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	

Balance on Jan. 1, 2019	15,260,870.04			15,260,870.04
Balance of Jan. 1, 2019 in the period	—	—	—	—
Current accrual	8,432.50			8,432.50
Balance on Jun. 30, 2019	15,269,302.54			15,269,302.54

Change of book balance of loss provision with amount has major changes in the period

☐ Applicable ☒ Not applicable

By account age

RMB/CNY

Account age	Closing balance
Within one year(One year included)	4,786,976.16
	4,786,976.16
1-2 years	54,876.99
2-3 years	848,718.00
Over 3 years	91,280.00
3-4 years	91,280.00
Total	5,781,851.15

3) Top 5 other account receivables at ending balance by arrears party

RMB/CNY

Enterprise	Nature	Closing balance	Account age	Ratio in total ending balance of other receivables	Closing balance of bad debt reserve
Portman	Rent receivable	4,021,734.22	Over 3 years	19.10%	4,021,734.22
Shenzhen Jifang Investment Co., Ltd	Rent receivable	1,380,608.00	Over one year	6.56%	1,380,608.00
Wuwu Branch of Shenzhen Dachong Industrial Co., Ltd.	Deposit for leasing	740,909.97	Within one year	3.52%	
Zhao Baomin	Rent receivable	553,901.68	Over 3 years	2.63%	564,646.35
Traffic accident compensation	Intercourse funds	555,785.81	Over 3 years	2.64%	555,785.81
Total	--	7,252,939.68	--	34.45%	6,522,774.38

6. Inventory

Whether implemented the new revenue standards

☐Yes ☒No**(1)Category**

RMB/CNY

Item	Closing balance			Opening balance		
	Book balance	Provision for price fall-down	Book value	Book balance	Provision for price fall-down	Book value
Raw materials	42,796,975.03	1,539,330.06	41,215,197.14	39,497,353.01	1,695,940.61	37,801,412.40
Inventory goods	40,987,482.00	1,083,796.82	39,903,685.18	24,483,140.41	1,543,123.71	22,940,016.70
Low priced and easily worn articles	313,838.99	0.00	356,286.82	216,771.16	35,563.68	181,207.48
Homemade semi-finished products	5,639,117.53	404,744.91	5,234,372.62	2,175,657.06	124,384.26	2,051,272.80
Total	89,737,413.55	3,027,871.79	86,709,541.76	66,372,921.64	3,399,012.26	62,973,909.38

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

(2)Provision for price fall-down

RMB/CNY

Item	Opening balance	Current increased		Current decreased		Closing balance
		Accrual	Other	Reversal or write-off	Other	
Raw materials	1,695,940.61			156,610.55		1,539,330.06
Inventory goods	1,543,123.71			459,326.89		1,083,796.82
Low priced and easily worn articles	35,563.68			35,563.68		
Homemade semi-finished products	124,384.26	280,360.65				404,744.91

Total	3,399,012.26	280,360.65	0.00	651,501.12		3,027,871.79
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Nil

7. Other current assets

Whether implemented the new revenue standards

☐Yes ☒No

RMB/CNY

Item	Closing balance	Opening balance
Value-added tax to be deducted	1,176,381.08	17,055.88
Advance payment of income tax	42,314.30	42,314.30
Total	1,218,695.38	59,370.18

Other explanation

8. 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	82,980,364.08			82,980,364.08
2.Current increased	864,165.14			864,165.14
(1) Accrual or amortization	864,165.14			864,165.14
3.Current decreased				
(1) Disposal				
(2) other transfer-out				
4.Closing balance	83,844,529.22			83,844,529.22
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	49,817,157.72			49,817,157.72
2.Opening book value	50,681,322.86			50,681,322.86

9. Fixed assets

RMB/CNY

Item	Closing balance	Opening balance
Fixed assets	92,150,629.83	95,226,401.69
Disposal of fixed assets	92,857,471.69	92,857,471.69
Total	185,008,101.52	188,083,873.38

(1)Fixed asset

RMB/CNY

Item	House building	Machinery equipment	Transportation equipment	Tool equipment	Office equipment	Mold equipment	Instrument equipment	Total
I. Original book value								
1. Opening balance	65,608,798.85	90,197,960.43	5,960,519.70	6,552,700.16	6,325,043.73	16,231,125.01	3,137,707.65	194,013,855.53
2. Current increased		1,719,220.35		424,216.15	27,792.74	665,886.99	7,077.88	2,844,194.11
(1) Purchasing		1,719,220.35		424,216.15	27,792.74	665,886.99	7,077.88	2,844,194.11
(2) Construction in process transfer-in								
(3) increased by combination								
3. Current decreased		1,101,038.34		85,470.09			12,210.00	1,198,718.43
(1) Disposal or scrapping		1,101,038.34		85,470.09			12,210.00	1,198,718.43
4. Closing balance	65,608,798.85	90,816,142.44	5,960,519.70	6,891,446.22	6,352,836.47	16,897,012.00	3,132,575.53	195,659,331.21
II. Accumulated depreciation								

ve depreciatio n								
1.Opening balance	16,797,572 .46	58,664,225 .14	4,178,805. 31	2,960,180. 84	4,171,441. 92	9,535,972. 63	2,479,255. 54	98,787,453 .84
2.Current increased	962,101.85	2,302,459. 41	368,771.97	438,939.57	148,478.01	1,486,528. 54	58,040.38	5,765,319. 73
(1)Accrual	962,101.85	2,302,459. 41	368,771.97	438,939.57	148,478.01	1,486,528. 54	58,040.38	5,765,319. 73
3.Current decreased		990,775.51		42,307.68			10,989.00	1,044,072. 19
(1) Disposal or scrapping		990,775.51		42,307.68			10,989.00	1,044,072. 19
4.Closing balance	17,759,674 .31	59,975,909 .04	4,547,577. 28	3,356,812. 73	4,319,919. 93	11,022,501 .17	2,526,306. 92	103,508,70 1.38
III. Depreciatio n 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	47,849,124.54	30,840,233.40	1,412,942.42	3,534,633.49	2,032,916.54	5,874,510.83	606,268.61	92,150,629.83
2.Opening book value	48,811,226.39	31,533,735.29	1,781,714.39	3,592,519.32	2,153,601.81	6,695,152.38	658,452.11	95,226,401.69

(2)Fixed assets leasing-out by operational lease

RMB/CNY

Item	Ending book value
House building	826,662.23

(3)Disposal of fixed assets

RMB/CNY

Item	Closing balance	Opening balance
Renovation of Gongming Huafa Electric Town	92,857,471.69	92,857,471.69
Total	92,857,471.69	92,857,471.69

Other explanation

Nil

10. Construction in process

RMB/CNY

Item	Closing balance	Opening balance
Construction in process	7,552,776.46	5,727,760.23
Total	7,552,776.46	5,727,760.23

(1)Construction in process

RMB/CNY

Item	Closing balance	Opening balance
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	Book balance	Impairment provision	Book value	Book balance	Impairment provision	Book value
Expansion for the plastic injection 3# plant	7,552,776.46		7,552,776.46	5,727,760.23		5,727,760.23
Total	7,552,776.46		7,552,776.46	5,727,760.23		5,727,760.23

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

RMB/CNY

Item	Budget	Opening balance	Current increased	Fixed assets transfer-in 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
Expansion for 3# injection molding Plant		5,727,760.23	1,825,016.23			7,552,776.46						
Total		5,727,760.23	1,825,016.23			7,552,776.46	--	--				--

11. Intangible assets**(1)Intangible assets**

RMB/CNY

Item	Land use right	Patent right	Non-patented technology	Software charges	Total
I. Original book value					
1. Opening balance	55,089,774.36			661,878.97	55,751,653.33

2.Current increased					
(1) Purchasing				3,034,537.44	3,034,537.44
(2) internal R&D					
(3)increased by combination					
3.Current decreased					
(1) Disposal					
4.Closing balance	55,089,774.36			3,696,416.41	58,786,190.77
II. Accumulated amortization					
1.Opening balance	13,434,017.64			501,945.95	13,935,963.59
2.Current increased	722,744.45			149,730.49	872,474.94
(1)Accrual	722,744.45			149,730.49	872,474.94
3.Current decreased					
(1) Disposal					
4.Closing balance	14,156,762.09			651,676.44	14,808,438.53
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	40,933,012.27			3,044,739.97	43,977,752.24
2.Opening book value	41,655,756.72			159,933.02	41,815,689.74

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

12. Long-term deferred expenditure

RMB/CNY

Item	Opening balance	Current increased	Amortized in Period	Other decreased	Closing balance
Golf membership fee					
Cloud service charge	542,116.99		116,167.92		425,949.07
Total	542,116.99		116,167.92		425,949.07

Other explanation

Nil

13. Deferred income tax asset/Deferred income tax liability

(1)Deferred income tax assets without offset

RMB/CNY

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred income tax asset	Deductible temporary differences	Deferred income tax asset
Provision for assets impairment	28,641,162.99	6,813,753.84	28,641,162.96	6,813,753.84
Accrual liability	64,411.00	16,102.75	64,411.00	16,102.75

Total	28,705,573.99	6,829,856.59	28,705,573.96	6,829,856.59
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(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		6,829,856.59

(3) Deferred income tax asset without recognized

RMB/CNY

Item	Closing balance	Opening balance
Deductible temporary differences	3,163,837.81	3,163,837.81
Deductible loss	1,427,605.96	1,427,605.96
Total	4,591,443.77	4,591,443.77

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

RMB/CNY

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

Other explanation

14. Other non-current assets

Whether implemented the new revenue standards

☐ Yes ☒ No

RMB/CNY

Item	Closing balance	Opening balance
Advance payment for engineering	80,000.00	80,000.00

Advance payment for equipment	209,550.00	357,810.00
Advance payment for intangible assets		2,721,154.00
Total	289,550.00	3,158,964.00

Other explanation

15. Short-term loans

(1)Category

RMB/CNY

Item	Closing balance	Opening balance
Loan in pledge	22,676,280.00	13,500,000.00
Secured portfolio loan	112,000,000.00	148,068,657.88
Total	134,676,280.00	161,568,657.88

Explanation on category of Short-term loans

Nil

16. Note payable

RMB/CNY

Category	Closing balance	Opening balance
Commercial acceptance bill	13,804,210.29	17,642,356.66
Bank acceptance bill		10,000,000.00
Total	13,804,210.29	27,642,356.66

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

17. Account payable

(1)Account payable

RMB/CNY

Item	Closing balance	Opening balance
Within one year(One year included)	90,992,129.99	48,686,573.85
Over one year	11,043,080.29	12,288,732.58
Total	102,035,210.28	60,975,306.43

(2)Major account payable over one year

RMB/CNY

Item	Closing balance	Reasons for non-payment or carry over
Shenzhen Yuehai Global Logistics Co., Ltd.	2,858,885.97	Without settlement
LG	1,906,267.50	Without settlement
Dongjin Electronics (Nanjing) Plasma Co., Ltd.	617,963.45	Without settlement
Total	5,383,116.92	--

Other explanation:

Nil

18. Account received in advance

Whether implemented the new revenue standards

☐Yes ☒No

(1)Account received in advance

RMB/CNY

Item	Closing balance	Opening balance
Within one year(One year included)	113,637.43	116,601.60
Over one year	42,595.01	42,927.00
Total	156,232.44	159,528.60

19. Employees remuneration payable

(1)Employees remuneration payable

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
I. Short-term benefits	4,700,208.36	32,286,086.59	32,958,058.24	4,028,236.71
II. Post-employment benefits-defined contribution plans		2,247,995.53	2,230,407.95	17,587.58
III. Dismiss welfare		45,365.00	45,365.00	
Total	4,700,208.36	34,579,447.12	35,233,831.19	4,045,824.29

(2)Short-term benefits

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
1. Wages, bonuses, allowances and subsidies	3,720,025.80	28,492,788.83	29,146,144.28	3,066,670.35
2. Welfare for workers and staff	754.00	2,489,517.44	2,489,517.44	754.00
3. Social insurance	22,287.98	1,067,739.83	1,086,356.03	3,671.78
Including: Medical insurance	22,287.98	894,902.90	913,519.10	3,671.78
Work injury insurance		91,845.56	91,845.56	
Maternity insurance		80,991.37	80,991.37	
4. Housing accumulation fund	24,310.00	150,800.88	150,800.88	24,310.00
5. Labor union expenditure and personnel education expense	932,830.58	85,239.61	85,239.61	932,830.58
Total	4,700,208.36	32,286,086.59	32,958,058.24	4,028,236.71

(3) Defined contribution plans

RMB/CNY

Item	Opening balance	Increase during the period	Decrease during this period	Closing balance
1. Basic endowment insurance		2,170,497.43	2,152,909.85	17,587.58
2. Unemployment insurance		77,498.10	77,498.10	
Total		2,247,995.53	2,230,407.95	17,587.58

Other explanation:

Nil

20. Tax payable

RMB/CNY

Item	Closing balance	Opening balance
VAT	3,119,280.60	3,432,174.00

Corporate income tax	5,914,787.16	5,683,136.41
Individual income tax	219,921.41	45,962.89
Urban maintenance and construction tax	50,723.32	547,965.38
Property tax	533,189.74	290,438.28
Land use tax	552,604.04	75,345.69
Educational surtax	229,278.13	235,610.56
Local educational surtax	123,222.03	126,852.76
Dike fee	1,665.00	1,665.00
Stamp tax	33,611.20	24,738.90
Disposal fund of waste electrical products	830,950.00	768,930.00
Total	11,609,232.63	11,232,819.87

Other explanation:

Nil

21. Other account payable

RMB/CNY

Item	Closing balance	Opening balance
Interest payable	54,347.32	439,558.70
Other account payable	30,986,015.17	26,339,305.22
Total	31,040,362.49	26,778,863.92

(1)Interest payable

RMB/CNY

Item	Closing balance	Opening balance
Interest of short-term loans payable	54,347.32	439,558.70
Total	54,347.32	439,558.70

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	17,395,159.40	10,914,478.12
Lease management fee	7,152,279.11	2,612,566.67
Intercourse funds	3,741,736.55	7,531,055.87
After sale and repairmen	1,759,470.00	1,696,994.97
Other	937,370.11	3,584,209.59
Total	30,986,015.17	26,339,305.22

2) Significant other account payable with over one year age

RMB/CNY

Item	Closing balance	Reasons for non-payment or carry over
Shenzhen SED Property Development Co., Ltd.	1,244,058.55	Without settlement
Shenzhen Huayongxing Environmental Protection Technology Co., Ltd.	1,000,000.00	Margin
Linghang Technology (Shenzhen) Co., Ltd	656,345.28	Without settlement
Shenzhen Tongxing Electronics Co., Ltd.	578,259.83	Without settlement
Shenzhen Yongdasheng Investment Development Co., Ltd.	558,970.00	Margin
Total	4,037,633.66	--

Other explanation

Nil

22. Accrual liability

Whether implemented the new revenue standards

☐ Yes ☒ No

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) SFZZ 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.

23.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:

Up to 30th June 2019, 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 119,289,894 shares.

24. 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

25. 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

26. Retained profit

RMB/CNY

Item	Current period	Last period
Retained profit at the end of the previous period before adjustment	-183,172,091.01	-186,467,113.73
Retained profit at period-begin after adjustment	-183,172,091.01	-186,467,113.73
Add: net profit attributable to owners of the parent company	2,587,578.75	3,295,022.72
Retained profit at period-end	-180,591,679.88	-183,172,091.01

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

27. Operating income and cost

RMB/CNY

Item	Current period		Last period	
	Income	Cost	Income	Cost
Main business	310,399,495.33	285,485,316.56	318,222,786.98	295,038,716.84
Other business	28,790,678.72	12,094,891.78	22,762,056.26	7,544,262.60
Total	339,190,174.05	297,580,208.34	340,984,843.24	302,582,979.44

Whether implemented the new revenue standards

☐Yes ☒No

Other explanation

Nil

28. Tax and surcharges

RMB/CNY

Item	Current period	Last period
Urban maintenance and construction tax	68,304.63	266,947.39
Educational surtax	33,062.14	159,757.95

Property tax	706,398.83	232,452.12
Land use tax	278,113.28	663,931.20
Vehicle use tax	3,420.00	4,800.00
Stamp tax	205,372.70	217,911.90
Local education development fee	15,438.42	166,492.83
Total	1,310,110.00	1,712,293.39

Other explanation:

Nil

29. Sales expense

RMB/CNY

Item	Current period	Last period
Employees remuneration	2,350,311.18	2,301,867.88
Freight	2,883,611.66	2,334,595.10
Commodity inspection fee	46,041.22	335,545.03
Customs fee	85,340.66	84,390.47
Commodity loss	1,669,582.49	1,556,975.69
Other	2,095,493.01	1,819,989.14
Total	9,130,380.22	8,433,363.31

Other explanation:

Nil

30. Administrative expense

RMB/CNY

Item	Current period	Last period
Salary	4,819,623.00	4,210,697.93
Depreciation charge	1,108,894.27	2,586,727.68
Social insurance premium	1,183,069.73	1,219,441.85
Social expenses	1,975,609.14	1,336,624.80
Taxes and surcharge	0.00	0.00
Employee benefits	453,205.88	900,960.35
Travel expenses	913,668.77	1,086,267.27
Amortization of intangible assets	872,474.94	745,813.31
Traffic expenses	880,726.46	1,047,578.29

Consulting fee	365,549.99	565,076.31
Security	478,584.83	710,066.72
Repairs	981,308.38	839,233.34
Audit fee	812,786.23	624,271.85
Office expenses	775,082.77	527,020.48
Communication fee	106,108.39	166,858.35
Amortization of low cost and short lived articles	76,180.62	488,293.61
Securities information disclosure fee	255,915.74	188,679.24
Litigation fee	0.00	0.00
Staff education	86,051.41	35,034.65
Water and electricity fee	336,221.83	272,971.66
Lease fee	2,444,912.69	2,298,165.79
Eco fee	194,709.07	90,598.66
Premium	45,221.73	164,030.73
Other expenses	451,085.52	296,572.55
Total	19,616,991.39	20,400,985.42

Other explanation:

Nil

31. R& D expenses

RMB/CNY

Item	Current period	Last period
Personnel cost	2,086,504.20	
Direct input cost	846,252.61	
Depreciation and amortization expenses	218,337.01	
Other related expenses	575,899.04	
Total	3,726,992.86	

Other explanation:

Nil

32. Financial expense

RMB/CNY

Item	Current period	Last period
Interest expenditure	5,355,676.92	5,989,883.31

Less: interest income	419,336.28	349,858.59
Add: Exchange loss	-87,878.70	-297,171.10
Add: Other expense	219,909.30	104,216.60
Total	5,068,371.24	5,447,070.22

Other explanation:

Nil

33. Investment income

RMB/CNY

Item	Current period	Last period
Investment income generated by financial products	74,936.14	245,679.10
Total	74,936.14	245,679.10

Other explanation:

Nil

34. Credit impairment loss

RMB/CNY

Item	Current period	Last period
Bad debt loss of other account receivable	-8,432.50	
Total	-8,432.50	

Other explanation:

Nil

35. Assets impairment loss

Whether implemented the new revenue standards

☐Yes ☒No

RMB/CNY

Item	Current period	Last period
I. Bad debt losses		-5,941.50
Total		-5,941.50

Other explanation:

Nil

36. Asset disposal income

RMB/CNY

Source of asset disposal income	Current period	Last period
Income from fixed assets sold	129,039.57	-105,779.36

37. Non-operating income

RMB/CNY

Item	Current period	Last period	Amount included in current non-recurring profits or losses
Government subsidy	223,300.00	771,800.00	
Fine income	9,458.00	115,862.07	
Total	232,758.00	887,662.07	

Government subsidy reckoned into current gains/losses:

RMB/CNY

Item	Issuing subject	Offering causes	Nature	Subsidy impact current gains/losses (Y/N)	The special subsidy (Y/N)	Amount in the Period	Amount in last period	Assets-related/income-related
Award for excellent enterprise for 2018	Finance bureau of economic development district of Wuhan Caidian	Award	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	N	200,000.00		Income-related
2018 provincial foreign economic and trade funds	Zero-balance special account of the Finance bureau of Wuhan	Award	Subsidy obtained for conforms with the local support policy for	N	N	17,300.00		Income-related

			investment incentive to encourage investment					
Job-hunting and entrepreneurship subsidy	Labor and employment bureau of Caidian District, Wuhan	Subsidy	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	N	6,000.00		Income-related
Subsidy for science & technology innovation platform in 2017	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	N	N		300,000.00	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	N	N		150,000.00	Income-related
Subsidy for cultivating enterprise	Wuhan Science and	Subsidy	Subsidy obtained for	N	N		50,000.00	Income-related

	Technology Bureau (Wuhan Intellectual Property Office)		conforms with the local support policy for investment incentive to encourage investment					
2018 municipal foreign economic and trade funds	Treasury branch of Wuhan Finance bureau	Award	Subsidy obtained for conforms with the local support policy for investment incentive to encourage investment	N	N		271,800.00	Income-related

Other explanation:

Nil

38. Non-operating expenditure

RMB/CNY

Item	Current period	Last period	Amount included in current non-recurring profits or losses
Penalty expenditure	1,100.00	40,000.00	1,100.00
Other		132,806.76	
Total	1,100.00	172,806.76	1,100.00

Other explanation:

Nil

39. Income tax expenses

(1) Statement of income tax expense

RMB/CNY

Item	Current period	Last period
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Current income tax expense	388,847.80	908,807.04
Deferred income tax expense	215,062.28	-444,975.63
Total	603,910.08	463,831.41

(2)Adjustment on accounting profit and income tax expenses

RMB/CNY

Item	Current period
Total profit	3,184,321.21
Income tax based on statutory/applicable rate	796,080.30
Impact by different tax rate applied by subsidies	-193,287.88
Impact of the deductible temporary differences or deductible loss of deferred income tax asset without recognized in the period	274.41
Income tax expense	603,910.08

Other explanation

40. Annotation of cash flow statement**(1)Cash received with other operating activities concerned**

RMB/CNY

Item	Current period	Last period
Unit intercourse account	1,869,387.03	1,042,828.59
Collection management fee and utilities etc.	1,189,095.86	601,727.14
Repayment from employees	32,462.10	22,608.36
Margin	40,263.30	500,000.00
Interest income	48,764.26	71,314.28
Government subsidy	223,300.00	771,800.00
Total	3,403,272.55	3,010,278.37

Note of cash received with other operating activities concerned:

The cash received with other operating activities concerned in the period mainly including collection management fee and utilities, government subsidy, margin and other intercourse funds

(2)Cash paid with other operating activities concerned

RMB/CNY

Item	Current period	Last period
Unit intercourse account	1,315,156.92	1,840,448.01
Advances to employees	2,563,755.64	1,046,817.78
Litigation fee		249,530.00
Deposit, margin	1,656,408.00	831,867.00
Social expenses	1,299,864.19	1,166,779.68
Water and electricity	2,365,472.40	2,270,904.17
Travel expenses	638,939.25	849,867.40
Freight	2,983,611.66	2,336,595.10
Traffic expenses	521,848.44	620,026.07
Repairs	1,067,602.12	965,726.34
Audit and consulting fees	792,049.00	1,037,410.89
Security	620,945.00	218,400.00
Financial institutions handling fee	62,759.86	103,694.09
Office expenses	508,512.98	408,916.56
Communication fee	154,173.54	195,355.57
Lease fee	2,444,912.69	2,418,018.66
Other	1,614,513.51	1,107,946.89
Total	20,610,525.20	17,668,304.21

Note of cash paid with other operating activities concerned:

(3)Cash received with other investment activities concerned

RMB/CNY

Item	Current period	Last period
Redemption of principal of financial products	49,000,000.00	80,000,000.00
Total	49,000,000.00	80,000,000.00

Note of cash received with other investment activities concerned

Nil

(4)Cash paid related with investment activities

RMB/CNY

Item	Current period	Last period
Purchasing financial products	49,000,000.00	80,000,000.00

Total	49,000,000.00	80,000,000.00
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Note of cash paid related with investment activities

Nil

41. Supplementary information to statement of cash flow

(1) Supplementary information to statement of cash flow

RMB/CNY

Supplementary information	Current period	Last period
1. Net profit adjusted to cash flow of operation activities:	--	--
Net profit	2,580,411.13	2,793,133.60
Add: Provision for assets impairment	6,025,283.55	7,322,855.85
Amortization of intangible assets	872,474.94	709,576.88
Amortization of long-term deferred expenditure	116,167.92	63,722.66
Loss from disposal of fixed assets, intangible assets and other long-term assets (gain is listed with "-")	-129,039.57	333,454.38
Financial expenses (gain is listed with "-")	5,262,857.89	5,536,037.89
Investment loss (income is listed with "-")	-74,936.14	-245,679.10
Decrease of deferred income tax assets (increase is listed with "-")		1,218.57
Decrease of inventory (increase is listed with "-")	-23,735,632.38	4,786,891.71
Decrease of operating receivable accounts (increase is listed with "-")	-17,697,245.84	-15,034,088.55
Increase of operating payable accounts (decrease is listed with "-")	71,973,879.06	-32,938,449.52
Net cash flow arising from operating activities	45,194,220.56	-26,671,325.63
2. Material investment and financing not involved in cash flow:	--	--
3. Net change of cash and cash equivalents:	--	--
Balance of cash at period end	38,041,641.85	23,838,986.21
Less: Balance of cash at period-begin	29,171,804.99	66,240,945.59
Add: Balance of cash equivalent at		3,256,408.54

period-end		
Less: Balance of cash equivalent at period-begin		15,234,028.71
Net increased amount of cash and cash equivalent	8,869,836.86	-54,379,579.55

(2)Constitution of cash and cash equivalent

RMB/CNY

Item	Closing balance	Opening balance
I . Cash	38,041,641.85	29,171,804.99
Including:Cash on hand	426,742.83	236,354.29
Bank deposit available for payment at any time	37,614,899.02	28,935,450.70
III. Balance of cash and cash equivalent at period-end	36,831,046.46	27,961,209.60

Other explanation:

Ending Monetary fund-other monetary fund refers to the margin of bank acceptance 9,939,899.76 Yuan, which is not belonging to the cash and cash equivalent. Ending Monetary fund-Bank deposit has 1,210,595.39 Yuan frozen by the court, which is not belonging to the cash and cash equivalent either.

42. Assets with ownership or use right restricted

RMB/CNY

Item	Ending book value	Restriction reasons
Monetary fund	11,150,495.15	Issuing the bank acceptance
Note receivable	3,866,647.92	Pledged
Inventory	14,609,128.53	Pledged
Fixed assets	37,728,701.12	Bank loan secured
Intangible assets	42,487,962.49	Bank loan secured
Disposal of fixed assets	92,857,471.69	Court closure
Intangible assets	36,306,830.17	Bank loan secured
Total	239,007,237.07	--

Other explanation:

Nil

43. Item of foreign currency

(1) Item of foreign currency

RMB/CNY

Item	Closing balance of foreign currency	Rate of conversion	Closing RMB balance converted
Monetary fund	--	--	
Including:USD	1,361,685.55	6.87	9,356,958.43
Euro			
HKD	32.66	0.88	28.62
Account receivable	--	--	
Including:USD	5,942,756.38	6.87	40,836,244.74
Euro			
HKD			
Long-term loans	--	--	
Including:USD			
Euro			
HKD			
Account paid in advance			
Including:USD	2,249,052.99	6.87	15,454,592.53
Short-term loans			
Including:USD	3,300,000.00	6.87	22,676,280.00

Other explanation:

Nil

44. Government subsidy

(1)Government subsidy

RMB/CNY

Category	Amount	Item	Amount reckoned into current gains/losses
Award for excellent enterprise for 2018	200,000.00	Non-operating income	200,000.00

2018 provincial foreign economic and trade funds	17,300.00	Non-operating income	17,300.00
Job-hunting and entrepreneurship subsidy	6,000.00	Non-operating income	6,000.00

(2)Refund of government subsidy

☐ Applicable ☒ Not applicable

Other explanation:

Nil

VIII. Equity in other subjects

1. Equity in subsidiary

(1)Constitute of enterprise group

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

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

Nil

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

Nil

Major structured entity included in consolidate statement:

Nil

Basis of termination of agent or consignor:

Nil

Other explanation:

Nil

IX. The risk associated with financial instruments

The Group's main financial instruments include loans, receivables, payable, tradable financial assets, trading and financial liabilities, etc. 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.

1)FX 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 30 June 2019, 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	2019-6-30(RMB conversion)	2018-12-31(RMB conversion)
Monetary fund -USD	9,356,958.43	2,010,146.81
Monetary fund -HKD	28.61	28.62
Account receivable -USD	40,836,244.74	44,086,655.90
Account paid in advance-USD	15,454,592.53	19,035,307.91
Account payable -USD	0.00	
Short-term loans-USD	22,676,280.00	25,068,657.88

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 30 June 2019, the Group's interest-bearing debt was mainly the floating interest rate loan contract denominated in Renminbi and US dollars, amounting to RMB 124,676,280 (December 31, 2018: RMB 161,568,657.88).

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 138,920,788.78.

(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.

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	Jan.-Jun. 2019		Jan.-Jun. 2018	
		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	1,031,885.69	1,031,885.69	-284,157.38	-284,157.38
All foreign currency	5% devaluation of the RMB	-1,031,885.69	-1,031,885.69	284,157.38	284,157.38

X. Related party and related transactions

1. Parent company of the enterprise

Parent company	Registration place	Business nature	Registered capital	Share-holding ratio on the enterprise for parent company	Voting right ratio on the enterprise
Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd	Wuhan	Production and sales, real estate development and sales, housing leasing and management	138,000,000.00	42.13%	42.13%

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.

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.,	Purchasing goods	55,314,886.74	167,780,900.00	N	57,922,243.81

Ltd.					
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Purchasing goods	57,732,114.71	205,446,000.00	N	44,866,194.55

Goods sold/labor service providing

RMB/CNY

Related party	Content	Current period	Last period
Hong Kong Yutian International Investment Co., Ltd.	Sales of goods	64,136,216.85	63,231,882.88
Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	Sales of goods	12,184,138.45	2,772,074.10

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	30,000,000.00	2018-04-20	2022-04-20	N

As the secured party

RMB/CNY

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

Explanation on related guarantee

Nil

(3)Remuneration of key manager

RMB/CNY

Item	Current period	Last period
Total remuneration	781,248.00	784,673.68

5. Receivable/payable items of related parties**(1) Receivable item**

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.	37,716,619.04		34,850,150.19	
Account paid in advance	Hong Kong Yutian International Investment Co., Ltd.	15,495,075.48		20,591,047.90	

(2) Payable item

RMB/CNY

Item	Related party	Closing book balance	Opening book balance
Account payable	Wuhan Hengsheng Photo-electricity Industry Co., Ltd.	1,933,617.32	871,821.45

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	502,325.53

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. The case is pending, and on 4 April 2019, the Company received a notice from the Shenzhen International Arbitration Court extending the award to 5 May 2019.

2. Other pending lawsuit

Basic information of litigation (arbitration)	Amount involved in the case (10 thousand Yuan)	Accrual liability resulted (Y/N)	Progress	Outcome and impact	Enforcement of judgments	Disclosure date	Index for disclosure
In September 2016, the dispute was submitted for arbitration on "Cooperative Operation Contract of Renovation Project at Huafa Industrial Park, Gongming Street, Guangming New	46,460	N	Judgement on 16 August 2017, the Company and its controlling shareholders are applied for withdrawal the judgement, but it	Found more in the Notice of the Company	Executing	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&ann

District” entered into between Wuhan Zhongheng, the Company and Shenzhen Vanke			was rejected by the Court.				ouncementTime=2018-08-25
In March 2016, the Company and Huafa Technology bring an action against the flowed enterprise as Shenzhen Huayongxing Eco Technology Co., Ltd, Shenzhen Guanyong Line Board Co., Ltd, Shenzhen Mingyi Electric Co., Ltd, Shenzhen ORL Technology Co., Ltd. and Shenzhen Kangzhengxin Technology Co., Ltd for delays payment of rent, refuse to move out the site, forcibly occupy the Company’s distribution room and other power supply unit	1,964.92	N	Now the second instance judgment has been made, and has applied for compulsory execution.	Case closed	Case closed	2019-05-07	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 bring a suit against Shenzhen Huayongxing Eco Technology Co., Ltd and Shenzhen YDX Technology Co., Ltd for violation of the Contract and refuse to clear up and remove the place	947.26	N	On 15 March 2018, the 2 nd trial decides was won and has applied for compulsory execution	Executing	Executing	2016-09-14	http://www.cninfo.com.cn/cninfo-new/disclosure/szse_main/bulletin_detail/true/1202702423?announceTime=2016-09-14 07:41
Arbitration case of legal service contract dispute with V&T (Shenzhen) Law Firm and the Company and Wuhan	1,940.2N	N	The arbitration has been held and waiting for adjudication	Waiting for adjudicate	Waiting for adjudicate	2018-11-14	http://www.cninfo.com.cn/new/disclosure/detail?plate=szse&stockCode=000020&announcementId=1205602053&announcementTime=2018-11-14

Zhongheng Group							
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(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. Events after balance sheet date

1. important non-adjustment items

RMB/CNY

Item	Content	Impact on financial status and operating results	Reasons for the inability to estimate the impact
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2. Profit distribution

RMB/CNY

3. Sales return

Nil

4. Explanation on other events after balance sheet date

Nil

XIII. Other important event

1. Earlier accounting errors collection

(1)Retrospective restatement

RMB/CNY

Correction content	Treatment procedures	Items for each comparison period affected	Cumulative impact
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(2)Prospective application

Correction content	Approval procedures	Reasons for prospective application adoption
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2. Debt restructuring

3. Assets exchange

(1)Non-monetary assets exchange

(2)Other assets exchange

4. Pension plan

5. Discontinuing operation

RMB/CNY

Item	Income	Expenses	Total profit	Income tax expenses	Net profit	Profit of discontinuing operation attributable to owners of parent company
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Other explanation

6. Segment

(1)Recognition basis and accounting policy for reportable segment

(2)Financial information for reportable segment

RMB/CNY

Item		Offset of segment	Total
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(3) If there are no segment in the Company, or the total assets and liabilities of the segment are un-able to disclosed, explain the reasons

(4)Other explanation

7. Major transaction and events makes influence on investor's decision

8. Other

XIV. Principle notes of financial statements of parent company

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 bad debt provision accrual on a single basis	10,293,424.29	100.00 %	10,293,424.29	100.00 %	0.00	10,293,424.29	100.00 %	10,293,424.29	100.00 %	0.00
Including:										
Including:										
Total	10,293,424.29		10,293,424.29			10,293,424.29		10,293,424.29		

Accrual of bad debt provision on single basis: 10,293,424.29 Yuan

RMB/CNY

Name	Closing balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes
Shenzhen Huafa Proerty Leasing Company	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	555,785.81	555,785.81	100.00%	Uncollectible

compensation				
Zhao Baomin	553,901.68	553,901.68	100.00%	Uncollectible
Hebei Botou Court	520,021.00	520,021.00	101.00%	Uncollectible
Electricity charge of the canteen in Gongming	489,214.70	489,214.70	100.00%	Uncollectible
Jiantao (Fogang) Laminated Board Co., Ltd.	465,528.10	465,528.10	100.00%	Uncollectible
Labor union	72,402.55	72,402.55	100.00%	Uncollectible
Lu Wei	290,000.00	290,000.00	100.00%	Uncollectible
Dai Qiangbo 4/F hotel	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 enterprise	5,440,838.45	5,440,838.45	100.00%	Uncollectible
Total	10,293,424.29	10,293,424.29	--	--

Accrual of bad debt provision on single basis:

RMB/CNY

Name	Closing balance			
	Book balance	Bad debt provision	Accrual ratio	Accrual causes

Accrual of bad debt provision on portfolio:

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio

Explanation on portfolio basis:

Nil

Accrual of bad debt provision on portfolio:

RMB/CNY

Name	Closing balance		
	Book balance	Bad debt provision	Accrual ratio

Explanation on portfolio basis:

If the provision for bad debts of accounts receivable is made in accordance with the general model of expected credit losses, please refer to the disclosure of other receivables to disclose related information about bad-debt provisions:

☐ Applicable ☒ Not applicable

By account age

RMB/CNY

Account age	Closing balance
Total	0.00

(2)Bad debt provision accrual, collected or reversal in the period

Bad debt provision accrual in the period:

RMB/CNY

Category	Opening balance	Amount changed in the period			Closing balance
		Accrual	Collected or reversal	Written-off	

Including major amount bad debt provision that collected or reversal in the period:

RMB/CNY

Enterprise	Amount collected or reversal	Collection by
------------	------------------------------	---------------

(3)Account receivable actually written-off in the period

RMB/CNY

Item	Amount written-off
------	--------------------

Including major account receivable written-off :

RMB/CNY

Enterprise	Nature of account receivable	Amount written-off	Causes of written-off	Procedures of written-off	Amount arising from related transactions (Y/N)
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Explanation on account receivable written-off:

(4)Top 5 account receivables at ending balance by arrears party**(5)Assets and liabilities resulted by account receivable transfer and continues involvement**

Other explanation:

2. Other account receivable

RMB/CNY

Item	Closing balance	Opening balance
Other account receivable	111,782,724.70	99,155,253.08
Total	111,782,724.70	99,155,253.08

(1)Interest receivable

1)Category of interest receivable

RMB/CNY

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

2)Significant overdue interest

Borrower	Closing balance	Overdue time	Overdue reason	Whether impairment occurs and judgment basis
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Other explanation:

3)Accrual of bad debt provision

☐ Applicable ☒ Not applicable

(2)Dividend receivable

1)Category of dividend receivable

RMB/CNY

Item (or invested enterprise)	Closing balance	Opening balance
-------------------------------	-----------------	-----------------

2)Important dividend receivable with account age over one year

RMB/CNY

Item (or invested enterprise)	Closing balance	Account age	Reasons for un-collection	Whether impairment occurs and judgment basis
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3)Accrual of bad debt provision

☐ Applicable ☒ Not applicable

Other explanation:

(3)Other account receivable

1)Other account receivable by nature

RMB/CNY

Nature	Closing book balance	Opening book balance
Margin deposit	720,065.04	720,065.04
Borrow money	1,475,463.06	2,013,402.14
Intercourse funds	119,568,896.93	110,451,250.82
Rental income	9,088,088.00	5,857,777.46
Total	130,852,513.03	119,042,495.46

2)Accrual of bad debt provision

RMB/CNY

Bad debt provision	Phase I	Phase II	Phase III	Total
	Expected credit losses over next 12 months	Expected credit losses for the entire duration (without credit impairment occurred)	Expected credit losses for the entire duration (with credit impairment occurred)	
Balance on Jan. 1, 2019	19,069,788.33			19,069,788.33
Balance of Jan. 1, 2019 in the period	—	—	—	—
Balance on Jun. 30, 2019	19,069,788.33			19,069,788.33

Change of book balance of loss provision with amount has major changes in the period

☐ Applicable ☒ Not applicable

By account age

RMB/CNY

Account age	Closing balance
Within one year(One year included)	111,723,124.99
	111,723,124.99
1-2 years	59,599.71
Total	111,782,724.70

3)Bad debt provision accrual, collected or reversal in the period

Bad debt provision accrual in the period:

RMB/CNY

Category	Opening balance	Amount changed in the period		Closing balance
		Accrual	Collected or reversal	

Nil

Including important bad debt provision that collected or reversal in the period:

RMB/CNY

Enterprise	Amount collected or reversal	Collection by
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4)Other account receivable actually written-off in the period

RMB/CNY

Item	Amount written-off
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Including important other account receivable written-off in the period:

RMB/CNY

Enterprise	Nature of other account receivable	Amount written-off	Causes of written-off	Procedures of written-off	Amount arising from related transactions (Y/N)
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Explanation on other account receivable written-off:

5) Top 5 other account receivables at ending balance by arrears party

RMB/CNY

Enterprise	Nature	Closing balance	Account age	Ratio in total ending balance of other receivables	Closing balance of bad debt reserve
Hengfa Technology Company	Intercourse funds	91,887,895.78	Within one year	70.22%	
Zhongheng Huafa Property	Intercourse funds	20,186,113.28	Within 2 years	15.43%	
HUAFA Lease Company	Intercourse funds	4,558,859.15	Over 3 years	3.48%	4,558,859.15
Portman	Lease fee receivable etc	4,021,734.22	Over 3 years	3.07%	4,021,734.22
Shenzhen Jifang Investment Co., Ltd	Lease fee receivable etc	1,380,608.00	Within one year	1.06%	
Total	--	122,035,210.43	--	93.26%	8,580,593.37

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 (Book value)	Changes in the period				Closing balance (Book value)	Closing balance of impairment provision
		Additional investment	Negative investment	Accrual of impairment provision	Other		
HUAFA Lease Company	0.00					0.00	600,000.00
HUAFA Property	1,000,000.00					1,000,000.00	

Company							
Hengfa Technology Company	183,608,900.00					183,608,900.00	
Huafa Trading Company						0.00	
HUAFA Hengtian Company	1,000,000.00					1,000,000.00	
HUAFA Hengtai Company	1,000,000.00					1,000,000.00	
Total	186,608,900.00					186,608,900.00	600,000.00

4. Operating income and cost

RMB/CNY

Item	Current period		Last period	
	Income	Cost	Income	Cost
Other business	18,041,135.31	3,172,031.59	16,961,088.74	2,510,518.82
Total	18,041,135.31	3,172,031.59	16,961,088.74	2,510,518.82

Whether implemented the new revenue standards

☐ Yes ☒ No

Other explanation:

Nil

XV. 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	129,039.57	
Governmental subsidy reckoned into current gains/losses (not including the subsidy enjoyed in quota or ration according to national standards, which are	223,300.00	

closely relevant to enterprise's business)		
Gain/loss of entrusted investment or assets management	74,936.14	
Other non-operating income and expenditure except for the aforementioned items	9,458.00	
Less: Impact on income tax	54,234.64	
Total	382,499.07	--

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. ROE 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	0.79%	0.0091	0.0091
Net profits belong to common stock stockholders of the Company after deducting nonrecurring gains and losses	0.68%	0.0078	0.0078

Section XI. 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.