

Stock Code: 000020 200020

Public Notice No.: 2020-15

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

Shenzhen Zhongheng Huafa Co., Ltd.**Summary of Annual Report 2019****I. Important Notice**

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

Objection statement of directors, supervisors and senior executives

Name	Position	Content and reason
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Statement

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

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

☐ Applicable ☒ Not applicable

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☐ Not applicable**II. Basic information of the company****1. Company profile**

Short form of the stock	Shen HuafaA, Shen HuafaB	Stock code	000020, 200020
Stock exchange for listing	Shenzhen Stock Exchange		
Person/Way to contact	Secretary of the Board	Rep. of security affairs	
Name	Niu Zhuo		
Office add.	618, 6/F, East Tower, No.411 Building, Huafa (N) Road, Futian District, Shenzhen		
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2. Main business or product introduction in the reporting period

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

3. Main accounting data and financial indexes

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

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

☐ Yes ☒ No

In RMB

	2019	2018	Changes over last year	2017
Operating income	721,557,440.51	637,046,707.03	13.27%	858,040,132.74
Net profit attributable to shareholders of the listed company	5,460,049.15	3,295,022.72	65.71%	974,409.39
Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	4,843,096.96	1,535,043.65	215.50%	2,079,588.86
Net cash flow arising from operating activities	74,463,707.01	-21,894,459.66	440.10%	11,723,254.36
Basic earnings per share (RMB/Share)	0.0193	0.0116	66.38%	0.0034
Diluted earnings per share (RMB/Share)	0.0193	0.0116	66.38%	0.0034
Weighted average ROE	1.67%	1.02%	0.65%	0.30%
	End of 2019	End of 2018	Changes over end of last year	End of 2017
Total assets	614,163,899.86	617,090,153.46	-0.47%	629,762,731.38
Net assets attributable to shareholder of listed company	329,428,049.89	323,968,000.74	1.69%	320,672,978.02

(2) Quarterly main financial index

In RMB

	First quarter	Second quarter	Third quarter	Fourth quarter
Operating income	143,921,648.63	195,268,525.42	209,822,500.84	172,544,765.62
Net profit attributable to shareholders of the listed company	258,233.98	2,322,177.15	796,282.59	2,083,355.43

Net profit attributable to shareholders of the listed company after deducting non-recurring gains and losses	196,868.38	2,001,043.68	-207,411.34	2,757,615.61
Net cash flow arising from operating activities	19,403,902.99	20,584,093.18	8,608,010.36	25,867,700.48

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

☐ Yes ☒ No

4. Shares and shareholders

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

In Share

Total common stock shareholders in reporting period-end	23,761	Total common stock shareholders at end of last month before annual report disclosed	24,131	Total preference shareholders with voting rights recovered at end of reporting period	0	Total preference shareholders with voting rights recovered at end of last month before annual report disclosed	0
Top ten shareholders							
Full name of Shareholders	Nature of shareholder	Proportion of shares held	Amount of shares held	Amount of restricted shares held	Number of shares pledged/frozen		
					State of share	Amount	
Wuhan Zhongheng Group	Domestic non-state-owned legal person	42.13%	119,289,894	0	Pledged	116,100,000	
					Frozen	119,289,894	
SEG (HONG KONG) CO., LTD.	Overseas legal person	5.85%	16,569,560	0	Pledged	0	
					Frozen	0	
GOOD HOPE CORNER INVESTMENTS LTD.	Overseas legal person	4.40%	12,464,500	0	Pledged	0	
					Frozen	0	
Changjiang Securities Brokerage (Hong Kong) Co., Ltd.	Overseas legal person	1.89%	5,355,249	0	Pledged	0	
					Frozen	0	
Guoyuan Securities Brokerage (Hong Kong) Limited	Overseas legal person	1.36%	3,870,117	0	Pledged	0	
					Frozen	0	
Li Zhongqiu	Overseas legal person	1.00%	2,830,000	0	Pledged	0	
					Frozen	0	

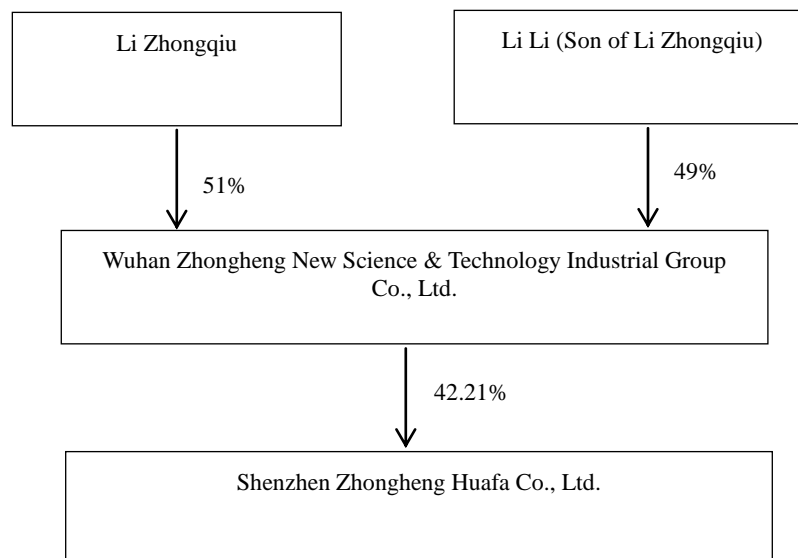
Zhong Jiachao	Domestic nature person	0.47%	1,329,602	0	Pledged	0
					Frozen	0
LI SHERYN ZHAN MING	Overseas legal person	0.36%	1,022,600	0	Pledged	0
					Frozen	0
Li Senzhuang	Domestic nature person	0.35%	989,350	0	Pledged	0
					Frozen	0
Wang Jianxin	Domestic nature person	0.34%	959,000	0	Pledged	0
					Frozen	0
Explanation on associated relationship among the aforesaid shareholders		Among the top ten shareholders, Li Zhongqiu is the actual controller of Wuhan Zhongheng New Science & Technology Industrial Group Co., Ltd. and is a party acting in concert.				
Explanation on involving margin business (if applicable)		Among the top ten shareholders, Zhong Jiachao held 795,602 shares through ordinary accounts, 534,000 shares through credit securities accounts, and total held 1,329,602 shares.				

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

☐ Applicable ☒ Not applicable

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

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



5. Corporate bonds

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

No

III. Discussion and analysis of business

1. Introduction of operation in the reporting period

In 2019, affected by the Sino-US trade war, the downward pressure on China's economy increased, and the economic growth slowed down. Facing the unfavorable market environment, the company has actively taken measures to adjust its management concept and operating strategies and expand its main business which were supplemented with assessment and incentive mechanism. At the same time, some assets were cleaned and disposed of to maximize the benefits of assets and achieve better returns. In 2019, the company achieved operating revenue of 721,557,400 Yuan, an increase of 13.27% on a year-on-year basis, total net profits of 7,750,800 Yuan, increased by 68.79% compared with the same period last year, net profit amounted to 5,460,000 yuan, a 65.71% up from a year earlier.

- Video service business achieved annual operating income of 332,014,600 Yuan, an increase of 13.41% on a year-on-year basis, operation profit amounted as 2,786,900 Yuan with 17.73% down from a year earlier. During the reporting period, the Video Business Division adjusted the product structure and optimized the sales ratio of each brand of products. The sales ratio of AOC, VSCN and VSC series brands have increased, which opened online sales channels such as Jingdong while completing existing customer orders, and sold 820,000 LCD monitors in 2019, an increase of 16.5% over last year.

- Injection molding business achieved annual operating income of 250,187,900 Yuan, an increase of 13.25% over the same period last year, operation profit amounted as 535,800 Yuan, an increase of 20.81% from a year earlier. With the unceasingly fierce competition in the market, the profit margin of injection molding was squeezed, but the new production line put into production by this business division at the end of 2018 gave full play to its automation advantages in 2019, which greatly improved production efficiency and reduced production costs. The injection molding division achieved annual sales volume of 10,800 tons, outperforming the annual sales target.

- Polylon business achieved annual operating income of 64.33 million Yuan, a decrease of 3.39% over the same period last year, operating profit amounted as -1.08 million yuan, a decrease of 40.63% from a year earlier. The actual sales volume throughout the year was 3900 tons, basically reaching the sales target, but due to the fierce market competition, in order to improve market competitiveness, this business division made some sacrifices in profit. In order to better fulfill the sales target of 2020, the EPS business division maintained existing orders, increased the proportion of structural parts orders, developed new customer resources, and strive to accept more domestic and foreign large-scale household appliance customers' orders.

●The property rental business achieved annual operating income of 38.82 million yuan, an increase of 12.95% from a year earlier, operating profit amounted as 5.56 million yuan with major growth over that of last year. In 2019, the company optimized the structural proportion of commercial tenants, and the occupancy rate was greatly improved, at the same time, the company strictly controlled costs and reduced unnecessary expenditures. Therefore, the company's overall rental profits increased significantly compared with the previous year.

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

☐ Yes ☒ No

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

☒ Applicable ☐ Not applicable

In RMB

Name	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
Monitor	332,014,645.59	310,508,719.13	6.48%	13.41%	13.05%	0.30%
Injection model	250,187,919.33	223,473,984.32	10.68%	13.25%	8.36%	4.03%
EPS products	64,330,319.24	62,186,951.52	3.33%	-5.90%	-3.39%	-2.52%
Property lease	38,819,374.89	2,478,432.62	93.62%	12.95%	78.22%	-2.33%

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

☐ Yes ☒ No

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

☐ Applicable ☒ Not applicable

6. Particular about suspended and delisting

☐ Applicable ☒ Not applicable

7. Related matters relating to financial reports

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

☒ Applicable ☐ Not applicable

The Ministry of Finance issued revised "Accounting Standards for Business Enterprises No. 22-Recognition and Measurement of Financial Instruments", "Accounting Standards for Business Enterprises No. 23-Transfer of Financial Assets", and "Accounting Standards for Business Enterprises No. 24- Hedge Accounting", and

“Accounting Standards for Business Enterprises No. 37-Presentation of Financial Instruments” in 2017 (the above four standards are hereinafter collectively referred to as “new financial instrument standards”). The Company has implemented the above revised standards from January 1, 2019, and adjusted the relevant content of accounting policies.

In April 2019, the Ministry of Finance issued the “Notice on the Revision and Issuance of the Format of General Enterprise Financial Statements for 2019” (CK [2019] No. 6) (hereinafter referred to as the “financial statement format”). An enterprise that implements accounting standards for business enterprises should prepare the 2019 interim financial statements and annual financial statements and financial statements for subsequent periods in accordance with the requirements of the accounting standards for business enterprises and the notice.

This accounting policy change was reviewed and approved by the 11th meeting of the Ninth Board of Directors.

The company will implement the relevant provisions of CK (2019) No. 6 issued by the Ministry of Finance, and adjust and change the presentation of the relevant financial statements. The items and amount of the balance sheet that were significantly affected on December 31, 2018 are as follows:

Item	Consolidated 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
Notes payable and Account payable	88,617,663.09	
Notes payable		27,642,356.66

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

☐ Applicable ☒ Not applicable

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

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

☐ Applicable ☒ Not applicable

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